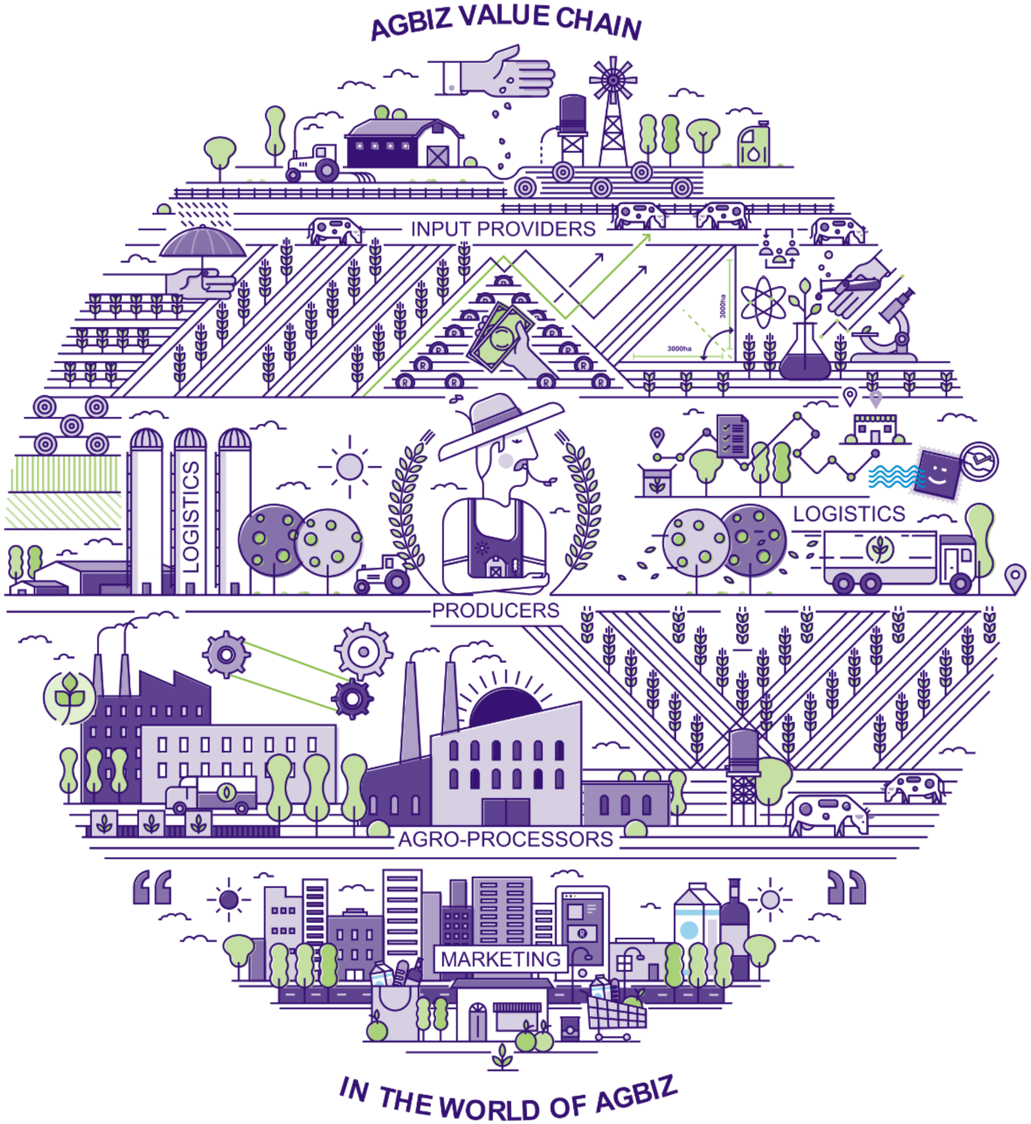
# Welcome and introduction:

# Current challenges in policy and legislation environment, and opportunity in the agribusiness sector

## Agbiz Information Day

John Purchase
CEO: Agbiz

15 November 2018




- Agbiz represents the agricultural value chain outside of primary production;
- This includes;
  - Input providers such as seed, fertilizer and machinery manufacturers;
  - Financial institutions and insurance companies;
  - Logistics;
  - Off-takers, Agro-processors; and
  - Trade and market linkages.
- Primary agriculture contributes 2-3% of GDP, but together with the value chain, it is closer to 14%.
- Significant employer in rural towns and areas.

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

ABSA
AFGRI
AFMA SAFE FEED FOR SAFE FOOD
AGRIFRIEND Equipment
agrifusion
Alltech
AGRI TOURISM SOUTH AFRICA
Afrivet Like your vet in the veld

AVCASA
AGRI EXPO
AGRI ACADEMY SOUTH AFRICA
BHBW
batho pele Cultivate Potential . . . Harvest Excellence !
BKB
Beefmaster
CAPESPAN GROUP LIMITED
CertiSure

Citrus Growers' Association of Southern Africa
Durban Fresh Produce Market
DUPONT PIONEER
ENGEN
east london idz business streamlined
Farmwise grains
FKB
FNB First National Bank
GWK innovate agriculture

IDC Industrial Development Corporation
Your partner in development finance
IMASA
JOHN DEERE FINANCIAL
fpéf SOUTH AFRICA Fresh Produce Exporters' Forum
KAAP AGRI
LAND BANK We stand by you
KLK
Komati Fruit Group
MARSH

MONSANTO
MOSSTRICH GROEP
National Agricultural Marketing Council
NETAFIM GROW MORE WITH LESS
NEDBANK
NWK
OBARO

OLDMUTUAL
Overberg AGRI GROUP
OVK CMW
PMI THE POWER OF LEARNING
pwc
Rovic Leers Leading Farming Technology
SANSOR
OLDMUTUAL INSURE

San Miguel THE GLOBAL CITRUS EXPERTS
SALTCOR
santam agriculture
Senwes
signa
SIGNIUM intelligence & intuition
PREVIOUSLY TALENTAFRICA
SSK

Standard Bank
SRCC
SUIDWES
syngenta
TIGER BRANDS
TOTAL
THE CO-OP DIE KOOPERASIE
TWK agri
TOP LAY COUNTRY EGGS

vilko Agricultural Suppliers Since 1922
VinPro
NATURAL AND AGRICULTURAL SCIENCES NATUUR- EN LANDBOUWETENSKAPPE UFS·UV
VLEISSENTRAAL
vkb Agriculture (Pty) Ltd
VOERMOL
two a day
WILLISTON VLEISKOÖPERASIE BPK

BASF We create chemistry
unifrutti
westfalia fruit
SERNICK GROUP

# For today…….

1. **Challenging and complex environment evolving**
2. Food Security and Competitiveness imperative
3. Engagement with President Ramaphosa and DPME
4. Wrap up

# Challenging and complex environment evolving

- **Global socio-political environment – a more uncertain world!**
- **Local socio-political environment – rollercoasting towards election**
- Consumer trends and activism – need to analyse facts, and act
- Technology dynamic – 4th Industrial Revolution: Jobs dynamic NB
- Climate Change – adaptation and mitigation: Weather variability?
- Increased regulation of agro-food system: Food safety, health, etc.
- Sustainable use of, and rights allocation to, water and land as critical natural resources – it will change: how  to adapt?
- Utilisation of renewable energy sources – energy security
- "Trade wars are the wars of the future" – now fully with us
- Big Data – mine and analyse to drive efficiency
- Human capital and skills – the talent factor NB!

