



Northern Cape Provincial Treasury

Policy Brief: Agriculture in the Northern Cape

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1. Introduction

Agriculture has an important role to play in building a strong economy and increasing employment opportunities in South Africa. It also contributes to household food security. Agriculture also provides inputs into the production of other goods for instance in agro-processing. There is thus also a need for agricultural products in the manufacturing industry. Agricultural goods can be exported to other countries through which it brings funds (foreign exchange) into the country. Employment in the agriculture industry allows for people with various levels of skills.

The aim of this Policy Brief is to look at the importance of the agriculture industry and to analyse its influence in the Northern Cape, looking at both its contribution to the provincial economy as well as its contribution to provincial employment. Section 2 provides information on some threats and opportunities in the agriculture industry, followed by Section 3 that provides some of the policies, plans and interventions put in place by government relating to the agriculture industry. In Section 4, the role of agriculture in employment and the economy in the country as well as in the province is analysed. Section 5 provides the conclusion and recommendations.

2. The Agriculture Industry

2.1 Employment Demographics and Skills Requirements

Agriculture Sector Education Training Authority (AgriSETA) (AgriSETA, 2018) notes that South Africa has both subsistence and commercial farmers with different skills requirements. It was found that in 2017, 31 per cent of the people employed in agriculture were female and 69 per cent male. Using Workplace Skills Plan (WSP) data of 2017/18, they also found that Black African people accounted for 64 per cent of the employees, followed by Coloured people at 23 per cent, White people at 12 per cent and Indian/Asian people at 1 per cent (AgriSETA, 2018).

The skills levels in the agriculture industry vary from highly skilled managerial and professional roles to low level skills for elementary positions. Their data (as reported in WSPs for 2017) showed that managers made up 7 per cent of the workforce in agricultural enterprises, professionals 4 per cent, technicians and associate professionals 7 per cent, clerical support workers 9 per cent, services and sales workers 12 per cent, skilled agricultural and related trade workers was at zero per cent, craft and related trade 10 per cent, plant and machine operators 7 per cent and elementary occupation 44 per cent (AgriSETA, 2018). This highlights the important role that this industry can play in providing employment for people with low skills

levels, while it also provides employment opportunities for people with higher levels of education.

2.2 Threats to the Industry

The agriculture industry is faced with continuous hazards (natural and man-made) in its day to day workings. Fires, droughts and other disasters can have a severe impact on this industry. Another threat to agriculture is climate change. There is ample scientific evidence to support the notion that the earth's climate is changing. According to Schulze (2016), steady increases in the levels of carbon dioxide (CO₂) since the late 1800s have caused the temperature to rise with recent years being the hottest years on record. Climate has impacted South African farmers negatively with increased occurrences of severe floods to extreme heat and drought to increased challenges due to wildfires, disease and pests. South Africa has one of the world's most variable climates. The country has limited arable crop land (about 13 per cent of the total land area of the country) and scarce fresh water with generally low and erratic rainfall (Schulze, 2016).

2.3 Economic Opportunities – Agro-processing

The agriculture industry also provides the opportunity for further processing (manufacturing) or value addition of products from agriculture, also referred to as agro-processing. The Industrial Policy Action Plan (IPAP) (DTI, 2018), the New Growth Path (NGP) (EDD, 2011) and the National Development Plan (NDP) (NPC, 2011) identified agro-processing as one of the industries with the potential to contribute to economic growth and jobs. According to the Department of Trade and Industry (DTI) (2018), agro-processing at the time employed about 283 000 people and contributed approximately 20.3 per cent to manufacturing gross domestic product (GDP) and 2.7 per cent to total GDP.

3. Government Policies, Plans and Interventions

Agriculture and agro-processing has the potential to contribute even more to economic growth and job creation, which is consistent with government's objectives of inclusive growth. Given this potential, there are a range of sector-specific and general support programmes and initiatives available. National and provincial governments have provided support to help create jobs and grow the agro-processing industry such as the Agro-Processing Support Scheme (DTIC, N.d.), the National Agro-Processing Forum (DAFF and DTI, 2015), the Strategy for Development of Small and Medium Agro-Processing Enterprises (DAFF, 2015) and the National Agricultural Marketing Council (NAMC, n.d.). Skills development for people working in or interested in working in the agriculture and/or agro-processing industries can be attained

from various universities or other education institutions in South Africa. There are also various financial support programmes from for instance the Industrial Development Corporation (IDC, n.d.), the Land Bank (n.d.) and agriculture related finance by commercial banks. Some of the government plans, policies and interventions are discussed below.

