



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA



rural development
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Rural Development and Land Reform
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OPERATION PHAKISA

Agriculture, Land Reform and Rural Development

CONCEPT DOCUMENT

Transforming the Agricultural Sector towards an Inclusive Rural Economy

“Food for All and 1 Million Jobs, by 2030”

VERSION: 30 May, 2016

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1 Background

Agriculture, forestry and fisheries are widely recognised as sectors with significant job creation potential and with strategic links to beneficiation opportunities and land reform. However, between 1994 and 2014 employment declined in both primary agricultural production and agro-processing by about 30 % to 40 %. The real contribution of agriculture, forestry and fisheries sectors to the Gross Domestic Product (GDP) increased by 29 %, over the years 1994 to 2012. This combination of slow-to-modest growth and declining employment continues a longer-term trend evident since at least the 1950s (DAFF, 2015).

Constraints facing these sectors are numerous, including rising input costs, an uneven international trade environment, fluctuations in the global markets, lack of developmental infrastructure and the impeding drought conditions. However, key among these constraints is poor transformation of the sector against the aspirations of the South African government as a developmental state. In these sectors, the dualism created by apartheid remains dominant with production assets such as land and water largely controlled by the privileged few, 21 years into democracy. To address these challenges several strategies were established since 1994, some with progress, but there is a need to sharpen the analysis of what accounts for sluggish growth, job loss and tentative transformation in agriculture, forestry and fisheries sectors and what is required to reverse this trend (DAFF, 2015).

The National Development Plan (NDP) and the New Growth Path (NGP) speaks of a need for a policy shift for agriculture, forestry and fisheries sectors and for the development of inclusive rural economies. Cabinet approved the Agriculture Forestry and Fisheries Strategic Framework as well as the Agricultural Policy Action Plan (APAP) to enable a comprehensive and integrated response to the challenges facing the sectors, while ensuring sustainable growth and food security. These were developed through an extensive consultative process led by the Department of Agriculture, Forestry and Fisheries (DAFF) in partnership with the Department of Rural Development and Land Reform (DRDLR). These documents were approved by the Cabinet in March 2015. The overarching implementation plan of the NDP and APAP is captured in the Medium Term Strategic Framework (MTSF), 2014 -19, through implementable actions, with targets and indicators tracking performance. Outcomes 7, 4 and 10 of the MTSF covers these actions extensively, which are either led or supported by DAFF, DRDLR, Departments of Environment Affairs (DEA) or the Department of Trade and Industry (the dti).

Furthermore, President Zuma in his address stated that “a resilient and fast growing economy is at the heart of radical transformation agenda and the NDP”. The NDP enjoins us to create a better life for all citizens in an inclusive society. It provides the framework in which government, organised business, labour and citizens can work together to accelerate economic growth and resolve the triple challenge of unemployment, poverty and inequality. The focus of the MTSF as it relates to the ESEID Cluster is the Nine-Point Plan, of which the Revitalization of the Agriculture and Agro-Processing Value Chain (RAAVC) is one.

There are three types of interventions in RAAVC, job drivers in the form of high growth commodities, and cost-cutting interventions including Agriparks which work in synergy. An Agripark has been defined as “A networked innovation system of agro-production, processing, logistics, marketing and training and extension located in district municipalities, and serves a particular role in forging greater inclusivity and localised growth within Agriculture, Forestry and Fisheries.

The ESEID Cluster remains optimistic that the continued implementation of RAAVC will mitigate the challenges of drought, and the current difficult economic situation. President Zuma in his State of the Nation Address noted several achievements since the plan was launched in 2015.

It is within this context that Operation Phakisa seeks to further strengthen the plans of RAAVC. However success under RAAVC requires partnerships through interventions wholly owned by all key stakeholders, including government departments, Provincial Departments of Agriculture (PDAs), State Owned Enterprises (SOEs), Organised Agriculture, Finance Development Institutions, Labour and Civil Society. Failure to do so is likely to plague the RAAVC with interventions that bear little or no impact on our economy.

In addition, findings of impact assessments conducted on grant-based farmer support programmes by the Department of Planning Monitoring and Evaluation (DPME), found lack of coordination by government as a cross-cutting limitation, coupled with inefficiencies in governance processes. While farmers receiving direct support are able to improve their performance, the depth of these support programmes carries no weight for economic growth and development, and do not create new commercial farmers.

The analysis and plans generated through the proposed Operation Phakisa will be completed in the context of achieving more inclusive rural economies, food security, increase employment to 1 million jobs, improve the GDP to 6 %, and plant 1 million hectares.

We believe that Operation Phakisa will create a platform for greater consensus around these challenges, generating solutions best suited in achieving the objectives and targets set out in the MTSF.

2 Purpose of the Concept Document

This document serves as a discussion document and a consultative tool in forging consensus among all key stakeholders relevant to the Phakisa process of Agriculture, Land Reform and Rural Development.

