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AGRICULTURE

WANDILE SIHLOBO: Dual-economy SA has room for small and big farms

Brazil also has mega-farms, commercial farms, medium-scale farms and small farms, serving different needs of society

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Picture: REUTERS/BARRY MALONE

Although we are in the midst of land discussions in SA, I have not been thinking a lot about farm sizes until this past week.

I participated in a panel discussion hosted by Nation in Conversation at Nampo in Bothaville. The discussion focused on the importance of economies of scale and the question we had to answer came down to this: does farm size matter in SA?

The panel consisted of Prof Ferdi Meyer of the University of Pretoria and the Bureau for Food and Agricultural Policy; Jannie de Villiers of Grain SA; Francois Strydom of Senwes; and Theo Vorster of Galileo Capital.

Before delving into the subject, a brief reflection on the evolution of South African farm sizes would offer some insight in this subject.

If we reflect on the past 100-year data series, the total area farmed in SA grew from 77.8-million hectares in 1918 to a peak of 91.8-million hectares in 1960, and declined to 82.2-million hectares in 1996 before stabilising around that level.

Over this period, the average farm size declined from over 1,000ha in the 1940s to about 700ha in early 1950s. The farms started to increase in size again in the late 1960s and have maintained the trend since then, with a notable increase in the late 1990s. This was partly due to consolidation after the deregulation of the agricultural markets. Deregulation marked a shift in government support through financial programmes and the abolition of the agricultural marketing control boards. Most importantly, South African farmers had to compete in the world market.

Faced with increasing input costs, consolidation began in some areas, leading to an increase in farm sizes.

Against this backdrop, the late Frikkie Liebenberg noted in his PhD thesis that the average commercial farm size in SA was about 1,640ha in 2000 and continued to grow to about 2,113ha in 2007.

Faced with the aforementioned realities and the question of whether size matters in South African farming, the general view was that SA has somewhat of a dual economy: formal and informal. Therefore, there is room for both small and big farms. Big farms are key to national food security and driving exports, while small farms continue to serve local markets, where big players rarely participate for various reasons, from economic viability to traditional business models and other issues.

SA is not alone in this farming structure. Brazil also has mega-farms, commercial farms, medium-scale farms and small farms, serving different needs of society. The difference is that infrastructure in SA is generally far better in some areas than others — typically the former homelands. This matters because it has implications for the economic viability of a farm as it influences the costs of delivering products to market.

One point all of my fellow panellists emphasised was that smallholder farmers in communal areas should have title deeds so that they can unlock investment.

PRODUCTIVITY

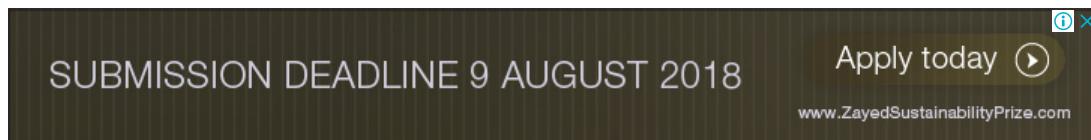
Moreover, the national discussion on the future of agriculture should rather focus on boosting productivity across farms, not particularly on the size of farms.

After an hour-long discussion on different aspects of farming, the bottom line was that SA needs both big and small farms as they all serve society in different ways. Improvements in infrastructure and the title deed issue in communal areas should be prioritised. New technologies can also play a critical role in this process.


Overall, the government and the private sector should work hand in hand to ensure the success and sustainability of the agricultural sector.

This story has been amended to reflect that Francois Strydom is from Senwes. It was previously reported that he was from agri-business.

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