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

AGRICULURAL EMPLOYMENT HAS BENEFITTED FROM SUSTAINED JOB NUMBERS AND HIGHER WAGES IN THE PAST DECADE BUT WILL COME UNDER THREAT AS LABOUR-INTENSIVE FRUIT FARM INCOMES DECLINE AND COSTS CONTINUE TO SPIRAL.

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 23rd of August 2022, detailing job numbers for the second quarter of the year. In our previous Quarterly Employment Brief, we noted that unemployment had declined somewhat, and the QLFS statistics for the second quarter of 2022 suggest further improvements in South Africa's labour market with the narrow unemployment rate extending its decline slightly from 34.5% to 33.9%.

Figure 1 illustrates the broad and narrow definition of unemployment trends which clearly depicts a labour market recovering at least some of the COVID-induced job losses. According to StatsSA, the country managed to grow the number of employed people by 648 000 in the past quarter while the number of people newly unemployed increased more marginally by 132 000. StatsSA also reports a general decline in the number of discouraged workers, which also meant that the broad unemployment rate improved slightly in quarter 2.

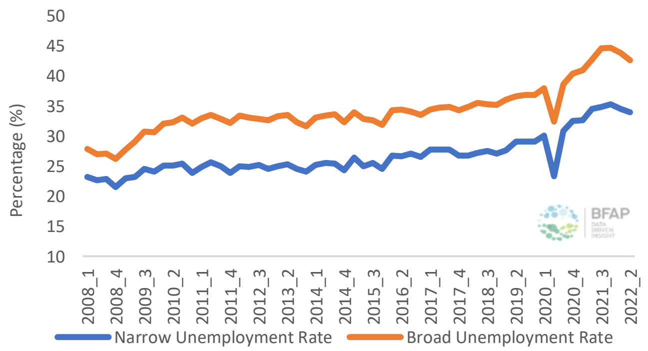

Figure 1: South African unemployment

However, we continue to interpret these trends in light of the changing survey collection methods since the onset of the pandemic, rather than as actual movements in the labour market. It is interesting to note that the number of enumerated individuals in the past quarter in the sample frame was at its highest level since the 1st quarter of 2020, but still around 15% lower than the average number in 2019. Since StatsSA has not published details on changes to their methodology, especially on changes made to the existing weights used in the data, we persist in our view that the data is problematic. The positive finding that the economy employed more than half a million additional people in the second quarter does not seem to align with the fact that the country's GDP declined by 0.7% in real terms over the same period.

Figure 2 illustrates trends in agricultural employment both for the agriculture, forestry and fisheries sector, as well as for those specifically employed on farms. Since agricultural jobs are highly seasonal, we assess the quarter-on-quarter changes from the previous year. Around 874 000 workers were employed in the wider agricultural sector, up by around 1.4% from the same quarter in 2021. The number of farm workers increased by a similar margin of 1.7% compared to the same period.

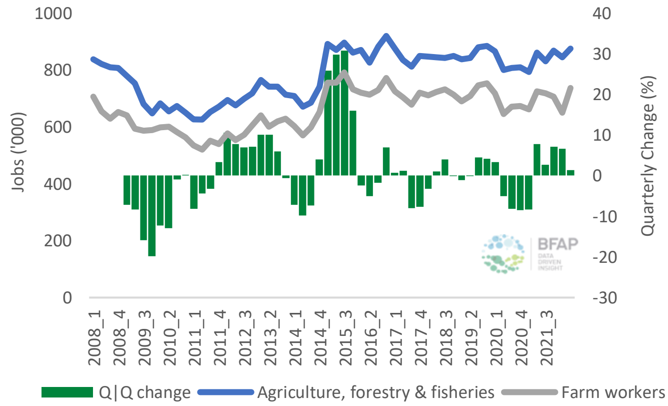

Figure 2: Employment in agriculture

The average level of employment on farms for the first half of 2022, given better coverage from in-person surveying, was more or less at the same level as in 2019. This suggest that the sector has managed to retain most of its jobs despite the impact of the pandemic, largely due to agriculture's strong performance in the past three years. This should also be seen in the wider context of rising wages and improved livelihoods in the sector, but herein lies a caveat when looking ahead.

Figure 3 shows the increases in the legislated minimum hourly wages applied to farm workers since 2003, when it was first introduced. The significant jump in 2013 took place during the labour unrest in De Doorns, which resulted in a minimum wage increase from R7.71 to R11.6 per hour; a 50% increase from the previous year. More recently, agricultural minimum wages saw another sharp increase, as the sector has been legislated to match the national minimum wage since 2021. The average annual nominal inflation on farm labour since 2012 has been 11.6%, whilst general CPI for all goods for the same period was around 5%.

The wages discussed here represent the bottom floor for wages earned by those employed on farms, essentially resulting in solid progress in poverty alleviation in rural areas. It is clear from the trends given in Figure 2 that the accompanying increases in minimum wages did not translate into widespread job-shedding in agriculture.

