

# Reflections on SA's agricultural labour market in the context of changing farm structures

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## Overview of the presentation

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### **International experience**

- Agricultural employment in various countries

### **Domestic picture**

- Evolution of South African farm sizes
- Agricultural employment trends

### **Near term risks**

- Uncertainty regarding South Africa land reform policy

### **Concluding remarks**

- Lay of the land and high productive areas
- Which industries to focus on in the near term

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International experience...

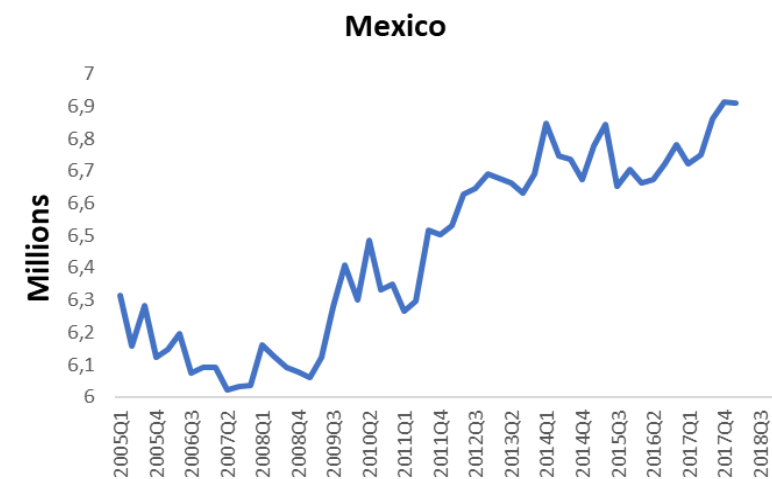
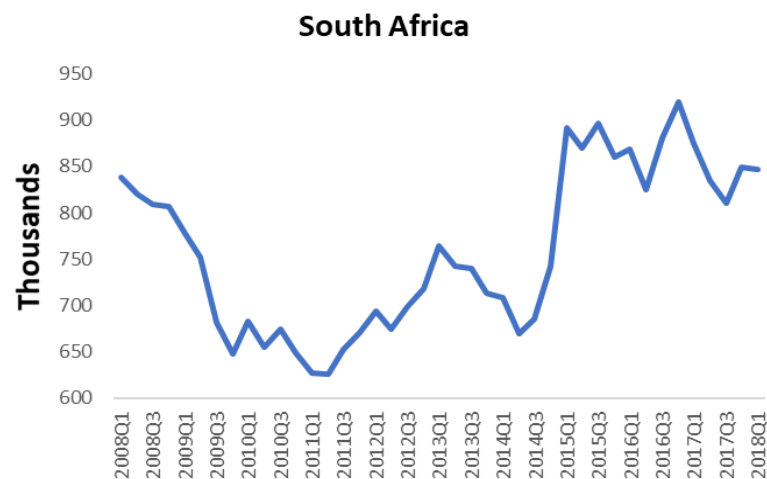
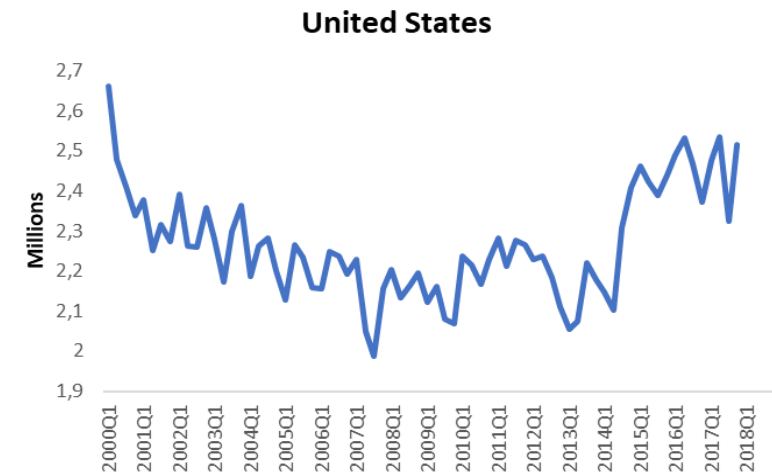
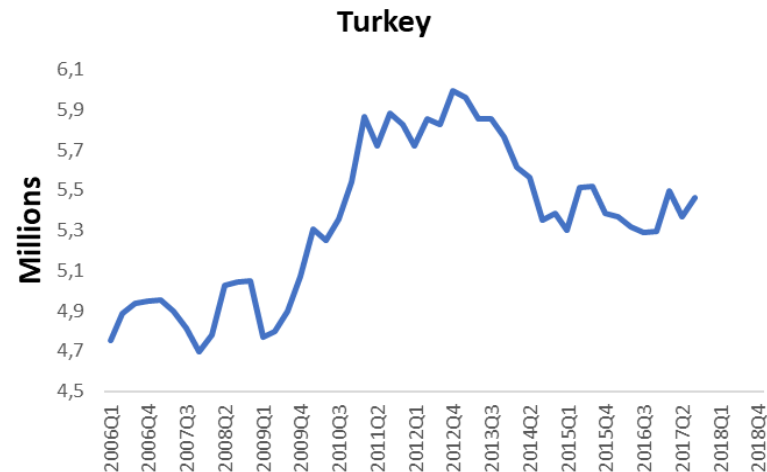
# Agricultural employment in various countries

## Key points

- The NDP aims to double the number of people employment in the agricultural sector by 2030.

