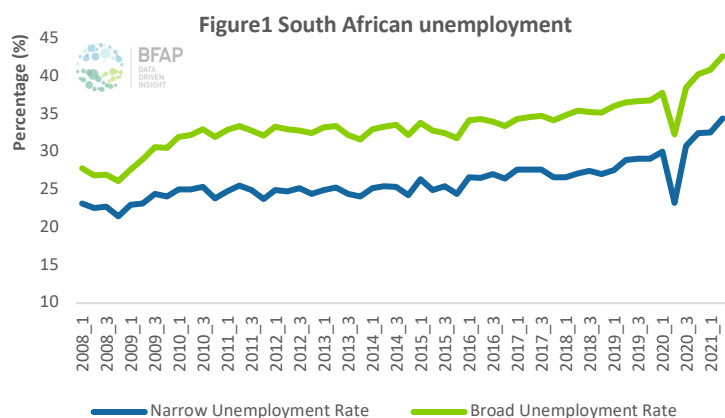


AGRICULTURAL EMPLOYMENT BRIEF

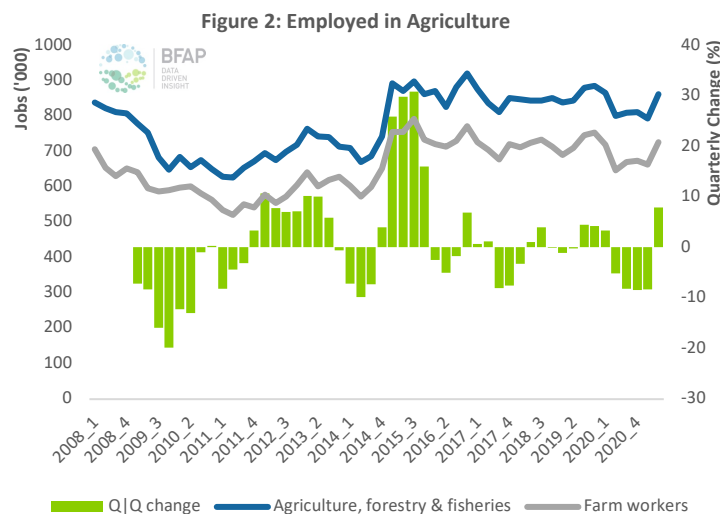
According to Statistics South Africa's (StatsSA) Quarterly Labour Force Survey (QLFS), released on the 24th of August 2021, weak labour demand has nudged the official narrow unemployment rate higher for Quarter 2, to reach 34.4%. Using the broad definition that incorporates individuals classified as discouraged workers that are able to work, but have stopped looking for jobs, this rate is now 42.7%. Figure 1 shows the trend of unemployment in South Africa.



In our previous Employment Brief for Q1, we cautioned readers on the interpretation of recent employment trends, especially in the agricultural sector. This was due to agriculture experiencing one of the best growth years in the recent past, but jobs in the sector seemed to decline significantly. The likely conclusion was that the change of survey methodology from in-person questionnaires to telephonic interviews had a significant impact on the number of responses and that the statistical accuracy of farm employment may have led to undercounting of farm workers. The latest release suggests that agricultural employment has rebounded in

this Quarter, increasing from 792 thousand to 862 thousand.

