

## Agriculture and Land

### Introduction

Government's land and agricultural policies play a key role in redressing past inequities that are characterised by skewed land ownership patterns. The Department of Land Affairs is steadily transforming land ownership, mainly through the land restitution process and other land reform programmes. To complement the land reform programmes, the Department of Agriculture provides financial, technical and infrastructure support to emerging farmers to enable them to engage in commercial agricultural activities.

Increased profitability through sustained global competitiveness in primary production, and the agri-processing and agri-tourism industries, is very important for the agricultural sector. The agricultural sector contributes about 3,4 per cent to GDP and is an important contributor to employment, rural development and overall food security. Agriculture grew moderately in 2004 after two years of declining output. Real value added increased by 1,2 per cent compared to a 6 per cent decline in 2003, largely due to a better than expected harvest of field crops. Despite drought in some areas and erratic rainfalls in others, the sector is expected to record further growth in 2005.

The dual character of the South African agricultural sector persists. The large-scale commercial farming segment is recognised for its role in, and contribution to, the economy. This segment provides seasonal and contract employment to about 940 000 farm workers. The small-scale and subsistence farming segment is critical for rural livelihoods and food security. It is made up of small and emerging farmers who supply mainly local and regional markets. In addition to an estimated 6 million people who depend on agriculture for their livelihood, the subsistence farming segment provides full or part time employment to at least 1,3 million households. Overall, the number of jobs created per unit of investment is higher in agriculture than in other sectors. This means that growth in agricultural output has a significant impact

*The sector is an important contributor to employment, rural development and overall food security*

*Growth in agricultural output has a significant impact on job creation*

*The performance of the agricultural sector is dependent on inputs from other sectors*

on employment creation<sup>1</sup>. In both segments, government seeks to strengthen efforts aimed at improving productivity, reducing vulnerability to natural disasters and price fluctuation, and improving the sector's potential for creating jobs.

How well the agricultural sector performs is largely dependent on the inputs of complementary industries and sectors. For example, the water service sector provides irrigation, the land reform programme provides access to land for agricultural use, and the availability of road and rail infrastructure facilitates access to markets. Reliable energy supply for water irrigation pumps and other automated processes is also essential. Furthermore, production in the agricultural sector forms backward and forward linkages to the national economy. Buying goods such as fertilizers, chemicals and implements are backward links with the manufacturing sector, while forward links are based on the supply of raw materials to industry. This chapter will not, however, explore all these links and will only cover land issues in so far as they affect agricultural activities. Recognising that land is essentially a national function, there are more details on land issues in other National Treasury documents such as the Estimates of National Expenditure and the Budget Review.

This chapter provides an:

- overview of the institutional framework governing the agricultural sector
- analysis of the overall budget and spending trends at national and provincial levels
- in-depth analysis of service delivery trends on key programmes
- outline of the challenges that the agricultural sector still faces.

## **Institutional arrangements**

*The national Department of Agriculture is responsible for formulating policy and the regulatory framework*

Agriculture is a concurrent function shared between national government and provinces. The national Department of Agriculture is responsible for formulating national policy and the regulatory framework for the agricultural sector. More specifically, the department is responsible for creating an enabling environment that seeks to ensure the equitable access to agricultural opportunities, establishing norms and standards for service delivery, and providing financial assistance and other forms of support to farmers. The agricultural sector is supported by various state agencies: the Agricultural Research Council (ARC); the National Agricultural Marketing Council (NAMC); the Land Bank; Onderstepoort Biological Products Limited (OBP); Perishable Products Export Control Board (PPECB); and Ncera Farms (Pty) Ltd. Other key stakeholders are often consulted by the national Department of Agriculture when formulating policies for the agricultural sector. These include farmers' unions, co-operatives and voluntary associations, non-governmental organisations and the agri-industry.

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<sup>1</sup> Department of Agriculture, 2005: Strategic plan for the Department of Agriculture.

Provincial departments of agriculture are the main implementers of agricultural policies and programmes. They ensure the optimal use of agricultural land and also help the national department identify beneficiaries of land redistribution for agricultural purposes. Local government provides water services and allocates land it owns for agricultural use. Municipalities are also involved in activities further down the value chain, such as administering fresh produce markets, abattoirs and food safety standards. All three spheres of government work together to make sure that agricultural and land priorities are incorporated into the municipal integrated development plans.

*Provincial departments are responsible mainly for implementing policies and programmes*

### **Overview of budget and expenditure trends: 2001/02 - 2007/08**

Table 6.1 shows that the total budget allocated to national and provincial departments of agriculture increased steadily from R3,1 billion in 2001/02 to R4,6 billion in 2004/05 and is budgeted to grow at an average annual rate of 11,7 per cent over the medium term to reach R6,4 billion by 2007/08.

*The total budget grows at 12,4 per cent annually over the MTEF to R6,4 billion*

The proportion of national expenditure rises from 25,2 per cent of total expenditure on agriculture in 2004/05 to 26,5 per cent in 2007/08. Over the 2005 MTEF, the Department of Agriculture received an additional allocation of R250 million (R50 million in 2005/06, R100 million in both 2006/07 and 2007/08) to support the agricultural black economic empowerment (AgriBEE) initiative. A further R600 million has been allocated over the MTEF to a new agricultural micro-credit scheme MAFISA (Micro-agricultural financial institutions of South Africa), to support small-scale farmers and rural communities. This scheme aims to provide micro loans for seeds, fertilizers and farming capital equipment and will be managed by the national Department of Agriculture. It is expected that broadening participation in the agricultural sector will improve the capacity of the sector to create employment opportunities, while improving South Africa's global competitiveness.

*MAFISA gets R600 million over three years*

### **Provincial expenditure on agriculture**

Provincial agriculture expenditure grows consistently above inflation and doubles over the period 2001/02 to 2007/08. This trend reflects government's policy of increasing agricultural support to farmers.

By 2004/05, provincial agriculture spending was at R3,4 billion, 50 per cent higher than 2001/02 levels. Provincial agriculture spending is budgeted to grow at an average annual rate of 11,0 per cent over the medium term, to R4,7 billion by 2007/08. The growth in provincial budgets can, in part, be attributed to conditional grants for land care and the comprehensive agricultural support programme (CASP). Albeit off a low base, the growth in budgets puts provinces in a better position to improve service delivery in the agricultural sector and to create an enabling environment for emerging farmers to participate meaningfully in commercial agriculture activities.