2.1 Key Outputs

- Consensus among government, industry, and sector stakeholders on the key challenges facing Agriculture, Land Reform and Rural Development; if addressed would unlock the growth potential of these sectors towards a more inclusive growth path and rural economy;
- Published research guided by the research questions and objectives set out in Operation Phakisa of Agriculture, Land Reform and Rural Development;
- A five-week Lab process, formulating 3-feet deep plans, which are fully costed and resourced with clearly defined roles and responsibilities, and institutional arrangements to lead the implementation, monitoring and evaluation there of;

3 Problem statement

The South African agricultural economy is shrinking, and has not delivered according to expectation in terms of economic growth, rural development, job creation, equity, and transformation, amongst others.

Key challenges have included:

- Structural and economic distortions caused by Apartheid, and poor policy coherence;
- Job loss in the sector;
- Ineffective Rural Development and Land Reform;
- Ineffective Natural Resource Management and Natural Disasters;
- Concentration and centralisation of agribusinesses upstream and downstream; and
- Inadequate producer support and weak programme implementation systems

3.1 Structural and Economic Distortions

Apartheid segregated South Africa into three kinds of social, economic and political administrative spaces:

- a) the major urban areas, which were a preserve of white people;
- b) fertile commercial farming regions, associated small rural towns;
- c) barren, economically unviable homeland areas, reserved for South Africa's black majority population providing labour to the urban centres, mining and industrial areas;
- d) Both cultural and socio-political policies led to the exclusion of women from access to markets and services, which resulted into macroeconomic consequences by way of loss of productivity and economic output;

3.1.1 Spatial economic distortions

It is the combination of the colonial pattern of economic development, the Apartheid system of racial segregation and patrimonial patterns of authority in the ethnic homelands, which has brought about two distinct economic spaces. Developed and well-resourced areas vs underdeveloped and under-resourced areas (rural) it is estimated that 35% of South Africans live in rural spaces, with the number declining as urbanisation grows rapidly (United Nations, 2014). The United Nations estimates that 71.3% of South Africa's population will live in urban areas by 2030, and nearly 80% by 2050. South Africa urban population is growing larger and younger.

Key issues with regard to agriculture and increasing urbanization are whether the growing and changing demands for agricultural products from growing urban populations can be sustained while at the same time underpinning agricultural prosperity and reducing rural and urban poverty.

3.1.2 Market distortions caused by skewed ownership

Past policy decisions to deregulate and liberalise our markets has had a profound effect on rural economic growth and the distribution of wealth. The liberalisation of agricultural and food markets was premised on the expectation that deregulated market outcomes would be more efficient and would increase market participation, benefiting producers and consumers alike. However, although some efficiencies have arisen, so have unanticipated problems, such as job loss, proliferation of onerous private regulations, benefitting only the corporations who dominate.

South Africa's globalised food system demonstrates patterns of concentrated ownership and market dominance similar to that of developed countries such as Europe. The structures of primary agriculture, forestry and fisheries sectors are strongly influenced by the structures of upstream and downstream parts of the respective value chains. Concentration among input suppliers, agro-processors (see Table 1), and within marketing and distribution systems, tends to create a skewed playing field among producers that strongly disadvantages smaller-scale producers, which also tends to express itself along racial lines.

A small number of corporations determine the availability, price, quality and nutritional value of all the food consumed in South Africa (Cock, 2015). A case in point is South Africa's well known bread cartel, illustrated by the way the wheat-to-bread commodity chain has been globalised and marked by a concentration of ownership and control all along the chain from wheat production, storage, milling, baking and retail. The result is that a vast majority (76, 9%) of South African households are involved in agriculture

mainly growing additional food for household consumption. Nationally, only 4, 7% of households are involved in commercial agriculture.

Table 1: Levels of dominance in the Agricultural Sector

	CR5	CR10
Agro-processors		
Food products and beverages	30 %	40 %
Prodn, processing and preserving of meat, fish, fruit, veg, oils and fats	30 %	43 %
Dairy products	71 %	81 %
Grain milling products, starches and starch products etc	70 %	79 %
Bakery products, sugar, chocolate, etc	58 %	84 %
Beverages	80 %	86 %
Textiles, clothing, leather and footwear	17 %	23 %
Wood, wood products, paper, publishing and printing	30 %	41 %
Agro-input manufacturers		
Fertilisers, nitrogen compounds, plastics and synthetic rubber	87 %	92 %
Agricultural and forestry machinery	23 %	33 %

SOURCE: Dr Michael Aliber, 2013

1 CR= Concentration Ratio → Market share of the most important companies in the sector, here top 5 and top 10

It is thus apparent that South Africa’s trade and market policies have largely benefited the larger stratum of commercial producers, while rendering the smaller stratum of large-scale producers more vulnerable, and stifling the development and entrance of new producers.

It is evident that the market power of large firms, whether exerted unilaterally or through coordination with each other, harms economic development and low income groups (Roberts, Vilakazi, & Simbanegavi, 2014). The nature of competitive rivalry, and the power and interests of large firms and their owners is thus at the heart of challenges in transformation (Roberts, Vilakazi, & Simbanegavi, 2014). In essence effective farmer support programmes will not be able to challenge market distortions, and could easily be rendered ineffective. Therefore despite the overlap and duplication of programmes between various national departments and spheres of government, studies show that *“successful commercialisation of the smallholder agricultural sector is not only dependent on adequate access to farmer support services, but is also affected by the performance of input suppliers and buyers/processors of farm produce. Therefore, it is important to ensure that the entire value chain operates effectively if the effectiveness of farmer support services is to be enhanced”* (DPME, 2013).