3.1 National Development Plan (NDP) Vision 2030

Agriculture comes up in various chapters of the National Development Plan (NPC, 2011). In Chapter 3: *Key drivers of change*, key proposals in the agriculture and agro-processing sectors include:

- *“Substantial investment in irrigation infrastructure, including water storage, distribution and reticulation throughout the country where the natural resource base allows, as well as in water-saving technology. A 50 percent increase in land under irrigation would cost R40 billion in off-farm infrastructure over a 10-year period.”*
- *Greater investment in providing innovative market linkages for small-scale farmers in communal and land-reform areas.*
- *As part of comprehensive support packages for farmers, preferential procurement mechanisms to ensure that new agricultural entrants can also access these markets.*
- *Tenure security. Farmers will only invest in these areas if they believe that their income streams from agriculture are secure. Tenure security will secure incomes for existing farmers at all scales, for new entrants into agriculture, and for the investment required to grow incomes.*
- *Technology development. Growth in agricultural production has always been fuelled by technology, and the returns to investment in agricultural research and development are high.*
- *Policy measures to increase intake of fruits and vegetables, and reduce intake of saturated fats, sugar and salt, as recommended in the South African food dietary guidelines, to accompany strategies to increase vegetable and fruit production.*
- *Exploration of innovative measures, such as procurement from small-scale farmers to create local buffer stocks and community-owned emergency services.”*

In Chapter 6: *An integrated and inclusive rural economy* it speaks of better integration of rural areas. This is to be achieved through successful land-reform, infrastructure development, job creation and poverty alleviation. This is to be driven by the expansion of irrigated agriculture, supplemented by dry-land production where feasible. Where there is low economic potential, the NDP speaks of the importance of services such as education, health care, basic services and social security to support the development of human capital. Since agriculture is the primary economic activity in rural areas, the NDP sees agriculture as having the potential to

create close to 1 million new jobs by 2030. To achieve this target, the NDP identified the following key activities:

- *“Expand irrigated agriculture. Evidence shows that the 1,5 million hectares under irrigation (which produce virtually all South Africa’s horticultural harvest and some field crops) can be expanded by at least 500 000 hectares through the better use of existing water resources and developing new water schemes.*
- *Use some underutilised land in communal areas and land reform projects for commercial production.*
- *Pick and support commercial agriculture sectors and regions that have the highest potential for growth and employment.*
- *Support job creation in the upstream and downstream industries. Potential employment will come from the growth in output resulting from the first three strategies.*
- *Find creative combinations between opportunities. For example, emphasis should be placed on land that has the potential to benefit from irrigation infrastructure, and priority should be given to successful farmers in communal areas, which would support further improvement of the area; and industries and areas with high potential to create jobs should receive the most support. All these will increase collaboration between existing farmers and the beneficiaries of land reform.*
- *Develop strategies that give new entrants access to product value chains and support from better resourced players.”*

3.2 Medium-Term Strategic Framework (MTSF) 2019-2024

Under Priority 2: *Economic Transformation and Job Creation* in the MTSF 2019-2024 (SA Government, 2019) it is noted that the Agriculture, forestry and fisheries industry was identified as a key sector to drive inclusive growth in rural economies. It is noted that in this industry there are significant job creation opportunities. In this section, it also speaks of the role of the Public Private Growth Initiative (PPGI). There are projects that this initiative is committed to in the forestry, automotive, agriculture, tourism, construction, small businesses, aerospace, energy, financial, manufacturing, ICT and pharmaceuticals industries. Also under Priority 2, with the outcome of *Industrialisation, localisation and exports* there is also a target that speaks to growing exports in national priority sectors of which agriculture and agro-processing are part of. In Priority 3: *Education, Skills and Health*, under the 2024 impact of *Improved Economic Participation and Social Development*, the MTSF aims to get more people involved in studying towards agriculture.

When considering Priority 5: *Spatial Integration, Human Settlements and Local Government*, agriculture is one of the industries that are identified to help to support rural communities. The role of the agriculture sector is highlighted various times throughout the document.

