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Is there room for growth in South Africa's agriculture?

Agbiz information day

7 Nov Menlyn, Pretoria

8 Nov Lemoenkloof, Paarl

#BFAP2019
#16YearsOfResearchExcellence

Do we still believe that there is growth??

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How do we move from R1000/ha to R1mil/ha?

Greatest value add lies beyond the farm!

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BFAP group’s analytical approach

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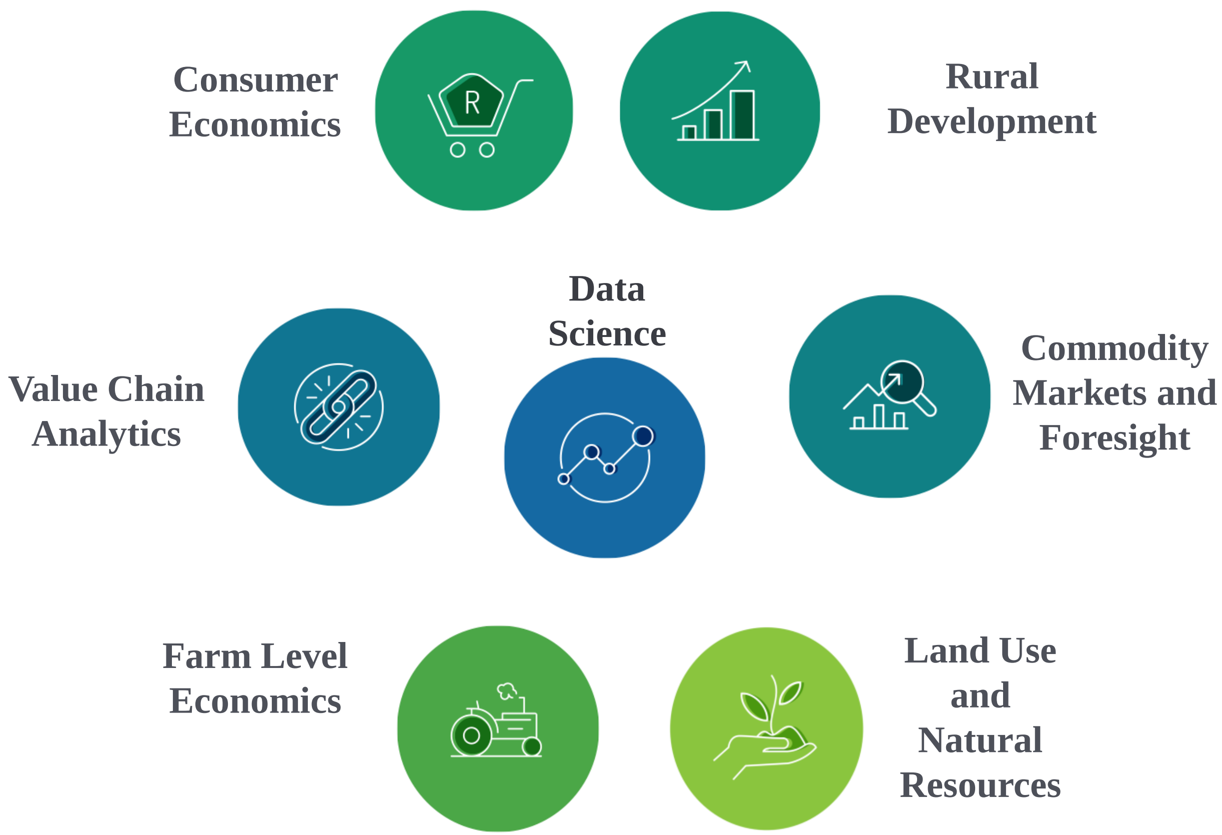
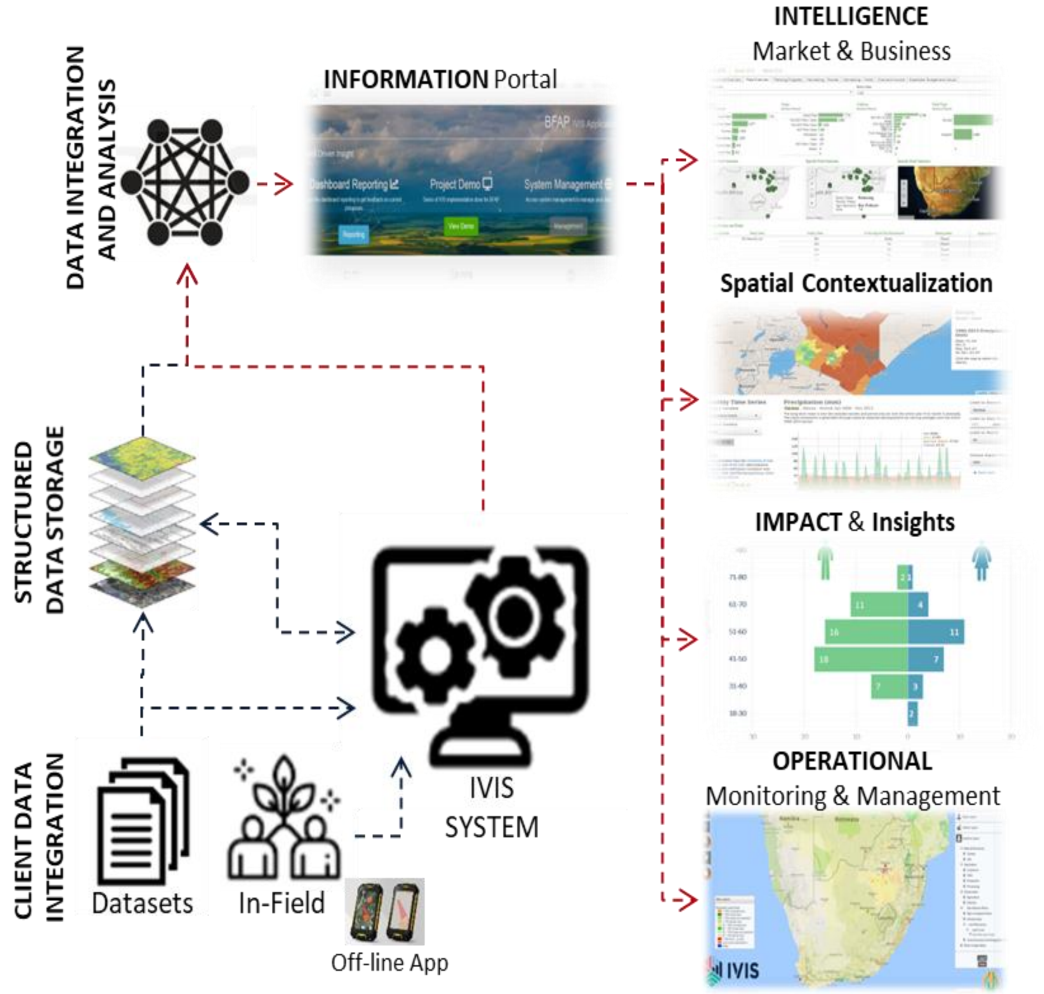
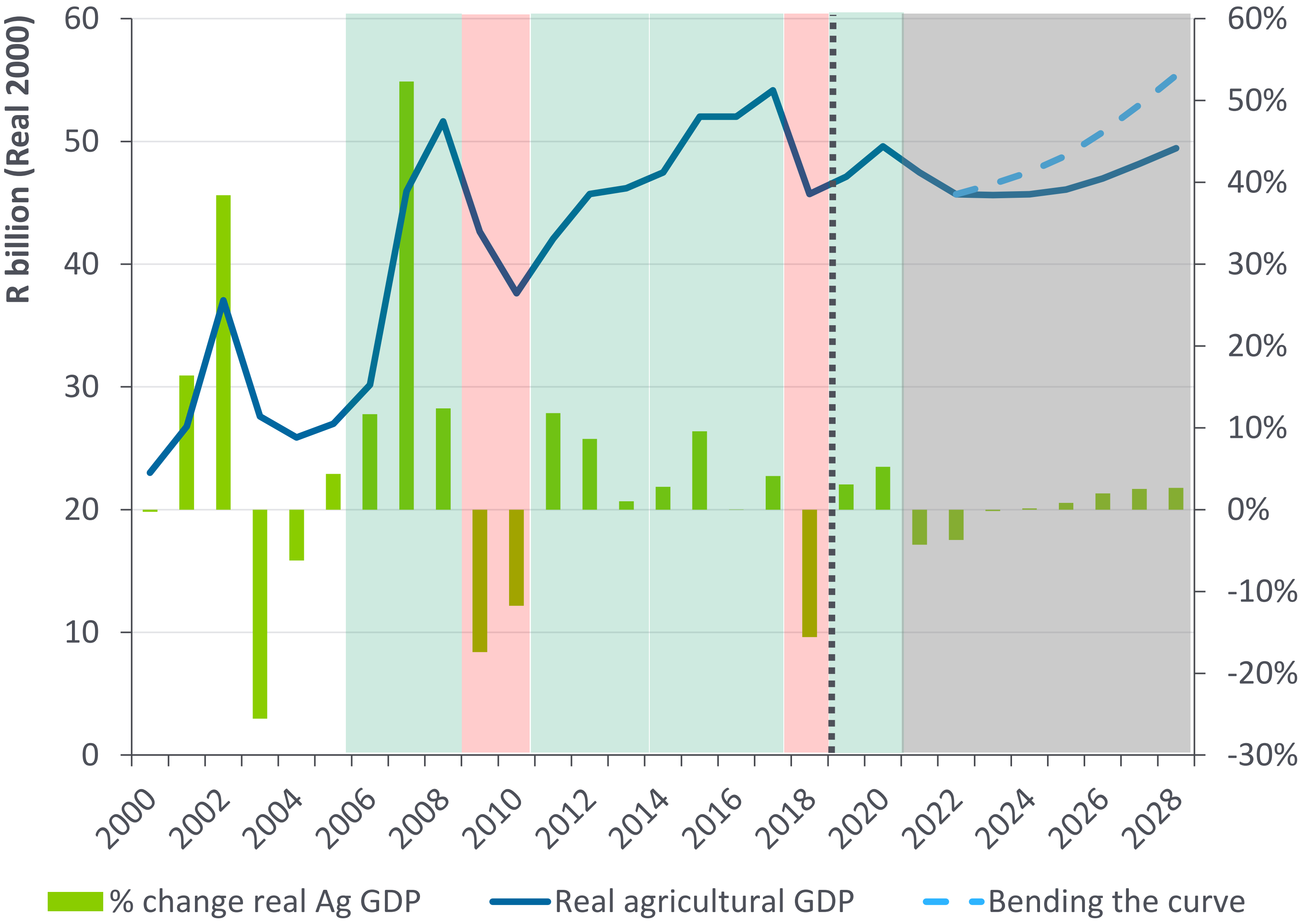
Integration & presentation

IVIS INTEGRATED VALUE INFORMATION SYSTEM





Performance: Agricultural GDP



Growth Periods:

- International factors:
  - New level for international prices – Biofuel & China Economy
  - Consecutive droughts in USA & low stocks
- Domestically:
  - Sustained investment & export driven expansion

Weak periods:

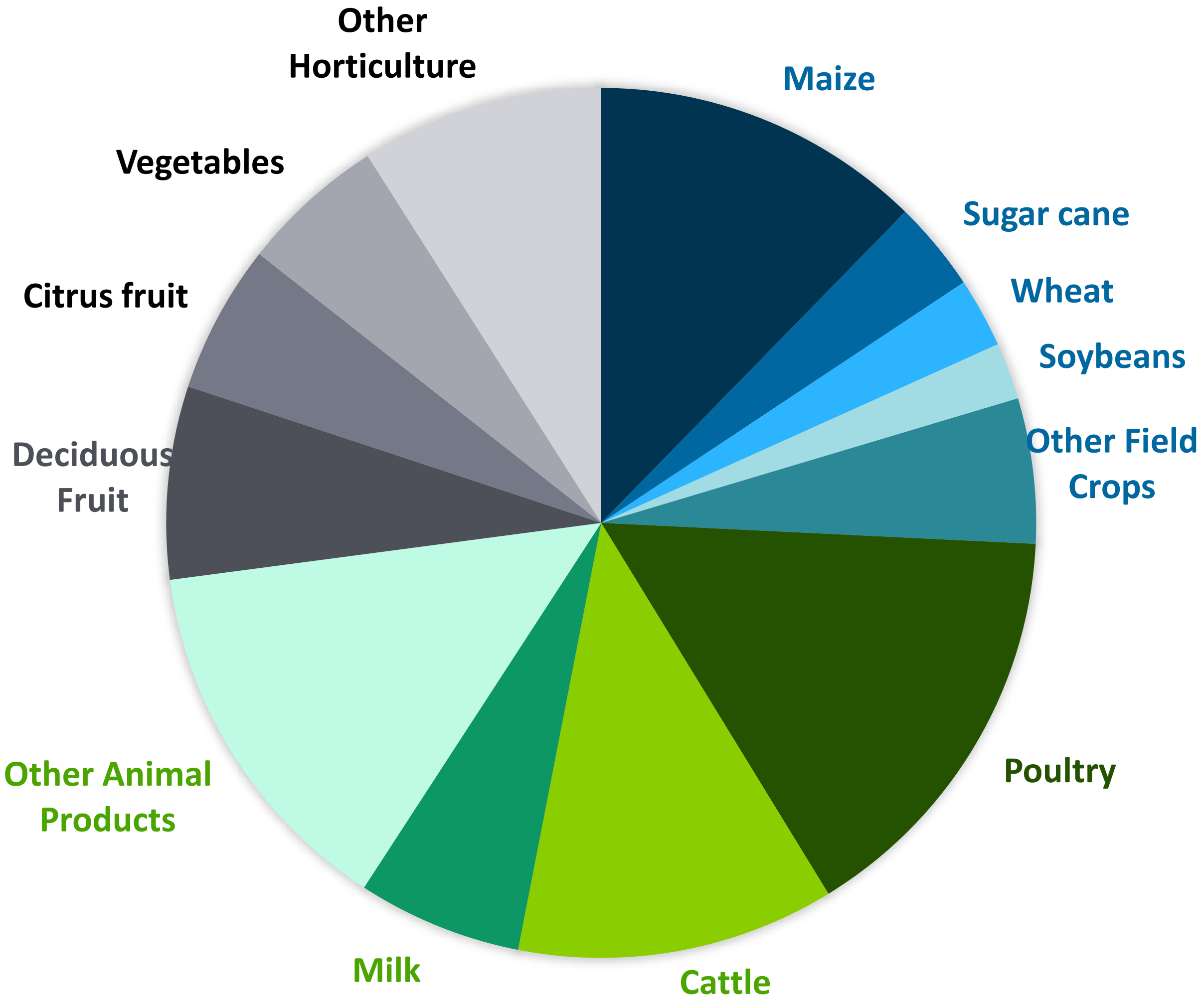
- Global recession
- Domestic weather & animal disease impacts

Going forward:

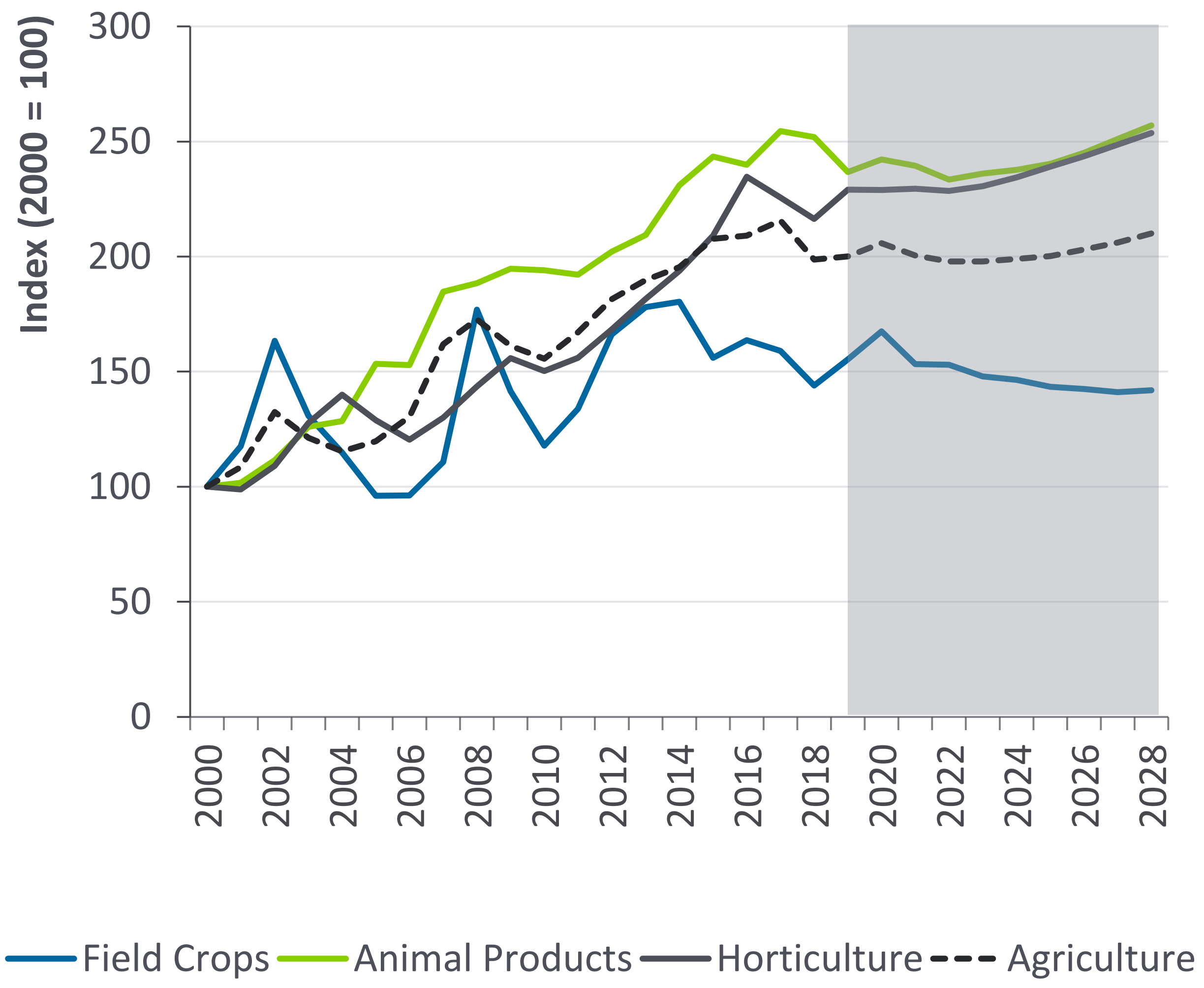
- Short term global support?
- Business as usual vs. accelerated growth

