

# AGRICULTURE

## Introduction

The aim of this Department is to promote sustainable agricultural production and marketing within the Western Cape economy through technology development, technology transfer and agricultural training to the best advantage of all communities. This will be achieved through the implementation of programmes: Technology Development and Transfer, Agricultural Engineering, Veterinary Services, Agricultural Training and Farmer Settlement.

The Department has been through a great deal of change, varying between being a separate department to being part of Vote 11 – Economic development, Tourism and Agriculture, and as from 1 August 2002, being a separate department again.

## Expenditure Trends 1999/2000 to 2004/05

The budget for Agriculture compared with the total provincial budget shows healthy growth over the entire period 1999/2000 to 2004/05. Starting off at about 0,6% of the budget in 1999/00, it grows to almost 0,9% of the budget in 2004/05. Given the fact that agriculture is one of the biggest employers of the poor and under-skilled in the Province, such growth boldly reflects the intention of the Province to fight poverty and reduce inequality. This is a good foil for a provincial development strategy that generally targets the top end of the skills market.

The Agriculture budget grows by over 50% in real terms over the period 1999/00 to 2004/05. This is the result of steady growth in all programmes. The only drastic change in the budget trend affects the Agricultural Training and Farmer Settlement programmes in the last year of the current MTEF. In 2004/05 the latter is projected to double in size whereas the former will lose almost 40% of its value. The reduction is mainly due to the completion of a training facility in 2003/04, and the increase is due to greater focus on farmer settlement.

The budget allocated to Agriculture for the financial year 2002/03 is R134 million. This represents a nominal growth of 13% on 2001/02, (real growth 5,76%). This is a smaller growth than experienced over the past number of years when nominal year-on-year growth in annual expenditure exceeded 35%. The slower growth pattern is carried through to the MTEF estimates.

**Table1: Expenditure1999/2000to2004/05**

PROGRAMME	Actual			Voted	Medium-term estimate	
	1999/00 R'000	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000
1. Administration	16 661	15 144	17 808	25 945	21 636	24 245
2. TechnologyDevelopment&Transfer	23 710	26 954	35 560	34 000	39 106	40 915
3. AgriculturalEngineering	19 001	19 726	28 186	32 258	34 202	39 946
4. VeterinaryServices	10 604	11 769	13 473	14 077	15 141	17 998
5. AgriculturalTraining	9 088	9 782	12 024	20 945	25 412	16 468
6. FarmerSettlement	1 289	3 592	-	7 042	8 041	18 838
<b>TOTAL</b>	<b>63 692</b>	<b>86 967</b>	<b>107051</b>	<b>134 267</b>	<b>143 538</b>	<b>158 410</b>
PercentageChange		From 1999/00 to 2000/01	From 2000/01 to 2001/02	From 2001/02 to 2002/03	From 2002/03 to 2003/04	From 2003/04 to 2004/05
1. Administration			17,59	45,69	-16,61	12,06
2. TechnologyDevelopment&Transfer		13,68	31,92	17,04	15,02	4,63
3. AgriculturalEngineering		3,82	42,89	-0,97	6,03	16,79
4. VeterinaryServices		10,99	14,48	11,34	7,56	18,87
5. AgriculturalTraining		7,64	22,92	50,48	21,33	-35,20
6. FarmerSettlement		178,67	-100	100	14,19	134,27
<b>TotalforDepartment</b>		<b>36,54</b>	<b>23,09</b>	<b>25,42</b>	<b>6,90</b>	<b>10,36</b>
ProportionofProgrammetoBudget	Actual			Voted	Medium-term estimate	
PROGRAMME	1999/00 %	2000/01 %	2001/02 %	2002/03 %	2003/04 %	2004/05 %
1. Administration		17,41	16,63	19,32	15,07	15,31
2. TechnologyDevelopment&Transfer	37,23	30,99	33,22	25,32	27,24	25,83
3. AgriculturalEngineering	29,83	22,68	26,33	24,03	23,83	25,22
4. VeterinaryServices	16,65	13,53	12,59	10,48	10,55	11,36
5. AgriculturalTraining	14,27	11,25	11,23	15,60	17,70	10,40
6. FarmerSettlement	2,02	4,13		5,24	5,60	11,89
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Programmes 2 and 3 (Technology Development & Transfer and Agricultural Engineering) together account for around 50% of the departmental budget. Whereas the former has shown a declining expenditure trend, the latter's budget allocation is growing.

The shift in the Farmer Settlement and Agricultural Training programmes is clear. The Farmer Settlement programme jumps to 14% of the budget in 2004/05, from 6,6% in 2003/04, whereas the Agricultural Training programme will drop from 21% to 12% in the same two years. This is mainly because of the provision of capital expenditure in this financial year for training facilities in Elsenberg and George.

**Programme 1: Administration** contains the expenditure and budgeted amounts for the function in both the Department of Agriculture and that of Economic Affairs and Tourism, where the Agriculture function resided prior to the shuffle.