3.2 Biosafety regulatory requirements, trade and inclusive growth

While traditional trade barriers in agriculture such as tariffs continue to decline, technical and regulatory barriers, such as sanitary and phytosanitary standards, have become the new measure for market exclusion.

South Africa is a signatory to a number of agreements/ conventions which impacts on trade. Those agreements under the World Trade Organization and other international standard setting bodies are potentially the most the important as these cover, amongst others, agriculture, food safety regulations, intellectual property regimes, etc. The fundamental principles which form the cornerstone of all these instruments include non-discrimination, transparency, trade facilitation etc.

WTO agreements such as the Sanitary and Phytosanitary (SPS) Agreement, contribute to safe trade where potential risks around the entry and establishment of quarantine pests and diseases in a specific territory are addressed through a set of harmonised rules and procedures. Despite these harmonised rules, increasingly disputes arise on the risk assessment of pests and diseases. These disagreements are often about measures considered scientifically unjustified and/or arbitrarily discriminating against a trading partner. Equally concerning is that dispute resolution mechanisms are very onerous and developing countries are not in a position to effectively challenge the unfair measures.

Studies show that the impact of changes in differing levels of protection based on the EU standard and those suggested by international standards, for 15 European countries and 9 African countries, have a significant negative impact on African exports of cereals, dried fruits and nuts to Europe. The EU standard, which is purported to have an impact of reducing health risk by approximately 1.4 deaths per billion a year, will decrease these African exports by 64% in contrast to regulation set at an international standard.

3.3 Inadequate producer support and weak programme implementation systems

3.3.1 Financial Support

Producer support systems are lacking, especially relative to the needs of black, generally smaller, producers. This is despite the fact that government has largely shifted its attention from supporting white large-scale producers, to supporting land reform beneficiaries, small-scale farmers, small growers in the forestry sector, and small-scale fishers.

It should be further noted that commercial, smallholder and subsistence farmers currently receive less support from the state than their counterparts in every industrialised country in the world. These industrialised countries also happen to be among the most important destinations for South Africa's agricultural exports, where their competitiveness is undermined by our trade partners' agricultural subsidies.

The total cost of support to South Africa's agricultural sector, measured as a percentage of GDP, decreased from 1 % between 1995 and 1997, to 0, 6 % between 2005 and 2007. Producer Support Estimate (PSE) declined from 3,6 in 2009 to 2,60 in 2013, currently at 2,42 (2014). Total government spending on the sector decreased from 1, 75 % in 2003/4 to 1, 67 % in the recent three years (World Bank, 2015).

3.3.2 Agricultural Education and Training (AET)

Of particular importance for producer support are effective Agricultural Education and Training (AET) in preparing farmers, researchers, educators, extension staff, and members of Agribusinesses and others to make productive contributions.

Recent studies of AET in sub-Saharan Africa suggest that many Agricultural education curricula have shortcomings as they are unresponsive, and inappropriate to the skills requirements in the face of changing economic, technological, physical and environmental conditions in the sector and the local context (DAFF, 2015).

Education requirements increase with food system development. A recent study (Minde, Terblanche, Bashaasha, Madakadze, Snyder, & Mugisha, 2015) summarises the requirements as follows:

1. *Education requirements increase with food system development;*
2. *Post-farm segments of the food system, in general, require higher levels of education than farming. Since this part of the food system is growing significantly faster than employment on the farm educational requirements in the AFS will likely increase gradually over time.*
3. *Even in the most advanced, top tier food systems, over 90 percent of all workers require at most a secondary education, and fully 70 percent require at most middle school training. Elsewhere, in middle and bottom tier food systems, primary school leavers and drop-outs account for 85 percent of the AFS workforce. As a result, teaching of agriculture skills needs to happen at primary and secondary level because most of these school leavers will not be able to continue to tertiary and if they will already have some agricultural skills, they will enable them to be employed more easily.*

3.4 Employment

3.4.1 Job Loss

There are two main stream arguments on job loss in South Africa's commercial agriculture. The first, traces the evolution of farming systems as new technologies are introduced, and explains these changes in terms of underlying economic factors (Simbi, 2012). According to Simbi and Aliber (2012), the casualisation of the labour force in Agriculture is attributed mainly to the fact that seasonal employees are not able to make demands and are by and large not represented by labour unions. The authors highlight the fact that more or less at the same time when mechanisation was changing from a complement to labour, to a substitute for it, government policy on agricultural labour switched from assisting farmers through the old labour-repressive strategies, to assisting them with labour replacement. Factors such as income tax provisions to allow for the accelerated write-off of agricultural equipment, the encouragement of large-scale farming through the Subdivision of Agricultural 12 Land Act of 1970, and negative real interest rates on agricultural loans were all measures designed to promote the development of a modern, labour-lean agricultural sector.

