

Agriculture and land

Introduction

South African agriculture has undergone enormous policy changes since the beginning of the democratisation process in 1994. The policy reforms introduced since the advent of the new South Africa aim at creating a more open and market oriented economy. An underlying principle for virtually all government policy is to bring the previously excluded black community into the mainstream of the economy. A key policy aimed at facilitating this integration process is the land and agrarian reform programme. The land reform programme plays a key role in redressing past inequities in land ownership patterns.

The Department of Land Affairs is steadily transforming land ownership, mainly through land restitution and other land reform programmes. To complement the land reform programmes, the Department of Agriculture provides financial, technical and infrastructural support to emerging farmers, land reform beneficiaries in particular, to enable them to engage in commercial agricultural activities.

The success of the land reform programme will be determined partly by emerging farmers' production levels, quality and more importantly access to rewarding markets.

Currently, agriculture contributes less than 4 per cent to GDP but accounts for 10 per cent of total reported employment. According to the Economic Review of South African Agriculture, published in 2005 by the Department of Agriculture, the agricultural sector grew by an average of approximately 11,5 per cent per annum since 1965, while the economy as a whole grew by 14,4 per cent per annum over the same period, resulting in a decline of agriculture's share of the GDP from 9,1 per cent in 1965 to 2,6 per cent in 2004. Despite its relatively small share of the total GDP, agriculture is an important sector in the South African economy. It remains an important provider of employment, especially in the rural areas, and a major earner of foreign exchange. Furthermore, agricultural production has backward and forward linkages with the rest of the national economy. About

The land reform programme plays a key role in redressing past inequities in land ownership patterns.

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70 per cent of agriculture's output is used as intermediate inputs in other production processes.

This chapter explores the national and provincial expenditure trends on key land and agrarian reform programmes. The chapter provides:

- an overview of the institutional framework governing the land and agricultural sector;
- an analysis of the overall budget and spending trends at national and provincial level;
- an analysis of service delivery trends on key land and agricultural programmes; and
- highlights the main challenges that the land and agricultural sector still face.

Institutional arrangement

National department of agriculture is responsible for policy formulation

Agriculture is a concurrent function shared between national government and the 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 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. As a result of the new governance framework for the science councils, the administrative responsibility for the science councils has been transferred back to the relevant line function departments. To this effect, the Department of Agriculture has assumed budgetary responsibility for the ARC from April 2005.

Provinces implement policy and local government is key in providing other inputs such as water and market access

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.

National Agriculture and Land Reform

There are two separate national departments dealing with agriculture and land affairs under one ministry. The Department of Land Affairs mainly drives the land reform programme, while the Department of Agriculture is responsible for, *inter alia*, farmer settlement and support.

Budget Trends in National Agriculture, 2002/03 to 2008/09

The national Department of Agriculture's budget grows from R933,3 million in 2002/03 to R2,3 billion by 2008/09, an average annual rate of 16,2 per cent.

Table 6.1 National agriculture and land reform expenditure by programme, 2002/03 – 2008/09

R million	2002/03	2003/04 Outcome	2004/05	2005/06 Preliminary outcome	2006/07	2007/08	2008/09
					Medium-term estimates		
Agriculture							
Administration	169	192	210	210	247	262	275
Livelihoods, Economics and Business Development	58	71	269	680	747	919	951
Bio-security and Disaster Management	237	421	343	368	246	258	281
Production and Resources Management	135	136	162	187	241	253	265
Sector Services and Partnerships	335	375	424	466	477	501	527
Subtotal	933	1 195	1 408	1 912	1 958	2 193	2 300
Land Affairs							
<i>of which</i>							
Restitution	394	839	1 183	1 906	3 369	3 838	2 500
Redistribution and tenure reform	416	454	454	555	907	1 274	2 896
Subtotal	810	1 293	1 636	2 460	4 276	5 111	5 396
Total	1 744	2 488	3 045	4 372	6 234	7 305	7 696
Percentage of total national agricultural expenditure							
Administration	18,1%	16,1%	14,9%	11,0%	12,6%	11,9%	12,0%
Livelihoods, Economics and Business Development	6,2%	5,9%	19,1%	35,6%	38,1%	41,9%	41,4%
Bio-security and Disaster Management	25,4%	35,3%	24,4%	19,3%	12,6%	11,8%	12,2%
Production and Resources Management	14,5%	11,4%	11,5%	9,8%	12,3%	11,5%	11,5%
Sector Services and Partnerships	35,9%	31,4%	30,1%	24,4%	24,4%	22,9%	22,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: 2006 Estimates of National Expenditure; 2005/06 Vulindlela

The livelihoods, economics and business development programme received 35 per cent of the total national budget for agriculture in 2005/06. Expenditure has increased significantly from 2002/03 to 2005/06, rising from R57,5 million to R680 million. This is by far the highest increase relative to other programmes. Prior to 2004/05 this programme had the smallest budget allocation. The sharp growth in

Sharp growth in budget largely due to CASP

expenditure is largely due to the allocation for the comprehensive agricultural support programme (CASP) introduced in 2004/05, South Africa's contribution to the World Food Programme (WFP) and the Micro Agricultural Finance Scheme of South Africa (MAFISA) launched in 2005.

