



# An integrated and inclusive rural economy

## KEY POINTS

Rural communities require greater social, economic and political opportunities to overcome poverty.

To achieve this, agricultural development should introduce a land-reform and job-creation/livelihood strategy that ensures rural communities have jobs.

Ensure quality access to basic services, health care, education and food security

Plans for rural towns should be tailor-made according to the varying opportunities in each area. Intergovernmental relations should be addressed to improve rural governance.

## INTRODUCTION

Since 1994, the main challenge for rural development has been marginalisation of the poor. Combating this required changes in access to resources (land, water, education and skills), and improved rural infrastructure and other government services.

Some progress has been made, with significant shifts in the extent and degree of poverty. The National Income Dynamics Study<sup>1</sup> revealed that the rural share of poverty fell from 70 percent in 1993 to 57 percent in 2008. The improvement in household welfare is generally ascribed to the large increase in social-grant expenditure and migration to urban areas. Farm workers also enjoy greater rights, both as workers and tenants, and receive better wages.

Access to basic services has increased, although at a slower pace than in urban areas, and is not fully realised. Since 1994, about 7.2 million hectares<sup>2</sup> of agricultural land have been redistributed through both land redistribution and restitution process. Of 79 696 land claims lodged since 1994, 95 percent have been settled.

Rural areas, however, are still characterised by great poverty and inequality, with many households trapped in a vicious cycle of poverty.

## VISION 2030

By 2030, South Africa's rural communities must have better opportunities to participate fully in the economic, social and political life of the country.

People should be able to access high-quality basic services that enable them to be well nourished, healthy and increasingly skilled. Rural economies will be supported by agriculture and, where possible, by mining, tourism, agro-processing and fisheries.

The vision includes better integration of the country's rural areas, achieved through successful land reform, infrastructure development, job creation and poverty alleviation. The driving force behind this will be an expansion of irrigated agriculture, supplemented by dry-land production where feasible. In areas with low economic

potential, quality education, health care, basic services and social security will support the development of human capital. In areas with some economic potential, non-agricultural activities (such as agro-industry, tourism, small enterprises and fisheries) will boost development. Under-

development in the former homelands must be confronted through agricultural development, improved land management, infrastructure and targeted support to rural women.

Access to basic social and infrastructural services is a high priority for many rural households, and these are addressed in the chapters on human settlements (chapter 8) and social protection (chapter 11). This chapter focuses on developing rural economic opportunities, without which services are unlikely to be sustained in the long term.





## WHAT NEEDS TO BE DONE

The Commission proposes a differentiated rural development strategy that focuses on:

- **Agricultural development based on successful land reform, employment creation and strong environmental safeguards.** To achieve this, irrigated agriculture and dry-land production should be expanded, with emphasis on smallholder farmers where possible. To this end, established agricultural industries must be enabling partners.
- **Quality basic services, particularly education, health care and public transport.** Well-functioning and supported communities enable people to seek economic opportunities. This allows them to develop their communities further through remittances and the transfer of skills, which will contribute to the local economy.
- **In areas with greater economic potential, industries such as agro-processing, tourism, fisheries (in coastal areas) and small enterprise development should be developed with market support.** Special focus to enhance skills and capabilities of rural women entrepreneurs with access to land and finance.

The strategy should ensure access to basic services, food security and the empowerment of farm workers. It should also recognise the wide range of opportunities present in rural areas and develop strategies tailored to local conditions. Institutional capacity is integral to success, especially in the reforms required to resolve contested relationships between traditional and constitutional institutions.

## AGRICULTURE

As the primary economic activity in rural areas, agriculture has the potential to create close to 1 million new jobs by 2030, a significant contribution to the overall employment target. To achieve this, South Africa needs to:

- Expand irrigated agriculture. Evidence shows

- that the 1.5 million hectares under irrigation (which produce virtually all South Africa's horticultural harvest and some field crops) can be expanded by at least 500 000 hectares through the better use of existing water resources and developing new water schemes.
- Use some underused land in communal areas and land-reform projects for commercial production.
- Pick and support commercial agriculture sectors and regions that have the highest potential for growth and employment.
- Support job creation in the upstream and downstream industries. Potential employment will come from the growth in output resulting from the first three strategies.



- Find creative combinations between opportunities. For example, emphasis should be placed on land that has the potential to benefit from irrigation infrastructure; priority should be given to successful farmers in communal areas, which would support further improvement of the area; and industries and areas with high potential to create jobs should receive the most support. All these will increase collaboration between existing farmers and the beneficiaries of land reform.
- Develop strategies that give new entrants access to product value chains and support from better-resourced players.

The table below depicts how this can be achieved.

