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Agriculture and land

■ Introduction

Agriculture is an important sector of the South African economy, especially for its impact on job creation, rural development, food security and foreign exchange. While national income statistics suggest that the agricultural sector presently accounts directly for 3 per cent of GDP, agriculture's contribution to the overall economy is much greater. The sector's strong indirect role in the economy is a function of its backward and forward links to other sectors. Its demand for goods such as fertilisers, chemicals and implements form links back to the manufacturing sector, while forward links are formed through the supply of raw materials to industry. In addition, in terms of exports, agriculture contributes R30 billion annually. The sector's share of the country's total exports is about 8 per cent, and processed agricultural products constitute about 60 per cent of all agricultural exports.

Over the past fifteen years, the Department of Agriculture, together with its main partners in government and the private sector, has implemented a number of initiatives, including: the deregulation of the marketing of agricultural products; trade reforms, including free trade agreements, and the implementation of labour legislation for the sector. The aim has been to transform the sector from being heavily regulated and subsidised as it was before 1994, where financial concessions were provided to only white farmers at a huge cost to government, into an industry that is more accessible to and supportive of emerging black farmers. The Department of Agriculture has several different programmes in place that are all geared towards achieving the broad objectives of food security, rural competitiveness, poverty alleviation and sustainable resource management. To further support and facilitate these broad aims, the Department of Land Affairs has introduced more reforms to improve access to land as a form of

Agriculture contributes significantly to the South African economy

The agricultural industry is more accessible and supportive of emerging black farmers than it was before 1994

redress for the dispossession of black South Africans from their land. This is being done through a comprehensive land reform programme, which includes restitution, redistribution and tenure reform. This, in turn, creates increased demand for services offered by the Department of Agriculture. For the purposes of this review, the elements of the Department of Land Affairs' functions that are being focused on are only those that impact directly on the aims and functions of the Department of Agriculture, which is essentially the issue of land reform. In terms of budgetary information, this is presented in table 7.1 under the Land reform and Restitution programmes within the Department of Land Affairs. The analysis in this review is based on the structure of these functions before the changes that were made under the new government and effective from April 2009.

Current challenges

The pace of land and agrarian reform needs to be accelerated

A major challenge for the agricultural and land sector is to accelerate the pace of land and agrarian reform. The fact that agricultural service delivery is a concurrent function between national and provincial departments of agriculture, combined with the lack of coherent linkages between the acquisition of land and the provision of agricultural support services, has presented a challenge to successful land reform. The land and agrarian reform project (LARP) was therefore jointly developed in 2007/08 by the national departments of Agriculture and Land Affairs in accordance with the Intergovernmental Relations Framework Act (2005). The objective was to provide a new paradigm for sector service delivery to accelerate the rate and sustainability of transformation through aligned and joint action by all involved stakeholders.

Given that, in general, land in the former homelands and the land granted to beneficiaries of land reform is not being effectively utilised, concerted efforts to improve the utilisation of land are necessary. Agriculture is a crucial sector with enormous untapped potential for addressing food insecurity and driving rural development. Finding an appropriate model that provides integrated support in the form of skills, markets, information and finance to emerging and subsistence farmers is the challenge that the sector seeks to address via LARP.

CASP, MAFISA and AgriBEE provide support services to emerging subsistence farmers

The increased demand for agricultural support services for emerging and subsistence farmers created by the land reform programme is partly addressed through the comprehensive agricultural support programme (CASP), the Micro-agricultural Finance Initiative of South Africa (MAFISA), Ilima/Letsema and AgriBEE. The extent to which these programmes effectively address the current gap in the delivery of farmer support services will be reflected in land being used more productively so that it impacts positively on food security and poverty eradication among rural households. AgriBEE has the potential to increase agribusiness opportunities by adding value to agricultural products, distributing inputs for farming, improving access to markets and creating employment opportunities.

This chapter covers:

- An overview of the institutional framework governing the agricultural sector
- Aggregate national agriculture and land reform budget and expenditure trends by programme: 2005/06 to 2011/12
- Provincial agricultural expenditure by economic classification
- Service delivery achievements
- The outlook over the medium term.

Institutional framework of the agricultural sector

The national level

Two separate national departments deal with agriculture and land affairs. The national Department of Land Affairs mainly drives the land reform programme, while the national Department of Agriculture is responsible for, inter alia, farmer settlement and support. These departments were previously under one ministry. With the new structure of government, two ministries have been established: the Department of Land and Rural Development and the Department of Agriculture, Forestry and Fisheries. The restructuring has not changed the roles of the departments in relation to agriculture and land as they are covered in this review.

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 equitable access to agricultural opportunities, establishing norms and standards for service delivery, and providing financial assistance and other forms of support to farmers.

The national Department of Agriculture formulates policy and the regulatory framework for the agricultural sector

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

The national department consults with key stakeholders in the sector

When it formulates policies for the agricultural sector, the Department of Agriculture often consults with other key stakeholders. These include farmers' unions, cooperatives and voluntary associations, non-governmental organisations and the agri-industry.

The provincial and local level

Provincial departments of agriculture are the main implementers of agricultural policies and programmes

Given the current nature of the agriculture function, provincial departments of agriculture are the main implementers of agricultural policies and programmes. There are no dedicated departments of land affairs at the provincial level. The provincial departments of agriculture ensure the optimal use of agricultural land and also help the national Department of Land Affairs identify beneficiaries of land redistribution for agricultural purposes. With the new structure of government, most provinces have brought the rural development function into the departments of agriculture, which in some cases also deal with the environment.