***Further step up for
agricultural support and
AgriBEE***

For the 2006 MTEF, expenditure on this programme is expected to continue increasing at an average annual rate of 13 per cent, reaching R951,4 million in 2008/09. This is mainly because agricultural support and AgriBEE are the programme's core focus areas and main cost drivers. Within the national department, expenditure on this programme entails developing norms and standards for the settlement of emerging farmers, food security, rural development, and information gathering for developing and monitoring of the agricultural sector.

The livelihoods, economics and business development programme has three subprogrammes. The livelihoods development support subprogramme aims to provide post-settlement support to emerging farmers, promote farmer co-operatives and village banks and is also responsible for information, food security policy and legislation. To ensure the success of agrarian reforms, the Department of Agriculture trains Land Redistribution for Agricultural Development (LRAD) beneficiaries in all the provinces and monitors training on a monthly basis. In 2005/06 the department trained 1 602 emerging farmers. This is, however, significantly lower than the set target of 9 597 for the financial year. Agricultural credit schemes aimed at broadening new farmers' access to financial services are designed, implemented and monitored under this programme. One of the schemes is MAFISA and will be discussed in detail later in the chapter.

***Facilitation of domestic
and international market
access for SA produces***

The trade and business development subprogramme facilitates international and domestic market access for South African agricultural products and promotes black economic empowerment (BEE) in the sector.

The economic and statistical services subprogramme provides for the collection and analysis of agricultural statistics and monitors and evaluate the economic performance of the sector. It also interacts with Statistics South Africa on agricultural surveys and statistics. Over the past three years, R23,1 million was paid to Statistics South Africa for an agricultural census and sample survey done on behalf of the department.

***Maintenance of
agriculture safety
standards***

The bio-security and disaster management programme develops and implements policies for food safety, agricultural risk and disaster management and for controlling animal and plant diseases. Expenditure on this programme amounted to 19 per cent of total national agriculture expenditure in 2005/06. Expenditure fluctuated from R237 million in 2002/03, reaching a peak at R421,4 million in 2003/04, then falling to R343,2 million in 2004/05. The higher amount for 2003/04 resulted from an additional R34 million allocated through the adjustments budget for drought relief and for combating outbreaks of animal disease. Over the past years, several outbreaks of highly contagious animal diseases occurred in the country. The

Western Cape was hit by African horse sickness and porcine reproductive and respiratory syndrome, while the Limpopo, Eastern and Western Cape provinces were affected by foot and mouth, and classical swine fever. These outbreaks were contained successfully but in the Eastern Cape, the campaign to eradicate classical swine fever is ongoing. The outbreak of avian influenza has already affected some African countries such as Nigeria. Currently no cases of this disease have yet been reported in South Africa and the country is investing its resources in the prevention of the occurrence of the disease. In fact, South Africa was declared a notifiable avian influenza free zone by the European Union on 14 November 2005.

The bio-security and disaster management programme budget is projected to grow more steadily over the next three years, at an average annual rate of 7 per cent, from R245,9 million in 2006/07 to R281,4 million in 2008/09. The bulk of the programme's expenditure is on compensation of employees, as most of its work is regulatory, requiring inspection and certification activities. The department intends recruiting and retraining technical expertise to address the shortage of scarce skills in the food, animal health and disaster management subprogrammes. Moreover, the department aims to develop a database of retired officials for handling animal disease outbreaks.

The purpose of the production and resource management programme is to manage productivity and sustainability in agriculture, monitor and control genetically modified organisms and develop and implement policies and legislation on the sustainable use of agricultural land and water resources. This programme received about 9,8 per cent of total national agriculture allocation in 2005/06. Expenditure has been increasing steadily over the years. The average annual growth rate of 16,3 per cent between 2002/03 to 2005/06 is considerably higher than the 2006 MTEF's 5 per cent. By 2008/09, expenditure is expected to reach R264,6 million.

The production and resource management programme transfers funds to provinces through the conditional grant for the Land Care Programme. The main goal of the programme is to promote an optimal and sustainable use of the natural resources for the benefit of the current and future generations. Between 2002/03 and 2004/05, R104,2 million was transferred, while R131,2 million is expected to be transferred over the three years starting from 2005/06. Funding for land care does not include proposals which would be more appropriately funded through other programmes or duplicate work which is being undertaken elsewhere.

The sector services and partnerships programme manages and coordinates stakeholder and international relations, agricultural education and training, extension and advisory services, and scientific research and development. This programme accounted for about 24 per cent of the total agriculture expenditure in 2005/06 and will maintain a steady average annual growth rate of 5 per cent over the 2006 MTEF. Expenditure grew from R335,1 million in 2002/03 to R466,3 million in 2005/06 at an average annual rate of 12,7 per cent. The growth is partly linked to the acceleration of the land

Growth in budget targets productivity and sustainability in agriculture

Promotion of the optimal use of natural resources

Agricultural education and training, extension and advisory services, and scientific research and development key for sector sustainability

redistribution for agricultural development (LRAD) programme, which requires increased capacity to provide training programmes for emerging farmers. The growth has, in addition, been driven by membership fees to international organisations and payments to the Grootfontein Agricultural Development Institute (GADI). Transfers to the ARC account for at least half of the total programme expenditure and reach R425,3 million by 2008/09.

