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# Agbiz Information Day

Current challenges in policy and legislation environment  
and opportunities in the agribusiness sector

1 March 2018



Welcome and introduction:

Current challenges in policy and legislation environment, and opportunities in the agribusiness sector

## Agbiz Information Day

John Purchase  
CEO: Agbiz

1 March 2018



# Welcome and Introduction

1. **Pleasure and privilege to welcome you all**
2. **Challenging and complex environment evolving**
3. Agbiz raison d'être
4. Approach to advocacy
5. Cover major areas today, but not all
6. Wrap up

# Challenging and complex environment evolving

- Global socio-political environment
- Local socio-political environment
- Consumer trends and activism – need to analyse and note
- Technology dynamic – 4<sup>th</sup> Industrial Revolution: Jobs dynamic NB
- Climate Change – adaptation and mitigation: Western Cape impact?
- Increased regulation of agro-food system: Food safety & health
- Sustainable use of, and rights allocation to, water and land as critical natural resources
- Utilisation of renewable energy sources – energy security
- Trade agreements – “Trade wars are the wars of the future”
- Big Data – mine and analyse to drive efficiency
- Human capital and skills – the talent factor NB!

# Global Socio-political Developments

- Multi-polar global power dynamic – economic power shift to Asia
- Middle East catastrophe – migration effect to Europe
- Religious fundamentalism, e.g. ISIS, Boko Haram, Al Qaeda, etc.
- Brexit and European Unity: uncertainty
- Donald Trump dynamic
- Ambitions of China & Russia, their geo-political positioning? North Korea nuclear threat real?
- Africa's demographic 'dividend' and food insecurity?
- Globalisation and Interconnectivity still massive driver
- Blockchain and Crypto-currencies – IMF CEO quote

## Dreyfus teams with banks for first agriculture blockchain trade – [www.Bloomberg.com](http://www.Bloomberg.com)

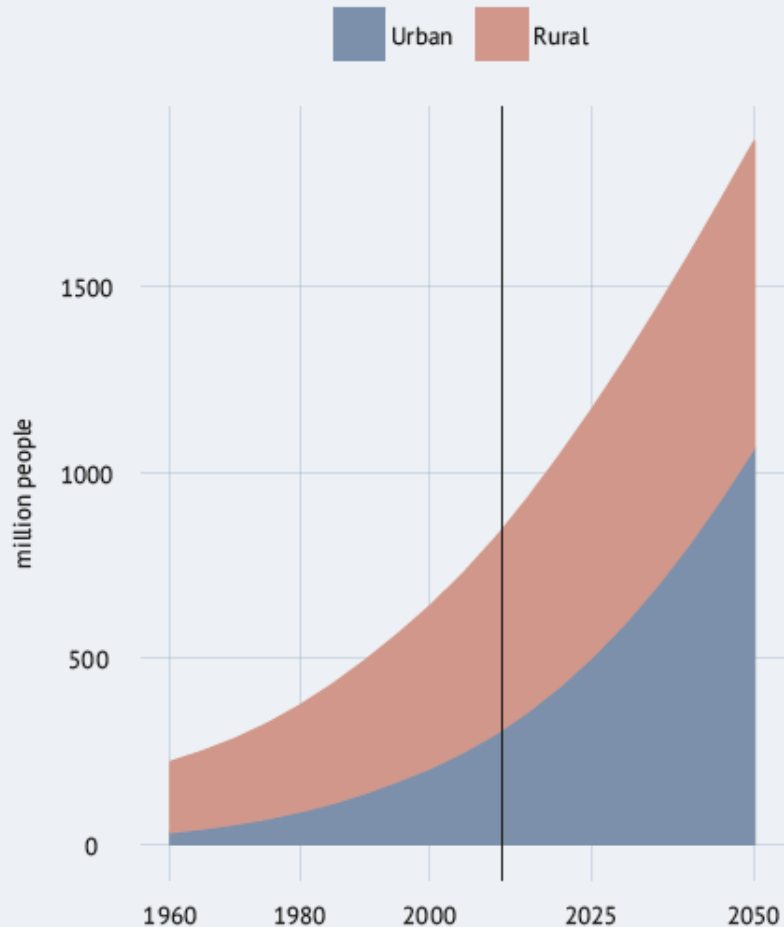
-Louis Dreyfus Co., one of the world's biggest foodstuffs traders, teamed up with Dutch and French banks in December for what it says is the first agricultural commodity trade to use the ledger-based digital technology known as blockchain. For blockchain to succeed in helping traders cut costs and deal times, however, industrywide adoption of standardized platforms and systems will be needed. That's why banks are teaming with the biggest trading houses such as LDC on early blockchain tests. [Read more»](#)

More interconnected → greater uncertainty → less control →  
more risk → greater opportunity!



