

# **Agricultural Market Reforms and the Rural Poor in South Africa**

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## **Abstract**

The market-oriented restructuring of the agricultural sector in South Africa started in the late-1980s. Reforming agricultural markets has accelerated following the end of apartheid and the deregulation of a myriad of farm commodity sectors from the late-1990s onwards. A stated objective of this policy shift has been to ‘develop agricultural markets’ and improve market access for resource poor actors (especially smallholder farmers, farm workers, informal traders) in the agro-food value chain who faced marginalization and exclusion from profitable agricultural markets under apartheid. Such reforms ostensibly also help to: stimulate competition and trade both locally and internationally; and raise the direct and indirect contributions of farming to employment, incomes and economic growth. Within the globalization context, market reforms have also been rationalized as a necessary step to bring the local agricultural regime on par with global thinking and policy consensus.

Controversy exists in the literature on whether and how agricultural market reforms are likely to benefit the rural poor. Mainstream neo-classical economics presumes that agro-food markets can work for the rural poor if the state allows the market pricing mechanism to function without impediments. ‘Getting prices right’ thus means scrapping subsidies, taxes, price controls and other regulatory distortions. However, in poorer countries with relatively larger agricultural sectors and rural populations, the effects of market-oriented reforms tend to be unevenly spread across poor and non-poor social groups and this calls for a more nuanced investigation into the actual workings of agro-food markets.

Against the backdrop of this debate, this paper explores the following main questions: How are various groups of the rural poor affected by agricultural market reforms? What are the channels or mechanisms through agro-food markets affect the rural poor? An analysis of South African evidence, including agricultural marketing and anti-poverty policies, show that the agro-food markets affect the rural poor (smallholder, farm workers and informal traders) in complex ways that differ from neo-classical textbook stories. In the commercial farming sector a smaller number of large-scale farmers and agribusiness are still competitive and its narrow pyramid-like structure displays rising levels of concentration. Farm workers in the sector are becoming more impoverished as they are squeezed in agricultural labour markets and agro-food output markets. Other sectors of the rural poor, specifically smallholder farmers and informal traders, face similar pressures as a result of the market-oriented restructuring of food and agricultural value chains. The findings pose major implications for food and agricultural marketing policies and the governance of agro-food networks.

*Key words:* agriculture, market reforms, agro-foods value chains, rural poor

## 1. Introduction

Since the late 1980s, a market-based policy framework has become firmly entrenched in South Africa's agricultural sector. This restructuring is boldly articulated in overarching agricultural policies such as the 1996 marketing law and the 2001 agricultural strategic plan. These policies set out to create an environment for the development of competitive markets and to foster greater domestic and foreign trade in agro-foods. At the same time it curtails the interference of the state (through price controls, subsidies, taxes, etc) in the workings of agricultural markets. A liberalized agricultural sector, so the argument goes, is broadly consistent with the globalization of agriculture which is being driven partly by the World Trade Organization (WTO) and transnational supermarkets- powerful actors in global agricultural value chains over which poorer countries have nearly no control (Karaan 2006, Du Toit and Ewert 2002). What this implies is that the current farm sector reforms effectively amount to a 'conditionality' imposed on poor countries incorporated into a structurally unequal process of economic globalization. Nevertheless, in South Africa as in other poor countries this embrace of the 'market' is also rationalized on the grounds that it is consistent with mainstream thinking, meaning neo-liberal economic models and policies.

A widely held view exists that agricultural market reforms are crucial for economic growth and development. 'Making agro-food markets work for the rural poor' has become a catchy way to express this idea and is the core message of the 2008 World Development Report (World Bank 2008). In this report, the World Bank encourages poorer agricultural economies, among other countries, to accelerate the development of efficient local and external markets because it is *the* pathway to lift the rural poor out of misery. It specifically argues that the "liberalization of imports of food staples can also be pro-poor because often the largest number poor, including smallholders, are net food buyers. But many net food sellers (sometimes the largest group of poor) will loose, and programs tailored to country specific circumstances will be needed to ease the transition to new market realities" (World Bank 2008:10)<sup>2</sup>. Agro-food market liberalization tends to impact on sections of the rural poor (mainly smallholder farmers, workers, informal traders) through multiple channels with varied overall outcomes. Ultimately, how markets affect the fortunes of the rural poor has to do with where and how they fit into the rapidly altered agro-food value chains. If policy makers and implementers intend to exploit agro-food market opportunities to serve the rural poor, they ought to be acutely aware of how such markets function in reality.

Returning to the South African agro-food policy scene, this notion of 'making agricultural markets work for the rural poor' has emerged as a prominent reference point. In fact, the severity of poverty and food insecurity is widely recognized in official documents, compelling policy makers to rethink various policies targeted at the rural

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<sup>2</sup> Throughout, the report apparently champions the interests of the rural poor. Bryceson et al (2007) offer a scathing critique of the pro-poor discourse and 'ideological paradigm' underpinning the 2008 World Development Report. Assessing the implications of the WDR 2008 for genuine pro-poor agricultural and rural development in Africa, they systematically demonstrate how "technocratic spin" has been used to cover the report's "market fundamentalist thinking" (pp11-12).

poor. For instance, addressing the plight of the rural poor features prominently in government's *15 Year Review*. This document paints a mixed picture of the impact of land reform and other post-1994 state interventions aimed at improving the well-being of people in rural areas. The rural challenge is also a high priority in the state's *War on Poverty* campaign which kicked-off towards the end of 2008. This action plan contains, among other interventions, a suite of strategies to aid food insecure households (mainly but not exclusively rural) who have been threatened with severe hunger as a consequence of the 2007-2008 wave of food price inflation (DoA 2008). A way to help the rural poor, as articulated in the '*War on Poverty*' for instance, could be through the development of local and foreign agricultural markets. But the ways in which market-oriented agricultural reforms could help the rural poor are not always unambiguous and straightforward.

