

## Feedback from our SA agribusiness roadshow

We spent most of July on the road, engaging with Agbiz members and sector role-players in various regions of the country. The feedback about the near-term outlook was reasonably positive in all our engagements, with many attributing their optimism to the favourable 2022/23 summer crop and 2023/24 winter crop seasons. The feedback from the horticulture and wine industries also remained encouraging as various stakeholders forecast growth and expansion prospects in the coming years. The outlook was less optimistic when we engaged the livestock and poultry industries that struggled with higher feed costs and persistent animal disease outbreaks.

Beyond this, what all meetings agreed on was that the persistent load-shedding, rising protectionism in key export markets, rising interest rates, intensified geopolitical tensions, ongoing weakness of municipality service delivery and network industries (water, rail and ports) and deterioration of rural roads remain a significant threat to the sustainability of their businesses. While these are not necessarily new issues, the extent of weakness this year has reached worrying levels in some. Not all these issues are within the government's control, but many are, and in such cases, the government should urgently assist. Here are a few of such cases.

First, the summer rainfall, which has supported agricultural production, has also had the downside of exacerbating the damage to neglected rural roads. This is not a challenge faced only by large commercial farmers that serve a broader clientele but all farmers. The emerging or new-entrant black farmers with limited financial resources face this challenge more acutely. The roads across the rural towns of the Eastern Cape, Free State, North West, Limpopo and KwaZulu-Natal, to name a few provinces, are poorly maintained in some instances in an unusable state. Compounding this challenge is the reality that South Africa now transports over two-thirds of its agricultural produce by roads, as rail transport has faced its fair share of challenges over the years. This means the higher agricultural output without functional roads does not yield full financial benefit to farmers and agribusinesses, as some have to fund private construction at their costs to maintain some roads. This happens while the municipalities often have the allocated financial budget to cover their infrastructure needs but mismanage the funds, as so often reported by the Auditor General.

Secondly, the rising protectionism in crucial export markets remains a major challenge, as we see with the citrus export non-tariff barriers in the EU. This area requires the South African government to take the lead and help engage with our trading partners to resolve this issue. Moreover, the need for expanding export opportunities has become even more urgent as the agricultural output consistently improves and the country has limited capacity to absorb new produce. South Africa already exports half of its produce; hence, the efforts of the Agriculture and Agro-processing Master Plan to boost production have to emphasize the expansion of the export markets. Japan, China, India, Saudi Arabia, Bangladesh, Philippines and South Korea are key markets in which South African agriculture and agribusinesses are interested in expanding their presence. While working on new markets, we must maintain access to existing markets such as the EU, Africa, the US, and various Asian markets.

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**Wandile Sihlobo**

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

[www.agbiz.co.za](http://www.agbiz.co.za)

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Third, biosecurity remains a challenge as we see through various outbreaks of Foot-and-Mouth disease, African Swine Fever and Avian Influenza. All these outbreaks worsen the operating conditions in industries that have also felt higher costs of inputs. As a result of these outbreaks, exports of livestock products have also been negatively affected. Therefore, the South African government, along with organized agriculture and industry bodies, should closely work together to address the biosecurity challenges in the country. Notably, the government needs to lead the way in assisting at such times to ensure the sustainability of businesses and keep up with the promise of the Agriculture and Agro-processing Master Plan, which seeks to boost collaboration amongst social partners to improve inclusive growth in the sector.

As climate change intensifies, animal diseases are likely to be more prevalent. As such, the Department of Agriculture, Land Reform and Rural Development should consider earmarking a share of their annual budgets for emergency purposes to deal with animal disease outbreaks. These funds should be utilized under strict rules and in concurrence with the National Treasury only in the case of notifiable animal disease outbreaks. This is necessary to control animal movements, buy vaccines, employ additional staff, and compensate producers when animals must be culled, according to the World Organisation for Animal Health (OIE) guidelines. Veterinarians and animal health technicians are critical for continued surveillance, monitoring, and advice to farmers. The process of authorizing veterinarians in the private sector to deliver services on behalf of the State's needs should be a priority. Moreover, the uncontrolled movement of animals and animal products from disease-control areas has, in almost all recent severe outbreaks of diseases, caused their spread to areas in the country where they have never occurred before. Therefore, the veterinary services at the provincial level should thus be accompanied by practical livestock movement control functions.

Fourth, another aspect that emerged in discussions was the challenge of waning trust between organized agriculture and government. The issue of "trust" and "accountability" are vital to building credibility. When stakeholders collaborated for months to design the Agriculture and Agro-processing Master Plan, the process demonstrated trust. There needs to be a revitalization of that spirit, which can come through a clear implementation process of the Master Plan. The Department of Agriculture, Land Reform and Rural Development should lead. The pressing challenges outlined in this note can partly inform the prioritization of interventions.

Overall, the issues discussed in this note are not exhaustive, but we believe highlighting the key intervention areas that could move the needle in terms of translating the ideas on paper in various plans into tangible projects. Regarding the operating conditions, the near-term outlook for South Africa's agriculture remains positive following favourable rainfall. The coming year is uncertain because of the forecast for El Nino and worries about heat waves. Still, better soil moisture from the previous season should provide a cushion to the sector. Regarding the fundamental issues, South Africa's agricultural sector faces numerous challenges, which are now well understood by the government and various industry stakeholders. We now need a plan of action, particularly on the four areas of interventions we outlined in this note.