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# Towards an Integrated Agricultural Growth Path for South Africa

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# Towards an Integrated Agricultural Growth Path for South Africa

Tinashe Kapuya<sup>1</sup> and Wandile Sihlobo<sup>2</sup>

## Abstract

South Africa's agricultural sector has delivered strong productivity growth and export performance over the past three decades, reflecting a growth path that is predominantly export-led, technology-enabled, and anchored in high-value value chains (notably horticulture and livestock). Yet this trajectory has been accompanied by persistent structural dualism, limited broad-based inclusion, and a weak transmission of growth into labour absorption in a context of chronically high unemployment. While the commercial core has deepened its competitiveness, a large share of rural households remains confined to low-productivity farming and survivalist self-employment, with limited integration into dynamic value chains. The paper argues that the core policy challenge is no longer whether the existing commercial sector can "grow", but whether the growth path can be broadened to (i) expand labour-absorbing production, agro-processing, and allied rural services, (ii) diffuse technology, capabilities, and market access beyond the top tier of producers, and (iii) remove binding constraints (logistics, energy, biosecurity, and institutional capability) that increasingly threaten competitiveness. Building on evidence from South Africa's recent policy architecture (notably the National Development Plan 2030 and the Agriculture and Agro-processing Master Plan), the paper proposes an integrated growth trajectory centred on bringing an additional 2.5 million hectares of state-held underutilised land into effective production, while strengthening pathways for smallholders and new farmers - including through self-employment and enterprise development - to participate in higher-value markets. This includes de-risked finance, targeted infrastructure, and capable market institutions. The paper further highlights the role of social enterprise models as platforms for skills formation, youth transitions, and the development of hybrid employment pathways spanning farming, agro-processing, and agricultural services.

**Keywords:** agricultural growth; structural transformation; inclusion; employment; exports; land reform; value chains.

**JEL classification:** O13, Q12, Q18, J43

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## Executive Summary

Over the past three decades, South Africa's agricultural sector has demonstrated strong productivity-led growth and increasing integration into global agri-food markets. Real agricultural output has more than doubled since the early 1990s, driven largely by technological adoption, structural shifts toward high-value commodities, particularly horticulture, and expanding export markets. Agricultural exports have grown significantly, contributing to a persistent trade surplus in primary agriculture and reinforcing the sector's role as a competitive component of the national economy. These gains have been underpinned by major policy reforms following the democratic transition, including market liberalisation under the Marketing of Agricultural Products Act (1996) and subsequent policy frameworks - notably the National Development Plan 2030 and the Agriculture and Agro-processing Master Plan - aimed at strengthening export competitiveness and value-chain development.

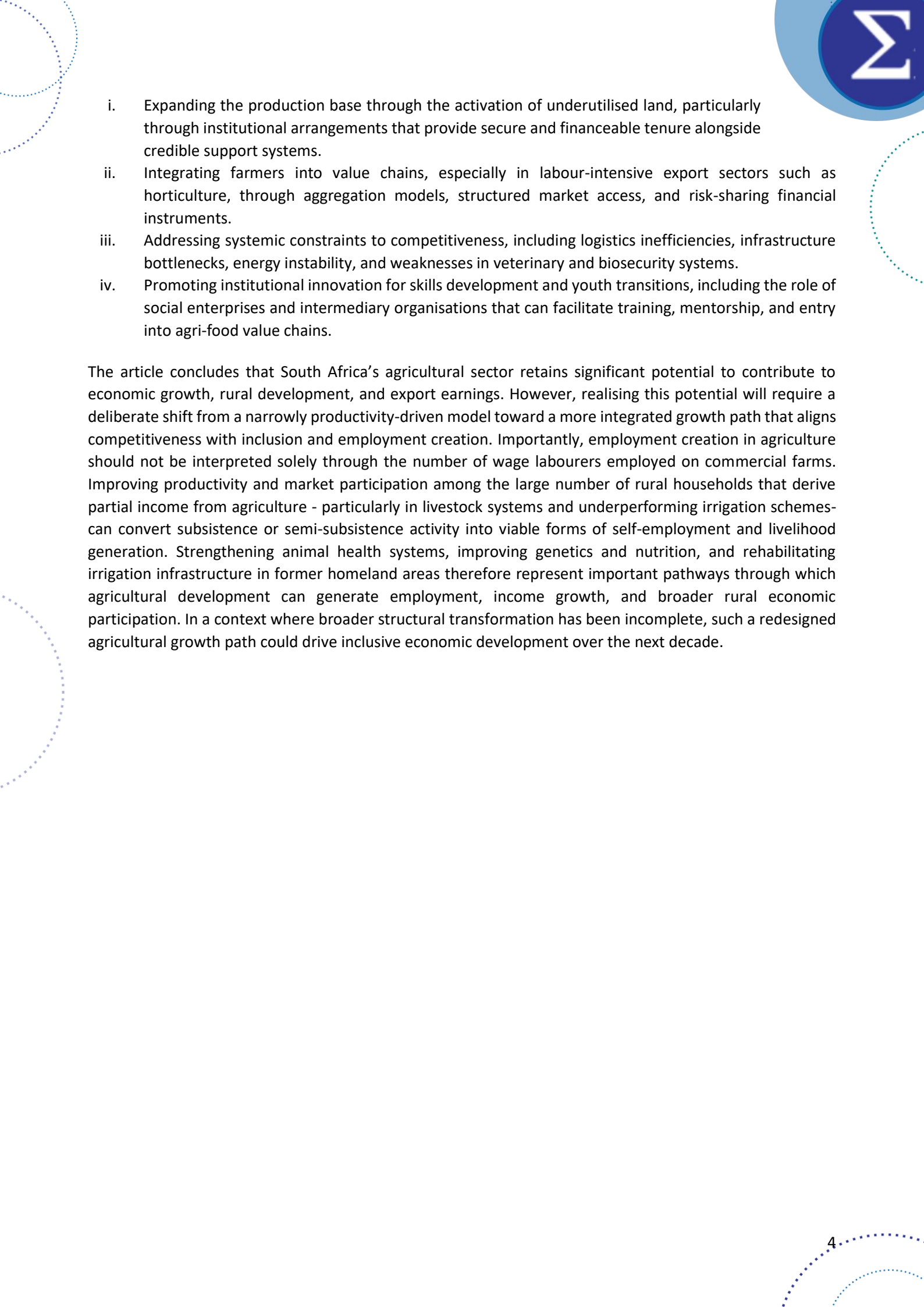
Despite these achievements, the sector's growth trajectory reveals an important structural contradiction. While output, productivity, and export performance have expanded substantially, employment in primary agriculture has remained largely stagnant and, in some periods, declined. Concurrently, investment patterns in the sector indicate increasing capital intensity, with machinery, implements, and other farm assets growing more rapidly than labour demand. This pattern reflects a technology-enabled growth path in which productivity gains are increasingly achieved through mechanisation and capital deepening rather than labour absorption.

At the same time, South Africa's agricultural structure remains highly dualistic. A relatively small number of large commercial farms account for the majority of production, income, and market participation. However, this concentration coexists with a far larger landscape of small and micro family farms operating at varying degrees of commercialisation, many of which are excluded from official agricultural statistics because they fall below VAT registration thresholds. The broader agricultural economy therefore includes hundreds of thousands of rural households who derive at least part of their income from farming, but remain weakly integrated into formal value chains. This dualism reflects both efficiency dynamics within competitive export-oriented agriculture and persistent barriers to entry faced by new farmers, including limited access to finance, technology, extension services, and secure land tenure.