This paper investigates the proposition that aggressive market-based agricultural reforms are beneficial for rural poor households. Two interconnected questions this paper seeks to answer are: How are various groups of the rural poor affected by agricultural market reforms? What are the channels or mechanisms through which agro-food markets affect the rural poor? There is considerable debate in the literature on the costs and benefits of deregulating and liberalizing agro-food markets (von Braun and Diaz-Bonilla 2008, Hertel and Winters 2007, Bardhan 2005, Gibbon 2003, Reynolds 2004). In general, neo-classical advocates of these reforms stress that market-based agricultural economies tend to enjoy higher economic growth. Over time it is presumed that the prosperity associated with well-functioning agricultural markets should trickle down to the rural poor. However, in poorer countries with relatively larger agricultural sectors and rural populations, the effects of market-oriented reforms tend to be unevenly spread across poor and non-poor social groups and this calls for a more nuanced investigation into the actual workings of agro-food markets. Gibbons (2003) and Reynolds (2004), among others, dissect the functioning of modern agro-food markets using a global value-chain or network analytical framework. This approach enriches understandings of the dynamics of food production, distribution and consumption. It systematically probes how different market actors drive agro-food networks and the governance issues that arise from their actions. As a case study, we specifically explore the costs and benefits of agricultural liberalization on the rural poor in South Africa.

The main argument of this paper is developed over five sections. In the next section, we briefly review a few theoretical principles about channels through which market-oriented agricultural reforms affect the rural poor. Section 3 examines emerging evidence on the globalization of agro-food markets and the rural poor. The next two sections focus on the South African case, unpacking the content of the country's market-based agricultural policy reforms in section 4 and then distilling evidence of how farm workers, small holder farmers and informal traders interact with agricultural markets in section 5. In section 6 we offer some concluding comments.

## **2. Agricultural markets and the rural poor- a conceptual note**

To contextualize the analysis it is useful to briefly review a few theoretical principles about the channels through which market-oriented agricultural reforms affect the rural

poor. Mainstream neo-classical economic analysis traces the linkage of such reforms to the rural poor through the pricing mechanism (Fafchamps 2005). The starting assumption of such analyses is that the interaction of prices and quantities demanded and supplied determine the workings and outcomes of the market. Since a market-based agricultural system exists or is actively promoted in virtually all countries, trends in these factors can be used to understand the dynamics of agricultural markets and its effects on the rural poor.

In addition to the elements mentioned above, an institutional analysis has also been brought to bear to grasp the workings of agricultural markets- a shift due to the influential spread of the core ideas of New Institution Economics. An explicit incorporation of institutions in the neo-classical framework yields a broader understanding of food and farming markets, as has been illustrated in some of the recent agricultural development literature (Dorward et al 2005)<sup>3</sup>. Institutions, which could include associational structures and various rules, typically refer to the formal and informal rules and environment that govern the actions of market actors. Examples of relevant institutions to be mindful of in this context include the following: product safety rules attached to the rising demand for organic agro-foods<sup>4</sup>; farm tenure policies and union activities among farm workers that alter the conditions under which actors in the farming sector transact; strong global anti-trust policies and agencies to ensure a fair distribution of the gains from agricultural trade (Bardhan 2005). In summary, it is clearly far from straightforward to unambiguously trace the overall impact on the poor of market prices, quantities traded and institutions in the rural farm sector. The warning of Bardhan (2005) that “it is often difficult to disentangle the effects of trade reform from those of other reforms and shocks that affect household poverty dynamics” is worth heeding. Instead of outlining an exhaustive model which incorporates all these crosscutting variables, let us rather sketch a few representative storylines of how agricultural markets affect the rural poor.

Rural economic activities are rapidly diversifying, with the scale and pace of this process is very unevenly spread across developing countries. But in most developing countries agriculture still forms a large share of national economic output and is a core livelihood strategy for a large proportion of rural dwellers. The productive structures in the farming sector vary considerably within a single agro-ecological region of a country, which partly

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<sup>3</sup> Dorward et al (2005) locate their research firmly within the broader NIE framework. They comprehensively survey the main traditions of NIE thinking and integrate its underlying concepts into a coherent analytical model. In the context of market failure, they argue for non-market institutions to be built and promoted to facilitate economic development. What is being suggested is that pro-poor agricultural reforms in the twenty first century require investment in purpose-build ‘institutions for agricultural growth’, including alternatives to the ‘market’.

<sup>4</sup> Bardhan (2005) reviews the complex linkages between the rural poor and agricultural trade liberalization in the case of agro-foods that must comply with global quality certification standards. In order for smallholders in developing countries to benefit from access to larger markets (for organic foods, for instance) closer networking with multinational agribusinesses based in developed countries is needed. With the aid of this strategy smallholders stand a chance to overcome two barriers: Firstly, the regulatory and lobbying environment in rich countries. Secondly, win the credibility of rich-country consumers in terms of the safety and quality of their produce. According to Bardhan, “multinational marketing chains with global brand names” are probably more important than “than comparative costs of production which traditional trade theory emphasizes.” (2005:8)

explains the diversity in the scale and purpose of farming as well as the varieties of agro-food and non-food outputs. More importantly, this diversification in rural livelihoods can be readily observed from the growing non-farm rural sector. In a large number of rural localities, a range of off-farm economic activities have emerged that may or may not be connected to agriculture. Informal trading and mining, for example, are some of the non-farm productive activities that poor rural households engage in. Thus rural households increasingly depend on a mix of livelihood strategies (World Bank 2008, Ellis 2001)<sup>5</sup>.

On-farm and off-farm work are the main livelihood strategies of large sections of rural households in developing countries (Hertel and Winters 2006, World Bank 2008). The most frequent trend is for rural households to actually combine two or more income earning activities, working in one domain as the primary source of income whilst also engaging in secondary income earning activities. A large proportion of these asset-poor households depend on wage work opportunities in agriculture, mainly on large-scale commercial farms<sup>6</sup>. In peak seasons, some resource poor small farmers hire non-family workers in exchange for food, but this is probably a tiny fraction of the total agricultural work force.

If we take a macro-level snapshot of the full agricultural value chain, it is clear that many rural workers interact with both the input and output sides of agricultural markets (McCalla and Nash 2006, Hertel and Winters 2006, Bardhan 2005). In the agricultural labour market they are suppliers of labour power. But the numbers of workers employed in a specific line of farming depend on a combination of complex factors: the cost of the wage bill (input factor price), how labour-intensive it is to produce a commodity (production structure) and the growth in the size of the agricultural output markets. For example, upward pressure on wages as well as when the agricultural output market radically shrinks usually induces a fall in farm employment as farmers seek to reduce production costs to stay competitive or switch to something else (Sparrow et al 2008). An expansion in the market for labour-intensive agricultural output, for instance, generally opens more jobs to surplus or unemployed rural workers with low-skills and in this way helps to alleviate rural poverty (Bardhan 2005). But in terms of income distribution, the agricultural wage might be too low and therefore inadequate to lift wage-dependent rural households permanently above a socially acceptable deprivation threshold. It is possible for these beneficiaries of the agricultural market remain part of the 'rural working poor'. This is a strong possibility because the wage gains that farm workers might be able to score also hinge on the power-relations in the market for farm labour.

