

This is how rural areas can be developed through agriculture

The rural economy should not be forgotten in SA's post-Covid-19 recovery plans. This is still an important segment of society and the economy, though 68% of the population now lives in urban areas. Apart from its reliance on remittances and social transfer payments, the one outstanding characteristic of the rural economy is its dependence on a few key industries, all of which are typically resource-based, such as agriculture, mining, fishing, tourism and forestry.



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With rising unemployment and low economic activity, policymakers are searching for areas of growth and job creation. For many rural areas, agriculture and tourism are the only industries that still have the potential to generate livelihoods and employment. The pandemic might severely delay gains from tourism, but agriculture could play an important role in the near term. However, this will require that we confront various infrastructure and governance constraints that have hindered development and growth of agriculture over the past two decades.

These include:

- Market failures (high transaction costs, remote location);
- Government failures (inefficiencies, poor service delivery and corruption);
- Community failures (poor local institutions, vested interests of traditional leaders); and
- Poor land governance (lack of secure tenure).

These constraints cause many rural communities to be caught in a poverty trap from which they cannot escape. What's worse, rural areas have less access to public service and infrastructure than urban areas due, partly, to the higher per unit cost of infrastructure investment and service delivery in rural areas. This extends to "soft" infrastructure such as health-care centres as well as "hard" infrastructure such as road networks, rail, silos, irrigation systems, water and electricity, thus leading to low agricultural productivity and poor linkages to markets for farmers.

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What should therefore be done differently to address these challenges so that economic activity and employment can take off in rural areas after Covid? Last week the ANC's economic transformation committee and Business for SA (B4SA) released their respective strategy documents for the post-Covid-19 inclusive economic recovery.

Both prioritised the agriculture sector for its transformative potential and aligned their strategies with the contents of chapter 6 of the National Development Plan (NDP), which reflects the commitment of the government and private sector to SA's larger development agenda.

The NDP ideas on how to strengthen the agriculture sector entered the policy arena in 2012. But in the subsequent eight years little was done to implement the principles and foster the required co-ordination with the private sector.

The lack of implementation of agricultural government policy and infrastructure-related constraints comes down to the following reasons:

- Weak co-ordination and misalignment of functions and priorities between different government departments and different spheres of government;
- A misallocation of the budget by the national and provincial governments; and
- Poor coordination between the government and the private sector, which has led to a misalignment of transformation programmes, incentives and in some cases vision.

Now is the time to act decisively to unlock the potential of the sector by removing constraints to accessing land, finance, markets and water and improving safety in our rural areas, as well as service delivery by our provincial and local governments.

This is a challenge that should be addressed by the government and the private sector. **The government can play a facilitation and enabling role by considering the following:**

- Removing the inhibiting requirements facing smaller farmers and entrepreneurs in deeply rural areas and traditional communities to supply state institutions, such as hospitals, prisons and school feeding programmes, with food. We need to investigate the possibility of a state procurement programme (depots) where produce from these farmers can be procured, aggregated and distributed to state institutions.
- Streamlining the land administration processes, to register title deeds or rental contracts quicker and reform the process of subdividing land so title deeds to farmworker houses and the donation of land to farmers can be made possible.
- Delivering on its main support task in the agricultural sector, namely enforcement of all regulations and rules and co-ordinating efforts of the government and other stakeholders to ensure the timely delivery of finance, inputs, advisory

services and more. By doing what they are supposed to do, national and provincial governments can improve the ability of all farmers to contribute effectively to job creation and food security in the sector.

One important dimension of the government's role is a proper and streamlined government support system. Well co-ordinated and effective support measures are critical for the success of establishing new farmers and ensuring sustainable land reform. Establishing a farming business from scratch is difficult given large land and capital costs. It is unlikely to be achieved successfully without the assistance of the state.

The word support has to be properly understood for us to effectively articulate specific interventions. It includes advisory services, access to seasonal finance, fair and equitable access to markets and supply chains, effective government regulation and management of standards, input supplies, and on-farm and off-farm infrastructure. Support could also include various forms of government guarantees to enable the provision of agricultural finance at preferential rates, infrastructure, inputs and machinery.

Such subsidies are critical for farmers establishing and improving their farms and need to be well managed. They will only have the necessary impact if there is some form of accountability, responsibility, agricultural upskilling and buy-in from the beneficiaries. We should avoid the dependency syndrome and moral hazard. There should always be a personal commitment from the beneficiary to ensure a success story and ensure government support leverages the opportunity for the beneficiary.

The Comprehensive Agricultural Support Programme has shown that buying and distributing inputs and equipment through government procurement schemes is often too expensive, slow and bureaucratic. Using the principle of cofinance of investment and purchases by the beneficiary is more needs-based and often quicker.

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While the private sector is well placed to deliver on the transformation process, it is hamstrung by divisions. It is strange that the sector still has to deal with race-based farmer and commodity organisations. There is an urgent need to do away with this fragmentation, since there is potential to upscale the many success stories of public-private partnerships (PPPs).

Three common themes run through these:

- PPP-structured finance to help meet development goals;
- Supporting market linkages to help agriculture play its part in creating a more inclusive SA; and
- Upskilling and technology transfer through farmer training and the development and adoption of appropriate technology in production and handling practices.

The task of rural development through agriculture needs the concerted effort of both the government and the private sector. SA agriculture has the potential and space to make a meaningful contribution to job creation and economic activity and to grow the export footprint from agriculture, but this will require practical and well-tested approaches.

[This article](#) was written for and first published in [Business Day](#) by Wandile Sihlobo, chief economist of the Agricultural Business Chamber of SA and Prof Johann Kirsten, professor of agricultural economics at Stellenbosch University and director of the Bureau of Economic Research

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