The article argues that these trends suggest South Africa's agricultural sector may have reached a mature stage of agro-industrial development. Consistent with structural transformation theory, agriculture's share of GDP has declined over time as the economy diversified, while productivity growth has continued to expand output and exports. However, unlike classical transformation pathways where labour released from agriculture is absorbed by rapidly expanding manufacturing sectors, South Africa's broader economy has struggled to generate sufficient high-productivity employment. As a result, the agricultural sector operates within a development context characterised by strong competitiveness but limited labour absorption.

Against this backdrop, the paper poses a central question: has South Africa's agricultural growth path reached an inflection point? The evidence suggests that while the current trajectory has been effective in generating productivity growth and export competitiveness, it is less effective in addressing the country's broader development challenges of employment creation and inclusive participation.

The paper therefore argues for a redefined agricultural growth path that preserves the competitive strengths of commercial agriculture while expanding participation and employment opportunities. Four key pillars underpin this proposed framework:

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- i. Expanding the production base through the activation of underutilised land, particularly through institutional arrangements that provide secure and financeable tenure alongside credible support systems.
  - ii. Integrating farmers into value chains, especially in labour-intensive export sectors such as horticulture, through aggregation models, structured market access, and risk-sharing financial instruments.
  - iii. Addressing systemic constraints to competitiveness, including logistics inefficiencies, infrastructure bottlenecks, energy instability, and weaknesses in veterinary and biosecurity systems.
  - iv. Promoting institutional innovation for skills development and youth transitions, including the role of social enterprises and intermediary organisations that can facilitate training, mentorship, and entry into agri-food value chains.

The article concludes that South Africa's agricultural sector retains significant potential to contribute to economic growth, rural development, and export earnings. However, realising this potential will require a deliberate shift from a narrowly productivity-driven model toward a more integrated growth path that aligns competitiveness with inclusion and employment creation. Importantly, employment creation in agriculture should not be interpreted solely through the number of wage labourers employed on commercial farms. Improving productivity and market participation among the large number of rural households that derive partial income from agriculture - particularly in livestock systems and underperforming irrigation schemes - can convert subsistence or semi-subsistence activity into viable forms of self-employment and livelihood generation. Strengthening animal health systems, improving genetics and nutrition, and rehabilitating irrigation infrastructure in former homeland areas therefore represent important pathways through which agricultural development can generate employment, income growth, and broader rural economic participation. In a context where broader structural transformation has been incomplete, such a redesigned agricultural growth path could drive inclusive economic development over the next decade.



# 1 Introduction

South Africa's post-1994 development trajectory has been shaped by a persistent growth–employment contradiction: modest aggregate growth and high unemployment coexist with pockets of internationally competitive performance, including in parts of agriculture and agro-processing (StatsSA, 2026; World Bank, 2026). In macroeconomic terms, agriculture's direct contribution to GDP is relatively small, but its systemic importance is larger when viewed through employment, rural livelihoods, foreign exchange earnings, and backward/forward linkages into agro-processing, logistics, finance, and services (Quantec, 2026; StatsSA, 2026).

At the same time, South Africa's agricultural structure remains deeply dualistic. Statistics South Africa (StatsSA, 2020) reports that in 2017, some 2,610 “large” commercial farms (6.5% of farms) accounted for 67.0% of total income and 51.4% of total employment in the commercial farm sector – evidence of a highly concentrated production and income structure. Contemporary policy documents similarly characterize the inherited “two agricultures” problem: a well-resourced commercial core alongside a large number of small-scale and subsistence producers who remain weakly connected to markets, finance, and technology (DALRRD, 2022; National Planning Commission, 2012; Sihlobo, 2023).

These conditions generate three interlinked policy imperatives. First, competitiveness must be preserved and improved, particularly as infrastructure and governance failures (ports, rail, energy reliability, and veterinary/biosecurity capacity) become binding constraints even for leading exporters (BFAP & BER, 2024; Sihlobo & Kirsten, 2025). Second, inclusion must be operationalized – not only via land transfer, but through credible post-settlement support, market access, and risk-reducing institutional arrangements that enable new entrants to commercialize (DALRRD, 2022; Kirsten, Edwards & Vink, 2020a). Third, agricultural growth must be re-linked to employment creation in ways consistent with the realities of structural transformation and South Africa's limited capacity to absorb labour into manufacturing at scale (World Bank, 2023; Rodrik, 2016).

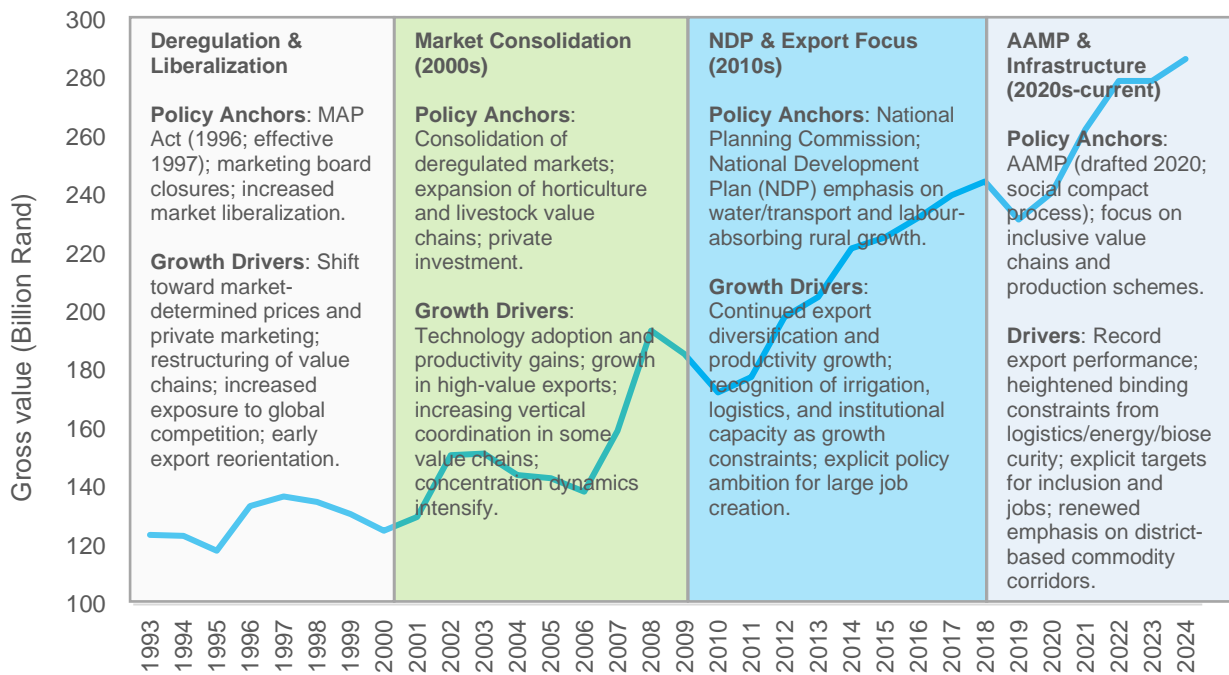
This paper develops a more balanced assessment of the prevailing growth trajectory– recognizing its achievements while substantiating its distributional and employment limitations – and argues for a new integrated growth path for South African agriculture. The article proceeds as follows. The next section examines the principal drivers that have shaped the sector's growth trajectory over the past three decades, highlighting the role of policy reforms, technological change, and export market integration in underpinning productivity and income growth. The subsequent section interrogates the structural limitations of the current growth path, focusing on the implications of capital-intensive production, farm consolidation, and persistent dualism for employment creation and inclusive participation. The paper then situates South Africa's experience within the broader literature on structural transformation, comparing the country's trajectory with that of other emerging agricultural economies. Building on this analysis, the penultimate section outlines the elements of a redefined agricultural growth pathway – one that broadens participation through smallholder integration, expanded land utilization, and stronger linkages across agricultural value chains. The final section concludes by summarizing the key findings and drawing out the policy implications for fostering a more inclusive and employment-oriented agricultural growth trajectory.



