

ERSA Research Brief

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Can social grants promote small-scale farming to improve food security?

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Public expenditure on South Africa's cash transfer (or social grants) programme is one of the most extensive (as a proportion of GDP) among developing countries. Most evaluations of this large-scale policy focus on how grants change individuals' incentives to enter or exit the labour market (with conflicting results), while others focus on the benefits for childrens' health and educational outcomes. No studies have considered the role that grants play in promoting informal economic activity, especially in contexts of high unemployment and poverty. New research that focuses specifically on their role in small-holder farming fills this gap.

South Africa's National Development Plan prioritises rural economic development, with technical support to small-scale farmers proposed as one way to achieve this. Small-scale farmers remain largely concentrated in former apartheid homelands, where poverty and unemployment are also most severe nationally. Similarly, social grant recipients are also largely concentrated in these regions. This research asks whether the two policies are complementary: does social grant receipt provide necessary incomes to promote the uptake of and investment in small-scale farming in former apartheid homelands, and can food security be improved if households opt to farm?

Farming households in the former homelands do not enjoy the same access to salary incomes and credit as households that do not embark on any agricultural activities. They therefore generally face resource constraints that would, presumably, also limit their ability to invest in small-scale farming. Instead, they report their main source of income to be derived from social grants. It appears, therefore, that small-scale farming is a necessary supplementary activity to obtain food when market income is lacking and households rely on social grants. Turning the question around, however, is it possible that the cash injection from grants can promote farming activity and improve food security? International evidence suggests that this is possible, but only when complementary interventions are also pursued. By contrast, South African grant recipients are not required to participate in any other programmes, so that the anticipated effects could be zero.

Limiting ourselves to homelands households that live on tribal lands, we first establish that the state-funded Old Age Pension (OAP) causally raises the probability of household farming. There is no evidence to suggest that household members exited the formal labour market to instead start farming. In other words, the increase in home production arises among households that would otherwise not have worked or farmed, so that the additional farmers represent new informal

economic activity. How is this achieved? Especially among households headed by women, the cash injection from the OAP was invested in fertilizer for the purposes cultivation. Other unmeasured inputs may have also increased in response to the income, though this cannot be firmly established by the data used.

Importantly, farming and non-farming households' food security situation in these regions changes in different ways in response to incomes from grants. Non-farming households report zero changes in self-reported hunger rates when they receive income from the OAP; however, they do report more expensive food purchases in the marketplace and greater diversity in the food groups contained in their diets (which indicates improved nutrition). Overall, this slightly richer group used the cash injection to improve the quality of their diets by buying more food types, while maintaining their levels of food consumption. To the contrary, farming households reported reductions in self-reported hunger, indicating that more food was available for consumption. However, no shifts in the levels or diversity of their market purchases could be detected. Instead, the monetary value of their own production increased, as did the number of food groups they could consume from their yields.

Food security improved for both farming and non-farming households when they receive OAP income. However, the ability of farming households to achieve this position with limited access to salary income and without changing food purchasing patterns, illustrates that this positive impact can be achieved even in regions where labour and product markets are thin. Should the investment in household agriculture resulting from the grant ensure yields in multiple seasons, the food security benefits may additionally extend to the long run rather than only stimulating immediate purchases. Social grants therefore have a role to play in promoting rural development, despite the fact that they are unconditional in nature.