

SPACE, MARKETS AND EMPLOYMENT IN AGRICULTURAL DEVELOPMENT: SOUTH AFRICA

KEY ISSUES:

- The ability of agriculture to create jobs — on farms and in the non-farm rural economy (RNFE) — is shaped by the nature of production, structure of agro-food chains and larger spatial context.
- Despite policy ambitions to create more agricultural jobs, the long-term employment trajectory among large producers is downwards.
- Input markets for both large- and small-scale farmers are dominated by a few powerful, vertically integrated companies with efficient and extensive supply lines. They provide little local employment.
- Agriculture's forward linkages are largely into the supermarket-dominated agro-food system. These, too, provide limited local employment. There is however a dynamic and diverse informal and local retail sector comprising a variety of firms and actors at diverse scales.
- There is a dearth of local agriculture-led multipliers within the RNFE, which is not sustained by agriculture as much as by public sector salaries and state social (welfare) grants.
- Local wholesale and retail fresh produce markets play a vital role in sustaining downstream agri-employment. However, rural development policy and planning is characterised by overemphasis on formal, metropolitan markets and a lack of alignment with the needs of small entrepreneurs. Facilitating forward linkages (output markets) is crucial to encourage local economic dynamism and employment.
- Policy responses for inclusive rural development include: targeted support for smaller-scale producers; leveraging local forward market linkages; making supermarket value chains more inclusive; and effective local government support for the RNFE.

BACKGROUND

Growth in the agricultural sector has long been assumed to automatically benefit the rural non-farm sector, mainly through production or consumption 'linkages', including expenditure by farmers and their workers. However the economic and employment benefits of agriculture depend crucially on the spatial patterns of agricultural production, processing and marketing (and their linkages to local markets).

These policy findings draw on detailed area-based research examining agriculture, along with its upstream and downstream 'linkages', in the Weenen district of KwaZulu-Natal (Neves & Hakizimana, 2015). The district is home to both large and small-scale commercial farmers primarily engaging in horticulture. The research examined the economic and employment contribution of agriculture, and its impact on the larger RNFE.

The evidence suggests that the agricultural sector is crucial to those employed in it, but makes a small aggregate contribution to local employment. It similarly has a modest impact on the local RNFE. Most Weenen inhabitants (like those in many other rural South African towns) are disconnected from the agricultural sector. Instead local jobs and livelihoods are sustained by public sector salaries and state cash transfers ('social grants').

SUPPORTED BY



The local RNFE is better understood as linked into these ‘distributive’ circuits (Ferguson, 2015), rather than rooted in agriculture or primary production.



AGRICULTURAL EMPLOYMENT

Agriculture is dominated by larger-scale (predominantly ‘white’) commercial farmers, whose numbers have shrunk and consolidated over time. They face a continual cost-price squeeze in a highly deregulated agricultural sector, and seek to limit employee numbers and wage costs. While seasonal employment is widespread both by these and smaller-scale (‘black’ African) producers, the latter are more reliant on kin labour and receive uneven support from the state. Prevailing agricultural production systems therefore offer limited scope employment or improved wages.

Upstream linkages

Tracing the upstream linkages shows much agricultural input supply is dominated by a small number of powerful companies with spatially extensive geographical footprints. Larger commercial farmers effectively bypass local towns in their procurement of inputs. They are frequently linked, via two or three successive sets of linkages, to national or transnational input supply firms (seed, fertiliser, fuel, agrochemicals, agro-retail etc), with most sectors dominated by two to four powerful lead firms. Small-scale African commercial farmers are typically linked into the same input supply networks, even if their first tier intermediary may be a smaller or more proximate supplier.

With regards to household consumption, much is spent outside the Weenen district. Adjacent towns and distant cities are the sites of shopping, schooling and investment by the district’s middle classes and the affluent, and impoverished social grant recipients often also commute for their monthly grocery shop. These spatial patterns make for a paucity of local agriculture-led or consumption linkages. They limit the potential for local multipliers and employment in relation to agriculture, and make for a RNFE dominated by the public sector, services and retail.