All the administrative functions regarding the Landelike Ontwikkelingskorporasie, Lanok, a registered public company with a 100% shareholding held by the Province of the Western Cape, have been consolidated in Agriculture from 1 August 2002. Agriculture must in future provide in its budget for the annual transfer payment to Lanok (R4,5 million in 2002/03), as well as any other payments for specific management contracts. In 2002/03, R1,1 million was paid to Lanok under Vote 1: Premier, Director -General and Corporate Services as bridging finance for Anhalt farm (Haarlem), and a further R1,5 million under Vote 8: Planning, Local Government and Housing for infrastructure at Jackalskraal (Kranshoek). Although performance agreements are annually concluded between Lanok and the Province, it is proposed that future transfer payments to Lanok should be linked to the submission of regular progress reports, which must be to the satisfaction of the Accounting Officer. Such progress reports must convince the Accounting Officer that payments made were justified.

**Programme 2: Technology Development and Transfer** is to research, develop, adapt and transfer appropriate agricultural technology for farmers and other users of natural agricultural resources, to develop support programmes for farmers, and to create opportunities for the development of farmers and communities. To reach the objectives the following strategies are envisaged:

- The execution of 205 research projects in various animal and crop production fields with appropriate technology for the animal and crop production enterprises of the Western Cape province.
- The execution of 142 guidance and advisory projects to support farmers and other users of natural resources by providing appropriate technology and advice.
- To reach at least 10 000 producers in group sessions and farm visits. The focus is on group techniques, but individual specialised services are also rendered.
- The continuous development, maintenance, implementation and application of qualitative and quantitative micro- and macro-economic models.

**Programme 3: Agricultural Engineering** aims to provide a support service to enhance the sustainable utilisation of natural agricultural resources so as to conserve the environment, to plan and develop agricultural engineering products, and to render advice to farmers and other institutions and farm services to research units.

The programme strategy includes:

The conservation and improvement of soil in the Province and the maintenance and improvement of experimental farms. Transfer payments are made to farmers as a subsidy for the conservation and improvement of soil after they have met certain requirements set out by the Agricultural Board. Subsidies may vary from month to month.

Facilitating the construction of soil conservation works such as contour banks, weirs, fences, drainage, waterways and stock watering systems. The continued implementation of modern farming practices and the maintenance and improvement of infrastructure.

**Programme 4: Veterinary Services'** objective is to monitor animal health risks in order to minimise the risks and enhance the hygienic management at meat and dairy establishments in accordance with national and international standards for veterinary service delivery. This is achieved by monitoring the slaughter and processing facilities and the certification of animal products intended for local or international consumption or trade.

To ensure continued exports of animals and animal products, an internationally acceptable veterinary service must be delivered. The Department indicated that it might be necessary to deliver this function at a provincial level in future, as the national Department of Agriculture does not have the human resources to fulfil all the functions in respect of export certification. A initial amount of R7,8 million to establish and address the immediate needs, with a recurrent expenditure of R5 million per annum thereafter, is needed.

**Programme 5: Agricultural Training** is to provide training to, and create training opportunities for, practising and prospective farmers, advisors, technicians and farm workers in previously disadvantaged communities and to enhance human resource development in agriculture. Following the expansion of the training cellar at Elsenberg, the number of students enrolled for the Diploma in Cellar Technology has doubled from 10 to 20. The aim is to ensure a skilled and trained farming community by providing a Higher Certificate and Diploma training courses in appropriate fields to prospective farmers, farm managers and advisors. Substantial funds have been secured to expand practical training facilities at Elsenberg.

Student enrolment for the Higher Certificate in Agriculture increased by 20% (intake up from 100 in 2000 to 120 in 2001). Planning and upgrading of training facilities for Further Education and Training (FET) at Elsenberg and selected localities in the Province were initiated and will be partially completed in 2002. The capacity to deliver on FET has been further increased through the expansion of the human resource component.

In his budget speech the Minister of Agriculture placed the wellbeing of farm workers high on his list of priorities when he said "The farm worker represents an essential link in the agricultural chain and careful attention must be given to his/her development". In 2002/03, R7 million has been budgeted, mainly for the promotion of Further Education in Agriculture. The Minister also recently appointed an official operating from his office who will be responsible for looking after the best interests and needs of the farm workers.

**Programme 6: Farmer Settlement** aims to undertake agricultural infrastructure projects in rural communities and facilitate the establishment of new farmers. The active promotion of the Redistribution for Agricultural Development (LRAD)

programme by information dissemination, guidance and assistance to participants and the evaluation of business plans further the aims of this programme as does the provision of needs-based infrastructure in rural farming communities to enable the effective use of natural resources. Projects strive to strengthen existing farming communities and not individuals.

## Challenges Facing the Department

The important and direct role that agriculture plays in providing jobs in poor communities and attacking poverty is underscored in the Minister of Finance and Economic Development's 2002 provincial budget speech: "The third leg of our fight against poverty is a boost to Agriculture, with real increases against baseline (after discounting for infrastructure) of 12,2% for 2002/2003, 23,6% in 2003/2004 and 33,9% in 2004/2005, strongly signifying our intention to improve employment and to reduce poverty in rural areas, where poverty is deepest".

