

Agriculture and land

Introduction

Agriculture is a significant contributor to the South African economy through its effect on gross domestic product (GDP) and employment, as well as rural development and food security. The agriculture sector includes all activities relating to farming itself, supplies of inputs, and processing and distribution functions that add value to farm products. Although agriculture contributed only 3,5 per cent to GDP in 2002, purchases of items such as fertilisers, chemicals and implements, which form backward linkages with the manufacturing sector and forward linkages with industry through the supply of raw materials, had a significant impact on the economy. Approximately 68 per cent of agricultural output is used as intermediate products within the agricultural sector. Western Cape and KwaZulu-Natal are consistently the most significant contributors to the value added in this sector.

Agriculture impacts significantly on GDP, employment and rural development

The sector comprises a dominant commercial farming segment and a substantial small, subsistence and emerging farmer segment. The latter is particularly important because of its contribution to poverty reduction and job creation in the rural areas. According to the September 2003 Labour Force Survey, formal agriculture provides employment (including seasonal and contract employment) for about 832 000 farm workers, with a further 350 000 employed in subsistence or small-scale agriculture, accounting in total for 10,3 per cent of employment in South Africa. The agriculture industry is the second biggest industry in terms of informal sector employment. The national Department of Agriculture estimates that, in total, approximately 6 million people are dependent on agriculture for a livelihood.

The emerging farmer sector is important for poverty reduction and job creation in rural areas

Agriculture forms a small but important buffer against poverty for the poorest households, and offers wealth creation opportunities for wealthier households. Households, which grow their own vegetables, are able to use their savings to buy other food items, such as oil and fat, or other essentials. Most rural households are compelled by low incomes to be involved in this sort of agriculture.

Most rural households are involved in agriculture

Approximately 81 per cent of land in South Africa is used for agriculture, about 17 per cent of which is cultivated for cash crops, with the remainder being used for grazing. Agriculture contributes in the region of R28 billion to export earnings annually, accounting for approximately 10 per cent of total exports, of which about 55 per cent are processed agricultural products. The key exports are citrus fruit, wine, sugar, deciduous fruit and grapes.

Agriculture accounts for 10 per cent of exports

There have been significant reforms and deregulation since 1994

The Department of Agriculture, with its main partners in government and the private sector, has implemented a number of initiatives in recent years, including: the deregulation of the marketing of agricultural products; trade reforms, including free trade agreements; and the application of labour legislation to the sector. The aim has been to transform the sector away from its heavily regulated and subsidised state before 1994, when financial concessions were given only to white farmers at a huge cost to government. The department has in place several different programmes, all geared towards achieving the broad objectives of food security, rural competitiveness, poverty alleviation and resource management. In addition, the Department of Land Affairs has introduced a comprehensive land reform programme, which includes restitution, redistribution and tenure reform. This programme aims to improve access to land to redress the dispossession of black South Africans of their land as a result of the 1913 and 1936 Land Acts.

This chapter:

- sets out the institutional framework within which the sector operates
- presents an analysis of expenditure and budget trends and the contribution of provincial budgets to the development of the sector
- provides an overview of service delivery trends in land reform in particular
- highlights some of the challenges that still need to be met.

Institutional framework

Stakeholders in the sector include farmers' organisations, NGOs and the agri-industry

Agriculture is a schedule 4A concurrent function in terms of the Constitution, shared between national and provincial governments. Although the Department of Land Affairs has provincial offices, land matters are a national function. Other key stakeholders in the agriculture sector comprise farmers' unions, co-operatives and voluntary associations, non-governmental organisations; and the agri-industry.

The national department formulates policies, and norms and standards for delivery

The Department of Agriculture's role is to formulate government policy for agriculture in consultation with key stakeholders to facilitate the transformation to a united and prosperous sector. This includes developing policy frameworks, establishing norms and standards for delivery, and ensuring equitable access to and distribution of natural resources and support services. In this capacity, the department participated in an intergovernmental review process over the past year, with the provincial departments of agriculture and treasuries and National Treasury. The review was designed to instigate dialogue to assess existing programmes and formulate policy to address any shortcomings. The outcome has been the development of the comprehensive agricultural support programme (CASAP), which is designed to provide technical and infrastructure support to emerging farmers, in particular the beneficiaries of the land redistribution for agricultural development (LRAD) programme.

The provincial departments of agriculture are responsible for implementing national policies. They are responsible for, among other things, providing extension services and farmer settlement and support services, delivering veterinary services, and implementing the land care programme.

