

HSRC RESEARCH OUTPUTS

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**Market access for small-scale farmers in
South Africa: Status quo analysis**

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PRESENTATION OUTLINE

■ INTRODUCTION

- POLICY PROVISIONS FOR MARKET AVAILABILITY
- CURRENT EXTENT OF COMMODITY MARKET ACCESS BY SMALL-SCALE FARMERS IN SOUTH AFRICA

■ DOMINANTS OF, AND CONSTRAINTS ON, MARKET ACCESS

- TOWARDS IMPROVING MARKET ACCESS FOR SMALL-SCALE FARMERS IN SOUTH AFRICA

■ CONCLUSIONS

INTRODUCTION

- SA democratisation process of 1994 brought hope to African farmers who expected that the political change would be accompanied by better changes in the agricultural sectors
- Emerging farmers' increased participation in the mainstream of the economy were the main pillars of the RDP
- The majority of rural and communal areas where most of the small-scale farmers are situated.
- New gov't introduced several policies to try and improve the status of small-scale farmers in SA as follows:
 - ┌ Land reform programme to make land accessible and to secure tenure of security for the rural poor, thereby improving the status of their small-scale agricultural production in a sustainable manner.
 - ┌ Market deregulation and trade liberalization policies aimed at creating a market access for agricultural products to the international market.
 - ┌ BATAF was another key attempt to enable small-scale farmers to participate in commodity markets.

POLICY PROVISIONS FOR MARKET AVAILABILITY

Trade liberalization policy - aims:

- Improving the efficiency and competitiveness of SA agriculture.
- Stabilizing and/or reducing food prices
- Creating opportunities for new farmers, particularly small-scale
- Improving food security, i.e. accessibility and nutrition

At multilateral level: SA (as one of 1948 GATT founder members and a signatory of 1994 Marrakesh Agreement) became WTO member in 1995 and committed to the 1986 UR rules and policies that established WTO AoA, as follows:

- ✓ Eliminate all quantitative restrictions, establish, bound, tariff-rate protection and reduce existing border protection (1990-2000 period) by 36% on average over a six-year period and to 10% for products (in products previously subject to tariff-rate quotas) guarantee existing or introducing tariff-rate quotas for all domestic consumption.
- ✓ Reduce certain domestic subsidies for SA and
- ✓ Reduce import & export duties
- ✓ Subsidies by SA

POLICY PROVISIONS (cont)

- **Qatar's CG membership of 1997 qualified its JFR commitment of local agric trade liberalization.**
- **2001 Doha Round of Qatar also build on JFR and further aimed at:**
 - **Substantial improvements in market access**
 - **Reduction of, with a view to phasing out, all forms of export subsidies.**
 - **Substantial reductions in trade-distorting domestic support.**
- **At bilateral level: SA was accepted as a qualified member of ACP-EU Partnership Agreement (from Lomé to Cotonou), meaning she can't benefit from benefit from non-reciprocal preferences available to other ACP countries.**
- **As a result, SA and EU concluded a TDCA, which was implemented with effect from 1 January 2002.**

POLICY PROVISIONS (cont)

IBDK's main agric features are:

- o Agricultural tariff quotas: EU granted SA preferential tariff quotas for cereals, oilseeds, oil flowers (including rapeseeds) quotas for products: bananas, strawberries, canned fruit, fruit juices, sparkling wines and ciders. In turn, SA also granted the EU preferential tariff quotas for cheese, sparkling wine and wine. The quotas are allocated on the basis of the following categories: 10% to exporters who did not export the product for the past two or three years; 10% to exporters that are Small, Medium, and Micro Enterprises; and 80% to exporters who exported the product during the past two to three years.
- o Wines and Spirits Agreements: Provide a duty free EU import of 42.02 million litres with effect from January 2005 that will increase by 6.72 million litres per year until 2010. The duty free import will be down period and 16 million litres for a period of 10 years for the SA wines and spirits.
- o Other features are discussed in the paper.

POLICY PROVISIONS (cont)

- SA is a least GOA beneficiary since February 2001, thus benefiting from the US's GSP: Dairy products, vegetables, fruits, sugar, etc., various food products, etc.
- SA's agricultural products with significant benefits under AGOA.
- Still on the bilateral basis, SA is currently negotiating FTAs with various countries, MERCOSUR, etc.
- SA also envisaged that SA will sign FTAs with the Gulf and India in the near future.
- The conclusion of these FTAs will have implications on the SA's agricultural sector as a whole and in particular the small scale farmers, as they will have to compete with major economies.
- At the regional level, SA is a SACU member meaning SA's products have extended market in the region.
- SA is also a member of SADC, which has implemented a protocol implemented with effect from 2000, which offers other market opportunities for SA exports.

POLICY PROVISIONS (cont)

- **Some international obligations led to deregulation policy, which resulted in the following:**

Introduction of new Marketing of Agricultural Products Act in 1996, which led to the elimination of all marketing boards, the removal of price regulation and single channel markets by the end of 1997. This led to the reduction of the domestic support measures to the WTO commitments levels in 2000.

- ✓ **Export subsidies were removed in July 1997 by the termination of the General Export Incentive Scheme, except for sugar, on which an industry funded export subsidy remains in effect.**
- ✓ **Replacement of import permits by import duties: Led to improved access to the SA market.**

Now agric products prices are determined by international market. Producers are responsible to manage price risk. Government intervention is limited: only to information and a degree of export control.

