



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

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Overall picture of the study

- 1. What is the economic case for land redistribution in South Africa?**
- 2. Being an area with one of the highest rates of delivery, one can begin to address this question in Elliot**
- 3. But it will take more time to derive a clearer idea**

Overview

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

What is the economic case for land redistribution?

- **RDP (1994): “A national land reform programme is the central and driving force of a programme of rural development.... [I]n implementing the national land reform programme ... the democratic government will build the economy by generating large-scale employment, increasing rural incomes and eliminating overcrowding” (§2.4.2)**
 - **The inverse farm-size / productivity relationship? (I.e. greater labour intensity of small farms?), and**
 - **Stronger local production and consumption linkages associated with labour-using technology and more income to poor people?**

What is the economic case for land redistribution?

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

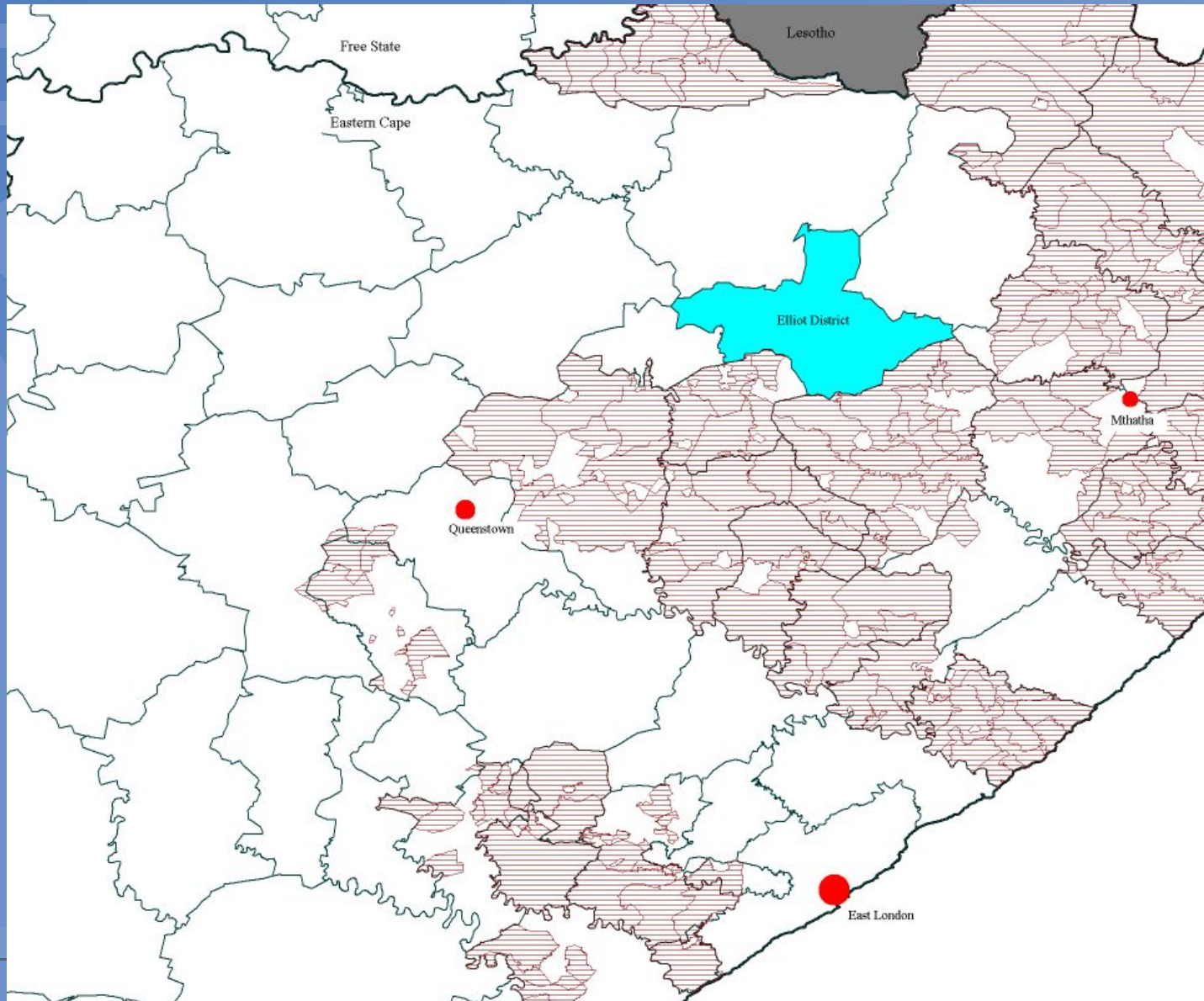
The economic case - observations

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

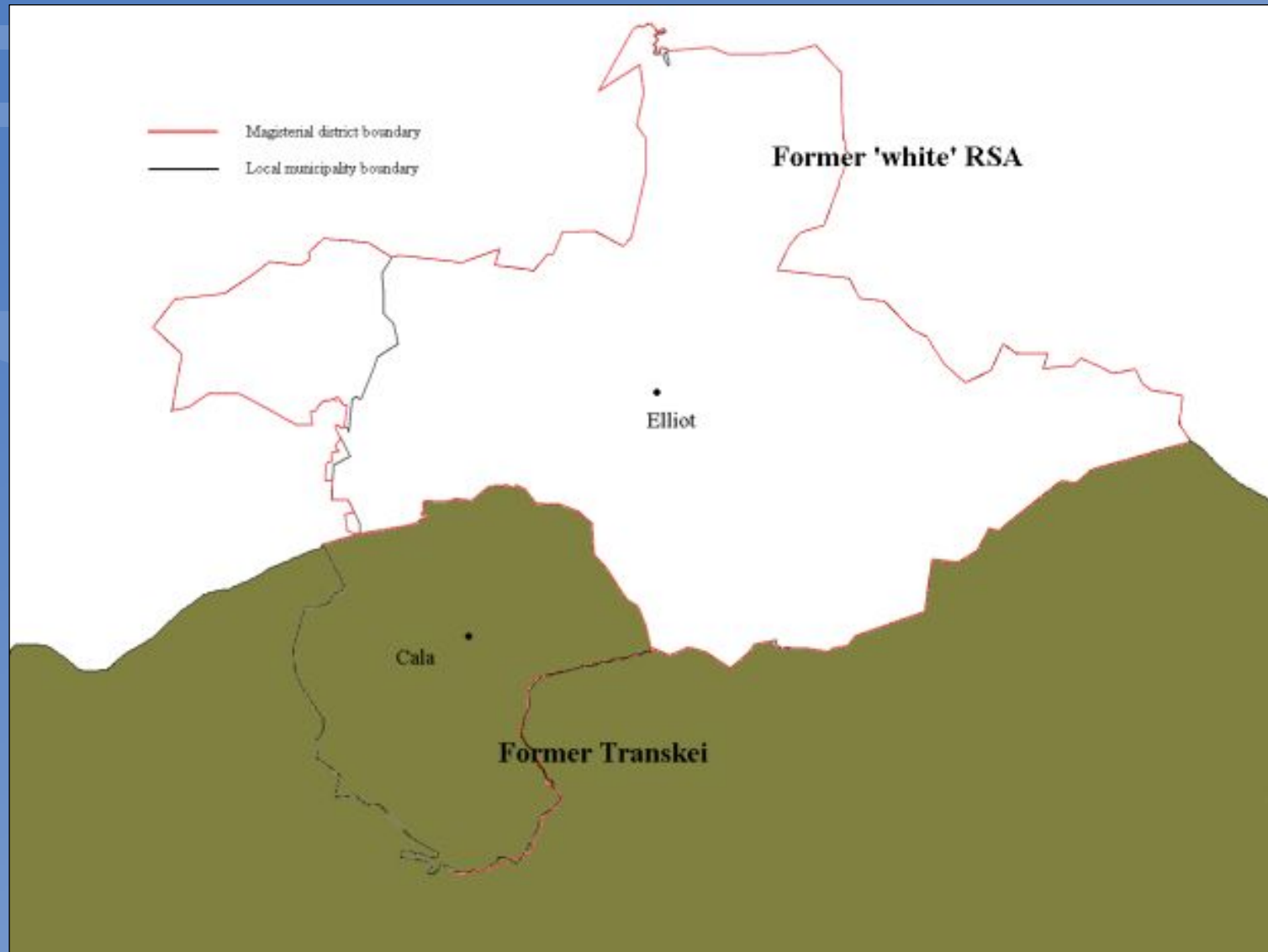
1 About the Elliot District study

- **Objective:** to understand the contribution of land redistribution to livelihoods & the rural economy
