Agriculture trade environment

05 October 2017
Agbiz Information Day

By Sifiso Ntombela

agbiz
agricultural business chamber
the way to prosperity

Today's Menu

- ❖ Structural changes in the sector
- ❖ Trade environment
- ❖ Investment scanning

Take home message

1. Structural reforms required in the sector to unlock new growth

2. Must boost competitiveness to expand agroprocessing capacity

3. There is a diversification of export markets but deeper regional integration needed

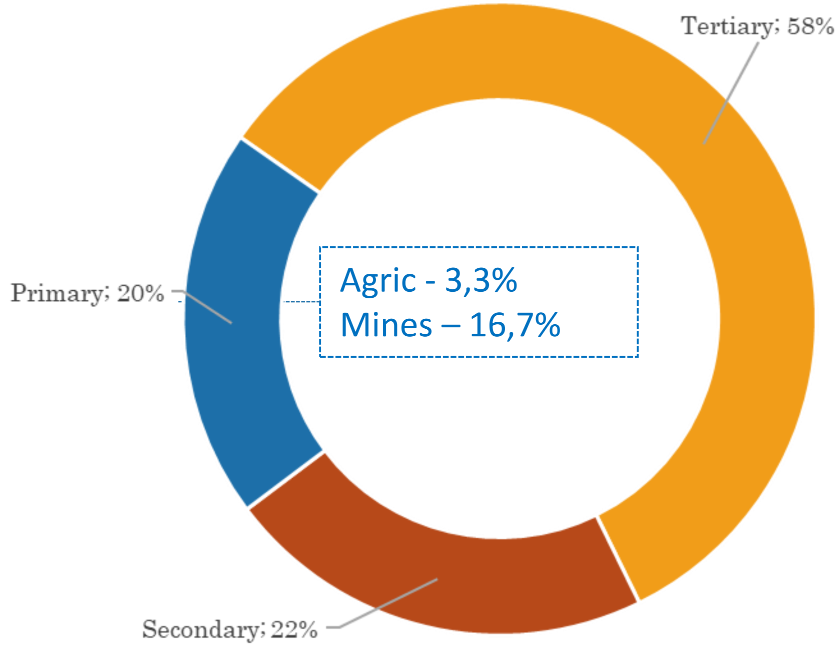
4. NTMs (SPS, TBT, RoO & Safeguards) are expanding and increasingly volatile and complex

5. Growing agricultural debt, in an uncertain policy environment, has a negative effect on agricultural growth and employment

