

# Reflections on critical factors constraining growth and transformation in SA agriculture

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CGA Citrus Summit

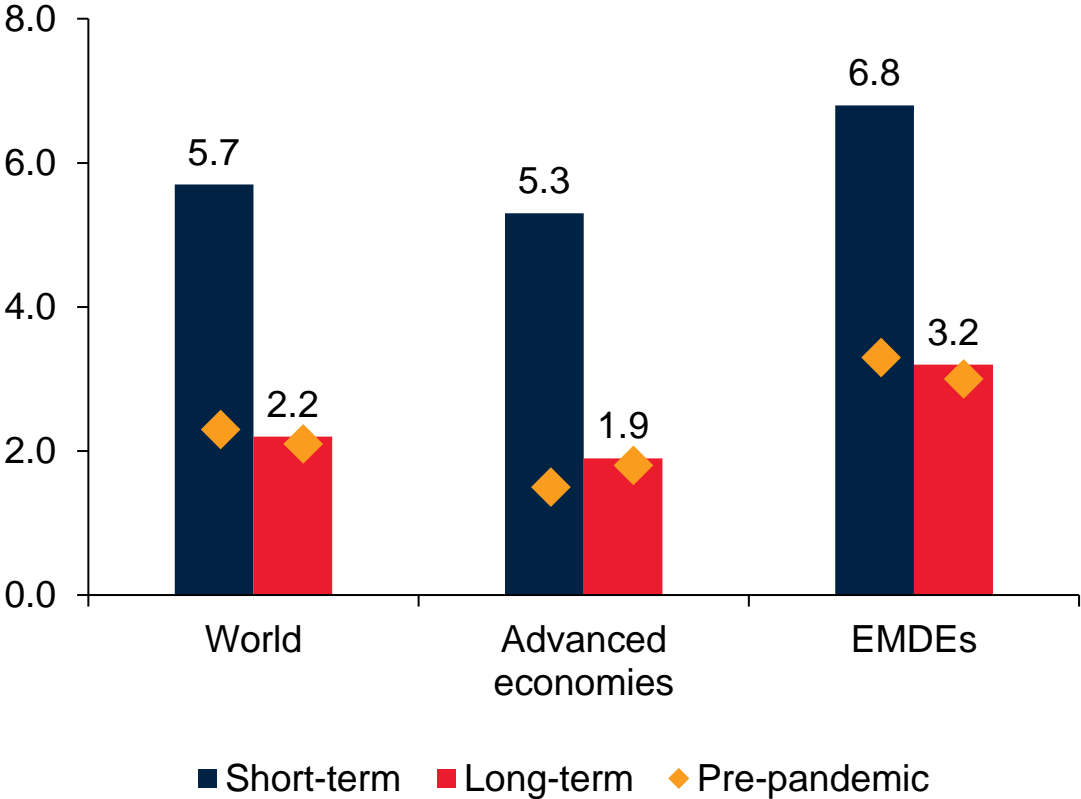
The Boardwalk Hotel, Summerstrand, Gqeberha

