

# 26: AGRICULTURE

## AIM

*The aim of the Department of Agriculture is to build an efficient and internationally competitive agriculture sector, support a more diverse structure of production as well as conserve agricultural natural resources.*

## EXPENDITURE ESTIMATES

**Table 26.1 Expenditure by programme**

R million	Expenditure outcomes			Preliminary outcome 1998/99	Medium term expenditure estimates		
	1995/96	1996/97	1997/98		1999/00	2000/01	2001/02
Administration	45,9	60,1	68,8	108,6	110,5	115,2	118,1
Agricultural support and development <sup>1</sup>	25,5	23,1	35,7	44,5	47,7	49,1	50,5
Sustainable resource use and management <sup>1</sup>	84,7	88,3	88,6	102,6	106,1	110,0	113,0
Agricultural production <sup>1</sup>	42,6	51,2	74,9	65,2	60,3	62,7	64,3
Agricultural trade and economic and policy analysis <sup>1</sup>	27,6	35,1	31,2	41,5	42,6	44,6	45,6
Auxiliary and associated services <sup>2</sup>	583,3	534,4	668,2	367,9	277,8	303,9	314,0
RDP projects	2,1	–	–	–	–	–	–
<b>Sub-total</b>	<b>811,7</b>	<b>792,2</b>	<b>967,4</b>	<b>730,3</b>	<b>645,0</b>	<b>685,5</b>	<b>705,5</b>
Capital works <sup>3</sup>	–	1,3	9,3	7,8	13,5	14,0	14,1
<b>Total</b>	<b>811,7</b>	<b>793,5</b>	<b>976,7</b>	<b>738,1</b>	<b>658,5</b>	<b>699,5</b>	<b>719,6</b>

<sup>1</sup> Spending by programme has been reclassified where possible to correspond to the current programme structure.

<sup>2</sup> Authorised losses/(savings) added: 1995/96 R0,6 million; 1996/97 (R0,7 million).

<sup>3</sup> Appropriated on Vote: Public Works.

With the exception of *Administration* and *Auxiliary and associated services*, all the other programme names have changed and the activities within the programmes have been shifted.

The current programmes are briefly described below:

- ◆ *Administration* comprises financial management, personnel and provisioning administration, legal and other office support services and the formulation of policy by the Minister and management of the Department.
- ◆ *Agriculture support and development* creates policy and standards in support of agricultural development. The programme is organised into the sub-programmes agricultural communication, international relations and business and institutional development, development of human resources and land reform and farmer support.
- ◆ *Sustainable resource use and management* ensures sustainable agricultural resource use.
- ◆ *Agricultural production* promotes and co-ordinates national policy for agricultural health and production.
- ◆ *Agricultural trade and economic and policy analysis* promotes and regulates agricultural trade and undertakes economic policy analysis.
- ◆ *Auxiliary and associated services* include the contributions to the Agricultural Research Council and provide for loans to small and beginner farmers.

**Table 26.2 Economic classification of expenditure**

R million	Expenditure outcomes			Preliminary outcome 1998/99	Medium term expenditure estimates		
	1995/96	1996/97	1997/98		1999/00	2000/01	2001/02
Current							
Personnel expenditure <sup>1</sup>	159,8	167,6	161,3	172,8	187,6	202,1	205,8
Other current expenditure	494,9	477,9	619,1	125,4	122,4	121,1	127,4
Transfer payments	41,8	84,0	110,2	340,4	290,6	316,9	325,5
Capital							
Transfer payments	46,7	29,4	29,1	37,2	14,5	14,5	14,5
Acquisition of capital assets	68,5	34,6	57,0	62,3	43,4	44,8	46,4
<b>Total</b>	<b>811,7</b>	<b>793,5</b>	<b>976,7</b>	<b>738,1</b>	<b>658,5</b>	<b>699,5</b>	<b>719,6</b>

<sup>1</sup> Departmental personnel expenditure includes employer's contributions to pension funds at a rate of 17 per cent of basic salary in 1998/99 and 15 per cent of basic salary in subsequent years.