Agriculture is a provider of work for unskilled as well as semi-skilled labour, especially in the rural areas. Therefore, it is important to do research to improve competitiveness both locally and internationally and to enhance the settlement of small farmers.

## Economic Classification

Current expenditure far outweighs capital expenditure in this department. Of current expenditure the biggest part is allocated to personnel spending. However, this is decreasing as the slice of the budget taken up by personnel expenditure is getting smaller.

Table 3 shows that personnel expenditure increased by 13% in 2001/02 compared with 2000/01. A 13,24% decrease in personnel spending (nominal) is reflected in the allocation for 2003/04 compared with 2002/03.

**Table 2: Economic Classification**

Economic Classification	Actual			Voted	Medium-term estimate	
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Current Expenditure</b>	<b>59 132</b>	<b>80 285</b>	<b>100 522</b>	<b>116 822</b>	<b>120 951</b>	<b>133 704</b>
Personnel expenditure	43 827	56 998	64 438	74 566	64 695	76 427
Transfer payments	0	0	3 184	4 105	4 945	200
Other current expenditure	15 305	23 287	32 900	38 151	51 311	57 077
<b>Capital Expenditure</b>	<b>4 560</b>	<b>6 682</b>	<b>18 236</b>	<b>17 445</b>	<b>22 587</b>	<b>24 706</b>
Transfer payments	3 051	4 512	12 526	13 199	17 473	23 395
Other capital expenditure	1 509	2 170	5 710	4 246	5 114	1 311
<b>Total</b>	<b>63 692</b>	<b>86 967</b>	<b>118 758</b>	<b>134 267</b>	<b>143 538</b>	<b>158 410</b>

PercentageChange	From	From	From	From	From
	1999/00	2000/01	2001/02	2002/03	2003/04
	to	to	to	to	to
	2000/01	2001/02	2002/03	2003/04	2004/05
<b>CurrentExpenditure</b>	35,77	25,21	16,22	3,53	10,54
Personnelexpenditure	30,05	13,05	15,72	-13,24	18,13
Transferpayments			28,93	20,46	-95,96
Othercurrentexpenditure	52,15	41,28	15,96	34,49	-95,96
<b>CapitalExpenditure</b>	46,54	172,91	-4,34	29,48	9,38
Transferpayments	47,89	177,62	5,37	32,38	33,89
Othercapitalexpenditure	43,80	163,13	-25,64	20,44	-74,36
<b>TotalforDepartment</b>	36,54	36,56	13,06	6,90	10,36

ProportiontoBudget	Actual		Voted		Medium-termEstimate	
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	R'000	R'000	R'000	R'000	R'000	R'000
<b>CurrentExpenditure</b>	<b>92,84</b>	<b>92,32</b>	<b>84,64</b>	<b>87,01</b>	<b>84,26</b>	<b>84,40</b>
Personnelexpenditure	74,12	70,99	64,10	63,83	53,49	57,16
Transferpayments	0,00	0,00	3,17	3,51	4,09	0,15
Othercurr entexpenditure	25,88	29,01	32,73	32,66	42,42	42,69
<b>CapitalExpenditure</b>	<b>7,16</b>	<b>7,68</b>	<b>15,36</b>	<b>12,99</b>	<b>15,74</b>	<b>15,60</b>
Transferpayments	66,91	67,52	68,69	75,66	77,36	94,69
Othercapitalexpenditure	33,09	32,48	31,31	24,34	22,64	5,31
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Transferpaymentsmakeupaverysmallproportionofthebudget,increasingby 28,93% between 2001/02 and 2002/03 and then declining by 95,13% for the outeryears2003/04to2004/05

The importance of other current expenditure is growing if measured by the proportion of the budget allocated to this category of spending. Where in 1999/2000itwasallocatedaquarterofcurrentexpenditure,thispercentageisto risetoover40%inthemTEFyears.

## Conclusion

This is a new Department in terms of the departmentalisation model and was established on 1 August 2002. It will consequently require some restructuring andconsolidation.

The department enjoyed substantial real growth in expenditure up to 2001/02. Thistrendcontinuesinthebudgetprovision inthemediumterm.

Notwithstandingtheabove,thereisconsiderablepressureontheDepartmentto fulfil its commitments in supporting the Land Redistribution for Agriculture Programme. Thepressuresrelateto:

- Smallfarmersettlement
- Waterengineer ingservices
- Technologytransfer
- Training.

Further pressures relate to keeping the Western Cape agricultural sector competitive in the global environment through adequate delivery of veterinary

services that conform to global standards, research and information and technology transfer, and the development of farm workers.

Personnel expenditure constitutes about 56% of total expenditure for 2002/03 and 58% for 2001/02. Thus, calculated risks related to the management of personnel expenditure need to be carefully motivated to prevent budget overruns, as manoeuvrability with non-personnel expenditure is limited.

The Department must undertake further work to reflect proper output benchmarks, such as an increase in jobs created, farmers settled and trained, against which they could be measured against overtime. - related students