**FIG 6.1 THE EMPLOYMENT CREATION POTENTIAL OF SOUTH AFRICAN AGRICULTURE**

Target group	Primary jobs created	Secondary jobs created	Assumption
Subsistence farmers with <0.5 hectares	83 000	41 500	The livelihoods of one in 10 of the farmers in this category are improved.
Small-scale farmers with between 0.5 and 5 hectares of land	165 000	82 500	The livelihoods of half the farmers in this category are improved.
Small-scale farmers with >5 hectares of land	75 000	37 500	These farmers employ themselves and two others.
Better use of redistributed land	70 000	35 000	Redistribution beneficiaries employ themselves and two others; one in 10 restitution beneficiaries become self-sufficient.
Labour-intensive winners	200 000	100 000	Critically, this requires investment in irrigation, support to smallholder farmers and their ability to grow their businesses.
Labour-extensive field crops	10 000	5 000	This reflects a “high road” or optimistic scenario and assumes that the current decline in employment in commercial farming is halted.
Labour-extensive livestock	40 000	25 000	This reflects a “high road” or optimistic scenario and assumes that the current decline in employment in commercial farming is halted.
<b>Total</b>	<b>643 000</b>	<b>326 500</b>	<b>969 500</b>
Note: The employment multiplier between agriculture and its upstream and downstream industries has been taken at a conservative estimate of 0.5 for small-scale farmers.			

Creating jobs in agriculture will not be easy. It will require credible programmes, sound implementation, significant resources and stronger institutions, such as agriculture departments in local and provincial government. The effectiveness of extension officers depends on performance, capacity and level of priority given by provincial agricultural departments. Whether this service is effectively located should also be considered.

Despite these challenges, with the right approach it is possible to reverse the decline in the agriculture sector, promote food production and raise rural income and employment. White commercial farmers, agribusinesses and organised agricultural industry bodies can help bring these objectives to fruition. A significant effort and resurgence in agricultural training is required.



## Jobs and livelihoods in communal areas

Traditionally, agriculture was a livelihood asset for the rural poor when other sources of income fell away. This role was always underdeveloped because of apartheid, but it is diminishing further due to increases in social grants and employment opportunities elsewhere. Agriculture, however, has the potential to expand if the necessary environment is created. Better land use in communal areas could improve the livelihoods of at least 370 000 people.

The table below shows South African households with access to land. About 300 000 jobs are available, based on the following assumptions. First, assume that 831 871 plots of less than half a hectare are largely vegetable gardens and that the 34 546 farmers with more than 20 hectares farm in commercial areas. This leaves some 440 000 households who farm on some scale. Of these, about 373 500 have access to between half a hectare and five hectares; while about 50 000 have access to between five and 10 hectares. Some farmers with more than five hectares already have access to irrigation infrastructure. Others farm in areas where irrigation is possible. There must be at least 25 000 small-scale farmers in communal areas with access to more than five hectares of dry land, and who do not farm in areas that can be irrigated. If each of these employ two workers, about 50 000

jobs will be created. If half the farmers on between half a hectare and five hectares benefit from better livelihoods a further 165 000 job opportunities will be created. If the livelihoods of one in every 10 of those with access to less than half a hectare improve, a total of at least 300 000 potential new job opportunities will come directly from agriculture.

A further 70 000 livelihood opportunities are created if land-reform beneficiaries are properly supported. By 2009, the land redistribution and restitution programmes had transferred land to 185 858 beneficiaries (about 40 000 households) and 1.6 million beneficiaries (270 000 households) respectively.

If one in three beneficiaries of the redistribution programme farms on a small scale and employs at least two workers, 40 000 jobs are created. Assuming that at least one in 10 beneficiaries of the restitution programme improves their livelihood, this provides a further 27 000 jobs.

A large number of the beneficiaries, mainly of the restitution programme, have not been able to settle on the land or use it productively. In part, they have lacked infrastructure, inputs and technical support.

To realise opportunities, security of tenure is

**FIG 6.2 SOUTH AFRICAN HOUSEHOLDS' ACCESS TO AGRICULTURAL LAND**

Hectares	Number (weighted)	%
< 0.5	831 871	64.5
0.5-1	235 454	18.3
1-5	138 196	10.7
5-10	38 146	3
10-20	11 940	0.9
20 +	34 546	2.7
Unknown	17 556	—
<b>Total 1</b>	<b>1 307 710</b>	<b>100</b>

Source: Statistics South Africa, 2006.<sup>3</sup>

required. Investment by farmers will occur if they believe income streams are secure. This requires infrastructure and functioning market institutions, including insurance markets.

Land-reform beneficiaries in commercial farming areas have to fund their land purchase upfront, making it almost impossible to farm profitably because of the high debt burden. Alternatively, if the land is given as a grant, the state has to provide the funding through the fiscus. Since the state has limited means to provide post-settlement support, a possible solution would be to use the Land Bank, established to address the difficulty of entry into commercial farming. The bank has used explicit and, later, implicit subsidies from government to provide mortgage loans for up to 40 years.

A stepped programme of financing would address most of the financing problems of land-reform beneficiaries. This can be achieved through giving successful applicants a rent-free probation for two or three years. If farmers prove capable, they will move to a long-term lease of about 40 years with the full commercial rental phased in over four years. Part of the rental fee applied to a sinking fund held at the Land Bank will eventually give them full title.

Land access in communal areas is treated as though land rights and the right to use land for different purposes are the same thing. In practice, land rights differ depending on how people use the land. Securing tenure is important when land is used to grow crops. The focus should be on cooperating with traditional leaders to secure tenured irrigable land supported by fully defined property rights. This will allow for development and give prospective financiers and investors the security they require.