Budget trends in Land Affairs, 2002/03 to 2008/09

Speeding up land reform

The government initiated the land reform programme in 1994 to redress the skewed ownership patterns of productive agricultural land. The three main strategies in South Africa's land reform programme are land restitution, tenure reform and land redistribution. Redistribution involves redistributing land to individuals or communities for agricultural production and settlement. Tenure reform is about enabling individuals, farm workers or communities to gain legal tenure to the land that they already occupy. Restitution restores rights to 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. Land and agrarian reform has been identified as one of the vehicles for the implementation of the ASGISA. A key aim of this reform programme is to ensure that previously disadvantaged communities are fully integrated into the mainstream commercial agricultural economy.

Greater emphasis on land reform

The budget for the Department of Land Affairs is much higher than that of the Department of Agriculture mainly because of the rising allocations for land restitution and land reform. Table 6.1 shows that between 2002/03 and 2005/06, overall expenditure grew significantly from R1,1 billion to R2,9 billion at an average annual rate of 52,1 per cent. Accelerated delivery, in both the restitution and land reform programmes, accounts for the growth. In particular, the restitution programme grew substantially, with expenditure increasing from R394,3 million to R1,9 billion, at an average annual rate of 90 per cent. The sharp growth in spending on restitution reflects the fact that the process has reached a stage where claims are being finalised. This spending is expected to decrease from R3,4 billion in 2006/07 to R2,5 billion in 2008/09 as the restitution process nears completion and outstanding claims are finalised.

Table 6.1 also shows that the land redistribution and tenure reform programme grew steadily from R416 million in 2002/03 to R555 million in 2005/06, an average annual rate of 19 per cent. Expenditure on this programme is expected to rise rapidly at an average annual rate of 79 per cent over the next three years to R2,9 billion by 2008/09. Land redistribution and tenure reform have a great impact on agriculture, and it is for this reason that spending on farmer support has also been stepped up at a rate of about 20 per cent per year.

Tables 6.2 and 6.3 show the non-financial data with respect to progress made on land reform.

Table 6.2 shows that out of a total of 79 696 claims that were lodged in 1998, 71 645 claims had been settled by the end of March 2006. While the overall land reform programme focuses on the redistribution of agricultural land, some restitution claims, mostly urban claims, are settled through cash compensation. There are still some unclaimed restitution funds with ABSA, a commercial bank appointed by the department to disburse funds. In this case the beneficiaries have not claimed their payments from the bank.

71 645 land claims have been settled by the end of March 2006

Table 6.2 Provincial settled restitution claims¹ as at March 2006

	Claims	Households	Beneficiaries	Hectares ²	Land cost (R thousand)	Financial compensation (R thousand)
Eastern Cape	16 040	42 178	157 494	56 686	211 541	585 993
Free State	2 120	3 956	24 107	44 464	9 846	46 858
Gauteng	13 133	12 981	58 365	3 555	62 537	620 323
KwaZulu-Natal	13 813	39 702	238 509	339 200	726 853	808 304
Limpopo	2 717	27 480	148 344	203 355	696 161	51 689
Mpumalanga	2 075	29 366	151 228	100 122	502 957	67 021
Northern Cape	3 518	7 525	45 971	237 398	74 482	119 025
North West	3 441	15 794	87 019	79 271	127 103	162 520
Western Cape	14 788	17 685	92 514	3 101	8 096	509 099
Total	71 645	196 667	1 003 551	1 067 152	2 419 577	2 970 832

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.

Source: Department of Land Affairs

Furthermore, table 6.2 shows that the estimated number of households that 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 almost six times lower than in KwaZulu Natal. This is because most claims in the Eastern Cape were settled through 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.

Going forward, the Commission on Restitution of Land Rights envisages settling 3 103 rural and 1 076 urban claims in the current financial year. It is expected that as the restitution programme draws to a close in March 2008, more financial and human resources will be directed towards the redistribution and tenure reform programme.

3 103 rural and 1 076 urban claims targeted in the current financial year

Table 6.3 shows that at the end of June 2005, the total number of hectares and the number of projects delivered through land redistribution and tenure reform were 1,5 million and 2 021 respectively. The number of hectares delivered varies considerably across provinces. Northern Cape accounts for the greatest percentage (38 per cent of the total hectares delivered) while Gauteng accounts for the smallest (1 per cent). In the Northern Cape, most of all the land delivered per grant is for commonage projects. Land redistribution consists of 95 per cent of the total land delivered

1,5 million hectares redistributed

relative to tenure reform. Moreover, 90 per cent of the total number of projects approved or delivered is for land redistribution. The number of projects approved varies across provinces ranging from 102 in Limpopo to 404 in the Eastern Cape.

Table 6.3 Land redistribution and tenure reform outputs as at June 2005

	Number of projects	Number of hectares
Eastern Cape	383	177 814
Free State	404	145 509
Gauteng	137	10 055
KwaZulu-Natal	314	218 978
Limpopo	102	42 409
Mpumalanga	269	182 584
Northern Cape	148	546 082
North West	131	73 156
Western Cape	133	54 530
Total	2 021	1 451 117

Source: Department of Land Affairs

Growth in budget targets productivity and sustainability in agriculture

Provincial budget and expenditure trends

Provincial expenditure on agriculture continues to grow in real terms. Agriculture expenditure grew at an annual average rate of 16,1 per cent between 2002/03 and 2005/06 financial years. Provincial agriculture spending is budgeted to increase from R4,0 billion in 2005/06 to R5,2 billion in 2008/09. This represents an annual average increase of 8,6 per cent. Table 6.4 illustrates the trends.

