Livelihoods after land reform

Policy Brief No. 1

RESETTLEMENT: HOW VIABLE IS THE SMALL-SCALE FARMING MODEL?

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Introduction

In 1990 the Namibian government initiated a land reform programme to bring about a more equal distribution of agricultural land. It should be recalled that at Independence in 1990, 52% of Namibia's agricultural land was owned by approximately 4 500 white people, while access to land for close to 70% of the population was restricted to communal areas comprising 48% of agricultural land. In addition, land reform was aimed at promoting economic growth, lowering income inequalities and reducing poverty.

To explore how land reform has impacted on poverty reduction and livelihood improvement objectives, research was carried out under the umbrella of the *Livelihoods after land reform* (LaLR) programme. Two other research teams conducted similar assessments in Limpopo Province in South Africa and Masvingo Province in Zimbabwe. A central issue in the research was the *viability* of new land-based livelihoods. Guiding questions included whether beneficiaries were able to use their land productively, whether they were able to achieve food security and whether land redistribution in its current form is sustainable in the long run.[1]

The redistribution of freehold agricultural land to previously disadvantaged Namibians is currently the most important component of the land reform programme. This component has two sub-components, namely the Affirmative Action Loan Scheme (AALS) and the National Resettlement Programme (NRP). The AALS provides subsidised loans to previously disadvantaged Namibians for purchasing large-scale commercial farms. To access the scheme, applicants must have considerable assets in terms of livestock and cash, thus the AALS is not aimed at small-

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scale farmers and poor Namibians. The NRP, on the other hand, targets existing or prospective farmers who cannot access the AALS due to insufficient assets. Instead of having to buy land, previously disadvantaged Namibians with fewer than 150 large stock units (LSU) can apply to the Ministry of Lands and Resettlement (MLR) for resettlement. The MLR acquires commercial farms on a "willing seller, willing buyer" basis, subdivides the farms and allocates the portions to successful applicants. The State retains ownership of the land, but beneficiaries can obtain long-term leasehold agreements.

Both the AALS and the NRP provide for part-time and full-time farmers, which makes it possible for people who earn a regular income to benefit as well.

Poverty reduction

Land redistribution and improved access to redistributed land for previously disadvantaged Namibians are regarded as preconditions for poverty reduction. However, while the need to support the poor by improving access to land is articulated in many official documents of the MLR, the role of land reform in poverty reduction programmes is poorly integrated into policy documents dealing with poverty.

For example, Namibia's principal statement on poverty reduction, the *Poverty Reduction Strategy for Namibia* of 1998 (NPC 1998), did not accord redistributive land reform a long-term role in poverty reduction as it regarded the agricultural base as too weak to offer a sustainable basis for prosperity. At best, the Strategy argued, land reform and an associated shift to intensive cultivation could yield a one-time gain for poverty reduction in the few areas that are well watered but presently farmed by extensive commercial methods. Consequently, it comes as no surprise that land reform did not feature at all in the *National Poverty Reduction Action Programme 2001-2005* released in 2002 (NPC 2002).

Significantly, the Third National Development Plan (NDP3) which was released in 2008 proposes eradicating extreme hunger and poverty by strengthening and diversifying the agricultural base of poor rural communities, but improved access to land through land reform does not feature as a strategy.

The silence on the specific role of redistributive land reform in poverty reduction in official policies may reflect a reassessment of the potential role of land in poverty reduction. One of the most senior Cabinet members, the Right Honourable Prime Minister, stated in an interview that Namibia is not going to solve its poverty problems through land reform (von Wietersheim 2008: 160). Evidence suggests that the focus of resettlement is increasingly on economic development, which possibly signals a shift from political to economic objectives in land reform. The earlier aim of settling as many people as possible on white-owned farms appears to have given way to the aim of ensuring that beneficiaries contribute to developing the country's economy. The latter approach leaves little room for the settlement of people with no assets and few farming skills, unless provision is made for resettlement programmes of a social welfare type which offer appropriate support services to accommodate those who lack assets and skills.

The National Resettlement Programme models

The question of how to obtain land from freehold landowners dominated the discussions in both the *National Conference on Land Reform and the Land Question* in 1991 and the *People's Land Conference* in 1994. There was no discussion on how previously disadvantaged Namibians should farm that land, despite the fact that proposals on different settlement options for freehold and non-freehold land together with rough cost and benefit analyses had been prepared for the *National Conference on Land Reform and the Land Question*. This notwithstanding, two basic models were adopted for the NRP, namely group farming and small-scale commercial farming.

Group farming

The group farming model provides for formal or non-formal groups as well as registered co-operatives or other legal entities wishing to engage in agricultural production. Officially the MLR runs 14 group resettlement projects across the country, half of which are located in communal areas. These projects have an official membership and project co-ordinators appointed by the MLR. They receive financial and technical support from the MLR and are described as social welfare projects providing free accommodation, food and other transfers to beneficiaries. Since most of the group resettlement schemes continue to be dependent on government financial support, there has been a rethink on group schemes in the MLR and the Ministry is no longer promoting them.