15 March 2023

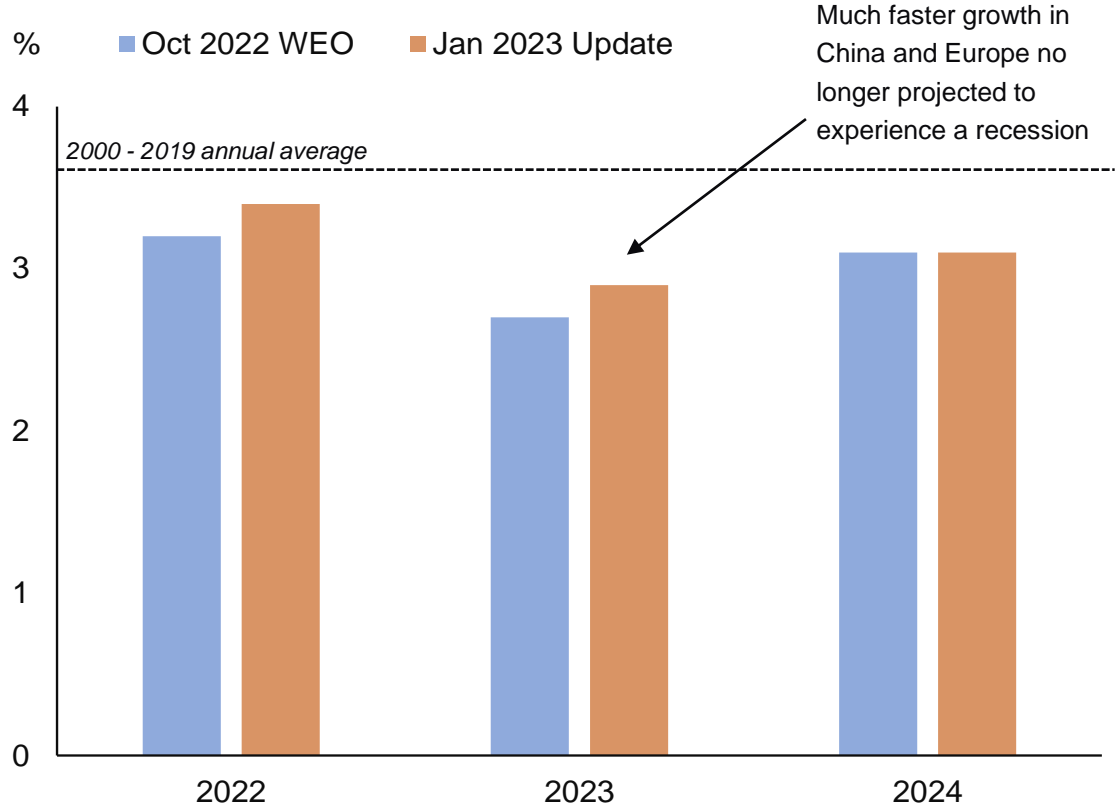


# Firstly, the global economy is in bad shape, below trend through 2024

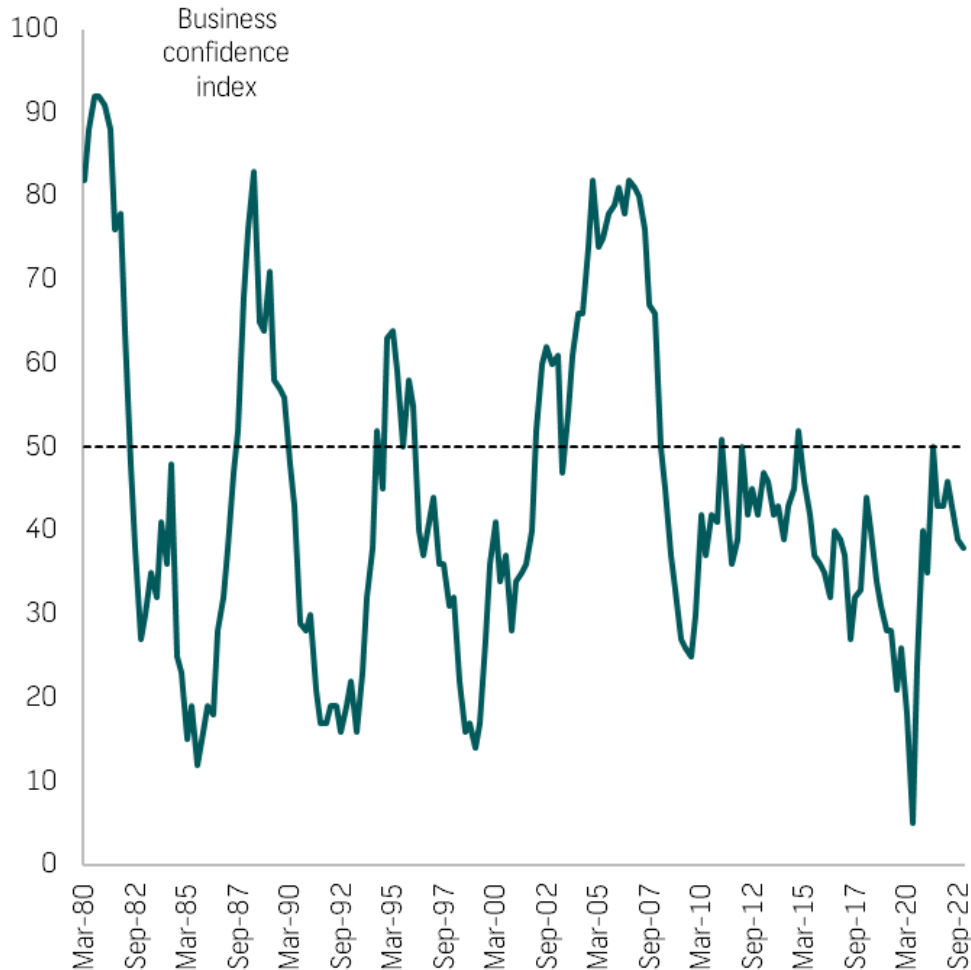
Global inflation expectations (%)