*Provinces spent R3,4 billion on agriculture in 2004/05*

**Table 6.1 Provincial agriculture expenditure, 2001/02 to 2007/08**

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	Outcome			Preliminary outcome	Medium-term estimates		
R million							
Eastern Cape	563	572	752	822	822	912	999
Free State	120	146	183	178	226	241	265
Gauteng	54	79	100	117	120	127	148
KwaZulu-Natal	397	444	487	638	674	722	769
Limpopo	581	718	786	733	907	1 117	1 251
Mpumalanga	201	256	274	303	417	448	460
Northern Cape	56	62	65	91	116	124	141
North West	213	233	245	349	357	376	407
Western Cape	114	131	161	215	238	252	274
<b>Total provinces</b>	<b>2 299</b>	<b>2 641</b>	<b>3 052</b>	<b>3 447</b>	<b>3 876</b>	<b>4 318</b>	<b>4 714</b>
<b>National<sup>1</sup></b>	<b>843</b>	<b>893</b>	<b>1 111</b>	<b>1 159</b>	<b>1 395</b>	<b>1 587</b>	<b>1 702</b>
<b>Total</b>	<b>3 142</b>	<b>3 534</b>	<b>4 163</b>	<b>4 605</b>	<b>5 270</b>	<b>5 905</b>	<b>6 416</b>
<b>Percentage of total provincial expenditure</b>							
Eastern Cape	2,9%	2,3%	2,5%	2,7%	2,4%	2,4%	2,4%
Free State	1,5%	1,5%	1,6%	1,4%	1,6%	1,5%	1,6%
Gauteng	0,3%	0,3%	0,4%	0,4%	0,4%	0,3%	0,4%
KwaZulu-Natal	1,6%	1,5%	1,4%	1,6%	1,5%	1,4%	1,4%
Limpopo	3,7%	3,8%	3,6%	2,9%	3,2%	3,7%	3,8%
Mpumalanga	2,4%	2,6%	2,4%	2,3%	2,8%	2,7%	2,6%
Northern Cape	1,9%	1,8%	1,6%	2,0%	2,3%	2,2%	2,3%
North West	2,2%	2,0%	1,8%	2,3%	2,0%	2,0%	2,0%
Western Cape	0,9%	0,9%	1,0%	1,2%	1,2%	1,1%	1,2%
<b>Average</b>	<b>1,9%</b>	<b>1,9%</b>	<b>1,8%</b>	<b>1,9%</b>	<b>1,9%</b>	<b>1,9%</b>	<b>2,0%</b>
<b>Percentage growth (average annual)</b>	<b>2001/02 – 2004/05</b>		<b>2004/05 – 2005/06</b>		<b>2004/05 – 2007/08</b>		
Eastern Cape	13,4%		0,0%		6,7%		
Free State	14,3%		26,5%		14,1%		
Gauteng	29,5%		2,2%		8,3%		
KwaZulu-Natal	17,2%		5,7%		6,4%		
Limpopo	8,0%		23,7%		19,5%		
Mpumalanga	14,7%		37,6%		15,0%		
Northern Cape	17,2%		27,9%		15,7%		
North West	17,9%		2,1%		5,3%		
Western Cape	23,4%		10,8%		8,4%		
<b>Total provinces</b>	<b>14,4%</b>		<b>12,5%</b>		<b>11,0%</b>		
<b>National</b>	<b>11,2%</b>		<b>16,0%</b>		<b>13,7%</b>		
<b>Total provinces and national</b>	<b>13,6%</b>		<b>14,2%</b>		<b>11,7%</b>		

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

Sources: National Treasury provincial database; 2005 Estimates of National Expenditure; 2004/05 Vulindlela

Average annual growth in expenditure over the medium term for provinces ranges between 5,3 per cent in North West to 19,5 per cent in Limpopo. By 2007/08, Limpopo is budgeted to have the highest share of provincial agriculture spending at 26,5 per cent, followed by Eastern Cape (21,2 per cent) and KwaZulu-Natal (16,3 per cent), while each of the remaining provinces accounts for less than 10 per cent. The significant expenditure in these three provinces is partly due to their substantial spending on personnel.

### Compensation of employees

In the past, one of the problems experienced in provincial departments of agriculture was excessive spending on personnel costs. This crowded out other critical inputs such as veterinary and extension services that have a direct impact on farmers. This was most pronounced in Limpopo and Eastern Cape, where provinces inherited large numbers of staff from the former homelands and bantustans. Both these provinces are, however, showing good progress in further containing personnel spending. Table 6.2 shows provincial agriculture spending on compensation of employees. Personnel spending shows a declining trend falling from 69,4 per cent in 2001/02 to 51,9 per cent in 2007/08.

