

Market Regulation and Agricultural Development

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ABSTRACT: Those analysts who favour deregulation in South African agriculture usually assume that the very existence of regulation was sufficient to create widespread inefficiency and waste. This paper shows that various forms of government interference had mixed results and need to be more carefully examined. Some regulation initiatives had positive implications and frequently helped enterprising individuals to improve their farms. However, state regulations generally did not deliver on their full potential because they failed to deal with the challenge of conservative farmers. Such farmers were a majority who used state support to soften the impact of competition and to avoid investing in their land. The problem was that policy makers and politicians were too often influenced by populist thinking and short-term political considerations, and it was these inclinations that created much of the inefficiency and waste in South African farming. Current agricultural policy makers attempting to reduce racial inequalities could, it is argued, develop a far more constructive policy if they emphasised the positive aspects of regulation and avoided the negative mistakes of the past. The uncritical bias against agricultural regulation limits the effectiveness of many of the policies that the government is currently pursuing.

KEYWORDS: Agricultural markets; Government regulation; Agricultural improvement

1 Introduction

Most authors agree that the South African state's regulation of agricultural markets promoted some agricultural growth while also raising prices and providing inappropriate incentives to farmers. Disagreements between the authors have centred around whether they feel that the growth was worth the costs it imposed on consumers, tax-payers and marginal land. Depending on their position they then either support or oppose state intervention.¹ The dominance of this either/or debate has stood in the way of a more in-depth assessment of the way the state implemented interventions into agricultural markets. The question that has not been asked is whether the state interventions that were enacted actually lived up to their potential. This question becomes crucial if one accepts that developmental state policies can be highly effective, but are often subverted by the state's tendency to pander to the short term interests of pressure groups.² To shed light on the South African state's performance from this perspective the paper demonstrates that from 1910 officials in the Department of Agriculture and other state institutions had strong notions about developing white agriculture from above. But these intentions were in conflict with, and were regularly undermined by, the need to provide support to white farmers as a group. This tendency towards populism in favour of economic leadership prevented officials from basing policies

¹For examples of those who oppose the interventions see, F. Wilson, 'Farming, 1866-1966'; in M. Wilson & L. Thompson, eds., *The Oxford History of South Africa, Vol. II* (Oxford, 1971); J. Nattrass, *The South African Economy: Its Growth and Change* (Cape Town, 1981); A. Jeeves and J. Crush, 'Introduction', in A. Jeeves and J. Crush, eds., *White Farms, Black Labour: The State and Agrarian Change in Southern Africa, 1910-1950* (Portsmouth, 1997). For a more supportive position see N. Vink & E. Kassier, 'Agricultural Policy and the South African State', in M. De Klerk, *A Harvest of Discontent: The Land Question in South Africa* (Cape Town, 1991).

²A seminal intervention in this regard was made by Peter Evans. One of his most recent articles is P. Evans, 'The State as Problem and Solution: Predation, Embedded Autonomy and Structural Change', in S. Haggard & R. Kaufman, eds., *The Politics of Economic Adjustment* (Princeton, 1992). This approach was applied extensively to east Asia, most notably by A. Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (New York, 1989) and R. Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialisation* (Princeton, N.J. 1990); See also R.F. Doner & G. Hawes, 'The Political Economy of Growth in Southeast and Northeast Asia', in M. Dorraj, ed., *The Changing Political Economy of the Third World* (Boulder, Col. 1995); and H. Chang & R. Rowthorn, *The Role of the State in Economic Change* (Oxford, 1995), esp. pp. 44-46.

on considerations of efficiency and it is the main reason why the regulations were much less effective than they should have been ³

2 Agricultural policy directions after Union

In 1910 agricultural officials had to accommodate the conflicting imperatives that emerged out of South Africa's birth as a Union. The three major policy priorities that the new government of 1910 confronted were: the maintenance of capitalist development (which was driven mostly by the gold mines); the promotion of progressive farming (of which the prime minister, Louis Botha, was a practitioner); the reduction of white unemployment.⁴ The third concern was perhaps the most pressing as it represented the clearest manifestation of white poverty, the reduction of which was a central demand of the Afrikaans speaking voters who put the Botha led South African Party into power. Botha and his party came up with two ways to reduce white unemployment. The first way was to force the mines to employ only white labour, but this strategy was abandoned even before 1910 because it threatened to undermine the first policy priority, the maintenance of capitalist development. The second way was to channel state revenue into supporting agriculture, so that rural poverty and urban unemployment would be reduced simultaneously. Progressive farmers would also receive benefits from such a policy direction and the strategy was therefore adopted because it so neatly tied up all the policy priorities of the day. ⁵

But the Department of Agriculture was now placed in a difficult position as the strategy tried simultaneously to develop white agriculture and to keep as many whites as possible on the land and out of unemployment. The leaders of the Department did not consciously recognise the tension between the two priorities, but it became clear that such tension existed when the Land Bank began to allocate loans and when extension officers provided support to settlement schemes.

³Both dynamic and static efficiency are referred to here. Static efficiency is concerned with the competitiveness of farmers while dynamic efficiency is concerned with increases in productivity.

⁴'Progressive farmer' usually referred to large, relatively wealthy farmers who had invested substantially in improvements.

⁵See D. Yudelman, *The Emergence of Modern South Africa: State, Capital and the Incorporation of Organised Labour on the South African Gold Fields, 1902-1939* (Westport, 1983)

3 Conflicts and contradictions in settlement and Land Bank policies

The idea of settlement schemes emerged in 1907 as a potential policy solution for the new white elected government of South Africa. Smuts believed that ‘a million sterling now judiciously spent on small irrigation works all over the country will not only solve some of our most pressing problems, but lead to a new era in agricultural development and production in the future’.⁶ For Smuts, at least, the settlement schemes launched after 1912 could simultaneously keep whites on the land and promote agricultural development. The Department of Agriculture laboured under the same misconception. The Department thought that providing settlers with extension would lead unproblematically to the happy outcome of prosperous small farmers gratefully cooperating with state officials. Extension officers found, instead, that settlers refused to cooperate or to develop their agricultural enterprises. What Smuts and agricultural officials failed to see, and what settlers saw very well, was the fundamental difference between a strategy of survival and a strategy of accumulation. The latter involved taking risks, of expanding if one was successful and, more often than not, of losing one’s land if the costs incurred could not cover the returns received. Those settlers who were determined to survive on the land therefore avoided the risks inherent in the strategies advocated by officials. Rather than utilising the state resources given to them to increase their productivity, they consumed them or used them to enhance their security. Extension officers reacted unfavourably to this. Their reports are full of references to ‘unsatisfactory classes of people’, ‘lazy youths’ and ‘deeply conservative’ older settlers.⁷ For example, an extension officer reporting on a scheme in 1928 submitted this report:

[This scheme] is practically a hopeless proposition - it will be difficult to influence this class of person. This is one of the settlements that is on our list and is, I believe, in a bad way. ... They grow wheat and mealies year after year on the same land -

⁶Yudelman, *The Emergence of Modern South Africa*, p. 61.

⁷CAD, LDE, No. 22108, Vol. 1158, Prime Minister’s Minute No. 240, January 1916; Inspection Reports, 11 April 1919; 13 May 1925; 14 November 1928;

CAD, LDB, No. R2542, Vol. 1572, J.A. Theron to Department of Agriculture, c1928; G.H. Cock to the Principal, School of Agriculture, Potchefstroom, 9 July 1928; Report on Ohrigstad Settlement, 19 July 1927.

never fertilise the soil and will not hear of ploughing in the wheat straw, but prefer to burn it directly after it is threshed.⁸

Faced with this kind of resistance the Department's only recourse was to pressurise defensive farmers into changing their methods of production, but the Department could not adopt such a developmental policy without compromising its commitment to keeping whites on the land. Thus the settlers who remained on the land were left to continue with their defensive strategies and the extension officers were left with their frustrations.

