24 South Africa

Support to agriculture

Support to producers in South Africa amounted to 4.5% of gross farm receipts in 2020-22, up slightly from 3.9% in 2000-02. The share of potentially most-distorting gross producer transfers – mostly composed of Market Price Support (MPS) and support for variable input use without constraints – fell marginally from an average of 97% in 2000-02 to 95% in 2020-22. However, domestic prices for most commodities align with world prices. Sugar is an exception, mainly due to import tariffs, leading to single-commodity support worth 35% of gross receipts. Most direct payments are provided as input subsidies (fuel tax refund) or as investment subsidies directed towards small-scale farming.

Support for general services to the sector (General Service Support Estimate, GSSE) has declined relative to the size of the sector. The GSSE averaged 1.3% of the value of agricultural production during 2020-22, below the 3.8% observed in the early 2000s, and below the average of other countries in this report. Most payments to general services go to the agricultural knowledge and innovation system, and to infrastructure (mainly related to land reforms, irrigation, and other infrastructure). Support in these categories targets an enabling environment for small-scale farming, which became a priority following land reforms. Expenditures for inspection and control are also an important and growing element of services. Total support to the sector fell in relative terms from an average 0.6% of Gross Domestic Product (GDP) in 2000-02 to 0.3% in 2020-22, with more than two-thirds of the support transferred to individual producers.

Recent policy changes

The National Assembly (NA) passed the Expropriation Bill on 28 September 2022, though it remains to be passed by the National Council of Provinces before being signed by the president. The bill is intended to provide for expropriation with zero compensation in certain circumstances, when in the public interest. These circumstances include abandoned land, state land, or land held for speculative purposes, among others.

The national budget item on Agriculture, Land Reform, and Rural Development (Vote 29) passed into law by the National Assembly in 2022 aims to provide equitable access to land, integrated rural development, sustainable agriculture, and food security for all. It provides the Department of Agriculture, Land Reform and Rural Development (DALRRD) with resources and a mandate to develop agricultural value chains, provide agricultural inputs and facilitate rural development.

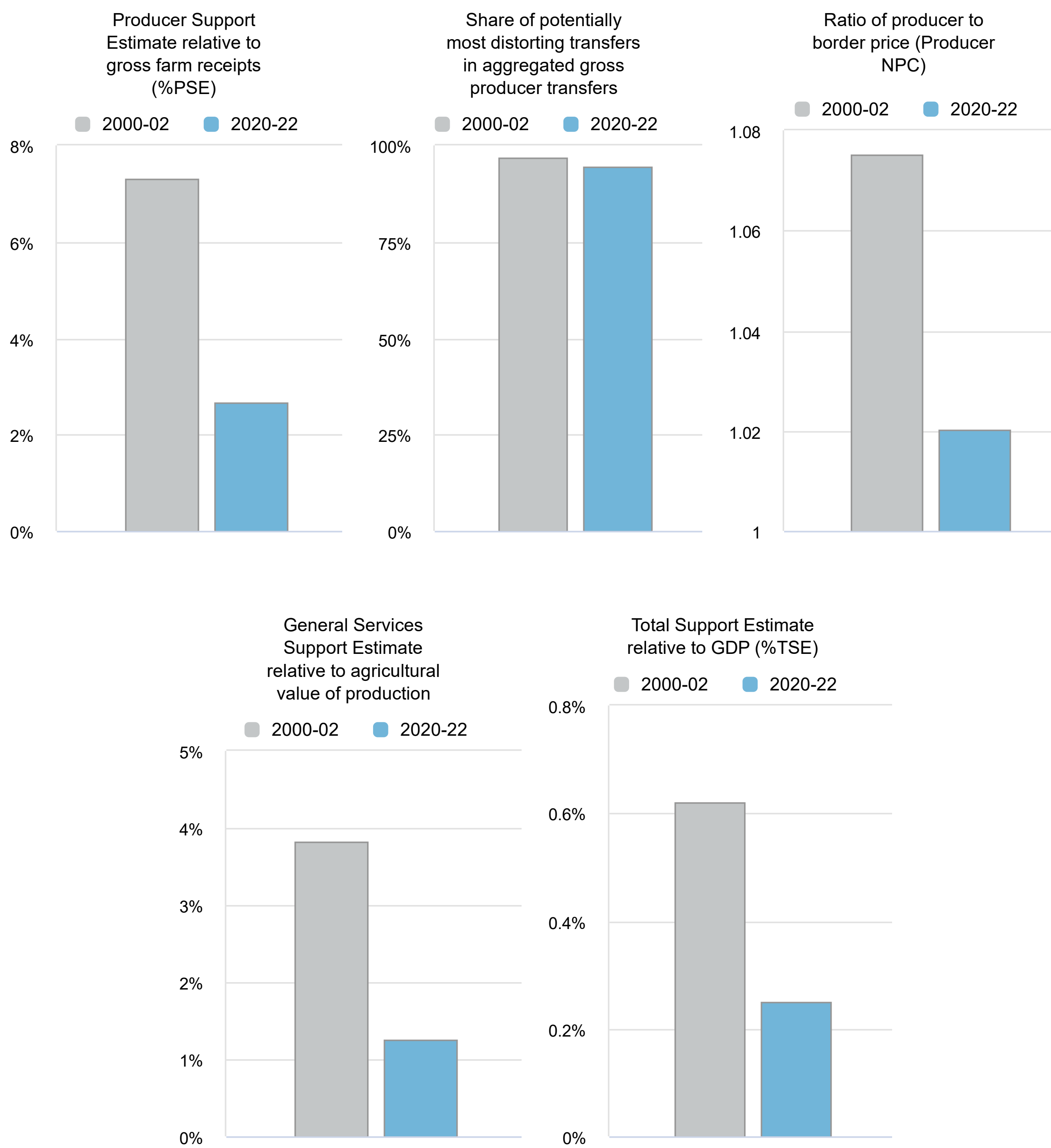
The Agriculture and Agro-processing Masterplan (AAMP) was signed by the Minister of DALRRD and sector stakeholders in May 2022. The plan aims to promote investment in infrastructure critical to industry, and to facilitate market expansion.

