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Agriculture and land

■ Introduction

South Africa's well-developed agricultural sector plays a vital role in the country's socio-economic development. Agricultural production has increased substantially in recent years, strongly supported by mechanisation and commercialisation.

While a thriving agricultural sector can support many of government's 14 outcomes, it is directly associated with Outcome 7: Vibrant, equitable, sustainable rural communities with sufficient food for all. The associated outputs keep rural communities connected by sustaining the need for and use of provincial road networks (for more detail, see Chapter 7) and supporting farmers and other rural communities.

Maintaining and supporting the agriculture value chain is one of the priorities in government's New Growth Path, which targets opportunities for 300 000 households in agriculture smallholder schemes and 145 000 jobs in agro-processing by 2020. In addition, the National Development Plan (NDP) aims to eliminate poverty and reduce inequality by drawing on the collective energies of people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society. Through the NDP, the intention is to realise a food trade surplus of which one-third should be produced by small-scale farmers or households to ensure household food and nutrition security.

Despite numerous such programmes and plans, however, 23.1 per cent of South Africans, especially in rural households, remain vulnerable to food inadequacy. Responding to this, in October 2013 government launched the Fetsa Tlala integrated food production initiative. This aims to promote food security, address the structural causes of food insecurity and ultimately eradicate hunger.

Land reform programmes are in place to assist smallholder schemes through support for infrastructure, marketing, finance and extension services; these initiatives are intended to support job creation.

The agriculture value chain targets opportunities for 300 000 households in smallholder schemes and 145 000 jobs in agro-processing by 2020

South Africa inherited racially-skewed land ownership patterns, where whites owned 87 per cent of the agricultural land and blacks 13 per cent

Broadening access to land is an important factor in agricultural expansion. Post-1994 South Africa inherited highly racially-skewed land ownership patterns, with whites owning 87 per cent of agricultural land and 13 per cent owned by black people. The Department of Rural Development and Land Reform (DRDLR) is responsible for the country's land redistribution programme and is tasked with redressing this disparity of land ownership to ensure that every South African gains equal and equitable access to land. This programme is a joint venture with the Department of Agriculture, Forestry and Fisheries (DAFF).

The aim of government's land reform programme, in place since 1994, has been to transfer about 25 million (30 per cent of the total) hectares of farmland to black communities by 2014. Land redistribution, however, has moved slowly. By 2010, only 7.4 million hectares of farmland had been transferred under this programme, representing 29.6 per cent of the 2014 target.

An evaluation of the land restitution programme resulted in the reopening of the lodgement of claims as proposed in the Restitution of Land Rights Amendment Bill, 2013. This relates to all deserving persons and communities who did not participate in the original restitution programme because they did not lodge claims by the deadline of 31 December 1998, or because they had lost their land before 19 June 1913.

■ Current landscape

The greater part of South African agriculture takes the form of animal production, as it is for this purpose that 80 per cent of the country's agricultural land is suitable. In 2011, cereals and grains occupied more than 41.9 per cent of cultivated land. Maize, the most important crop in terms of its contribution to food security and as an input into animal feed manufacturing, is grown commercially on more than 8000 large farms, primarily in North West, Mpumalanga, Free State and KwaZulu-Natal, generating at least 150 000 jobs in times of good rainfall.

Agricultural production falls broadly into three categories:

- **Commercial production:** this covers about 82 million hectares made up of about 40 000 farming units, and produces about 99 per cent of the country's formal marketed agricultural output. This subsector has seen an increase in farm holding size, as smaller and less efficient farms are unable to continue profitably.
- **Smallholder agriculture:** this covers an estimated 14 million hectares, involving between 300 000 to 400 000 predominantly black farmers. It is mainly located in the former homelands, which lack good soil, water and infrastructure. Production efficiency is generally low.
- **Subsistence agriculture:** this is practised by about 4 million households.

Both smallholder and subsistence farmers can play a greater role than they do at present in providing food for urban and rural households. According to the 2013 General Household Survey, 18.9 per cent of South African households are involved in agricultural production, with most crop production taking place in backyard gardens. Households involved in

agriculture are engaged in the production of grains (51.7 per cent), fruit and vegetables (45.2 per cent), poultry (40.8 per cent) and livestock (51.5 per cent).

Agriculture accounts for about 10 per cent of South Africa's formal employment. As a result of the global economic crisis and the subsequent domestic recession, employment in the sector fell from 738 000 in the first quarter of 2009 to 650 000 in the first quarter of 2010, making the sector the second-largest source of job losses in this period. Agriculture shed another 10 000 jobs between the first and third quarters of 2010.

