

**RURAL MUNICIPALITY CASE STUDIES:  
LAND REFORM, FARM EMPLOYMENT AND LIVELIHOODS**

**Summary of research reports supported with funding from the  
National Treasury, USAID, and the Human Sciences Research Council**

**Human Sciences Research Council  
Praxis Development Practitioners  
Programme for Land and Agrarian Studies, UWC**

**July 2006**

**Introduction**

The RDP Policy Framework document of 1993 stated that, “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” (1994, §2.4.2). The boldness of the RDP’s assertion appears to be worlds apart from the land reform programme that exists over 12 years later. Were the RDP’s expectations fundamentally ill-founded, or has the implementation of land reform failed to realise its underlying potential?

The objective of the current research project is to clarify the economic case for redistributive land reform. This is motivated by the perception that, notwithstanding progress in respect of land reform delivery and certain aspects of policy development, land reform is making little economic impact at the level of communities or indeed the country. And yet, the need for land reform appears as great as ever, especially in light of declining agricultural employment, which is undermining one of the main traditional sources of rural livelihoods.

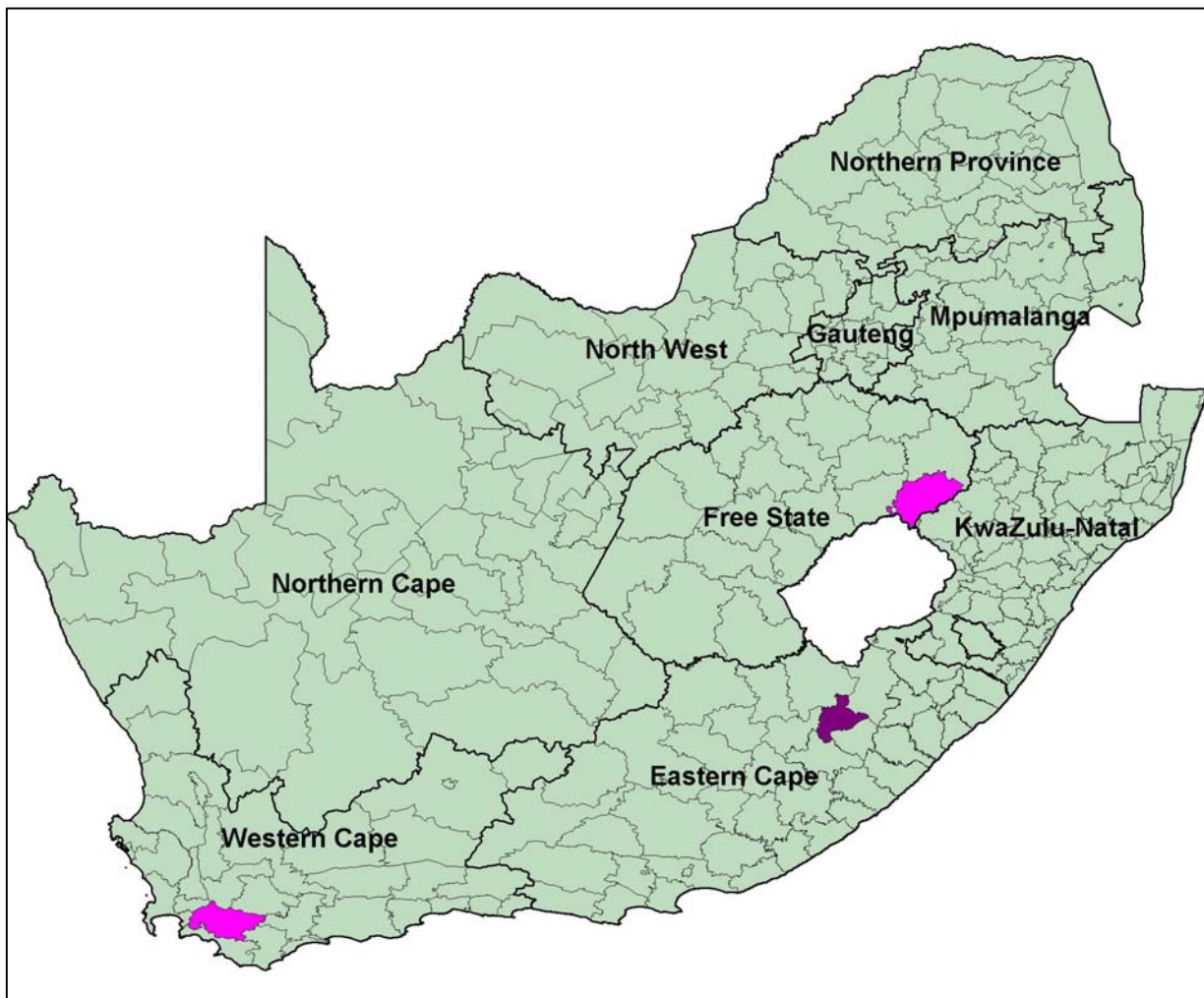
**The area-based approach**

The impact of land reform has been studied using various approaches. The two most common are project-level case studies, which seek to establish how well selected land reform projects are functioning, and whether their members benefit; and household surveys, which seek to quantify on a larger scale what is the significance of land reform on participants’ welfare. An important example of the latter is the Department of Land Affairs’ own ‘Quality of Life Survey,’ which is currently completing its most recent round.

The approach employed in the present studies shares elements of both of these, but is also distinct. The key difference is that the approach is *area-based*, meaning that it examines the situation and impact of land reform in selected areas, in the context of the economy and economic change in those areas. Thus, for example, it is conceivable that land reform projects function well, and participants benefit greatly, and yet this says little about whether, in the greater scheme of things, land reform does or could make a difference. Project case studies and household

surveys are important, but there is a great deal more that we need to know in order to gauge whether land reform truly is making, or could make, an economic difference.

