

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

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Overview of the presentation

- **International experience**
- **Domestic picture**
- **Issues that could constrain growth and job creation in SA agricultural sector**
- **Looking ahead, which subsectors have a potential to create jobs and growth in SA agriculture?**
- **Where should expansion happen?**
- **Concluding remarks**

International experience...

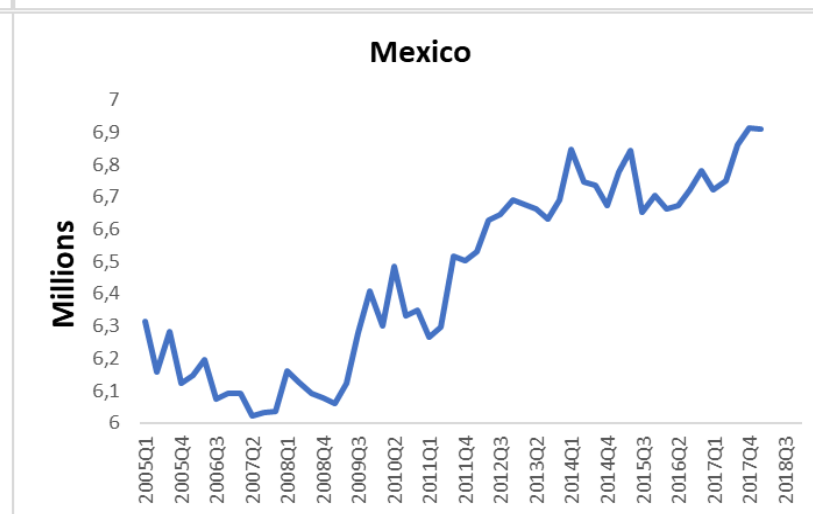
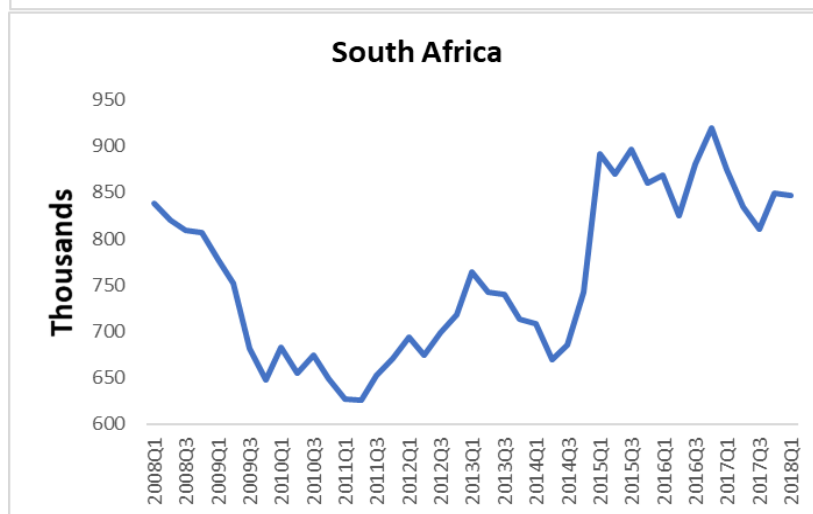
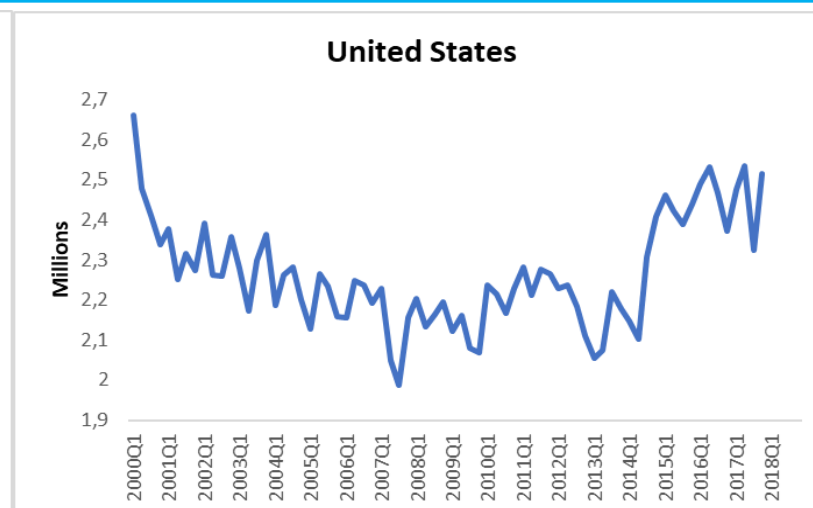
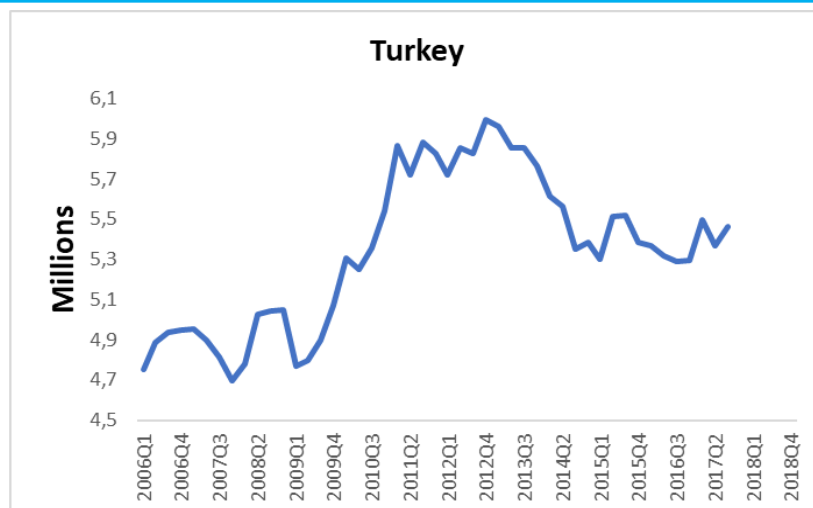
Agricultural employment in various countries

Key points

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

Is this possible?