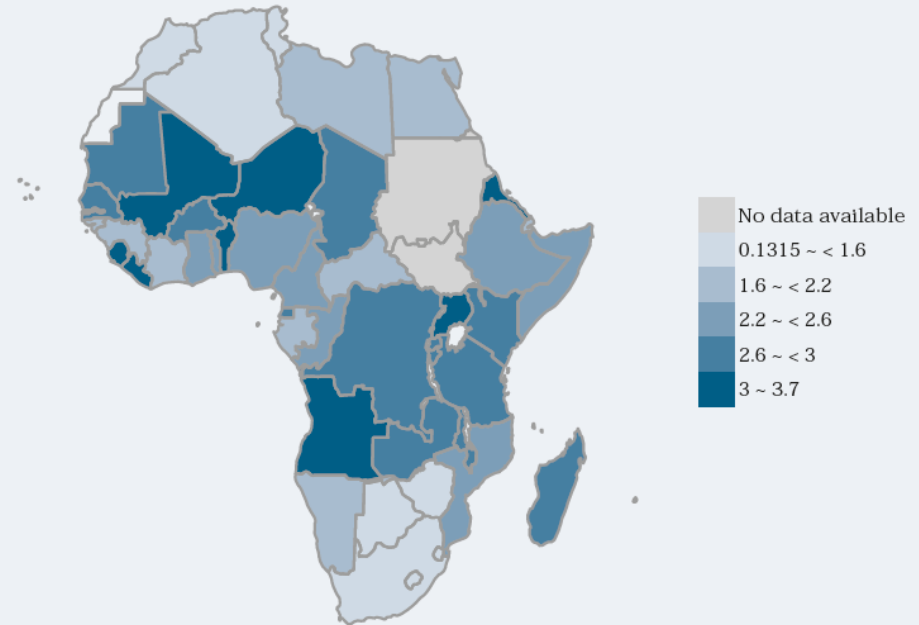
# Demographics.....

CHART 1: Africa rural and urban population (1960-2050)



Source: United Nations Population Division.  
Data after 2011 are projections.

MAP 1: Population annual growth (percent, 2000-2012)



Either massive opportunity,  
or a critical risk.....!

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# Local Socio-political Developments

- ANC in turmoil – still deep divisions and distrust: Compromise Cabinet
- Manifested in ANC loss of three major Metros, viz. Johannesburg, Tshwane and Nelson Mandela Bay, to opposition coalitions. Cape Town already governed by DA
- DA & EFF viable opposition parties and ruling coalitions?
- Major political uncertainty, but not necessarily all bad. Hope springs!
- Lack of GDP growth and Competitiveness decline (WEF) a real concern
- Massive unemployment (>27%), especially amongst the Youth (>50%)
- Inequality - calls for radical economic transformation (RET) will not abate.
- Crime & Security factor, including corruption and farm safety concern.
- Land & water reform will be at the centre of demands.
- **General election 2019** now driving all politics



Insight Report

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# The Global Competitiveness Report 2017–2018

## The Global Competitiveness Index 2017–2018 Rankings

Covering 137 economies, the Global Competitiveness Index 2017–2018 measures national competitiveness—defined as the set of institutions, policies and factors that determine the level of productivity.