Eastern Cape, KwaZulu-Natal and Limpopo provinces account for a larger share of expenditure partly showing the extent of agricultural sector deepening in provincial economies. The contribution of agriculture to the provincial GPD of these provinces is significant; hence the bigger share of agriculture spending.

Table 6.4 Provincial agriculture expenditure, 2002/03 – 2008/09

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	Outcome			Preliminary outcome	Medium-term estimates		
R million							
Eastern Cape	572	752	822	787	870	955	1 059
Free State	146	183	177	299	224	246	263
Gauteng ¹	61	82	87	87	139	134	137
KwaZulu-Natal ¹	444	487	637	787	853	985	1 078
Limpopo	718	786	733	981	1 029	1 203	1 252
Mpumalanga ¹	228	244	285	414	426	436	486
Northern Cape	60	65	91	132	129	149	167
North West ¹	241	255	364	322	378	436	463
Western Cape	131	161	197	259	254	287	305
Total	2 602	3 015	3 393	4 068	4 301	4 831	5 210
Percentage of total provincial expenditure							
Eastern Cape	3,1%	3,5%	3,8%	3,3%	3,2%	3,1%	3,1%
Free State	1,9%	2,0%	1,8%	2,8%	1,9%	1,9%	1,9%
Gauteng	0,3%	0,3%	0,4%	0,3%	0,4%	0,4%	0,4%
KwaZulu-Natal	2,0%	1,9%	2,3%	2,4%	2,3%	2,3%	2,3%
Limpopo	4,9%	4,8%	3,9%	4,7%	4,5%	4,7%	4,4%
Mpumalanga	2,9%	2,7%	2,8%	3,6%	3,3%	3,1%	3,1%
Northern Cape	2,3%	2,1%	2,7%	3,3%	2,9%	3,1%	3,2%
North West	2,6%	2,5%	3,3%	2,4%	2,6%	2,7%	2,6%
Western Cape	1,1%	1,2%	1,3%	1,5%	1,4%	1,4%	1,4%
Total	2,2%	2,3%	2,4%	2,5%	2,4%	2,4%	2,3%
Percentage growth (average annual)	2002/03 – 2005/06			2005/06 – 2006/07			2005/06 – 2008/09
Eastern Cape	11,3%			10,5%			10,4%
Free State	26,9%			-25,2%			-4,1%
Gauteng	12,9%			59,0%			16,1%
KwaZulu-Natal	21,0%			8,3%			11,1%
Limpopo	10,9%			4,9%			8,5%
Mpumalanga	22,0%			2,9%			5,4%
Northern Cape	29,8%			-2,3%			8,0%
North West	10,1%			17,4%			12,9%
Western Cape	25,4%			-1,7%			5,7%
Total	16,1%			5,7%			8,6%

1. Programme 1: Administration has been calculated on a pro rata basis as result of the combination of the Agriculture function with other provincial functions.

Source: National Treasury provincial database

Compensation of employees

The provincial departments of agriculture are making progress with decreasing excessive personnel costs resulting from the inheritance of a large number of unskilled staff from the former homelands. The exception is North West, where personnel costs were well over 68 per cent in 2005/06. Table 6.5 shows that on aggregate the rate of decline in personnel costs was 4,1 per cent between 2002/03 and 2005/06, and is projected to decrease further by an annual average of 7,5 per cent over the MTEF period.

Personnel spending gradually being brought under control

Table 6.5 Provincial agriculture compensation of employees expenditure, 2002/03 – 2008/09

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	Outcome			Preliminary outcome	Medium-term estimates		
R million							
Eastern Cape	407	450	459	408	439	465	491
Free State	96	116	124	133	145	153	161
Gauteng ¹	29	35	38	42	69	73	73
KwaZulu-Natal ¹	250	285	336	359	368	393	420
Limpopo	540	592	478	484	509	592	617
Mpumalanga ¹	113	117	126	144	156	162	172
Northern Cape	33	35	40	42	53	55	58
North West ¹	177	185	204	220	233	248	264
Western Cape	74	85	93	107	139	146	153
Total	1 718	1 901	1 897	1 937	2 111	2 289	2 409
Percentage of provincial agriculture expenditure							
Eastern Cape	71,2%	59,9%	55,8%	51,8%	50,5%	48,7%	46,4%
Free State	65,3%	63,2%	70,0%	44,5%	64,9%	62,2%	61,2%
Gauteng	47,5%	42,1%	43,4%	48,0%	49,7%	54,7%	53,2%
KwaZulu-Natal	56,4%	58,6%	52,8%	45,7%	43,2%	39,9%	38,9%
Limpopo	75,2%	75,3%	65,2%	49,3%	49,4%	49,2%	49,3%
Mpumalanga	49,4%	48,0%	44,3%	34,7%	36,6%	37,2%	35,3%
Northern Cape	54,1%	54,1%	43,6%	31,5%	41,2%	37,1%	34,9%
North West	73,4%	72,8%	55,9%	68,3%	61,6%	56,9%	57,0%
Western Cape	56,8%	53,2%	47,0%	41,4%	54,8%	51,0%	50,1%
Total	66,0%	63,1%	55,9%	47,6%	49,1%	47,4%	46,2%
Percentage growth (average annual)	2002/03 – 2005/06		2005/06 – 2006/07		2005/06 – 2008/09		
Eastern Cape	0,1%		7,6%		6,4%		
Free State	11,6%		9,3%		6,7%		
Gauteng	13,3%		64,5%		20,1%		
KwaZulu-Natal	12,8%		2,5%		5,3%		
Limpopo	-3,6%		5,2%		8,5%		
Mpumalanga	8,5%		8,6%		6,1%		
Northern Cape	8,3%		27,9%		11,8%		
North West	7,5%		6,0%		6,3%		
Western Cape	12,8%		30,2%		12,7%		
Total	4,1%		9,0%		7,5%		

