SECOND CARNEGIE INQUIRY INTO POVERTY AND DEVELOPMENT IN SOUTHERN AFRICA

The Role of Agricultural Marketing in the Alleviation of Poverty in the Peri-urban areas of KwaZulu by Mark Lyster

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THE ROLE OF AGRICULTURAL MARKETING IN THE ALLEVIATION OF POVERTY IN THE PERIURBAN AREAS OF KWAZULU - AN OVERVIEW

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1. INTRODUCTION

Agricultural marketing in a development context is defined as those functions which facilitate the timely supply of agricultural inputs (seeds, fertilizer, credit) and disposal of produce. The absence of the above in commercial and semi-commercial agricultural systems act as severe constraints to increased agricultural production. In many developing economies the removal of such constraints by government organisations and private enterprise have resulted in positive returns to agriculture. The division of responsibility between government and the private sector in carrying out the various marketing functions has not been resolved. Development analysts of KwaZulu have suggested that agricultural marketing is a fundamental constraint to agriculture in KwaZulu.

A brief historical development of agricultural production in KwaZulu and the state of agriculture in Natal/KwaZulu today is presented. Agricultural production constraints have to be analysed in relation to each other and the Natal developed economy. Evidence of severe constraints to agricultural production have been found in a recent survey conducted in a peri-urban area in KwaZulu. The extent to which agricultural marketing is a major constraint is analysed in relation to other more fundamental limitations. It is argued that the institutional origin of many of the latter constraints hinder the efficacy of agricultural marketing in bringing about dramatic changes in production patterns in these areas.

Nevertheless agricultural marketing is an important ingredient of any integrated development strategy aiming at improving the quality of life of the inhabitants of KwaZulu. A number of
market reforms are suggested.

1.1 Agricultural Marketing defined

Agricultural marketing has various meanings. For the purposes of this paper I will define it as:

the performance of all those activities which facilitate the timely supply of factors of production (seed, fertilizer, credit and information) to the farmer and the disposal of produce from the farmgate to the consumer.

"Markets join together the various components of the food industry: the farm supply sector, the farm sector, the food marketing system, and national economies" (Kohls, 1980).

1.2 Agricultural marketing in Agricultural development

The role of agriculture in development is well documented. There are very few analysts that would disregard the importance of agriculture in developing economies. The central problem is to generate a rate of progress high enough to meet both food-transfer and labour-absorptions objectives in a context of rapid population growth (Reynolds, 1975). The vital role of agriculture is illustrated by the following statements concerning Sub-Saharan Africa:

* Agricultural output per capita (crops and livestock) in Black Africa dropped 11% in the 1970's (Overseas Development Institute, 1982).

* The population will increase from the current size of 470 million to 853 million (80%) by the year 2000 (United Nations, 1982).

* 31 out of 51 countries will be unable to feed their populations with `low inputs. This represents some 477 million people or 58% of the region (Earthwatch, 1983).
* Between 80-90 % of the nearly 400 million people living in Sub-Saharan Africa live in rural areas (Hanks, 1983).

A major component of any development strategy must therefore be to increase food production and employment.

The specific role of marketing within agricultural development hinges on the fact that the origins of the constraints facing small scale farmers are external. This implies that agricultural marketing will not necessarily emerge out of the development process, but rather that public policies and programs are needed to provide a favourable environment for innovative behaviour. Marketing is related to the process of development in three important ways:

1.2.1 The agricultural marketing system is a major means of channelling resources from the agricultural sector to the industrialized and vice versa.

1.2.2 The agricultural system integrates rural areas into the market economy through a network of communication and exchange.

1.2.3 The agricultural marketing system becomes an economic subsector itself, providing for the distribution of food, consumer goods and the creation of employment opportunities.

The performance of the marketing processes in improving the quality of life are determined by the economic, social and political goals of a society. Thus marketing has a dynamic role of increasing the productivity and equity of a disadvantaged group - namely the small farmer.

An agricultural marketing system, in serving a small scale farmer in an underdeveloped economy should facilitate the efficient provision of the following services:
1.2.4 The supply of the entire "input package" to the farmer. This includes seed, fertilizer, credit and extension advice.