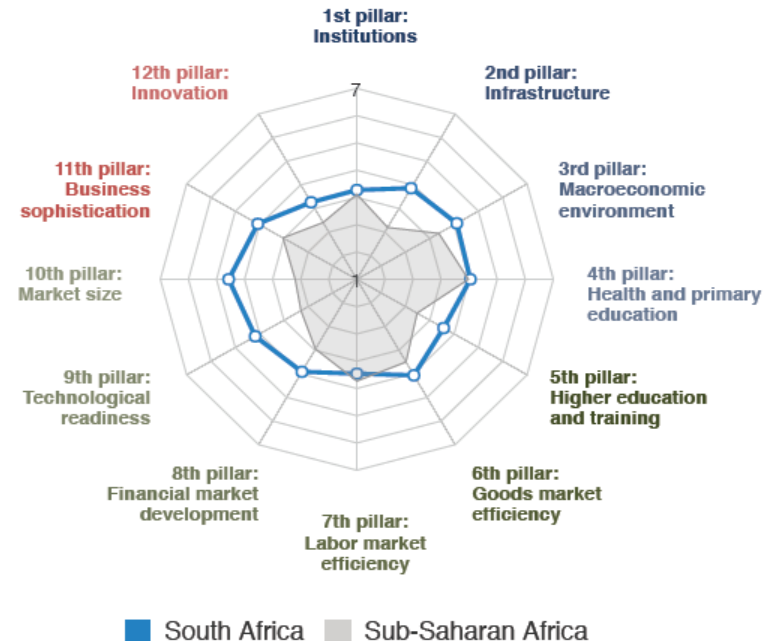
## Key indicators, 2016

Source: International Monetary Fund; World Economic Outlook Database (April 2017)

<b>Population</b> millions	55.9	<b>GDP per capita</b> US\$	5,260.9
<b>GDP</b> US\$ billions	294.1	<b>GDP (PPP)</b> % world GDP	0.62

## Performance overview

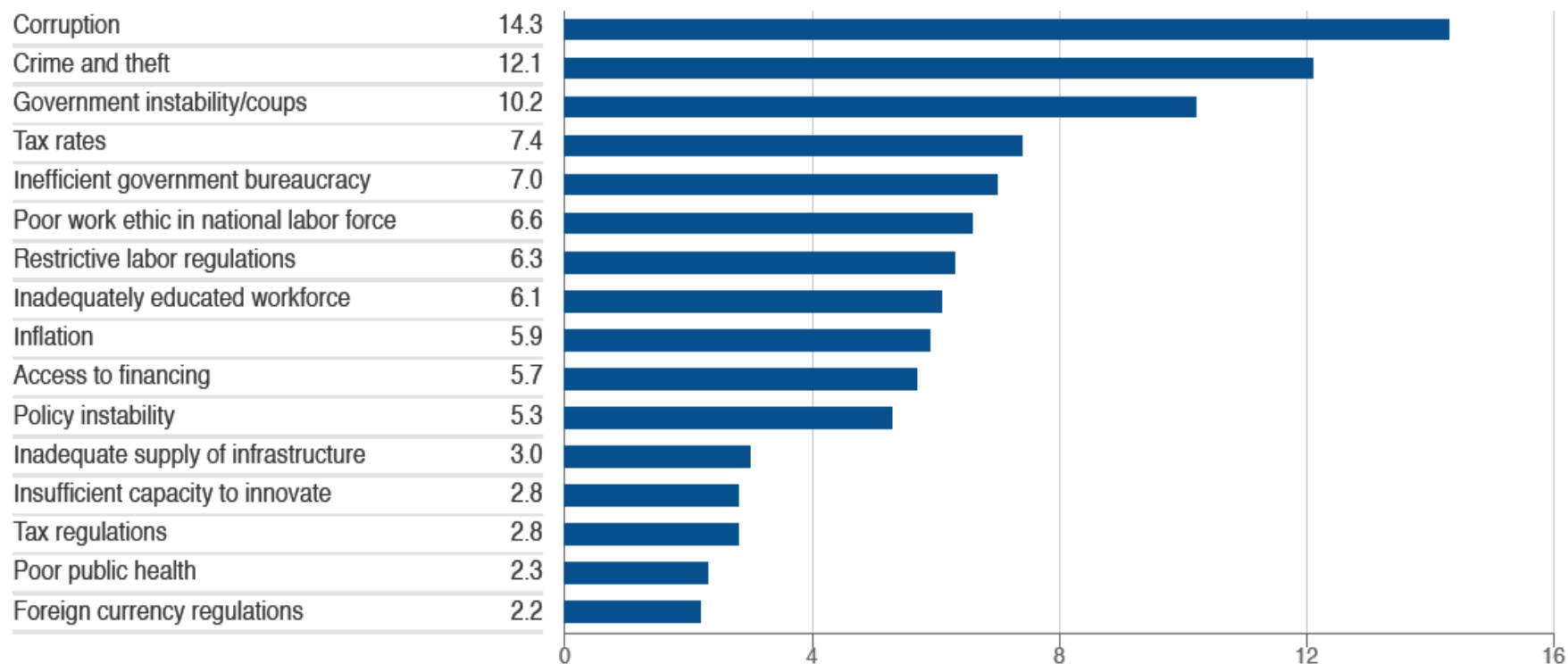
Index Component	Rank/137	Score (1-7)	Trend	Distance from best	Edition	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Global Competitiveness Index</b>	<b>61</b>	<b>4.3</b>			Rank	<b>52 / 144</b>	<b>53 / 148</b>	<b>56 / 144</b>	<b>49 / 140</b>	<b>47 / 138</b>	<b>61 / 137</b>
Subindex A: Basic requirements	92	4.3			Score	4.4	4.4	4.4	4.4	4.5	4.3
<b>1st pillar: Institutions</b>	76	3.8									
<b>2nd pillar: Infrastructure</b>	61	4.3									
<b>3rd pillar: Macroeconomic environment</b>	82	4.5									
<b>4th pillar: Health and primary education</b>	121	4.5									
Subindex B: Efficiency enhancers	52	4.4									
<b>5th pillar: Higher education and training</b>	85	4.1									
<b>6th pillar: Goods market efficiency</b>	54	4.5									
<b>7th pillar: Labor market efficiency</b>	93	4.0									
<b>8th pillar: Financial market development</b>	44	4.4									
<b>9th pillar: Technological readiness</b>	54	4.6									
<b>10th pillar: Market size</b>	30	4.9									
Subindex C: Innovation and sophistication factors	39	4.1									
<b>11th pillar: Business sophistication</b>	37	4.5									
<b>12th pillar: Innovation</b>	39	3.8									