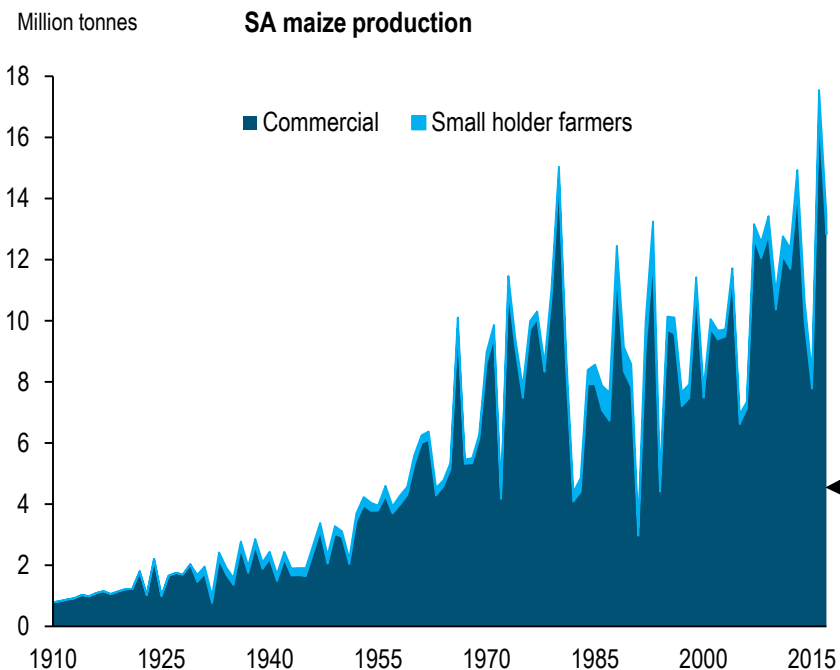
- There are a number of countries that we can draw lessons from. For instance, Turkey employs more than 5.5 million people, the US employs more than 2,5 million and Mexico employs more than 6,8 million people in their respective agricultural sectors.
- In order for South Africa to increase employment, 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.



Domestic picture...

Evolution of farm sizes in South Africa

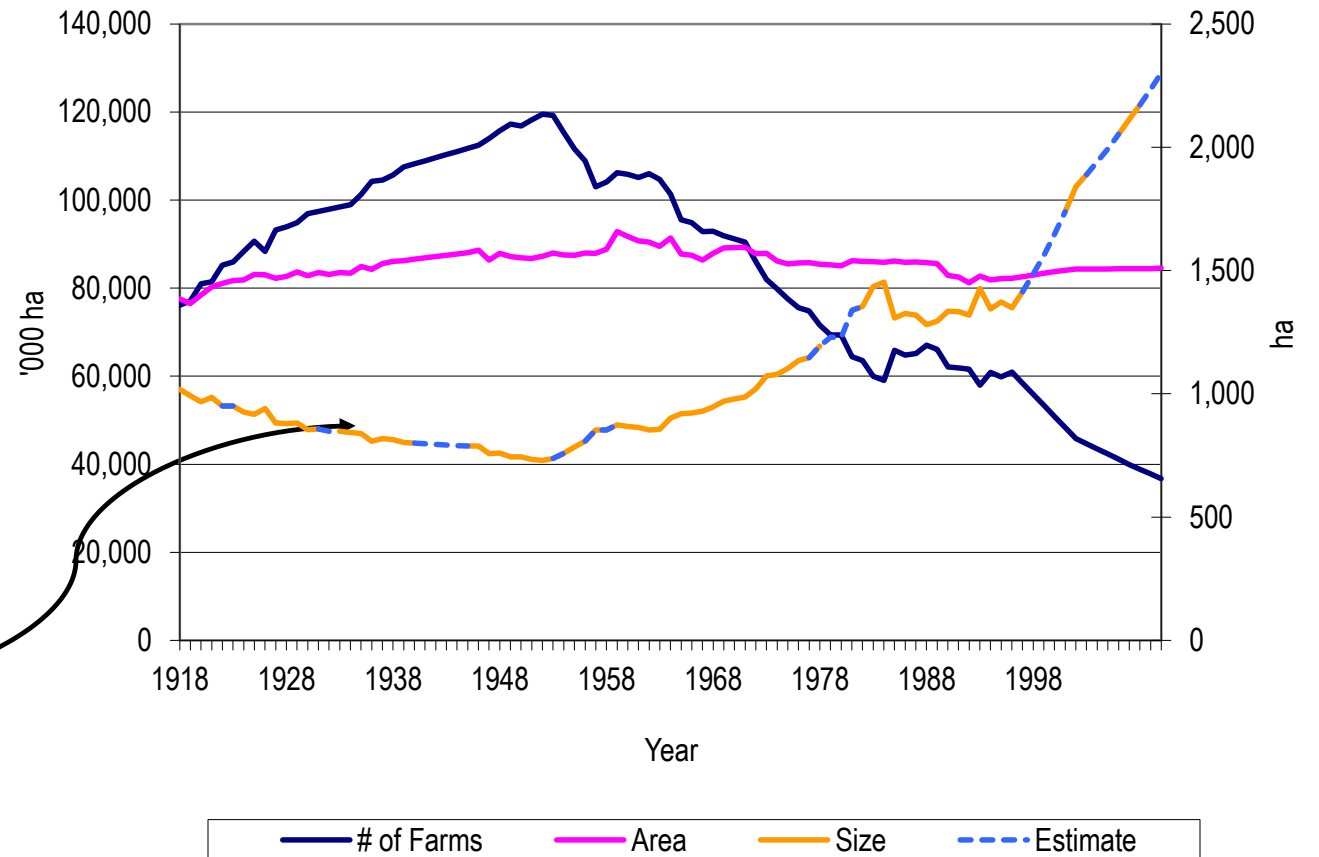
- The total area farmed in South Africa grew from 77.8 million hectares in 1918 to a peak of 91.8 million hectares in 1960, and declined to 82.2 million hectares in 1996, and has somewhat stabilised since then.
- Over this period, the average farm size in South Africa increased to about 2 113 hectares 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.