Small-scale commercial farming

Small-scale commercial farming is the more prominent model in the NRP. It entails acquiring large-scale commercial farms, subdividing them and allocating the portions/units to individual beneficiaries in accordance with allocation plans developed by land use planners in the MLR. According to the National Resettlement Policy, the minimum size of a unit should be in line with the minimum size of a viable commercial/subsistence unit in any agro-ecological region. Currently the MLR is biding by a Land Reform Advisory Commission recommendation that the minimum sizes of the units allocated should be 1 000 hectares (ha) in Namibia's northern regions where rainfall is higher, and 3 000 ha in the more arid south comprising Hardap and Karas Regions. To qualify for resettlement, applicants may not have more than 150 LSU or the small stock equivalent thereof. Beneficiaries are entitled to register 99-year leaseholds over their units.

The NRP aims to transform large-scale commercial farming into a new small-scale commercial agricultural sector. This should not only increase social justice, but also create employment through full-time farming and other income-generating activities, and make beneficiaries self-sufficient in terms of food production. Small-scale farmers will be integrated into the national economy by producing for the market.

Resettlement is regarded as a step towards becoming a commercial farmer. The process entails a linear progression from starting to farm in a communal area, then qualifying for resettlement and finally graduating from resettlement to a large-scale commercial farm. This approach targets middle-class or aspirant farmers who do not want to farm in the communal areas and/or do not have the means to buy a farm, and so are left 'in between' weaker communal farmers and those who qualify for an AALS loan.

The question arising is whether the small-scale commercial farming model is viable, not only in terms of commercial farming itself, but also in terms of satisfying the needs and aspirations of the poor.

Economic sustainability of small-scale commercial farming

Appropriate sizes of economic units for beneficiaries remain a contested issue. While the MLR has settled for a relatively small size, organised agriculture favours large farms. This reflects a perception shared by a substantial number of black and white Namibians, i.e. that small-scale farming is not economically and financially viable. A Cabinet Minister put this very bluntly in stating that he could not see resettlement farms succeeding as they were too small: "... the previous owner of the farm could only survive on that farm because he or she was the only farmer, so that, particularly in dry years, they could rotate their animals" (von Wietersheim 2008: 166).

Underlying definitions of economic units have been based on narrow conceptions of what is viable and not viable (Cousins and Scoones 2010). Viability has been assessed exclusively in terms of financial benefits. The Namibia Agriculture Union (NAU) summarised this succinctly in arguing that farming is a business like any other in the economy, so resettlement farms should also be viewed as businesses. Consistent with this argument, the NAU proposed using the criteria of medium-size enterprises as a benchmark for setting the minimum sizes of resettlement farm units. A medium-size enterprise (excluding manufacturing) is defined as having an annual turnover of N$1 million, no more than 10 employees, and annual working capital of less than N$500 000 (NAU 2003: 54).

More recently the NAU recommended, firstly, that 500 LSU be regarded as an operational unit, hence as viable. This requires farm sizes ranging from 5 000 ha in the best grazing areas to 8 000 ha in more arid areas. Secondly, only farmers owning more than two operational units (i.e. 10 000 to 16 000 ha) should be encouraged to offer their land for redistribution (NAU 2005: 9).

To what extent can one justify the criticism that land allocations under the NRP are not viable? Schuh et al (2006) have provided detailed financial and economic calculations which show that under optimal management and pasture conditions, small-scale resettlement farmers can generate incomes on their allocated units. However, the incomes are very small. A rough calculation of gross margins based on the Maximum Income Derivation calculations provided in the *Draft Resettlement Manual* (MLR 2008) not only supports this view but also shows that gross margins for a 3 000 ha unit in the south are much higher than for a 1 000 ha unit in the central and eastern regions.

The assumptions made in the *Draft Resettlement Manual* about herd sizes on allocated land have been revised downwards to bring them in line with the recommended farm sizes. The optimum stocking rate on a 1 000 ha unit with a carrying capacity of 1 LSU per 15 ha should not be more than 67 head. The assumption regarding running costs was also changed. The *Draft Resettlement Manual* assumed these to be 60% of turnover. In view of the fact that resettlement beneficiaries are placed on developed farm units, these costs have been revised downwards to 40%. Based on these assumptions, and using the formula used by the MLR, the picture that emerges regarding turnover and income is as shown in Table 1.

Table 1: Gross annual income for cattle farming

LSU	Females (60%)	Calves (75% calving rate)	Replacement calves (15%)	Calves for sale	Price per calf	Turnover	Expenditure (40% of turnover)	Gross income per annum
67	40	30	5	25	2 500	62 500	25 000	37 500

Gross annual incomes for small stock farmers depend on whether beneficiaries are farming with sheep or goats. For current purposes, no distinction is made between these two forms of production, but the gross margins are very different. In the Maximum Income Derivation calculations in the *Draft Resettlement Manual*, adjustments similar to those for cattle farming have been made for the small stock sector. A stocking rate of 1 small stock unit (SSU) per 5 ha was assumed, and the results are presented in Table 2.