*Previous excessive spending on personnel crowded out other critical inputs*

**Table 6.2 Provincial agriculture compensation of employees expenditure, 2001/02 to 2007/08**

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	Outcome			Preliminary outcome	Medium-term estimates		
R million							
Eastern Cape	400	407	450	459	490	517	543
Free State	88	96	112	124	140	148	155
Gauteng	31	33	39	45	61	65	69
KwaZulu-Natal	250	250	286	334	349	363	380
Limpopo	468	540	592	478	513	642	713
Mpumalanga	107	121	126	133	155	165	165
Northern Cape	29	33	35	40	53	56	59
North West	156	172	179	191	203	215	228
Western Cape	68	74	85	92	123	130	137
<b>Total</b>	<b>1 596</b>	<b>1 725</b>	<b>1 906</b>	<b>1 894</b>	<b>2 087</b>	<b>2 300</b>	<b>2 449</b>
<b>Percentage of total agriculture expenditure</b>							
Eastern Cape	71,0%	71,2%	59,9%	55,8%	59,7%	56,7%	54,4%
Free State	73,4%	65,3%	61,2%	69,5%	62,0%	61,2%	58,5%
Gauteng	56,8%	41,5%	39,1%	38,4%	51,3%	51,0%	46,5%
KwaZulu-Natal	63,0%	56,4%	58,8%	52,3%	51,7%	50,3%	49,4%
Limpopo	80,5%	75,2%	75,3%	65,2%	56,6%	57,5%	57,0%
Mpumalanga	53,3%	47,1%	46,2%	43,8%	37,3%	36,8%	35,8%
Northern Cape	50,8%	53,0%	54,1%	43,5%	45,5%	45,0%	41,6%
North West	73,2%	73,6%	73,2%	54,7%	56,8%	57,2%	56,0%
Western Cape	59,7%	56,8%	53,2%	42,9%	51,8%	51,7%	50,0%
<b>Total</b>	<b>69,4%</b>	<b>65,3%</b>	<b>62,4%</b>	<b>55,0%</b>	<b>53,9%</b>	<b>53,3%</b>	<b>51,9%</b>
<b>Percentage growth (average annual)</b>	<b>2001/02 – 2004/05</b>			<b>2004/05 – 2005/06</b>		<b>2004/05 – 2007/08</b>	
Eastern Cape	4,7%			6,9%		5,8%	
Free State	12,2%			12,9%		7,7%	
Gauteng	13,5%			36,5%		15,5%	
KwaZulu-Natal	10,1%			4,5%		4,4%	
Limpopo	0,7%			7,3%		14,2%	
Mpumalanga	7,4%			17,2%		7,5%	
Northern Cape	11,3%			33,6%		14,0%	
North West	7,0%			6,1%		6,1%	
Western Cape	10,5%			33,9%		14,1%	
<b>Total</b>	<b>5,9%</b>			<b>10,2%</b>		<b>8,9%</b>	

Source: National Treasury provincial database

*Provinces spent 55 per cent of the total agriculture budget on compensation of employees in 2004/05*

Eastern Cape, Free State, KwaZulu-Natal and Limpopo, which absorbed large numbers of personnel from the homeland and self-governing states, continue to spend significantly high amounts on compensation of employees. While the high number of personnel is a problem in itself, the biggest challenge for these provinces is to address the inadequate skills levels among their personnel to meet the demand for extending support to emerging farmers.

#### *Non-compensation of employees*

*Spending on programmes is on the rise and will take up 48,1 per cent of the total budget in 2007/08*

Non-compensation of employee expenditure covers the provision of essential support services to farmers, including capital expenditure. A key programme is sustainable resource management, which includes engineering services, land care, resource planning and management of communal land. This expenditure also includes infrastructure programmes currently run under the CASP initiative.

**Table 6.3 Provincial agriculture non-compensation of employees expenditure, 2001/02 to 2007/08**

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
		Outcome		Preliminary outcome	Medium-term estimates		
R million							
Eastern Cape	163	165	302	363	331	394	456
Free State	32	51	71	54	86	94	110
Gauteng	23	46	61	72	58	62	79
KwaZulu-Natal	147	193	201	305	326	359	389
Limpopo	113	178	194	255	394	474	538
Mpumalanga	94	136	147	170	261	283	295
Northern Cape	28	29	30	51	63	68	82
North West	57	61	66	158	154	161	179
Western Cape	46	57	75	123	115	122	137
<b>Total</b>	<b>703</b>	<b>916</b>	<b>1 146</b>	<b>1 552</b>	<b>1 788</b>	<b>2 017</b>	<b>2 265</b>
<b>Percentage of total agriculture expenditure</b>							
Eastern Cape	29,0%	28,8%	40,1%	44,2%	40,3%	43,3%	45,6%
Free State	26,6%	34,7%	38,8%	30,5%	38,0%	38,8%	41,5%
Gauteng	43,2%	58,5%	60,9%	61,6%	48,7%	49,0%	53,5%
KwaZulu-Natal	37,0%	43,6%	41,2%	47,7%	48,3%	49,7%	50,6%
Limpopo	19,5%	24,8%	24,7%	34,8%	43,4%	42,5%	43,0%
Mpumalanga	46,7%	52,9%	53,8%	56,2%	62,7%	63,2%	64,2%
Northern Cape	49,2%	47,0%	45,9%	56,5%	54,5%	55,0%	58,4%
North West	26,8%	26,4%	26,8%	45,3%	43,2%	42,8%	44,0%
Western Cape	40,3%	43,2%	46,8%	57,1%	48,2%	48,3%	50,0%
<b>Total</b>	<b>30,6%</b>	<b>34,7%</b>	<b>37,6%</b>	<b>45,0%</b>	<b>46,1%</b>	<b>46,7%</b>	<b>48,1%</b>

Source: National Treasury provincial database

Table 6.3 shows that total spending on non-compensation of employees rises from R703 million in 2001/02 to R1,6 billion in 2004/05, and is budgeted to grow to R2,3 billion in 2007/08, a three-fold increase over six years. As a proportion of total agricultural spending, non-compensation of employees grew from 30,6 per cent in 2001/02 to 45,0 per cent in 2004/05, and is expected to reach

48,1 per cent in 2007/08. This growth is reflected in all provinces and is partly due to the introduction of the CASP grant to provinces in 2004/05. The grant is allocated R1,2 billion over the next three years to provide effective post-settlement support to emerging farmers benefiting from the land redistribution for agricultural development programme (LRAD).

The sharp rise in non-compensation of employees spending, particularly in the poorer rural provinces like Limpopo, Eastern Cape and KwaZulu-Natal, should allow for key support services such as livestock dipping, vaccinations and other veterinary services to expand rapidly. These services are important for preventing the outbreak of animal diseases and stock losses.

