

South Africa's agricultural growth story

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Agriculture remains one of the success stories in South Africa's economic progress, irrespective of the various challenges the country has faced over the past few decades.

While primary agriculture's share in the economy has declined from around 10% in the 1960s to just under 3% today, the sector has grown tremendously in real terms. This share decline only illustrates the classic story of how the South African economy has advanced over time and various industries such as finance, manufacturing and transport have grown much faster than agriculture.

Still, the interlinkages of primary agriculture to manufacturing (agro-processing) make it an integral part of this economic transformation story

Over the past decades, production growth has been underpinned by the adoption of new production technologies, better farming skills, growing demand (locally and globally), and progressive trade policy.

This was made possible by a range of trading agreements the South African government secured over the past couple of years, the most important being the African, European and Asian regions. The African continent and Europe now account for about two-thirds of South Africa's agricultural exports. Asia is also an important market for South Africa's agricultural exports, demanding roughly 25% export share.

The private sector has been apart the core of the South African agriculture success story, while the government has had to ensure that policy remains favourable for investors and farmers. The priorities for the government were to ensure that there are no interventionist trade policies (blocking exports) or price caps and that infrastructure (roads, rail, water and electricity) is in place, there is strong protection of property, proper land governance, and openness to scientific advancements in seed breeding and agrochemicals and genetics are some of the positives that the South African government ensured. **This was all anchored in the sound financial system that supported commercial production and international trade.**

For the first two decades since democracy, the infrastructure was fully operational and supportive of the sector. But the past nine years have seen deteriorations which have seen even greater reliance on private sector, and presents long term risks if not addressed.

Still, these private sector efforts, collaboratively with a favourable policy environment, ensured that South Africa's agriculture continued excellently even during the covid-19 crisis (also thanks to good weather conditions). In 2021 and 2022, South Africa's agricultural exports, in volumes and value, broke the record, reaching

US\$12,8 billion in 2022. Our export basket is diverse, with fruits, wine, grains, beef and wool, at the top of our list.

These policy measures and strong private sector participation differentiate a South African agriculture story from much of the continent. For example, whereas South Africa's Agricultural Food System (AFS) share (primary agriculture and agro-processing) of GDP adds up to around 10%, and you have the private sector leading, in most African countries, the AFS share of GDP well above 30% - 40% and much of the development driven by government.

The South African government support private sector investments by providing the essential service delivery that any government is supposed to perform.

Inclusivity is crucial, and here the South African government has a tremendous opportunity (which we hope through the country's newly launched Agriculture and Agro-processing Master Plan can be realised) to leapfrog the development of a multitude of businessmen and women that are already in the sector but require support in terms of extension, credit, and infrastructure. These "hidden middle" hold potential for employment generation and bring vibrancy to rural towns.

South Africa's agriculture doesn't have all its houses in order. We have our challenges. For example, **the government has fallen short in delivering a range of basic services – water, roads, rail, and ports that are now presenting risks for the long term growth prospects of the sector if there is no urgent intervention. We are also seeing rising crime which is a risk to investments.** Also, I am sure some people are aware of our energy challenges, which also present challenges for farmers and the food sector.

With that said, in South Africa, both government and the private sector have a plan for the next decade through the Agriculture and Agro-processing Master Plan, which speaks to direct value change and regional requirements to boost the growth of this sector. This will entail **resolving policy ambiguity, creating an enabling infrastructure, providing farmer support and supporting research and development, financing through a blended finance structure, and expanding export markets.**

We also encourage farmers to focus on high-value, labour-intensive crops for exports. This is to ensure that the agricultural sector helps address the unemployment issues in the country. This will require the government to fully utilise its over 2 million hectares of underutilised land, focusing on promoting commercial production and small-scale farming only where conditions do not permit commercialisation.

What can African countries take from South Africa's agricultural story?

- First, limited trade and commodity price interventions are essential to enable more private sector investments to drive market corrections in instances of price swings.
- Second, investments in infrastructure are critical. This includes both institutional infrastructure and physical/hardware infrastructure that can reduce the costs of doing business.
- Third, embrace technological advancements in seeds, genetics and agrochemicals vital in boosting productivity. Policy interventions that promote access to these technologies, and creating market systems that can deliver these technologies efficiently, at low cost, to make farming competitive.

- Lastly, supporting commercial farming, which will be essential for the growth of the agro-processing part of the various country's food systems, and a source of employment, is a critical step for agricultural progress in Africa.

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