

# AGRICULTURE: CONFLICTS OF INTEREST IN A MIXED ECONOMY \*

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## Introduction

'Class consciousness means knowing which side of the fence you're on. Class analysis means figuring out who's there with you'.<sup>1</sup> Class interest means working out who benefits from what policies.

After the phrase 'mixed economy' entered ANC vocabulary Laurence Harris' 1989 paper<sup>2</sup> posed the crucial question; a mixed economy with what kind of orientation? The question was crucial because of fears and uncertainties on the part of many about the meaning of a 'mixed economy' and its practical implications. Are we moving away from the Freedom Charter? Some formulations come close to using the notion of mixed economy as a valium placebo which, once swallowed, will make all classes shed their fears about economic struggles and create a sort of paradise of harmoniously coexisting forms of production.<sup>3</sup> ANC policy statements on agrarian issues are limited to the Freedom Charter and the draft constitutional guidelines. Several ANC members have written on the land question and rural issues but these have remained at the level of individual contributions and we have only recently begun working towards a more detailed elaboration of agrarian policy.<sup>4</sup> Broadly speaking, we are committed to a policy of redressing the historical grievances on the land issue and seeking economic restructuring to achieve economic justice. The following generalisations, which are typical I believe of many views in circulation in the ranks of the movement, appear to reflect these objectives:

... of course many African families want their land to be returned to them on a freehold lease basis and we recognise the need to address the issue of land as a historical political grievance, an essential part of the National Question ... and some (farm) workers or labour tenants may wish and should be encouraged to form cooperatives ... the state may indeed have to take over some farms ... but it is probably unwise and unnecessary to tackle the large scale agribusiness enterprises as long as they improve workers' conditions and are generally beneficial to the economy - after all any restructuring should

be done carefully and pragmatically so as not to cause production to fall ... we need food and export earnings ...

The limitation of this sort of approach is that it fails to spell out the tensions and contradictions of a land redistribution policy in an agrarian economy which may continue to be dominated by agribusiness capital. Nor does it place restructuring in the context of the crucial question, 'what kind of economic orientation?'. It also does not adequately address the question of how exactly affirmative action to redress economic inequality might proceed. And furthermore it fails to spell out the longer-term objectives which should determine short-term choices. *Without a clear long-term economic policy of a decisive socialist orientation there is no hope of redressing the economic injustices of apartheid capitalism.*

Let us begin with some basic facts about the present structure of white commercial farming. In the last 25 years 40 000 farms have been bought out and merged with other farm units. Sixty thousand white commercial farm units remain. In 1983 27.5% of the white commercial farm sector accounted for 72.8 per cent of gross farm income and controlled 80% of agricultural resources.<sup>5</sup> Of the remaining 72.5%, approximately 46 000 farm units, are struggling to survive. Many white farmers are quitting - 3 000 are said to be on the verge of bankruptcy.

*I believe that the South African regime would welcome black land ownership of the majority of these 40 000 less profitable units.* It would cure one of the regime's political and economic headaches - caused by the need to maintain white farming incomes. The regime would be delighted with a Lancaster House type of solution which would provide whites with more than full compensation and leave farming of these less profitable units to blacks. Those paid out would seek more lucrative investments in the economy for their capital or possibly export such capital.

*This approach is already receiving significant support from SA's establishment and has been described as 'a bold rethink on farming'.* Simon Brand, chairman and chief executive of the Development Bank of South Africa (DBSA) says: 'It doesn't make sense just to scrap the Land Act. Black farmers will need access to markets, credits, inputs and infrastructure ... Most black farmers would not have the finance to buy formerly white farming land if it became available. The Land Bank would therefore have to ensure it was in a position to meet any possible demands for loans' (*Weekly Mail*, 30.03.90). Warren Clewlow, chairman of the State President's Economic Advisory Council attending the annual Agricultural Outlook conference told the 300 top agricultural experts and marketing executives that 'as political reforms continue, black people will gain ownership of agricultural land ... Existing

land currently deemed to "unproductive" would be handed over to "peasant farmers" who would be able to make use of modern bio-engineering' (*Star*, 14.02.90). Brand goes as far as to say that the relaxing of restrictions to land and access to inputs need not necessarily have a negative effect on production. 'We have to get the fictitious argument (that smaller farms would mean less efficient production) out of the way' (*Star*, 14.02.90) The view that land ownership patterns could be substantially altered without necessarily leading to production losses has been further supported by the Private Sector Council's Working Group on Rural Development (1988).<sup>6</sup>

It is therefore possible that we could face a negotiating situation in which the SA regime offers a plan which involves massive land areas being returned to black ownership on a freehold basis. At the same time ownership of the larger-scale profitable enterprises would clearly be defended 'in the interests of maintaining production, exports' and so on.

*An offer of return of say 80 percent of the land area seems conciliatory. So why should one feel wary and on the alert?* It is because these statements may well be part of a design to trap black people into the folds of de-raced capitalism.