Subsector Performance

5 year average share



Subsector Performance: Gross Production Value



Agriculture’s contribution to trade balance

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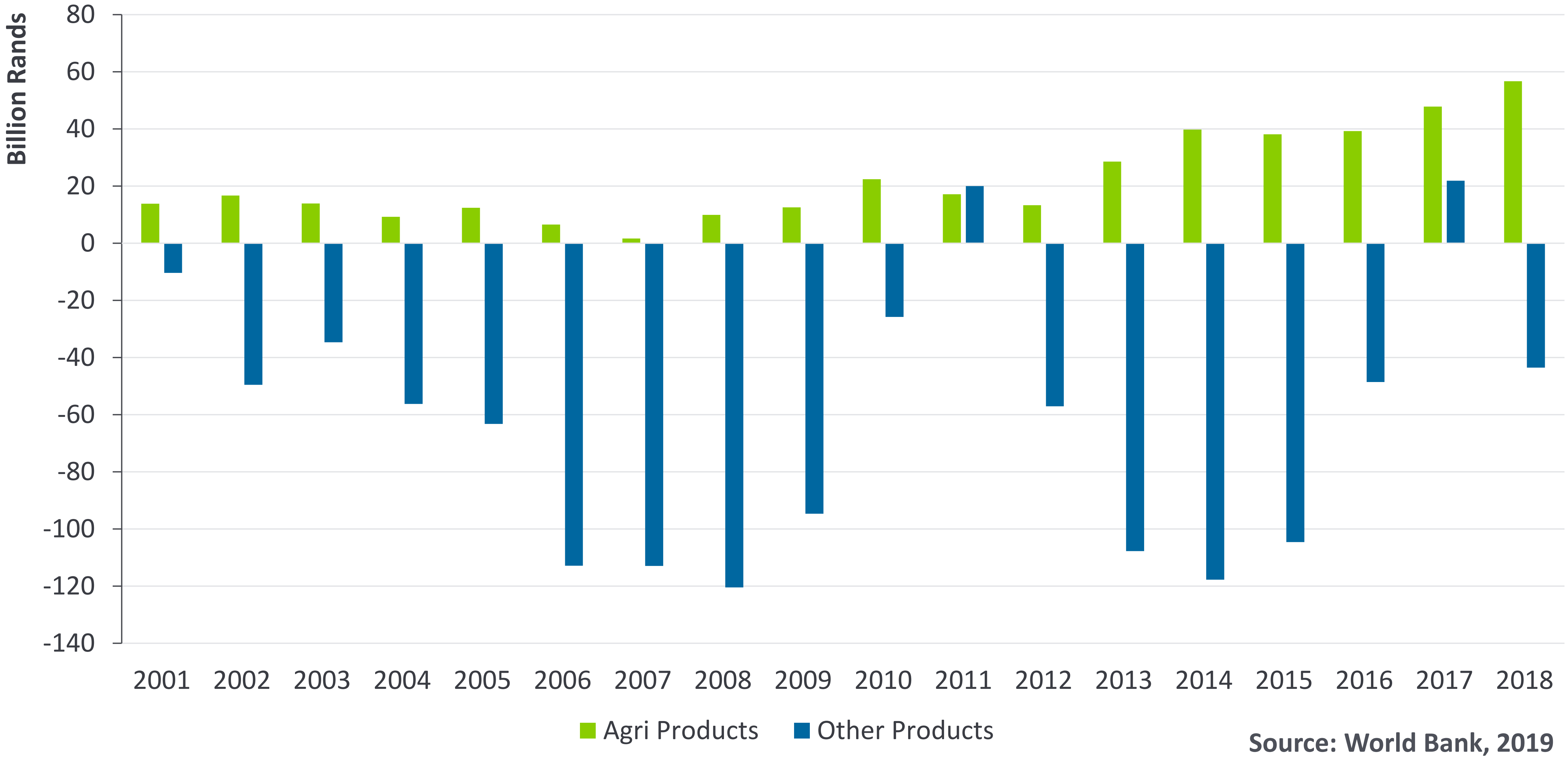
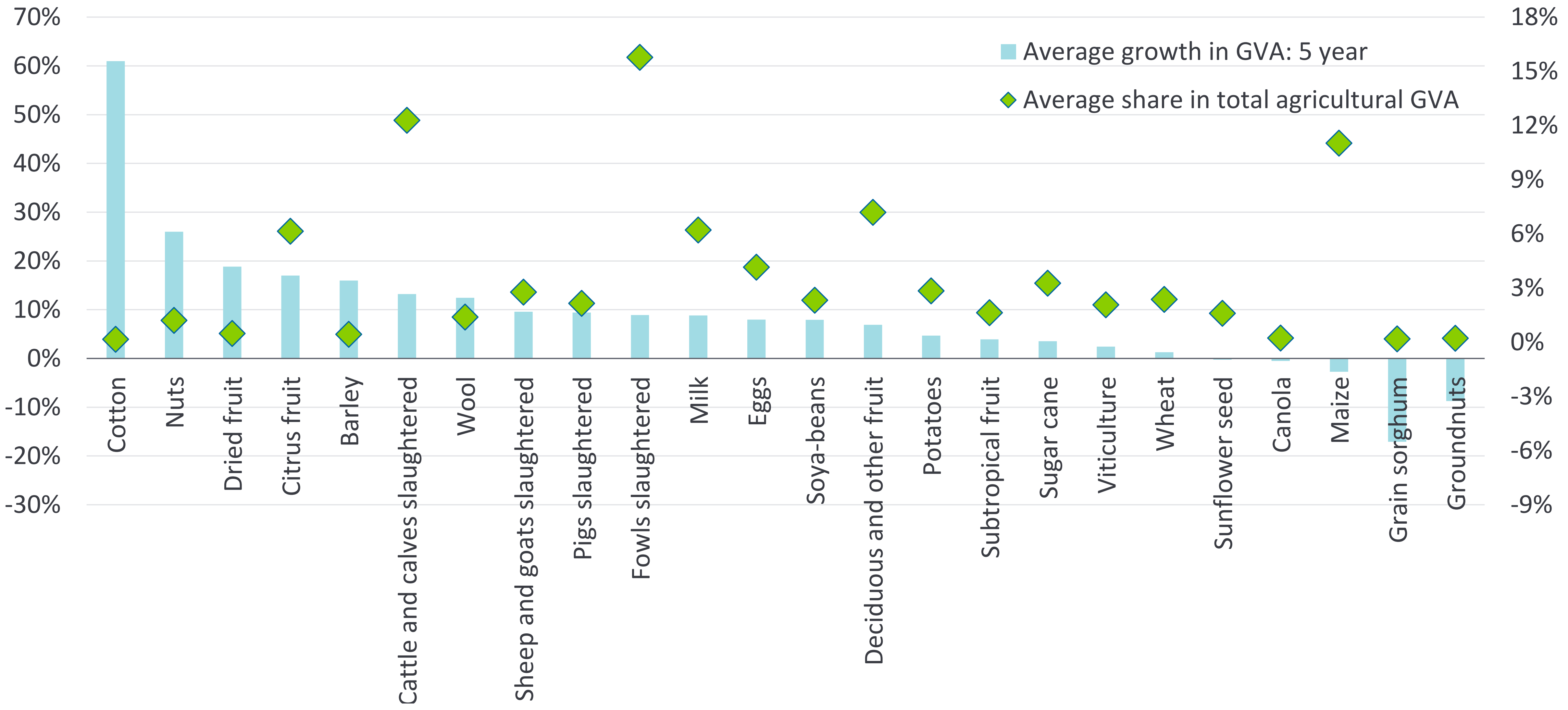


Source: World Bank, 2019

High-growth industries are on track

Gross Value of Agricultural Production



Markets: Performance across industries

Gross Value of Agricultural Production

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		NDP target 2030	Actual:2012-2018
Citrus	ha	15 000	23 448
Macadamias	ha	12 000	14 600
Apples	ha	2 500	2 256
Table grapes	ha	4 700	3 773
Avocadoes	ha	9 000	2 100
Soyabean	ha	370 000	312 000
Poultry	tons	660 000	270 000
Dairy	tons	520 000	655 000
Pork	tons	25 000	53 000

Is there more growth….and inclusive !!
Where do we start?

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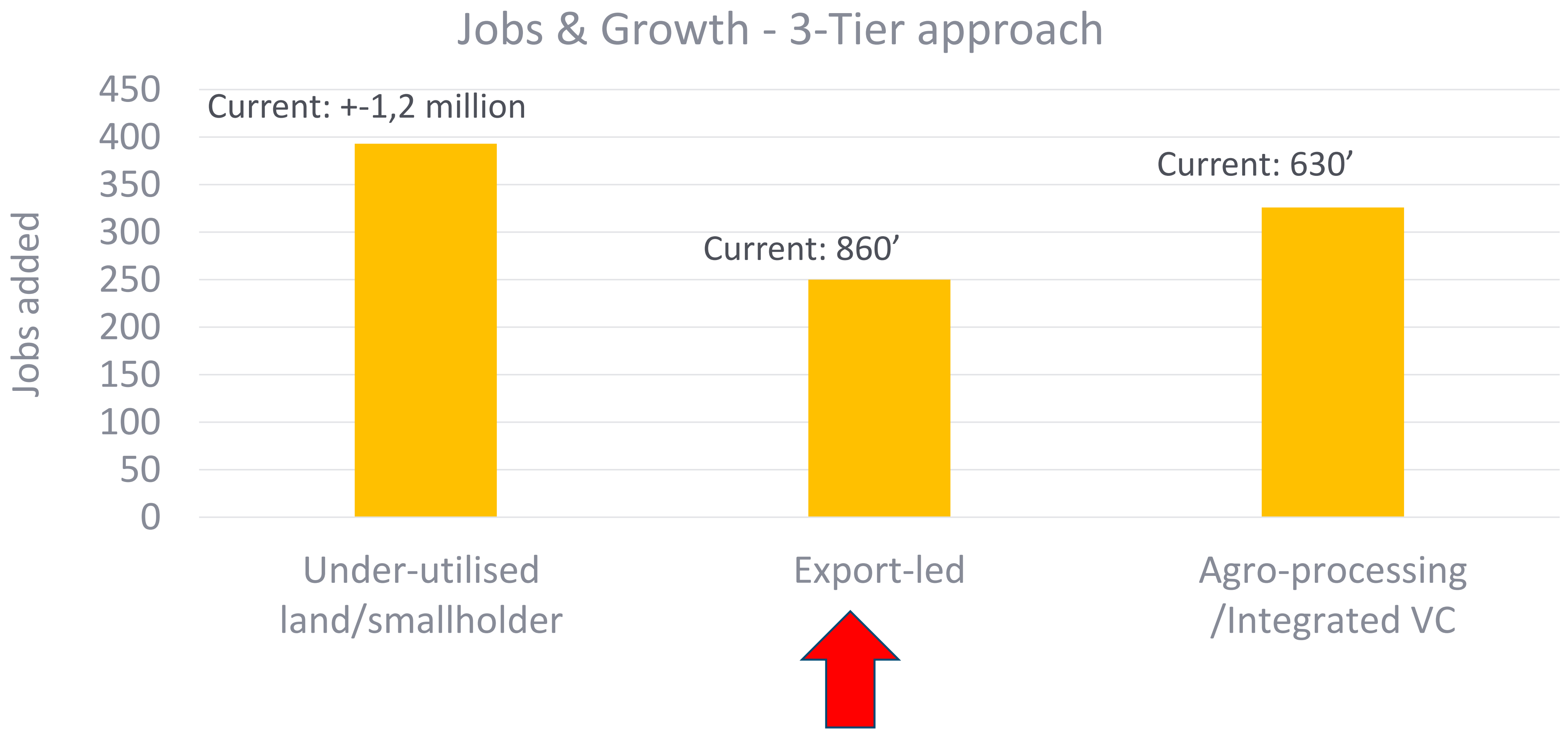
Jobs and growth: NDP vision of the “million jobs”



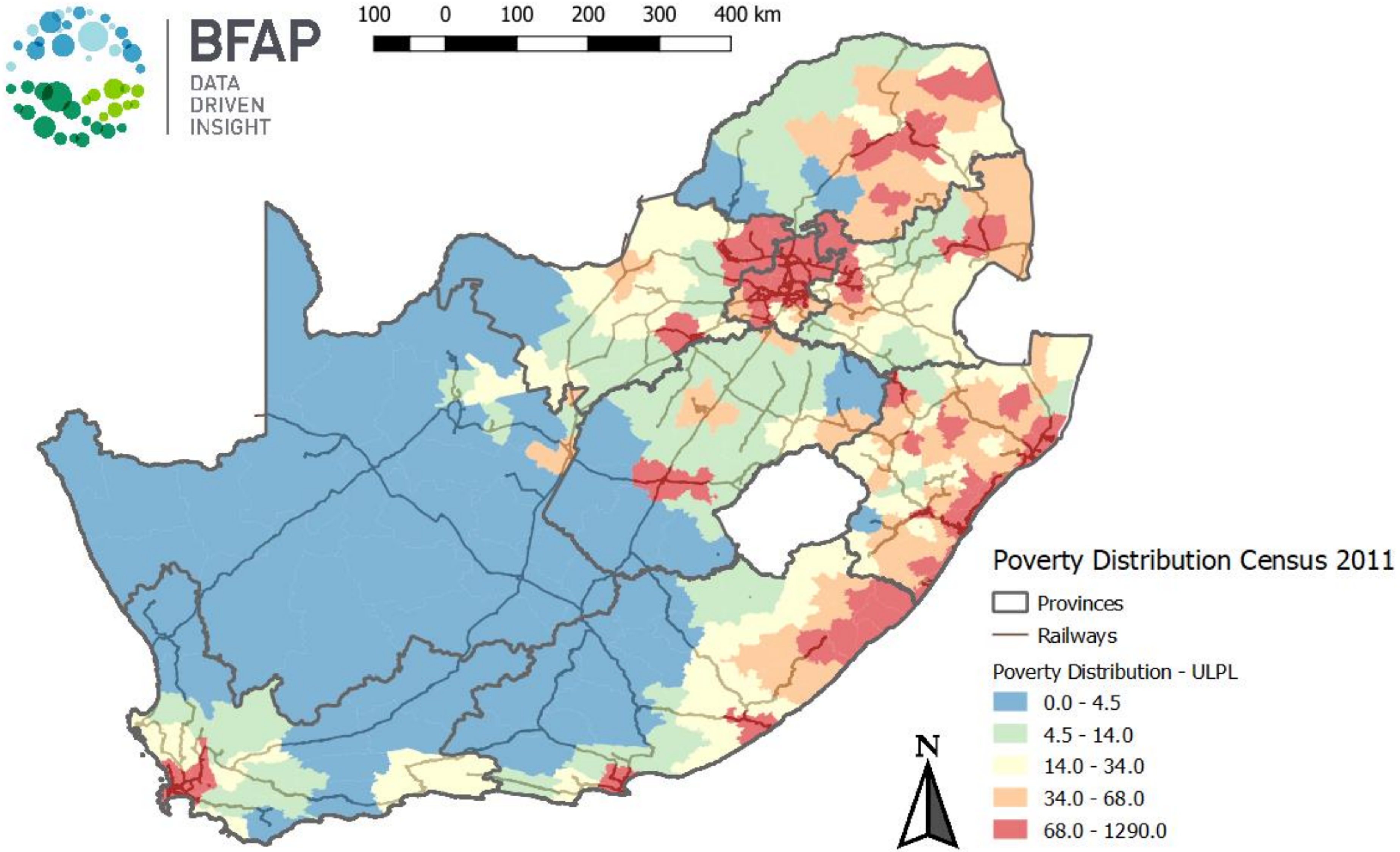
Irrigation expansion of 142 000 ha NOT 500 000 ha

Integrated Market-led Value chain approach

	Phase	Policy & Action	Status
Context	Strategic policy and business goals, investments & policy options, macro-finance	NDP, Treasury's Economic Policy, Land Panel, Advisory Council,	
Resources & Infrastructure	Soils, climate, crop suitability, roads, dams, electricity etc.	SPLUMA, NWRS II, SIP 11	
Market analyses	Global, regional, local market analyses at sector, farm, consumer level	NDP commodity targets, APAP, Export strategy etc.	
Value chain Deep dives	Product specific VC analysis, food system, impact & upgrade	Treasury's work streams, Phakisa, Industry round-tables	
Prioritise & Execute	Investment plan & policy intervention	Brandvlei, Bi-lateral trade, SPS, Jobs Fund-Private sector	