## OUTPUTS AND SERVICE DELIVERY TRENDS

Table 26.3 provides a description of the activities of the Department, organised according to new programme structure, as implemented in 1999/00.

**Table 26.3 Key activities and outputs**

<b>Programme</b>	<b>Key activities</b>	<b>Output</b>
Administration	Management of the Department. The offices of the Minister, Deputy Minister and Director-General	Ensuring the efficient administration of the Department. Pursuing issues such as representivity, diversity, and gender equity
Agricultural support and development	Agricultural communication	Rendering agricultural communication services
	International relations	Facilitating international relations and agreements
	Business and institutional development	
	Development of human resources	
	Land reform and farmer support	Facilitating agricultural land reform and farmer support
Sustainable resource use and management	The management of	Conservation of agricultural land, water and a high quality of genetic material
	- Land and resources	
	- Water use	
	- Genetic resources	
Agricultural production	Animal production and health	Ensuring a healthy animal population
	Plant production, health and quality	Ensuring healthy plants and quality agricultural products
	Agricultural production inputs	Ensuring safe and efficient production systems
	Food safety and veterinary public health	Ensuring food safety and veterinary public health
	Vaccine Production Trading Account	Funding for the Onderstepoort Biological Vaccine Factory
Agricultural trade and economic and policy analysis	International trade	Rendering international and domestic trade promotion
	Trade administration	
	National Agricultural Marketing Council	The abolition of the agricultural marketing control boards
	Economic and policy analysis	Policy evaluation on the agricultural sector
	Agricultural statistical information	The generation and maintenance of agricultural statistical information
Auxiliary and associated services	Boards, commissions and committees	Rendering administration services
	Maintenance services	Maintaining Departmental farms / properties
	Government motor transport	
	Agricultural Research Council of 1990	Contributing to the Agricultural Research Council

## POLICY DEVELOPMENTS

### Marketing

The Marketing of Agricultural Products Act of 1996, made provision for the National Agricultural Marketing Council to facilitate the abolishment of the agricultural marketing control boards. All these boards were abolished by January 1998.

Some policy changes which affected the agricultural sector and the marketing of products included the termination of the General Export

Incentive Scheme; deregulation of market price support; changes in legislation relating to intellectual property rights and the phasing out of farmer support subsidy programmes.

Changes in the approach towards agricultural policy and the Uruguay round of negotiations, caused South Africa to adopt a policy whereby quantitative import control on agricultural products was abolished. This resulted in a large-scale conversion of import control into customs duties which started in 1994 and was completed in 1995.

**Agricultural resource conservation**

The Department decided in 1994 to retain some drilling service capacity to serve agricultural needs in the light of drought conditions and to transfer other personnel and equipment to the Department of Water Affairs and Forestry. The Department is currently investigating the termination of its drilling services.

**Debt management**

Cabinet approved the policy principles inherent in the recommendations of the Commission of Inquiry into the Provision of Rural Financial Services (Strauss Commission) during August 1997. The direct credit delivery function of the Agricultural Credit Board was terminated in October 1997 and the Agricultural Credit Committees were disbanded during March 1998.

The functional approach towards co-operatives has changed from monitoring developing co-operatives to building capacity by way of training and guidance.

**Agricultural trade and economic policy analysis**

A reliable statistical database, with comprehensive information pertaining to the black farming sector, is necessary to assist the Department's aim of bringing small-scale farmers into mainstream agriculture. The compilation of the database is in the process of completion.

The Department is experiencing difficulties in obtaining statistics from farmers and private sector organisations as the supply of information is now provided on a voluntary basis. Discussions are being held with Statistics South Africa to authorise the National Department of Agriculture to collect agricultural statistical information in terms of the Statistics Act.

**Agricultural production**

In terms of the Constitution, local abattoirs are a provincial and local affairs matter, while import and export control as well as the setting and auditing of norms and standards pertaining to veterinary hygiene remained a function of the National Government.

South Africa is recognised as a foot-and-mouth-disease free zone resulting in the necessity for more effective border control between South Africa and the SADC countries.

