



Policy INSIGHT

Shedding Light on Policy Developments

August/September 2015

HIGHLIGHTS

- The policy Insight aims to monitor and integrate government position, farmer's perspective and the agri-economic environment.
- This edition specially **focuses on land reform issues, the NDP and the Agricultural action Plan.**
- The test to all policies is whether or not they are redistributive in character, thus land reform hopes to achieve as rapidly as possible, a fundamental reversal of the legacy of colonialism.
- The government has developed a range of policies that were presented in parliament this year and has started implementation of the laws passed by parliament.
- The main objective of these Bills is to recreate the class of black commercial farmers that was eroded by the 1913 Natives Land Act.
- Government engaged with stakeholders when these policies were proposed, who are concerned that these policies will disrupt agricultural production.
- Government expenditure on land reform programmes is expected to increase over the next three years to accelerate redistribution.

CONTENT

- Strengthening Relative Rights of People Working the Land
- 50/50 framework
- Land Holdings Bill
- Land ceiling
 - Foreign ownership
- Land Expropriation Bill
- National Development Plan
- Agricultural Policy Action Plan

LAND REFORM POLICIES

50/50 POLICY FRAMEWORK

The government announced its draft policy proposals on land reform titled "Strengthening the Relative Rights of People Working the Land" (also known as the 50/50 policy framework). This policy is an effort to fast track the implementation of land reform by prioritizing the acquisition and provision of necessary strategic support to farms by 2019. The main aim of government is to protect and promote the relative rights of people working the land as per their contribution to the development and the years worked on that land, while strengthening the position of the farm worker. To do this, the government is prepared to pay for the **50% that will be shared by the workers** through the Land Reform programme.

The farm workers' share will be distributed to them in proportion to their contribution to the development of the land, based on the number of years they had worked on the land. Accordingly, workers who have worked for 10 years on the farm will be granted 10% of the

workers' land allocation; those who have worked for 25 years will receive 25% of the land allocation and those who have worked for 50 years on the farm will be entitled to 50% of the land allocation. However, the 50% proceeds will go into a joint investment fund which will be used for production and managerial expansions on the farms. 18 farms will soon be piloted with the help of the land Bank as two of them are clients of the bank.

There have been a **number of concerns raised by farmers**, which highlight some of the uncertainty and lack of thorough knowledge of what the policy entails and what farmers should expect in terms of the enforcement of such a policy. Organised agriculture is of the view that this would result in a lot of unemployment, where farmers either choose not to employ labour or utilize each person for less than five years to prevent loss of equity. Some agricultural economists argue that a comprehensive plan to boost labour intensive agricultural production, both in the commercial farm areas and the former homelands would yield far more positive outcomes.

Nonetheless, there are a number of farmers around the country who have **already included workers as shareholders** in their business, similar to the minimum wage policy where a number of farmers were already paying their workers above the proposed level. This obviously transpires under certain conditions which might not be prevalent across all farms. Even though a percentage of the farms has been transferred to the workers, it does not amount to 50%. The government believes that it is only fair that land is shared with farmworkers working and living on the land, while others (mostly private and organised agriculture) are of the opinion that the policy would result in billions of rand being spent and lost due to the complexity of the administration system in distributing the shares. The government plans to accelerate the policy implementation in order to fast track land reform by returning land to black people. Thus mechanisms have to be built to prevent evictions on farms in anticipation of the 50/50 split. Successful implementation of land reform requires efficient administration and legislation that is retroactive and the political will to effectively enforce the law.

LAND HOLDINGS BILL

Land Ceiling

Over the years land reform has been trying to find answers and workable strategies for the land question. The challenge of transferring commercial land to previously disadvantaged groups, particularly black rural communities remains controversial. The slow progress that has been made in redistributing land presented the need for other policies to be formulated in order to accelerate land reform. Land ceilings are a potential tool to use in conjunction with other land reform tools in averting the unregulated concentration of agricultural land ownership.

Likewise, the government has come up with a policy that will assist in making land ownership more equitable, which proposes a **land cap of a maximum of 12 000 hectares** or two farms per farmer. The government will then buy the surplus land. The proposal on land ceilings is as follows:

- Small scale farms: 1000ha
- Medium scale farms: 2500ha
- Large scale farms: 5000ha

The government reiterated that the 12000 hectares limit would not apply to forestries, game farms and renewable energy farms as these enterprises required vast areas of land.

There has been concerns about the policy from the greater part of the sector and has created a racial divide. It is likely that this may become a limitation and require revision. The main purpose of land reform is to enable black farmers to own land and grow.

Expected outcomes:

- Expected to benefit tenants who work on the land i.e. fuller utilization of land and labour;
- Improved productivity;
- Re-aggregation of land concentration;
- Improved land distribution;
- Enhanced equity and efficiency;
- Equitable income distribution;
- Poverty alleviation;

Foreign Ownership of Agricultural Land

The government has passed the bill to regulate foreign nationals with regards to owning land in South Africa. However, they will be eligible for long term lease of **30 to 50 years**, given they use the land for agricultural purposes. The policy seeks to address the need to secure our limited land for food security and address the land injustice of more than 300 years of colonialism and apartheid.

Environmentally and security sensitive land as well as land that is of historic and cultural significance, and strategic land (for land reform and socio-economic development) will be classified by law and land ownership by foreign nationals in these areas will be discouraged. The policy will be affected through a call for compulsory land holdings disclosures. Even though limiting land ownership by foreign nationals is an established practice internationally. Brazil, Argentina, India and the United States have all recently moved to tighten restrictions concerning foreign ownership of farmland in their respective countries.