1.2.5 A method of product disposal from areas of surplus to areas of demand.

1.2.6 The dissemination of reliable marketing information such as past prices, seasonal trends and price projections.

1.2.7 The physical infrastructure such as all weather roads, market buildings and storage facilities.

1.2.8 An appropriate legal and institutional framework within which the above can function.

There are numerous participants in an agricultural marketing system. These include: individual farmers; groups of farmers, associations and cooperatives; the various commercial sectors; and in most countries, the government sectors. The actual division of responsibility of the latter in providing the market services listed above have not been resolved. In South Africa 82% by value of total agricultural output is handled by various boards (REES, 1979). It is generally recognised that all the above participants are necessary and that the government sector should play a facilitating role to the private sector, who can provide most of the necessary functions more efficiently. Unfortunately agricultural marketing functions are vulnerable to political manoeuvring and there is hardly a country in the world today where it has not become a highly emotive and politicised issue involving a conflict between farmer and consumer interests.

There is no doubt that the efficient provision of essential marketing functions is a prerequisite for an economy with a large urban population. Perhaps the most conclusive evidence of this is the well researched agricultural development history of White commercial agriculture in Southern Africa. There is no reason for not accepting the
arguments put forward by numerous authors that have investigated the factors causing the decline in Black peasant agriculture in South Africa (HORWITZ, 1967; WOLPE, 1972; LIPTON, 1977; BUNDY, 1977). The key factors in the success of White commercial agriculture, albeit at the expense of the peasantry has been the favourable credit terms, legislation and institutions made available to White farmers during this century. The latter three functions are marketing functions that have been administered to achieve extra-agricultural objectives.

2. THE NEED FOR AGRICULTURAL MARKETING IN KWAZULU

"The change over from the present unorganised and mainly subsistence type of farming, to one of greater specialization and production, will naturally be a slow process. As the change takes place, marketing problems in the connection with Bantu farm produce will assume greater importance".

"The Commission has considered the advisability of founding a land bank to serve the needs of Bantu farmers in respect of both fixed and working capital, but it is felt that at this stage and for as long as the re-organisation of agriculture remains virtually a resettlement project, a Bantu land bank or similar institution cannot be recommended".

"In regard to the marketing of agricultural products the Commission recommends that:

a) perishable produce subject to control as well as all non-perishable products produced by the Bantu, be canalised to 'European' markets as is the case at present.

b) Owing to the problems associated with the marketing of perishable produce from Bantu farms, the capacity of the open market be carefully studied, before increasing the production of such produce" (TOMLINSON COMMISSION, 1955).
"The importance of the accessibility of markets cannot be over emphasized. The establishment of these same conditions (Control Boards) will be a necessary condition for the successful agricultural development of KwaZulu and other tribal areas of South Africa" (Buthelezi Commission Report; 1982).

The attitudes expressed in the statements of the Tomlinson Commission indicate much about the past performance of agricultural production in the reserves of South Africa. KwaZulu has been subjected to all the forces that have contributed to the decline of peasant agriculture. Two factors separate it from other reserve areas. The first is the relatively late entry of the inhabitants into wage labour (GUY, 1982). This indicates a certain level of confidence in its people's ability to feed and satisfy themselves in their rural environment. The agricultural system prevailing at that time was, given the relative abundance of land and low population, most probably sustainable. However rapid degeneration by the late 1930's indicates that the system was failing. By 1960, the ability of reserve agriculture to meet its subsistence requirements had declined further due to increases in population density and wage/reserve income ratio (SIMKINS, 1978). Government assistance to KwaZulu has since then been orientated mainly at land rehabilitation (Betterment Planning) and the provision of basic infrastructure. Although an agricultural department exists, it has been largely unable to turn the tide of a waning agriculture as it has a very limited budget and few personnel (+200 Extension Officers in 1983).

KwaZulu's refusal to accept independence is the second feature which distinguishes it from other reserves in South Africa. Whilst not advocating any change from this, the de facto effect has been a severely limited budget with which to undertake the necessary development initiatives that are so urgently required.

It is, however, the statement from the Buthelezi Commission that indicates the future of agriculture as a means for providing
for the aspirations of its people. The statement implies the extension of South African Control Board activities into KwaZulu as one of the necessary conditions for successful agricultural development. The validity of this and the agricultural marketing future of KwaZulu will now be discussed.