1. Structural change analysis

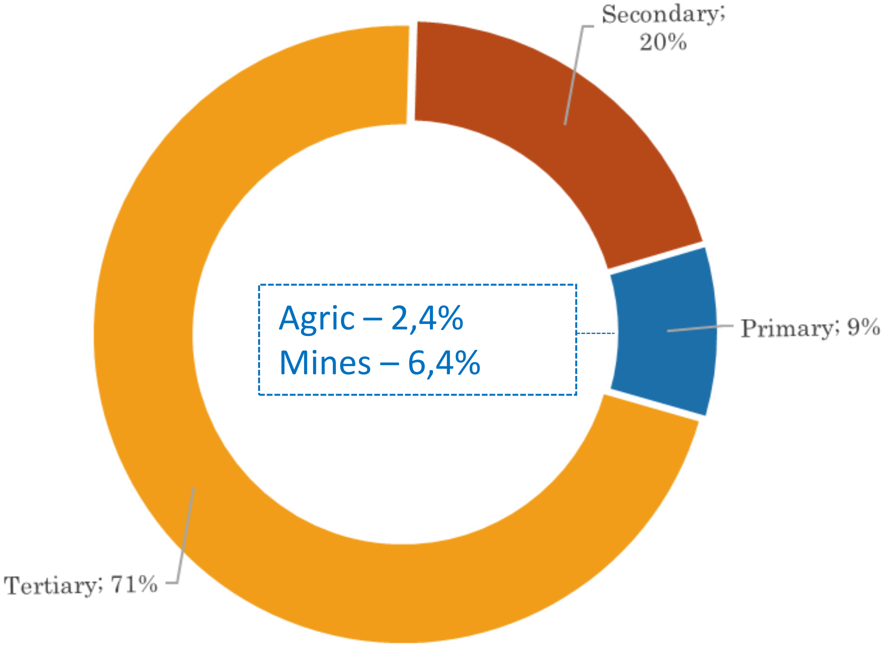
Setting the scene…

SA economic composition



1993

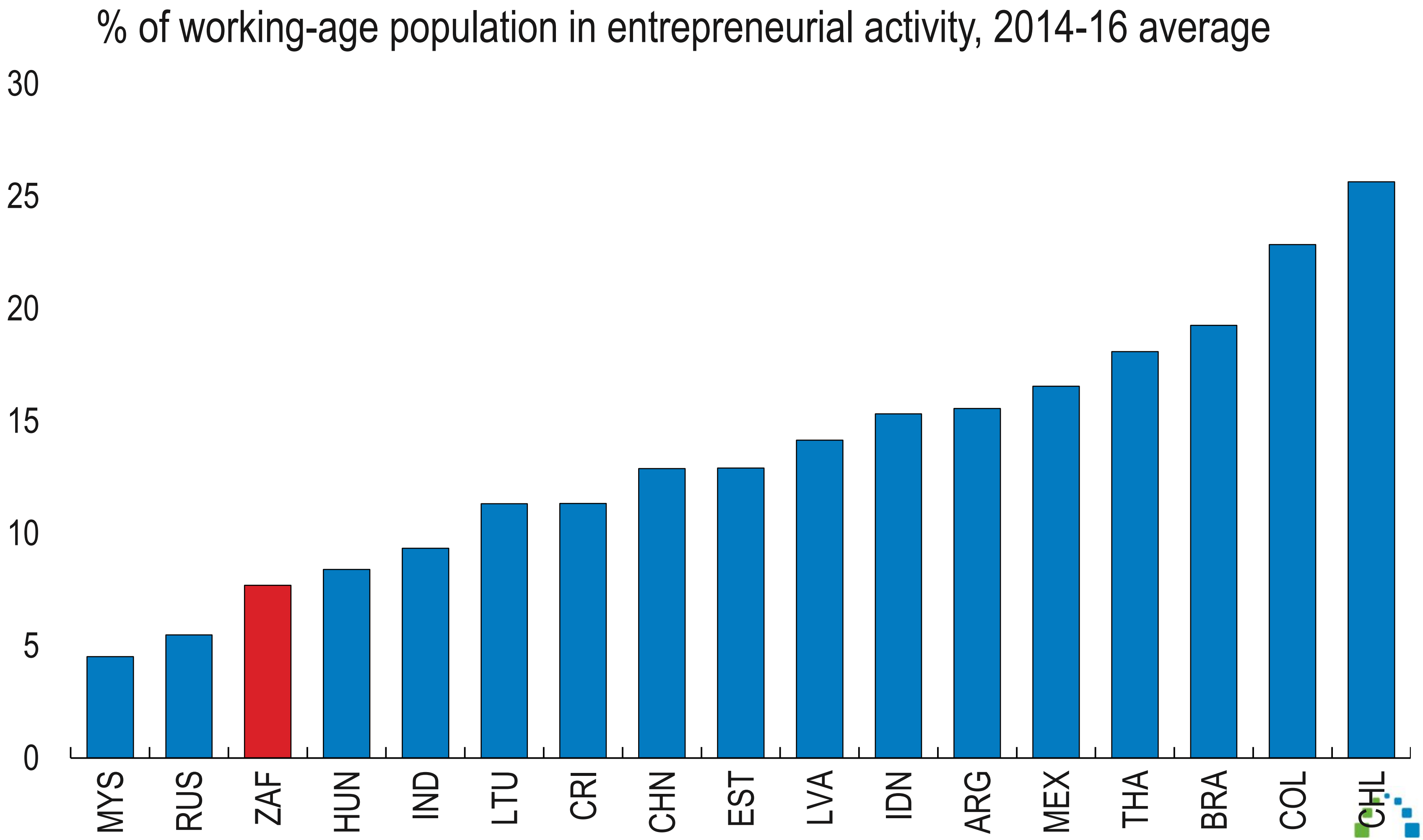
Now-2017



Source: StatsSA, 2017

Setting the scene…

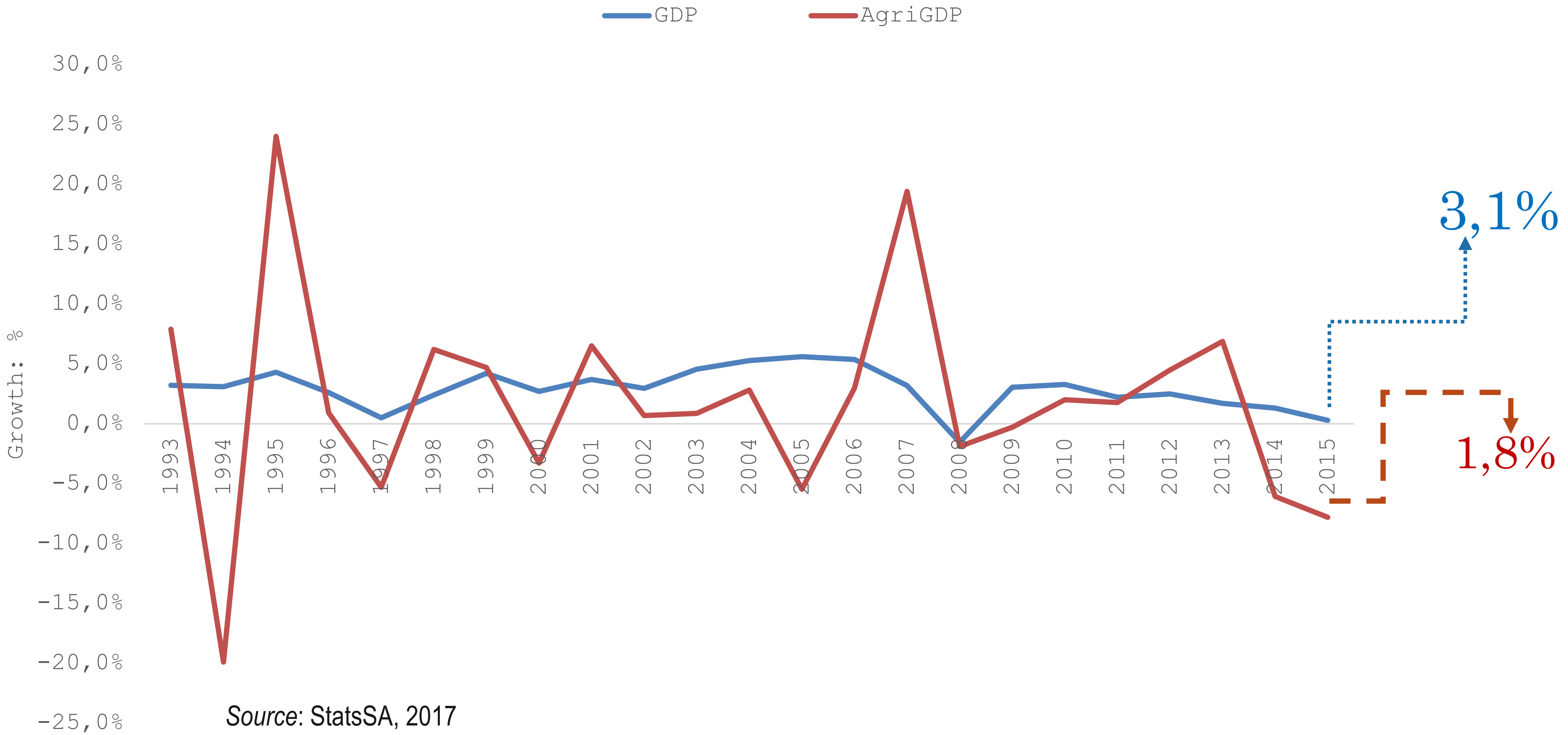
Early stage entrepreneurial activity is low



Source: Global Entrepreneurship Monitor.

Setting the scene…

SA GDP vs AgriGDP performance – 1993 -2017



Source: StatsSA, 2017

- ❖ Agriculture growing at almost half the pace of the country's GDP
- ❖ Agriculture is not growing fast enough to address unemployment and poverty

…So, what causes the slow growth in the sector?

SUT or IOM analysis - 1993

MAKE	FieldCrop	FruitVege	Livestock	Forestry	Fisheries	Food	Beverages	RoE	Total
FieldCrop	8127,27					69,09		0,00	8196,36
FruitVege		4054,92						0,00	4054,92
Livestock	[illegible]		2444,33					[illegible]	[illegible]
Forestry				1902,79				0,00	[illegible]
Fisheries					708,32			0,00	708,32
Food						36830,73	146,75	0,00	36977,48
Beverages						71,74	13443,60	0,00	13515,33
ROE	362,56	49,44	0,00	0,00	0,00	2699,75	1329,20	700312,35	704753,30
	9584,83	4104,36	12444,33	1902,79	708,32	39671,30	14919,55	700312,35	783647,82

IMPORTS	TLSP	MARGINS	MARUSE	MARSUP	Total Supply
435,31	137,20	869,53	869,53	0,00	9638,39
242,65	76,60	427,15	427,15	0,00	4801,32
[illegible]	178,79	1359,39	1359,39	0,00	16009,49
[illegible]	62,24	302,72	302,72	0,00	2573,43
122,27	23,94	188,86	188,86	0,00	1043,39
2333,47	3102,19	14015,35	14015,35	0,00	56428,48
717,15	4720,78	5581,16	5581,16	0,00	24534,41
70828,49	26989,06	-22744,15	63494,71	86238,86	779826,70
75917,00	35290,79	-0,00	86238,86	86238,86	894855,61

V1PUR	FieldCrop	FruitVege	Livestock	Forestry	Fisheries	Food	Beverages	RoE	Total
FieldCrop	[illegible]	[illegible]	[illegible]	0,00	6,41	4790,53	552,62	685,03	6373,84
FruitVege	[illegible]	[illegible]	[illegible]			1349,38	590,55	234,12	2432,94
Livestock	[illegible]	[illegible]	[illegible]			10915,06	36,10	801,06	12329,01
Forestry	[illegible]	[illegible]	[illegible]	128,13		0,00	24,07	1625,20	1819,82
Fisheries	[illegible]	[illegible]	[illegible]		64,78	515,67	0,00	145,22	732,64
Food	[illegible]	[illegible]	[illegible]			5075,60	738,53	3786,00	11691,73
Beverages	[illegible]	[illegible]	[illegible]	60,00	0,00	84,99	1990,39	1003,68	3229,06
ROE	[illegible]	[illegible]	[illegible]	807,13	159,55	8078,09	5429,16	331732,27	354198,05
	[illegible]	[illegible]	[illegible]	995,26	230,74	30809,32	9361,42	340012,56	392807,08

46 %

27 %

48 %

Investment	Household	Export	Government	Inventories	Total Use
0,00	2 657,32	820,19	0,00	-212,96	9638,39
0,00	1 312,55	1 063,21	0,00	-7,37	4801,32
0,00	3 468,82	303,77		-92,11	16009,49
0,00	154,17	607,55	0,00	-8,11	2573,43
0,00	115,63	243,02	0,00	-47,90	1043,39
0,00	54 649,26	3 777,38	0,00	-13 609,69	56508,67
0,00	21 624,29	510,84	0,00	-829,78	24534,41
62 603,00	181 409,97	84 252,05	85 551,00	11 732,45	779746,51
62603,00	265392,00	91578,00	85551,00	-3075,47	894855,61

Employ	[illegible]	[illegible]	[illegible]	304,12	152,06	5014,787	1943,123	206131,5	218157,97
Capital	[illegible]	[illegible]	[illegible]	279,84	274,36	3758,241	3510,92	144370,2	159604,68
Taxes	[illegible]	[illegible]	[illegible]	-35,97	-62,96	88,946	104,079	6210,668	5504,32
Land	[illegible]	[illegible]	[illegible]	359,55	114,12	0	0	3587,675	7573,96
Total	[illegible]	[illegible]	[illegible]	907,53	477,58	8861,97	5558,12	360299,98	390840,93