In October 2022, a ZAR 3.2 billion (USD 195.48 million) Blended Finance Scheme was launched by DALRRD with Lank Bank to assist farmers. The dual-funding scheme (loan and grant) is intended to assist alignment with the Agriculture and Agro-processing Master Plan (AAMP) for a ten-year period.

Assessment and recommendations

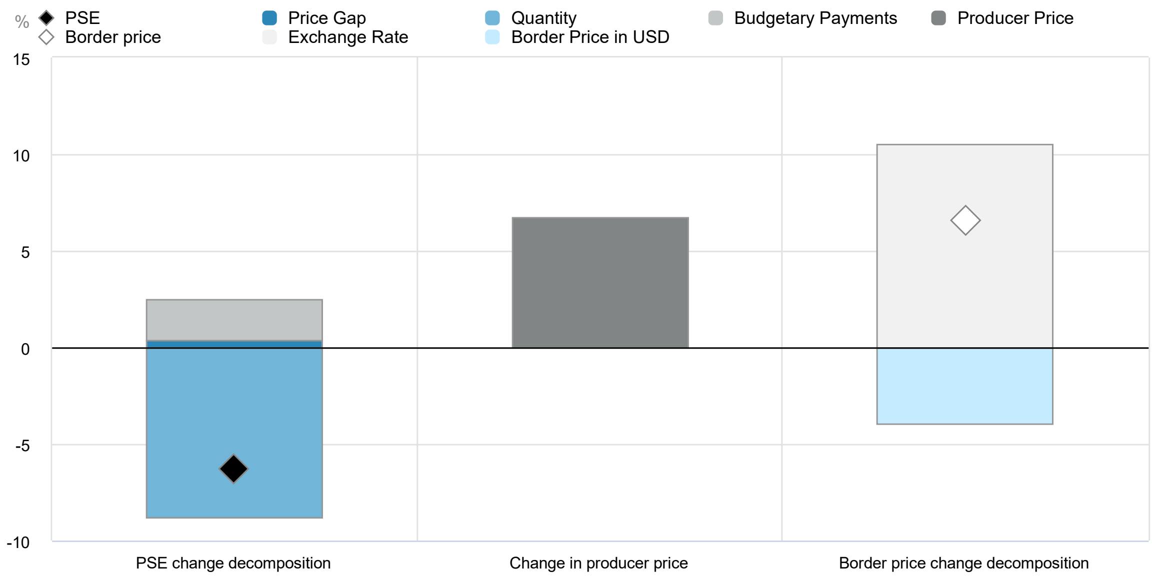
- Useful steps have been taken in preparing plans and programs to enhance the adaptation of agriculture to climate change. However, it is urgent to move from planning to the implementation of policy actions – including the planned early-warning system, especially given the vulnerability of South African agriculture to droughts, floods, storms, and other natural disasters. Adaptation measures that have co-benefits with mitigation and other food system objectives should be prioritised, given the persistent challenges of poverty and unemployment. Greater support should be provided for transformative capacity, to help farmers build long-term resilience to climate change.
- Carbon taxes in place since January 2022 under the Carbon Tax Act have not been applied to agricultural emissions. South Africa could consider extending the scope of the carbon tax to progressively include agricultural emissions, along with social safety-net policies to offset potential food-price increases and income losses for poor households and producers caused by this change. Furthermore, a sectoral emissions target for agriculture could be established under the Climate Change Bill once it becomes law, as such targets can be helpful for focusing mitigation efforts and measuring progress.
- With significant policy reforms in the mid-1990s, South Africa opened its agricultural markets by eliminating MPS for most products except sugar. Overall support is now low, but the support that remains is highly distorting and should be phased out.
- Budgetary spending continues to be oriented towards land reform and its beneficiaries (mainly smallholders and emerging commercial farmers) in the form of general services to the sector through R&D, knowledge transfer, and infrastructure. The challenge continues to be timely funding of economically viable projects, and coordination and targeting of support programmes tailored to the needs of emerging farmers.
- If support programmes are to help emerging entrepreneurs become commercial producers, they must draw upon the experiences of successful commercial farmers. Specifically, public-private partnerships and industry associations can address weaknesses in programmes and services by public authorities.
- Expropriation of property without compensation remains a concern. Despite the failed attempt to amend the constitution for this purpose, uncertainty about property rights remains, and could undermine investor confidence in the sector.
- The pace of land reform should be linked to developing an enabling environment for its beneficiaries, including education, training, infrastructure, and access to modern farming equipment, finance and markets. Particularly important is upskilling public-extension officers and providing them with resources to service rural communities and emerging commercial producers. Capacity in the private sector, and learning and training institutions can be leveraged to revitalise public-extension services quicker. Without these developments, land redistribution cannot deliver the expected outcomes, such as improving the welfare of rural black populations, increasing food security in rural areas, and developing a viable commercial sector.
- Very low nutrient balances (negative in the case of nitrogen) across South Africa raise questions about soil fertility in parts of the country. The government should focus on improving soil fertility though conservation practices and improving market access to fertilisers where appropriate.

Figure 24.1. South Africa: Development of support to agriculture



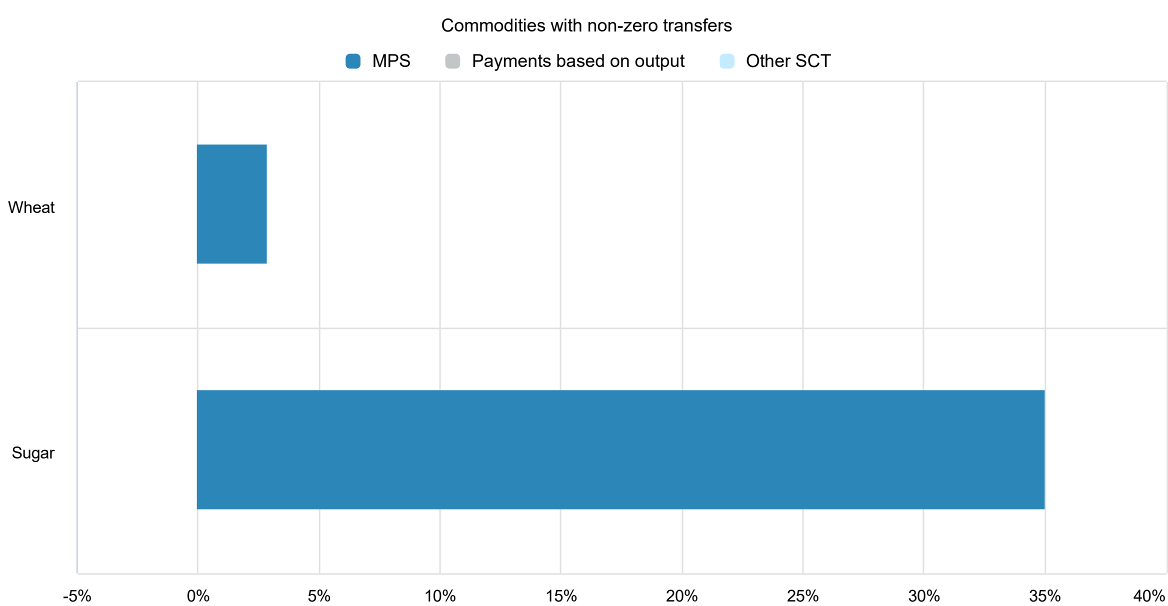
Source: OECD (2023), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