3.3 Northern Cape Department of Agriculture, Land Reform and Rural Development

In the Northern Cape, the Department of Agriculture, Land Reform and Rural Development (NCDALRRD, 2018) mentions five mega projects which are linked to various policy imperatives such as the Agricultural Policy Action Plan (APAP). These projects are:

1. Namakwa Irrigation Development with Onseepkans as Anchor. According to NCDALRRD, the Namakwa Irrigation Development can potentially create 3 447 jobs (133 skilled and 1 772 semi-skilled workers) upon completion.
2. Rooibos Development and extract/aroma as a key value-addition project, with the intention to create SMMEs in the surrounding industrialised rural spaces.
3. Vaalharts Revitalisation with Ganspan as Anchor; working together with the South African Pecan Nuts Association to establish black farmers in the pecan nut industry (in the Vaalharts region).
4. Vanderkloof Fisheries and Cage Trout farming. This dam is targeted by the province to be the centre for trout production. The department indicated that they were at the time busy finalising legislative aspects like permits and licenses before the pilot project could commence.
5. Vineyards Development Scheme. It started in 2007/08 as the vineyard development project and at the time, 187 Ha has been developed and over the next 10 years, a further 370 Ha was expected to be developed. NCDALRRD indicated that there is a need to further develop an identified area of 3 200 Ha of vineyards for high value crops, such as raisins, wine and table grapes, dates and pecans.

4. The Contribution of Agriculture to Employment and the Economy

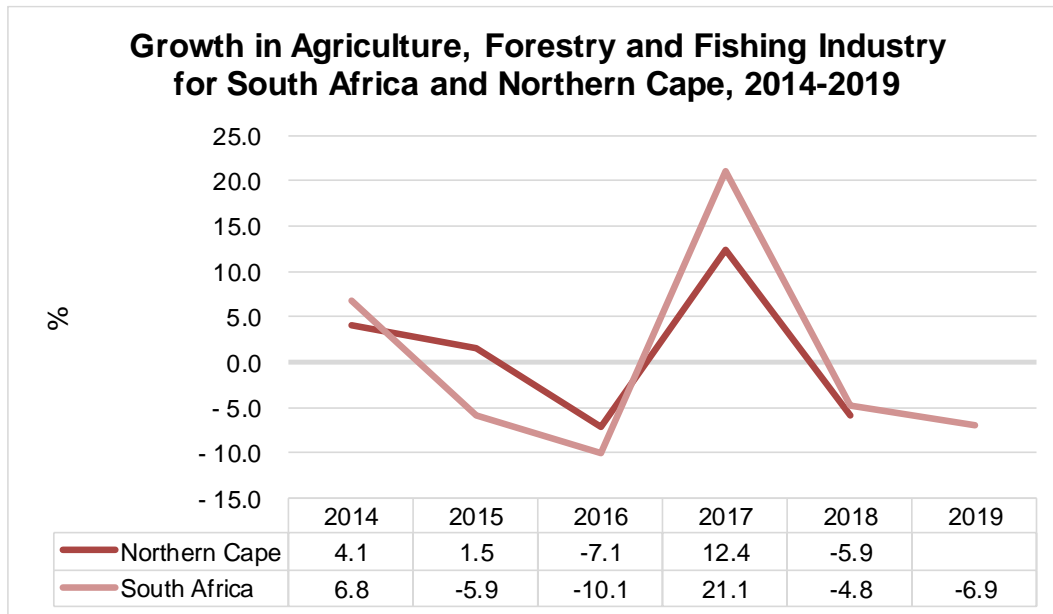
The Agriculture industry contributes to the food security of the country. It also contributes to the provincial economy and employment. This section provides an analysis of how much the Agriculture industry contributed to the national and provincial economies, also looking at how much each district contributed to the total agricultural output of the province. A similar analysis is done for employment, where the employment contribution of agriculture is viewed on a national and provincial level. Changes in employment in agriculture in the province is also analysed. This is followed by a breakdown of how this employment is divided up within the districts.

4.1 Agriculture and the Economy

4.1.1 South African Economy

The figure below provides the growth in the *Agriculture, forestry and fishing* industry for South Africa as well as the Northern Cape for the period from 2014 to 2019.