## 2 Trends and policy drivers of South Africa’s agricultural growth

South Africa’s agricultural sector has experienced a notable expansion over the past three decades. In real terms, the sector’s output has more than doubled since the early 1990s, reflecting sustained productivity gains and structural shifts toward higher-value commodities (BFAP & BER, 2024). As illustrated in Figure 1, real gross value of agricultural production has exhibited a clear upward trajectory since the early post-apartheid period, notwithstanding periodic volatility associated with weather shocks and global market conditions. This growth has occurred across multiple subsectors, but the composition of output has changed significantly. In particular, horticulture and livestock have grown more rapidly than field crops, contributing to a gradual stabilization of agricultural income streams over time (BFAP & BER, 2024; DALRRD, 2024).

**Figure 1: Gross Value of Agricultural Production (2025=100)**

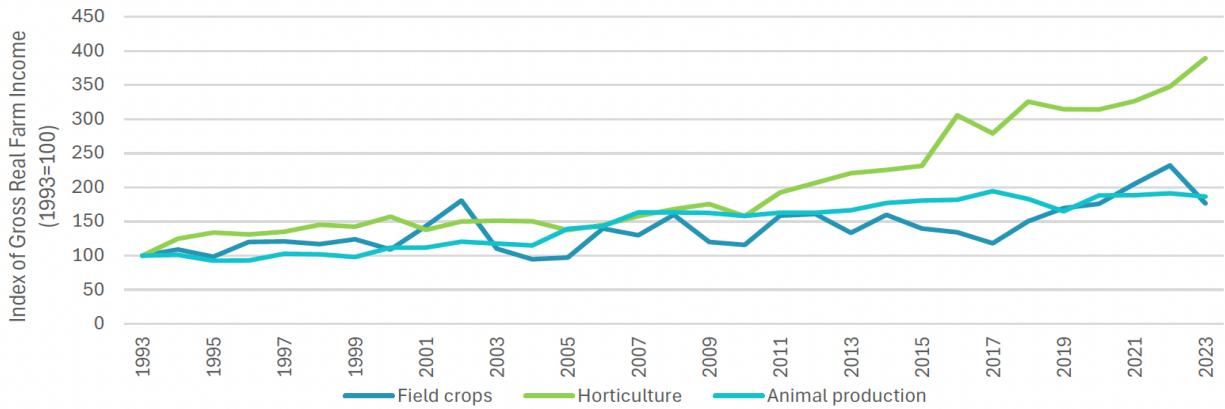


Source: Authors’ Conception based on DALRRD (2025)

When looking at Figure 1 It is Important to note that South Africa’s agricultural competitiveness is not solely the outcome of post-1994 liberalisation, but also reflects a legacy of pre-existing institutional investments in research, extension services, credit systems, and coordinated marketing structures. Post-1994 reforms reoriented the sector toward market-based coordination and global integration, but did not fully replace the institutional mechanisms that historically underpinned farmer commercialisation - particularly for new entrants. This dual legacy helps explain the coexistence of a globally competitive commercial core alongside persistent structural dualism.

A complementary indicator of the sector’s structural shift is presented in Figure 2, which tracks the index of real gross farm income since 1993. The data show a marked increase in real farm income over the period, with horticulture emerging as the fastest-growing component of the sector. The expansion of fruit, wine, and other high-value export commodities has been a central feature of South Africa’s agricultural transformation, reflecting both technological improvements and increasing integration into global markets. As horticulture expanded relative to field crops, it reduced the volatility traditionally associated with rain-fed grain production and helped stabilize overall agricultural income (BFAP & BER, 2024; Vink & Kirsten, 2003).

**Figure 2: Real Gross Income (1993=100)**

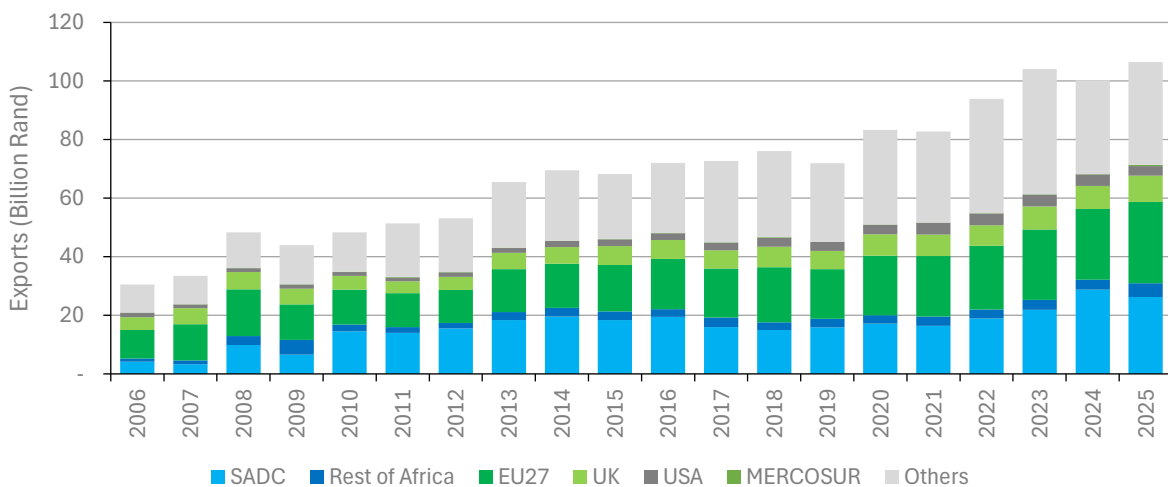


Source: BFAP & BER (2024), from DALRRD (2024)

These production and income trends were strongly shaped by policy reforms introduced in the mid-1990s. The deregulation of agricultural marketing through the Marketing of Agricultural Products Act (Act 47 of 1996) dismantled statutory control boards and shifted the sector toward market-determined prices and private marketing channels (Kirsten, Vink & Van Zyl, 1998). The reform fundamentally restructured agricultural value chains by exposing producers to international competition while simultaneously enabling greater flexibility in production and marketing decisions. In combination with South Africa’s reintegration into global trade following the end of apartheid, these reforms catalyzed a shift toward export-oriented agriculture and incentivized investments in productivity-enhancing technologies and farm management practices (Vink & Kirsten, 2003; World Bank, 2020a).

