

Only an increase in area farmed would notably induce employment in SA agriculture

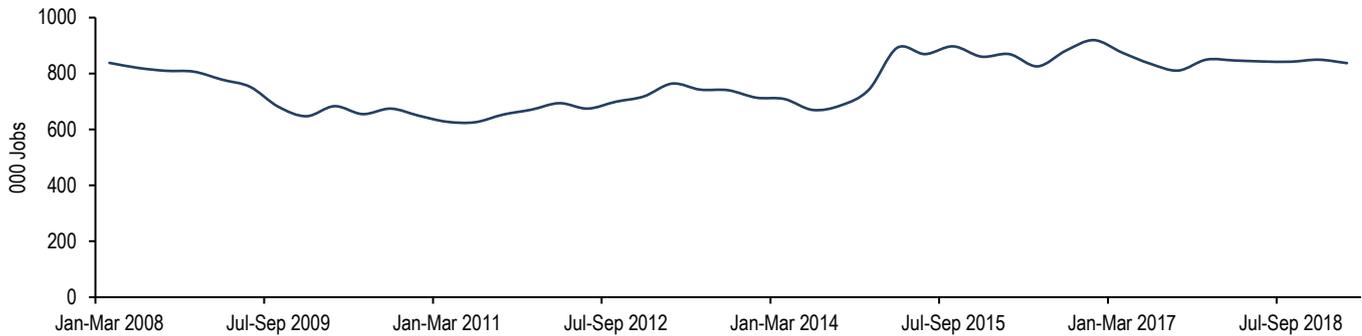
- The latest Quarterly Labour Force Survey data (Q1: 2019) show that South Africa's primary agricultural employment fell by 1% from the corresponding period last year to 837 000 (Figure 1). The subsectors that faced a notable reduction were field crops, livestock and forestry, partly due to a reduction in area plantings on the back of unfavourable weather conditions in the case of field crops. From a regional perspective, the provinces that faced a notable decline were the Eastern Cape, Northern Cape, Free State, Limpopo and Mpumalanga (Figure 2). Meanwhile, other provinces saw a marginal uptick. While the first quarter agricultural employment data does not bring much excitement, it is by no means an underperformance if we compare it to the average five-year employment of 829 000.
- Nevertheless, this data reminded us that South Africa is still lagging behind its target of creating a million agricultural jobs by 2030 as envisaged in the National Development Plan and continuously advocated by policymakers.¹ As best as we can tell, if the underutilised land in the former homelands, underperforming land reform farms, and other parts of the country are not brought into full production with a key focus on labour-intensive subsectors, notable job creation in South Africa's agriculture might not materialise. This especially refers to the horticulture and field crop subsectors which currently employ two-thirds of the primary agriculture labour force of 837 000 (Figure 3). The other subsector -livestock - can also be prioritised, specifically in areas where environmental factors do not permit for horticulture. This would all happen at a time where there is a growing demand for horticultural, and protein-rich diets in the global market which is underpinned by the changing consumer patterns towards healthier diets. This presents an opportunity for South Africa to partially address its twin challenges of rural unemployment and low economic growth.
- The provinces with former homelands that still have tracts of underutilised arable land that can be prioritised for agricultural expansion are KwaZulu-Natal, the Eastern Cape and Limpopo. These provinces collectively have between 1.6 million to 1.8 million hectares of underutilised land, according to a 2015 study by McKinsey Global Institute.² Also worth noting is that these particular provinces are characterised by higher levels of unemployment and poverty, which in our view, would make sense for the government to prioritise them for agricultural development in the near term. The starting point for this process would be to articulate a clear policy framework on land reform and water rights, which will encourage investment in the agricultural sector. Concerted investments would be required for land preparations and provision of irrigation infrastructure, amongst other aspects to unlocking growth and employment and associated positive welfare effects.
- To close off with a near term forecast, the numbers of the second quarter of 2019 numbers might remain at levels lower than what we saw in the second quarter of 2018 due to an expected reduction in grains and oilseeds production. However, this dip could be slight as these industries are not as labour-intensive as the other subsectors of South

¹ President Cyril Ramaphosa, "2019 State of the Nation Address," The Presidency, February 2019

² McKinsey Global Institute, "South Africa's bold priorities for inclusive growth," McKinsey&Company, September 2015