### *Is this possible?*

- There are a number of countries that we can draw lessons from. For instance, Turkey employs more than 5.5 million people, the US employs more than 2,5 million and Mexico employs more than 6,8 million people.
- In order for South Africa to increase employment, the key would be to focus on agricultural subsectors that are labour intensive such as horticulture.
- This would also include expansion of area plantings – to untapped or underutilised provinces.
- Most importantly, any agricultural activity would require increased investments. For this to happen, there must be policy certainty in the agricultural sector.

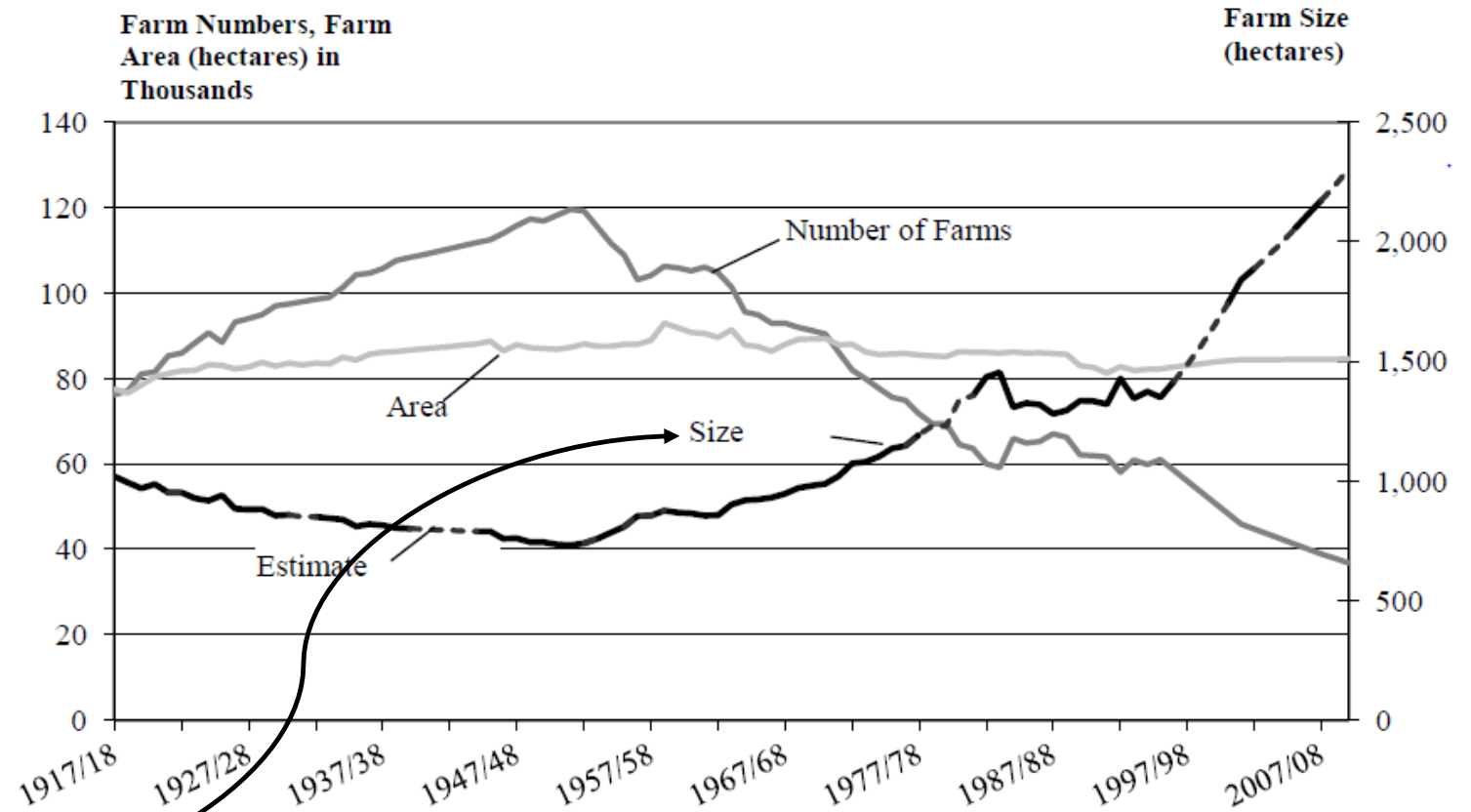
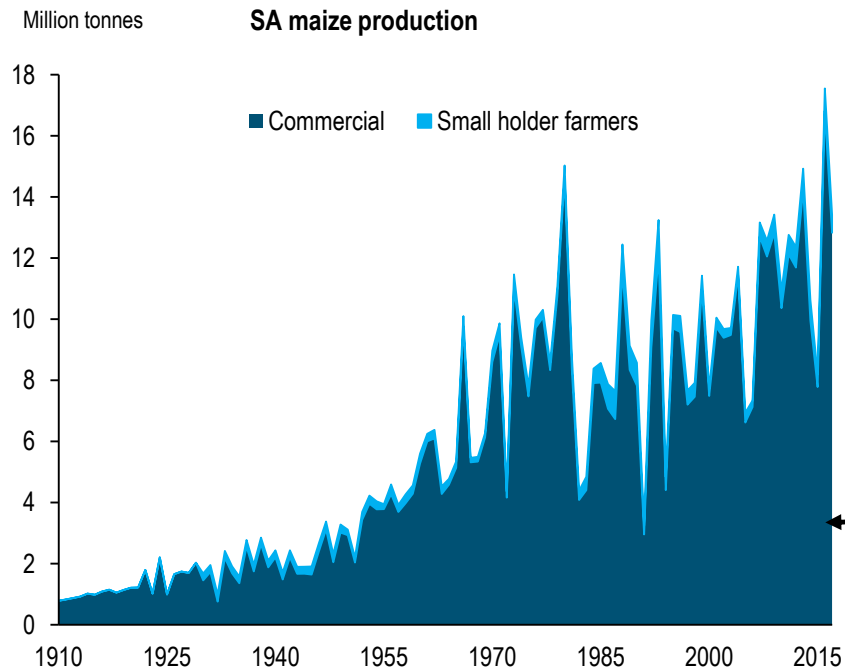