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 providing and regulating fresh produce markets, abattoirs and food safety standards. The three spheres of government work together to make sure that agricultural and land priorities are incorporated into the municipal integrated development plans.

■ Aggregate national agriculture and land reform budget and expenditure trends by programme: 2005/06 – 2011/12

Table 7.1 shows that the aggregate allocation and spending on agriculture and land reform increased from R8.5 billion in 2005/06 to R14.7 billion in 2008/09. A further increase to R18.1 billion in 2011/12 is anticipated, reflecting an average annual growth rate of 8 per cent over the medium term. Provincial spending accounts for about 44 per cent of total agriculture budgets, followed by land reform, accounting for 37 per cent.

**Table 7.1 National agriculture and land reform expenditure by programme,
2005/06 – 2011/12**

	2005/06	2006/07 Outcome	2007/08	2008/09 Pre-audited outcome	2009/10 Medium-term estimates	2010/11	2011/12
R million							
Agriculture							
Administration	248	280	334	369	389	417	448
Production and resources management	342	226	233	523	300	466	683
Agriculture support services	1 006	1 288	2 370	1 425	1 696	1 732	1 952
Trade and economic development	50	47	61	69	77	84	91
Food safety and bio-security	264	383	335	433	331	390	428
Subtotal	1 909	2 224	3 333	2 820	2 793	3 089	3 602
Land Affairs							
<i>of which</i>							
Restitution	1 789	2 338	3 638	3 098	1 904	1 585	2 086
Land reform	645	854	1 571	2 888	3 455	4 100	4 721
Subtotal	2 434	3 192	5 210	5 987	5 359	5 684	6 807
Provinces	4 114	4 346	4 789	5 922	6 462	7 042	7 713
Total	8 457	9 762	13 331	14 729	14 613	15 815	18 123
Percentage of total national agricultural expenditure							
Administration	13.0%	12.6%	10.0%	13.1%	13.9%	13.5%	12.4%
Production and resources management	17.9%	10.1%	7.0%	18.6%	10.7%	15.1%	19.0%
Agriculture support services	52.7%	57.9%	71.1%	50.5%	60.7%	56.1%	54.2%
Trade and economic development	2.6%	2.1%	1.8%	2.5%	2.8%	2.7%	2.5%
Food safety and bio-security	13.8%	17.2%	10.0%	15.4%	11.8%	12.6%	11.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Estimates of National Expenditure 2009

Budgets and expenditure trends in the national Department of Agriculture by programme

The national Department of Agriculture's budget increased from R1.9 billion in 2005/06 to R3.3 billion in 2007/08. It is expected to grow at a further average annual rate of 9.7 per cent over the medium term, and projected to reach R3.6 billion in 2011/12. The increase of 49.9 per cent in 2007/08 was due to a once-off allocation to the Land Bank for the purpose of recapitalisation.

Of the five programmes of the national Department of Agriculture, the two main programmes are:

The *Agriculture support services* and *Production and resources management* programmes account for close to 70 per cent of the national Department of Agriculture's budget. Through these programmes the national department collaborates with and directly supports provinces to improve the effectiveness of land use and productivity.

Constituting 60.7 per cent of the total national budget in 2009/10, the Agriculture support services programme accounts for most of the spending. The programme's budget includes transfers to the Agricultural Research Council (R525.4 million) and the Micro

The Agriculture support services programme accounts for most of the spending

Agricultural Financial Institutions of South Africa in 2009/10. The major portion of the programme is made up of transfers to provinces to implement CASP. Over the medium term, the expenditure allocation for CASP is projected to increase at an average annual rate of 22.1 per cent, from R538.1 million in 2008/09 to R979.3 million in 2011/12. This is mainly due to additional allocations of R50 million and R318 million for upgrading agricultural colleges, and inflation related adjustments.

The Agriculture support services programme develops and facilitates the implementation of appropriate policies and targeted programmes aimed at promoting equitable access to the agricultural sector to promote shared growth and the commercial viability of emerging farmers. It also manages agricultural risk and disaster management, agricultural education and training, extension and advisory services, scientific research and technology development. The programme comprises two sub-programmes:

- *Livelihoods and development* support facilitates the provision of post-settlement support to emerging farmers, promotes BBBEE, provides for agricultural development finance, promotes farmer cooperatives and manages agricultural risk and disaster. It also manages the transfer of funds to CASP, MAFISA, AgriBEE, Ncera Farms (Pty) Ltd and agricultural disaster.
- *Sector services and research* directs and supports agricultural education, training, extension, research and advisory services in support of targeted groups. It also manages the transfer of funds to the Agricultural Research Council.

The *Production and resources management* programme aims to create an enabling environment to increase the productivity of land through the following subprogrammes:

- *Agricultural production* focuses on creating an enabling environment for increased and sustainable agricultural production through appropriate policies, legislation, norms and standards, technical guidelines and other programmes and services, as well as ensuring national food security.
- *Engineering and resource management* facilitates the development of agricultural infrastructure and the use of agricultural resources. Other activities include auditing natural resources, controlling migratory pests, rehabilitating and protecting agricultural land and running the community-based Land Care programme.

