

Chapter 6

AN INTEGRATED AND INCLUSIVE RURAL ECONOMY

“South Africa, our country, is our land. Our land is our home. We sweep and keep clean our yard. We travel through it. We enjoy its varied climate, terrain and vegetation. It is as diverse as we are. We live and work in it, on it with care, preserving it for future generations. We discover it all the time. As it gives life to us, we honour the life in it.

From time to time it reminds us of its enormous, infinite power when rain and floods overwhelm, winds buffet, seas rage, and the sun beats unrelentingly in drought. In humility, we learn of our limitations.”

Introduction

Since 1994, the main challenge for rural development has been the need to combat marginalisation of the poor. This required changes in access to resources (land, water, education and skills), 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 Study¹ 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. 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 6 million hectares of agricultural land have been redistributed – 3.4 million hectares through land redistribution and 2.4 million through the restitution process. Of 79 696 land claims lodged since 1994, 95 percent have been settled.

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

¹ The Presidency (2009). *National Income Dynamics Study*.

Vision 2030

By 2030, South Africa's rural communities should have greater 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, 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 or fisheries) will boost development.

Access to basic social and infrastructural services is a high priority for many rural households, and these are addressed in the human settlements and social protection chapters. 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:

- 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, beginning with smallholder farmers where possible.
- Quality basic services, particularly education, health care and public transport. Well functioning and supported communities will enable people to develop the capabilities to seek economic opportunities. This will allow people to contribute to developing their communities 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.

The differentiated strategy should be enhanced by ensuring access to basic services, food security and the empowerment of farm workers. Institutional capacity is integral to success, especially in the reforms required to resolve contested relationships between indigenous and constitutional institutions.

Agriculture

As the primary economic activity in rural areas, agriculture is the main focus of this chapter. 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.
- Convert some under-used land in communal areas and land reform projects into 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 on land could benefit from irrigation infrastructure; give priority to successful farmers in communal areas; and support industries and areas with high potential to create jobs. All these will increase collaboration between existing farmers and 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.

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.

Target group	Primary jobs created	Secondary jobs created	Assumption
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.
Total	643 000	326 500	969 500

Note: The employment multiplier between agriculture and its upstream and downstream industries has been taken at 0.5 for small-scale farmers (a conservative estimate).

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 correctly 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.

Jobs and livelihoods in communal areas

Traditionally, agriculture was a livelihood asset to the rural poor when other sources of income fell away. This role was always under developed because of apartheid, but it is diminishing further owing to increases in social grants and employment opportunities elsewhere. Agriculture, however, has the potential to expand if the necessary environment can be created. Better land use in communal areas has the potential to 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 at 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 the communal areas with access to more than five hectares of dry land, and who do not farm in areas that can be irrigated. If these each 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.

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	-
Total	1 307 710	100

Source: Statistics South Africa, 2006.

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 about 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 provides 27 000 jobs, which boosts the livelihoods of almost 70 000 people.

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 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 land purchase up front, making it almost impossible to farm profitably because of high debt burdens. 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, initially established to address the difficulty of entry into commercial farming. The bank was allowed to use explicit and eventually implicit subsidies from government to provide mortgage loans for up to 40 years.

A stepped programme of financing would address most 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 use of different forms of land are undifferentiated. In practice, land rights for agricultural purposes differ depending on how people use the land. Securing tenure for investment is important when land is used to grow crops. The focus should be on cooperating with traditional leaders in securing tenured irrigable land that will lead to fully defined property rights, which allows for development and gives prospective financiers the security they require.