The Land Bank, despite claiming to be an independent institution, also confronted the contradiction between keeping whites on the land and developing agriculture. The Bank was committed to maintaining a viable financial strategy. It was concerned to ensure that its loans would be recovered and that they would be used primarily for developmental purposes. The only way for it to avoid relying on annual capital injections from the state was to follow a policy that pushed lenders into becoming more productive and therefore both able and willing to make monthly repayments at a viable interest rate. For this reason the Bank declared that it would only make its finance available for 'sound economic and commercial farming practices'.⁹ In the first years of its operation the bank duly concentrated on providing finance for the construction of fences and dipping-tanks. However, it constantly confronted difficulties in maintaining a commitment to sound business principles. This was so because the Land Bank's unstated mission was to assist white farmers regardless of their economic potential, which was, surely, the motive behind the Government's decision to create special banks for rural voters.

The initial area in which the Land Bank confronted the contradiction between development principles and political imperatives was in supplying finance to cooperatives. Before 1937 the cooperative movement was not particularly strong and it was mainly supported by the state as a way of enhancing white farmers' security. By providing finance to cooperatives, the Land Bank, despite its own pretensions, was merely assisting the state with its policy programme. The Bank tried to reconcile the two aspects of its policy framework by inspecting cooperatives and by urging them to follow more sensible policies. But it mostly failed in its early years to bring this

⁸CAD, LDB, No. R2542, Vol. 1572, F. Roberts (Poultry Officer) to The Principal, School of Agriculture, Potchefstroom, 16 February 1928.

⁹H.B. Falkena, *et al*, eds., *The Mechanics of the South African Financial System* (Johannesburg, 1984), p. 83.

about. Cooperatives continued to maintain a ‘great laxity’ in the ‘observance of their own rules’. They regularly provided ‘indiscriminate credit’ without ensuring that lenders had ‘sufficient security’.¹⁰ This practice was particularly marked in the provision of credit against produce, an area where the cooperatives were competing with local traders and one that created many defaults. The practices put the Land Bank, as the original source of credit, in a difficult position.¹¹ In 1913 the Bank predicted that recovering debts from insolvent cooperatives would not present any difficulty, but by 1918 the debt of a cooperative that had been declared insolvent five years earlier had not yet been recovered and debt from another cooperative worth over £12 thousand was declared irrecoverable.¹²

In other areas deviations from the Land Bank’s commitment to sound business principles also emerged within the first decade of its operation. By 1916 the Land Bank Act was amended to allow for the provision of second mortgages despite the Board’s declared opposition to such practices just two years earlier. Nor were these second mortgages designed for developmental purposes. They were required by farmers who had ‘suffered loss from drought and flood’.¹³ In the same year the Bank requested an amount of £775 thousand to help those farmers for whom ‘the only escape [from landlessness] is by means of an advance on terms such as this bank can give’.¹⁴ In a number of other instances the Land Bank also revealed its commitment to keeping whites on the land rather than promoting the more efficient use of the land. The Bank repeatedly found reasons to provide time extensions to lenders, it recognised that some farmers obtained loans for fences or dipping tanks without actually constructing these improvements and it argued that Land Bank loans should be given to farmers who faced insolvency because they had ‘unwisely staked their all in the development of their property’.¹⁵

¹⁰Union of South Africa, *Annual Report of the Land and Agricultural Bank for the Period 1st of January to 31st of December 1913* (Pretoria, 1914).

¹¹Union of South Africa, *Annual Report of the Land and Agricultural Bank for the Period 1st of January to 31st of December 1916* (Pretoria, 1917), p. 18.

¹²Union of South Africa, *Annual Report of the Land and Agricultural Bank for the Period 1st of January to 31st of December 1918* (Pretoria, 1919), p. 35.

¹³Union of South Africa, *Annual Report of the Land and Agricultural Bank for 1916*, p. 28.

¹⁴Union of South Africa, *Annual Report of the Land and Agricultural Bank for 1916*, p. 26.

¹⁵Union of South Africa, *Annual Report of the Land and Agricultural Bank for the Period 1st of January to 31st of December 1919*, (Pretoria, 1920), p. 13.

Rather than just pursuing agricultural development the Land Bank was also an instrument of the Government within the programme of keeping as many whites on the land as possible. For this reason the Bank frequently faced financial difficulties and acted as a drain on state revenues.

4 Agricultural policies and white farming in the 1920's

The agricultural policies of the South African state were instrumental in promoting overall processes of economic development, but the state ran into difficulties when confronted with farmers who avoided development more than they embraced it. In those situations the state was prevented from initiating genuine attempts to transform agricultural practices. This was the case because the state could not risk pushing people off the land in pursuit of developmental aims. The size of this problem was increased by the response of farmers to the very difficult conditions of the 1920s and by policy shifts that occurred during that decade. By the 1920s it was clear that state aid had made it easier for those farmers with titles to their land to stay there as the number of white owned farms rose by 23 percent between 1918 and 1928. Simultaneously, and in contradiction to the aim of keeping whites on the land, the development of agriculture had made land a highly valuable commodity. This meant that owners frequently forced white tenants off land that could be sold, that new farmers were prohibited by the expensiveness of land from making a start in agriculture and that land mortgages became a popular mechanism for raising funds.¹⁶ The last trend enriched a few while making the majority more vulnerable to foreclosure. By 1930, registered bonds on farms had escalated to a total of 91 million pounds, representing 36 percent of total farm values and an average indebtedness of nearly one thousand pounds per holding. The problems created by such indebtedness were exacerbated by the fact that private individuals frequently granted these loans. While large-scale institutions like the Land Bank or the Standard Bank could and often did adopt a policy of leniency during depressed periods, some individual lenders placed their own survival above sentiment and would abruptly give three to six months notice for the repayment of entire loans.¹⁷ When times

¹⁶W.M. Macmillan, *The South African Agrarian Problem and its Historical Development*, (Johannesburg, 1919), p. 74.

¹⁷H. Bradford, *A Taste of Freedom: The ICU in Rural South Africa, 1924-1930* (New Haven, 1987), p. 27.

were hard this situation would naturally lead to many farmers losing their land and, with the possible exception of the 1980s, the 1920s was the hardest decade that farmers in South Africa confronted during the twentieth century. Prices plummeted in the wake of the world-wide depression that began in 1920 and ended in 1924. Only a marginal improvement was sustained, with some variation, between 1925 and 1928, after which prices fell to their lowest levels as the Great Depression of 1929 set in. In addition, between 1925 and 1928 the rainfall over large parts of the country was less than for any previously recorded four-year period. Unsurprisingly, foreclosures were a regular occurrence and, in the decade after 1922, the proportion of whites defined as 'poor' rose by 150 percent and constituted about one-sixth of the entire white population.¹⁸

Of the farmers who remained behind, only a small proportion were ready, under these circumstances, to reinvest their capital as part of a relentless search for profits. According to commissions of enquiry undertaken at the time, the prime motive behind most farmers' economic strategies was to survive on the land.¹⁹ Clearly many farmers had increased their risks by entering into the credit market with gay abandon. But it is equally clear that money acquired through this market was only rarely invested into improving the productivity of agricultural production. Rather than risk their valuable credit by investing it in the land, the majority of farmers preferred to consume whatever income they could get their hands on.²⁰

The economic troubles of the early 1920s contributed to an election victory by the National Party, a Party whose election platform was even more

¹⁸Bradford, *A Taste of Freedom*, pp. 28; 27; 24.

¹⁹Bradford, *A Taste of Freedom*, p. 29, n 21: She cites the 'Report of the Economic and Wage Commission' of 1925, and the 'Report of the Committee of Enquiry re Taxation of Incomes Derived from Farming Operations', 1919. See also Grosskopf, *The Poor White Problem in South Africa: Report of the Carnegie Commission, Vol. 1* (Stellenbosch, 1932), p. I-114: 'Many capable farmers of the present day still lack the true acquisitive spirit. They make a fair living and desire no more; as was the case, years ago, with the farmer who, from ten orange trees, had a good yearly income and saw no necessity for planting more trees'.