The significant growth in this programme's expenditure, of more than 100 per cent over the MTEF period, is due to government's response to the threat to food security resulting from rising food prices over the past few years. In 2009, a new grant, Ilima/Letsema, was introduced to reduce poverty through intensified production initiatives, such as irrigation infrastructure and support services. The Ilima/Letsema programme is expected to increase food production by an average annual 2 per cent over the medium term. The allocation made for 2008/09 is R221 million, and over the medium term, additional

allocations of R50 million, R200 million and R400 million are made to the grant.

Budgets and expenditure trends: national Department of Land Affairs

Government initiated the land reform programme in 1994 to redress the skewed ownership patterns of productive agricultural land in South Africa. The land reform programme managed by the Department of Land Affairs focuses primarily on land restitution, tenure reform and land redistribution.

The land reform programme focuses on land restitution, tenure reform and land redistribution

- Land restitution restores rights to land to people who have been victims of land dispossession. A key outcome of this reform programme is to ensure that previously disadvantaged communities are fully integrated into the mainstream commercial agricultural economy. Table 7.1 shows that the budget for the Restitution programme declines from R3.1 billion in 2008/09 to R1.9 billion in 2009/10, which reflects the progress that is being made in resolving claims.
- Redistribution involves redistributing land to individuals or communities for agricultural production and settlement. The budget for the Land reform programme rises from R2.9 billion in 2008/09 to R4.7 billion in 2011/12. This is to accelerate government's land redistribution efforts. It is important that this level of land redistribution be accompanied by an accelerated farmer support programme to sustain productivity in land use. (Programmes that do this are CASP, Land Care and MAFISA).
- Tenure reform is about enabling individuals, farm workers or communities to gain legal tenure to the land that they already occupy.

Budgets and expenditure trends in provincial departments of agriculture

Provincial departments of agriculture are structured differently across provinces. In some provinces, agriculture is combined with other complementary functions, such as conservation, environmental affairs and tourism, and land, to form a single department. Five provinces – Eastern Cape, Free State, Limpopo, Mpumalanga and Western Cape – have stand-alone departments of agriculture. As this review focuses on agriculture, for Gauteng, KwaZulu-Natal, Northern Cape and North West, the budget for the agriculture function is separated from those for non-agricultural activities.

Provincial departments of agriculture are structured differently across provinces

At a micro-economic level, agriculture is important not only in ensuring food security but also in ensuring viable rural economies. To stem the tide of urban migration it is becoming critical that the sector not only settle farmers benefiting from land reform, but also ensures that rural economic activity around agriculture is stimulated.

Aggregate trends in provincial agriculture spending

Eastern Cape, KwaZulu-Natal and Limpopo account for about 60 per cent of provincial aggregate spending on agriculture

Table 7.2 shows that total expenditure on agriculture by provinces increased from R4.1 billion in 2005/06 to R5.9 billion in 2008/09, reflecting an average annual growth of 12.9 per cent. Spending is budgeted to increase to R7.7 billion in 2011/12. Eastern Cape, KwaZulu-Natal and Limpopo, the three most rural provinces account for approximately 60 per cent of total provincial spending on agriculture.

Table 7.2 Provincial agriculture expenditure per province, 2005/06 – 2011/12

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	Outcome			Pre-audited outcome	Medium-term estimates		
R million							
Eastern Cape	787	872	1 071	1 252	1 409	1 379	1 494
Free State	299	227	292	362	401	435	487
Gauteng ¹	103	128	188	226	246	250	277
KwaZulu-Natal ¹	790	842	722	1 158	1 315	1 505	1 634
Limpopo	981	1 024	1 004	1 099	1 185	1 340	1 439
Mpumalanga ¹	443	398	547	672	726	795	866
Northern Cape	132	148	220	245	250	299	349
North West ¹	322	440	419	553	530	582	651
Western Cape	259	266	326	356	399	457	516
Total	4 114	4 346	4 789	5 922	6 462	7 042	7 713
Percentage of total provincial expenditure							
Eastern Cape	3.3%	3.2%	3.5%	3.2%	3.3%	3.0%	3.0%
Free State	2.8%	1.8%	2.2%	2.3%	2.2%	2.1%	2.2%
Gauteng	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%	0.5%
KwaZulu-Natal	2.4%	2.3%	1.6%	2.1%	2.2%	2.3%	2.3%
Limpopo	4.7%	4.3%	4.1%	3.6%	3.4%	3.5%	3.5%
Mpumalanga	3.8%	3.1%	3.4%	3.3%	3.2%	3.2%	3.2%
Northern Cape	3.3%	3.2%	3.7%	3.5%	3.2%	3.4%	3.7%
North West	2.4%	2.9%	2.7%	3.1%	2.7%	2.6%	2.7%
Western Cape	1.5%	1.4%	1.5%	1.4%	1.4%	1.5%	1.5%
Total	2.6%	2.3%	2.2%	2.2%	2.2%	2.2%	2.3%
Percentage growth (average annual)	2005/06 – 2008/09	2008/09 – 2009/10		2008/09 – 2011/12			
Eastern Cape	16.7%	12.5%		6.1%			
Free State	6.6%	10.7%		10.4%			
Gauteng	30.1%	9.0%		7.0%			
KwaZulu-Natal	13.6%	13.6%		12.2%			
Limpopo	3.9%	7.8%		9.4%			
Mpumalanga	14.9%	8.1%		8.8%			
Northern Cape	23.1%	2.0%		12.5%			
North West	19.8%	-4.0%		5.6%			
Western Cape	11.2%	12.1%		13.2%			
Total	12.9%	9.1%		9.2%			

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

Source: National Treasury provincial database

Provincial spending by programme

Table 7.3 shows that the majority of expenditure is for the Administration and Farmer support and development programmes, reflecting the objective to unlock and improve the agricultural potential of the provinces. These two programmes account for more than 60 per cent of provincial agriculture spending between 2005/06 and 2011/12.