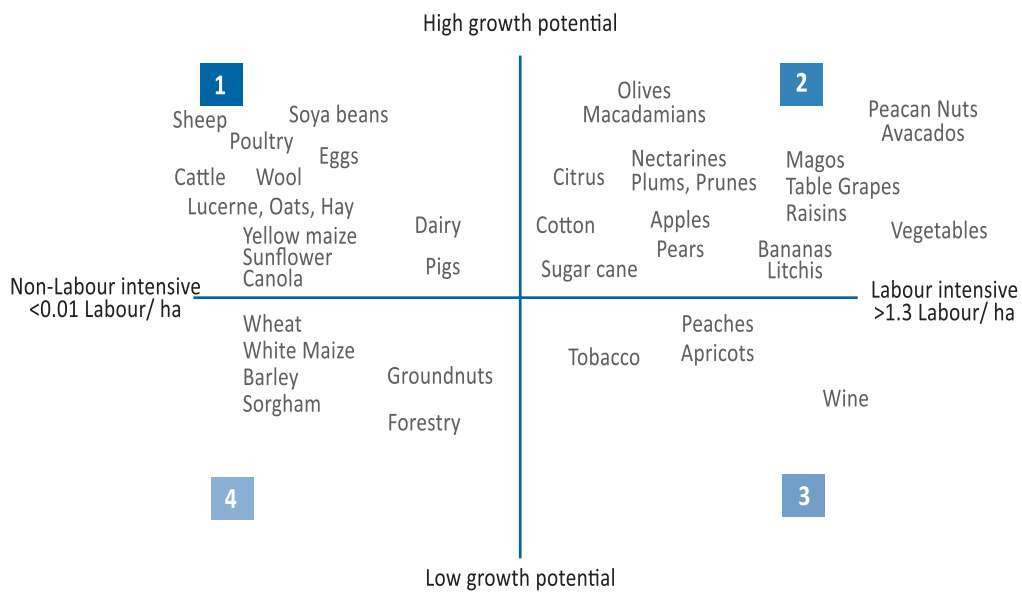
Expand commercial agriculture

Expanding commercial agriculture has the potential to create 250 000 direct jobs and a further 130 000 indirect jobs. This can be achieved by picking winning agricultural sub-sectors where the expansion in production and further value-adding processes are sustainable over the long term. Expansion is not only driven by higher levels of productivity, but also supported by foreign and domestic market demand. Without boosted demand, increased production will depress domestic prices, which is bad for employment creation in the sector.

The section below deals with potential winners, grouped into the following categories: large labour-intensive industries; smaller labour-intensive industries; and large existing industries with significant value-chain linkages. The figure² below presents an overview of the industries by mapping the relationship between current growth rates and dependence on labour.

² BFAP (2011). *The contribution of the agro-industrial complex to employment in South Africa*. A report prepared for the National Planning Commission.

Agricultural growth and employment potential



Source: Bureau for Agricultural Policy, 2011³

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, hence about 60 000 workers are employed on citrus farms.⁴ 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 fulltime equivalents. In addition, there are labour requirements for transportation, warehousing, port handling, research and development, and processing.

From 2000 to 2010, the area under citrus increased by 28 percent, from 13 000 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.

³ BFAP (2011). The contribution of the agro-industrial complex to employment in South Africa. Unpublished report prepared for the National Planning Commission.

⁴In 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.

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 (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) 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

The critical factor expected to determine the future expansion of subtropical fruit production is land reform. 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 Mozambique and exporting to South Africa. Although there are no confirmed statistics, industry experts argue that up to half the traditional South African crop is now exported from Mozambique into South Africa by South African producers. With a labour multiplier of two workers per hectare, this industry can make a significant contribution to creating jobs if only one-third of the area now underused can be revived by injecting the necessary technical and financial support.

Similarly, the avocado industry has a lot more to offer in employment creation. While the hectares under banana production have been declining, the area under avocado production has expanded rapidly over the past decade. The high demand for avocados has led to a waiting list of about two years at nurseries. 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.

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 taken into consideration. The demand for vegetables has grown consistently (about 30 percent over the past decade) and as per capita income rises, this trend is projected to 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 trend in demand of 3 percent a year, which implies that the 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 industries. 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. For example, the world production of cherries amounts to about 2.2 million tonnes, of which South Africa produces only 170 tonnes. 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. For example, whereas pecan nut yields in KwaZulu-Natal are about 1 tonne per hectare, they reach up to 4 tonnes in the Northern Cape, and the production of cherries is highly dependent on sufficient cold weather during winter.

