

Does Size Matter in South African Farming?

by Wandile Sihlobo

Seeing that fellow South Africans [are talking about farm sizes today](#), I thought it would be useful to brush up a short essay I wrote a few months back in this subject.

In May 2018, I participated in a panel discussion hosted by Nation in Conversation at NAMPO in Bothaville. The discussion focused on the importance of the economies of scale and question we had to answer was down to this: does farm size matter in South Africa?

The panel consisted of Prof Ferdi Mayer of the University of Pretoria and the Bureau for Food and Agricultural Policy, Jannie de Villiers of Grain South Africa, Francois Strydom of Senwes and Theo Vorster of Galileo Capital.

Before delving into the subject, a brief reflection on the evolution of South African farm sizes would offer some insight on this subject.

If we reflect on the past 100-year data series, the total area farmed in South Africa grew from 77.8 million hectares in 1918 to a peak of 91.8 million hectares in 1960, and declined to 82.2 million hectares in 1996 before stabilising around that level.

Over this period, the average farm size declined from over a thousand hectares in the 1940s to around 700 hectares in early 1950s. The farms started to increase in size again in the late 1960s and have maintained the trend since then, with a notable increase in farm sizes in the late 1990s.

This was partly due to consolidation after the deregulation of the agricultural markets. The deregulation marked a shift in government support financial programs and abolishment of the agricultural marketing control boards. Most importantly, South African farmers had to competitively participate in the world market.

Faced with increasing input costs, consolidation began in some areas leading to an increase in farm sizes. Against this backdrop, the late Frikkie Liebenberg noted in his [PhD thesis](#) that the average commercial farm size in South Africa was about 1 640 hectares in 2000, and continued to grow to about 2 113 hectares per farm in 2007.

Faced with the aforementioned realities and the question of whether size matter in South African farming? The general view was that South Africa has somewhat of a dualistic economy – formal and informal economy. Therefore, there is room for both small and big farms. Big farms are key to national food security and driving exports, while small farms continue to serve local markets, where big players rarely participate, due to numerous reasons which could range from economic viability, traditional business models and other issues.

South Africa is not alone in this farming structure, an example is Brazil which has mega-farms, commercial farms, medium-scale farms and small farms. All in one country, serving different needs of society. The difference, however, between Brazil and South Africa is that infrastructure is somewhat better in some areas than South African small farm areas, which is typically former homelands.

I mention this because it has implication on the economic viability of a farm as it influences the costs of deliveries products to market.

One central point that all fellow panellists emphasized was that smallholder farmers in communal areas should have title deeds so that they can unlock investments.

PRODUCTIVITY

Moreover, the national discussion on the future of agriculture should rather focus on boosting productivity across farms, not particularly farm size.

After an hour-long discussion, on different aspects of farming, the bottom line was that South Africa needs both big and small farms as they all serve society in somewhat different ways. Improvements in infrastructure and the title deeds issue in communal areas should be prioritised. New technologies can also play a critical role in this process.

Overall, government and private sector should work hand-in-hand in ensuring the success and sustainability of the South African agricultural sector.

This is an extract of my column [published](#) on [Business Day](#) on 24 May 2018.