Area of farm land (hectares),
Number of farms

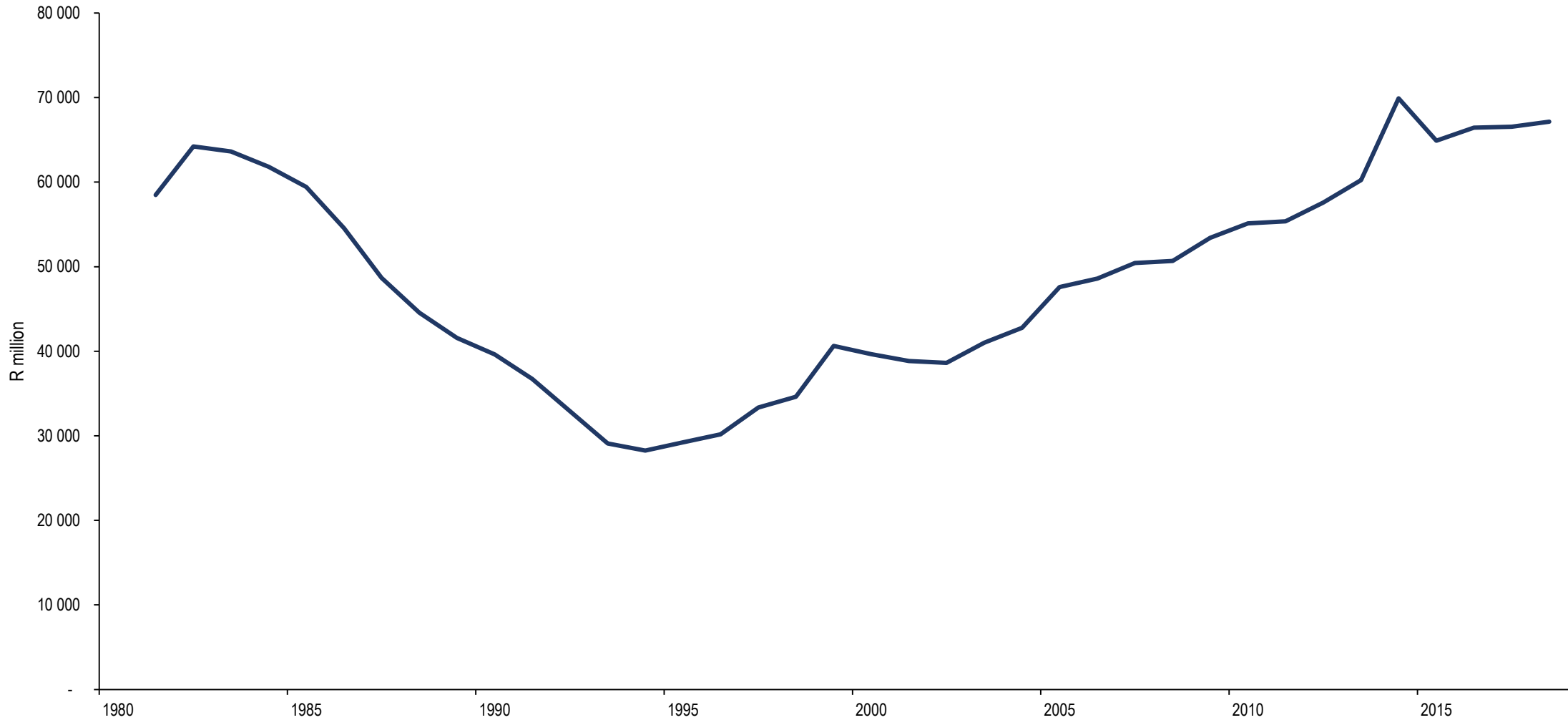
Farm size

Farming Units & Farming Area in South Africa



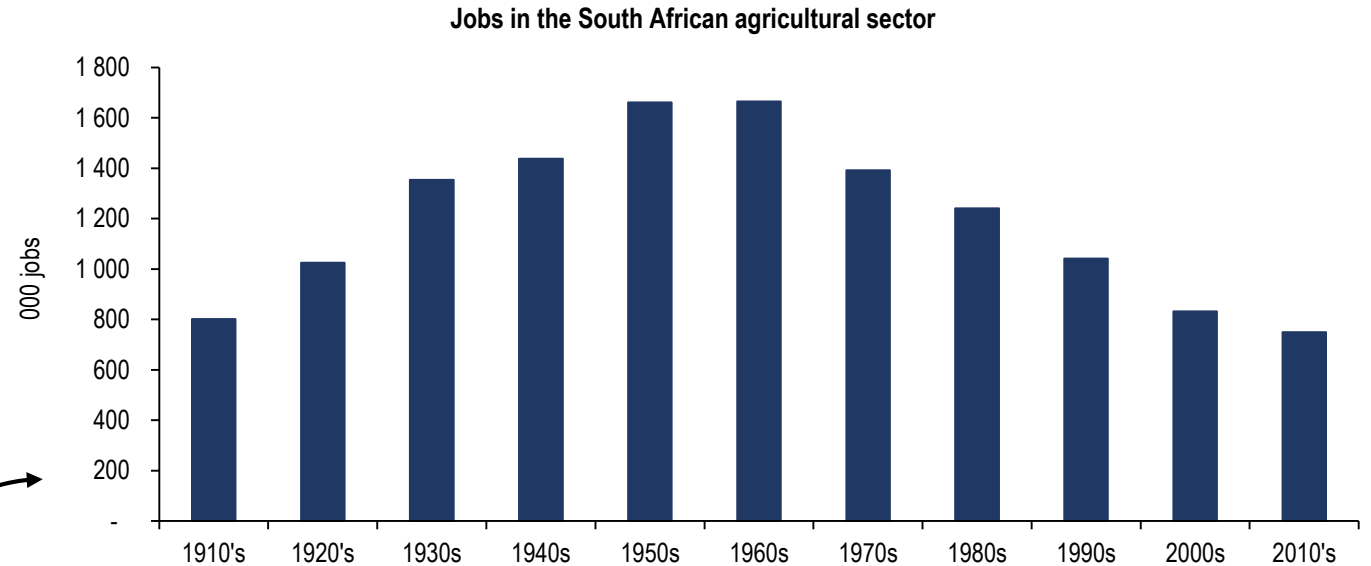
The SA agricultural sector is mechanising ...

Value of South Africa's agricultural machinery, implements, motor vehicles and tractors



... 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 2010s.
- 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 2000s, according to data from Liebenberg (2013).
- The aforementioned changes in the labour market were partially caused by changes in regulations – particularly the introduction of the Basic Conditions of Employment Act of 1993, as well as the Extension of Security of Tenure Act of 1997. Literature shows that these legislative changes led to farmers favouring seasonal labour, instead of permanent (Liebenberg, 2013).