Global GDPs moderates but first upward revision in a while



# South Africa business sentiment to remain depressed amid prevailing uncertainty

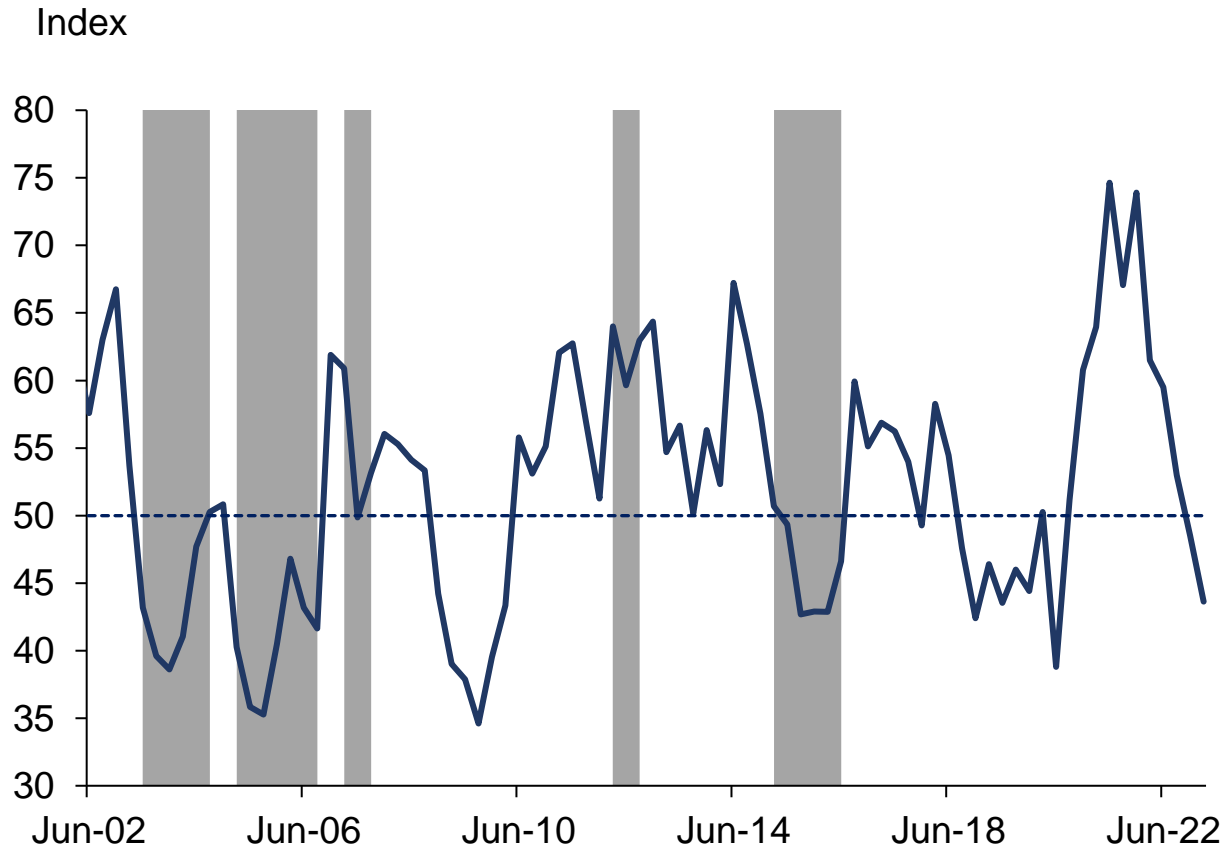


## Key domestic themes

- Inflation has peaked but will remain above the 4.5% anchor point, weighing on households' purchasing power and corporate earnings.
- Policy (repo) rate at 7.25% is near a peak – SARB to remain cautious amid growth headwinds.
- Fiscal policy prudent but likely to remain challenged on the back of slowing global growth and domestic demand.
- Domestic growth likely to fall within 0.3 -1.2% range this year reflecting the severe impact of load-shedding intensity and slowing global growth.
- Depressed business confidence amid persistent load-shedding and slowing global growth will further delay investment and employment recovery.

# SA agribusinesses are downbeat about business conditions in South Africa

Agbiz/IDC Agribusiness Confidence Index



## Factors weighing on the sentiments

- Persistent episodes of load-shedding,
- Higher input costs,
- Rising protection in some export markets,
- Animal disease outbreaks,
- Rising interest rates,
- Intensified geopolitical tensions which disrupted supply chains,
- Ongoing weaknesses in municipal service delivery and network industries.

# Why agricultural growth is crucial for job creation and poverty alleviation

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- Growth in agriculture is in general two to three times more effective at reducing poverty than an equivalent amount of growth generated outside agriculture.
- The advantage of agriculture over non-agriculture in reducing poverty is largest for the poorest individuals in society and extends to other welfare outcomes, including food insecurity and malnutrition.
- An important source of the poverty-reducing benefits of agricultural growth is the widespread adoption of innovations that increase producer returns and wage labour opportunities and reduce consumer prices.
- Rising agricultural productivity not only reduces poverty by releasing agricultural labour to non-agricultural activities, but also by pulling surplus labour from less productive home production into commercial agriculture.