The new Land Holdings Bill regulating land ownership by foreign nationals drew much criticism from analysts, arguing that this would drive away foreign investment not only in

agriculture but the economy as a whole. Whereas, the government strongly believes that investors want policy certainty and once they understand what the policy is trying to achieve they will adapt. The bill seeks to protect the interest of South Africa and look after public interest. It appears that the option to lease land will not likely pose a significant threat on the agricultural industry. Investments will probably continue to flow into the country as investors increasingly view Sub-Saharan Africa as the bread basket of the world. As the South African economy is growing at a slow pace and foreign investments are much needed to narrow the current account deficit while also boosting domestic confidence, the government believes that more South Africans should be given the opportunity to own productive land. Challenges may arise, however this may be the time for government to make meaningful change in property rights.

LAND EXPROPRIATION BILL

The Expropriation Bill was tabled in the National Assembly after extensive public hearings were successfully convened by the Department of Public Works. The main purpose of the Bill is to provide for the expropriation of property for a public purpose or in the public interest, subject to just and equitable compensation, and to provide for matters connected therewith.

This Bill is right at the centre of land reform in South Africa and has attracted a lot of attention and some in the media have begun to argue that it is one of the contributing factors in policy uncertainty which is always attributed to the country's currency fluctuation. Those who are opposed to the Bill believe that government is implementing land grabs similar to the ones that we have seen elsewhere in the African continent. What is not highlighted is the fact that the Bill proposes that land expropriation be carried out in accordance with section 25 of the South African Constitution which states the following:

"25. (2) Property may be expropriated only in terms of law of general application-

- (a) for public purpose or in the public interest, and
- (b) subject to compensation, the amount of which and the time and manner of payment of which have either been agreed to by those affected or decided or approved by a court."

As a cautionary measure the Bill puts a lot of emphasis on just and equitable compensation. The opponents of the Bill also seek an explanation of what is meant by public interest and yet in the Bill public interest is defined as follows: "public interest" "includes the nation's commitment to land reform, and to reforms to bring about equitable access to all South Africa's natural resources and other related reforms in order to redress the results of past racial discriminatory laws or practice."

The Banking sector is raising a serious concern about the plight of bond holders and their credit relationship with various financial institutions. Government is seriously considering giving more clarity or rather to clear the confusion of what it really means by "public interest" and the bond holding and credit relationships thereof.

NATIONAL DEVELOPMENT PLAN

Chapter 6 of the NDP seeks to address land reform through the transfer of 20% of agricultural land to black people by 2030. The proposed model introduces district committees which will **identify 20% of commercial agricultural land** in a district, from land that is already on offer or available in the market to ensure land can be found without distorting markets and advise the Minister on strategic support needs of both farms and candidates.

The NDP intends to facilitate the process of recreating the class of black commercial farmers which was eroded by the 1913 Natives Land Act and other colonial laws. The government will purchase the land at 50% of market value. In exchange for the land, white farmers will be protected and gain black economic empowerment status in order to remove any uncertainty or loss in investor confidence. Land reform is as difficult an economic exercise as it is a political undertaking involves a realignment of economic and political power.

The NDP's land reform model is based on the following principles:

- Enable a more rapid transfer of agricultural land to black beneficiaries without distorting the markets.
- Ensure sustainable production on transferred land (beneficiaries should have ability, passion and commitment to farming).

- Bring land-transfer targets in line with fiscal and economic realities to ensure successful transfer of the land.
- Offer white farmers and organised industry the opportunity to contribute to the success of black farmers through mentorship and skills transfer.

It is important that all role players in the agricultural sector support the NDP, not only as the government's vision but that of the country as a whole. It calls for the transfer of 9 million hectares of agricultural land in the next 15 years and achieving sustainable reform for all those who live and work on the land. The traditional approach to rural development cannot by itself improve the livelihoods of the rural population and give poor farmers greater market power in the value chain when they do not have **access to land and information**.

The NDP also puts the Land Bank at the centre of implementation. The new strategic direction of the Bank underpinned by its four pillars and objectives is articulating very succinctly the NDP job creation and growth points. The Department of Land Reform and Rural Development has spearheaded the establishment of the District Land Committees as directed by the NDP and the Land Bank is expected to play a central role as one of the key stakeholder. Lastly, the NDP talks about the creation of a financial model and instruments that would look at the cost of the Land Reform and also provide funding for the new entrants into the market. The NDP once again expects the Land Bank to play a key role in the development or creation of this new financial model or instruments.

AGRICULTURAL POLICY ACTION PLAN

The five-year Agriculture, Forestry and Fisheries Strategic Framework and Agricultural Policy Action Plan was approved by the cabinet in March 2015. The framework sets out the key **challenges faced** by the three sectors and **proposes interventions** in four areas, namely equity and transformation, equitable growth and competitiveness, environmental sustainability and governance.

It furthermore presents institutional arrangements and processes for achieving this objective more especially to integrate planning, between DRDLR and DAFF across 3 spheres of government. The APAP introduces an export-led and import replacement agriculture strategy that provides a long term vision in the revitalisation of agriculture and agro-processing priority areas. The policy objective is for;

- Government to take the lead in ensuring that markets develop in a manner that is more inclusive.
- Promoting local food economies as a means of creating marketing efficiencies, lowering food prices paid by consumers, and stimulating local production where it falls short of potential.
- To aid in the sustainable management of our natural resources, ecosystem-based management (EBM) will be adopted.

Most of the commodities in agriculture suffer from severe market dominance, lending itself to job loss. And as identified within the NDP and New Growth Path, Agriculture, remains critical for employment and food security. There is a need to promote agricultural development in manner that translates into rural development and poverty alleviation.

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Department of Rural development and land reform; DAFF; Farmers weekly; Mail&Guardian; Polityorg.za; SA news

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