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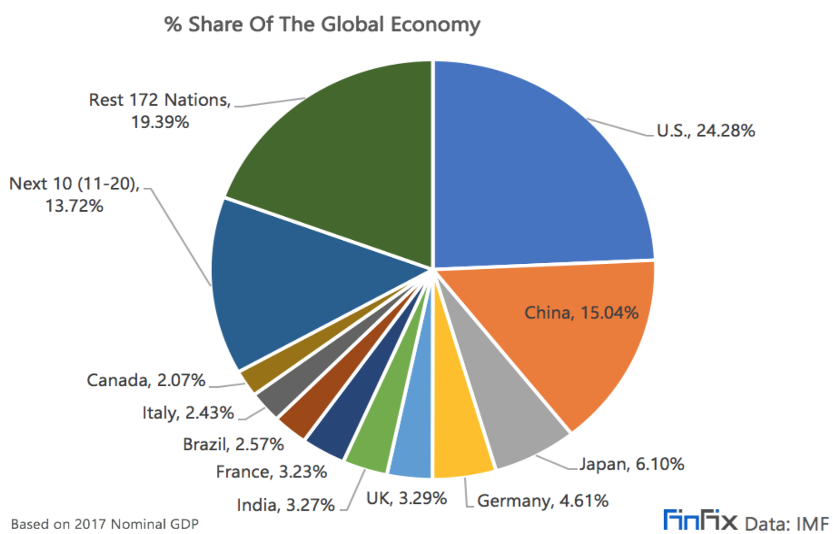
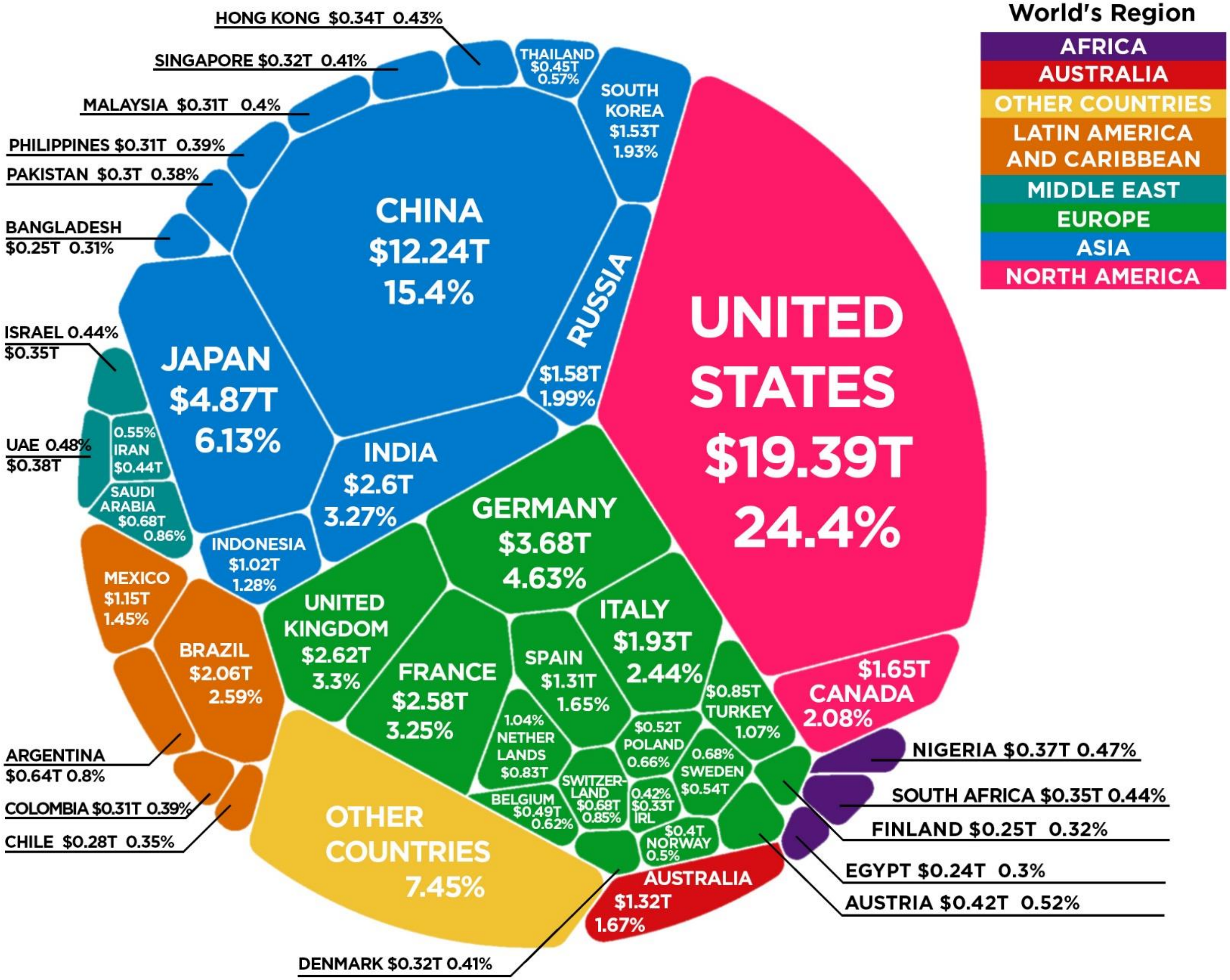
# Global Socio-political Developments

- Multi-polar global power dynamic – power shift to Asia (BRICS factor NB)
- Ambitions of China & Russia, also India & Japan: Geo-political positioning?
- Middle East catastrophe – migration effect to Europe and global destabilisation
- Religious fundamentalism still a factor, esp. in Africa (Boko Haram, Al Shabaab)
- Brexit and European Unity: major uncertainty remains, but also opportunity
- Donald Trump dynamic: USA nationalism and its impact
- **Global population & Africa's demographic 'dividend' and food insecurity**
- Globalisation and Interconnectivity still massive driver, despite protectionist efforts.

More interconnected → but greater uncertainty → less control → more risk → greater opportunity though → look for and exploit!