Table 2: Gross annual income for small stock farming

SSU	Females (80%)	Lambs (90% weaning rate)	Replacement lambs (15%)	Lambs for sale	Price per lamb	Turnover	Expenditure (40% of turnover)	Gross per annum
600	480	432	65	367	350	128 450	51 380	77 070

These gross margins suggest that beneficiaries are able to generate net farm incomes which are considerably higher than the upper bound poverty line. However, if the costs of capital investments and replacements are brought into the calculation, it becomes clear that once the cost of living of beneficiary households is subtracted from the gross margin of N$37 500 on a cattle farm, little money remains for infrastructure development and replacement. With gross margins twice as high in the southern regions, the situation is obviously much better.

These calculations assume the most favourable agricultural conditions, which include that the beneficiaries either own enough livestock or have the financial means to acquire some to use their land fully. Unless beneficiaries have sufficiently large herds to utilise the unit fully, they must have access to off-farm income or other capital to finance their cash needs before the production system starts to produce a surplus. These conditions do not apply for a large number of beneficiaries, who have neither enough livestock nor access to cash.

Moreover, this gross margin can only be achieved if beneficiaries do fully utilise the allocated land, which implies that there will be no spare grazing for drought years. The smaller farms are in arid environments, so they are the most vulnerable to drought. Due to their small sizes, they offer very limited opportunities to farmers to apply flexible farming practices. The expected impact of climate change on the arid and semi-arid parts of the world will further compound this problem.

Apart from raising doubts about the economic and financial sustainability of resettlement units utilised for small-scale commercial farming, the figures also suggest dramatic inherent inequalities in land allocations in the central and southern regions. Tables 1 and 2 above show that annual net incomes on small stock farms in the south are twice as high as on farms in the cattle farming areas. This is due to beneficiaries in the south being able to keep 30% more livestock than cattle farmers can keep on their land. In addition, bush encroachment has contributed to relatively low carrying capacities in many cattle farming areas.

The current recommended minimum farm sizes will not allow for beneficiaries to 'graduate' from small-scale to large-scale commercial farming unless they have access to considerable off-farm incomes. The maximum number of cattle that can be kept on a 1 000 ha unit in an agro-ecological region with a carrying capacity of 1:15 is 68. Even if units of 1 500 ha were allowed, the maximum number of cattle would be 100 or two-thirds of the minimum 150 LSU required to be considered for an AALS loan. Successful land reform beneficiaries therefore face a ceiling on their progress.

Apart from these concerns, the question not yet answered is whether the current small-scale commercial farming model can indeed address the needs and aspirations of asset-poor people as the National Resettlement Policy proposes to do. The short answer must be that it does not. The LaLR research in Namibia confirmed a finding of the Permanent Technical Team on Land Reform (PTT) in 2004 that in many instances, the size of the land allocated did not match with the beneficiaries' productive assets, particularly livestock numbers. Consequently, many resettlement farms were and continue to be underutilised (PTT 2005b: 49-50).

The small-scale commercial farming model for resettlement is based on farming and not on people. Many poor beneficiaries do not necessarily want a piece of land large enough for farming commercially. The LaLR research undertaken in Hardap and Omaheke Regions revealed that the main priority of a great many beneficiaries was to obtain access to land on which to establish a secure home of their own. But the absence of alternative resettlement models left them with no option other than to apply for a small-scale farm, and if successful, to obtain access to a piece of land exceeding 1 000 ha which they never had any intention of farming except on a household subsistence level.

The way forward

Available evidence suggests that current farm sizes, particularly in areas where cattle farming is the predominant economic activity, may not enable beneficiaries to become independent small-scale commercial farmers, let alone accumulate sufficient assets to become medium- or large-scale commercial farmers. Therefore, the following are the recommendations on resettlement policy:

- Review the current minimum farm sizes on the basis of available economic and financial data with a view to adjusting them upwards. Failing to do so may result in an increasing number of beneficiaries relying on the financial support of the MLR, particularly with regard to infrastructure development and maintenance.

- The proposed review should also be tasked to come up with minimum farm sizes that would enable beneficiaries in the predominantly cattle farming areas to generate from their allocations revenue levels similar to those generated by small stock farmers in the south. At present, minimum farm sizes are biased towards beneficiaries in the southern regions.

- More flexibility is needed in the NRP in terms of how much of the allocated land beneficiaries may utilise. This might enable successful small-scale farmers to move on to large-scale commercial farming if they so desire. One possible way to enable them to make this move is to give beneficiaries the right to transfer their land allocation to somebody else.

- Available evidence suggests that asset-poor beneficiaries are unlikely to make a financial success of their land allocations. They will either get poorer and/or remain dependent on the MLR. However, a large number of asset-poor people are in need of both access to land and tenure security, not necessarily for the purpose of farming commercially. Therefore it is recommended that the needs of asset-poor people such as farm workers be clearly identified, and that appropriate resettlement models be developed to meet the needs of those who do not want to farm commercially.

Drimiopsis resettlement project, Omaheke Region.

Individual gardens and housing in the Drimiopsis project.

A former farm worker with farming skills but no material assets for generating an income.

A beneficiary with her asset that generates an income.

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