The original hope for this study was to undertake four municipality-based case studies, more or less simultaneously, and then draw inferences from their commonalities and differences. The number four was deemed a ‘good round number’ (albeit arbitrary), enough to at least begin to capture the enormous diversity of agro-ecological and socio-economic contexts in which land reform has relevance. Unfortunately, funding constraints were such that only two of the four case studies have been conducted to date, namely those for Maluti-a-Phofung Local Municipality in the eastern Free State, and Theewaterskloof Local Municipality in the Western Cape. Not to diminish the fact that these two studies stand up well in their own right, for purposes of drawing out inferences, we consider the findings from these two studies in conjunction with those of a somewhat earlier study by the HSRC and University of Fort Hare on land reform in Elliot District, Eastern Cape. (See map below for the location of all three sites.) This study served loosely as the model for the newer Free State and Western Cape studies.



All three studies followed their own specific methodology, but according to a common approach, namely: focusing on a well-defined, predominantly rural geographical area (i.e. local municipality in the case of Maluti-a-Phofung and Theewaterskloof, and magisterial district in the case of Elliot); examining closely the land reform projects in that area; examining the commercial farming sector; and identifying the contribution of land to livelihoods outside of land reform projects and commercial farming. This involved interviews with key informants from the municipality, local Land Affairs and agriculture offices, and the commercial farming community, as well as interviews with land reform beneficiaries, and with current and former commercial farmers.

### **Findings per case study**

The paragraphs that follow give a brief description of each study site, as well as the findings related to land reform and rural livelihoods for each site.

#### ***Maluti-a-Phofung Local Municipality***

Maluti-a-Phofung (MaP) is located in the eastern Free State in the corner formed by the north Lesotho boundary and the KwaZulu-Natal provincial boundary to the east. The municipality was formed out of the former Harrismith and Witsieshoek (Qwa Qwa homeland) magisterial districts during the amalgamated municipalities reorganisation of 2000. Historically, the economy relied heavily on state-funded services to the former homeland. This inflow of resources dwarfed the commercial agricultural and manufacturing economies combined for both Harrismith and Qwa Qwa taken together. The withdrawal of this central government inflow in the post-apartheid period is the key reason for the decline of the local economy.

