

CHAPTER FOUR

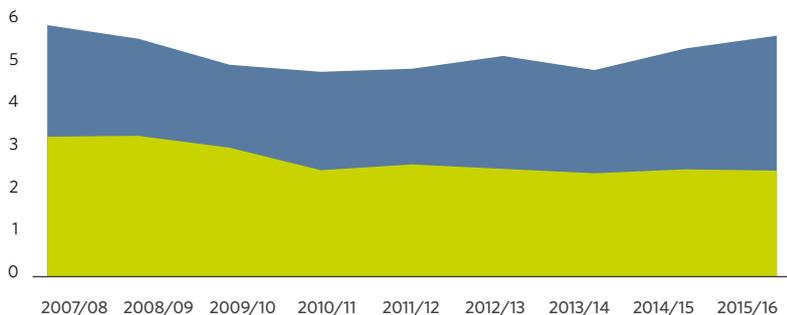
IS SOUTH AFRICA'S AGRICULTURAL SECTOR ADDRESSING INCLUSIVE SOCIO-ECONOMIC DEVELOPMENT?

Wandile Sihlobo and Lyndré Nel

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Despite the agricultural sector making a relatively small (and declining) contribution to South Africa's total GDP (2.4 per cent in 2015/16), it is a disproportionately important sector in terms of its contribution to employment (5.5 per cent of total employment in 2015/16) and food security. Commercial agriculture is a male-dominated industry, with on average 68 per cent of employees being male. The sector's productivity growth has generally outpaced its growth in employment, with the exception of the period from 2014/15 until the present (during which low growth can be attributed largely to the lowest annual rainfall [in 2015] since records began in 1904).

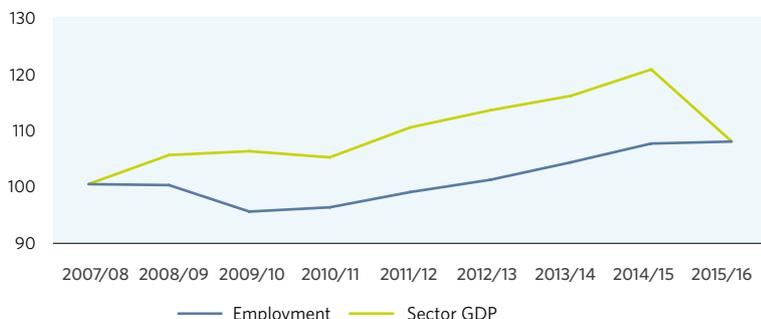
Agriculture contribution to total employment and total GDP, 2007-2016
(percentage contribution in total)



■ Contribution to total employment
■ Contribution to total GDP

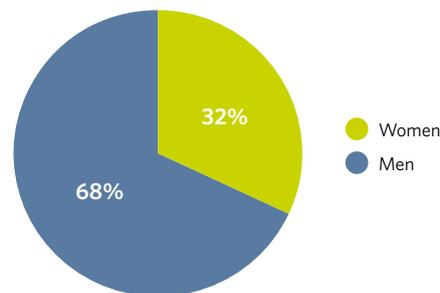
Source: Stats SA QLFS Trends 2008-2016 Q2 and Industry GDP data 1993 to present
Own calculations for year-on-year averages, calculated for the four quarters preceding each year's second quarter (at current prices)
Data for Agriculture, Forestry and Fisheries combined

Agriculture employment and GDP index, 2007-2016 (percentage, 2007/2008=100)



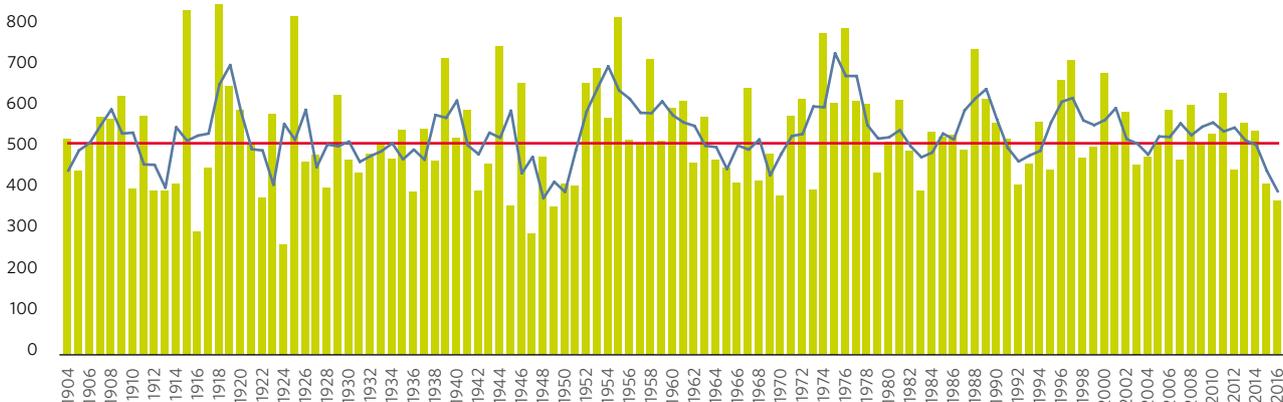
Source: Stats SA QLFS Trends 2008-2016 Q2 and Industry GDP data 1993 to present
Own calculations for year-on-year averages, calculated for the four quarters preceding each year's second quarter (at 2010 constant prices)
Data for Agriculture, Forestry and Fisheries combined

Agriculture employment by gender
(percentage)



Source: Stats SA QLFS data, 2008-2016 Q2
8-year average from 2008 Q2 to 2016 Q2
Data for Agriculture, Forestry and Fisheries combined

Rainfall level in SA, 1904-2015 (in millimetres)



Source: Agricultural Business Chamber of SA (Agbiz) rainfall data

PERCENTAGE OF ARABLE LAND IN SOUTH AFRICA



12%
OF SOUTH AFRICAN
LAND AREA
SUITABLE FOR CROP
PRODUCTION



2.64%
DEEMED 'HIGH POTENTIAL'
AGRICULTURAL LAND



Source: From A Raindrop in the Drought, report to the Multi-Stakeholder Task Team on the drought by Agri SA, February 2016