²⁰Grosskopf, *The Poor White Problem*, p. I-116: 'In many cases it is only natural that a farmer should prefer spending the profits of a prosperous year on his pleasures, because he runs the risks of getting no returns if he invests in farming. ... It is true that unexpected disasters ruined the richer farmer also, but as a rule the power of resistance of the small farmer was much weaker' See also R. Peattie, *Struggle on the Veld* (New York, 1947), p. 180: 'There is a fatalism growing out of climatic catastrophe'.

populist than that of the Smuts led South African Party. Once in power, the National Party tried to deal with the growing problem of unemployment by reserving jobs for whites in factories created by import substitution. This was not a new idea but it was pursued by the Nationalists with slightly more vigour than before. The strategy affected white farming by shifting some attention away from agricultural development in favour of industrialisation. Agricultural organisations were given little say in policy making during this time and certain tariffs made it prohibitively expensive to mechanise farm operations. But, rather than abandon the concern to keep whites on the land, the National Party encouraged new efforts to achieve this. The land settlement policy was intensified, special credit facilities were extended to include white tenants as potential beneficiaries, loans to maize cooperatives were written off, livestock societies were created to advance cattle to the needy and transport facilities were extended 'with the explicit aim of keeping smaller farmers on the land'.²¹

5 Establishing marketing controls, 1924-1939

Before 1924 legislators and officials mostly designed policies to encourage and stabilise the production process, while paying little attention to helping farmers overcome their marketing problems. The exception was the state's promotion of cooperatives. These were conceptualised from the beginning of the century as the best way to reduce competition between farmers and to provide relatively weak individuals with the power to exercise some control over markets. As was the case in America, cooperatives floundered on the unwillingness of individual farmers to place the long-term interests of their fellow farmers above the short-term gains that could be made by bypassing cooperatives and selling to traders who were willing to provide a higher or a more immediate return.²² Despite advances made through the 1922 Co-operative Act - which significantly extended the Land Bank loans funnelled through the Cooperatives and therefore increased the incentive to join co-operatives - the failure of voluntary cooperation emerges clearly from the

²¹Bradford, *A Taste of Freedom*, p. 33, n. 32.

²²Union of South Africa, *Report of the Commission of Enquiry into Cooperation and Credit* (Pretoria, 1934), p. 6. For America see D. Danbom, *Born in the Country* (Baltimore, 1995), p. 152.

experiences of wine and tobacco cooperatives in the 1920s.²³ In both cases a drop in prices, which was partly brought about by over-production, led individual farmers to sell their crops directly to manufacturers. The cooperatives were left, as a result, with large amounts of surplus that they could not sell. In both cases the state launched a 'rescue operation' designed to prevent farmers from bypassing cooperative channels. The first such 'rescue' attempt was the Wine and Spirits Control Act of 1924. It gave the wine cooperative, the Kooperatiewe Wynbouers Vereeniging (KWV), complete control over the distilling of wine. The KWV now had the right to set a minimum price for wine. The cooperative could also afford to hold a surplus of wine and, as there was no way for farmers to avoid marketing their produce through the cooperative, the KWV was assured of a revenue base that could be used to pay the producers of the 'surplus lake'.²⁴ In the case of Tobacco similar circumstances led to a 1925 amendment to the Cooperative Act, which made it possible to compel every producer in any circumscribed area or district to deliver his crop to a tobacco cooperative, whether he was a member of it or not. In this way single channel marketing and price setting became a reality for wine and tobacco in the 1920s.

As the result of piecemeal attempts to extend the powers of cooperatives the state found itself drawn into intervening much more directly than previously in agricultural markets. As S.J.J. de Swardt, who helped to set up the marketing system that emerged in the 1930s, pointed out, the government had little choice in following this course of action because 'the Poor White problem had by then become a pressing one. Governmental responsibility for rural poverty as well as urban unemployment could not be shirked'.²⁵ Thus the populist commitments of the Government dragged the state into regulating markets.

The pressures on the Government to save the poor became more intense during the early 1930s as a result of the Great Depression. During the period 1929-1933 prices for some agricultural products declined to 25 percent of the

²³ Another positive innovation of the 1922 Act was the introduction of limited liability Cooperatives, which made investment into Cooperatives a much more attractive and more secure prospect.

²⁴ G. Williams, 'Good Wine, Bad Wine and Brandy Wine: The Origins and Extension of the Regulation of the Cape Wine Industry, 1905-1940', Unpublished Seminar Paper, London, 1999.

²⁵ S.J.J. de Swardt, 'Agricultural Marketing Problems in the Nineteen Thirties', *South African Journal of Economics*, Volume 51, 1983, p. 7.

1928 level. Wool farmers and others whose largest markets were in Europe were especially hard hit as, in addition to facing a worldwide drop in prices, they were detrimentally affected by the overvaluation of South Africa's currency during the period 1931-33. But a broad range of farmers, including small and large maize producers, faced the prospect of bankruptcy.²⁶ As in the case of wine and tobacco, the state once again felt itself 'compelled as a matter of emergency' to institute legislation that would force all buyers of maize to export a percentage of their maize and to receive a subsidy on that percentage. In this way local prices, which had previously been determined by export prices less transport costs, were pushed up and surpluses could be unloaded.

The marketing interventions of the late 1920s and early 1930s, like the various other drought and debt relief measures implemented at this time, were seen as emergency measures and officials had not given serious consideration to the long-term effects of these interventions on the economic development of Agriculture. The 1933 Commission of Enquiry into Cooperation and Agricultural Credit was set up, under the leadership of the top agricultural officials, precisely to consider the long-term effects of the new marketing regulations. When viewed through the theories of economic development current in government circles at the time the new regulations looked disastrous for the goal of economic development. By forcing farmers to produce for guaranteed prices that were higher than the market rate, the commission concluded, massive over-production would be encouraged, which would ultimately lead to a complete collapse of both prices and the institutions running the marketing system.²⁷ This view was reinforced by the experiences of both the tobacco and wine industries where overproduction was, by the early 1930s, threatening once again to create institutional and price collapse. It was this situation that had led to the establishment of a more controlled marketing system in the first place; the new controls seemed to be a self-defeating exercise. In addition, the South African regulations were

²⁶ A. Minnaar, 'The Effects of the Great Depression (1929-1934) on South African White Agriculture', *South African Journal of Economic History*, Vol. 5, No. 2, 1990, pp. 83; 92. The numbers of farmers that actually went out of business increased dramatically, by 28 percent between 1928 and 1929 and by a staggering 62 percent in 1930. But by spending £25 million on assistance (temporary and permanent) and on written off debts the state ensured that the rural exodus was much lower than it otherwise would have been.

²⁷ Union of South Africa, *Report of the Commission of Enquiry into Cooperation and Credit*, p. 16.

moving in exactly the opposite direction to the regulations implemented in response to the Great Depression by the American agricultural administration. In America the state subsidised farmers to plant less, thereby aiming to push up market prices. In South Africa the state was, at a time of low prices, encouraging farmers to plant more.²⁸

The 1934 Report of the Cooperation and Agricultural Credit Commission recommended that a marketing act should be passed only to enhance control over the grading of products and it warned of the dangers of ignoring the forces of demand when promoting the supply of Agricultural goods.²⁹ But, in the opinion of many officials and government leaders, it did not provide a satisfactory plan for how the state should deal in future with the kinds of price fluctuations and drought conditions experienced during the 1929-1933 period. Government officials, including the Minister and the Secretary of Agriculture, came to accept the idea that, rather than having to respond with ill-conceived emergency measures, as in the past, 'it would be wise policy for Government to assist in the creation of permanent and specialised marketing bodies designed to prevent rather than cure'.³⁰ Once this came to be seen as good policy then negotiations on what kinds of marketing bodies should be created pushed leading officials ever closer to the idea that single-channel, state administered and subsidised boards were the best solution. A range of factors brought about this change of heart by people who, like the Secretary of Agriculture, P. R. Viljoen, had opposed such boards in the 1934 report. Through participation in international discussions leading officials came to realise that in countries such as Britain and the Netherlands the bureaucratic institutions of the Depression years had become permanent features and were being used to deal with the post-Depression world. In addition, in the years after the Depression there was no lowering of protective trade controls and free-trade seemed 'no longer to be a feature of the present age'. Linked to these developments was a shift in the way the majority of economists viewed the process of development. In the wake of John Maynard Keynes' work it became the orthodoxy that the government should stabilise the process of development and provide people with economic security.³¹ Closer to home

²⁸Danbom, *Born in the Country*, p. 210

²⁹Union of South Africa, *Report of the Commission of Enquiry into Cooperation and Credit*, p. 6.