The slow pace of land reform and unsettled land restitution claims create uncertainty for farm investment. The lack of skills, inputs, market access and inadequate support have resulted in the failure of farm projects intended to be sustainable and economically viable.

The sector accounts for about 10% of formal employment but due to the global economic crisis employment decreased from 738 000 in the first quarter of 2009 to 650 000 in the first quarter of 2010

■ Institutional framework

National departments and agencies

South Africa's agricultural policies aim to enhance the sustainable use of resources, increase economic growth, create jobs, increase food production for domestic consumption and export, and promote rural development and transformation. Land reform programmes are intended to catalyse rural development and empower rural communities.

The national DAFF is responsible for formulating policy and the regulatory framework for, among other areas, agriculture. The department also creates an enabling environment for equitable access to opportunities, establishes norms and standards and provides financial assistance and other support to farmers.

The purpose of the national DRDLR is to create and maintain an equitable and sustainable land dispensation, and to act as a catalyst for rural development to ensure rural livelihoods and decent work. It has introduced reforms to improve access to land and to redress skewed ownership patterns. Land reform focuses on land restitution, tenure reform and land redistribution.

The land and agrarian reform project aims to increase the number of black entrepreneurs in agribusiness; provide access to agricultural support services for emerging black farmers; increase production by emerging black farmers; and increase trade by previously disadvantaged people.

The agriculture sector is supported by a range of state agencies that provide services to provincial departments of agriculture and farmers. They include the Agricultural Research Council, which promotes research and innovation; the National Agricultural Marketing Council, which provides advisory services and statutory instruments in the marketing of agricultural products; and the Land Bank, which provides wholesale and retail funds to farmers, historically disadvantaged people and rural entrepreneurs.

Provincial and local government

Provincial departments of agriculture are the main implementers of agricultural policies and programmes. They work to improve the use of agricultural land and provide extension services to beneficiaries of land redistribution. They also help the DAFF to identify beneficiaries of land redistribution for agricultural purposes.

There are no dedicated land affairs departments at provincial level; the DRDLR has regional offices that work with provincial departments of agriculture.

Local government provides water services and allocates land that it owns for agriculture. Municipalities are also involved in regulating fresh produce markets, abattoirs and food safety standards. National, provincial and local government work together to ensure that agricultural and land priorities are incorporated into municipal integrated development plans.

National and provincial budget and expenditure trends

National government will have spent about R93.3 billion on agriculture and land reform between 2010/11 and 2016/17

National government spent about R48.8 billion on agriculture and land reform between 2010/11 and 2013/14; this is projected to total R44.5 billion from 2014/15 to 2016/17.

Table 9.1 National expenditure on agriculture and land reform by programme, 2010/11 – 2016/17

R million	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Outcome			Outcome	Medium-term outcomes		
Agriculture							
Administration	479	582	645	671	695	726	764
Agriculture Production, Health and Food Safety	1 234	1 645	1 875	2 037	2 200	2 253	2 089
Food Security and Agrarian Reform	1 051	1 252	1 405	1 599	1 711	1 719	1 769
Trade Promotion and Market Access	145	190	212	258	294	248	310
Subtotal: Agriculture	2 909	3 669	4 137	4 565	4 900	4 945	4 932
Rural Development and Land Reform	7 123	7 998	8 920	9 460	9 455	9 574	10 673
of which: Restitution and Land reform	5 704	5 694	6 192	5 683	5 499	5 501	6 252
Restitution	3 767	2 376	2 866	2 917	2 681	2 661	3 259
Land reform	1 937	3 318	3 327	2 766	2 818	2 839	2 993
Total	10 032	11 666	13 057	14 025	14 355	14 519	15 605
Percentage share of total national agriculture expenditure							
Administration	16.5%	15.9%	15.6%	14.7%	14.2%	14.7%	15.5%
Agriculture Production, Health and Food Safety	42.4%	44.8%	45.3%	44.6%	44.9%	45.6%	42.4%
Food Security and Agrarian Reform	36.1%	34.1%	34.0%	35.0%	34.9%	34.8%	35.9%
Trade Promotion and Market Access	5.0%	5.2%	5.1%	5.7%	6.0%	5.0%	6.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage year on year growth							
Rural Development and Land Reform		12.3%	11.5%	6.1%	-0.0%	1.3%	11.5%
of which: Restitution and Land reform		-0.2%	8.7%	-8.2%	-3.2%	0.0%	13.7%
Restitution		-36.9%	20.6%	1.8%	-8.1%	-0.7%	22.4%
Land reform		71.3%	0.3%	-16.8%	1.9%	0.7%	5.4%
Total		16.3%	11.9%	7.4%	2.4%	1.1%	7.5%