Farmer support and development

The Farmer support and development programme provides for training and other technical support to farmers with special emphasis on developing or emerging farmers. It also oversees the implementation of the land reform and agricultural rural development programmes. Specifically, the programme aims to ensure that:

- land is optimally used and farmers are developed to become efficient and ready to enter the mainstream commercial agricultural sector
- quality extension services are provided to farmers
- mentorship and support programmes are provided to emerging farmers, particularly those benefiting from the land reform programme
- that emerging farmers are provided with infrastructure to improve their production capacity and farming operations.

Table 7.3 shows that budgets on this programme increased from R1.8 billion in 2005/06 to R3.7 billion in 2011/12. Tables 7.4 show that KwaZulu-Natal, Eastern Cape and Limpopo account for the highest spending on this programme for 2008/09. The lowest spending is in Northern Cape, with R72 million and Gauteng with R71 million. Included in the provincial budgets of the Farmer support and development programme is the Comprehensive Agricultural Support Programme (CASP) grant, which reflects national government's contribution to enhancing the quality of support given to emerging farmers. Established in 2004, the main purpose of CASP is to make provision for agricultural support to the targeted beneficiaries of the land and agrarian reform programmes. The allocation increased from R260 million in 2005/06 to R821 million in 2008/09 and is projected to rise to R979 million in 2011/12.

Table 7.3 Provincial agriculture expenditure by programme, 2005/06 – 2011/12

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
		Outcome		Pre-audited outcome	Medium-term estimates		
R million							
Administration ¹	810	890	1 062	1 269	1 271	1 347	1 454
Sustainable resource management	520	429	604	715	719	788	868
Farmer support and development	1 848	2 070	2 048	2 622	2 927	3 327	3 704
Veterinary services	350	387	442	528	617	624	662
Technical research and development services	334	310	313	409	477	485	515
Agricultural economics	86	60	110	110	135	138	150
Structured agricultural training	167	201	209	269	316	333	361
Total	4 114	4 346	4 789	5 922	6 462	7 042	7 713
Percentage of provincial agriculture expenditure							
Administration ¹	19.7%	20.5%	22.2%	21.4%	19.7%	19.1%	18.9%
Sustainable resource management	12.6%	9.9%	12.6%	12.1%	11.1%	11.2%	11.3%
Farmer support and development	44.9%	47.6%	42.8%	44.3%	45.3%	47.2%	48.0%
Veterinary services	8.5%	8.9%	9.2%	8.9%	9.5%	8.9%	8.6%
Technical research and development services	8.1%	7.1%	6.5%	6.9%	7.4%	6.9%	6.7%
Agricultural economics	2.1%	1.4%	2.3%	1.9%	2.1%	2.0%	1.9%
Structured agricultural training	4.1%	4.6%	4.4%	4.5%	4.9%	4.7%	4.7%
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 a result of the combination of the agriculture function with other provincial functions.

Source: National Treasury provincial database

Sustainable resource management

The Sustainable resource management programme provides support services to research units, provides for the sustainable use of natural agricultural resources, deals with the conservation of the environment, plans and develops agricultural engineering products, and gives advice to farmers and agricultural institutions.

The Land Care grant helps communities with food security and job creation through increased productivity

The programme is also supported by the Land Care grant, which aims to empower communities to take responsibility for the management of their resources to support food security and job creation through increased productivity. Total expenditure by provinces on this programme in 2005/06 was R520 million and is budgeted to increase to R868 million in 2011/12. The increase over the MTEF period reflects an average annual growth rate of 11 per cent. Expenditure on this programme in 2008/09, as a percentage of total expenditure, is the highest in North West (29.9 per cent) followed by Northern Cape (23.6 per cent). The high spending for these two provinces might be because of high degradation of land (soil erosion, loss of vegetation and increased run-offs) caused by the type of farming, which is mostly extensive farming.

Veterinary services

In 2008/09, expenditure on the Veterinary services programme was 8.9 per cent of total provincial agriculture spending, at R528 million. Expenditure is projected to increase to R617 million by 2009/10, which represents an increase of 17 per cent. This level of spending should put the sector in a better position to monitor and minimise animal health risks and improve the hygiene management of animal products in line with national and international standards.

Technology, research and development services

The purpose of the programme is to provide agricultural research services and develop information systems in relation to crop and animal production technology as well as technology for resource utilisation. Spending on the programme increases from R409 million in 2008/09 to R477 million in 2009/10, an increase of 16.6 per cent. Expenditure on this programme as a percentage of total expenditure per province ranges from 16.4 per cent in Western Cape to 5.6 per cent in North West and 3.5 per cent in Limpopo.

