

Shadow prices of farm labour for selected regions in the Western Cape

The farmer labour unrest in the Western Cape about amongst others wages, raise the question of what farmers can pay for farm labour. The demand for farm labour is a derived demand from the profitability of farming activities. It should be obvious that if it is not possible to farm profitable with agricultural crops and livestock then there will not be a demand for any agricultural inputs, including labour.

Profitability within the context of this report is defined as the return on capital invested in agriculture.

Dynamic linear programming models (DLP) were used to calculate the shadow price of labour in selected regions. The shadow price can be defined as the value of a additional unit of a scarce input (input which is already used to its available limit).