Provincial departments of agriculture implement national policy

The Department of Agriculture is supported by state agencies, which provide various services to provincial departments of agriculture and farmers. The main ones are the Agricultural Research Council (ARC), which promotes research and innovation, and provides technology and support to the agricultural community, and the National Agricultural Marketing Council (NAMC), which regulates the marketing of agricultural products. As an agriculture development bank, the Land Bank is mandated to provide wholesale and retail funds to farmers, historically disadvantaged people and rural entrepreneurs. Specialised agencies include Onderstepoort Biological Products Ltd (OBP), which manufactures vaccines and related products for animal healthcare, and the Perishable Products Export Control Board, which inspects perishable products intended for export. Ncera Farms (Pty) is a public company whose purpose is to help establish small and emerging farmers.

The national department is supported by state agencies which provide services to provinces

Expenditure and budget trends

Provincial departments of agriculture are structured differently across provinces. In some provinces, agriculture is combined with other complementary functions, such as conservation, environmental affairs and tourism, and land, to form a single department. Five provinces – Eastern Cape, Free State, Limpopo, Mpumalanga and Western Cape – have stand-alone departments of agriculture. This review separates agriculture budgets from budgets for other functions.

Agriculture is combined with other functions in most provinces

The combined budgets for the national and provincial departments of agriculture increased steadily between 2000/01 and 2003/04, as shown in table 7.1, rising from R3,0 billion to a projected R4,4 billion. The combined budgets are expected to continue to grow over the medium-term expenditure framework (MTEF), rising to R5,5 billion in 2006/07, an annual average increase over the seven-year period of 10,6 per cent.

The budget of the national Department of Agriculture constitutes approximately 22 per cent of the combined national and provincial agriculture budgets in 2004/05, which is a drop from over 27 per cent in 2003/04. This reflects the increase in funding to provinces for the implementation of agriculture programmes, specifically farmer support activities. National spending on agriculture is set to decline from R1,2 billion in 2003/04 to R1,1 billion in 2004/05, and subsequently increase over the outer years of the MTEF to R1,3 billion in 2006/07, reflecting an average growth of 2,4 per cent over the MTEF. Expenditure between 2001/02 and 2003/04 has been increased by the allocation of R255,0 million (R85,0 million a year) for flood relief over the three years following the floods of 1999/00. An additional once-off allocation of R150,0 million was made in

The national department accounts for a smaller proportion of the combined budgets due to increased allocations to the provinces

2003/04 for agricultural disaster management (drought, cold spells and floods), boosting the department's budget for this year.

Table 7.1 Provincial agriculture expenditure, 2000/01 to 2006/07

	2000/01	2001/02 Outcome	2002/03	2003/04 Preliminary outcome	2004/05	2005/06	2006/07
R million				Medium-term estimates			
Eastern Cape	451	563	572	752	898	781	822
Free State	118	120	146	210	211	226	243
Gauteng	66	50	70	62	81	92	104
KwaZulu-Natal	372	432	475	549	641	693	743
Limpopo	656	581	718	786	905	1 046	1 117
Mpumalanga	200	204	246	258	324	403	433
Northern Cape	55	58	71	75	93	104	112
North West	279	294	309	325	342	360	378
Western Cape	98	119	137	182	242	246	254
Total provinces	2 295	2 421	2 744	3 199	3 738	3 951	4 204
National¹	705	843	893	1 198	1 079	1 195	1 287
Total	3 000	3 264	3 638	4 396	4 817	5 146	5 492
Percentage of total provincial expenditure							
Eastern Cape	2,5%	2,9%	2,3%	2,5%	2,9%	2,3%	2,3%
Free State	1,6%	1,5%	1,5%	1,8%	1,7%	1,6%	1,6%
Gauteng	0,4%	0,2%	0,3%	0,2%	0,3%	0,3%	0,3%
KwaZulu-Natal	1,7%	1,7%	1,6%	1,6%	1,7%	1,7%	1,6%
Limpopo	4,5%	3,7%	3,8%	3,6%	3,7%	3,9%	3,8%
Mpumalanga	2,8%	2,4%	2,5%	2,2%	2,5%	2,8%	2,7%
Northern Cape	2,1%	2,0%	2,1%	1,8%	2,1%	2,1%	2,2%
North West	3,0%	3,0%	2,7%	2,4%	2,2%	2,1%	2,1%
Western Cape	0,8%	0,9%	0,9%	1,1%	1,3%	1,3%	1,2%
Average	2,2%	2,0%	2,0%	1,9%	2,0%	2,0%	2,0%
Percentage growth (average annual)	2000/01 – 2003/04		2003/04 – 2004/05		2003/04 – 2006/07		
Eastern Cape	18,6%		19,4%		3,0%		
Free State	21,0%		0,9%		5,0%		
Gauteng	-2,2%		30,3%		18,7%		
KwaZulu-Natal	13,9%		16,7%		10,6%		
Limpopo	6,2%		15,1%		12,4%		
Mpumalanga	8,9%		25,7%		18,8%		
Northern Cape	10,9%		25,1%		14,4%		
North West	5,3%		5,2%		5,1%		
Western Cape	22,9%		33,2%		11,8%		
Total provinces	11,7%		16,9%		9,5%		
National	19,3%		8,6%		2,4%		
Total provinces and national	13,6%		13,9%		7,7%		

1. Excludes the land care projects and comprehensive agriculture support programme conditional grants which are included in the provinces.