# Most problematic factors for doing business

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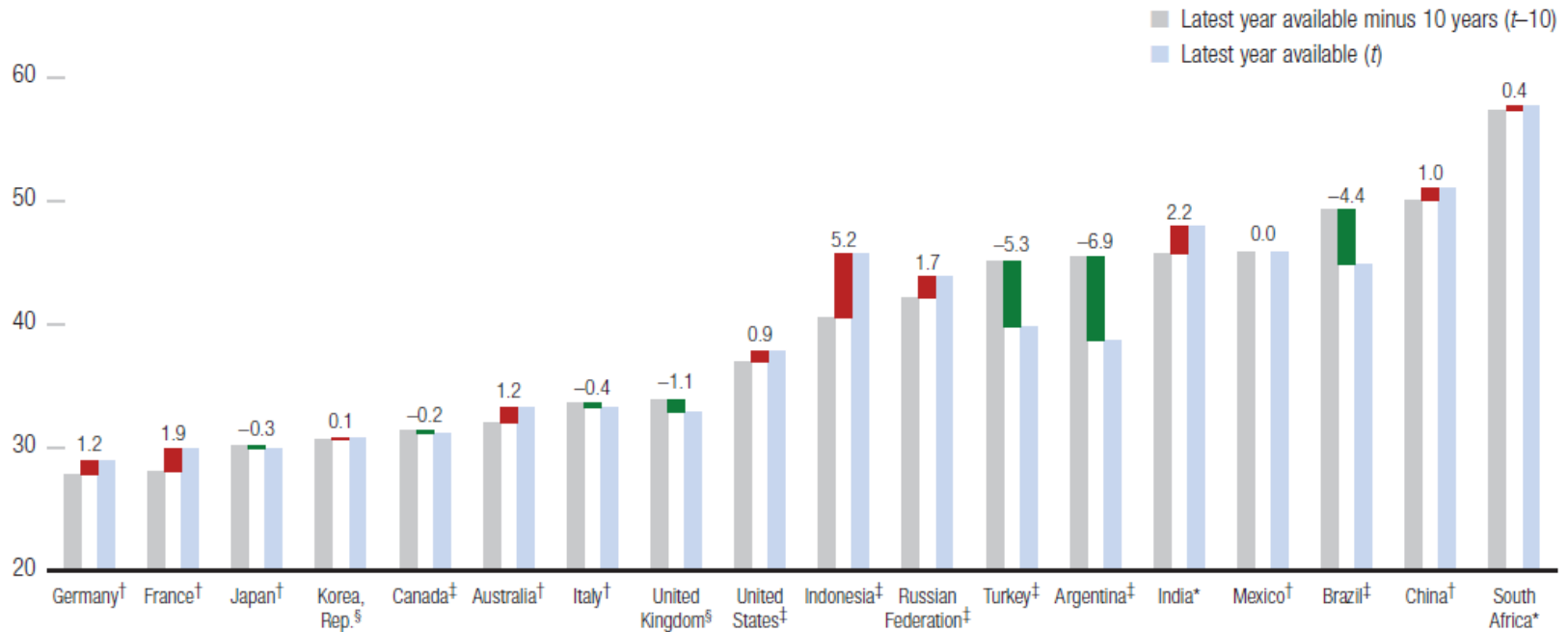
Source: World Economic Forum, Executive Opinion Survey 2017



