Job creation in agriculture

Farming support must switch to black smallholders

Focus on urban elite amounts to rural State Capture

By John Matisonn

Job creation in South Africa is an urgent and paramount project and one of the target areas has to be the agricultural sector. Other targeted economic sectors can deliver jobs for urban matriculants and graduates, but JOHN MATISONN argues farming and agro-processing have the potential to provide hundreds of thousands of new jobs for black citizens in rural areas without advanced education as well as for graduates.
For South Africa to truly build a capacity to create jobs, a reform programme must target a small number of sectors where research has shown that each can deliver hundreds of thousands of new jobs. Together, these new jobs must take in all levels of the unemployed – entry-level university graduates, matriculants, workers in trades, as well as less skilled urban and rural work seekers.

One of these sectors has to be agriculture. It’s a key piece of the puzzle. Other targeted economic sectors can deliver jobs for urban matriculants and graduates, but farming and agro-processing have the potential to provide hundreds of thousands of new jobs for black citizens in rural areas without advanced education as well as graduates.

Growing agricultural jobs is an area where other African countries have a lot to teach us. Data in some countries may be open to challenge, but most, if not all, African countries have less unemployment than South Africa, and agriculture typically provides more than 50% of jobs in these countries.

African countries that have succeeded in turning around a period of kleptocracy – often hardly distinguishable from South Africa’s State Capture – have started their journey towards economic health with agriculture. The obvious reason for this is that poor countries are largely agricultural. But there is a second important reason: new methods, up-to-date information about high value crops that produce the most revenue, and changes in global demand for higher value products can kick-start struggling economies as well as yield foreign exchange to buy machinery that puts them on a path towards a new level of growth and future job creation.

Renewed growth in African states turning around their economies has often started with farming reform measures, steadily expanding into agro-processing and establishing industrial parks to house them, steadily moving up the value chain.

Ethiopia is an excellent example. Ethiopia was the fastest growing country in the world from 2009 until 2019, when war interrupted a remarkable run of job-creating growth. Ethiopia had large agricultural potential and little industry. The government realised there were great gains to be made in improving and supporting agriculture, beginning in 1994. Having found great export demand for flowers, the focus was on supporting growth and crop switches, and floriculture turned into a massive growth sector, adding value and jobs. Growth and profits from flowers helped facilitate the government’s infrastructure build.

From 2003 the government’s industrial strategy kicked in. Government facilitated industrial parks, enhancing relevant technical knowledge. Exports in a few areas had other spinoffs, driving increasing technical sophistication, the discipline of keeping quality and prices at international standards, leading to productivity gains, and increased foreign earnings that could pay for additional national strategies.

Key to agricultural growth is support for farmers after they acquire land, and a key component of that support is extension officers attached to the department of agriculture. They provide advice and guidance on profitable crops and methods, and feed back to government what farmers need in the form of roads and other infrastructure, crop advice, markets and finance.

Ethiopia invested in dramatically expanding public sector extension services. By 2019, 17 million producers were served by around 60,000 development agents and 14,000 farmer training centres. This is an obvious lesson for South Africa. Government reports show the state is fully aware of this need and inadequate extension services and other
farmer support have been mentioned in government reports. Yet in 2022 South Africa had only 2,492 agricultural extension officers, less than 5% of much poorer Ethiopia.

The National Development Plan (NDP) of 2012 recognised the centrality of large-scale job creation, and the important role of agriculture, not just as a matter of just restitution but also for food security, economic growth and the dignity and security of ownership and self-employment.

The NDP was published five years after the global financial crisis and the ascendency of Jacob Zuma to the presidency. While South Africa’s economy weathered the financial crisis well, largely as a result of its strong financial regulation and strong banks, following the global financial crisis employment fell by a greater percentage than the overall economy.

It is difficult to apportion the share of responsibility for South Africa’s declining growth to individual factors, but it is likely that two factors – the disruption of the global crisis and the misgovernance of the Zuma administration – were decisive. Those two events mark the negative turning point in South Africa’s effective job creation and growth.

South Africa had experienced the early 2000s as a period of high growth and job creation, though its performance even during this period did not match the highest growth African economies. But after 2008, growth and job creation did not resume. GDP growth peaked at 3.1% in 2011, before the NDP was published, falling below 1% within two years.

The NDP concluded that agriculture “has the potential to create close to one million new jobs by 2030,” which it said would constitute a significant contribution to its overall target of 11 million new jobs, to bring unemployment down to 6% (NPC, 2012:219). The NDP set the goal of “faster and more inclusive economic growth” at an average annual GDP growth rate of 5.4%. The reality turned out very differently.