- **Secondary objectives:**
 - to understand what made delivery in Elliot so successful (incl. implications of/for the land market)
 - reflect on implications for area-based/territorial approach
- **Why Elliot?**
 - Over 40 LRAD projects, 350 grant recipients
 - 10% of commercial farming area
- **Approach - *counting*:**
 - Survey land redistribution projects
 - Survey of commercial farmers
 - Survey of former owners/farmers
 - Key informant interviews
 - Focus group interviews in former Transkei

1 About the study - Elliot & Sakhisizwe



1 About the study - Elliot & Sakhisizwe



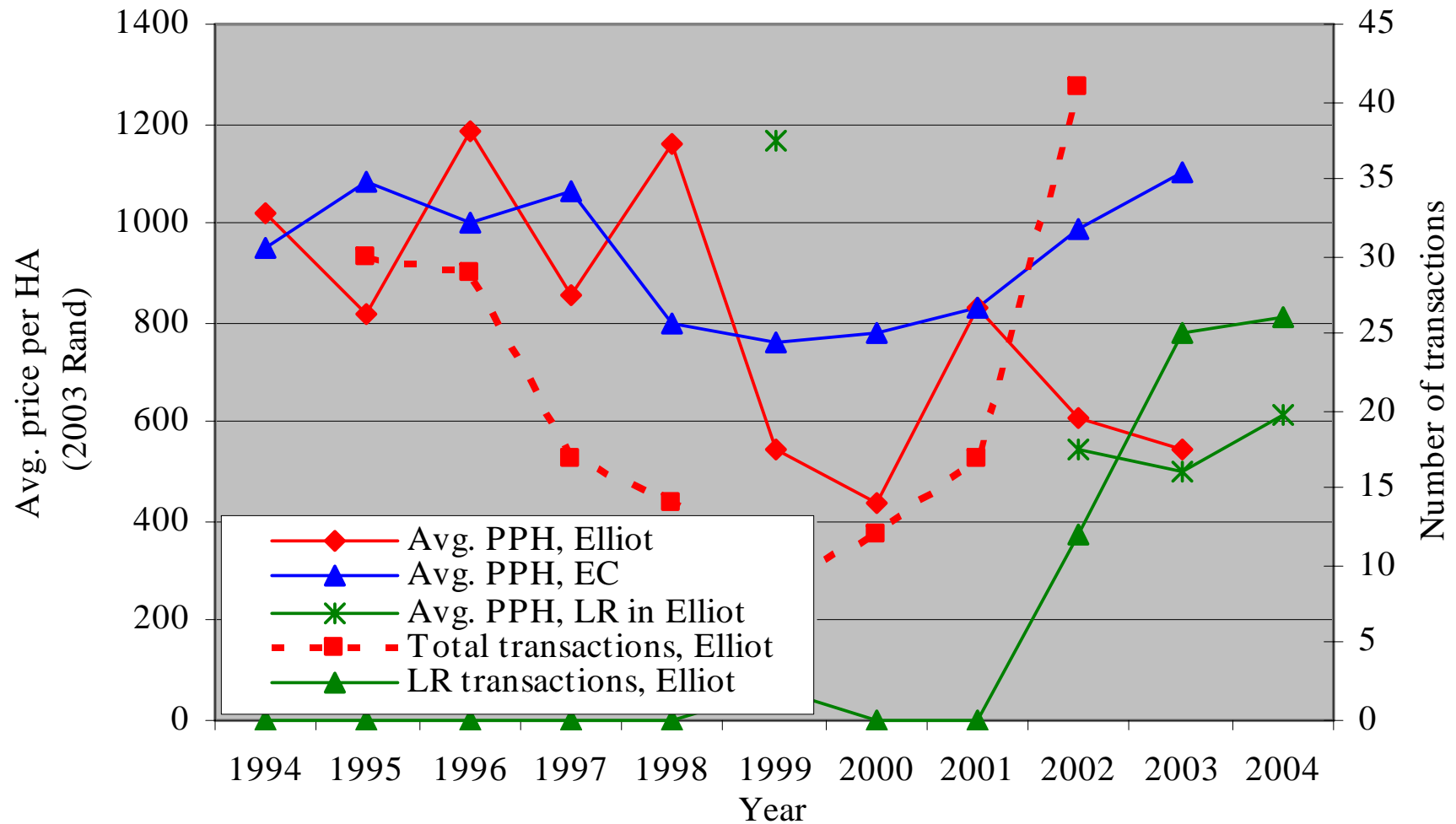
2 The rapid pace of redistribution in Elliot District