16.9%

SA HOUSEHOLDS INVOLVED IN SOME FORM OF AGRICULTURAL PRODUCTION

Source: Stats SA General Household Survey, Selected Development Indicators 2015

16.7%

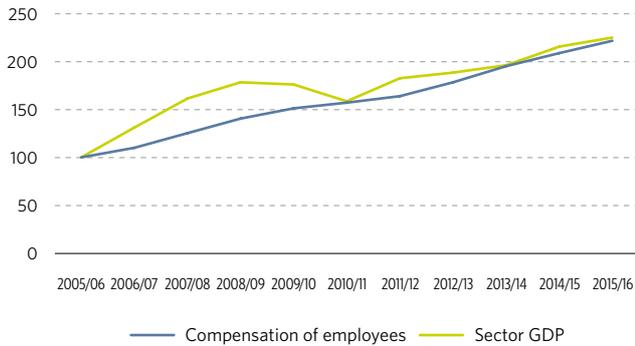
of SA's households had inadequate access to food



Source: Stats SA General Household Survey, Selected Development Indicators 2015

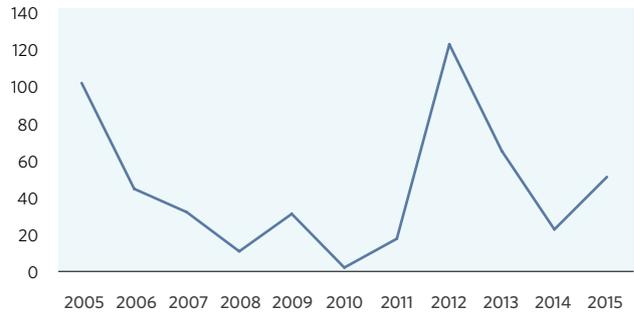
In a similar trend to employment growth, worker compensation growth in the agricultural sector has grown at a slower, albeit less volatile, rate than sector GDP growth (until very recently). With the exception of the large-scale strike action that erupted in the Western Cape in 2012, the sector has seen relatively less labour unrest than other sectors. Despite 38 per cent of South Africa's population residing in rural areas in 2013, the agricultural sector contributed only 5 per cent of total employment (which is particularly low compared to international averages). Investment in the sector has also been on a downward trend since 2013.

Agriculture compensation and GDP growth index (percentage)



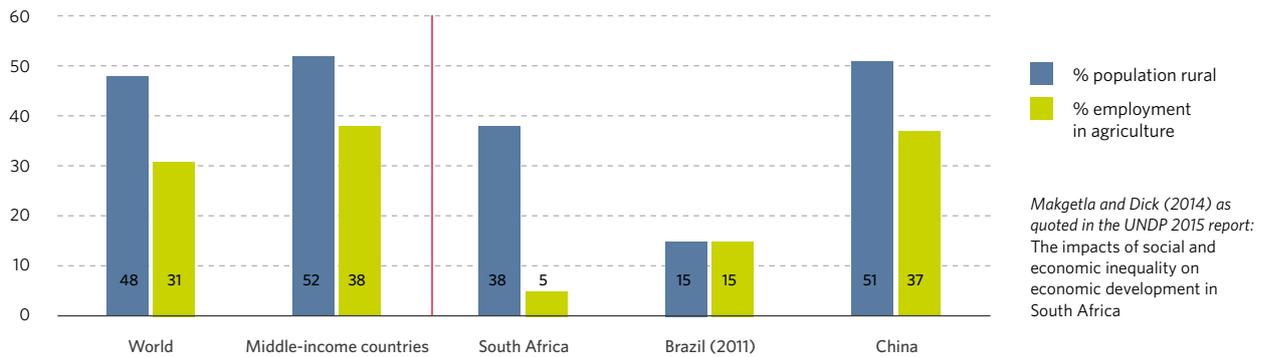
Source: Stats SA Industry GDP data, 1993-present
 Data for Agriculture, Forestry and Fisheries combined
 Own calculations for year-on-year averages, calculated for the four quarters preceding each year's second quarter (at current prices)

Agricultural sector working days lost to strike action, 2005-2015 ('000)

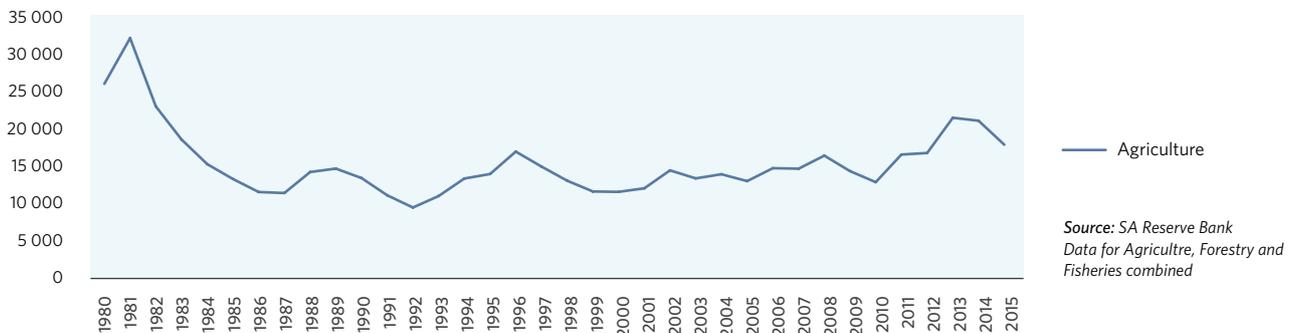


Source: Department of Labour, Annual Industrial Action Reports: 2005-2015

Ratio of rural population to employment in agriculture: a global comparison, 2013 (percentage)



Gross fixed capital formation (investment) in agriculture, 1980-2015 (ZAR millions)



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KEY INSIGHTS

- ❑ In striving to achieve inclusive growth, there should be an appreciation of the fact that South Africa's agriculture is dualistic, consisting of a commercial sector and a smallholder subsistence sector.
- ❑ The primary objective of transformation in the agricultural sector in South Africa is to elevate previously disadvantaged people into management and/or landownership positions in respect of economically viable land for cultivation.
- ❑ Farmers had to learn to manage the influence of global agricultural commodity price volatility, exchange rate fluctuations and stock level (world and domestic market) influences, amongst others.
- ❑ Overall, both the public and private sectors seem to agree that the NDP's target of redistributing 20 per cent of agricultural land by 2030 would be the most effective means of addressing land reform in South Africa.
- ❑ It should be noted that agriculture plays a crucial role in the broader economy – constituting 6 per cent of the total labour force, which is well above the mining sector and almost on a par with the transport industry.
- ❑ In the recent past, a number of agribusinesses have shown an interest in contributing towards social development of previously disadvantaged people, particularly in rural areas of South Africa.
- ❑ The relevant government departments are faced with common challenges confronting the political landscape of South Africa, such as capacity shortages, administrative complexity, bureaucracy and fund mismanagement.
- ❑ With the limited knowledge novice farmers have in terms of agricultural practices and growth, it is of utmost importance that they are empowered through skills development and mentorship by their commercial counterparts.