1. Programme 1: Administration has been calculated on a pro rata basis as result of the combination of the Agriculture function with other provincial functions.

Source: National Treasury provincial database

Non compensation expenditure

Non-personnel funds the provision of crucial support services to farmers including capital infrastructure and sustainable resource management which comprises, amongst others, land care and management of communal land.

Total provincial non-personnel expenditure has more than doubled from R883 million in 2002/03 to R2,1 billion in 2005/06 and is further budgeted to increase to R2,8 billion in 2008/09. As the provinces continue to streamline their core functions and reduce personnel related costs, spending on non-personnel improves. This trend is evident in all the provinces with Mpumalanga showing the highest level of efficiency with a 37 and 63 per cent split.

Growth in non-personnel spending provides for inputs key to improve the quality of agricultural services

Table 6.6 Provincial agriculture non-compensation of employees expenditure, 2002/03 – 2008/09

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R million	Outcome			Preliminary outcome	Medium-term estimates		
Eastern Cape	165	302	363	380	431	490	568
Free State	51	67	53	166	78	93	102
Gauteng ¹	32	48	49	45	70	61	64
KwaZulu-Natal ¹	194	202	301	428	484	592	658
Limpopo	178	194	255	497	520	611	634
Mpumalanga ¹	115	127	159	271	270	274	314
Northern Cape	28	30	51	91	76	94	108
North West ¹	64	69	161	102	145	188	199
Western Cape	57	75	104	152	115	141	152
Total	883	1 114	1 497	2 131	2 190	2 543	2 800
Percentage of provincial agriculture expenditure							
Eastern Cape	28,8%	40,1%	44,2%	48,2%	49,5%	51,3%	53,6%
Free State	34,7%	36,8%	30,0%	55,5%	35,1%	37,8%	38,8%
Gauteng	52,5%	57,9%	56,6%	52,0%	50,3%	45,3%	46,8%
KwaZulu-Natal	43,6%	41,4%	47,2%	54,3%	56,8%	60,1%	61,1%
Limpopo	24,8%	24,7%	34,8%	50,7%	50,6%	50,8%	50,7%
Mpumalanga	50,6%	52,0%	55,7%	65,3%	63,4%	62,8%	64,7%
Northern Cape	45,9%	45,9%	56,4%	68,5%	58,8%	62,9%	65,1%
North West	26,6%	27,2%	44,1%	31,7%	38,4%	43,1%	43,0%
Western Cape	43,2%	46,8%	53,0%	58,6%	45,2%	49,0%	49,9%
Total	34,0%	36,9%	44,1%	52,4%	50,9%	52,6%	53,8%

1. Programme 1: Administration has been calculated on a pro rata basis as result of the combination of the Agriculture function with other provincial functions.

Source: National Treasury provincial database.

Provincial agriculture expenditure by programme

Table 6.7 shows expenditure trends per programme aggregated across all provinces. The majority of expenditure is for administration and farmer support and development. In general, these two programmes account for more than two-thirds or 65 per cent of total expenditure.

Farmer support and developmental support programmes prioritised

Table 6.7 Provincial agriculture expenditure by programme, 2002/03 – 2008/09

R million	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
	Outcome			Preliminary outcome	Medium-term estimates		
Administration ¹	594	660	767	800	766	836	893
Sustainable Resource Management	220	231	251	477	612	662	696
Farmer Support and Development	1 161	1 404	1 602	1 854	2 012	2 332	2 534
Veterinary Services	280	308	341	351	385	418	451
Technology Research and Development Services	230	256	228	334	294	319	346
Agricultural Economics	23	33	48	86	71	79	87
Structured Agricultural Training	93	123	157	167	161	186	204
Total	2 602	3 015	3 393	4 068	4 301	4 831	5 210
Percentage of provincial agriculture expenditure							
Administration ¹	22,9%	21,9%	22,6%	19,7%	17,8%	17,3%	17,1%
Sustainable Resource Management	8,5%	7,7%	7,4%	11,7%	14,2%	13,7%	13,4%
Farmer Support and Development	44,6%	46,6%	47,2%	45,6%	46,8%	48,3%	48,6%
Veterinary Services	10,8%	10,2%	10,1%	8,6%	8,9%	8,6%	8,7%
Technology Research and Development Services	8,9%	8,5%	6,7%	8,2%	6,8%	6,6%	6,6%
Agricultural Economics	0,9%	1,1%	1,4%	2,1%	1,7%	1,6%	1,7%
Structured Agricultural Training	3,6%	4,1%	4,6%	4,1%	3,7%	3,8%	3,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

1. Programme 1: Administration has been calculated on a pro rata basis as result of the combination of the Agriculture function with other provincial functions.