China and India = 36.2% of global population, but 18% of global GDP




**Article and Sources:**
https://howmuch.net/articles/the-world-economy-2017
http://databank.worldbank.org/data/download/GDP.pdf

howmuch.net

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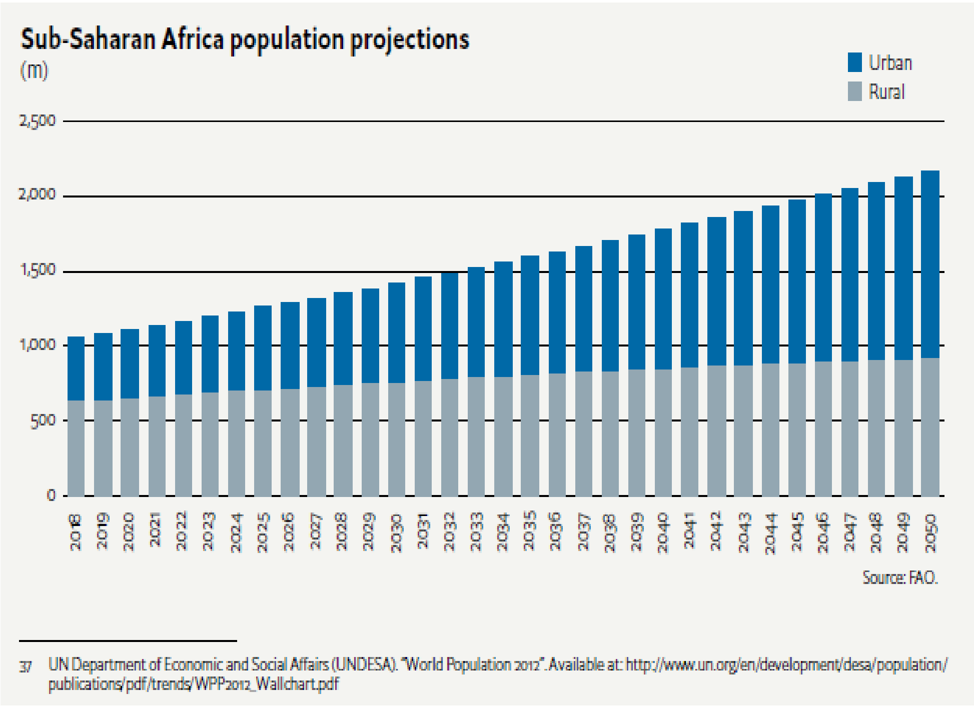
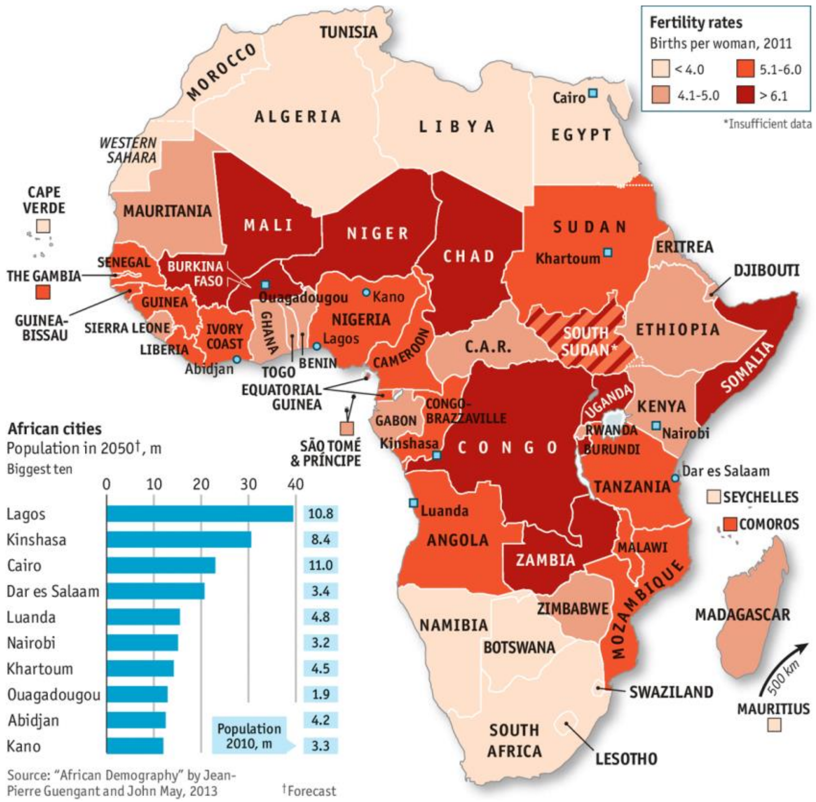
# Urbanisation and Demographics.....




Either massive opportunity,
or a critical risk……!

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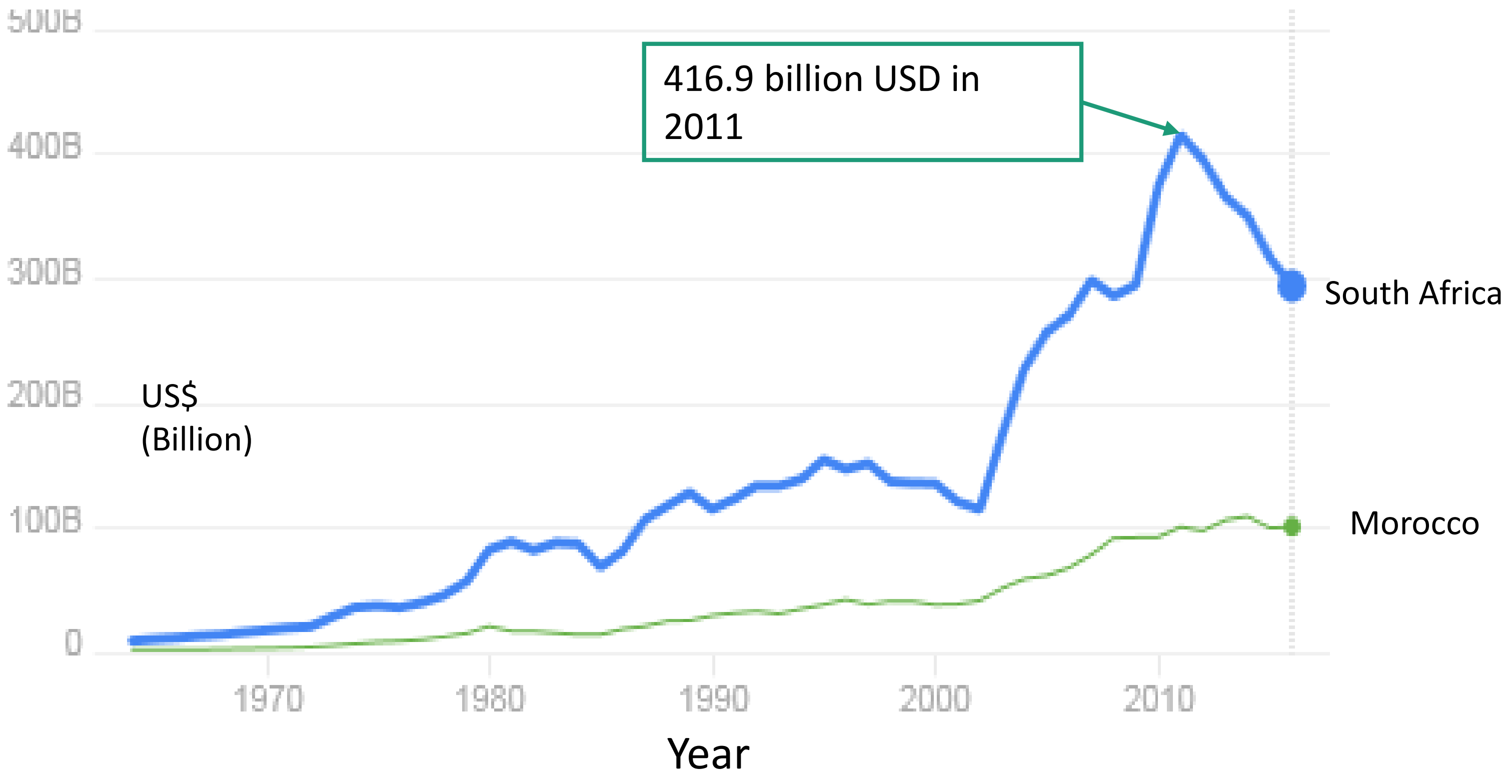
# Local Socio-political Developments