Ten years later, the National Planning Commission (NPC) reviewed the NDP’s performance (NPC, 2022). It found South Africa added less than two million jobs in the period, rising from 14.7 million in 2012 to peak at 16.5 million in 2018, nothing near any of the targets set. Instead of being on the road to 6% unemployment by 2030, it soared in the wrong direction, to 32.6% by 2022 using the same criteria.

As for agriculture, the 2022 review found agriculture employed a total of 829,000 people in 2021, an increase from a 2010 figure of 627,000 (NPC, 2012-21). For comparison, in 1992, before the end of apartheid, 1,051 million people had been employed on commercial farms, albeit at very low wages.

**What happened to the target of one million new farm jobs?**

It is clear the goal of one million new farming jobs is not on track, and it’s essential to establish why. Was it unachievable, was it not attempted seriously enough, or were the methods wrong? There are two broad schools of thought about how to drive agricultural growth in South Africa, represented particularly by academics at the University of Stellenbosch and the University of the Western Cape; Stellenbosch tends to favour commercial farming, UWC black smallholder farmers.

Small-scale farming systems in South Africa tend to be labour-intensive, and have the potential to create jobs on a significant scale. They tend to focus on high-value horticultural crops, such as fresh vegetables, rather than mechanised dryland cropping systems in which economies of scale are possible. They also focus on extensive livestock production, including small stock such as sheep and goats.
The school that ended up influencing government policy is clearly Stellenbosch, which is committed to large-scale commercial farming. Big agriculture is in that camp, and government has followed.

Detailed recommendations for an alternative approach are available. A recent study for the Treasury provided empirical evidence of the potential for employment growth through land redistribution aimed primarily at smallholders and small-scale commercial black farmers (Treasury, 2019). It has received little attention from policymakers, including those managing the multi-stakeholder Agricultural and Agro-Processing Master Plan “Social Compact” of May 2022 (Qobo, 2022).

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The democratic government did not start that way. The Mandela administration began its term in office with a pro-poor policy that included a means test for land allocations. During that time, the Gini coefficient came down, meaning that inequality declined. But in 2000, after Mandela left office, the means test was abolished. After Mandela left office, the Gini coefficient ticked up a bit to where it currently stands, the highest in the world.

It’s not clear what the contribution of farming may be to increasing inequality but small local studies show areas where the land awards went disproportionately to well off, politically connected urban dwellers, often people who did not earn their main income from farming, favouring elites rather than farmworkers or small-scale black farmers.

To the degree that this occurred, it constitutes a form of rural State Capture.

“The (land reform) system has been captured by the elite,” wrote Advocate Tembeka Ngcukaitobi, “Women, who are meant to be the prime beneficiaries of land restitution, have been displaced from the queue by politicians and their cronies.” (Ngcukaitobi, 2021)

Ngcukaitobi is referring to chiefs and traditional leaders as well as local politicians. In particular, the Ingonyama Trust, created shortly before the end of apartheid rule, holds vast tracts of land for the “benefit, material welfare and social well-being of the members of the tribes and communities”. The trust is administered under the authority of King Misuzulu kaZwelithini.

“Despite the government having been advised by at least three credible research-based bodies that the correct approach is to redistribute [Ingonyama Trust land] directly to the communities occupying it, there is official reluctance, as the state yields to the pressure exerted by chiefs and traditional institutions,” Ngcukaitobi wrote.

Communal tenure reform focused on transferring land to traditional leadership structures, with community members offered only “statutory user rights”. This prevents

### Renewed growth in African states turning around their economies has often started with farming reform.
farmers from using their land as collateral to borrow money. Critics have argued that the Ingonyama Trust land and other land over which traditional leaders have influence, disadvantage women as males receive preference. Without tenure, most tenant farmers will have difficulty raising loans. This is not the only unresolved problem around land tenure. Some land allocations carry a 30 year lease period before ownership may be acquired.

South Africa’s land reform has had minimal impact on poverty. There are now an estimated 400,000 farmworkers in the formal farm sector and about 200,000 black smallholder farmers who produce for the market (compared to two million who produce some extra food for their own use).

University of Western Cape Emeritus Professor Ben Cousins agrees that land reform has been captured by elites. “The most powerful voices are those of emerging black capitalist farmers (often with non-farm incomes), traditional leaders, large-scale white commercial farmers and agribusiness corporates, who are all benefitting more than the poor” (Matisonn, 2023).

Rhetoric about land reform for smallholders “disguise the elite bias of current policies,” Cousins argued, and the focus should shift to stepping up support for black smallholder farmers.