### **Expand commercial agriculture**

Expanding commercial agriculture has the potential to create 250 000 direct jobs and a further 130 000

indirect jobs. This can be achieved by supporting agricultural subsectors with potential for long-term, sustainable expansion in production and value-adding processes. Expansion is driven not only by higher levels of productivity, but also by foreign and domestic demand. Without an increase in demand, increased production will depress domestic prices, which is bad for employment creation in the sector.

The section below deals with the agricultural subsectors that show the most promise for development, grouped into the following categories: large labour-intensive industries, smaller labour-intensive industries, and large existing industries with significant value-chain linkages. The figure below presents an overview of the industries by mapping the relationship between current growth rates and dependence on labour.

### **Large labour-intensive agriculture**

#### **Citrus**

There are about 60 000 hectares of citrus trees in South Africa. The employment requirement to produce citrus fruit is estimated at one worker per hectare, about 60 000 workers are employed on citrus farms. Direct downstream labour requirements for citrus are estimated at one labourer per 2 500 cartons packed: with about 100 million cartons packed per year, some 40 000 jobs are created in packing plants for a period of six months, or 20 000 full-time equivalents. In addition, there are labour requirements for transportation, warehousing, port handling, research and development, and processing.

From 2000 to 2010, the citrus-farming area increased by 28 percent, from 47 000 to 60 000 hectares. Almost 10 000 hectares of citrus have been redistributed by the land reform programme, but 70 percent of these orchards are in distress. Rehabilitated, they would provide about 7 000 additional on-farm jobs.



### Table and dried grapes

There are about 23 500 hectares of table and dried grapes planted in the country, with an employment requirement of 1.6 workers per hectare, so about 38 000 workers are employed on these farms. This represents an expansion of 4 200 hectares since 2000, indicating that 6 720 additional jobs were created.

Total exports of fresh grapes increased from 37.2 million cartons of 4.5 kilograms (kg) each in 2000 to 51 million cartons in 2010. If this output can be repeated over the next 10 years, it holds significant potential to expand the industry. The single greatest challenge in penetrating new markets remains market access through trade negotiations and sanitary and phytosanitary agreements. As with the citrus industry, South Africa needs to remain internationally competitive to create and maintain its market share.

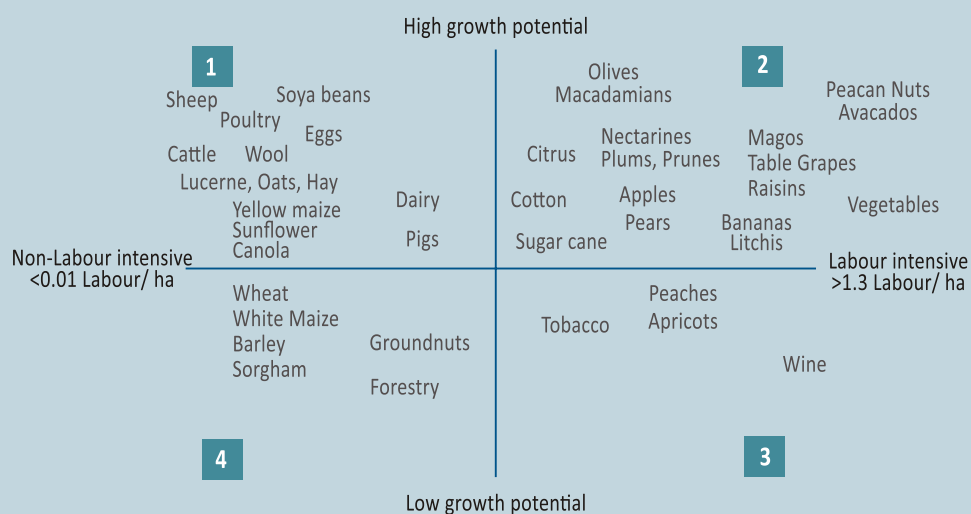
The opportunity to expand table and dried-grape vineyards lies mainly in the Orange River region. At present water rights are available for an extra 8 000 hectares, of which about 4 700 are expected to be planted for table and dried grapes over the next decade.

### Subtropical fruit

Land reform is expected to determine the expansion of subtropical fruit production. The banana industry is an example. The area under production has declined from 18 000 to 12 000 hectares over the past decade. Farms have either become unproductive or producers are not willing to reinvest, choosing to move production to better locations in other African countries. With a labour multiplier of two workers per hectare, this industry can create a significant number of jobs if the necessary technical and financial support is injected into just one third of the underused area.

Similarly, the avocado industry has a lot to offer in employment creation. While the hectares under banana production have been declining over the past decade, the area under avocado production has expanded rapidly. The industry argues that production could expand by a further 70 percent (9 275 hectares) over the next decade. With a labour multiplier of almost two labourers per hectare and upstream and downstream linkages of about 1.3 jobs per hectare, roughly 30 000 jobs can be created over the next 10 years. About 90 000 tons of avocados are now produced, of which more than 50 percent is exported, 10 percent processed and the rest sold into the fresh market.