*Increased spending will allow for key support services to expand*

**Table 6.4 Provincial agriculture expenditure by programme, 2001/02 to 2007/08**

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
	Outcome			Preliminary outcome	Medium-term estimates		
R million							
Administration	539	610	671	833	798	865	937
Sustainable resource management	226	246	272	263	468	537	577
Farmer support and development	991	1 170	1 400	1 588	1 745	1 990	2 215
Veterinary services	255	280	308	340	370	400	423
Technology research and development services	181	220	244	224	281	290	309
Agricultural economics	20	23	33	46	59	65	70
Structured agricultural training	88	93	123	152	155	171	183
<b>Total</b>	<b>2 299</b>	<b>2 641</b>	<b>3 052</b>	<b>3 447</b>	<b>3 876</b>	<b>4 318</b>	<b>4 714</b>
<b>Percentage of provincial agriculture expenditure</b>							
Administration	23,4%	23,1%	22,0%	24,2%	20,6%	20,0%	19,9%
Sustainable resource management	9,8%	9,3%	8,9%	7,6%	12,1%	12,4%	12,2%
Farmer support and development	43,1%	44,3%	45,9%	46,1%	45,0%	46,1%	47,0%
Veterinary services	11,1%	10,6%	10,1%	9,9%	9,5%	9,3%	9,0%
Technology research and development services	7,9%	8,3%	8,0%	6,5%	7,2%	6,7%	6,6%
Agricultural economics	0,9%	0,9%	1,1%	1,3%	1,5%	1,5%	1,5%
Structured agricultural training	3,8%	3,5%	4,0%	4,4%	4,0%	4,0%	3,9%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

Source: National Treasury provincial database

### *Provincial agricultural expenditure by programme*

Table 6.4 shows that total administration<sup>2</sup> spending for all provinces contributed 24,2 per cent of total expenditure in 2004/05. Over the MTEF, this drops to approximately 20,0 per cent of provincial expenditure. Provinces whose administration budgets are significantly

<sup>2</sup> It should be noted that since Gauteng, KwaZulu-Natal, Mpumalanga and North West have combined departments of agriculture with other functions, the administration figures have been calculated using a *pro rata* formula in order to come up with a reasonable estimate figure for agriculture (i.e. agriculture numbers calculated as a percentage of the total of the department).

higher than the national average are Gauteng (45,8 per cent), Eastern Cape (43,0 per cent) and Free State (38,0 per cent). In contrast, Mpumalanga (at 9,5 per cent) is the only province that spends below 10 per cent of its budget on the administration programme.

The farmer support and development programme seeks to promote food production, improve farmers' productivity (particularly small-scale farmers), implement CASP, develop economic infrastructure critical to expanding agriculture, and improve farmers' efficiency. The programme also provides for disaster relief programmes. At 46,1 per cent in 2004/05, this programme takes up the largest share of total programme expenditure. Expenditure on the programme grows at an average annual rate of 14,3 per cent from 2001/02 to 2007/08. Table 6.5 shows that in 2004/05, Limpopo spent R499 million (68,1 per cent of expenditure) on this programme, KwaZulu-Natal spent R353 million (55,3 per cent of expenditure) and Eastern Cape spent R263 million (31,9 per cent of expenditure).

**Table 6.5 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
<b>R million</b>								
Eastern Cape	354	51	263	88	34	3	29	<b>822</b>
Free State	68	12	46	22	18	2	10	<b>178</b>
Gauteng	54	–	41	22	–	–	–	<b>117</b>
KwaZulu-Natal	96	43	353	77	54	–	17	<b>638</b>
Limpopo	122	29	499	12	20	11	39	<b>733</b>
Mpumalanga	29	56	132	36	18	12	20	<b>303</b>
Northern Cape	22	21	23	12	12	1	–	<b>91</b>
North West	59	14	171	47	26	10	22	<b>349</b>
Western Cape	30	37	61	23	42	7	15	<b>215</b>
<b>Total</b>	<b>833</b>	<b>263</b>	<b>1 588</b>	<b>340</b>	<b>224</b>	<b>46</b>	<b>152</b>	<b>3 447</b>
<b>Percentage of provincial agriculture programme expenditure</b>								
Eastern Cape	43,0%	6,3%	31,9%	10,7%	4,1%	0,4%	3,6%	<b>100,0%</b>
Free State	38,2%	6,8%	25,6%	12,4%	10,3%	1,1%	5,5%	<b>100,0%</b>
Gauteng	45,8%	0,0%	35,0%	19,1%	0,0%	0,0%	0,0%	<b>100,0%</b>
KwaZulu-Natal	15,0%	6,7%	55,3%	12,0%	8,4%	0,0%	2,6%	<b>100,0%</b>
Limpopo	16,6%	4,0%	68,1%	1,7%	2,8%	1,4%	5,4%	<b>100,0%</b>
Mpumalanga	9,5%	18,5%	43,5%	12,0%	5,9%	4,1%	6,6%	<b>100,0%</b>
Northern Cape	24,4%	22,7%	25,1%	13,7%	13,0%	1,2%	0,0%	<b>100,0%</b>
North West	16,9%	4,0%	49,0%	13,4%	7,6%	2,9%	6,3%	<b>100,0%</b>
Western Cape	14,0%	17,3%	28,3%	10,7%	19,6%	3,2%	7,0%	<b>100,0%</b>
<b>Total</b>	<b>24,2%</b>	<b>7,6%</b>	<b>46,1%</b>	<b>9,9%</b>	<b>6,5%</b>	<b>1,3%</b>	<b>4,4%</b>	<b>100,0%</b>

Source: Provincial Departments of Agriculture

*Spending on the sustainable resource management programme is growing*

The sustainable resource management programme seeks to: develop strategies for optimising agriculture resources; provide agriculture water support through efficient catchments, management of dams and rivers; and encourage farmers to use and manage agricultural land optimally. The programme's key focus is on the conservation of

natural resources as well as developing and managing agricultural infrastructure sustainably. The success of the agricultural sector depends largely on how efficiently resources like water, soil and grazing land are managed.

Expenditure on this programme is expected to more than double from 2001/02 to reach R577 million by 2007/08. Although it grows at an average annual rate of 16,9 per cent over the seven-year period, this growth is from a low base. In 2004/05, spending on this programme took up 7,6 per cent of total provincial agriculture spending and its share is budgeted to grow to 12,2 per cent by 2007/08. Table 6.5 shows that spending on this programme varies between a low of R12 million in Free State to a high of R56 million in Mpumalanga.

The veterinary services programme plays a critical role in monitoring and minimising animal health risks. The programme aims to: improve hygiene management at animal product establishments; facilitate the provision of local, national and international sanitary guarantees needed for importing, exporting and marketing animals and animal products; and ensure that veterinary laboratory services are used effectively. Other activities undertaken under this programme include carrying out diagnostic tests, risk assessments, provincial surveys focusing on surveillance of diseases, and vaccinations. Extension services are also provided to empower communities with veterinary knowledge.