# Income inequality and change: SA problem!

Figure 2: Income inequality and its evolution over past decade in selected countries

Gini Index, Income inequality = 100



Source: SWIID (Standardized World Income Inequality Database), available at <http://fsolt.org/swiid/>.

Note: GINI coefficients are for the latest year available over the previous decade: \*2002–2012; †2004–2014; ‡2005–2015, §2006–2016.

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## Top 10 risks in terms of **Impact**

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- 1 Weapons of mass destruction
- 2 Extreme weather events
- 3 Water crises
- 4 Natural disasters
- 5 Failure of climate-change mitigation and adaptation
- 6 Large-scale involuntary migration
- 7 Food crises
- 8 Terrorist attacks
- 9 Interstate conflict
- 10 Unemployment or underemployment

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Top 10 risks in terms of

## Likelihood

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- 1 Extreme weather events
- 2 Large-scale involuntary migration
- 3 Natural disasters
- 4 Terrorist attacks
- 5 Data fraud or theft
- 6 Cyberattacks
- 7 Illicit trade
- 8 Man-made environmental disasters
- 9 Interstate conflict
- 10 Failure of national governance

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# Rationale for Agribusiness

**Agribusinesses provide services and products** to their clients and customers in order for them (clients and customers) to do better than they would have had the products and services not been available.

In the process the **aim of agribusinesses is to turn a profit** in a highly competitive market by ensuring its products and services are the best on offer and accordingly priced.

**Innovation, efficiency and skilled** personnel are at the core of providing competitive products and services in a rapidly changing environment.



# Definition of Agribusiness

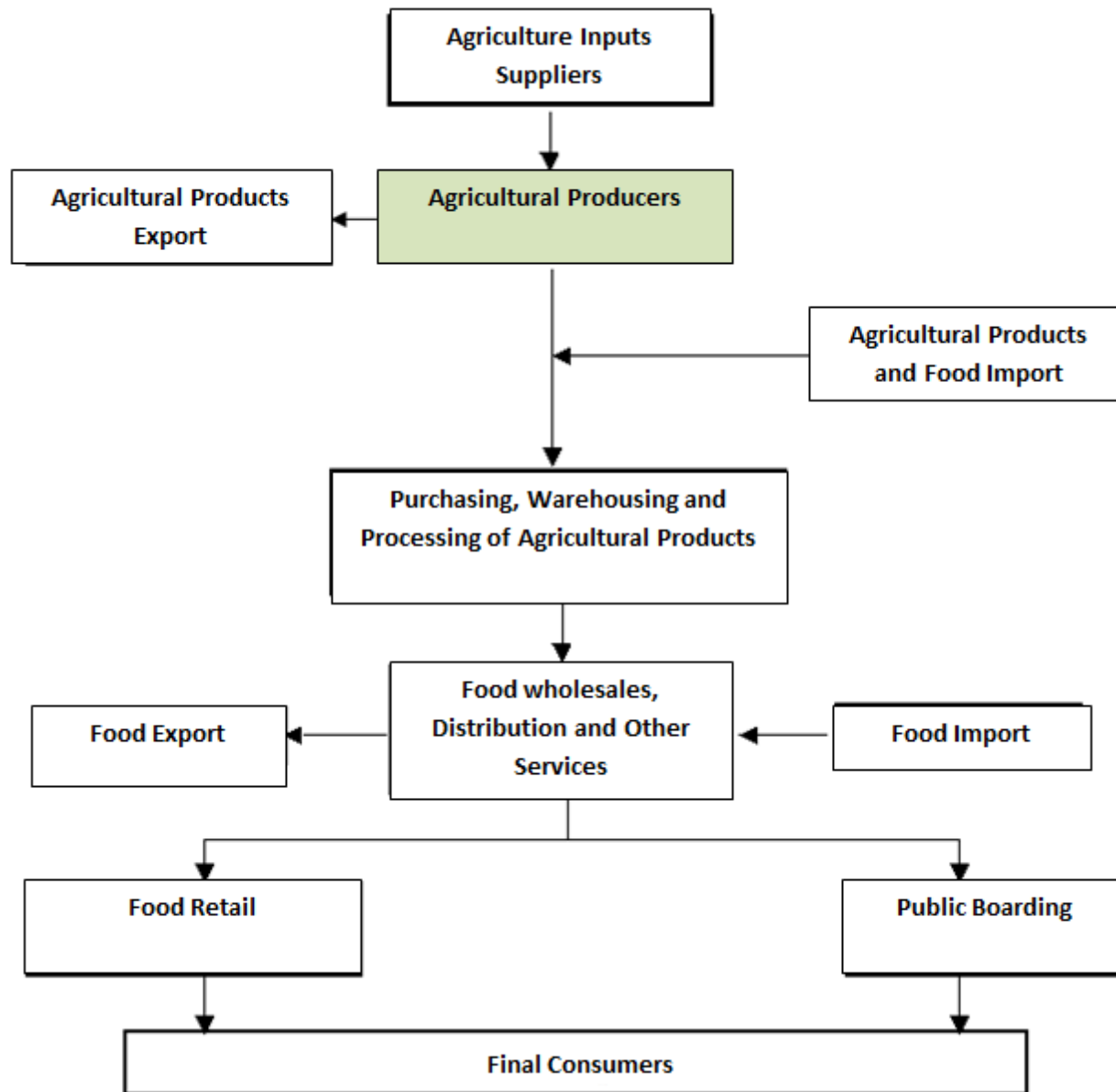
The foundations of agribusiness were elaborated in 1950's by American economists **John H. Davis and Ray A. Goldberg** of Harvard Business School. **A Concept of Agribusiness**, published in 1957, became the basis for a new approach to the subject of investigating the agricultural economy, systematic study of the industrialization phase of the agricultural development within food economy, but also a foundation for solving specific questions of the development of this economic segment.