**FIG 6.3 AGRICULTURAL GROWTH AND EMPLOYMENT POTENTIAL**



Source: Bureau for Agricultural Policy, 2011<sup>5</sup>



## Vegetables

The vegetable industry could be one of the largest contributors to job creation and the improvement of livelihoods if the potential growth in demand in South Africa and the southern African region is considered. The demand for vegetables has grown consistently (about 30 percent over the past decade) and as per capita income rises, this trend will continue. However, the rate of increase in demand could be much faster and the production of vegetables could expand significantly if access to rural markets is established, transparent electronic trading platforms are put in place and markets in neighbouring countries are accessible. It is estimated that, apart from potatoes, the demand for vegetables is 25 percent below its potential. This figure can be added to the increasing demand trend of 3 percent a year, which implies that expansion of commodities such as tomatoes, onions and carrots could reach roughly 60 percent over the next 10 years.

## Small-scale, labour-intensive agriculture

This category includes industries such as macadamias, pecan nuts, rooibos tea, olives, figs, cherries and berries.

In sheer size, these industries do not compete with existing labour-intensive ones. However, their potential for expansion is by far the highest. Relative to South Africa's production potential, the size of the export market is vast, assuming that market access can be established in some of the key growing markets. This implies that market size or demand growth is often a lesser factor.

Despite the huge market potential, the realities of expanding production need to be considered since these products demand very specific growing

conditions. The quality of the fruit is the key issue in export markets.

Roughly 80 000 jobs could be created in these smaller, labour-intensive industries. Smaller or niche industries are attractive because economies of scale, which are found in the big established industries, may not be present. As a result, producers might be more inclined to use labour than invest in machinery.

## Large, non-labour intensive industries with significant value-chain linkages

The grain, oilseed and livestock industries can be classified as large and non-labour-intensive, yet they have significant upstream and downstream linkages due to their sheer size. Despite their lack of labour-absorption capacity, these industries are considered strategic given their role in food security and the vulnerabilities derived from potential distortions in global markets.



A number of these industries have significant growth potential, particularly poultry. Over the past five years, South Africa has

imported on average 235 000 tons of chicken meat, or about 15 percent of local consumption. Over the past decade, production has increased by 45 percent. Industry experts argue that over the next 10 years, production could grow by a further 40 percent. The demand for chicken will continue to grow rapidly. Over the past decade, demand has increased by 68 percent and currently stands at about 32kg per person per year. Industry experts argue that demand could grow to 45kg per person by 2020, bringing the total demand for chicken to about 2.3 million tons.

The demand for animal feed will grow rapidly over





the next decade as more animal protein is consumed. The area under soybeans is projected to at least double from current production levels. Market potential is ample in the animal-feed industry and significant expansion in processing facilities provides the downstream linkages to create sustainable jobs. Using soybeans in the food chain also shows potential for expansion. Yellow maize has room to expand given the increased demand for animal feed, followed by sunflower and canola oils. Only a marginal increase in the area under white maize and wheat production is expected over the long term, largely because, in the competition for arable land, the expansion of grain and oilseed production will take place where the fastest growth in demand is anticipated, namely animal feed.

### Trade-offs and risks for agricultural expansion

Failing to adequately address tenure security for black farmers in the communal areas and under the land-reform programme would pose a major risk to agricultural expansion. As long as these farmers

(especially women farmers) do not have secure tenure they will not invest in the land and agricultural production will not grow at the rate and pattern required for growth in employment.

Failure to increase government investment into infrastructure and support services that target small-scale farmers would also pose a risk. At the same time, attention must be given to ensuring that the systems are in place for all farmers in South Africa to access domestic and foreign markets with food that is fresh, safe and socially and environmentally friendly. Bio-security risks and mitigation measures must be given priority.

In most areas, additional water can only be made available if there is a concerted programme to improve the efficiency of existing irrigation, reallocate water and ensure that new entrants use the water effectively. This will require a substantial support programme that would best be introduced in partnership with existing farmers.

Finally, if the expansion of agricultural production envisaged in this plan takes place within the current structure of farming by merely expanding large-scale commercial farming. The potential to create additional jobs is limited.

### Recommendations

To expand agriculture and create 1 million jobs in the sector, the Commission makes the following recommendations:



- **Substantially increase investment in water resource and irrigation infrastructure.** This should happen where the natural resource base allows. The efficiency of existing irrigation should also be improved to make more water available.

- **Provide innovative market linkages.** Make provisions to link small-scale farmers in the communal and land-reform areas to markets in South Africa and further afield on the subcontinent. This will require improved road and rail infrastructure to usher farm products to and through the value chain and to markets, and improved communications infrastructure to inform agricultural role-players about buying and selling prices and supply-and-demand trends. Linking farmers to markets will also require infrastructure for processing and value addition and new forms of intermediaries, such as cooperatives, to help small producers achieve economies of scale in processing. Farmers also need cold-chain