Agriculture is viewed as one of the vehicles that can deliver economic growth and job creation in South Africa. In his 2015 State of the Nation Address, President Zuma highlighted farming as one of the sectors that could boost growth and create much-needed employment through 'revitalising agriculture and the agro-processing value chain' (Presidency 2015). In striving to achieve inclusive growth, there should be an appreciation of the fact that South Africa's agriculture is dualistic, consisting of a commercial sector and a smallholder subsistence sector.

According to Aliber and Cousins (2013), the commercial sector consists of an estimated 40 000 farming enterprises, while the smallholder sector consists of more than 2 million farming households. Research shows that commercial farmers own approximately 67 per cent of South Africa's total farmed area of 122 081 300 hectares (Cherry 2014). Of this total, smallholder farmers occupy 15 per cent, most of which is state-owned.¹

Commercial farm ownership imbalances exist between socio-economic groups. Growth and development of the agricultural sector throughout the past 70 years has been largely skewed towards white commercial farmers. This stems from colonial dispossession and apartheid policies principally serving white commercial farmers. Since 1994, South Africa's African National Congress (ANC) government has been actively engaged in land reform debates, with the intention of addressing the aforementioned landownership imbalances in the agricultural sector, as well as the challenges of poverty in society. South Africa's land reform process follows three approaches – land tenure, restitution and redistribution.² There is a need for careful consideration of the methods applied in implementing land reform so that it does not detrimentally affect the food security status of the nation (ASUF 2015). Against this background, this paper explores transformation and inclusive growth in South Africa's commercial agricultural sector (both primary and value chain).

Current state of South Africa's agricultural sector

The primary objective of transformation in the agricultural sector in South Africa is to elevate previously disadvantaged people into management and/or landownership positions in respect of economically viable land for cultivation. As such, initiatives to promote

socio-economic development in agriculture seek to support the participation of previously disadvantaged groups within primary agriculture and the agricultural value chain. The South African government emphasises policy interventions that aim to integrate, and ultimately increase, the share of these communities in existing and new markets.

Background

Over the past 21 years, the South African agricultural sector has undergone multiple policy changes, a key one being its deregulation in 1997/98. After many years of government support, deregulation meant that farmers had to take sole responsibility for the production and marketing of their products for the first time since the 1930s (Vink & Kirsten 2002).

After the passing of the Natives Land Act 27 of 1913, the government of the day progressively increased the technical and policy support for white commercial farmers (NDA 1998). Prominent amongst the policy support measures was the marketing and pricing of agricultural products. From the 1930s until 1997, the marketing and pricing of agricultural commodities in South Africa were heavily regulated by the state, under the Marketing Act 26 of 1937 (Traub & Jayne 2004). Moreover, one of the effects of this Act was its role in influencing access to markets for commercial white farmers only (Vink & Kirsten 2000).

In the early 1960s, for the first time, the South African agricultural industry faced increasing pressure to liberalise its markets due to the high costs of government support programmes (NDA 1998). Moreover, the pressure accelerated in the 1990s (in the final years of apartheid), which led to the complete deregulation of state agricultural marketing schemes in early 1998, under the Marketing of Agricultural Products Act 47 of 1996 (Vink & Kirsten 2000).

The abovementioned policy reforms influenced only the domestic agricultural environment, because South Africa was already isolated from international markets due to sanctions. Thereafter, the deregulation process meant that agricultural commodity prices and production decisions would be influenced by global market forces. For some time, this posed a challenge for farmers, as they had to adapt after operating in a guaranteed and enclosed environment for decades. Farmers had to

learn to manage the influence of global agricultural commodity price volatility, exchange rate fluctuations and stock level (world and domestic market) influences, amongst others (Sihlobo 2016a).

Support from several institutions that were created by both the government and the private sector ensured the success of the deregulation processes. These institutions included a number of supporting directorates within the Department of Agriculture and Forestry, the National Marketing Council and the South African Grain Information Services. Overall, the deregulation of agricultural marketing was successful, with notable improvements in production efficiencies (Chabane 2002). With the end of apartheid, South Africa gained access to international markets, allowing it to export and import agricultural products on a commercial level. This new access changed the face of commercial farming in South Africa and compelled significant productivity gains for South African produce to be competitive in global markets.

Today, the South African agricultural sector is still principally dualistic, consisting of the large-scale commercial and small-scale subsistence sectors (Pienaar 2013). White farmers dominate the commercial farming sphere, and black farmers the subsistence sphere.

South Africa's agricultural sector is considered a good platform for addressing wealth inequality, due to its successful economic functioning. The sector has the ability to provide low-skilled employment for large groups of people, has the potential to provide great returns on small investments and can incorporate various business groups within its value chain. Since 1994, the topic of inclusive growth and transformation in South Africa's agricultural sector has featured prominently on national reform agendas. The government has followed various approaches to encourage transformation in the sector, with mixed results. Two of these are agricultural development programmes and black farmer empowerment programmes, of which land reform is a part. These approaches have found expression in several initiatives, such as the Comprehensive Agriculture Support Programme, the Micro Agricultural Financial Institutions of South Africa scheme, recapitalisation funds and the ongoing development of agri-parks, as proposed in the National Development Plan (NDP).

Alongside these developments, organised agriculture (in partnership with the government) has been involved

in various development programmes, such as assisting in the transformation of black smallholder farmers into large-scale commercial producers, which have yielded positive results.³

Meanwhile, land reform remains a key political and social challenge in South Africa. Slow progress has been made, with strong disagreements about recent approaches, such as the 'willing-buyer, willing-seller' policy and the 'Strengthening the Relative Rights of People Working the Land' policy proposal, amongst others. Research by the Institute for Poverty, Land and Agrarian Studies (PLAAS) at the University of the Western Cape shows that since 1994, roughly 7 per cent of commercial farmland has been transferred to black South Africans through land restitution and the redistribution framework (Cousins 2012). This is less than half the amount that the government had projected would be transferred by 2016. Overall, both the public and private sectors seem to agree that the NDP's target of redistributing 20 per cent of agricultural land by 2030 would be the most effective means of addressing land reform in South Africa (ASUF 2015).