Export performance reflects the success of this transition. As shown in Figure 3, South Africa’s agricultural exports have grown steadily since the mid-2000s, reaching record levels in recent years. Export markets have also diversified geographically, with substantial growth in shipments to the rest of Africa, the European Union, and other international destinations. According to the National Agricultural Marketing Council, agricultural exports reached approximately US\$13.7 billion in 2024, reinforcing the sector’s position as a significant contributor to foreign exchange earnings (NAMC, 2025). The expansion of export-oriented value chains – particularly in horticulture – has therefore been a central driver of the sector’s long-run growth trajectory.

**Figure 3: SA’s Agricultural Exports (2015=100)**

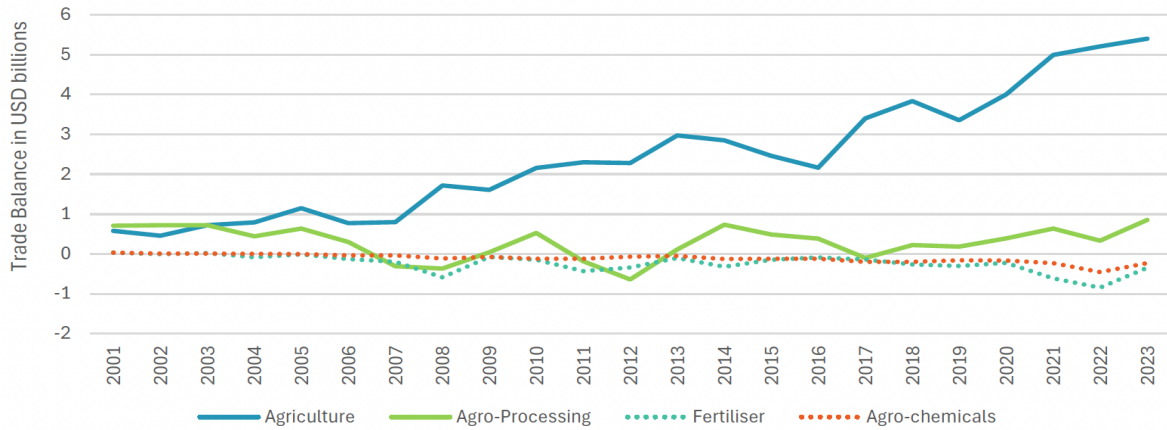


Source: TradeMap (2026)



The external orientation of the sector is also evident in the evolution of the agricultural trade balance Error! Reference source not found. shows that primary agriculture has maintained a consistent trade surplus for more than a decade, even as input industries such as fertilizers and agrochemicals remain net importers. The persistence of these surplus underscores the international competitiveness of South African agriculture and the strength of its export value chains. At the same time, it highlights the increasing integration of the sector into global supply chains, where competitiveness depends not only on farm productivity but also on logistics performance, port efficiency, and compliance with international standards (BFAP & BER, 2024; NAMC, 2025).

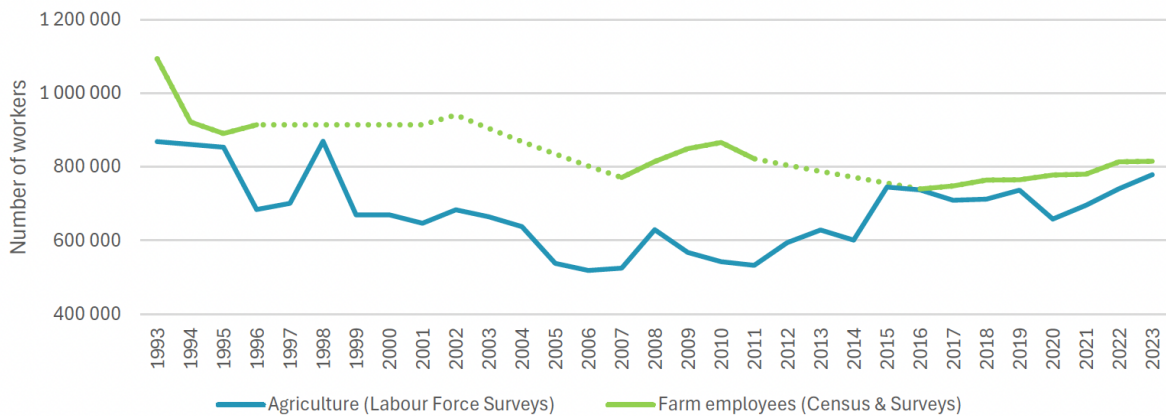
**Figure 4: Real Trade Balance for Agric, Agro-processing and inputs**



Source: BFAP & BER (2024) from TradeMap (2024)

Despite these strong output and export outcomes, employment trends reveal a more complex picture. As illustrated in Figure 5, employment in commercial agriculture has remained relatively flat - and in some periods declined - over the past three decades. While the sector’s output has expanded substantially, job creation has not kept pace with production growth.

**Figure 5: Employment in Commercial Agriculture**



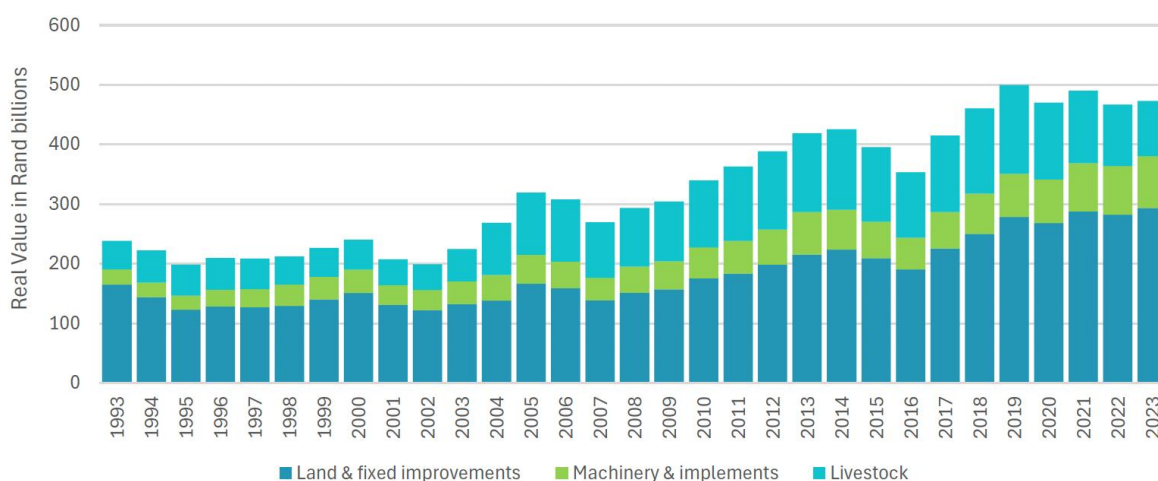
Source: BFAP & BER (2024), from StatsSA (2024)

There are at least two factors that partly explain this phenomenon. First, labour market regulation has influenced employment dynamics. Evidence in South Africa shows that large increases in agricultural minimum wages primarily affected employment through slower job creation rather than widespread job destruction, as farms reduced the rate of hiring new workers while largely retaining existing employees (Piek, von Fintel & Kirsten, 2023; Piek et al., 2020). This adjustment mechanism implies that minimum wage policy may raise barriers to entry for potential new farmworkers – particularly younger and less productive workers – even while improving wages for those already employed.