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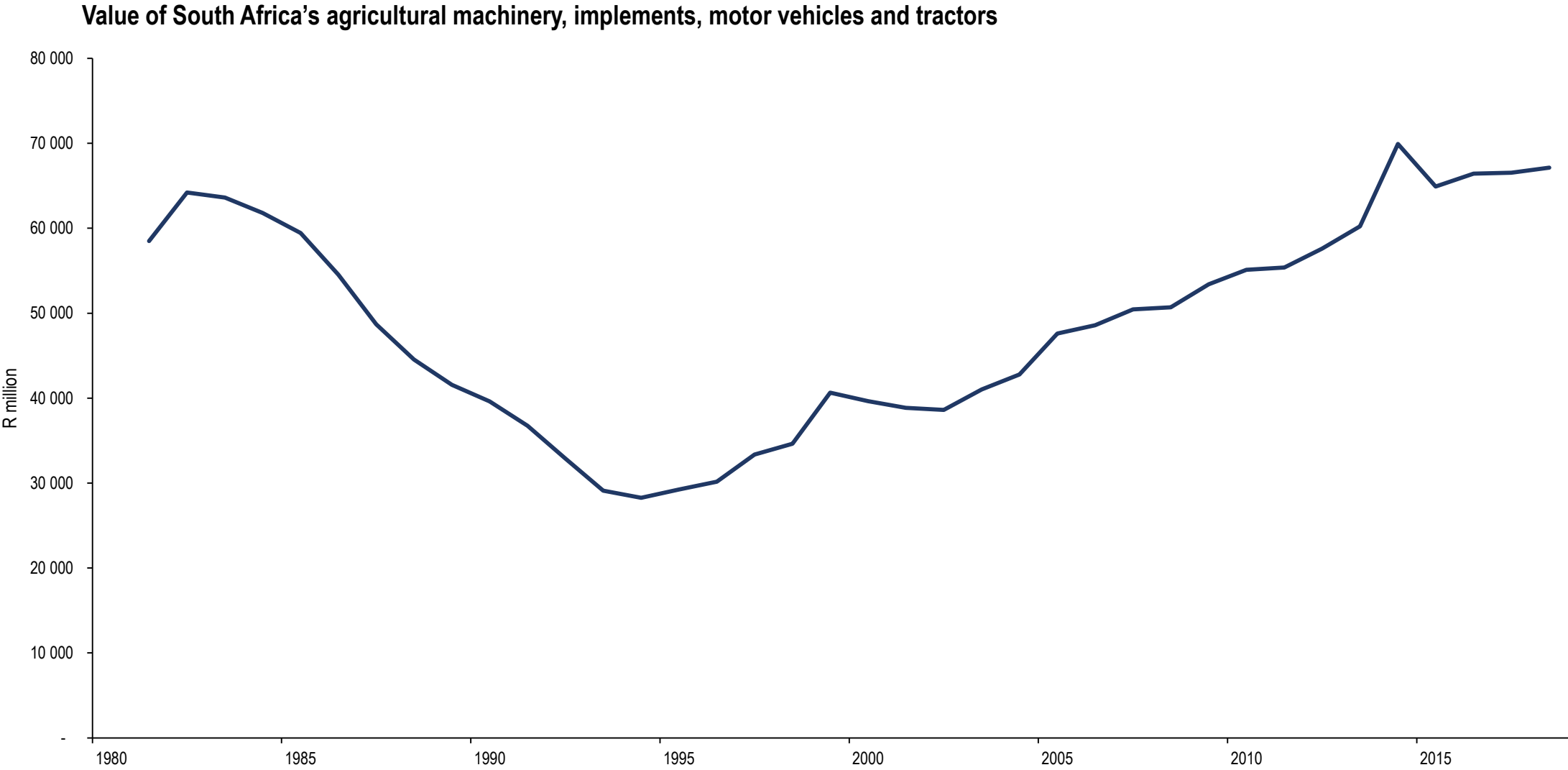
Domestic picture...