It is estimated that roughly 80 000 jobs could be created in these smaller, labour-intensive industries under ideal conditions. 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. A number of these industries have significant growth potential, particularly poultry. Over the past five years, South Africa has imported on average 235 000 tonnes

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

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 the significant expansion in processing facilities provides the necessary downstream linkages to create sustainable jobs. Using soybeans in the food chain also shows significant 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

The first major risk to the programme is that tenure security for black farmers in the communal areas and under the land reform programme will not be adequately addressed. As long as these farmers (especially women farmers) do not have secure tenure, they will not invest, and agricultural production will not grow at the rate and pattern required for growth in employment.

The second is that government spending, especially on infrastructure and general farmer support services, will not be targeted to small-scale farmers, and will not be increased. At the same time, attention must be given to the bureaucratic systems required to ensure that all farmers in South Africa can 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.

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

Last, the expansion of agricultural production envisaged in this plan takes place within the current structure of farming by large-scale commercial farming merely being expanded. Under those circumstances, the potential to create additional jobs is limited.

Recommendations

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

- Substantially increase investment in water resource and irrigation infrastructure where the natural resource base allows and improve the efficiency of existing irrigation to make more water available.
- Invest substantially in providing innovative market linkages for small-scale farmers in the communal and land reform areas, with provisions to link these farmers to markets in South Africa, and further afield in the sub-continent. This will require infrastructure to improve the time and place utility of farm products through road, rail and communications infrastructure that gets the products from the farm gate through the different stages of the value chain. Information on buying and selling prices and supply and demand trends needs to be provided to farmers, traders, processors and consumers. Linking farmers to markets will also require new forms of intermediaries, such as cooperatives, to assist small producers create economies of scale in processing. This will require infrastructure for processing and all forms of value addition to raw commodities. Finally, it requires the infrastructure to operate cold chains. If this is not achieved, these farmers will be excluded from markets for high-value produce and rural consumers will continue to pay higher prices for food than their urban counterparts.
- 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 and other forms of institutionalised catering, such as food service in hospitals, correctional facilities, and emergency food packages where the state is the main purchaser. As part of comprehensive support packages for farmers, preferential procurement mechanisms should be put in place to ensure that new entrants into agriculture can also access these markets.
- Create tenure security for communal farmers. Tenure security is vital to secure incomes for all existing farmers and for new entrants. Investigate the possibility of flexible systems of land use for different kinds of farming on communal lands.
- Investigate different forms of financing and vesting of private property rights to land reform beneficiaries 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 new growth, and new job opportunities. These include the expansion of the table grape industry along the Orange River, expanding the sugar industry into Mpumalanga, and the more recent expansion of the wine industry, which led to increased employment as a result of the export boom of the past two decades. More opportunities exist. Examples of regions with untapped potential include the Makatini Flats and the Eastern Cape, while new initiatives such as the role of agriculture in the green economy and conservation efforts in general can

potentially create new employment opportunities, although 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 always been high, partly because South Africa has specialised in adapting technology from all over the world to its circumstances. This should again become the focus of agricultural research for all scales of farming in research councils, universities and the private sector. The consequences of industrialised agriculture and the country's unique ecosystems also demand that serious attention is 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 and training in the agricultural sector, including entrepreneurship training. This should include the training of a new cadre of extension officers that will respond effectively to the needs of small-holding farmers and contribute to their successful integration into the food value chain. The value of farmer-to-farmer skills transfer and commercial farmers must be encouraged to contribute to developing a new generation of farmers. Every effort must be made to de-racialise the agricultural sector.
- For these extension officers to be successful, it is necessary to 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 industries should be sought.

Making land reform work

Land reform is necessary to unlock the potential for a dynamic, growing and employment-creating agricultural sector. The commission therefore makes the following proposal for a workable and pragmatic land reform scheme.

The proposed model 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, apprenticeships, mentoring and accelerated training in agricultural sciences.
- Establish institutional arrangements to monitor land markets against undue 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, including key stakeholders such as the private sector (the commercial banks, agribusiness), government (Departments of Rural Development and Land Reform, the provincial departments of agriculture, water affairs and so on), and government agencies (Land Bank, the Agricultural Research Council and so on).
- This committee will be responsible for identifying 20 percent of the commercial agricultural land in the district, and giving the commercial farmers the option of assisting in 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 could be found without distorting markets.
 - Obtain the land through the state at 50 percent of market value (which is closer to its fair productive value). The 50 percent shortfall of the current owner is made up by cash or in-kind contributions from commercial farmers who volunteer to participate.
 - In exchange, commercial farmers are protected from losing their land in future and they 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 would address most of the financing problems of land reform beneficiaries, give the implementers reassurance that beneficiaries have the necessary skills for successful farming and spread the cost of the programme between the future earnings of the farmer and the pockets of the taxpayer.