Agricultural economics

The *Agricultural economics* programme serves to provide effective agricultural 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 on the sector. This programme has the lowest share of total expenditure on programmes, at R110 million or 2 per cent in 2008/09. The budget shows an increase over the MTEF period, from R135 million in 2009/10 to R150 million in 2011/12.

Structured agricultural training

The *Structured agricultural training* programme facilitates and provides agricultural training to practising and prospective farmers, advisors, technicians and farm workers. Expenditure on this programme rose substantially from R209 million in 2007/08 to R269 million in 2008/09 and is budgeted to increase to R361 million in 2011/12, with an average annual increase of 10 per cent over the MTEF period.

Table 7.4 Provincial agriculture expenditure by programme, 2008/09

	Admini- stration	Sustain- able resource manage- ment	Farmer support and develop- ment	Veteri- nary services	Tech- nical research and develop- ment services	Agricul- tural eco- nomics	Struc- tured agri- cultural training	Total
R million								
Eastern Cape	351	93	511	145	71	21	59	1 252
Free State	116	78	99	32	22	4	11	362
Gauteng ¹	83	15	71	28	20	9	–	226
KwaZulu-Natal ¹	171	80	646	91	112	2	56	1 158
Limpopo	242	112	613	29	38	23	42	1 099
Mpumalanga ¹	78	65	350	82	33	30	34	672
Northern Cape	54	58	72	29	25	7	–	245
North West ¹	112	165	150	55	31	6	34	553
Western Cape	62	49	109	37	58	9	32	356
Total	1 269	715	2 622	528	409	110	269	5 922
Percentage of provincial agriculture programme expenditure								
Eastern Cape	28.1%	7.5%	40.8%	11.6%	5.7%	1.7%	4.7%	
Free State	32.1%	21.6%	27.4%	8.9%	6.0%	1.0%	3.0%	
Gauteng	36.7%	6.7%	31.5%	12.3%	9.0%	3.8%	0.0%	
KwaZulu-Natal	14.7%	6.9%	55.8%	7.9%	9.7%	0.1%	4.9%	
Limpopo	22.0%	10.2%	55.8%	2.6%	3.5%	2.1%	3.8%	
Mpumalanga	11.7%	9.7%	52.0%	12.2%	4.9%	4.5%	5.1%	
Northern Cape	22.2%	23.6%	29.4%	11.6%	10.2%	2.9%	0.0%	
North West	20.2%	29.9%	27.2%	10.0%	5.6%	1.1%	6.1%	
Western Cape	17.5%	13.8%	30.6%	10.4%	16.4%	2.4%	9.0%	
Total	21.4%	12.1%	44.3%	8.9%	6.9%	1.9%	4.5%	

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

Source: National Treasury provincial database

■ Provincial agricultural spending by economic classification

Compensation of employees

Provinces are reducing the share of agriculture spending on personnel

Provinces are continuing to reduce the share of agriculture spending when considering personnel. Table 7.5 shows that expenditure declined from 48.6 per cent in 2006/07 to 45.8 per cent in 2008/09. The share of expenditure on personnel increases to 49.4 per cent in 2009/10, with budgets growing strongly by an average annual growth of 8.4 per cent. This is because departments are addressing the shortage of skills necessary for boosting the Farmer support programme. The proportion of personnel expenditure is budgeted to decrease to 44.8 per cent in 2011/12, mainly due to increases in goods and services, which are key to increasing agricultural productivity.

**Table 7.5 Provincial agriculture expenditure by economic classification,
2005/06 – 2011/12**

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	Outcome			Pre-audited outcome	Medium-term estimates		
R million							
Current payments	3 197	3 369	3 607	4 514	5 363	5 697	6 155
<i>of which:</i>							
<i>Compensation of employees</i>	1 952	2 113	2 368	2 714	3 192	3 281	3 458
<i>Goods and services</i>	1 243	1 255	1 238	1 790	2 169	2 416	2 696
Transfers and subsidies	476	466	775	877	533	586	662
Payments for capital assets	441	511	407	531	565	759	896
Total	4 114	4 346	4 789	5 922	6 462	7 042	7 713
Percentage of provincial agriculture expenditure							
Current payments	77.7%	77.5%	75.3%	76.2%	83.0%	80.9%	79.8%
<i>of which:</i>							
<i>Compensation of employees</i>	47.4%	48.6%	49.4%	45.8%	49.4%	46.6%	44.8%
<i>Goods and services</i>	30.2%	28.9%	25.8%	30.2%	33.6%	34.3%	35.0%
Transfers and subsidies	11.6%	10.7%	16.2%	14.8%	8.3%	8.3%	8.6%
Payments for capital assets	10.7%	11.8%	8.5%	9.0%	8.7%	10.8%	11.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage growth (average annual)	2005/06 – 2008/09				2008/09 – 2011/12		
Current payments	12.2%				10.9%		
<i>of which:</i>							
<i>Compensation of employees</i>	11.6%				8.4%		
<i>Goods and services</i>	12.9%				14.6%		
Transfers and subsidies	22.6%				-8.9%		
Payments for capital assets	6.4%				19.0%		
Total	12.9%				9.2%		

Table 7.6 shows that the provinces that have most effectively reduced personnel expenditure are KwaZulu-Natal, where the share of personnel was reduced from 58.1 per cent in 2007/08 to 41.3 per cent in 2008/09; and North West, where the share of personnel expenditure was reduced from 55.8 per cent in 2007/08 to 45.7 per cent in 2008/09.

