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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INSIGHT

THE LATEST EMPLOYMENT STATISTICS ARE SURPRISINGLY POSITIVE BUT SHOULD BE INTERPRETED WITH CARE. STATSSA HAS MOVED BACK TO IN-PERSON SURVEYING, BUT STILL LAMENTS WEAK RESPONSE RATES. AGRICULTURAL JOB TRENDS NEED TO BE REBASED TO MAKE USEFUL INFERENCES ON FARM EMPLOYMENT, WHILST FARMING MARGINS WILL COME UNDER PRESSURE IN 2022.

This quarterly brief contextualises Statistics South Africa's (StatsSA) Quarterly Labour Force Survey results with specific emphasis on the agricultural sector. The latest iteration by StatsSA was published on the 31st of May 2022, detailing job numbers for the first quarter of the year.

South Africans might be encouraged that the unemployment rate improved somewhat in the first quarter of 2022, declining from 35.3% in the previous quarter to 34.5%. However, such a change seems unrealistic given the sluggish pace of the economy and some careful digging into the nuances of the data. BFAP has in recent months cautioned against some of the labour market trends for agriculture due to changing survey instruments used by StatsSA since Covid-19. **Figure 1** shows the quarterly broad and narrow unemployment trends since 2008.

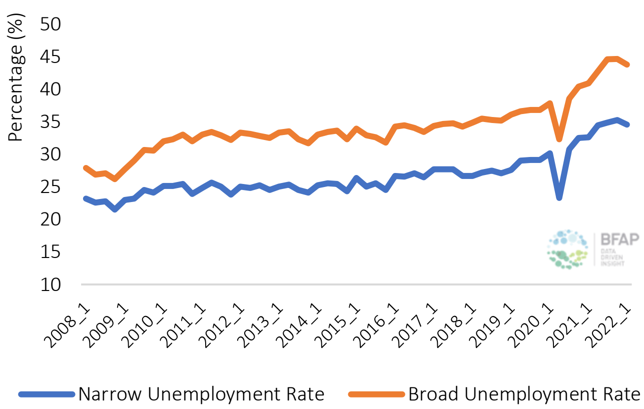

Figure 1: South African unemployment

The first question that comes to mind when trying to interpret the sudden, and against the trend, change in unemployment is which industry managed to create significantly more jobs? According to the data, in the past quarter community and social services jobs increased by 281 000, followed by the manufacturing sector's 263 000 jobs. Furthermore, there seems to be a significant decline in employment by private households (mainly domestic workers) in the past quarter with around 186 000 jobs being shed.

The same applies to the agricultural sector. **Figure 2** provides an update on the reported employment trends for both the wider agriculture, forestry and fisheries sector in general and farm workers in particular. Since agricultural jobs are highly seasonal, we assess the quarter-on-quarter changes from the previous year.

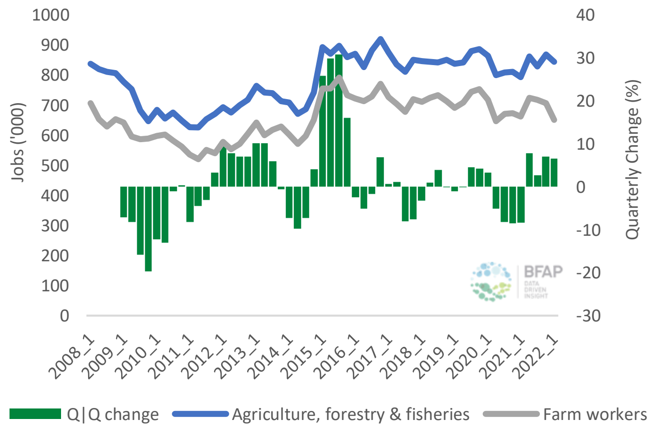

Figure 2: Employed in Agriculture

The 844 000 jobs in the sector in the first quarter of 2022 was 6.5% higher than in 2021, but slightly lower for number of farm workers at -1.8%. The fact that these two trends are not moving in the same direction is a cause of concern from a data quality perspective. StatsSA acknowledged that reverting back to in-person enumeration and lower response rates (than in the period before Covid-19) make drawing useful inferences from the data collected for the first quarter of 2022 problematic.

