



REPUBLIC OF SOUTH AFRICA

The Presidency

Programme to Support Pro-Poor Policy Development (PSPPD)



DEVELOPMENT OF EVIDENCE-BASED POLICY AROUND SMALL-SCALE FARMING

Michael Aliber & Ruth Hall

Institute for Poverty, Land and Agrarian Studies (PLAAS)

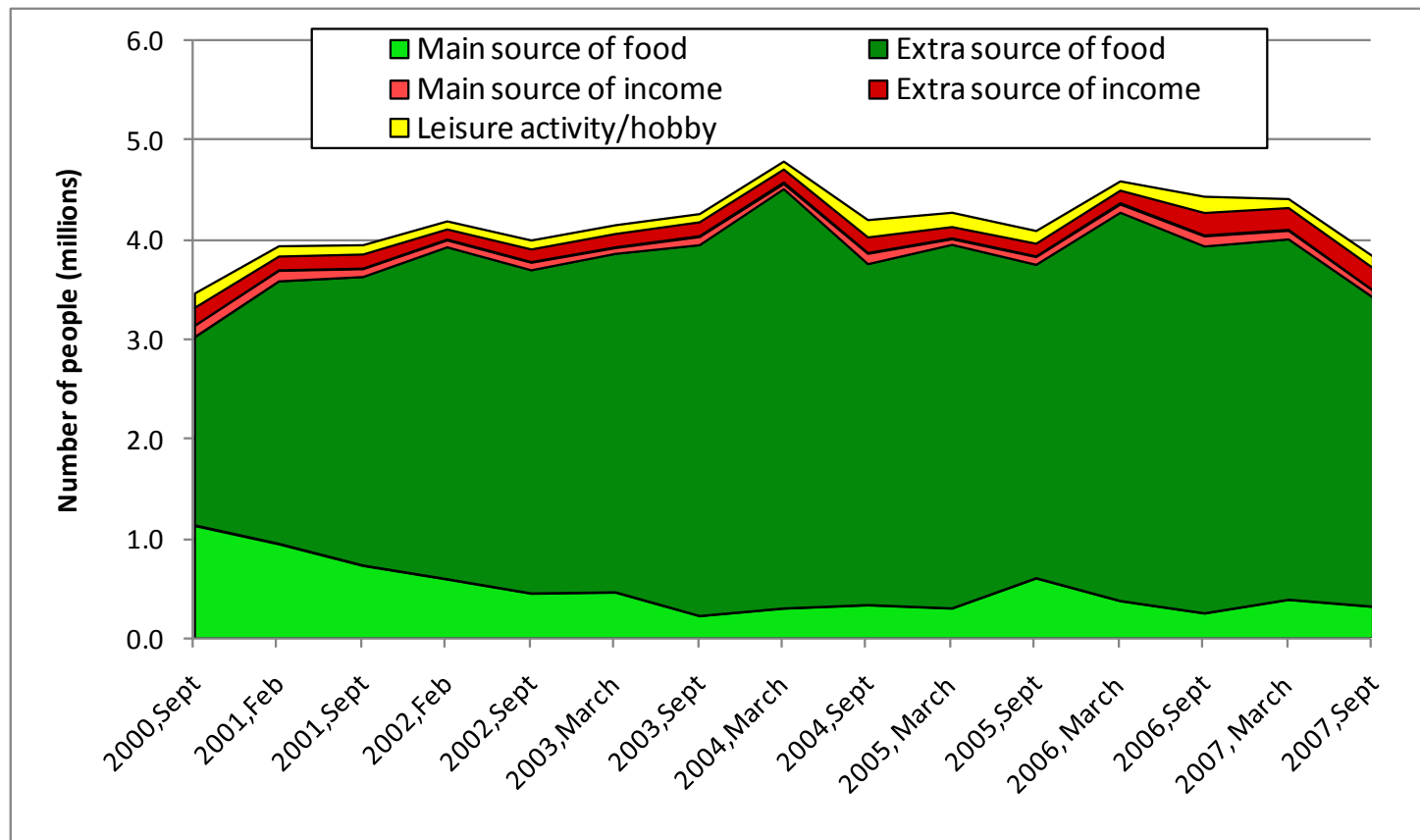


Introduction

- Terms of reference:
- *How to support small-scale and larger commercial farmers, and to make sure that they are productive and contribute effectively to the rural economy and to national food security.*
 - Support subsistence-oriented farmers to keep doing what they're doing, but do it better,
 - Support a certain share of subsistence-oriented farmers to become more commercially-oriented, and
 - Support existing commercially-oriented farmers to prosper
- Policy issues are specific to land reform and to SSF in communal areas, so we distinguish sets of questions:
 - LR: How has (redistributive) land reform performed thus far in creating opportunities for farmers of various scales, and why?
 - CAs: What opportunities are there for existing farmers to improve their output and incomes, and what accounts for the vast amounts of under-utilised arable land?

