

Land reform – learn from the apartheid regime

It was with great interest that I read the recent article by Ben Cousins: *Why SA needs fresh ideas to make land reform a reality*, on Fin24 ([read it here](#)). I agree with most points that Ben raised. Over 22 years, the programme has been a failure and has made virtually no impact on the agrarian structure nor the economic middle class of South Africa. It is indeed in urgent need of revision and injection of fresh ideas. I think one of the key problems with the current approach is that land reform is seen as the end goal whereas it should just be the beginning of the process to create wealth. What I find even more perplexing about the whole process is that land reform, economic empowerment and wealth creation were probably some of the most spectacular successes of the apartheid regime under the erstwhile National Party. It is thus not rocket science – all our government needs to do in this regard is to copy the successes of the apartheid regime.

When the National Party came into power in 1948, the political landscape was characterised by the economic disempowerment of the Afrikaner. Since the formation of the Union of South Africa in 1910 the issue of “poor whites” (read Afrikaners) was a political hot potato. Over the years there were efforts to address this but it was mainly aimed at creating work opportunities in industry. Prime examples of this include the establishment of ISCOR in the 1920’s and the railway construction programme of the 1930’s. It was only post 1948 that the National Party commenced with a concerted effort to economically empower the Afrikaner and wrest control of the economy from the ‘English capitalists’. This effort was centred around reserving government jobs for Afrikaners (although they had little knowledge and expertise about running municipalities or a country), creating private corporations owned by Afrikaners and concentrating government contracts in their hands as well as land reform. Sounds familiar? There is nothing new in history....

The successes of the Nationalist Party government around the economic empowerment of the Afrikaner is still evident today, but few people realise that probably its greatest success (and one worthy of copying) was around land reform and changing the agrarian structure of the country. It is not that the Afrikaner was significantly dispossessed of land (as black South Africans are), but rather that land reform in conjunction with reforming the agrarian structure was used as a tool to create real wealth. These efforts were concentrated around the poorest of the poor Afrikaner communities: those without land, education or any other means to

economically uplift themselves. Of course, these were also the rural communities that voted the party into office in 1948.

In less than 40 years, most of these communities have been transformed to some of the richest in this country. Let's start by naming some of these communities so that everyone can understand what I mean. I am referring to areas and towns such as Patensie (the Gamtoos river valley), Kirkwood (the Sundays river valley), Upington, Keimoes and Kakamas (the lower-Orange river valley), Pongola (the Pongola river valley), Douglas, Jan Kempdorp, Clanwilliam, Vredendal and many other areas. Anyone that is familiar with any of these towns and areas will agree that each one of them represents a thriving and successful agrarian community. But that was not the case in the early part of the previous century. How did they do it?

In my analysis, the success of the apartheid regime around land reform and transforming the agrarian structure revolved around three key pillars: land ownership, water and marketing. Each one of these is indispensable in my opinion as a key factor for success. This is in stark contrast to the current land reform programme where often all three these pillars are missing. I will briefly discuss each of these critical pillars.

Land reform centres on land ownership. If the aim is to economically empower the poorest of the poor, then one needs to acknowledge that they cannot pay for land. (In the current government model this is obviously recognised in land restitution cases but surely land reform goes much wider than restitution?) The land reform policy of the National Party government was to transfer ownership to beneficiaries. Different variants of this land transfer model were employed but in general all had the aim to establish title of the land in the hands of the beneficiary. In many instances the original land parcels allocated were not necessarily economic units but this was rectified over time through more successful beneficiaries buying the land of less successful beneficiaries. The smaller parcels of land enabled opportunities for more beneficiaries and this in turn relied on the market-mechanism to identify the true farmers amongst the beneficiaries. In his excellent book: *The Birth of Plenty*, author William J Bernstein identifies secure tenure and land ownership through individual title as one of four key pillars of modern prosperity. It is thus no surprise that this model of land ownership was a key factor for success in the efforts of the apartheid regime. Contrast this with the current strategy of government that seems to focus on and favour community based ownership schemes and one can immediately spot the first pitfall.

If land ownership was a key pillar of the Nationalist government to create wealth then water was the foundation, floor, walls and roof. The government clearly realised that in our relatively dry and arid country, agriculture is a high-risk business – too high risk to stand a good chance of building wealth if the risk remained unmitigated. The principal way that this risk was mitigated was through irrigation. From the late fifties right up to the eighties of the previous century, vast amounts of money was spent on dams and ancillary infrastructure to create irrigation schemes across the country. Virtually every single land ownership scheme had an irrigation scheme connected to it. Similarly, very few dams were built during this period that did not have irrigation as its primary or secondary motivation. These schemes were financed by government (the tax payer!) and very little of the costs were ever recouped from the beneficiaries who received water rights and irrigation rights. The latter day wealth of those communities is literally built on a foundation of free water. The Gariep dam together with the Orange-Fish river and Fish-Sundays river transfer schemes as well as the Vanderkloof dam (the two largest dams in the country) and its associated irrigation scheme are just two prime examples of such schemes. I am not aware of any new irrigation schemes that have been built by the government of today to assist emerging farmers – certainly nothing close to the scale of the schemes of the apartheid regime.

Producing a crop is one key part of the farming business and in this regard drought is a key risk. Bringing the crop to market and obtaining a good price is the other side of the farming business and in this regard market risk is key. The Nationalist government recognised that market risk could easily derail its wealth creation efforts, so it set about to mitigate this risk as well. This was achieved by organising local producers into cooperatives through which centralised buying (of goods and services) and selling (of produce) could be managed. But its efforts went much further than this. Statutory boards that controlled the production and marketing of key agricultural products were established. Remember the Citrus Board, the Red Meat Producers Board, the Deciduous Fruit Board etc? These statutory boards had one objective: to mitigate marketing risk for the emerging farmers and it came at a cost to the better established farmers. It was only in the 1980's that these boards were systematically disestablished and the market liberated as by that time they had obviously served their purpose. It is not feasible to revert to such statutory control boards in the modern era (and I am certainly not suggesting that!), but government must acknowledge the potential adverse impact of marketing risk and find new, effective ways to mitigate it for emerging farmers.

The three pillars discussed above were key factors for success, but there were other tools as well that were successfully deployed. The Land Bank played a key role in

extending finance and soft loans to farmers and cooperatives. The Industrial Development Corporation financed agri-processing industries from its inception in the 1940's. Most of the irrigation schemes were constructed by the then Department of Water Affairs - often employing the very beneficiaries who stood to gain from the infrastructure constructed. The Department of Agriculture played a key role in identifying new schemes. All of this reflects a long-term, integrated strategy that aimed to create wealth through economic empowerment and transformation (sound familiar?) and that was executed with dedication. Of course the strategy had its short-term, political motives but can one expect anything less in a modern day democracy?

To my mind, what is lacking in the current land reform programme is the long-term strategy, the integration as well as the ability to implement – all with the singular aim to create wealth. Without those key elements, all that remain are the short-term political goals. We need government and its institutions such as the Land Bank to provide the vision, the leadership and the skills to make a success of land reform in this country and to turn land reform into wealth creation. The land reform programme is critical and its success is important to every inhabitant of our country.