

Historical Lessons for the Establishment of Commercial Black Farmers in SA

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As Ben Cousins [recently argued](#) in *Business Day*, agriculture can be an important contributor to the creation of jobs in SA through a well-executed land reform programme. But then we need to do it right and learn from SA's history, which has a lot to offer.

However, our plans and ideas are sometimes confused by the concepts of “scale” and “commercial”. There is the unintended notion that commercial farming can only be large, capital-intensive agriculture. The truth is smallholder farmers can be commercial but just at a small ‘scale’. This reality is confirmed by Statistics SA data that shows that 45% of white commercial farmers have a gross farm income of less than R500,000.

The current land reform discussion has raised a need for the establishment of black commercial farmers (at any scale), as a way to transform the commercial food production chain. Programmes to establish and settle farmers is not a new phenomenon in SA, although they were not targeted at black farmers in the past — there were farmer support and settlement programmes in the early part of the 20th century, which focused on establishing commercial farming.

Since the formation of the Union of SA, various initiatives were introduced, such as the establishment of the Land Bank in 1912 and the establishment of the Farmers Assistance Board in 1925, and the introduction of co-sponsored training programmes for labour in 1929 coupled with state assistance in creating employment. This was followed by the establishment of irrigation schemes, tenant farmer support programmes and the development of the local agricultural market infrastructure and organised agricultural marketing arrangements.

Throughout most of the post-unification period, specifically from 1913, the sustained and substantial government support to agriculture was biased towards white, (mainly small-scale and impoverished) farmers with the aim to commercialise them. Lacking a commensurate amount of public support, black farmers suffered as a consequence.

The Land Act of 1913 and the Co-operatives Act of 1920 are two key examples of the discriminatory public policies in those years. The Land Act confined land ownership by blacks to dedicated native reserves, while the Co-operatives Act excluded black farmers from participating in farmer co-operatives.

In 1925, the Farmer Assistance Board (predecessor of the Agricultural Credit Board) was established to assist farmers with soft loans in the aftermath of the recession of the early 1920s. Black farmers were once again excluded from accessing these government-backed credit programmes, and they were also excluded from participating in the farmer settlement programmes introduced in the late 1930s.

In this article, we draw on the PhD work of the late Frikkie Liebenberg in which he studied the details of the support given to farmers under the farmer settlement programmes. This took the form of, among others, subsidised and state guaranteed loan schemes to farmers. The Department of Lands came into existence when the Union of SA was established in May 1910. Its functions included the administration of all matters relating to Crown lands, irrigation, land settlement, land boards and surveying. On October 16 1912, the Land Settlement Act of 1912 came into force. The amended Land Settlement Act of 1956 introduced three important schemes in terms of which Crown land was granted to suitable applicants, were. These three schemes provide valuable lessons as we consider implementation plans to successfully settle black farmers on redistributed land or commercialise farming in the former homeland areas:

Scheme 1: Section 20 of the Land Settlement Act of 1956.

In this case, the applicant chose the land for which he intends to apply and obtained an option to purchase from the owner at a reasonable price. If the applicant satisfied the prescribed requirements and the acquisition was approved he had to pay at least one-tenth of the approved price.

During the first two years, the settler made no payments, but there was marginal interest on the loan. The annual payment was calculated over a 63-year period. If the settler satisfied all the prescribed conditions after five years, he was entitled to the title deed, after which he could make use of the land at his own discretion.

Scheme 2: Granting of land in terms of Section 23 of the Land Settlement Act of 1956.

Vacant Crown land was divided into economic farming units, was offered for allotment in the *Government Gazette* and press in terms of this scheme. The land was hired to the successful applicant for five years. This period could be extended to a maximum of 10 years, but it was a condition that the option of purchase is exercised within the second period. When the option to purchase was exercised, the price with interest was redeemed over a period of 65 years.

The successful settler paid no interest for the first two years, but as with Scheme 1, the interest for the first two years was capitalised in the purchase price. The settler paid 2% rent calculated on the sale price of the holding during the third year. In the case of grants made in terms of Section 23, settlers were entitled to conveyance 10 years after the commencement of the lease on condition that they satisfied all the conditions laid down by the Act.

Scheme 3: The allotment of land in terms of section 29 of the Land Settlement Act of 1956.

Under this scheme, which was limited mainly to irrigation areas, the size of the incorporated irrigable land varies from 15 to 30 morgen per holding. Initially, a temporary occupation right of a maximum of five years was approved and the probationer lessee regarded as a trainee. The lessee usually had little expense in the cultivation of his holding at the beginning, except for labour costs which he had to pay himself. Probationary lessees were under the supervision of trained agriculturists during the probationary period. The time taken to complete the training course ranged from 18 months to two years. At the expiry of the probation lease, the holding was granted at a total purchase lessee on the same provisions as described in Scheme 2.

The provision was also made for the payment of subsistence allowances and the provision of medical services to probationer lessees. These costs were recovered from crops and any other income which may have accrued to the probationary lessee from time-to-time. During the probationary period, the State took a quarter of all crops sold to cover the cost of feed, fertiliser, etc. with which the probationer lessee was provided. A third of the balance was kept in a trust for the probationary lessee and the balance was paid to him after any recoverable debts, such as the medical services mentioned above, have been deducted.

Overall, there are three very important features of these earlier schemes that contrast with the present-day initiatives:

1. At the time, probationary farmers had access to a comprehensive package of support measures ranging from access to credit and technical support through to social support initiatives such as medical services and education;
2. The cost of which was expected to be repaid to some extent — forcing a degree of accountability; and
3. Aimed at creating owner operated farming enterprises.

Therefore, a number of things need to be in place to ensure success and sustainability of new farmers. However, before these, the State support elements are listed as it is important that one understands that these support programmes will only have the necessary impact if there are some form accountability, agricultural skills and commitment from the beneficiaries.

The elements of a support programme could include:

- Dedicated access to a well-qualified extension officer (in today's terms it can be provided by the agribusinesses)
- No payments on the land mortgage for the first two years, but the interest for this period — at subsidised rates — as well as transfer costs, are capitalised in the price of the land.
- The annual payment for the land acquisition is calculated over a long period – perhaps 50 years (and not the standard 25 or 30 years).
- If the settler satisfied all the prescribed conditions after five years, he/she is entitled to the title deed, after which he could make use of the land at his own discretion (implying that prior to this point he had to heed the advice of extension officers).
- Subsidies for on-farm improvements and infrastructure could be provided via the CASP programme but the payment process should be changed. It should work on co-funding model and State reimbursement according to government-approved tariffs. Farmer will through access to State guaranteed credit pay for the expense or improvement and then claim the refund from the relevant government office based on proof of expenditure and on-site inspection to verify actual expense by the government official. The refund can be offset against the outstanding credit amount.
- Some form of social support initiatives such as medical services and small start-up salary grant could also be considered to facilitate a smooth settlement process.
- Commitment from agribusiness firms and financiers to provide some of the elements of this support package on behalf of the government.

These historical lessons could ensure that black farmers will now benefit from a similar state support system, which empowered white farmers in the previous century. Most importantly, this could assist in the development of commercial black farmers (at any scale) and the transformation of the food production chain in SA.

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