Wage-earning farm households engage with agricultural output markets as net consumers. As such, their consumption patterns depend on interactive movements in

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<sup>5</sup> Ellis (2000) examines the process of rural livelihood diversification within agriculture in chapter 5. The WDR 2008 documents a large body of evidence on patterns of rural livelihood diversification in chapter 3 (World Bank 2008).

<sup>6</sup> However, according to recent evidence documented by the International Labour Organization, the farm labour force rarely works under decent working conditions. Job contracts in agriculture increasingly favour temporary and insecure employment. Skilled workers are more likely to work in capital-intensive farming jobs and find it easier to exit agriculture for jobs in other sectors at the moment of dramatic restructuring (ILO 2003, 2005).

household income (factor prices) and food prices. Like the rest of the rural poor, agricultural workers spend a larger share of total household expenditure on staple agro-foods which means that their food security status is very sensitive to food price shocks. Furthermore, as noted in the WDR 2008, among a large volume of recent studies, almost all rural net consuming households purchase their foods from supermarkets rather than other traditional food outlets (World Bank 2008). But in the light of the complex structure of modern agro-food value chains, the precise ways how price shifts are passed down to final consumers remain unclear. What the foregoing summary points to is that the outcomes of aggressive market-oriented agricultural reforms will not automatically benefit poor rural workers.

It is possible for self-employed farmers to derive gains from tighter integration into agricultural value chains and access to larger markets. But like the case of landless workers on commercial farms, the total effects on rural poverty depend on various forces and operate through tricky mechanisms. Some combination of the following determinants could decisively affect poor rural farmers: the nature of farm output (tradability and food/non-food), asset holdings and general wealth status, the nature of agricultural value chain. Resource-poor subsistence farmers rarely if ever produce a marketable surplus beyond non-tradable foods. They are net consuming households, sometimes working as wage workers and this imply that their well-being get affected by agro-food retail price changes. Where small farmers get incorporated into modern agricultural value chains, it is likely that better-off farmers in this category will be able to benefit from higher global prices for tradables. The supermarket revolution underway in developing countries, including South Africa, offers some resource-poor farmers an opportunity to sell to a much larger market. However, only a limited number of small-scale farmers have the know-how and resources to overcome certification barriers to enter such higher-value markets (especially for organic produce).

The interplay of the actions of market actors and policy interventions drive the restructuring of agro-food markets. Consider for a moment the ripple effects of consumer actions on the agricultural value chain. It has been widely observed that urbanization and heightened consumer awareness about food safety and nutrition compel food producers and distributors to adapt their supply strategies in response to changing consumer needs (Karaan 2006, Reynolds 2004, D'Haese et al 2008). But food suppliers, in turn, invest resources in order to understand and influence how consumers form their subjective preferences and tastes for food (through sophisticated advertising campaigns, for instance). Examining recent data on global food market trends, von Braun and Diaz-Bonilla (2008) reflected on the interactions of food demand and supply on a global scale, the inequalities in food consumption and the implications for activist food policies. According to their insightful findings the “globalization of food markets may also shape consumers’ habits in developing countries, with implications for health and nutrition. The increased differentiation brought about by globalization has led to a bifurcation of consumption habits, where poor diets among low-income groups predominate (based on mass consumption of low-quality vegetable oils, fats, and sweeteners), but a small niche market of healthy food products exists. Upstream changes in the global marketplace, aimed at widespread improvement in diet quality, would go beyond the health food sector

and require stronger policy responses than just consumer education programs ” (2008:7). This implies that consumer-driven agro-food networks, as demonstrated in the expanding market for organic foods for example (Raynolds 2004), could be overtaken over time by buyer-driven and producer-driven agro-food networks. It is likely that joint buyer and producer driven networks could emerge in response to competitive pressures.

### **3. Globalization of Agro-food markets<sup>7</sup>**

The market-oriented focus which characterizes today’s agricultural marketing policies can be traced back to the late 1970s and early 1980s. Globally, policy thinking from that period onwards started moving away from the state-directed approach to agricultural marketing which was common in most developing countries with a large agricultural base, including in Africa. Almost every newly independent and post-colonial state after the Second World War subscribed to a heavy interventionist role for government in the economy. In the agricultural sector, however, this model had disappointing outcomes for many smallholders, lost its credibility and paved the way for rethinking agricultural development policy. Some of the most devastating results of this older model included several years of negative growth rates in agricultural output and resource transfers from agriculture through taxation. Kherallah et al (2002) cite evidence to show that the growth in per capita value added for Sub-Saharan Africa was -0.7 for the period 1965-1980, compared to -0.2 for all low-income countries under this older model. Moreover, the marketing boards, operating under the weight of bloated bureaucracies invested little in the agricultural inputs and market infrastructure. The pricing philosophy which guided these marketing boards was to deliver low cost food to urban areas, with little attention to the negative consequences of unsubsidized low prices on smallholder farmers<sup>1</sup>.

Price risk is one of the key risks associated with the development of markets. Markets increase the risks and uncertainties smallholders face as they integrate into markets. Studies generally report a rise in the frequency and magnitude of price shocks in market-oriented environments. The consequences of such shocks are very unevenly distributed across different farming households but tend to move in tandem with a farmer’s wealth status (Jayne et al 2006, Barret and Dorosh 1996). Dealing with price risk is therefore a critical area for policy intervention. Barret and Dorosh (1996) have observed in a low-income agrarian economy, like Madagascar, that food price volatility is closely associated with the introduction of liberalized markets in agriculture. The price of the dominant food crop in Madagascar, rice, increased quite steeply after the initial wave of market-oriented reforms in the second part of the 1980s and thereafter moved higher albeit more gradually.

With the globalization of agro-food markets in eastern and southern Africa, according to Jayne et al (2006), the trend is for virtually all staple foods get priced in terms of its global price. In this import parity pricing regime, the domestic prices of staples on average are kept on par with the world market prices for a commodity. At the same time, in such a liberalized pricing regime, the instabilities of global prices get transmitted into

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<sup>7</sup> This section draws extensively from sections in the PLAAS (2008) report on the smallholder farmers and market access.

domestic price fluctuations. This affects the distribution of the benefits of higher prices across smaller and larger farmers. A relatively smaller number of farmers with higher levels of productive assets have profited more than resource-poor farmers. Jayne et al (2006:335) therefore emphasize that “linking African farmers to markets must take account the inequality of productive assets, which contribute to highly concentrated patterns of the agricultural surplus generation within the smallholder sector”. In Southern Africa, capital-intensive commercial farmers in South Africa, by far the dominant maize exporters throughout the region, have reaped most of the benefits of liberalized agricultural markets.