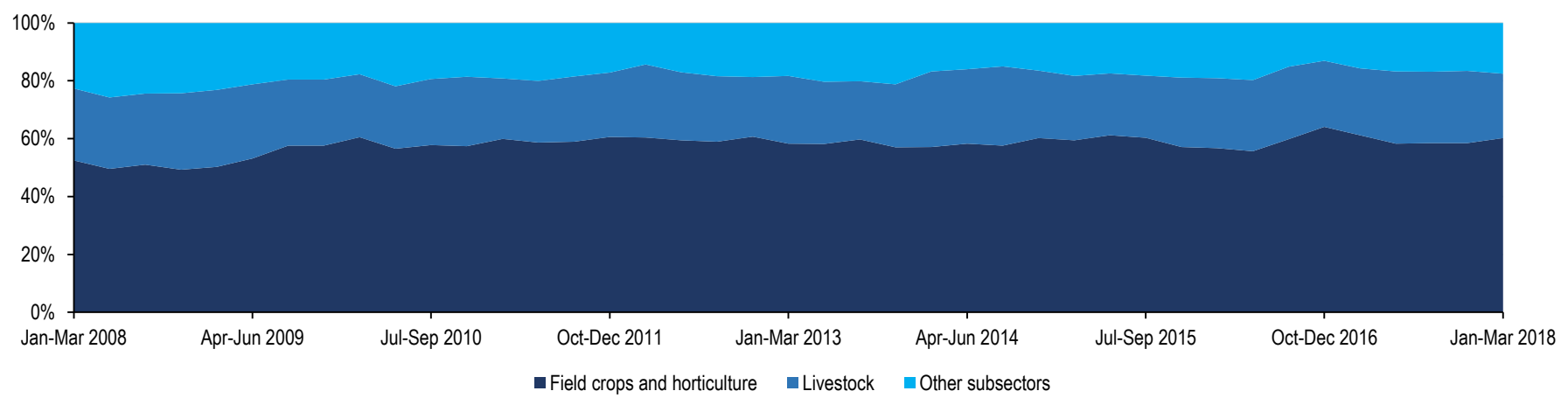
| | 1910s | 1920s | 1930s | 1940s | 1950s | 1960s | 1970s | 1980s | 1990s | 2000s |
|------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| <i>Decade Averages (thousands)</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

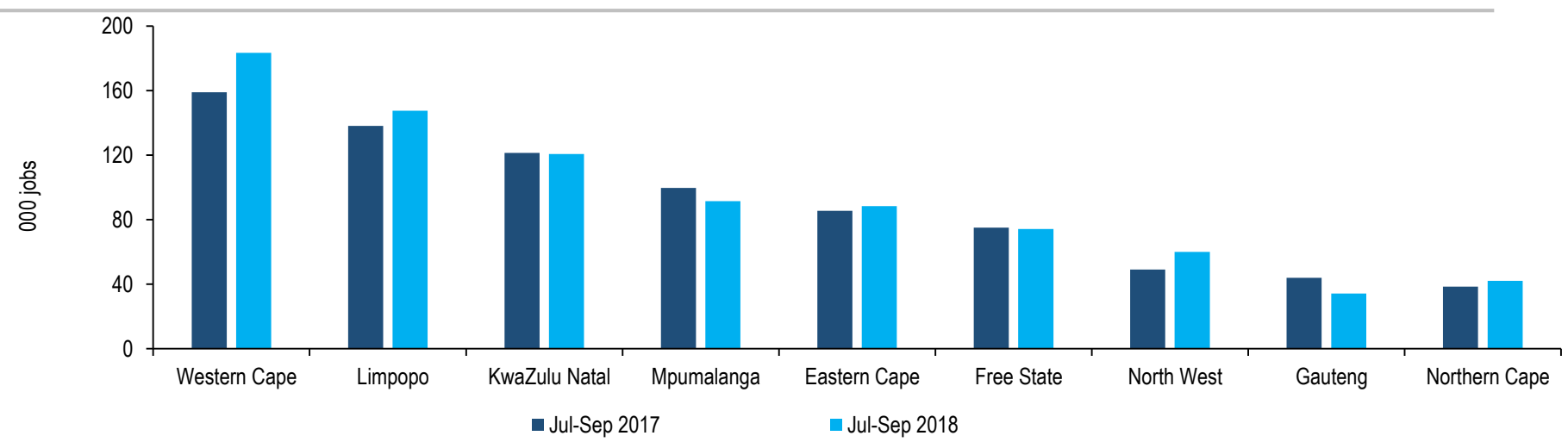
Key points

- 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 nine 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 employment trend in these subsectors have also been sideways over the past 9-years.
- The benefits of improvements in the Western Cape’s weather conditions are evident in the third quarter agricultural jobs data, which boosted the overall sectoral employment by 3% y/y to 842 000 jobs.
- The other provinces that made a notable contribution were Eastern Cape, Northern Cape, North West and Limpopo, through the increased activity in the field crops and livestock subsectors.

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

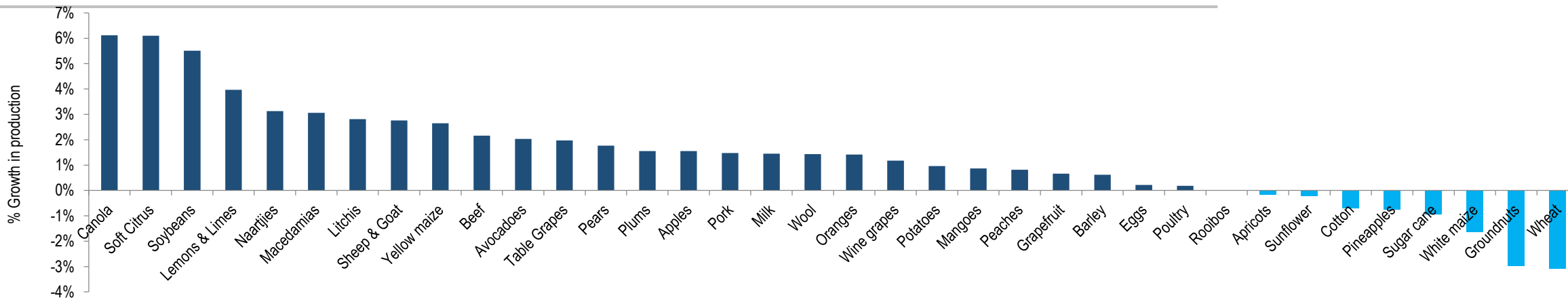


...the provincial (agriculture) employment trends also supports this view. The WC, LP and KZN are amongst the leading horticulture producing provinces

