



AGRICULTURAL EMPLOYMENT BRIEF

BFAP's Agricultural Employment Brief interprets and contextualises the latest quarterly labour force survey from StatsSA and provides insights on the major factors driving agricultural employment.

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DATA
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INSIGHT

Agricultural employment levels have remained stable, whilst national unemployment has recovered somewhat to pre-pandemic levels in recent months. In this brief we analyse some important features of the country's agro-processing sector, which has been an important contributor to job creation in the past decade.

This BFAP Employment Brief is aimed at providing quarterly insights on the labour market for farms and the associated value chains. In this Brief, we unpack the most recent trends from the QLFS and focus our analysis on the country's agro-processing industries and their contribution to employment.

Figure 1 illustrates the extent to which the broad and narrow definitions of unemployment have improved in the past few quarters for the economy as a whole. The 2nd quarter of 2023 saw a decline of 0.2% in the official unemployment rate compared to the 1st quarter, something which should be celebrated in an environment where worsening levels of unemployment have become the norm. Yet, 7.9 million people are still unemployed and another 3.2 million abled-bodied workers have stopped looking for work such that the broad unemployment rate is still stuck at around 40%.

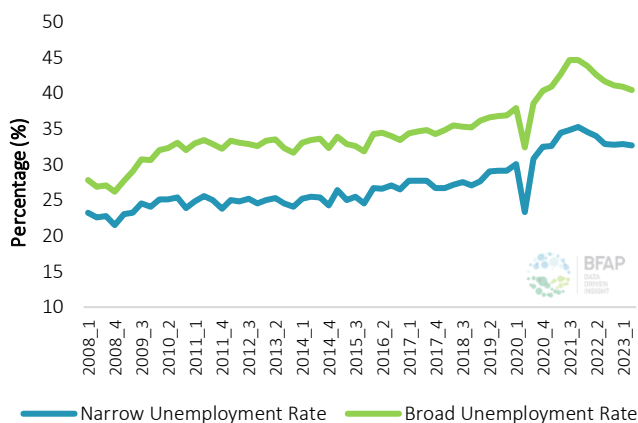


Figure 1: South African unemployment rates

The employment performance of the agricultural sector is presented in Figure 2. Comparing the 2nd quarter of 2023 to the same quarter in 2022, the number of employment opportunities in the agriculture, forestry and fisheries sector increased by 2.4%, building on the 5.2% jobs gains recorded in the 1st quarter of 2023. This sector currently employs around 894 400 workers; a level that is close to surpassing the previous peak of 920 000 workers in the 4th quarter of 2016. Farm workers are the most important category within the

wider sector and their employment trends largely represent that of the sector as a whole.

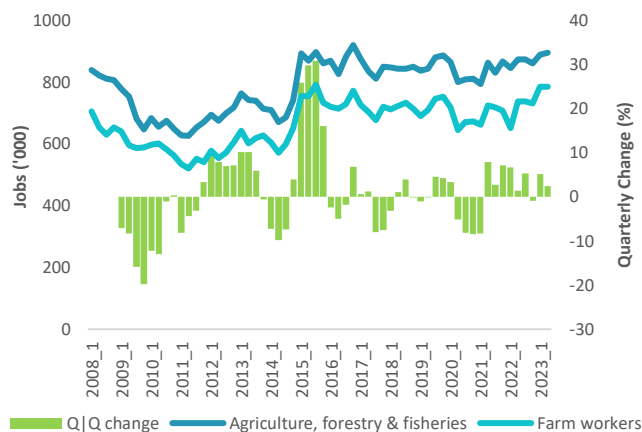


Figure 2: Employment in agriculture

Looking ahead, the impact of continued above-inflation minimum wage increases, loadshedding disruptions and profitability declines in labour-intensive industries (table grapes, berries, citrus to name a few) is expected to weigh in on the ability of the sector to create more jobs, or more likely, could lead to some job losses in the next year or two.

These data address primary production at the farm, plantation and fisheries level. The following sections focus on assessing emerging trends in South Africa's agro-processing industries. However, there are several challenges that need to be flagged before looking at the numbers. First, it is necessary to define, exactly, what constitutes agro-processing jobs. Part of the answer lies in defining this segment of the economy according to the sectoral breakdown. The second, related, challenge is more methodological and concerns how employment data is captured in almost all public sources.

For this brief, we define agro-processing in the narrow sense by looking only at industries that are predominantly linked to the primary farm economy of the country, leaving out forestry and fisheries and their associated downstream processing of products such as paper, wood and publishing materials. Rather, we include food and beverage manufacturing jobs that are employed beyond the farm-gate in VAT-registered and dedicated manufacturing firms in the formal economy. This is certainly a narrow view of the agro-processing labour market in that it is more a function of how the data is captured, rather than a reflection of the overall capacity of the sector to absorb jobs.

StatsSA uses the Standard Industrial Classification (SIC) to categorise firms into specific industries according to their main economic activity. Yet, a worker can for instance be employed by a retailer but could be baking

bread or processing meat within a retail store. Such a worker's occupation is more related to the processing of food rather than being classified as working in the retail sector according to the main economic activity of the firm. There are many such examples, but the bulk of agro-processing jobs are still correctly categorised in the manufacturing sector under food and beverages. StatsSA's recently published Manufacturing Industry Survey is used to reflect on trends in employment over time. Such surveys are only conducted every four years.