*What future is there for blacks as small-scale commercial farmers? Let us remember that thousands of white farmers are having a hard time with an estimated 3 000 farmers on the verge of bankruptcy* (*Star*, 27.01.88). At present in the Springbok Flats east of Warmbaths (the type of area it seems Mr Clewlow might categorise as now 'unproductive' and fit for handover to black people), white farmers face such a severe crisis that in January of this year they pleaded for concessions to be granted to them by the government. They have appealed for a total debt standstill for 12 months, a freeze on interest rates, and an emergency aid scheme to help finance new production costs and a cut in electricity costs to reduce the expense of electric irrigation pumps.

*The crisis faced by these white farmers is made worse by the drought. But the drought is not the main reason for the general exodus of whites from farming.* In 1964 there were more than a 100 000 white farming units but 20 years later there were less than 60 000: a statistical indication that whites have not been so reluctant to quit their farms as we have been led to believe. The government toyed with ideas to inhibit this process for political reasons. A commission, 20 years ago, deliberated on land reform in white areas and opposed state purchase of land to assist the entry of young whites into farming at special rates of rental.<sup>7</sup> These proposals were never implemented as they conflicted with the state's main objective which was to enlarge farm complexes.<sup>8</sup>

This is the kind of farming scene into which it is intended to entice blacks. It would certainly not prevent the longer-term dominant trend towards large-scale agribusiness farming. The trend towards bankruptcy of small-scale farmers would continue. But there may also be an attempt to ensure that small black farms re-emerge as an integral part of a so-called 'dual' economy in which they would play a specific role in the reproduction of capitalist relations of production. Why so? In most third world under-developed economies of a capitalist orientation peasants have never disappeared, in spite of Engels' (1987) expectation that it would be impossible for 'small holding peasants to preserve their individual property and individual enterprise against the overwhelming power of capitalist production'.

*Capitalist economies which create conditions to prolong the existence of small holder production have done so because :*

Smallholders can produce certain food and raw materials for industries of better quality or more cheaply than large complexes. Attention is drawn to smallholding sugar production organised by the South Africa Sugar Association (SASA).<sup>9</sup> The DBSA found that small sugar farmers in Natal and the Eastern Transvaal were outperforming the large scale farmers in terms of gain yield and sucrose yield.<sup>10</sup>

Smallholders can produce cheap food for industrial workers and therefore subsidise the production costs of industrial capitalists by keeping down the price of the workers' food. This could lead to the Latin American model in which rural producers receive low prices for their produce and as a result are forced to go in for super 'self exploitation' as they work excessive hours on poor land to maximise their total income.<sup>11</sup>

*Land reform within this framework cannot respond to the demands made by the people of South Africa for economic justice. It has been called 'reformism',<sup>12</sup> because capital is simply realigning its strategy for greater efficiency and profit. So what role do we foresee for those involved in the rural economy in a future South Africa? What redesign of the rural economy is needed if the issues of social and economic justice are to be seriously addressed?*

### **Inherited Realities**

This section selects some vital issues which need to be addressed if we are to achieve a future South Africa in which work is a right, wages and rural incomes allow for a decent standard of living, and the health, safety and sustainable development of our communities is assured. The achievement of some of these objectives will depend upon whether we win certain political victories at the outset, eg the return of the land; other issues depend on

longer-term programmes. But the elaboration of a post-apartheid rural policy needs to take into account the background reality that we will inherit:

**Agriculture's declining role in the Economy:** The place of agriculture in the South African economy has changed dramatically in the last few decades. It is no longer of the same importance in terms of its contribution to the GDP or what it represents in terms of Fixed Capital Stock. "The contribution of agriculture to the GDP has continued to decline in the post war period. It was 15.2 percent on average in the 1950s, 10.9 percent in the 1960s, 7.9 percent in the 1970s and only 6 percent in the 1980s, (Bethlehem, 1989). In terms of Fixed Capital Stock commercial agriculture represents a mere R18 billion, only 4.5 percent of the R398.8 billion which make up south Africa's domestic economy. We note, however, that large amounts of capital are tied up in the purchase of land and fixed improvements. In 1985 these totalled R32 billion.<sup>13</sup>

**Agriculture and the Employment Crisis:** In 'what might be described as the "first world" sector of the South African economy only 11 percent of employment, approximately 0.93 million workers, was accounted for by agriculture in 1988 (Bethlehem, 1989). But official employment statistics do not provide the number involved in the 'third world' economic sector made up of subsistence agriculture and informal activities. It has been estimated that more than 50 percent of the country's population is still dependent on these for survival. These figures taken from the National Manpower Commission are disputable. Alternative estimates show that some three million are employed by commercial agriculture each year if we include family members of on-farm workers, the women and children coming from the bantustans for seasonal work and the illegal workers from Mozambique. Official employment statistics for the country as a whole show an 'insupportable rate of unemployment' (Slovo, *Weekly Mail*, 30.03.90). The 1960 official level of unemployment of 1.576 million was an estimated 25.2 percent of the economically active population. By 1985 the official level of unemployment was estimated to be 4.547 million. This represents 37% of the actively economic population: and increases are forecast.