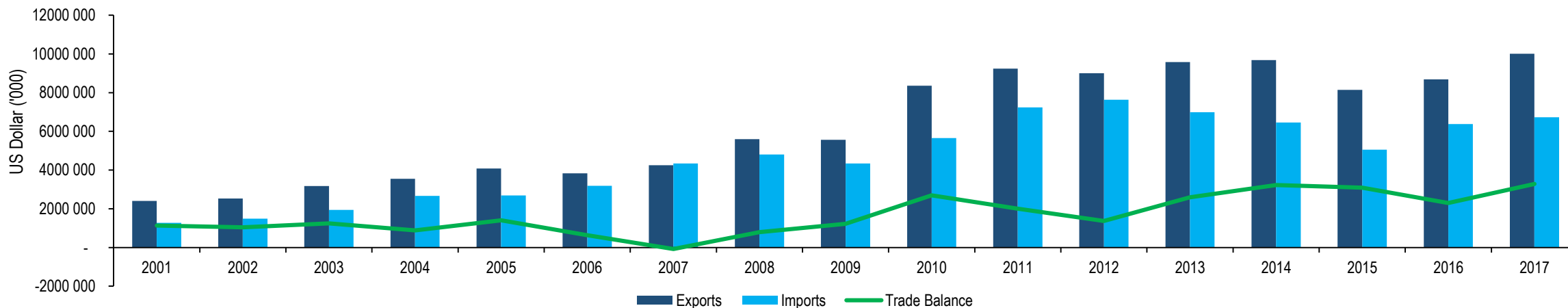


South Africa's agricultural production and trade performance

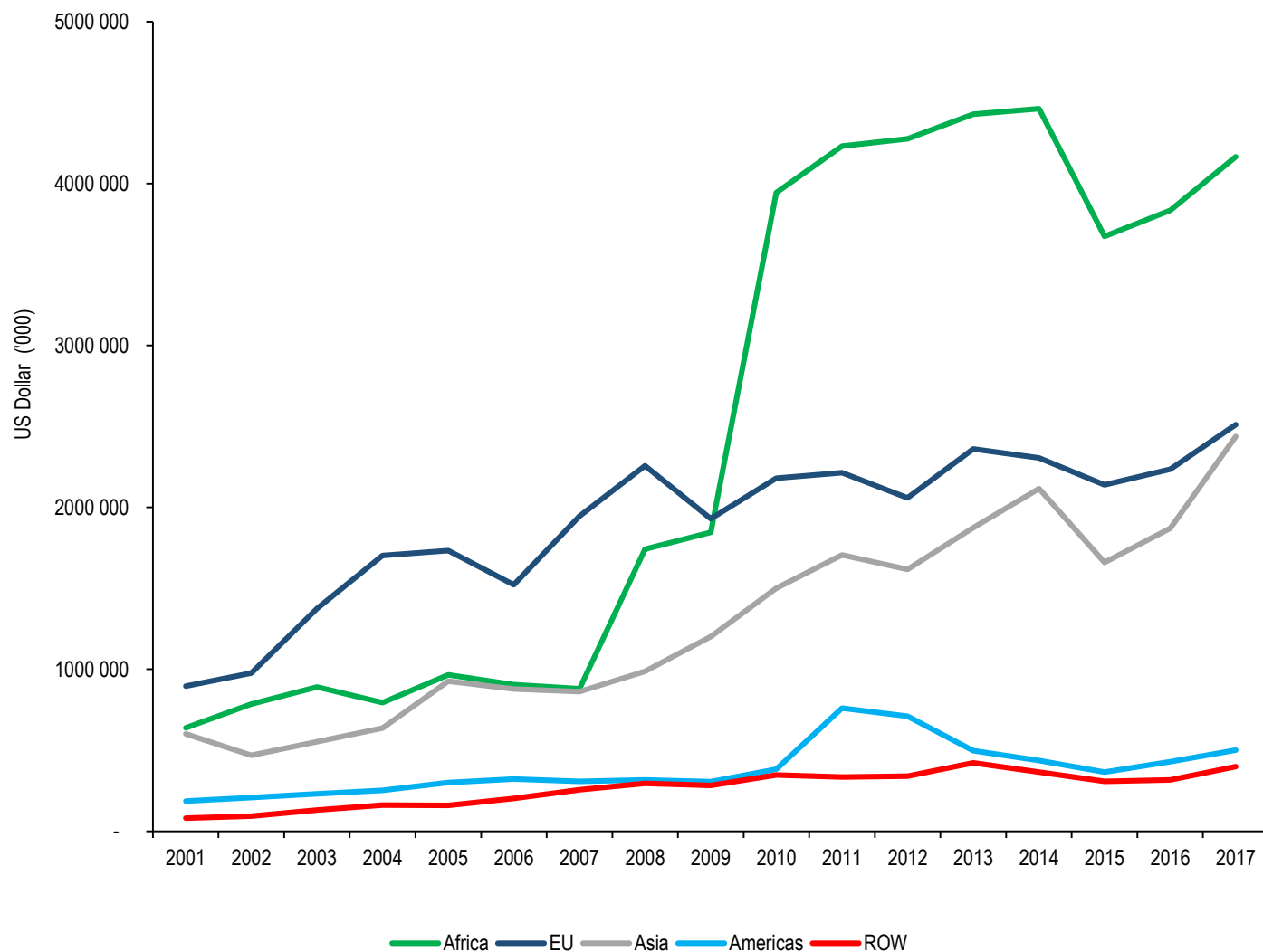
Perspective: SA agricultural production performance (2011-2015)...



SA is a net exporter of agricultural products...



South Africa's agricultural exports by region



ROW represents Rest of the World

Top export products

- Edible fruits
- Beverages and spirits
- Processed vegetable and fruit
- Grains
- Wool
- Sugar
- Meat
- Animal and vegetable fats
- Dairy produce
- Tobacco

Key takeaway

In 2017, South Africa's agricultural exports grew past US\$10.0 billion for the first time. This is a 15 percent increase from 2016 – a year that was characterised by El Niño induced drought.