Source: Estimates of National Expenditure 2014

Total national expenditure relating to agriculture was R4.6 billion in 2013/14, and is projected to reach R4.9 billion in 2016/17. The average annual growth rate of 2.7 per cent over the medium term is due to increases in the allocation for the *Comprehensive Agricultural Support Programme* (CASP) conditional grant and related initiatives that contribute to sustainable livelihoods and production by rural communities.

The ratio of administration costs to line function costs hovers around 1:5. Between 2013/14 and 2014/15, the Administration programme has increased at a lesser extent than other programmes indicating that funds are being reprioritised towards core service delivery. This is in line with the prescribed norm that administration should make up a limited portion of a department's budget.

Spending by the DRDLR rose from R7.1 billion in 2010/11 to R9.5 billion in 2013/14, and will grow to R10.7 billion in 2016/17. The funding increase is intended to accelerate land redistribution, accompanied by a stepped-up farmer support programme to ensure increased productivity.

In 2012/13, 28 540 smallholder farmers were supported through the CASP; this is 47.6 per cent of the target of 60 000. 33 333 subsistence farmers were supported via the *Ilima/Letsema* conditional grant. The DAFF has allocated R7.0 billion in conditional grants over the period 2014/15 to 2016/17 to support farmers with infrastructure, production inputs, training, advisory services and marketing; for upgrading agricultural colleges; and to repair infrastructure damaged by floods in 2010 and 2012.

In 2012/13, a total of 28 540 smallholder farmers were supported through the CASP conditional grant and 33 333 subsistence farmers were supported via the Ilima/Letsema conditional grant

In seven provinces, agriculture is combined with complementary functions such as conservation, environmental affairs, tourism, rural development and land administration. Only Limpopo and Western Cape have stand-alone departments of agriculture.

Table 9.2 gives information on provinces' expenditure on agriculture. Total provincial expenditure is expected to increase to R10.7 billion in 2016/17. However, the average annual growth is projected to decline from 10.9 per cent between 2010/11 and 2013/14 to 3.9 per cent between 2013/14 and 2016/17. The decline underscores the lack of investment in this crucial sector, and may indicate provincial departments' inability to attract or retain the necessary skills to absorb funding and translate allocations into meaningful service delivery.

The percentage share of agriculture within total provincial budgets is projected to remain around 2 per cent between 2014/15 and 2016/17. There are however noticeable differences between provinces with, for example, Northern Cape and Eastern Cape spending above the average and Gauteng, the most industrialised province, considerably below. Eastern Cape, KwaZulu-Natal and Limpopo account for about 53.7 per cent of total provincial spending on agriculture.

Table 9.2 Provincial expenditure on agriculture by province, 2010/11 – 2016/17

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
R million	Outcome			Outcome	Medium-term outcomes		
Eastern Cape	1 535	1 484	1 617	1 731	1 867	1 859	1 945
Free State	423	556	595	684	669	697	713
Gauteng ¹	255	287	338	353	383	404	451
KwaZulu-Natal ¹	1 320	1 676	1 928	1 882	2 018	2 056	2 147
Limpopo	1 362	1 450	1 520	1 530	1 602	1 668	1 751
Mpumalanga	706	952	959	925	1 071	1 092	1 165
Northern Cape	311	370	436	988	716	746	801
North West	617	691	775	857	910	937	1 031
Western Cape	483	515	556	609	860	712	706
Total	7 012	7 980	8 724	9 561	10 097	10 171	10 711
Percentage of total provincial expenditure							
Eastern Cape	3.2%	2.8%	2.9%	2.8%	3.0%	2.9%	2.9%
Free State	2.0%	2.3%	2.3%	2.5%	2.4%	2.3%	2.4%
Gauteng	0.4%	0.4%	0.5%	0.5%	0.4%	0.4%	0.5%
KwaZulu-Natal	2.0%	2.1%	2.3%	2.0%	2.1%	2.0%	2.0%
Limpopo	3.3%	3.4%	3.3%	3.3%	3.1%	3.1%	3.1%
Mpumalanga	2.7%	3.2%	3.1%	2.7%	2.9%	2.8%	2.9%
Northern Cape	3.3%	3.4%	3.9%	7.5%	5.5%	5.4%	5.8%
North West	2.8%	2.8%	3.0%	2.8%	2.9%	2.7%	2.9%
Western Cape	1.4%	1.4%	1.4%	1.4%	1.8%	1.4%	1.3%
Total	2.1%	2.2%	2.2%	2.3%	2.2%	2.1%	2.1%
Percentage growth (average annual)							
	2010/11 – 2013/14		2013/14 – 2014/15		2013/14 – 2016/17		
Eastern Cape	4.1%		7.9%		4.0%		
Free State	17.4%		-2.2%		1.4%		
Gauteng	11.5%		8.7%		8.6%		
KwaZulu-Natal	12.6%		7.2%		4.5%		
Limpopo	4.0%		4.7%		4.6%		
Mpumalanga	9.4%		15.8%		8.0%		
Northern Cape	46.9%		-27.5%		-6.7%		
North West	11.6%		6.2%		6.3%		
Western Cape	8.0%		41.2%		5.1%		
Total	10.9%		5.6%		3.9%		