Figure 1: Growth in Agriculture, Forestry and Fishing Industry for South Africa and Northern Cape, 2014-2019

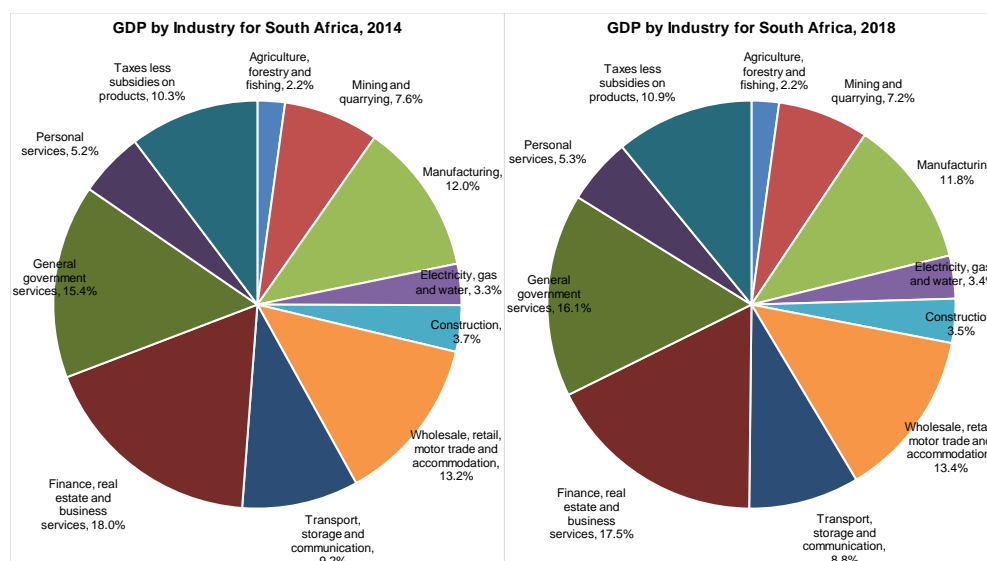


Source: Stats SA (Constant 2010 prices)

Over the review period, 2016 saw the largest contraction in both the national and provincial *Agriculture, forestry and fishing* industries at -10.1 and -7.1 per cent respectively. This was followed by significant positive growth in 2017, with the industry growing by 12.4 per cent in the province and 21.1 per cent nationally. Unfortunately, 2018 again saw provincial and national contractions followed by a further contraction on national level in 2019.

Figure 2 below provides the composition of the national GDP for 2014 and 2018.

Figure 2: GDP by Industry for South Africa, 2014 and 2018



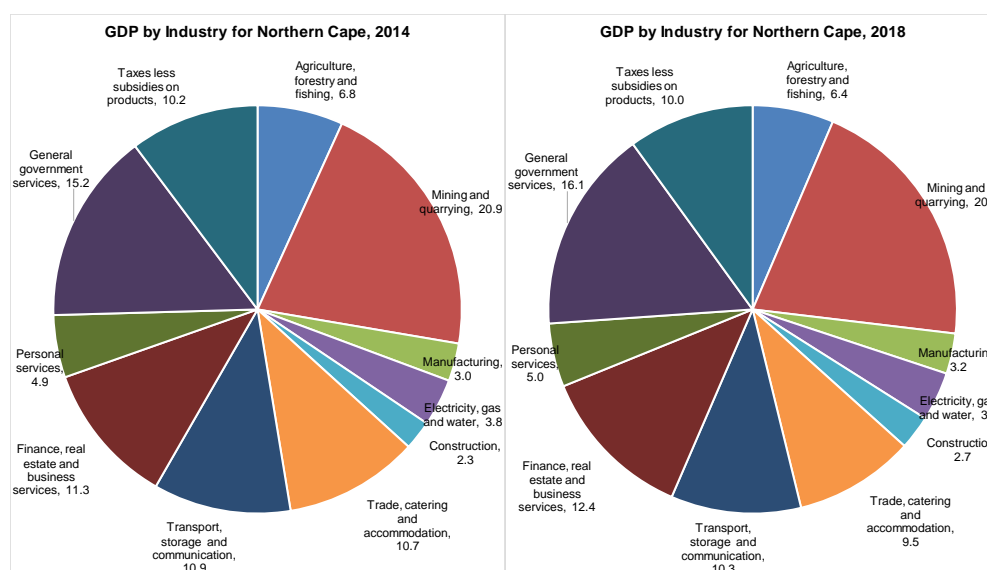
Source: Stats SA (Current prices) and own calculations

In 2014 and 2018, the *Agriculture, forestry and fishing* industry contributed only 2.2 per cent to the national economy, making it the smallest contributor. The largest contributor in both years was the *Finance, real estate and business services* industry, followed by *General government services* and *Wholesale, retail, motor trade and accommodation*. There were no significant changes in the structure of the economy, with only slight changes in the contributions made by the respective industries to the national GDP.