*Agriculture provides better possibilities for ameliorating the unemployment crisis than other economic sectors.* The investment requirements necessary to create additional industrial employment are far greater than in agriculture.<sup>14</sup> But if we expect agriculture to play a major role in this area we need to pursue a strategy of rural transformation which tackles the entire rural economy - the land, the fixed improvements and the 18 billion of Fixed Capital Stock. It is

not enough just to deal with only one quarter of the agricultural economy (the 40 odd thousand farm units) which is not doing so well.

**Technology's effects on employment:** This is an area which requires considerable deliberation, research and examination of other experiences leading to the creation of a new use-of-technology design for our own reality. *We need to reconsider the current levels of labour-saving technology which prevent further employment opportunities.* White farmers were never called upon to consider the social and economic costs of job loss. *To what extent can yield-increasing technology be maintained while reducing labour-saving technology?* Whatever we do we should not fall into an excessive 'small is beautiful' approach which in some cases led to capital investment outlays in labour intensive machinery which could not achieve the production levels available using other machinery of equal cost.

**South Africa's urban industrial bias:** *The terms of trade for agricultural produce have declined for years.* Industrial expansion has been favoured at the expense of the countryside. The prices of industrial goods have increased relative to agricultural produce. This has led to a cost squeeze as the prices for agricultural inputs produced by industry (machinery and equipment) has increased more rapidly than the prices received for agricultural produce. The terms of trade, industrial/urban bias has contributed to the exodus from the countryside as expressed by the growth of the urban population by 7.5 percent per year (Bethlehem 1989). The rural economy currently fails to provide attractive incomes - the cities offer far better employment and survival opportunities. If indeed the rural economy is to achieve a higher quality of life the present urban bias policies will need to change. *Agricultural productivity and prices have to combine to enable rural producers to earn a 'living wage'.* Alec Erwin (1990) proposes the generation of a low cost, high wage, high employment dynamic. We must ensure that this should not come about at the expense of the rural producers. This tends to happen in restructuring schemes which are overdetermined by an urban industrial bias.

### **Transformation : Urgent Issues**

**Unionisation:** The working group dealing with labour relations during the ANC in-house seminar on agriculture noted the need to struggle for a 'living wage' not a 'minimum wage'. It also recognised the possible conflict of interest between rural producers and the interest of industrialists to encourage a cheap food policy.

Correcting the urban industrial bias will be a terrain of struggle in a future

South Africa. Rural workers and producers cannot depend only on legislation to fulfill their demands. The state could assist the process through price regulation, subsidies and a social welfare strategy. But farmworker unionisation, peasant association, and the right to strike are key factors in the struggle to redress imbalances.

In Zimbabwe post-independence legislation provided a minimum wage for farm workers. In response commercial farmers laid off about 52 630 farm workers.<sup>15</sup> A stronger trade union movement in Zimbabwe's rural areas would have been more effective in maintaining jobs and gaining real wage increases than was actually achieved through state legislation.

**The Role of Labour Legislation:** Conditions of employment on some Western Cape farms 'would seem familiar to those who owned them in 1830 or even 1750' (Hamman, FAWU organiser). The total 'wage' package is made up of housing, land, food and credit at the farm shop.

There is no case for farmworkers being the subject of labour laws which treat them differently from industrial workers. SAAU's argument that agriculture is 'special', when they oppose the application of the Basic Conditions of Employment Act on farms, is unacceptable.<sup>16</sup>

*The ANC workshop on rural areas recommended that guidelines should be drawn up on the following eleven areas: social rights, wages, benefits, conditions of work, conditions of living, compensation, pensions, trade union organisation, community organisation, decision making and children's rights.*

**Gender:** The ANC in house workshop on rural areas noted the need to 'engenderise' ourselves on the issue of women in the rural economy. Gender issues touch on every aspect of the rural economy: constitutional rights to land ownership, women as commodity producers, access to credit, technology, training, union organisation. Racism, patriarchy, and motherhood have disadvantaged women's access to education and training and it will take many years of affirmative action and privileged access to training opportunities for women to catch up. *Legislation on women's rights and benefits and the social monitoring of their implementation are crucial.*

**Access to Training and Services:** The ANC rural areas workshop in relation to training and promotion of services recommended 'There should be positive discrimination in favour of rural development to redress the urban/rural discrepancies. This should be particularly marked in relation to the national budget'.

A FAWU unionist points out 'the emancipation of South Africa's

farmworkers ... will not be brought about by simple legislative fiat ... *It will take years of education and training before rural people are able to realise their potential and to take control of the agricultural production process ... Granting the right to organise without fear of violence, dismissal and eviction is only a first step ...*'

**Sustaining development/Protecting the Environment:** Erwin (*Weekly Mail*, 30.03.90) points out that '*economic growth must not be at the expense of ... degrading our environment*'. *South Africa has a terrible environmental record:*

- monocropping has turned land into desert,
- levels of fertiliser use has led to the break-down of soil structure,
- use of pesticide and herbicide has caused injury to workers and deformities in the newly born,
- rivers have been polluted through chemical leakage not only from agriculture but also from the 'profitable' disposal of imported toxic wastes'.