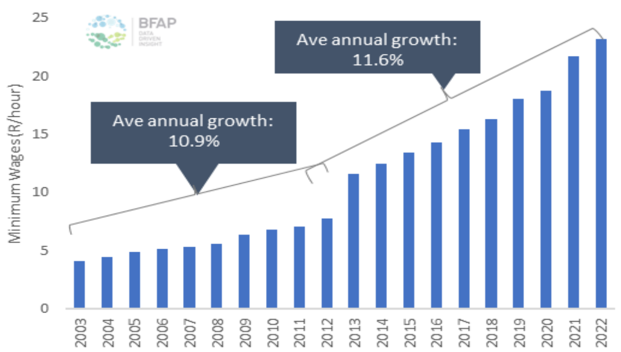

Figure 3: Minimum wages for farm workers

Part of the reason behind this was the ability of labour-intensive horticultural industries to absorb these increases in labour costs due to excellent returns from fruit farming over the same period. These returns were elevated in part by price support in export markets as well as efficiency gains in the form of yield improvements and the continued depreciation of the Rand. In the recently published BFAP Baseline Outlook for 2022 we highlight two immediate factors that will have a significant bearing on the agricultural sector's ability to sustain these jobs and continue to afford wage increases in the coming decade. First, **Figure 4** presents our price projections for selected fruit industries towards 2031 compared to the actual realised prices from the previous decade, which affects farm income.

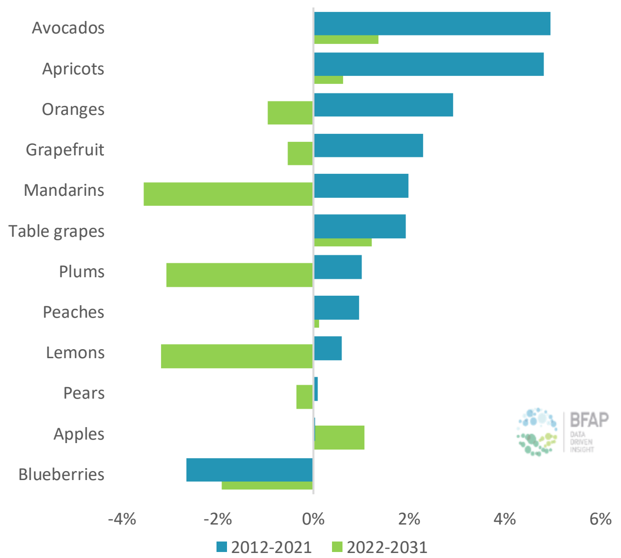

Figure 4: Export price realisation for selected fruits

Based on the current market outlook we anticipate strong downward pressure on prices for most fruit exports from South Africa due to the headwinds facing the global economy and increased competition from the likes of Peru and Chile. Farm income is however a function of price times quantity, which implies that price declines can still be offset by higher volumes sold. We do expect more fruit entering the market as more trees come into production, but not enough to beat the cumulative impact of price declines and continued increases in farm costs. **Figure 5** now turns to the expenditure side of production, which has bearing on the affordability of labour. Major increases in the cost of especially fertiliser, but also other inputs, will limit the fruit industries' ability to absorb above inflation higher wages.

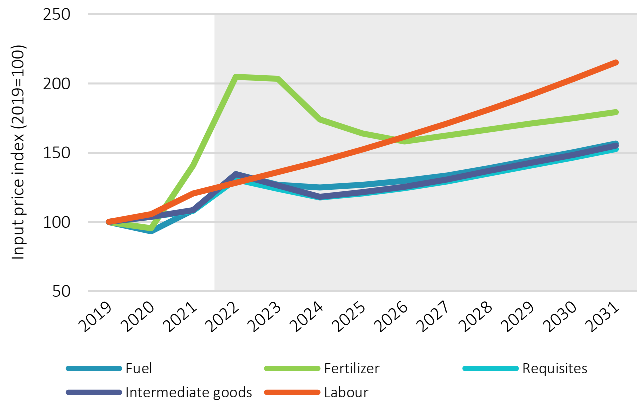

Figure 5: Outlook for input price indices toward 2031

Labour makes up 20-45% of the total variable cost of fruit farming, depending on fruit type, and our analysis on farm profitability in many of South Africa's major fruit industries suggest that gross margins will decline substantially compared to the previous decade. If these projected price declines are realised in conjunction with the expected cost inflation at farm-level, the most likely outcome will either be to employ fewer workers or cut back on wage increases for those who earn wages higher than the legislated minimum, or both. There is therefore a need for serious dialogue between the relevant stakeholders on how to continue the balancing act of sustaining the financial viability of farm businesses with the need to uplift and improve farm worker livelihoods.

IN CONCLUSION...

- Agricultural employment remains at decent levels largely due to good growing conditions over the past two to three years.
- SA's fruit farming sector, the largest employer of farm workers, is facing the challenge of both declining farm income and higher costs
- Continued wage adjustments and relatively stable job numbers observed in the past decade will be difficult to sustain in the coming decade

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