

,OBSTACLES TO AGRICULTURAL DEVELOPMENT IN THE COMMUNAL AREAS OF THE EASTERN CAPE

REPORT FOR THE EASTERN CAPE PROVINCIAL GROWTH AND DEVELOPMENT PLAN

ADDENDUM

PROF GAVIN FRASER

My brief was to review the report presented by Prof Fred Hendricks on the “Obstacles to Agricultural Development in the communal Areas of the Eastern Cape”. In general, I tend to agree with the comments argued by Prof Hendricks in his report but there are some areas where I have a different point of view, which is in all likelihood the result of differences in our academic background. In this addendum I have made additions to Prof Hendricks’ report under the headings that he used. I have also included an additional section on the characterisation of small-scale farmers, which I feel is an important factor in understanding the obstacles faced in developing agriculture in the communal areas of the Eastern Cape.

I have also made certain premises in the addendum, which seem to differ from the approach adopted in the initial report. I shall first put forward these premises before making the comments/addition on the report. I am also including at the end of the addendum an outline of the presentation I gave to the Provincial Growth and Development Working Group in East London on the 17 February 2003.

PREMISES

I am accepting that the short-run *status quo* in the communal areas remains in terms of the availability of land and the social conventions. The report looks at a more macro picture of obstacles to agricultural development and will include areas outside the present

communal areas. Although I agree that there needs to be a restructuring of agriculture in terms of making resources available to previously disadvantaged people who wish to farm, the obstacles that impinge on the ability of farmers in the communal areas need to be addressed in the short-run. The socio-political restructuring of agriculture, in general, will be a longer-run process. The addendum will adopt a socio-economic approach to the obstacles inhibiting agriculture in the communal areas.

CURRENT REALITIES

The report rightly states that agriculture contributes about 4% to the GDP nationally and 6% in the Eastern Cape province while 9% of the workforce is employed in agriculture. The direct contribution of agriculture is small but it increases if value adding to the raw product and backward and forward linkages are included. These include the supply of agricultural inputs (backward linkages) that are a significant segment of the economy and the forward linkages, which include the transport, storage, processing, and all the aspects of marketing such as grading, packaging, credit, wholesaling and retailing. When these are included in the equation the contribution of agriculture to the economy is quite substantial.

Fraser, Monde and Van Averbek (2003) calculated that in the central Eastern Cape, agriculture contributed 9,3% of the household income. This is somewhat greater than that calculated by Mpambani (1993). The sources of household income for the former Ciskei area for 1999 are included for comparison purposes. Although they may not be directly comparable there are a few noticeable differences, apart from the differences in the contribution to household income by agriculture. The one is the decline in the level of remittances, which are a quarter of that in 1990 and that the level derived from social welfare benefits have increased significantly.

TABLE 1: SOURCES OF HOUSEHOLD INCOME IN TRANSKEI (1990) AND FORMER CISKEI (1999)

Source	Relative Proportion	Relative Proportion
Remittances	42,3%	10,7%
Salaries and Wages	27,3%	33,1%
Social Welfare benefits	16,2%	42,0%
Self Employed	3,5%	4,9%
Agriculture	1,2%	9,3%
Other	9,5%	-

Sources: Mpambani (1993) and Fraser, Monde and Van Averbek (2003)

THE LAND ISSUE

The report states that the main role of the reserves became human residence instead of any semblance of agricultural production. Indeed, the people were denied the wherewithal to undertake proper farming. However, the anomaly exists that a large proportion of the arable land is left fallow. A number of factors may account for this such as, *inter alia*, a lack of resources to farm, the persons who have access to the land are absent or there is a lack of incentive to crop the land. In addition to the above, other sources of income act as a disincentive to production. The risk attached to agricultural production, especially crop production, makes it rational rather to use the income to purchase food than to use it to use it on agricultural inputs.

On the basis of the fact that land is not being utilised by the largest proportion of the rural population for various reasons, it seems reasonable to propose that arable and residential land in the former homelands should be transferred to individuals and upgraded to full ownership. In this manner, the *de facto* rights to land enjoyed by the reserve residents could be safeguarded and registered as a full title. This would also provide a starting

point for the establishment of a land or rental market, which would allow the arable land to transfer to its most productive use.