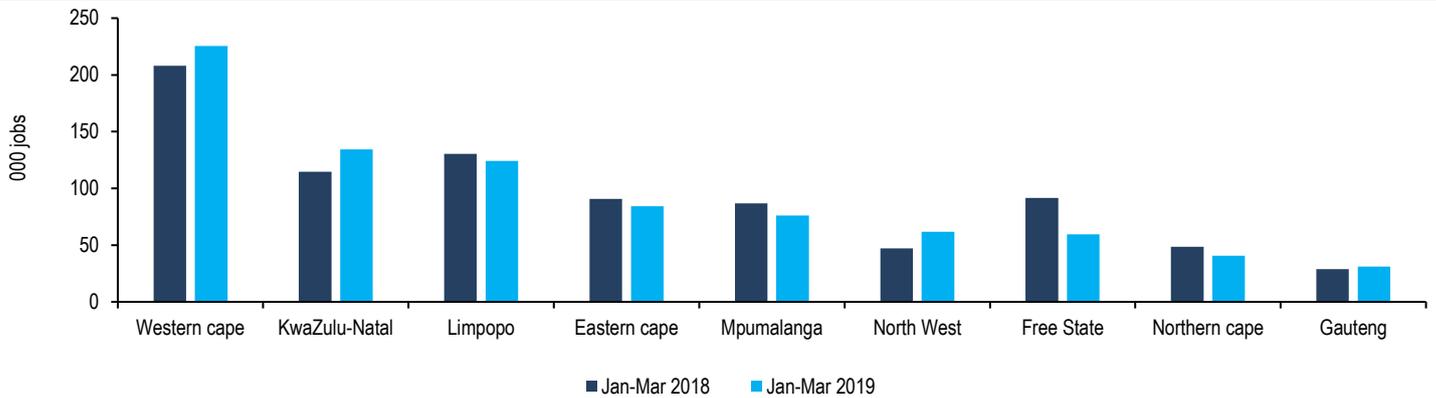
Africa's agriculture. Moreover, we suspect that the expected annual decline in South Africa's wine grapes production could also have led to reduced activity in the vineyards.

Figure 1: South Africa's agricultural jobs



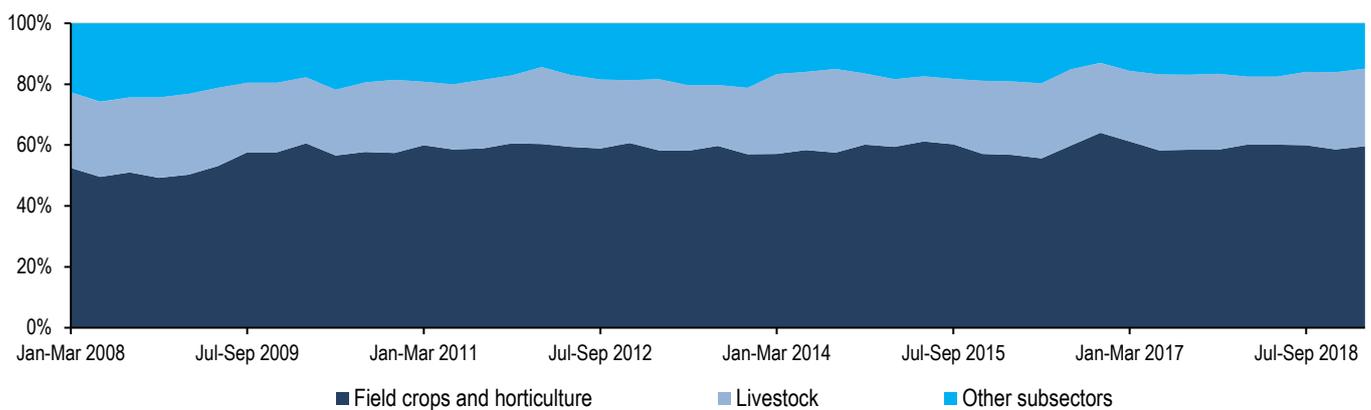
Source: Stats SA, Agbiz Research

Figure 2: South Africa's agricultural jobs by province



Source: Stats SA, Agbiz Research

Figure 3: Share of employment by subsector in South Africa's agricultural sector



Source: Stats SA, Agbiz Research

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