

# Pro et Contra of Transformation and Land Allocation in Agriculture: A Policy Brief

T Mkhabela<sup>1#</sup>, S Ntombela<sup>1</sup> & N Mazibuko<sup>1</sup>  
<sup>1</sup>Agricultural Economist

#Corresponding author: thulasizwe.mkhabela@gmail.com

## INTRODUCTION

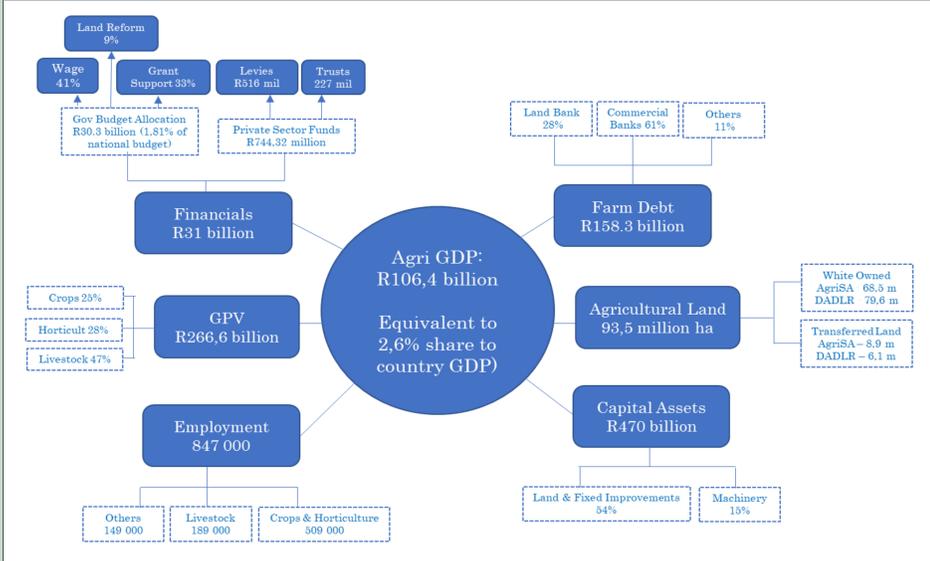
- The winds of change in the land reform and agriculture are prevalent and change is inevitable.
- The SA agriculture sector continues to be dualistic despite all effort to usher change for the last 24 years.
- Land reform has progressed at a slow pace beset with challenges and there is general consensus that success has been elusive.
- Recent raging debate on radical land reform premised on land expropriation without compensation provides more questions than answers, thus
- Empirical research is required to enable evidence-based policy making and a departure from rhetoric.

## RESULTS AND DISCUSSIONS

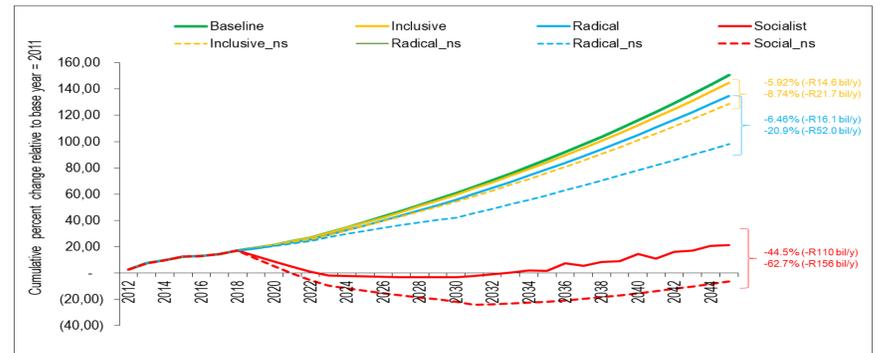
### Underlying Assumptions

	Inclusive	Radical	Social	No support (NS) mechanism
Assumptions	Policy shocks revised to align with the past weekend ANC's resolution to not change the constitution but rather explore existing policy space to expropriate unused, unproductive, and government land to fast track land reform (i.e. redistribution and restitution)	Constitution amended to allow for the expropriation but only for agricultural production purposes	Constitution is amended to allow for the expropriation of all land across all economic sectors	Takes into account the situation where policy/programs are passed to fast track land reform but no support mechanism is in place for beneficiaries. Specific support mechanisms accounted for include: Lack of enterprise development, access to finance, access to markets, poor rural infrastructure and no investment in R&D