Source: National Treasury provincial database

Programmes seeks to enhance the agriculture potential of provinces

Total expenditure for the 2005/06 financial year amounts to R4,1 billion and is budgeted to increase to R5,2 billion by 2008/09. Spending is driven mainly by the farmer support and development programme which primarily aims to unlock and enhance the agricultural potential of the provinces. Table 6.8 shows a disaggregated picture of expenditure by programme per province for the 2005/06 financial year.

Training of farmers key for further agriculture development and rural sustainability

The farmer support and development programme (FSDP) strategically aims to extend the provision of training to farmers with special emphasis on developing or emerging farmers, and the implementation of the land reform and agriculture rural development programmes.

The FSDP constitutes the largest share of total programme expenditure. Table 6.7 illustrates that expenditure on this programme increases by 35 per cent from 2005/06 to 2008/09 to R2,5 billion. Table 6.8 shows that in 2005/06, provinces assigned 46,1 per cent or R1,8 billion of their total expenditure on FSDP. KwaZulu-Natal, Limpopo and Eastern Cape have the highest expenditure levels of 57,3 per cent, 55,8 per cent and 43,7 per cent respectively. Free State, Gauteng, Northern Cape and Western Cape are the four provinces with expenditure levels of below 30 per cent on the FSDP programme.

Table 6.8 Provincial agriculture expenditure by programme, 2005/06

	Adminis- tration ¹	Sustain- able Resource Manage- ment	Farmer Support and Develop- ment	Veteri- nary Services	Tech- nology Research and Develop- ment Services	Agricul- tural Eco- nomics	Struc- tured Agri- cultural Training	Total
R million								
Eastern Cape	243	55	323	89	42	6	30	787
Free State	94	62	87	24	19	2	11	299
Gauteng ¹	39	–	24	18	6	–	–	87
KwaZulu-Natal ¹	115	44	451	72	75	–	29	787
Limpopo	140	127	547	16	98	18	35	981
Mpumalanga ¹	33	68	180	44	22	45	22	414
Northern Cape	33	32	35	17	14	2	–	132
North West ¹	70	41	135	45	7	5	19	322
Western Cape	35	48	72	26	51	8	20	259
Total	800	477	1 854	351	334	86	167	4 068
Percentage of provincial agriculture programme expenditure								
Eastern Cape	30,8%	6,9%	41,0%	11,2%	5,3%	0,8%	3,9%	100,0%
Free State	31,4%	20,7%	29,1%	8,1%	6,3%	0,7%	3,8%	100,0%
Gauteng	44,3%	0,0%	27,1%	21,2%	7,4%	0,0%	0,0%	100,0%
KwaZulu-Natal	14,6%	5,6%	57,3%	9,1%	9,6%	0,0%	3,7%	100,0%
Limpopo	14,2%	13,0%	55,8%	1,6%	10,0%	1,8%	3,6%	100,0%
Mpumalanga	8,0%	16,4%	43,5%	10,7%	5,3%	10,8%	5,3%	100,0%
Northern Cape	24,6%	24,2%	26,5%	12,9%	10,5%	1,3%	0,0%	100,0%
North West	21,8%	12,7%	41,9%	14,0%	2,2%	1,6%	5,8%	100,0%
Western Cape	13,4%	18,7%	28,0%	9,9%	19,5%	2,9%	7,6%	100,0%
Total	19,7%	11,7%	45,6%	8,6%	8,2%	2,1%	4,1%	100,0%

1. Programme 1: Administration has been calculated on a pro rata basis as result of the combination of the Agriculture function with other provincial functions.

Source: National Treasury provincial database

The sustainable resource management programme provides support services to research units; enhances sustainable utilisation of natural agricultural resources; deals with conservation of the environment; plans and develops agricultural engineering products; and renders advice to farmers and other agriculture institutions.

Sustainable resource management important for agricultural development

Total expenditure on this programme by the provinces in 2005/06 is R477 million and is budgeted to increase by R240 million to R696 million in 2008/09. Table 6.8 shows that expenditure on this programme as a percentage of total expenditure ranges from 24,2 per cent in Northern Cape to 4,3 per cent in Eastern Cape in 2005/06.

Provincial expenditure responsibilities for veterinary services provides for minimising and monitoring animal health risks and enhancing the hygiene management of animal product establishment in accordance with national and international standards for service delivery and export certification. The veterinary services programme has four main subprogrammes including animal health, export control, veterinary public health and laboratory services.

The need to minimise and monitor animal health

In 2005/06 expenditure on this programme was 8,6 per cent of total provincial spending at R351 million. Expenditure is expected to increase to R451 million by 2008/09. Spending ranges from 1,6 per cent in Limpopo to 21,2 per cent in Gauteng. Due to the recent outbreak of animal diseases in various African states the programme is likely to experience budgetary pressures as provinces embark on the prevention of spread and outbreak of diseases.

