

IMPACTS OF COVID-19 ON THE SMALL-SCALE AGRICULTURAL SECTOR IN SOUTH AFRICA

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Background

The worldwide COVID-19 pandemic and subsequent lockdown of many countries – including South Africa – impacts the day-to-day business of all sectors and poses serious health risks to South Africans in general. The current uncertainty of markets and resulting global economic slowdown is putting added pressure on South Africa's struggling economy. "The growing impact of COVID-19 coincided with the announcement of a 1.4% contraction of our economy and a decline of 7.6% for agriculture in the fourth quarter of 2019," observed Omri van Zyl, Agri SA's executive director. Mr. Van Zyl said that it is difficult to quantify the economic impact of the pandemic on South African agriculture, but that supply chain and logistical disruptions could cause harm to export-driven agricultural subsectors. South Africa's Department of Agriculture, Rural Development and Land Reform (DARDLR) has provided assurance that every effort will be made to ensure adequate food supplies during the COVID-19 pandemic and lockdown. However, there is an ever-present threat that while sufficient food supplies may be available at the national level, access to food may become extremely difficult for certain groups. The most vulnerable people are the poor – especially those in remote rural areas of the country.

Impact on small-scale farmers

According to Pertunia Setumo, an Agricultural Economist at FNB Agribusiness, the broader impacts of the pandemic will put new pressure on small-scale farmers who were already struggling, among other things, from rising input costs, limited market access, limited pricing power, and lack of key agriculture and business skills. Indeed, the pandemic may worsen these pre-existing challenges – though it could also open up new opportunities.

Existing and compounded challenges

The following challenges are particularly relevant to farmers:

- Transportation of goods and services across provincial boundaries has been restricted
- Extension services have been put on hold
- Due to restrictions on local sales of alcoholic beverages, cashflows for small-scale wine and spirit producers and beer brewers will suffer. In addition, restrictions on travel and large gatherings will limit extra income from social events such as beer festivals, wine-tasting events, and agri-tourism
- Poor market access and low demand on informal trading platforms: market access remains a key pressing issue for South Africa's smaller producers. Now with movement restrictions on consumers and sellers, informal traders are maintaining lower-than-

normal stocks. Most small growers sell their produce on informal markets, and reduced activity on these markets presents challenges for stocks on hand

- Fresh produce has a limited shelf life, and requires properly functioning cold storage to retain marketable quality – this too is a major challenge for local small producers
- Regarding the livestock sector, demand for meat may decline as many consumers are no longer earning their full salaries, while others are receiving no salary at all. During lockdown, a moratorium on auctions was declared, so livestock farmers could not sell or buy livestock easily. They may also experience difficulty accessing animal feed and supplements due to possible disruptions in supply chains
- The poultry market is of concern as keeping birds on farms for longer than eight weeks eats into producers' profits and may further burden marginal earners
- Reduced labour availability: smaller producers may not have the ability to transport needed labour, causing them to cut working hours or operate at limited capacity
- Farmers depend on particular events and gatherings – such as “farmers’ days” – to access required information. Restrictions on the number of people per gathering will limit this needed tool. Telecommunication gaps in rural areas adds to the difficulty of accessing information
- The wildlife/game industry is also threatened as well as eco-tourism and agri-tourism industries. South Africa is usually a popular winter destination for international and local hunters and tourists, contributing millions to the local economy and farmers involved

When the lockdown was announced the farmers' cooperative that I work with immediately put a halt to their rooibos tea processing operations and a fair amount of rooibos could not be harvested. The offices of the coop are still closed, and staff are working from home. Exports are going ahead, but more slowly than usual, and this is delaying some of the flows of revenues.