What this illustrates is that participation in markets for staple foods is strongly correlated with the asset holdings, even among small farming households. Most African smallholders that grow staple grains have access to farming plots of 3ha or less. But within this sector, landholding patterns vary across regions in a country and between countries. For example, 80% of smallholders in Malawi possess less than 1 ha of land, whereas in Kenya and Zambia the average land holding falls somewhere between 2.5-3ha (Jayne et al 2006:333).

On the consumption side, two consequences of this development deserve to be mentioned, albeit merely in passing. Firstly, a big-bang opening of agro-food markets has raised the risks for and threatened the food insecure consumers for whom the cost of their staple food has drastically escalated. Secondly, it has stimulated the switch to cassava as a food crop in some countries because it is a more tolerant to drought. (Case studies drawing on data from Malawi, Zambia, Tanzania and Kenya reported significant rises in the cassava cultivation in the period 1994 to 2004 when the adoption of import parity pricing was dramatically expanding.) Another result has however been threatening food insecure consumers for whom the cost of their staple food is escalating.

**Table 1: Staple Food Markets among Smallholders**

Rural group/category	Market activity: buying and selling
Smallholders selling staple grains	Minority of smallholders (1-3% of rural population) with 4-20 ha and highly capitalized accounting for 50% or more of marketed maize/grain sales; sub-section of 10-20% of rural population selling small quantities of grain/maize
Smallholders buying staple grains	At least 40-60% of rural population with small asset holdings and low income
Smallholders selling and buying	Seasonal distress buying and selling of grains; 10-20% of rural population selling and buying grains within the same year
Households neither buying nor selling maize (for example Zambia and Mozambique)	Small proportion of rural population consuming maize; switched to cassava

Source: Jayne et al (2006: 334-335)

#### 4. SA Marketing Policy Space and Smallholders

In his foreword to a study on market deregulation in South African agriculture, commissioned by the Free Market Foundation, Prof Duncan Reekie, had the following to say:

“In short, South Africa is a successful pioneer in agricultural deregulation. The market rules in almost every sector; from maize, to wheat to fruit. (There are still some sectors where little has been achieved – most notably sugar). Market control, not state control, unambiguously best serves farmers, consumers, and the economy at large.” (cited in Vink and Kirsten, 2000)

This liberalization and deregulation of agricultural markets in South Africa followed global trends which had gained an unstoppable momentum in the 1980s. Moreover, these market-oriented reforms coincided with macro-level political economy reforms during the decade leading up to the end of apartheid in 1994 and this dramatically altered the environment for South Africa’s farming sector.

In this section we review how the country’s agro-food marketing policy context has evolved since the end of apartheid. The first part of this review concentrates on changes in the agricultural policy environment with the aim of throwing some light on opportunities and challenges to integrate smallholder farmers into markets. The next part reviews the limited and thinly scattered evidence on the marketing activities of small holder farmers. A specific obstacle faced in this synthesis of evidence has been the lack of a comprehensive database on the market activities of the smallholder farmers—especially black farmers in former homeland districts and several commercial farming districts<sup>2</sup>.

Before 1994 the political economy of apartheid essentially structured the linkages of resource-poor black farmers to agricultural markets. A decade before the end of apartheid, the old regime had embarked on reforming the agricultural sector, meaning phasing out state protection and control boards in agriculture. At that time, the chief instrument used to overhaul how agriculture would operate henceforth was the 1984 White Paper on Agriculture. This policy document, despite its far-reaching market-oriented reforms, was however still exclusively catering for a segregated and whites-only farming sector (consistent with the dominant thinking of that time, it was an ad hoc reform without getting rid of the fundamental pillars of apartheid). A separate set of policies applied to former independent homelands or TBVC states, hosting the majority of small-scale farmers. In these communal areas, the FSP programme crafted by the DBSA advocated a shift away from the centralized farming systems under the investment corporations which ostensibly promoted a large-scale farming model, according to Vink and Kirsten (2000).

In post-apartheid South Africa, the Marketing of Agricultural Products Act no 47 of 1996 (Marketing Act for short) outlines the parameters within in which smallholder farmers interact with agricultural markets. It provides the basic template for all policies that focus

on agro-food markets, such as the Strategic Plan for Agriculture of 2001, the Broad Based Black Economic Empowerment in Agriculture (Agri BBEE), land reform programmes and the CASP. This Act is a pivotal instrument which regulates the workings of the post-apartheid agricultural sector.

The new agricultural marketing policy framework introduced by the Act is clear to see from its stated goals and other legislative stipulations. Firstly, the Act extends the scope of deregulating and liberalizing all spheres of agriculture (Section 2)- a move that had started from the mid-1980s onwards under the pressures of local and global forces. In a sense the Act was basically fast-tracking the reforms of agricultural markets inaugurated by the 1984 White Paper. Secondly, it repealed the separate legislative instruments which had governed agricultural marketing in the former homelands. Ignoring for the moment the actual pace of these reforms in real-life, what the Act accomplished was to bring black smallholder farmers under one national agricultural market policy regime, boldly articulated in the 2001 Strategic Plan for Agriculture (NDA 2001).

Furthermore, the Act established the National Agricultural Marketing Council (NAMC), outlining its roles and composition. As a statutory body, the NAMC advises the Minister of Agriculture and Land Affairs on a range of agricultural marketing issues, including the links between agricultural marketing policies and other 'national economic, social and development policies and international trends and developments' (Section 9 e (ii)). Section 4 of the Act stipulates criteria for NAMC membership. Members will include individuals with practical experience of "the production and marketing of agricultural products by small-scale and previously disadvantaged farmers." (Section 4 (2)(e))

The four main objectives of the Act are in briefly stated in Section 2(2):

- Increase the market access for all market participants
- Promote the efficiency of the marketing of agricultural products
- Optimize export earnings from agricultural products
- Enhance the viability of the agricultural sector

From the viewpoint of the Act, small-scale farmers seem to be equivalent to other actors along the agricultural marketing chain. Whilst this notion of equal treatment is commendable, the 'level playing field' decreed in policy does not immediately mirror what actually existed in the real world. There is no special mention of "smallholders" as such, but they seem to be lumped with other competitors in the market place, including well-established large commercial farmers. In one part, Section 16 which deals with agricultural exports, there is an occasional reference to small-scale farmers and the specific requirement that this category of farmers be included in agricultural export chains.

