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Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

EXECUTIVE SUMMARY FOR THE NATIONAL POLICY ON COMPREHENSIVE PRODUCER DEVELOPMENT SUPPORT

Department of Agriculture, Forestry and Fisheries

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In order to contribute to the realisation of national developmental objectives as encapsulated in Chapter 6 of the National Development Plan (NDP), the National Policy on Comprehensive Produce Development Support (NPCPDS) aims to regulate and guide interventions (support services) provided to the various categories of producers by Government.

The **objectives** of the National Policy on Comprehensive Produce Development Support (NPCPDS) are:

- To define and standardise the categories of producers in the South African agriculture, forestry and fisheries sector;
- To facilitate the development and access of appropriate support services tailored to meet the needs of the various categories of producers along the agriculture, forestry and fisheries value chains;
- To establish a Comprehensive Register of Producers that will serve as a prerequisite for accessing support from Government;
- To protect, improve and optimally utilise scarce natural resources (e.g. land, water, bio-diversity and genetic resources) by advocating for and supporting environmentally friendly production practices;
- To provide for measures to establish systems for timely provision of inputs and basic infrastructure for producers;
- To facilitate and mainstream the participation of youth, women and persons with disabilities in the agriculture, forestry and fisheries sector;
- To strengthen institutional mechanisms to better coordinate support provided to the agriculture, forestry and fisheries sector to avoid competition and unnecessary duplication;
- To provide for suitable disaster risk management measures to improve producers' adaptation and mitigation to climate change and climate variability as well as for adequate and timely compensation of producers.

The NPCPDS recognises that achieving the above objectives requires the cooperation and participation of the farming community and the private sector as a whole. Therefore, Government will strengthen existing producer support institutional mechanisms to ensure that they are integrated and cater for the participation of the farming community and the private sector.

Capacity building of producers and officials is of utmost importance in order to ensure sustainability of developmental initiatives as envisaged in the policy. The Government will therefore strive to ensure that there is a need for concerted efforts to capacitate producers and officials particularly those who interact regularly with producers (e.g. Extension Practitioners, Animal Health Technicians, and Veterinarians etc.).

To be effective and efficient, producer support still need to be tailored to the needs of producers. Hence, the policy has **categorized producers** into four distinct but interrelated categories, namely:

- ***Household Producers (Vulnerable):*** A Household Producer (Vulnerable) is defined as a producer that produces primarily for household consumption to meet the daily dietary needs and has limited resources and skills to operate a market-led production system. This category include child headed households and households producing in communal land and commonages that are registered as indigents or they meet the criteria for registration as indigents with their municipality.

- ***Household Producers (Subsistence):*** A Household Producer (Subsistence) is defined as a producer that produces for household consumption and markets surplus production to generate additional income. These producers are not classified or registered ass indigents by their municipality. They may market limited surplus production with an annual turnover of less than R50 000.

- ***Smallholder Producers:*** A Smallholder Producer is defined as a producer that produces (at primary, secondary, and tertiary level) for household consumption and markets, therefore farming is consciously undertaken in order to derive a source of income. These are usually the new entrants aspiring to produce for market at a profit with an annual turnover ranging from R50 000 to R5 million per annum. This category of producers will be expected to make 35% own contribution towards their support.

- ***Medium Scale Commercial producers:*** A Medium Scale Commercial Producer is defined as a venture undertaken by an individual or business entity for the purpose of production and sale of agricultural, forestry and fisheries products to make a profit. These are usually the established producers who produces for market at a profit with an annual turnover of R5 million-R20 million. This category of producers will be expected to make 50% own contribution towards their support.

- ***Large Scale Commercial Producers:*** These category of producers are defined as a venture undertaken by an individual or business entity for the purpose of production and sale of agricultural, forestry and fisheries products annual turnover of over R20 million and do not qualify for government grant funding.

A central feature of the NPCPDS will be a shift away from wholesale grants (with the exception of Household Producers (Vulnerable), to a blended financial system that utilises both loans and grants.

Local processing of agricultural, forestry and fisheries produce will be encouraged in order to provide increased opportunities for value-adding, employment creation and foreign exchange earnings through the implementation of agro-processing incentive schemes and other targeted measures along the value chain.

A number of **policy principles** are proposed in the policy document. High impact principles that will change the way Government conducts its business as far producer support is concerned include the following:

- *Capped support:* There will be caps on financial support to be provided to producers to avoid cases of very substantial transfers to individuals/businesses. The caps will be reviewed annually to cater for inflation and price escalation.
- *Ring-fenced support:* About 40% of the value of support will be ring fenced for Household producers (both vulnerable and subsistence producers) 50% for smallholder producers and 10% ring fenced for medium scale commercial producers.