- ANC still in turmoil – divisions and distrust persist. CR consolidation?
- DA & EFF no longer viable ruling coalitions – plenty own problems as well
- Critical general election ~May 2019 - realignment post 2019 possible?
- Major political uncertainty, but not necessarily all bad. Hope springs!
- **Biggest concern: Lack of GDP growth and Competitiveness decline (WEF)**
- Massive unemployment (~27%), especially amongst the Youth (>50%)
- Inequality – SA top of GINI Coefficient: populist calls & demands
- Land & water reform will be at the centre of demands. Also banks & mines.
- Crime & Security factor, including corruption and farm/rural safety concern.

# South Africa's GDP: 294,8 billion USD (2016)
# 347,7 billion USD (2018)




2011 GDP per capita (US$) = 8,066

2016 GDP per capita (US$) = 5,261

2018 GDP per capita (US$) = 6,180

Source: WEF Competitiveness Reports

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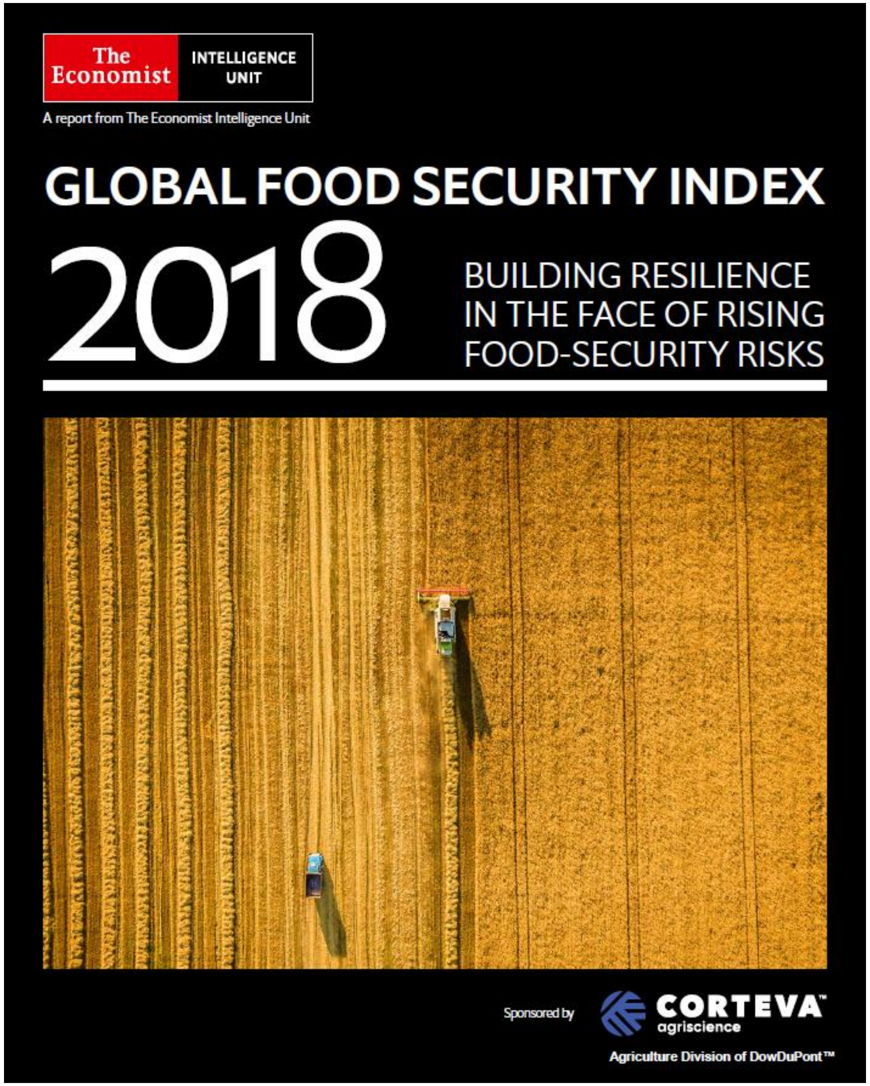
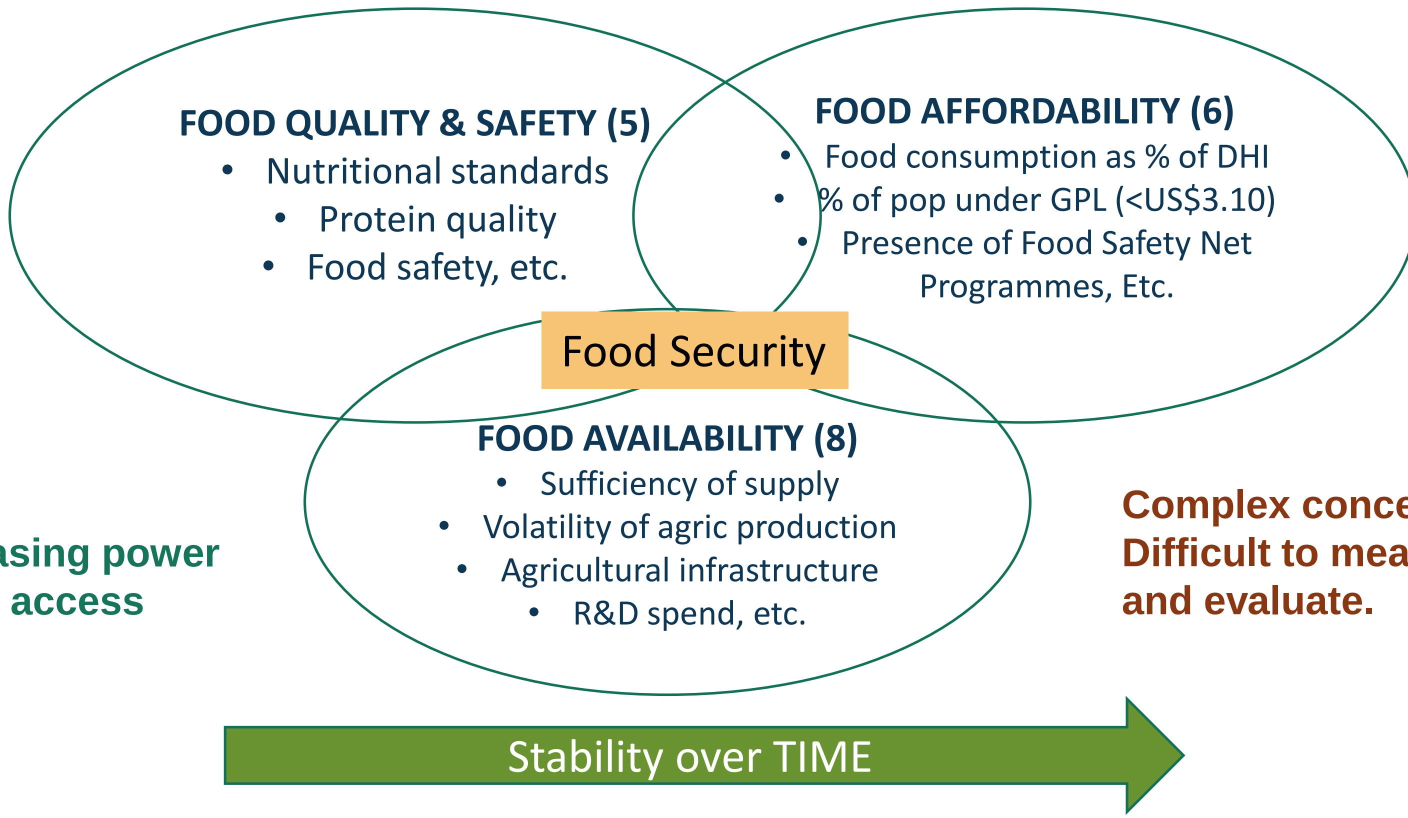
# Food Security Imperative