*R340 million was spent on the veterinary services programme in 2004/05*

Provincial spending on this programme grew to R340 million in 2004/05 and is set to reach R423 million by 2007/08. In 2004/05, the veterinary services programme constituted 9,9 per cent of provincial agriculture spending. Expenditure on this programme by province varies from a low of R12 million in Limpopo and Northern Cape, to a high of R88 million in Eastern Cape. As much of rural small-scale and emerging farmers' activity is in livestock farming, the veterinary services programme budget may have to be expanded in all the provinces.

The technology, research and development programme provides agricultural research services and develops information systems for technology in crop production, animal production and resource utilisation. Research activities include developing, adapting and transferring appropriate technologies to farmers and other users. As shown in table 6.4, this programme is budgeted to reach R309 million by 2007/08. By province, spending on this programme varies from a low of R12 million in Northern Cape to a high of R54 million in KwaZulu-Natal in 2004/05.

*Spending on the technology, research and development programme reaches R309 million in 2007/08*

The structured agricultural training programme plays a key role in improving human resource development in the agricultural sector through structured training programmes at higher education and further education and training institutions. Expenditure on this programme rises sharply from R88 million in 2001/02 to R152 million in 2004/05 and is budgeted to reach R183 million by 2007/08.

The agricultural economics programme conducts financial feasibility and economic viability studies on behalf of internal and external

clients, such as existing and newly settled beneficiaries of LRAD, resource poor farmers and household food security beneficiaries. Marketing and statistical information services are also provided under this programme. Over the 2005 MTEF, spending on this programme is constant at around 1,5 per cent of total agriculture spending.

## **National agriculture and land reform**

There are two separate national departments for agriculture and land affairs. The national Department of Land Affairs mainly drives the land reform programme, while the Department of Agriculture is responsible for farmer settlement and support.

### **Budget trends in national agriculture**

*National and provincial programmes have been aligned*

The national Department of Agriculture develops policies and legislation, which guide the key activities of provincial departments of agriculture. It also provides complementary support services to provincial departments. This is why the main programmes have been aligned between these spheres, as table 6.6 shows. The table further shows that the Department of Agriculture's budget grew from R871 million in 2001/02 to R1,4 billion in 2004/05, and is projected to grow at an average annual rate of 16 per cent, to reach R2,2 billion by 2007/08.

*R330 million was spent on the farmer support and development programme in 2004/05*

The farmer support and development programme received 23,8 per cent of total national budget for agriculture. Almost two-thirds of the R330 million spent in 2004/05 was transferred to provinces as a conditional grant for CASP. A further R100 million was transferred to provinces as a conditional grant for drought relief, leaving the national Department of Agriculture with R30 million. Within the national department, expenditure on the farmer support and development programme entails developing norms and standards for the settlement of emerging farmers, food security, rural development, registering co-operatives, and agricultural risk and disaster management.

*The farmer support and development programme has five subprogrammes*

The national farmer support and development programme has five subprogrammes: The farmer settlement subprogramme aims to strengthen institutional systems, provide supportive infrastructure and implement special projects in line with the agrarian reform policy. The main objective is to reduce the failure rate of both new and established commercial farmers. To this end, the Department of Agriculture trains beneficiaries of LRAD in all provinces and monitors training on a monthly basis. The financial services and co-operatives subprogramme provides training and institutional support to agricultural co-operatives, and develops policies and programmes for them. Agricultural credit schemes aimed at broadening new farmers' access to financial services are designed, implemented and monitored under this subprogramme. One of these schemes is the micro-agricultural financial institutions of South Africa (MAFISA), which is discussed later in this chapter.

The main aim of the food security and rural development subprogramme is to reduce hunger, malnutrition and food insecurity by half, by 2015. With the help of the Land Bank, a total of 36 899 agriculture starter packs were distributed in 2003/04. The agricultural risk management subprogramme designs and implements disaster relief schemes, helps farmers during droughts, empowers extension officers to interpret weather and climate information and alerts farmers as part of the early warning support initiative. Through this subprogramme, the Department of Agriculture has helped 20 000 farmers complete and verify their applications to the drought relief scheme. The department also helped a total of 189 farmers after the Montagu flood disaster in Western Cape in 2003.

*Many farmers have been helped through natural disaster relief schemes*

**Table 6.6 National agriculture and land reform expenditure by programme, 2001/02 to 2007/08**

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
R million	Outcome			Preliminary outcome	Medium-term estimates		
<b>Agriculture</b>							
Administration	115	137	157	170	170	181	190
Farmer support and development	101	123	282	330	477	581	750
Agricultural production	278	285	320	368	408	451	473
Sustainable resources management and use	123	121	121	143	177	193	202
National regulatory services	150	147	177	247	231	245	258
Communication and information management	60	76	82	83	93	97	102
Other programmes	44	29	37	45	129	183	187
<b>Subtotal</b>	<b>871</b>	<b>917</b>	<b>1 177</b>	<b>1 387</b>	<b>1 685</b>	<b>1 932</b>	<b>2 163</b>
<b>Land Affairs</b>	<b>976</b>	<b>1 077</b>	<b>1 608</b>	<b>1 991</b>	<b>3 882</b>	<b>4 815</b>	<b>5 637</b>
<i>of which</i>							
Restitution	291	394	839	1 183	2 706	3 369	3 838
Redistribution and tenure reform	444	416	454	454	770	1 016	1 349
<b>Subtotal</b>	<b>735</b>	<b>810</b>	<b>1 293</b>	<b>1 636</b>	<b>3 476</b>	<b>4 385</b>	<b>5 187</b>
<b>Total</b>	<b>1 606</b>	<b>1 728</b>	<b>2 470</b>	<b>3 023</b>	<b>5 161</b>	<b>6 317</b>	<b>7 350</b>
<b>Percentage of total national agricultural expenditure</b>							
Administration	13,2%	14,9%	13,4%	12,2%	10,1%	9,4%	8,8%
Farmer support and development	11,6%	13,4%	24,0%	23,8%	28,3%	30,1%	34,7%
Agricultural production	32,0%	31,1%	27,2%	26,6%	24,2%	23,3%	21,9%
Sustainable resources management and use	14,1%	13,2%	10,3%	10,3%	10,5%	10,0%	9,3%
National regulatory services	17,2%	16,1%	15,0%	17,8%	13,7%	12,7%	11,9%
Communication and information management	6,9%	8,2%	6,9%	6,0%	5,5%	5,0%	4,7%
Other programmes	5,1%	3,2%	3,2%	3,3%	7,7%	9,5%	8,7%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