Issues that could constrain growth and job
creation in SA agricultural sector...

Issues that could constrain growth and job creation in SA agricultural sector

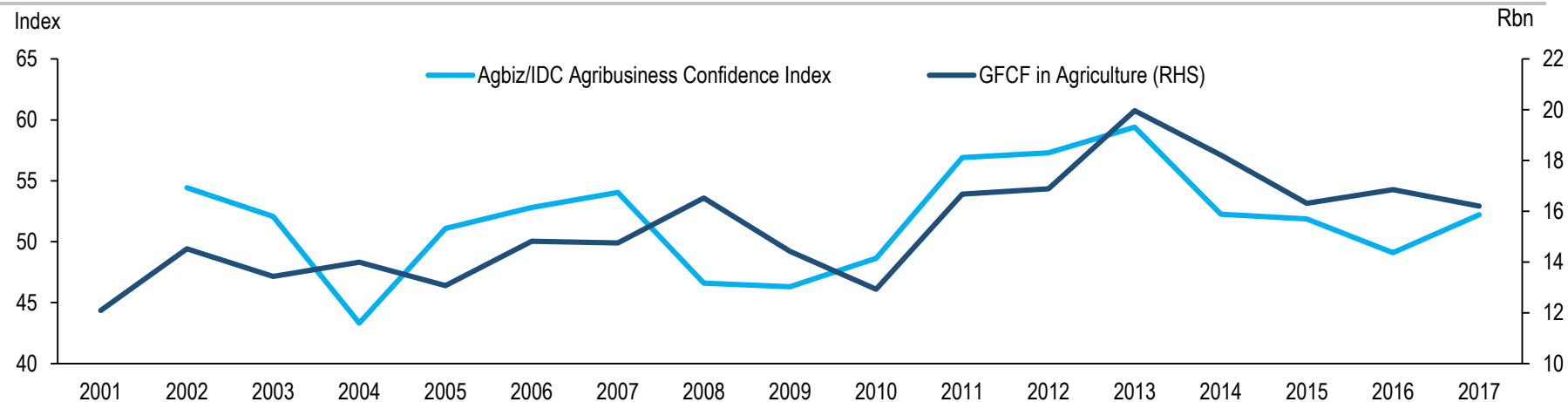
- The uncertainty regarding SA's land reform policy is a key risk in the near term
- Climate change (the sector's ability to adapt)
- Water rights regulations
- Lack of biosecurity measures for domestically produced and consumed products
- Infrastructure constraints in some farming areas, particularly former homelands

Sentiment in SA agricultural sector at the moment and the potential impact on investment?

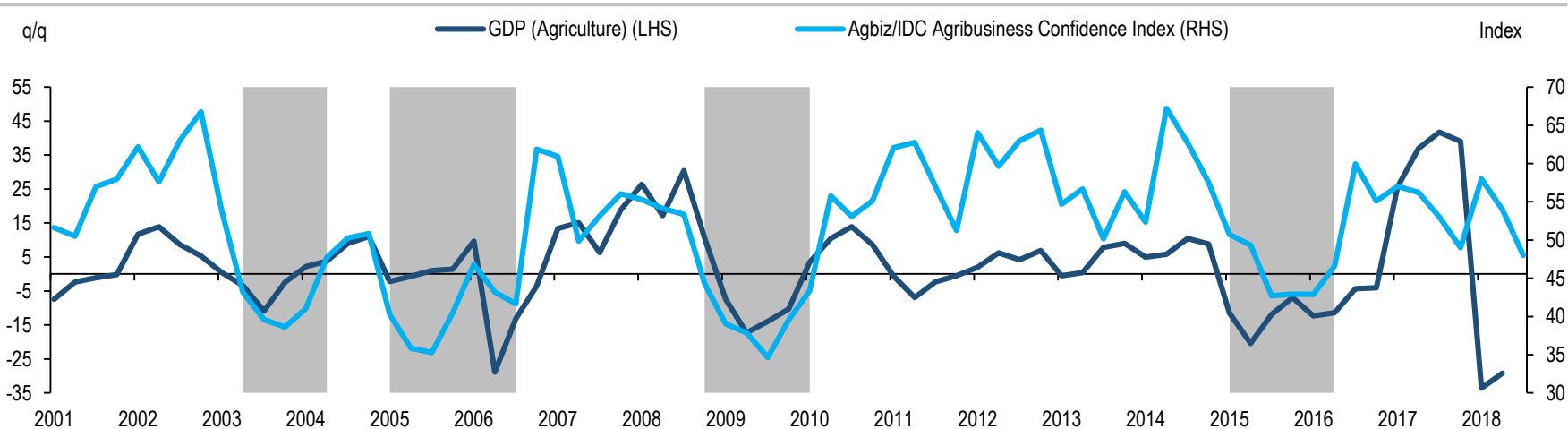
Key points

- There's fairly good correlation between Agbiz/IDC agribusiness confidence and investment in the sector.
- **Agriculture is the third biggest mechanised sector after mining and energy** – therefore, it needs investment to continue driving growth.
- After being sustained at levels above 50-point mark in the past two quarters, **the Agbiz/IDC Agribusiness Confidence Index declined by 6 points to 48 in the third quarter of 2018**. This is the lowest level since the second quarter of 2016, which was a drought year.
- With the results now below the neutral 50-point mark, this essentially means that the agribusinesses are somewhat downbeat about business conditions in South Africa. The survey was conducted in August 2018 and comprised agribusinesses operating in all agricultural subsectors across South Africa.

Agbiz/IDC agribusinesses confidence and Investment....