Figure 24.2. South Africa: Drivers of the change in PSE, 2021 to 2022



Note: % change of nominal Producer Support Estimate expressed in national currency.
Source: OECD (2023), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

Figure 24.3. South Africa: Commodity-specific transfers as a percentage of commodity gross farm receipts, 2020-22



Source: OECD (2023), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

Table 24.1. South Africa: Estimates of support to agriculture

Million USD

	2000-02	2020-22	2020	2021	2022p
Total value of production (at farm gate)	**6 824**	**23 691**	**20 491**	**25 214**	**25 366**
***of which:** share of MPS commodities (%)*	74.75	77.39	75.72	77.25	79.20
Total value of consumption (at farm gate)	**6 000**	**19 224**	**17 013**	**20 262**	**20 397**
Producer Support Estimate (PSE)	**477**	**636**	**736**	**635**	**537**
Support based on commodity output	438	468	582	458	365
Market Price Support[1]	438	468	582	458	365
Positive Market Price Support	451	468	582	458	365
Negative Market Price Support	-13	0	0	0	0
Payments based on output	0	0	0	0	0
Payments based on input use	36	168	154	177	172
Based on variable input use	25	132	121	139	138
with input constraints	0	0	0	0	0
Based on fixed capital formation	11	34	32	38	34
with input constraints	0	0	0	0	0
Based on on-farm services	1	1	1	1	1
with input constraints	0	0	0	0	0
Payments based on current A/An/R/I, production required	3	0	0	0	0
Based on Receipts / Income	3	0	0	0	0
Based on Area planted / Animal numbers	0	0	0	0	0
with input constraints	0	0	0	0	0
Payments based on non-current A/An/R/I, production required	0	0	0	0	0
Payments based on non-current A/An/R/I, production not required	0	0	0	0	0
With variable payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
With fixed payment rates	0	0	0	0	0
with commodity exceptions	0	0	0	0	0
Payments based on non-commodity criteria	0	0	0	0	0
Based on long-term resource retirement	0	0	0	0	0
Based on a specific non-commodity output	0	0	0	0	0
Based on other non-commodity criteria	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Percentage PSE (%)	**7.32**	**2.67**	**3.57**	**2.50**	**2.10**
Producer NPC (coeff.)	**1.08**	**1.02**	**1.03**	**1.02**	**1.01**
Producer NAC (coeff.)	**1.08**	**1.03**	**1.04**	**1.03**	**1.02**
General Services Support Estimate (GSSE)	**264**	**298**	**301**	**323**	**271**
Agricultural knowledge and innovation system	146	121	124	129	110
Inspection and control	39	65	68	70	58
Development and maintenance of infrastructure	78	92	89	103	85
Marketing and promotion	0	20	20	21	18
Cost of public stockholding	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Percentage GSSE (% of TSE)	**34.18**	**31.84**	**29.00**	**33.70**	**33.52**
Consumer Support Estimate (CSE)	**-350**	**-357**	**-426**	**-357**	**-288**
Transfers to producers from consumers	-347	-332	-366	-342	-288
Other transfers from consumers	-17	-25	-59	-16	0
Transfers to consumers from taxpayers	0	0	0	0	0
Excess feed cost	14	0	0	0	0
Percentage CSE (%)	**-6.03**	**-1.86**	**-2.50**	**-1.76**	**-1.41**
Consumer NPC (coeff.)	**1.07**	**1.02**	**1.03**	**1.02**	**1.01**
Consumer NAC (coeff.)	**1.06**	**1.02**	**1.03**	**1.02**	**1.01**
Total Support Estimate (TSE)	**741**	**934**	**1 037**	**957**	**808**
Transfers from consumers	364	357	426	357	288
Transfers from taxpayers	394	602	670	616	520
Budget revenues	-17	-25	-59	-16	0
Percentage TSE (% of GDP)	**0.62**	**0.25**	**0.34**	**0.23**	**0.20**
Total Budgetary Support Estimate (TBSE)	**304**	**466**	**454**	**500**	**443**
Percentage TBSE (% of GDP)	**0.25**	**0.12**	**0.15**	**0.12**	**0.11**
GDP deflator (2000-02=100)	**100**	**335**	**317**	**336**	**352**
Exchange rate (national currency per USD)	**8.69**	**15.87**	**16.46**	**14.78**	**16.37**

Note: p: provisional. NPC: Nominal Protection Coefficient. NAC: Nominal Assistance Coefficient.
A/An/R/I: Area planted/Animal numbers/Receipts/Income.
1. Market Price Support (MPS) is net of producer levies and excess feed cost. MPS commodities for South Africa are: wheat, maize, sunflower, sugar, milk, beef and veal, pig meat, sheep meat, poultry, eggs, groundnuts, grapes, oranges and apples.
Source: OECD (2023), "Producer and Consumer Support Estimates", *OECD Agriculture statistics* (database). http://dx.doi.org/10.1787/agr-pcse-data-en

Description of policy developments

Overview of policy trends

Widespread support, regulation, and price and production control within a closed economy characterised agricultural policy in South Africa under the apartheid regime between 1955 and 1990.

Post-apartheid, quick and substantial reforms in the mid-1990s reduced state intervention in agricultural markets and led to more market-oriented commercial farming. Domestic marketing of agricultural products was deregulated, and barriers to agricultural trade were reduced by replacing direct import controls with tariffs, removing state controls over exports, and eliminating export subsidies. These reforms reduced market price support and budgetary support to commercial farming.