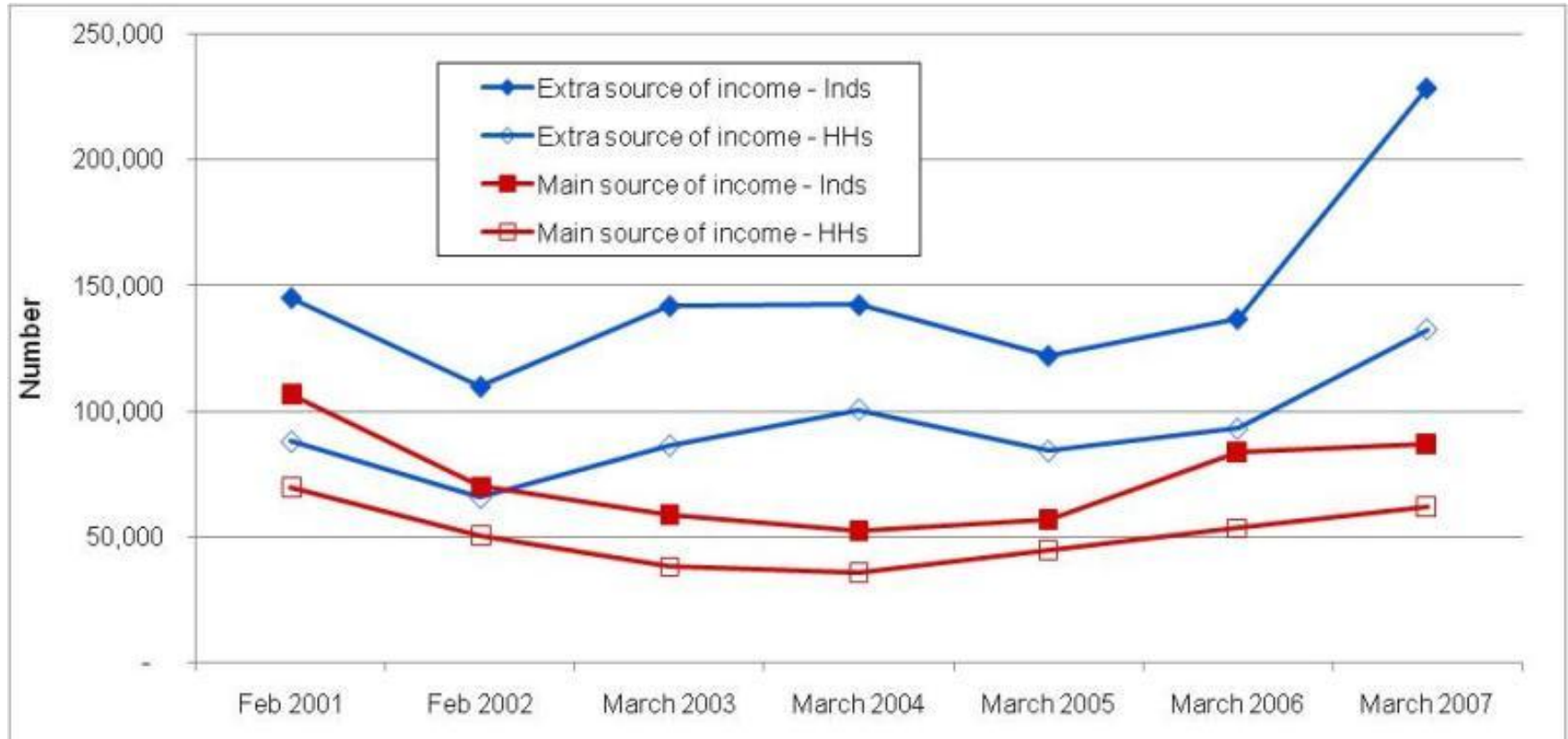
Size and composition of the sector

- From LFS, there are 4 - 4.5 mn black individuals (15+ years) involved at various scales in agriculture, belonging to 2.5 mn HHs
- ‘Subsistence’ producers – 52% female-headed
- ‘Commercial’ producers – 36% female-headed



How are black commercial farmers doing?