Two years after parliament had passed the 1996 Marketing Act (it came into effect in January 1997), the Ministry released a discussion document on agricultural policy<sup>3</sup>. In his foreword to this paper, the then Minister Derek Hanekom, sketched what had become, at least in policy circles, a popular vision of the 'a transformed farming sector':

“We also foresee a much larger role in future for small- and medium-scale commercial farming, based on family-managed farms producing largely for the market, investing in their land, using improved inputs and hiring labour...  
‘... For the poorer rural households, which derive only a small part of their income from farming, we expect to see increases in production of food for their own consumption, and occasionally entry into local markets to sell surplus produce...’ (MALA 1998).

This discussion paper confirmed the non-interference of government in agricultural markets through prices and subsidies due to potential distortions these can exert on economic performance. In contrast to the outmoded apartheid era farming-model the paper reinforced the need for a shift away from a farming sector heavily dependent on state support and controls. It called for fostering efficiency enhancing competition throughout the agricultural sector. But in the radically deregulated environment, resource poor farmers, especially smaller communal farmers and land reform beneficiaries will find it hard to compete against ‘established historically advantaged farmers’. Markets often fail, the document emphatically noted on several occasions, and this is a compelling rationale for selective state support to smallholder farmers in domains such as access to market information and extension services. In this context of market failure, in both potential and real terms, state support ought to be selectively targeted and indirect (with the emphasis on establishing a conducive regulatory environment). And where the need exists for public goods in order to ease the participation of smallholders in agricultural markets, service provision through public-private partnerships must be explored as an option.

This market-oriented approach to the sweeping agricultural reforms would be endorsed in the 2001 Strategic Plan for Agriculture, both as a guiding conceptual approach to policy and in terms of the rolling out of support services to small farmers. The adoption of a deregulated and liberalized framework for agricultural output, according to the Strategic Plan, tops the list of fundamental and most far-reaching policy shifts of the 1990s. Henceforth, the model would be for “market forces to direct business activity and resource allocation” (DoA 2001:4) in the sector. Smaller farmers, either those entering the sector through land reform or those in communal areas, will be assisted to gain greater access to markets. Greater market access will be facilitated, on the one hand, through the removal of ‘entry barriers’ - ranging from lower (subsidized) inputs costs as well as opening of ‘new (niche ?) local and exports markets’ to this categories of farmers (DOA 2001:10-12). On the other hand, strategic partnerships between smallholders and large-scale commercial farmers and commodity producers associations should be forged (DOA 2001:10).

Among the challenges that the liberalized agricultural markets posed for resource-poor new entrants into the farming sector, the Strategic Plan specifically highlighted anti-competitive practices along the agro-food value chain and price risks. On both the input and output within the farming sector, some actors control input supplies and have the power to inflate farming costs. As the Strategic Plan specifically highlighted:

“Increased market concentration among input suppliers and distributors as well as increased domination by multinational firms may negatively affect the competitiveness of the agricultural sector. The power of these firms and the lack of competition within the sector may result in high intermediate input prices.” (2001:13)

And on the output side, it notes the emerging dominance of supermarket chains have emerged as dominant players in agro-food value chains what this has in store for farmers:

“Retail chains have become large and extremely powerful in negotiating and determining producer prices locally and internationally. Farmers have as a result been at a disadvantaged in price negotiations”. (DOA 2001:14).

In summary, it is quite clear that from 1996 onwards, agricultural marketing policies basically set out to liberalize and deregulate the full agricultural value chain as articulated in the Marketing Act. This policy definitely recognizes black smallholder farmers as stakeholders in farming and acknowledges the need to improve their access to agro-food markets (especially export markets) as a path to wealth and higher welfare. Complementary policies that were adopted later, such as the Strategic Plan in 2001 and AgriBEE in 2006, more explicitly recognized the need for supportive measures and interventions to allow smallholders meaningful market access. But how has this altered agricultural marketing policy context affected the prospects of smallholder farmers in practice?

Vink (2004) has done a descriptive overview of how the production and marketing of major groups of farm commodities have changed under the deregulated and liberalized agricultural regime. Across all the major commodity groups- specifically, field crops, livestock and horticulture- state interference in farm output markets has almost completely disappeared. This has compelled large-scale commercial farmers to raise their productive efficiency in order to be more competitive. Although a few opportunities have opened for smallholders, there seem to have been no large-scale integration of smallholders into the liberalized agricultural markets up to 2003. Noteworthy developments following the implementation of this new framework are:

1. A *flexible pricing regime* has replaced pan-territorial and pan-seasonal price fixing by state agencies. This rewards for differential product qualities and relocation of the production of certain commodity types. However, this seems to have benefited well-networked farmers in the large-scale commercial sector. For they had access to information and complementary resources which enabled them to seize opportunities offered through the more competitive supplier prices.
2. *Localized and smaller-scale agricultural processing* has been encouraged. Approximately a third of the maize crop is evidently locally processed by a growing number of on and off-farm smaller millers.
3. *Heightened levels of buying and selling in local informal markets*, such as informal meat markets in townships that procure meat mainly from smallholder farmers. However, these are typically “open roadside markets” where it remains

unclear what quality meat ends up in informal markets and to what extent there is adherence to food safety and hygiene standards of meat on display.

Overall, however research and comprehensive data on better market access for black smallholders, let alone the extent to which their increasing integration into markets have raised their levels of well-being, remain poor or non-existent. Sections of the NAMC web site dedicated to disseminate this specific kind of research evidence, displayed only a small and fragmented list of what appears to be outdated reports.

## **5. Some Evidence on SA Agricultural Markets**

Since the end of apartheid in 1994, the socio-economic landscape in rural South Africa has changed in several ways. The demographic shift remains, arguably, the most visible measure of change as people continue to migrate from predominantly farming areas to smaller towns and metropolitan cities. On average, the percentage of the population still residing in rural areas is now in the order of 40%. Combined with this, macroeconomic statistics show a falling share of commercial farming in national output, growth and employment. A smaller number of commercial farmers have been able to withstand the competitive pressures in the agro-food industry. Estimates show a decline of commercial farming units from over 60,000 in the mid-1990s to roughly 45,000 as reported in the latest agricultural census. Large-scale commercial agriculture, which was once the mainstay of most local rural economies, now contributes about 3% to national GDP. It is with these macro-level changes in mind that the impact of agricultural market reforms of the rural poor is examined. The first part attempts to assess the extent to which farm workers have and continue to benefit from farming deregulation and liberalization, whilst the rest of this section examines cases of smallholder farmers and informal traders.