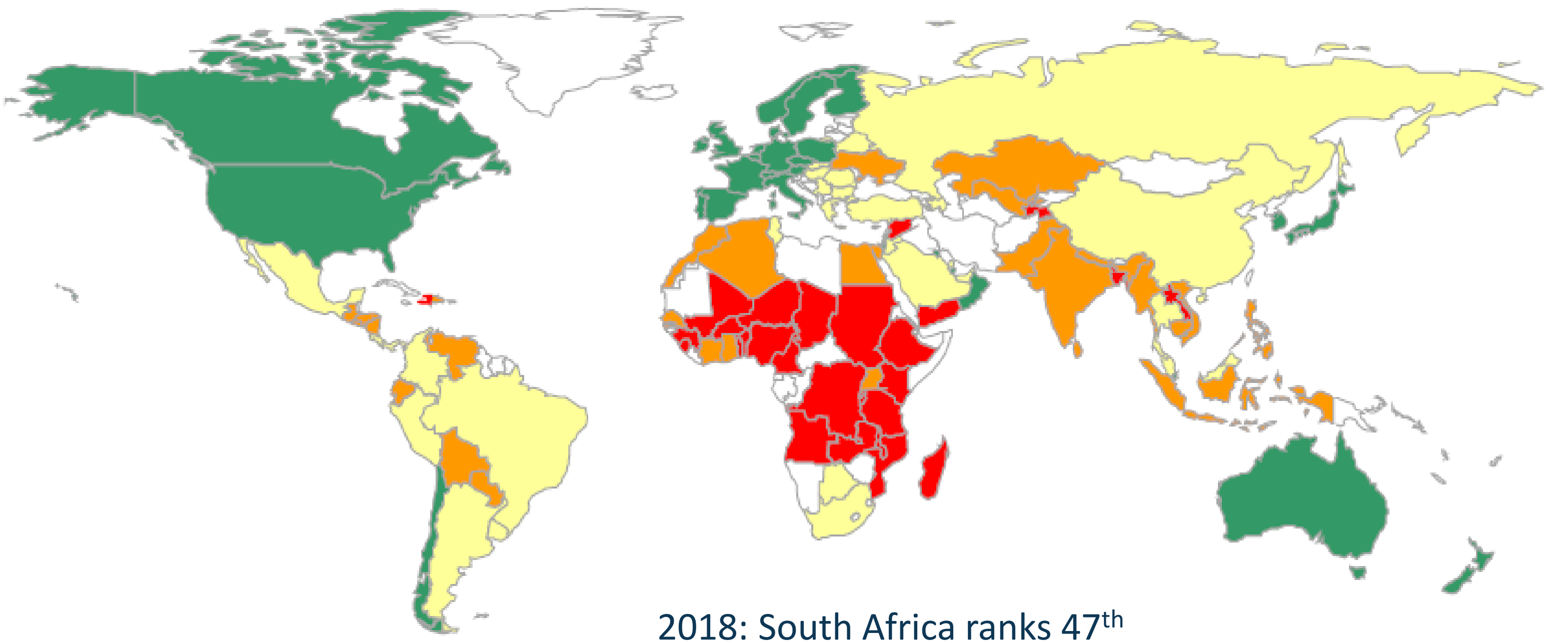
# Components of Food Security




**Purchasing power key to access**

**Complex concept: Difficult to measure and evaluate.**

# 2017 Global Food Security Index



2018: South Africa ranks 47th

Score = Score in 2017, 0-100 where 100=best
Δ = Change in 2017 score compared with 2016
Green= score improved this year
Red = score deteriorated this year

| VERY GOOD (TOP QUARTILE) | GOOD (3RD QUARTILE) | MODERATE (2ND QUARTILE) | WEAK (BOTTOM QUARTILE) |
|---|---|---|---|
| Score Δ | Score Δ | Score Δ | Score Δ |

SA Household Food Security a risk: ~20% of households food insecure

Source: Economist Intelligence Unit/DuPont

http://foodsecurityindex.eiu.com.

# Competitiveness Imperative

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

Insight Report

# The Global Competitiveness Report 2018

## The Global Competitiveness Index 4.0 2018 Rankings

Covering 140 economies, the Global Competitiveness Index 4.0 measures national competitiveness—defined as the set of institutions, policies and factors that determine the level of productivity.