We've noted the QLFS data challenges in previous briefs and recommend that StatsSA should rebase or recalculate sectoral employment numbers since the onset of Covid-19, assisted by other employment publications that are now becoming available.

Given these data limitations and resulting anomalies, we believe it is unwise to invest too much confidence in the most recent national and provincial agricultural employment figures.

Looking forward, it is likely that current cost inflation will impact on farming and farming businesses' employment.

The global economy is facing headwinds and the high likelihood of a recession coupled with high inflationary pressures will likely introduce a period of stagflation in the coming months. The continued need for monetary tightening by reserve banks in many countries to pull inflation lower could end up causing a deep economic downturn. Regardless of whether this scenario plays out , the current pressure on global supply chains and high inflation environment is having far-reaching implications for farm profitability and job creation. The continued war in Ukraine is putting further upward pressure on farm input costs in the form of fuel, fertiliser and agro chemicals after excessive increases in farm cost inflation between 2020 and 2021. Without substantial and urgent 'relief' on a global scale, farm input inflation will be even higher in 2022.

On the local front, in addition to the inconvenience of increasing and increasingly unpredictable bouts of loadshedding thus far in 2022, electricity costs to farmers have increased at above-inflation levels for nearly a decade. **Figure 3** indicates the price levels for electricity tariffs to farmers (left axis) and the annual minimum wages for farm workers (right axis) since 2012. In the past decade, the average price of electricity has increased by 9% per annum, and the minimum wage for farm workers by 11.6%. In comparison the average headline inflation in South Africa has been 4.9% and food inflation slightly higher at 6.1%.

Some might argue that farm cost increases have been offset by recent increases in the prices of agricultural commodities, which currently remain at elevated levels due to global factors already explained. However, it's becoming clear that many intensive fruit commodities such as citrus, table grapes and blueberries are struggling to absorb continuous cost increasing at current levels, while market prices have started trending downward, not to mention the challenges posed by delays at South African ports.

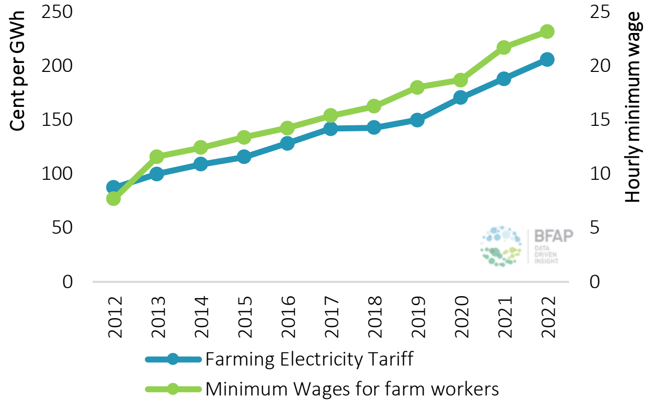

Figure 3: Prices of farm electricity and labour

The impact of the combination of these factors is expected to hamper employment growth in agricultural value chains as envisioned by the NDP. The recently published Agriculture and Agro-Processing Master Plan clearly highlights specific interventions per commodity value chain that must be implemented to increase the growth and employment trajectory of the sector. The recent farm worker unrest in Kirkwood points to an ongoing difficult balancing of upliftment and livelihood improvements for workers on the one hand and farming profitability and productivity management by employers on the other. We anticipate that this pressure will increase due to the overall corrosive impact of inflation on both producers and consumers in the coming months.

IN CONCLUSION…

- Agricultural employment remains at decent levels due to good growing conditions over the past two years.
- The latest agricultural employment numbers should be interpreted with caution.
- Ongoing inflationary pressures and limited job opportunities could lead to social unrest unless appropriate measures are taken.
- We anticipate that in the coming months farm margins in labour intensive industries **will come under severe pressure leading to potential job losses in the agricultural sector.**

Enquiries: L Pienaar (louw@bfap.co.za)