4.1.2 Northern Cape Economy

Figure 3 shows the contributions made by the various industries to the GDP of the province for 2014 and 2018.

Figure 3: GDP by Industry for Northern Cape, 2014 and 2018



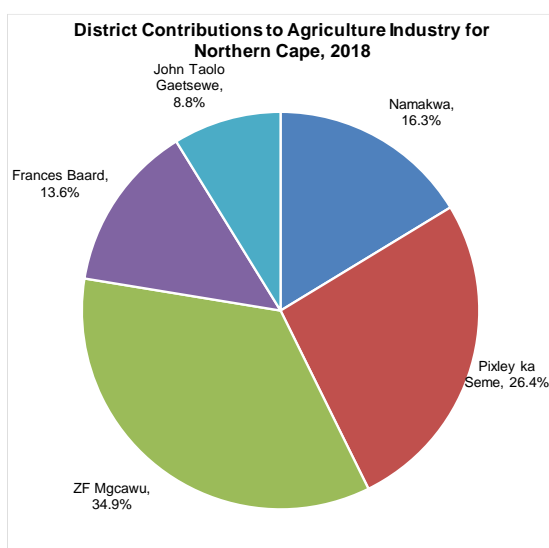
Source: Stats SA (Current prices)

In the Northern Cape, the largest contributor to the provincial GDP was the *Mining and quarrying* industry in both 2014 and 2018. This was followed by *General government services* and *Finance, real estate and business services*. The *Agriculture, forestry and fishing* industry was in the middle in terms of contribution to the province's GDP, making the sixth largest contribution to the total of all industries. As with the national economy, there were no significant changes in the structure of the economy.

4.1.2.1 Contributions by Districts to Agriculture in the Northern Cape

The figure below shows the contributions that the districts made to the provincial economy in 2018.

Figure 4: District Contributions to Agriculture Industry for Northern Cape, 2018



Source: IHS Markit and own calculations

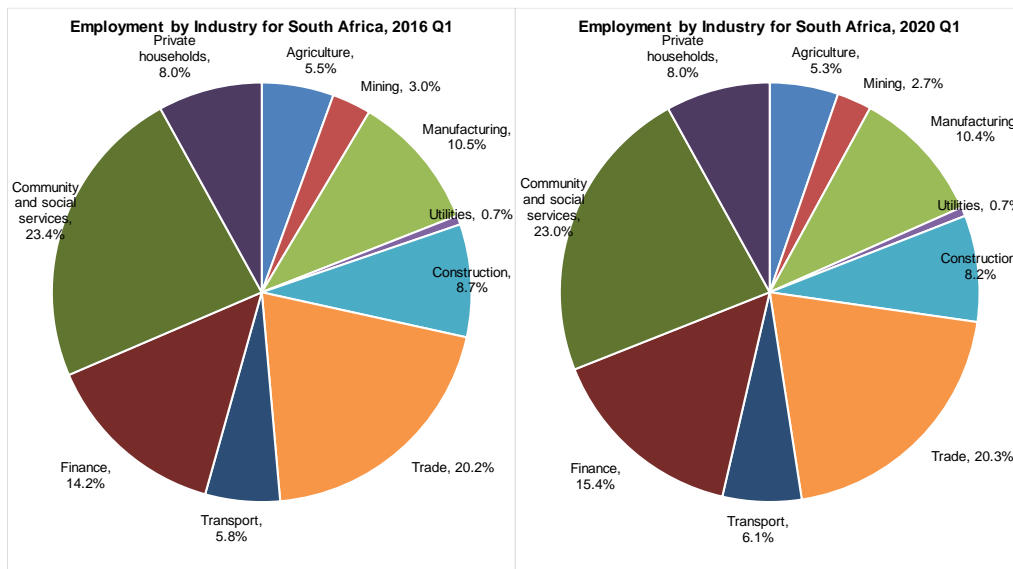
The district that made the largest contribution to the provincial *Agriculture* industry in 2018, was ZF Mgcawu, contributing slightly more than a third at 34.9 per cent. This was followed by Pixley ka Seme (26.4 per cent) and Namakwa (16.3 per cent).

4.2 Agriculture and Employment

4.2.1 South African Employment

In the figure below, the employment per industry is provided on a national level for the first quarter of 2016 and 2020.