# Evolution of farm sizes in South Africa....

- 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, and has somewhat stabilised since then.
- Over this period, the average farm sizes in South Africa increased to about 2 113 hectares per farm in 2007.
- In line with the increasing farm sizes, crop production also increased – as illustrated in the case of maize in the chart below.



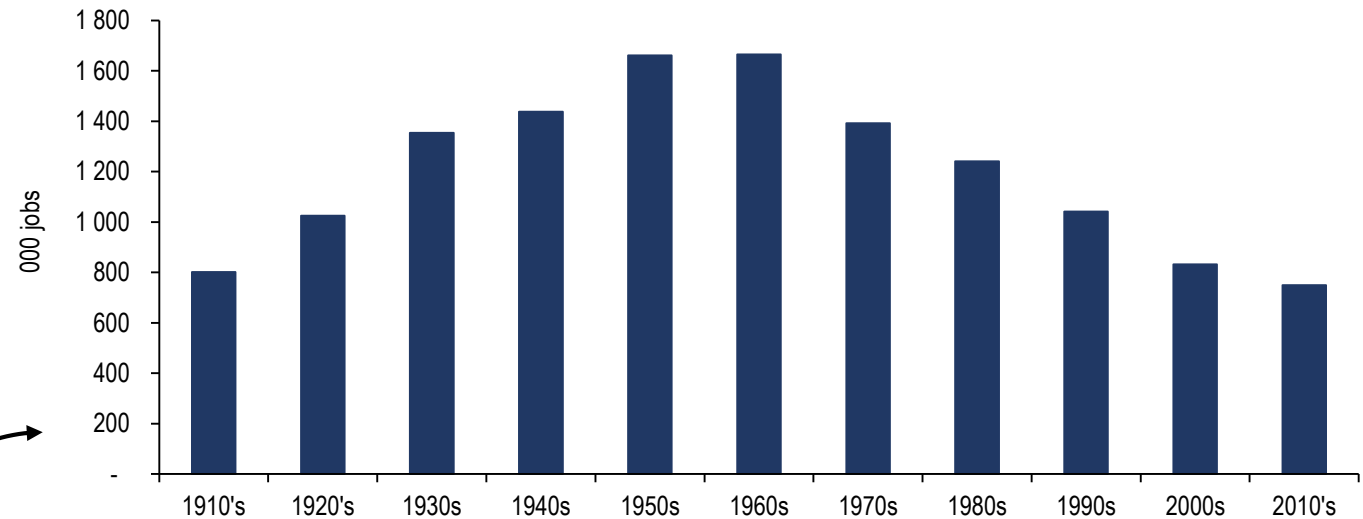
# The SA agricultural sector is mechanising ...



## ... which somewhat led to a decline in employment

- The total number of people employed on South African farms increased from levels around 780 00 in 1910 to a peak of 1.8 million in 1961. Thereafter, it decreased to about 800 000 in 2010's.
- It is also worth noting that the mix of regular and seasonal labour in agriculture has also shown marked changes over the years – from levels around 35% share in 1910 to about 53% in the 200's, according to data from Liebenberg (2013).
- The aforementioned changes in the labour market were partially caused by changes in regulations – particularly the introduction of Basic Conditions Employment Act of 1993, as well as the Extension of Security of Tenure Act is 1997. Literature shows that these legislative changes led to farmers favouring seasonal labour, instead of permanent (Liebenberg, 2013).

Jobs in the South African agricultural sector



|                                    | 1910s | 1920s | 1930s | 1940s | 1950s | 1960s | 1970s | 1980s | 1990s | 2000s |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <i>Decade Averages (thousands)</i> |       |       |       |       |       |       |       |       |       |       |
| Family                             | 78    | 83    | 80    | 61    | 56    | 57    | 40    | 24    | 17    | 11    |
| Regular                            | 411   | 523   | 730   | 699   | 773   | 806   | 704   | 677   | 603   | 411   |
| Casual                             | 265   | 354   | 467   | 583   | 738   | 716   | 584   | 485   | 349   | 417   |
| Domestic                           | 8     | 0     | 0     | 28    | 137   | 123   | 94    | 61    | 20    | 0     |
| Owners                             | 48    | 65    | 76    | 94    | 93    | 86    | 64    | 54    | 46    | 37    |
| Total (excl. Domestic)             | 802   | 1,025 | 1,354 | 1,438 | 1,661 | 1,665 | 1,392 | 1,241 | 1,014 | 896   |

