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**PROMOTING INCOME AND EMPLOYMENT GROWTH
IN THE RURAL ECONOMY OF THE EASTERN CAPE
THROUGH SMALLHOLDER AGRICULTURE**

by

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Dedication

To my beloved siblings Siyakudumisa, Mlungiseleli and Nombulelo, and my "two mothers" Noninzi and Nosawundi

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I accept responsibility for the final product and for all opinions expressed in it as well as conclusions arrived at. And finally,

"It is not by strength that one prevails..." (1 Samuel 2:9b)

Simphiwe S. Ngqangweni

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ABSTRACT

The current process of socio-political reform in South Africa has called attention to the issue of reintegration of the previously marginalised black rural inhabitants into the mainstream economy. A vital concern is *how* this can be achieved in such a dynamic and changing environment. Of particular interest is how agriculture, and in particular, black smallholder agriculture could contribute in providing sustainable livelihoods for the impoverished sections of the African rural population. Does this sector have any economic potential to drive a process of sustainable rural economic growth and development? There currently seems to be uncertainty and unease about the role of smallholder agriculture in fulfilling such a task.

It is therefore the challenge of researchers to investigate smallholder potential and to show how far such potential could be exploited. Specifically it needs to be shown whether black smallholders are efficient in producing any agricultural items to justify their policy support. It then needs to be shown what effect promotion of any profitable tradable activity would have in the rest of the rural economy.

This study takes up this two-pronged challenge and provides economic justification for a deliberate policy to support black smallholder agriculture and to alleviate structural constraints faced by emerging commercial smallholders. A two-phase research was carried out in five districts in the central Eastern Cape namely, Mpofo, Keiskammahoek, Zwelitsha, Herschel and Middledrift. The first phase was based in the first four districts. Its main aim was to determine in which of the seven chosen activities do smallholders have a comparative advantage. The second phase based in the last district had as main objective to measure the multiplier effect of an increase in smallholder incomes in the rural economy.

It was demonstrated that smallholders in the Eastern Cape were economically profitable in production of two of the seven selected activities in which they are currently involved. It was found that indigenous beef and citrus showed the most potential which could be exploited. After having exposed this potential, the study also revealed that investment in tradable agriculture would result in a direct increase in rural income plus an extra increase in income as a result of respending of the initial income on demand constrained non-tradable items. Such a phenomenon would free up previously under-utilised resources.

It is therefore recommended that investments in smallholder support services be made in a “multiplied” sense, since the returns are twice as great as the direct returns in production of the original items. South Africa does have a wealth of primary support services (inputs, mechanisation, on-farm infrastructure and marketing) from the private sector. It is the secondary services supporting production and marketing that seem to be lacking as manifested in poor roads, inadequate communication facilities, poor extension services and inaccessible credit facilities. Policy needs to clearly identify these gaps so as to properly direct focus for farmer support. It is thus recommended that the state invests on systematic research ventures specifically aimed at identifying areas that need attention as far as support services are concerned. Another need is for government to take a lead in providing guidance as to who should do what in the implementation of the support programmes.

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