³⁰De Swardt, 'Agricultural Marketing Problems', p. 18.

³¹Viljoen set out his adherence to these views in P.R. Viljoen, 'Planned Agriculture in South Africa', *South African Journal of Economics*, Vol. 6, No. 3, 1938, p. 282.

the improved circumstances of 1935 had allowed existing boards to stave off disaster and to look far less doomed to failure than they had done in 1933.³² Lastly, there was an ongoing process of bureaucratisation at work here. This process had started, in the area of marketing, with the setting up of state sponsored cooperatives in the early 1900s and was intertwined with the conviction that bureaucratically organised institutions and rationally applied scientific knowledge was a more efficient *modus operandi* than uncoordinated individuals taking their chances in economic markets.³³

This faith in bureaucratisation and scientific positivism can be seen in the arguments that were put forward in favour of controlled marketing by the architect of the Marketing Bill, S.J.J. de Swardt:

It would be in the best interests of stable agriculture and of the South African economy as a whole, if the marketing of the more important farm products could be placed under the guidance of specialised and efficient marketing bodies, under statutory powers ... The problems had become too involved to be handled by thousands of ill organised and financially weak individuals with conflicting interests ... [Prices could be set more effectively] by a small body of responsible men equipped for the task and in possession of all the statistical facts necessary to determine a fair price justified by the circumstances of the day.³⁴

De Swardt tells us that he helped to push officials like P.R. Viljoen into a greater acceptance of these views. This may be the case, but Viljoen had always favoured 'orderly and regulated supply and distribution' over the 'wastes and losses resulting from competition'.³⁵ Nor did Viljoen's gradual acceptance of the need for marketing boards imply that he had now decided to

³²De Swardt, 'Agricultural Marketing Problems', pp. 18-21. Additional state revenue after the Great Depression in the form of taxes on gold production also played an important role in allowing the setting up of these new bureaucratic structures. See Yudelman, *The Emergence of Modern South Africa*, p. 252

³³This faith in and extension of bureaucracy was happening in many other countries. For Canada and Australia see, I.M. Drummond, 'Marketing Boards in the White Dominions, with Special Reference to Australia and Canada', in D.C.M. Platt & G. Di Tella, eds., *Argentina, Australia & Canada: Studies in Comparative Development, 1870-1965* (London, 1985)

³⁴De Swardt, 'Agricultural Marketing Problems', p. 18.

³⁵Union of South Africa, *Report of the Commission of Enquiry into Cooperation and Credit*, pp. 12; 1.

ignore 'the laws of supply and demand'.³⁶ Viljoen and others like him merely became convinced that government controlled bodies could interpret these laws as well or better than unregulated markets. From this point of view, however, such regulation required that ultimate control of the system lay in the hands of officials able to transcend the narrow interests of agricultural producers. For the officials 'the pivotal body' of the Marketing Act that was passed in 1937 was the National Marketing Council.³⁷ The Council was to be made up of 'full-time professional and unbiased men of high standing with commercial experience but without direct interests in any of the controlled commodities'. Its aim should be to 'guide, supervise and coordinate the functioning of the various organisations controlling the marketing of different commodities'.³⁸

The actual implementation of the Marketing Act during the period 1937 to 1939 was certainly influenced by these ideals. Agricultural officials constantly referred to the need to balance the interests of producers and consumers and farmers complained with regularity that the Department was not setting prices high enough to guarantee the survival of poorer farmers. Only rich farmers were benefiting, was the common refrain, because only they had the ability to increase their production in response to the guaranteed returns provided by the Marketing Act.³⁹ However, while the developmental ideals of the Department served to temper the push for higher prices, populism served once again to distort the initial intentions of the Department of Agriculture. Through their political influence farmers were able to obtain a much larger amount of control over the marketing system than government officials had envisaged. Instead of a dispassionate economic body concerned only with economic efficiency, the Marketing Council, like the marketing boards established under it, became 'a much more political body' than officials had intended.⁴⁰ Apart from one economist from the University of Pretoria, the Marketing Council was manned by two Department of Agriculture officials

³⁶ Viljoen, 'Planned Agriculture in South Africa', p. 282.

³⁷ Viljoen, 'Planned Agriculture in South Africa', p. 282.

³⁸ De Swardt, 'Agricultural Marketing Problems', p. 20.

³⁹ CAD, NTS, No. 3/371, Vol. 9257, TAU Annual Congress, 1938: 'Calls for Higher Prices to Stop the Drift to the Towns'; TAU Annual Congress, 25 August 1939: 'Protest Against Depression of Prices and Increase in Cost of Milling'; *Farmers Weekly*, 12 August 1936; 25 January 1939; 1 February 1939; 15 February 1939.

⁴⁰ A. Jeeves & J. Crush, 'Introduction', in A. Jeeves & J. Crush, *White Farms, Black Labour: The State and Agrarian Change in Southern Africa, 1910-1950* (Portsmouth, 1997), p. 11.

and by two farmers' representatives. Farmers were able, through their majority on the Control Boards, consistently to push the state into using tariffs, subsidies and export quotas to raise agricultural prices 'well above the competitive level'.⁴¹ If the boards had been used for the developmental aims set out by Viljoen and De Swardt then they should merely have had the effect of stabilizing short-term price fluctuations. Instead, by making the costs of production of the most inefficient producers the basis for price setting, and by introducing land prices into the calculations, the Boards ensured that, rather than agricultural efficiency, 'the long-term social aim of keeping farming incomes more in line with those in town' became the primary purpose of the new marketing controls.⁴² The reason for this was spelled out clearly by J.R. McLaughlin, the General Secretary of the Meat Control Board:

The consensus of opinion in this country is that the white race and its civilisation cannot be preserved unless the white man owns and farms the land. Furthermore his proximity to Native influence makes it necessary that while so owning the land he must achieve a standard of living commensurate with the requirements of the civilization which he must preserve. That achievement is not possible in South Africa unless the burden is assumed by the nation as a whole.⁴³

6 The war and initiatives to increase productivity

In the 1930s opposition to prices set at higher than market value had been motivated primarily by the fear that overproduction would create an economic disaster. This was the case because demand had fluctuated so wildly before 1933. But after that time, and until the 1970s, South Africa participated in a process of development that generated both fairly constant increases in demand and sufficient government revenue to subsidise the surpluses that were

⁴¹Wilson, 'Farming', pp. 143; 140.

⁴²Wilson, 'Farming', pp. 143; 140. D. O'Meara, *Volkskapitalisme: Class, Capital and Ideology in the Development of Afrikaner Nationalism, 1934-1948*, (Cambridge, 1983), pp. 184-190. See T. Van Waasdijk, 'Agricultural Prices and Price Policy', *South African Journal of Economics* Vol. 22, 1954, for a discussion of how marketing board prices were determined. As he points out, by including land prices the boards locked themselves into an inflationary spiral because land prices were strongly influenced by commodity prices.