Downstream linkages

Downstream of agriculture, and despite South Africa’s corporate supermarket-dominated food system, there is evidence of a diverse variety and scale of markets and buyers. For example in Greytown, 67km from Weenen, a large local supermarket chain procures fresh produce locally. Conversely, in Weenen’s nearest (34km distant) town of Estcourt, another independent supermarket chain procures only a fraction of its produce locally. Instead it is supplied from Johannesburg (400km distant), an arrangement enabled by low ‘backhaul’ rates from the industrial Highveld to the coast. In these ways agglomerations of supply, concentrated retail and comparatively ‘efficient’ infrastructure effectively pattern opportunities for local supply, markets and ultimately employment.

The research reveals significant constraints on rural employment under current conditions. It also suggests the structure of the larger agro-food system inhibits local or agriculture sector-led economic dynamism.

POLICY IMPLICATIONS

Policy responses to enable inclusive rural growth and employment include the need to:

Recognise that inclusive rural economic development and employment are not narrowly about agriculture.

Instead much of the RNFE (including retail and services) are highly reliant on South Africa’s ‘distributive regime’ of public sector salaries and social grants. Therefore, supporting inclusive rural growth and employment is necessarily complex, and extends beyond agriculture.

Assess how to reconcile declining agricultural employment with policy ambitions,

such as the National Development Plan’s goal of a million new agricultural jobs by 2030. This includes realistically addressing unresolved questions around what kinds of agriculture, farming systems and scale of producers ought to receive policy support.

Support smaller-scale African producers

(with inputs, training and market access) as they generate local employment (albeit often at low wages) and also operate at a scale and degree of informality conducive to procuring inputs and marketing outputs locally – thereby contributing to local economic dynamism.

Make land reform work. Current land reform policy provides little support for smallholder producers, as is evident even in Weenen despite its high agricultural potential, and adjacent precedents for successful smallholder production (e.g. Tugela Ferry irrigation scheme). The dearth of smallholders and more inclusive rural economy attest to the failure of South Africa's efforts at land reform to date.

