ERSA-SARB CONFERENCE

Finding a Path to Growth and Employment in South Africa

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SESSION REPORT

Session 1: Redefining the Path: An Assessment of South Africa's Agricultural Growth Model

Anchor Presentation: Tinashe Kapuya (ANAPRI) and Wandile Sihlobo (Agbiz)

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Note: This report synthesises the key arguments, ideas, and exchanges from the session. It reflects the substance of what was presented and discussed, not necessarily the settled views of all participants. Panellists participated in their personal capacity. Time constraints meant that not all points could be fully debated or responded to. By convention, individuals are identified only on the title page; arguments and ideas in the body of the report are not attributed to named speakers. Video recordings of the session are available on YouTube, where viewers may find nuance in the views expressed that a written synthesis cannot fully capture.

Key Takeaways

- South Africa's agricultural sector has more than doubled in real terms over 30 years, driven by technology adoption, export orientation, and the rise of horticulture. But productivity gains have not been matched by employment growth — the sector has become increasingly capital-intensive, and commercial farming is highly concentrated, with 6.5% of farms generating two-thirds of farm income.
- Infrastructure constraints — port inefficiencies, electricity supply, transport deterioration, and biosecurity failures including the FMD crisis — are now binding constraints that threaten to cap future growth even in the most competitive commercial subsectors.
- A persistent structural dualism separates the commercial sector from emergent and smallholder farmers who lack access to finance, extension services, technology, and markets. The productivity gap between commercial and non-commercial production continues to widen.
- The release of an additional 2.5 million hectares of underutilised land is being actively pursued, but will only generate significant employment and growth if accompanied by value chain integration, title deeds for beneficiaries, and the extension and financial services needed to make new entrants competitive.
- Future employment growth in the sector lies primarily in the broader agricultural value chain - agro-processing, services, and downstream activities - rather than in primary production alone. The joint contribution of agriculture and agro-processing to GDP is 6–7%, and a significant share of the NDP's employment targets depends on this multiplier effect.

The Anchor Presentation: A Growth Model Under Strain

The anchor presentation asked a direct question: has South Africa's post-apartheid agricultural growth model adequately delivered on the country's broader development challenges? The answer was that it has delivered impressively on productivity and exports, but is failing on employment, inclusion, and resilience - and is now approaching an inflection point where even its productivity gains are at risk.

The record of growth is substantial. Agricultural output has more than doubled in real terms over three decades. Horticulture - fruit, wine, and other high-value crops - has been the standout performer, stabilising the volatility in farm incomes that characterised the first decade after independence and anchoring the sector's export orientation. South Africa became globally competitive in commercial farming after the deregulation of agricultural marketing in 1996, building a consistent trade surplus as exports diversified beyond traditional European markets into East Asia, the United States, and elsewhere. Technology adoption - improved genetics, mechanisation, irrigation systems, and farm management technologies - has underpinned the productivity gains.

But the structural tensions are deep. Employment in commercial agriculture has been flat to negative over the same period, even as output expanded. The sector has become capital-intensive, with investment in machinery and equipment among the fastest-growing farm asset classes. Mechanisation has improved efficiency and competitiveness but limited labour absorption. The presentation framed this as a fundamental policy dilemma: a sector that is growing strongly but not creating the jobs the economy desperately needs.

Concentration is extreme. Census data show that 6.5% of commercial farms generate two-thirds of farm income. The productivity gap between commercial and non-commercial agriculture - illustrated through diverging maize yields - continues to widen. Emergent and smallholder farmers are marginalised by lack of access to extension services, finance, markets, and the technologies driving commercial gains. The agriculture and agro-processing master plan has identified these barriers, but the dualism persists.

Systemic constraints are beginning to erode competitiveness even in the commercial sector. Logistics bottlenecks at ports, electricity supply challenges, deteriorating transport infrastructure, and biosecurity failures - most urgently the ongoing foot-and-mouth disease outbreaks - are binding constraints on further growth. The presentation warned that the growth trajectory of the past 30 years may not be replicable if these constraints are not addressed.

The structural transformation question was posed directly. In comparable emerging markets, agriculture’s share of GDP declines over time as the sector releases labour into more productive parts of the economy. South Africa has followed this pattern, but the released labour has not been absorbed elsewhere - leaving high unemployment in rural and peri-urban areas. The proposed response was a new integrated agricultural growth model built on combining productivity with inclusion, innovation with technology diffusion, infrastructure investment with resilience, and transformation with competitiveness. Three specific sources of future growth were identified: bringing 2.5 million hectares of underutilised land into production with value chain integration; mainstreaming social enterprises as platforms for youth engagement in rural economies; and expanding the employment potential of the broader agricultural value chain, including agro-processing and services to agriculture.

Panel Discussion

The Data Problem

The panel opened with a candid acknowledgement that much of the conversation about agricultural growth and employment rests on data of uncertain quality. Employment figures from the Quarterly Labour Force Survey may not adequately capture agricultural workers, particularly immigrant and migrant labour. The real labour intensity of the sector is not well understood: in horticulture, capital and labour may have become complementary as pack houses and new production systems create jobs even as technology investment grows, while field crops have shed labour through mechanisation. GDP figures for agriculture are under active scrutiny because of extreme quarterly volatility. Industry bodies that once collected detailed data have scaled back due to competition law concerns. A proper employment study for the sector was called for.