## DISCUSSION OF PROGRAMMES

### Programme 1: Administration

R m million	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
		1998/99		1999/00	2000/01	2001/02
1998 Budget	<sup>a</sup>	117,3	108,6	<sup>a</sup>	<sup>a</sup>	—
1999 Budget	—	—	—	110,5	115,2	118,1

<sup>a</sup> Due to the new programme structure introduced in 1999/00, comparable numbers with the 1998 MTEF are not available.

### Programme 2: Agricultural support and development

R million	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
		1998/99		1999/00	2000/01	2001/02
1998 Budget	<sup>a</sup>	48,0	44,5	<sup>a</sup>	<sup>a</sup>	—
1999 Budget	—	—	—	47,7	49,1	50,5

<sup>a</sup> Due to the new programme structure introduced in 1999/00, comparable numbers with the 1998 MTEF are not available.

The programme *Agricultural support and development* deals with agricultural communication, international relations, business and institutional development, the development of human resources, land reform and farmer support.

#### Agricultural communications

The Department makes appropriate information available and accessible to the entire farming community through a wide range of media including the fortnightly publication, *Agricultural News*, broadcasts on various radio stations, the SABC TV Education Division which produces *Ziyamila/Di a Gola* and *Agriforum 2000*. The agricultural library dates from 1910 and has the largest collection of agricultural publications in the country. The communication directorate arranges media briefings, press releases and campaigns, including Food Security, Women in Agriculture and Landcare, and is also responsible for internal communication.

Other services rendered by this directorate include:

- ◆ 126 Info Paks which are agricultural information packs were developed to assist subsistence farmers in achieving household food security and increasing and as well as improving the production and marketing of agricultural products.
- ◆ A Resource Centre was established for the dissemination of information where inquiries from the public are handled and a database of agricultural information is developed.

#### International relations

Since South Africa's re-admission into the international community and as a result of developments in regard to free trade agreements, international relations became an important aspect of the work of the Department.

- ◆ In order to fulfil South Africa's commitment under the World Trade Organisation's Marrakech Agreement, rebate permits were issued annually for access quantities at reduced levels of duty to importers of bovine meat, dairy products, birds' eggs, vegetables (fresh, frozen or dried), dried fruit, millet and canary seed, pasta, malt extracts and food preparations, tobacco and cotton.
- ◆ The Bilateral Trade Agreement between South Africa and Zimbabwe was re-negotiated in 1997.
- ◆ The SADC Trade Protocol, which placed the commitment for South Africa to phase out all its import tariffs within eight years, was signed in 1996.
- ◆ The Zambia Bilateral Trade Agreement provides access to the SACU market for Zambia and allows the BLNS countries some access to the Zambian market.
- ◆ South Africa became a member of the Food and Agricultural Organisation (FAO) in 1995. In terms of its membership the Department is obliged to provide information on several aspects of agricultural production and marketing policy changes.
- ◆ The International Cotton Advisory Committee (ICAC) is an association of governments having an interest in the production, export, import and consumption of cotton. The Department monitors the activities and developments of the ICAC and Cotton SA.
- ◆ The Broadening Access to Agriculture Thrust (BATAT) is aimed at increasing market access for small-scale farmers. A study was undertaken to determine the marketing constraints experienced by these farmers and proposals for alleviating these constraints were made.

#### Business & institutional development

The Department gives guidance in respect of formation of co-operatives, registers new co-operatives and undertakes the administration of the Co-operatives Act. It provides guidelines in respect of effective business operations of co-operatives and develops and gives management training programmes. The number of co-operatives registered increased from 23 in 1994 to 97 in 1997.

#### Programme 3: Sustainable resource use and management

R million	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
		1998/99		1999/00	2000/01	2001/02
1998 Budget	<sup>a</sup>	110,8	102,6	<sup>a</sup>	<sup>a</sup>	—
<b>1999 Budget</b>	—	—	—	<b>106,1</b>	<b>110,0</b>	<b>113,0</b>

<sup>a</sup> Due to the new programme structure introduced in 1999/00, comparable numbers with the 1998 MTEF are not available.

The programme *Sustainable resource use and management* promotes regulation and co-ordinates the conservation of agricultural land and resources. It also manages agricultural water conservation and use.