The principle of agribusiness means the definition and characteristics of activities and links associated with agricultural production, not only within a company, but also links with upstream and downstream entities and activities typical of the transformation (processing) of agricultural commodities into the finished product = food.

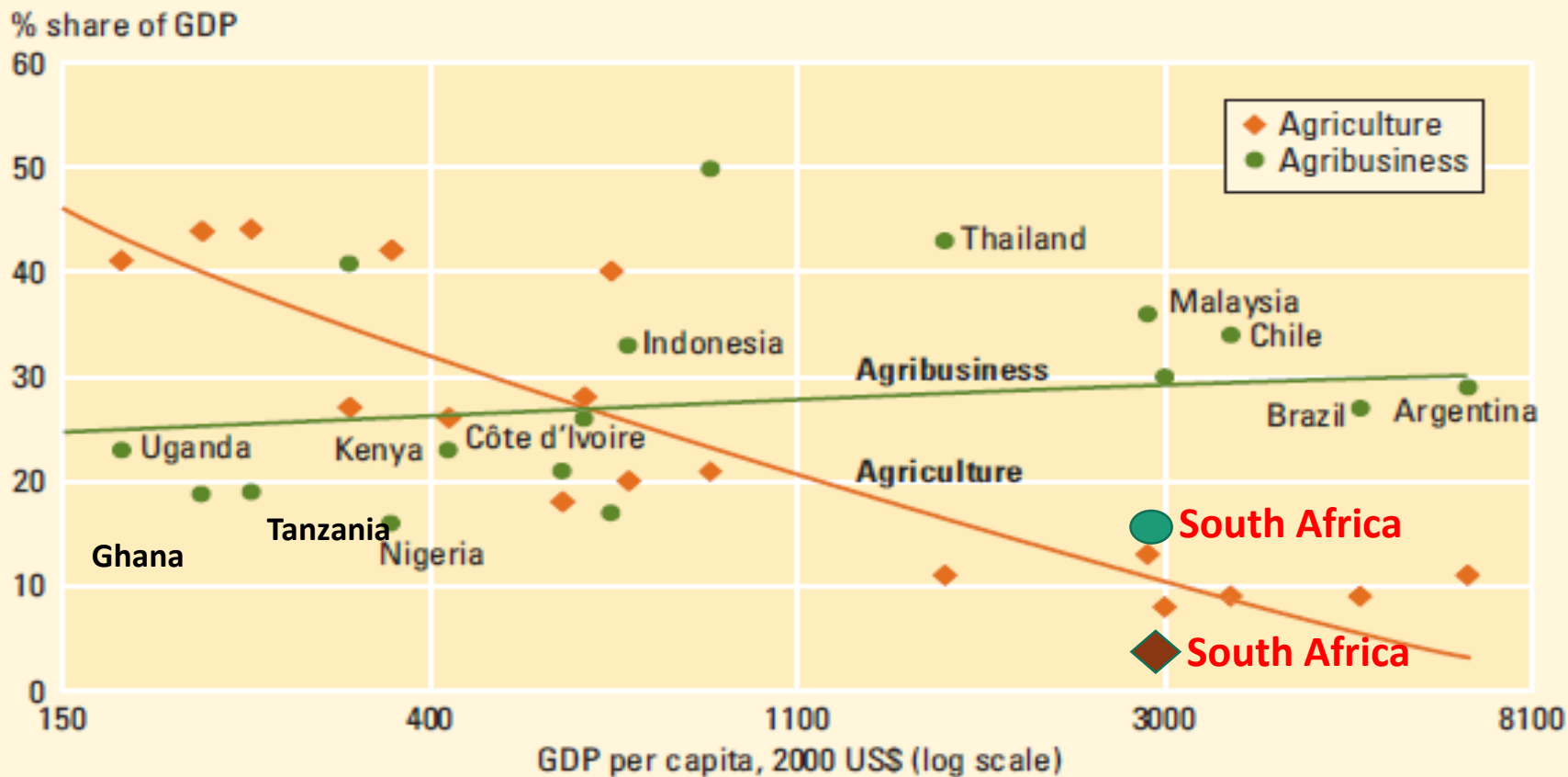
**Agribusiness literally represents an overview of the whole spectrum of economic sectors that are directly or indirectly engaged into the processes of food production.**