Second, this pattern reflects the increasing capital intensity of modern agricultural systems, where technological innovation and mechanization enable producers to generate higher levels of output with fewer workers (Timmer, 2009; World Bank, 2020). Evidence of this capital deepening is presented in Figure 6, which shows the real value of farm assets since the early 1990s. Investments in agricultural machinery, implements, and equipment have grown more rapidly than other asset categories, signalling the increasing mechanization of the sector. Mechanization has played a crucial role in improving efficiency, raising yields, and enhancing international competitiveness. However, it has also reduced labour demand per unit of output, reinforcing the divergence between output growth and employment growth within the sector.

**Figure 6: Real Value of Farm Assets (2015=100)**



Source: BFAP & BER (2024), from DALRRD (2024)

Another defining feature of South Africa’s agricultural growth path is the high degree of structural concentration within commercial farming. Data from the Census of Commercial Agriculture indicate that the largest 6.5% of commercial farms account for approximately 67% of total gross farm income, as shown in Table 1 (StatsSA, 2020). This concentration reflects the importance of economies of scale in export-oriented agriculture, where compliance with international quality standards, access to capital, and participation in sophisticated value chains often favour larger producers.

**Table 1: Farm structure in South Africa, 2017**

Category (Gross Farm Income)	Number of Farming Units	Share of Commercial Farming Units (%)	Share of Total Gross Farm Income (%)
R22.5 million and more (large)	2 607	6.5	67.0
R13.5 million to R22.5 million (medium)	1 847	4.6	9.7
R2.5 million to R13.5 million (small)	10 712	26.7	18.5
R1 million to R2.5 million (micro)	6 219	15.5	2.9
Less than R1 000 000 (micro)	18 737	46.7	1.9
Total (VAT registered famers)	40 122	100	100

Source: StatsSA (2020)

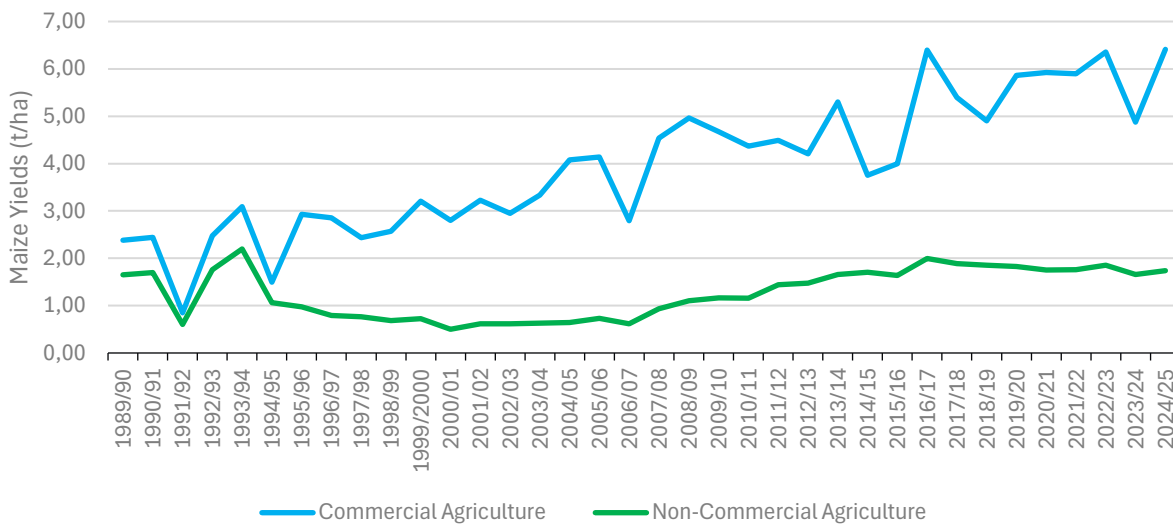
At the same time, the sector exhibits persistent dualism between commercial and non-commercial agriculture. As illustrated in Figure 7, yield gaps between commercial and non-commercial maize producers remain substantial and have widened over time. Commercial farms achieve significantly higher yields due to better access to inputs, mechanization, extension services, and financial resources, whereas smaller and



emerging farmers often face constraints in accessing these productivity-enhancing technologies (SAGIS, 2026; Kirsten, Edwards & Vink, 2020a).

However, the interpretation of concentration statistics requires some important caveats. Official farm counts vary considerably depending on the statistical frame used, particularly because recent agricultural censuses have relied on VAT-registered farm businesses as the primary sampling frame (StatsSA, 2020). This approach captures the most commercially active segment of agriculture but excludes a large number of smaller producers whose turnover falls below the VAT registration threshold. Evidence from the 2022 Population Census suggests that more than 2.4 million households engage in agricultural activities in South Africa, although only a small fraction – approximately 107 000 households – derive their primary income from farming (StatsSA, 2024). When smaller producers who sell some agricultural output are included, the number of market-oriented agricultural producers rises substantially. This implies that while agricultural income and production remain highly concentrated among a relatively small number of large farms, the broader agricultural landscape consists predominantly of small family-based farming enterprises operating at varying degrees of commercialisation.

**Figure 7: Commercial vs. non-Commercial Maize Yields (t/ha)**



Source: SAGIS (2026)

Taken together, these trends highlight a central paradox in South Africa’s agricultural development. The sector has achieved impressive gains in productivity, export performance, and global competitiveness. Yet these gains have been accompanied by relatively limited employment growth and persistent structural dualism within the sector. Under the prevailing growth trajectory – characterized by technology-driven productivity gains and export-oriented value chains – agricultural growth has been robust but unevenly distributed. The dismantling of coordinated marketing and support structures under liberalisation improved efficiency and price discovery, but also removed key mechanisms that had previously supported farmer integration into markets. In the absence of equally effective replacement institutions, this transition contributed to the persistence - and in some respects deepening - of structural dualism, particularly among historically disadvantaged producers. Without complementary institutional reforms that expand participation in these value chains and address productivity gaps between commercial and emerging farmers, the benefits of growth are likely to remain concentrated among a relatively small group of highly productive producers.



### 3 Theoretical Framework: Growth, Structural Transformation and Agricultural Development

The empirical trends discussed above point to a distinctive feature of South Africa's agricultural development trajectory. Over the past three decades, the sector has experienced sustained productivity growth, expanded export performance, and increased integration into global agri-food value chains. At the same time, however, employment in primary agriculture has remained relatively stagnant, and labour released from agriculture has not been absorbed at sufficient scale into higher-productivity sectors elsewhere in the economy. This divergence between strong productivity-led growth within agriculture and weak employment absorption in the broader economy raises an important analytical question about the evolution of the sector's growth trajectory. When a sector achieves sustained productivity gains and export competitiveness but generates limited additional employment, it may signal that the prevailing growth trajectory has reached the mature phase of agro-industrial development. Against this backdrop, an important question arises: has South Africa's agricultural growth path reached an inflection point?