# But there are factors weighing down SA agricultural growth prospects

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## External factors

- Increasing input costs (fuel, fertilisers, chemicals, transport)
- Non-tariff barriers introduced by main trading partners (citrus, wool, meat)
- Slowing global growth, high inflation and higher interest rates
- Logistical and shipping bottlenecks

## Domestic (self-inflicted) factors

- Electricity crisis – impacting on irrigation of crops, food processing, cold storage, food retailing and catering services and ultimately leading to food wastage.
- Dysfunctional local municipalities with no service delivery, and destruction of our rural road and rail system
- Market interferences by the Competition Commission
- High levels of crime and theft destroying production infrastructure and harvests of farmers - especially new entrant black farmers
- Malfunctioning State Veterinary Service unable to prevent and manage disease outbreaks and unable to comply with requirements of trade partners
- Poor implementation and financial management by the majority of provincial departments of agriculture

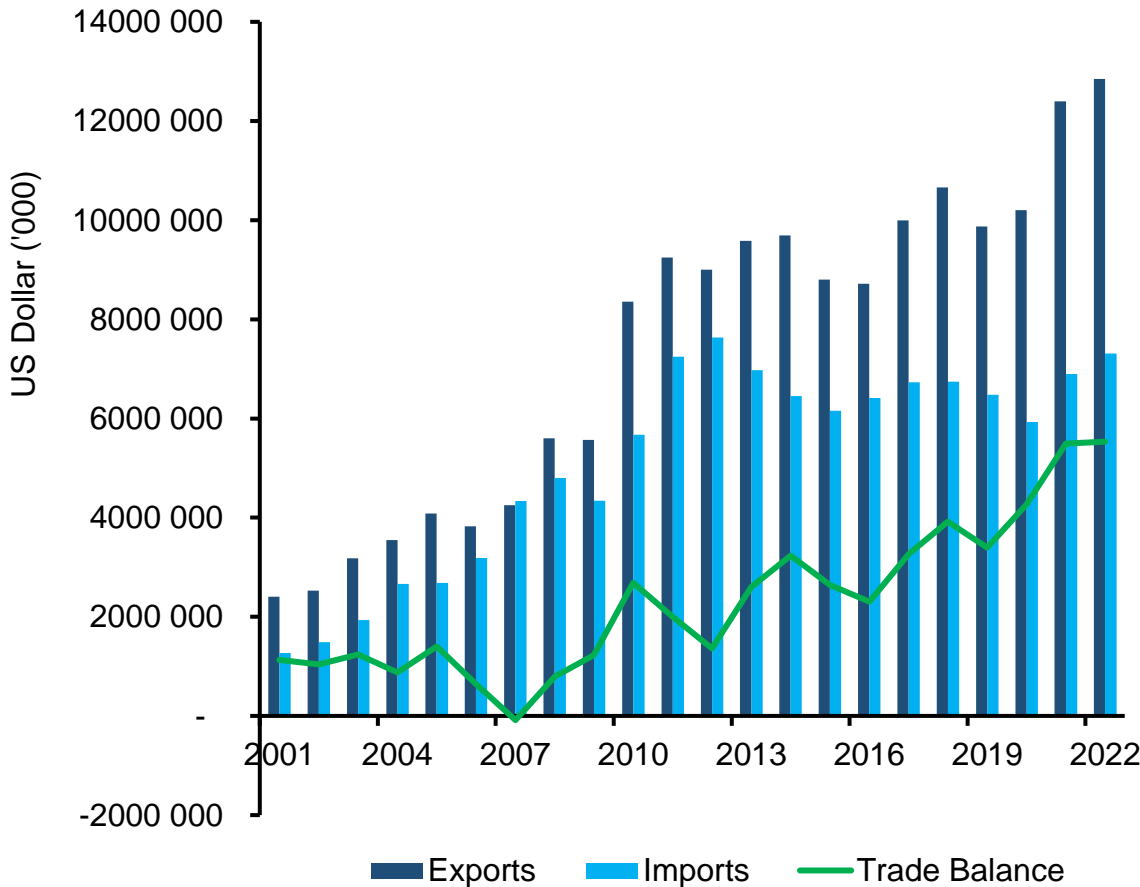
# Additional broad issues that constrain growth in SA agriculture