54 %

73 %

52 %

Source: Agbiz adapted from SAM (StatsSA, 2015)

SUT or IOM analysis - 2011

MAKE	FieldCrop	FruitVege	Livestock	Forestry	Fisheries	Food	Beverages	RoE	Total
FieldCrop	36025,97					892,13		27,36	36945,46
FruitVege		38707,06					278,39	13,68	38999,13
Livestock			72195,55			729,92	10,99	798,00	73734,46
Forestry				20065,00				0,00	20065,00
Fisheries					3687,00			29,16	3716,16
Food						213504,01	2394,85	21983,15	237882,02
Beverages						1482,08	74822,82	1637,25	77942,15
ROE	1603,38	373,59	349,75	0,00	0,00	3371,81	1453,83	5412512,77	5419665,13
	37629,35	**39080,65**	**72545,30**	**20065,00**	**3687,00**	**219979,96**	**78960,88**	**5437001,38**	**5908949,50**

IMPORTS	TLSP	MARGINS	MARUSE	MARSUP	Total Supply
6901,61	2995,84	6618,71	6618,71	0,00	53461,62
583,23	898,44	2363,83	2363,83	0,00	42844,63
2235,73	2095,32	6776,30	6776,30	0,00	84841,82
86,85	656,57	747,96	747,96	0,00	21556,37
99,28	187,05	1182,70	1182,70	0,00	5185,19
29373,69	16840,30	62872,90	62872,90	0,00	346968,90
3172,07	45950,09	30954,57	30954,57	0,00	158018,88
842456,55	228073,40	-111516,97	413594,03	525110,00	6378678,10
884909,00	**297697,00**	**0,00**	**525111,00**	**525110,00**	**7091555,50**

V1PUR	Field…	…uitVe…	…estoc…	…estry	Fisheries	Food	Beverages	RoE	Total
FieldCrop				201,75	29,09	21663,03	6286,29	2288,75	33785,12
FruitVege				108,63		7530,22	3578,31	1960,54	15657,47
Livestock						19768,47	103,33	10717,87	42634,77
Forestry				…913,09		0,00	101,47	9097,80	11540,51
Fisheries					177,24	3069,05	0,00	331,49	3577,78
Food				…641,44	155,24	38751,05	4810,08	17067,04	80751,20
Beverages					7,89	1304,21	15312,85	17630,36	34255,31
ROE	2…	1…	19…	7268,75	1256,49	68216,78	25767,69	2890864,11	3051715,92
	22402,42	**2088…**	**5265…**	**10133,66**	**1625,95**	**160302,82**	**55960,02**	**2949957,95**	**3273918,08**

60 %

53 %

73 %

Investment	Household	Export	Government	Inventories	Total Use
0,00	14337,41	5309,65	0,00	29,43	53461,62
0,00	16503,06	10664,48	0,00	19,62	42844,63
0,00	38 221,72	3 853,18		106,30	84815,97
0,00	7899,81	2216,77	0,00	-74,87	21582,22
0,00	786,80	869,74	0,00	-49,13	5185,19
0,00	246 910,87	18 832,29	0,00	474,55	346968,90
0,00	106 468,36	16 117,68	0,00	1 177,53	158018,88
550 362,00	1 311 995,90	839 725,22	627 873,00	-2 993,93	6378678,10
550362,00	**1743123,93**	**897589,00**	**627873,00**	**-1310,51**	**7091555,50**

Employ				…2088,93	586,18	27285,11	10123,9	1263009,645	1321003,42
Capital				…948,03	1088,71	32303,09	12491,78	1 150 199	1216721,71
Taxes				…134,72	16,16	88,93089	385,1843	40242,81467	40695,99
Land				…2759,67	370,00	0	0	33959,70935	56610,30
Total	148…	181…	19…	9931,34	2061,05	59677,14	23000,86	2487411,57	2635031,42

39 %

47 %

27 %

Source: Agbiz adapted from SAM (StatsSA, 2015)

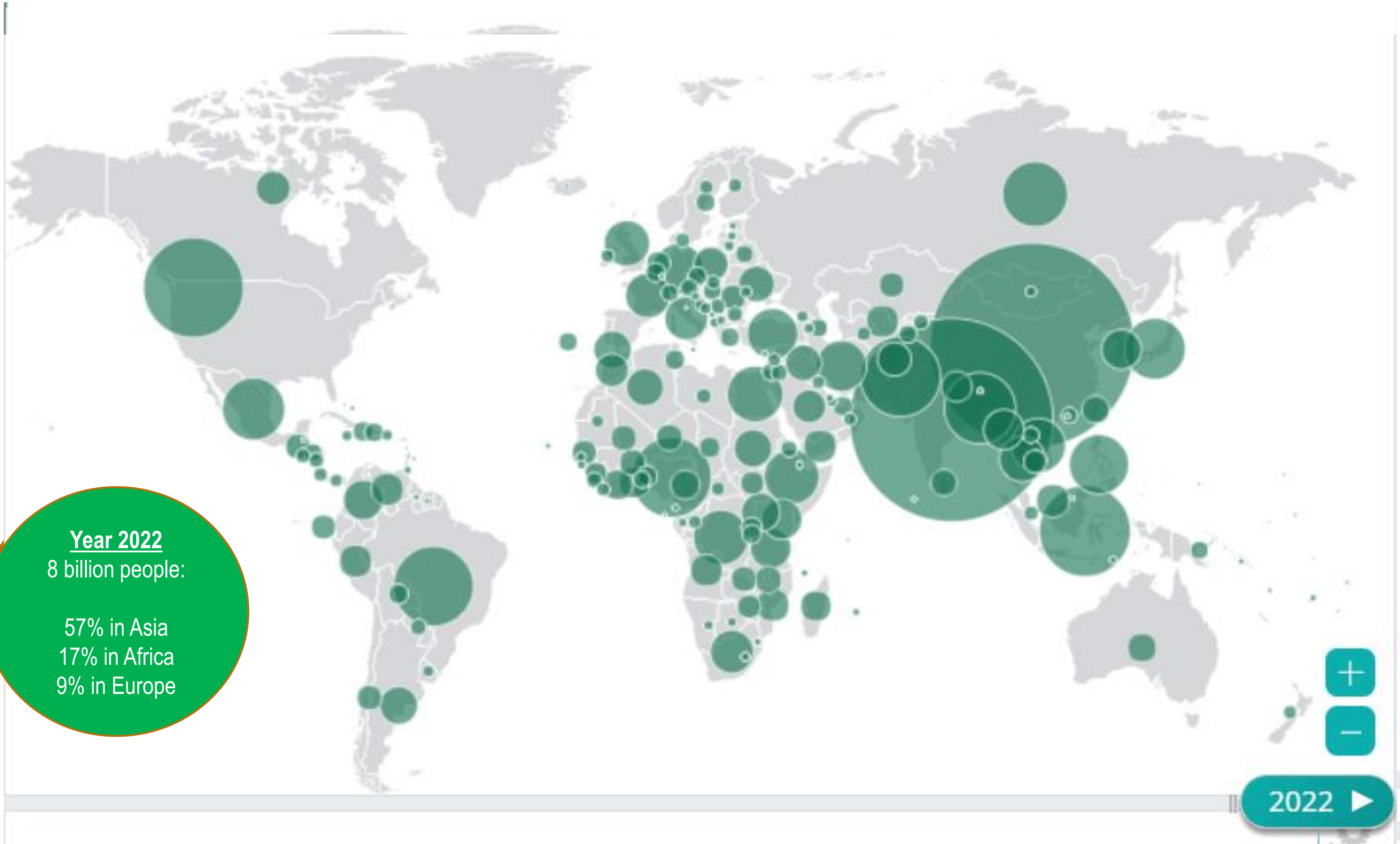
agbiz

..Lets recap

- ❖ Following global trend in shift from labour towards capital intensive production
- ❖ Land under cultivation reducing but land rentals (price) increasing
- ❖ Intermediate inputs costs share to total production costs accounts about 63% on average against 40% recorded in 1993
  - ➢ Low tariffs, increasing imports, and limited agro-processing capacity in SA
  - ➢ Impacting on farmers / agribusiness net income
  - ➢ Weakening exchange rates and investment grades – could worsen the impacts
- ❖ Share of sales to international markets increasing (i.e. export growth)
  - ➢ Access to new export markets over and above traditional EU markets but need to be competitive and drive product differentiation