A combination of labour repressive laws and the transition to greater capital intensive modes of production has invariably led to a decline in employment in agriculture. The number of commercial farming units in primary agriculture has declined from almost 120 000 to around 39 000 between 1950 and present. Total employment in the 1950s was approximately 1.4 million people employed in commercial agriculture, and they supported approximately four million dependents. In the mid-1990s, the number of people employed in commercial agriculture decreased to 914 000 employees, of which 67 % were employed on a regular basis while 33 % were engaged as casual/seasonal workers. Of the 2,2 million people employed in the

former homelands, 37 % reported that they were engaged in subsistence farming. From 2000 to 2012, employment in the agriculture sector decreased by more than half, i.e. from 1,4 million jobs in September 2000 to a mere 891 000 jobs currently (StatsSA, 2016).

Statistics South Africa (2016) show that the share of coloured population (12%) in Agriculture is exceedingly higher than the share of other population groups. Statistics South Africa (2014) further illustrates that employment in Agriculture are highest among women, increasing by 415 000 compared to a decline of 48 000 among males between 2008 and 2014. This amounts to about 32% of women employed in Agriculture (Northern Cape: 25%; KwaZuluNatal: 41.6%) (StatsSA, 2014). The feminisation of Agricultural labour is a trend similar to the Middle East and North Africa (Abdelali-Martini & Dey De Pryck, 2014). Gender distribution among sectors show that women are mostly employed in lower income sectors such as Agriculture.

The decline in employment has been remarkably steady, and has been accompanied by a commensurate increase in average farm sizes. Whereas elsewhere this phenomenon normally happens in a socially integrated society, where job loss in agriculture coincides with job opportunities elsewhere, in South Africa it happens amidst social and economic inequalities, deepening the problem of black rural unemployment and overall racial inequality.

3.4.2 Working conditions and job quality

Farm workers earn the lowest wages among those formally employed in the country, and have the lowest rates of literacy in the country. Twenty percent of South African farm workers are found in 10 magisterial districts, mostly in the Western Cape and KwaZulu-Natal; they are mostly female (709 000 are female and 596 000 are male) and are relatively young (DoL, 2015). Female farm workers earn the lowest wages among those formally employed in the country and about a quarter of remuneration is paid in kind. The benefits that accrue to permanent workers depend substantially on the gender of the farm worker.

There is furthermore considerable evidence of a cycle of debt, together with high interest rates either to farm shops or indirectly to the employer on many farms. There are further incidences of 'forced purchases' where the employers insist that they buy certain items, normally farm produce, at specific rates.

The Department of Labour further reports (2015) that a high proportion of job negotiations involve word-of-mouth communication, and are frequently conducted on the spur of the moment.

In addition, despite the Extension of Security of Tenure Act 62 of 1997, the evictions of farm workers have reached pandemic proportions. Surveys conducted indicate that between 1984 and 2004, 1.7million people were evicted (BAWSI , 2015). It was found that the pace of evictions has not slowed down since the advent of democracy. It is estimated that 942 303 people were evicted between 1994 -2004, compared to the 737 114 during 1984-1994. More than a million people have been kicked off farms during the first ten years of our democracy (BAWSI , 2015)

There are overwhelming consensus that rural communities in general, and farm workers in particular, have a history of their human rights being abused and they are confronted with various social malpractices.

3.4.3 Migrant labour

As previously mentioned about 35% of South Africans live in rural spaces, with the number declining as urbanisation grows rapidly (United Nations, 2014). The United Nations estimates that 71.3% of South Africa's population will live in urban areas by 2030, and nearly 80% by 2050 mainly due to migrating job seekers.

Low wages and poor working conditions have not deterred growing employment among foreign migrant labourers. One of the key reasons cited for using migrant labour is not based on unavailability of local labour to work, but on the employer's positive perceptions of foreign migrant labour. Employers regard foreign migrant labour as providing cheap and exploitable replacement for local labour.

However, the South African laws and regulations were not designed to address the influx of undocumented or unofficial foreign migrants who are in search of employment. The unforeseen outcome of this phenomenon has been illegal employment of foreign migrant workers at lower than legislated minimum wages and under poor working conditions. Thus South African workers face competition from foreign workers, which were said to engender anti-foreign migrant hostility and an aversion-even refusal to take jobs in occupations occupied by foreigners.

3.5 Research and Innovation

Innovations are new creations of economic significance of a material or of an intangible nature, and play a critical role in the productivity and economic sustainability of the sector.

Of concern in South African agriculture, is the high cost of technology and implications for cost of production. South African commercial farmers have historically been relatively well advanced in terms of technology, although quite dependent on imported technology, whether through imported machinery and agrochemicals, or under license as is the case of genetically modified (GM) seed.

On the other hand, smallholders and subsistence producers have been less endowed in terms of technology. The question remains why South Africa's innovation system is unable to support a growing commercial sector and a needy smallholder sector. With the limited data available, it shows that innovation within the commercial sector has been the main driver in the growth of South Africa's agricultural exports, more especially within the fruit industry, while the innovative response by the smallholder sector seems to have been much more limited.

