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THE ROLE OF THE STATE IN AGRICULTURE

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## THE ROLE OF THE STATE IN AGRICULTURE

In this paper an attempt is made not only to describe the role of the State in Agriculture, but also to analyse some of the effects of its policy on agricultural labour.

Stating agricultural policy in normative terms is of little use when one wants to analyse its effects, due to the fact that its practical implementation can be inconsistent with its aims. For this reason the first section of this paper is devoted to a broad description of the measures taken to implement South African agricultural policy.

In the following section an analysis of the effects of the policy will be given and in the final section an effort will be made to show what part the three agricultural departments play to compensate for the effects of the agricultural policy.

### IMPLEMENTATION OF AGRICULTURAL POLICY

In order to implement agricultural policy and to fulfil the needs of the agricultural sector, a number of measures have been designed. The administration and implementation of these measures devolve mainly on the agricultural departments, namely the Department of Agricultural Economics and Marketing, the Department of Technical Services and the Department of Agricultural Credit and Land Tenure. Contributions are also made by the Land and Agricultural Bank of South Africa, the Department of Water Affairs, the Department of Bantu Administration and Development, and Departments that provide public services. The services and facilities concerned more directly with agriculture are divided into nine categories: (1)

#### (1) Soil and water conservation

In regard to the natural resources, soil and water, there is a long-term policy of conservation and their effective utilization and improvement, as contained in the Soil Conserva-

tion and Water Acts. The Soil Conservation Act 76 of 1969 (2, pp. 5 - 16 ) provides for the combatting and prevention of soil erosion and for the conservation, protection and improvement of the soil, the vegetation and the source and resources of the water supplies and increasing the productivity of cultivated land and pastures. The Water Act 54 of 1956 (2, pp. 82 - 124) is aimed at the control, conservation and utilization of water for domestic, agricultural, urban and industrial purposes.

(ii) Protective services

The State assumes responsibility for a considerable range of protective services of direct benefit to agriculture, although also of benefit to the community as a whole. These include measures for the control of plant and animal diseases and pests, and also for control over the standard of fertilizers, stock feeds, stock medicines and sprays. The provision of these services arises out of the inability of the individual farmer to perform them by himself.

(iii) Research and extension services (3, 4)

Science and technology are harnessed in order to obtain knowledge of agricultural resources and methods for their most economic exploitation. The extensive research services in the technical sphere - and on a more modest scale also in the sphere of economics - and the training of scientists and technicians at universities and colleges are all part of this process. The propagation of more

efficient farming practices for optimal production is undertaken by extension officers who can convey to farmers in a usable form the knowledge gained by research.

(iv) Co-operative movement and finance

In order to promote the production and marketing of agricultural products, the Government has promoted the co-operative movement (5, pp. 38 - 58 and pp. 136 - 140) and a system of financing which meets the particular requirements of agriculture. Agricultural co-operatives today not only play an important part in the handling and marketing of agricultural products, but also in supplying farming requisites and services. Since practically all of the 80 000 commercial producers are members of one or more of the 281 primary co-operative societies they serve as a logical medium through which the Government could implement its agricultural policy.

The Land Bank Act originated out of a desire to provide farmers and their co-operative societies as cheaply as possible with credit suited to the particular requirements of agriculture as regards redemption on loans and security. The Land Bank is an autonomous institution and is responsible to Parliament through the Minister of Finance. It provides short term loans to farmers, especially as production loans through the co-operatives, but it is mainly concerned with long term mortgage facilities. These loans, which are always granted on first mortgage at relatively favourable rates of interest (7 per cent plus an average of 1,8 per cent for compulsory life insurance) serve to enable new farmers to buy

properties or to consolidate the debts of existing farmers. The Land Bank also extends loans for farm improvements such as dams and fences, and hypothec loans on movable property, such as livestock and machinery. (6)

(v) Assistance and settlement

With the Agricultural Credit and Land Tenure Acts, assistance to farmers and their establishment on the land has been brought under unified control. The aim of this legislation is to assist by means of uniform and adequate measures, deserving farmers who are no longer in a position to obtain essential funds from commercial financial institutions in times of set-backs, for their farming enterprises. Attention is concentrated on improving the position of the producer who has inherent possibilities as a farmer but who is in a weak financial position owing to concurrent circumstances.