- ‘Black commercial farmers’ those who produce as a extra source of income + who produce for a main source of income 4% - 8%
- Contradictory indications:
 - positive (CEC data: productivity rising; more bl commercial farmers than 30 yrs ago)
 - negative case study evidence (are struggling, problems with marketing, property rights, input costs)



Land reform: changing mechanisms and agendas

- Over time, more money concentrated among fewer beneficiaries – apparently due to perception that inadequate grants were responsible for poor project performance.
- Best available estimates on basis of DRDLR M&E data:
 - 3,900 households benefiting per year in period 2001/02-2005/06
 - 2,000 households benefiting per year in period 2006/07-2008/09, despite expenditure in excess of R1 billion. *[these are annualised averages]*
- Impacts on livelihoods:
 - Few large commercial farmers established; where this has happened, impact on livelihoods appears neutral (LaLR, Limpopo study)
 - Modest numbers of additional livelihoods can be created, more than compensating for lost farm worker jobs (eg. Elliot district study, Treasury 2005)

Land reform: relevant international experiences

- Kenya's Million Acre Scheme of 1960s
 - enabled conversion of 1.5m ha of White Highland estates to comparatively prosperous 'peasant' agric in 9 years – Leo (1984) and Cliffe (2000)
- 'Repurchase-subdivision-resettlement' (RSR) model
 - successfully employed in Kenya & Zimbabwe where large numbers of small farmers had been restricted to 'reserves' / Tribal Trust Lands.
 - Key benefits: public provision of bulk infrastructure (dipping tanks, marketing depots) in contrast with dispersed model of redistribution in SA
- Parallel 'Master farmer' reforms
 - transferred large tracts to individuals, thro subsidised purchase; substantial cost and high attrition rates due to debt but some successes and despite small numbers, from a low base substantial growth of this sector was achieved.

Farmer Support Programmes

1987-1993

- First co-ordinated attempt to support black *smallholders*
 - Initial focus on commercialisation, but broadened over time to include support for subsistence production
 - Use of farmers' associations and participatory planning
- 25 000 farmers supported via 35 programmes
 - Range of support services: credit, extension, mechanisation, marketing....
- Successes: seemingly mixed performance; mid-term review led to some changes
- Problems: generic, eg low quality of extension, indebtedness, co-ordination problems....
- Critiques:
 - Williams – 'inappropriate', should rather just focus on marketing and land
 - Sender – unreplicable because too expensive (true?)
- Our view: overall a good model; why not dust off, review, refine, focus....?