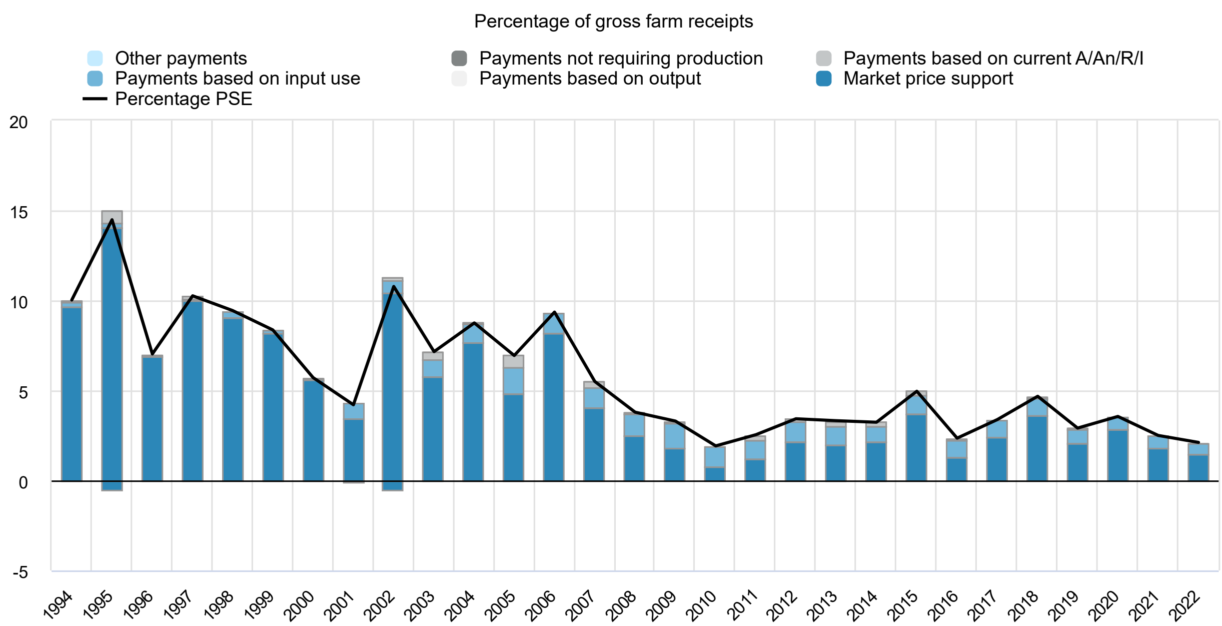
As stated in the White Paper on Land Policy of 1997, land reform aimed to redress past injustices, foster reconciliation and stability, support economic growth, improve household welfare, and alleviate poverty. Key elements of the land reform included land restitution, land redistribution and land-tenure reform. The land reform process is on-going and further legislative regulations have been submitted to facilitate the acceleration of the land reform process: 13.22 million hectares (or 17% of land used for agriculture) has been transferred away from white landowners (this includes restitution, redistribution, private transactions, and State procurement) by 2020 (Sihlobo and Kirsten, 2021[1]). Of this, 3.08 million hectares have been transferred to the state and 10.14 million hectares have been transferred to black owners. In several instances, communities elected to receive financial compensation where land was successfully identified for restitution (2.34 million hectares in addition to the transferred land). Since it started, the land reform has been accompanied by agriculture support exclusively targeting black smallholders and emerging producers (mainly provided within the Comprehensive Agricultural Support Programme, CASP). These include subsidies for variable and fixed input credit and financial support, extension, marketing, and training services (Table 24.2).

Table 24.2. South Africa: Agricultural policy trends

Period	Broader framework	Changes in agricultural policies
Prior to mid-1990s	Closed economy under the apartheid regime	Large subsidies for commercial agricultural producers Import controls; export subsidies for agricultural products Price and production controls under the Agricultural Marketing Act of 1937
Mid-1990s-present	Post-apartheid period; democratic government; market deregulation and trade liberalisation Land redistribution; emphasis on black small-scale producers' development	Marketing of Agricultural Products Act (1996) brings market deregulation and trade liberalisation WTO accession Agricultural tariffs replace import controls Import tariffs applied to sugar and livestock products (except eggs), with tariff-free imports of maize (since 2007) and wheat (since 2021) Land restitution and redistribution Land reform-related programmes supporting black smallholder farmers: - Increased spending to finance the land reform process - Direct support targeting black smallholders

Support to farmers has been decreasing as a share of gross farm receipts (with some year-to-year variation) during 1995–2007 because of policy reforms and deregulation of the market. Since then, support has tended to stabilise at a relatively low level, around 4% of gross farm receipts. Market price support is the main component of support, provided mainly to sugar (Figure 24.4). Budgetary support to producers, mostly input subsidies, is targeted to black smallholders. Budgetary expenditures on general services to the sector are increasing and spent mainly on knowledge transfer and infrastructure.

Figure 24.4. South Africa: Level and PSE composition by support categories, 1994 to 2022



Notes: A/An/R/I:Area planted/Animal numbers/Receipts/Income.
Payments not requiring production include Payments based on non-current A/An/R/I (production not required) and Payment based on non-commodity criteria. Other payments include Payments based on non-current A/An/R/I (production required) and Miscellaneous payments.
Source: OECD (2023), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database), http://dx.doi.org/10.1787/agr-pcse-data-en.

Main policy instruments

The current system has no domestic market support interventions or export subsidies. Border measures, applied on Southern African Customs Union (SACU[1]) common borders, are the only price support policy for all commodities except sugar (see Sugar Agreement below).

Import protection for agricultural and food products is based on specific and ad valorem tariffs applied at the SACU level. The average applied Most Favoured Nation (MFN) tariff for agricultural products is 8.8%, well below the average bound tariff on agricultural products of 39% (WTO, 2022[2]). Tariff rate quotas (TRQs) exist for a range of agricultural products under the WTO minimum market access commitments.[2] The zero import-tariff for maize applies since 2007. No tariffs have been levied on wheat imports since July 2021.