- infrastructure if they are to access markets for high-value produce and rural consumers.
- **Linking farmers to existing markets is not enough.** A substantial proportion of agricultural output is consumed in the “food away from home” market in South Africa. While this includes restaurants and take-away outlets, which are hardly relevant in most rural areas, it also includes school feeding schemes, other forms of institutionalised catering such as in hospitals and correctional facilities, and emergency food packages, where the state is the main purchaser. Preferential procurement mechanisms should be put in place to ensure that new entrants into agriculture can access these markets while still supporting existing farmers.
- **Create tenure security for communal farmers.** Tenure security is vital to secure an income for existing farmers and new entrants. The possibility of flexible systems of land use for different kinds of farming on communal land needs to be investigated.
- **Investigate different forms of financing.** Look into financing alternatives and vesting private-property rights to land-reform beneficiaries in a way that does not hamper beneficiaries with a high debt burden.
- There should be **greater support for innovative public-private partnerships.** South Africa's commercial farming sector is full of examples of major investments that have resulted in growth and job opportunities. These include the expansion of the table grape industry along the Orange River, expanding the sugar industry into Mpumalanga, and other strategic industries. More opportunities exist. Examples of regions with untapped potential include the Eastern Cape and the Makatini Flats in KwaZulu-Natal, while new initiatives such as agriculture in the green economy and conservation efforts in general can potentially create new employment opportunities. Climate change will affect what investments will pay off best and where they should be made.

#### ○ **Increase and refocus investment in research and development for the agricultural sector.**

Growth in agricultural production in South Africa has always been fuelled by technology and the returns on investment in agricultural research and development have been high, partly because South Africa has adapted technology from all over the world to its circumstances. This should again become the focus of agricultural research by research councils, universities and the private sector for all scales of farming. The industrialisation of agriculture and the country's unique ecosystems also demand that attention be paid to advances in ecological approaches to sustainable agriculture. This includes greater attention to alternative energy, soil quality, minimum tillage and other forms of conservation farming.

#### ○ **Improve and extend skills development in the agricultural sector, including entrepreneurship training.**

This should include training a new cadre of extension officers to respond to the needs of smallholding farmers and contribute to their integration into the food value chain. Farmer-to-farmer skills transfer must be encouraged to help develop a new generation of farmers. Every effort must be made to deracialise the agricultural sector.

#### ○ **Investigate whether extension and other agricultural services are appropriately located at provincial level.**

Innovative means for agricultural extension and training by the state, in partnership with industry, should be sought.

### **MAKING LAND REFORM WORK**

Land reform will unlock the potential for a dynamic, growing and employment-creating agricultural sector. In the submission on the draft National Development Plan a call is made to allow for the evaluation of the Green Paper on Land Reform currently in progress and for enough time to evaluate the particular proposal of the Commission. The Green Paper deals with various structures



including a Valuer General (management), Land Management Commission and a Land Management Board which will also impact on the kinds of land reform models to be contemplated. The Commission agrees with this call as we believe that our proposed model is only one of many that should be considered.

The National Planning Commissioner's proposed model for a workable and pragmatic land reform is based on the following principles:

- Enable a more rapid transfer of agricultural land to black beneficiaries without distorting land markets or business confidence in the agribusiness sector.
- Ensure sustainable production on transferred land by making sure that human capabilities precede land transfer through incubators, learnerships, mentoring, apprenticeships and accelerated training in agricultural sciences.
- Establish monitoring institutions to protect land markets from opportunism, corruption and speculation.
- Bring land-transfer targets in line with fiscal and economic realities to ensure that land is successfully transferred.
- Offer white commercial farmers and organised industry bodies the opportunity to significantly contribute to the success of black farmers through mentorships, chain integration, preferential procurement and meaningful skills transfer.

### **Proposed model**

Each district municipality with commercial farming land in South Africa should convene a committee (the District Lands Committee) with all agricultural landowners in the district as well as key stakeholders such as the private sector (commercial banks, agribusiness), the government (the national Department of Water Affairs and provincial departments that deal with rural development, land

reform and agriculture) and government agencies (the Land Bank and the Agricultural Research Council).

This committee will be responsible for identifying 20 percent of the commercial agricultural land in the district and giving commercial farmers the option of assisting its transfer to black farmers. This can be done as follows:

- Identify land readily available from the following categories: land already in the market; land where the farmer is under severe financial pressure; land held by an absentee landlord willing to exit; and land in a deceased estate. In this way, land can be found without distorting markets.
- After being identified, the land would be bought by the state at 50 percent of market value (which is closer to its fair productive value) The shortfall of the current owner will be made up by cash or in-kind contributions from the commercial farmers in the district who volunteer to participate.
- In exchange, commercial farmers will be protected from losing their land and gain black economic empowerment status. This should remove the uncertainty and mistrust that surrounds land reform and the related loss of investor confidence.
- A stepped programme of financing should be created. This would include the involvement of the National Treasury, the Land Bank as well as established white farmers. The model envisages that the cost of land reform be spread between all stakeholders. It also envisages new financial instruments being designed for the purpose of facilitating land reform. These could include 40-year mortgages at preferential rates for new entrants into the markets, as well as land bonds that white farmers and others could invest in.

## DEVELOPING NON-AGRICULTURAL ACTIVITIES

While mining is more geographically concentrated, it is vital for job creation. The secondary benefits of mine-related products and services and how they can be used to develop local economies needs to be investigated as little is known of mining value chains or how they can address spatial developmental inequality. However, as the experience of the Free State goldfields and some Northern Cape mining areas show, long-term investments should be carefully scrutinised for closure risks.

Mining workers are better paid than agricultural workers. The companies are required to participate in local development, and have resources to do so as their surplus is greater than in agriculture. There is an opportunity to influence the role of mining in rural development through the Mining Charter. The emphasis of the charter needs to be increasingly on human resource development, local economic development and procurement.

