

POLICY UNCERTAINTY AND WEAK MACROECONOMIC ENVIRONMENT ERODING AGRIBUSINESS COMPETITIVENESS

Policy uncertainties coupled with weaker economic conditions are negatively affecting agribusiness's competitiveness. As a result of this, investments are also declining, subsequently impacting growth in the sector. In 2017, both the competitiveness and investments in the agribusiness sector declined to the lowest level in five years.

We assessed the competitiveness in the agribusiness sector both from the emotional side, using the executive survey, and from the technical performance side, using the Relative Trade Advantage (RTA) Index. Both results indicate that the agribusiness competitiveness has declined significantly in the past two years. This can be largely attributed to factors such as inconsistent land reform policies; introduction of new taxes; growing incidence of crime and theft; weakening governance institutions as well as government bureaucracy.

Interestingly, the 2017 survey results reveal that establishing and maintaining credible industry relations is important in boosting the sector's competitiveness. This is imperative because credible relations enforce close working relations between government, labour, business and civil society subsequently leading to the formulation of sound policies.

RTA results shows that the agribusiness competitiveness index declined sharply after 2008 global recession. After the global financial meltdown, the country's exchange rate (Rand/US\$) depreciated by 10.5 percent which partly stimulated the agricultural exports to grow by 16 percent when measured in value terms between 2012 and 2014. The growing exports drove investments upwards in the sector as they increased to 34 percent share of value added by 2014. As the results, the agribusiness index showed a strong sign of recovery as it increased to 0.54 point by 2014. Both the competitiveness and investments in the agribusiness sector were at the highest points ever recorded in the new democratic era in 2014.

The occurrence of drought in 2015 dented the competitiveness index as it dropped from 0.54 to 0.39 points in 2016. Pulling the competitiveness downwards was the investments which also

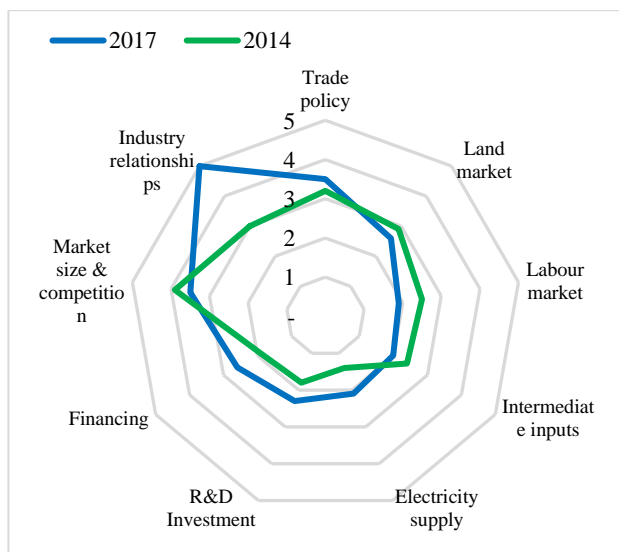
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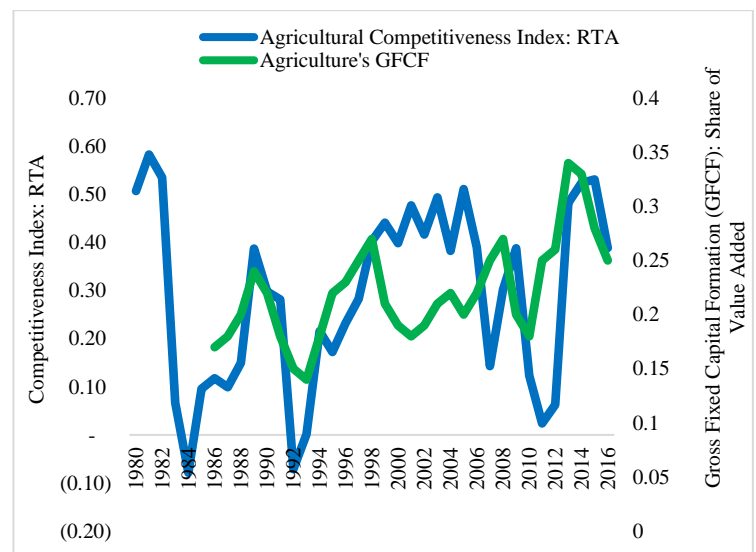
fell to 25 percent share of value added in 2016. The strong correlation between investments and competitiveness validates the notion that investors' appetite improves when the sector is performing better, thereby confirming the need to boost competitiveness in order to attract investments.

To boost the competitiveness in the sectors, we recommended that considerable efforts are put in creating a transparent and clear policy direction on land reform as well as environmental taxes in the country. When it comes to land reform inconsistencies, a first step is to conduct a land audit driven equally by all stakeholders affected. Pertaining the new taxes proposed by government such as the carbon tax and sugar tax, clear guidelines on revenue recycling options are necessary in order to alleviate concerns on investors operating in the sensitive and trade exposed industries such as agriculture.

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Source: Agbiz, 2017



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