CHARACTERIZATION OF SMALL-SCALE FARMERS

Although there exists a large amount of literature pertaining to small-scale farming, there is a great deal of confusion and controversy as far as the characterization of the small-scale farmer is concerned (Eiseb, 2000). The concept of small-scale farmers in South Africa is laden with subjectivity and has been associated with non-productive and non-commercially viable agriculture that is found in parts of the former homeland areas. However, it is much more difficult to determine who are meant when reference is made to small-scale farmers and subsistence farmers in the former homelands, or emerging farmers, black farmers, small-scale white farmers, previously disadvantaged farmers, farmers owning small pieces of land or farmers with small turnover. This difficulty arises in the methodological problem of characterizing and defining of the small-scale farmers. Moreover, this insufficient understanding of small-scale farmers is often cited as a major reason for the failure of many development programmes and projects.

A clear characterization of small-scale farmers would shed light on how to define them. Although targeting of specific groups is difficult, it is known that small-scale farmers are those that receive only a portion of their gross income from farming, who usually have production rights rather than ownership of land, who mostly make use of family and casual labour and whose production objective may range from subsistence to infrequent or inconsistent surplus production for marketing purposes. These variables make the small-scale farming system unstable and will eventually lead to its disintegration.

Recommendation

The study by Eiseb (2000), which investigated the characteristics of households using discriminant analysis revealed that “surplus farmers” and “subsistence farmers” differ significantly on variables such as sex, title deeds to arable land holdings, competency of

extension services, non-farm income, age level of education and pension earnings. The strongest discriminating variables were, however, education, age and title to land. Therefore in order to target the surplus producers it would be necessary to look at those who are better educated, younger and have title to the arable land. The granting of title deeds to arable land is not only important to ensure access to credit but would encourage more small-scale farmers to make on-farm investment through the use of non-farm earnings and transfer of land, which would lead to the efficient use of land. The right of the individual to own, sell and accumulate private property, including land, is one of the cornerstones of the economy. Alternative strategies could be applied to the subsistence producers to guarantee that they meet their objectives of ensuring a situation of food security. This approach would mean that the “subsistence farmers”, who do not have the resources, skills or desire to be farmers, could meet their needs, while those who wanted to be “surplus producers” would be in a position to acquire the necessary inputs and assistance to meet their objectives.

PRODUCTION

The report suggests the stimulation of economic development by means of generating public-private partnerships. The concept of the proposed Agripark to develop local entrepreneurs in agribusiness, which will be discussed later in the report, is also a move in this direction.

However, Monde (2003) has found that residents with occasional surpluses do not normally sell this produce but often give it away to relatives or friends as part of their coping strategies. When they are in need of food, they feel that they can approach their friends and relatives for assistance. Therefore the problem of the households selling their maize or other produce when there are large quantities on the market and obtaining low prices is not the same as is experienced in other countries where farmers do not have the other sources of income as in South Africa. In research recently completed in the central Eastern Cape, Monde (2003) found that the only farmer who made a living from agriculture and produced a surplus of maize had no trouble selling his produce. The lack

of 'commercial' farmers in the communal areas will not have any impact on the going price of maize.

The report states that it is vital that the institutional arrangements facilitate the development of entrepreneurs. Security of tenure is crucial in this regard. Institutional arrangements should also ensure community cohesion so that there is a sense in which the progress of entrepreneurs can benefit the entire community. It must therefore be recognised that successful agriculture is a specialised activity and not a part-time extra undertaken by absentee migrant workers. This point needs to be considered in terms of the comments regarding the characterization of farmers. The development of a class of entrepreneurial farmers would require the targeting of persons who have the necessary skills and desire to become full-time farmers.

The Water Research Commission is presently in the process of commissioning a project to develop guidelines for the revitalisation of the irrigation schemes in the Eastern Cape.