*Future policy needs legislation on Health and Safety to protect rural producers, consumers who eat food which may contain harmful chemicals or hormones, and rural dwellers who depend on drinking water from rivers and boreholes.*

The use of improved seeds, herbicides, pesticides, and drugs for animals has led to a rise in levels of production. Our agriculture has demonstrated the increased production potential of modern technological development. This has been done at the expense of health, environment and economic vulnerability?<sup>17</sup> *Land depletion means short-term profits from production systems which are unsustainable.*

**National food supply, food prices and export production:** Mielie meal and bread are staple foods which receive major subsidies. Maize is also an export-earning crop. Agronomists have complained that the price levels of maize have encouraged the use of land which is unsuitable for maize production. They recommend the return of such land to pasture (Cowling, 1990). Indeed in 1989 the South African government introduced a scheme which *paid farmers not to plant maize.*

Our agricultural prices must be set at a level which provides economic incentives which ensure that our food needs are satisfied. But legislation may still be needed to continue to prevent the cultivation of certain crops in unsuitable land.

It has been suggested generally that 'our goal should be to maintain a high level of exports in order to purchase technology and those capital goods ...



vital for our growth process' (Erwin, 1990).

But the level of agricultural exports for which we aim must be in line with long-term projections of international markets and the tendency of worsening international terms of trade for agricultural produce. Ghana, for example, attempted to increase foreign exchange earning from cocoa production in compliance with IMF recommendations. Five years down the line a substantial increase in export levels brought no increase in export earnings due to lower world prices set by the 'First World'.

### **Forms of Agricultural Production:**

- **Agribusiness Farming** - South Africa's agribusiness complexes cannot be changed overnight. There are precedents we could follow on land confiscation from both capitalist and socialist economies: Japan, Taiwan, Cuba. In the case of South Africa, joint ventures may be necessary to ensure a medium-term managerial transition during which workers acquire necessary skills.

Swedish legislation prohibited the company ownership of agricultural land from as long ago as 1906. Their rationale is clear: companies have a different investment base and a broader taxation framework. They can weather bad years more easily; in short they are unfair competition for the 'family farm'. Swedish Ministry of Agriculture officials have been firm in their advice that company farms are inconsistent with the objective of state policy to maintain rural communities.<sup>18</sup>

- **Individual land ownership and production:** Many South Africans, black and white, cherish the thought of a rural homestead and land which they can farm and call their own. For some it may be the preferred way of earning a living. For others access to land, like access to a house, is part of the cultural mantle of security.

These desires do not disappear merely because there is legislation which provides for collectivisation. It may indeed be that small farms cannot provide the desired level of income or compete with large units. But the need to work collectively cannot be directly or indirectly imposed. It is a choice which people will arrive at in their own time.

Meanwhile provisions must be made for individuals to own land. Victims of forced removals will want a rapid return as soon as possible to their land. Labour tenants will demand ownership deeds. Other farm workers see the immediate issues as wages, working conditions and security. The unemployed also have a stake in claiming land. We need a process to handle their claims which complements the process of land claims on the basis of tenancy, removal, or birthright.<sup>19</sup> Another category interested in land is the

city dwellers, mine workers who want a homestead/rural residence with a small piece of land as a continued link to the land, or for holidays and retirement. *These projections do not in themselves rule out the possibility of white land holders continuing to farm land.* But there should be an insistence that all farm owners, black and white, must be involved in the production process and must respect labour legislation on the employment of workers.

● **State Farming** - In the end state farms may offer the best potential for a radical transformation of the relations of production and ensure distribution for the people as a whole. But there are historical reasons for a cautious approach. The development of the managerial capacity of farm workers is a prerequisite for the growth of state farms. South Africa's policies of race discrimination deprived people of education and skills training. Some non-agricultural parastatal enterprises in South Africa have a record of efficiency but farm workers, at present, do not have technical and managerial and organisational skills. It is possible that prematurely-created state farms would neither realise productivity goals nor the transformation of relations of production. Therefore we need to be wary of the formation of state farms in the short-term.

● **Cooperatives** - It may be inadvisable to break up the current farm units into small holdings to which workers and landless unemployed stake their claim. Cooperative forms of production may be the answer but cannot be imposed. The political and economic success of cooperatives depends on a combination of voluntary association, democratic practice, the availability of technical and managerial skills and ideological cohesion with commonly shared objectives. Flexibility is required on the part of the new state including the need to encompass the desires of the people in given situations. For example, FAWU organisers have noted that in certain parts of the country, farmworkers do not want farming land but rather a radical change in their conditions.

There is much to learn from the cooperative experiences of other countries. There are situations in which workers in fact have individual responsibility for, or own, a certain farming area but cooperate with others through cooperative or producer associations which share means of production, organise supplies of farm inputs and market the output.

Cooperative schemes organised around the supply of inputs, the marketing of produce and processing of produce have proved to be more successful. Processing ventures have also helped maintain and diversify employment levels in rural communities.