Developing non-agricultural activities

Analysis of South Africa's economic development shows that rural areas are mainly locations of primary sector industries. In South Africa, mining is vital for job creation. The spill-over benefits related to trading and services from mining as a source of development and how this can be used to develop local economies needs to be investigated, as too little is known of mining value chains and how they can address spatial developmental inequalities. As the experience of the Free State goldfields and some Northern Cape mining areas shows, however, long-term investments should be carefully scrutinised for closure risks.

The traditional approach to rural development and improving farm incomes in poor countries helps farmers move up the value chain by supporting forms of agro-

processing. But in South Africa, a highly centralised, vertically integrated agro-processing sector already exists for staple foods: maize, wheat, sugar, sunflower oil, tea, flour, peanut butter, cigarettes, beer, fruit juices, canned goods, and so on.

These value chains tend to exclude small, new or black farmers – but there is no point setting up parallel agro-processing initiatives and ignoring existing industry giants. The scope for small-scale manufacturing and agro-processing targeting local consumers in poor communities is limited. This does not mean there are no opportunities, but those that do exist tend to take the form of niche opportunities, rather than those at the kind of scale that can create large numbers of jobs, or at the scale required to 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 small-holder development. This has already been done, with some positive results, by the sugar and brewing industries.

Opportunities exist in higher value, higher volume external markets, both national and beyond. And strategies are increasingly targeting these markets. For example, the vertically integrated agro-processing value chains: timber, beans, sugar, horticulture and cotton; the tightly coordinated horticulture value chains tied to supermarkets; and the niche products targeting wealthier markets: designer crafts, essential oils, mushrooms, rooibos tea, goat's milk cheese and so on.

To take advantage of these opportunities, strategies need to be developed for economic cooperation or association that give poor producers greater collective market power in value chains, create synergies and access to information, allow them to achieve the minimum supply volumes required for participation and negotiate improved levels of market access and better terms of participation. Developing partnerships with other commercial players in the value chain is a potential strategy.

In certain rural areas (for example, Wild Coast, Port St John's, Tzaneen, fishing villages, 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 craft market, because globally and in South Africa, the size of the creative arts industry is projected to grow.

For coastal areas, marine fisheries are an important sector 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, 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, gear and equipment. Large-scale industrial fisheries are small in number, but employ about 27 000 people, and their terms of employment are often better relative to other industries.

Most fishing resources are optimally harvested or over-exploited. Accommodating new entrants by increasing the allowable catch of most resources is not viable. Two fundamental issues need to be resolved. The industry is relatively transformed for historically disadvantaged individuals and black economic empowerment in general, but those historically involved in fishing have frequently been ignored. The trend is 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 difficulties of enforcement. It is fundamental that fishing rights are economically viable and not allocated in a way that threatens compliance. If sustainability is not maintained, the fishery collapses and everyone loses.

Unrealistic expectations have been created by promises of rights. Natural resources are limited and probably already fully exploited or even over-exploited. Small-scale fisheries cannot be regarded as a way to boost employment. Industrial capital-intensive fisheries offer better salaries and better conditions of employment, and are more transformed than small-scale low-capital fisheries. Reducing the rights allocated to industrial fisheries to award them small-scale operations simply cuts jobs. There is a serious need for research to determine the relative values of different sectors in terms of employment, salaries and conditions of service, and contributions to tax.

Recommendations

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

- Develop strategies for economic cooperation or association that give poor producers greater collective market power in value chains, create synergies and access to information, allowing them to achieve the minimum supply volumes required for participation, negotiate improved levels of market access and/or better terms of participation.
- Identify other potential partners in the agro-processing value chain to support smallholder 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

The rural strategy also aims to enable the poor to escape from rural poverty by relocating to cities with easier access to services and secure employment. To achieve

this, specific attention should be paid to improving the human capital of residents in these areas.