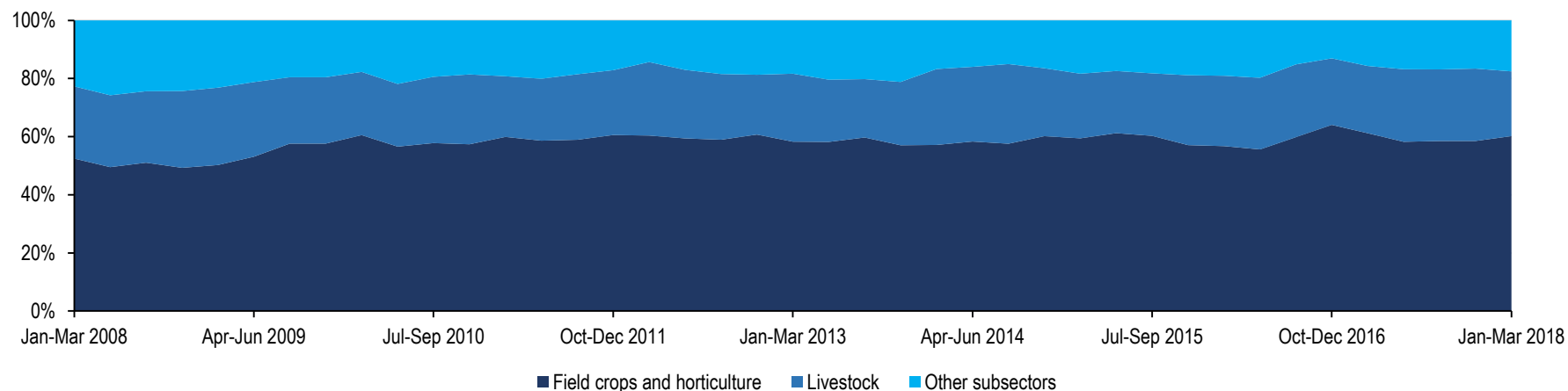


# SA agricultural employment trends by subsector and province

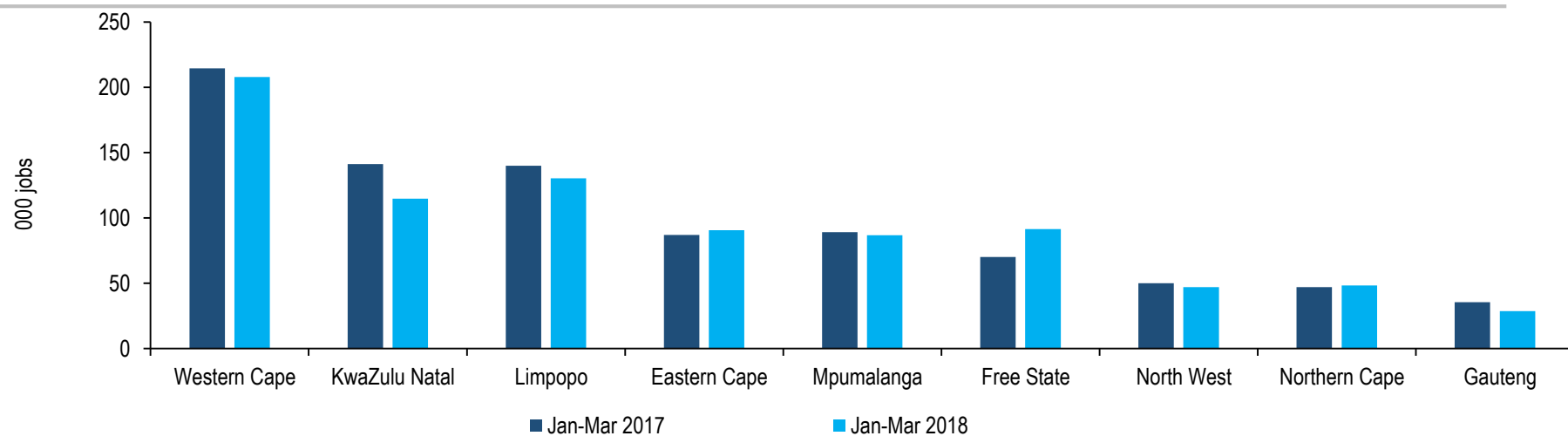
## Key points

- About two-thirds of South Africa's agricultural jobs are in the horticultural and field crop space. While employment has declined over time, in the past 9-years there has been minimal changes in the number of people employed in this subsector.
- Other subsectors include: game farming, animal husbandry, forestry and fisheries. The trend employment trend in these subsectors have also been sideways over the past 9-years.
- The Western Cape province remains a leading agricultural employer, accounting for a 25% share in the national agricultural labour market of 847 000 jobs in the first quarter of this year.
- The reduction in agricultural employment in the first quarter of this year was largely due to Western and Eastern Cape drought.

The field crop and horticultural industries are the leading employers in South African agriculture...



...the provincial (agriculture) employment trends also supports this view. The WC, KZN and LP are amongst the leading horticulture producing provinces



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Near term risk...