Siyakhula / Massive Food Programme

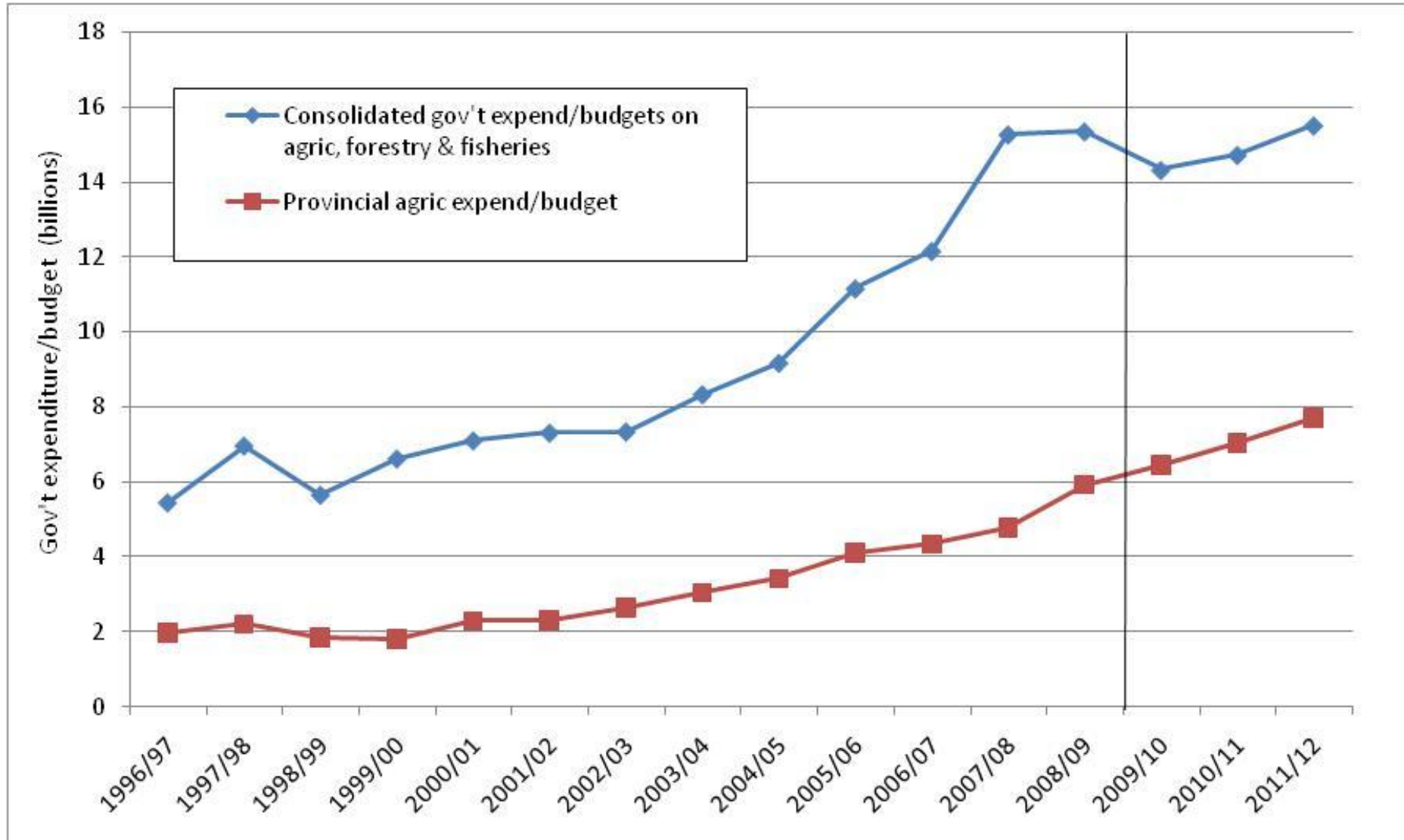
2003

- Aim: promote successful black commercial farmers via improving input supply (and use), mechanization, and credit access
 - Focus on field crops
 - Use of state funds for grants and loans over a four year period, scaling down from a grant of 100% in year one, to 75% in year two, 50% in year three to 25% in year four, ie for input costs
 - Typically required farmers to identify contiguous piece of land 50+ HA
- Achievements: increased maize yield among some farmers/schemes
- Problems: indebtedness, high attribution, funding delays affecting input access, tractor contractors under-tooled
- Critiques:
 - Nilsson and Karlsson – extremely top-down, too cozy with Monsanto!
 - GRAIN – foisted debt on poor people, officials blame farmers for “lack of understanding and commitment”
- What we like: ambitious, area-based, attention to supply industries