The traditional approach to rural development and improving agricultural income in poor countries is to help farmers move up the value chain by supporting agro-processing. In South Africa, however, a highly centralised, vertically integrated agro-processing sector already exists for staple

foods such as maize, wheat, sugar, sunflower oil, tea, flour, peanut butter, cigarettes, beer, fruit juices and canned goods. These value chains tend to exclude small, new or black farmers, but there is no point setting up parallel agro-processing initiatives and ignoring the industry giants. The scope for small-scale manufacturing and agro-processing targeting local consumers in poor communities is limited. The opportunities that do exist tend to take the form of niche opportunities on a small scale rather than the kind of scale that can create many jobs or sustain group projects or cooperatives. One option may be to engage with businesses, as part of a broader social compact, to gain their cooperation for long-term smallholding development. This has already been done in the sugar and brewing industries with some positive results.

Opportunities exist in higher-value, higher-volume external markets, both national and beyond. To take full advantage of these opportunities, smaller and poorer producers need to adopt cooperative strategies that give them greater collective market power in accessing value chains and regarding minimum supply volumes. Together, smaller producers can negotiate improved levels of market access and better terms of participation. They can also gather and share information for the benefit of the collective. Developing partnerships with other commercial players in the value chain is another potential strategy.



In certain rural areas (for example, the Wild Coast, Port St John's, Tzaneen, fishing villages and the Waterberg) tourism offers opportunities to enhance people's livelihoods. These benefits depend on institutional support and the level of involvement of local communities. Another interesting option is the arts and crafts market. Globally and in South Africa, the size of the creative-arts industry is projected to grow.



For coastal areas, marine fishing is important for subsistence and employment. Subsistence fishers rely on marine resources as a basic source of food. They are largely dependent on low-cost resources that are important to the social fabric of their societies and have a long history of dependency on these resources. There are about 29 000 subsistence fishers, concentrated on the east and south coasts.

Small-scale and artisanal fishers have relatively small, low-cost operations, but often fish high-value resources. Industrial fisheries target large-scale harvesting of mainly offshore resources that are caught using expensive, high-tech boats and equipment. There are very few large-scale industrial fisheries in South Africa, but they employ about 27 000 people on better terms than in many other industries.

A number of fundamental issues need to be resolved in the fishing industry. Firstly, while the industry is relatively transformed in terms of black economic empowerment, those historically involved in fishing have frequently been ignored.

Secondly, the trend in awarding fishing licences has been to favour allocating many rights of small value, rather than fewer rights of substantial value. This increases the number of participants, but also decreases the average gain per participant and increases the difficulty of enforcement. Since most fishing resources are harvested to their limit or over-exploited, increasing the allowable catch of most resources is not viable.

It is fundamental that fishing rights are economically viable and not allocated in a way that threatens compliance. If sustainability is not maintained, the entire fishing industry will collapse and everyone will be affected.

Small-scale fisheries cannot be regarded as a way to boost employment. Capital-intensive industrial fisheries offer better salaries and better conditions of employment than small-scale low-capital fisheries. Reducing the rights allocated to industrial fisheries to award them small-scale operations simply cuts jobs.

To retain a viable fishery it is paramount that the resource is protected and managed sustainably. A sophisticated scientific research and monitoring system is essential to this. Traditional fishers must be afforded better opportunities and support. All role players must be subjected to stringent compliance measures that are effectively enforced. Expanded or new fisheries must be sought where ecologically possible. Other economic opportunities must be developed to supplement the livelihoods of fishing communities.

### Recommendations

To expand non-agricultural activities in rural areas, the Commission recommends the following:

- Develop strategies for economic cooperation that give poor producers greater collective market power in value chains and improved access to information. Such economic cooperation will also allow them to achieve the minimum supply volumes required for participation and empower them to negotiate improved terms of participation.
- Identify other potential partners in the agro-processing value chain to support smallholding development.
- As a specific example, encourage supermarkets to open up value chains by partnering with local producers in rural areas.
- Develop and incentivise the development of niche markets to promote smaller producers.
- Allocate economically viable fishing rights.
- Review fisheries' policies to determine the best way to allocate rights to maximise employment.

## HUMAN CAPITAL, SOCIAL SECURITY, FOOD SECURITY AND BASIC SERVICES

While the primary goal of the rural strategy is to uplift South Africa's rural areas, it also aims to enable the poor to relocate to cities, which usually offer easier access to services and secure employment. To achieve this, specific attention should be paid to improving the human capital of residents in rural areas. This section deals mainly with household food security. The sections on human settlement (chapter 8), education (chapter 9), health (chapter 10) and social security (chapter 11) contain recommendations regarding those aspects of development.

### Food security

Malnutrition is the direct outcome of food insecurity. In South Africa, many infants and one in five young children experience stunted growth. Micronutrient malnutrition – particularly deficiencies of vitamin A, iron and zinc – affects the health, growth and learning abilities of young children and the productivity of the adult population. At the same time, and often in the same communities and households, obesity contributes significantly to the incidence of chronic diseases, including type 2 diabetes, cancer and coronary artery disease.

