

Agriculture presents most employment opportunities

By [Christo van der Rheede](#)

2 Jun 2016

Two of SA's top policy priorities - food security and job creation - seldom cross paths. Indeed, it is a strange irony that job creation is almost exclusively associated with trade and heavy industry, while agriculture is seen only through the prism of land claims and high food prices.



While industrial policy is expanding and seeking new beneficiaries, one needs to ask why similar support for the agriculture sector is not pursued with equal vigour. It is a perceived mental block that policy makers in SA need to overcome because the sector could otherwise create far more jobs than it does already. In short, our farmers have been hung out to dry.

The latest unemployment statistics showed that apart from community services (government), agriculture was the only sector to show jobs growth. Even if you dismiss this as seasonal, the long-term trend clearly shows the stability of agriculture compared to manufacturing. Since March 2008, agriculture jobs have made up about 5% of total employment. By comparison, the share of manufacturing jobs fell from 14% to 10% of total employment, and employment in the industry itself contracted 22% to 1.6-million, whereas agriculture grew 4.5% during the same period.

Fundamental contributors to prosperity

President Jacob Zuma has repeatedly stated that landlessness is the cause of poverty within the context of agricultural land claims. This statement rings true to some extent but ignores a second fundamental contributor to prosperity: capital. While the focus on land redistribution is a good idea in principle, it is often poorly executed precisely because of a lack of support for emerging farmers.

In our dealings with farmers ranging across size and sophistication, it is clear that emerging farmers have very little capital to invest. This is, of course, an acute problem with awarded land claims, with entire communities often unable to grow crops simply because there is no plant or machinery to work with. It is a bit like being given a car with an empty petrol tank. This problem is replicated with black farmers who buy farms on the open market. The bulk of their funds are tied up in purchasing the actual property, so there is very little left to invest and grow their business.

While supporting the economic agenda of black industrialists as a worthwhile pursuit, surely there are far more small and emerging black farmers who could grow more quickly, create more jobs and transform a broader cross-section of society with only a fraction of the funds made available to heavy industry?

Greater support needed for farmers

The mental block between job creation and agriculture has impeded creative and practical ways to support the sector. The focus on agricultural property ownership is archaic; after all, it should not be about the modes of production, but the success of production itself. Private financing is not realistic as any credit provider would look to your track record before releasing funds. Banks are loathe to finance plant and machinery, even for established farms.

We firmly believe there are simple, yet highly effective ways for government to support our farmers. The Land Bank should ideally expand its scope of practice to support startup farmers. There is vast potential for joint ventures between existing white commercial farmers and black commercial farmers and these could be supported by the Land Bank.

This is not to mention the large-scale support government could provide by supporting the creation of listed agricultural businesses and farmers could co-own with black shareholders. Farmers operate under immense pressure and many are increasingly being forced to use other channels through which to sell their goods, including trading in the informal sector. This creates its own problems, as any health and safety oversight disappears, putting consumers at risk. Furthermore, the informal or illicit trade has proven links with organised crime syndicates.

Fostering a culture of illicit trade

We should be incredibly wary of fostering a culture of illicit trade as the final (and, in some cases, only) resort for emerging farmers. Even relatively mundane products such as poultry sold through informal avenues, where there is no regulatory oversight, creates a broader market for illicit goods, breeds disrespect for the law and puts consumers - and society as a whole - at risk. If it becomes normal to buy everyday consumer items from traders who evade taxes or disregard health and safety codes, it becomes only natural to also buy otherwise regulated medicines, diamonds, cigarettes, alcohol and music through illicit channels too.

Our fundamental proposal is for government to consider small and emerging farmers in a holistic way. While the Department of Agriculture may lead on land redistribution, it is necessary to speak with the Treasury about supporting financing through other means than only the Land Bank. The South African Revenue Service, while far from perfect in client servicing, especially in rural areas, has done exemplary work to bring many informal small businesses into the fold, thereby protecting SA's formal economy. Surely it, therefore, makes sense to ensure the same is done with small farmers, and that policy makers focus on making it as easy as possible for them to operate legitimately?

When a government department considers new consumer or health and safety regulations, it should think about the effect on small and emerging farmers just as it would consider the effect on small and medium enterprises (SMEs). Much ground has been covered to sensitise policy makers to the realities of SMEs and how the growing regulatory burden is often felt disproportionately by such groups. The natural step, therefore, must be to ensure that any new regulation affecting small farmers is subject to a thorough regulatory impact assessment, so as to ensure unintended consequences - job losses,

higher compliance costs, reduced tax revenues or growth in the informal economy - are mitigated.

Consider the push to further regulate sugar and tobacco. These crops provide good margins, and can be traded fairly easily across borders. A sizeable share of Zimbabwe's re-emerging agriculture is thanks to small tobacco farmers. And, of course, the problem of the illegal trade is even more pronounced with tobacco.

Diversification strategies

Land ownership is a topic that receives lots of attention from political parties, but it is important to remember that agriculture, or rather a successful farm, is far more than just the property. It is about enabling a farmer to prosper and cultivate a livelihood without fear of being weighed down by ill-thought-through regulation.

Agriculture is a mainstay of economic diversification strategies in many African countries. For SA, with our struggling mining sector and energy insecurity threatening manufacturing, we need to ensure we continue to provide opportunities for economic independence to black individuals. It makes sense that we start with our farmers.

Van der Rheede is deputy executive director at AgriSA

Source: Business Day

For more, visit: <https://www.bizcommunity.com>