**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**QUESTION 2188**

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**2188. Mr H C C Krüger (DA) to ask the Minister of Agriculture, Land Reform and Rural Development:**

Whether considering the demonstrable challenges rural municipalities face in delivering essential services and the resulting drain on the agricultural sector, her department has any plans in place to prioritise and safeguard the agro-processing industry, that is a linchpin of economic growth and job creation, if not, does the non-existence of the plans not risk exacerbating economic inequalities; if so, what are the details of the safety-net provisions? **NW2485E**

**THE MINISTER OF AGRICULTURE, LAND REFORM AND RURAL DEVELOPMENT:**

Yes. The agro-processing industry is considered a priority in the Agriculture and Agro-processing Master Plan (AAMP), which is a social compact signed between government and industry in May 2022. The grounds for prioritising the agro-processing industry are as follows:

* The agro-processing industry has the potential to stimulate and spur demand for raw materials from the agricultural industry through backward and forward linkages. Demand for raw materials creates output markets, with the potential to increase income for farmers. As a result, farmers are encouraged to bring fallow land into production, which in turn creates demand for raw material downstream and contributes to job creation upstream. The value-add and food processing mitigate post-harvest losses.
* Whilst the AAMP is a sectoral plan, the contribution of government towards “competitive agricultural and agro-processing sectors, driving market-oriented and inclusive production to develop rural economies, ensures food-security, and create employment and entrepreneurial”, is articulated in the AAMP as follows:

**Pillar-1: Resolving policy ambiguities and creating an investment-friendly climate:**

Increase transformation of, and worker-ownership in agriculture, food and beverage value chains, actively support black-owned Small, Medium and Micro Enterprises (SMMEs) and women food processors and retailers by lowering barriers to entry.

**Pillar-2: Creating enabling infrastructure:**

A key challenge facing rural areas is the acute lack of economic infrastructure, both bulk and on-farm infrastructure. In mitigation, the President established an Investment and Infrastructure Office in the Presidency to coordinate and align the development of bulk infrastructure (electricity, water, rail, road, ports, etc.) by the three spheres of government. Accordingly, the Infrastructure Office has developed a 203-project pipeline, costed at R1.8 trillion. About 13 of these infrastructure projects are directly located within the agriculture and agro-processing space such as processing facilities, irrigation schemes and fresh produce markets. The Department of Agriculture, Land Reform and Rural Development (DALRRD) has budgeted R2.15 billion to support and develop farmers with production inputs and on-farm infrastructure.

**Pillar-3 Comprehensive support, development finance, and extension services:**

Efficient and effective advisory technical services are critical to the development of agro-processing activities in rural areas. Accordingly, researchers recommend participatory approaches geared to assist producers and agro-processors to restore their natural resource base, increase agricultural production, productivity, and value-add and equally, ensure compliance with mandatory food manufacturing standards and regulations. DALRRD is currently strengthening extension and advisory machinery through retraining and resourcing of Agricultural Extension Practitioners (AEP). DALRRD and the Provincial Departments of Agriculture (PDA) have recruited more than 3 500 AEP as part of providing comprehensive support to producers and agro-processors. In total, the number of AEPs recruited will be 10 000. The move is expected to improve the ratio of AEPs to producers toward an acceptable standard.

**Pillar-4: Ensuring food security, expanded production and employment creation:**

The agricultural sector contributes about 2.8 percent to the Gross Domestic Product (GDP). However, when food manufacturing is taken into consideration, the sector’s contribution to GDP could be as high as 7 percent. Similarly, the agricultural sector employs about 888 000 people whilst the agro-processing industry employs 264 029 people. An increase in agricultural production through the utilization of land under the Traditional and Cultural Council will expand the raw material base required downstream for value-add. The AAMP estimates that a 10 percent increase in the utilisation of land under Traditional and Cultural Councils, which is equivalent to 481 380 hectares is expected to create 501 000 job opportunities. The number is higher when factoring downstream jobs.

**Pillar-5: Market access - domestic and export:**

Access to markets is the lifeblood of agribusinesses operating in rural areas. Infrastructure backlogs in rural towns entail high transaction costs for producers and agro-processors. On the domestic front, the National Treasury (NT) is implementing the 30% set-aside geared to ensure penetration of small and medium producers into State institutional markets. Moreover, various municipalities are investing resources to revamp and revitalise fresh produce markets. On the export side, the recently signed Africa Continental Free Trade Agreement (AfTCA) provides opportunities for growth and development of rural economies. The AAMP underscores the importance of maintenance of the current global markets and sourcing new markets.

**Pillar-6 Import replacement and expanded agro-processing exports:**

Localization strategy is a critical pillar of the Economic Reconstruction and Recovery Plan (ERRP). The thrust of localization efforts is to increase productivity while entrenching inclusive economic growth.

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| **Programme** | **Intervention Plan** |
| **Rural industrial development** | * Identify and support smallholder farmers who have initiatives of industrialisation, such as goats and cattle massification; and * Formalise the rural agro processors for linkage with industry role players. |