3. **THE ROLE OF AGRICULTURE AND MARKETING IN SEMI-RURAL AREAS OF KWAZULU**

In 1982, the Institute of Natural Resources was commissioned by the KwaZulu Government Department of Agriculture and Forestry to undertake an investigation into the possibility of establishing a marketing system. My brief has been to describe the present nature of agricultural marketing in KwaZulu as defined above, to indicate its relative importance in contributing to the low performance of agricultural production, and to make recommendations as to the improvements required that would stimulate increased production.

The methodology chosen has been a systems approach, employing elements of questionnaire surveys, resource base measurement and action research. At the time of writing no data has been analysed, however I intended presenting more quantitative evidence to support the observations made below, at the second Carnegie Inquiry into Poverty and Development, in April 1984.

3.1 **Agricultural production - constraints in perspective**

My study area, the western half of the district of Vulindlela, is situated 30 kilometers due west of Pietermaritzburg. Survey work involving 109 households and action research initiated in May 1983 is still being carried out. There is a transition from a rural environ in the west to a more peri-urban along the eastern boundary of the study area. Compared to other areas of KwaZulu the area is well endowed with a good agricultural resource base, roads, subsidized public transport services and agricultural extension effort.
3.1.1 Agricultural resource base and land tenure

The potential for agriculture in the study area is medium to high. Collectively, large areas of arable land, with high land use rating, do exist. Water resources are particularly good and the area receives favourable rainfall (850-1000 mm) with mist contributing further moisture.

Land ownership does not exist per se, but rather tenure is defined in terms of cultivation and grazing rights (BARROWMAN and KLUG, 1981). Betterment planning has resulted in well defined residential, arable and grazing blocks. For the most part these divisions have been adhered to, however there is evidence that indicates some resettlement of arable lands. Within the residential blocks each household has immediate access to a garden plot. Access to arable land is extremely unevenly distributed. Arable land allocation is primarily the function of the tribal organisation. Given the influx of people into the area and manner in which the traditional system of administration operates, it is unlikely that the distribution of land will improve.

The pros and cons of betterment planning and traditional land tenure will not be discussed here. It is suffice to say that the combined effect of these two institutions has created a highly unsuitable environment for agricultural investment. The traditional land tenure system has its origins in a different set of welfare objectives when land/man ratio was more favourable. In general an individual's right to land is for all purposes very secure. However, from an agricultural point of view, the inability to mortgage land presents a serious constraint. The scope for achieving a more equitable situation than the present is extremely limited.

The process of settlement planning has added a further dimension. The primary objective of the latter has been
land rehabilitation. The promised infrastructure, rural services, etc. has not been forthcoming. There is no doubt that the planning executed in Vulindlela has halted environmental degradation. However, concomitantly it has rendered large areas of land unattractive to agricultural production. Distance to the arable areas has resulted in households investing more in their homestead plots than their arable lands. A soil fertility survey carried out in the study area shows that the level of Phosphorus (the most limiting macro nutrient in most South African soils) was significantly higher in the homestead plots than in the arable lands. Distance, therefore, prohibits an individual's ready access to cultivate, transport fertilizer, crop harvest, and to protection from theft and livestock damage. These factors enhance the risk to the already highly precarious small scale farming venture.

Notwithstanding the effects of the above institutional problems, perhaps the greatest single limiting factor is the size of the land right. Not only do very few people have access to lands, (BROMBERGER, 1981, estimates this to be in the region of 1 in 5 households) but the size of land allocation in the vast majority of households is very small. Total land areas in my own sample confirm the finding of other survey work (LEA and STANFORD, 1981). In general not many households own more than 0.75 ha. The potential for a household to secure a meaningful food supply from this is extremely low.

It is therefore argued that although on an aggregate basis land may be abundant and high potential, limited individual household ownership and control precludes any serious investment in agriculture. This partly explains the paradox evident so often in KwaZulu, whereby large areas of land are unutilized amidst the call for more land by its politicians.
3.1.2 Returns to Agriculture and urban wage labour

The very existence of semi-rural/peri-urban areas like Vulindlela indicate the attractiveness of urban wage employment and other services offered by industrial centres. Survey work concerning household incomes indicate that the returns to wage employment are relatively high. In 1981 out of a sample of 116 households approximately 50% earned a monthly income of between R100 and R350 (BROMBERGER, 1981).