POLICY IMPLICATIONS ON SMALL-SCALE FARMERS

- Globalisation has undermined the development needs and concerns of the small-scale subsistence farmers in developing countries, particularly in Africa.
- WTO AoA tends to emphasise commercial agriculture as opposed to small-scale farming practiced by many farmers in the rest of Africa.
- Small-scale farmers are facing globalisation challenges as they try to access finance to produce quality products that meet the required standards, and also to find markets to sell these products at a competitive price with no govt subsidies in place.
- WTO AoA tends to favour farmers in developed countries rather than in Africa, as it does not allow for *any* form of support other than the *de minimis* for agricultural production.

POLICY IMPLICATIONS (cont)

Developed countries, which provided considerable support to the Uruguay Round before the WTO was established, were required to support them and they are permitted to invoke the special safeguard clause, which allows imposition of additional duties in the event of increased imports without prior consultation. However, while African countries do not have such resources as they agreed to ceiling binding during the UR.

Agricultural trade has been more protected in the developed countries after the conclusion of the Uruguay Round negotiations, while in Africa the farm sector became more exposed to external forces and subsidised products from developed nations, and this had adverse effects on food and feed security in the African continent.

POLICY IMPLICATIONS (cont)

- ❑ **CAUSAL classification as a developed country constrains small-scale farmers from benefiting from other preferential trade arrangements offered to other countries of the Caribbean community.**
- ❑ **For example, a non-reciprocal trade agreement excludes the products from the ACP countries to the degree the Cotonou Agreement is not available SA.**
- ❑ **But commercial farmers in the ACP countries also benefit from this arrangement, whereas small-scale farmers in SA are excluded due to SA's developed country status.**
- ❑ **As a result, these small-scale farmers must compete with commercial farmers in terms of price and quality. The value added products required by SA are also excluded.**

POLICY IMPLICATIONS (cont)

- SA's current efforts in trying to improve access to domestic and international markets through market deregulation have not markedly accelerated access to international markets by small-scale farmers.
- The benefits (and costs) of these measures still lie mainly on commercial farmers in SA.
- There is still a need to try and improve market access for small-scale farmers.
- One potential solution may be for SA to start negotiating trade arrangements that will accommodate the needs of small-scale farmers that produce the most important types of commodities.

CURRENT EXTENT OF COMMODITY MARKET ACCESS BY SMALL-SCALE FARMERS IN SOUTH AFRICA

Studies reveal that small-scale farmer do participate in various commodity markets, such as horticulture, livestock, maize and other field crop markets.

Almost 50% of the sample households in Limpopo and 83% in KwaZulu do sell their agricultural produce on the cash market.

Small-scale farmers to sell their produce through various stock markets such as auctions, and grain markets & so on.

Farmers do not necessarily sell only a single commodity, as some sell horticultural commodities and livestock, while others sell horticultural and field crops (including maize).

Most of the households often exchange agricultural produce for processed products as an alternative to cash. Some farmers agree with a co-operative, which is an alternative way to deliver their maize in exchange for other goods or services. Some farmers use their maize for another type of household purposes.

Alternative to cash sale

MARKET ACCESS DETERMINANTS AND CONSTRAINTS

Access by small-scale farmers to commodity markets in SA is determined and constrained by a number of factors, such as:

Transport, storage facilities, market infrastructure, market

telecommunications, training and education, electricity, borrowing/credit facilities, and capacity in representative

adversely affecting market participation by small-scale farmers.

Farmers who are presently not participating in the markets might respond positively if they could have reasonable access to market information.

Farmers are also likely to participate in product markets if they have access to productive assets such as land, seed, fertilizer, and precautionary assets such as rain-water harvesting tanks.

Farmers who participate in commodity markets are more likely to have access to extension services, credit, and other services.

Farmers are more willing to sell their produce to the market if they have access to information on market prices and conditions.

TOWARDS IMPROVING MARKET ACCESS FOR SMALL-SCALE FARMERS IN SOUTH AFRICA

- Auditing all institutions to find the appropriate system within government and its agencies for promoting market access by
- improved cooperation with provincial departments and the implementation agents is needed.
- **Establishing a market access fund to support research, extension, and promote the dissemination of information and education.**
- **Cooperation in marketing could be considered, for example via contract production whereby processors provide financial, technical and marketing services to smallholders.**
- **Designing an improved market information system, providing PDAs that is adapted to the communication needs of small-scale farmers.**
- **Processing small-scale processing and marketing to increase higher profitability and reduce losses.**
- **Promoting high value crops such as fruits and vegetables and other kinds of fruit and vegetables.**

TOWARDS IMPROVING MARKET ACCESS (cont)

- Providing infrastructure such as market places, improved roads, irrigation, and extension services in one integrated and use of market information, technical aspects of the production of
- Promote asset accumulation, by for example, addressing both the acquisition of, and ownership rights to, land by small-scale farmers.
- Institutional innovations such as encouraging a rental market for land to enable households wanting to farm to invest in the area and thus their potential income
- Promote investment in market access infrastructure
- Promote investment in market access infrastructure

Consider the potential role of

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CONCLUSIONS

- ❑ SA government's trade liberalization and deregulation policies did not solve the market access problems faced by the small-scale farmers.
- ❑ In fact, these policies have worsened these farmers' situation, as they have to compete with their counterparts from major economies that are government supported.
- ❑ SA government is willing to ensure international market access for small-scale farmers, negotiation mandates and approaches should be re-visited, e.g. Cotonou approach.
- ❑ Locally, high transaction costs are adversely affecting market participation by small-scale farmers.
- ❑ Farmer-Public-Private Sector Partnership is the best approach for addressing the market access constraints faced by small-scale farmers in South Africa in order to minimize the impact of trade liberalization.