Given the slow progress of land reform in recent years, politicians have frequently raised the issue of forced transfer of landownership rights. This has created significant uncertainty within the predominantly white commercial farming sector, which, in turn, could impact the outlook for agricultural production. This underscores the growing urgency required to find a lasting solution for the land reform matter and, more broadly, meaningful transformation of the commercial agriculture sector.

Groups such as the Agri-Sector Unity Forum (ASUF), which represents both black and white farmers, are continuously engaging with the government to find a lasting solution for the sector. ASUF consists of the African Farmers Association of South Africa, Transvaal Agricultural Union of South Africa, Agri South Africa and the National African Farmers Union of South Africa (ASUF 2015).

Recent challenges

2016 was one of the more challenging years for the South African agricultural sector since the deregulation of agricultural marketing and pricing. The most significant challenges faced by the sector, at present, emanate from policy uncertainty and irregular weather conditions,

due the greater impact of climate change. More broadly, uncertainty stems from the land reform policy debate, as well as the newly proposed minimum wage bill. Although the intention behind both of these policies is to transform the sector, the discomfort that they cause in the initial stages tends to weigh heavily on the sector. For example, following the minimum wage proposal, a number of farmers signalled the intention to invest in mechanisation, thereby reducing labour costs.

With the exception of policy changes, the 2015/16 drought has been arguably the most severe challenge since the 1980s. Its impact has been felt across all sectors, causing sharp decreases in crop and livestock production. A common understanding is that, if farmers do not make money, then neither do the farmworkers. Thus far, the drought has negatively impacted on the livelihoods of many families that are dependent on seasonal and part-time work within the agricultural sector throughout South Africa.

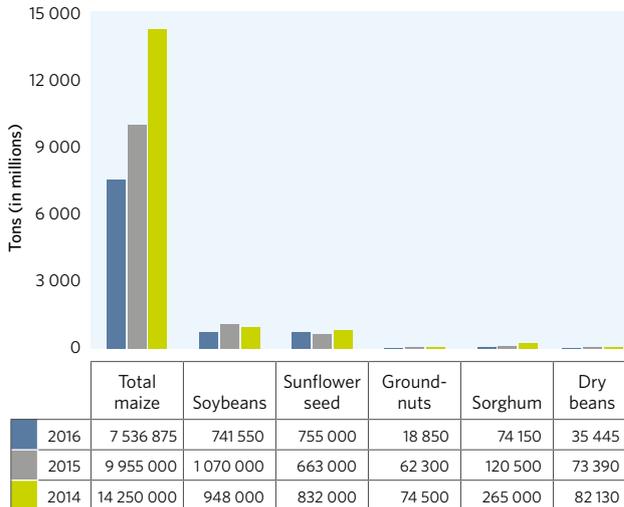
As a result of the drought, there was a 28 per cent decline in the total commercial summer crop production – from 16.45 million tons in 2014 to 11.90 million tons in 2015.⁴ Moreover, in 2016, there was a further decline of 23 per cent of total commercial summer crop production – from the previous season’s 11.90 million tons to 9.16 million tons (see Figure 4.1).

Livestock has also been hard hit by the drought. Although the official data had not been released at the time of writing in 2016, we know that the cattle slaughtering rate trebled – from an average weekly rate of 6 500 head of cattle in 2014, to an average of 15 000 head per week in 2016 (see Figure 4.2). This can be attributed to the dire need of farmers to recover input costs, as cost of feed outweighed the income from the raising of livestock.

It is worth noting that the recent drought affected not only farmers, but the entire society. From a consumer perspective, rising food prices were a reflection of lower domestic stock levels owing to the reduced crop production. In November 2016, food inflation, as measured by the Consumer Price Index data, reached 11.6 per cent year-on-year and was expected to peak at 12.3 per cent in December 2016 (Sihlobo 2016b).

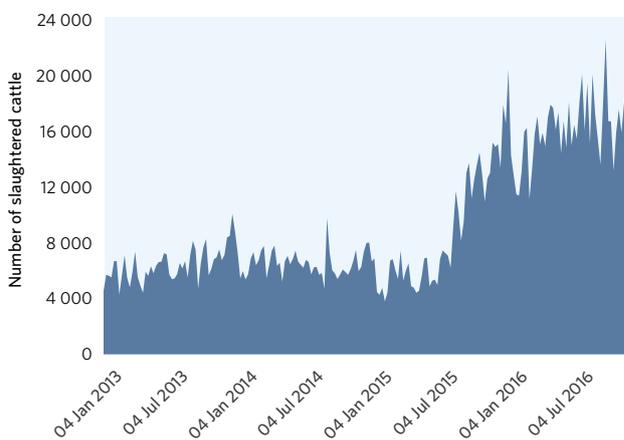
Employment in the South African agricultural sector, on the contrary, has increased despite the unfavourable climatic conditions. Recent employment data show that the agricultural sector created 7 per cent more jobs in the third quarter of 2016 than in the previous quarter,