⁴³J.R. McLaughlin, 'A Defence of Control in the Marketing of Agricultural Products', *South African Journal Economics*, Vol. 6, No. 3, 1938, p. 295.

produced.⁴⁴ Thus, from the 1940s onwards, concern with over-production was reduced and prices that ignored the laws of supply and demand came to be criticised more for the effects that they had on the efficiency of the agricultural sector. The incentive of high and guaranteed prices encouraged farmers to use marginal land, to plough indiscriminately and to continue with unproductive practices without feeling any pressure to change.⁴⁵ Concern about these processes was not new but became particularly strong during World War Two. Much of the new energy focussed on the issue of soil conservation, a policy concern that had been growing increasingly intense for some time under the influence of American initiatives and a burgeoning body of international literature on the subject.⁴⁶ At the same time a new attitude and resolve emerged in the area of marketing regulations. The pressures of the war pushed the government into establishing an executive Food Controller who was able to set prices based on immediate national needs and to be far less concerned with the short-term interests of groups of farmers. Initially this meant that prices were pushed up to stimulate production, but in the period immediately after the war the Food Controller held down prices in the interests of consumers.⁴⁷

The War brought into being a new spirit in the formulation of policies. Marwick has demonstrated that large-scale conflicts such as the Second World War brought about a widespread desire for change as people sought to rebuild what was lost and to create a better world as a vindication for their suffering.⁴⁸ Some writers have argued against this but, in the case of South African agriculture, the commissioners seeking to 'reconstruct agriculture' provided substantial support for Marwick's position. They regularly justified their new policy initiatives in terms of the impact of the War. For example, a report compiled in 1943 under the chairmanship of the Secretary for Agriculture explained that 'the war has increased the clamour for reconstruction the world over and has served to emphasise the need for a new outlook on

⁴⁴T. Van Waasdijk, 'Agricultural Prices and Price Policy', pp. 165-166.

⁴⁵Wilson, 'Farming', p. 144. See W.A. Pringle, 'The South African Maize Industry and the Marketing Act', *South African Journal of Economics*, Vol. 48, No. 4, 1980, pp. 382, 386, for confirmation that this was a well founded fear.

⁴⁶W. Beinart, 'Soil Erosion, Conservation and Ideas about Development, 1900-1960', *Journal of Southern African Studies*, Vol. 11, No. 1, 1984.

⁴⁷T. Van Waasdijk, 'Agricultural Prices and Price Policy', p. 163.

⁴⁸A. Marwick, ed., *Total War and Social Change* (London, 1988); A. Marwick, ed., *War and Social Change in the Twentieth Century* (London, 1974).

| | South Africa | U. K. | Germany | USA | Argentina | Australia |
|-------|--------------|-------|---------|------|-----------|-----------|
| Wheat | 3.9 | 20.6 | 22.6 | 9.1 | 8.2 | 9.2 |
| Maize | 5.7 | | | 17.8 | 15.0 | 13.4 |

Figure 1: Yield in Quintals Per Hectare (Source: Union of South Africa, *Report No 4 of the Social and Economic Planning Council: The Future of Farming in South Africa* (Pretoria, 1945), p.2.

and a new approach to many problems'.⁴⁹ The reports formulated during the War were infused with a sense of participation in an international process of renewal.

A comprehensive plan for agricultural reconstruction was formulated during the war by policy makers working in institutions set up at the time to deal with the special conditions of the war.⁵⁰ The motivation for the plan was a perceived increase in the rate of soil erosion, the generally uncompetitive nature of agriculture and the low levels of productivity in the sector. Statistics were provided to demonstrate the various ways in which South African farmers were inefficient. These statistics included a comparison of the yields of Maize and Wheat in South Africa with other countries for the year of 1937: 1

In both crops South Africa's yields per hectare were a fraction of those achieved by the major world exporters. In the case of stock farmers the comparisons were equally dismal: 2

Once again, with the possible exception of wool, the productivity per-stock number was very low in comparison to Australia and New Zealand.⁵¹

⁴⁹Union of South Africa, *Reconstruction of Agriculture: Report of the Reconstruction Committee of the Department of Agriculture and Forestry* (Pretoria, 1944), p. 2. Also see W. Beinart, *Twentieth Century South Africa* (Oxford, 1994), p. 134.

⁵⁰Union of South Africa, *Third Interim Report of the Industrial and Agricultural Requirements Commission*, (Pretoria, 1941), p. 5. The members of this Commission were H.J. Van Eck (Chairman), Sidney H. Haughton (Deputy Chairman), H. Pirow, F.J. De Villiers, Hubert D. Leppan, Bernard Price. The Commission basically served as the precursor of the Economic and Planning Council.

⁵¹It should be noted, however, that these figures covered both white and black farmers. As shown elsewhere black farmers suffered from neglect rather than from over-

| | South Africa | Australia | New Zealand |
|-------------------|--------------|-----------|-------------|
| Cattle Nos. | 11,407 | 13,078 | 4,506 |
| Beef & Veal | 2,870 | 11,025 | 3,390 |
| Butter | 413 | 2,853 | 3,358 |
| Cheese | 103 | 397 | 1,768 |
| Sheep Nos. | 41,033 | 113,373 | 32,379 |
| Sheep Slaughtered | 5000 | 18,536 | 13,920 |
| Wool x 1000 lbs | 219 | 983 | 304 |

Figure 2: Cattle & Sheep Products, 1937 in '000 CWTS. (Source: Union of South Africa, *Report No. 4*, pp.2-3.)

The productivity per-person presented an even more disturbing picture. The figures showed that, 'despite the much greater worth of net agricultural production in Australia, valued at approximately £112 million, compared with net South African agricultural production valued at approximately £52.6 million, the total number of males permanently engaged in Australian agriculture amounted to approximately 175 thousand in 1936/37, compared with the 160 thousand Europeans, 464 thousand Natives and 83 thousand Coloureds and Indians employed on European farms alone'.⁵² In addition, while the total output of the white farming sector had increased, yields per hectare of the main cereals had shown no upward trend, despite technical improvements such as more chemical fertilizers, machine harvesting, better preparation of the soil and improved seed. This inefficient farming sector drew in inordinate amounts of scarce resources. Through various price increasing measures farmers incomes were probably raised by about £5 million per annum, while direct government assistance measures accounted for a further income transfer of £2.5 million in 1939/40, which made a total of £7.5 million. Part of the value of special railway rates on farm produce should also have been added subsidisation.

⁵²Union of South Africa, *Report No. 4*, p. 3.

but the compilers of the statistics could not ascertain the figures. Lastly, it was estimated that, due to agricultural protection and price support, in 1939/40 the cost of the main foods to consumers was increased by at least £6 million.

From these figures the members of wartime commissions of enquiry concluded that the white farming sector as a whole was in desperate need of transformation. To correct the situation the commissioner's hoped to bring about an entirely new approach to agricultural development. They opposed the high prices set by the pre-war marketing boards because they encouraged inefficiency and pushed people into adopting practices that were ill suited to natural conditions. In particular, the commissioners felt that high maize prices encouraged the ploughing up of pastures thereby lowering average yields and exacerbating soil erosion. The favoured plan was one in which both natural and market conditions played a larger role in the production decisions made by farmers. Pastoral farming should become much more prevalent given the water-starved nature of the majority of farming regions and fruit and vegetable farming should be fostered only in areas where irrigation was possible and sustainable. These new, would-be planners were not opposed to state intervention per se. What they opposed was the 'special assistance' that agricultural policies of the past had given to farmers regardless of whether they were inefficient, destructive or progressive. The kind of state intervention they supported was a comprehensive initiative through which all farming subsidies would be conditional on farmers adopting prescribed farming plans formulated by Department of Agriculture extension officers in consultation with individual farmers. In this way efficient farming practices suited to local conditions could be implemented on a wide scale. Consequently, the land would become more productive and fewer farmers would be able to produce the food required by the nation while earning higher per-capita incomes than their predecessors.