Speaking at the Innovation Bridge technology showcase and matchmaking event, in 2015, Minister Naledi Pandor spoke to the need to increase the number of researchers, and enhancing research and innovation skills and outputs to contribute positively to improving South Africa's economy and job creation efforts.

Further challenges include setting a common research agenda for the sector towards which the Department of Science and Technology has developed Sector Research Strategies.

3.6 Land Reform

"A lack of large-scale, forced land redistribution in South Africa from the rich to the poor has fuelled one of the world's widest income gaps. Many successful development experiences in Europe and also in Asia did

at some point in their trajectory use land reform and other forms of direct redistribution of property much more than South Africa did.” Thomas Piketty

Twenty-one years into democracy, South Africans in rural areas still endure extreme poverty, food insecurity and high unemployment rates. This eventually subjected social systems and economic and infrastructural developments to enormous strain. Seeking a better future, many moved from rural areas to cities.

However, owing to the slow pace of land redistribution and limited impact of land reform in improving beneficiary livelihoods, it is now widely accepted that we need to significantly change how land reform is carried out going forward. However, since the onset of democracy, South Africa’s land reform programme has not been able to correct South Africa’s spatial and economic inequalities. The equivalent of just over 8% of commercial agricultural land (in hectares) has been transferred from white ownership to black, through a combination of land redistribution and restitution (Walker & Cousins, 2015). More than 20 000 land restitution claims lodged by the end of 1998 have not yet been finalised (Walker & Cousins, 2015).

With the extent of the historic dispossession and poor transformation of our rural economies, how can the demand for land in South Africa, thus the place of prospective land reform beneficiaries of land reform, be advanced to ensure economic development, food security and improved livelihoods?

One of the limitations of previous land reform initiatives was the lack of quality and effective participation by all stakeholders, especially limited buy-in and participation of agricultural landowners in the redistribution and broader land reform processes. Attaining “equitable land access across race, gender and class” requires that those in need of secure rights to land work together with landowners in “finding social solutions” to the historic and contentious “social problem” of landlessness and tenure insecurity that remains an albatross on the shoulder of our a young democracy.

As recommended by the NDP, a more targeted approach to land acquisition that builds the necessary institutional capacity and utilises local knowledge of commercial farmers, municipalities, farm workers/dwellers etc. needs to be developed. Also, a process of skills development, including incubation, must be the bedrock for beneficiary selection and preparation for sound agro-enterprise development. The establishment of the District Land Reform Committees will fast track land redistribution and will enable substantive and equal participation of all stakeholders in decisions surrounding land acquisition. In promoting a bottom-up, participatory, multi-sectoral approach to land reform, DLRCs will both give a voice to the landless and land-hungry in the redistribution process, while also facilitating landowner cooperation by enabling them to play an active role in land reform.

The strategic thrust of the 2011 Green Paper on Land Reform is that land reform should be pursued with minimal disruption to food production and based on the Agrarian Transformation Strategy/Rural Economy Transformation Model. The Department of Land Reform defines land reform inclusively of the following four functions or pillars: restitution of land rights; redistribution of land; land tenure reform; and land development. The department further defines the strategic objectives of land reform as two-fold:

- (i) that all land reform farms are 100 % productive; and,
- (ii) rekindling the class of black commercial farmers which was deliberately and systematically destroyed by the 1913 Natives Land Act, as reinforced by subsequent pieces of legislation enacted by successive Colonial and Apartheid regimes.

The principles underlying land reform, as set out in the 2011 Green Paper are to: deracialise the rural economy; promote democratic and equitable land allocation; and enhance production discipline in order to promote social cohesion, food security (food sovereignty) and sustainable and shared economic growth through development in rural South Africa. These policies and interventions on land reform are meant to fast track the slow pace of the Redistribution Programme under land reform.

The question remains, with the extent of the historic dispossession and transformation of the majority of the dispossessed into wage-workers, how can the demand for land in South Africa, thus the place of prospective land reform beneficiaries of land reform, be advanced to ensure economic development, food security and improved livelihoods?

3.7 Rural Development

Rural areas, generally, suffer from “thin” markets, while the formal market structures at the national level tend to shut new and small producers out of the richer areas of the country. Within the former homelands, for example, low incomes limited local demand, making it difficult for local producers to enter the market and fairly compete with manufactured goods trucked in from the formal urban and peri-urban sectors. The underdevelopment of local production and products was reinforced by weaknesses in rural market institutions and infrastructure. As a result, individual producers find it difficult and expensive to access inputs, capital and skills as well as sales outlets, which are generally located in the urban areas. In turn, limited local demand makes it less worthwhile for private investors and producers to set up marketing institutions in rural areas. It is clear, therefore, that rural areas and their economies did not benefit from historical land reform conducted during the long years of colonialism and apartheid.

Some progress has been made, with significant shifts in the extent and degree of poverty. The 1 National Income Dynamics Study 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 and migration to urban areas. Access to basic services has increased, although at a slower pace than in urban areas, and is not fully realised. Since 1994, 2 about 7.2 million hectares of agricultural land have been redistributed through both land redistribution and restitution process. Of 79 696 land claims lodged since 1994, 95 percent have been settled.