Official statistics on farm employment in South Africa show two major long-term trends in the changing composition of the agricultural work force. Firstly, there has been a steady decline in the absolute numbers of agricultural workers. But this trend evidently has accelerated from 1990 onwards. Over the 10 years from 1985 to 1995, agricultural employment had fallen from roughly 1,3 million to about 920,000, which represents a 30% decline. In the intervening period until 2002, farm employment fluctuated but experienced a marginal upward movement. For the 3 year period from 2002 to 2005, employment in agriculture again declined from 940,000 to 628,000, which represents a drop of 33% (StatsSA 2008, Vink and Kirsten 2003). Secondly, the non-permanent agricultural workforce has dramatically expanded. Sparrow et al (2008) cite data showing that by 2002 the percentage of non-permanent workers as a share of total farm employment stood at 49%, up from 36% recorded in 1991. In some provinces with extensive high-value commercial farming, the majority of workers are in non-permanent jobs. Commenting on an earlier observation of this growing number of non-permanent farm workers, Vink and Kirsten (2003) stated:

“The category of casual and seasonal employees is notoriously difficult to estimate, so this increase may be no more than a measurement error. On the other

hand, the large increase in exports of fruit (the sector that is the largest user of casual and seasonal labour) that occurred in this period may have resulted in an increase in jobs”. (2003:12)

Aside from the poor quality data, which is partially a consequence of difficulties to access farms during surveys and farmers refusing to report information, studies explain this fall primarily in terms of labour supply and perceived pro-worker policy shifts (‘institutional change’)<sup>4</sup>. Sandrey and Vink (2007), however, points towards the puzzle of jobless total productivity increases in agriculture. They report that total factor productivity in commercial agriculture evidently recovered and adjusted to dramatic market-oriented agricultural reforms of the mid-1990s. But the deregulated farming sector is not absorbing the abundant rural surplus labour and thus aiding the war on poverty.

Resource-poor small farmers that produce a marketable surplus, especially staple food producers, tend to sell directly to consumers. However, farmers with a larger marketable surplus or with a direct “commercial orientation” (Makhura et al 1998) generally sell a larger share of their output through other intermediaries (retailers, wholesalers and processing establishments). To start this overview of evidence on market access of smallholders, this section starts with pulling together lessons from three typical forms of downstream linkages of smallholder farmers: to fresh produce markets, informal markets and supermarket chains. Institutional reforms bearing on the agricultural sector and the “supermarket revolution” (World Bank 2008) have introduced significant changes in the agro-food value chains. These have opened a new range of opportunities and challenges for smallholder farmers. Take the case of supermarket chains, for instance: they have intensified competition over local demand while at the same time opening a market outlet for smallholders producing high-value farm produce.

As a result of the growth of South African supermarkets and their movement into smaller rural towns, the farming market space became radically altered. Alongside this development, rural poor households (including many smallholder farmers) are increasingly net consumers rather than net producers of foods and they tend to purchase their food from the expanding network of supermarkets in nearby rural towns and cities. These expanding trends in the sources of local food purchases in communal villages have been observed in both Limpopo and Transkei in the post-1994 era (D’Haese and van Huylbroeck 2005, Kirsten et al 2007). Supermarkets are making foods available at lower prices than informal vendors in local markets because of the economies of scale advantages this ‘networked retailer’ enjoys in procurement. Their competitors for the local demand, especially informal traders, have often been forced out of business because they are unable to withstand the “competitive pricing” of these large retailers. But arguably the most important function of these ‘supermarket networks’ in the context of agricultural markets remains the extent to which they impact on smallholder farmers or draw smaller producers into agro-food networks often under their control.

The Johannesburg Fresh Produce Market (JFPM) is the largest fresh produce market in Southern Africa and an important outlet for smallholders in Limpopo Province. The

JFPM board has been active in expanding access to its trading facility to smallholders as well as informal traders. Examples of how the JFPM board has been trying to improve market access to smallholders include the following: It is conducting targeted extension officer training programmes, especially for extension officers in the Vhembe district (Limpopo) Department of Agriculture, so that extension officers are better able to convey or transmit market information (such as prices, packaging, quality, storage and delivery times, market agents, etc) to farmers in localities more than 300 kilometers from the market. It regularly runs small farmer and informal trader open days in which these market actors are brought on tours to the JFPM facilities to raise their understanding of the workings of fresh produce markets and how it can benefit them. More recently, the JFPM and the Vhembe District Municipality teamed up to build a decentralized pack-house and grading point facility to integrate small and emerging farmers into fresh produce markets. This Vhembe fresh produce facility will significantly reduce the transport costs for smallholders and with modern cold storage facilities will enable smallholders to deliver better quality produce to the JFPM and capture more benefits from better market access.

Informal markets in which large numbers of small traders participate are common across the agro-food value chain. In their study of the Tshakhuma and Khumbe informal markets in the Vhembe district, Nesamvuni et al (2005) found that both markets trade mainly in sub-tropical fruits. Women comprise roughly two-thirds of the sellers, with another 30% mainly children, and 56% of women respondents reported income from trading as their only source of livelihood. Of greater relevance to this study is the extent to which these informal traders use smallholder farmers as their sources of supply. Smallholders supply a limited range of fruits with low input intensity and indigenous varieties (such as mango and avocado). However, most of the fruits sold in the market have been bought in relatively larger volumes from large-scale commercial farmers in the Levubu valley, transported and delivered to Tshakhuma and Khumbe by hawkers. To raise the supply of fruits from smallholders to these markets, Nesamvuni et al (2005) recommended downstream contract arrangements between smallholders and informal traders. But complementary investments in storage facilities and transport may be needed to improve the absorption capacity of these informal traders as well to reduce the rapid deterioration of produce on display that force traders to sell at huge discounts and often at a loss.