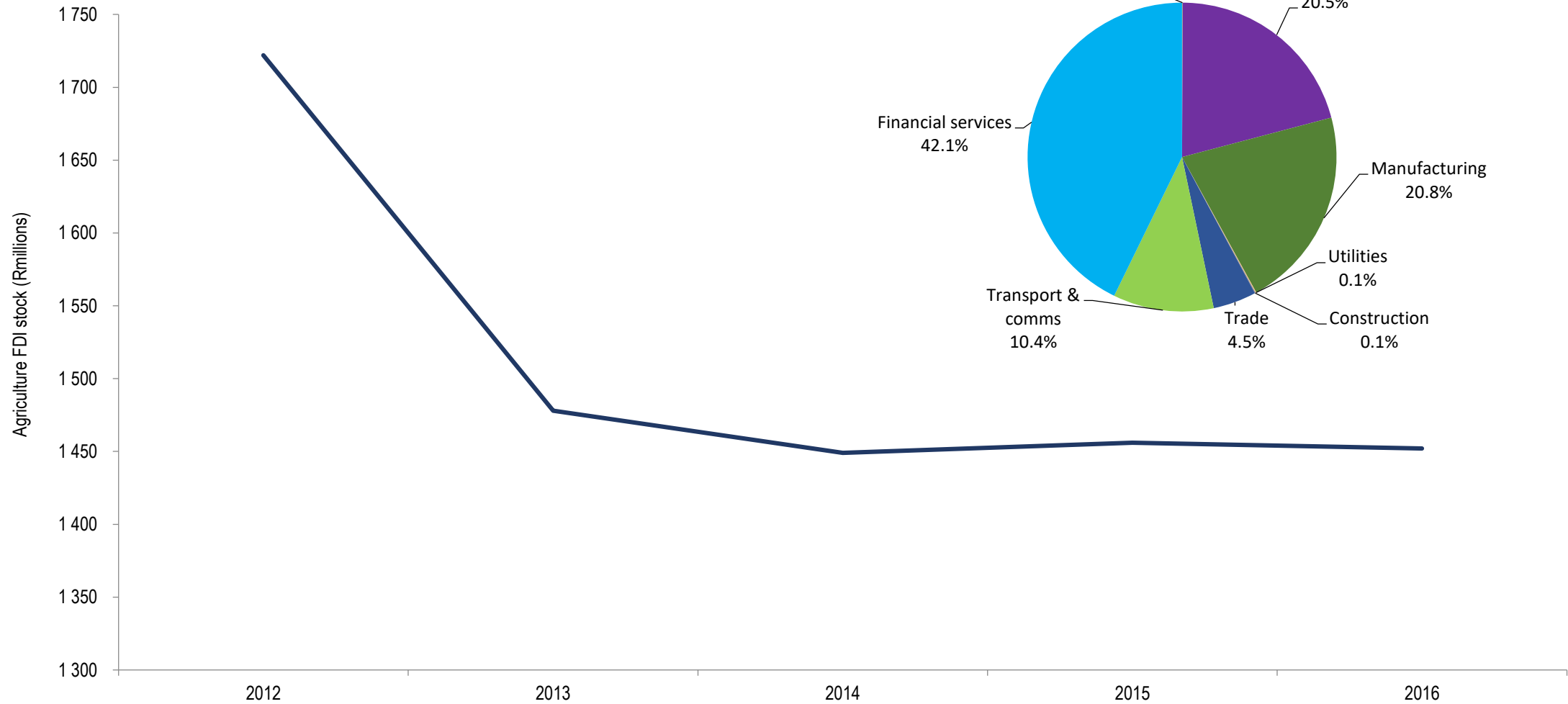


...confidence drives agricultural production (in addition to weather dynamics)



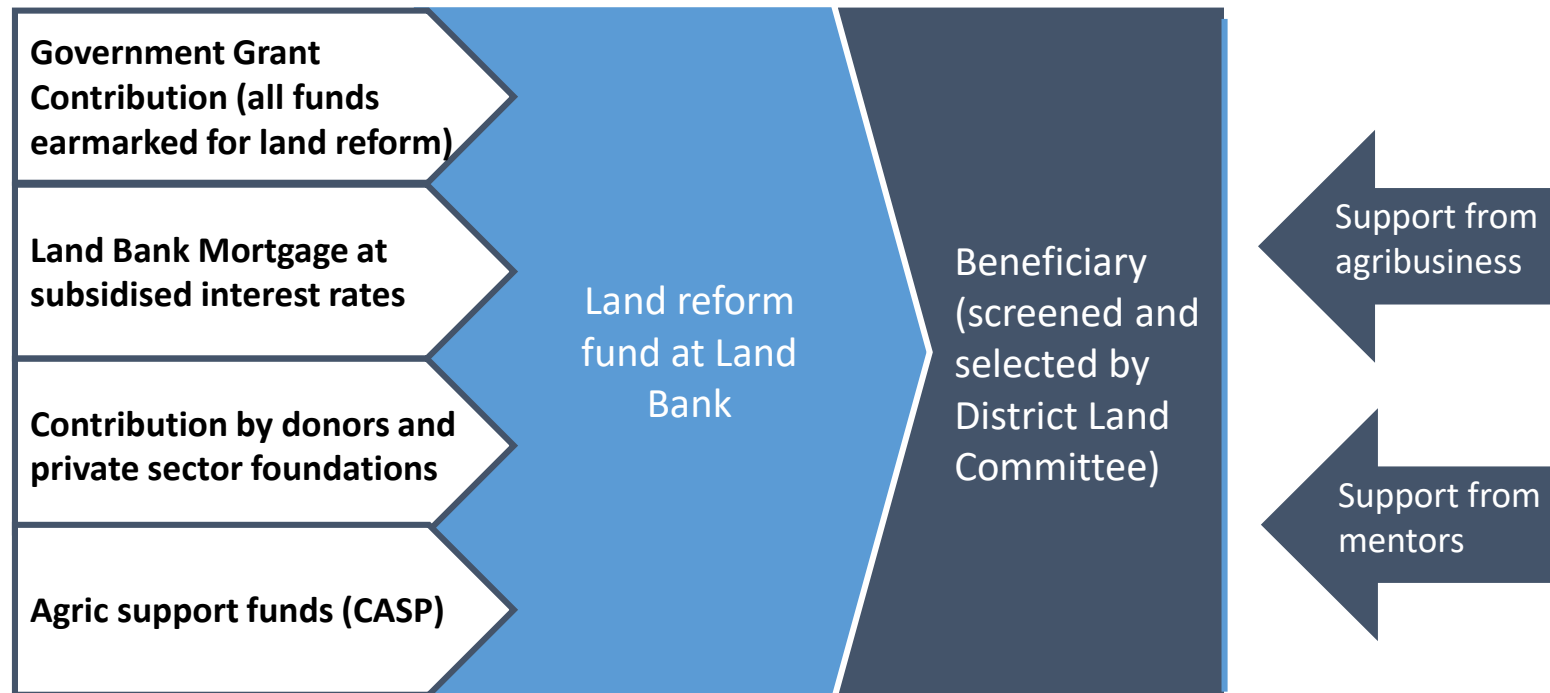
FDI's declining in SA agriculture. Is the sentiment encouraging to change this trend?