Although much progress has been accomplished in the past two decades in overcoming the monumental challenges left over from apartheid, the spatial divide of apartheid’s social and political geography remains a defining feature of South Africa. Following the 1913 Natives Land Act, which instigated a long and devastating history of forced removals of Africans from farmland, a range of socially and ethnically based legislation was passed towards reinforcing separate racial and ethnic development. The approach was based on the philosophy of exclusion, in which indigenous South Africans were not only denied the right to own land, but also excluded from opportunities to accumulate capital in other forms including finance, education, skills or social networks. By the end of apartheid, an estimated 80 percent of the population (mostly Africans, Coloureds and Indians) was constrained to a mere 13 percent of South Africa’s land surface, most of whom were trapped in a vicious cycle of poverty.

The geo-spatial sources of raw materials, which are rural areas, continue to subsidize the urban economy. Put differently, the rural poor continue to subsidise the urban rich. This pattern of colonial development, in

the case of South Africa, has been exacerbated by the system of Apartheid, which confined African people into undeveloped Bantustans, or, so-called ethnic homelands, and peri-urban areas called Bantu Locations.

As such, today's systematic triple challenges of inequality, unemployment and poverty are symptoms of this long history of dispossession and the denial of economic, social and human development opportunities for the majority. This is most aptly evident in the crisis of rural underdevelopment. Of the 40% of South Africans who reside in rural areas, more than two-thirds lived below the poverty line in 2011, compared to less than a third of urban residents. The majority of South Africans living below the food poverty line, totalling an estimated 10.2 million in 2011, is mostly from the country's rural spaces. Also, lack of access to basic services was significantly higher in predominantly rural provinces compared to urban provinces in 2011.

These statistics reveal that South Africa remains as one of the most inequitable societies in the world, with its Gini coefficient rising from 0.64 in 1995 to a high of 0.7 in 2012. The great majority of the lowest income earners are African rural women. On average, white households are estimated to bring in 5.5 times the income of the average black household. Inequality manifests itself not only in inequitable access to land and enormous income gaps, but also in access to economic opportunities, particularly within the agricultural sector. This is apparent in the persisting dualistic nature of the agriculture sector, which is marked by a prosperous (white dominated) commercial sector that owns and controls the majority of the country's farmland (86%), next to a (mostly black) land-scarce unsupported smallholder sector with limited means to improve production and economic prospects.

3.8 Ineffective natural resource management and natural disasters

The increased demand on the limited natural resource base carries a detrimental impact on the environment. This is mainly attributed to ineffective land use planning, subsequent ineffective management and implementation of land use plans, the excessive use of herbicides and pesticides impacting on the quality of the water resources, and the use of selective cultivation methods that are not suitable for the area concerned.

Today, southern Africa is experiencing drought in its four (4) forms: meteorological, hydrological, socio-economic and agricultural, and the worst since 1904 according to the South African Weather Services (SAWS, 2016).

Below normal rainfall since 2014/15 will have a negative impact on production, processing, trade and ultimately food prices as it is projected to carry through to the next two years or more. The drought situation ultimately will impact on the performance of the sector and government's MTSF targets as set out in Outcomes 4, 7 and 10.

There are also social threats associated with drought such as, but not limited to, forced migration to fertile areas, land invasions, illegal water connections, public unrest in response to increasing food and commodity prices, outbreak of pests and diseases (e.g. the outbreak of Food and Mouth Disease).

4 Purpose and Objectives

At the core of all mentioned challenges, is South Africa's increasing levels of inequality (see figure 1 below). Rising inequality calls for heightened consideration of more inclusive models of growth.

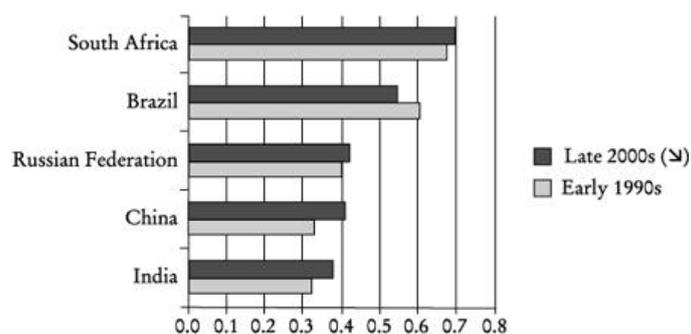


Figure 1: Gini coefficient

Rapid and sustained poverty reduction requires inclusive growth that allows people to contribute to and benefit from economic growth. Without addressing inclusion, social and economic, the very nature and essence of our growth processes becomes questionable (Soares, Scerri, & Maharajh, 2014). It is thus the primary objective of Operation Phakisa of Agriculture, Land Reform and Rural Development, to ensure the formulation of required interventions towards greater economic inclusion.

Operation Phakisa offers unique methods and tools through which we could effectively develop consensus among key stakeholders on key challenges, and required interventions contributing to the revitalization of pivotal industries in Agriculture, Forestry, Fisheries and Agro-Processing.