Downstream linkages of smallholder farmers with large-retail chains (or supermarkets) have received increasing attention in recent research (World Bank 2008) because supermarkets attract a mass consumer market. Supermarkets generally specialize in supplying a targeted group of customers with niche products of relatively high value. As such, it offers a potential market to smallholders that produce high-value agricultural foods, which are usually produced in smaller volumes. To explore ways in which smallholders can realize the advantages to be derived from access to this market, Louw et al (2007) suggest a more nuanced understanding of the purchasing strategies and other goals of supermarkets. Large supermarkets that serve mainly high-income groups need to be split from decentralized chains that procure their fresh agro-foods from local suppliers. The first type of supermarket chain operates a centralized procurement and distribution

system which is designed to reduce transaction costs. Within such a system, separate and once-off transactions with scattered smallholders increase transaction costs and lower efficiency (Louw et al 2007). To qualify as a supplier to large high-value supermarkets, smallholders need to comply with a host of standards, such as organic farming certificates, food quality and safety regulations and packaging criteria. As a consequence, smallholders may not be able to optimally exploit opportunities of these agro-food chains.

But localized supermarket chains, in contrast to the above type, often rely on small-scale farmers in close proximity to supply the fresh produce needs of their customers. Louw et al (2007) report case study evidence of the Thohoyandou SPAR, one of the largest supermarkets in Limpopo, as an example of a success story of the linkages smallholders managed to forge with a local supermarket in a specific municipal district. Smallholders supply up to 30% of SPAR's fresh vegetable sales, such as cabbages, spinach, carrots and beetroot. Prices and quality are verbally negotiated when farmers deliver the products to the store (following the inspection of a sample of the produce). Evidence from recent interviews with the SPAR manager revealed wide variations in the numbers of smallholders participating in this arrangement. In 2004, the number of smallholders participating in this arrangement had grown to approximately 23 but then declined to a more recent average of 15 farmers per year. Interest free loans and training programmes to ensure the supply of a better quality, provided by SPAR in the earlier period seems to have dropped from this arrangement.

Better and sustainable market access of smallholder to the opportunities opened by supermarkets turns on the strategies to reduce transaction costs. To lower the transaction costs for both the smallholders and supermarkets, Louw et al (2007:548) advocate strengthening forms of collective action among smallholders to promote equity and competitiveness. More specifically this should facilitate coordinated efforts to: train farmers in product quality and marketing, enable farmers to comply with delivery schedules, overcome transport problems, access cheaper inputs as a transitional stage to enter larger fresh produce markets.

Perret (2002), in a case study of the sheep market activities among farming households in a rural Transkei village (Xume) has found that a rural household typically relies on a mix of livelihoods activities. The norm is for the average household to rely on 2-3 sources of income. To contextualize his study, Perret (2002) cited evidence from the 1997 Rural Survey which found that only 3% of the farming households in Transkei and Ciskei regions had practiced farming with a "commercial orientation". However, in an effort to profile the typical households selling wool, meat or other farm outputs, this study developed a typology to profile 'marketing activities' among farming and non-farming households<sup>5</sup>. Within the non-farm group, in which off-farm workers form the majority (10-40% of households), sheep herding is as expected for own consumption. Yet even this group periodically sells 'small quantities of wool to speculators'.

Perret's (2002) own findings differ from the evidence in the 1997 Rural Survey. In his sample, 60% of household earned cash income from farming, yet only 9% of farmers

earn their main cash income from farming.<sup>8</sup> He found in Xume, that only 5% sell crops grown such as maize, bean, cabbage, pumpkin, potatoes and spinach. The focus is on sheep farmers, selling both animals and meat (mutton). However, they have sell wool mainly to speculators.

The overall picture emerging from the findings of a number of studies is that smallholders who are active in markets, run operations that are locally concentrated and within a limited range of commodities. Traditionally, outputs of smallholders have found their ways onto local informal markets and other regional municipal markets. But with the supermarket revolution, a growing number of smallholders supply niche products in variety of contract arrangements with supermarkets.

Makhura and Mokoena (2003) surveyed several case studies on market access for smallholder farmers and distilled the patterns of existing output sales among these farmers. This is a very useful way to gain some insights on the nature and extent of output market participation among smallholders and the typical characteristics of their transactions.

- Smallholder farmers that do sell agricultural produce, engage primarily in cash sales. In purposively surveyed farming households in the communal areas of Limpopo and KwaZulu-Natal, at least 50% of households had engaged in selling agricultural produce in 2001.
- Smallholder farming output supplements household subsistence directly or through barter transactions. It has been estimated that around 25% of the agricultural produce go into the consumption basket of the household. In some cases, almost 50% of the sampled households exchanged maize with local millers for maize meal.
- Households selling higher value farm outputs are more commercially oriented. Makhura and Mokoena (2003) report evidence that smallholders selling livestock and horticultural produce are more commercially oriented than those selling staple food crops like maize. Sales of lower-value crops tend to be subsidized by sales of the higher value crops.

Constraints that bar smallholders from greater market access to agro-food output markets are associated primarily with underdeveloped infrastructure, ranging from the non-existence of local market spaces to unreliable sources of market information. However, institutional arrangements along the value chain and policies rarely prioritize the needs of smallholders and thus effectively heighten the barriers to access markets. Among the major constraints underscored in Makhura and Mokoena (2003) and supported by anecdotal evidence from ongoing field studies are:

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<sup>8</sup> (Calculations of the amount of income earned from farming naturally starts from adding up the monetary value of specific types of commodities sold. However, in addition to what and how much they sell, where sales take place (the geographic location of the market) and arrangements along the value chain also affect how much farmers earn from marketing their outputs.)

*Institutional responsibility:* State agencies with a mandate to promote greater market access for smallholders, specifically NAMC, NDA and PDAs, are poorly coordinated. Moreover, the CASP which has as one of its main pillars the goal of improving market access and infrastructure for small-scale farmers, highlights the role of local municipalities to invest in local market infrastructure which provides smallholders and traders with spaces to display and sell their outputs. Anecdotal evidence from Limpopo, where large numbers of smallholders farm on local irrigation schemes but depend heavily on the Fresh Produce Market in Johannesburg, a project to construct a municipal market for the Vhembe district has been on hold for several years partly due to poor cooperation and coordination among these public institutions.

*Bargaining power and discrimination:* In livestock auctions, for example, animals supplied by smallholders are often sold last and at lower prices. Smallholders rarely form part of marketing trusts. A related issue is the degree of participation of the smallholders in contract farming. Kirsten et al (2005), in a study for FANRPAN found South African smallholders to be poorly integrated in contract farming value chains. Among the reasons that account for this 'discriminating against' smallholders are: larger farmers are preferred because they are perceived to have greater management coordination; higher transaction costs are associated with smallholders. They found that increasing smallholder supply of fruit and vegetables by 10% through contract market arrangements has the potential to create opportunities for 11000 smallholders.