Sources: National Treasury provincial database; 2004 Estimates of National Expenditure

Table 7.1 shows that provincial expenditure has risen from R2,3 billion in 2000/01 to R3,2 billion in 2003/04, an annual average increase of 11,7 per cent. Provincial budgets continue to grow from 2003/04 levels over the MTEF, rising 16,9 per cent to R3,7 billion in 2004/05, and are expected to rise by an annual average of 6,1 per cent over the two outer years, reaching R4,2 billion in 2006/07. Included in the provincial budgets are transfers, in the form of new conditional grants, from the national department for the implementation of the comprehensive agricultural support programme. These transfers amount to R200 million in 2004/05, rising to R300 million in 2006/07, and will target emerging farmers who need to produce for the market rather than only for food security. The agriculture sector was also prioritised in the allocation of the provincial infrastructure grant, in order to help it address the backlogs in agriculture infrastructure.

A comprehensive agricultural support programme has been introduced

The conditional grant allocated to the land care programme has risen from R18,1 million in 2000/01 to an expected R44,5 million in 2006/07, an annual average increase of 16,3 per cent over the seven-year period. Land care projects are directed at rural communities to promote the sustainable use and management of natural resources and support infrastructure development. They aim to encourage communities to increase productivity in order to support food security and job creation. Some of the themes within the land care programme include water care, soil care, veld care and the junior land care programme.

Provinces receive conditional grants for the implementation of the land care programme

Agriculture expenditure growth rates over the MTEF vary considerably amongst provinces. The largest growth is in Mpumalanga (18,8 per cent) and the smallest is in Eastern Cape (3,0 per cent). Five other provinces – Gauteng, KwaZulu-Natal, Limpopo, Northern Cape and Western Cape – are also set to experience growth rates above the provincial average of 9,5 per cent.

Growth in spending varies widely among provinces

Agriculture budgets comprise on average 1,9 per cent of total provincial budgets in 2003/04, ranging from a high of 3,6 per cent in Limpopo to a low of 0,2 per cent in Gauteng. The poorest provinces, which incorporated former homelands, focus a larger proportion of their budgets on agriculture. This is also evidenced by the fact that 75,4 per cent of total provincial spending on agriculture in 2003/04 took place in four provinces: Eastern Cape (23,5 per cent), Limpopo (24,6 per cent), KwaZulu-Natal (17,2 per cent) and North West (10,2 per cent). The bulk of provincial expenditure on agriculture, however, is directed towards covering personnel costs rather than agricultural activities themselves.

Poorer provinces spend proportionally more on agriculture

The implementation of the land reform programme is funded through the vote of the Department of Land Affairs. The department's budget includes allocations to fund the redistribution and restitution programmes. Expenditure on transfers to beneficiaries in the form of land redistribution grants has increased sharply from R156,6 million in 2000/01 to an expected R614,4 million in 2006/07, an annual average increase of 25,6 per cent. Allocations to the restitution programme in particular have increased rapidly, rising from R265,1 million in 2000/01 to an expected R1,4 billion in 2006/07.

Funding for land reform is set to grow over the MTEF

This represents an annual average increase of 31,5 per cent over the seven-year period. This sharp increase in funding has been to help finalise all restitution claims by the target date of December 2005. It is anticipated that as the restitution process comes to a close, its budget allocation will be moved to increase the spending on the LRAD programme.

Table 7.2 Provincial agriculture compensation of employees expenditure, 2000/01 to 2006/07