The rigorous research support as part of the Operation Phakisa process, further allows us to generate a better understanding of the challenges faced, causal effects of growing inequality, and in turn the formulation of *relevant* solutions, detailed into “three-feet” level plans.

Lessons learnt from previous Operation Phakisa’s (Oceans Economy, Mining, Health, and Food Security):

- Often leading to failure, are inconsistencies in the commitment of staff. A dedicated team is required to facilitate the process from beginning to end;
- Working groups, meant to manage the implementation of signed off plans need to be established well in advance;
- Financial commitments towards the implementation of Phakisa must be solidified.
- We need to internalise or institutionalise the Phakisa process within government departments to ensure that implementation is not hampered.

Important to note, is that there are existing plans approved by Cabinet namely, the APAP that was tabled in March 2015 as the turnaround strategy for Agriculture, Forestry and Fisheries. It is a commodity or value chain approach with an aim to better define growth constraints by providing a problem statement, description of required interventions, and a set of aspirations. The approach is further captured as a deliverable in the Medium Term Strategic Framework (MTSF), more specifically of Outcome 4. The RAAVC captures the approach of APAP and reports are a 99 % reflection of the work done under the APAP.

Both APAP and RAAVC have however not undergone the rigorous planning, monitoring and evaluation processes underpinned by the Operation Phakisa methodology, and stand to gain from its approach.

4.1 Key objectives of Operation Phakisa for Agriculture, Land Reform and Rural Development are:

1. To devise interventions on how growth per identified value chain and transversal programme could contribute to inclusive growth, and in turn contribute to the vision of the National Development Plan (NDP) and the Revitalization of the Agriculture and Agro-Processing Value Chain (RAAVC);

2. To review employment and working conditions among Agricultural workers;
3. To review producer support models and related institutional arrangements;
4. To devise interventions to improve market access and trade development;
5. To reduce the environmental impact of agricultural production through interventions to improve soil fertility, environmentally sound agricultural pest control, and improvements in water management;
6. To address constraints in ensuring the equitable access to land, both towards economic development and agrarian transformation;
7. To determine the role and relative importance of technology development and innovation to advancing agricultural production and sustainable livelihoods.
8. In addition, all the above will serve to inform the social compact for the sector, along the following criteria.

5 Research focus and questions

Significant research work will be required before the start of stage 1 of Operation Phakisa. Knowledge and information generated through a commissioned research project will be required to support the various work streams, supporting evidence-based planning and in turn the 3-feet deep plans.

Proposed research questions aims to assist in formulating a business case for the lab, further defining the problem statement within the context of job creation, food security, an inclusive rural economy and environmental sustainability.

Research questions will cover:

- 5.1 Global economic overview of the impact of global trends and adopted macro and micro economic policies on South Africa's competitiveness and in turn, its impact on job creation and food security. Further presenting case studies where developing economies were successfully able to address job creation, food security and growth.
- 5.2 The extent and nature of land ownership (race, class and gender) and utilisation i.e. the interface of rural development and agriculture. With special emphasis on:
 - Spatial distribution of people,
 - Areas of growth and decline in South Africa and
 - Functional regions
 - Service areas

- 5.3 Historical overview of civil society, industry and government's interventions i.e. what have we done over the past 21 years, what worked, what have not worked, and why?
- Development models such as CASP, RECAP
 - Public and private sector investment;
 - Resource allocation and use in the sector (socio-economic).
- 5.4 What is the true socio-economic value of agriculture in terms of GDP, jobs and food security? At the same time, identify a reasonable list of commodities, completing a full value chain analysis, along the following criteria:
- Employment status considering both production and value addition;
 - High growth potential (considering global and domestic factors) and job creation;
 - Potential to contribute to food security;
 - Potential to contribute to a positive trade balance;
 - The current pricing structure across the value chain (per value chain);
 - The role and relative importance of technology development and innovation
 - The status of productivity over a significant time frame, show casing trends and areas of growth and constraint;
 - An income profile within the sector; gross and net profit margins across the value chain;
 - Existing and projected growth trends for exports and imports, where relevant e.g. Fruit
 - The extent to which climate change has impacted the industry, and the rate of uptake of climate smart or practices
- 5.5 What is the overall public investment in the agricultural space?
- This should entail quantifying the combined expenditure across all national department, SOEs, and commercial banks;
 - Further determining whether the funding layout matches the required impact on agricultural's growth potential.
 - Review of funding models both in private and public sector, identifying constraints and challenges.
- 5.6 The level of wages and the nature of supervision, living conditions, training and career mobility for workers.
- 5.7 Water: Energy: Land nexus: The extent of land degradation, water usage and wastage in the agriculture, forestry and fisheries sectors.

6 Operation Phakisa Process

We believe that the best way to structure and address all issues in a way that maximises the sector's potential, would be to focus on three key areas under the joint sponsorship of DAFF and DRDLR. Each focus area would be structured into various work streams, each developing initiatives and plans for a particular problem statement defined during the Framing Phase. In addition to the work streams, lab participants

would have multiple opportunities for cross syndication. Subject matter experts would be called upon to make presentations to the labs as required.