Food security exists when everyone has access to sufficient, nutritious and safe food at all times. This implies that food must be available and that people must have the means to access it.

It is necessary to make a distinction in policy discourse between “national food self-sufficiency”, “food security” and “access to food by poor people”. South Africa is food-secure and has been for a number of decades. This means that it earns a trade surplus from agricultural exports and is able to cover the cost of food imports from those exports. The country has also produced enough of the staple

cereal (maize) for all but three of the past 50 years (the exceptions being the droughts of 1984, 1992 and 2007). The composition of the maize harvest is changing, however, with more yellow than white maize planted. This reflects the trend towards higher consumption of animal proteins and the fact that wheat, rice and potatoes are becoming the preferred staples as the population urbanises and becomes more affluent. In this regard, the national food-security goal should be to maintain a positive trade balance for primary and processed agricultural products, and not to achieve food self-sufficiency in staple foods at all costs.

Region-based approaches to food security should be investigated. As South Africa's agriculture becomes more specialised and efficient, there may be a trend away from the production of staples to higher-value crops. As there is only limited correlation between climatic events in South Africa and countries to the north of the Zambezi, regional cooperation may offer greater supply stability and resilience to droughts. Regional economic integration is best served when there are complementary interests and advantages between the parties, which may be the case in food production. Regional expansion of production, as seen in recent years, is favourable. South Africa should benefit from the opportunities this brings for trade, food stability and value-chain consolidation.

Household food security is determined by the ability to access food rather than its availability. Food insecurity at household and individual level in rural areas is best addressed by job creation and agricultural productivity. Other strategies include helping poor households cope with food price increases, using and expanding existing public works programmes for rural infrastructure development, and ensuring that all eligible households have access to social grants. Vulnerable groups, particularly the elderly and chronically ill, should have access to





nutritional services. Public works programmes and social grants are addressed in other sections of the plan.

Poor households feel the effects of food-price increases much more severely than more affluent households. It is estimated that low-income households spend about 35 percent of their money on food, compared to the 3 percent spent on food in upper-income households. Furthermore, rural households pay more for a basic food basket than their urban counterparts because of the low volume of sales, limited competition, high transport costs and lack of adequate storage facilities in rural areas.

Research shows that it is possible to have increased agricultural productivity without a corresponding improvement in nutritional status. This is partly due to less nutritious crops being planted and a lack of nutrition knowledge, especially among pregnant women and caregivers. The food security strategy must therefore ensure that increased agricultural employment and rural incomes translate into improved nutrition. This is particularly important where women of child-bearing age participate in agricultural production and in upstream and downstream economic activities.

Special nutritional services may also be required for households with a shortage of able-bodied persons, child-headed households or households with chronically ill or elderly members. Supplying nutritional services during natural disasters or other emergencies also needs attention.

In some rural areas, community organisations have implemented basic food-support activities with the support of non-governmental organisations. However, services are uncoordinated and uneven, and the demand is high.

## Recommendations

- The national food security goal should be to maintain a positive trade balance and not to strive for food self-sufficiency in staple foods at all costs.
- Opportunities for regional food security strategies that contribute to greater stability of supply and price should be investigated.
- Household food security strategies should include using and expanding existing public works programmes. In particular, the Community Works Programme for rural infrastructure development should be used. All eligible households should have access to social grants and the most vulnerable groups should have access to nutritional services.
- Investigate measures to close the urban/rural food-price gap. This will contribute substantially to ensuring greater food security for people in rural areas. Measures that should be investigated include: solutions to improve efficiencies, including better access to price information for farmers; effective communication between transport companies and wholesalers; educating packers and retailers on safe food handling; and cost-effective packaging to lessen losses after harvesting.
- Suitable arrangements to ensure safe pregnancy and child birth and to enable working mothers to breastfeed exclusively for the first six months must be put in place for farm workers.
- Effective nutrition education for health workers, mothers and other caregivers should be a national priority.
- Food fortification should include foods for young children. Fortified mixes and low-cost fortified spreads or powders should be widely available.
- Links between agriculture and nutrition can be strengthened, particularly regarding producing and processing nutrient-rich foods such as legumes and other vegetables.
- Policy measures to increase intake of fruits and vegetables and reduce intake of saturated fats, sugar and salt, as recommended in the South African



- dietary guidelines, should accompany strategies to increase vegetable and fruit production.
- Special nutritional services may be required for households with a shortage of able-bodied persons, child-headed households or those with chronically ill or elderly members. Provision for nutritional services during natural disasters or other emergencies needs more attention.
- Innovative measures, such as procurement from small-scale farmers to create local buffer stocks and community-owned emergency services, could be explored.

## RURAL TOWNS

Chapter 8 dealing with human settlements argues for the need to recognise the extreme differentiation within “rural South Africa”. The chapter argues that it is useful to differentiate between the small market towns, agri-villages, informal settlements, farm villages and scattered homesteads in commercial farming areas, and the displaced townships, peri-urban informal settlements, villages and scattered homesteads in former homelands.