Source: 2005 Estimates of National Expenditure; 2004/05 Vulindlela

*Most expenditure on the agricultural production programme is a transfer to the Agricultural Research Council*

The agricultural production programme undertakes strategic research and intervention activities in collaboration with the Agricultural Research Council and the provinces. Expenditure on this programme amounted to 26,6 per cent of total national agriculture expenditure in 2004/05. Average annual growth between 2005/06 and 2007/08 is steady at about 7,8 per cent. More than 85 per cent of expenditure on this programme is a transfer to the Agricultural Research Council. Growth in this programme is aimed at increasing agricultural production, boosting investment in agricultural research and enabling technology development and transfer to be co-ordinated nationally.

*The national regulatory services programme helps to minimise the spread of animal and plant diseases*

The national regulatory services programme is responsible for developing and monitoring risk management strategies, policies and legislation for the responsible use of genetic resources, and control of animal and plant diseases and pests to ensure food safety. The successful control of foot and mouth disease enabled South Africa to be reinstated into the World Organisation for Animal Health. This programme received about 17,8 per cent of total agriculture expenditure in 2004/05 and over the MTEF it maintains a steady growth.

The sustainable resources management and use programme focuses mainly on promoting sound management and sustainable use of land and water resources in the agricultural sector. This programme contributed 10,3 per cent of total national agriculture expenditure in 2004/05. Of the R157,9 million allocated in 2004/05, R43,7 million was transferred as a conditional grant to provinces for land care projects. The aim of the land care projects is to improve food security by making natural resources as productive and sustainable as possible. Job creation is a major spin-off of these projects.

*Almost one-third of the allocation to the national sustainable resources management programme is a provincial grant for land care projects*

When the conditional grant for land care projects is allocated, the following factors are considered: the size of agricultural land, particularly arable land; the type of agricultural activities envisaged; the number of farmers being targeted by the land redistribution programme; and whether the area is part of a priority area, such as the presidential development nodes. At least 135 project proposals were approved for 2005/06, representing a total amount of R40 million. Approval of projects is also influenced by the quality of business plans that provinces submit.

The communication and information management programme disseminates agricultural news and information, facilitates and manages international relations, and provides skills development and training for existing and new farmers through the Grootfontein Agricultural Development Institute.

### **Budget trends in land affairs**

*Government aims to redistribute about 30 per cent of agricultural land to previously disadvantaged individuals and communities by 2015*

Government initiated the land reform programme in 1994 to redress the skewed ownership patterns of productive agricultural land in South Africa. Land reform has three main components: redistribution, tenure reform and restitution. Redistribution involves redistributing land to individuals or communities for agricultural production and settlement. Tenure reform is about enabling individuals or

communities to gain legal tenure on the land that they already occupy, such as farm workers. Restitution restores rights to ancestral land to people who have been victims of land dispossession. Depending on the circumstances, some of the dispossessed are resettled on state land while others receive financial compensation. The restitution programme is essentially a claims driven process. Altogether, the land reform initiatives should deliver about 25 million hectares of agricultural land to previously disadvantaged communities by 2015. In the end, this process will make sure that previously disadvantaged individuals and communities are brought into the mainstream agricultural economy.

Table 6.6 shows that the budget for the Department of Land Affairs is relatively higher than that of the Department of Agriculture. This is mainly because of the rising allocations for land restitution and land reform. As the table shows, the restitution programme grew at an average annual rate of about 59,6 per cent, from R291 million in 2001/02 to R1,2 billion in 2004/05. Between 2004/05 and 2007/08, spending on this programme grows at an average annual rate of 48 per cent, reaching R3,8 billion by 2007/08. The sharp growth in spending on restitution spending reflects government's commitment to finalising all restitution claims speedily.

*The Department of Land Affairs has a bigger budget than the Department of Agriculture*

Table 6.6 shows that the land redistribution and tenure reform programme grew steadily from R444 million in 2001/02 to R454 million in 2004/05, at an average annual rate of 0,8 per cent. This programme is budgeted to increase at an average annual rate of 43,8 per cent over the next three years to R1,3 billion by 2007/08. The land redistribution and tenure reform programmes have a direct impact on agriculture. This is why spending on complementary farmer support programmes has been stepped up at a rate of about 45,4 per cent per year.

*The land reform programme has grown at a steady 3,7 per cent annually*

**Table 6.7 Provincial settled restitution claims<sup>1</sup> as at December 2004**

	Claims	Households	Beneficiaries	Hectares <sup>2</sup>	Land cost (R thousand)	Financial compensation <sup>3</sup> (R thousand)
Eastern Cape	15 954	40 452	147 860	46 123	204 763	579 942
Free State	1 674	3 442	18 222	45 748	16 909	30 719
Gauteng	11 945	12 948	58 221	3 555	62 537	619 269
KwaZulu-Natal	10 554	26 387	161 670	188 441	488 979	438 447
Limpopo	1 331	21 038	113 040	128 470	301 439	46 200
Mpumalanga	1 559	27 378	141 671	91 318	417 014	65 932
Northern Cape	1 918	5 687	34 118	233 634	69 754	60 724
North West	2 505	13 948	76 455	71 925	99 192	113 927
Western Cape	9 817	12 823	78 532	3 101	8 096	380 129
<b>Total</b>	<b>57 257</b>	<b>164 103</b>	<b>829 789</b>	<b>812 315</b>	<b>1 668 684</b>	<b>2 335 290</b>

1. These statistics have been compiled based on the information reflected in the Database of Settled Restitution Claims. In order to improve the accuracy of our statistics, the Database of Settled Restitution Claims is subjected to internal auditing on an ongoing basis.
2. The number of hectares restored is currently under review, both for existing data as well as outstanding data on state land.
3. Total restitution award includes the cost of solatium paid out, i.e. KwaZulu-Natal, R6,367 million and Western Cape, R47,0 million.