The Department of Agriculture, Land Reform and Rural Development (DALRRD) has an ongoing commitment to build sustainable rural livelihoods. As part of this commitment the Agricultural Land Holding Account (ALHA) was established in terms of the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993). Through the ALHA the state can proactively and legally target and acquire land using funds appropriated by parliament and use this to meet the demand or need for land. Over the medium term, the entity aims to acquire 110 850 hectares of strategically located land, of which 50% is set to be allocated to women, 40% to young people, and 10% to people with disabilities.

The Comprehensive Agricultural Support Programme (CASP) was set up to assist new beneficiaries of Land reform to access credit and means of support from commercial banks and the government-owned Land and Development Bank. The CASP focuses on providing on- and off-farm infrastructure and production inputs; capacity building; marketing and business development support; advisory services; regulatory services; and financial services.

The Micro Agricultural Financial Institutions of South Africa (MAFISA) provides financial services to smallholders in the agriculture, forestry and fisheries sector. The objective of the scheme is to address the financial services needs of smallholders. Services provided through the scheme include production loans, the facilitation of savings by MAFISA clients, and capacity building for member-owned financial institutions (intermediaries).

South Africa is a founding member of the SACU, a full customs union with a common external tariff. In 1994, South Africa became a member of the Southern African Development Community (SADC[3]). From 2012, the SADC free trade agreement (FTA) was fully implemented. Trade between South Africa and the European Union takes place under the SADC-EU Economic Partnership Agreement (EPA) regime. This is a free trade agreement between the SADC EPA States (comprised of all SACU Member States plus Mozambique) and the European Union. The most important benefit for South Africa is the enhanced market access for agricultural products such as sugar, wine, some dairy products, flowers, fruits and nuts as well as their preparations. The Agreement has contributed to an increase in South Africa's exports of agricultural products to the European Union in recent years.

Other free trade agreements relevant to agriculture include the SACU-EFTA FTA, a free trade agreement between members of the European Free Trade Association (EFTA) and the SACU which came into force in 2008, and the SACU and Mercosur Preferential Trade Agreement (PTA) which came into force in 2016. Trade between South Africa and the UK is currently taking place under the SACUM-UK EPA following the departure of the UK from the EU. The UK is a significant trading partner for SA in terms of agriculture. The SACUM-UK EPA is a replicate of the SADC-EU EPA in terms of market access commitments except for few provisions that were modified during negotiations. Some important benefits for South Africa include enhanced market access for wines and sugar into the UK.

South Africa is also a beneficiary of the US African Growth and Opportunity Act (AGOA), a non-reciprocal trade preference programme that grants eligible Sub-Saharan African countries duty-free, quota-free (DFQF) access to the United States for selected export products. AGOA was enacted in 2000 for eight years. The Act has been extended twice and is now in place until 2025. AGOA affects in particular exports of wine, macadamia nuts and oranges.

South Africa committed to restricting its economy-wide greenhouse gas (GHG) emissions to 350-420 $MtCO_2eq$ in in its Nationally Determined Contribution (NDC), updated in September 2021. This represents a 12-32% reduction in its GHG emission targets for 2030 contained in its first NDC submitted in 2015. Total GHG emissions in South Africa amounted to 447 $MtCO_2eq$ in 2020 (including FOLU), and agriculture contributed 9.0% of these between 2000 and 2020 (Department of Forestry, Fisheries & the Environment, 2022[3]).

Neither the original or updated NDC sets sector-specific targets, nor do they commit to a carbon neutrality goal.

The Carbon Tax Act is an integral part of government policy on climate change and will be implemented in three phases. The carbon tax rate since January 2022 was ZAR 144 (USD 8.80) per tonne carbon dioxide equivalent (tCO_2eq) and is set to increase to reach USD 30/tCO_2eq by 2030. Carbon Taxes do not currently apply to agricultural emissions.

If it is passed into law, the Climate Change Bill that was introduced to Parliament in February 2022, and is currently with the Portfolio Committee on Forestry, Fisheries and the Environment, will serve as the legal framework for action on climate change to move to a net-zero emissions economy by 2050. It will establish sectoral emission targets, including for agriculture.

Climate change adaptation policies in agriculture

Agriculture in South Africa is particularly vulnerable to drought, and all municipalities experienced droughts in the past 30 years (Meza et al., 2021[4]), which are anticipated to worsen along with other natural disasters such as floods and storms due to climate change (World Bank, 2023[5]). In 2018, DALRRD approved the Climate Smart Agriculture Strategic Framework (2018). The framework outlines Climate Smart Agriculture (CSA) measures to combat problems that relate to climate change facing South Africa's agricultural sector. Sector responses developed by DALRRD include climate-change adaptation and mitigation programmes focusing on enhancing the resilience of farmers, food and agricultural production systems, and reducing agricultural GHG emissions while ensuring national food security.

The process includes: (1) guidelines developed for the implementation of agricultural policies, plans and strategies by provinces to address climate change; and (2) climate-change adaptation and mitigation programmes developed to implement sector policies, plans, and strategies. Relevant programmes for adaptation include the promotion of food gardens outside of land classified as agricultural land or farmland, promotion of urban agriculture, and provincial committees to assist in the implementation of an early-warning system.

Domestic policy developments in 2022-23

The National Assembly (NA) passed the Expropriation Bill in September 2022 to repeal the existing Expropriation Act of 1975 and to provide a framework that is aligned with the Constitution. It is intended to guide the processes and procedures for the expropriation of property by organs of state. Furthermore, it is intended to provide for expropriation with nil compensation in certain circumstances, which may be appropriate in the public interest. Special circumstances include, amongst others, abandoned land, state land, or land held for speculative purposes. The bill is pending passaged by the National Council of Provinces (NCOP). If it is passed by the NCOP, the bill will be signed into law by the president.

The Expropriation Bill is separate from the attempt to amend the South African Constitution to allow for the expropriation of land without compensation for the purposes of land reform. The key difference is that the Expropriation Bill is not aimed exclusively at expropriating property or land for land reform, but its objectives are for the expropriation broadly of property including land for a public purpose or in the interest of the public, such as for building infrastructure, industrial development, etc.