**Land care initiative**

The Land Care Initiative is a community based, natural resource management initiative supported by the public and private sector through a series of partnerships. It seeks to address rural poverty by means of sustainable job creation. The major elements are a works programme for resource conservation; capacity building of local communities and support staff; an awareness programme; policy and legislation and research and evaluation.

**Genetic resources**

The Department has introduced a system of access control to all indigenous plant genetic resources and promotes on-farm conservation and sustainable use of farmers' varieties.

**Programme 4: Agricultural production**

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	<sup>a</sup>	70,4	65,2	<sup>a</sup>	<sup>a</sup>	—
<b>1999 Budget</b>	—	—	—	<b>60,3</b>	<b>62,7</b>	<b>64,3</b>

<sup>a</sup> Due to the new programme structure introduced in 1999/00, comparable numbers with the 1998 MTEF are not available.

*Agricultural production* deals with animal production and health and with plant production, health and quality.

**Animal production and health**

- ◆ The Department executes functions under various Acts such as the Livestock Improvement Act of 1977 and Animal Protection Act of 1962.
- ◆ It is responsible for regulatory obligations to control and eradicate animal diseases affecting livestock production, trade and the economy of the country.
- ◆ The Department has also undertaken to upgrade the Kruger National Park fence to prevent the spread of diseases to the adjacent communities. Diseases affecting trade and livestock production like foot and mouth disease and tuberculosis are endemic in the area. Surveillance and research are conducted to establish the spread of these diseases or to find improved ways to control it.
- ◆ The tuberculosis and brucellosis schemes have been introduced to prevent the spread of these diseases throughout the country. Onderstepoort Veterinary Institute developed a test known as Elisa which distinguishes vaccinated from infected animals.

**Plant health and quality**

- ◆ The Agricultural Pests Act of 1983 is administered by the National Department of Agriculture. The Department provides the required infrastructure and expertise to manage control operations efficiently, implement monitoring systems, collect, collate and store data, and facilitate and fund research.
- ◆ Current research programmes into the health and quality of plant production involve the development of an early warning system, alternative pesticides for locust control, biological control agents, the evaluation of spraying apparatus, studies of the impact of acridicides (locust specific pesticides) on the environment and alternative

mechanical control methods. Government and private institutions are funding these research programmes.

- ◆ The Remedies and Stock Remedies Act of 1947 is also the responsibility of the Department of Agriculture and it deals with the registration of fertilisers, farm feeds, agricultural remedies, stock remedies, sterilising plants and pest control operators.

#### Programme 5: Agricultural trade and economic and policy analysis

R million	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
		1998/99		1999/00	2000/01	2001/02
1998 Budget	<sup>a</sup>	44,8	41,5	<sup>a</sup>	<sup>a</sup>	—
1999 Budget	—	—	—	42,6	44,6	45,6

<sup>a</sup> Due to the new programme structure introduced in 1999/00, comparable numbers with the 1998 MTEF are not available.

The Department is responsible for establishing and re-affirming agricultural relations with the rest of the world and for supporting the provinces and local agricultural community in this regard. International agricultural relations include establishing and maintaining multilateral and bilateral agreements, facilitating trade and international plant and animal disease control, technology exchange, collaboration on common problems, accessing of foreign financial and expertise resources and aiding agricultural development on the subcontinent.

#### South African foreign mission

The Department is represented at the SA missions in Rome, Brussels and Geneva by Agricultural Counsellors.

The number of individuals/delegations visiting South Africa for agriculture related issues has varied between 20 and 22 per year since 1994.

The programme *Agricultural trade and economic and policy analysis* is also responsible for import and export control, which involves:

- ◆ Veterinary services, assisted by animal health technicians, and the maintenance of border control on South Africa's international boundaries, in order to prevent the introduction and spread of economically threatening diseases from neighbouring countries.
- ◆ The programme involves monitoring and inspection at all ports of entry to prevent illegal movement of animals and animal products into the country. International airports, inland ports of entry and harbours are monitored on a continuous basis. All animals and animal products are required to have a health certificate to avoid the risk of introducing any infectious diseases into the country.
- ◆ The programme aims at ensuring the export of safe/disease free products from South Africa to other countries. This has implications for the credibility of animal health certification of the country as a whole.