Year approved	Total number of projects	Total number of beneficiaries	Total number of hectares
1999	2	56	991
2002	12	86	4 234
2003	25	159	9 836
2004	26	197	10 508
2005	2	22	613

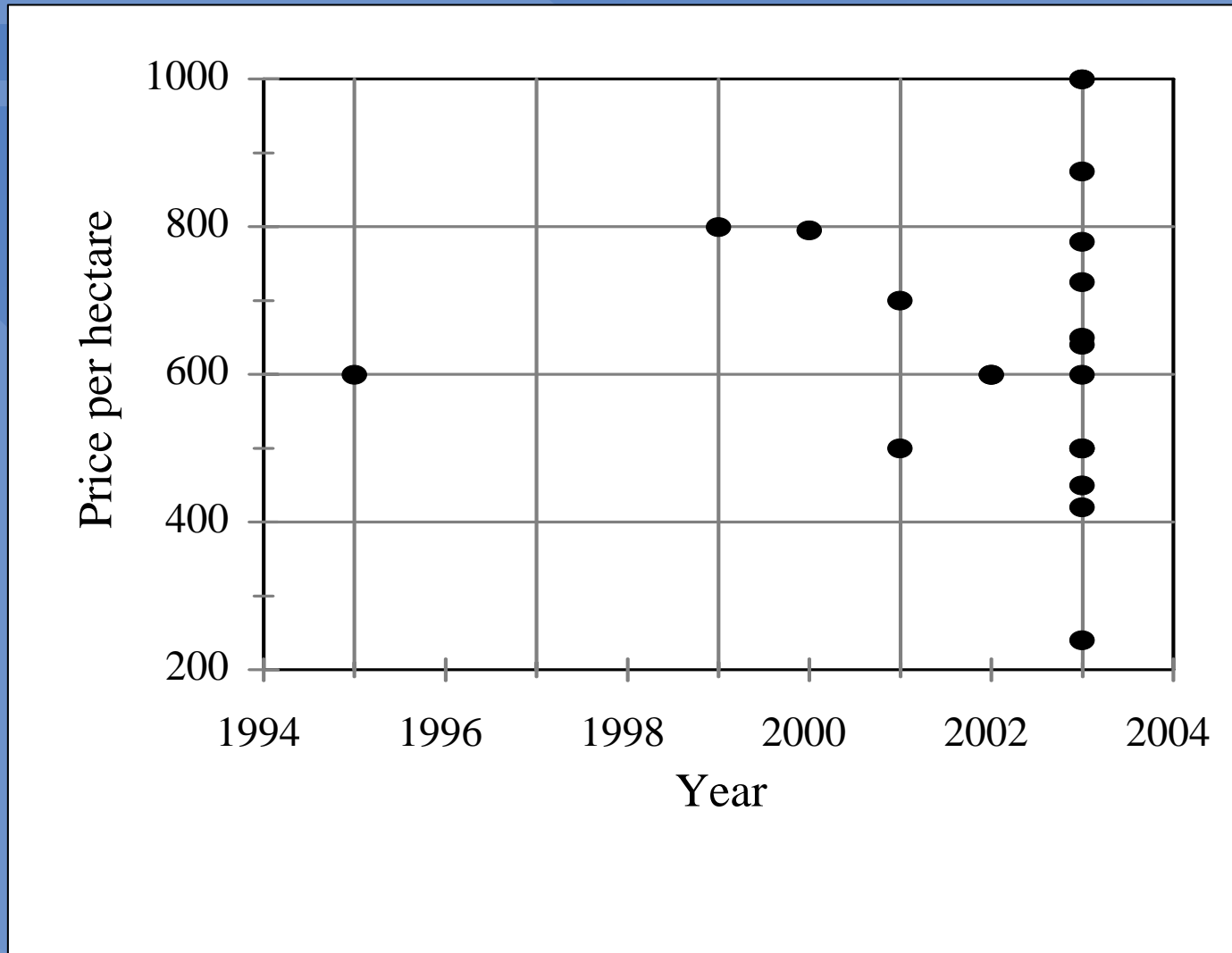
2 The rapid pace of redistribution in Elliot District

