Introduction to the Agricultural Sector of South Africa

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IFAJ

3 April 2017
For today........

• Global & SA agro-food policy environment

• Food Security, Demographics & Competitiveness

• Key SA Agriculture & Agribusiness trends

• SA Agro-food trade trends

• Conclusion
Global agro-food policy environment

• Essentially open, competitive systems to provide food security

• Varying levels of support and protection, aided and abetted by a range of tariff and non-tariff barriers (NTB’s)

• OECD’s Producer Support Estimates: SA of the lowest

• Increased global protectionism: Trump Administration example

• USA = Farm Bill ; EU = CAP ; other support policies

• Effect of mega-regional Trade Agreements, viz. TTIP and TPP on agro-food trade? Africa position?
New Growth Path (NGP)

MTSF (2014-2019) of 14 Outcomes

- Outcome 4 – Decent Employment through inclusive growth
  - 6 Job Drivers

- Outcome 7 - Comprehensive rural development and food security
  - Chapter 6: NDP

- Outcome 10 - Protect and enhance our environmental assets and natural resources

National Development Plan (NDP)

IGDF (Policy Framework)

Agriculture Productive Sector Forum


Mining (Mining Policy Action Plan)
Manufacturing Industrial Policy Action Plan (IPAP)
Tourism
Green Economy

SA agro-food policy environment

Source: DAFF, 2014
“Our economy needs a major push forward. We would like to share with you our **9-Point plan** to ignite growth and create jobs”. These are:

1. **Revitalising agriculture and the agro-processing value chain.**
2. Advancing beneficiation to add value to our mineral wealth.
3. More effective implementation of a higher impact Industrial Policy Action Plan (IPAP - includes agro-processing)
4. Unlocking the potential of SMMEs, cooperatives, township and rural enterprises.
5. Resolving the energy challenge.
6. Stabilising the labour market.
7. Scaling up private sector investment.
8. Growing the ocean economy.
9. Cross-cutting Areas to Reform, Boost and Diversify the Economy;
   - Science, technology and innovation
   - Water and sanitation
   - Transport infrastructure
   - Broadband rollout
   - State owned companies.
Revitalization of the Agriculture and Agro Processing Value Chain

SONA transversal programmes

1. Agri-Parks (DRDLR to lead)
2. Speeding up Land Reform (DRDLR to lead)
3. Improving on Producer Support (DAFF to lead)
4. Technology and Innovation (DST to lead)
5. Production - putting 1 million hectares of under-utilised land in communal areas under production (DAFF to lead)
6. Spatial Development Plans (DRDLR to lead)
7. Market Access and Trade Development (the dti to lead)

APAP strategic commodities

1. Red meat
2. Poultry
3. Sugar
4. Fruit and vegetables
5. Wine
6. Wheat
7. Biofuels
8. Forestry
9. Aquaculture
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Food Security Imperative

Many definitions to food security, but the one we will use is the FAO definition (World Food Summit 1996):

“A situation that exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”.

Components of Food Security

**FOOD UTILISATION**
- Nutritional Value
- Social value
- Food safety

**FOOD ACCESS**
- Affordability
- Allocation
- Preference

**FOOD AVAILABILITY**
- Production
- Distribution
- Exchange/trade

Complex concept: Difficult to measure and evaluate.

Purchasing power key to access

Stability over TIME

~20% households in SA food insecure
Global Food Security Index

South Africa ranks 41st


Source: Economist Intelligence Unit/Du Pont
From Africa and Asia to Latin America and the Near East, there are 795 million people in the world who do not get enough food to lead a normal, active life.
Demographics: World Population Growth Trends

Source: Absa 2017 Outlook
Demographics.....

Nkosazana Dhlamini-Zuma:

Either massive opportunity, or critical risk!

Source: Absa 2016 Outlook

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Data after 2011 are projections.
Food* surpluses and deficits
Net intra-regional trade, tonnes, m

Source: Cargill

*Cereals, rice, oilseeds, meals, oils and feed equivalent of meat

Source: The Economist, 2012
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Regions with Land Scarcity also face Water Scarcity
Contribution of Primary Agriculture to GDP

Source: StatsSA
Graph: Agbiz
RSA Agriculture, Forestry & Fisheries GDP: 2005 - 2016

15.9% increase over 11 years

Source: Stats SA and Agbiz Research
SA economic growth: Tradable goods sectors lag the non-tradable goods sectors

Source: StatsSA
Graph: Agbiz
Profitability is improving but investment is lagging (X ‘000 000)

• Ratio of investment to debt has steadily declined since 2007

• From 2004 to 2013, investment in the sector increased by 5.9% compared to 19.8% and 11.9% for net farm income and total farming debt respectively

Chart 1: Employment in SA’s agri. sector (‘000)

Source: Statistics South Africa, Agbiz Research
SA Agribusiness

• Strong input sector: Seed, fertilizer, crop protection and veterinary chemicals, irrigation solutions, animal feed, packaging, agricultural machinery, fuel, etc. (much high tech-based, often dependent on multi-nationals)

• Financial sector: Major banks, DFI’s, insurance companies, auditors, agribusinesses, etc.,

• Storage, trade and agro-logistics

• Agro-processing, manufacturing and packaging

• Retail Sector
South Africa's Manufacturing Output Index (Seasonally adjusted)

Source: Stats SA, Agbiz Research
Farm Debt  (Source: DAFF, 2016)
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SA’s trade balance for processed agricultural products

Source: International Trade Centre, 2016
Graph: Agbiz, 2016
SA’s trade balance for primary agricultural products

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Source: International Trade Centre, 2016
Graph: Agbiz, 2016
Trends in South Africa’s agricultural exports per region

Source: International Trade Centre, 2016
Graph: Agbiz, 2016
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• Relatively healthy and robust agro-food industry
• Relatively technologically advanced, relatively globally competitive

**Challenges:** Inclusive growth and sustainable transformation, investment environment, agro-logistics, water availability and quality, environmental sustainability, R&D, crime and security, labour relations & legislation, land reform, climate change, trade agreements, etc.

**Opportunities:** Growing population, consumer spending trends, new markets (especially to Africa and the East), etc.

• Major contributor to Food Security, growth and employment in South Africa.
• However, we live in uncertain times – many risks and variables, some controllable, others not or less so.
• We take our agro-food system far too much for granted in South Africa.
• It is a national asset all should nurture and cherish.
THANK YOU

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