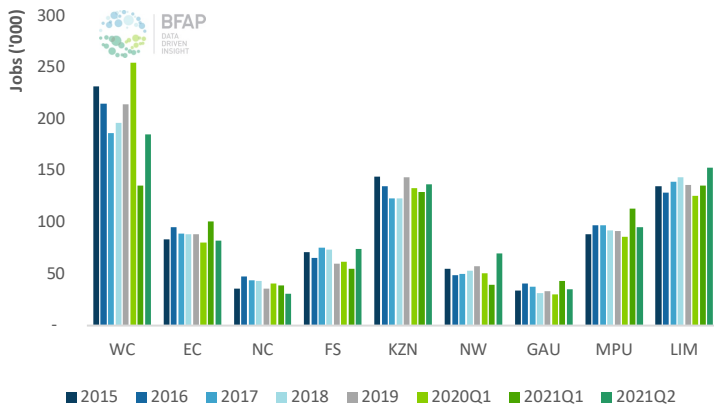
As shown in Figure 2, this translates into a quarter-on-quarter growth of 8%. Looking exclusively at farmworkers, the number of jobs increased by 12%. The totals are more or less at the same level as the first Quarter of 2020 before the start of the pandemic and at a time when agriculture was utilising high levels of labour. In line with our explanation of farm workers coverage, the 2021Q2 survey had a significantly higher number of survey responses to the total share of employed individuals compared to the previous quarter.



Whilst noting these challenges with the data, Figure 3 gives the breakdown of workers in the agriculture, forestry and fisheries sector per province. The Western Cape is the leading employer of agricultural workers owing to the concentration of labour-intensive and export-orientated fruit industries. In the 1st Quarter of 2020, just before the onset of COVID-19 restrictions and

data capturing changes, this province’s labour demand was in an upward trajectory since 2017/18 when severe drought afflicted the farming sector.

Figure 3: Agricultural employment per Province



The 255 thousand jobs recorded in the 1st Quarter of 2020 was the highest number since 2008. We expected the current level of employment in the Western Cape to be on par with 2020Q1 with the growth in fruit jobs potentially offsetting some of the job declines occurring in the wine grape industry in 2021.

The table below shows the current export performance of labour-intensive fruit commodities in South Africa. Asides for citrus, all the industries listed below have completed their harvests in 2021. The only negative growth rate is for oranges, but their season is only around halfway and last year was an early season. The larger harvested totals and subsequent export volumes should translate into job creation since large labour productivity increases does not adjust quickly in the short run.

Industry	YTD Export Volumes (Week 33)
Table Grapes	+13%
Apples	+8%
Oranges	-12%
Lemons	+7%
Pears	+1%
Soft citrus	+17%
Plums & Prunes	+65%
Peaches	+14%
Nectarines	+22%

Back to Figure 3 and the provincial employment statistics, another surprising result was the sudden increase in employment in the North West in Quarter 2, which was around 33% higher than the average level

between 2015-2020. The Eastern Cape totals also warrant further assessment to explain 2021 Quarter 1 jump and subsequent decline in Quarter 2.

Moving past the data discrepancies, we believe there are some upside and downside factors that should affect the agricultural labour market in the near future.

Upside: The agricultural sector is experiencing two consecutive good seasons which have strengthened the financial position, specifically improved the cashflows of firms. Further to that, the recent expansion in intensive crops such as citrus, avocados and alternative crops still need to come into production, which will require more labour. There might also be further opportunities in the sector for job creation coming at a time when the Agriculture & Agro-processing Master Plan is being drafted. If the correct interventions can be accompanied by widespread implementation by all parties, the resultant growth in agricultural value chains should lead to increased employment.

Downside: In March 2021, the farmworker minimum wages were adjusted to the same level of the national minimum wage, from R18.68 to R21.69. It is likely that employers will have a lagged response to this increase, especially since agriculture’s income is currently performing well, and may start to shed labour in the coming months. Also, the Draft Constitution Amendment Bill to allow for land expropriation without compensation is currently out for comment. Under the proposed changes, when land is expropriated for land reform, the amount payable may be nil if determined by a court of law. It is expected that as these processes proceed, lower confidence and farm investment could lead to employers becoming reluctant to employ more labour due to the uncertainty regarding property rights.

It is the hope that the challenges with StatsSA’s labour force survey should be corrected soon so that the impact of various factors can be analysed. Until then, we will continue to assess and compare job numbers with the economic performance of the agricultural sector. Due to another good year of harvest for most crops and supported by good price levels, the agricultural sector continues to make a significant impact on employment despite unemployment increasing elsewhere.