With an ageing farmer population, the mainstreaming of youth and other vulnerable groups (i.e. women and persons with disabilities) is of utmost importance. Government shall develop and implement a strategy to attract the participation of youth, women, and persons with disabilities along the agriculture, forestry and fisheries value chain. In terms of producer support, at least 50% of support will be allocated to vulnerable groups (youth, women) while 6% will be allocated to persons with disabilities. A priority will be given to agriculture, forestry and fisheries graduates. In this regard, Government will introduce and roll-out a Graduate Placement Programme in key agricultural fields as a way of exposing agriculture, fisheries and forestry graduates to the working environment

The Policy on CPDS proposes a number of a number of **innovations** that will be introduced once it is approved. Most of the innovations are linked to initiatives of the Operation Phakisa for Agriculture, Rural Development and Land Reform and include the following:

a) Producer Register System: The policy proposes the establishment of a Producer Register System that will be used as a prerequisite for providing support to producers. This implies that only producer registered in the Producer Register System will be eligible for support once the policy has been approved. The system seeks to avoid instances where producers get multiple support for the same purpose from one or more institutions (dubbed "double dipping" in the sector). This will also present a shift away from current practices where there is no proper record of producers and thus poor targeting in terms of support interventions.

b) e-Voucher System: The policy proposes the introduction of an e-voucher system. This is a voucher in an electronic form (using either a debit card or SMS) that has a stored value which can be redeemed by beneficiaries at the agro-dealers to ensure timely provision of inputs to producers. The system will avoid unnecessary delays caused by inefficiencies within the government procurement system which in most cases lead to inputs being delivered after the planting season or sometimes producers getting wrong inputs (e.g. dormant seed).

c) Innovative Financing Models: Innovative financing models (i.e. blended financial support) with be adopted using both loans and grant funding based on bankable business plans. A classic example is a Warehouse Receipt which is a document that provides proof of ownership of commodities (e.g. tons of maize stored in a silo) that are stored in a warehouse, vault, or depository for safekeeping. Negotiable warehouse receipts allow transfer of ownership of that commodity without having to deliver the physical commodity and should therefore be eligible to be used as collateral for loan application

The **possible impacts** of the policy are summarised below using the pillars of sustainability i.e. economic, social, and environmental issues.

From an economic point of view, sustained growth is required in the sector for it to contribute to the imperatives contained in the National Development Plan (NDP) namely; contributing to job creation, poverty alleviation and economic growth. It is envisaged that through targeted and coordinated producer support, growth in the sector will be realised including the multiplier effect (both forward and backward linkages) that the sector has with the rest of the economy. In line with Malabo declaration, Government has a responsibility to put appropriate policies, institutions, and budgetary support measures to achieve and sustain at least 6% annual agricultural gross domestic product (GDP) growth. Data released by Statistics South Africa shows that the agriculture, forestry and fishing industry rebounded in the first quarter of 2017 on the back of eight consecutive quarters of contraction. The nominal share of the sector to GPD is currently at 3% (StatsSA, 2017).

With regard to envisaged social impacts, it is known that South Africa has one of the highest unemployment rates in the world (estimated at 26,4%) and is one of the most unequal countries in the world with a Gini coefficient[1] estimated to be between 0.65 and 0.69 (Stats SA, 2014)[2]. National Planning Commission (NPC) estimates that agriculture has the potential to create about 1 million jobs by 2030, with the majority of these jobs being in the smallholder sector. Furthermore, about 13,4% of South Africans (about 7,3 million persons) are estimated to be vulnerable to hunger (StatsSA, 2017 General Household Survey 2016). Agriculture, forestry and fisheries is a sector that is strategically positioned to reduce vulnerability to hunger and improve the livelihoods of the poor. This can only be realised through targeted support and improved coordination of producer support programmes which are some of the focus areas of the policy.

[1] The Gini coefficient is a measure of inequality of a distribution. It is defined as a ratio with values between 0 and 1.

[2] According to Statistics South Africa (2014), the Gini coefficient measuring relative wealth reached 0.65 in 2014 based on expenditure data (excluding taxes), and 0.69 based on income data (including salaries, wages and social grants).

With regard to environmental impacts, agricultural, forestry and fisheries resources are subjected to many pressures such as desertification, pollution, erosion and competition from other land use types. In particular, land that is most suitable for agriculture is also the land most desirable for development especially in urban and peri-urban settings. It is envisaged that the policy will increase investor confidence in the sector and thus provide a stimulus for agricultural land users to continue utilising the land for agricultural purposes. Furthermore, South Africa is a water-scarce country and incidents of drought are a common feature. The policy will prioritise climate smart agricultural practices.

The legal implication for the National Policy on Comprehensive Producer Development Support is that it should follow policy development processes of government until approved by Cabinet. This will also include conducting both the initial and final phases of the Socio-Economic Impact Assessment (SEIA). In line with this, the policy continues to follow a participatory policy development process to ensure that the views and needs of concerned stakeholders are taken into consideration. Certain components of the policy will be legislated to ensure compliance with the provisions of the policy in line with the outcomes of the Operation Phakisa for Agriculture, Land Reform and Rural Development. In this regard, a Producer Support Bill will be drafted following the approval of the NPCPDS.

Most importantly, the policy will have implications to producers support programmes that are currently fragmented and housed at various institutions of government. This includes programmes such as the Comprehensive Agricultural Support Programme (CASP), Micro Agricultural Financial Institutions of South Africa (MAFISA), Illima/Letsema, Recapitalisation and Development Programme (RECAP), Agro-Processing Incentive Scheme, One Hectare One Household programme, and Land Care programme etc. All these programmes will have to use the principles and conditions as stipulated in the NPCPDS.

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