

Invest in Eastern Cape farmers, South Africa

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The overemphasis on the Eastern Cape province's economic challenges often overshadows the debate about its potential. It is true that the province's

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Image Source: [[<http://www.agricouncil.org/invest-eastern-cape-farmers-south-africa/> African Agri Council00 - Wandile Sihlobo

unemployment is above the national unemployment rate of 26.5%, with youth unemployment also higher than the national figure of 35.6%. But the discussion shouldn't end there. The Eastern Cape province plays an important role in South Africa's economy, contributing approximately 8% to the national Gross Domestic Product (GDP). This makes it the fourth largest contributor to GDP after Gauteng, Kwa-Zulu Natal, and the Western Cape.

While typically considered as a rural province, the provincial economy is mainly dominated by secondary and tertiary sectors, such as manufacturing and automotive industries, as well as trade and finance. The least talked about story of the Eastern Cape province is that it produces a third of South Africa's fresh milk and wool, respectively. The province is also a key producer of citrus, with new emerging farmers currently joining the industry.

There is also a rise of new commercial grain and oilseed farmers in areas around the Matatiele, Ugie, and Maclear towns. Most of which benefited from the support of organised agriculture, as well as private investors. The province's 2016/17 total commercial maize production is estimated at 83,400 tonnes, a 10% recovery from the previous season. Although this volume looks relatively small compared to the expected national output of 14.5 million tonnes of maize, for farmers such as Joe Myengo in Maclear, Victor Mongoato in Matatiele and many other farmers in the province, it is a notable achievement.

Many challenges prevent EC farmers from participating in formal market

During a telephone conversation this week, Mongoato told me: *“siyandonwabisa kakhulu isivuno salonyaka, qha asinabo ovimba namaselwa oneleyo wokuwubeka lo mbona kule dolophu”*, loosely translated as “I am very happy about this season’s maize harvest, but we do not have sufficient storage facilities in this town.” The fact that Mongoato cannot store his maize for a longer period means that he has to sell at current lower prices and miss out on expected higher prices later in the year. This challenge does not exist in well-developed agricultural provinces such as the Free State and the North West, amongst others.

This is a reality that many farmers in the Eastern Cape province face. Poor roads and agricultural infrastructure remain a key challenge, which often hampers farmers’ participation in the formal market system. Private businesses are also reluctant to invest in infrastructure in many regions of the Eastern Cape province, partly because of low and erratic production volumes. At the same time, farmers struggle to boost production volumes, due to low levels of investment on communal lands.

Province needs committed investment to realise agricultural potential

In the midst of all these challenges, the province holds enormous potential for agricultural development, which could bring new entrants to the agricultural sector and create much-needed jobs. A study done by McKinsey Global Institutes showed that the bulk opportunity for development in the Eastern Cape exists in the 250 kilometre stretch between East London and Queenstown, where there is unused arable land. However, for this to materialise, the province requires committed investment that will help bring the new agricultural land to its full arable potential.

Capital is needed for activities such as clearing, soil preparation, irrigation facilities and farm infrastructure, amongst others. Unfortunately, this tends to be a stumbling block to unlocking the province’s economic possibilities. The World Bank, in its 2016 Africa’s Pulse report, observed that insecure property rights over land remain a key constraint to Africa’s agricultural productivity. The Eastern Cape province is no different from many African countries, as farmers in communal areas have no access to capital.

Land ownership, access to credit and skills development

As things stand, the way to unlock the value of the land in the Eastern Cape would be by means of securing land ownership in order to give landowners access to safe credit and attract new capital investment into the sector. Moreover, organised agriculture could also play a crucial role in skills development by increasing the provision of training services to emerging smallholder farmers. The government could also play a crucial role in supporting emerging smallholder organisations through much-needed financing and growing state capacity to strengthen collective marketing schemes and farmer development programmes.

One way of doing this would be through the ongoing Agri-parks initiative which will hopefully present market opportunities for smallholder farmers. The agricultural sector presents a number of opportunities for the Eastern Cape province, however, this potential will not be fully realised under current communal land tenure systems. There is a need to take bold steps to unlock investment, create entrepreneurs and jobs in the province. Maybe then, the discussion about the province’s economic performance will hopefully change to a much more positive outlook.

Communal land policy reform needs to be expedited, if not, communal farmers such as Mongoato, Myengo and many others will struggle to realise their full potential in the agricultural sector and end up bowing out. More regrettably, the Eastern Cape province could miss out on the potential jobs that will emanate from developing its farmers to participate in formal markets and all the economic benefits that stand to accrue to the province.

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