

THE MANDELA INITIATIVE

Dialogue and action to overcome poverty and inequality

A summary of research undertaken for the Mandela Initiative, May 2017
Supported by the Department of Science and Technology and National Research Foundation

Job creation in agriculture, forestry and fisheries (overall findings)

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1. What is the project about and why is it important?

The objective is to estimate the potential for employment creation in selected agricultural commodities (citrus, deciduous fruit and smallholder fresh produce), as well as in fisheries and forestry. The potential impact of rural job creation on broader patterns of poverty and inequality in South Africa is also being explored. More specifically, the project seeks to: (a) characterize changing employment dynamics in these sub-sectors; (b) assess constraints and opportunities in relation to employment creation; (c) explore the relative weighting of the following variables as determinants of job creation: wages and labour productivity, costs of capital, costs of inputs, availability and cost of land, domestic and international markets, and uncertainties in the wider environment (e.g. climate change, state policies); (d) evaluate the potential for policies to alter the balance of constraints and opportunities; (e) propose and assess policy options aimed at facilitating job creation in South Africa's rural economy.

The research methods have included: (a) in-depth interviews with a small sample of informed professionals (e.g. from commodity associations) and individual producers, as well as representatives of producer groupings; (b) a small number of in-depth case studies, collecting both quantitative and qualitative data; (c) one focus group discussion per commodity or sub-sector; (d) collection and analysis of available secondary data from a variety of sources (e.g. StatsSA, commodity organisations and companies).

2. What are the overall findings, and their policy implications?

3.1 Existing structure of the rural economy

South Africa's rural economy remains divided and 'dualist' in character, with relatively few large farming, forestry and fishing enterprises and companies, both up- and down-stream of farm production, dominating most sub-sectors. A degree of vertical integration exists in some sub-sectors (e.g. poultry). Exports are important in sub-sectors such as fruit and wine.



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Processes of concentration have resulted in a minority of farm producers being responsible for the bulk of produce and exports. Barriers to entry are high, formed by the costs of land and capital, as well as demanding standards in formal value chains in relation to the quantity and quality of products.

However, a large number of small-scale primary producers (farmers, timber growers and fishers) also exist, often producing for their own use or for informal markets. Larger-scale producers and companies are mostly white-owned; smaller-scale are mostly black. There are relatively few successful small-to-medium enterprises between those that are very large and those that are very small; these are sometimes termed the 'missing middle'.

3.2 Employment patterns

Large-scale producers, input suppliers, processors and retailers are investing heavily in new technologies in order to improve labour productivity and remain competitive. The number of workers employed per hectare or other measures is dropping, and the overall trend is to employ smaller numbers of highly skilled and better-paid workers. However, employment of temporary and casual labour remains important for some operations. However, smaller-scale enterprises are more labour-intensive in character, albeit with lower returns, and often wages are below statutory minimums.

3.3 The informal rural economy

The size and nature of the informal rural economy is poorly understood, in part because of a dearth of reliable statistics. Case studies (e.g. of small livestock on communal grazing) suggest that it may be much more significant than generally acknowledged. The potential for its expansion, and as a base for further accumulation and growth, is largely unexplored. Expanding the number of producers on smallholder irrigation schemes, who could help supply the growing market for fresh produce, are emphasized in the National Development Plan, but the availability of water for such expansion is unclear. This debate needs to be resolved as a matter of urgency.



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3.4 The general character of government policies

Government policies tend to be supportive of the large producers and companies that dominate the rural economy, in practice if not in policy documents. They also tend to be biased against small-scale, labour-intensive and black-owned enterprises active in the informal sector, whether this is intended or not. Budgets for the support and promotion of such enterprises are small, and policies and programmes (e.g. agricultural support programmes aimed at smallholder farmers and land reform beneficiaries) are generally ineffective. Appropriate government policies and support programmes are necessary if the potential for rural job creation is to be realized.

3.5 Community–public–private partnerships

Partnerships between rural communities and the private sector, often with government funding and support, are often proposed as a way to create the ‘missing middle’. These are often proposed in land reform contexts, especially where considerable investments have been made in land under valid restitution claim, and continuity in production is seen as desirable. Here, a private sector partner supplies both capital and expertise, and government funds help to capitalize the venture, which is usually conventionally large-scale in character. Some successes have been noted in agriculture and forestry, but problematic cases and failure are also found, where few real benefits accrue to community members. One problem with this model is the small number of beneficiaries that have benefited to date, suggesting that its contribution to job creation may be limited. However, well-designed partnerships do have a role to play in rural job creation.

3.6 New markets or market niches

Research indicates that there is limited but definite scope for the expansion of certain forms of production, such as citrus and deciduous fruit and smallholder fresh produce, as well as for new forms of processing (e.g. dissolving wood pulp and furniture) and expanded supply to new markets, both international and national (such as informal markets for snoek). Often the support of government is necessary for these potentials to be realized, as in the need to negotiate appropriate trade agreements.



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3.7 Expanding the resource base

Research reveals that there is limited but real potential to expand the resource base for certain kinds of rural enterprises. This includes 100 000 – 160 000 ha of forestry land in communal areas and elsewhere, new smallholder irrigation schemes (perhaps on 200 000 ha), and the redistribution of under-utilized grazing land on commercial farms to small-scale livestock producers through land reform.

3.8 Can 1 million new jobs be created in agriculture, as the NDP projects?

Initial estimates of job creation potential from this project: citrus: 24 000 to 58 000 new jobs; smallholder irrigation in the E Cape: 16 000 new jobs; forestry: 43 500 new jobs + some from new industrial products; fisheries: difficult to estimate.

If all of agriculture is considered, including market-oriented smallholders and land reform beneficiaries, as well as related off-farm jobs, the NDP's projection appears to be achievable. Forestry and perhaps fisheries can make modest additional contributions. What is required? A capable state, coherent policies, effective implementation, and well-designed partnerships with private sector actors.

For more on the Mandela Initiative research projects, see:
www.mandelainitiative.org.za/research/research-areas-themes.html