Figure 4.1: Summer crop production



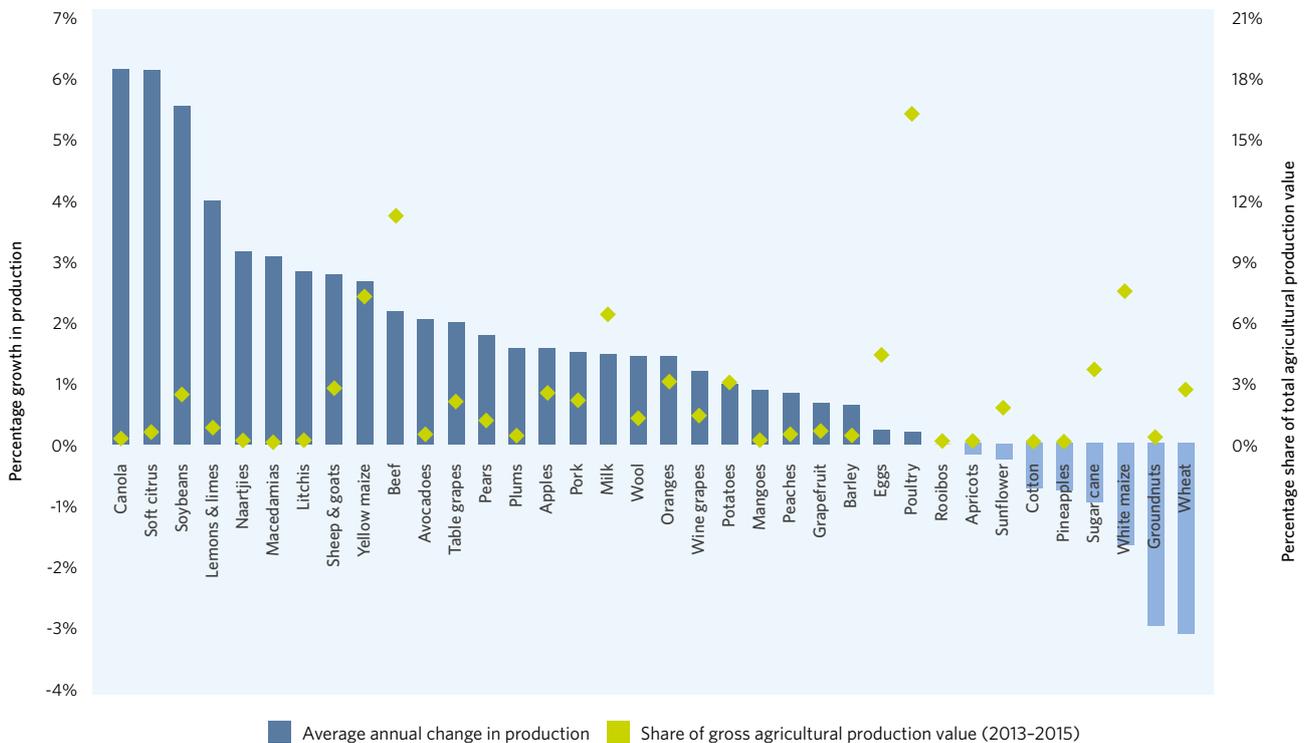
Source: CEC (2016)

Figure 4.2: South African cattle slaughtered per week



Source: RMAA (2016)

Figure 4.3: Agricultural performance – growth in production and share of agricultural production value, 2011-2015



Source: BFAP (2016)

which amounts to 56 000 additional jobs, putting the sector's total labour force at 881 000 workers (Stats SA 2016a).

Although this is an encouraging development, the effects of the 2015/16 El Niño-induced drought are still reflected in some sectors. In fact, on a year-on-year basis, agricultural jobs were down by 2 per cent in the third quarter of 2016. In essence, even though there was growth in labour market participation, the sector is still underperforming.

It should be noted that agriculture plays a crucial role in the broader economy – constituting 6 per cent of the total labour force, which is well above the mining sector and almost on a par with the transport industry (Sihlobo 2016c).

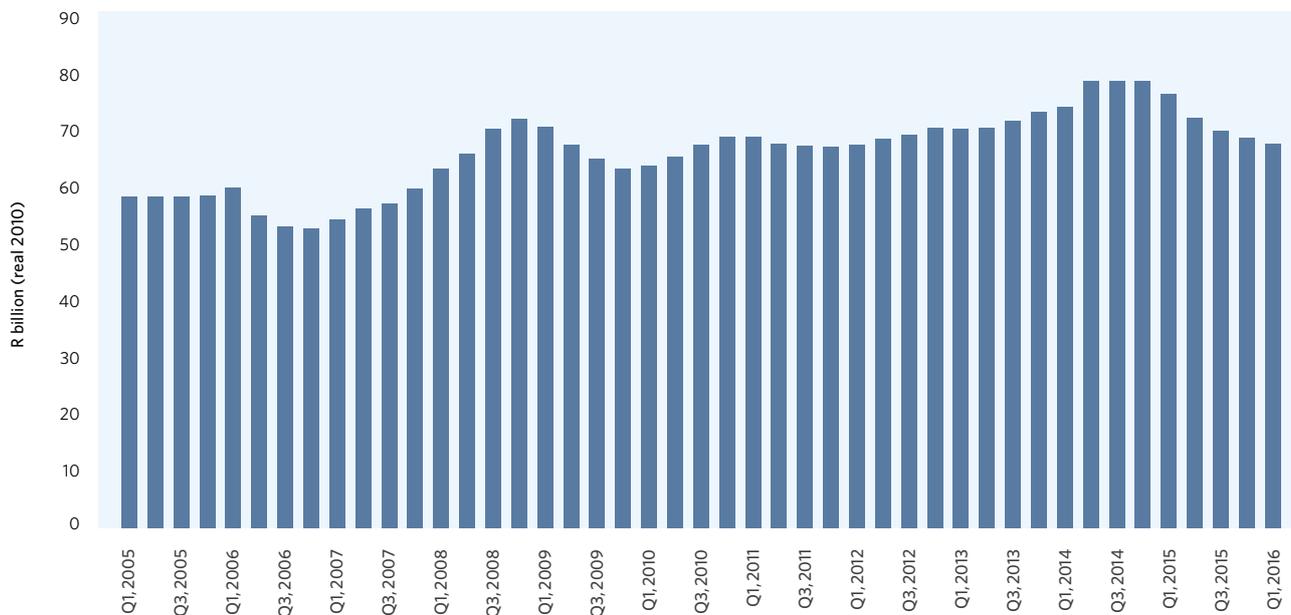
Overall, the current drought situation has had a devastating effect on the production and liquidity of many farmers throughout South Africa, with around R133 billion in farm debt being owed to South African Banks in 2016, up from R117 billion in 2015.

Performance of the agricultural sector

Each agricultural production subdivision (different crops and livestock) can provide a certain number of jobs and opportunities for transformation and social upliftment within the sector. By keeping track of the performance of each subdivision, it is possible to predict and better determine areas for socio-economic improvement and upliftment.

Overall, the South African agricultural sector has shown significant growth despite the recent negative impacts. In terms of inclusive socio-economic development, this is a remarkably good sign. Figure 4.3 provides an overview of the actual growth rates that have been achieved in respect of various produce over the past five years. Although most crops have shown positive growth, the decline in sunflower seeds, cotton, sugar cane, white maize and groundnuts can be attributed to the 2015 El Niño-induced drought. Meanwhile, the wheat industry continues to struggle with structural challenges, such as current seed varieties and higher input costs.