Source: BFAP 2019

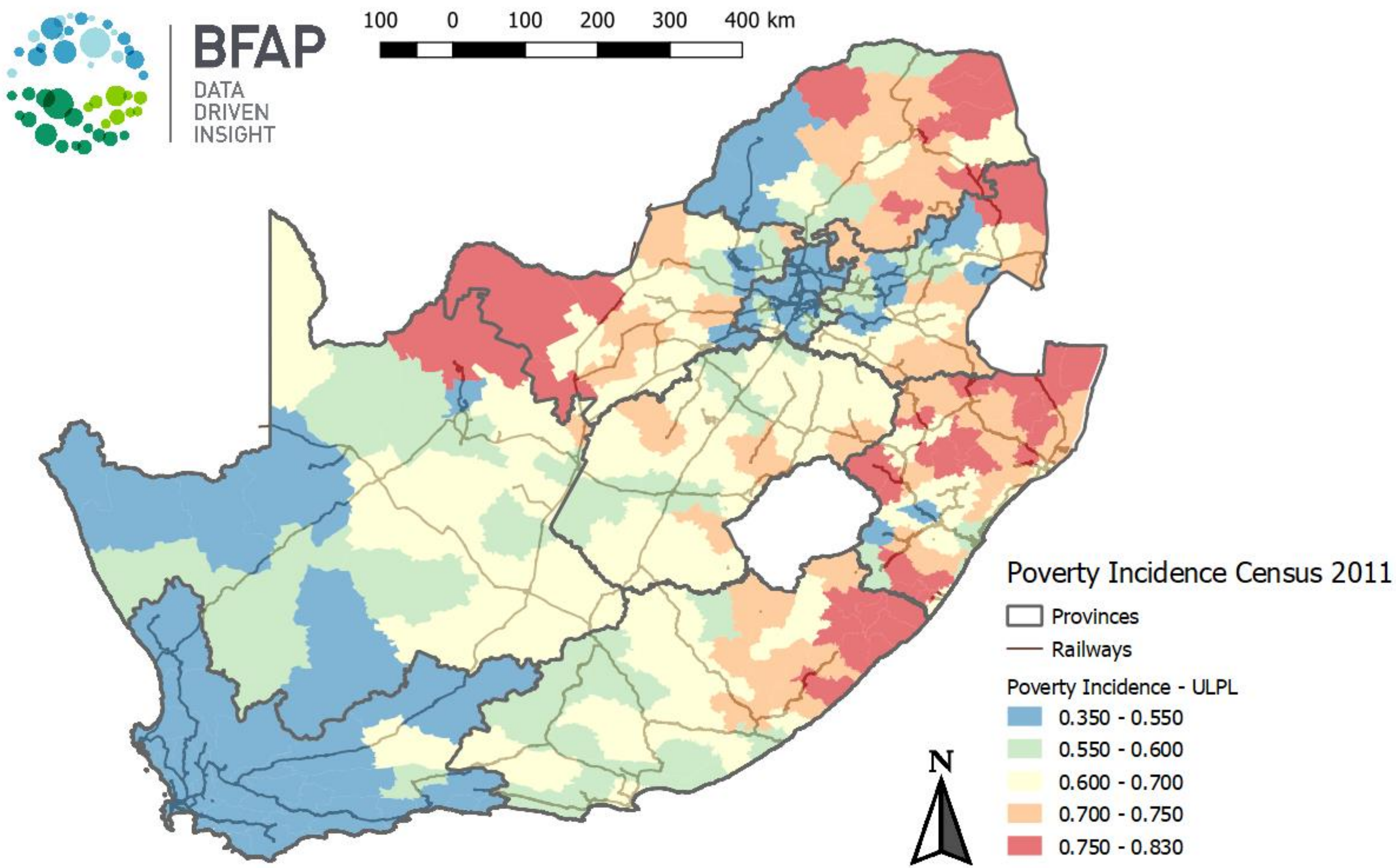
Access to land & Poverty Density



People in poverty (StatsSA poverty lines 2011) **per square kilometre**

	Rands pp per **Month**	Rands pp per **Annum**
Food Poverty Line (FPL)	335	4 020
Lower-bound poverty lie (LBPL)	501	6 012
Upper-bound poverty line (UBPL)	779	**9 348**

Access to land & Poverty Incidence



Percentage of people in poverty per local municipality (StatsSA poverty lines 2011)

	Rands pp per **Month**	Rands pp per **Annum**
Food Poverty Line (FPL)	335	4 020
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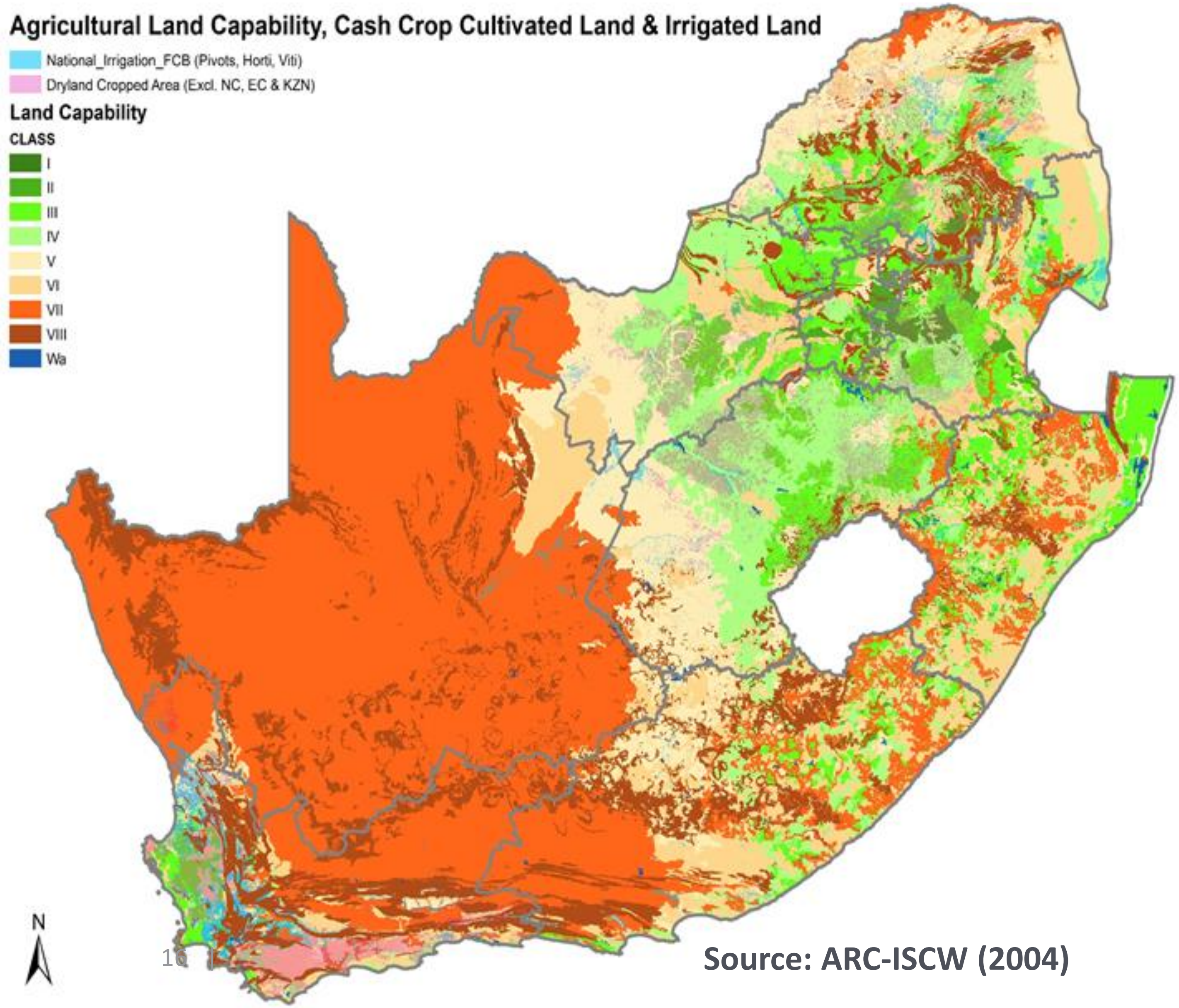
Upper-bound poverty line (UBPL)	779	**9 348**

Natural Resource Base

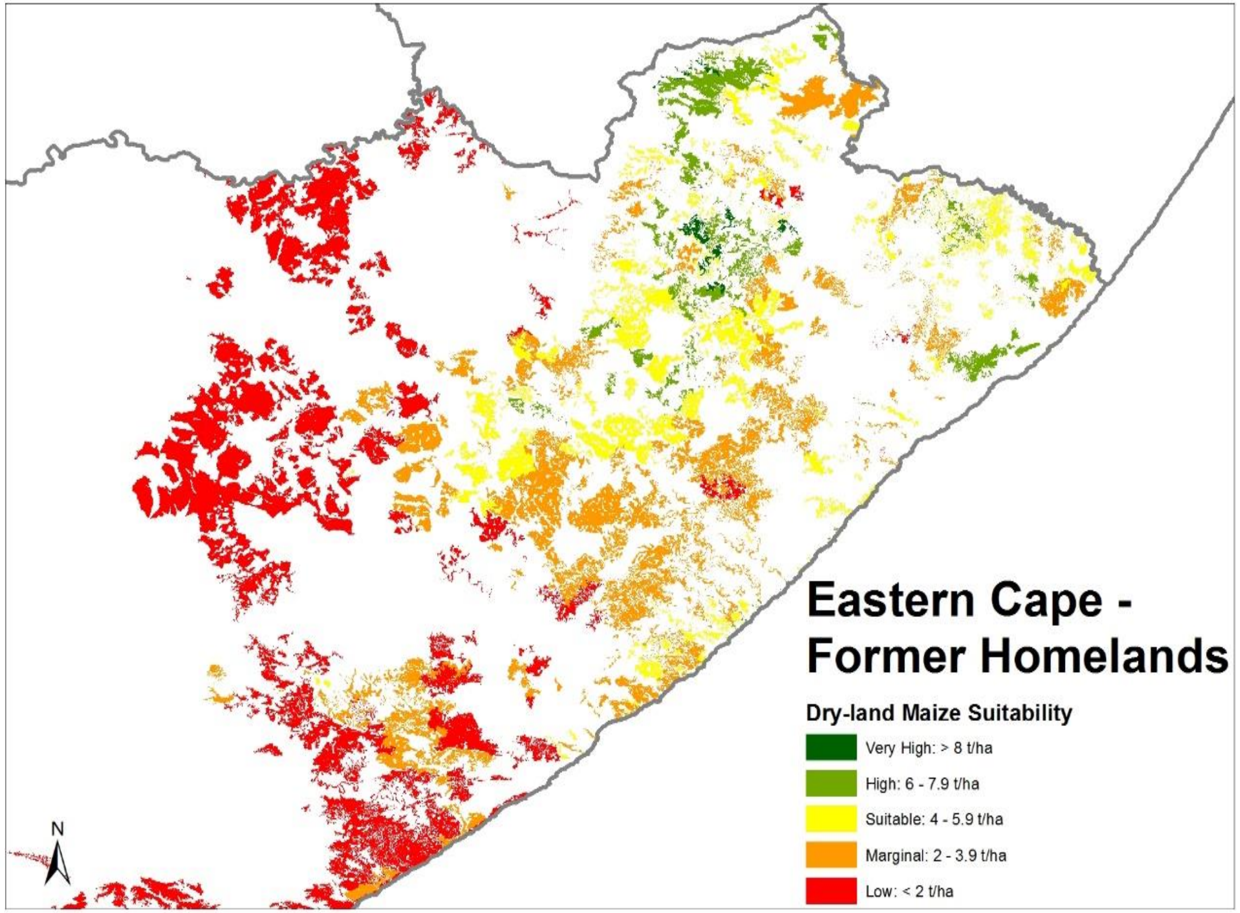


Source: ARC-ISCW (2004)

- SA total area: 122 million
- Agricultural land: 93 million
  - Freehold: 77 mil ha
  - Former homelands: 15.5 mill ha (50 000 irrigation)
  - Land already transferred to state or people of colour: 11.44 million.
  - 66 million ha in white ownership
  - 3.9 million ha owned by state and municipalities
  - 1.26 Trancraa lands

Source: BFAP, ARS, BER, 2019

Spatial targeted approach



		(1)	(2)	(3)	(4)	(5) = (4)*(3)
Maize Suitability Class		Maize Suitable Land (Hectares) identified within Field Crop Boundaries (FCB)	**Allocated** Dryland Grain & Oilseed Hectares to potentially be cropped, from Maize Suitable Land	Potential Dryland Maize Hectares	Potential average maize yield (t/ha) – Lower yield	Average Production Potential (tons)
H	**High**	91 642	31 015	16 533	5.9	97 548
S	**Suitable**	169 404	124 892	93 813	3.9	365 871
M	**Marginal**	319 612	201 490	146 988	2.9	426 264
L	**Low**	114 282	64 144	41 033	2	82 066
Total		694 940	421 540	**298 367**	**3.7**	**971 750**

Resources & Infrastructure

- Next 5 years - make or break
- National assets - private sector has limited impact
- Lack of coordination, governance and administration
- Climate risk rapidly rising
- Treasury’s Economic Policy

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Markets & Integrated VC's

- NDP selection on target.
- Micro-crops evolution adding value
- Climate risk major concern – shift in cropping patterns
- Spatial targeting & application of big data

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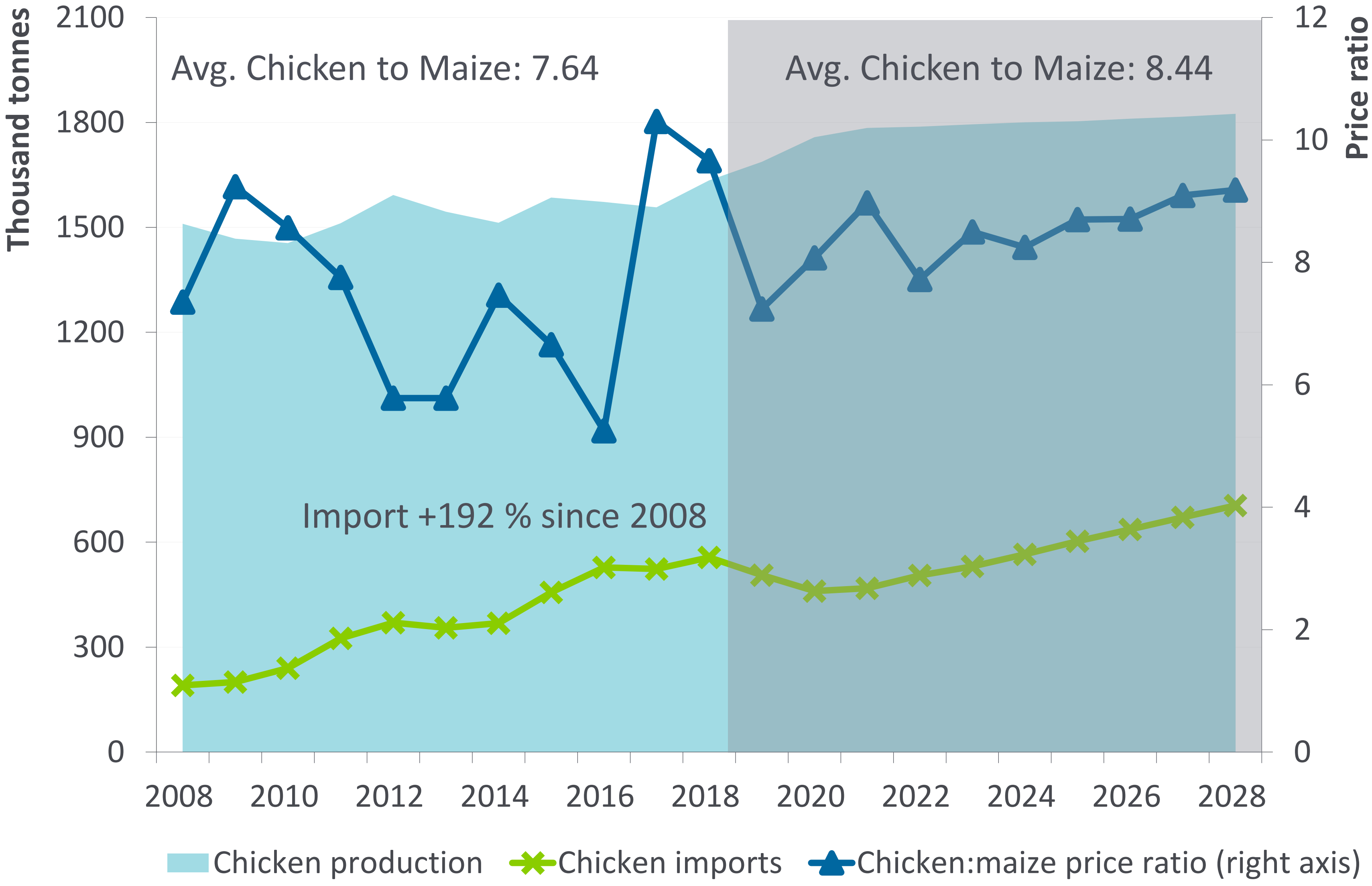
Chicken market outlook