Source: Department of Land Affairs

**Some restitution claims are settled through cash compensation**

Table 6.7 shows that at the end of December 2004, out of a total of 79 694 claims that were lodged in 1998, 57 257 claims had been settled. While the overall land reform programme focuses on the redistribution of agricultural land, some restitution claims are settled through cash compensation. These settlements do not directly contribute to agricultural development.

As table 6.7 further shows, the estimated number of households that have benefited to date varies across provinces. While Eastern Cape shows a higher number of settled claims, the amount of hectares awarded to the claimants is four times lower than in KwaZulu-Natal. This is probably because most claims in Eastern Cape were settled by financial compensation. The table shows that the estimated number of beneficiaries is also significantly higher in KwaZulu-Natal, Eastern Cape, Mpumalanga and Limpopo, compared to the other five provinces.

Gauteng, which deals with mostly urban claims, is by far the highest contributor to spending on this programme. It is expected that as the restitution programme draws to a close, more financial and human resources will be directed towards the redistribution and tenure reform programmes.

**Table 6.8 Land redistribution and tenure reform outputs as at December 2004**

	Number of projects	Grant recipients	Number of females	Number of hectares
Eastern Cape	546	58 257	7 655	314 369
Free State	617	8 387	1 232	226 155
Gauteng	223	10 157	169	32 766
KwaZulu-Natal	371	23 907	1 163	297 976
Limpopo	291	12 021	3 262	135 990
Mpumalanga	311	22 347	2 187	186 695
Northern Cape	153	7 637	267	539 570
North West	183	45 077	2 937	107 980
Western Cape	173	11 308	3 549	110 315
<b>Total</b>	<b>2 868</b>	<b>199 098</b>	<b>22 421</b>	<b>1 951 815</b>

Source: Department of Land Affairs

### Service delivery trends in key programmes

This section provides non-financial details on key programmes, such as the land redistribution for agricultural development (LRAD), CASP and food security programme, highlighting their main outputs and achievements over time.

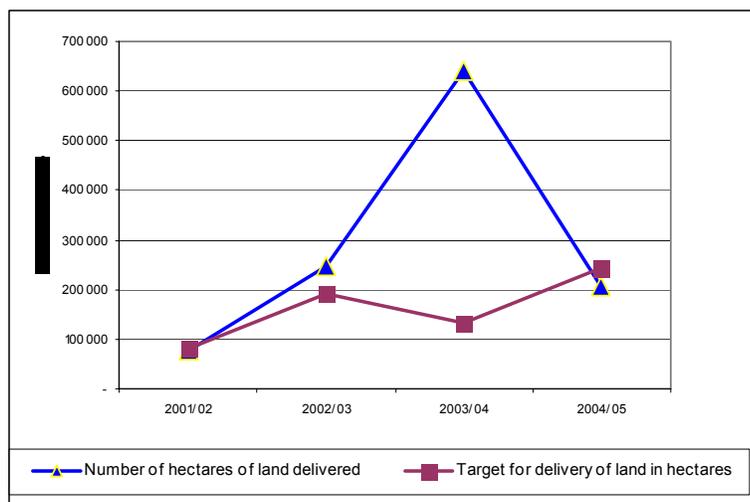
#### Land redistribution for agricultural development

Introduced in 2001, the land redistribution for agricultural development programme (LRAD) is a more flexible intervention programme than the previous settlement/land acquisition grant (SLAG). LRAD aims to fast-track the land redistribution process. The programme caters exclusively for black South Africans who intend to access land (or have already accessed land) specifically for agricultural development. It gives land reform beneficiaries access to a number of support measures that are in line with their objectives and resources. In general, the programme provides for varying objectives like food safety net projects, co-operative projects, equity schemes and commercial production. LRAD is administered jointly by the Department of Land Affairs and the national Department of Agriculture. To date, LRAD has delivered over 1 million hectares (1 171 909 hectares) at a total cost of about R1,2 billion. Despite this achievement, at the end of 2003/04, most of the LRAD projects had not yet started with farming. This was because of problems relating to the transfer of land and insufficient funds for buying production inputs<sup>3</sup>. The comprehensive agricultural support programme (CASP) was introduced to address these challenges identified through the LRAD programme.

*To date, LRAD has delivered about 1,2 million hectares*

<sup>3</sup> Department of Agriculture, 2003/04 Annual Report.

**Figure 6.1 Number of hectares of land – LRAD programme**



*CASP aims to bridge the policy gap between land reform and agricultural development*

### Comprehensive agricultural support programme

The comprehensive agricultural support programme (CASP) is an intervention programme, which has been introduced to complement progress made through LRAD. It aims to improve the quality of post-settlement support services and bridge the policy gap between land reform and agricultural development. As with LRAD, CASP primarily targets beneficiaries of land reform, but includes other producers who have acquired land through private means. These beneficiaries are eligible as long as they are currently engaged in value adding agricultural enterprises domestically or involved in exporting agricultural products.

*Provincial departments are expected to form partnerships with the private sector and communities*

The CASP framework identifies six main priority areas: information and knowledge management; technical and advisory assistance; financial support; training and capacity building; marketing and business development; and on-farm and off-farm infrastructure. The programme is based on the concept of public-private-community co-operation for service delivery. The national Department of Agriculture has proposed a three-pronged strategy for implementing the CASP programme: aligning all support services with the six priority areas identified above; phasing in the basic support services related to on- and off-farm infrastructure; and developing a policy for agricultural financing.

Provincial agriculture departments have been given a mandate to implement the farmer support services within the CASP policy framework. All the remaining five priority areas will be phased in over the MTEF period. More resources (in the form of conditional grants and through the equitable share allocation) have been made available so that departments can gradually make strategic interventions as outlined under the CASP framework. As Limpopo contributes the most expenditure (31,6 per cent) to this programme, the following case study highlights the different activities undertaken in the province.

The first urgent priority of CASP is to develop and rehabilitate dipping infrastructure in communal grazing areas to improve animal health and make livestock farming more productive. The second priority is to step up capacity building and technical advisory programmes so that land reform beneficiaries can use their land more effectively and efficiently. This is especially important because most beneficiaries of LRAD do not have the basic skills necessary for productive farming.