See the chapters on education, health, social security and human settlement for recommendations. This section will deal mainly with household food security.

Food security

Malnutrition is the direct outcome of food insecurity. In South Africa, growth faltering among infants and young children is widespread, with one in five young children being stunted. Micronutrient malnutrition, particularly deficiencies of vitamin A, iron and zinc, affects the health, growth and learning ability of young children, and the productivity of the population. At the same time, and often in the same communities and households, obesity contributes significantly to the incidence of chronic diseases, including 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 is available (nationally and locally) and that people have the means to access it through purchase or other legal means.

It is necessary to make a clear distinction in policy discourse between national food self-sufficiency, food security and access to food by poor people. South Africa is food secure nationally, 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 devastating 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 of wheat, rice and potatoes as the preferred staple as the population urbanises and becomes more affluent. In this regard, the national food security goal for South Africa 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.

In addition, regional approaches to food security should be investigated. First, as South African 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 also 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 in the South African market.

Job creation and agricultural productivity is needed to address food insecurity at household and individual level in rural areas. Household food security is determined by the ability to access food, not the availability of food. Other strategies include measures to lessen the impact of retail food price increases on the poorest households; using and expanding existing public works programmes for rural infrastructure development; and ensuring that all eligible households have access to social grants and that the most vulnerable groups (particularly the elderly and chronically ill) 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 retail food price increases much more severely than better-off households. It is estimated that South African households in the lower income deciles (1-3) spend about 35 percent of their income on food, while in the upper deciles food spending is equivalent to about 3 percent of household income. Furthermore, rural households pay more for a basic food basket than their urban counterparts, because of the low volume of sales and limited competition, high transport costs and lack of adequate storage facilities.

Research shows that while increased agricultural production can contribute to improved nutrition, it is also possible to have significant improvement in agricultural productivity without corresponding improvements in nutritional status. The food security strategy must therefore focus specifically on ensuring 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 has not received much attention. In urban areas, basic food support activities implemented by community organisations and supported by non-governmental organisations, such as FoodBank South Africa, are in place. Although services are uncoordinated and uneven, the demand for services outstrips supply and emergency services are not well developed.

Recommendations

- The national food security goal for South Africa 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 could contribute to greater supply and price stability 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, ensuring all eligible households

have access to social grants and that the most vulnerable groups (particularly the elderly and chronically ill persons) 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: 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 of health workers, mothers and other caregivers should be a national priority.
- Food fortification should be extended to include home-based fortification of foods for young children, including making fortified mixes (for example, as low-cost spreads or powders) widely available.
- Links between agriculture and nutrition can be strengthened, particularly in producing, processing, preparing and consuming nutrient-rich foods, such as legumes and other vegetables.
- Policy measures to increase intakes of fruits and vegetables and reduce intakes 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 also be required for households with a shortage of able-bodied persons, child-headed households or households with chronically ill or elderly members. Provision for nutritional services during natural disasters or other emergencies has not received much attention.
- Innovative measures, such as procurement from small-scale farmers to create local buffer stocks and community-owned emergency services, could be explored.

Farm worker empowerment and labour relations

The relationship between farmers and farm workers is difficult. Far better relations are needed to achieve the benefits of agricultural expansion, higher employment and better living conditions. A threat to normalising labour relations is the link between housing and employment on farms. This means that farm workers remain highly vulnerable to eviction if they demand better wages and conditions, or try to get supplementary part-time work away from the farm.

Government introduced legislation soon after 1994 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 provide legal assistance to farm workers facing eviction, to monitor evictions and to mediate solutions.

Labour laws always 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 strengthen their ability to negotiate on an equal footing with farmer organisations. Government should investigate the possibility of using the proposed employment (wage) subsidy, by specifying conditions, not only to increase employment on farms, but as a means to strengthen working and living conditions for farm workers.

Inclusive rural development by 2030

In 2030, there will be integrated rural areas, where residents will be economically active, have food security, 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 building the capacity of state institutions and industries to implement these interventions.