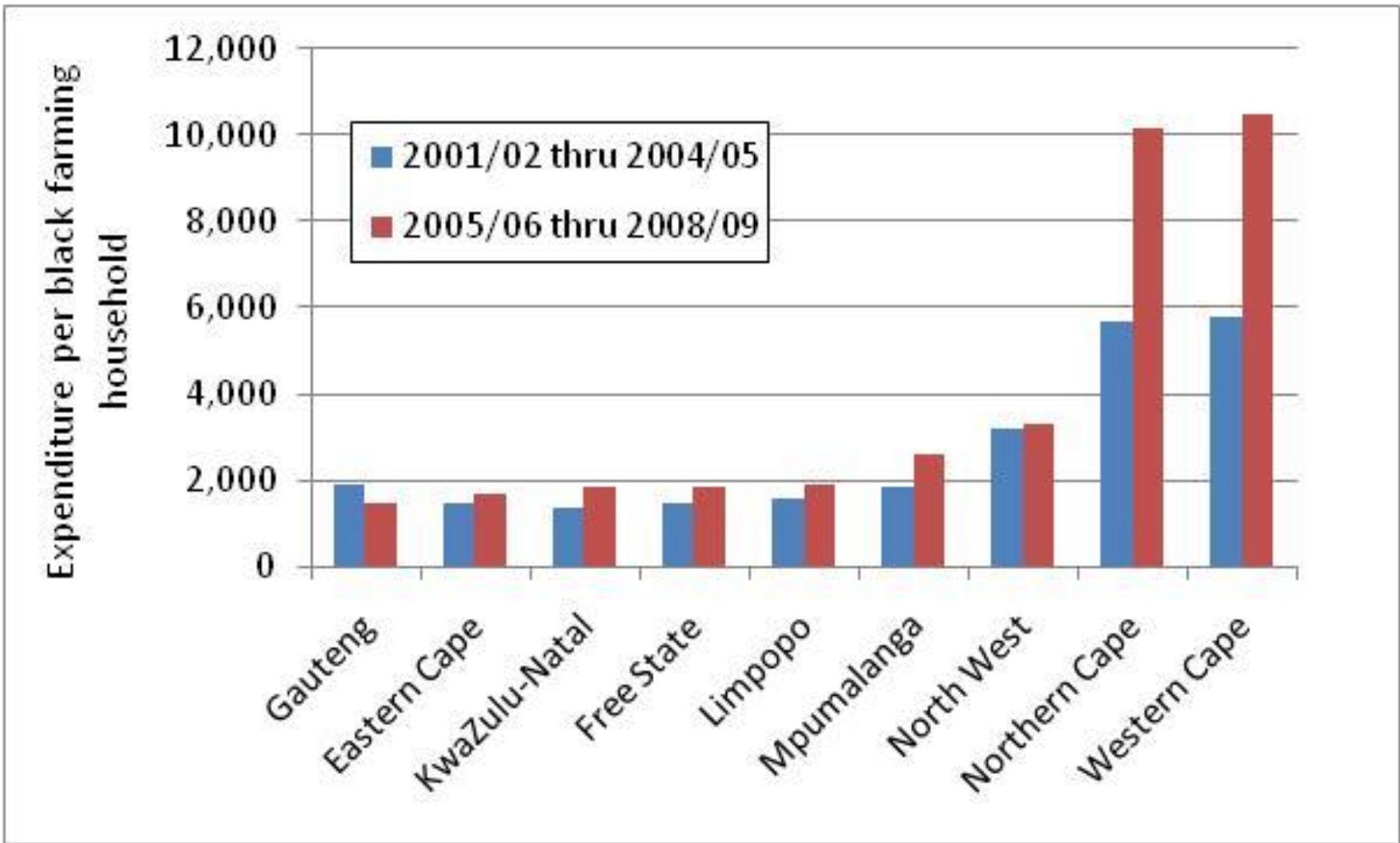
Agriculture budgets

- The amount of money spent by government on the agricultural sector has grown impressively since the mid-1990s
- Even after adjusting for inflation, between 1996/97 and 2008/09, expenditure nearly trebled
- Public expenditure on agriculture now exceeds what it was prior to democracy
 - in 1985, budgets for agriculture were about R11 bn, of which R2 bn was for 'black agriculture' and R9 bn for 'white agriculture' (World Bank 1994), expressed in 2008 Rand;
 - the agriculture budget for 2009/10 was over R14 billion, of which most went to 'black agriculture'

Overall budget trends: 1996/97 – 2011/12



Provincial agriculture expenditure per black agricultural household



Source: National Treasury, various

Distribution of funds and benefits

- Three most significant forms of support to SSF are:
 - CASP (61,000 benef's p.a. on average)
 - MAFISA (2,500 benef's p.a. on average)
 - Extension services (reaching 11% of SSF acc to Rural Survey of 1997 – we speculate that current reach is not very different)
- What this means is that, in a given year, at most 13% of black farming households are deriving direct benefits from the 58% of the provincial spending made up from these three interventions.
- The biggest worry arguably is extension, in the sense that it already accounts for a large share of provincial expenditure (not less than 50%) yet reaches few people.
- How much larger would the extension service have to be to make an appreciable difference, i.e. to reach a significant number of black farmers?