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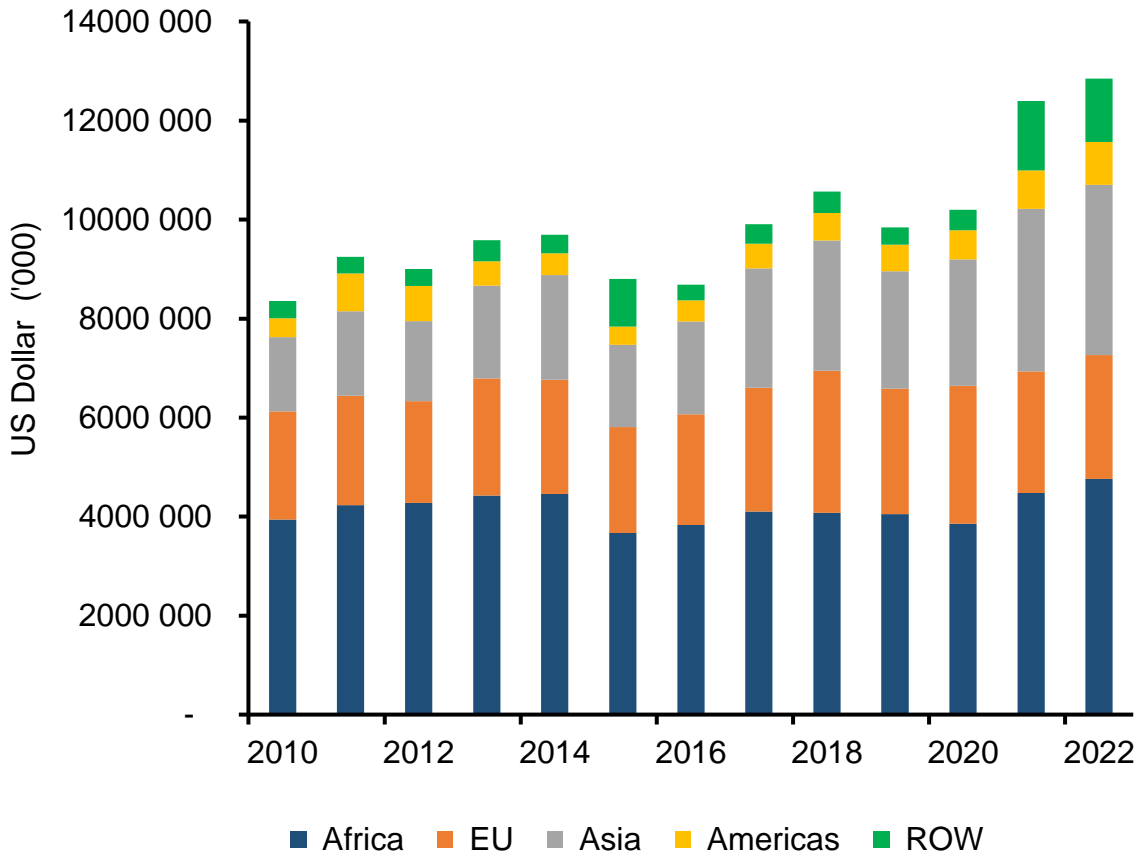
1. Inefficiencies in state administration
  - Crop diseases
  - Modernisation of the Fertilizers, Farm Feeds, Seeds and Remedies Act 36 of 1947
  - Enforcement of Agricultural Products Standards Act and labelling of food produce
  - Inefficient staff complement
  - Biosecurity (key for facilitating exports)
2. Infrastructure issues
  - Rural roads
  - Water – urgent investment in dam and irrigation infrastructure and more agile management of water rights allocation
  - Ports and rail systems (for facilitating exports)
  - Cost-effective and reliable electricity supply
3. Security
  - Stock theft
  - Theft and vandalism of farm infrastructure
  - Farm attacks
  - Rail infrastructure theft and vandalism
4. Uncertainty
  - Land reform policy direction (in addition to the Land Agency)
  - Access and availability of electricity
5. Research and development, and a need to widen export markets
  - Including an increase of extension service officers
  - Japan, India, China, Saudi Arabia and Bangladesh amongst the target markets for SA agriculture
6. Geopolitics
  - Impact on export markets
  - Rising farm input costs