The national budget item on Agriculture, Land Reform and Rural Development (Vote 29), passed into law by the National Assembly in 2022, provides DALRRD with resources and a mandate to develop agricultural value chains, provide agricultural inputs, increase equitable access to land, and facilitate rural development. The 2022-23 financial year Medium Term Expenditure Framework (MTEF) budget allocation is ZAR 17.287 billion (USD 1.056 billion) and is expected to increase to ZAR 18.168 billion (USD 1.11 billion) by 2024-25. Noteworthy developments include:

- DALRRD's plans to employ 10 000 extension officers aimed to a five-fold improvement in the ratio of extension officers to farmers at an expected cost of ZAR 936 million (USD 57.18 million) through the comprehensive agricultural support programme grant.
- Upgrading of the 21 municipal fresh produce markets across the country and revitalise 5 irrigation schemes at a cost of ZAR 2.1 billion (USD 128.28 million) through the Rural Infrastructure Development subprogramme in the Rural Development programme.
- Acquiring 130 687 hectares of productive land at an estimated cost of ZAR 3 billion (USD 183.26 million) as part of its Food Security, Land Reform and Restitution programme (Treasury, 2022[6]).

In May 2022 the Agriculture and Agro-processing Masterplan (AAMP) was signed by the Minister of DALRRD and sector stakeholders. The plan has the following intervention pillars:

- resolving policy ambiguities and creating an investment friendly environment
- investing in and maintaining an enabling infrastructure critical to industry
- providing comprehensive farmer support
- improving food security
- facilitating market expansion and promoting trade
- Increasing local production and reducing reliance on imports.

On 24 October 2022, a ZAR 3.2 billion (USD 195.48 million) Blended Finance Scheme was launched by DALRRD with Lank Bank to assist farmers. The dual-funding scheme (loan and grant) is intended to assist for a ten-year period in alignment with the Agriculture and Agro-processing Master Plan (AAMP). It is envisaged that DALRRD and Land Bank each invest ZAR 325 million (USD 19.46 million) per annum over the next three years to grow the fund to ZAR 1.95 billion (USD 119.12 million). The objective of the fund is to support the land and agrarian reform initiatives by assisting qualifying black producers to acquire and develop land and expand production. The value chains that will be targeted include fruits, nuts, vegetables, grains, sugarcane, poultry and red meat (South African Government, 2022[7]).

The Department of Science and Innovation (DSI) and DALRRD launched the National Biosecurity Hub in October 2022. The National Biosecurity Hub forms part of the DSI's Agricultural Bioeconomy Innovation Partnership Programme. The programme seeks to enable collaboration towards the system of innovation to support the prevention, reduction and management of crop and animal diseases. DALRRDs MTEF allocation, as part of its Agricultural Production, Biosecurity and Resources Management programme, is ZAR 1.3 billion (USD 79.41 million) to strengthen biosecurity, sanitary and phytosanitary standards for agricultural products.

Trade policy developments in 2022-23

The customs duty on sugar was adjusted two times during 2022, first from 414.85c/kg (USD 25.34) to 299.46c/kg (around USD 18.29) in June 2022, and again to 195.28c/kg (USD 11.93) in August 2022. Safeguard duties, which have been applied to all EU countries since 2018, expired entirely in March 2022. Anti-dumping duties on bone-in poultry meat from Brazil, Denmark, Ireland, Poland, and Spain, were suspended by the Minister of Trade, Industry and Competition in August 2022 for twelve months.

A tariff rebate is in place, rebating the full anti-dumping duties on the importation of frozen bone-in cuts of chicken meat, imported from or originating in the United States. In 2023 an import tariff rate quota (TRQ) of 71 290 tonnes was set, which is free of the anti-dumping duty of ZAR 9.40/kg (USD 0.57/kg).

South Africa ratified the African Continental Free Trade Agreement (AfCFTA). The African Union (AU) Heads of State and Government decided that preferential trade should start on 1 January 2021. Practical trade was planned to take place during 2022 once outstanding issues mainly on finalising the Rules of Origin, were concluded. On 25 February 2023 SACU finalised its outstanding tariff offer to the AfCFTA. Negotiations to finalise remaining work continued as part of the Built-in Agenda. South Africa has already published new tariff rates through the South African Customs and Excise that applies under this agreement.

Contextual information

South Africa has the most industrialised and diversified economy in Africa, and the second largest economy (after Nigeria) on the African continent. With the largest GDP per capita of the continent, it ranks as an upper middle-income country. However, income inequality is high and widespread poverty persists.

The importance of agriculture in the economy is relatively low, contributing 3% of GDP, although it makes a more important contribution to employment (Table 24.3). South Africa has abundant agricultural land, but only 12% of it is arable, while the remaining agricultural area is mostly semi-arid pastures with extensive livestock production. The farm structure is highly dualistic, with a well-developed and market-oriented sector of large-scale commercial farms and a large number of smallholder farms.

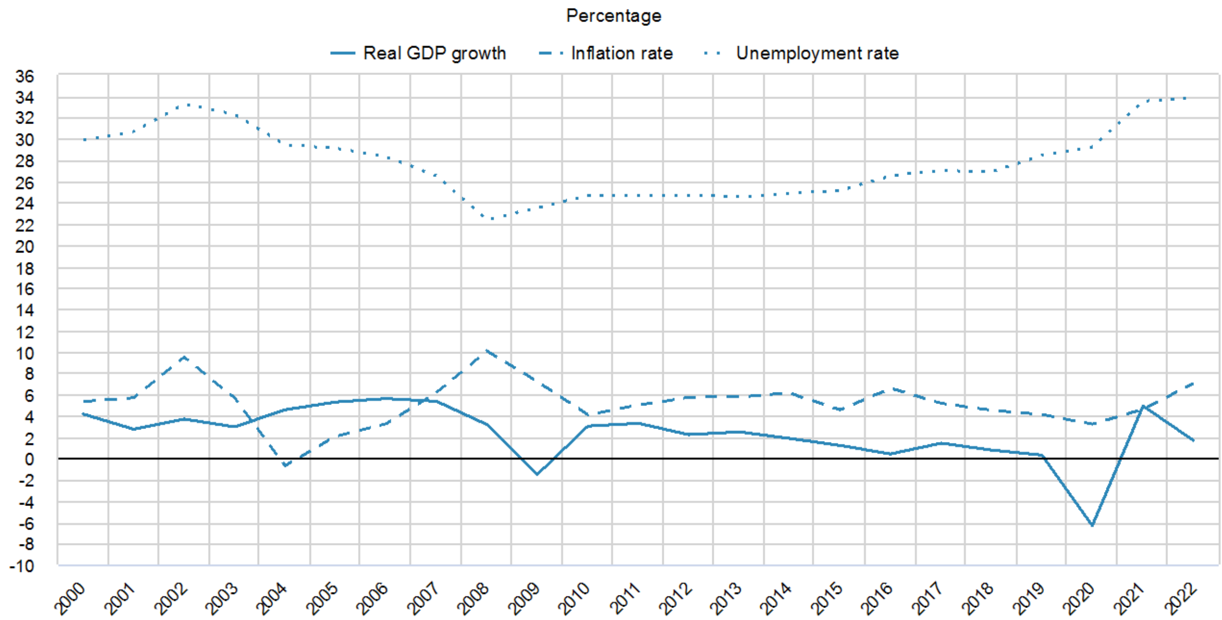
Table 24.3. South Africa: Contextual indicators