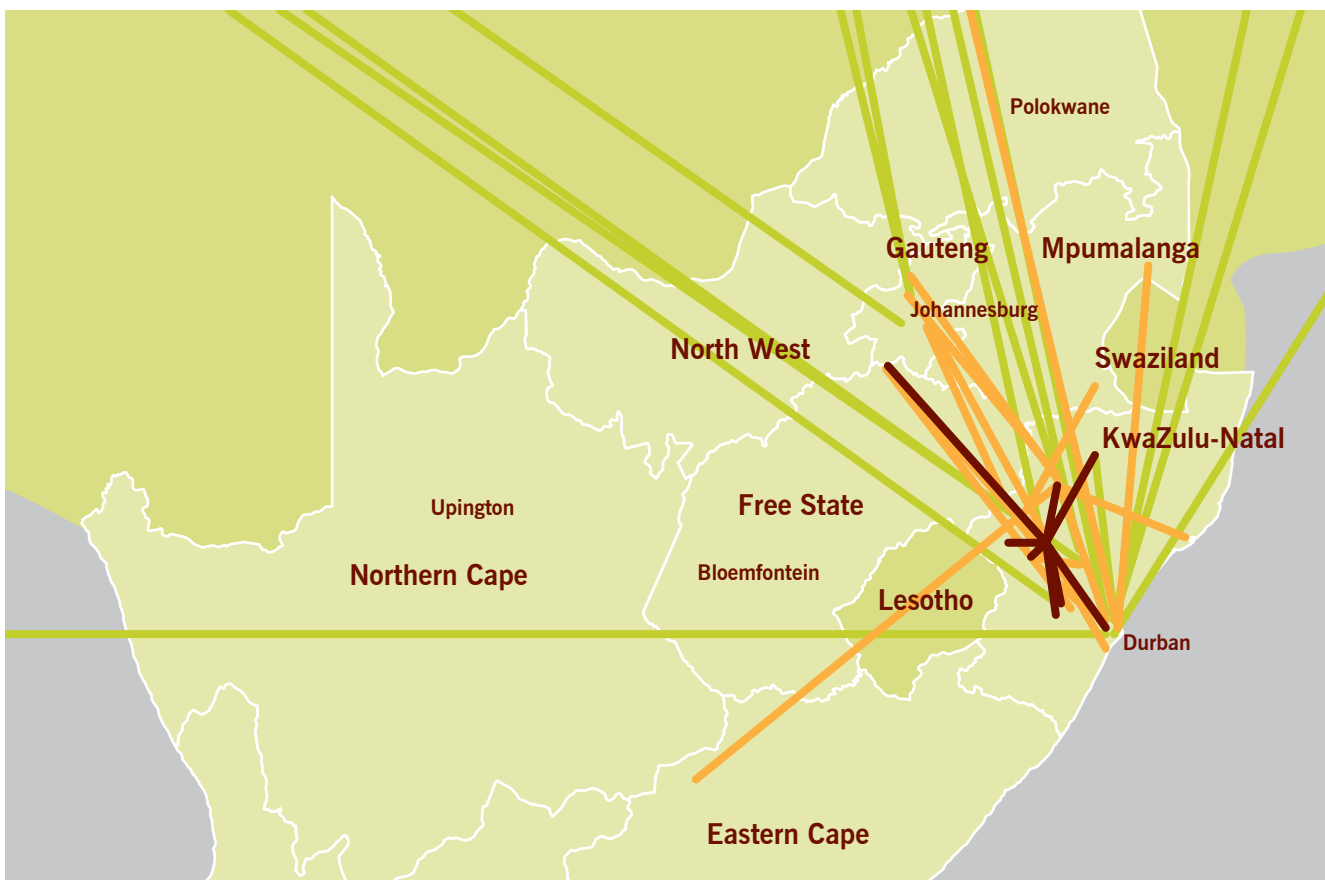
Decide on policy responses to larger-scale commercial farmers. These farmers are inclined to supply informal and local markets when costs, distance or scale of production preclude them from the chain supermarket-dominated food system. Their downstream linkages support growth and employment in the RNFE – but this is a double-edged sword. They simultaneously 'crowd out' the place for smallholder farmers. While smallholders need to be the core focus of area-based policy support, larger-scale farmers are

local employers – the policy challenge is to manage these two competing imperatives.

Do not view agricultural commodities as homogenous and undifferentiated, as horticultural production and livestock (including small livestock) offer some of the most obvious opportunities for smallholders' local economic participation.

Foster greater local economic inclusiveness within the formal agro-food retail sector (both corporate and large independent retailers), through the policy levers of incentives (e.g. state food procurement) and regulatory requirements (e.g. for local ownership, investment and procurement).

Encourage local government to support the RNFE. Local authorities ought to: temper their antipathy to informal traders, enable markets (such as organising weekly 'farmers markets'), and provide appropriate basic infrastructure (e.g. covered stands, lockable overnight storage, running water) for vendors.



Map of linkages: showing three successive tiers of upstream agri-input supply



RECOMMENDATIONS

1. Acknowledge that rural employment involves more than — and often is disconnected from — agriculture;
2. Realistically reconcile policy ambitions to increase agricultural employment with the reality of its long-term decline;
3. Support small-scale African farmers as they often procure inputs and market output locally;
4. Assess and weigh up policy responses to larger-scale farmers that sell locally, who compete potentially with smaller-scale producers;
5. Foster economic inclusiveness in the local agro-food retail sector, including through incentives and regulation;
6. Encourage local government to support local markets and provide basic infrastructure; and
7. Recognise the place of social grants, and decouple their distribution from corporate retail capital.

GLOSSARY

RNFE:

rural non-farm economic activity in rural areas apart from on-farm primary agricultural production.

Social grants:

welfare cash payments by the state.

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