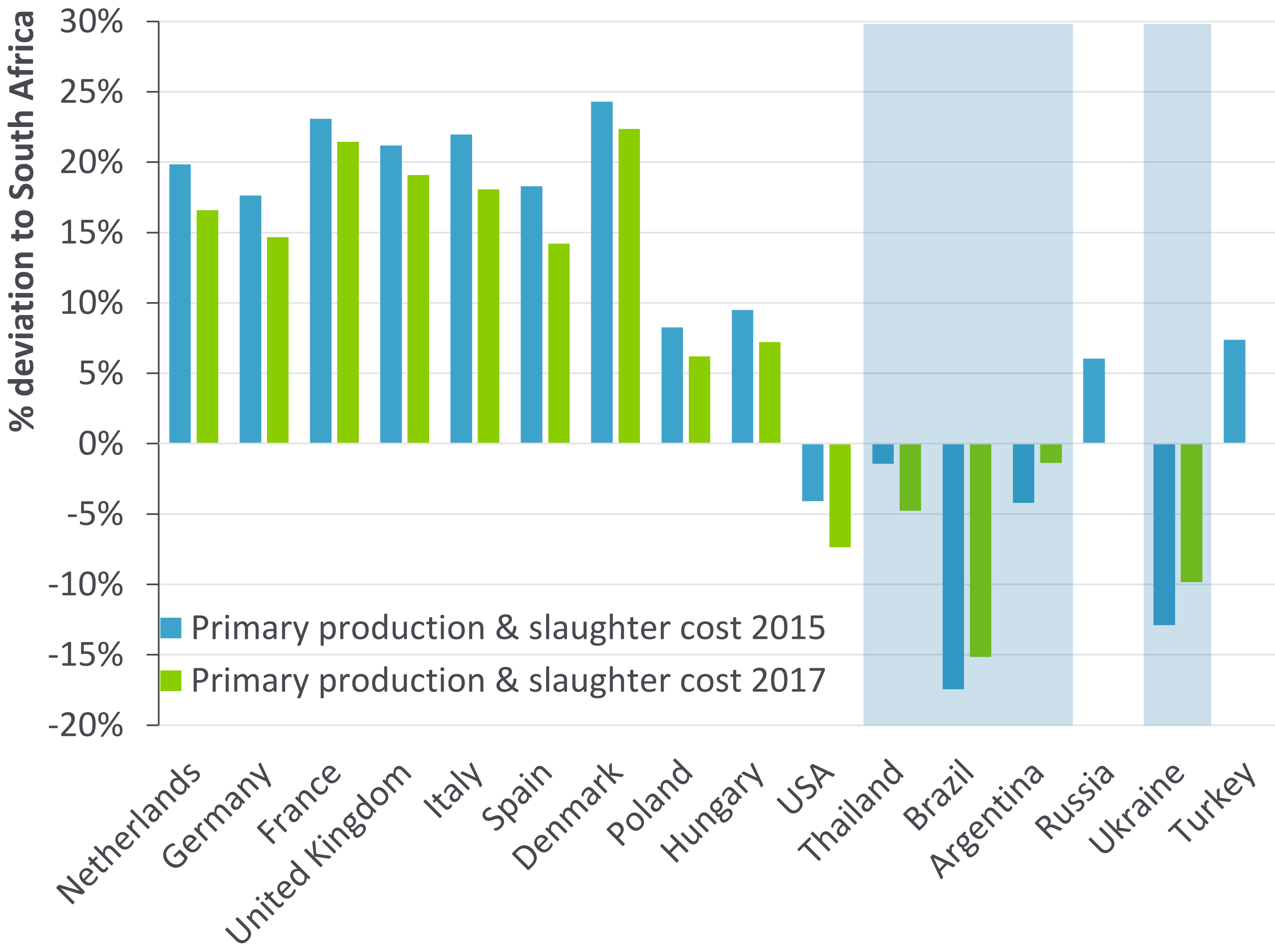
More profitable cycle, but imports remain a challenge



- Profitable 2017 & 2018 support expansion short term
- Short term pressure from higher feed costs
- Imports remain challenge
  - Temporary reprieve from HPAI in Europe
  - Safeguard duties on EU portions - phased out over next 3 years

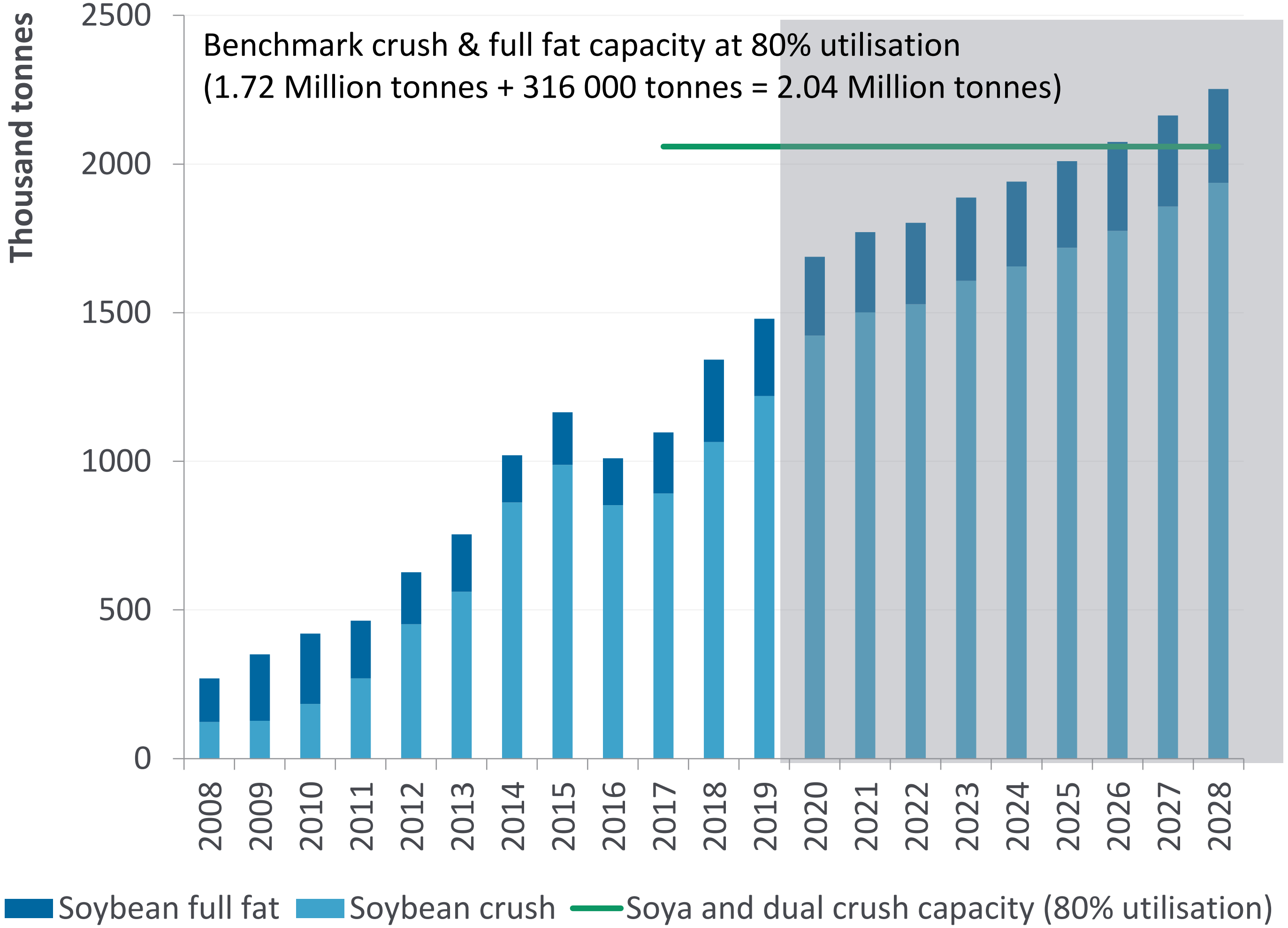
Integrated poultry value chain

EU Exports as option to rebalance market?



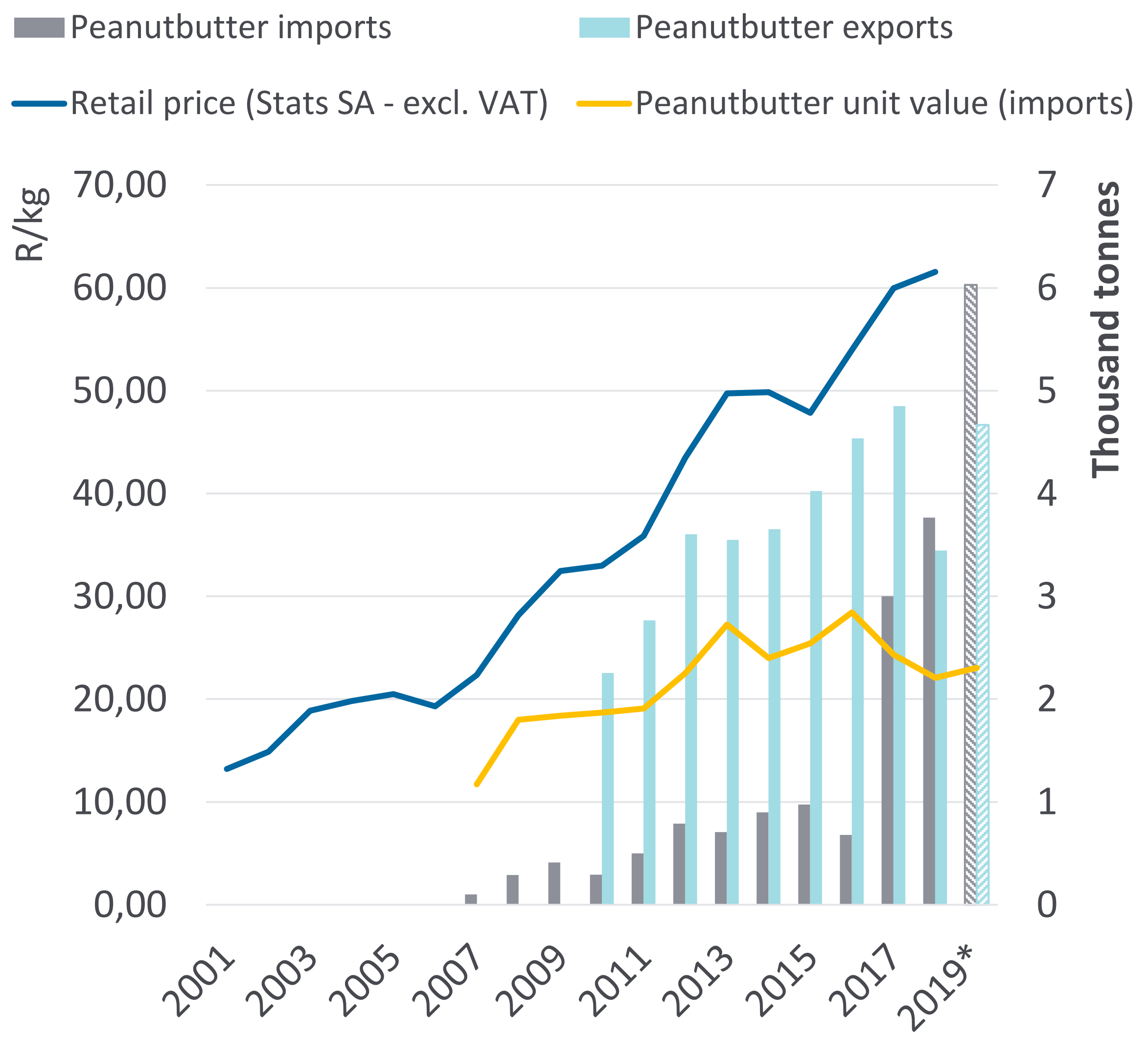
- Under EPA – SA has duty free access to export chicken breasts into Europe – non-EU competitors all face tariffs
  - Brazil = 27.5%
  - Ukraine = 17.2%
  - Chile = 26.8%
  - Thailand = 27.5%
  - Argentina = 27.5%
- Exports are prohibited by failure to comply with EU food safety standards – not in a position to provide required certification
- Access to EU market will enable premium on breast meat & aid rebalance of SA market

Soybean processing capacity

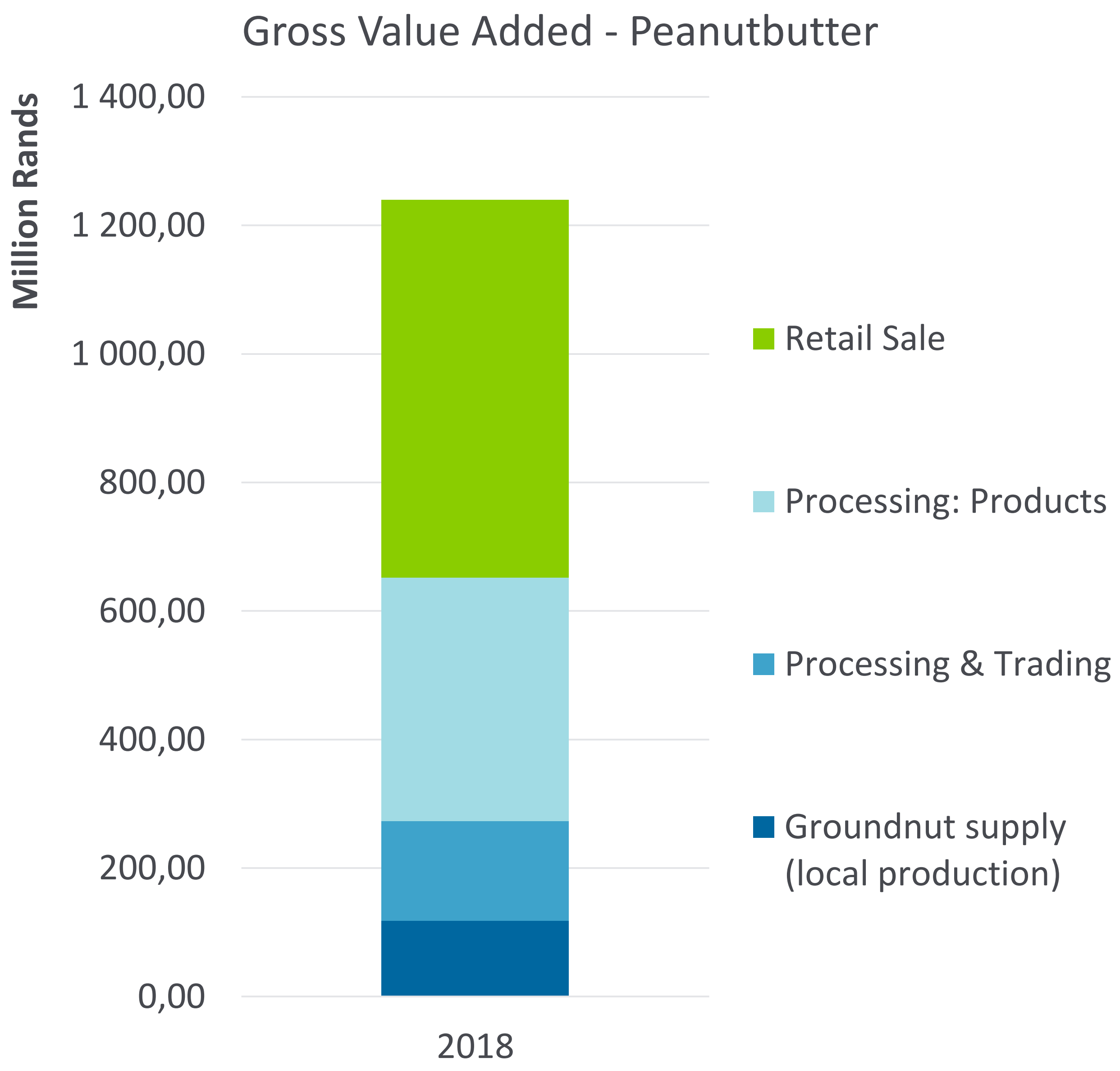


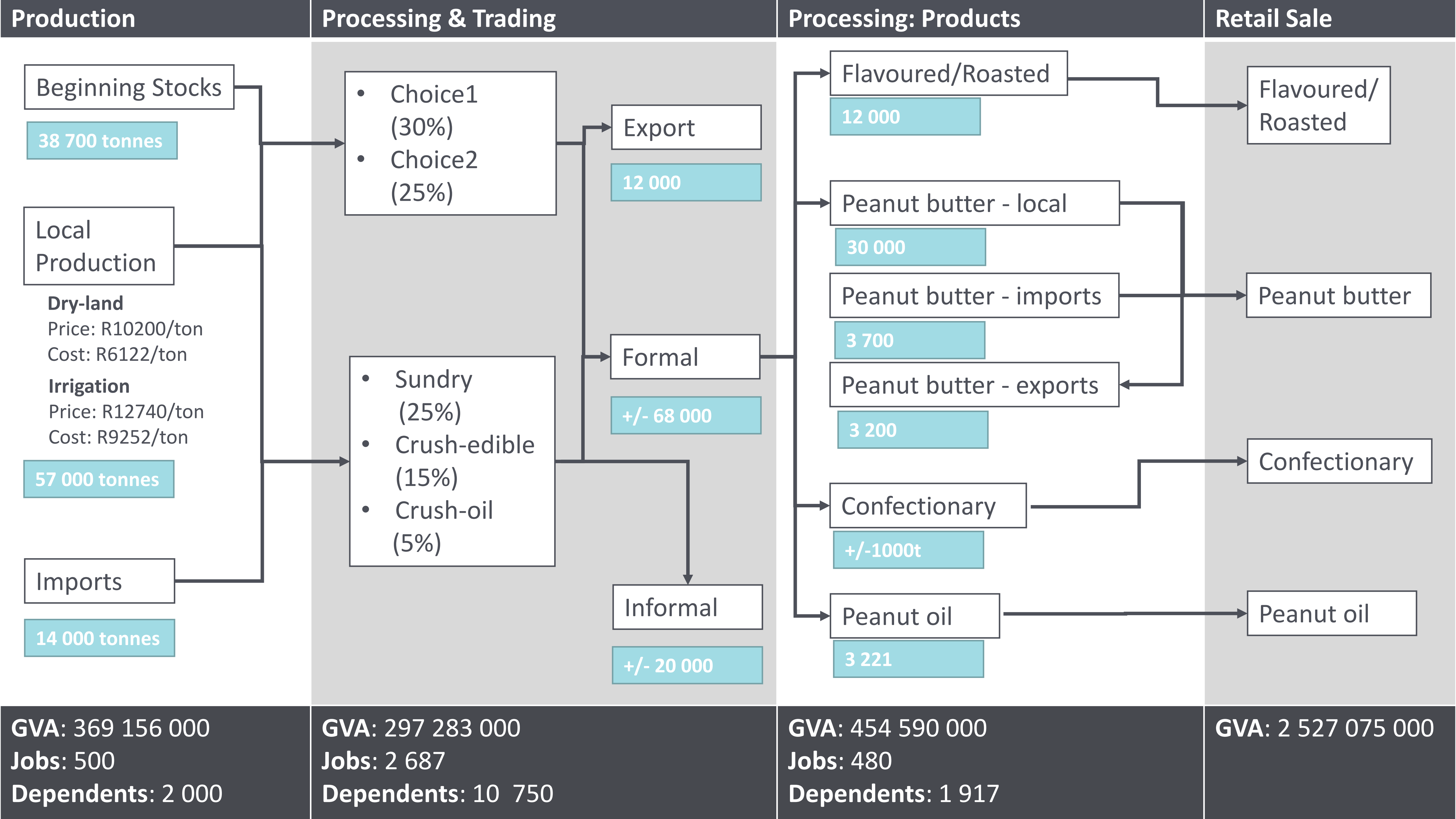
- Dedicated soybean processing facilities could reach capacity in 2-3 years under normal weather
- Dual crushing plants provide additional capacity if margins sufficient
- Quality consistency remains critical for all feed producers to procure locally
- Climate & timing of planting influences protein content of beans