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

Budget and expenditure trends by programme

Most provincial expenditure is directed to the Farmer Support and Development programme. Expenditure on this programme is projected to increase from R3.4 billion in 2010/11 to R5 billion in 2016/17.

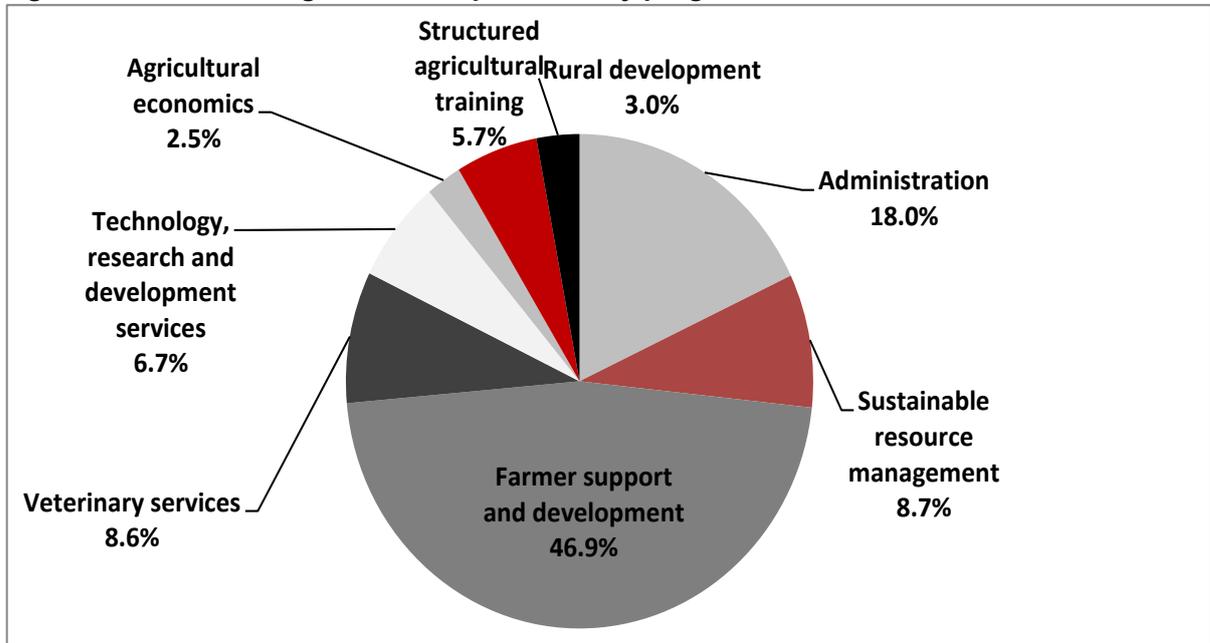
Most provincial expenditure on agriculture is directed to the Farmer Support and Development programme. Spending on this programme accounted for 48.8 per cent of provincial agriculture spending in 2010/11, and is projected to amount to 47 per cent in 2016/17, the aim being to improve the sector's potential.

Administration

Although spending on the Administration programme is expected to have declined from 19.8 per cent to 17.7 per cent between 2010/11 and 2016/17, it continues to make up a considerable proportion of available funds that

could otherwise be spent on service delivery. Eastern Cape, Free State, Gauteng, Limpopo and North West all spend more than the national average of 18 per cent on administration. This is because the programme hosts a number of centralized administrative and financial functions on behalf of the whole department.