So far, about 11 776 emerging farmers and 2 153 commercial farmers have been trained. At least 481 mentorship programmes for emerging farmers and 217 mentorship programmes for commercial farmers have been implemented. Advice is being provided to 35 494 emerging farmers and 9 164 commercial farmers, and approximately 164 farmer development projects were financed through CASP in 2004.

*Most beneficiaries of LRAD lack the basic skills necessary for productive farming*

### **Food security**

The Department of Agriculture designs and co-ordinates the planning and implementation of multi-sectoral food security programmes. A special programme for food security targeted at subsistence farmers, food producing households, and community gardens including schools, was officially launched in 2004. The main aim is to eradicate hunger and malnutrition by supporting and strengthening the different national, provincial and local interventions that help people and communities get access to adequate food supplies. Interventions include promoting homestead food production through agricultural starter packs containing seeds and farming implements, promoting community gardens in urban areas and implementing pilot projects.

*The special programme for food security aims to help people and communities get access to adequate food supplies*

In 2003/04, the Department of Agriculture transferred R10 million to KwaZulu-Natal, Limpopo and Eastern Cape to implement the special programme for food security. Table 6.9 shows progress on the type of projects undertaken nationally.

**Table 6.9 Progress on food security projects**

<b>Number</b>	
Productive homestead gardens	4 157
Participants in food gardening projects	33 256
Livestock units	62 660
Poultry units	424 158
Community gardens in urban areas	272
Participants in community garden scheme	6 975

*Source: National Department of Agriculture*

## Future challenges

### **Agricultural credit scheme: Micro-agricultural financial institutions of South Africa**

*MAFISA enables small and medium enterprises to have easy access to finance*

Many small and emerging farmers are perceived to be high risk by financial institutions. One reason that they do not benefit from mainstream financial services is their lack of collateral. Seeing this as an obstacle to transforming the agricultural sector the President, in his State of the Nation Address in May 2004, announced that R1 billion would be made immediately available to re-establish the agricultural credit scheme. The scheme would cater mainly for the needs of small and medium enterprises, providing them with financial support, while the Land Bank continues to deal with the large commercial sector. A business plan is being finalised for the scheme. In the meantime, the Department of Agriculture plans to raise public awareness about the scheme. The programme will be phased in over time, starting with a pilot in selected rural development nodes, after which it will gradually expand to other areas until it has covered the whole country.

*Farmers will need support in their business activities so they can repay their loans*

Removing financial obstacles and providing other support services should stimulate black entrepreneurs' and farmers' participation in the agricultural sector. The success of the credit scheme will be measured by how well it succeeds in supporting a large number of small and emerging farmers on a sustainable basis. At the same time, the sustainability of the scheme greatly depends on how successfully the supported farmers are able to repay their loans. To a large extent, the success of the scheme is dependent on the effectiveness of the farmer support programmes.

*The phasing in of other CASP components will stretch available resources*

Going forward, the Department of Agriculture plans to widen its focus from on-farm and off-farm infrastructure to incorporate all the other components of CASP. The department favours a multiple funding approach to meet this objective, where provinces, communities and farmers also make their contributions either in cash or kind. In determining the criteria for funding, micro-agricultural financial institutions of South Africa (MAFISA) may have to adopt a flexible approach at the beginning to make it easier for targeted beneficiaries to access funds.

### **AgriBEE**

*The AgriBEE charter still needs to be finalised*

In July 2004, the Minister of Agriculture and Land Affairs launched the broad-based BEE charter process for the agricultural sector. A final policy document on AgriBEE should be submitted to the Department of Trade and Industry during this current financial year, to be promulgated as a charter. The 2005 Budget allocated about R950 million for implementing this initiative. Through the financial sector charter, South African banks have committed themselves to providing R85 billion over a period of three years to finance low cost housing, infrastructure, black small business enterprises and funding support to new black farmers. While the financial implications of introducing the AgriBEE charter have been addressed, the biggest challenges will be around implementation. These include how the

funds will be accessed or disbursed and the supporting mechanisms that the targeted beneficiaries of the fund would require.

A major challenge facing the sector is that due to the low skills level of many agricultural workers, they do not have the necessary know-how to effectively take advantage of BEE opportunities. Yet to achieve broad-based BEE objectives, it is important that this initiative benefits all employees in the agricultural sector, regardless of their skills level. In order to include workers with low-level skills in this initiative requires the Department of Agriculture and its provincial counterparts to implement measures to empower farm workers. These measures may entail disseminating information and skills development and mentorship programmes to help workers identify opportunities. These kinds of ventures need to be both viable and sustainable. It may be necessary to modify and expand the skills development and training programmes to reach more potential beneficiaries. Because of all the outputs necessary to implement the AgriBEE initiative effectively, departments' resources are likely to be stretched.

*The beneficiary base must include workers with low-level skills*

## **Conclusion**

There is clearly a strong institutional framework supporting the land and agrarian reform processes. The effectiveness of the different programmes, plans and procedures that have been set up to facilitate implementation is under constant review. Review processes ensure that programmes that do not meet the necessary objectives, however well conceived, are adapted and in rare instances, abandoned. The LRAD programme provides a good example. Regular reviews found that a major shortcoming was the lack of complementary support to beneficiaries. So CASP was introduced as an intervention to give farmers a range of support and advice services in areas like infrastructure, finance, information and training needs.

The first phase of implementing CASP emphasised on-farm and off-farm infrastructure, which is critical to successful farming. The next step will be to roll out the other five components of the programme. Initially, CASP targets those land reform beneficiaries living within the poverty nodes and agricultural development zones. Because of its importance, the farmer support development programme remains the major national and provincial cost driver.

Provincial spending on personnel and non-personnel activities is becoming more balanced because of the increased funding directed at specific programmes. Examples include increased allocations for the sustainable resource management programme, which includes land care, and the veterinary services programme, which focuses on disease prevention and pest control. Spending on complementary programmes at national level such as agricultural production and the national regulatory services is also on the rise.

While supportive institutional arrangements and necessary systems are in place, the sector still faces the challenge of implementing the AgriBEE initiative and the micro-credit schemes. Both have already received initial financial support. Furthermore, as the sector is prone to natural disasters, managing risk continues to be a challenge. This is because the agricultural sector plays an invaluable role in providing food security and a means of survival, especially to the more marginalised sectors of society.