Present-day land ownership in MaP consists of a mix of various types of state land ownership, including communal land held by traditional leaders in the rural area of the former Qwa Qwa homeland prior to the mid-1980s; the land within the municipality's formerly black urban area, Phuthaditjhaba, and black industrial area, Tshiamo, which is owned in large part by the municipality; swathes of state land administered by the DLA; and land owned by the Department of Public Works. Beyond the original homeland borders lies a large area of recently privatised formerly white-owned land known as the 'Qwa Qwa farms', purchased by the South African Development Trust (SADT) for homeland consolidation, with some of this remaining as state land and currently leased to white farmers. The remainder of the municipal land is still primarily owned by white farmers, with a smaller smattering of recent land reform projects underway around Tshiamo and Harrismith. Key informants say the land closer to Harrismith is of a better quality for crop production, with the soils becoming progressively more rocky and shallow for planting as one approached the mountainous Qwa Qwa area. The limited economic prospects for most residents of the municipality, combined with reports from two Department of Labour centres and the Harrismith Tourism Office of a steady flow of unemployed farm workers seeking work or farming opportunities, mean that one of the few issues on which most key informants in the area agree is that there is a strong and consistent demand for land. The Department of Agriculture District Office reports that at least 50-60 potential land reform beneficiaries approach

extension offices across the municipality each month seeking information about land reform opportunities, due to the fact that the nearest DLA office is in Bethlehem.

A consolidation of project data secured from different sources within the DLA and the provincial department of agriculture (PDA) suggests that there are anywhere between 33 and 69 land reform projects in the municipality. The number is not clear because the PDA works on a district basis, and has not provided a location for 16 of its projects. Neither is there any clear designation by either department as to which projects are not land reform projects amongst the '114 farmers.' (That is, some of the '114 farmers' have used land reform grants to pay off debts, and in fact most of the land reform projects in MaP consist of 'bail outs' of this kind, but the number is uncertain.)

While the data maintained by the PDA is by far the most extensive, it is incomplete and sketchy. Of the 71 listed projects whose land reform status is recorded, 4 have been liquidated, 15 have Land Bank loans, 28 are LRAD projects, with an additional 5 projects listed as LRAD/Joint Title, and 2 are state land.

The small number of 'pure LRAD' projects in MaP were settled relatively recently, predominantly on state land, and appear fairly typical of land reform projects in their early phases. The reason for the relative absence of willing-buyer / willing-seller redistribution projects is unclear, but very likely relates to the fact that there is ample demand for land reform grant assistance among the '114 farmers,' which the PDA also favours. As a group, the '114 farmers' are in fact what is arguably most interesting about MaP from a land reform perspective, in the sense that these farmers give a glimpse of what the newer generation of land reform projects might look like in another 10 to 20 years. Having interviewed a number of the '114 farmers' (including those who had recently been assisted by DLA and those who had not), one can venture a number of observations. First, over time a fair number fail, but while some of these failures are more or less inevitable, the cause of others can be traced directly to inconsistent government policies and/or absence of appropriate support. Second, a sizable fraction (say a third) show remarkable resilience, even showing positive growth over time. But third, there remains an enormous gulf between the most successful of the land reform farmers, and the average white commercial farmer, to the extent there is no evidence of integration in the commercial farming sector.

The fact that state support for land and agriculture in MaP appears to be focused on helping the '114 farmers' makes some sense, but the cost is that there are very few new land-based livelihoods being created in MaP, and it is not clear at what stage this might change.