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# South Africa

| Rank | Economy | Score[1] | Diff. from 2017[2] Rank | Diff. from 2017[2] Score |
|---|---|---|---|---|
| 1 | United States | 85.6 | — | +0.8 |
| 2 | Singapore | 83.5 | — | +0.5 |
| 3 | Germany | 82.8 | — | +0.2 |
| 4 | Switzerland | 82.6 | — | +0.2 |
| 5 | Japan | 82.5 | +3 | +0.9 |
| 6 | Netherlands | 82.4 | −1 | +0.2 |
| 7 | Hong Kong SAR | 82.3 | — | +0.3 |
| 8 | United Kingdom | 82.0 | −2 | −0.1 |
| 9 | Sweden | 81.7 | — | +0.1 |
| 10 | Denmark | 80.6 | +1 | +0.7 |
| 11 | Finland | 80.3 | +1 | +0.5 |
| 12 | Canada | 79.9 | −2 | −0.1 |
| 13 | Taiwan, China | 79.3 | — | +0.1 |
| 14 | Australia | 78.9 | +1 | +0.7 |
| 15 | Korea, Rep. | 78.8 | +2 | +0.8 |
| 16 | Norway | 78.2 | −2 | −0.8 |
| 17 | France | 78.0 | +1 | +0.6 |
| 18 | New Zealand | 77.5 | −2 | −0.6 |
| 19 | Luxembourg | 76.6 | +3 | +0.6 |
| 20 | Israel | 76.6 | — | +0.4 |
| 21 | Belgium | 76.6 | −2 | — |
| 22 | Austria | 76.3 | −1 | +0.2 |
| 23 | Ireland | 75.7 | — | −0.3 |
| 24 | Iceland | 74.5 | — | −0.1 |
| 25 | Malaysia | 74.4 | +1 | +1.1 |
| 26 | Spain | 74.2 | −1 | +0.4 |
| 27 | United Arab Emirates | 73.4 | — | +1.1 |
| 28 | China | 72.6 | — | +0.9 |
| 29 | Czech Republic | 71.2 | — | +0.3 |
| 30 | Qatar | 71.0 | +2 | +0.6 |
| 31 | Italy | 70.8 | — | +0.3 |
| 32 | Estonia | 70.8 | −2 | — |
| 33 | Chile | 70.3 | +1 | +0.9 |
| 34 | Portugal | 70.2 | −1 | +0.5 |
| 35 | Slovenia | 69.6 | — | +1.1 |
| 36 | Malta | 68.8 | — | +0.3 |
| 37 | Poland | 68.2 | — | +0.2 |
| 38 | Thailand | 67.5 | +2 | +1.3 |
| 39 | Saudi Arabia | 67.5 | +2 | +1.6 |
| 40 | Lithuania | 67.1 | −2 | +0.7 |
| 41 | Slovak Republic | 66.8 | −2 | +0.6 |
| 42 | Latvia | 66.2 | — | +1.4 |
| 43 | Russian Federation | 65.6 | +2 | +1.7 |
| 44 | Cyprus | 65.6 | −1 | +0.9 |
| 45 | Indonesia | 64.9 | +2 | +1.4 |
| 46 | Mexico | 64.6 | −2 | +0.5 |
| 47 | Oman | 64.4 | +14 | +3.4 |

| Rank | Economy | Score[1] | Diff. from 2017[2] Rank | Diff. from 2017[2] Score |
|---|---|---|---|---|
| 48 | Hungary | 64.3 | — | +0.9 |
| 49 | Mauritius | 63.7 | — | +0.8 |
| 50 | Bahrain | 63.6 | −4 | −0.2 |
| 51 | Bulgaria | 63.6 | — | +1.2 |
| 52 | Romania | 63.5 | — | +1.3 |
| 53 | Uruguay | 62.7 | −3 | — |
| 54 | Kuwait | 62.1 | +2 | +0.5 |
| 55 | Costa Rica | 62.1 | −1 | +0.4 |
| 56 | Philippines | 62.1 | +12 | +2.3 |
| 57 | Greece | 62.1 | −4 | +0.3 |
| 58 | India | 62.0 | +5 | +1.2 |
| 59 | Kazakhstan | 61.8 | — | +0.7 |
| 60 | Colombia | 61.6 | −3 | +0.1 |
| 61 | Turkey | 61.6 | −3 | +0.2 |
| 62 | Brunei Darussalam | 61.4 | +2 | +1 |
| 63 | Peru | 61.3 | −3 | +0.2 |
| 64 | Panama | 61.0 | −9 | [illegible] |
| 65 | Serbia | 60.9 | [illegible] | [illegible] |
| 66 | Georgia | 60.9 | [illegible] | [illegible] |
| 67 | South Africa | 60.8 | [illegible] | [illegible] |
| 68 | Croatia | 60.1 | [illegible] | [illegible] |
| 69 | Azerbaijan | 60.0 | [illegible] | [illegible] |
| 70 | Armenia | 59.9 | +2 | [illegible] |
| 71 | Montenegro | 59.6 | +2 | +1.4 |
| 72 | Brazil | 59.5 | −3 | −0.2 |
| 73 | Jordan | 59.3 | −2 | +0.1 |
| 74 | Seychelles | 58.5 | +10 | +3.3 |
| 75 | Morocco | 58.5 | +2 | +0.8 |
| 76 | Albania | 58.1 | +4 | +0.8 |
| 77 | Viet Nam | 58.1 | −3 | +0.1 |
| 78 | Trinidad and Tobago | 57.9 | −2 | +0.1 |
| 79 | Jamaica | 57.9 | −1 | +0.5 |
| 80 | Lebanon | 57.7 | −5 | −0.1 |
| 81 | Argentina | 57.5 | −2 | +0.1 |
| 82 | Dominican Republic | 57.4 | — | +1.8 |
| 83 | Ukraine | 57.0 | +6 | +3.1 |
| 84 | Macedonia, FYR | 56.6 | n/a | n/a |
| 85 | Sri Lanka | 56.0 | −4 | −0.4 |
| 86 | Ecuador | 55.8 | −3 | +0.4 |
| 87 | Tunisia | 55.6 | −1 | +1 |
| 88 | Moldova | 55.5 | −1 | +0.9 |
| 89 | Iran, Islamic Rep. | 54.9 | −1 | +0.4 |
| 90 | Botswana | 54.5 | −5 | −0.5 |
| 91 | Bosnia and Herzegovina | 54.2 | −1 | +0.3 |
| 92 | Algeria | 53.8 | — | +0.3 |
| 93 | Kenya | 53.7 | — | +0.4 |
| 94 | Egypt | 53.6 | — | +0.4 |