Farmworkers have seen their wages improve, but many have been evicted, and now are casual or seasonal workers not living on farms.

There are reports of widespread and state-supported corruption by traditional leaders in areas with significant mineral endowments. Chiefs are seeking to extend the territories under their control through large restitution claims lodged under the amended act of 2014.

Reformers propose that land reform and agriculture – food production – be linked and understood as part of the same process. Cousins and others argue that the first priorities need to be tenure reform and distribution of land to black small-scale farmers who have the most capacity to grow black agricultural jobs.

Why did land reform happen this way? Looking back, it seems that the key reasons land reform has not been done properly were because aspects are politically risky, because doing it properly is difficult and requires increased budget, and because the lobbies that have had most influence have been commercial agriculture and traditional leaders.

As a result, land reform experts point out that the beneficiaries have been large-scale agriculture, white and sometimes black, and small-scale black farmers have not...
had the support they need. Also, farmworkers are weakly organised, and small-scale farmers interests are not adequately represented within organisations such as the African Farmers Association of SA (AFASA) (Cousins et al., 2020:45).

To grow black farming requires planning, training and extension services that include access to capital and credit markets, inputs, transport and marketing. Cousins proposes government begin by targeting support to the 200,000 to 250,000 black smallholders who, “against all odds, already produce crops and livestock for sale in markets. People in this category clearly have the potential … to provide a platform for increasing levels of output from labour-intensive farming.” They currently supply informal traders and loose value chains with less demanding requirements than formal markets and supermarket chains (Cousins et al., 2020:14).

There was a parallel development in Zimbabwe after the controversial land grab of 2000. Zimbabwe started off with advantages over South Africa – better agricultural extensions services, a better educated population and a considerable number of trained small-scale black farmers.

Much media attention rested on politically connected beneficiaries. The Mugabe family became Zimbabwe’s biggest farming family during the “Fast Track Land Reform Programme” by coercing white farmers to give up their farms, by taking land from some black activists who had seized it from white farmers and by purchases at retail prices far beyond what a presidential salary would have allowed (Matisonn & Thornycroft, 2023).

In 2023, new details of tens of thousands of hectares of the family’s holdings were provided in court documents filed in divorce proceedings by Simbarashe Chikore, estranged husband of the late president’s daughter, Bona Mugabe. Chikore claimed that many Zimbabwe farms taken during that time now belong to him and his wife and should be allocated equally between them. This confirmed the family’s connection to the spoils of the “Fast Track Land Reform Programme,” which government said was to provide deprived black Zimbabweans with no more than one farm each.

Some of the Mugabe family holdings were managed and funded by the state until the inclusive government was formed in 2009 and the practice was exposed. After that, some continue to function effectively but others, including the country’s Mugabe-owned premier dairy farm, are now derelict (Matisonn & Thornycroft, 2023).

But less widely known are the majority of Zimbabwe’s beneficiaries, who are small-scale black farmers, many of whom are very productive, supplying most of the tobacco that was previously the domain of white farmers. As in South Africa, they have received little or no support from government. Support has gone predominantly to the small number of farms acquired by the political elite.

Land reform in South Africa needs prior planning for all the elements going in to farming: capital, equipment, training, extension services, infrastructure, seed production, fertiliser and transport.

Government reform needs to extend to municipalities, to provide markets and encourage the supply of small-scale farmers’ produce to institutions like schools, prisons and hospitals. With support, these small-scale producers will begin to supply formal markets, grow and hire more workers. Tenure reform is needed to secure rights for women so they are not dependent on male relatives or traditional leaders. The more land under irrigation the better for job creation and poverty reduction.

The NDP proposed adding 500,000 hectares of irrigation from the current level of 1.5m hectares, converting underused arable land in communal areas and developing
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land reform projects to give black farmers access to value chains and encourage higher levels of support from white farmers and agribusiness for black farmers. However, Cousins references studies that believe only 200,000 hectares of new irrigation is realistic.

The forces that led to elite enrichment in post-liberation countries are obviously extremely powerful and little recognised. In the aftermath of liberation, both Zimbabwe and South Africa’s new governments lacked the political will and experience to drive through a programme and stick with it until it succeeded.

Both also took office in an era of globalisation, with strong international forces demanding a move towards less and less government – obviously a trend that inhibits a strong, government-supporting land reform programme for small-scale farmers.

After 1994, South Africa deregulated agriculture, removing government programmes that had subsidised white farmers. Government abolished subsidies for credit, inputs and exports, and did away with single product marketing boards. It also attempted to enforce housing security for farmworkers and later a minimum wage.