### ***Theewaterskloof Local Municipality***

Theewaterskloof Local Municipality (TLM) is located in the Overberg region of South Africa's Western Cape Province. The area is named after the Theewaterskloof Dam, near Villiersdorp, the largest dam in the region and the main source of water for the city of Cape Town. Theewaterskloof Municipality was formed on 5 December 2000 through the amalgamation of various transitional rural councils and local municipalities.

The Strategic Development Framework for Theewaterskloof municipality describes population growth in the area as 'extremely high' and 'clearly unsustainable', at 89% growth (i.e. it has virtually doubled in seven years, and grown by over 100% in Grabouw and Genadendal), which it attributes to in-migration for work on fruit farms and to evictions from farms. In-migration for the period is estimated to average 3 835 persons per year over the seven-year period. The SDF goes on to make the dubious recommendation that, in terms of planning for future housing needs, the municipality should concentrate on 'natural population growth' rather than migration, 'this being the primary responsibility of the local authority'. Population growth for urban areas is then projected at the rate of 2.5% ('moderate') and 5% ('high'), despite the fact that the annual rates in the preceding period has been as high as 10% in Grabouw, 8% in Villiersdorp and 6% in Botrivier.

Agriculture is the major economic activity in the Theewaterskloof area and also the main employment sector. The southern part of the region (including the Elgin/Grabouw Valley and the Villiersdorp/Vyeboom Valley) focuses on deciduous fruit farming, while the central and northern parts of the region, including Caledon, Genadendal and up to Riviersonderend, specialise in wheat and livestock farming. Agriculture and related activities account for more than half the total employment in the area.

There is a total of 10 land reform projects in Theewaterskloof. These can be divided into equity schemes of various sorts on commercial farms, and tenure projects, relating to farm housing on commercial farms. Equity schemes show a variety of ownership arrangements, from cases such as Geelbeksvlei, where workers own just 5% of the enterprise, to Vuki and Destiny, where workers own 100%. All of the production projects show strong continuity in production, as land reform has not led to any subdivision of land or major change in land use, with the partial exception of Thandi which has seen former forestry plantation converted to vineyards.

Numerous informants, particularly within the Theewaterskloof Municipality, identified evictions from commercial farms, and the resulting pressure on housing in the small towns, as the most pressing land-related issue facing the area. It was therefore decided to focus part of the research on evictions and their consequences. While evictions are not in themselves land reform (other than in the negative sense, of people – in this case landowners - gaining land rights at the expense of others, the former occupiers), they relate directly to a key aspect of land reform policy, namely tenure reform, as addressed for example by the Extension of Security of Tenure Act (ESTA). Ongoing evictions on a large scale can thus be seen as a failure of land reform policy or, seeing that ESTA does not actually outlaw evictions, as a severe limitation within policy that works to the detriment of poor land occupiers.

It is difficult to estimate the extent of evictions in the Theewaterskloof area. Census statistics show a high population growth-rate, but do not distinguish between natural increase and inward migration. The rate alone, however, suggests that migration plays a considerable part. A crude generalisation would be that most of the coloured population in informal settlements, in backyards and in new RDP housing developments originate from commercial farms in the immediate area, while the great majority of the African population come from further afield.

Whether land reform has significant potential to promote economic development in Theewaterskloof is difficult to say, but one can state with certainty that at the present rate it will

not. According to government officials interview, high land prices are the reason why there are so few willing-buyer / willing-seller projects (land prices are roughly twice the national average in Theewaterskloof), however, a more accurate explanation is that DLA has not identified a model which it feels can reconcile high land prices with its grant system and with the economic potential of beneficiaries. Indeed, with the exception of share equity schemes, the nature of commercial farming in Theewaterskloof is unattainable by land reform beneficiaries, and yet at the same time there are low-income households for whom land access is an important component of a multiple livelihood system. Theewaterskloof is a good example of the mental hurdle land reform policy faces: there is an active land market, and plenty of land can be acquired for a price; but until one accepts the value of providing it to people who have little prospect of resembling white commercial farmers, it will remain a marginal activity at best. In the meantime, the externalities due to unhindered evictions are having a palpably negative impact on the municipality's attempts to improve access to housing and services.