| Rank | Economy | Score[1] | Diff. from 2017[2] Rank | Diff. from 2017[2] Score |
|---|---|---|---|---|
| 95 | Paraguay | 53.4 | +1 | +0.5 |
| 96 | Guatemala | 53.4 | −5 | −0.1 |
| 97 | Kyrgyz Republic | 53.0 | +3 | +1.1 |
| 98 | El Salvador | 52.8 | — | +0.4 |
| 99 | Mongolia | 52.7 | −4 | −0.2 |
| 100 | Namibia | 52.7 | −1 | +0.3 |
| 101 | Honduras | 52.5 | +2 | +1.2 |
| 102 | Tajikistan | 52.2 | −5 | −0.6 |
| 103 | Bangladesh | 52.1 | −1 | +0.7 |
| 104 | Nicaragua | 51.5 | −3 | — |
| 105 | Bolivia | 51.4 | n/a | n/a |
| 106 | Ghana | 51.3 | −2 | +1.4 |
| 107 | Pakistan | 51.1 | −1 | +1.3 |
| 108 | Rwanda | 50.9 | −1 | +1.3 |
| 109 | Nepal | 50.8 | −1 | +1.3 |
| 110 | Cambodia | 50.2 | −1 | +0.8 |
| 111 | Cape Verde | 50.2 | −6 | +0.4 |
| 112 | Lao PDR | 49.3 | −2 | +0.7 |
| [illegible] | [illegible] | 49.0 | −2 | +0.6 |
| [illegible] | [illegible] | 47.6 | n/a | n/a |
| [illegible] | [illegible] | 47.5 | −3 | −0.5 |
| 116 | Tanzania | 47.2 | −2 | +0.8 |
| 117 | Uganda | 46.8 | −4 | −0.2 |
| 118 | Zambia | 46.1 | −3 | +0.6 |
| 119 | Gambia, The | 45.5 | — | +0.8 |
| 120 | Eswatini | 45.3 | −4 | +0.2 |
| 121 | Cameroon | 45.1 | −3 | +0.2 |
| 122 | Ethiopia | 44.5 | −2 | +0.6 |
| 123 | Benin | 44.4 | −1 | +0.8 |
| 124 | Burkina Faso | 43.9 | n/a | n/a |
| 125 | Mali | 43.6 | −4 | −0.1 |
| 126 | Guinea | 43.2 | −3 | +0.3 |
| 127 | Venezuela | 43.2 | −10 | −1.9 |
| 128 | Zimbabwe | 42.6 | −4 | +0.6 |
| 129 | Malawi | 42.4 | — | +1.8 |
| 130 | Lesotho | 42.3 | −4 | +0.9 |
| 131 | Mauritania | 40.8 | −3 | +0.1 |
| 132 | Liberia | 40.5 | −2 | +0.6 |
| 133 | Mozambique | 39.8 | −8 | −2.1 |
| 134 | Sierra Leone | 38.8 | −3 | +0.1 |
| 135 | Congo, Democratic Rep. | 38.2 | −8 | −2.6 |
| 136 | Burundi | 37.5 | −4 | −1.0 |
| 137 | Angola | 37.1 | n/a | n/a |
| 138 | Haiti | 36.5 | −5 | +0.7 |
| 139 | Yemen | 36.4 | −4 | +0.9 |
| 140 | Chad | 35.5 | −6 | — |

**Selected contextual indicators**

| | |
|---|---|
| **Population** millions | 56.5 |
| **GDP per capita** US$ | 6,179.9 |
| **10-year average annual GDP growth** % | 1.7 |

| | |
|---|---|
| **GDP (PPP)** % world GDP | 0.60 |
| **Unemployment rate** % | 27.3 |
| **5-year average FDI inward flow** % GDP | 1.1 |

2016 = 47th
2017 = 61st
2018 = 67th

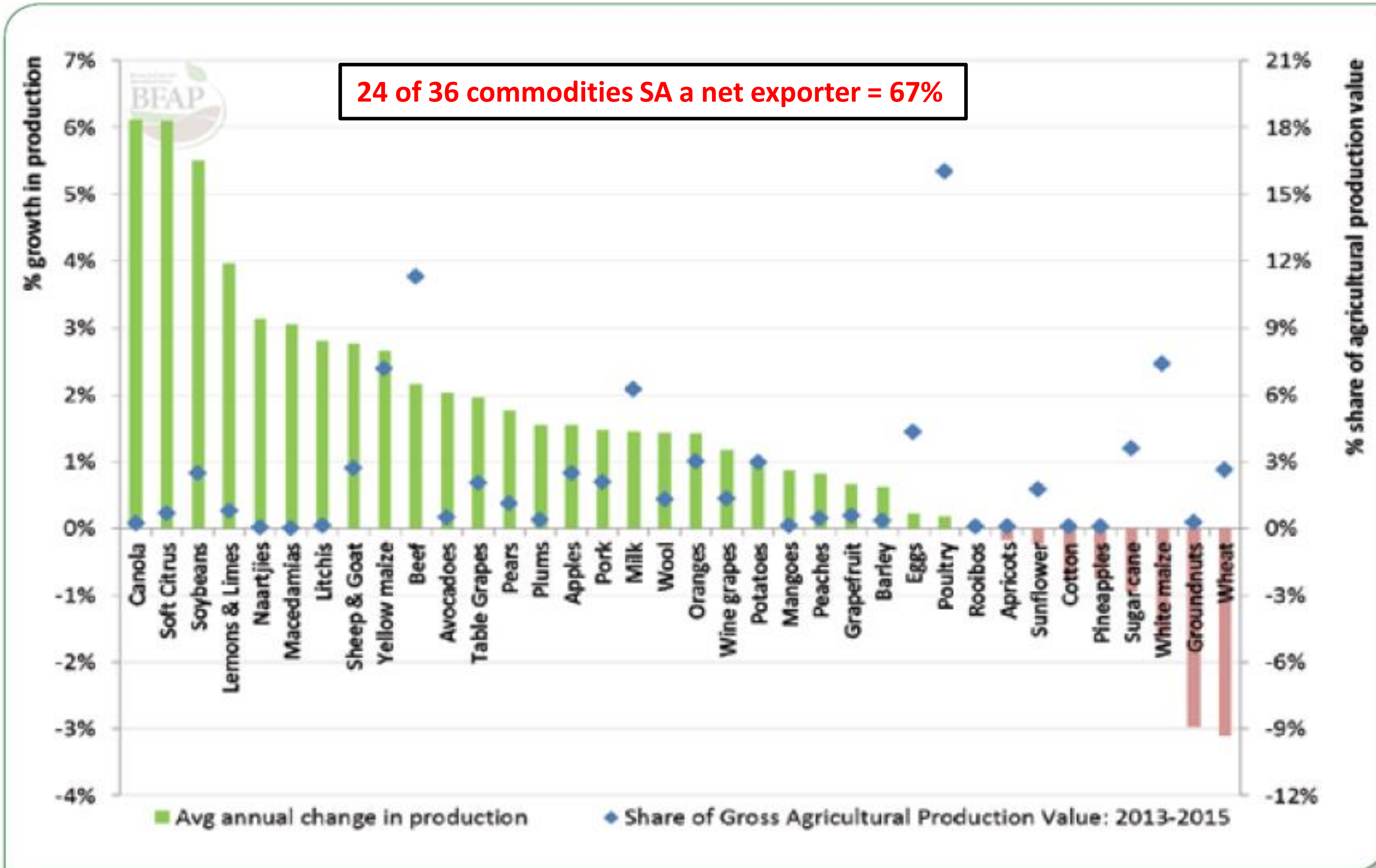
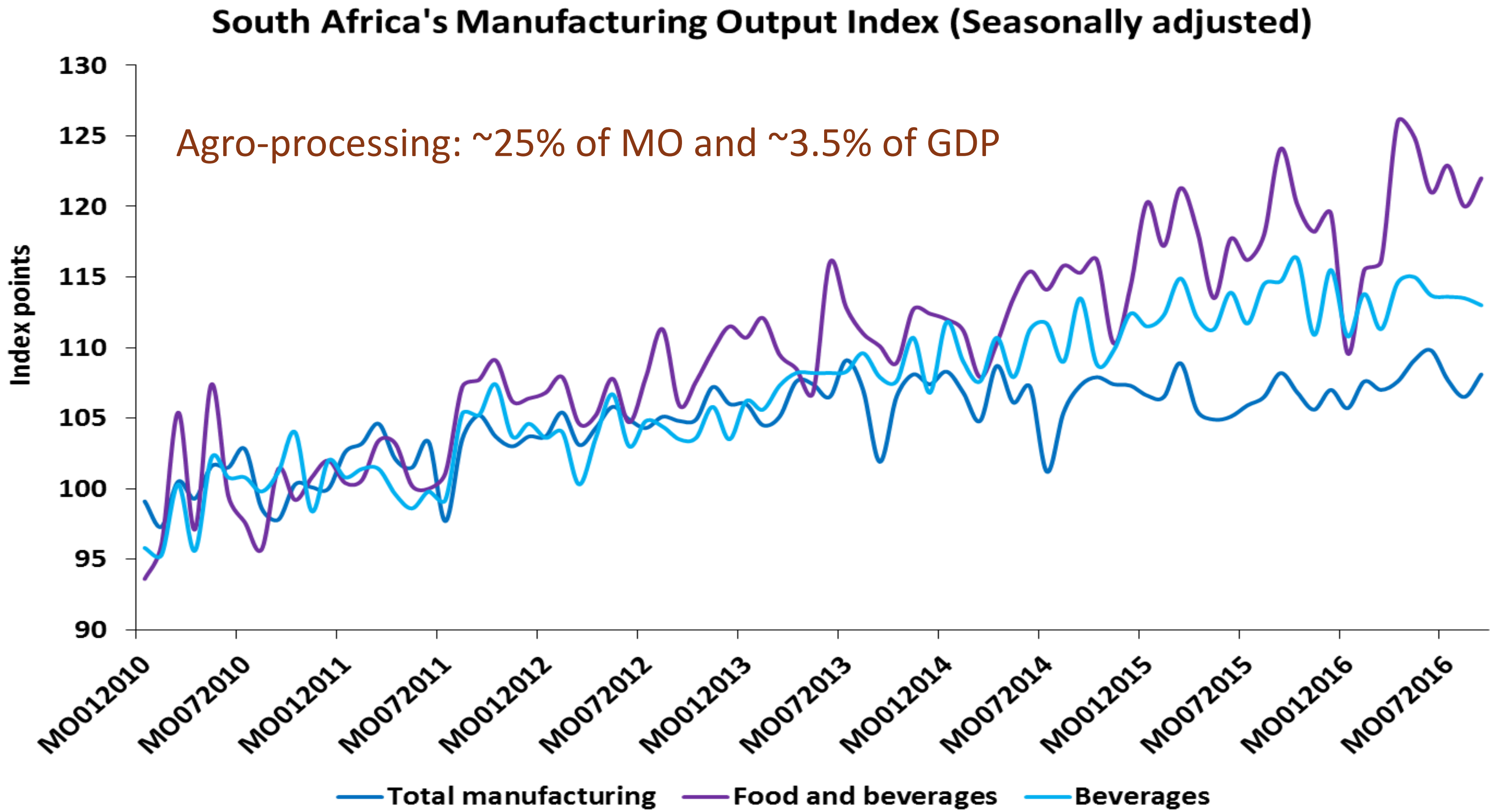