# SA's agricultural growth is export-led but rising protectionism is a new challenge

### SA agriculture trade



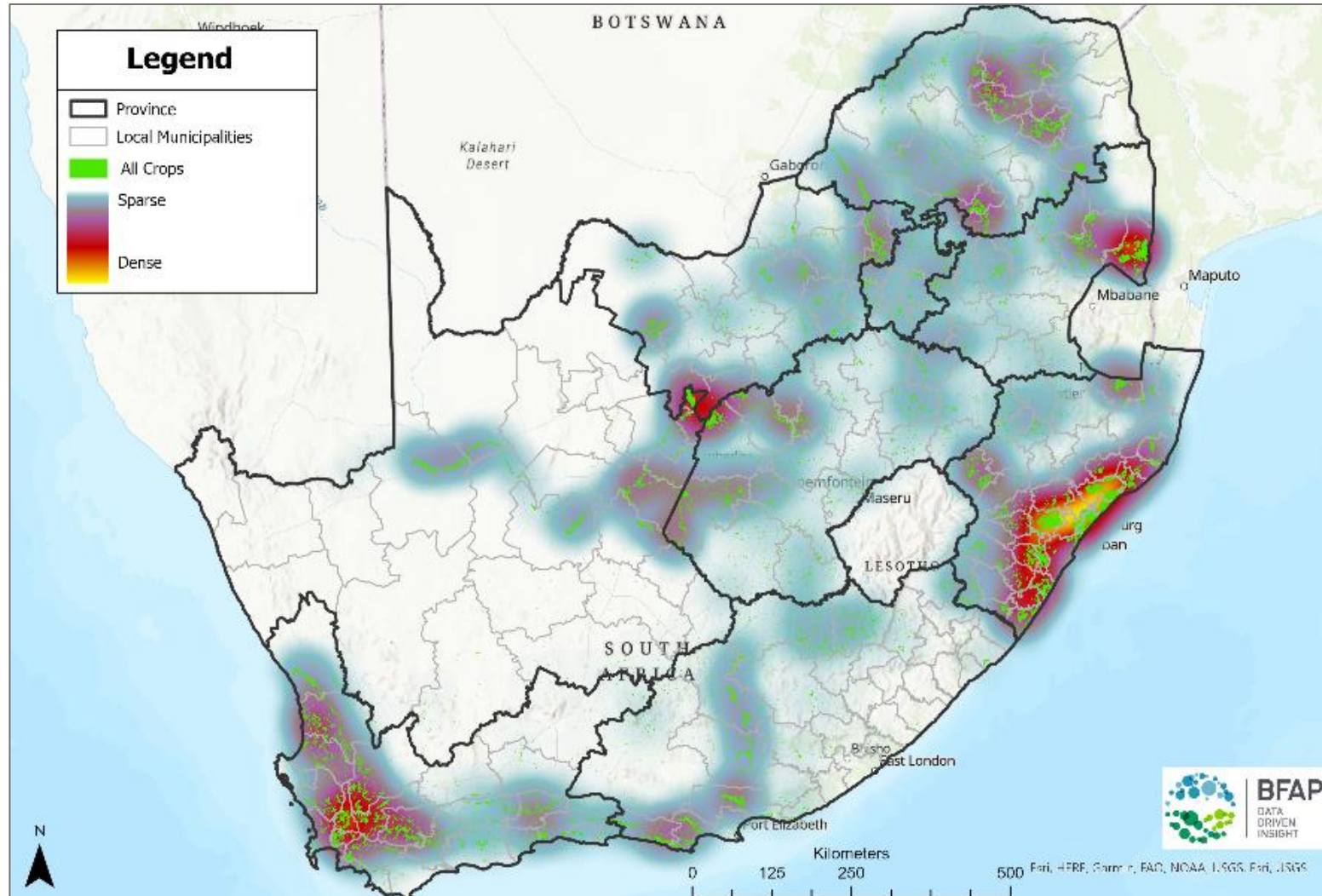
### SA agriculture exports by region





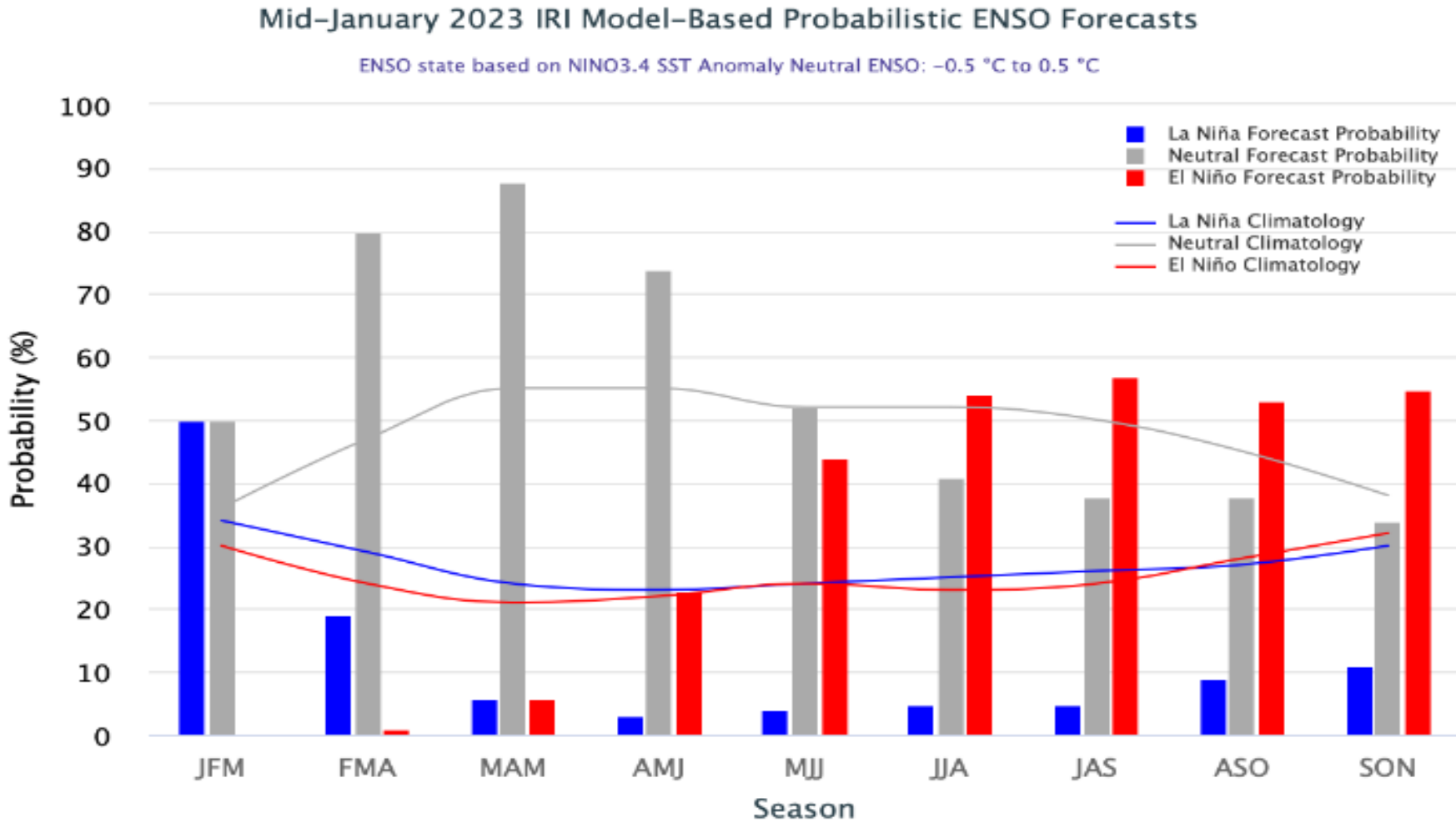
# **Near-term challenge of electricity and changing climate**