6.1 FOCUS AREA A: Would deal with the value chains as identified and agreed upon through the pre-lab phase, and guided by the APAP, which put emphasis on the following value chains.

1. Poultry and red meat
2. Grains (soya bean and maize)
3. Fruit, wine and vegetables
4. Forestry

Each of the value chains must deal with:

- rural development
- transformation
- agro-processing /value addition;
- market access and development;
- research and innovation;
- natural resource management, and equitable Water Allocation Reform (WAR);
- risk management.

6.2 FOCUS AREA B: Would address transversal issues.

1. Transforming agriculture's labour market (working conditions and labour relations) - natural resource management (water:land:energy nexus), and climate change;
2. Producer support and development (financial and non-financial);

6.3 FOCUS AREA C: Would address land reform.

1. Sustainable land reform contributing to agrarian transformation and improved land administration and spatial planning for integrated development in rural areas

The outcome of the delivery labs would be a set of budgeted tangible initiatives with measurable 3-Foot Plans. Each plan would include detailed actions; measurable KPI's; responsibilities assigned to individuals; and specific timeframes. The plans would therefore create full transparency of the implementation roadmap such that progress could easily be monitored and evaluated.

We propose a five-step process which would see the development of budgeted, detailed initiatives and implementation plans.

Step 1: Pre-lab phase: Initiation and research

- Design a consultation process in a two day workshop;
- Establish a dedicated secretariat: Full-time content person and four administrators;
- Stakeholder analysis of all key role players concerning agriculture and rural development;
- To reach consensus on the problem statement and priorities, circulate and consult with all relevant stakeholders on the proposed concept of an Operation Phakisa for agriculture, rural development and land reform, and agreeing to the work streams for the lab;
- To complete all required research (pertaining to identified work streams), communicating and verifying findings with all relevant stakeholders. To complete all required research (pertaining to identified work streams), communicating and verifying findings with all relevant stakeholders. Key stakeholders (civil society, government, academia, labour, private sector) will be encouraged to generate and bring into the lab, their own body of evidence

Step 2: Finalisation and sign-off among key stakeholders and the key drivers of the Phakisa process.

- This will be concluded through a sign-off agreement among key stakeholders and the key drivers of an Operation Phakisa for Agriculture, Land Reform and Rural Development i.e. All relevant stakeholders, DAFF and DRDLR.
- Finalising logistical arrangements, such as venue; identifying and training lab facilitators; developing a lab programme, agenda, and inviting stakeholders to the lab
- At the end of the 5th month, compile research findings into a fact pack to be circulated to all identified stakeholders

Step 3: Obtaining public commitment and transparency i.e. a communications strategy.

- Obtaining public commitment and transparency through public announcements and rigorous consultative process, noting that the private office of the Presidency is the prime communicator of matters both before and after the lab.
- Preparation of the lab programme/agenda and other content. Finalising detailed daily agenda's outlining the daily activities of the lab leaders and participants.

Step 4: Delivery labs

- We propose that the Lab run over a 5-week period with all participants in attendance for the entire duration of each. Cross syndication between the two focus areas and work streams would address areas of common interest or support.

Step 5: Post labs, implementation management

- Three weeks to finalise the lab reports and 3 feet plans.

7. Facilitation

Given the challenges faced by the sector, the vested interests of the different stakeholders, and the volatility among the labour force, it is critically important to have strong external facilitation involved in the process.

A task team consisting of 11 key departments will provide strategic leadership, while the lab will be facilitated by a central team of experts consisting of Government Technical Advisory Services (GTAC) in National Treasury, DPME, DAFF, DRDLR and the DTI. External facilitators will be appointed through a transparent procurement processes followed in recent Operation Phakisa.

NB. All facilitators will form part of the central team

In addition, a research sub-committee of the task team consisting of appointed researchers, DAFF, DRDLR, EDD, DSBD, and the DTI will be tasked to manage the research agenda i.e. the research questions, the communication and packaging of the research findings.

8. Participation

The key participants in this operation should include government, civil society and the private sector. The stakeholder list (appendix A) is not final but suggested as part of the consultation process.

9. Resourcing

Appointment of service providers will be done through a bidding process, jointly managed by DAFF and DRDLR.

10. Time Frames

Action	Responsibility	Timeframe
1. Securing approval	DPM&E	March, 2016
2. Step 1: Pre-Lab Phase: Initiation and research	DAFF, DRDLR and DPME	March – July, 2016 (research to be completed August, 16')
3. Step 2: Obtaining public commitment and transparency Consultation Meetings: a. Livestock b. Grains c. Horticulture d. Forestry e. Producer support f. Land Reform g. Labour	DAFF, DPME and steering committee	May 2016 – end of Operation Phakisa a. 14-15 June b. 21-22 June c. 28-29 June d. 5-6 July e. 12-13 July f. 18-19 July g. 25-26 July
4. Step 3: Finalisation and sign-off among key stakeholders and the key drivers of this Phakisa process	DAFF and DPME	September 2016
5. Step 4: Delivery Labs	DAFF	August - September 2016
6. Step 5: Post Labs, Implementation Management	DAFF and DPME	September 2016 (ongoing)

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