Between 100,000 and 250,000 rural households are estimated to have benefited from land transfers, including land restitution. Some traditional leaders of mineral resource-rich land have become members of a wealthy rural elite.

Empowering an elite, increasing unemployment and rising inequality continued. But these problems are not addressed by recent changes to the Constitution to allow for confiscation without compensation. “Insufficient political will is more of a constraint than the Constitution,” according to Cousins. Legal scholars have echoed this view, but their analysis failed to shut down the political narrative that the Constitution was the obstacle. In private, retired judges have commented that they wished the state had brought a suitable land reform case to settle the constitutional matter, but major cases have not come before the courts.

Failure to act

The NDP predicted that the market for fresh vegetables will grow by 60% – a major opportunity requiring the reallocation of water rights. It saw substantial opportunities in citrus, table grapes, subtropical fruit and vegetables, smaller labour-intensive crops like nuts, berries, olives and figs and rooibos tea, and labour-extensive subsectors like poultry and grains and oilseeds. These opportunities received insufficient government attention.

In 2016, AFASA summed up its experience of government support for agriculture: “the government has consistently been in planning mode and hardly ever gets to execute the plans with meaningful impact” (Cousins et al., 2020:45).

The failings of its agricultural programme were not unknown to government. Multiple government reports have chronicled what was missing and recommended
appropriate reforms, and several research studies confirmed smallholder farmers’ poor experience of government.

Foreign development agencies have funded studies here that reached the same conclusions. While the experts at Stellenbosch University and UWC might disagree in emphasis on commercial versus smallholder focus, their reports and commentaries agree on the lack of necessary government support.

Government’s own reports are consistent and devastating: the R4 billion a year government spends on smallholder and small-scale farmers is not effective. As early as 2008, a Department of Agriculture report found the state of extension and advisory services was “near collapse”. It cited a survey showing that only 18.6% of smallholder and 8.9% of subsistence households found government support “very useful”. Pointing to the difficulties for farmers to own land, it concluded that government failure turned many black farmers into illegal squatters.

A 2010 study estimated that between 50 and 200 households receive over R500,000. Another 350,000 got R17,000 (in extension services and other advice), and 2.2 million households received close to zero. Yet another time policy has had the effect of favouring elites.

In 2017, the High Level Panel assembled to assess “Key Legislation and the acceleration of fundamental change” noted the shift in government land reform policy from pro-poor to supporting commercial farming. The Panel ranked support for beneficiaries after land was transferred as a key challenge, emphasising poor infrastructure, the lack access to inputs, and lack of support from official agencies. (Parliament, 2017).

In 2018, the Department of Agriculture, Forestry and Fisheries still found a lack of capacity, pointing out that only a tiny minority of farmers receive support. It found government support schemes were chronically underfunded, one of the lowest levels of any country in the world. It pointed to the need to spend R2 to make the land work for every R1 spent buying it, but found South Africa spent only around 25 cents.
Among the widely repeated complaints were that government departments work in silos without interdepartmental coordination, failing to iron out role confusion and insufficient budgets. With rare exceptions, there was little effective monitoring and evaluation of programmes. It recommended government departments be “joined up” – both transversal integration (between national departments) and vertical integration (between national, provincial and municipal government).

A 2019 study of wool production in the Eastern Cape found many state extension officers “never come”. A study in the sugar cane sector found only 21% of small scale growers could remember their last contact with extension officers, either government or private.

That year a Presidential Advisory Panel (PAP) on Land Reform echoed many of the same failings, pointing out that there is no law requiring state support after a land settlement has been concluded (RSA, 2019). It found that agricultural support reached 0.44% of national expenditure at its peak, and by 2019 was down to 0.2%. Management was inefficient. The PAP blamed lack of security of tenure and title deeds, poor state capability, misaligned allocation of resources for continuing poor performance.

The 2019 PAP study proposed that smallholders be prioritised, arguing that the individual smallholder models were the most successful in the developing world, as an alternative to group farming models which provide room for corruption and are universally unsuccessful.

The NPC conducted two reviews of the NDP’s performance, in 2020 and a ten-year review in 2022. The first found that progress with the inclusion of black farmers remains slow due to factors such as the failures in land reform delivery and the government’s reluctance to transfer land rights to beneficiaries, limited access to finance, inefficiencies in state administration and capacity to support farmers, and lack of infrastructure in former homelands.

It recommended government provide comprehensive support to smallholders to ensure increased productivity and the expansion of production and investment in agro-processing. It also called for improving the provision of rural infrastructure, access to finance and skills, access to inputs and capital equipment, and marketing and transport infrastructure.