In terms of alternative crops that could be produced in the communal areas, some thought needs to be given to the cultivation of industrial crops, which needs to be processed into usable commodities. Food crops are often produced in very marginal agricultural areas of the reserves from a soil or rainfall point of view, usually to meet food security needs. This is extremely risky as a way of meeting their objectives. Investigation could be carried out into the cultivation of crops with low risk for the marginal areas and for which there is a market, e.g. aloe ferrox or hemp. This could be considered together with the suggestion later in this report on the development of small-scale entrepreneurs to initiate value-adding enterprises for locally produced crops.

LIVESTOCK

From an economics point of view the large cattle holdings in the communal areas is rational if the objectives of keeping the cattle are taken into account, as opposed to the view put forward in the report. If the cattle are seen as a symbol of status or wealth, the

owners are being perfectly rational by maximizing their wealth by increasing the number of cattle they own. This leads to the overexploitation of the natural resource, i.e. the grazing, to which there is open access. This has been termed the “tragedy of the commons” (Hardin, 1968). In the case of commercial producers, they attempt to maximize their income from the use of the resource, which results in a higher off-take and a sustainable use of the grazing.

Open access to communal grazing land results in a situation where the individual livestock owner does not bear the full cost of the decision to increase his herd size, i.e. there is a divergence between private and social costs (Vink, 1986). The livestock owner will rationally add animals to the point where the private cost and benefit are equal. If there are several stockowners that have unrestricted access to communal grazing land, the equilibrium stocking rate occurs where the cost of keeping an animal on the common is equal to the average value of production. This equilibrium arises in open access situations because stockowners consider only their own private costs and benefits when deciding whether or not to make use of the grazing land (Fraser, 1989). The social costs, for example, the effect of overgrazing on the long-term sustainable stocking rate, are disregarded. Where the land is not privately owned the profit is zero. There is no incentive for a stockowner to reduce his stock numbers, as the profit would accrue to other stockowners – the free riders (Lyne, 1989).

As a result of the divergence between private and social costs, a greater number of animals are kept on the land than would be the case under private tenure. Bembridge (1984) estimated that Transkei was 28 per cent overstocked. This affects the production of livestock in that it results in overgrazing and the concomitant problems that are associated with overgrazing, such as high mortality rates and low fertility rates. The long-term effects of overgrazing become evident as the grazing is degraded and erosion takes place. In times of drought, the grazing cannot sustain the herd and large numbers of animals die. This usually reduces the herd to a manageable size, but the damage to the grazing has already been done. Fluctuations in the livestock numbers are not a recent phenomenon. For example, Hobart Houghton and Walton (1952) noted marked

fluctuations between 1925 and 1950 in the Keiskammahoek region. The fluctuations were in most cases related to rainfall. Hobart Houghton and Walton (1952: 164 – 165) observed that “...this would seem to indicate that the land is carrying the maximum number of stock of which it is capable under the prevailing system of pasture management (or, more accurately, lack of management). If the rains fail, there is heavy mortality and stock numbers are temporarily reduced; but the natural increase leads to the gradual rise in numbers once more to their maximum; and there they remain until the next drought decimates them”.

Khayltash (in Ainslie, 2002) estimates that about 120 000 animals are bought and sold locally for home slaughter, which would amount to an off-take of 7 % in the communal areas. This is somewhat higher than the estimates for the Ciskei (Fraser and Antrobus, 1988) and the Transkei (Bembridge, 1984) but does not compare well with the turnover of 20% for commercial farms in South Africa and 13% in Kenya (Antrobus *et al*, 1994). Another contributory factor regarding the low off-take of animals is that in some cases cattle are kept in the rural areas by relatives or friends for the *de facto* owner and therefore have no say over the sale or slaughter of the animal.

There are also opportunities for partnerships with the various branches of commercial agriculture. An example is the South African LandCare Programme, which is a community based and Government supported management programme and is focused towards conservation of natural resources through sustainable utilization by a community with a conservation ethic, created by education and community based monitoring of these resources. LandCare is a grass-root programme supported by both public and private sectors through a series of partnerships including the University of Pretoria with CIRAD, the National Wool Growers Association, the Agricultural Research Council and the Eastern Cape Department of Agriculture and Land Affairs. The LandCare Project of the Eastern Cape was initiated in 1999. The overall goal is to optimize productivity, food security, job creation and a better quality of life for all. A recent joint initiative between these associations is to intensify agriculture and, in particular, the development of small-scale wool production. This is stimulated by investment in shearing sheds and training in

wool shearing, sorting, packaging and other related practices. This is only one example but could be used as a model to investigate other possibilities involving various agricultural enterprises.