### **Democratic Community Participation:**

Development plans (whether for urban or rural communities) are generally imposed on communities from the top down. No successful transition from apartheid South Africa will be possible without the active participation of the farmworkers and all rural dwellers in defining and addressing the problems to be resolved.

There may exist possible conflicts between national and community interests. At the same time it is vital that 'people resident in communities must generate the development plan based on their most felt needs, identified through participatory and democratic processes, and have ownership of the attendant decision-making processes'.<sup>20</sup>

As political activists we may assist the process of developing community strategy and assist the process of resolution of conflict between national and community interests. If political process is absent, if we fail to obtain democratic worker and community engagement, national policy recommendations may not reflect the communities' felt needs. Thus their implementation may not be supported or ultimately defended. Nicaragua provides us with a sobering example.

### **Recommendations**

● Major considerations: *The repossession of land and its means of production fall into a unique category for the following reasons;*

- i) There is a powerful and political, emotional aspiration for the return of the land. It is a crucial part of our national question.
- ii) Unlike urban industrial assets, land was always there and belonged to the people. It was taken away. The issue of compensation for return of the land is therefore uniquely politically emotive and requires a people-orientated approach more so than any other sector.
- iii) The apartheid legacy of poverty and inequality involves a level of unemployment which is insupportable. Agriculture, more than any other economic sector, offers the possibility of providing a livelihood for the landless unemployed.
- iv) Without a radical rural transformation there will be an urban crisis.

● Legislation: The Bill of Rights and Constitution: the special nature of land and conditions of ownership must be recognised in the Bill of Rights and the constitution of the future non-racial democratic South Africa. We are utterly dependent on the integrity of the earth's natural systems for our ultimate survival. Thus the land clauses must recognise land as a national asset requiring exceptional status. The state must be vested with powers over those<sup>21</sup> who use our land which is to be inherited by generations to come.

Apart from the obvious need to repeal racially discriminatory laws the existing legislation must be completely reviewed to decide what parts of it should be retained. For example, the Subdivision of the Land Act should go, whereas legislation dealing with environmental abuse of land and water resources requires review.

● **Land ownership:** Land may be individually owned by those who are involved in the productive process. Land may be owned by cooperatives whose members work the land. Land may be owned by the state. Private enterprise may own shares in joint ventures in partnership with the state or worker cooperatives. It may not enjoy exclusive control. Ownership of productive land by absentee landlords or foreigners should not be allowed. 'Ghost' ownership should be prohibited, including provisions for confiscation in the event of transgression.<sup>22</sup> In the case of severe land pressure/demand for land, the state should reserve the right, after consultation with the community, to limit the size of the land holdings of individuals, the cooperatives or even the state farms. Recreational dwellings with productive land attached, ie seaside or mountain cottages may require similar legislation.

● **Leaseholds and Land Transferability:** The state will undertake the issue of leaseholds to the differing units of production: individual, cooperative, state farm, joint venture. Land repossessed by victims of forced removals and labour tenants should receive leaseholds which are hereditary and marketable. Leaseholds for individuals who continue to own and work land should be issued by the state which are hereditary and marketable. Land taken over by the state will be available for rental or purchase by individuals, a collective, or a community.

Successful land claimants will receive leaseholds as tenants or as aspiring owner occupants. The purchase price will be determined by the Land Board. Rentals should be available to claimants who do not wish to take out a mortgage. But if a tenancy continues over an extended period and a request is then made to purchase the land, allowance could be made for the rental payments to be discounted from the purchase price.

Cooperatives will also have leaseholds which are marketable. The conditions of distribution of the profits and the terms on which members withdraw from the collective will have to be established.

A joint venture enterprise will also have a leasehold and the enterprise may decide to sell land which it no longer wishes to farm. However the nature of a multiparty ownership will require special regulations for dealing with one party's decision to leave the enterprise. Clearly an existing partner cannot hive off a portion of land, as their share, and possibly damage economic

viability.

● **State control over the Land Market:** A Land Board will be appointed at regional levels to administer the transfer of land which has been given marketable leasehold status. The board will assess: the reasons for the land sale, the credentials of the purchaser and the consequences for the community of the change of ownership. If the land transfer is approved the board will check that the agreed land price is in accordance with land valuation guidelines. The Swedish Land Acquisition Act 1979 provides a useful basis for the more detailed elaboration of such guidelines.<sup>23</sup>

These measures are designed to prevent the emergence of landlessness, land speculation by land barons and the possibility of land prices which are out of keeping with the productive value of the land.

● **Land Claims:** *The ANC rural issues workshop recommended the immediate launch of a Land Claims Campaign. This mobilising campaign should encourage rural communities to submit their claims and set in motion an organised process which also serves as a forum for communities to place their concerns about land issues. The documentation of oral history affidavits and research will speed up the 'legal' process to return land when apartheid rule ends. The claims documentation campaign should be seen as complementary to, and in no way a substitute for, the land seizure actions which are taking place.*

Thus Regional Land Commissions should be set up in ANC/MDM offices<sup>24</sup> and immediately begin to register community claims, claims from victims of forced removals, labour tenants and former labour tenants who have been evicted in the last twenty five years. *A process needs to be designed to deal with the legalities to ensure a rapid return of land.* The land claims process should not take several years as is happening in other countries.<sup>25</sup> We suggest the recently appointed ANC Land Commission should set up a working group which works on this process design. In cases where individuals are claiming land to which they previously held freehold title and were dispossessed the repossession of land should be immediate.