	2000/01	2001/02 Outcome	2002/03	2003/04 Preliminary outcome	2004/05	2005/06	2006/07
R million					Medium-term estimates		
Eastern Cape	369	400	407	446	473	490	509
Free State	89	88	96	113	134	141	148
Gauteng	30	33	40	34	43	47	52
KwaZulu-Natal	238	266	259	302	344	368	386
Limpopo	511	468	540	594	628	698	740
Mpumalanga	148	107	123	124	142	151	160
Northern Cape	33	34	38	43	39	43	45
North West	166	175	184	194	204	215	226
Western Cape	65	68	74	81	116	116	117
Total	1 649	1 640	1 762	1 931	2 124	2 270	2 382
Percentage of total agriculture expenditure							
Eastern Cape	81,8%	71,0%	71,2%	59,3%	52,7%	62,8%	61,9%
Free State	75,3%	73,4%	65,3%	54,0%	63,6%	62,6%	61,1%
Gauteng	45,6%	66,2%	56,9%	54,4%	53,1%	50,9%	50,5%
KwaZulu-Natal	64,1%	61,5%	54,6%	54,9%	53,8%	53,2%	52,0%
Limpopo	77,8%	80,5%	75,2%	75,6%	69,4%	66,7%	66,3%
Mpumalanga	73,9%	52,6%	50,1%	48,1%	43,8%	37,5%	36,9%
Northern Cape	60,2%	59,2%	53,6%	57,6%	42,1%	41,1%	40,2%
North West	59,6%	59,6%	59,6%	59,6%	59,4%	59,7%	59,7%
Western Cape	66,3%	57,6%	54,5%	44,7%	48,1%	47,1%	45,9%
Total	71,9%	67,7%	64,2%	60,4%	56,8%	57,4%	56,7%
Percentage growth (average annual)							
	2000/01 – 2003/04		2003/04 – 2004/05		2003/04 – 2006/07		
Eastern Cape	6,5%		6,1%		4,5%		
Free State	8,3%		18,9%		9,4%		
Gauteng	3,8%		27,1%		15,8%		
KwaZulu-Natal	8,2%		14,2%		8,6%		
Limpopo	5,2%		5,7%		7,6%		
Mpumalanga	-5,6%		14,5%		8,8%		
Northern Cape	9,3%		-8,5%		1,5%		
North West	5,3%		5,0%		5,2%		
Western Cape	7,8%		43,5%		12,8%		
Total	5,4%		10,0%		7,3%		

Source: National Treasury provincial database

Compensation of employees

Table 7.2 shows that the provinces with the largest agriculture budgets are also the ones spending the most, proportionally and in absolute terms, on compensation of employees. The high shares of agricultural budgets represented by spending on the compensation of employees in 2003/04 can be seen in particular in Eastern Cape (59,3 per cent), Limpopo (75,6 per cent) and North West (59,6 per cent). These provinces inherited homelands and had to amalgamate various departments and agriculture schemes into a single provincial department, causing their expenditure on compensation of employees to surge.

Compensation of employees accounts for the largest share of budgets in poor provinces

The majority of their personnel are unskilled workers, unable to provide the necessary support services to farmers. One of the challenges facing the provincial agriculture departments is reducing their share of expenditure on compensation of employees while simultaneously expanding their skills base, in order to fund and support agricultural activities. To this end, while compensation of employees expenditure continues to grow steadily, rising from R1,9 billion to R2,4 billion over the MTEF (an annual average increase of 7,3 per cent), it is set to decline, from 60,4 per cent to 56,7 per cent, as a proportion of total agriculture spending over the same period.

Non-compensation of employees

Non-compensation of employees expenditure is set to grow consistently over the MTEF, rising from R1,3 billion in 2003/04 to R1,8 billion in 2006/07, as reflected in Table 7.3, an annual average increase of 12,8 per cent over the period. The proportion of non-compensation of employees spending to total agriculture expenditure continues its steady rise from 28,1 per cent in 2000/01 to an expected 43,3 per cent in 2006/07.

Non-compensation of employees spending is growing consistently

The increase in non-compensation of employees spending is due to the increased allocation for farmer support programmes through the introduction of the CASP grant and the allocation from the provincial infrastructure grant. The CASP grant is designed to include spending on infrastructure, such as on dipping tanks, replacing and upgrading existing structures, and fencing. Other prioritised capital expenditure includes on-farm and off-farm infrastructure, including stock watering systems, crush pens, access roads and new irrigation schemes. Spending on agriculture infrastructure increases from R230 million in 2003/04 to R510 million in 2004/05. Two-thirds of the allocation for infrastructure is for construction projects, and the rest is to be spent on maintenance and rehabilitation.

Spending on agriculture infrastructure is boosted over the 2004 MTEF

Part of recurrent non-compensation of employees expenditure is directed towards providing key support services, such as livestock dipping, vaccinations and other veterinary services to prevent the outbreak of animal diseases. These services, along with the provision of start-up capital (in the form of grants or revolving funds) to resource poor farmers, are intended to have a significant impact on the

Conditional grants enable the sector to prioritise farmer support programmes

development of small and subsistence farming, thus alleviating poverty in rural areas. However, for many years, many provinces did not increase funding for these services, particularly Limpopo, North West and Eastern Cape, because of budgets being absorbed by expenditure on compensation of employees. With the recovery in non-compensation of employees expenditure over the current MTEF, it is anticipated that these services will be revived across the predominantly rural provinces.