Figure 4.4: Agriculture, forestry and fisheries GDP, 2005–2016



Source: Stats SA (2016b)

Agriculture's contribution to GDP

Over the recent past, the gross value of the South African agricultural sector increased by roughly 16 per cent – from R57.65 billion in the first quarter of 2005 to R66.82 billion in 2015. This was driven largely by favourable domestic and global macroeconomic developments and climate. With bumper crops in 2014, growth in the sector peaked in that particular year before the drought started having an impact from 2015 onwards. In fact, the agricultural sector has been in recession since 2015 (see Figure 4.4).

The agricultural sector has been seriously constrained by the 2015/16 drought, and some enterprises will continue to suffer the aftermath over the medium term. As far as crop production is concerned, the area planted with summer crops decreased by 22 per cent year-on-year from 4.1 million hectares in 2014 to 3.2 million hectares in 2015. As a result, total summer crop production is expected to drop by 25 per cent year-on-year to 8.9 million tons.

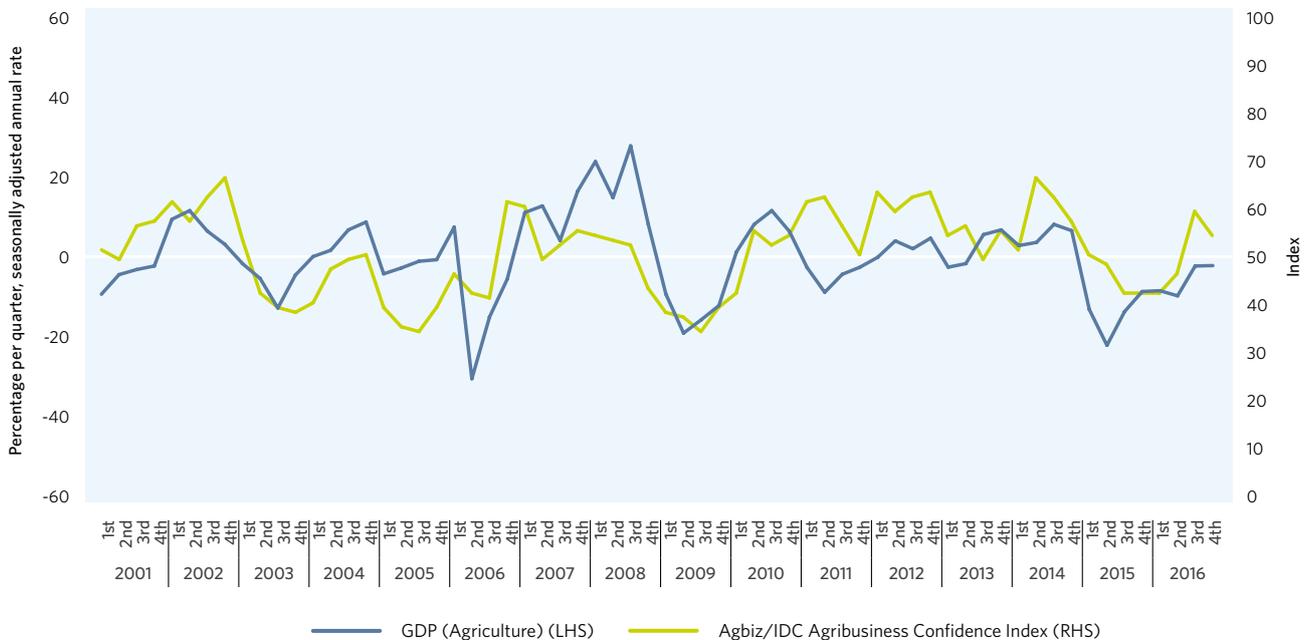
There are indications, however, that the negative growth cycle in the agricultural sector may be bottoming out. South Africa's agricultural GDP growth may have shown a slight recovery in the third quarter, with significant growth expected in the final quarter of the year. All of

this is based on the assumption that weather conditions will normalise in the near future. The weather will be the key determinant of whether South Africa's agricultural sector escapes the current mediocre growth path.

The Agbiz/IDC Agribusiness Confidence Index,⁵ which serves as an indicator of how South Africa's agricultural GDP could perform in the succeeding quarters, is already signalling positive developments. In the third and fourth quarter of 2016, the Index remained above 50 index points, which indicates expansion in South African agribusiness activity. More specifically, the 55 Index points that was observed in the fourth quarter of 2016 suggests that agribusinesses are still holding a relatively optimistic view regarding business conditions in the country.

This is important as it influences investment decisions in the sector, which, in turn, influence the number of transformation projects and rate of growth in the sector. Figure 4.5 shows the changes in Agbiz/IDC Agribusiness Confidence Index along with South Africa's agriculture GDP performance. There is a fairly strong correlation between these variables, which suggests that the agricultural sector could soon shake off the lacklustre performance over the latter part of 2016 into 2017. This may provide the sector with an opportunity to roll-out much-needed transformation projects.

Figure 4.5: Agbiz/IDC Agribusiness Confidence Index and agriculture GDP



Source: Stats SA (2016a); Agbiz (2016)

However, unfavourable climatic conditions resulted in South Africa being a net importer of grains in the 2015/16 season, with a similar trend expected for 2016/17. The low stock has resulted in skyrocketing food prices, with both the producers and consumers bearing the load. This has been exacerbated by the livestock slaughtering rate, which has trebled since the 2014/15 season, and which can be attributed to the fact that there is no drought insurance for livestock in South Africa. Given the recent climatic conditions, this has had a severe impact on small-scale and developing black farmers. As a result of this vulnerability, transformation efforts have been set back significantly.

Agriculture's contribution to socio-economic development: a case study approach

Over the past 20 years, there have been some transformation developments in the agricultural sector, with the government, agribusinesses and organised agriculture being the key stakeholders behind such initiatives. These include the Grain SA farmer development programme, the Sundays River Citrus Company (SRCC) empowerment projects in the Eastern Cape, and the support of

agribusiness and the government for socio-economic development in agriculture.

Grain case study

Grain SA runs a farmer development programme as part of its transformation project. The focus of the programme is on training and skills development, which is conducted by way of study groups, farmer's days, demonstration trials, a farmer-of-the-year competition, support to individual farmers and 24 different training courses. Grain SA's training programme is accredited by the AgriSETA.

The training courses were developed to equip farmers in various ways and can be divided into four components – production, skills development, mechanisation/maintenance, and management courses.

Together with the government, Grain SA has been involved in a recapitalisation programme, in terms of which it has provided skills and expertise, while the government has assisted with the finance for acquiring implements and inputs. In addition to recapitalisation, the project has also enabled farmers to apply the knowledge they have gained throughout the programme.