*Regional Land Commission offices should also register the wishes of the men and women of the landless unemployed who want (a) agricultural employment or (b) a small holding.*

● **Compensation Issues:** *The issue of compensation is double edged. The majority was once dispossessed by the minority in conditions of conquest. Blacks may claim for decades, even centuries of dispossession. Whites may claim the marketable value of the improved farmland. If each case of compensation were to go to the court the number of potential cases would be immense. We must avoid this time consuming and expensive process. A National Compensation Commission should be appointed to adjudicate pos-*

*sible claims.*

The following is proposed:

*Farms owned by public companies and absentee landlords should, in principle, be nationalised.*<sup>26</sup> This includes the land, the farm buildings and the means of production. In appropriate cases, joint ventures could be considered which involve the former owners of the enterprise, the state and the workers. This would secure continuity of skilled farm management, worker involvement and incentive and the possibility of part of the profits being nationally redistributed. We may balk at the notion of compensation but the maintenance of production is important and the offer of a minority shareholding to the ex-owners in the joint venture may be advisable.

*Owner-occupier farmers* actively involved on the farm, whose farm is the object of a land claim, should seek compensation from a National Land Fund. *The National Land Fund* should be created and gain its resources from a specific tax, levied on all South African businesses which is set aside from all other state revenue.<sup>27</sup> In the first place it is politically unacceptable to raise such funds by direct taxation on the labouring people. In the second place we can learn from Zimbabwe's problems of land purchase due to severe budget cuts resulting from the economic austerity programme.

Repossession of land and deferred payment from a Land Fund based on a business tax has two advantages, (i) the repossession objective is immediately accomplished, and (ii) the repayment onus is through a mechanism connected to business profits and taxation. The possible alternative would be the payment of compensation through the issue of government bonds (Harris 1989).

Many of the farms falling within this second category actually have considerable bank debts. Thus the actual claims on the National Fund would be limited.

It would not be correct for the new leaseholders to inherit the agricultural bank debts; the banks should write these off. Compensation to banks for such bad debts could be placed with a Compensation Commission which would have to weigh up the bank's claim against the manner in which the bank may have subscribed to over-extended borrowing.<sup>28</sup>

The Compensation Commission should adjudicate possible claims guided by the following:

- The valuation should be carried out using the Land Bank's method of productivity assessment. This method is based on an assessment of what income can be earned from this land at average production levels and current market prices.
- Market price of land should not be the guide as it is a malignant

by-product of state policy on farm enlargement, credit, subsidies and the pressure of company land purchase.

- Land improvement assessments should also be ignored as the method of calculations can easily lead to overvaluation. The economist, Alfred Marshall,<sup>29</sup> long ago pointed out that expenditure may have been (a) detrimental (b) outdated and that (c) the accounting procedure would have to discount the returns already gained from the improvements.

- Forms of Production: While we recognise that state farms have a potential role in producing wealth which can be distributed for the general benefit of the South African people, the formation of state enterprises would depend on the availability of managerial, technical and organisational skills.

We have noted that without taking over that sector of agriculture which is efficient and profitable we would be condemning millions of black South Africans to long-term poverty in the less profitable sector of agriculture. However, for the reasons mentioned we suggest the creation of joint ventures between the state and the current owners for a certain period. During this period the farming profits would be shared but part of the payment deferred until the transition period is complete.<sup>30</sup>

The reshaping of our economy requires privileged access to institutional support and economic incentives which in the past were for whites only. In recognition of the potential benefits of cooperative enterprises which pay attention to community democracy, the numbers of jobs, the nature of the work, the distribution of the product and the improvement of the social welfare of the community.

Cooperatives should therefore receive the following privileges: credit at special low rates of interest, taxation concessions for profits reinvested in productive activities or community projects, marketing contracts, subsidised access to training, subsidies to employ technical advice when requested etc.

- Reorientation of agriculture's support framework. The South African state finances an extensive civil service dealing with agricultural affairs. It is almost exclusively orientated to white agriculture. Thousands of civil servants are employed by three directorates (technical, administrative, economic) functioning under the Ministry of Agriculture. These directorates provide the state's economic subsidies. These directorates are only the tip of a pyramid whose base is made up of the Land Bank, the marketing boards, etc

This infrastructure will have to be reshaped to serve new interests. Considerable reorientation will be necessary to assist new black farmers, cooperatives needing technical and managerial training and so on.

Economic tools are not neutral but are shaping instruments. Pricing policy, subsidies, interest rates, taxation were used to create the agricultural

economy we are to inherit. We must research how to use these tools differently in the interest of building a new agrarian economy.

## Conclusion

This paper opened with a question on the practical implications of a 'mixed economy' for South Africa. At present South Africa is a capitalist orientated mixed economy supported by state enterprises using capitalist managerial practices.