Improved crop and animal production technology

The purpose of the technology, research and development services programme is to render agricultural research services and develop information systems with regard to crop and animal production technology and resource utilisation technology. Expenditure on this programme increases from R334 million in 2005/06 to R346 million in 2008/09. Expenditure per province ranges from 5,3 per cent in Eastern Cape to 19,5 per cent in Western Cape.

Continued capacity building key for the sustainability of the sector

The structured agricultural training programme facilitates and provides agricultural training to and creates training opportunities for practising and prospective farmers, advisors, technicians and farm workers. Expenditure on this programme rose substantially from R93 million in 2002/03 to R167 million in 2005/06 and is budgeted to increase to R204 million in 2008/09. Expenditure per province varies from 0 per cent in both Gauteng and Northern Cape to 7,6 per cent in Western Cape.

The agricultural economics programme serves to provide effective agriculture economic support services to internal and external clients. Expenditure on this programme is mainly used to fund marketing services and to develop a database on various economic statistics and trends. This programme has the lowest share of total expenditure on programmes at R86 million or 2,1 per cent in 2005/05.

Service delivery trends in key land and agricultural programmes

This section provides non-financial details on key programmes provided by both the Departments of Agriculture and Land Affairs. The key programmes discussed are CASP, LRAD and food security. The section aims to highlight the main programmes' targets, outputs and achievements.

Land Redistribution for Agricultural Development (LRAD)

Under the LRAD programme beneficiaries can access a range of grants (R20 000 to R100 000) depending on the amount of their contribution in kind, labour and/or cash. The introduction of LRAD has been aligned with CASP administered by the Department of Agriculture. The use of the LRAD grant has contributed to accelerated delivery. In addition the Department of Land Affairs plans on becoming more proactive in land acquisition. Unlike the current approach, which is predominantly demand driven, the department intends buying land available in the market for redistribution to black farmers.

Government has set itself the target of delivering 30 per cent of the 82 million hectares of agricultural land by the year 2014. The total land delivered from 1994 to January 2006 by the different programmes is 3,4 million hectares as shown in table 6.9 below. This means that 21,2 million hectares must still be delivered by 2014. Although land delivery has been mainly through the redistribution programme, delivery in terms of LRAD still remains 40 per cent below target in terms of the number of hectares transferred. Output was hindered by a number of factors. Key among them is limited success of the negotiation process and rising prices in land. To bring the department closer to meeting the 30 per cent target, government plans to deliver 3,1 million hectares each year for the next three years.

*3,4 million hectares
redistributed thus far*

Table 6.9 Total land delivered by different programmes as at January 2006

Programmes	Hectares
Redistribution	1 477 956
Restitution	1 007 247
Tenure reform	126 519
State land	761 524
Total	3 373 246

Source: Department of Land Affairs

Comprehensive Agricultural Support Programme (CASP)

One of the main focus areas for the Department of Agriculture is CASP, which provides post-settlement support to targeted beneficiaries of land reform and other emerging farmers who have acquired land through private means. This programme was launched in 2004 as a result of lack of post-settlement support to beneficiaries of land reform programme. The programme makes interventions in the following priority areas: information and knowledge management, technical and advisory assistance, training and capacity building, marketing and business development, on and off-farm infrastructure, and regulatory services.

*Knowledge management,
technical assistance, on
and off-farm support,
business development
key support areas for
emerging farmers*

Although CASP intends to intervene in all the aforementioned six areas, to date this has been mainly in the provision of on-farm infrastructure (e.g. diptanks, shearing sheds, fencing, irrigation, auction pens etc), training and capacity building, marketing and business development. This is partly due to provincial departments of agriculture's initial emphasis and focus on providing infrastructure. However, it became clear that to achieve the intended results a full rollout of the programme is needed. The launching of MAFISA is expected to have some discernible impact in the area of rural financial assistance.

*CASP provides support
to farmers benefiting
from land redistribution*

In the 2006/07 financial year, an amount of R300 million has been allocated to CASP and this allocation is estimated to increase to R435 million in 2008/09. The optimal delivery of CASP is limited mainly by capacity constraints at the provincial level. As a result, in the first years of its implementation significant under spending and rollovers were reported. Recommendations to improve the provision of agricultural support include reviewing grant conditions and

*Steps taken to improve
the performance of CASP*

improving business processes related to the identification and approval of projects, business plans, and time frames for reporting. Progress on this programme is monitored by the CASP monitoring unit within the Department of Agriculture in collaboration with the provincial departments of agriculture who conduct on-site visits, compile progress reports and offer advice and support at the programme implementation level.

Food Security

The Department of Agriculture is the lead department within the social cluster for the implementation of the Integrated Food Security and Nutrition Programme (IFSNP). Some work has been done to strengthen the existence of the IFSNP-Task Teams which aim to provide a platform for the representatives of the social cluster departments to convene to ensure coordinated planning, overall monitoring and evaluation, and reporting under the five key focal areas of the IFSNP. The task teams in collaboration with relevant stakeholders including donor organisations such as the United Nation's Food and Agriculture Organisation (FAO), WFP, schools and communities disseminate suitable technologies, information and training modules to increase levels of household food production.