The "inflection point" question is best framed through structural transformation theory and the role of agriculture in development. Classical development theory conceptualizes structural transformation as a process through which economies transition from predominantly agrarian systems to more diversified structures characterized by higher productivity in industry and services (Lewis, 1954; Johnston & Mellor, 1961; Timmer, 2009). In this framework, agriculture initially plays a central role by generating food surpluses, releasing labour to more productive sectors, providing savings and foreign exchange, and creating demand linkages that stimulate industrialization (Johnston & Mellor, 1961; Timmer, 2009). As economies develop, agriculture's share of GDP and employment typically declines, even as agricultural productivity increases.

The classical dual-economy model developed by Lewis (1954) describes this transition as a shift of labour from a low-productivity traditional sector – often agriculture – into a higher-productivity modern sector. Rising agricultural productivity allows labour to be released without reducing food supply, while industrialization absorbs this labour and raises overall economic productivity. Subsequent scholarship expanded this framework by highlighting agriculture's broader contribution to development beyond labour release. Johnston and Mellor (1961) emphasized the sector's role in supplying food to urban populations, generating demand for industrial goods, and providing raw materials for agro-processing industries. Timmer (2009) further argued that agricultural productivity growth is often a prerequisite for successful structural transformation because it stabilizes food prices and raises rural incomes, thereby supporting economy-wide growth.

However, the structural transformation process is neither automatic nor uniform across countries. In successful transformation cases – such as those observed historically in East Asia – agriculture's productivity gains coincided with rapid industrialization and labour absorption in manufacturing (Timmer, 2009; World Bank, 2020). By contrast, many contemporary developing economies face a different trajectory, where manufacturing expansion is weaker and labour absorption occurs predominantly in services sectors with relatively low productivity growth. Rodrik (2016) describes this phenomenon as "premature deindustrialization," in which economies begin shifting away from manufacturing at lower income levels than historically observed. Under such circumstances, agriculture may retain a more persistent role as a source of employment and livelihoods, particularly in rural areas.

The literature on agricultural transformation also highlights the growing importance of agri-food value chains. As agricultural systems modernize, employment increasingly shifts away from primary production toward downstream and upstream activities including input supply, logistics, processing, retail, and compliance services (Reardon et al., 2012; World Bank, 2020b). This transformation implies that the economic contribution of agriculture extends beyond farm-level output to the broader food system, where value-added activities and employment opportunities are often more dynamic. Timmer (2009) notes that in

many middle-income economies the majority of employment generated by the agricultural sector occurs outside farming itself, reflecting the expansion of integrated food value chains.

These theoretical insights are highly relevant for interpreting South Africa's agricultural trajectory. Over the past three decades the sector has exhibited many features associated with successful productivity-led transformation: technological adoption, export expansion, and rising competitiveness in high-value commodities. Yet the broader structural transformation process has been incomplete. While agriculture's share of GDP has declined, labour released from agriculture has not been absorbed at sufficient scale into high-productivity sectors elsewhere in the economy. Instead, employment expansion has occurred largely in services segments with relatively limited productivity growth (Rodrik, 2016; World Bank, 2023). This divergence from the classical transformation pathway helps explain why agricultural growth in South Africa has not translated into substantial employment gains.

Furthermore, structural transformation theory often assumes relatively homogeneous agricultural systems transitioning toward industrialization. In practice, many developing economies – including South Africa – exhibit persistent agricultural dualism, characterized by a technologically advanced commercial sector alongside a large number of small-scale or subsistence producers with limited access to markets, finance, and technology (Vink & Kirsten, 2003; Kirsten, Edwards & Vink, 2020a). Such dualistic structures can limit the diffusion of productivity gains across the sector and constrain the inclusiveness of growth outcomes. As a result, even when agricultural productivity increases at the aggregate level, benefits may remain concentrated within a relatively small number of highly productive producers and value chains.

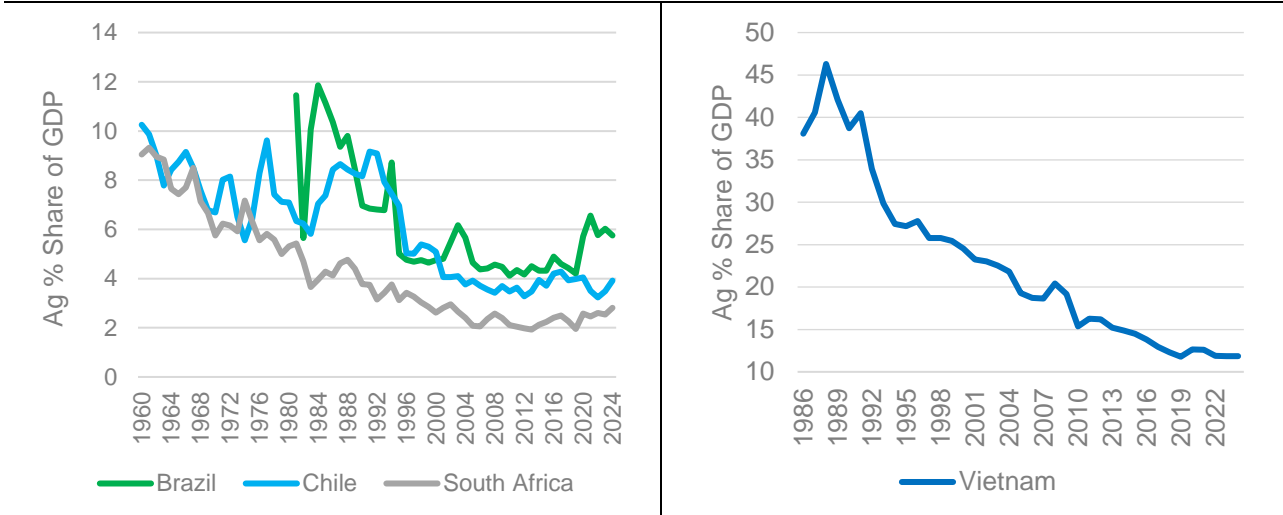
Another limitation of traditional structural transformation models is that they often understate the institutional conditions required to translate productivity growth into inclusive development outcomes. Contemporary development literature emphasizes the importance of infrastructure quality, market institutions, land tenure systems, and governance capacity in shaping agricultural transformation (World Bank, 2020; Timmer, 2009). Where these institutional foundations are weak, productivity growth may coexist with persistent inequality, limited labour absorption, and barriers to entry for new producers.

These theoretical considerations provide the conceptual lens through which this paper evaluates South Africa's agricultural growth path. The analysis recognizes that productivity-led, export-oriented growth is broadly consistent with the historical experience of successful agricultural transformation. However, the South African case illustrates important deviations from the classical model: incomplete labour absorption in the broader economy, persistent structural dualism within agriculture, and increasing system-level constraints related to infrastructure and institutional capacity. The implication is that future agricultural growth strategies must extend beyond productivity and export competitiveness alone. Instead, they must address the institutional, spatial, and value-chain dynamics that determine whether agricultural growth can generate inclusive employment opportunities and support broader structural transformation.

## 4 Redefining a New Agricultural Growth Path

In South Africa, agriculture's share of GDP has declined over time in line with the structural transformation pattern, while the sector's long-run importance increasingly lies in value chain linkages and exports rather than its direct GDP share (World Bank, 2026; Quantec, 2026). More recently, however, agriculture's share of GDP has edged upward – from roughly 2% in the early 2010s to around 2.8% in recent years – reflecting strong export performance, productivity gains, and resilience within parts of the commercial sector (see Figure 8). This modest reversal suggests not a reversal of structural transformation, but rather a strengthening of agriculture's role as a competitive, export-oriented component of the broader economy.