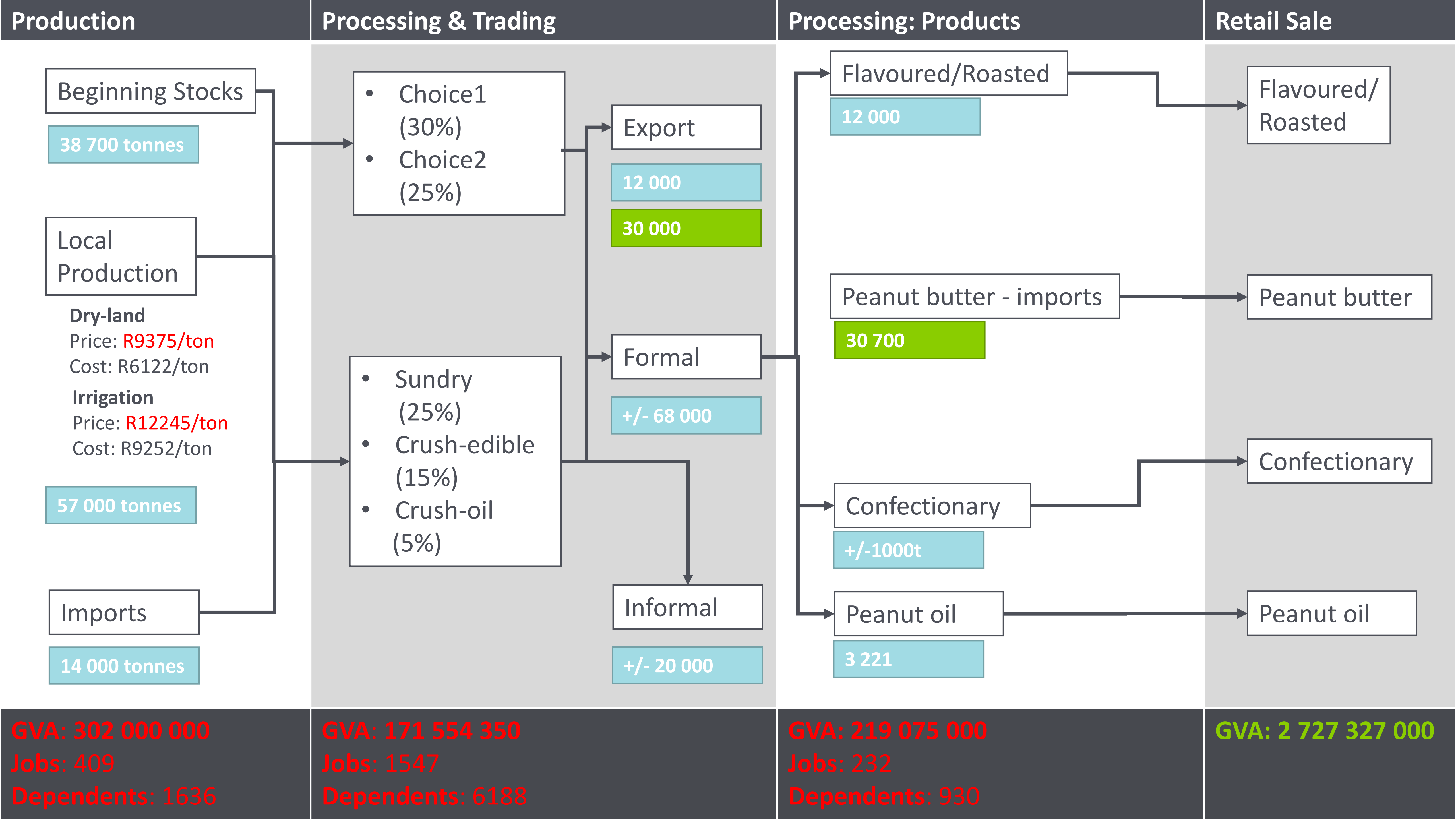
Peanutbutter margins opening



*2019: inferred from first 5 months' trade data




Production
Processing & Trading
Processing: Products
Retail Sale
Beginning Stocks
38 700 tonnes
Local Production
Dry-land
Price: R10200/ton
Cost: R6122/ton
Irrigation
Price: R12740/ton
Cost: R9252/ton
57 000 tonnes
Imports
14 000 tonnes
Choice1 (30%)
Choice2 (25%)
Sundry (25%)
Crush-edible (15%)
Crush-oil (5%)
Export
12 000
Formal
+/- 68 000
Informal
+/- 20 000
Flavoured/Roasted
12 000
Peanut butter - local
30 000
Peanut butter - imports
3 700
Peanut butter - exports
3 200
Confectionary
+/-1000t
Peanut oil
3 221
Flavoured/ Roasted
Peanut butter
Confectionary
Peanut oil
GVA: 369 156 000
Jobs: 500
Dependents: 2 000
GVA: 297 283 000
Jobs: 2 687
Dependents: 10 750
GVA: 454 590 000
Jobs: 480
Dependents: 1 917
GVA: 2 527 075 000



Production
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38 700 tonnes
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Dry-land
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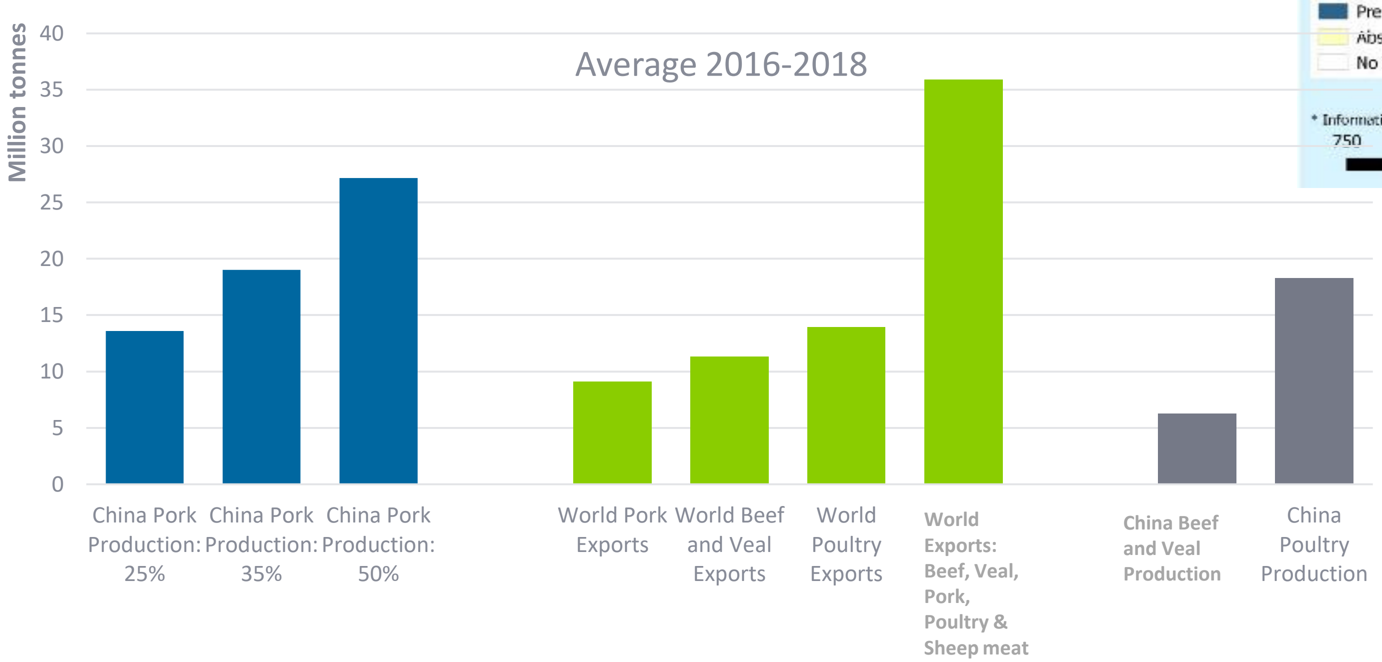
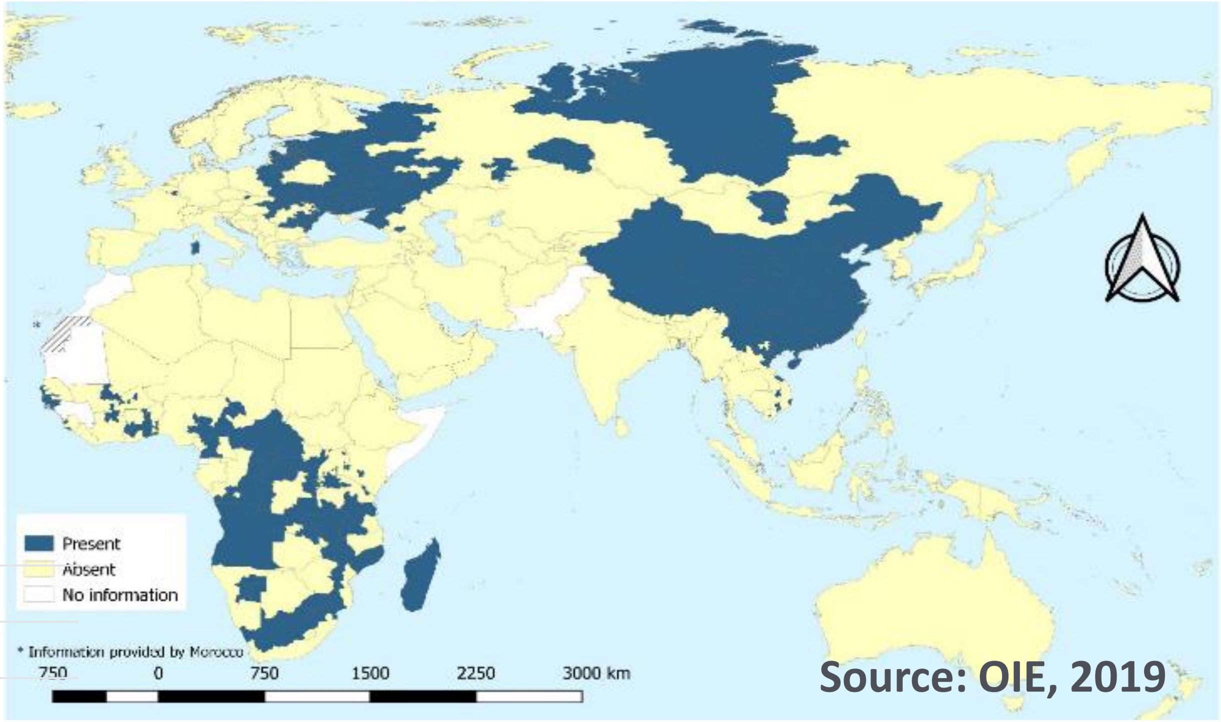
Peanut butter - imports
30 700
Confectionary
+/-1000t
Peanut oil
3 221
Flavoured/ Roasted
Peanut butter
Confectionary
Peanut oil
GVA: 302 000 000
Jobs: 409
Dependents: 1636
GVA: 171 554 350
Jobs: 1547
Dependents: 6188
GVA: 219 075 000
Jobs: 232
Dependents: 930
GVA: 2 727 327 000

African Swine Fever in China

Biggest uncertainty affecting global meat markets

- End August 2019 – China's pig inventory estimated -40%, expected to reach 50% by end of year
- Rest of Asia also affected – VietNam etc.
- Diverse industry – 26 million producers
  - Small backyard producer to large corporate farms with modern technology
  - 85% of reduction occurred on small farms (<3000 pigs sold per year)
- Implications for global markets
  - 1% production decline in China = +- 500 thousand tonnes pork
  - Magnitude of additional imports uncertain – prices will increase

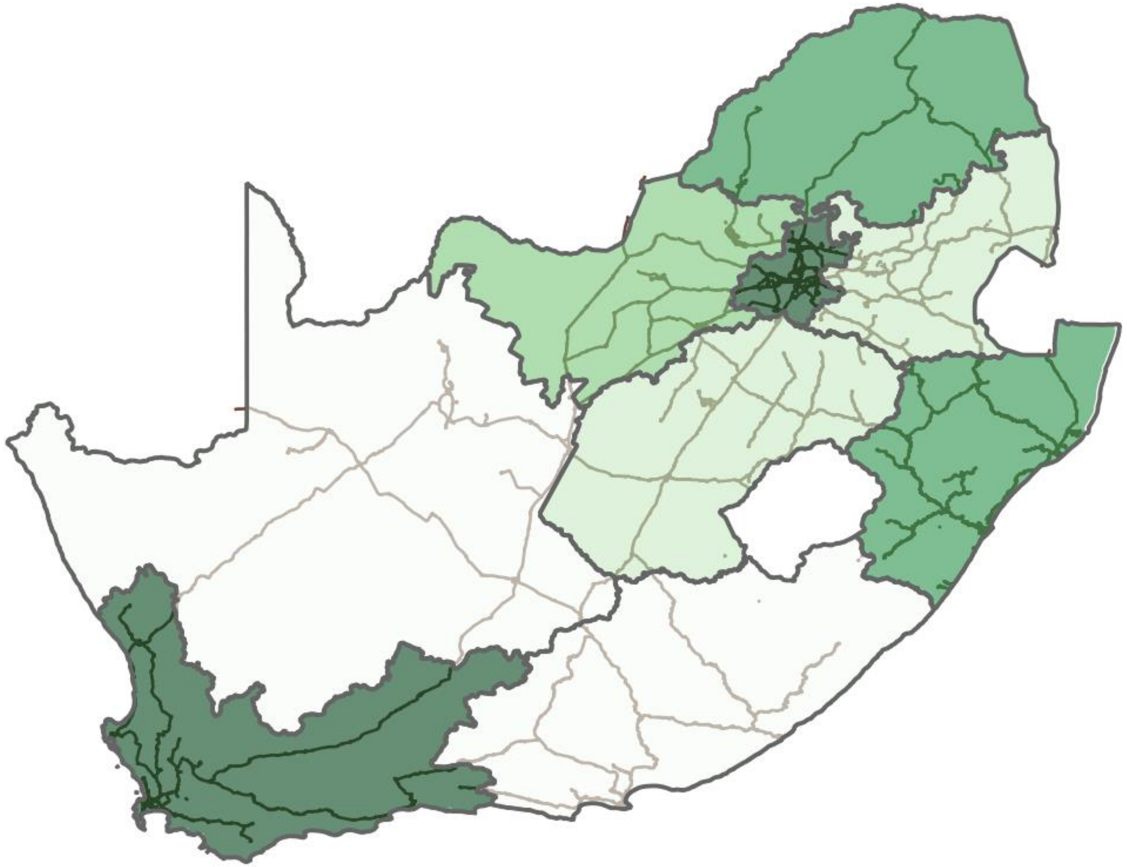




- Accelerating structural shift toward more modern structure, larger producers providing a growing share of market
- For South Africa
  - Opportunity?
  - Risk?