Grain SA has added to the programme a mobile skills training unit – a light-duty vehicle, which is fully equipped to assist farmers mechanically on their farms. During the training, farmers and workers learn not only how to use the equipment, but also how to repair and maintain their own tractors and implements.

Over the years, around 5 958 black smallholder farmers have been involved in this project. By 2015, the project covered over 80 000 hectares, with 124 study groups across the country. At the same time, more than 1 200 farm-workers have been trained in this programme, thereby elevating their skills and qualifying for better wages. Moreover, by 2015, around 167 farmers had progressed to being ‘advanced farmers’, producing roughly 250 tons of maize per annum. It is important to note that an average family of six people needs about one ton of maize per year. Thus, these advanced farmers would have surplus maize to sell on the market, which, to some extent, qualifies them as commercial farmers.

Citrus case studies

In response to the call for socio-economic development, the public sector introduced various programmes spearheaded by different departments. Worth noting here is the adoption by the SRCC of the proposed public-private partnership approach of the NDP.⁶ The SRCC launched a transformation strategy in 2006 and, since then, has empowered three farming enterprises – Luthando Farm, Mbuyiselo Farm and the Sundays River Farming Trust.

Luthando Farm is 75 per cent owned by a workers’ trust and 25 per cent owned by the SRCC, with management assistance provided by the SRCC. So far, this project has been a success and currently contributes roughly 200 000 15-kilogram citrus cartons per year for export.

Mbuyiselo Farm is 100 per cent owned by a workers’ trust, with management assistance from the SRCC. This particular project contributes roughly 75 000 citrus cartons per year for export.

Lastly, the Sundays River Farming Trust, which consists of five consolidated farms (most of the land of which is still owned by the government), has a current total export volume of about 450 000 citrus cartons per year, with further growth expected from the development of a farm recently acquired by the trust. This is one of many examples of successful transformation resulting from private partnerships. In equal measure, there have been several failed attempts at such partnerships. An

underlying theme to these has been insufficient training and skills transfer, farmer apathy or disinterest (spurred on by low levels of self-investment and high stress levels associated with farming) and unrealistic goals and time-frames.

As illustrated by the case studies, public-private partnerships can be critically important tools in transforming the South African agricultural sector. Much can be learnt from the cited successes, which can be reproduced elsewhere within the agricultural sector, and probably also in other sectors and regions across the country.

SA agribusiness contribution to social development in agriculture

In the recent past, a number of agribusinesses have shown an interest in contributing towards the social development of previously disadvantaged people, particularly in rural areas of South Africa. Such contributions have mostly been in the form of community projects with a focus on aspects such as education, poverty alleviation, wellness programmes, healthcare, food security, development of emerging farmers, and empowerment of employees. There are numerous examples of successful initiatives in this regard.

AFGRI Limited’s corporate social investment (CSI) arm runs 3-year projects to work on and holistically develop communities with high rates of unemployment, poor education systems and extreme poverty. The three main pillars of AFGRI’s CSI initiatives are education, poverty alleviation, and water and food security.

In the sphere of education, in the 2013 financial year AFGRI was involved in a number of educational projects, such as: the Birchcroft Primary School, a co-educational English independent school in Dullstroom, Mpumalanga; Buhle Farmers Academy, which provides subsidised agricultural education to emerging farmers in Delmas, Mpumalanga; and Fundisisa Combined School, a no-fee school which provides education to children from disadvantaged backgrounds.

On the food and water security front, AFGRI’s CSI has been involved in a number of projects such as the Abraham Kriel (Emdeni Skills Development Centre) and Roundabout PlayPumps. In the poverty alleviation field, AFGRI’s CSI has been supporting projects like the Jehova Jaireh Children’s Home, Unathi Drop-in Centre, and the Bethlehem Child and Family Welfare Society.

THERE IS AN URGENT NEED TO MOVE TOWARDS INCLUSIVE DEVELOPMENT AND PARTNERSHIP – NOT SIMPLY THE ‘GIVE AND ACCEPT’ RELATIONSHIP THAT HAS APPEARED OVER THE RECENT PAST.

Agrinet Limited’s contribution has focused mainly on skills development, seeking to empower a previously marginalised deaf community by finding candidates suitable for employment and providing them with the necessary skills to successfully integrate into the hearing world.

Astral Foods Limited has been playing a role through its wellness programme aimed at reducing workforce HIV/Aids-related deaths dramatically and rerouting savings on risk insurance to employee retirement funds.

GWK Group Limited has been involved in education, sports and recreation, and projects that seek to invest in emerging farmers.

More broadly, though, it appears that agribusinesses and value chain participants have largely been focusing their energies on charity initiatives. These efforts are highly commendable; however, they play no real role in long-term transformation of the agricultural sector. There is an urgent need to move towards inclusive development and partnership – not simply the ‘give and accept’ relationship that has appeared over the recent past.

To attain this, agribusinesses will need to maximise their participation in industrial training, by partnering with upcoming black firms such as millers, packhouse and silo owners, brokerage houses, and others. They can relieve resources from farmer training and leave that avenue open for organised agriculture such as Grain SA, Sugar SA, Potato SA, Wool SA, Fruit SA and Vinpro.

While the past few years have seen some positive developments, the value chain has not transformed much, with the exception of these empowerment initiatives. The government-initiated and ongoing agri-parks programme, which seeks to bring the industrial side of agriculture to rural areas, could add value to improving the dynamics in this space.

Government support for social development in agriculture

The South African government aims to provide much-needed support both to developing and experienced farmers through structures like the Department of Agriculture, Forestry and Fisheries, the Department of Rural Development and Land Reform and the Agricultural Research Council. This support comes in the form of farmer development, skills transfer and research production.

The multitude of technical support services offered by regionally localised Department of Agriculture officers serve to support and develop both large and smallholder farmers. Technical services are offered in the form of consultation and extension work given by trained and experienced workers. Such support services, which are crucial to developing young black farmers, include youth development programmes, information collection and dissemination, farmer support groups, agricultural development projects, information days, resource preservation and conservation strategies, and general support services.