Cousins, who was commissioned by the European Union and other international agencies to conduct a separate study (Cousins et al., 2020), has long flagged the lack of support for black smallholder farmers and their potential if properly supported. He argued that key subsectors in which smallholders can be competitive include vegetables, subtropical fruit and nuts, sugar and extensive livestock production.

Livestock is crucial, because most of South Africa is arid or semi-arid and unsuitable for cropping. Resilient small stock species such as goats and sheep survive droughts better than cattle. They are sold in large numbers in ceremonial markets in rural areas but have the potential to supply consumers in urban markets too. Wool farming by smallholders in parts of the former Transkei is increasingly profitable.
Statistics suggest there are about 200,000 market-orientated smallholders who supply informal agricultural markets at present. Including occasional livestock sales, that probably rises to about 500,000. These farmers should be the key beneficiaries of rural land reform. They have the potential to begin to accumulate “from below” and over time even begin to challenge the dominance of white commercial farmers.

Cousins’ study estimated that opening up export markets for citrus and other labour-intensive crops could generate another 152,000 jobs, and enhancing livelihoods through communal area agriculture could benefit 194,000 people.

A problem facing smallholders is that value chains of formal sector food processors and retailers are concentrated, tightly integrated and difficult to penetrate. Government procurement from smallholders could play a role, together with policies to support local, informal markets.

Bakkie traders who link farmers and consumers in the informal economy already exist in large numbers and could play a key role in efforts to invigorate the informal economy. Municipalities could provide space for food markets supplied directly by farmers as well as bakkie traders. Supermarkets in rural towns could also purchase fresh produce from such markets.

He warned that failure to deracialise commercial farming could gift the land question to populist politicians. The constituency for this kind of politics will grow, increasing the likelihood of short-sighted confiscation policies being adopted without an economic logic behind them. Cousins argued that the problem with rural land reform aimed at supporting only black commercial farmers is that the jobs numbers simply do not add up. It is not a sustainable solution to an explosive political issue, and it increases inequality.

The model of farming that underlies government’s policies for land and agricultural reform is one of modern, high-tech, large-scale commercial production of agricultural commodities by skilled business managers, in which economies of scale are paramount. This largely unexamined choice has resulted in lip service being paid to the need to provide land to smallholder and semi-commercial farmers, while in practice, its model sidelines farmers operating small-scale farming systems, often successfully, despite inadequate support in a hostile economic environment.

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Cousins’ report recommends legislation to provide extension services to smallholders, including improved communication, information flows, and missing infrastructure. This programme should be increasingly localised, take account of climate change and make “small bets” on new crops based on research backed by farmer field schools and peer-to-peer extension methodologies. “We strongly recommend that government launch a small number of pilot programmes to investigate the policies recommended in this report.”

This recommendation is in tune with best practice advocated by Oxford development economist Stefan Dercon in the title of his book “Gambling on Development”. Development requires these bets at manageable risk in order to find the best commodities for the market (Dercon, 2022).

Each local municipality needs an audit of land available. Underused arable land in communal areas should be allocated in sizes of around one hectare each, and smallholder farmers given access to value chains (Cousins et al., 2020).

This study identified key commodities with employment creation potential – vegetables, subtropical fruit and nuts, grapes, sugar cane, wool, extensive livestock production, the replacement of grain crops with vegetables, cattle with goats and fruit on grazing land.

A review of the literature makes it clear that government’s approach to agriculture requires a major overhaul. It is long overdue and it’s astonishing that shortfalls so well documented have gone unaddressed for so long. It will require a rethink of the national budget. Clearly the case for reprioritising agriculture is overwhelming. The collapse of infrastructure in farming districts is well known through the popular media. Rural poverty and unemployment cry out for attention that is targeted quite differently from urban areas.

A key component will be to train a significant cohort of agricultural extension officers. Based on international experience, two-year crash courses to train extension officers would be appropriate.

The case for promoting black smallholders should need little argument. Clearly, providing land to the politically connected for whom farming is not their primary income fits the category of State Capture rather than the original purpose of land reform.

Finally, it is an important practical route to decreasing inequality and lowering South Africa’s Gini coefficient, which politicians often talk about but show little evidence that effective practical policy redress and implementation has followed. Without increasing the number of black smallholders to build a new class of currently excluded farmers and potential farmers it is hard to see any alternative that will increase farm employment or reduce inequality.
The track record is clear. So are the viable options. It seems trite to end with a quote from the Freedom Charter: “The state shall help the peasants with implements, seed, tractors and dams to save the soil and assist the tillers.”

What could be more obvious, necessary or timely?

REFERENCES


ENDNOTES

1 Also see Cousins, 2015 and Cousins et al, 2020.