Table 7.3 Provincial agriculture non-compensation of employees expenditure, 2000/01 to 2006/07

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	Outcome			Preliminary outcome	Medium-term estimates		
R million							
Eastern Cape	82	163	165	306	425	291	313
Free State	29	32	51	96	77	84	95
Gauteng	36	17	30	28	38	45	51
KwaZulu-Natal	134	166	215	248	296	325	357
Limpopo	146	113	178	192	277	348	377
Mpumalanga	52	97	123	134	182	252	273
Northern Cape	22	24	33	32	54	61	67
North West	113	119	125	131	139	145	152
Western Cape	33	50	62	101	126	130	137
Total	646	781	982	1 268	1 614	1 681	1 822
Percentage of total agriculture expenditure							
Eastern Cape	18,2%	29,0%	28,8%	40,7%	47,3%	37,2%	38,1%
Free State	24,7%	26,6%	34,7%	46,0%	36,4%	37,4%	38,9%
Gauteng	54,4%	33,8%	43,1%	45,6%	46,9%	49,1%	49,5%
KwaZulu-Natal	35,9%	38,5%	45,4%	45,1%	46,2%	46,8%	48,0%
Limpopo	22,2%	19,5%	24,8%	24,4%	30,6%	33,3%	33,7%
Mpumalanga	26,1%	47,4%	49,9%	51,9%	56,2%	62,5%	63,1%
Northern Cape	39,8%	40,8%	46,4%	42,4%	57,9%	58,9%	59,8%
North West	40,4%	40,4%	40,4%	40,4%	40,6%	40,3%	40,3%
Western Cape	33,7%	42,4%	45,5%	55,3%	51,9%	52,9%	54,1%
Total	28,1%	32,3%	35,8%	39,6%	43,2%	42,6%	43,3%

Source: National Treasury provincial database

Programmes

The focus of policy is shifting towards supporting emerging farmers

Over the past decade policy has been shifting from supporting the established commercial farming sector towards developing and sustaining emergent and historically disadvantaged farmers in order to create a new commercial farming sector. Table 7.4 shows that the programme with the largest budget, accounting for 46,5 per cent of total provincial expenditure in 2003/04, continues to be farmer support and development, which provides extension services, training and food security projects. Expenditure on this programme is set to rise from R1,5 billion in 2003/04 to R1,8 billion in 2006/07, an annual average increase of 7,4 per cent.

Table 7.4 Provincial agriculture expenditure by programme, 2000/01 to 2006/07

R million	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	Outcome			Preliminary outcome	Medium-term estimates		
Administration	658	593	663	736	843	886	931
Sustainable resource management	146	193	200	227	259	350	383
Farmer support and development	892	1 028	1 200	1 487	1 695	1 720	1 843
Veterinary services	293	255	279	303	361	389	411
Technology research and development services	209	247	292	308	339	345	360
Agricultural economics	15	17	20	30	60	65	68
Structured agricultural training	81	87	91	108	181	196	207
Total	2 295	2 421	2 744	3 199	3 738	3 951	4 204
Percentage of provincial agriculture expenditure							
Administration	28,7%	24,5%	24,2%	23,0%	22,6%	22,4%	22,2%
Sustainable resource management	6,4%	8,0%	7,3%	7,1%	6,9%	8,9%	9,1%
Farmer support and development	38,9%	42,5%	43,7%	46,5%	45,3%	43,5%	43,8%
Veterinary services	12,8%	10,6%	10,1%	9,5%	9,7%	9,8%	9,8%
Technology research and development services	9,1%	10,2%	10,6%	9,6%	9,1%	8,7%	8,6%
Agricultural economics	0,7%	0,7%	0,7%	0,9%	1,6%	1,6%	1,6%
Structured agricultural training	3,5%	3,6%	3,3%	3,4%	4,9%	5,0%	4,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: National Treasury provincial database

Administration is the next largest programme (23,0 per cent), followed by technology research and development services (9,6 per cent), and veterinary services (9,5 per cent).

Administration is the second largest programme

Table 7.5 shows that the largest administration programme is in Eastern Cape, accounting for 41,1 per cent of provincial agriculture expenditure in 2004/05, as it includes supernumeraries. Eastern Cape, KwaZulu-Natal and Limpopo spend the most on farmer development and support, accounting for 73,7 per cent of total provincial expenditure on the programme. Gauteng and Northern Cape by comparison spend 2,4 per cent and 2,6 per cent each respectively on this programme.

Extension programmes are designed to facilitate and promote productive use of land by providing services such as training on appropriate production methods; marketing; and organising farmers into groups for purchasing inputs, marketing outputs and accessing finance. Most of the allocation for infrastructure is included in the farmer support and development programme. This will support improved access to services for targeted farmers, while raising the quality of those services.

Extension progress promote productive use of resources

Some provinces do not provide the services under all the standard programme structures; some functions are incorporated in other programmes. For example, Gauteng does not reflect any spending on the technology research and development services, agricultural economics and structured agricultural training programmes; these services are provided on a small scale in its specialised support services subprogramme.