2. Trade environment

Global outlook: Population Mil People

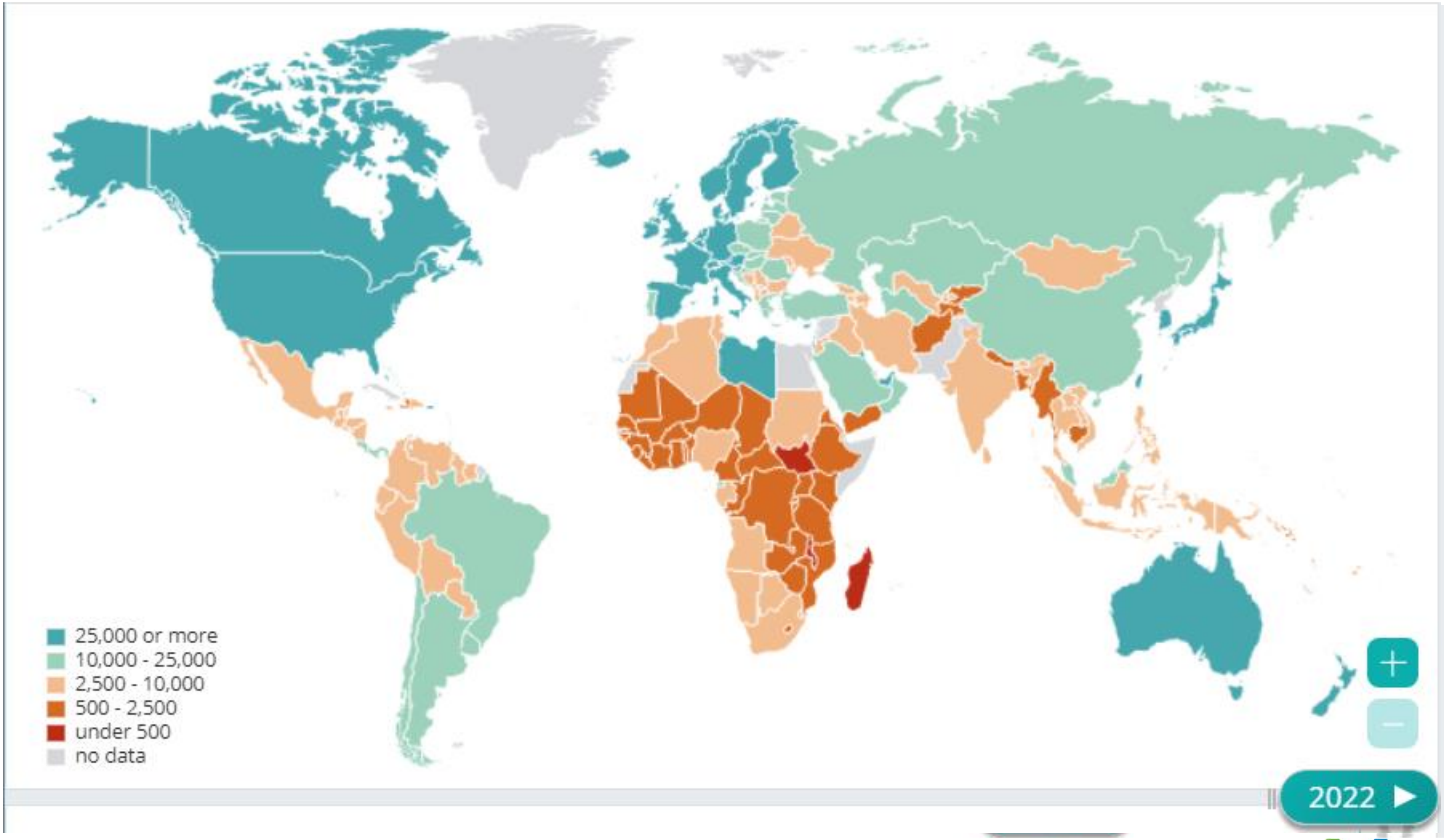


Year 2022
8 billion people:

57% in Asia
17% in Africa
9% in Europe

Source: IMF, 2017

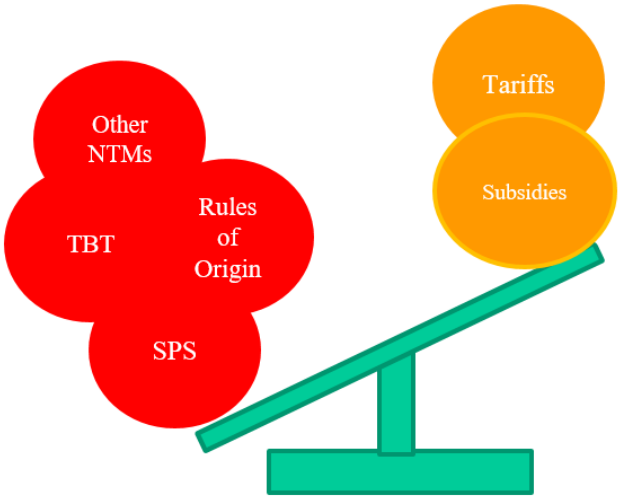
Global outlook: GDP per Capita US$/c

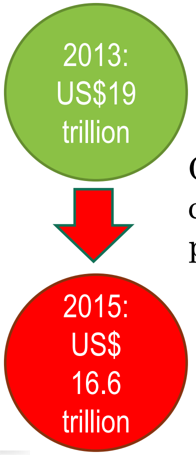


Source: IMF, 2017

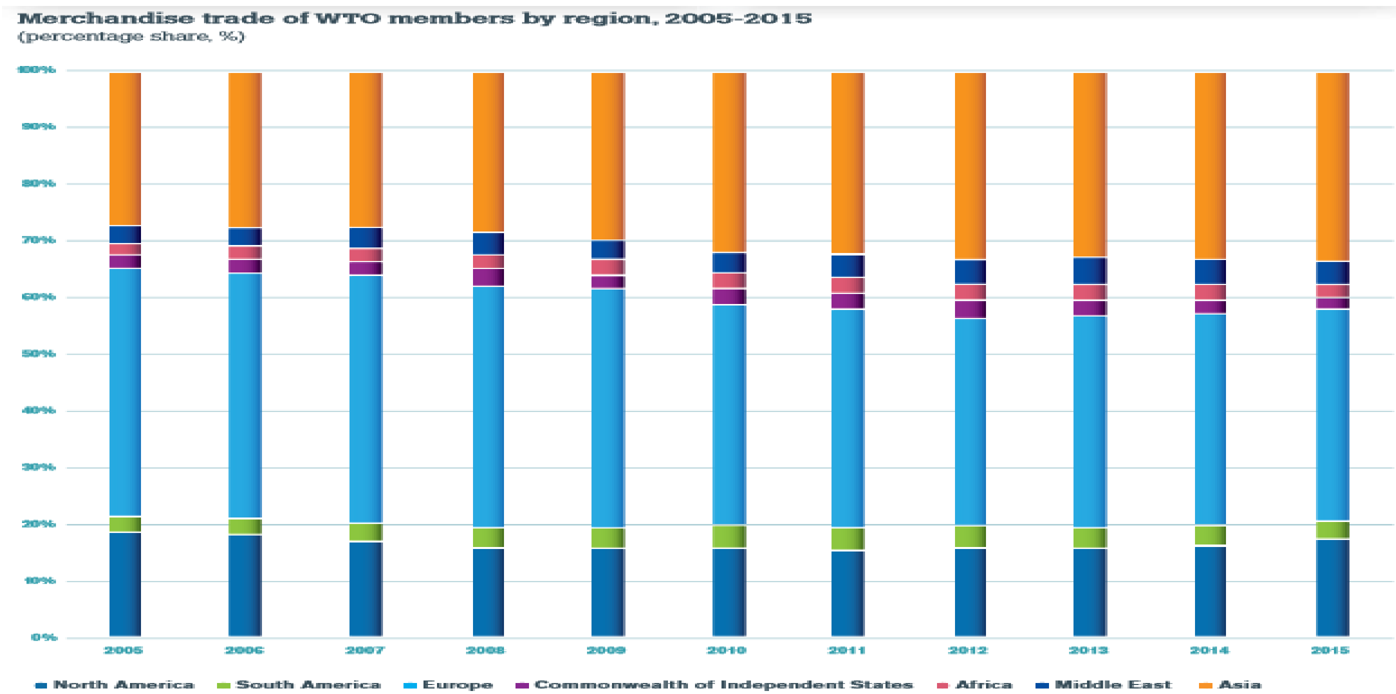
agbiz

Global outlook: tilting scale of protection

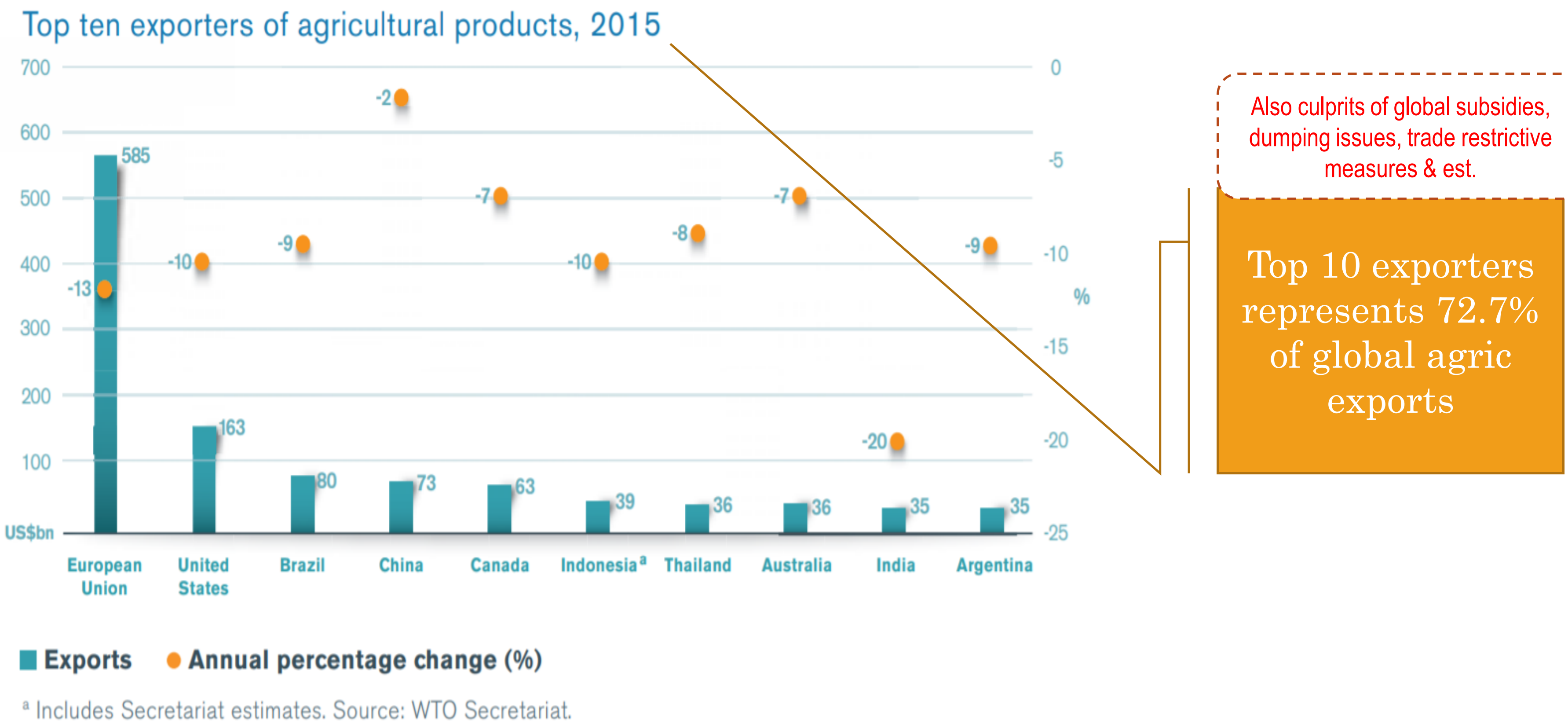




Global commodity price effect



Global agricultural exports stagnating



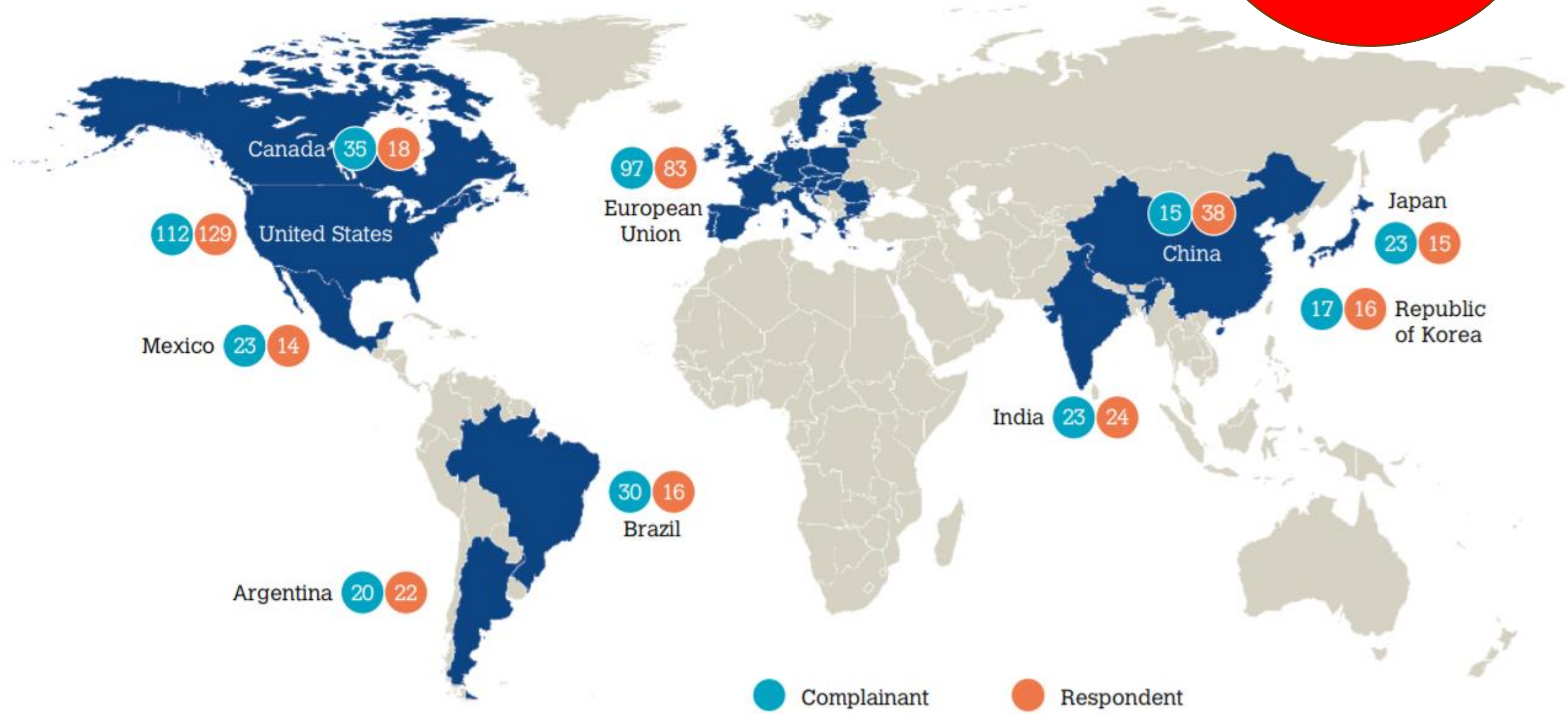
Hence, Agbiz initiated two trade studies through NEDLAC:

1. Future of trade & investment relationship between SA and USA
2. Assessment of subsidies and support in developed and developing economies, and implications for SA

Trade restrictive disputes…

22 cases recorded every month in 2016

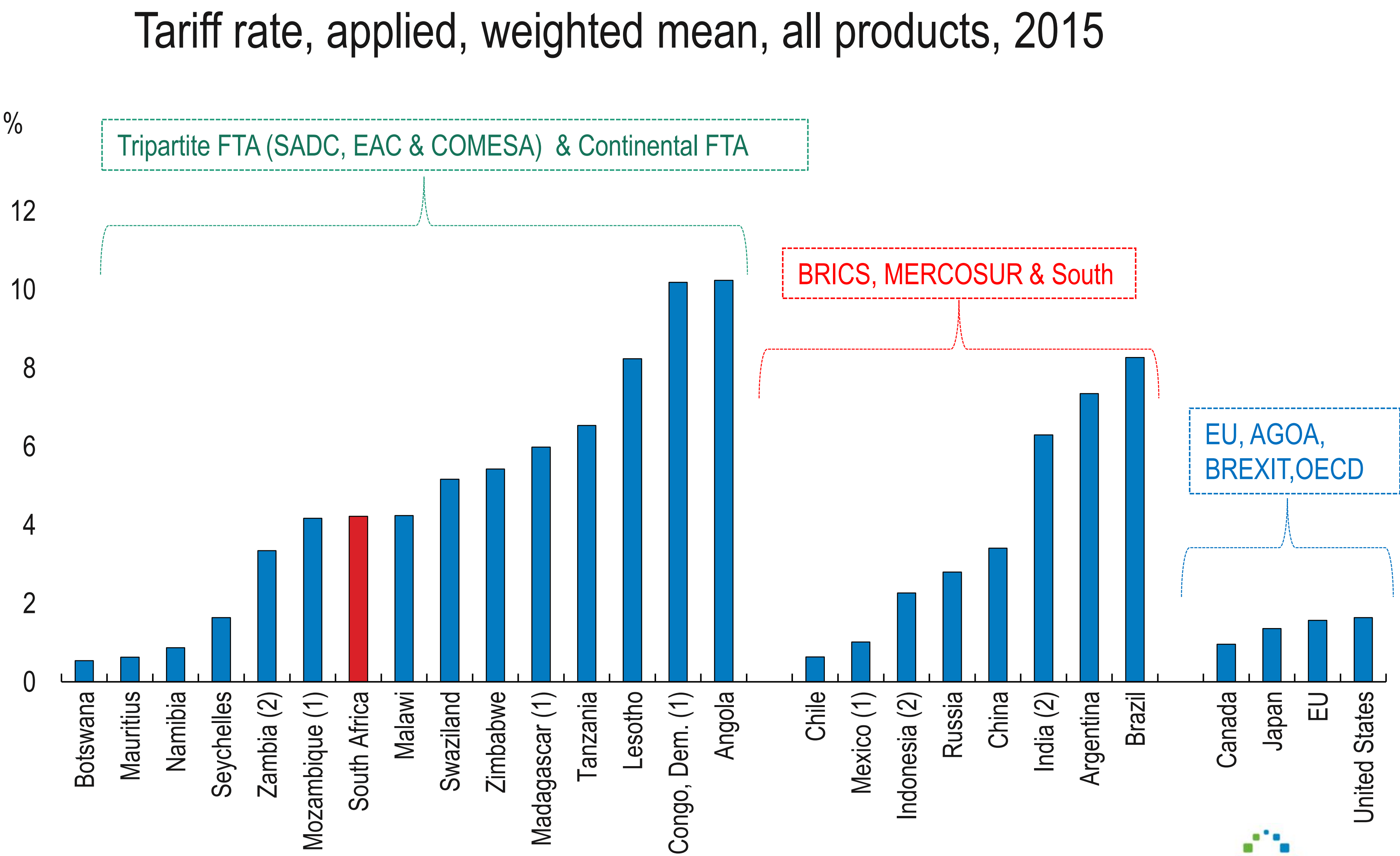
WTO members most involved in disputes, 1995 to 2016



Source: WTO Global Trade Trends, 2017

2.1. Lets come home…

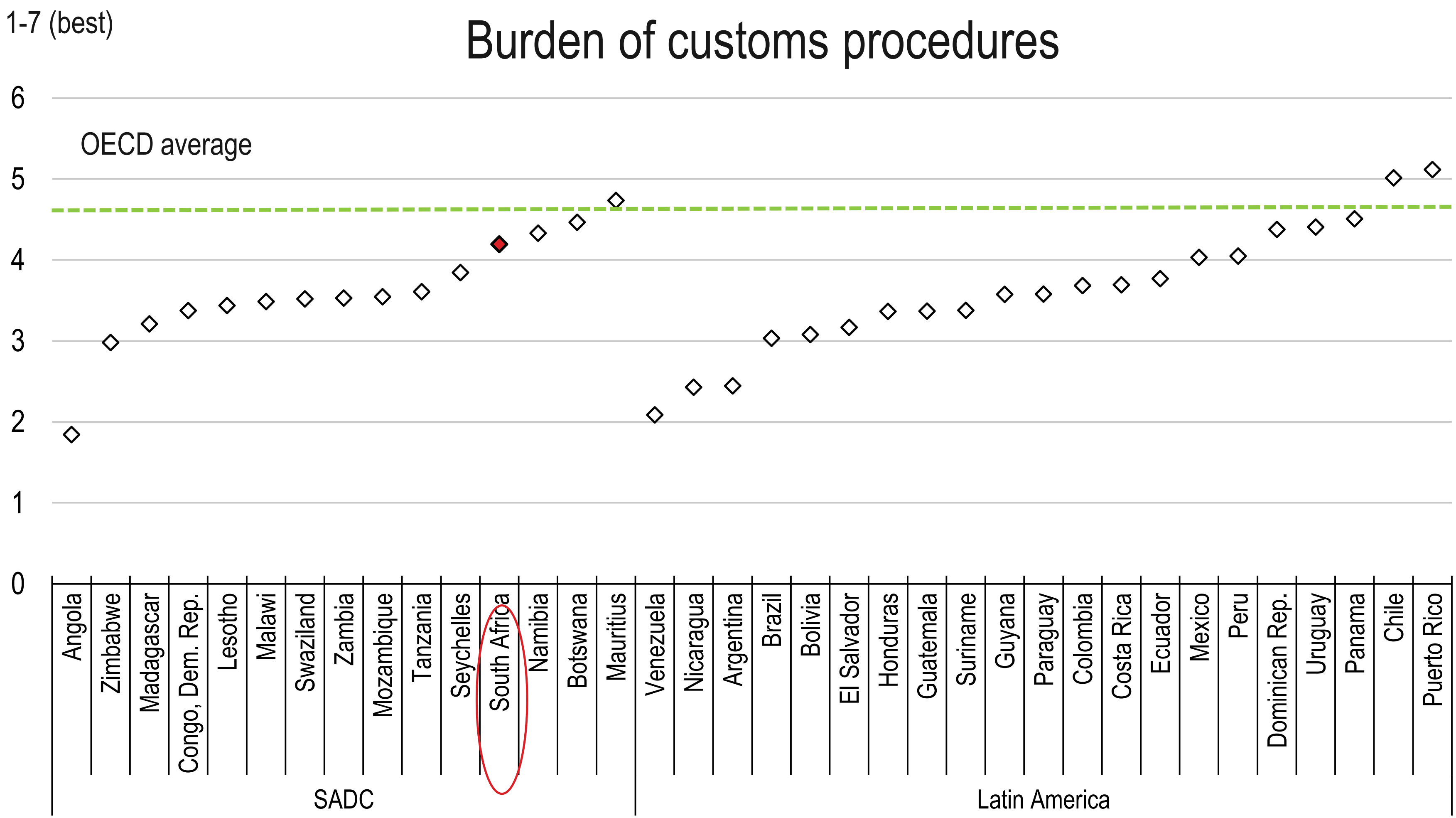
Expanding export markets….