**Table 7.6 Provincial agriculture compensation of employee expenditure,
2005/06 – 2011/12**

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
	Outcome			Pre-audited outcome	Medium-term estimates		
R million							
Eastern Cape	408	445	510	616	881	802	848
Free State	133	136	151	171	203	222	240
Gauteng ¹	47	61	89	92	87	91	97
KwaZulu-Natal ¹	359	385	420	478	544	580	613
Limpopo	484	519	543	601	646	682	699
Mpumalanga ¹	154	169	220	262	277	305	315
Northern Cape	41	52	71	87	109	116	124
North West ¹	220	229	234	252	268	282	304
Western Cape	107	117	130	155	178	200	218
Total	1 952	2 113	2 368	2 714	3 192	3 281	3 458
Percentage of provincial agriculture expenditure							
Eastern Cape	51.8%	51.1%	47.7%	49.2%	62.5%	58.2%	56.8%
Free State	44.5%	59.8%	51.6%	47.4%	50.6%	51.1%	49.3%
Gauteng	45.8%	47.9%	47.4%	40.7%	35.5%	36.4%	35.1%
KwaZulu-Natal	45.5%	45.7%	58.1%	41.3%	41.3%	38.6%	37.5%
Limpopo	49.3%	50.7%	54.1%	54.7%	54.6%	50.9%	48.6%
Mpumalanga	34.7%	42.4%	40.1%	38.9%	38.2%	38.3%	36.4%
Northern Cape	31.0%	34.9%	32.2%	35.3%	43.5%	38.9%	35.5%
North West	68.3%	51.9%	55.8%	45.7%	50.5%	48.5%	46.6%
Western Cape	41.4%	44.0%	40.0%	43.6%	44.6%	43.8%	42.4%
Total	47.4%	48.6%	49.4%	45.8%	49.4%	46.6%	44.8%
Percentage growth (average annual)	2005/06 – 2008/09				2008/09 – 2011/12		
Eastern Cape	14.7%				11.2%		
Free State	8.9%				11.9%		
Gauteng	25.1%				1.9%		
KwaZulu-Natal	10.0%				8.6%		
Limpopo	7.5%				5.1%		
Mpumalanga	19.4%				6.4%		
Northern Cape	28.5%				12.8%		
North West	4.7%				6.3%		
Western Cape	13.2%				12.0%		
Total	11.6%				8.4%		

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

Source: National Treasury provincial database

Non-personnel related expenditure

Non-personnel expenditure funds farm infrastructure and sustainable resource management

Non-personnel expenditure funds the provision of crucial support services to farmers, including farm infrastructure and sustainable resource management. This comprises, among others, land care and the management of communal land.

Table 7.7 shows that the total provincial non-personnel expenditure increased from R2.2 billion in 2005/06 to R3.2 billion in 2008/09 and is set to reach R4.3 billion in 2011/12, representing an average annual increase of 10 per cent. As the provinces continue to streamline their core functions and reduce personnel related costs, spending on non-personnel continues to increase rapidly. This trend is evident in all

provinces, with Gauteng showing the most improvement, with a 40.7 per cent (compensation of employees) and 59.3 per cent (non-personnel expenditure) split in 2008/09, compared to 47.4 per cent and 52.6 per cent in 2007/08. The conditional grant allocations from national government that include CASP, Ilima/letsema and Land Care grant contributed to a significant increase in non-personnel allocations. The total allocation for grants increased from R422 million in 2005/06 to R1.1 billion in 2008/09, and rising to R1.4 billion in 2011/12.

Table 7.7 Non-personnel related expenditure in provincial departments of agriculture, 2005/06 – 2011/12

	2005/06	2006/07 Outcome	2007/08	2008/09 Preliminary outcome	2009/10 Medium-term estimates	2010/11 Medium-term estimates	2011/12 Medium-term estimates
R million							
Eastern Cape	380	426	560	636	528	577	646
Free State	166	91	141	190	198	213	247
Gauteng ¹	56	67	99	134	159	159	180
KwaZulu-Natal ¹	430	457	302	680	772	924	1 022
Limpopo	497	505	461	498	539	659	740
Mpumalanga ¹	290	229	327	410	449	490	551
Northern Cape	91	96	149	159	141	183	225
North West ¹	102	212	185	300	263	300	347
Western Cape	152	149	196	200	221	257	297
Total	2 162	2 233	2 421	3 208	3 269	3 761	4 255
Percentage of provincial agriculture expenditure							
Eastern Cape	48.2%	48.9%	52.3%	50.8%	37.5%	41.8%	43.2%
Free State	55.5%	40.2%	48.4%	52.6%	49.4%	48.9%	50.7%
Gauteng	54.2%	52.1%	52.6%	59.3%	64.5%	63.6%	64.9%
KwaZulu-Natal	54.5%	54.3%	41.9%	58.7%	58.7%	61.4%	62.5%
Limpopo	50.7%	49.3%	45.9%	45.3%	45.4%	49.1%	51.4%
Mpumalanga	65.3%	57.6%	59.9%	61.1%	61.8%	61.7%	63.6%
Northern Cape	69.0%	65.1%	67.8%	64.7%	56.5%	61.1%	64.5%
North West	31.7%	48.1%	44.2%	54.3%	49.5%	51.5%	53.4%
Western Cape	58.6%	56.0%	60.0%	56.4%	55.4%	56.2%	57.6%
Total	52.6%	51.4%	50.6%	54.2%	50.6%	53.4%	55.2%

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

Source: National Treasury provincial database

Service delivery achievements

This section provides non-financial details on key programmes in the provinces provided by both the departments of Agriculture and Land Affairs. The section aims to highlight the main programmes' outputs and achievements.