Another option is to improve the quality of the herds and flocks in the communal areas. This will provide incentives for the commercialisation of production if the quality of the produce is improved, for example wool or mohair, and could command higher prices or if the improved product could have additional attributes. The Faculty of Agricultural and Environmental Sciences has been involved in a project the “Re-introduction of Indigenous Livestock in the Communal Areas of the Eastern Cape” to re-introduce Nguni cattle back into the communal areas because of the unique characteristics of the breed which holds marketing opportunities for niche markets. As the animals are resistant to many tick-borne diseases, it means that they do not need to be dipped as well as having lower cholesterol levels, it is possible to produce natural or “organic beef”.

MARKETS

Developing countries are generally characterized by the inefficiency of their marketing system and as a result are faced with a vicious circle: if the farmer does not obtain an economic return from the sale of his surplus production, he will tend to produce at a subsistence level only. On the other hand, a shortage in the supply of a marketable surplus makes the development of an efficient marketing system extremely difficult. However, increased agricultural production, a growing marketable surplus and rising cash incomes not only improve the positions of the farmers but also makes a substantial impact on the economy on general. An increase in the cash incomes of the mass of the rural population would have considerable multiplier effects throughout the economy. Because of the generally low levels of income in the rural areas, the marginal propensity to consume is relatively high. Therefore any increase in the level of income will result in the majority of it moving back into the local economy.

Marketing of agricultural products in the former Ciskei went through a number of phases from the mid-nineteenth century to 1990. In broad terms the marketing effort may be divided into three phases, *viz* the era of the traders, a stage of partial vacuum insofar as marketing is concerned and finally a period of concerted government intervention (Fraser, 1991). In 1981, several marketing institutions were incorporated into the Ciskei Agricultural Corporation. The stated aim of the Corporation was, *inter alia*, to provide facilities for the marketing of crops, livestock and livestock products. Despite this effort, in terms of providing marketing channels and subsidized prices and inputs it did not have a significant impact on the commercialisation of agriculture in the region. There obviously needs to be other changes for farmers to make the step up to from being predominantly subsistence producers.

The development and training of a core of entrepreneurs is required to become involved in the marketing of agricultural products as well as value-adding to products grown by the small-scale farmers. The changes in the structure of marketing in South Africa since the passing of the new Marketing Act in 1996 and the changes globally have resulted in a movement away from centralized marketing structures. This affords opportunities for individual farmers or entrepreneurs to provide marketing services or initiate value-adding enterprises in the rural areas. As a movement in this direction the Faculty of Agricultural and Environmental Sciences has proposed the establishment of an “Agripark” as an incubator for small businesses which have an agricultural bias. The main objective of the Agripark is to provide an infrastructure and support base for the training of entrepreneurs in agricultural businesses and to act as a catalyst for small-scale farmer development in the rural areas of the Eastern Cape Province. An Agripark at Fort Hare’s Alice campus would create an incubator for **agribusiness** research and development, **market** research and support, **training** and **mentoring** for emerging enterprises, and provision of **micro-credit**. The Agripark incubator will create viable emerging rural and agribusiness enterprises in the Nkonkobe and Border region, provide opportunities for students and faculty to engage in both research and technical assistance, and integrate UFH expertise and the financial support of various donors in a practical demonstration of rural economic development, which is based on viable agribusiness markets.

The proposed Agripark provides an effective catalyst for the implementation of innovations and research targeted at community development. It completes the full circle, from the generation of an idea, through research and testing and finally the empowerment of the community to apply the innovation or setting up of a business. The Agripark would therefore provide the keystone in the new focused community partnership programme of the University of Fort Hare.