Evidence presented in the report

- Input supply
- Production support
- Extension
- Infrastructure
- Credit
- Marketing
- Climate change
- Building local synergies
 - Between SSFs and large-scale farmers
 - Within SSFs and agricultural value chains
 - With health and education institutions

Where should the emphasis of a small-scale farmer strategy lie? - I

- In view of South Africa's massive unemployment problem, and the already very large numbers of South Africans farming on a small scale, it should aim to maximise the creation of livelihoods, largely (but not exclusively) of those already engaged in SSF.
- The purpose of such a strategy must be to focus on the potential of this sector to contribute to labour absorption and poverty reduction, particularly in the economically depressed areas of the ex-Bantustans where (self-) employment is most needed.
 - Turning small-scale farmers into large-scale commercial farmers is therefore counterproductive on the grounds of both equity and efficiency.
- Where land reform is taking place in the commercial farming areas, the priority is to make possible options for small-scale farming, and to limit the emphasis on commercial success – in order to reduce the incidence of project failure which brings few benefits to 'beneficiaries' and no return to this public investment in transformation.
- **Therefore the strategy must be focused on livelihoods, and support the option of SSF.**

Where should the emphasis of a small-scale farmer strategy lie? - II

- A sectoral or generic support strategy?
- One option: Build on existing production and support the sectors in which SSF are already involved
 - A basic limitation is the path-dependence of this approach; existing production not necessarily optimal, and no intrinsic reasons why SSF cannot branch into other sectors
- Second option: Explore sectors in which SSF could hypothetically succeed
- But: we propose an alternative to a sectoral strategy
- Instead of ‘picking winners’ (which we’ve tended to do badly), a SSF strategy could focus on provision of generic support and infrastructure in regions where these farmers are concentrated – overwhelmingly in a few districts of LP, EC and KZN – to create generalised conditions for success, adaptation and diversification.
- **Therefore we propose a (sectorally) generic but geographically targeted strategy.**

Where should the emphasis of a small-scale farmer strategy lie? - III

- A core choice must be made about whether
 1. to support many small-scale farmers to keep doing what they're doing and produce a larger share of their household food requirements (i.e. 'food security' or 'production without accumulation');
 2. to enable a smaller number of small-scale farmers to become fully commercial farmers and raise their output and incomes (i.e. 'ladders-up' or 'accumulation for the few'); or
 3. to support many small-scale farmers to keep doing what they're doing, but to increase their productivity, scale up, diversify their products, and raise their incomes (i.e. 'accumulation from below').
- These three strategies can co-exist, and probably some combination is needed.
- Most past and existing policy initiatives have focused only on the first two – 'food security' for some poor households and 'ladders-up' for a few better-off farmers.
- **Therefore we propose a strategy that, in order to achieve scale and impact, focuses on 'accumulation from below' for a substantial portion of the existing population of small-scale farmers, and enables the growth of a 'missing middle' of successful small farmers.**

A Decentralised Small-scale Farmer Support Programme

- Seek means of helping large numbers of existing black farmers to farm more effectively and remuneratively; not necessarily the same as ‘integrating into the commercial farm sector’
- Proposed approach for short to medium-term:
 - Implement in strategically selected districts (DMs): initially 12
 - Replicate best features of FSPs and Massive, adapt...
 - Modify existing complementary programmes, e.g. CASP
- Where to focus?
 - National-level prioritisation: those districts with high numbers of black farmers, eg 7 DMs out of 46 account for 44% of black farmers and 36% of ‘black commercial farmers’; districts with high concentration of actual or anticipated land reform
 - Provincial-level prioritisation: less obvious, but assume that provinces which do not have districts selected to above criteria must also participate.

What to keep, change and add

Keep

- extension and training
- development of input supply networks
- promotion of mechanisation contractors
- development of marketing skills and promotion of market linkages
- institutional and financial support to various kinds of farmers' organisations, including marketing co-ops
- group approach

Change

- less emphasis on high-input production systems, eg GM seed and agro-chemicals
- less emphasis on yields, eg relative to bringing land out of fallow
- do not impose or over-encourage credit uptake
- do not impose 'consolidation' of fields

Add

- participatory approach
- promotion of land rental markets
- measures to limit livestock damage
- more refined market linkage including incentive schemes to broaden supermarket access and other procurement practices
- promotion of small-scale and decentralised private agro-processing capacity
- capacity support to government institutions, especially provincial agriculture departments

Modifying complementary programmes

- CASP: shift emphasis from on-farm infrastructure that benefits few, to off-farm infrastructure to benefit many
- MAFISA: align but don't over-promote
- Extension: integrate somehow into the recovery plan, ie use as collective learning opportunity?
- Land reform (esp redistribution): dovetail with emerging (?) approach for strategic area-based planning and land acquisition, and with 'categories approach' – relook at rationing of resources.