The assistance which may be granted includes inter alia making state land and funds available for the purchase of privately owned land and includes provision for opportunities to convert small units into units capable of providing an adequate income.

(vi) Stabilization and marketing arrangements

A variety of measures have been introduced to promote price stability and/or efficient marketing in regard to farm products. The basic aim is to stabilize prices. Associated with this is the regulation of distribution, in order to promote the objective of price stability and, in some cases, to rationalize the collection,

processing and distribution of products.

At present, some 83,32 per cent of agricultural production in terms of gross value is handled by specific marketing schemes under the Marketing Act and in addition, 8,20 per cent is controlled in terms of other legislation. (3) The control measures may be divided into two main groups: those under one-channel systems, and those under surplus removal and supervisory schemes. In the first group are products which the farmer is permitted to sell only to the controlling organization or its appointed agencies and under which the farmer receives for his products either fixed or pool prices. The products included under surplus-removal and supervisory schemes are sold at "free" market prices, but under certain specified circumstances the control organization may intervene to support prices in some way or other.

Although the State acts in an advisory and supervisory capacity, the administration of the price and marketing arrangements introduced under both the Marketing Act and specific legislation rests mainly with the respective control boards or other organizations enacted specially for the purpose.

(vii) Ancillary services

Many types of ancillary services are rendered to agriculture, including the statistical services, commodity inspection, import and export arrangements. The statistical information collected and processed, particularly that in respect of economic trends in agriculture, are becoming increasingly indispensable - not only in the determination of policy by the authorities, but also to the individual farmer.

The agricultural departments make an important contribution by means of their crop and live-stock estimating services. With more knowledge of expected production and disposal data, solutions to a problem which are at present sought mainly in increased control measures, may possibly be provided to a large extent by judicious planning of production and/or marketing. In addition to prices and production costs, the quality of the products marketed is also an important factor in determining the income of the producer; and in this connection the inspection and grading services provided by the agricultural departments constitute an important contribution. In view of the fact that exports of agricultural products amounts to R995,2 m (7), these services are of considerable significance.

(viii) Ad hoc assistance

Under this heading is included assistance to farmers who find themselves in difficulties as a result of temporary conditions such as droughts and floods. When drought conditions reach such proportions that farmers are compelled to move their livestock in order to obtain grazing elsewhere, or to buy feed to maintain their stock, reductions in transportation costs of livestock and fodder are granted to farmers in the stricken areas. The State may even contribute towards feed costs in badly stricken areas. This emergency assistance is over and above the loans granted by the Department of Agricultural Credit and Land Tenure for the purchase of feed, hiring of grazing, and the purchase of means of production such as fuel and fertilizers-mentioned earlier in this paper.



(ix) Subsidization

In addition to the ad hoc relief dealt with in the previous paragraph, which is actually also a form of subsidization, there are several other forms of subsidization on a more permanent basis. Under the Soil Conservation and Water Acts, the State provides a subsidy for the conservation or development (or both) of natural resources. Here the State contributes a predetermined percentage of the cost in respect of all works which qualify, subject to certain minimum requirements. Then there is a subsidy to reduce the cost of fertilizers, and a rebate is paid on railage in respect of maize. The subsidy on fertilizers not only benefits the farmer but also the fertilizer firms and in some cases it may increase social welfare. (8)

In conclusion, subsidies are also paid in respect of the staple food products like butter, maize and wheat. These benefit both the consumer and the producer. The subsidies were originally introduced as consumer subsidies in order to keep down livingcosts. Over time, however, they have become significant factors in achieving price stability, and have become of greater benefit to the producer in so far as sales of these products have been promoted. As will be observed from data presented later in this paper, these subsidies constitute a considerable percentage of the total expenditure of the agricultural departments. It is difficult to determine what percentage of the subsidies benefits agriculture directly.