**Figure 8: Agriculture as a Share of GDP – South Africa, Brazil, Chile & Vietnam**



Source: World Bank (2026)

South Africa's agricultural transformation broadly follows the structural pattern observed in many middle-income economies, where agriculture's share of GDP declines as productivity increases and the economy diversifies. However, unlike the classical transformation pathway described by Lewis (1954) and Johnston and Mellor (1961), labour released from agriculture has not been absorbed at sufficient scale into manufacturing or other high-productivity sectors. Instead, employment growth has occurred largely in lower-productivity service segments, reflecting characteristics of what Rodrik (2016) terms premature deindustrialisation. While countries such as Brazil, Chile, and Vietnam combined agricultural productivity growth with stronger industrial labour absorption, South Africa's incomplete structural transformation has limited the economy's ability to absorb rural labour into more productive sectors (Timmer, 2009; World Bank, 2023a).

This matters for an agriculture growth strategy. If the rest of the economy cannot reliably absorb labour, then agriculture retains a more direct employment and livelihood role than structural transformation "textbook" pathways might suggest – particularly in rural areas and for youth transitions (World Bank, 2023a; NPC, 2012). At the same time, the agricultural sector cannot easily revert to a low-productivity, labour-intensive equilibrium without sacrificing competitiveness, export earnings, and resilience (BFAP & BER, 2024). Hence the inflection point is not a choice between "competitiveness" and "jobs", but a requirement to redesign the institutional and spatial foundations of growth so that competitiveness is maintained while participation expands.

International comparisons underline both the validity and limits of the structural transformation lens. Brazil's rise as an agricultural powerhouse has been closely associated with large-scale productivity growth and scientific innovation, including the institutional role of Embrapa in building a tropical agriculture technology base (Gasques et al., 2012; World Bank, 2020a). Vietnam's post-1986 reforms (Doi Moi) illustrate how policy incentives, land and market reforms, and technology adoption can rapidly raise output and export capacity



– Vietnam became a notable rice exporter from 1989 onwards (FAO, 2020; Pingali & Xuan, 1992). These cases show that productivity-led, export-oriented agriculture can coexist with significant employment and poverty reduction when institutions connect farmers to markets and upgrading pathways (Timmer, 2009; World Bank, 2020b).

Yet these cases also highlight a caution relevant to South Africa: productivity growth and export success do not automatically solve dualism, land inequality, or rural employment constraints; they must be accompanied by credible inclusion mechanisms, human capital investment, and functional infrastructure (World Bank, 2020; Rodrik, 2016). In that sense, South Africa may indeed be near the “bottom” of the structural transformation curve for agriculture’s GDP share, but not yet at a stable endpoint for inclusion or employment absorption (World Bank, 2026; NPC, 2012). This begs the need for a new growth path.

A new growth trajectory for South African agriculture should be understood as an integrated framework rather than a single instrument. It should preserve the productive and export-competitive core of commercial agriculture while broadening participation and employment through targeted extensification (bringing additional land into production), value chain integration of smallholders and new farmers, and institutional innovation to reduce risk and build skills (Vink & Kirsten, 2003; BFAP & BER, 2024; World Bank, 2023). Care should be taken not to replicate historical institutional arrangements, but to design modern equivalents that perform similar coordination functions under contemporary market conditions. Historical experience - including responses to the “poor white problem” in the early 20th century - illustrates that agricultural commercialisation requires coordinated interventions across land access, finance, skills development, and market integration (Fourie, 2012; 2019). A redesigned growth path must therefore combine market-based incentives with institutional mechanisms that reduce risk, enable investment, and support the integration of new entrants into competitive value chains.

A first pillar is to expand the production base by effectively activating underutilized land. Additional growth can be derived from bringing approximately 2.5 million hectares of underutilized land into production could materially expand output and generate on-farm and off-farm employment. This is consistent with a broader public debate: multiple analyses refer to approximately 2.5 million hectares of state-held land in the government’s land holding account (often linked to the Proactive Land Acquisition Strategy) that has not been fully utilized or transferred with secure tenure – though reported figures and interpretations vary (DALRRD, 2020; National Planning Commission, 2012; Sihlobo & Kirsten, 2025). For policy design, the key point is not the precise number, but the institutional mechanism: land release must be paired with secure, financeable tenure, credible beneficiary selection, and performance-oriented support systems; otherwise, land will not translate into sustained commercial production (World Bank, 2023; DALRRD, 2022).

A second pillar is to make value chain integration – not land transfer alone – the engine of inclusive growth. The AAMP’s “theory of change” and strategic objectives focus explicitly on inclusive value chains, market access, farmer support, and enabling infrastructure (DALRRD, 2022). The implication for a redesigned growth path is that new entrants should be targeted into commodities where South Africa has (or can plausibly build) comparative advantage and labour absorption potential – particularly horticulture value chains where employment multipliers extend into packhouses, cold chains, logistics, and compliance services (BFAP & BER, 2024; Kirsten, Edwards & Vink, 2020b). Operationally, this points to a package approach: aggregation models, structured off-take agreements, blended finance, risk-sharing instruments, and coordinated extension and compliance support (including standards required for export markets) (World Bank, 2023; NAMC, 2025).

A third pillar is to treat infrastructure, energy reliability, and biosecurity as core growth policy – not “background conditions”. The NAMC’s trade assessment is explicit that improved trade performance depends on investment in bulk infrastructure and mitigation of supply chain inefficiencies, including ports and rail modernization, transport reliability, cold storage, and energy stability (NAMC, 2025). Because export-led agriculture is logistics-intensive, these constraints affect not only competitiveness but also the feasibility

of integrating smaller producers, who are less able to self-insure against delays, spoilage, and compliance disruptions (BFAP & BER, 2024; World Bank, 2023b).

A fourth pillar is institutional and organizational innovation to support skills development and youth transitions. The social solidarity economy – where economic activity is organized around social as well as commercial objectives – can play an important role in addressing gaps where formal labour markets are failing to absorb the growing youth population. In this context, social enterprises can serve as critical intermediaries that help correct labour market failures and expand pathways into productive economic activity (Harambee Youth Employment Accelerator, 2026.). Scaled social enterprise models offer promising platforms for skills development, mentorship, and facilitating youth entry into farming, agro-processing, and agricultural services (Harambee Youth Employment Accelerator, 2026.). This perspective is consistent with structural transformation analyses, which emphasize that modern agri-food value chains generate expanding off-farm employment opportunities in services, processing, transport, and compliance, often providing more scalable employment pathways for youth than farm ownership alone (Timmer, 2009; World Bank, 2020b). The policy implication is to support intermediaries that solve coordination failures: training pipelines linked to real demand (packhouses, irrigation services, mechanization hire, extension-as-a-service, quality assurance), and enterprise models that can combine production support with employment creation in rural nodes (Kirsten, Edwards & Vink, 2020b).