Progress in land reform

19.2 million hectares of land need to be delivered by 2014

The land reform programme focuses mainly on restitution, redistribution of agricultural land and tenure reform. Government has set itself a target of delivering 30 per cent of the 82 million hectares of agricultural land by 2014. Table 7.8 shows that total land delivered at the end of March 2009 is 5.4 million hectares, representing only 22.0 per cent of the targeted land. This means that 19.2 million hectares still need to be delivered by 2014. Land delivery has been mainly through the redistribution programme.

Table 7.8 Total land delivered as at March 2009

	Number of hectares	Number of beneficiaries	Hectares per beneficiaries
Eastern Cape	412 201	233 108	1.77
Free State	372 573	48 060	7.75
Gauteng	42 622	77 487	0.55
KwaZulu-Natal	1 129 981	474 797	2.38
Limpopo	567 081	222 936	2.54
Mpumalanga	688 753	236 574	2.91
Northern Cape	1 394 436	100 187	13.92
North West	629 461	207 307	3.04
Western Cape	121 124	128 867	0.94
Total	5 358 232	1 729 323	3.10

Source: National Department of Land Affairs, May 2009

The size of transferred land and number of beneficiaries vary widely across provinces

The size of transferred land and the number of beneficiaries vary widely across provinces. Northern Cape takes up 26 per cent of transferred land, followed by KwaZulu-Natal with 21 per cent. Although Northern Cape accounts for the largest size of transferred land, most of the land is arid and more suitable for extensive livestock farming. This translates into more hectares per beneficiary for commercial farming. On the other hand, due to its size and urban nature, Gauteng has less potential for farming, and is better suited for farming enterprises like poultry, dairy and vegetables. The province accounts for 1 per cent of transferred land.

In relation to number of beneficiaries, KwaZulu-Natal has transferred 21 per cent of the land to 27.5 per cent of the total beneficiaries, followed by Eastern Cape transferring 8 per cent of land to 14 per cent of the total beneficiaries and Mpumalanga transferring 13 per cent of land to 14 per cent of the total beneficiaries.

Some restitution claims are settled through cash compensation, and these do not contribute to agricultural development

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. At the end of 2007/08, about 95 per cent of the lodged 79 696 restitution claims had been settled. The number of outstanding claims at March 2009 was 4 296, most of which are complex because they are in dispute and have to be settled in the Land Claims Court. The total land cost for restitution to date amounts to R11.3 billion, with financial compensation amounting to R5.4 billion.

Comprehensive Agricultural Support Programme

In 2004, the Department of Agriculture rolled out the Comprehensive Agricultural Support Programme (CASP) to expand the provision of agricultural support services, promote and facilitate agricultural development in particular subsistence farming and assist small holder and commercial farmers to contribute to the commercial economy.

CASP makes provision for agricultural support to the beneficiaries of land and agrarian reform programmes

The implementation of CASP is expected to yield the following outputs: increased access to and improvement in the quality of agricultural support services provided to targeted beneficiaries (such as advisory, information and knowledge management, training and capacity building, market and business development support, financial support and on and off-farm infrastructure such as dipping); improvements in the capacity of the department to deliver agricultural support services; increased access by resource-poor farmers to the market and technical information; improvements in the availability of on and off-farm infrastructure in support of targeted farmers (for example dipping tanks, fencing, and the rehabilitation of irrigation schemes); more beneficiaries of the land redistribution for agricultural development programme, with better access to markets, market information and training on the marketing of products.

Table 7.9 CASP output, 2007/08

	Number of projects	Number of beneficiaries
Eastern Cape	116	8 698
Free State	144	1 260
Gauteng	10	6 366
KwaZulu-Natal	298	8 100
Limpopo	23	7 758
Mpumalanga	8	7 498
Northern Cape	76	1 878
North West	63	4 328
Western Cape	107	14 390
Total	845	60 276

Source: Department of Agriculture

In 2007/08, CASP had assisted 845 infrastructure projects and 60 276 beneficiaries.

Table 7.9 shows that KwaZulu-Natal, Free State and Eastern Cape were running most projects in 2007/08, compared to other provinces. The table also shows that Western Cape had the most beneficiaries, with 23.9 per cent of the total. Mpumalanga only had 8 projects in 2007/08, with an average of 937 beneficiaries per project.

The national department increased its capacity to monitor all CASP projects by appointing 43 land settlement coordinators, which has helped to improve the department's oversight of the programme. The major focus of CASP over the past few years has been on developing infrastructure. The focus is currently shifting to increasing the delivery of support services to farmers, which requires a well functioning extension service. The biggest input for farmer support is the extension service, which is driven largely by personnel and accounts for the largest spending on provincial agriculture budgets.