The development of the Agripark will provide two-way linkages between the Agripark and the local farmers and the communities. The demand for raw materials by the emerging agribusinesses will hopefully encourage the farmers to produce their required needs and thus provide an increase in income. If the raw materials required are harvested from the wild, members of the general community who have access to them will also benefit from the businesses. The development of the agribusinesses may also provide a source of employment for persons in the community. The resultant increase in income by the businesses, the local farmers and the community will induce multiplier effects leading to an even larger effect on the local community.

CONCLUSION

These points must not be seen in isolation, they are all interlinked. The production aspects are related to the supply chain, which includes the supply of inputs, the marketing, value adding, availability of credit, etc. There is a need to see agriculture in the communal areas as not consisting solely of farming. Other sectors of the industry can be exploited to the benefit of the farmers.

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Obstacles to the agricultural development in the communal areas of the Eastern Cape

Presentation to the Economic Growth and Development Working Group

Prof Gavin Fraser

My Premises

- Accept the short-run *status quo* in the communal areas
 - Land availability
 - Social conventions
- Socio-economic approach

Outline of Presentation

- Characterisation of small-scale farmers
- Land issue
- Crop production
- Livestock production
- Marketing
- Conclusion

Characterisation of Small-scale Farmers

- Great deal of confusion and controversy
- Often cited as reason for failure of development programmes
- Certain variables make the small-scale farming system unstable and may lead to its disintegration
 - Portion of income from farming
 - Production rights rather than ownership of land
 - Production from subsistence to infrequent surpluses

Recommendation

- Need to differentiate between “surplus” and “subsistence” producers
 - Sex, title to land, age, level of education, non-farm education
- Need to target potential “surplus” producers who have the skills or desire to be farmers
- Alternative strategies needed to address the needs of “subsistence” farmers

Land Issue

- Most households have access to residential site
- However, many do not have access to arable land
- Despite this apparent shortage of arable land, a large proportion is not utilised
 - Not sufficient to make a living
 - Other sources of income provide a disincentive to production

Recommendation

- Arable and residential land be transferred to individuals
 - Upgraded to full ownership
- *De facto* rights could be safeguarded
- Provide a starting point for the establishment of a land market

Crop Production

- In many areas cropping under rainfed conditions is very risky
 - Farmers have a limited range of products that are produced
- There is also a lack of production resources, e.g. tractor services
- A legacy of the former parastatals which developed a dependency culture among farmers

Recommendation

- Where traditional crops are unsuitable, encourage the cultivation of lower risk crops
 - Crops more resistant to the dry conditions
- Encourage the production of industrial and other crops which have the potential for value-adding

Livestock Production

- From an economic viewpoint, the large livestock holdings are rational
 - The objectives of keeping the livestock differ from commercial operations
 - The owners wish to maximise their wealth rather than their income
- In open grazing situations, the owner does not bear the full cost of his decisions
 - There is a divergence between the private and social costs and therefore a greater number of animals are kept

Recommendations

- Farmers need to bear more of the social costs of keeping livestock
 - Encourage them to move to a more commercial level of production
- Assist farmers to upgrade the quality of their livestock
 - The LandCare programme is encouraging small-scale wool production
 - The UFH Nguni project is trying to improve the quality of the indigenous cattle

Marketing

- Developing areas are characterised by the inefficiency of the marketing systems and are faced with a vicious circle
- However, increased production, a growing surplus and rising incomes improve both the position of the farmers and the local economy
 - Due to a high marginal propensity to consume

Marketing (cont)

- The communal areas of the Eastern Cape were subject to imposed marketing institutions
 - Tracor and Ulimocor
- These did not have the desired impact in terms of increased production and marketable surpluses

Recommendation

- The national and global marketing structure has changed
 - There has been a move away from centralised marketing structures
- Possibilities need to be made available for the development of a core of entrepreneurs to market and add value to local production
 - This has the potential for job creation with the concomitant multiplier effects

Conclusion

- These points must not be seen in isolation, they are all interlinked
- Need to see agriculture not only as farming
- There are other areas of the industry that can be exploited to the benefit of the farmers