Figure 9.1 Provincial agricultural expenditure by programme, 2010/11 – 2016/17



Source: National Treasury provincial database

Sustainable Resource Management

The Sustainable Resource Management programme provides support services to research units, promotes sustainable use of natural agricultural resources and conservation of the environment, plans and develops agricultural engineering products, and gives advice to farmers and agricultural institutions. The programme is supported by the CASP and *Land Care Programme* grants which help communities manage their resources to boost food production and job creation by increasing productivity.

Total provincial expenditure on this programme is projected to have grown by R455 million between 2010/11 and 2016/17. This includes a cash injection to the CASP conditional grant over the 2012/13 MTEF to assist with disaster relief in Northern Cape. Investment by North West on a farmer training facility, in this programme, increases from less than 1 per cent in 2011/12 to 8.4 per cent in 2013/14.

Farmer Support and Development

The Farmer Support and Development programme provides training and other technical support to farmers, with an emphasis on emerging farmers. It also oversees the implementation of the land reform and agricultural rural development programmes. Expenditure in this programme is projected to have increased from R3.4 billion in 2010/11 to R5 billion by 2016/17. This is a substantial increase, and it will be important for it to translate into economic expansion and employment. The increase in the

number of extension and advisory practitioners to support farmers with production, commercialization of smallholdings and logistical issues plays a central role in the effectiveness of the programme. Since the implementation of the Extension Recovery Plan in 2008/09, an additional 1 351 extension practitioners have been recruited by the state; however 5 500 of these practitioners are needed to service the existing subsistence and smallholder farmers, estimated to number 2.9 million. This means that a vigorous recruitment process needs to be carried out over the MTEF period.

In 2013/14, KwaZulu-Natal (R1 098 million) and Limpopo (R953 million) accounted for the highest spending on this programme, and Gauteng, Northern Cape and Western Cape the lowest.

Veterinary Services

In 2013/14, expenditure on the Veterinary Services programme made up 7.8 per cent of total provincial spending, at R749 million. This is expected to increase to R969 million in 2016/17, an increase of 29 per cent from 2013/14. The increase is intended to support monitoring and minimising of animal health risks, and improving the hygiene management of animal products in line with national and international standards. The Primary Animal Health Care programme will ensure that animal health services are spread to the remote areas of the country.

Table 9.3 Provincial expenditure on agriculture by programme, 2010/11 – 2016/17

R million	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Outcome			Outcome	Medium-term outcomes		
Administration ¹	1 389	1 557	1 611	1 632	1 708	1 783	1 895
Sustainable resource management	473	455	627	1 135	1 069	888	928
Farmer support and development	3 419	3 902	4 179	4 351	4 491	4 769	5 032
Veterinary services	611	669	719	754	902	920	969
Technology, research and development	507	547	539	650	658	678	715
Agricultural economics	202	274	309	193	195	203	211
Structured agricultural training	355	458	511	516	582	593	636
Rural Development	58	119	229	328	493	337	325
Total	7 012	7 980	8 724	9 561	10 097	10 171	10 711
Percentage of provincial agriculture expenditure							
Administration ¹	19.8%	19.5%	18.5%	17.1%	16.9%	17.5%	17.7%
Sustainable resource management	6.7%	5.7%	7.2%	11.9%	10.6%	8.7%	8.7%
Farmer support and development	48.8%	48.9%	47.9%	45.5%	44.5%	46.9%	47.0%
Veterinary services	8.7%	8.4%	8.2%	7.9%	8.9%	9.0%	9.0%
Technology, research and development	7.2%	6.9%	6.2%	6.8%	6.5%	6.7%	6.7%
Agricultural economics	2.9%	3.4%	3.5%	2.0%	1.9%	2.0%	2.0%
Structured agricultural training	5.1%	5.7%	5.9%	5.4%	5.8%	5.8%	5.9%
Rural Development	0.8%	1.5%	2.6%	3.4%	4.9%	3.3%	3.0%
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

Technology, Research and Development Services

The Technology, Research and Development Services programme provides research services, develops information systems for crop and

animal production technology, and promotes technology for resource utilisation. Spending on the programme is expected to have increased by approximately 40 per cent from R507 million in 2010/11 to R715 million in 2016/17. In 2013/14, spending as a percentage of provincial agriculture expenditure ranged from 15.7 per cent in Western Cape to 2.7 per cent in Limpopo, reflecting varying levels of expertise and ability to use funds effectively.

