i. Growing inclusive rural growth: Should we be looking beyond farming?

ii. Inclusive rural growth: What are prospects in South Africa’s rural non-farm economy?

iii. Beyond farming: What are the prospects for inclusive growth in the rural non-farm economy?

*The place of the agricultural sector in efforts to facilitate ‘inclusive growth’ is potentially ambiguous, as much agricultural development is typically job shedding. As the agriculture’s potential contribution to inclusive growth frequently rests on its relationship to the broader rural ‘non-farm’ economy, there is a need to look expansively ‘beyond farming’. This piece discusses fine-grained area based research that examined how agricultural production, markets, and linkages articulate with South Africa’s rural non-farm economy. The resultant dynamics have implications both for understanding employment, and public policy responses to the sector.*

Agriculture and employment

Agriculture is a recurrent source of interest to policymakers concerned with on pro-poor or ‘inclusive’ rural growth. For instance, South Africa’s National Development Plan’s proposes creating a million new jobs in agriculture. Yet despite the intuitive appeal of growing agricultural employment in a society with millions of unskilled, jobless, rural poor, the reality is less sanguine.

In South Africa declining agricultural employment since the 1970s intensified in the post-apartheid era. Globally, agricultural development has often occurred in lockstep with an ‘agrarian transition’ of rural dwellers into urban residency and industrial employment. However this tendency increasingly proves to be the exception rather than the rule, as waning land-based livelihoods in developing countries are increasingly unmatched by urban or industrial opportunities (Bryceson, Li 2011). This pattern of ‘jobless deagrarianisation[[1]](#footnote-1)’, is particularly acute in South Africa, with its legacies of racialised inequality and land dispossession.

The job-shedding, inequality-generating, ‘un-inclusive’ quality of South African agriculture reflects both the sector’s structural qualities, and the public policy choices to date. Commercial production systems are conventionally rooted in scale, innovation and capital intensity. In South Africa these characteristics have been deepened by agricultural market deregulation, untrammelled globalization, and declines in state support (e.g. infrastructure, credit, agricultural extension services) from the mid 1990s. Small-scale agriculture is no panacea either, a paucity of state support for it and the absence of effective land reform (Black, Conradie & Gerwel, 2014: 1) have further hobbled inclusive growth.

Competition and consolidation in agriculture have seen average farm unit size increase, farmer and farmworker numbers have declined. Even if agriculture is important to the half a million who retain their (albeit often precarious) employment, and approximately 2.5 million small producers who augment their food security through own-production. These are groups of impoverished South Africans who would otherwise be even more acutely in need of ‘inclusive growth’ without agriculture.

Beyond farming: The rural non-farm sector

Yet there is a need to look beyong farming. There are sharp complementarities between farming and the nonfarm sector. In South Africa agriculture contributes 2.6% towards GDP, but up to 10% when linkages and multipliers are included. Within development policy the axiom has long been that growth in agriculture benefits the rural nonfarm sector, through its various production and consumption linkages (Haggbalde et al, 2002; Haggbalde and Hazell, 2010). Although (Hart, 1998) cautions these relationships are farm from assured, and often highly contingent on various market, spatial and institutional dynamics. Conducting area-based research in small northern KZN town, recent PLAAS research examined there.

Nonfarm upstream linkages

South Africa’s concentrated, monopolistic economic mean that ‘upstream’ linakges are dominated by a small number of powerful, vertically integrated companies with spatially extensive footprints. Large commercial farmers frequently procure via two or three successive sets of linkages directly from national or tansnational supply chains, thereby bypassing small towns. Although the production of modern agricultural inputs often requires scale, technology and capital, South Africa remains noteworthy for the extent to which even the distribution and retail of these is concentrated in a few hands. Many rural towns are therefore pradoxically disconnected from agriculture, as inputs supply leapfrog over the local economy and employment. The research similarly suggested much middle class household consumption, is outwardsly to outside towns and cites that are the sites of schooling, shopping, residency and reinvestment. This deepens the paucity of local agricultural led linkages, and undercuts the potential for local multipliers, employment and inclusive local growth.

Nonfarm downstream linkages

The agro-food system downstream of agriculture (processing, distribution, retail) may be slightly more opportunities (With formal enterprises accounting for on 65% of food retail). Yet it remains a context marked by high levels of concentration, with three dominant food processing firms and four supermarket chains food retail. Many of the local multlipliers, dynamics and opportunity associate with socieities that have large numbers of rural poor as they produce, process, distribute and vend food locally are absent. Instead the common pattern even in small rural towns is for a corporate owned supermarket to selling food trucked in from metropolitain distribution centres. It is a pattern with deleterious consequences for small or emergent farmers, potential processors, aggregators or retailer, and local multipliers. In these ways the structure of the larger agro-food system mitigates against local or agricultural led economic dynamism.

Rural non-farm network characteristics

The research engaging in comparative work across three country settings, suggests that the inclusiveness of local economic activity depends on the nature of the social networks. Specifically four properties, are discussed which are all ultimately determinants of ‘inclusivity’ . these are the density of local networks (comparatively low in South Africa with small numbers of comparatively large farmers); the extent of their local embeddeness (within circuits of local governance, regulation and social suasion), the degree of their external connectedness (the extent of access and oreientation to to distant and resource markets) and finally prevailing patterns of power and inquality. By these metrics commercial farmers were disconnected from the local economy, and their impact in the surrounding nonfarm economy was relatively muted. In its current constellation of activity, value across space, the prospects are relatively muted.

A number of policy implications flow from this analysis.

The first is that Policy implicaitons

1. There is a need to be realistic about the prospects for the often beleaguered rural economy, and to acknowledge the difficulties in creating large numbers of new agricultural jobs.
2. The second is the need to not conflate rural development with primary production agriculture, or even agriculture in general. Many rural areas, commodity chains face limited prosepcts for increasing emploument. The challenge ought to be juciously focusing policy support on the areas, commodity chains and producers who do, or can, engage in production and create employment.
3. The imperatives of inclusive growth underscore the importance of supporting small scale African farmers, particularly as they are more likely to employ (albeit at wage levels that may be lower than larger farmers), procure inpts and market outputs locally. They therefore offer the prospect of imapcts on local markets, including labour markets. Relate to this are recurrent failures in relation to land reform. The current trajectory of policy, essentially de-racilisaing agriculture by replaing large scale white with black farmers may well reproduce the current patterns, to the detriment of forms of inclusive rural growth.
4. White commercial farmers, quite apart from the political contenstation surrounding them, white commercial farmers are potentially ambiguous impacts on local economic dynamism. Tehre is evidene that they do supply local markets when cost distance or scale of production precludes them from the supermarket domainted agro-food system. Yet they potentially ‘crowd’ out the space for smallholder farmers. The policy challenge is balancing large scale farwmers position as employers, with the potential contribution of smallscale famrmers to local markets.
5. Foster greater inclusiveness in the formal food retial sector. Large retailers exercise high levels fo control over the food system, a relam that the state has increasingly abrogated. The policy levers of incentives procure (especially the states instututioanl procurement of food), and regulation (in realtion to land use, business licensing, local procurement, reinvestment, employment) are largely unrealized points of potential intervention.
1. Deagrarianiation refers to the social, occupational and economic movement out of agriculture (). [↑](#footnote-ref-1)