There are other dimensions of differentiation that need to be considered. This includes rural areas with declining or stagnant economies, while others have local economies that are growing even faster than those of large urban centres. Some areas are receiving migrants and densifying, while others are sources of out-migration and have declining or static populations. Some rural areas are well positioned in relation to nodes and corridors of development across Southern Africa while others are extremely marginal. There are also huge differences in terms of the types of economic activity and the levels of poverty across each area. The Commission believes that because of this South Africa requires different and specific strategies to address each of these settlement types.

## Recommendations

- Given the differentiated characteristic of rural towns, specifically in former homelands, plans should be developed for each area based on their economic potential.
- The high cost of providing services and infrastructure in rural areas, and especially in places that are remote and have low population densities require innovative solutions. For example off-grid provision of electricity, dry sanitation and so on.
- Many rural municipalities lack the financial and technical capacity to manage water services adequately. Some flexibility in approach is recommended, which could include the use of regional utilities and community management of franchise arrangements as long as municipalities retain their role as the political authority responsible for service oversight.
- Provide subsidised scheduled public transport services to provide easy access for basic needs and state support (for example, service points for public health care and grant support).
- In some rural areas (for example, around Sekhukhune and Bushbuckridge), reliable water supplies can only be made available through large and costly distribution works. Decisions about such schemes must recognise that they are unlikely to be viable without substantial ongoing operating subsidies.

## RURAL GOVERNANCE

The performance of local government in rural areas has been highly uneven and is weakest in historically deprived areas, where it has an important developmental role to play. Chapter 13 contains a set of proposals on how to strengthen local government. The core objective is to ensure that there is a better fit between the capacity and responsibilities of municipalities. This requires greater differentiation in the allocation of functions so that municipalities with limited capacity can focus on a core set of tasks. It also requires a long-term



approach to building capacity by promoting local government as a career path in its own right. For rural municipalities, it will not always be appropriate or feasible to recruit the full range of expertise they need to succeed. In these instances, it may be beneficial for municipalities to consider using existing utilities such as water boards as regional service providers.

Chapter 13 highlights the need for national government to engage in resolving coordination problems between district and local municipalities. Particular problems arise where there is disagreement about which tier is responsible for delivering municipal services. This can lead to duplication of work or funding not going to the tier that is providing the service. In such cases, the relevant national department needs to broker agreements on the divisions of service jurisdictions and funding.

Agriculture is a concurrent function of national and provincial government, but it is also dependent on basic infrastructure and planning decisions that are functions of local government. It is therefore important to improve intergovernmental coordination around these issues. Integrated development plans provide an opportunity to promote coordination in these areas on a case-by-case basis.

A layer of complexity comes from the role assigned to traditional leadership. Traditional leadership plays an important role in facilitating communication with South Africa's citizens to improve the effectiveness of developmental local government. However, confusion emerges when traditional forms of authority are legislated, as traditional leadership structures may then displace or duplicate the role of the state. This has potential to create disjuncture between the traditional authorities' land-use rights and the responsibilities of municipalities to deliver services to that land.

## FARM-WORKER EMPOWERMENT AND LABOUR RELATIONS

The relationship between farmers and farm workers is difficult and needs to be far better to achieve agricultural expansion, higher employment and better living conditions. The link between housing and employment on farms is a threat to normalising labour relations. As a result of this connection, farm workers are vulnerable to eviction if they demand better wages and working conditions, or try to get supplementary part-time work away from the farm.

Soon after 1994, the government introduced legislation to protect farm workers from unfair evictions. The legislation failed to slow down evictions, largely because it required workers to go to court to challenge them and because evictions linked to dismissals are permitted. Farm workers did not have the resources to challenge unfair dismissals or illegal evictions. In 2009, the Department of Rural Development and Land Reform embarked on a three-year programme to monitor evictions, provide legal assistance to farm workers and mediate solutions.

Labour laws depend mainly on unions to monitor and report violations. Labour inspectors cannot maintain an overview of all places of employment and some farm owners in South Africa refuse to allow them access to farms. Only 13 percent of farm workers belong to a union, compared to 40 percent for the rest of the formal sector.

Options should be investigated to empower farm-worker organisations to negotiate on an equal footing with farmer organisations. The government should investigate the possibility of using the proposed wage subsidy to increase employment on farms and improve working and living conditions for farm workers.

Impartial research into on-farm relations could form the basis for joint solutions between farmers, farm workers, their representatives and relevant authorities.

### INCLUSIVE RURAL DEVELOPMENT BY 2030

By 2030 there should be integrated rural areas where residents will be economically active, have

food security and access to basic services, health care and quality education.

Achieving this vision will require leadership on land reform, communal tenure security, infrastructure and financial and technical support to farmers, and capacity building to enable state institutions and private industries to implement these interventions.

### NOTES

1. The Presidency (2009). National Income Dynamics Study.
2. Minister of Rural Development and Land Reform budget Speech (2012)
3. StatsSA, 2006 General Household Survey. Pretoria, Statistic South Africa.
4. In this and subsequent subsections it is important to recall that there are few single-commodity (monoculture) farms in South Africa,

- hence these employment numbers cannot be aggregated. For example, citrus farms also produce other types of fruit and livestock products, wine farms often also produce wheat or deciduous fruit, and so on.
5. Bureau for Agricultural Policy (BFAP) (2011). The contribution of the agro-industrial complex to employment in South Africa. Unpublished report prepared for the National Planning Commission.