Monitoring & Evaluation

- Observations:
 - We were able to draw fairly little on good M&E for this paper; M&E in DAFF and DRDLR is weak despite dedicated capacity etc
 - FSPs took M&E seriously, and programme changes were made accordingly; it can be done
- Pitfalls to avoid:
 - Over-emphasising costly, long-lead-time, overly technical, insight-sparse survey-based quantitative analysis
 - Reducing monitoring to ‘performance monitoring’ - rather use M&E as part of a learning process to improve the strategy over time; iterative process strengthens policy

Summary of specific interventions

- **Input supply and production support:**
 1. Subsidisation the development of service industries should be undertaken both upstream and downstream, as determined by the needs and potentials of the areas in question;
 2. emphasis on tractor services, basic processing, and transport;
 3. de-emphasis on chemical fertilizer and pesticide
- **Land:**
 1. Rentals and fencing of plots should be informed by experiments of Lyne and Thomson in KZN
 2. Could make use of procedures developed by Manona and Baiphethi; will require specialised training and maybe dedicated officers?
 3. Targeted acquisition for redistribution, in priority areas, enabling subdivision, provision of common infrastructure and services
- **Extension, training and R&D:**
 1. Continue to expand and improve the extension corps, emphasise reorientation towards realities of smallholders;
 2. draw from farmer-to-farmer methods used elsewhere;
 3. promote further reorientation of the ARC (see below)
- **Credit:**
 1. No new credit mechanisms are necessary (see report)

Summary of specific interventions

- **Infrastructure:**

1. Prioritise investment in marketing infrastructure, can use CASP;
2. emphasis on fencing should be shifted to the common benefit of communal area farmers (as per CRDP)

- **Water:**

1. Revisit approach to revival of irrigation schemes ;
2. Promote water-efficient production technologies and rainwater harvesting (See if recent WRC-funded research on in-field rainwater harvesting etc might be ready for roll-out, with state subsidising initial land development costs);
3. New irrigation schemes? probably unrealistic, but possibility of prioritising acquisition of irrigated land via land reform, especially where amenable to subdivision

- **Climate change:**

1. Promote diversification of crop and livestock production (varieties & breeds), rather than monocropping
2. 'Private adaptation' by SSFs: maintaining seed varieties and planting different varieties of the same crop, (eg. in response to changing rainfall patterns, Sahel farmers are planting long- and short-cycle millet to mitigate risk of crop failure)
3. 'Public adaptation': revisit R&D priorities to promote crop varieties and animal breeds tolerant to heat, water and low fertility stresses
4. Reskill extension services in climate adaptive farming practices

Summary of specific interventions

- **Marketing:**
 1. Examine scope for building on spontaneous smallholder-friendly practices of some supermarkets;
 2. Consider incentive and/or regulation schemes for supermarkets and fresh produce markets; capitalise on soon-to-be-released policy.
- **Coordination and communication:**
 1. Fund producer associations that support small-scale farmers;
 2. Decentralised Small-scale Farmer Support Strategy will need a communications strategy (both externally focused and internally, to facilitate coordination among state agencies)
- **Building local synergies:**
 1. Promote growth of local services (eg. tractor), input supply and processing industries relevant to the SSF sector
 2. Explore mechanisms to promote preferential procurement by public institutions (hospitals, schools, prisons) from local SSFs, reintroduce agriculture into curricula of rural schools.

Adapt international best practice

- Available research in South Africa does not provide all the answers!
 - Commission reviews to identify new approaches that can be adopted and adapted in South Africa, using innovative learning methodologies.
- 1. Extension services:
 - How can we substantially scale up extension services to reach most small-scale farmers, and at the same time improve its quality and appropriateness? Test and refine models that make better use of existing resources, such as farmer-based extension models.
- 2. Environmental services:
 - How can we realistically and cost-effectively undertake conservation measures which augment water availability while protecting the environment and do so in a way that is remunerative for rural dwellers and therefore self-sustaining?
- 3. Regulation and incentives:
 - How can we ensure that companies along the value chain that are involved in agro-processing and retail source from small-scale farmers and that procurement policies applying to government entities also promote this?



REPUBLIC OF SOUTH AFRICA

The Presidency

Programme to Support Pro-Poor Policy Development (PSPPD)

Thank you for your attention.