-Noel Oettle, Senior Advisor at Environmental Monitoring Group

Response of farmers

Farmers are using several basic strategies to cope with the challenges, including:

- Looking for every possible way to reduce their overall costs in the lockdown period including cutting jobs, putting staff on leave, and freezing all new developments
- Storing goods for when the economy rebounds
- Living on savings
- Using more food products that can be produced “on farm”
- Delaying investments in farm infrastructure
- Accessing information via the news media and social media, and using platforms like WhatsApp to share it with one another



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Opportunities

At the same time, a couple of economic changes may provide some measure of relief:

- Interest rate cut: this will help highly indebted farmers and those wishing to acquire more credit. The current prime lending rate of 7.75% per annum essentially makes credit facilities cheaper
- Higher demand for staple food items: producers who do have access to markets may enjoy benefits of higher demand for staple food items such as white maize by-products and certain staple vegetables and fruits. Nevertheless, some such commodities have seen a decline in demand due to closure of hotels and limited operation of restaurants

Government support

In April 2020, Minister of DARDLR Ms. Thoko Didiza announced the department's plans to mitigate the impact of COVID-19. It has ring-fenced ZAR 1.2 billion for assistance mainly to financially distressed small-scale farmers. Of that total, ZAR 400 million has been allocated to farmers within the Proactive Land Acquisition Strategy (PLAS) programme and the remainder will be channelled to all other farmers, particularly those active in the following commodity sectors:

- Poultry: day-old chicks, point-of-lay chickens, feed, medication, and sawdust
- Other livestock: feed and medication
- Vegetables: seedlings, fertilizer, pesticides, herbicides, and soil correction
- Other commodity sectors will be evaluated on a case-by-case basis, as the department continuously monitors the impact of COVID-19 on agriculture at large

Qualifying criteria for farmers

To take advantage of the announced support, farmers must be:

- South African citizens who have been actively farming for a minimum of 12 months and currently in the production season/cycle
- Registered in farmer register, commodity database, or provincial database
- Communal farmers
- Smallholder farmers with annual turnover between ZAR 50,000 and ZAR 1 million

When allocating support, authorities have said they will prioritize women, youth, and people with disabilities.

Requested improvements by civil society

Nevertheless, civil society organizations have made a joint submission to the government arguing that the planned support leaves out many farmers and food producers, including urban and peri-urban producers whose contributions to food security are essential but threatened by COVID-19-induced stresses on people, food production systems, and supply chains. Further, the government's focus on food producers appears to exclude producers of non-food agricultural products, farmers with insecure tenure, and smaller-scale producers. Finally, the planned relief measures are limited to conventional agricultural inputs and fail to support organic or agroecological production systems.

The joint submission contains alternative proposals to aid small-scale farmers, centring on four immediate issues:

- a) Broadening the eligibility criteria for applicants
- b) Ring-fencing a budget for allocation to resource-poor farmers
- c) Broadening the types and modalities of support that will be funded
- d) Extending the deadline for submission of applications

This submission was positively received by the Minister, but has not yet resulted in significant changes.

Wider measures to fight COVID-19

More broadly, South Africa is fighting the pandemic with a variety of measures. These include

- Scheduled lockdown levels/phases
- COVID-19 testing and preparation of the health sector
- Providing and increasing social grants to counter job losses and loss of income
- Distributing equipment like gloves, masks, sanitizer, and ventilators

In addition, private industry, NGOs, and CBOs have been very proactive in distributing masks, food, and other urgently needed goods. The farming community itself has directly distributed a lot of food to communities in need.

Other opportunities for learning and action

The pandemic may also stimulate innovation in small farming, such as:

- Virtual training and coordination of activities: for example, an Integrated Farm Planning and Management course for livestock farmers was launched using distance-learning tools and webinars
- The future role and function of agricultural support staff is being rethought, for example that of extension workers and soil and water conservation technicians – including discussion of how best to support farmers in the post-COVID-19 world
- Online marketing and selling of agricultural goods and services may increase. Several successful online livestock auctions took place during lockdown

Overall, South African farmers continue to display resilience, reflecting the saying in Afrikaans “*n Boer maak ’n plan*” – that is, farmers are good at devising plans to survive and overcome problems. Through it all, the pandemic and its challenges have made many South Africans – especially city dwellers – feel renewed appreciation for the critical role of farmers in providing food for the nation.

For more information on the general COVID-19 situation in the South Africa, please consult the following websites: the South African Coronavirus website: <https://sacoronavirus.co.za>

The observations, analysis, and opinions expressed in this short report are solely those of the authors. The main contributor and contact person, Dirk Pretorius, is Manager of SMC Synergy.