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

2 The pace of redistribution in Elliot District



2 The pace of redistribution in Elliot District



2 The pace of redistribution in Elliot District

Reasons for selling	Mentions out of 17 respondents
Consolidation	5
Retirement	6
Stock theft	2
Financial	6
Violence	1

2 The pace of redistribution in Elliot District

- **Main points:**

- **Despite sometimes high asking prices, overall impact on land prices in market appears neutral or even negative**
- **LRAD has provided a good vehicle to enable white farmers to consolidate or retire - tapping into 'pent-up supply'**
- **But now 'We're down to the core,' i.e. of commercial farmers who intend to stay**
- **10% was 'easy;' getting to 30% might be much more difficult**

3 The situation of land redⁿ beneficiaries

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

Number of grantees	344 (DLA) 384 (survey) 333 (survey, excl. SLAG)
Number of distinct households	136 (survey, excl. SLAG)
Number of active grantees	126 (survey, excl. SLAG)
Number of active households	74 (survey, excl. SLAG)

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

3 The situation of land redⁿ beneficiaries

	Arable	Grazing	Pastures	Timber	Other
Total ha	2559	11327	15	4	12
Respondents	31	33	1	1	1
Range	4 to 661	8 to 800	na	na	na
Average	82.6	343.3	na	na	na
Percent used*	36.4%				

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

3 The situation of land redⁿ beneficiaries

- **Serious need to re-capitalise (e.g. fencing and implements), only partially catered for**
- **Common refrain: ‘The future would be bright if government would give us...
... implements, ... fencing, ... better roads
... more livestock’**
- **Modest amount of resettlement - conditions on farms are poor (roads, access to schools & clinics, etc.)**