- **FDI in South African agriculture**



LAND REFORM: we should be thinking more about PPP models for fast-tracking the transfer pace

Here is an example that we proposed a few months back:



There are many models to be studied and explored such as:

- Agbiz/BASA model
- NDP approach (which was never fully implemented), etc

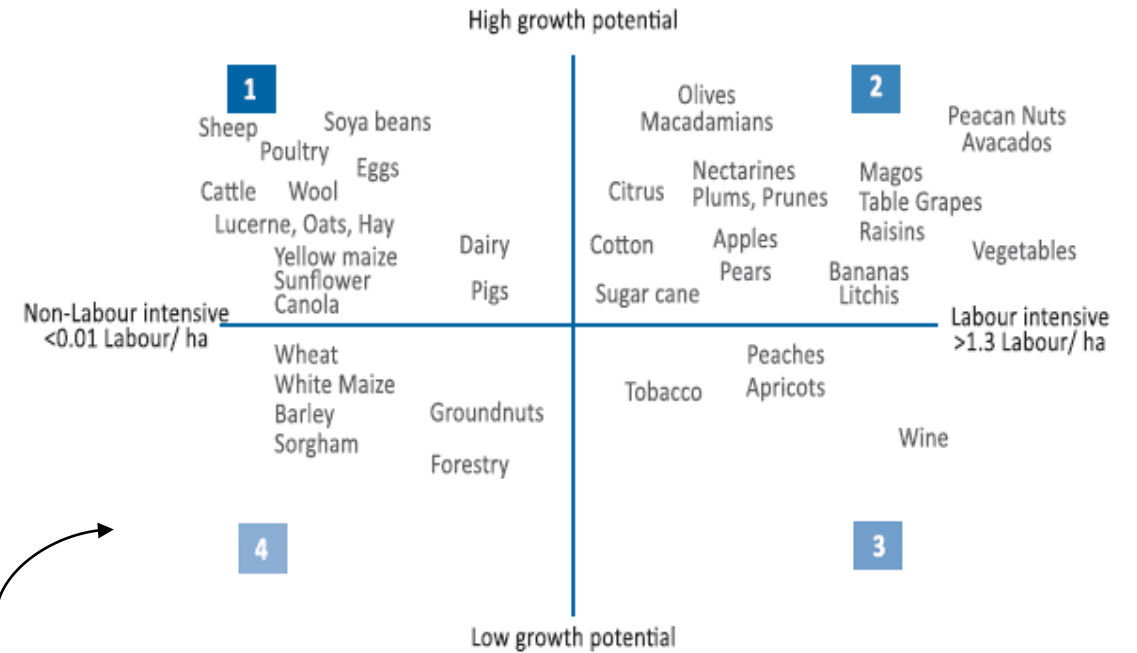
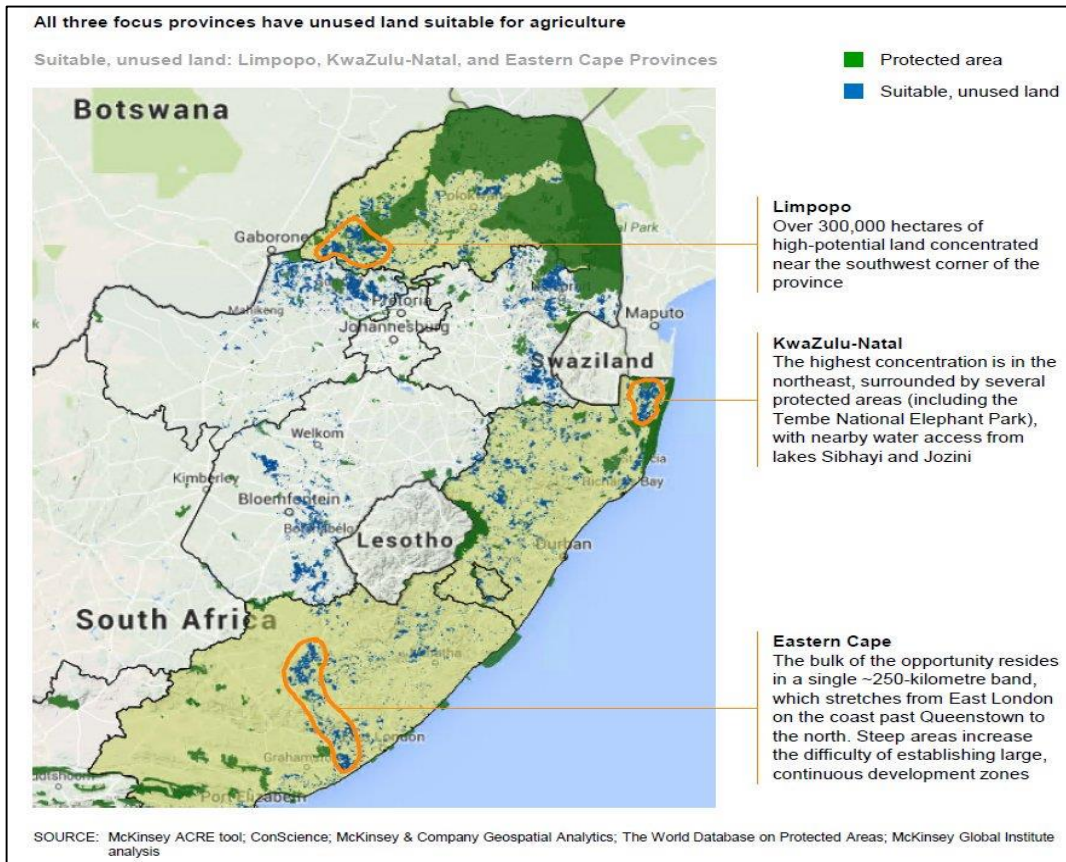
Closing points:

Which subsectors have a potential to create jobs and growth in SA agriculture?

Where should expansion happen?

Here are the industries areas that we should focus on in the near term

- 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, where there is over a million hectares of underutilised arable land (currently under traditional authorities).



Concluding remarks...

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.
- The key subsector to focus on is horticulture (it is labour-intensive), and there is also a growing demand for horticultural products both locally and in the global market.
- Most importantly, the 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.

Thank you for your attention...

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