## The uncertainty regarding SA's land reform policy is a key risk in the near term

**Rationale of land reform:** not just economic considerations (i.e. agrarian reform) – it is a historical legacy.

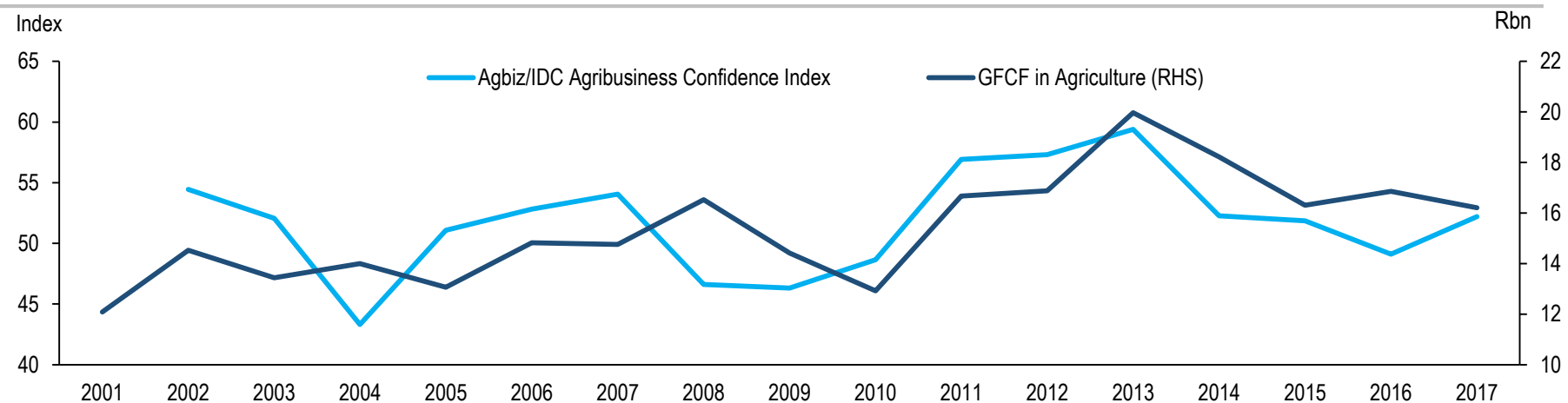
- Method:
  - **Restitution** - claim back land that was dispossessed
  - **Redistribution** - broaden access to ownership
  - **Tenure reform** - provide legally secure rights to land in former 'homelands' (almost no progress here)
- Timeline:
  - 1994 – 2007
    - Relatively little market disturbance – state buys from willing sellers at market value (often inflated).
    - Poor implementation = very slow pace and little progress. Figures disputed – ranging from 9% to over 30%.
    - Majority of the land acquired by state – ownership not transferred to beneficiaries but only leased on short term basis.
  - 2007 - 2011
    - 2007 ANC policy conference resolved that 'willing-buyer, willing-seller' should be abandoned in favour of expropriation.
    - Constitution allows for expropriation WITH 'just and equitable' compensation.
    - Decision made, but never followed through – expropriation never used since Expropriation Act (1975) was outdated.
    - New Bill in process from 2008 to date.
  - 2011 – present
    - Green paper on land reform;
    - Frustration at slow pace of reform

# Policy uncertainty could weigh on agribusiness confidence and investment in agriculture

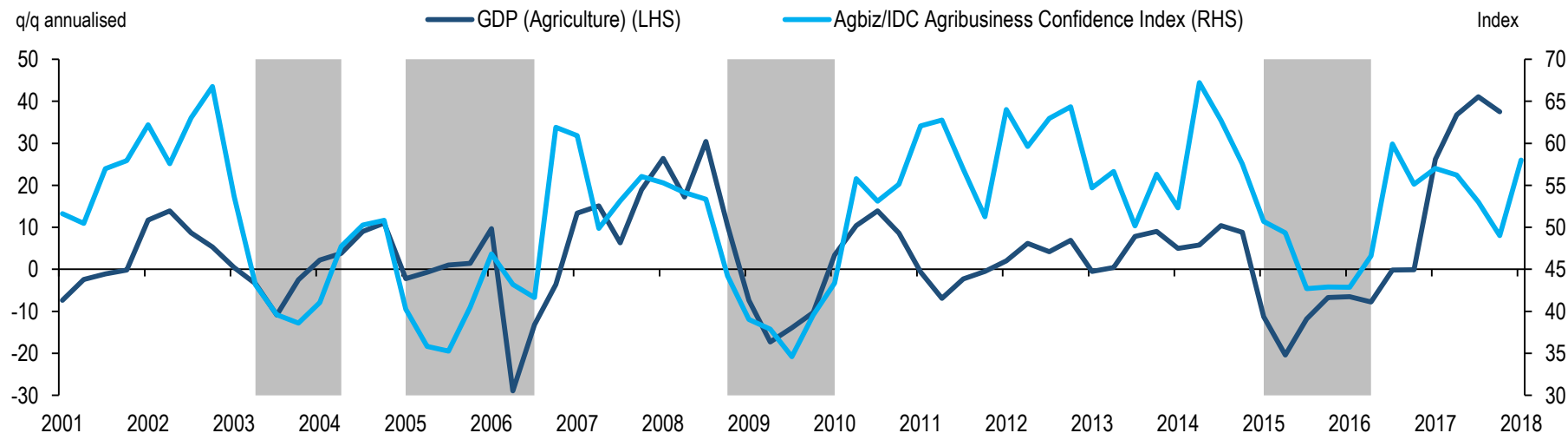
## Key points

- There's fairly good correlation between Agbiz/IDC agribusiness confidence and investment in the sector.
- Agriculture is the third biggest mechanised after mining and energy – therefore, it needs investment to continue driving growth.
- The Agbiz/IDC Agribusiness Confidence Index improved by 9 points to 58 in the first quarter of 2018 (survey was conducted 21 February and 01 March 2018).
- Pre-parliament's expropriation announcement, **Agbiz/IDC Agribusiness Confidence is 64.** (60% of the respondents).
- Post-parliament's expropriation announcement, **Agbiz/IDC Agribusiness Confidence is 45.** (40% of the respondents)