### ***Elliot District***

The rationale for studying Elliot District was that it has enjoyed one of the largest concentrations of redistribution projects in the country, in particular LRAD projects that had been delivered since 2002. As of 2005, about 15% of the commercial farmland of Elliot had been redistributed via land reform projects. Thus Elliot offers an opportunity to examine an instance of unusually rapid delivery within the willing-buyer / willing-seller context, as well as provides an unusually good base from which to extrapolate to the 30% target in asking the question whether land reform can make a meaningful contribution to rural development.

Elliot is a mixed farming area, but the nature of commercial farming has undergone dramatic change in the past 20 years or so. First, as elsewhere in South Africa, there has been a pattern of property consolidation, whereby the number of farmers and operational units has declined while average farm size and average hectares per farmer have increased. Second, there has been a trend since around the 1980s of intensification, especially in terms of adding or expanding field crop production, sometimes but not usually under irrigation. The motive for this was simply the need to improve farm incomes. However, with the later demise of the marketing boards, the riskiness of crop farming was felt more keenly, so that some farmers decided to more or less relinquish field crops. To maintain incomes, this exerted further pressure to expand, leading to further consolidation. At the same time, problems with theft of sheep started to grow to such an extent that most stock farmers switched in favour of cattle, which are less susceptible to stock theft.

In terms of farm employment, between 1988 and 1993 there was a 16% drop. In many parts of the country, farm employment is subject to large year-on-year fluctuations depending on agricultural conditions, thus one should not read too much into this figure. However, our own survey of commercial farmers in Elliot confirms the overall trajectory; indeed, by 2004, farm employment was around 38% of its 1988 level, with an especially sharp decline from 1999. What accounts for the precipitous drop in employment since 1999? The commercial farmers who were interviewed tended to highlight the same issues with which one is generally familiar: the sectoral determination (minimum wage), the feeling of uncertainty associated with the new dispensation, the Extension of Security of Tenure Act, etc. Much of this can be lumped under the rubric of a perceived farmer-unfriendly labour relations environment.

What accounts for the rapid pace of delivery in Elliot? From the perspective of the ECLRO, it was obvious that the demand for land in and around Elliot was very strong. The issue therefore was how to make land available. According to the Queenstown branch of the ECLRO, a deliberate two-part strategy was adopted to directly address the 'resistance' of land owners in and around Elliot: first, targeting senior members of Agri-EC who happened to farm in the area, and second, holding public meetings to explain to the farming community what land reform was about. The Queenstown office attributes much of the success in the Elliot area to the fact that ultimately a number of leaders of the farming community became personally involved and committed. One of these was a man farming near Dordrecht who was formerly the president of Agri-EC (the main provincial commercial farmers' union in Eastern Cape), and who is still active within the organisation and the commercial farming community generally. This individual formed a joint venture with seven of his workers. The Queenstown office avers that this in itself had a demonstration effect to other commercial farmers in the area, as though helping to release the pent-up supply of land. Another was the Agri-EC officer in charge of the union's land reform desk, who farmed in Indwe, and in 2002 sold his property to land reform and left the Eastern Cape and farming altogether. Both of these men agreed to speak at community meetings and farmers' association meetings, and generally promote the cause of land reform.

As for why this strategy worked so well for Elliot, there are two main views. The one is that, more so in Elliot than in other areas, there was a level of acceptance among white farmers that land reform had to happen. This in itself has different explanations. One respondent cited the fact that Elliot had already seen a number of blacks acquiring land outside of land reform, so that whites were already relatively accustomed to the idea of a changing racial ownership pattern. Another respondent stressed the fact that, in contrast to districts further to the West, there was a recognition in the white community of a strong historical claim to Elliot among blacks living in former Transkei – sometimes articulated as the drive to 'take back Tembuland.'