# The Basic Structure of Agribusiness



**Figure D.1 The relative shares of agriculture and agribusiness in GDP change as incomes rise**



Sources: WDR 2008 team. Data from Jaffee (1999) as cited in World Bank (2003f); and from Pryor and Holt (1999).

Note: Agribusiness includes the value added for agro-related industries and for agricultural trade and distribution services. Data are for Argentina, Brazil, Cameroon, Chile, Côte d'Ivoire, Ghana, India, Indonesia, Kenya, Malaysia, Mexico, Nigeria, Republic of Korea, South Africa, Tanzania, Thailand, Uganda, and Zimbabwe.

Source: UNIDO, 2012



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# Approach to advocacy & influence

- Core objective for Agbiz – **constructive engagement through formal processes and structures on evidenced-based approach**
- Process & Structure:
  - Bill or Green/White Paper gazetted for public comment (~60 days)
  - Revised Bill/Policy Paper to Nedlac – one of four chambers, viz. Trade & Industry, Labour Market, Development and Public Finance and Monetary Policy Chambers: Task Team engagement
  - Cabinet
  - Parliament: Submissions invited by Portfolio Committees – partisan environment not conducive to advocacy.
  - Bill assented and implemented as an Act
  - Then recourse to the Courts, including Constitutional Court
- Agbiz on legal action and relationships!

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# Cover major areas today, but not all.....

- Economic environment and Agribusiness Confidence Index insights – Wandile Sihlobo
- Land reform, national minimum wage (NMW), water reform and climate change policy and legislation environment – Theo Boshoff
- BFAP 2017 Baseline: Investment environment and commodities' outlook – Prof Ferdi Meyer, BFAP
- Agriculture trade environment – Sifiso Ntombela
- Wrap up

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# Wrap up

- Relatively healthy and robust agri-food industry – Agribusiness plays a major role in **providing globally competitive products and services to especially farmers**, but also other clients/customers.
- Relatively technologically advanced, globally competitive sector (Rand factor)
- **Challenges:** Investment environment, Agro-logistics, water availability and quality, environmental sustainability, R&D, crime and security, labour relations & legislation, land reform, climate change, trade agreements, sustainable transformation, etc.
- **Opportunities:** Growing population, consumer spending trends, new markets (especially to Africa and the East), new technologies & improved productivity, etc.
- Major contributor to Food Security, growth and employment in RSA.
- **We live in uncertain times – many risks and variables, some controllable, others not or less so. The playing field and rules of the game are changing – how do I adapt?**
- **However, risk creates opportunity, and concentrate on those risks you can manage!**
- **And make sure you have the right partners!**

Thank you

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

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