A fifth pillar of a redesigned agricultural growth path is the recognition of self-employment and smallholder enterprise development as a legitimate and important pathway for employment creation in South Africa's rural economy. Realising the sector's inclusive growth potential requires moving beyond a narrow focus on hired labour within commercial agriculture toward a broader conception of employment that includes self-employment, household enterprises, and value-chain participation. In many developing economies, agriculture remains a primary source of self-employment and income diversification, particularly where formal labour markets are unable to absorb the growing rural workforce (World Bank, 2007; Timmer, 2009). Evidence across Africa demonstrates that improving productivity among smallholder farmers can generate significant livelihood gains through increased farm incomes and stronger market integration, even when these gains do not immediately translate into formal wage employment (Davis et al., 2017; World Bank, 2020). In the South African context – where hundreds of thousands of rural households derive some income from agricultural activities – enhancing productivity and market participation could convert part-time or subsistence farming into more viable forms of self-employment and commercial livelihood activity.

Provincial governments have a particularly important role to play in enabling this transition. In many former homeland areas, productivity constraints in livestock production remain severe due to animal disease, poor genetics, inadequate nutrition, and weak veterinary services. Research shows that targeted improvements in animal health management, breeding programmes, and feed systems can substantially raise productivity and incomes among smallholder livestock producers (Scoones et al., 2013; FAO, 2019). Similarly, the rehabilitation and improved governance of irrigation schemes represents a major opportunity to expand self-employment and rural enterprise development. Many irrigation schemes established to support smallholder production have deteriorated due to infrastructure failures and weak institutional management (Fanadzo, 2012; World Bank, 2018). Where these schemes function effectively—with reliable water delivery, strong farmer organisations, and access to markets—they can significantly increase cropping intensity, farm incomes, and local employment through both on-farm and value-chain activities (Fanadzo, 2012; World Bank, 2020b).

Taken together, these pillars define a growth path that is not “anti-technology” or “anti-export”, but explicitly pro-inclusion and pro-employment through the redesign of institutions and value chain architecture and increasing the efficiency and outcomes of provincial service delivery and infrastructure investment (Vink & Kirsten, 2003; World Bank, 2023b). These considerations suggest that employment creation in South African agriculture should be understood through a broader rural development lens. Strengthening smallholder



productivity, revitalising irrigation systems, improving livestock systems, and supporting intermediary institutions that link farmers to markets and services can expand self-employment opportunities while reinforcing the competitiveness of the commercial sector. In this way, agricultural growth can generate wider participation, income generation, and entrepreneurial activity across the rural economy rather than relying solely on the expansion of hired labour within large-scale farms (Kirsten, Edwards & Vink, 2020a).



## 5 Summary and Conclusion

A balanced critique of the prevailing agricultural growth path begins by recognizing its real achievements: internationally competitive exports, a persistent agricultural trade surplus, and substantial productivity gains in multiple subsectors (BFAP & BER, 2024; NAMC, 2025; World Bank, 2026). The problem is not “growth per se”, but the distribution, employment intensity, and resilience of that growth under South Africa’s broader development constraints. The paper makes five key observations:

First, productivity-enhancing technological change can reduce labour demand per unit of output, especially where mechanization substitutes for routine labour. This is not unique to South Africa; it is a widely observed feature of structural transformation (Lewis, 1954; Timmer, 2009; Rodrik, 2016). Importantly, the employment effects are heterogeneous across commodities: labour intensity varies sharply between, for example, horticulture versus extensive livestock systems (BFAP & BER, 2024; Kirsten, Edwards & Vink, 2020a). The policy risk arises when aggregate sector strategy implicitly assumes that output growth will automatically translate into broad-based employment growth, without specifying where and how labour-intensive expansion will occur.

Second, concentration in commercial agriculture and in parts of agro-processing can amplify dualism. The Census of Commercial Agriculture provides a concrete benchmark: a small share of large farms accounts for a dominant share of income and even a majority share of commercial employment, while micro farms account for a negligible share of income (StatsSA, 2020). This does not imply that large farms are “bad” or that concentration is inherently inefficient – indeed, scale economies can be essential for export competitiveness and compliance – but it does imply that without purposeful inclusion mechanisms, growth tends to be captured disproportionately by top-tier producers and firms (Vink & Kirsten, 2003; Kirsten, Edwards & Vink, 2020a).

Third, land reform and new entrant support have often struggled to translate asset transfer into sustained commercial production. The AAMP frames this as a structural challenge rooted in the persistence of “two agricultures” and incomplete integration of historically disadvantaged producers into competitive value chains (DALRRD, 2020). Contemporary commentary highlights the additional constraint of insecure tenure and weak post-settlement support on state-leased farms, limiting access to finance, investment, and productivity-enhancing upgrading (Sihlobo & Kirsten, 2025; World Bank, 2023). These constraints matter for any future growth path that relies on bringing additional land into productive use; without credible institutional fixes, land release alone will not generate sustained output and employment (National Planning Commission, 2012; DALRRD, 2022).

Fourth, “binding constraints” are increasingly about system performance rather than on-farm capacity alone. The NAMC’s assessment of agricultural trade performance explicitly highlights unreliable transport networks, inefficient port operations, ageing cold storage, intermittent energy supply, and biosecurity challenges – constraints that can erode competitiveness even in strong export industries (NAMC, 2025; BFAP & BER, 2024). The concern is not only inclusion and employment, but the sustainability of export-led competitiveness under deteriorating logistics and governance performance.

Fifth, emerging from this analysis is the need to recognise self-employment and smallholder enterprise development as an important pathway for employment creation in South Africa’s rural economy. Rather than focusing solely on the number of labourers employed on commercial farms, agricultural employment should be understood more broadly to include self-employment, household enterprises, and participation in agri-food value chains. Evidence across developing economies shows that improving productivity and market integration among smallholder producers can generate substantial livelihood gains even where formal wage employment remains limited (World Bank, 2007; Timmer, 2009; Davis et al., 2017). In South Africa, strengthening livestock systems, rehabilitating irrigation schemes, and improving institutional support could

convert part-time farming into more viable self-employment opportunities while maintaining the competitiveness of the commercial sector.

A careful implication follows: South Africa's agricultural growth policies are not failing because it is export-oriented or productivity-focused, but because the policy stack has not yet solved the complementary institutional and structural problems needed to convert competitiveness into broad-based development outcomes (World Bank, 2023; Rodrik, 2016).

The central policy implication is that South Africa requires an integrated agricultural growth path that broadens participation without undermining the competitive core. Consistent with the NDP's emphasis on water and transport investments for employment creation, and the AAMP's strategic focus on inclusive value chains, the proposed model prioritises: (i) activating underutilised land through secure tenure and credible support systems; (ii) integrating smallholders farmers into export-capable value chains via risk-reducing institutional arrangements; (iii) treating infrastructure, energy, and biosecurity as central growth policy; (iv) building skills and youth transitions through innovative intermediary institutions, including social enterprise models, and (v) institutional and infrastructural support of smallholder and semi-subsistence producers so that farming can evolve from a supplementary livelihood into a viable source of full-time self-employment.

A final caution is warranted. Agricultural growth alone cannot resolve South Africa's broader structural employment crisis. But in a context where structural transformation has not delivered sufficient high-productivity employment absorption elsewhere, a redesigned set of agricultural growth policies can still play a material role in rural development, employment creation (both on- and off-farm), and inclusive economic participation - provided that the institutional foundations are strengthened and policy moves decisively from aspiration to implementation.

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