EFFECTS OF THE POLICY

It is deducible from the previous section that the South African agricultural policy is mainly one of development. Heady (9, p. 15) terms developmental policies as:

"..... those which focus on the supply functions of commodities and resources. Developmental policies generally have the purpose or effect of increasing commodity supply. Generally, too, they reduce the real price of food to consumers."

They shift the commodity supply function to the right, in price quantity space, through reduction in the price of resources, through alteration of productivity coefficients entering the production function or through increase in supply and supply elasticities of resources used in agriculture.

The regulation of markets and protection of food quality is an attempt to affect the supply function. Soil Conservation policy is an attempt to alter the supply function of agricultural commodities in present and future time periods. Financial assistance and cheap farm credit alters the price of capital and is expected to have an effect in changing commodity supply functions of individual farm firms.

With low price and income elasticities of demand, this developmental policy has adverse effects on agriculture. The one which interests us here is the so-called "expenditure squeeze on agriculture" (10, pp. 57 - 64). According to Owen, one of the characteristic features of the development process is the progressive saving of labour resources in farming through increasing labour productivity and the reciprocal utilization of this labour in industrial production

and service activities. What is not so widely recognized is the fact that the costs of rearing and educating this stream of migrant labour are very considerable.

These "emigrants" can represent a sizable continuous outflow of 'capital' from the farm sector. The capital loss to agriculture not only consists of quantitative losses but also of qualitative losses which result from the high degree of selectivity which is associated with the market for redundant farm labour.

A second agricultural expenditure is the maintenance of any labour that is rendered redundant by the development process in that sector until such time as this labour actually realizes an alternative employment opportunity in the nonfarm sector. (10, p. 62) Heady (9, p. 8) gives rise to the human element when he says: "If labor were an inanimate resource, transfer enforced by technological change and economic progress would give rise to concern by few people. But since labor does, the fact have a household attached to it, the transfer can impose family sacrifices and costs, and many persons must accept it unwillingly". They may not accept it at all.

Another element that is notable here is the fact that agriculture 'supports' say, ten souls for one productive worker because of a large percentage compensation in kind. Like the other expenditures this also is camouflaged. City family 'send' their offspring to family on the farm and there they live.

Something must be done to compensate agriculture for the adverse effects of a developmental policy. The question can be asked whether the agricultural policy of South Africa contains elements of compensation.

SUBSIDIES AND ASSISTANCE

If any compensation does exist it must be sought under the measures labelled Subsidies and Assistance in the first section of this paper. Heady describes (9, pp. 405-446) compensation methods as being direct payments, loans without recourse, storage of surpluses, support prices and supply control. Various versions of these methods are implemented in South Africa, but it remains questionable whether they are effective. Without complementary supply control these methods can lead to further undesirable development.

In a paper of this nature it is not possible to elaborate in more detail the services and facilities rendered by the State. Nevertheless a fairly accurate picture emerges of the magnitude hereof when studying the expenditure figures (3, 4, 7, 11, 12) of the three agricultural departments.

(i) The Department of Agricultural Economics and Marketing

The activities of the Department can be summarized as follows:

Co-operative Societies  
National Marketing Council  
Agricultural Production Economics  
Agricultural Marketing Research  
Inspection Services  
Loans and Advances  
Subsidies and Assistance

In monetary terms the last item is the most important as can be seen in Table 1.

Table 1

Subsidies and Assistance by, and Total expenditure of the Department of Agricultural Economics and Marketing, 1970/71 - 1974/75

Year	Subsidies and Assistance R. million	Total Expenditure
1970/71	104,4	107,5
1971/72	110,0	113,5
1972/73	139,9	143,5
1973/74	113,5	118,8
1974/75	154,0	158,9

Subsidies and rebates are being paid annually on the items in Table 2

Table 2

Subsidies and rebates by the Department of Agricultural Economics and Marketing, 1970/71 - 1974/75

Year \ Item	Wheat (bread)	Maize (mainly distribution margin)	Grain sorghum	Dairy Products (mainly butter)	Fertilizers	Stock-feed and grazing	Rebates on transport	Total
	R million							
1970/71	28,9	36,8	0,5	5,4	13,8	8,4	4,2	98,0
1971/72	29,5	34,9	0,7	5,9	18,3	1,2	2,6	93,1
1972/73	40,3	33,3	0,5	11,5	14,4	+	2,4	102,4
1973/74	26,8	32,1	+	12,6	14,5	+	2,2	88,2
1974/75	44,6	39,9	0,6	14,6	15,4	+	2,1	117,2

(+ Less than R0,05 million)

It is interesting to note that although the gross value of agricultural production increased by 65,2 per cent over the past five years, the subsidies and rebates by the Department increased by only 20 per cent.