Described in broad brushstrokes, the agricultural economy has a profitable core of white commercial farming, a less profitable white periphery and a proliferation of millions of black rural homesteads with little or no land.

An 'affirmative action' agricultural policy does not adequately define what the role should be of black producers in a future South Africa. Neighbouring states and especially Latin American countries provide examples of land distribution 'reforms' in which rural dwellers become second class 'discarded people' in their urban industrially-biased economy. Communities which have challenged this status quo through cooperatives find it difficult to establish their economic viability in an economy dominated by large scale capitalist producers.

We have identified inherited realities and important categories which we need to address to correct imbalances. The recommendations are designed to create the basic conditions required for reshaping the rural economy and take first steps towards fulfilling the goals of the Freedom Charter. At the same time the recommendations are designed to create conditions favourable to the growth of socialised forms of production in the countryside. The alternative is a mixed economy in which capitalist forms of production would continue to dominate and the majority of rural dwellers remain impoverished.

## Notes

1. from a Canadian Organising poster - see reproduction in Umsebenzi, Vol 6, (1) 1990.
2. Laurence Harris (1989) - 'The Mixed Economy of a Democratic South Africa' (paper delivered at the Lausanne Colloquium of the Institute for Social Development, University of Western Cape).
3. See Ronald Bethlehem (1989) (2nd draft of 'South and Southern Africa into the Twenty First Century: Economic Development in South Africa') - 'a market economy is able to accommodate economic institutions that are both socialist and capitalist in character and, therefore, is in a position to serve a purpose in reconciling ideological differences.' I think this kind of statement is misleading - it suggests the possibility of long term coexistence whereas in the real world an economy has a certain dominating and dynamic orientation which acts against any weaker tendency. For example the difficulties of establishing worker cooperatives in capitalist economies is well documented.
4. An ANC-led Land Commission is being formed. See the recommendations of the report,



'Breaking New Ground' on the proceedings of an ANC in-house workshop on the Political, Economic and Social Issues of South Africa's Rural areas. This workshop is to be followed up by a comparative studies workshop in which ACN/MDM participants will review critical issues with reference to the post independence experience of selected countries: Botswana, Mozambique, Zimbabwe, Tanzania, Zambia, Kenya and Nicaragua. This workshop was preceded by two others: see the SASPRO report on the Harare May 1989 workshop, 'Rural Strategies and the Land Question' to which about 20 ANC delegates were invited. The contributions of ANC invitees to the SAERT Wageningen workshop have been taken up for further discussion. See *Work in Progress*, 64, 1990, 'Returning the Land'.

5. 1% of farmers, or 590 units, contributed 16% of gross farm income, a projected average of R2.62 million per unit in 1985, 6% of units produced 40% of gross farm income and that 30% of farmers, or 17,700 units, produced 75% of income.

6. See p76. Question: Would the entry of non white farmers to white farming areas have a disastrous impact on agricultural production?

Answer: ... Some farms are likely to be farmed worse and some better by non-whites than whites ... if 10% of the current white farmed land taken out all over the country disappeared from farming entirely it would have no significance as far as the availability of sufficient food is concerned ... in many parts of the country ... white operated farms are only producing a minute percentage of what could be produced under top management.'

7. *Second Report of the Commission of Enquiry into Agriculture*, R.P. 1970. Such farmers would lease land from the state at special rates on rental because of the Commissions' assessment that land prices were out of keeping with the productive value of the land: 'the agricultural value is interpreted as the income yielding capacity of specific agricultural land, against the ruling price levels of agricultural products under conditions of land use which will assure the conservation of productive resources' (p84). The unrealistic high land prices in South Africa carry the germ of both the destruction of our agriculture and the impoverishment of the farming population.

8. Policy objectives were designed to restructure agriculture. Policies favoured farm enterprises who could take most advantage of tax relief on new investments, rebates and subsidies.

9. Cooper (1990) describes the scheme as 'probably the most successful stimulus to peasant agriculture' SASA 'made available finance to (some 8 000) peasant growers encouraged sugar mills to provide the necessary infrastructure ... flexible labour demands accommodate migrancy and there was ... an assured market.

10. DBSA report quoted in *Weekly Mail* special supplement (p5), 'The state looks anew at the question of land.' March 30th to April 4th.

11. De Janvry (1981) provides an extensive analysis of not only how Latin American smallholder producers subsidise foreign and domestic capital in Latin America but also how commercial farming exports cheaply imported into the 'North' are an example of Southern domination by more powerful capital. See especially pp 32-40, the section on The 'Contradictions of Accumulation in Disarticulated Economies'.

12. De Janvry (1981) points out that in Latin American 'radical' land reforms where for example a ceiling was placed on the amount of land held by an enterprise then the subsequent enterprise rearrangement led to an obligatory and effective modernisation process as all means of production were then centred on the remaining best lands. Peasant beneficiaries received the remaining less productive lands where they could continue their own super self-exploitation eking out produce through long hours of family labour.

13. *Abstract of Agricultural Statistics* (1987: p87, Table 81).