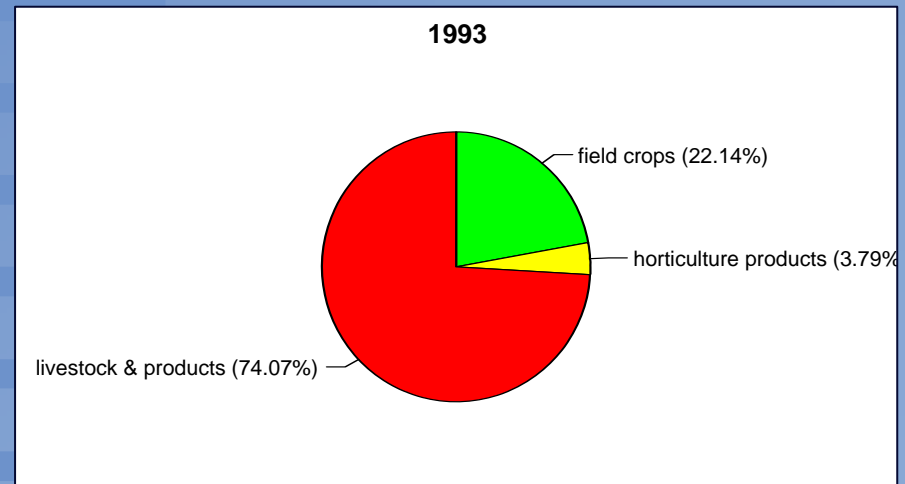
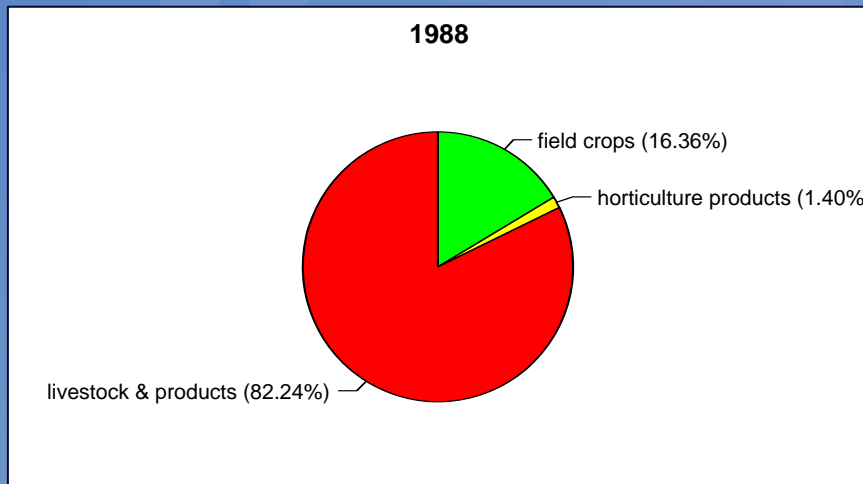
3 The situation of land redⁿ beneficiaries

- **Main points:**

- **Assessment was more premature than we realised... but important as a baseline?**
- **Apparent drop in intensity of resource use, but cf previous point**
- **Numbers of 'beneficiaries' still requires consideration**
- **Tension between quality and speed? ...role of intermediaries**

4 Trends in the commercial farming sector

- **Significant decline in numbers of commercial farmers since 1970s**
 - **Gradual consolidation**