Given the limited land area available to each household and the institutional problems mentioned above, there is no reason to question the decision of wage employment in preference to agriculture. The opportunity costs of entering fulltime agriculture are high. Further, the seasonal nature of agriculture precludes a regular cash flow to meet the household budget.

The contribution of informal trading to household incomes is considerable. A major development in semi-rural/peri-urban areas has been the opportunity for generating income by entering into what is known as the 'informal sector'. The returns to these activities has been reported as high, with both poorer and richer households participating to maximize their incomes (CROSS and PRESTON-WHYTE, 1983).

My own survey work indicates that an extremely small proportion of households generate cash income from the sale of produce (6%). Further no households were entirely selfsufficient in food production.

Assuming that household decision-making is rational, one can conclude that the returns to small scale agriculture are low when compared to regular wage employment. The availability of reasonably cheap food, which can be transported readily to the homestead, render agriculture unattractive as a means of satisfying the household requirements.
3.1.3 The supply of agricultural inputs and technology

The level of inputs used on land in Vulindlela could be described as medium to high. The area is well supplied with retail outlets: 7 major agricultural suppliers in Pietermaritzburg (30 km); 3 large requisite depots in adjacent White farming area (2-8 km); more than 20 local traders that stock various inputs; 1 altruistic organisation promoting the idea of savings clubs to buy input packages in bulk; 1 commercial concern promoting bulk buying for profit; and numerous White farmers who provide reliable source of good quality seed potato.

Roads in the study area are good and the entire area is serviced by a subsidized bus service. Input transport costs are extremely low for the majority who use buses (16c per 50 kg fertilizer bag + fare 80c-R1,20). The inconvenience of using buses as a means of transporting inputs can become problematic in certain instances, i.e. agricultural lime, where large quantities, 2-15 tons/ha are required. Given the small land utilized per household, an individual could readily purchase all input requirements at current prices by means of two bus trips, transport costing a total of no more than R4,00.

The availability of institutional credit for agricultural production is totally unavailable. However, given the low expenditure on inputs (approximately R30,00/household) this does not present a problem. However, to the occasional large scale farmer in the area, this does appear to be a constraint.

Whilst the physical supply of inputs is not in most cases a problem, the supply of information concerning their correct application is a major problem. In many instances the White commercial outlets do not have the time to do research or attend to the particular problems of the small scale Black farmers. The result of this is that the use of new technologies are promoted in an
incomplete manner and in most cases the producer never appreciates or realises the benefits. Secondly the five existing extension officers have neither the ability nor the logistical support to correct this. Of particular importance is the total absence of any soil fertility strategy to improve the existing low levels of crop nutrients. Soil analysis is a fundamental ingredient of successful agriculture. Without this, production is reduced to guess work. The present level of extension employed throughout KwaZulu, 200 agricultural officers, is a major cause for concern.

3.1.4 Disposal of marketable surpluses

The marketable surplus in the study area is extremely difficult to observe and measure. It can be said that without doubt the vast majority of households purchase most of their food requirements. Occasional surpluses are sold locally. There are a small number of farmers (+ 50 out of a total of 8 000 households) who have specialized to produce considerable surpluses of mainly potatoes, dry beans, peas and cabbages. Of this production most of it is sold locally.

A review of the market outlets available will illustrate that there is no produce disposal problem: the local demand is of such a large size that almost all production can be disposed of at prices considerably higher than current market prices; numerous shop owners exist in the area who presently buy fresh produce from White farmers and the municipal market; the municipal market is well situated to take any surplus from the area (34 km); 10 periodic markets that follow the large bi-monthly pension payout points provide a regular market. The hawking of produce at bus-stops, crossroads and in the townships nearer Pietermaritzburg provides for a large market outlet.
Once again inconvenience experienced on bus transport is a factor to consider. Most of the larger producers above have their own vehicles which is a critical factor in increasing the mobility of their produce.

4. ESSENTIAL FEATURES NECESSARY IN AGRICULTURAL MARKETING REFORMS

It was argued in the first part of this paper that agriculture and agricultural marketing has an important future to play in a developing economy, in that it has the ability to stimulate production and enhance food security.