Source: Agbiz based ITC MacMap, 2017

agbiz

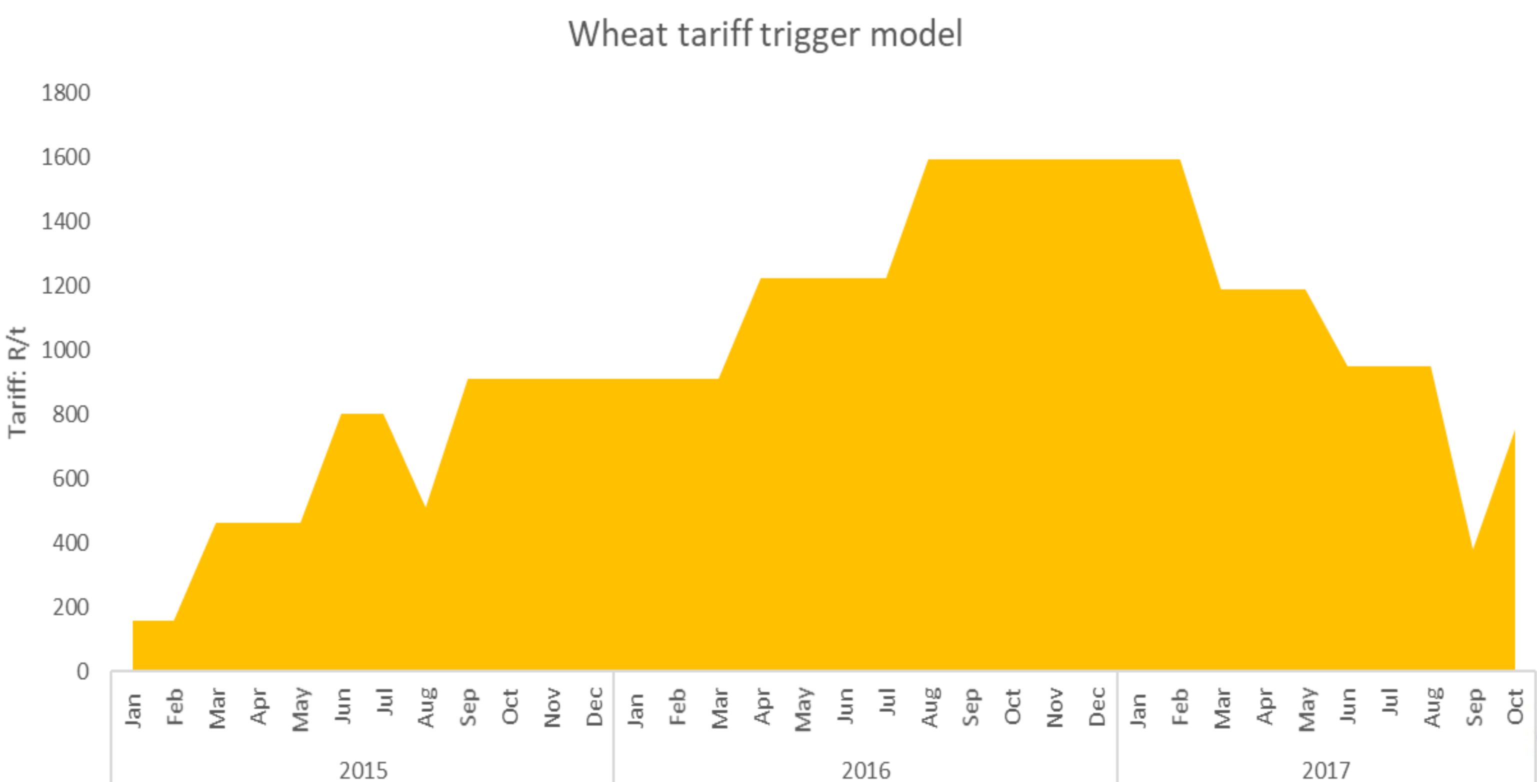
Customs procedures remain too complex



Source: World Economic Forum, Global Competitiveness Report 2016-17.

Current: industries and trade measures

- Canola application to reduce tariff from 10% to *zero ad valorem* - due date for comments: 20 October 17
- Delayed implementation of automatic tariff trigger for sugar, wheat and maize commodities - recently seen an increase in court cases by business
- What Agbiz is doing about it: Took it to Nedlac agenda. Also met with Minister of the dti to discuss and find common solution between government processes and industries



SA agricultural export performance

Source: Agbiz, based on WTA, 2017

SA agricultural exports

Product: HS 4 Code Level	Unit Measure	Quantity: 2001	Quantity: 2016	Growth %
Citrus fruit	Tons	933 304	1 701 426	82%
Maize	Tons	620 267	1 026 609 *2 975 948 – 2010* *2 603 104 - 2012*	66% *320%* *380%*
Pome fruits	Tons	327 967	761 336	132%
Wine	Tons	165 125	496 843	201%
Table grapes	Tons	204 127	351 322	72%

Observations:

- ❖ Fruits maintaining dominance both in value and quantity terms
- ❖ Maize and other grains been fluctuating - largely caused by weather patterns
- ❖ SA exporting unprocessed products
- ❖ Need to increase agro-processing capacity for value-addition

Source: Agbiz, based on WTA, 2017

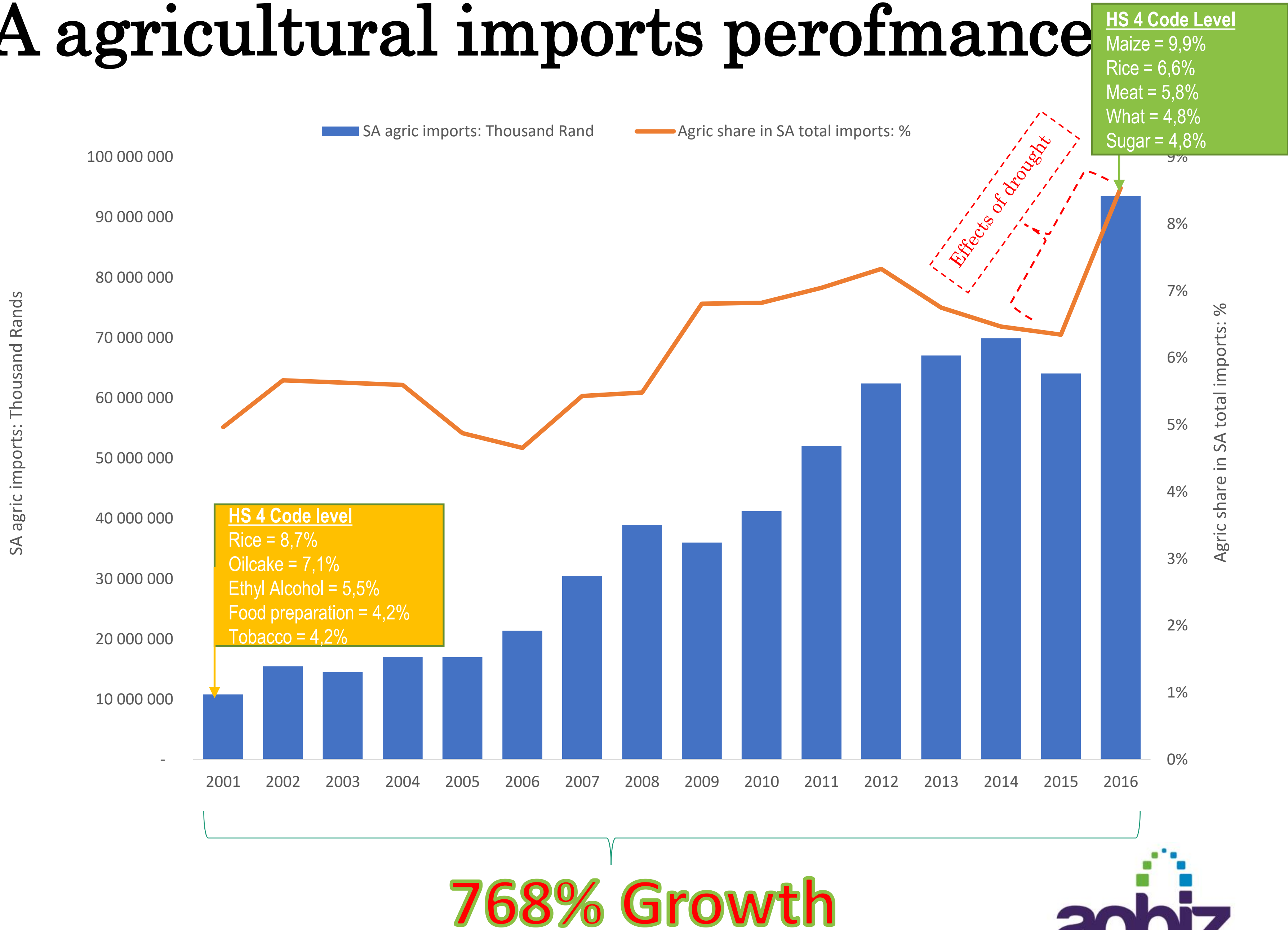
Destination markets for SA agric exports