	South Africa		International comparison	
	2000*	2021*	2000*	2021*
Economic context			Share in total of all countries	
GDP (billion USD in PPPs)	382	869	1.0%	0.7%
Population (million)	44	59	1.0%	1.1%
Land area (thousand km^2)	1 213	1 213	1.5%	1.5%
Agricultural area (AA) (thousand ha)	98 125	96 341	3.3%	3.3%
			All countries[1]	
Population density (inhabitants/km^2)	38	49	52	64
GDP per capita (USD in PPPs)	8 154	14 624	9 350	23 401
Trade as % of GDP	19.4	25.5	12.3	15.6
Agriculture in the economy			All countries[1]	
Agriculture in GDP (%)	3.3	2.5	2.9	3.9
Agriculture share in employment (%)[2]	20.5	21.3	-	-
Agro-food exports (% of total exports)	8.5	9.9	6.2	7.9
Agro-food imports (% of total imports)	5.2	7.4	5.5	7.2
Characteristics of the agricultural sector			All countries[1]	
Crop in total agricultural production (%)	56	53	-	-
Livestock in total agricultural production (%)	44	47	-	-
Share of arable land in AA (%)	14	12	32	34

Notes: *or closest available year.
1. Average of all countries covered in this report.
2. These figures are based on ILO modelled estimates and have a high degree of uncertainty.
Sources: OECD statistical databases; UN Comtrade; ILO and national data.

South Africa has experienced a relatively moderate inflation – below 5% in most recent years, but climbed to 7% in 2022. However, a persistently high and increasing rate of unemployment remains an obstacle for alleviating poverty. Real GDP growth has been declining since 2011 and dropped below to -6% in 2020, in response to COVID-19 restrictions and impacts, before rebounding strongly in 2021 to 5% and then slowing to just 1.7% in 2022 (Figure 24.5).

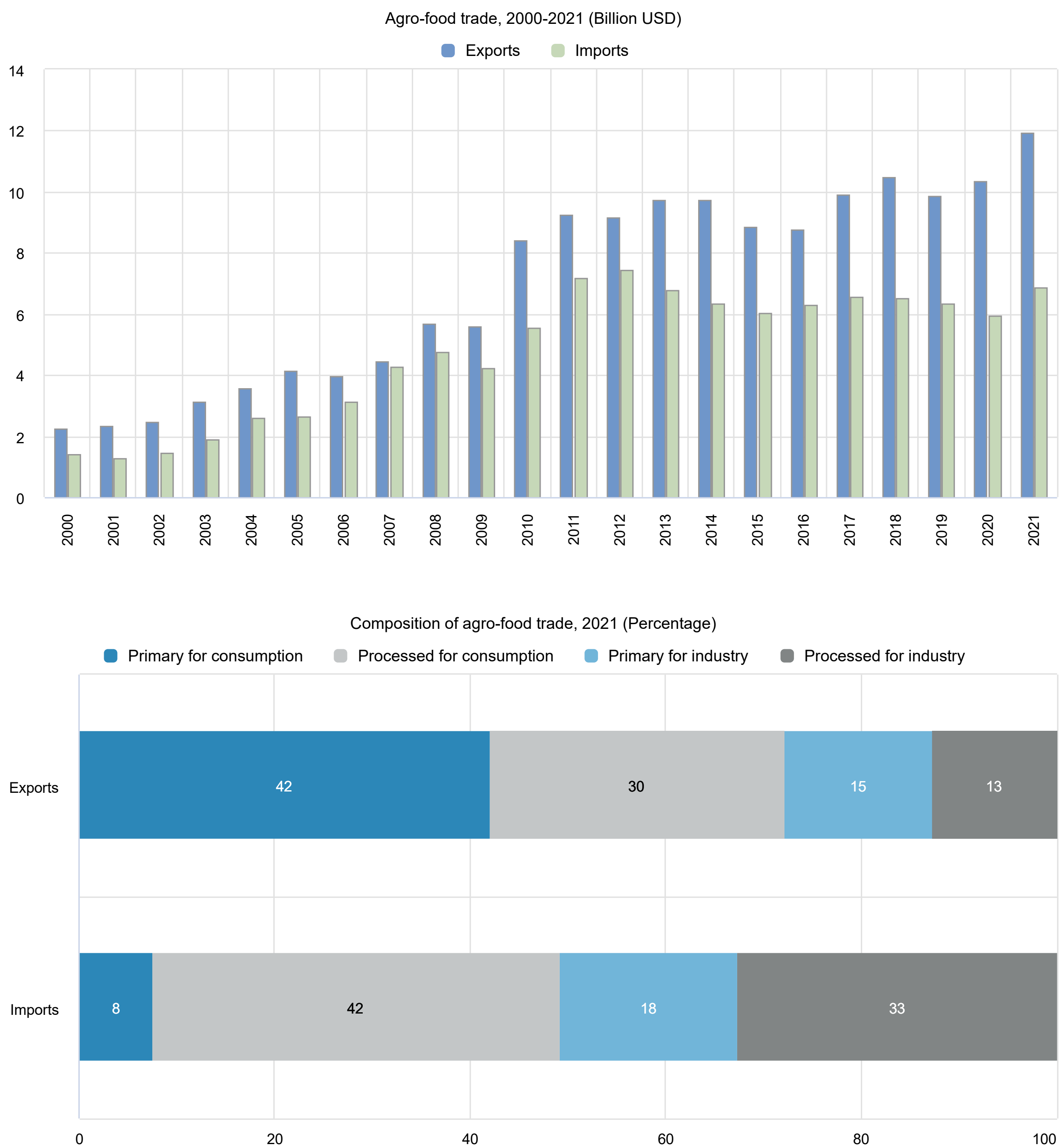
Figure 24.5. South Africa: Main economic indicators, 2000 to 2022



Sources: OECD statistical databases; World Bank, WDI; and ILO estimates and projections.