The household food production programme is extended to all provinces

Through a Special Programme for Food Security (SPFS) which was piloted in Limpopo, Eastern Cape and KwaZulu-Natal, the Department of Agriculture supplied basic agricultural infrastructure as well as production inputs to almost 500 families. In addition to this programme, 40 000 households nationally received agricultural starter packs in 2005/06. The SPFS has been extended to all nine provinces under the new name of Household Food Production Programme (HFPP). The target for this financial year is to reach 62 000 vulnerable households.

The CASP funding is also aligned to fund food security projects. Ten per cent of the total CASP budget will be used to support the implementation of food security projects in addition to the provincial budget allocation to food security.

A mechanisation service to improve food production in rural nodes

A mechanisation service for resource-poor farmers was introduced in KwaZulu-Natal, Eastern Cape and Free State to improve food security through increase food production in selected rural development nodes. Through this programme a total of 330 power hoes/ploughs were procured and distributed to the designated nodal areas.

To promote and ensure that the right people are targeted with the right interventions, the Department of Agriculture financed a pilot study in the Sekhukhune Integrated Sustainable Rural Development (ISRD) node on Food Insecurity and Vulnerability Information Mapping System (FIVIMS). The fundamental objective is to develop an information management/decision support system that would explore food insecurity and vulnerability characteristics of communities within the framework of international protocols and good practice. FIVIMS is intended to be launched in the second half of 2006 and thereafter will be rolled out to other developmental nodes.

As part of maintaining stability and food security in the Southern African Development Community (SADC) region, the South African Government has allocated R400 million for a three year programme to SADC member states. The seven SADC countries that were hit by drought and floods during the 2004/05 season were offered humanitarian food assistance through the WFP and FAO. These countries include Mozambique, Malawi, Zambia, Lesotho, Swaziland, Angola and Zimbabwe. Almost one third of the donation was for agricultural rehabilitation, direct food relief assistance and for strengthening the SADC information management systems.

South Africa provide support to ensure food security in SADC countries

Future challenges

As the Department of Agriculture continues to pursue a vision of creating a united and a prosperous agricultural sector, it still faces a number of challenges. Some of the challenges lie with the implementation of the two programmes namely, MAFISA and AgriBEE as discussed below.

Micro Agricultural Financial Institution of South Africa

The government accepted the Strauss Commission recommendation to close down the Agricultural Credit Board (ACB). By 1999 the Department of Agriculture had closed down the ACB and confined its activities only to the collection of all debts owed to the ACB. A review done by government and other stakeholders revealed that the gap left by the closure of ACB has not been filled by the Land Bank, commercial banks or other financial institutions. It is upon the basis of this review that the President, in his state of the nation address on 21 May 2004, announced that the government would re-establish the agricultural credit scheme in the Department of Agriculture for small farmers and leave the Land Bank to deal with the commercial sector. It was as a result of this shift in government thinking that MAFISA emerged as a government programme. Its main business will be to provide micro and retail agricultural financial services and facilitate access to public sector programmes to enable market efficiency.

MAFISA was launched as a pilot project in KwaZulu-Natal, Limpopo and Eastern Cape. The Land Bank is a partner in the delivery of MAFISA pilot projects. For the pilot projects, only state owned development finance institutions together with a limited number of other types of institutions willing and able to participate on the terms of the pilot, will be used as retail lending institutions in order to assess a range of delivery channels. In 2006/07, funds amounting to R200 million have been set aside for MAFISA, of which an estimated R194 million will be transferred to the Land Bank for the operation of the scheme while R6 million will be retained by the Department of Agriculture for administration purposes. The total budget allocation for the scheme will rise to a stable R250 million for the next two financial years. The success of the scheme will depend on how the participating development financing institutions implement principles of good lending practice such as the ability to pay, willingness to pay, something to lose, matching repayment to cash flow, risk mitigation,

use of credible suppliers, ease of repayment and understandable interest rate costs.

Agricultural Broad-Based Black Economic Empowerment (AgriBEE)

In July 2004, the Minister of Agriculture and Land Affairs launched the AgriBEE framework and set in place a process for a transformation charter for the agricultural sector. AgriBEE is the department's response to improving equitable access to, and participation in, agricultural opportunities; deracialising land and enterprise ownership; and unlocking the entrepreneurial potential in the sector. Business models are being tested with selected commodity groups and local development organisations working on how best to integrate emerging participants into the mainstream agricultural economy. In addition, monitoring and evaluation of AgriBEE activities are being set up, and there will be implementation and monitoring workshops to harmonise efforts.

Following the Minister of Agriculture instruction to draft a transformation charter, an AgriBEE indaba was held on 9 December 2005 where the content of the charter was discussed. A final draft charter was submitted to the Minister of Agriculture and Land Affairs in May 2006. An overriding challenge is to ensure that the codes process addresses the diverse requirements of all sub sector dynamics and dual economic considerations.

Due to the AgriBEE charter process not being finalised and the programme not fully established, only 70 per cent of the programmes budget (R50 million) was utilised in 2005/06. For the 2006 MTEF, expenditure is expected to increase steadily from R70 million to R73 million in 2008/09, an average annual increase of 2,4 per cent.

Conclusion

Government recognises the importance of land reform and agricultural development in bringing the previously disadvantaged sector of its population into the mainstream economy. The interventions through CASP, LRAD and MAFISA provide good examples of targeted interventions that seek to ensure that land redistribution is accompanied by the requisite support to ensure that the productivity of the land is not diminished.