Market	Postilion: 1996	Share % in SA Agric exports
UK	1	10,24
Japan	2	9,06
Belgium	3	6,64
Angola	4	6,24
Germany	5	4,87
Mozambique	6	4,76
Italy	7	3,90
USA	8	3,88
Netherlands	9	3,40
France	10	3,26
56,26% of R11.2 billion agric exports value destined to top 10 markets		

Market	Postilion: 2016	Share % in SA Agric exports
Netherlands	1	8,66
UK	2	7,58
Namibia	3	7,29
Botswana	4	6,67
Zimbabwe	5	5,31
Mozambique	6	5,10
China	7	4,53
Lesotho	8	4,18
UAE	9	3,36
Germany	10	3,08
55,47% of R128.01 billion agric exports value destined to top 10 markets		

Source: Agbiz, based on WTA, 2017

SA agricultural imports perofmance



Suppliers of SA agric imports

Market	Postilion: 2001	Share % in SA Agric imports
Argentina	1	14,6
UK	2	7,4
Zimbabwe	3	7,1
USA	4	6,4
Thailand	5	6,1
Brazil	6	4,9
Australia	7	4,8
Malaysia	8	4,3
France	9	3,1
India	10	3,1
61,86% of R10,78 billion agric imports value is supplied by the top 10 markets		

Market	Postilion: 2016	Share % in SA Agric imports
Argentina	1	11,2
Brazil	2	5,0
Thailand	3	5,0
Netherlands	4	4,8
China	5	4,6
UK	6	4,5
Swaziland	7	4,3
USA	8	4,2
Indonesia	9	3,8
India	10	3,6
50,90% of R93,55 billion agric imports value is supplied by the top 10 markets		

Source: Agbiz, based on WTA, 2017

…trade summary

- Globally, NTMs (e.g. SPS, TBT, RoO and Safeguards) are expanding and becoming complicated

- SA export dominated by unprocessed, highly perishable commodities

- SA imports dominated by processed, high value commodities

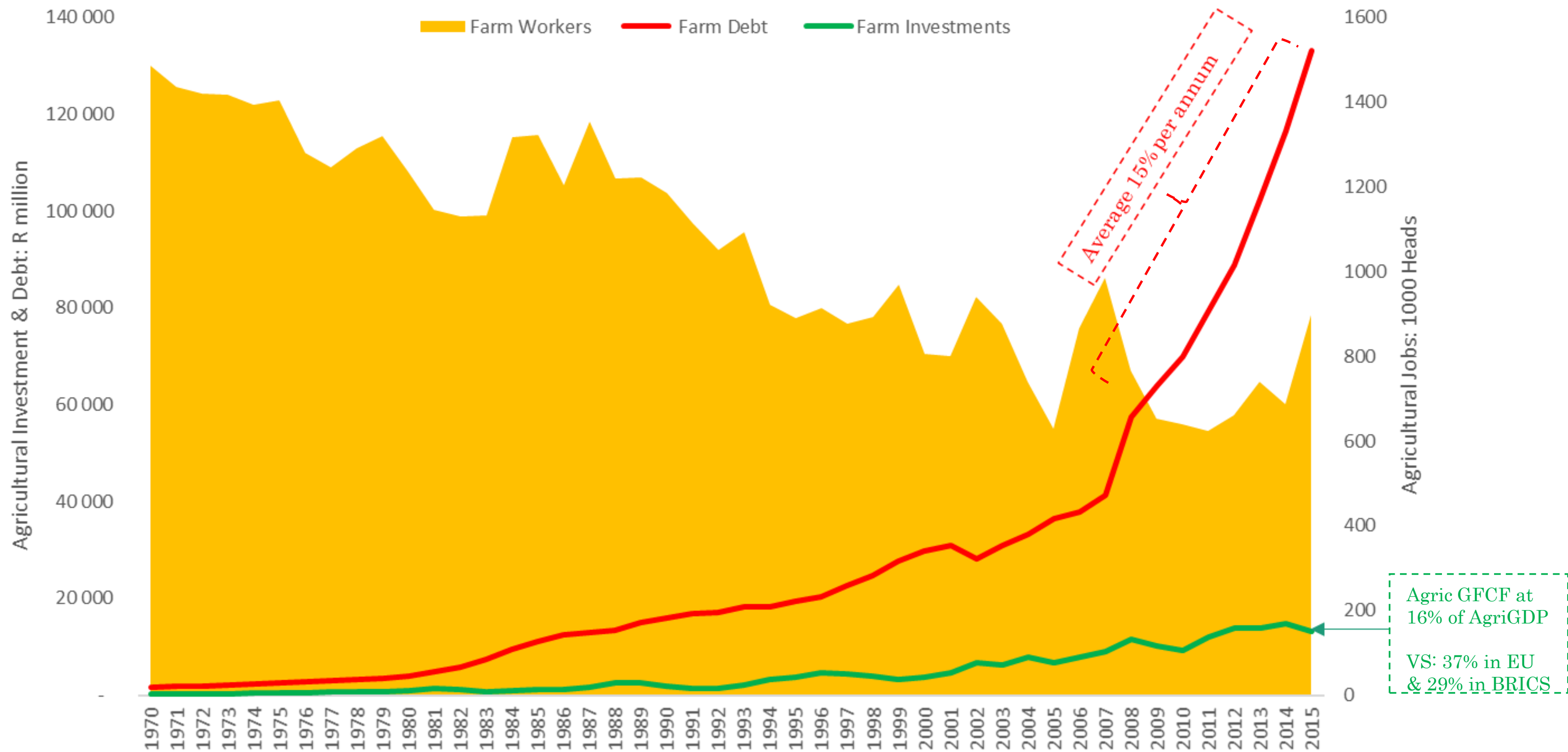
Implication: narrowing positive trade balance for agricultural sector. Imports registered 768% growth whereas exports grew by 540%, implying a roughly 50% higher growth pace for imports

- Export destination slowly shifting to SADC and BRICS but EU remains a largest and key export market – need to remain competitive

- Complex customs, inefficient infrastructure and high tariffs characterizes the new markets

3. Investment environment

Debt is increasing at a faster pace than investment… a good / bad thing?



Source: Agbiz

It can also assist in examining the effect of the following…

- Environmental taxes on agriculture
  - Sugar tax
  - carbon tax – recycling revenue
- Energy prices
  - IRP and EIP policies
- Port cost and effect on agricultural trade

Thank you

Sifiso@agbiz.co.za

www.agbiz.co.za

@AgriChamber

AgriChamber