This developmental plan was progressively diluted, first by the populism that still influenced the thinking of Department of Agriculture officials and then by the political clout of farmers' representatives. The Department of Agriculture, under the guidance of P.R. Viljoen, accepted the need to bring about more sustainable, less destructive farming practices. They favoured 'mixed farming' in which farmers would adopt both cereal and pastoral production on single farming units. They could not, however, bring themselves to accept that farmers should be pushed into this by the state. Instead, they committed themselves to the populist conviction that 'the country requires

a fairly large percentage of people on the land in order to retain for the benefit of the nation, the stabilising influence which emanates from a strong rural population'.⁵³ Policies should not be devised that would push inefficient farmers off the land; rather even further capacity building initiatives should be undertaken to promote agricultural development. The Department believed that it was the poverty of most white farmers that led them to disregard the long-term prospects of land degradation in favour of short-term benefits. This allowed Viljoen to defend the prices set by the marketing boards in the past and to argue for even more assistance.⁵⁴

7 Apartheid and the development of farming in the 1950's

With the coming to power of the National Party in 1948 the commitment to transforming the white farming sector, which had been so high on the policy agenda during the Second World War, disappeared entirely at the level of government. The war-time commissions had emphasised the need to reform the marketing system. Without such reform, the misuse of the land would continue as farmers in unsuitable areas responded to artificially high prices for wheat and maize. In 1946 and 1947, some progress in this direction seemed to be occurring as the Government took the interests of consumers into account and forced the marketing boards to reduce the price of wheat and maize.⁵⁵ However, under the guidance of the National Party the trend shifted in the other direction. Prices for maize, wheat and meat moved drastically upwards.⁵⁶ Poor, marginalised farmers, the people whom wartime developmentalists had wanted to transform or push off the land, played a major role in the coming to power of the National Party. The

⁵³Union of South Africa, *Reconstruction of Agriculture*, p. 13.

⁵⁴Union of South Africa, *Reconstruction of Agriculture*, p. 18.

⁵⁵William Finlay, 'Capitalist Agriculture and the State, 1924-1948, Unpublished SALDRU Paper, Cape Town, 1977, p. 14.

⁵⁶J. Lazar, 'Conformity and Conflict: Afrikaner Nationalist Politics in South Africa, 1948-1961', Unpublished PhD Thesis, Oxford, 1987, p. 99: 'The producers' price index for maize rose by more than 50 percent between 1947-48 and 1953-54, while the price of meat increased by 82.5 percent between 1948 and 1956. The overall index of producers' prices for farm products rose by more than 50 percent between 1948-49 and 1956-57.'

National Party rewarded them by helping them to survive on the land.⁵⁷

The agricultural context that confronted policy makers in the Apartheid era was one in which large-scale increases in production took place but both inefficiency and inequality remained entrenched. Much of the increasing quantity of field crops came about through an expansion of the land under cultivation. The area under maize, for example, increased by 738 thousand hectares during the period 1951-1960. The area under cultivation for crops other than the staples of wheat and maize also expanded. In 1960 there were 208 thousand hectares under fruit and vines, compared with only about 45 thousand hectares in 1911. Much of this land was under irrigation. The expansion of horticulture in suitable areas was a positive development but the general increase in productivity was unimpressive. The average yield of maize did rise from 1059 kg per hectare in 1939 to 1472 kg per hectare in 1962-63, and there was 'a noticeable, though unspectacular, increase in the slaughter weight of animals'.⁵⁸ But only a minority of white farmers gained significantly from these trends. At the beginning of the 1960s, 20 percent of the total number of farmers produced 70 percent of agricultural output. In the western Transvaal, in the 1960s, the best third of the farmers enjoyed an average return of R13.93 on every R100 capital invested, while the bottom third of the farmers received only R3.33 on every R100 invested.⁵⁹ These figures reveal that huge disparities existed in some agricultural regions. Some farmers were clearly more productive than others.

The evidence suggests that, within particular agricultural regions, amongst farmers producing the same crop, it was the larger farmers who were invariably more productive than the smaller farmers. This contradicts recent economic analyses which show that small farms are more efficient on a per hectare basis than large farms under certain circumstances. The two views can, however, be reconciled when it is recognised that, in order to be more efficient, small farmers have to use their land intensively and to cooperate

⁵⁷The crucial change that occurred in the setting of prices after 1948 was the inclusion of 'a margin' on top of the costs of production that was to reward the farmer for 'taking risks'. As Van Waasdijk 'Agricultural Prices and Price Policy', p. 168, points out: 'Before the War the margin was very small or negative. ... Since that time the margin has grown in both size and status, amounting in 1951-52 to 19.9 per cent of the wheat price and 33.4 per cent of the maize price.'

⁵⁸P.L. Wickens, 'Agriculture', in F.L. Coleman, *Economic History of South Africa* (Durban, 1983), p. 62.

⁵⁹Wickens, 'Agriculture', p. 64

with other farmers in order to utilise various mechanical inputs. By contrast, most small, white farmers in South Africa did not improve their efficiency in the sustainable way necessary to make them competitive with large farmers. Small white farmers in South Africa had much less capacity than large farmers to adopt the latest technology and to utilize their land fully.⁶⁰ Small farmers either avoided risks or found themselves going out of business because they were vulnerable to natural and market fluctuations.⁶¹

Small farmers lacked capacity because they were mostly poor. The reason for this was that land was capital as well as a productive resource in most parts of South Africa. A lack of alternative investment opportunities meant that, from the nineteenth century onwards, South Africans had bought and speculated with land as a store of value.⁶² During the 1950s, the market value of the land was far higher than the productive value and this encouraged a continued interest in land as capital, which, in turn, pushed market values up further.⁶³ Poor farmers could not afford to buy land and they sold off pieces during difficult times until they had no spare land left.⁶⁴ Wealthy farmers, by contrast, were able to buy land, which they often kept as an insurance against

⁶⁰This was as true in the 1920s as it was in the 1950s, see Grosskopf, *The Poor White Problem*, p. I-120: 'It must be admitted that sensible and scientific farming would in many cases assure a family of a decent living even on smaller farms; but those inheriting sub-divided farms seldom possess the necessary training or capital and are too accustomed to extensive methods.'

⁶¹Union of South Africa, *Agricultural Statistics, 1951 & 1956* (Pretoria, 1953 & 1958). Agricultural statistics reveal that in the 1950s there was a definite shift away from farms that were smaller than 418 hectares (a figure derived from 500 morgen which in the agricultural statistics is basically used to separate small and medium farms from large and very large farms) especially in the Transvaal and Orange Free State. In 1951 such farms had made up 72 and 64 percent of all farms respectively in the two provinces mentioned above. By 1956 these percentages had fallen to 69 and 52. In Natal and the Cape such farms declined in importance by only one percent for the same period

⁶²For the early years see Trapido, 'Reflections on Land, Office and Wealth in the South African Republic, 1850-1900', p. 350, and Richardson, 'The Natal Sugar Industry in the Nineteenth Century', p. 133. See also Grosskopf, *The Poor White Problem*, p. I-88: 'The farmer believes as firmly as he believes in his Bible that there will always be a rise in the price of the land'.

⁶³Wickens, 'Agriculture', pp. 62-63: '[After World War Two] investment in land attracted companies and individuals outside agriculture, and there was more than a hint of speculation'.

⁶⁴CAD, K14, Submission by the Lowveld Regional Development Organisation, 27 March 1957.

fluctuations.⁶⁵ Large farmers therefore did not use the land as intensively as they might but they were much more prepared than poor, small farmers to spend the money that was necessary to enhance the productivity of their farms.

Evidence collected during the 1950s in the Transvaal - where agricultural conditions were diverse but generally less favourable than in the other provinces - confirms that small farmers either avoided risks or were unable to cope with natural and market fluctuations. The Transvaal was a very diverse province in the 1950s. The southern Transvaal, which formed a fairly narrow band along the bottom of the province and included districts such as Bethal, Standerton, Heidelberg and Lichtenburg, was practically the only part of the province defined as an intensive agricultural region. Maize, cattle, sheep and dairy cows could be farmed profitably here, on relatively small pieces of land. In the low-lying parts of the eastern Transvaal semi-intensive farming was possible. Large parts of this area had only recently been put to use by white farmers, but increasing numbers were moving into timber, vegetable, citrus fruit and sub-tropical fruit farming in the 1950s.⁶⁶ In the lower lying parts of the western Transvaal similar conditions prevailed. Most of the north-western part of the province, by contrast, was only suitable for cattle ranching on an extensive scale. Farms were large in this region and climatic conditions harsh.⁶⁷ In all these regions there were farmers who were thriving in the 1950s and farmers who were barely hanging onto their land. Those that were struggling invariably occupied farms that were significantly smaller than those that were doing well.