The other main view explaining the readiness of white farmers in Elliot to sell their land to land reform is that the cost-price squeeze in the early 1990s hit Elliot's farmers with particular force, owing not least to the fact that the predominantly sourveld grazing obliged farmers in Elliot to plant maize for winter fodder, a practice that increasingly became a financial liability.

The survey of farmers who sold to land reform provides evidence that land reform in Elliot benefited on the whole from normal motives for wanting to divest oneself of land. This supports the notion that land reform may tap into a pent-up supply of land, but that this pent-up supply is limited, because the number of land owners at any given point in time to whom these motives apply is itself limited. The sentiment expressed by numerous respondents in Elliot, in the words of one commercial farmer respondent, is that following the initial flush of sales to land reform, 'we're down to the core,' i.e. those who see themselves carrying on farming in Elliot for the foreseeable future, either because they have no other option, or because they have decided it's what they most want to do. Land reform facilitated the process whereby land owners less committed to farming – including those at the end of their careers, as well as those who were no longer able to farm profitably – got out.

What now? That is not clear. Based on what we have learned to date, the prediction would be that land prices will now begin to rise rather than fall, not least in response to further demand for land

reform. That is, having exhausted the supply from ‘non-core’ farmers, one would have to pay more to get land. Preliminary statistics for land prices for 2005 in Elliot support this prediction.

What is the net impact of land reform in terms of creating, or maintaining, livelihoods in Elliot and beyond? At this stage, we can answer this question only crudely, whereby ‘livelihoods’ are treated as homogenous things, rather than allowing for the fact that some types of livelihoods might be more satisfactory than others.

Taking into account the number of actively involved land reform beneficiaries, as well as those employed on land reform projects, then subtracting jobs lost (i.e. farm employment jobs that disappeared when land reform projects were introduced), and finally adding back a hypothetical number of jobs that would have been lost from about 2000 to 2005 had the projects not been introduced, the estimate is that there has been a net creation of 132 livelihoods to date through land reform involving transfer of 10% of the agricultural land. If we extrapolate to the 30% target, this would amount to about 400 livelihoods. To put this figure in perspective, it represents about 5.5% of the 2001 total unemployed for Sakhisizwe Local Municipality, which encompasses most of Elliot District and a small portion of former Xala District. But recognising that at least half of all LRAD beneficiaries in Elliot do not come from Sakhisizwe at all, but rather from Engcobo, the situation looks still less encouraging. In 2001, the number of unemployed in Engcobo was around 15 000 (representing an unemployment rate of 69%); adding these to the unemployed in Sakhisizwe, the 400 net livelihoods represents less than 2% of the unemployed from the area served by land redistribution in Elliot.

Of course these figures do not tell the whole story. One must also ask, what are the welfare implications for those households in former Transkei who remain behind, but who presumably have access to more grazing by virtue of the fact that land redistribution has enabled the relocation of some stock from Transkei to Elliot? Here our research methodology was still in its infancy, but focus group interviews conducted with communities from which land redistribution beneficiaries came, suggest that these benefits are indeed felt. How great they are has not yet been determined.

## **Conclusion**

The overarching observation from the three case studies is that, from a rural development perspective, land reform is presently having very limited impact. Ostensibly the reason is that the scale of land reform – even in areas which have seen a relatively large amount of it – is too limited, in particular in that it involves relatively few people. A second reason is that land reform projects tend to involve a de-intensification of land use. Thus although labour use on land reform land may be steady, it is far from the significant increase that is implicit in the passage from the RDP document quoted above.

One possible response is therefore to redouble efforts to give land reform beneficiaries a better chance at competing on equal terms with commercial farmers. There may be some opportunity for doing this, but presently the gap between beneficiaries and established commercial farmers is so vast, that it is not at all clear that this is a strategic route to pursue. At any rate, what can be said with some certainty is that land reform does not appear to have workable models according



to which it can make the economic contribution it is meant to. The economic case for land reform remains highly problematic.