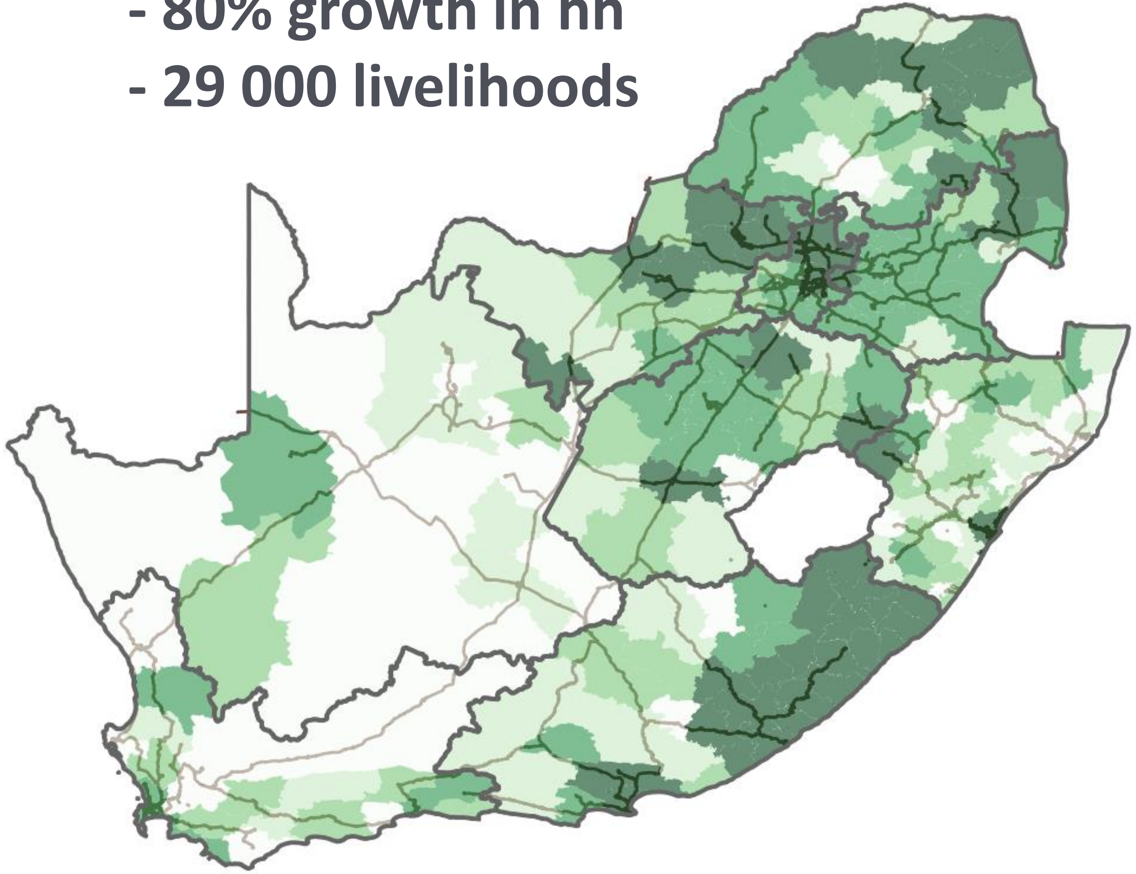
Impact of African Swine Fever

Value of Formal Pig Herd in full-grown sow / boar meat-equivalent =
R2.4 billion

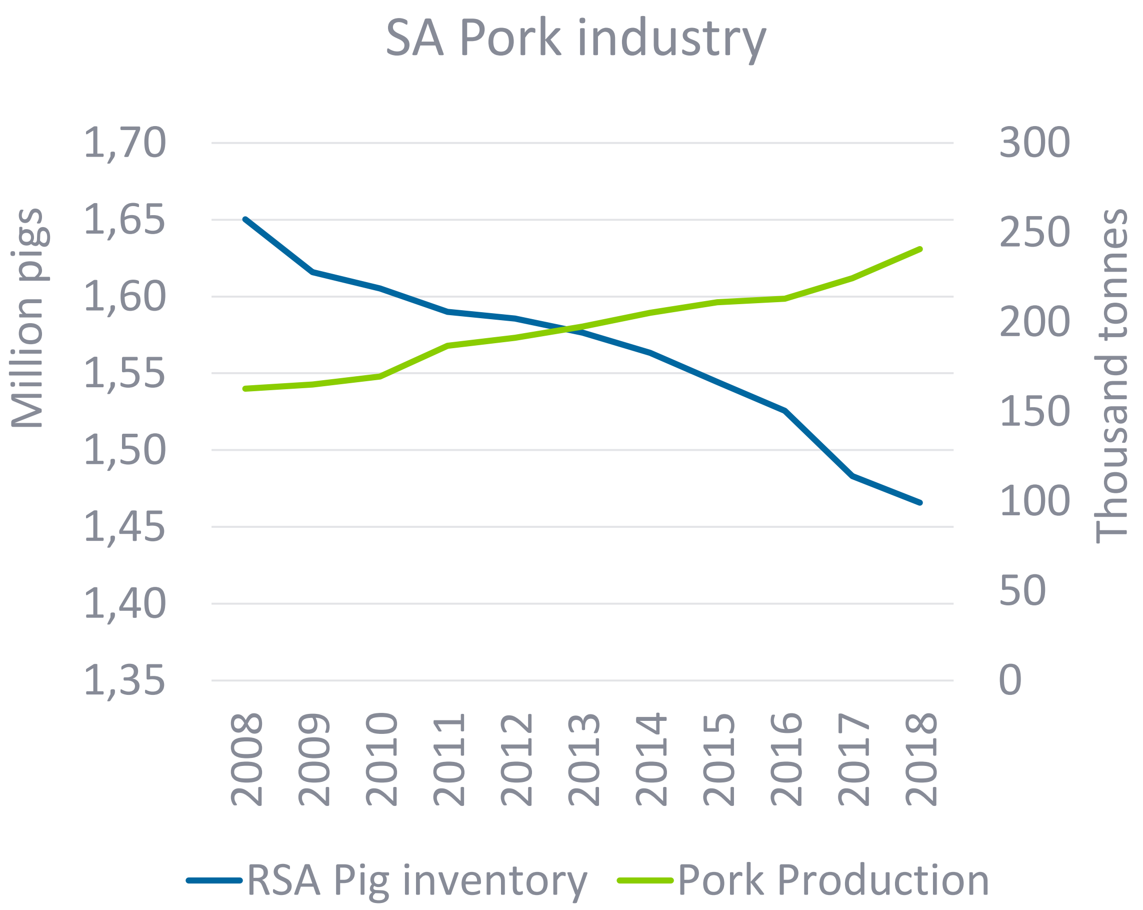


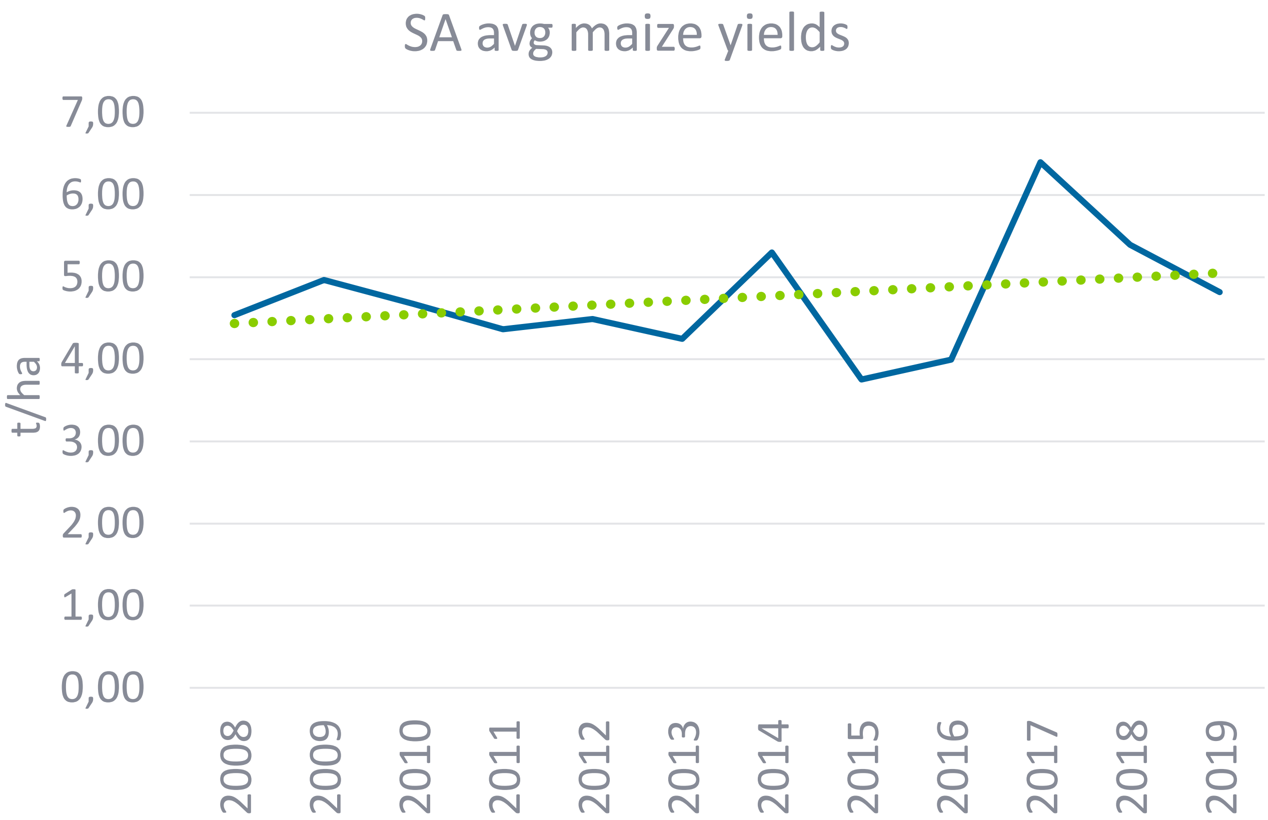
Value of Informal Pig Herd in full-grown sow/boar meat-equivalent =
R1.2 billion

- 80% growth in hh
- 29 000 livelihoods

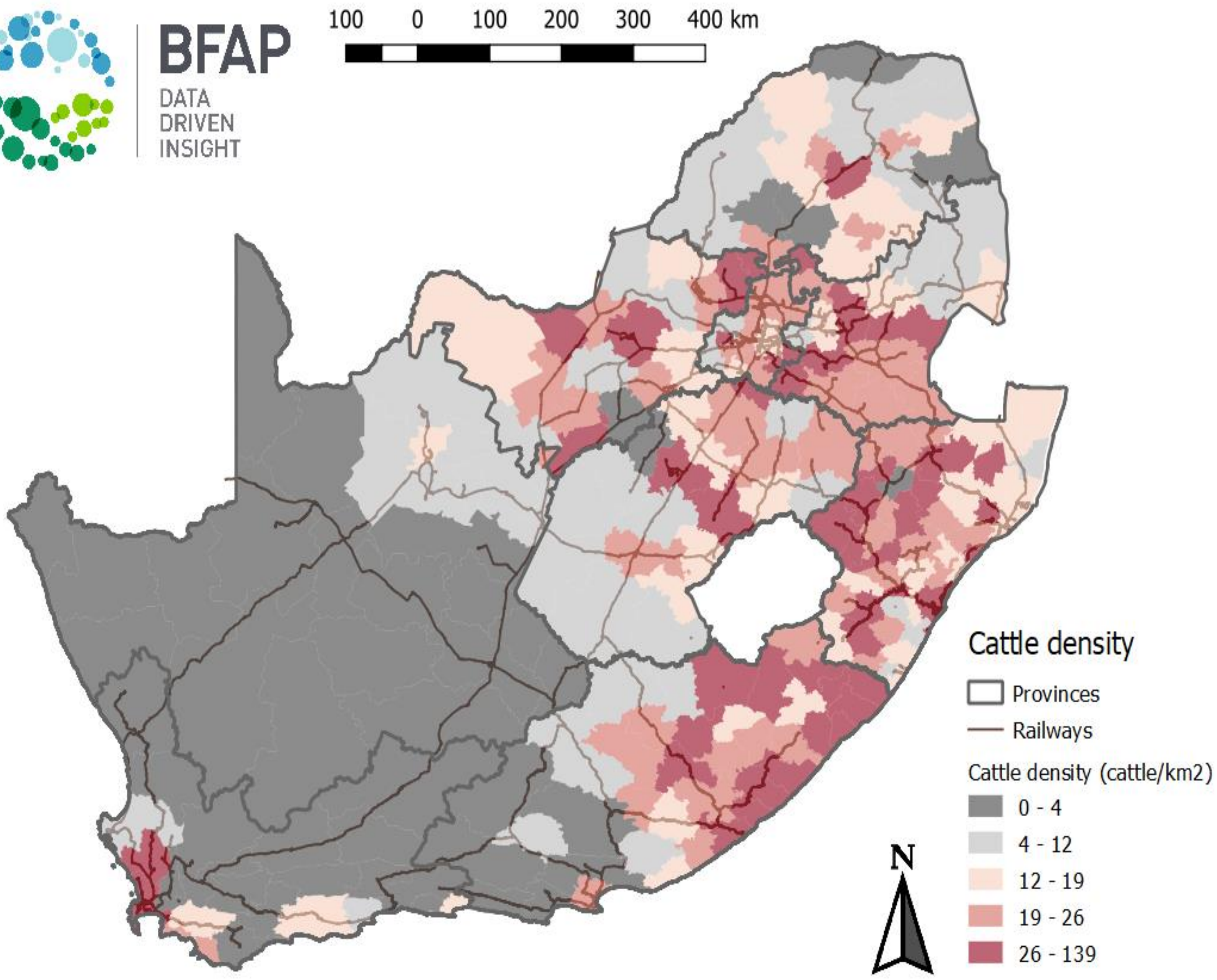


Productivity gains





Number of Cattle per Local Municipality

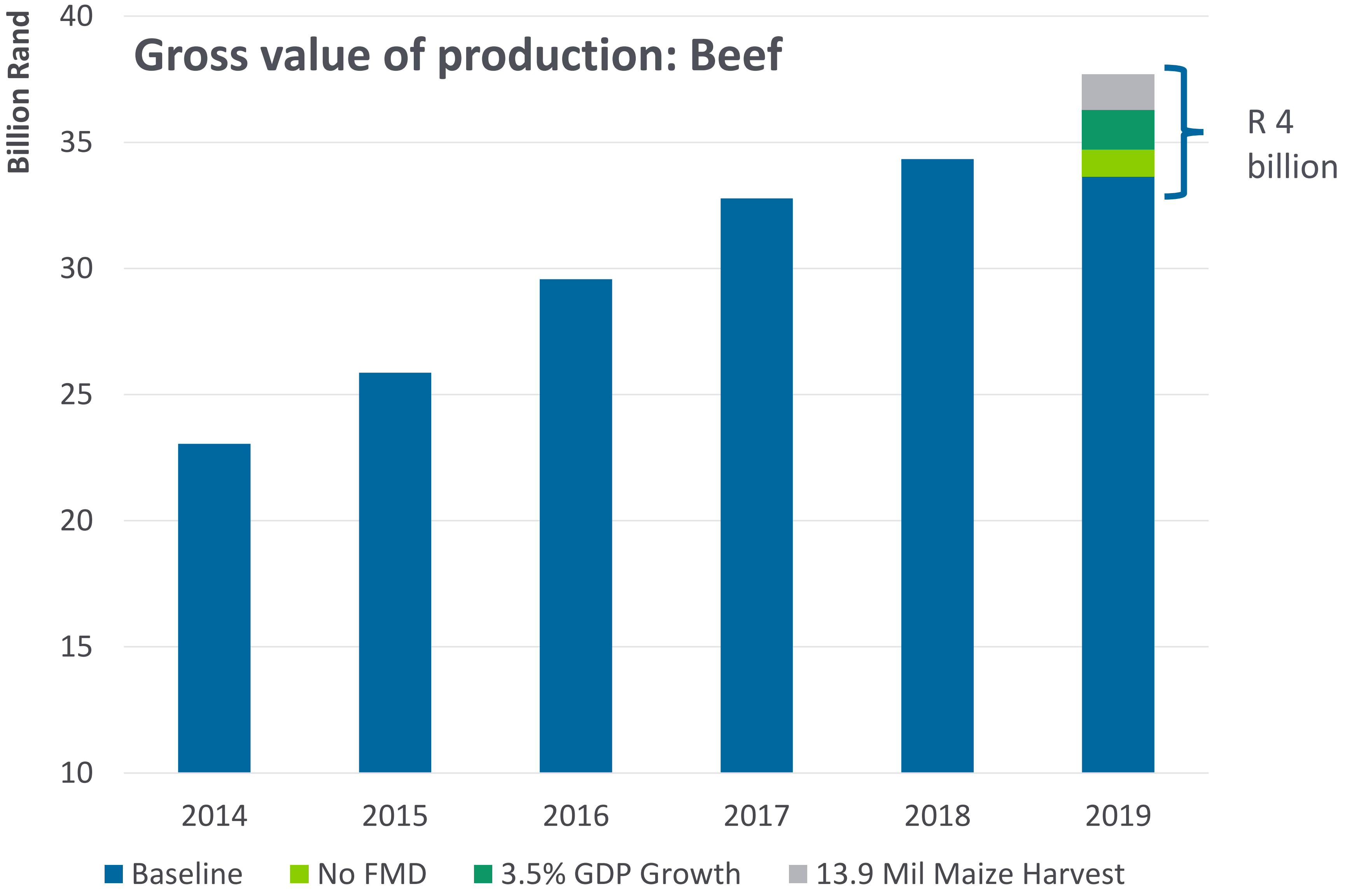


StatsSA Community Survey 2016

- Informal beef sector => single largest unaccounted for asset in SA agriculture?
- Huge scope for inclusive growth if potential can be unlocked
  - Livestock estimates
  - Traceability system
  - Productivity growth
- Need to understand markets, including informal markets