# Total irrigation spatial spread in South Africa: all crops



| Rank | Local Municipality    | Hectares |
|------|-----------------------|----------|
| 1    | Nkomazi               | 67 739   |
| 2    | uMshwathi             | 50 469   |
| 3    | Letsemeng             | 45 693   |
| 4    | uMlalazi              | 44 217   |
| 5    | KwaDukuza             | 41 353   |
| 6    | Cederberg             | 38 340   |
| 7    | Tokologo              | 36 435   |
| 8    | Langeberg             | 30 901   |
| 9    | Witzenberg            | 30 855   |
| 10   | Ray Nkonyeni          | 30 277   |
| 11   | Molemole              | 30 116   |
| 12   | City of Mbombela      | 29 503   |
| 13   | Tswelopele            | 28 446   |
| 14   | Siyancuma             | 27 642   |
| 15   | Breede Valley         | 27 570   |
| 16   | Mkhambathini          | 27 149   |
| 17   | Modimolle-Mookgophong | 25 930   |
| 18   | Makhado               | 25 820   |
| 19   | uMhlathuze            | 25 603   |
| 20   | Umdoni                | 25 213   |

# A near-term risk to South Africa and Southern Africa's agriculture is a possible drought



# **Necessary interventions to unlock growth in SA agriculture**

# Interventions to deal with energy crisis in agriculture

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## SHORT TERM

- We have made some progress. For example, extending the diesel rebate to the value chain, which previously didn't apply. The refund on the Road Accident Fund levy for diesel used in the manufacturing process, such as for generators, will be extended to manufacturers of foodstuffs. This takes effect from 1 April 2023 for two years.
- Customers with dedicated supply infrastructure should apply for load curtailment – NRS 048 leads to indecision, but Disaster Management Regulations provide possibilities to be prescriptive;
  - Customers supplied by the same feeder/substation can group together and apply for load curtailment.
  - Review the schedule (duration and or time) where possible, to accommodate the need the of majority of customers (the criteria will be based on impact/number of commercial customers) – Eskom to ensure load is available for reduction at all times.
  - Customers in municipal supply area where switching is done by Eskom and possible to exempt/curtail, municipalities to be allowed to do own switching to accommodate customers.
  - Reconfigure the network to allow possible isolation where possible, and install micro grids for critical loads especially during critical times such as harvesting, irrigation and refrigeration- this will require customers to identify the essential load.