Table 7.5 Provincial agriculture expenditure by programme, 2004/05

	Admini- stration	Sustain- able resource manage- ment	Farmer support and develop- ment	Veteri- nary services	Techno- logy research and develop- ment services	Agri- cultural econo- mics	Struc- tured agricul- tural training	Total
R million								
Eastern Cape	347	47	316	91	55	11	31	898
Free State	76	26	52	23	20	2	12	211
Gauteng	20	7	30	24	–	–	–	81
KwaZulu-Natal	106	35	342	72	66	–	19	641
Limpopo	140	53	591	21	22	17	60	905
Mpumalanga	44	37	95	47	66	13	21	324
Northern Cape	22	9	37	10	14	1	–	93
North West	59	18	158	48	31	8	21	342
Western Cape	30	27	74	23	63	7	18	242
Total	843	259	1 695	361	339	60	181	3 738
Percentage of provincial agriculture expenditure								
Eastern Cape	41,1%	18,1%	18,7%	25,2%	16,3%	17,8%	16,8%	24,0%
Free State	9,0%	10,1%	3,1%	6,5%	6,0%	4,0%	6,4%	5,7%
Gauteng	2,4%	2,8%	1,7%	6,6%	0,0%	0,0%	0,0%	2,2%
KwaZulu-Natal	12,5%	13,5%	20,2%	20,1%	19,6%	0,0%	10,4%	17,1%
Limpopo	16,6%	20,4%	34,9%	5,9%	6,6%	29,1%	33,3%	24,2%
Mpumalanga	5,2%	14,3%	5,6%	13,1%	19,6%	22,3%	11,4%	8,7%
Northern Cape	2,6%	3,7%	2,2%	2,8%	4,1%	2,2%	0,0%	2,5%
North West	7,0%	6,8%	9,3%	13,3%	9,3%	12,6%	11,8%	9,2%
Western Cape	3,5%	10,4%	4,3%	6,5%	18,6%	12,1%	9,9%	6,5%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: Provincial Departments of Agriculture

Spending on veterinary services controls the spread of livestock diseases

Expenditure on veterinary services is greatest in Eastern Cape, KwaZulu-Natal, Mpumalanga, and North West, which together account for 71,5 per cent of expenditure in this programme. Veterinary services ensure that provinces are able to combat the spread of livestock diseases through animal inspections, vaccinations and dipping, and to respond to outbreaks such as foot and mouth disease in conjunction with the Department of Agriculture.

The provincial reporting system needs to be standardised

Provinces' productivity is measured against a few target indicators, such as the number of farmers trained; the number of food security projects supported, and the number of land care projects supported. As yet the reporting system has not been standardised to enable comparisons across provinces. Nevertheless, as a rough indication: almost 38 per cent of land care projects are based in North West; almost 40 per cent of farmers being trained through the extension and farmer support subprogrammes are in Western Cape, closely followed by Mpumalanga; and the greatest proportion of exports are controlled in Mpumalanga.

Table 7.6 National agriculture and land reform expenditure by programme, 2000/01 to 2006/07

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
R million	Outcome			Preliminary outcome	Medium-term estimates		
Agriculture							
Administration	94	114	137	151	158	167	177
Farmer support and development	14	101	123	287	261	328	383
Sustainable resources management and use	125	123	122	135	165	180	196
National regulatory services	139	157	152	198	195	241	256
Communication and information management	50	60	75	81	83	87	92
Other programmes	302	315	309	382	445	481	529
Subtotal	723	871	917	1 234	1 306	1 485	1 632
Land Affairs							
<i>of which</i>							
Restitution	265	291	394	839	933	1 157	1 370
Land Reform	253	444	416	465	474	619	801
Subtotal	518	735	810	1 304	1 407	1 776	2 171
Total	1 241	1 606	1 728	2 539	2 713	3 261	3 803
Percentage of total national agricultural expenditure							
Administration	13,0%	13,1%	14,9%	12,3%	12,1%	11,2%	10,8%
Farmer support and development	1,9%	11,6%	13,4%	23,3%	20,0%	22,1%	23,5%
Sustainable resources management and use	17,3%	14,2%	13,3%	11,0%	12,7%	12,1%	12,0%
National regulatory services	19,2%	18,0%	16,6%	16,0%	14,9%	16,3%	15,7%
Communication and information management	6,9%	6,9%	8,2%	6,5%	6,3%	5,9%	5,6%
Other programmes	41,7%	36,2%	33,7%	30,9%	34,0%	32,4%	32,4%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: 2004 Estimates of National Expenditure

National Agricultural Programmes

At the national level, the largest programme funded by the Department of Agriculture, accounting for 23,3 per cent of its budget in 2003/04, is farmer support and development, followed by regulatory services (16,0 per cent) and administration (12,3 per cent), as shown in Table 7.6. The department's activities within the farmer support programme are mainly formulating policies and strategies to support the provincial departments in this capacity. Regulatory services are provided at both the national and provincial levels, under the national regulatory services programme. Activities concentrate on controlling the risks associated with animal and plant diseases and the use of genetically modified organisms, through monitoring imports/exports to ensure health and safety standards are met, complying with international protocols, and responding to outbreaks of diseases. The sustainable resources management and use programme is responsible for the land care projects. Other programmes include: agricultural trade and business development; economic research and analysis; and agricultural production and

Farmer support and development dominates national expenditure on agriculture

programme planning, monitoring and evaluation. Together these programmes introduce policies and instruments to increase productivity and profitability, mitigate climatic impacts, and expand and transform the sector.