Figure 5: Employment by Industry for South Africa, 2016 Q1 and 2020 Q1



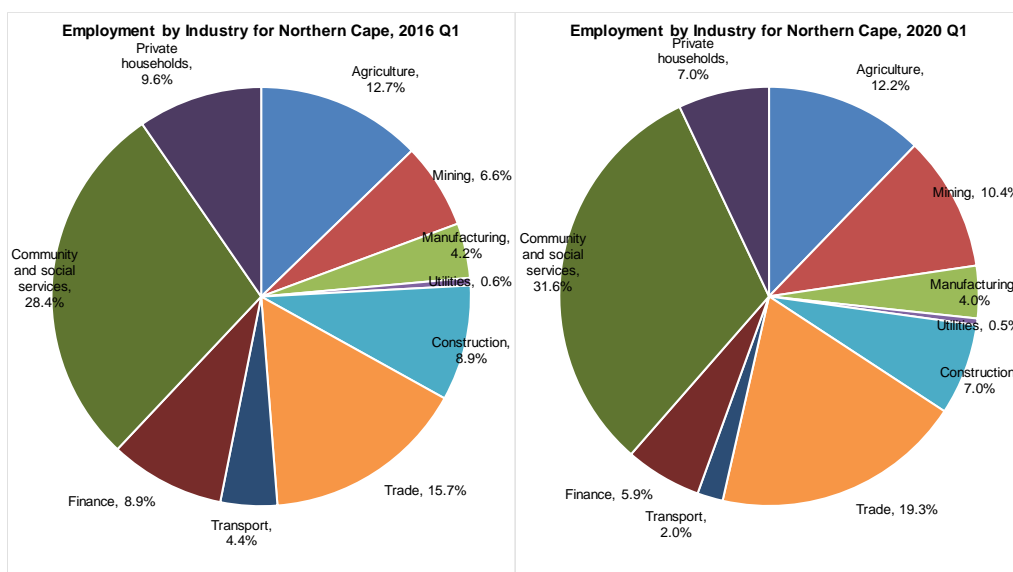
Source: Stats SA and own calculations

In the first quarter of 2016 and of 2020, *Community and social services* employed the largest number of people, accounting for 23.4 and 23.0 per cent respectively of the people employed in the industries above. This was followed by *Trade* and *Finance*. *Agriculture* accounted for 5.5 per cent of employment in the first quarter of 2016 and 5.3 per cent in the first quarter of 2020.

4.2.2 Northern Cape Employment

Figure 6 illustrates the employment per industry for the Northern Cape for quarter one of 2016 and 2020.

