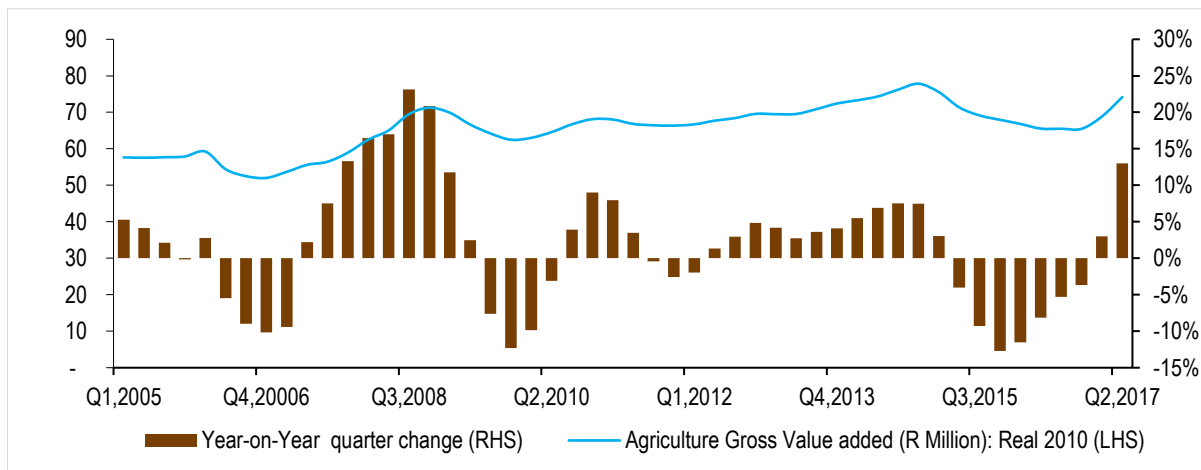


What should be done to kickstart the agricultural economy, instil business confidence and ensure policy certainty, from an agribusiness/agriculture perspective?

In 2017 the agricultural sector provided a significant boost to the national economy and assisted it from falling into a protracted technical recession. This was on the back of exceptionally good rainfall early in 2017 that resulted in record maize (17,4 million metric tons) and soybean (1,3 million metric tons) crops, amongst others, and despite severe drought conditions in the Western Cape. Agriculture GDP is however highly volatile over seasons, as can be seen from the chart, and largely dependent on favourable agricultural conditions.

Chart 1: South Africa's agriculture, forestry and fisheries GDP: 2005-2017 (Q2)



Source: Stats SA and Agbiz Research

For 2018 the continuing and now disastrous drought conditions in the Western Cape will impact negatively on the sector's growth rate as the province contributes approximately 20% to the country's agricultural economy (agricultural GDP). Severe drought conditions have returned over large areas of the summer rainfall region, and especially so over the important cropping areas of the Free State and North West provinces. This does not augur well for the growth of the sector and could put pressure on the country's growth rate as a whole for 2018.

The second major factor that will determine investment and growth in the sector is the current lack of policy certainty. In late 2017 the High-Level Panel, under the chairmanship of former President Kgalema Motlanthe, released their Report on the Assessment of Key Legislation and the Acceleration of Fundamental Change. This 600-page report clearly outlines many of the policy problem areas in the agricultural sector and provides recommendations as to how these should be addressed. These recommendations should, by and large, be implemented as a matter of urgency. This would drastically improve confidence in the sector and stimulate

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investment, growth and development. Unfortunately, land reform remains an issue of great discontent and uncertainty, and this needs to be addressed. The recent ANC policy adoption of “Expropriation without compensation”, albeit subject to certain caveats and a sustainability test, has recently just exacerbated the policy uncertainty situation.

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