#### Animal disease database

The purpose of the animal disease database is to collect information on all diseases in order to alert all the provinces and neighbouring countries

on possible outbreaks. It also monitors trends in disease occurrences. The first phase of the program involves the supply of computers to provinces to communicate with the central data system. The second phase involves the onsite training of veterinarians and animal health technicians. Training programmes are presented on a national basis to develop norms and standards on animal disease control, import control and export certification. A training manual is developed in order to assist field offices on disease control and export certification. Import and Export Control currently issues an average of 7 500 imports permits per month. This is a 129 per cent increase from 1994.

### **Economic policy analysis**

About 27 major agricultural issues were researched and reported on since 1996, including:

- ◆ An economic evaluation of proposed irrigation schemes.
- ◆ The business results and production costs of maize, sunflower and other branches of farming in North West.
- ◆ A study on state assistance according to the livestock reduction incentive.
- ◆ The development of a model for decision-making on the replacement of orchards in the winter rainfall area.
- ◆ A report on the role of women in small-scale irrigation.
- ◆ A study on the role of animal traction in the poor communities of South Africa.
- ◆ The determination of drought aid to irrigation farmers.
- ◆ A report on the role of agriculture in the South African economy.

Investigations on the following issues will receive particular attention during the three years 1998 to 2000.

- ◆ The compiling and updating of profiles on agricultural commodities and the continuous analysis of the international competitiveness of these commodities.
- ◆ The determination of the impact of policies and changes in the external environment on the economic performance of the agricultural sector and the effectiveness of resources used in agriculture.
- ◆ The determination of the impact of policies on the international competitiveness of agricultural commodities.
- ◆ The identification of positive and negative factors that impact on the economic performance and the competitiveness of the agricultural sector and the agricultural commodities.
- ◆ The development of a framework for the gathering of information on small-scale farmers. A statistical base is necessary for setting targets and assessing growth, especially in the black farming sector. Furthermore, information on the small-farm sector is also important for social-economic reasons. Farm household surveys will be undertaken in KwaZulu-Natal and Mpumalanga during 1999, in the

Eastern Cape and Northern Province during 2000, and in the Free State and North West Province during 2001. The aim of this activity is to make available comprehensive information relating to the prevailing structure and organisation of agriculture as well as factors influencing or limiting agricultural production and trade.

### Programme 6: Auxiliary and associated services

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	<sup>a</sup>	397,3	367,9	<sup>a</sup>	<sup>a</sup>	—
<b>1999 Budget</b>	—	—	—	<b>277,8</b>	<b>303,9</b>	<b>314,0</b>

<sup>a</sup> Due to the new programme structure introduced in 1999/00, comparable numbers with the 1998 MTEF are not available.

Financial support measures are provided for on this programme as illustrated in the following tables.

**Table 26.4 Financial assistance in terms of the Agricultural Credit Act of 1996**

R million	1995/96	1996/97	1997/98	1998/99
Agricultural land	4,8	4,6	2,9	0,4
Consolidation of debts	13,5	4,7	1,1	0,5
Farm implements and vehicles	8,2	3,5	5,3	0,5
Other	12,9	3,4	2,3	47,3

**Table 26.5 Subsidies**

R million	1995/96	1996/97	1997/98	1998/99
Stock feed purchases and incentives	85,6	18,1	0,7	0,1
Flood disaster and damage by fire	3,8	2,2	—	—
Water quotas	8,0	4,5	5,5	0,7
Marginal lands	16,8	9,1	3,3	1,3
Farm labourers' housing	21,0	0,1	—	—
Prevention of sequestration	0,1	—	—	—
Refunding of unmanageable debt subsidy	1,2	—	—	—
Assistance to industries	7,2	8,6	7,8	—
Assistance scheme for bee-keepers	0,5	—	—	—
Interim veld recovery scheme	8,9	—	—	—

A State assisted production loan scheme for small and beginner farmers was implemented in November 1995 as a pilot scheme to enable retail institutions to finance small farmers and to increase accessibility of loans. The operational costs of the financiers, including transaction costs and provisioning, are paid by the Department. Since the implementation of

the scheme, 16 financiers have been appointed to administer the scheme on behalf of the Department.