AgriBEE

AgriBEE aims to bring black emerging farmers into the mainstream economy

Agricultural black economic empowerment (AgriBEE) is aimed at transforming the agricultural sector, by bringing black emerging farmers/entrepreneurs into the mainstream economy, in line with the objectives of the Broad based Black Economic Empowerment Act (2003). The AgriBEE Charter was gazetted in March 2008 and launched in April 2008, serving as a policy guideline for BEE in the agricultural sector.

The AgriBEE Fund is intended to assist individuals or a group of individuals to obtain equity and ownership in qualifying transactions both in primary agriculture and in the agribusiness sector. The AgriBEE funding scheme was piloted between 2006/07 and 2008/09, with an allocation of R147 million from the national Department of Agriculture to the Land Bank. The role of the provincial departments of agriculture is to facilitate the spending of funds and assist farmers when there is a need. The Land Bank reported that by June 2008, it had approved 13 deals and R84.9 million had been disbursed. Of the 13 deals, five were in Limpopo, four in Gauteng, three in Eastern Cape and one in Mpumalanga. 402 jobs were created over this period. In most cases a strategic partner worked with a group of beneficiaries, resulting in a total of 245 broad based beneficiaries being supported.

The AgriBEE grassroots awareness campaign was rolled out by the national Department of Agriculture at municipal level. This was followed by the AgriBEE champions training, in which 1 154 AgriBEE champions across all provinces had been trained by June 2008. To further the objectives of SMME development, partnerships have been formed with agricultural colleges and higher learning institutions in provinces to establish centres of excellence to roll out the SMME excellence model. This is to build capacity among emerging agribusinesses/entrepreneurs and to effect a paradigm shift from subsistence production to best business practice, so that lucrative opportunities along the agricultural value chain can be accessed.

Demand for the AgriBEE fund is high compared to the current annual allocation of R50 million. The objectives of the AgriBEE grant scheme are also being refined to avoid any overlap with the objectives of the other grant options within the sector.

MAFISA

MAFISA provides micro and retail agricultural financial services

The main aim of the Micro Agricultural Financial Institutional Scheme of South Africa (MAFISA) is to provide micro and retail agricultural financial services and facilitate access to public sector programmes to enable market efficiency.

MAFISA was first implemented as a pilot project operating between 2005/06 and 2006/07. The pilot was restricted to Limpopo, Eastern Cape and KwaZulu-Natal, but effectively operated in Limpopo and Eastern Cape. During the pilot phase, only public entities were used as intermediaries through which MAFISA products and services were accessed. While the Land Bank was serving in all the pilot provinces, Uvimba has been the intermediary in Eastern Cape.

The further rollout of MAFISA has included the accreditation of institutions through which MAFISA will be accessed. This includes both private and public entities interested in participating. During 2007/08, a total of R23 million was disbursed to 1 990 clients in

Eastern Cape through Uvimba. In 2008/09, R399 034.00 was disbursed to 29 clients in Eastern Cape through Uvimba, while the Land Bank disbursed R275 000.00 to 11 clients in Free State, R194 444 to 7 clients in Limpopo and R105 448.00 to 2 clients in North West. Enterprises funded dealt with poultry, pigs, ostrich, crop and livestock production. Crop related enterprises claimed the largest proportion of all the loans disbursed since inception.

With the increased number of participating institutions which are fairly distributed in provinces, it is expected that the level of outreach will increase significantly. Currently, every province, except for Free State, has at least two institutions through which to access MAFISA.

■ Outlook over the medium term

Over the medium term, the national Department of Agriculture intends to increase agricultural production by supporting existing farmers, land reform beneficiaries, entrepreneurs and agribusiness; improve access to markets for agricultural products; and maintain effective bio-security and risk management systems. This will require making support services more effective and increase the impact on farm productivity. With their increased allocations, the provincial departments of agriculture intend to invest more in infrastructure projects, to effect a longer term impact on their economies and to assist farming communities to increase agricultural production.

Provincial departments will focus on infrastructure projects and supporting farming communities to increase agricultural production

The national Department of Land Affairs' key priority is to redistribute 30 per cent of agricultural land to previously disadvantaged individuals through land redistribution and tenure reform system and to finalise the outstanding claims (4 296). The challenge for the department is linking the appropriate land with beneficiaries who are most willing and able to use the land productively.

While this review is based on the previous policy and institutional arrangements, in light of the new administration, the agricultural and land sectors are to face a number of policy and institutional changes over the next few years. The link between farmer settlement and effective farmer support will be the critical area that requires effective coordination between the two ministries. Given the mandate of rural development that is led by the Department of Land Affairs but whose success depends significantly on agriculture, there is the potential for duplication and fragmentation of relevant farmer support functions between the two departments, if the coordination is not properly managed.

Under the new administration, the agricultural and land sectors are to face a number of policy and institutional changes

■ Conclusion

The land reform programme plays a major role in bringing historically disadvantaged communities into the mainstream of the agricultural sector. The programme focuses primarily on land restitution, tenure reform and land redistribution. Indications are that provinces have resolved the problem of excess unskilled staff. Now attention needs to focus on getting appropriately skilled staff to provide extension services to meet the varying needs of these farmers. The strong growth in the allocations directed to CASP and the newly introduced

Ilima/letsema programme should provide the financial resources needed to improve the support services to farmers and impact on the productivity of land to address food security, particularly in poverty-stricken rural areas. But this depends on finding an appropriate national funding mechanism and an effective model for an extension service that will improve the utilisation of land and its productivity in order to support farming households with sustainable livelihoods.