Figure 6: Employment by Industry for Northern Cape, 2016 Q1 and 2020 Q1

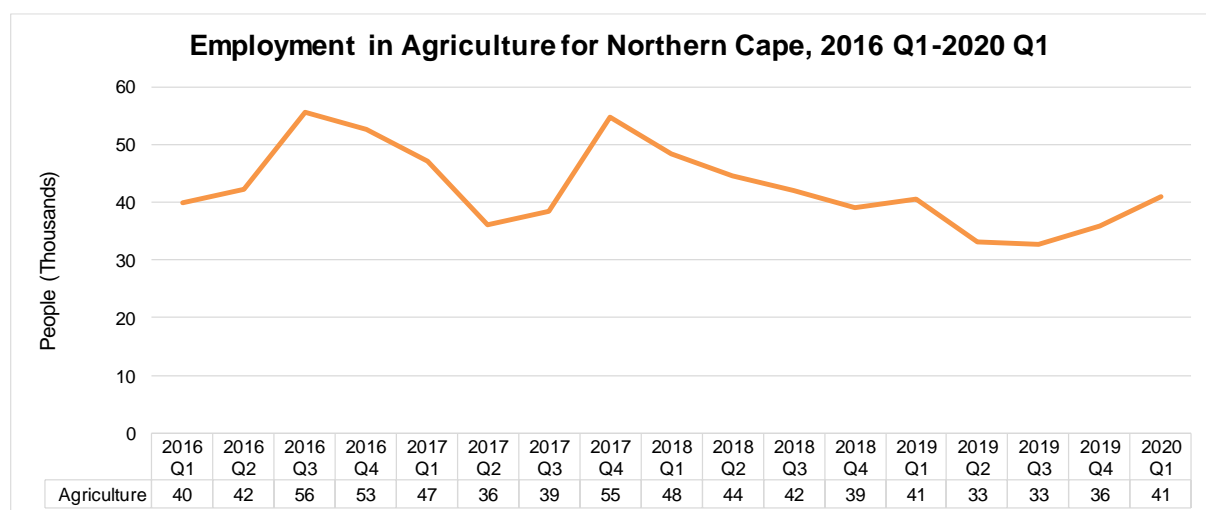


Source: Stats SA and own calculations

The *Community and social services* industry employed the largest share of people in the province in both the first quarter of 2016 (28.4 per cent) and 2020 (31.6 per cent). This is followed by *Trade and Agriculture*. One can see that the *Agriculture* industry contributes significantly to employment in the province, accounting for 12.7 per cent of the employed people in the province in quarter 1 of 2016 and a slightly lower 12.2 per cent in quarter 1 of 2020. Utilities accounted for the smallest share of employed people in the province in both quarters under review.

Figure 7 shows the employment in *Agriculture* for the Northern Cape for the period from quarter 1 of 2016 to quarter 1 of 2020.

Figure 7: Employment in Agriculture for Northern Cape, 2016 Q1-2020 Q1



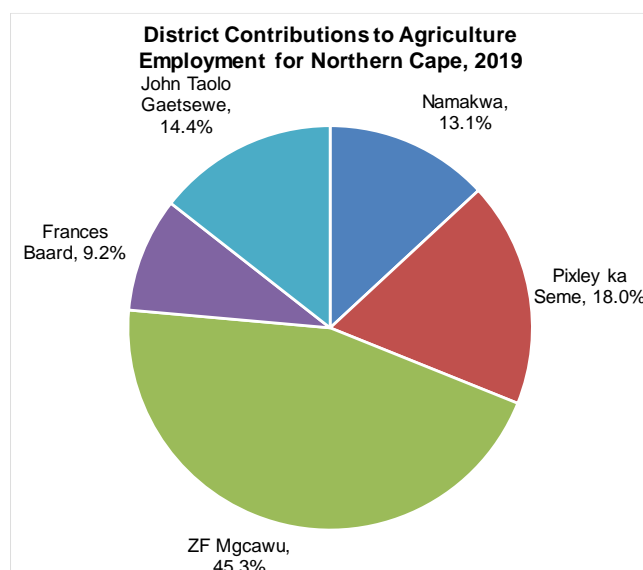
Source: Stats SA

The number of people employed in the *Agriculture* industry in the Northern Cape increased by about 1 000 over the period from the first quarter of 2016 to the first quarter of 2020 from about 40 000 to approximately 41 000. Employment in this industry peaked in the third quarter of 2016 at approximately 56 000 and reached a low of about 33 000 in quarters 2 and 3 of 2019.

4.2.2.1 Contributions by Districts to Agriculture Employment in the Northern Cape

In Figure 8 below, the contributions that the districts made to the total employment (formal plus informal) in the *Agriculture* industry in the Northern Cape is shown for 2019.

Figure 8: District Contributions to Agriculture Employment for Northern Cape, 2019



Source: IHS Markit and own calculations

As in the case of the contributions to the *Agriculture* output of the province, the ZF Mgcawu District also made the largest contribution to the total employment of the province's *Agriculture* industry, accounting for 45.3 per cent. The second largest contributor was Pixley ka Seme (18.0 per cent), followed by John Taolo Gaetsewe (14.4 per cent).

5. Conclusion and Recommendations

The agriculture industry plays a large role in the economy as well as employment in the province. It also contributes to the food security of both the province and the country. One can see the commitment from government to the industry's development and success through various policies and plans where this industry gets a lot of focus. The processing of the products of agriculture (agro-processing) is also of great interest for the future development of the economy and employment.

It is important for government to stay abreast of the challenges and threats that this industry faces and to assist farmers through it. Assisting emerging farmers is also very important. This assistance does not always have to be monetary, but guidance and mentoring systems in various areas are also important. Although one may easily think of this industry as a farm that produces crops or livestock, the business side of the industry should not be forgotten. Intensifying business, entrepreneurial and financial management mentoring can also assist farmers in becoming more successful, to grow their farms as well as employ more people from a business development perspective. Other support, including research and development, remains very important.

Although government is doing a lot in this industry, more can still be done when looking at the economic contribution of agriculture in the province. More efforts and initiatives towards this industry could translate to even greater employment opportunities and expanding the agriculture and manufacturing output of the province.

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