Agricultural Economics

The Agricultural Economics programme provides economic support services to internal and external clients. Expenditure is mainly allocated to Economic Analysis and Research Marketing services and to developing databases of statistics and trends. In 2013/14, the programme accounted for 2 per cent of total provincial expenditure on agriculture.

Structured Agricultural Training

The Structured Agricultural Training programme facilitates training for farmers and prospective farmers, advisors, technicians and farm workers. Expenditure grew from R355 million in 2010/11 to R519 million in 2013/14, and is budgeted to increase to R636 million in 2016/17, an average annual growth rate of about 5.8 per cent over the 2014 MTEF. This growth trend is in line with the policy objective of continuous training for farmers.

Gauteng and Northern Cape do not show any spending for this crucial function in 2013/14, and this could prove detrimental over the longer term. With the exception of Free State, Gauteng and Northern Cape, the budgets of all provinces are above the national average. This is in line with the aim of raising skills among rural communities and improving human capital development in the sector. In 2013/14 Gauteng budgeted R2.2 million, Free State R8.7 million and Northern Cape R3.1 million from the CASP grant for farmer training.

Over the MTEF period 2011/12 to 2013/14, R157.8 million was made available through the CASP to improve infrastructure and facilities in the country's twelve agricultural colleges; ensure learning programme accreditation and quality assurance; establish and strengthen governance within these institutions; and ensure that curricula were reviewed and resources, such as ICT and capacity building for academic staff, were provided.

There are 12 colleges of agriculture in the country.

Table 9.4 South Africa’s agricultural colleges

Province	Name of college
Eastern Cape	Grootfontein Agricultural Development Institute (GADI)
	Tsolo College
	Fort Cox College
Free State	Glen College
KwaZulu-Natal	Cedara College
	Owen Sithole College
Limpopo	Madzivhandila College
	Tompi Seleka College
Mpumalanga	Lowveld College
North West	Taung College
	Potchestroom College
Western Cape	Eisenberg College

Source: National Department of Agriculture

Rural Development

The Rural Development programme enables the implementation of a comprehensive rural development programme that leads to sustainable, equitable and vibrant rural communities requiring partnerships with multiple stakeholders

The purpose of the Rural Development Programme is to initiate, facilitate, coordinate and catalyse the implementation of a comprehensive rural development programme (CRDP) that leads to sustainable, equitable and vibrant rural communities. It is a crosscutting programme that requires partnerships with multiple stakeholders within and outside government. Budgeting, planning and implementation of these projects therefore cut across different departments. The programme receives limited funding, partly because of uncertainty about the role of provincial departments. Over the review period, the programme received 3 per cent of the total agriculture allocation. The sector is now formulating a strategy to consolidate its interventions and redefine rural development. Once a well-defined budget structure has been finalised for this programme, its funding will be attended to.

This reconsideration of the programme is part of a move towards an overall approach to rural economic advancement rather than focusing on stand-alone agricultural activities. It is also important that departments report their contributions to rural upliftment so that accurate information is available. This in turn will assist with planning, decision-making and budgeting.

Budget and expenditure trends by economic classification

Table 9.5 shows expenditure trends on agriculture by economic classification.

Table 9.5 Provincial expenditure on agriculture by economic classification, 2010/11 – 2016/17

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
R million	Outcome			Outcome	Medium-term outcomes		
Current payments	5 509	6 247	6 548	6 805	7 741	8 046	8 572
<i>of which:</i>							
<i>Compensation of employees</i>	3 473	3 824	4 123	4 429	4 795	5 077	5 382
<i>Goods and services</i>	2 035	2 423	2 424	2 376	2 946	2 969	3 190
Transfers and subsidies	1 154	1 156	1 410	1 743	1 795	1 601	1 609
Payments for capital assets	349	572	765	1 011	542	504	510
Payments for financial assets	1	5	1	2	20	20	20
Total	7 012	7 980	8 724	9 561	10 097	10 171	10 711
Percentage of provincial agriculture expenditure							
Current payments	78.6%	78.3%	75.1%	71.2%	76.7%	79.1%	80.0%
<i>of which:</i>							
<i>Compensation of employees</i>	49.5%	47.9%	47.3%	46.3%	47.5%	49.9%	50.2%
<i>Goods and services</i>	29.0%	30.4%	27.8%	24.8%	29.2%	29.2%	29.8%
Transfers and subsidies	16.5%	14.5%	16.2%	18.2%	17.8%	15.7%	15.0%
Payments for capital assets	5.0%	7.2%	8.8%	10.6%	5.4%	5.0%	4.8%
Payments for financial assets	0.0%	0.1%	0.0%	0.0%	0.2%	0.2%	0.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage growth (average annual)	2010/11 – 2013/14			2013/14 – 2016/17			
Current payments	7.3%			8.0%			
<i>of which:</i>							
<i>Compensation of employees</i>	8.4%			6.7%			
<i>Goods and services</i>	5.3%			10.3%			
Transfers and subsidies	14.7%			-2.6%			
Payments for capital assets	42.5%			-20.4%			
Payments for financial assets	23.3%			124.2%			
Total	10.9%			3.9%			

