

South Africa's commercial agriculture myths pollute real policy solutions

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This essay first [appeared](#) on *Business Day*, 14 September 2021

Unlike several other African countries, SA has not faced a food shortage in the recent past. Food production has increased over the years and SA has remained a net exporter. Over the past two decades the country's agricultural and food trade surplus has averaged \$2bn, according to Trade Map data.

These gains were supported by an expanded area under production, primarily fruits and soya beans, and improved productivity across all commodities. The productivity gains were boosted by adopting new farming technologies — mechanical and biological — and better farming techniques. This trend also resulted in the consolidation of farming units over the years, especially since the 1997/1998 deregulation of agricultural products markets.

The consolidation has allowed farmers to take advantage of economies of scale as they compete with global players in the agricultural and food markets. For this reason the misleading statement is often made that the number of SA “farmers” is declining. In fact, it is not the number of farmers, but the number of farming units, that has been reduced through consolidation. Even so, there are still many small family farms that sustain the food system in rural SA.

Stats SA put the number of farming units in SA at 40,122 in the 2017 agricultural census, down from the reported 59,828 units in the census of 1993. Unfortunately, the census of 2017 presents an incomplete picture, as it only reported on farming units that are registered for VAT. The 1993 census was a comprehensive survey and included all bona fide commercial farms, though at the time obviously excluded farming enterprises in the former homelands.

It is therefore no surprise that many commentators and official reports (such as recently released Competition Commission's — “Essential Food Pricing Monitoring, August 2021” — often make the same mistake with the number of farming units in SA.

In a forthcoming chapter of [The Oxford Handbook of the SA Economy](#), the Agricultural Business Chamber of SA along with Prof Johann Kirsten of Stellenbosch University, demonstrate that the 2017 Stats SA survey excluded 92,634 households that practise commercial farming as their primary source of income, and a further 122,200 households as a secondary source of income. These categories of farming units are operated or owned by black and white South Africans.

It is also worth highlighting that most of these farming units are considered small enterprises, with the majority earning a gross annual farm income of less than R500,000. This creates a further source of misstatement, where it is argued that all commercial farms are large agribusiness firms. This is false. Almost 90% of all VAT-registered commercial farming businesses are classified as micro- or small-scale enterprises, and with the rest not eligible for VAT registration it implies that most farms in SA are small-scale. (Importantly, “scale” should not be measured by land area but the size of the farming business).

The romantic notion of smallholders (in reality, survivalist firms) is also entering the debate on the reform of food systems, supported by calls for “shorter supply chains”. These protagonists typically ignore the seasonal and locality-specific nature of agriculture, and the fact that roughly 70% of SA’s population is urbanised.

Urban consumers demand safe, nutritious and affordable food that is readily available at stores close to their place of residence. This requires proper logistics, packaging and processing systems that are safe and hygienic, which demands compliance with government health regulations and product standards. This translates to investment in facilities that can only operate at scale.

Rice, coffee, tea, cocoa and palm oils are not produced in SA, while avocados are mainly produced by former finance minister Tito Mboweni’s neighbours in Magoebaskloof in Limpopo, meaning there has to be a long supply chain.

To be profitable such enterprises have to operate at scale. The idea that farms close to urban areas could provide enough food to satisfy urban communities is not practical and often ignores the endemic agricultural problems of theft, damage by rodents, climatic and soil quality and access to water, all of which have to be considered if farmers are to provide sufficient, safe food for a large urban base throughout the year.

The relatively large number of small family farms is crucial for sustaining the informal food value chains in rural SA and supplementing incomes, but have to be connected to commercial supply chains if they are to supply food to cities, meaning aggregation, packaging and other systems will be critical.

The main point here is that a fast urbanising and modernising country needs a vibrant commercial and large-scale farming sector that can produce competitively and deliver food that is affordable, reliable and safe. Small farming units will remain crucial for informal value chains and supplementing incomes in rural areas, but they should not be viewed as a model for SA’s food system.

Rising farming input costs also means economies of scale will continue to be a dominant feature of the SA agricultural sector. The country imports more than 80% of its annual fertiliser usage and more than 90% of its agrochemicals, according to data from Grain SA. These input costs are a challenge for all farmers, but more so for smaller farming units.

To remain competitive farmers have to adjust their production and marketing strategies to cope in this environment. This is partly why we saw consolidation into larger farming units after the deregulation of agricultural marketing products in 1997/1998. However, these farming units only expanded “vertically” through investments in the value chain and through productivity growth and intensification (production under cover and irrigation, among other practices). The extent of horizontal consolidation of small farms into larger units has been limited, with the majority growing through internal growth and investments.

Agriculture is an important sector of the economy. The persistent myth about commercial farm size and the declining numbers distract from the real policy solutions the government should pursue to accelerate growth and job creation in this sector. In its current form the sector has managed to sustain SA as a food secure country at the national level and provided

jobs and foreign earnings. The focus now should be on expanding production to underutilised land in the former homelands, and land reform farms.

The success of SA's relatively sizeable commercial farming units should serve as a case study for various areas in the country where expansion is possible both vertically and in terms of area.

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