## Agbiz/IDC agribusinesses confidence and Investment....

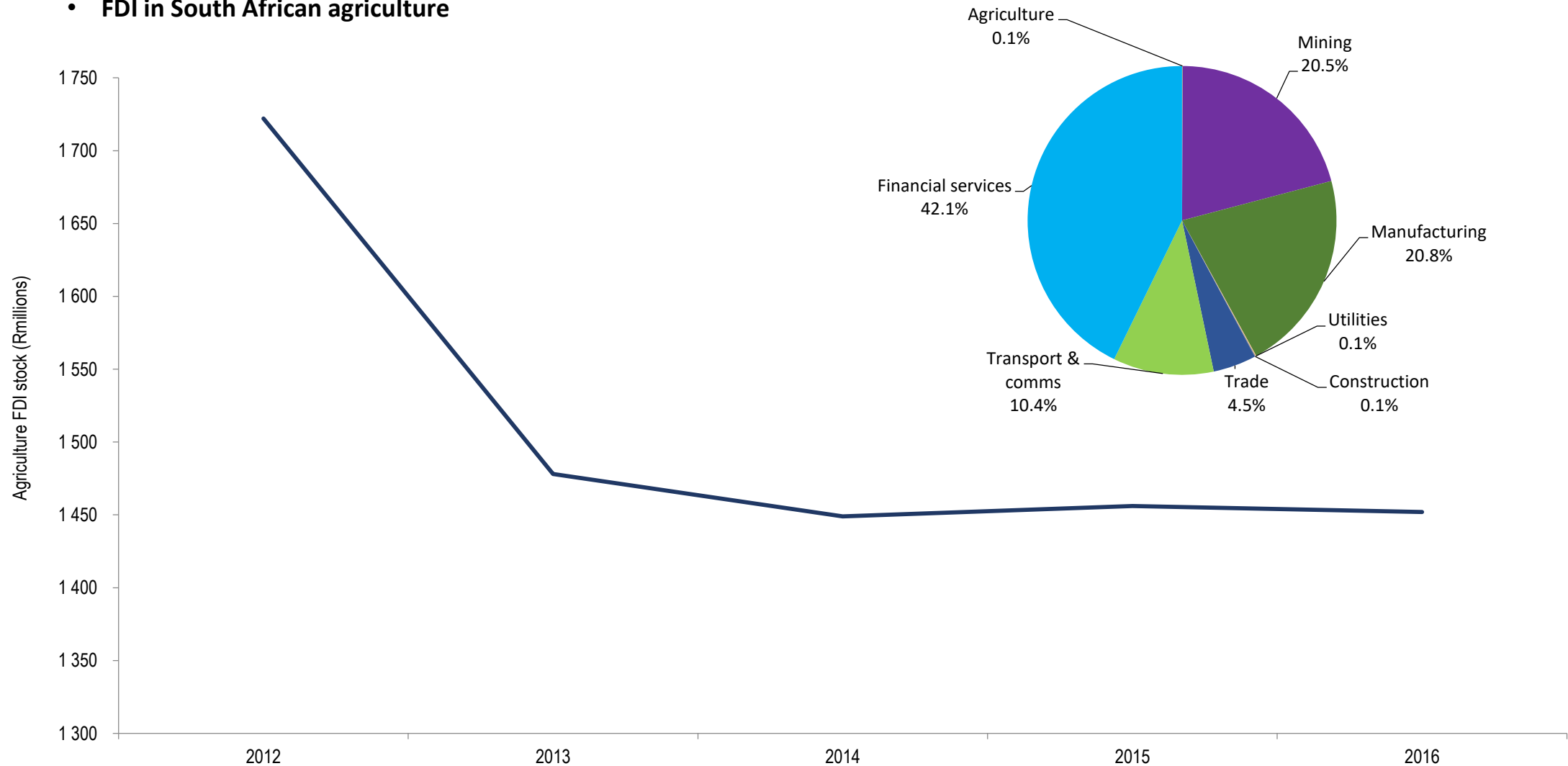


## ...confidence drives agricultural production (in addition to weather dynamics)



# Foreign Direct Investments is declining in SA agriculture. This trend should change.

- **FDI in South African agriculture**

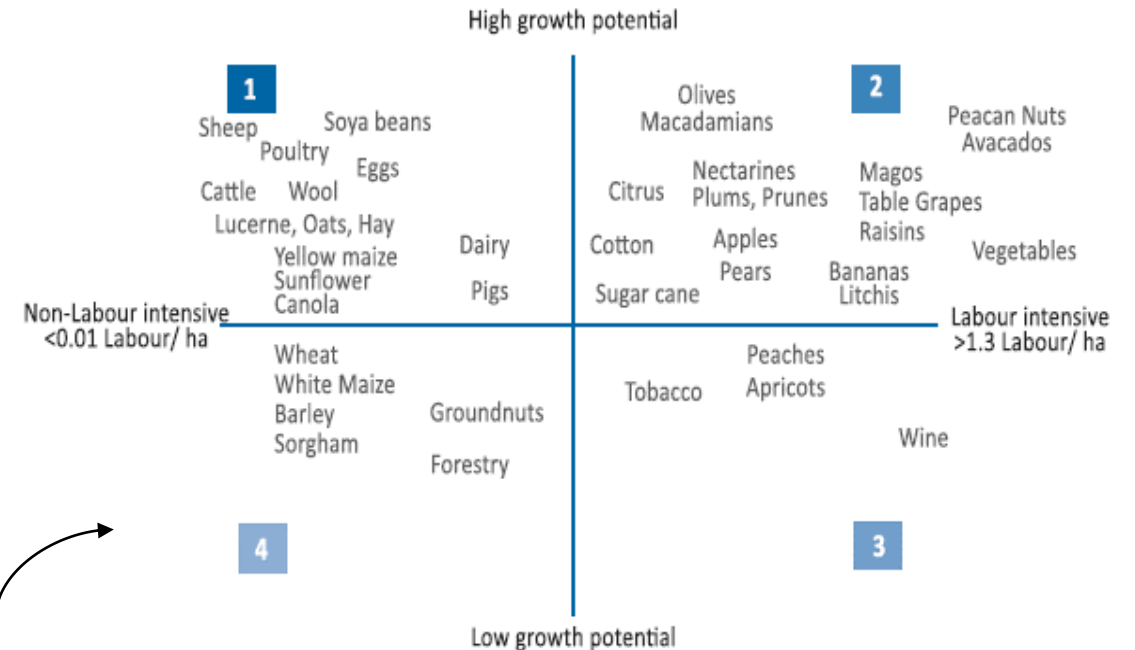
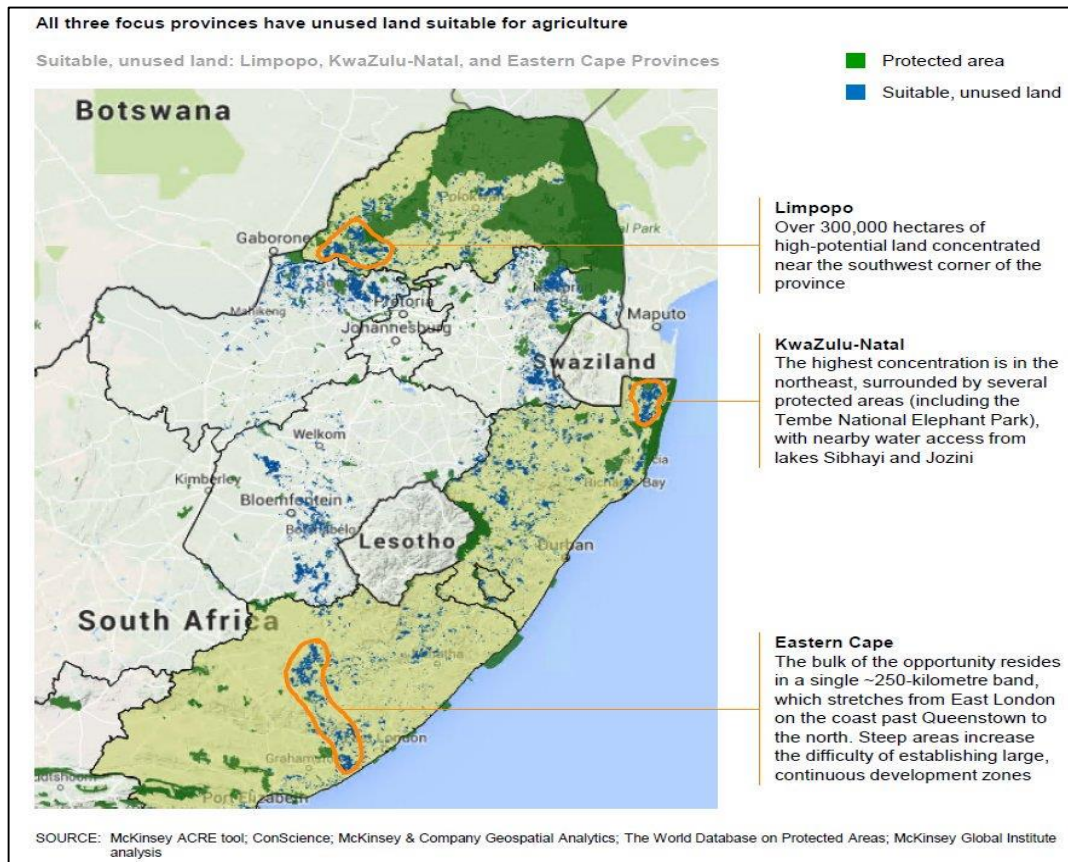


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Concluding remarks...

# Overall, here are the industries we could focus on in order to boost employment in SA agriculture

- The focus should be on labour-intensive commodities, such as horticulture and sugar cane. This could have a positive spill over to job creation.
- This expansion can potentially happen in the Eastern Cape, KwaZulu Natal and Limpopo provinces, where there is over a million hectares of underutilised arable land (currently under traditional authorities).



## Concluding remarks...

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Can the NDPs agricultural employment targets be met?

- Yes (to some extent). International experience shows that the agricultural sector can play an important role in absorbing labour and increasing labour participation.
- This is especially the case when taking into account the fact there is vast untapped potential in KwaZulu Natal, Eastern Cape and Limpopo province.
- The key subsector to focus on is horticulture (it is labour-intensive), and there is also a growing demand for horticultural products in the global market.
- Overall, upskilling of current agricultural labour force to align with changing technological environment, increasing investment, research and development, and financial support (to developing farmers) are key to improving the sector.



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# Thank you for your attention...

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