# Interventions to deal with the growth constraints

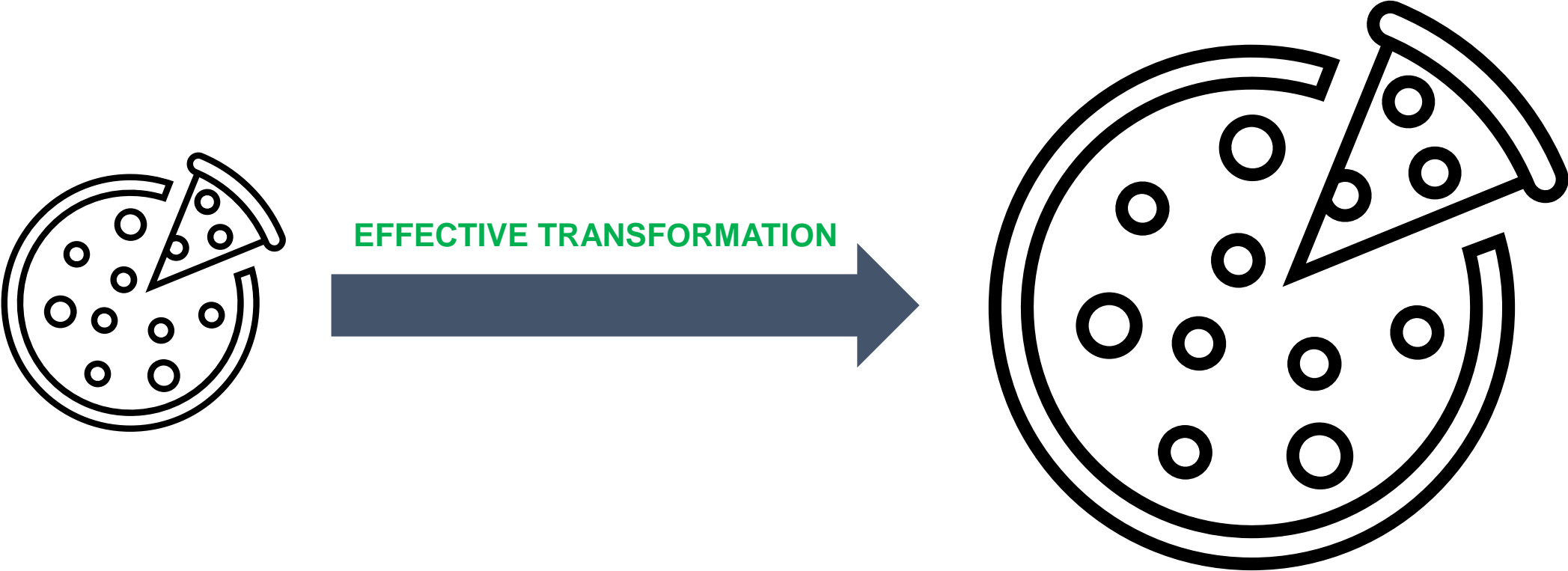
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- **Agriculture finance** -- a well-functioning Land Bank would be well-positioned to boost transformation and support the sector. But the current funding model of the Bank is highly dependent on the debt finance raised on the capital markets. Blended finance is also key, and should include all banks.
- **Improving market access and export facilities** -- China, South Korea, Japan, the USA, Vietnam, Taiwan, India, Saudi Arabia, Mexico, the Philippines and Bangladesh are the key markets that South Africa should expand its presence into.
- **Biosecurity** – this should be a priority for both the horticulture and livestock industries.
- The efficiency of the main South African ports and rail systems needs to receive urgent attention. The criminality destroying Transnet infrastructure has exacerbated the challenge and poses risks to export-oriented sectors. Interface agreement signed – focus now on mapping out the areas where additional capacity can be created, including through PPPs.
- The **Agriculture and Agro-processing Master Plan** should be a blueprint for transformation in the sector.

## There are vast tracts of under-utilised state land to help “grow the agricultural pie”

| PLAS Hectares ('000)  |     |     |     |     |     |     |     |     |    |              |
|-----------------------|-----|-----|-----|-----|-----|-----|-----|-----|----|--------------|
| Provinces             | EC  | FS  | GAU | KZN | LIM | MPU | NW  | NC  | WC | Grand Total  |
| <b>Total assessed</b> | 232 | 203 | 45  | 153 | 93  | 242 | 241 | 571 | 78 | <b>1 859</b> |
| <b>Field Crops</b>    | 9   | 35  | 18  | 23  | 9   | 54  | 22  | 54  | 5  | <b>230</b>   |
| <b>Horticulture</b>   | 10  | 10  | 2   | 15  | 14  | 20  | 7   | 9   | 14 | <b>84</b>    |
| <b>Livestock</b>      | 198 | 150 | 23  | 110 | 66  | 168 | 212 | 502 | 56 | <b>1 511</b> |
| <b>Irrigation</b>     | 8   | 9   | 1   | 6   | 7   | 5   | 2   | 7   | 5  | <b>50</b>    |

# Panel session on growing the “agricultural pie”





## Black Growers Share in Citrus

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Total number of growers- 124

Total ha -7869 ha

Bearing ha - 6450,35

Non-bearing -1519,03

## Black Growers Share in Citrus

| Province       | 2022 Cartons     | 2021 Cartons     | 2020 Cartons     |
|----------------|------------------|------------------|------------------|
| Limpopo        | 1 061 932        | 118 260          | 48 909           |
| Eastern Cape   | 4 189 384        | 1 874 149        | 2 074 867        |
| Kwa-Zulu Natal | 443 581          | 968 885          | 286 600          |
| North West     | 3 085 267        | 3 287 733        | -                |
| Mpumalanga     | 58 084           | 3 136            | 18 933           |
| Western Cape   | 25 867           | 24 517           | 37 313           |
| <b>Total</b>   | <b>8 864 115</b> | <b>6 276 681</b> | <b>2 466 622</b> |

# Economic Transformation of Black Citrus Growers Programme

**Programme Objective:** To provide black citrus growers access to blended financing at favourable interest rates and payment terms.

## Aims:

- Orchard establishment, rehabilitation and expansion.
- Infrastructure development – packhouse, irrigation, fencing
- Capital equipment
- Skills development

## Programme Funders:

- The Jobs Fund (National Treasury)
- Citrus Growers Association of SA
- First National Bank
- DALRRD
- AgiSETA

## Programme Implementers:

- Lead applicant: CGA
- Implementation partners:
  - ❖ CGA Grower Development Company
  - ❖ Citrus Academy
  - ❖ LIMA Rural Development Foundation (project management)

## Timeline:

2020/04/01 -  
2024/03/31

## Programme Outcomes:

- Create **329** permanent full time jobs
- Create **1 397** permanent seasonal jobs
- Provide **2 006** skills development interventions
- Increase hectares of citrus under black grower management by at least **1 034ha**.

# Thank you for your attention.

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