Was There a Deliberate Growth Model?

The panel questioned whether South Africa's agricultural growth path should be described as a deliberate model or rather as the outcome of deregulation, access to international markets, and integrated value chain finance built on collateral and plant breeders' rights. The growth of commercial agriculture was built substantially on credit - land bank and commercial bank lending, and integrated financing arrangements linking intellectual property in plant varieties to contracted production and specific market access. This model worked because the commercial sector had collateral, market access, and institutional freedom. The emergent farming sector lacks all three: the assets for collateral, the institutional support for market integration, and in many cases the land tenure security that underpins the entire credit system.

The suggestion was made that future analysis should periodise the growth - overlaying policy timelines with growth trajectories to identify which interventions drove growth in which periods and what can be replicated.

The Master Plan and State Capacity

The agriculture and agro-processing master plan was defended as evidence-based and co-created with industry and labour. Specific areas of progress were identified: a review of the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act (Act 36 of 1947) to accelerate technology registration; direct engagement on port efficiency; market access strategy led by the fruit industry; new blended finance instruments including an agro-energy fund; and a biosecurity strategy to address the FMD crisis threatening the livestock sector, which accounts for roughly half the sector's value.

A sharp challenge was put on extension services: if they have been failing for 20 years and local government has collapsed, why does the conversation keep returning to the same recommendations? The response pointed to a presidential commitment to recruit 10,000 additional extension officers. The broader point about the gap between policy ambition and implementation capacity at provincial level was acknowledged but not resolved.

Land Tenure and the 2.5 Million Hectares

The absence of tenure from the anchor presentation was pressed. The panel acknowledged that tenure security is fundamental: without title deeds, farmers cannot access the credit system that has been the backbone of commercial growth. The position articulated was that the 2.5 million hectares should be redistributed with title deeds to black farmers. For communal land areas, a Communal Land Tenure Policy and Communal Land Tenure Act are under development. The release of the land was described as imminent.

Coherence Across Government

The sugar industry was used as a case study of what happens when government departments work at cross-purposes. National Treasury introduced the sugar tax without agreed mitigating measures. The DTIC governs industry regulation while allowing cheap imports that undermine domestic production economics. Land Reform supports new entrants with input funding while the trade environment works against their viability. The master plan process was credited with beginning to bring coherence, but the example illustrated a wider problem: agricultural policy cannot succeed in isolation from trade, industrial, fiscal, and land policy.

Audience Discussion

The audience discussion extended the conversation in several directions. The importance of agro-processing as a multiplier was emphasised: agriculture and agro-processing together contribute 6–7% of GDP, and roughly a third of the National Development Plan's one million agricultural jobs target was expected to come from the value chain rather than primary production. The argument was that the growth model cannot focus on farming alone but must encompass downstream processing and services.

Economic complexity was raised as a lens for thinking about the sector's contribution. South Africa's agricultural exports remain predominantly raw materials, and the failure to add sophistication before export limits both GDP contribution and the employment that value chain development could generate. Converting raw output into more complex products would create employment at multiple skill levels.

Business model innovation was advocated through the sugar industry's challenges. Diversification away from monoculture dependence - combining sugarcane with macadamias, using bagasse for electricity generation or animal feed, processing cane into biofuels - was presented as essential for resilience. The argument was that a more resilient growth model needs to think beyond single-commodity revenue streams toward integrated uses of agricultural output that address energy, climate, and employment challenges simultaneously.

Questions about social enterprise models drew a nuanced response: assessment is still in early stages, with some approaches achieving breadth through government employment programmes and others achieving depth through longer-term engagement. The honest assessment was that it is not yet clear which models are sustainable or scalable.

Implications for Growth and Employment

This session opened the conference with a sector that embodies the central tension of the growth and employment debate. South African agriculture is a genuine success story on its own terms - productivity has surged, exports have diversified, and the commercial sector is globally competitive. But the growth model that delivered these gains is capital-intensive, highly concentrated, and structurally disconnected from the employment and inclusion objectives that the country needs. It is, in microcosm, the problem the conference would grapple with across every session: how to move from a model that generates growth for a few to one that generates growth and employment for the many.

The infrastructure constraints identified - ports, electricity, transport, biosecurity - are not unique to agriculture; they are the same binding constraints that would surface in discussions of manufacturing, trade, and the broader business environment. The sector-specific expression of these cross-cutting problems underscores the conference theme that South Africa tends toward sector obsession when the barriers are horizontal.

For the growth and employment agenda, the most immediately actionable ideas to emerge included: executing the release of 2.5 million hectares with title deeds and integrated value chain support; accelerating the review of Act 36 to remove regulatory delays on new technologies and agrochemicals; resolving the agricultural data gaps on employment and GDP measurement; scaling the recruitment and training of extension officers; investing in port efficiency and biosecurity as preconditions for export competitiveness; developing agro-processing and services as the primary source of future employment growth; and ensuring policy coherence across Treasury, the DTIC, Land Reform, and DALRRD so that interventions do not work at cross-purposes.