Measure Impact: Beef sector

Potential gross value of production reduced by combination of factors in 2019



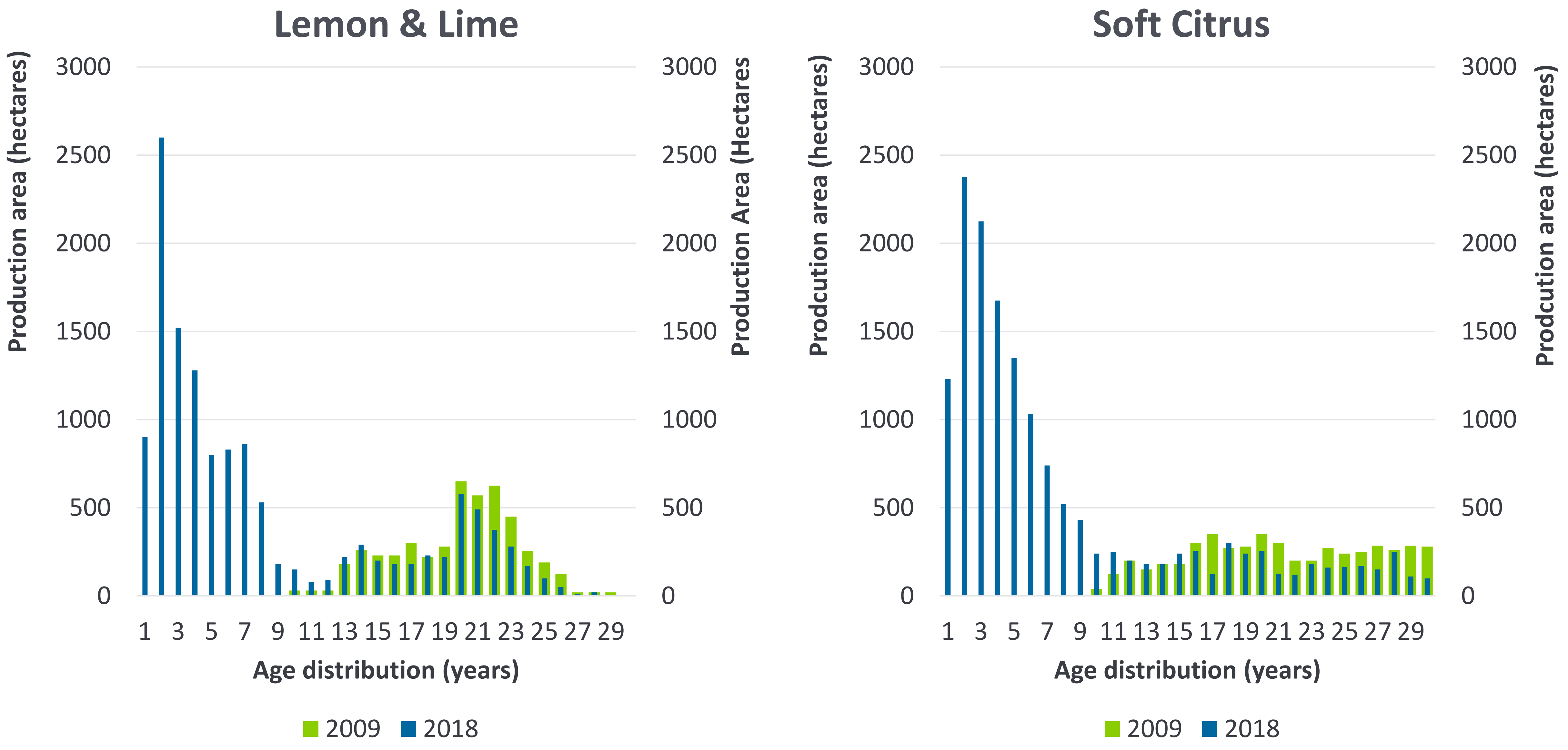
Alternative outcomes for beef industry in 2019

1) Exports at 2018 levels – no adjustment for FMD

2) Local economic growth increased to 3.5% per annum

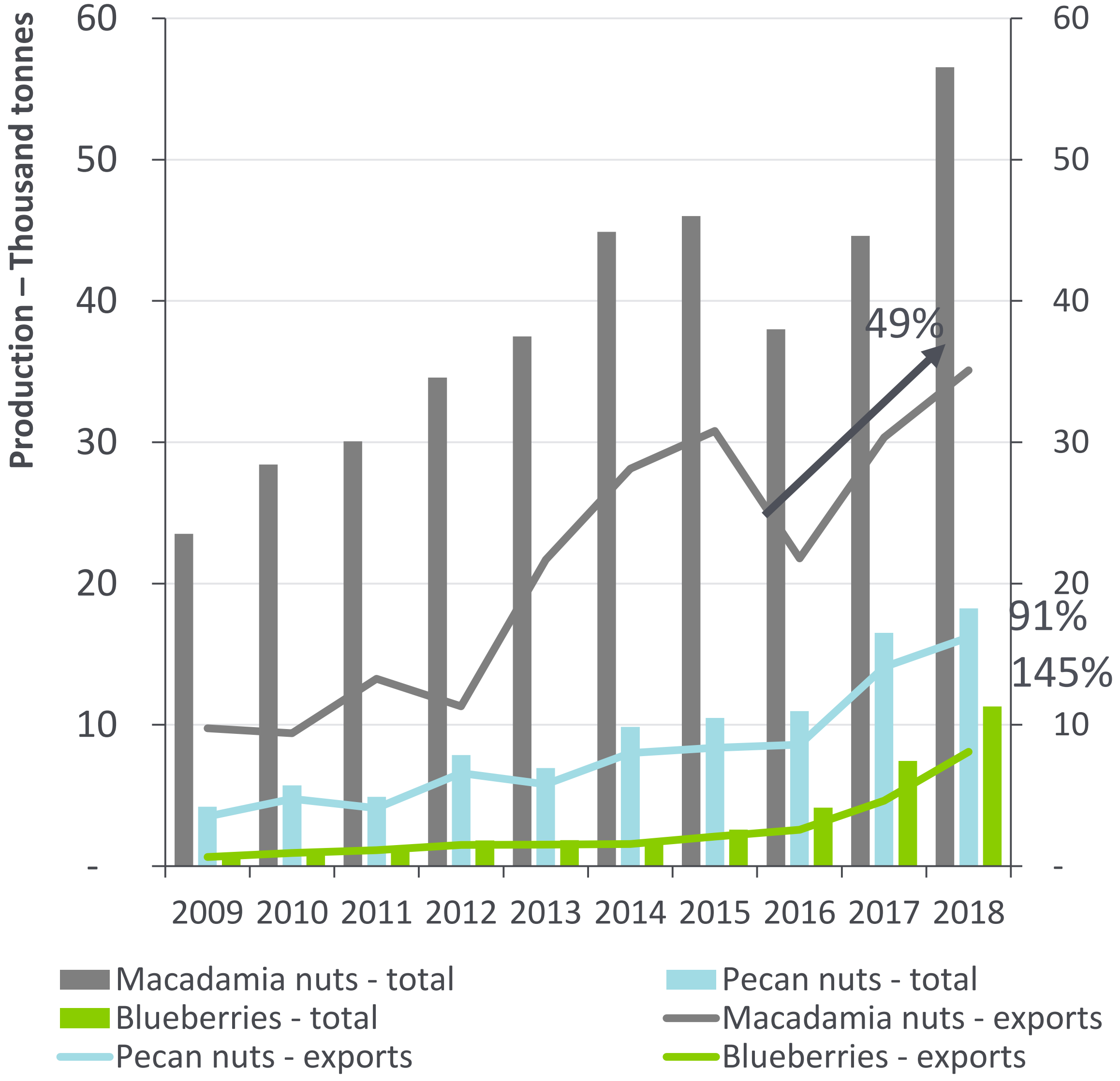
3) 13.9 million maize crop – export parity pricing

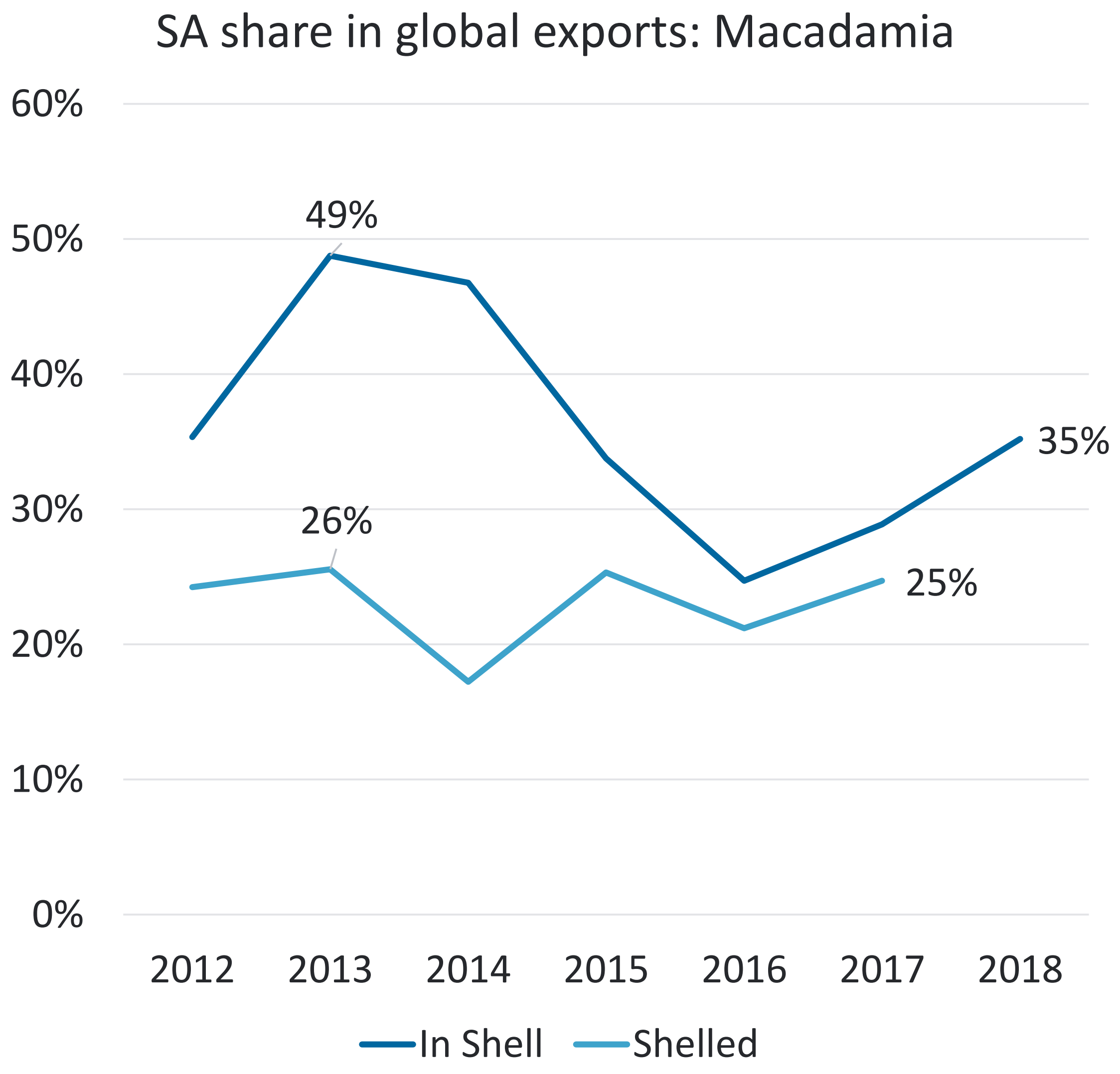
Some larger, established industries also expanding rapidly – citrus volumes already established



Smaller industries expanding quickly

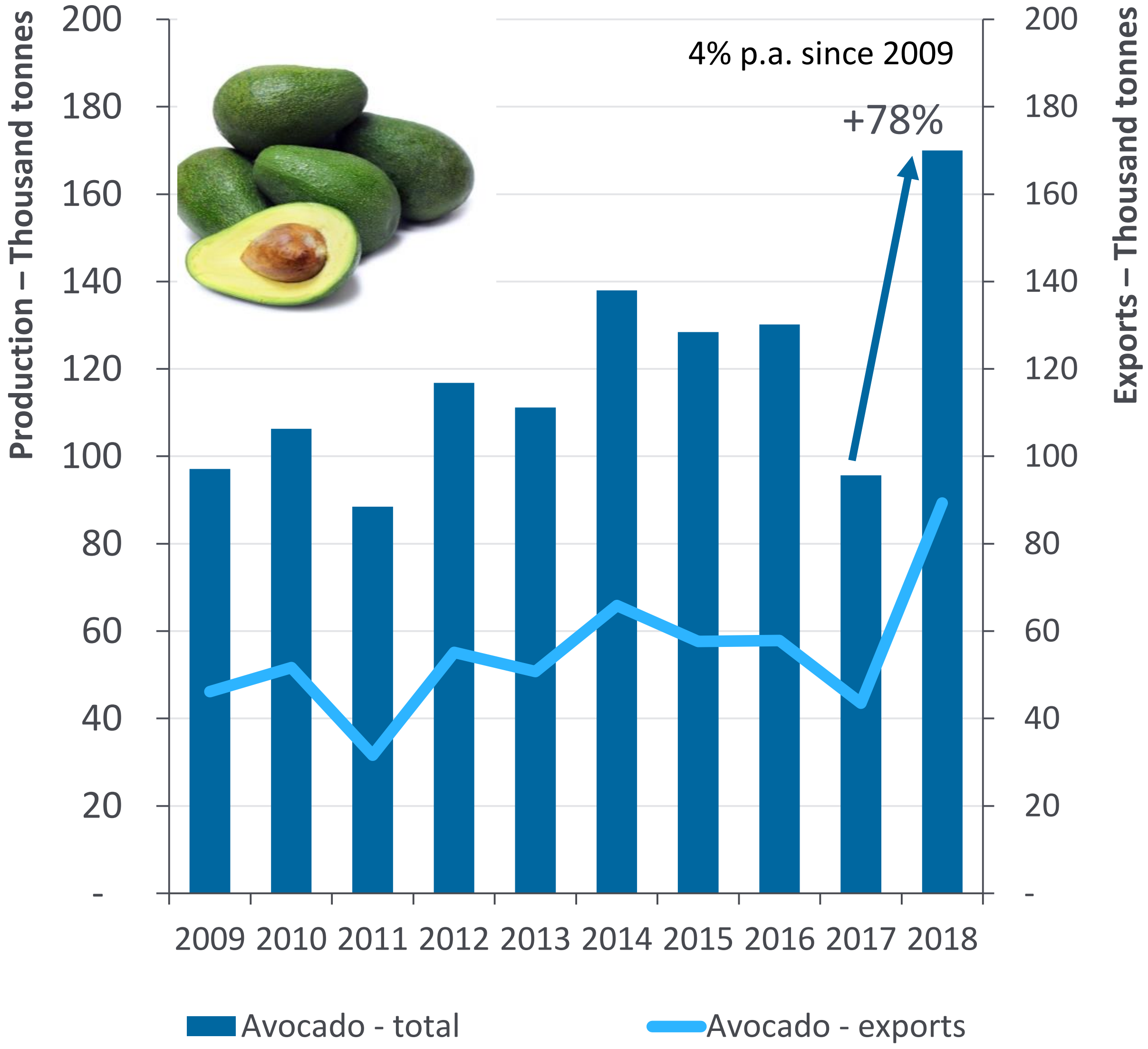
Rapid growth in production and exports of nuts and berries

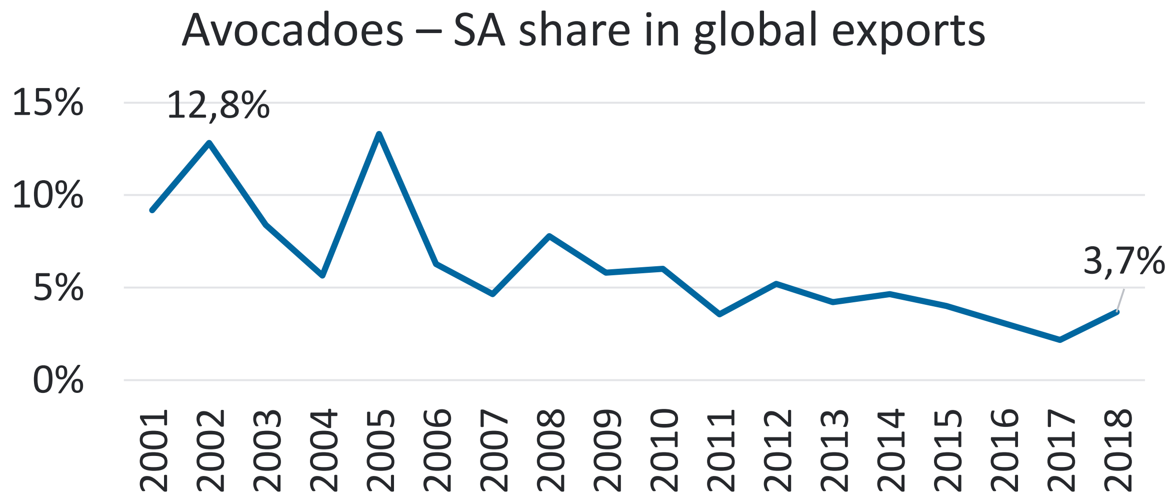


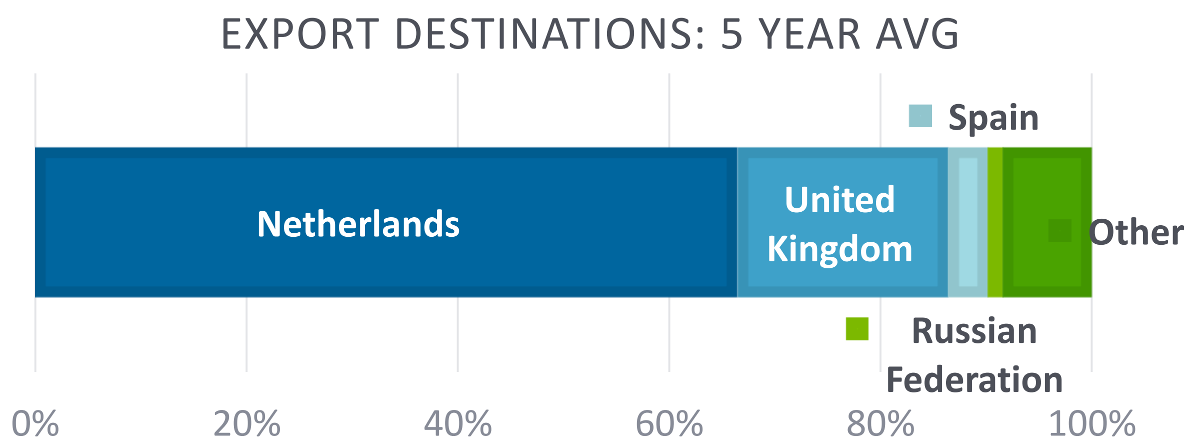


Avocadoes expanding rapidly

SA 6th largest exporter in the world







Source: ITC Trademap, 2019

High reliance on EU & UK, fast growth in Asia

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Fruit type	Share of production exported (%)	EU & UK Combined Share of exports (%)
Oranges	74%	40%
Soft Citrus	68%	54%
Grapefruit	67%	43%
Lemons & Limes	67%	38%
Table grapes	**88%**	**76%**
Plums	**77%**	**74%**
Blueberries	**71%**	**95%**
Avocado	**53%**	**95%**
Nectarines	**34%**	**80%**

