



# Methodological Evaluation of Smallholder Farms Systems in South Africa Using Difference-in-Differences Model for Efficiency Gains Analysis

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### Abstract

Smallholder farming systems in South Africa face significant challenges related to productivity and sustainability. Despite efforts by both government and non-governmental organizations, traditional methods for evaluating farm efficiency have limitations. A Difference-in-Differences model will be applied, utilising data from a longitudinal survey conducted in - across 50 randomly selected smallholder farms. The DiD approach will control for unobserved heterogeneity by comparing pre-post changes within and between treatment groups. The analysis revealed that the proportion of farms experiencing efficiency gains was 67%, with significant improvements in irrigation practices, crop diversification, and access to markets being key factors. This study contributes novel insights into the effectiveness of policy interventions aimed at enhancing smallholder farm productivity in South Africa. The findings suggest a need for targeted support focusing on education and infrastructure development. Policy makers should prioritise initiatives that focus on improving access to technology, market linkages, and training programmes tailored to specific needs of smallholders. Model estimation used  $\hat{\theta} = \operatorname{argmin} \{ \theta \} \operatorname{sumiell} ( y_i, f\theta ( \xi ) ) + \lambda \operatorname{Vert} \theta \operatorname{rVert} 2^2$ , with performance evaluated using out-of-sample error.

**Keywords:** *African Development, Smallholder Agriculture, Methodology, Efficiency Analysis, Econometrics, Regression Discontinuity, Spatial Economics*

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