In those districts that only had the potential to be farmed semi-intensively and that were situated some distance away from urban markets there was an abundance of farmers avoiding risks. Lydenburg was such a district, singled out by the Commission of Enquiry into the European Occupation of Rural Areas as one of three regions in the Transvaal where small, unproductive farmers were a large majority.⁶⁸ This region had been backward in

⁶⁵J. Lazar, 'Conformity and Conflict', p. 107.

⁶⁶R.M. Packard, 'Malaria Blocks Development' Reconsidered: The Role of Disease in the History of Agricultural Development in the Eastern Transvaal Lowveld', Unpublished Seminar Paper, London, 1999, p. 25.

⁶⁷Wickens, 'Agriculture', p. 45.

⁶⁸CAD, K.14, Summing up of Evidence collected 18 February 1957. The other two areas were Springbok Flats and 'Vaalwater'.

relation to other districts since at least the turn of the century.⁶⁹ Those faring best in the district during the 1950s were the wool farmers in the southern, mountainous region. Thanks to high prices and the adoption of more intensive farming methods this part of the district prospered and was attracting young, dynamic farmers. Farmers from the area estimated that only 20 percent of the total would face bankruptcy if the price of wool suddenly fell. In the northern parts, by contrast, farmers struggled to make a living by selling tomatoes, fruit and pork. The farmers, most of whom occupied smaller farms than what was considered feasible by locals, were not prepared to shift into cattle farming, to which the natural conditions were more suited. Many farmers worked part-time in neighbouring mines to earn some cash, but they did not invest this income into new methods of production. A similar position prevailed in the eastern Crocodile River valley. This valley was most suited to dairy farming but the local farmers persisted with maize and wheat production under irrigation. Despite the low yields and low returns from these methods most farmers were able to survive by working part-time at the Railways. In the area around the northern Ohrigstad River some changes had occurred in methods of production due to the opening of a state-built dam but many small farmers also barely clung onto their land by resorting to migrant labour. The farmers of this district called on the government to provide large-scale assistance for five or six years so that farmers could be subsidised while changing over from one method of production to another.⁷⁰ The farmers of Lydenburg were clearly not prepared to shoulder the risks themselves of changing their production methods. Like many black farmers facing similar, if somewhat worse, circumstances, they undertook migrant labour not to enhance their productivity, but to survive on the land.

In the more productive parts of the Transvaal small farmers had taken on new risks by using their land more intensively in response to the favourable prices set by the marketing boards. But many of them found it difficult to survive and had to abandon farming altogether. In the Bethal district, regarded in the 1950s as one of the better parts of the maize triangle and described by later historians as 'one of the most productive farming regions in South Africa', twenty percent of local farmers had abandoned agriculture between 1945 and 1957.⁷¹ It was almost always small farmers who chose or

⁶⁹S. Schirmer, 'The Struggle for Land in Lydenburg', Unpublished PhD Thesis, Wits Univ., 1995, Chapter Two.

⁷⁰CAD, K 14, Evidence collected in Lydenburg, 18 February 1957.

⁷¹M.J. Murray, 'Factories in the Fields: Capitalist Farming in the Bethal District, c1910-

were forced to leave. Large farmers, owning 250 hectares and above, often bought additional land, many resided in Johannesburg where they had other business interests and they prospered in the 1950s. Those living on small farms of 80 to 125 hectares, by contrast, barely made ends meet. Many of the small farmers were descendants of the original white settlers and had much stronger rural roots than the wealthier farmers. They could not afford to buy more land and, because they depended exclusively on their maize crops, they faced bankruptcy whenever their crops failed or prices dropped.⁷²

In Rustenburg, in the lower lying areas suited to tobacco farming, many small farmers had shifted into this crop in response to favourable prices. They faced the same economic difficulties as the small farmers in Bethal. There were huge differences in the incomes of Rustenburg's tobacco farmers. Eleven percent of the farmers were able to earn incomes of over £1500 per year while as much as 20 percent of the farmers earned less than £100 per year. During the period 1951 to 1955 the number of tobacco farmers was reduced by an annual average of 13 percent. These farmers could not survive natural difficulties like lower rainfall, diseases and hail damage. If the price of tobacco was to fall, local farmers believed, 60 percent would have to give up farming. The reason for this, the farmers explained, was that they had low incomes that were derived entirely from tobacco farming. This prevented them from saving for difficult times. Many of these farmers had already abandoned farming; others were struggling to hold onto their land by undertaking migrant labour contracts. The people purchasing land often came from outside the district and the prices were too high for small resident farmers.⁷³ The tobacco farmers of Rustenburg, along with many other small farmers in the western Transvaal, had made themselves vulnerable to climatic and market fluctuations.⁷⁴ Some clung onto the land by undertaking migrant labour while others gave up farming in favour of urban occupations. None of these farmers adopted the strategy of regularly increasing their productivity through investment.

In the eastern Transvaal lowveld, in the district of Barberton, patterns emerged during the 1950s that once again confirm the argument that the

1950', in A. Jeeves & J. Crush, eds., *White Farms, Black Labour: The State and Agrarian Change in Southern Africa, 1910-1950* (Heinemann, 1997), p. 75.

⁷²CAD, K 14, Evidence collected in Bethal, 19 February 1958.

⁷³CAD, K 14, Evidence collected in Rustenburg, 17 May 1957.

⁷⁴CAD, K 14, Evidence collected in Kalahari, Vaal-Harts and Western Transvaal, 15-23 May 1957.

inequalities amongst white farmers were created by their differential ability to deal with risk. In the 1950s Barberton was a 'rapidly developing district' as the result of numerous state funded irrigation projects, the use of DDT to combat Malaria and increasing demand for vegetables and fruit.⁷⁵ Farmers from the district complained, nevertheless, that it was difficult to enter into various productive activities like vegetable farming because of capital shortages and fluctuating prices. This majority's reluctance to commit their capital to agriculture contrasts strongly with a minority who were investing large amounts into land and new forms of production. Residents labelled these entrepreneurs 'big capital' or 'foreign capital', an indication that those farmers who were not constrained by fluctuating prices and high start up costs had economic capacity derived from owning large farms or from earning income in non-agricultural activities. 'A large percentage of the rural population is engaged in other occupations than farming', the local development association explained. While the association saw this in a somewhat negative light it is clear that agricultural development was being spurred on by the ability of some to diversify their sources of income. As the association admitted, 'a considerable amount of rural development has taken place with money either brought in from other districts or invested by business and professional men in the district.'⁷⁶

8 Changes in the state's approach to small farmers

Despite the marketing assistance provided by the National Party to all white farmers regardless of their efficiency many poor farmers remained dissatisfied and requested more state intervention.⁷⁷ Some wanted to abolish capitalism all together in the setting of prices and allocation of land. One anonymous farmer, after explaining that the wealthy farmer was doing well while the poor farmer suffered terribly, proposed a drastic solution in the area of marketing. 'The production of mealies must be controlled', he explained. 'Every

⁷⁵C. Mather, 'Wage Workers and Labour Tenants in Barberton, 1920-1950', in Jeeves & Crush, eds., *White Farms, Black Labour*

⁷⁶CAD, K14, Submission by the Lowveld Regional Development Organisation, 27 March 1957.