**Table 26.6 State assisted production loan scheme for small farmers**

Financial year	Number of agents	Loan amount (R million)	Number of farmers assisted
1995/96	8	35,3	3 840
1996/97	9	47,4	6 218
1997/98	12	28,2	6 721
<b>Total</b>		<b>110,9</b>	<b>16 779</b>

During 1996/97 grant assistance was given to groups of emerging and small food producers to develop and/or improve their infrastructural production efficiency.

**Table 26.7 Grant assistance per province for small farming development**

Provinces	Number of agents	Loan amount (R million)	Number of farmers assisted
Eastern Cape	647	9,1	11 116
Free State	2	5,1	160
Gauteng	5	3,5	369
KwaZulu-Natal	6	5,4	754
Mpumalanga	8	5,4	2 408
Northern Cape	3	15,0	55
Northern Province	66	6,4	2 368
North West	77	4,8	2 918
Western Cape	2	8,2	76
<b>Total</b>	<b>814</b>	<b>62,9</b>	<b>20 224</b>

## NON-DEPARTMENTAL AGENCIES AND ACCOUNTS

### South African Abattoir Corporation (ABAKOR)

Abakor is a public company that was established in terms of the Abattoir Industry Act of 1976. The Board of Abakor reports to the Minister of Agriculture and Land Affairs. In October 1998, 50 per cent of the shares of Abakor were transferred to the Meat Board in terms a debt-equity swap.

#### Mission

Abakor renders a slaughtering service against payment to the slaughter stock producer, and processes and markets offal.

#### Group Structure

Abakor has the following subsidiaries:

- ◆ Kokstad Abattoir (Pty) Ltd 49 per cent shareholding

- ◆ Bio-Post (Pty) Ltd                      100 per cent shareholding

Abakor holds investments in the following joint ventures:

- ◆ Bio-Lush (Pty) Ltd                      50 per cent shareholding
- ◆ Stocklush (Pty) Ltd                      50 per cent shareholding
- ◆ Petfo Products                              50 per cent shareholding

#### **Key financial information**

The total assets of Abakor amounted to R291 million in 1997, an increase from the R273 million in 1995. The Company's long-term liabilities have also increased from R44 million to R67 million. Turnover declined from R388 million in 1995 to R284 million in 1997. The company has made losses since 1995, peaking at R29,6 million in 1996.

#### **Audit report**

In the external auditors' report on the 1997 financial statements of Abakor, it was advised that the company cannot continue to operate as a going concern owing to its continued loss-making situation. The debt-equity swap with the Meat Board has assisted in partially rectifying the situation.

### **Land Bank**

#### **WOMEN IN THE LAND BANK**

The Land Bank has a proactive affirmative action programme and made a dramatic difference over the past year with eleven black or female staff appointments at the highest levels. The role of women at many levels throughout head office and the branches is changing. In the old bank women had difficulty pursuing a career path. They were expected to remain largely in unskilled, administrative and subordinate positions. Women are now emerging as leaders, affirming their potential in the new Land Bank.

#### **Mission**

The Land Bank is a statutory development finance institution providing retail and wholesale finance based on sound business principles in order to:

- ◆ Finance all agricultural producers and agri-business.
- ◆ Be flexible, innovative and deliver cost-effective products responsive to clients' needs.
- ◆ Deliver competitive services backed by a highly visible marketing strategy and financial customer service.
- ◆ Render efficient and transparent processes using modern and streamlined technologies.
- ◆ Have a client-orientated, professional workforce which reflects the market in which the Land Bank operates.
- ◆ Accept social responsibility by contributing to financial, employment and environmental stability and encouraging good labour practices.

#### **Key financial information**

The total assets of the Land Bank in 1997 were R11 900 million, down from R12 126 million in 1996. Long-term liabilities increased during this period from R2 468 million to R3 841 million. The Bank reported the

following profits for 1995, 1996 and 1997: R175 million, R150 million and R97 million respectively.