Asia Market access for South African products

SACU: Southern African Customs Union

GSTP: Global System of Trade Preferences among developing countries

PTN: Protocol on Trade Negotiation

Strategic Markets	RSA	Australia	New Zealand	Peru	Chile	Argentina	Uruguay
		RSA's Competitors					
China		Bilateral	Bilateral	Bilateral	Bilateral		
Hong Kong					Bilateral		
India	SACU (Plurilateral)			GSTP	Bilateral GSTP	GSTP Mercosur-India Bilateral	GSTP Mercosur-India Bilateral
Indonesia		ASEAN-Australia-New Zealand	ASEAN-Australia-New Zealand	GSTP	GSTP	GSTP	
Japan		Bilateral		Bilateral	Bilateral		
South Korea		Bilateral		Bilateral GSTP PTN	Bilateral GSTP PTN	GSTP	PTN
Malaysia		Bilateral ASEAN-Australia-New Zealand	Bilateral ASEAN-Australia-New Zealand	GSTP	Bilateral GSTP	GSTP	
Philippines		ASEAN-Australia-New Zealand	ASEAN-Australia-New Zealand	GSTP PTN	GSTP PTN	GSTP	PTN
Thailand		Bilateral ASEAN-Australia-New Zealand	Bilateral ASEAN-Australia-New Zealand	GSTP	GSTP	GSTP	
Vietnam		ASEAN-Australia-New Zealand	Bilateral ASEAN-Australia-New Zealand	GSTP	Bilateral	GSTP	

Source: FIVCRT, 2018

Key messages & critical factors to accelerate growth

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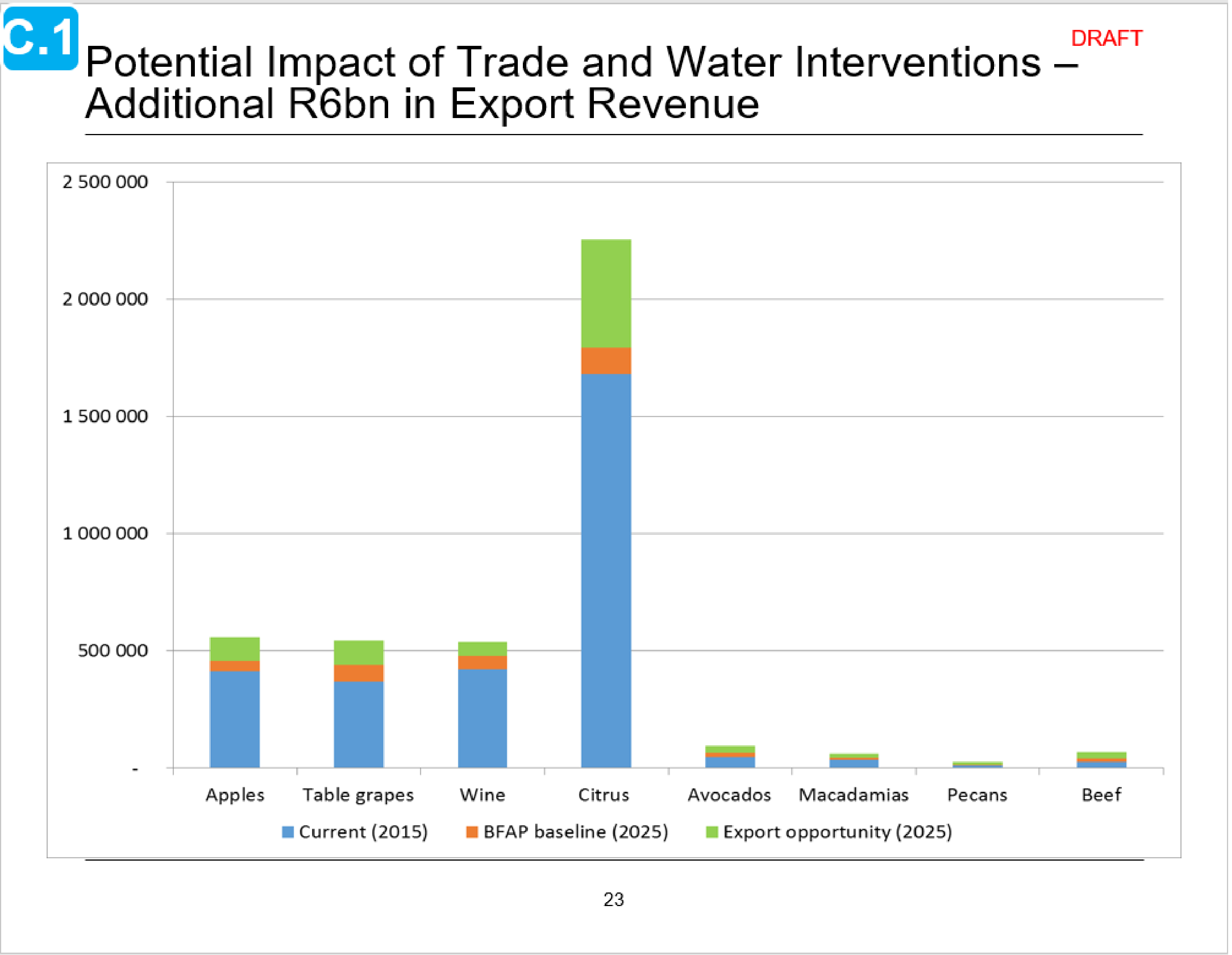
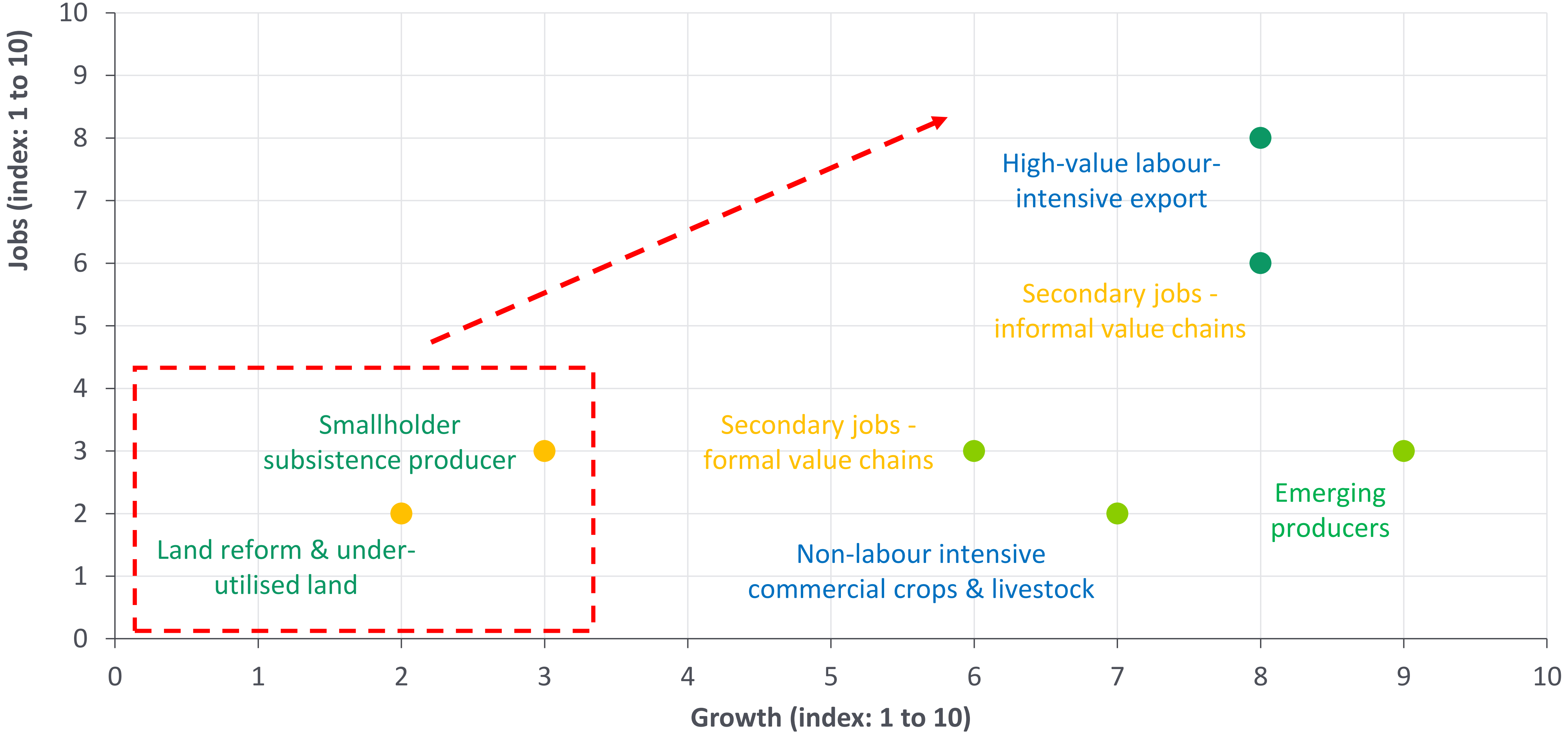
Immediate Impact Required – Q2 2016 Work



- Trade Promotion, water access & development & infrastructure
- Short term (6mnths), Medium & longer term
- Water target – Brandvlei, Clainwilliam, WAS savings = 35k (ha)
- R 6bn revenue
- 0.25% to GDP growth rate
- 45 000jobs

Our future: NDP update / Ag Master plan



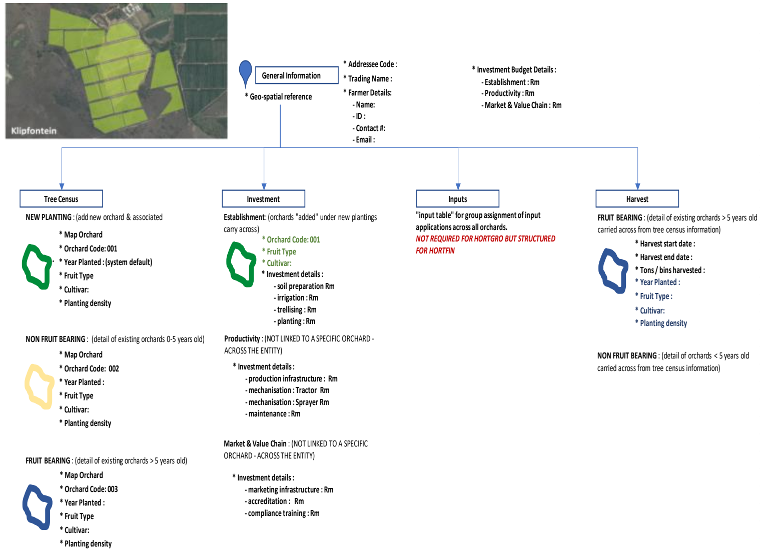
Systemised Solution

Standardisation of data structures

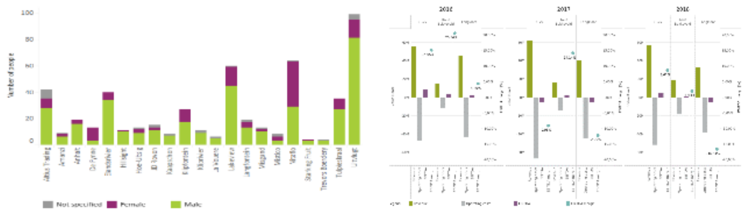
Integrated structure of data capture and reporting linked to standardised entity reference (addressee code / farmer code etc)

- Employment Data
- Training Data
- Accreditations
- Beneficiary Financial Statements

Customisation of geo-spatial system (M&E)



Web-based application for real time interactive reporting



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THANK YOU

For further enquires contact us:

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The AfCFTA and its potential benefits

- The AfCFTA consolidates 55 territories into a single market - combined size of:
  - 1.2 billion people
  - GDP $2.26 trillion
- The agreement came into force on the 30th May 2019, but actual trade will only commence mid-2020
- **90% of products in Africa will be traded duty free by July 2020**.
- An additional 7% of the products will have duties phased down over the next decade.
- This implies a substantial opening up of and growth in (new) markets in the continent
- However, concerns remain over constraints to growth imposed by infrastructure and NTBs

Expanding production in Zambia – hitting the wall

Rapid production growth but cost of exports remains too high to sustain beyond domestic market

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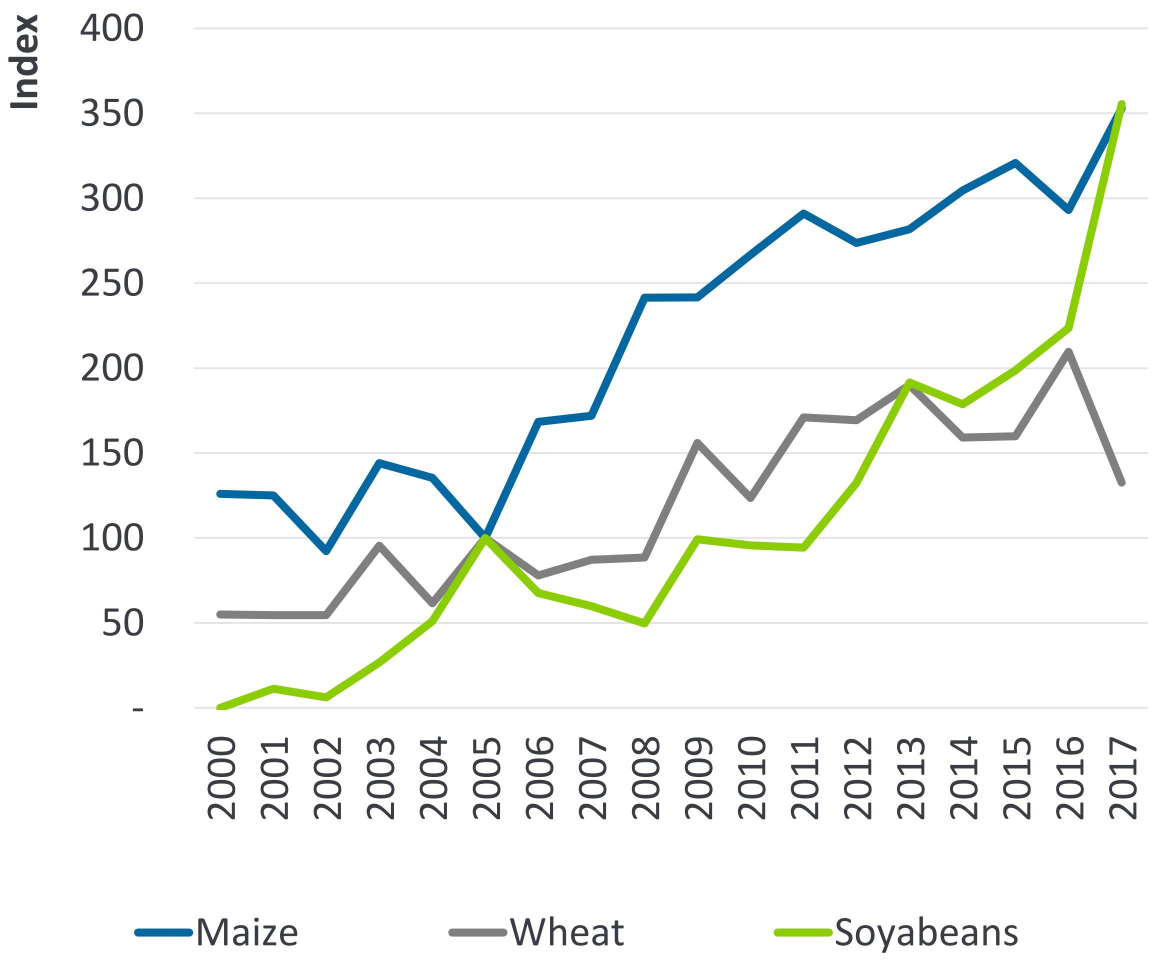
Crop area increase in Zambia



Tanzanian chicken market