## AGRICULTURAL SECTOR AT GLANCE in 2017

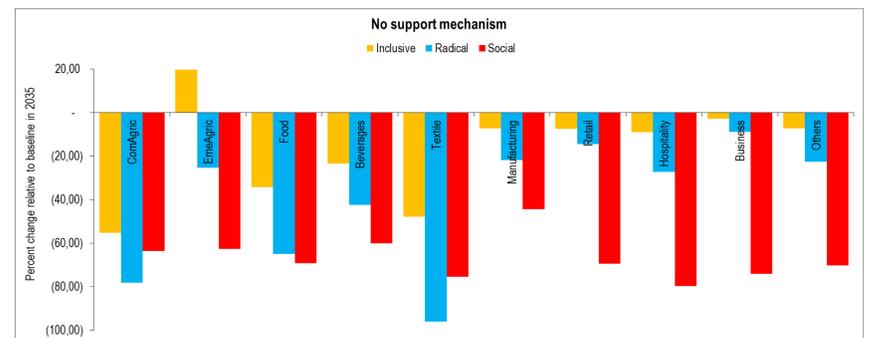
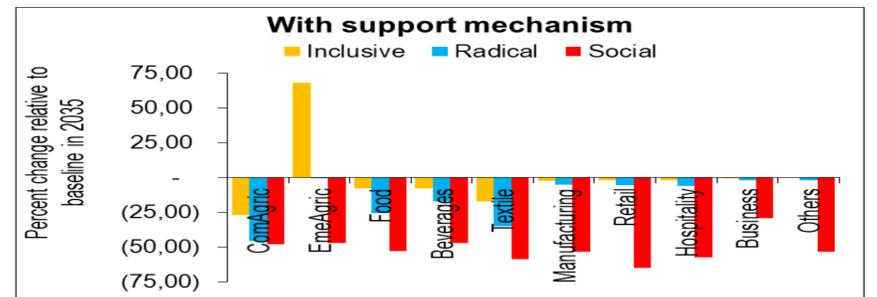


### Expected impact on economic growth



Note: NS = No Support mechanism to land reform beneficiaries in the form of  
 1) Enterprise development, inputs access as well as access to finance  
 2) Infrastructure and market access  
 3) Information and R&D access

### Expected impact on food supply and other sectors of the economy



## METHODOLOGY

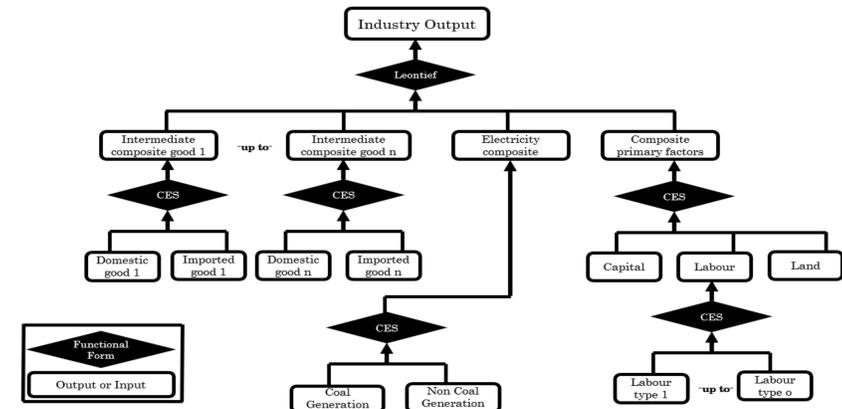
### Advantages of the CGE model

- Provide multiple interlinkages within the economy – thus better than Partial Equilibrium Model or Econometric models when it comes to policy assessment.
- Price induced decision making process and resource constrain features – thus better than Input-Output Multiplier models.
- CoPs stylised CGE modelling– simplistic, effective and accurate. Can update and disaggregate database to the very latest available forecast data.

### Theoretical Structure: CGE

- ORANI stylised CGE model – CoPS Australia
- The demand and supply equations are derived from the solutions to the optimisation problem.
- Each industry minimises cost subject to given input prices and a constant returns to scale production function.
- Households maximise a Klein-Rubin utility function subject to their budget constraint.
- The export demand for any locally produced commodity is inversely related to its foreign-currency price.
- Government consumption, typically set exogenously in the baseline
- Zero pure profits and market clearing condition are assumed for all industries.

### Theoretical Structure: CGE



## CONCLUSION

- Regardless of policy direction or modalities adopted
  - There will be **adjustment costs** - choose a path with minimum costs (i.e. Inclusive Scenario)
  - Whole economy & agriculture sector **size will be larger than today except for Socialist Scenario**
  - SA's competitive position in export markets** will weaken, at least in the short to medium term – and they've been key driver of growth in agriculture over the past 24 years
- Transfer of skills, maintenance of existing human capital and post-settlement support a **prerequisite for sustainable land reform policy**
- Creation of a conducive environment to **access to markets** (e.g. infrastructure, inputs & information) is indispensable. It's a matter of budget allocation and dealing with anti-competitive practices
- Socialist Scenario appears to be a worse case** – from an economic view, it must be avoided no matter how appealing it may be to the electorate (populist)
- Simulation did not take **technology improvement** into account – which could soften the expected adjustment costs