14. Bethlehem (1989) calculates 'performance ratios' of Fixed Capital Stock per employee. The lowest figure is actually for construction with R/worker at 6 340, wholesale and retail at 17 265 followed by agriculture at 19 479. R/worker in mining is 42 020, in manufacturing 29 803.

15. Personal correspondence with a Zimbabwean labour official. Minimum wages were one factor contributing to the loss of 56 300 jobs (about 20%) in agriculture, 11 000 jobs (about 19%) in mining and 7 900 jobs in domestic service in the period 1980-1986. Wages levels were static for the six year period - there was a drop in real wages of 1.3%. By 1990 real wages had dropped below 1980 levels but this has not led to more jobs becoming available. Therefore while minimum wages can be seen as a necessary part of a socially just society the bureaucratic process should not undermine union organisation. There is also a need for flexibility according to the form or economic sector. Minimum wage levels can lead to retrenchment at the less profitable end of some economic sectors or in smaller enterprises being swallowed by conglomerates which can pay the minimum wage level.

16. SAAU farmers use the Trespass Act to prevent union organisers coming onto the farms.

- They want: no restrictions on Sunday work or on hours of employment per week or per day.
17. The adoption of new technology which increases producers' vulnerability is illustrated through the maize producers crisis during the drought of the 1980s. Yield increasing biotechnology does not work if there is not enough water. Farmers incur higher costs but in low rainfall years they experience an income slump leading to possible bankruptcy.
  18. Thanks to Birgitta Hanson, Gunnar Rosqvist and Ulf Larsson of the Swedish Ministry of Agriculture, and Bo Genfors of the National Farmers Union who took the time and patience to explain the basis of Swedish land policy. I express thanks to SAREC, the Swedish Academic Research Council for setting up the visit.
  19. Anninka Claassens presents the view that land relocation should be part of a longer term process due to 'struggle - of people getting land over time in forms that are appropriate to them'. It is undoubtable that the most successful repossession and reorganisation of production has been grown out of rural struggles - but how can this approach mesh with the national need to create employment? (Collinge, 1990).
  20. Jean Arnold. International environmentalist, personal communication.
  21. Braden (1982) describes how in the USA farmers find themselves confronted by an increasing number of rules which allow specific rights to be limited by government - to deal with soil conservation, pollution control and so on.
  22. We already have examples where white farmers have access to farmland in the bantustans because black farmers are set up to act as a front.
  23. See the Swedish Statute Book (SFS), 'Land Acquisition Act, SFS' (1979:230).
  24. See p59 'recommendations' of the report, 'Breaking New Ground' The tasks of the Land Commission should be to 'initiate a process of community land claims through MDM/ANC offices. This would preempt a situation of land grabbing (and repression of such) as has occurred in Zimbabwe. It would also put into place a political process of which communities are a part and have a forum to place their concerns around land'.
  25. Land claims lodged by Canada's indigenous people are taking seven to ten years to process involving huge legal expenditures.
  26. In 1906 the Swedes passed a law prohibiting the company ownership of agricultural land. Swedish civil servants from the Ministry of Agriculture still argue this to be a correct position. They note that companies have a different investment base, a different tax base - companies can afford losses on the agricultural component of their business and present unfair competition. They see this law as essential if your objective is to maintain a rural community farming structure.
  27. In Zimbabwe each annual budget identifies a sum of money to be spent on government land purchase for land resettlement. In recent years, due to the 'austerity programme', this fund has been consistently cut. The limitations of financing land repurchase from general state revenue are thus clearly laid out. Whereas repossession of land and deferred payment from a business tax (i) immediately accomplishes the repossession objective and (ii) the repayment onus is through a mechanism connected to business profits and taxation.
  28. In their position towards white commercial farming the banks showed themselves to be reluctant to call in the debts and even advanced new loans. The auctioning off of bankrupt property would have meant that the bank stood not only to lose receipt of interest payments but part of the capital too. The Cape Times (17.03.88) reported the 'grave concern' of the Finance Minister as 'the short term component of the debt since 1982 comprised more than 50% of the total - a situation generally regarded as unsound'.
  29. Alfred Marshall (1920), 'Principles of Economics' argues that, as a guiding principle, the present value of land, 'should not exceed the expense, in so far as it can be properly charged to agricultural account, of bringing the land from its original condition to one in which it would be as fertile and generally useful for agricultural purposes as it now is'. Not every expense ever incurred should be 'accounted', as Marshall argues 'that some of these expenses were incurred to suit agricultural methods no longer used and some of the past expenditure may even have reduced the potential of the land. Furthermore the accounting of outlay should rightly include the interest which could have been earned by the capital but should therefore deduct the value of the extra produce which is attributable to improvement.'
  30. Mozambique had a very negative experience of companies transferring capital out of the country through false invoicing methods, or depleting the capacity of the enterprise through failure to carry out the yearly expenditure to renew stock and maintain the enterprise. This is the reason for the suggestion that part of the payment should be deferred.

**References**

- \* This contribution is part of ongoing discussion on the land question within the African National Congress.
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