"All evidence concerning KwaZulu points incontrovertibly to the fact that it is to the agricultural sector that one of the highest priorities should be given in the building up of the export base. However, for reasons which have nothing to do with natural resource endowment but are concerned more with the social structure of the Zulu society, this is also probably the most difficult sector in which to achieve the creation of an export base" (THORRINGTON-SMITH, ROSENBERG and McCRYSTAL, 1978).

A major shortfall of various development plans has been the inability of planners to have a holistic view of Natal/ KwaZulu. As a result of this narrow conceptualization, plans have been put forward, suggesting the creation of an export base for KwaZulu. Such strategies show scant regard for the realities of the Natal/KwaZulu economy. A further error made by development planners is the importation of agricultural development strategies that have evolved from very different sets of circumstances. An example of this is the suggestion of marketing control boards in KwaZulu, as was put forward by the Buthelezi Commission above. The crop prices offered by the various control boards are based on costs of production quite unlike those of Black commercial agriculture. The local price for whole maize in KwaZulu is substantially higher than the maize board could offer. Price discrimination between
KwaZulu producers and White producers can also be ruled out due to the difficulties that would be incurred in administration, given the fragmented nature of Natal/KwaZulu. The stimulating production of those crops, such as maize and sugar which are dependent on world prices, would incur social costs that once initiated would have to be endured indefinitely. Should a future enlightened government value the contribution made by small scale farmers, then there is no doubt that agricultural marketing will become an important factor.

Due to the high agricultural risk associated with small scale agriculture and the existence of alternative employment, development strategies should not initiate agricultural marketing reforms that involve factor and product price subsidisation. The fact that White commercial agriculture has received assistance in the past is not sufficient to warrant the replication of this in KwaZulu. Given the extremely limited resource base and the worsening land/man ratio the following recommendations are made:

3.4.1 All future agricultural marketing strategies must take into account the realities of the Natal/KwaZulu region as a whole. Due to the legislative and planning processes in the region, the provision of agricultural marketing infrastructure and marketing legislation, has favoured the commercial agricultural sector. Agricultural produce does not adhere to arbitrary constitutional boundaries. An overall 'Food Policy' must be drawn up which promotes the interests of both the commercial farmer and small scale farmer. Further the welfare of the poor consumer, the vast majority in Natal/KwaZulu, must be recognised. Any reforms in agricultural planning, including marketing must recognise fully the present resource base in KwaZulu, the demographic trends and the urbanisation process taking place.

3.4.2 Reforms in agricultural marketing must be part of a whole development package for the entire Natal/KwaZulu region. The essential feature of any development package
must be aimed at providing basic needs and infrastructure for the majority of the people. The creation of rural servicing centres must be carefully evaluated, and any developments in this respect must once again take full account of demographic trends and resource base. As part of the development package, influx control legislation must be removed.

3.4.3 It is the responsibility of the central government to provide public infrastructure and services that will stimulate the efficient involvement of the private sector in providing basic needs and services. With respect to agricultural marketing this means:

i) Increased road development and maintenance in all areas of KwaZulu.

ii) The provision of agricultural marketing infrastructure, in particular, urban retail markets and periodic markets in peri-urban, semi-rural and rural areas.

iii) The provision of suitable legislation that does not inhibit the efficient distribution of food by the informal and private sectors.

iv) The provision of a more effective extension and information service, that serves the interests of small Black farmers.

v) The provision of credit to those Black farmers that have indicated their ability to farm successfully.

5. CONCLUSION

Agricultural marketing is not a problem in the semi-rural/peri-urban areas of KwaZulu. The poor production attained in these areas is a result of a declining agricultural resource base, poor extension effort and numerous institutional factors. At present urban wage employment is a more attractive means of
Securing household income. The availability of employment opportunities is regarded as the most important factor in determining agricultural land utilization. Given the demographic trends, the provision of permanent jobs will be critical in improving the land/man ratio in KwaZulu and thus making the returns to agricultural investment on a larger scale more attractive. Considerable progress can be attained in improving the distribution of food in the region as a whole. This can only be achieved by planning the future food security realistically and holistically.

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