Service delivery trends

Land reform

The agriculture sector is characterised by the unequal land ownership patterns of the past

The agriculture sector is characterised by the legacy of apartheid's dual structure, with unequal land ownership patterns based along racial lines. White commercial farmers own most of the land with high potential for farming, with historically disadvantaged individuals (HDIs) farming on a small-scale or subsistence basis. The Department of Land Affairs' land redistribution, restitution and tenure reform programmes are designed to redress this imbalance. The land reform programme aims to redistribute 30 per cent of agricultural land to HDIs by 2015, which is equivalent to transferring 24,7 million hectares. The department is also striving at present to meet the presidential directive to finalise all restitution claims by the end of 2005.

Table 7.7 National land reform outputs, February 2004

Programme	Hectares	% contribution
Redistribution	1 536 419	47,0%
Excluding LRAD ¹	1 049 239	
LRAD ¹	487 180	
Tenure reform	146 856	4,5%
ESTA ²	10 873	
Tenure upgrading	54 836	
Labour tenants	81 148	
State land	772 626	23,7%
DLA-land (former SADT ³ -land):	601 276	
Financial assistance agricultural land (Fala-land):	50 000	
Other Department of Public Works land	91 350	
Land for housing projects	30 000	
Restitution	810 292	24,8%
Total	3 266 193	100,0%

1. Land Redistribution for Agricultural Development programme.

2. Extension of Security of Tenure Act, 1997.

3. South African Development Trust.

Source: Department of Land Affairs, June 2004

The LRAD programme has made the largest contribution to land transfers

Table 7.7 shows that a total of 3,3 million hectares of land have been transferred under the land reform programme over the past 10 years. The redistribution programme has made the largest contribution to land transfers at 1,5 million hectares, accounting for 47,0 per cent, followed by the restitution programme, accounting for 24,8 percent of land transfers to date. The Department of Agriculture drives the redistribution of state land for agriculture, and about 773 000 hectares (23,7 per cent) have been transferred, mostly under long-term leases to emerging farmers.

Restitution

Table 7.8 shows that 48 463 restitution claims were settled by the end of February 2004, representing 60,8 per cent of total claims. The total amount of land transferred through the programme to date is 810 292 hectares at a cost of R1,0 billion. A further R1,7 billion has been paid out in financial compensation, primarily for settling urban claims, bringing the total cost of settled claims to R2,7 billion. There were 31 231 restitution claims still outstanding at the end of February 2004, approximately 64 per cent of which were in urban areas. The bulk of unsettled claims are in the Cape Town and eThekweni metros in Western Cape and KwaZulu-Natal, respectively.

60,8 per cent of restitution claims have been settled

Table 7.8 Provincial land restitution outputs, February 2004

	Claims settled ¹	Households	Beneficiaries	Hectares	Land cost (R thousand)	Financial compensation (R thousand)
Eastern Cape	12 943	26 742	112 664	28 338	198 227	438 436
Free State	2 031	2 718	18 460	43 315	13 052	28 859
Gauteng	9 312	9 304	45 493	3 453	30 285	377 631
KwaZulu-Natal	10 332	22 909	140 591	132 379	230 857	404 331
Limpopo	1 209	12 722	53 577	54 575	129 503	36 470
Mpumalanga	1 354	14 124	78 337	240 014	254 641	35 713
Northern Cape	1 501	5 273	31 936	233 634	69 754	47 702
North West	1 237	11 881	63 770	71 484	93 993	26 280
Western Cape	8 544	11 653	71 601	3 100	8 096	325 454
Total	48 463	117 326	616 429	810 292	1 028 407	1 720 877

1. Total number of validated claims is 79 694.

Source: Department of Land Affairs, June 2004

The expenditure on this programme is set to rise sharply from R839,1 million in 2003/04 to R1,4 billion in 2006/07, an annual average increase of 17,8 per cent, to speed up delivery in line with the 2005 target date of completion. This process will be aided by the amendment to the Restitution of Land Rights Act, signed into law in 2004, giving the Minister of Land Affairs more effective expropriation powers in the public interest, allowing for expropriation without a court order or agreement with the farmer.

Legislation gives the Minister of Land Affairs more effective powers of expropriation

The restitution programme is funded until 2006/07, allowing for resources to be committed up to December 2005, but for cash outflow to continue beyond this. A number of residual claims are likely to remain unsettled after December 2005, such as those relating to untraceable claimants, highly disputed claims and claims in court.