 - **Homeland consolidation (1986)**
 - **Forestry buy-out (1990-1992)**
- **Intensification of land use since 1980s, especially moving into more fieldcrop production**



4 Trends in the commercial farming sector

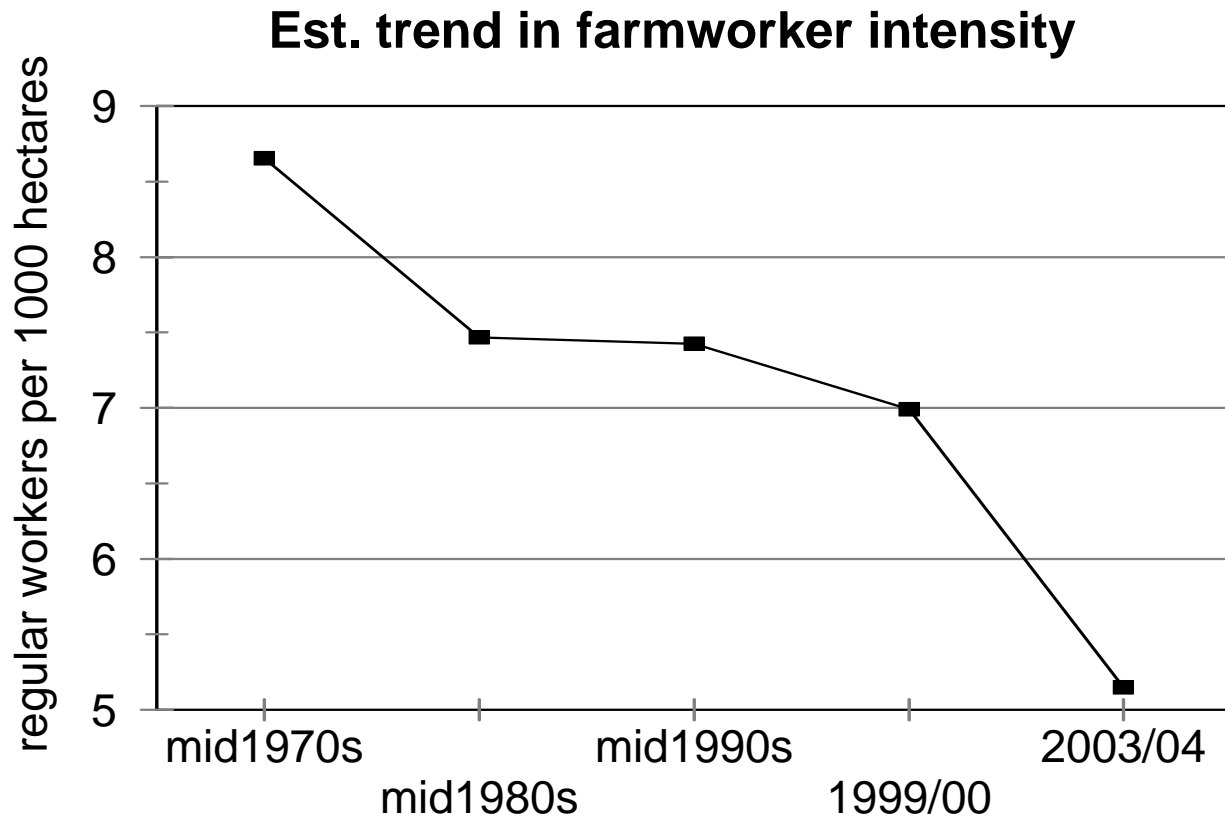
- **Difficult adjustment to new environment, esp. elimination of commodity boards, market regulation and subsidies**
- **Farm murders – about 13 in Elliot and neighbouring districts, 1996-2001**
- **Decline in farm employment**
 - **Gradual reduction in regular employment**
 - **Dramatic reduction in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