*Market information:* Access to information among smallholders is generally poor and is compounded by the lack of reliable and efficient means of disseminating information. Recent field evidence in a study among small-scale sheep farmers in Eastern Cape is a case in point to illustrate the need for public support for a reliable market information dissemination mechanism. Both woolgrowers and meat-sheep farmers get their information on market prices from a combination of three main sources: networking with white commercial farmers and 'speculative bulk buyers-farmers', an early-morning radio show in local languages and cellphones.

*Transport and road infrastructure:* Smallholders usually need to rely on public transport to bring their output to the market. Transport contractors are reluctant to service smallholders due to the poor quality of feeder roads in rural villages. Early findings from research among smallholder woolgrowers in the northwest corner of Eastern Cape show they need transport wool over large distances to access the market in Port Elizabeth. Their counterparts who concentrate on a meat-sheep variety seem to rely exclusively on white commercial farmers and 'speculative bulk buyers-farmers' to deliver their stock for sale to the big auction in Bloemfontein at a considerable cost deducted from the sale price.

*Assembly, storage and local processing:* Storage facilities are usually non-existent in rural areas and low volumes may not justify setting up such facilities in rural areas. Research from Limpopo indicate that smallholders (particularly those in horticulture in

the rich Levubu valley) have through their own initiatives and associations accessed local pack houses to package and market their produce.

## **6. Conclusion**

In South Africa and other parts of the world the agricultural sector is undergoing substantial restructuring. This process is bound to affect the production, distribution and consumption of agro-foods. At least three sets of reasons have been offered as to why agro-food markets must be reformed. The first set of reasons relates to traditional economic growth arguments. Economic growth is generally associated with efficient markets and this should also hold for agricultural markets in poorer countries where state interference in the market pricing mechanism adversely impacted on economic growth. Whilst this line of reasoning underscores state failures, little attention is given to market failure and how it might affect economic growth. Another set of reasons for agro-food market reforms, not entirely disconnected from the economic growth rationale, turns on the need for global policy conformity. In order to be insiders in the current process of agricultural globalization, developing countries must embrace the dominant discourse, thinking and policy consensus. However, rationalizing the market-oriented reforms of the agro-food system on these grounds effectively amount to the acceptance of a 'conditionality' imposed on poor countries incorporated into a structurally unequal process of economic globalization.

A third cluster of arguments highlights the direct and indirect linkages of agricultural market reforms and the rural poor, specifically farm workers, small farmers and informal traders. This implies that the rural poor is to be found throughout the agro-food value chain, be it production, distribution or consumption. More specifically, this paper has explored two interconnected questions: What are the mechanisms through which agricultural market reforms affect the rural poor? How do these reforms affect the rural poor? Whilst our focus is primarily on the rural poor in South Africa, we have situated this analysis in the context of contesting global analytical frameworks that inform agro-food policies.

South Africa's agricultural marketing and anti-poverty policies emphasize the need to "make agro-food markets work for the rural poor", strongly articulated in the 2008 World Development Report. But these policies are framed primarily in terms of higher economic growth and to conform to globalization. The benefits to the rural poor will presumably trickle down through more competition and trade in local and externally. Although food access and distribution is at the heart of agro-food market policies, especially in so far as it affects the food security status of the rural poor, existing policy is silent on this dimension. Incorporating food security concerns more explicitly into agricultural marketing policies is vital to overcome the contradiction in the modern food system in which those working in the agro-food sector tend to experience higher levels of food insecurity. Farm workers in the sector are becoming more impoverished as they are squeezed in agricultural labour markets and agro-food output markets. Other sectors of the rural poor, specifically smallholder farmers and informal traders, face similar

pressures as a result of the market- oriented restructuring of food and agricultural value chains.

Smallholders do participate in a variety of farm output markets and actively seek to access larger markets beyond their immediate localities. But the degree to which smallholders participate in and share the benefits of greater access to agro-food markets depend on a combination of factors, such as the policy space, market infrastructure and how agro-food markets work in practice. Marketing policies that cater for smallholders have an important role to play in reducing the costs to smallholders in selling their outputs through informal markets, supermarkets and regional fresh produce markets. In local informal markets, for instance, smallholders often find their prices undercut by produce that informal traders buy from large-scale commercial farmers. Even if a smallholder is able to supply a higher-grade product to local informal traders, individual smallholders find it difficult to match the volumes of larger farmers. Supermarket chains, on the other hand, provide a lucrative niche market for smallholders but these downstream linkages are limited to smallholders that meet product variety and quality standards.

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<sup>1</sup> Chris Barrett (1996, 1997) has extensively documented the case of agricultural market liberalization in Madagascar, which started in earnest in the latter half of the 1980s. Before then, the package of measures that characterized the state-centered marketing model for agricultural staples were:

- The state had monopsony power over the purchase of food staples and export
- Monopoly power in processing, distribution and storage
- Active parallel markets were decreed illegal (Studies suggest that before the implementation of the reforms in the mid-1980s in Madagascar this markets comprised 50% of the domestic marketed volume for rice, the main staple crop). Interestingly, the liberalization and deregulation of food markets was part of the conditions attached to the 1986 loan from the World Bank. Research from other countries also indicate that macroeconomic adjustments, often externally induced, impact significantly on virtually all spheres of the agricultural sector. The 1994 devaluation of the CFA Franc transformed Burkina Faso's domestic informal beef markets (Hoffman and Bernhard, 2007). In the domestic markets, average cattle prices increased, local slaughter declined and squeezed the margins of domestic market traders.

<sup>2</sup> Perret (2001) gives some limited evidence on the 1997 Rural Survey. But this investigation was confined to the former homelands and this excluded farming activities among newer entrants who benefited from the land and agricultural reform policies.

<sup>3</sup> Aside from underscoring the key goals of the Marketing Act, this document articulated a commitment to improving "access to markets for small and medium scale farmers" (MALA 1998).

<sup>4</sup> Sparrow et al (2008) use a supply-side approach to focus attention on the role of restrictive labour market policies as causing the decline in agricultural employment. However, this elegant econometric model does not factor in the restructuring of agricultural markets which coincided with the promulgation of the perceived pro-farm worker laws. Barrientos and Kritizinger (2004) explore the overall effects on employment in the globally integrated fruit sector as farmers adjust their demand for labour to other competitive pressures.

<sup>5</sup> The study defined more nuanced categories of farming groups than Jayne et al (2006) mentioned above, yet the findings of these two studies are remarkably similar.