Redistribution

The LRAD programme, which is implemented by the Department of Land Affairs in conjunction with the Department of Agriculture, is the primary mechanism for redistributing land. It is designed to meet the needs of beneficiaries with varying objectives, such as food safety-net projects, co-operative projects, equity schemes and commercial production. This is done through two distinct components: providing beneficiaries with grants to assist in the transfer of agricultural land to

individuals or groups; and commonage projects, which increase access to municipal and tribal land for agriculture purposes.

Table 7.9 shows that 1,7 million hectares of land have been transferred through redistribution and tenure reform programmes since 1994, accounting for 51,5 per cent of land delivery to date. Of this, 487 180 hectares have been redistributed through the LRAD programme since 2001, benefiting some 23 397 households.

Table 7.9 Provincial land redistribution and tenure reform outputs, April 2003 to February 2004

	Number of projects	Households	Female-headed households	Area of land (hectares)	Land cost (R thousand)
Eastern Cape	125	14 032	556	40 750	60 403
Free State	25	197	1	1 725	4 881
Gauteng	52	2 273	126	1 861	170
KwaZulu-Natal	34	1 127	–	31 744	18 553
Limpopo	55	537	255	12 173	6 445
Mpumalanga	18	23	–	3 241	19 400
Northern Cape	9	49	19	5 798	2 234
North West	37	1 069	210	17 286	16 649
Western Cape	16	282	–	6 349	18 458
Total	371	19 589	1 167	120 928	147 194
Total from 1994 to March 2003	1 967	137 521	17 482	1 562 347	n/a
Grand total	2 338	157 110	18 649	1 683 275	n/a

Source: Department of Land Affairs, June 2004

The amount of land being transferred and the number of beneficiaries varies across provinces

The amount of land being transferred and the number of benefiting projects and households varies considerably across provinces. Table 7.9 indicates that 33,7 per cent of completed redistribution projects between April 2003 and February 2004 are located in Eastern Cape, benefiting over 14 000 households, which include 556 female-headed households, and transferring 40 750 hectares of land. In comparison, only 23 households accessed 3 241 hectares of land in Mpumalanga over the same period.

Most land is redistributed in predominantly rural provinces

The amount of land redistributed per province is determined by the size and potential of land for farming, in addition to the fact that most land is redistributed in predominantly rural provinces. Owing to its urban nature, Gauteng has the smallest ratio of land per household, with each household accessing approximately 0,82 hectares, compared to 140,9 hectares in Mpumalanga and 118,3 hectares in Northern Cape (provinces which are best suited to extensive livestock farming).

Future challenges

The functioning of the land market is creating a bottleneck

Potential bottlenecks in the speed of delivery and the development impact of the LRAD programme relate to the functioning of the land market. In particular, land is sold predominantly in large plots, which in most cases, subsequently need subdivision because of the large number of beneficiaries. Clear guidelines for subdivision are needed

to facilitate the alignment of the land market with the Department of Land Affairs' land reform strategy.

The ARC is the primary source of research in the sector. Its efforts are geared towards balancing the needs of the commercial sector and the small-scale and subsistence sector. Co-ordination between the ARC and provincially based extension services needs to be improved to allow for better dissemination of technology. It will also allow more resources to be directed towards research and help to eliminate duplication of efforts.

Co-ordination is needed between the ARC and provincial extension services

The Land Bank is the only public institution at present mandated to extend credit to farmers through the provision of retail and wholesale financial services. However, an increasing number of commercial retail banks are taking an interest in this sector. They are designing products to assist potential land reform beneficiaries in the financing of projects, including for land and equipment purchases and production credit.

Commercial banks are increasingly interested in assisting emerging farmers

Conclusion

The combined efforts of the Department of Land Affairs, the Department of Agriculture and the provincial departments of agriculture to make land and support services available to HDIs represent one of government's key poverty alleviation mechanisms. These interventions are complemented by research, and efforts to expand trade opportunities and markets to sustain the commercial farming sector. This balance is essential for ensuring the transformation of the sector while maintaining a secure domestic food supply at reasonable prices, along with maintaining South Africa's competitive advantage in key products.

The introduction of the CASP signifies a growing realisation that increased co-operation is needed between different departments as well as different spheres of government if a successful new class of farmers is to be created. The success of the land reform programme hinges on whether it supports sustainable increases in employment and income levels as well as on the delivery of land. The increased demand for agricultural support services for emerging and subsistence farmers created by the land reform programme will now be met through the CASP. The overarching framework of this policy, coupled with the increased budgetary allocations over the MTEF, should ensure that past trends of under-utilisation of land are reversed.

Such efforts need to be supplemented with redirecting provincial expenditure away from the compensation of low-skilled staff towards enhancing their skills base and increasing delivery. This will be more effective when it is done in conjunction with effective monitoring and evaluation systems. In particular, the reporting systems and definitions for non-financial data need to be standardised in order to ensure that farmer support programmes are well targeted and to assess the results of land reform when appropriately supported.