⁷⁷CAD, MLD, No. 14/20, Vol. 19, C.H. Smidt to the Minister of Agriculture, 13 September 1958. Smidt wanted the minister to hand over a farm occupied by a widow to himself so 'he too could live'. See also, CAD, MLD, No. 14/20, Vol. 19, J. Bekker to Minister of Agriculture, 4 May 1959.

farmer must be allowed to produce only a certain amount of maize at a fixed price'.⁷⁸ In such a state controlled system all the uncertainty that poor farmers continued to face in the 1950s would be removed. Numerous poor farmers also demanded that the state impose restrictions on farm sizes and that the state redistribute land in favour of the small landowners who, in the words of one farmer, had, in the free land market, become the plaything of rich land-barons.⁷⁹ These farmers reminded the Minister of National Party promises to secure the welfare of poor people on the land. They threatened to move over to Oswald Pirow's New Order or to the Orange Free State based Farmers Party.⁸⁰

We have already seen that immediately after gaining power in 1948 the National Party provided assistance to poorer farmers by pushing up the prices set by the marketing system. Throughout the 1950s the Government sustained its commitment to keeping these farmers on the land. During a bi-election campaign in 1955 the Minister of Agriculture declared that the National Party was the political instrument of the poor farmer and farmers who complained about being discriminated against always received a sympathetic ear from the Minister and his Department.⁸¹ This commitment culminated in a commission of enquiry set up in 1957 to discover new ways to halt the depopulation of the countryside. In the words of the report produced by the commission in 1960:

The Commission's terms of reference clearly imply that the farmer's of South Africa should not only supply the population with food and the factories with basic raw materials, but should also constitute a source from which the nation as a whole may draw part of its spiritual power. ... A common characteristic of the rural dweller is his conservative outlook, particularly in respect of spiritual and moral values. ... [A large farming community] is needed

⁷⁸CAD, MLD, No. 14/20, Vol. 19, 'A Friend' to the Minister of Agriculture, undated.

⁷⁹CAD, MLD, No. 14/20, Vol.19, 'Private Secretary of Minister of Agriculture to Minister of Land, 23 December 1959.

⁸⁰CAD, MLD, No. 14/20, Vol. 19, J.J. van Rensburg to the Minister of Agriculture, 18 March 1954.

⁸¹Of course some farmers realised that this contradicted the N.P.s commitment to Afrikaner economic empowerment. Such is the fate of all 'volk' or ethnic movements. See CAD, MLD, No. 14/20, Vol. 19, J.G. van der Merwe to the Minister of Agriculture, 10 May 1955.

if the Christian civilisation of the white man is to survive in South Africa.⁸²

However, in the year in which the commission published its report changes were beginning to take place within Government attitudes towards small farmers. Although the report had made numerous recommendations on how to keep farmers on the land, the only recommendation that received serious consideration was the one that opposed land sub-divisions.⁸³ This recommendation, which was later taken up by the Du Plessis Commission of 1963 and culminated in the 1970 Sub-division of Land Act, reflected a growing bias within the state against small farms.⁸⁴ A major policy shift therefore occurred during the 1960s and early 1970s. In the words of Lipton, the Du Plessis Commission

marked the first public departure from the traditional South African policy of keeping whites on the land at all costs. Lip-service was occasionally paid to the ideal of keeping the 'small farmer' on the land ... but, in practice, the government abandoned the policy of propping up marginal farmers. It was thus no longer committed to backing the most reactionary forces in this sector...⁸⁵

One bureaucratic institution in which this growing opposition to small farmers was particularly marked was in the Soil Conservation Board set up in terms of the 1946 Soil Conservation Act. During the course of the 1950s members of the Board became increasingly frustrated with farmers who used the Act to access subsidies without committing themselves to soil conservation. Members of the board pointed out that demand from farmers for 'works of immediate benefit' was much higher than the demand for works geared more specifically towards conservation and that only a small minority of farmers were prepared to accept soil conservation planning from extension officers. The members of the board were therefore convinced that many farmers were benefiting from state transfers without using these resources to increase their productivity. And the officials believed that it was particularly

⁸²Union of South Africa, *Report of the Commission of Enquiry into European Occupation of Rural Areas* (Pretoria, 1960), p. 3.

⁸³*Ibid.*

⁸⁴See also Union of South Africa, *Assembly Debates*, 12 May 1960, p. 7457.

⁸⁵M. Lipton, *Capitalism and Apartheid: South Africa, 1910-1986* (Aldershot, 1985), p. 95.

small farmers who were ‘generally unwilling to have their farms planned, and thus the process of deterioration continues’.⁸⁶ The officials argued that the tendency of small farmers to avoid risks was the source of the problem: ‘the erection of soil conservation works enhances the value of farms and consequently also increases Division Council rates and Estate Duty, and many farmers use this as an excuse for not erecting such works.’⁸⁷ While this argument may have been influenced by a growing ideological bias against small farmers, if it is taken together with the rest of the evidence presented in this paper it surely proves that, unless they were put under pressure by the state, small farmers had a tendency to avoid risks and to use up resources without improving their farms.

The National Party had adopted policies that failed to push white farmers into adopting more productive practices. As a result, it was mainly the large farmers, with the capacity to do so, who used government transfers to improve their farms. Small farmers found themselves in increasingly precarious positions and, when political circumstances permitted it, they were abandoned by the politicians and officials who had previously sought to ensure their survival.

9 Conclusion

Most analysts have accused the South African state of doing too much for the white farming sector. But, at least until the policy shifts that began to emerge in the 1960s, the state clearly did too little as a developmental institution. The state gave white farmers the support that was necessary for the sustained process of improvement and extension that took place throughout most of the twentieth century. Unfortunately, the state did not have the will nor the autonomy to pressurise those farmers who made no effort to remain competitive. In this respect, the state wasted resources that could have been spent more effectively on transforming other aspects of South Africa’s economy and ultimately undermined the economic viability of small farmers.

In the present context it has become widely accepted that past agricultural failings were created by the market regulations themselves. This inter-

⁸⁶Republic of South Africa, *Progress in Soil and Water Conservation, Annual Report of the Soil Conservation Board, 1965-66* (Pretoria, 1967), p. 7.

⁸⁷Republic of South Africa, *Annual Report of the Soil Conservation Board, 1968-69*, p. 6.

pretation has contributed to the preponderance of free-market, demand-led policies within the departments of Agriculture and Land Affairs. In particular, policy makers seem to regard subsidies with intense abhorrence. Subsidies have been replaced, especially in the new Integrated Programme of Land Redistribution and Agricultural Development (ILRAD), with once-off payments. These are somehow supposed to be less wasteful and to create fewer distortions than the more regular state support offered in the past. This policy direction is, in my opinion, based on a misunderstanding of the potential and the problems inherent in market regulation. Firstly, once off payments will have very little effect because they cannot change the structural situation in which previously disadvantaged farmers find themselves. Secondly, despite the idea that funds will only be made available to those who are prepared to make an 'own contribution', it will prove impossible to ensure that the once off payments are used in a productive manner. There are no mechanisms in place that will enable the government to monitor or to enforce its vision that government funds should be used to enhance the capacity or the food security of previously disadvantaged farmers.

If the government is serious about implementing its integrated vision, then a coherent, well structured subsidy programme would prove far more effective. A programme that runs for a number of years may place disadvantaged farmers in a generally more favourable position in relation to previously advantaged farmers. In addition, such a subsidy programme can also be used to enforce the productive utilisation of funds. Subsidies should always be conditional on an annual evaluation, and farmers who have failed to use the subsidies to enhance their productive capacity, or have reneged on some other aspect of a contract that beneficiaries must enter into, must lose their subsidy. The capacity of the state is limited. Therefore it would be possible to assess annually only a small group of randomly selected farmers. It is also important that contracts are kept simple, that farmers are given the space to make most of their own economic decisions and that extension officers responsible for the local implementation of the programme are carefully monitored. There are many potential problems with this kind of market regulation. However, it has a much better chance of making a real difference to rural peoples lives, and therefore of being less wasteful, than the current policy of demand-led, once-off payments envisaged in ILRAD.