The Department of Rural Development and Land Reform drives a youth development and skills transfer programme, which aims, amongst other concerns, to develop agricultural production in rural areas throughout South Africa. The Department's National Rural Youth Services Corps provides agricultural training and placement for previously disadvantaged youth from rural towns, such as Napier, Vredenburg, Beaufort West, Leeu Gamka and Rietpoort. This year-long programme includes a short training period in the National Defence Force, studying towards an AgriSETA-accredited national diploma, and a 4-month placement in a learnership/apprenticeship role with a commercial farmer. Thereafter, the learners are given further support in either start-up agri-enterprises or work placements on commercial farms. This programme encapsulates the government's efforts to provide rounded development and support for young people wishing to enter primary agriculture in support of rural economies.

The Agricultural Research Council provides extensive research support to farmers in optimising agricultural production. Through this research institution, hundreds of bursaries are awarded to previously disadvantaged students to further their tertiary education in agriculture. This provides further opportunity for youth to be introduced to and become involved in agricultural production and, ultimately, the larger agricultural sector.

The relevant government departments, however, are faced with common challenges confronting the political landscape of South Africa, such as capacity shortages, administrative complexity, bureaucracy and fund mismanagement. Nevertheless, in many instances they do provide the necessary help and support to developing black farmers, and endeavour to drive inclusivity in socio-economic development in agriculture.

GIVEN THE PAST FAILURES OF AGRICULTURAL PROGRAMMES, IT IS IMPORTANT THAT THE SECTOR PRIORITISES NOVICE FARMERS BY INCORPORATING THE CONVENTIONAL APPROACH WITH THE SOCIAL-SYSTEMS APPROACH.

Conclusion

The agricultural sector remains a key player in the South African economy. While its deregulation has yielded positives in terms of productivity and international competitiveness, land reform policy to address historical inequities continues to lag behind. Measured by the government's target of redistributing 30 per cent of agricultural land to black farmers by 2014, progress has been painfully slow. At this point only 7 per cent of such land has been transferred. In addition, even if such targets were attained, it would be critical to ensure that emerging farmers are trained with the technical skills required to compete in extremely competitive international markets.

Given the past failures of agricultural programmes, it is important that the sector prioritises novice farmers by incorporating the conventional approach with the social-systems approach. The latter defines development as the process whereby an individual's abilities and wants increase to satisfy his or her own needs and justifiable aspirations, and those of others. There is a need to introduce a system in which the abilities and aspirations of novice farmers are understood before they become links in the agricultural value chain.

Moreover, with the limited knowledge novice farmers have in terms of agricultural practices and growth, it is of utmost importance that they are empowered through skills development and mentorships by their commercial counterparts. This has been implemented and is yielding positive results through the recapitalisation grant offered by the Department of Rural Development and Land Reform, followed by partnerships such as with Grain SA's farmer development programme.

It takes approximately 30 years to be 'trained' as a successful, self-sustaining farmer. As far as farm ownership is concerned, this creates a complex issue when dealing with inclusive socio-economic development in agriculture. This would mean that support for transformation projects would have to run for the lifetime of the farmers being developed. Lifetime support is unprecedented, as the cost to undertake such funding would be too extreme for government and private business budgets.

Looking at management positions within agriculture, the training and skills development process is shorter than that of a landowner or agribusiness-owner farmer. For more inclusivity of black farmers and farm managers,

it will be necessary to encourage farming villages, agricultural schools and colleges where farming becomes a skill passed down through generations, as a chosen career path. Should these programmes deliver skilled young people for the agricultural sector, they could be utilised in incubation programmes, which aim to develop novice farmers into self-sustaining small-scale commercial farmers. Other than management and ownership positions in agriculture, small-scale commercial farming holds exceptional potential as a way to achieve truly inclusive socio-economic development in agriculture that can attract more viable black farmers.

Incubation programmes provide platforms and resources for farmers to produce food in collectives. This allows for a measure of security and support, which, in turn, encourages their long-term involvement while developing their farming experience. In these small-scale operations, farmers could arrive at a better understanding of how market prices and, consequently, income is determined. This changes the treatment of farming as a means of subsistence and survival, to an opportunity for the social development of those who wish to engage in agriculture as a commercial venture.

Transformation is needed in the structure of agricultural production for the benefit of inclusive socio-economic development. In providing security and protection to individual small-scale farmers, through incubation programmes, supported by the government and private business in operation-related activities, less burn-out and loss of black farmer involvement would occur.

Another consideration is for the government to create resource pools for region-specific support to developing farmers and agribusinesses. Regional farmer business groups could apply for funding and/or resources from the government to roll out targeted projects to develop and uplift their region as an independent production area. This would also create the opportunity for civil society to fill the gap between business and the government, by identifying the greatest needs and challenges in the area and acting as project executants (i.e. supporting agriculture-focused NGOs). These organisations have the ability to learn from farmers on the ground and to build personal relationships based on mutual trust and support. Such projects go a long way in providing emotional support to developing farmers, which would result in greater transformational success.

Recent empowerment projects in the agricultural sector, through public-private partnerships, bring hope

to addressing inclusive socio-economic development in South Africa. The successes illustrated by the grain and citrus case studies show that many beneficiaries can be reached if such transformational approaches are employed. Admittedly, South Africa's agricultural sector needs more strategic oversight to reach projected transformation goals.

ENDNOTES

- 1 A smallholder farmer is an individual farming on up to 10 hectares of land.
- 2 In the restitution approach, the government compensates individuals who had historically been forcefully removed from their land. The land tenure approach is a system of recognising people's right to occupy land. Redistribution is the process whereby the state fosters conditions that enable citizens to gain access to land on an equitable basis.
- 3 Grain SA's farmer development programme, with more than 4 115 black members, is a notable example of an agricultural transformation project.
- 4 Maize, sunflower seeds, soybeans, groundnuts, sorghum and dry beans are commercial summer crops.
- 5 The Agbiz/IDC Agribusiness Confidence Index is constructed quarterly by the Agricultural Business Chamber (Agbiz), in support of the Industrial Development Corporation (IDC). This index reflects the perceptions of at least 20 agribusiness decision-makers on the ten most important aspects influencing a business in the agricultural sector (i.e. turnover, net operating income, market share, employment, capital investment, export volumes, economic growth, general agricultural conditions, debtor provision for bad debt and financing cost). It is used by agribusiness executives, policymakers and economists to understand the perceptions of the agribusiness sector, and also serves as a leading indicator of the value of the agricultural output while providing a basis for agribusinesses to support their business decisions.
- 6 The NDP target relating to land reform, empowerment and transformation within the agricultural sector is that 20 per cent of farming enterprises be transferred to farmworkers, with the farmer or landowner retaining ownership of half of the shares (10 per cent).

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