Figure 3 shows the total number of employed persons for each agro-processing sub-industry between 2008 and 2021. In aggregate, total jobs for the sector increased from 191 600 to 248 900 in this period, thus creating close to 60 000 jobs. This net gain in jobs is a result of good performance by industries such as other food, bakery, edible oil, and dairy, whilst poor-performing industries such as animal feed and sugar were shedding jobs over this period.

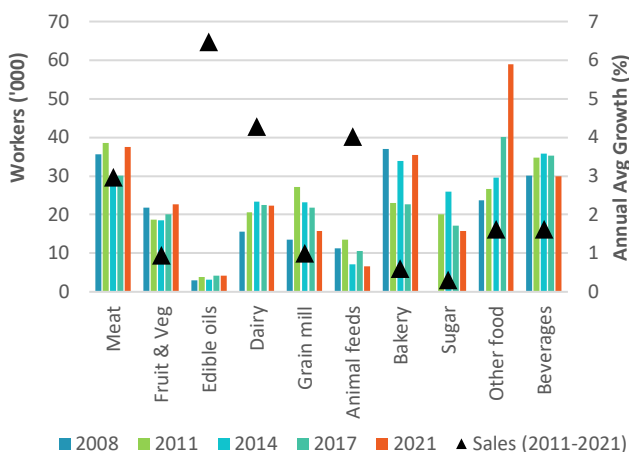


Figure 3: Agro-processing jobs & sales growth

The “other food” industry includes the manufacturing of products such as culinary herbs, spices, potato crisps, snacks, corn chips and infant food to name a few. This industry was the standout performer with job numbers increasing from 23 700 to 58 800, whilst only recording modest real sales growth in the past decade (1.6% per annum). In contrast, the strong employment growth recorded in dairy and edible oils was correlated with strong growth in sales.

Given the large differences in the relative size of these industries, **Figure 4** provides a perspective on the labour intensity of each industry, given as the ratio of the number of jobs per R1 million total gross income generated. The dotted line presents the average for agro-processors of around 0.42 jobs created for every million Rand income generated. The “other food” industry had the highest labour multiplier of 0.79, followed by processed fruit and vegetables and bakery

with 0.63 and 0.62 respectively. At the other end of the spectrum, the least labour-intensive agro-processing industries were edible oils, animal feed and beverages.

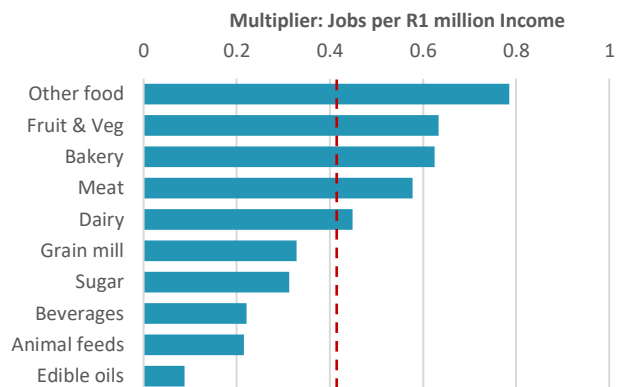


Figure 4: Agro-processing job multipliers

Figure 5 depicts the provincial breakdown in the total employment of all agro-processing jobs, with a marked concentration in three provinces namely Gauteng (34%), the Western Cape (23%) and KwaZulu-Natal (16%). This breakdown largely reflects SA's population distribution (demand for food) as well as the relative differences in industrial/urban development in the country's largest metros, where the bulk of large agro-processing production capacities are located.

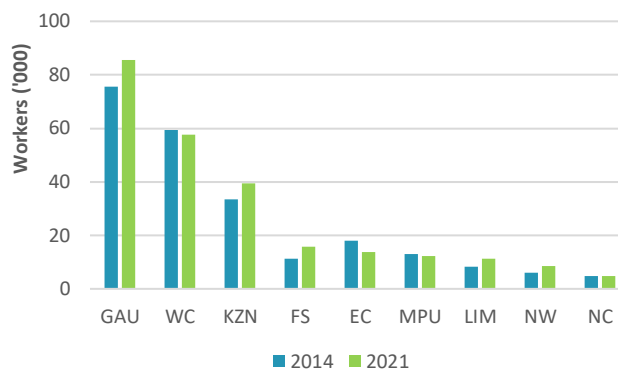


Figure 5: Provincial breakdown of agro-processing jobs

IN CONCLUSION...

- Agricultural employment in SA remains robust, despite many challenges.
- We show the sectoral breakdown of agro-processing employment with the ‘other food’ industry recording the strongest growth, whilst also being the most labour intensive.
- Agro-processing jobs are still highly concentrated in three provinces, which suggest that agro industrialisation still needs to extend into SA's more rural and underdeveloped regions. For this to take place significant investments in infrastructure are needed.

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