4 Trends in the commercial farming sector

Period/date	Number of farms owned by 20	Number of hectares	Number of hectares arable
mid1970s	27	13 172	4 010
mid1980s	38	18 617	4 810
mid1990s	50	25 048	5 425
1999/2000	73	31 037	7 258
2003/04	82	34 377	7 938
% change mid-'70s to 2004	204%	161%	98%

4 Trends in the commercial farming sector

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



4 Trends in the commercial farming sector

- **Decline in farm employment:**

Year	Total farm workers
1988 (Ag Census)	2246
1993 (Ag Census)	1887
2004, <i>in absence of land reform</i> (our estimate)	850?

4 Trends in the commercial farming sector

- **Main points**

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

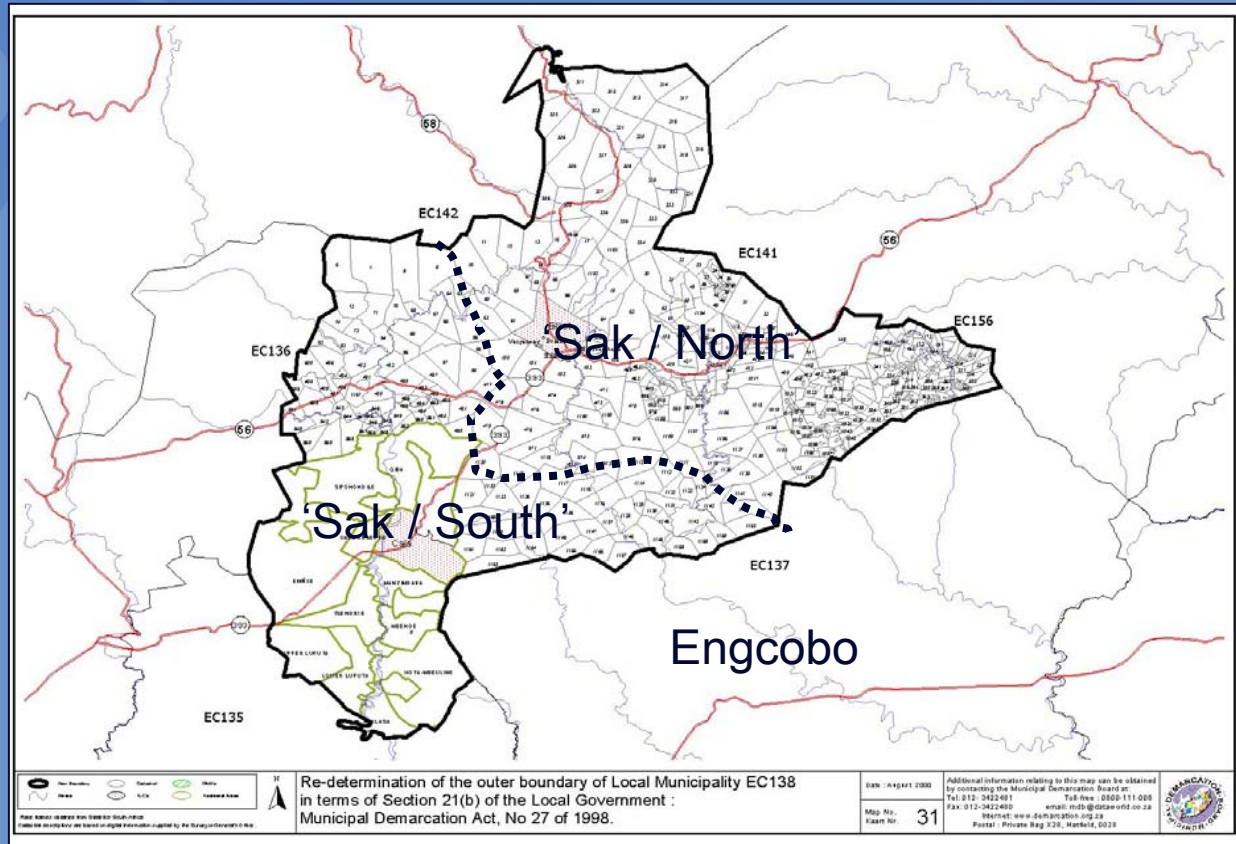
5 Impact of land redistribution on balance

- **‘Livelihoods balance sheet’?**

New livelihoods	
- active beneficiaries	130
- hired regular workers	+60
Farm worker jobs lost	-90
Net	100
Adjust for fw jobs that would have been lost?	+32
Net 2	132
Extrapolate to 30% target?	396

5 Impact of land redistribution on balance

- The bigger picture:



5 Impact of land redistribution on balance

- Population shifts:**

Area	1996	2001	% change
Sakhisizwe / North	14 977	18 274	22.0%
- of which African	13 701	18 274	25.3%
Sakhisizwe / South	35 096	35 755	2.2%
- of which African	34 845	35 605	1.9%

- And unemployment trends:**

Area	1996	2001	change
Sakhisizwe / North	1 610	2 445	+ 835
Sakhisizwe / South	3 269	4 757	+ 1 488
Sakhisizwe	4 879	7 202	+ 2 323

5 Impact of land redistribution on balance

- **The net gain if achieve the 30% target –**
 - 6% of unemployed in Sakhisizwe
 - 2% of unemployed in Sakhisizwe + Engcobo
- **Impact on areas left behind (I.e. in Transkei)?**
 - Difficult to measure
 - Appears to be positive, but how significant?

5 Impact of land redistribution on balance

- **Main points**

- **Net creation of livelihoods difficult to measure, but is certainly positive**
- **Magnitude of improvement depends on perspective**
 - **narrow - e.g. 'Sakhisizwe north' - impressive**
 - **broad - e.g. Sakhisizwe - limited**
 - **broader - e.g. Sakhisizwe + Engcobo - insignificant**

6 *An area-based perspective*

● **Delivery**

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

● **Support**

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

● **Impact**

- What is appropriate frame of reference?
- Modest-to-minute
- Limited also by supply?

7 Conclusions & Questions

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

7 Conclusions & Questions

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

8 Next steps

- **Re-do survey in Elliot in May-June (half of projects), with NRF support and in-kind assistance of EC Dept. of Agric., possibly other?**
- **Two new municipality case studies, support from Treasury/USAID/HSRC**
 - **Maluti a Phofung (Free State)**
 - **Theewaterskloof (W. Cape)**
- **Looking for support for 2 more, Limpopo & KZN**