(ii) The Department of Agricultural Technical Services

The functions of the Department range from plant and animal production promotion to agricultural resource utilization and entrepreneur development.

Although the Department concentrates on technical services, it also pays out subsidies and grants to promote the benefits of its services, especially soil and water conservation. Subsidies for soil conservation works and grants for stock reduction are the two main forms of financial aid to farmers by the Department. From Table 3 it is notable that these comprise a small percentage of the Department's total expenditure.

Table 3

Subsidies and grants for soil conservation and total expenditure of the Department of Agricultural Technical Services, 1970/71 - 1974/75

Year \ Item	Subsidies for soil conservation works	Grants for stock reduction	Total Expenditure
	R million		
1970/71	3,0	0,6	36,2
1971/72	4,0	7,9	50,1
1972/73	4,2	10,7	56,7
1973/74	4,5	9,0	50,1
1974/75	5,0	8,2	59,2

(iii) The Department of Agricultural Credit and Land Tenure

The Department is primarily concerned with the so-called category III farmers ( a term used for farmers who, due to circumstances usually beyond their control, cannot obtain further credit from conventional sources) in an effort to rehabilitate them with loans at 5 per cent interest. An interest subsidy scheme is also in operation on the first R100 000 or less of mortgage loans and where the interest exceeds 7½ per cent. The subsidy is limited to a maximum of 1½ per cent.

Types of assistance to farmers:

Crop production means	Flood damage
Livestock	Labourer's wages
Implements and equipment	Forage
Purchase of land	Allotment of land
Soil conservation works	Boring work
Housing for farm labourers	Rations
Consolidation of debts	Afforestation
Irrigation works	Improvements
Disaster damage	Subsistence/interest-free

Table 4

Assistance to farmers and total expenditure by the Department of Agricultural Credit and Land Tenure, 1970/71 - 1974/75

Year	Item	Amount expended on assistance to farmers	Total Expenditure
	R million		
1970/71		30,7	36,9
1971/72		18,9	39,7
1972/73		15,4	33,8
1973/74		13,0	33,0
1974/75		17,8	51,7

The four major types of assistance are purchase of land, consolidation of debts, irrigation works and crop production means. After the improvement of the scheme for labour housing in 1974, it became the fourth most popular type of assistance rendered by the Department to farmers.

Table 5

Assistance to farmers for housing for farm labourers, 1970/71 - 1974/75

Year	Amount R
1970/71	72 735
1971/72	109 821
1972/73	163 540
1973/74	165 650
1974/75	1 121 886

At present the assistance to farmers for erecting houses for farm labourers is as follows:

- R1 550 for a three roomed dwelling
- R1 850 for a four roomed dwelling
- R 200 for supply of water
- R 200 for supply of electricity

A maximum of 4 houses per landowner is granted. In 1974 and 1975 this figure was 10. The loan extends over a period of 20 years at 5 per cent interest, but with a four-fifth subsidy by the Department of Agricultural Economics and Marketing.



CONCLUSION

In conclusion, the following deductions can be made from the above analysis. Firstly, the wide range of measures designed to implement South Africa's agricultural policy are at present administered by various government departments and other institutions. Some of their activities will inevitably overlap and actually do overlap. From an operational point of view this can lead to inefficiency.

Secondly, the services and facilities rendered by one institution cause changes in economic environment which should be compensated for by another institution. It is questionable whether the right hand always knows what the left is doing and whether they are working towards the same goal.

Finally, should the agricultural sector be held responsible to compensate for the adverse effects a developmental policy has on labour, especially on non-white farm labour?

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