South Africa is consistently a net exporter of agro-food products (Figure 24.6). In 2021, the share of agro-food exports in total exports was around 10%, while the share of agro-food imports was around 7% in 2021 (Table 24.3). The majority (57%) of agro-food exports are primary agricultural products, whereas around three-quarters of agro-food imports are processed products (Figure 24.6).

Figure 24.6. South Africa: Agro-food trade

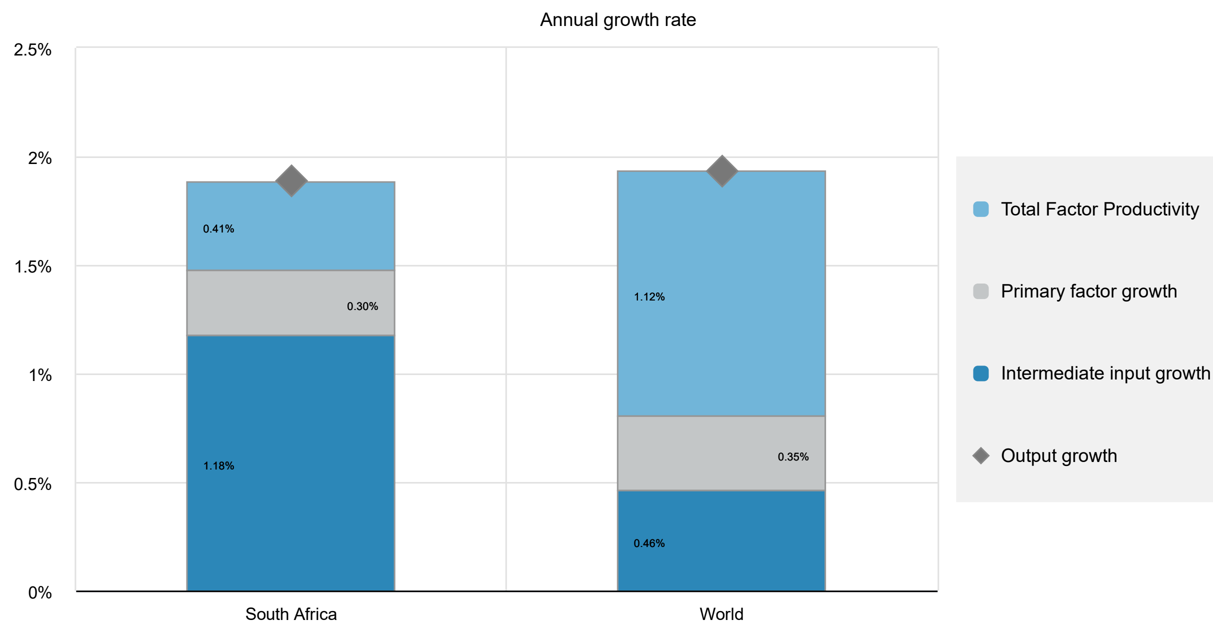


Notes: Numbers may not add up to 100 due to rounding.
Source: UN Comtrade Database.

Agricultural output growth has been similar to the global average over the 2011-20 period, but driven predominantly by increased use of intermediate inputs (Figure 24.7). This was not the case in the 1990s, where annual TFP growth averaged 1.6%, however TFP growth has slowed significantly since then, growing by only 0.4% per year during 2011-20, well below the world average (Table 24.4).

Phosphorus and nitrogen balances are very low and negative, respectively, and well below the OECD average. Although agriculture uses most (58%) of abstracted water, only a few regions have irrigated land, and water resources are scarce in most of the agricultural areas (Table 24.4). The livestock sector is another important user of water in agriculture. Agriculture's share in energy use has increased and remains above the OECD average.

Figure 24.7. South Africa: Composition of agricultural output growth, 2011-20



Note: Primary factors comprise labour, land and capital (livestock and machinery). Intermediate input comprises materials (feed and fertiliser).
Source: USDA Economic Research Service Agricultural Productivity database.

Table 24.4. South Africa: Productivity and environmental indicators

	South Africa		International comparison	
	1993-2002	2011-2020	1993-2002	2011-2020
			World	
TFP annual growth rate (%)	1.6%	0.4%	1.7%	1.1%
			OECD average	
Environmental indicators	2000*	2021*	2000*	2021*
Nitrogen balance, kg/ha	-6.3	-6.0	32.2	30.4
Phosphorus balance, kg/ha	0.2	0.0	3.3	3.0
Agriculture share of total energy use (%)	2.6	2.9	1.7	2.0
Agriculture share of GHG emissions (%)	..	..	8.6	10.5
Share of irrigated land in AA (%)	1.5	1.7	-	-
Share of agriculture in water abstractions (%)	61.5	57.9	46.6	49.7
Water stress indicator	41.7	..	8.3	7.4

Notes: * or closest available year.
Sources: USDA Economic Research Service, Agricultural Productivity database; OECD statistical databases; FAO database and national data.

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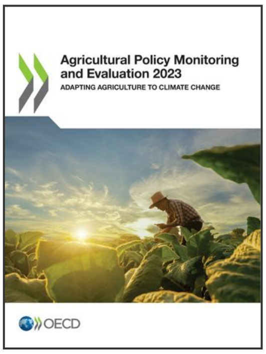
Notes

[1] The SACU members are: Botswana, Lesotho, Namibia, Eswatini (former Swaziland) and South Africa.

[2] TRQ's are allocated based on historical trade as specified under each TRQ. If the TRQ's are unused by 1 September each year, then unused TRQ's are available to other member states. The establishment of a permanent TRQ Management System at the SACU level is still in progress.

[3] The SADC member countries are: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Eswatini, Tanzania, Zambia and Zimbabwe.



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