Source: National Treasury provincial database

Compensation of employees

Over the 2014 MTEF, the share of provinces' agriculture budgets spent on personnel increases by a marginal amount. It declined from 49.5 per cent in 2010/11 to 46.4 per cent in 2013/14, and increases to 50.2 per cent in 2016/17. The initial decrease was mainly caused by the fact that some provincial departments of agriculture which had inherited a large number of unskilled staff from the former homelands started to reduce excess personnel.

Between 2010/11 and 2013/14, KwaZulu-Natal and Mpumalanga were the most effective in reducing compensation of employees as a share of sector spending. Between 2010/11 and 2016/17, Eastern Cape and Limpopo spend more than half their agriculture budgets on compensation of employees.

Table 9.6 Provincial agriculture expenditure on compensation of employees by province, 2010/11 – 2016/17

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
R million	Outcome			Outcome	Medium-term outcomes		
Eastern Cape	826	855	906	960	1 014	1 070	1 127
Free State	216	250	279	303	321	343	366
Gauteng ¹	116	123	144	162	174	190	204
KwaZulu-Natal ¹	572	674	721	794	839	883	931
Limpopo	770	845	893	938	1 016	1 068	1 123
Mpumalanga	321	369	408	453	487	517	552
Northern Cape	117	133	143	155	182	191	200
North West	327	347	385	406	454	485	527
Western Cape	208	227	243	258	308	330	352
Total	3 473	3 824	4 123	4 429	4 795	5 077	5 382
Percentage of provincial agriculture expenditure							
Eastern Cape	53.8%	57.6%	56.0%	55.4%	54.3%	57.5%	57.9%
Free State	51.1%	45.0%	46.8%	44.3%	48.0%	49.2%	51.4%
Gauteng	45.5%	43.1%	42.7%	45.8%	45.5%	47.0%	45.2%
KwaZulu-Natal	43.4%	40.3%	37.4%	42.2%	41.6%	43.0%	43.3%
Limpopo	56.5%	58.2%	58.8%	61.3%	63.4%	64.0%	64.1%
Mpumalanga	45.5%	38.7%	42.6%	49.0%	45.5%	47.4%	47.4%
Northern Cape	37.4%	36.1%	32.9%	15.7%	25.4%	25.6%	24.9%
North West	53.0%	50.2%	49.8%	47.3%	49.9%	51.7%	51.1%
Western Cape	43.0%	44.0%	43.7%	42.4%	35.8%	46.4%	49.9%
Total	49.5%	47.9%	47.3%	46.3%	47.5%	49.9%	50.2%
Percentage growth (average annual)							
	2010/11 – 2013/14			2013/14 – 2016/17			
Eastern Cape	5.1%			5.5%			
Free State	11.9%			6.5%			
Gauteng	11.7%			8.0%			
KwaZulu-Natal	11.5%			5.4%			
Limpopo	6.8%			6.2%			
Mpumalanga	12.1%			6.8%			
Northern Cape	10.0%			8.8%			
North West	7.5%			9.1%			
Western Cape	7.5%			10.9%			
Total	8.4%			6.7%			

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

Goods and services

Non-personnel expenditure funds key farmer support services, including infrastructure, sustainable resource management, land care and management of communal land. Strong growth in goods and services reflects an increased focus on farmer support. Between 2010/11 and 2013/14, expenditure on goods and services increased at an average annual rate of 5 per cent; between 2013/14 and 2016/17, it increases on average by 10.7 per cent. Substantial decreases in items such as entertainment, administration fees and advertising over the two three-year periods indicate the shift towards service delivery. This is confirmed by the

increases in agency support and contractors appointed to enhance capacity in the sector.

Payments for capital assets

Over the medium term, the budget for capital assets, which are investments in agricultural infrastructure, declines. Erratic spending patterns suggest the lack of a sound strategy to develop local economies over time. Only KwaZulu-Natal and Limpopo show substantial growth between 2011/12 and 2014/15.

Budget and expenditure trends by conditional grant

The aim of the CASP grant is to provide support services to beneficiaries of land reform and other black producers who have acquired land through private means. The grant also contributes to value-adding enterprises or exports, in order to promote agricultural development and ensure that previously disadvantaged producers participate in the mainstream agricultural economy. In 2011/12, R1 029 million was budgeted for this grant, with R672 million ring-fenced for projects and the balance of R306 million allocated to the Extension Recovery Plan (ERP). Collectively, provinces spent 93 per cent of the grant; this suggests an improvement in their ability to implement business plans and manage cash flow. However, some provinces were still spending slowly on this grant; this may imply that the funding did not reach its intended recipients or have the desired impact. The grant has funded 741 projects; 391 have been completed and 350 are in progress.

Conditional grants provide targeted support for the sector

In 2012/13, R1 535 million was budgeted for this grant, with R762 million ring-fenced for projects, R322 million for the ERP, R52 million to revitalize agricultural colleges and R398 million for repairs to infrastructure damaged by flooding. Collectively, provinces spent 80 per cent of the grant. Gauteng, KwaZulu-Natal, Mpumalanga and Western Cape provinces spent 100 per cent of their allocation, suggesting an improvement in their ability to implement their plans. Eastern Cape and Limpopo spent below 90 per cent. In the case of Northern Cape, failure to spend the flood disaster allocation because of poor planning brought the province's performance down, although it spent above 90 percent of the amounts budgeted for projects and the ERP. The province received R354 million in flood-related funding in this period.

This grant has supported 536 projects; 280 have been completed and 256 are still in progress.

In 2013/14, R1.6 billion was budgeted for this grant of which R1.3 billion was assigned to 950 projects, R339.9 million to the ERP, R55.4 million to colleges and R298.9 million for disaster relief.

The purpose of the *Land Care Programme* grant is to conserve natural resources through a community-based participatory approach. It also aims to create jobs through the EPWP and to boost food production in poor communities. In general, the allocations for this grant are well spent by all provinces. In 2011/12, they were allocated R 60.1 million under this grant, and spent R56.7 million. During the financial year 2011/12, the *Land Care*

Programme created employment or work opportunities for 2 083 beneficiaries through the EPWP programme.

The purpose of the *Ilima/Letsema* grant is to reduce poverty, improve farm incomes and raise agricultural production. Between 2008/09 and 2013/14, provincial departments spent on average 97 per cent of the funds allocated under this grant, with the exception of Gauteng. This slow spending is the result of slow procurement processes. The grant is allocated R1.4 billion over the medium term.

■ Medium-term outlook

Evidence suggests that the agriculture sector is slowly recovering; however more consistent progress is needed to raise agricultural competitiveness, improve environmental sustainability and raise investment

Judging by expenditure figures over the review period, the agriculture sector is slowly recovering. In an unpredictable global environment, more consistent progress is needed to raise agricultural competitiveness, improve environmental sustainability and raise investment.

Employment growth depends in large part on successful implementation of New Growth Path initiatives. The agriculture value chain is also one of the priority areas in the industrial policy action plan. Special efforts are required to reduce problems in the areas of input supplies, production, and marketing to enhance the competitiveness of the sector, benefit rural communities and promote socioeconomic development.

Supportive initiatives can include developing improved funding models for smallholder farms, creating extension and technical support capacity, implementing market identification strategies and integrating viable smallholders with established commercial producer export networks.

Equity and transformation

A major challenge 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, coupled with the lack of coherent linkages between the acquisition of land and the provision of agricultural support services, is hampering successful land reform.

The land and agrarian reform project jointly developed in 2008/09 by the national Departments of Agriculture and Land Affairs in accordance with the Intergovernmental Relations Framework Act (2005) provides a paradigm for transformation.

■ Conclusion

The land and agriculture sector faces significant challenges. Agriculture, land reform and rural development all need to be strengthened. Provinces can support the process by:

- Providing social and economic infrastructure, and extending quality government services, particularly health and education, to rural areas.
- Promoting agrarian reform by supporting subsistence food production, expanding the role and productivity of modern smallholder farming and supporting competitive farms.

- Supporting initiatives that promote economic opportunities among farm workers and farm dwellers, and protecting their rights under law.
- Making maximum use of partnerships with commodity organizations and farmer associations to grow the sector.