*Figure 2: Agricultural performance: growth in production (2011-2015) and share of agricultural production value of selected industries (2013-2015)*

Source: BFAP, 2016

# Indexed GDP: Agro-processing vs Manufacturing Output




Source: Stats SA, Agbiz Research

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# Way forward………

1. Engagement with President Ramaphosa (21 August 2018) and Min Dlamini-Zuma (DPME). Again 27 November 2018.

2. Jobs Summit (Nedlac process)

3. Investment Summit

4. Stimulus package


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STILL NOTHING! ..HIT IT AGAIN...
THE ECONOMY
VRROOM!!
NENE
ECONOMIC STIMULUS PACKAGE

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# Major policy and regulatory uncertainty issues

1. **Credit legislation, with specific reference to problems with the National Credit Act:**
   - Affordability assessment criteria contained in Regulation 23A to the NCA
   - The template for reporting credit information in terms of Regulation 19(13) of the NCA
   - The new, compulsory disability cover requirement as part of the credit life insurance requirement;
2. **Climate change mitigation framework**
   - Carbon Tax Bill
   - Climate Change Bill
3. **Water rights:**
   - Regulations to the National Water Act prescribing the procedure to apply for a water licence
   - Water and Sanitation Master Plan and water sector transformation
4. **Land reform:**
   - **Expropriation without Compensation**
   - Regulation of Agricultural Landholdings Bill
   - Draft Property Valuation Regulations (Property Valuation Act)
   - Communal Land Tenure Bill
   - Communal Property Association Amendment Bill
   - Preservation & Development of Agricultural Land Framework Bill
   - PLAS
   - State land lease & disposal policy
   - Agriparks
   - Land Audit (e-cadastre)

# Major policy and regulatory uncertainty issues (Cont.)

5. **Environmental legislation**
   - EIA regulations to the NEMA
   - Listing of certain aquaculture and wildlife ranching species in draft NEMBA AIS Regulations
   - Definition of prescribed 'control methods' in the draft NEMLA.

6. **Agricultural, agribusiness sustainability**
   - Biosecurity (Plant & Animal Health)
   - Trade environment (demand-side management) (Trust between Govt & PrivateSector)
   - Aquaculture Bill
   - Tariff policy, and specifically tariff regime with wheat and sugar, including SADC-EPA wheat quota issue and BLNS Rebate issue
   - Renewal of Crop Estimate Consortium Contract (Administrative issue)
   - Levying of testing fees under the Agricultural Products Standards Act (APSA)
   - SME participation
   - Actions to unblock rural & urban infrastructure constraints, including financing
   - Skills and 4th Industrial Revolution

# Needs & requirements from Industry

- **Policy certainty, an enabling regulatory environment, government service delivery & registration** (information included), especially as relates to:
  - Land
  - Water
  - Demand-side management & market access, incl. PTA/FTA trade agreements with major ME and Asian countries, etc.
  - Ensuring transparent and credible local markets run by private sector
- **Infrastructure maintenance and development** (unblock constraints):
  - Energy, incl. electricity, PV, transport fuel, waste management, etc.
  - Water & sanitation
  - Logistics (Road, Rail and Ports)
  - IT (IoT) Telecommunications, precision farming, EO, etc.
- **Development finance and insurance**, including Land Bank's mandate & role
- **Skills development** – many facets
- Exclude agriculture/agribusiness from **Carbon Tax legislation**
- Food Control Agency (Food safety NB)

# Needs & requirements from Industry (Cont.)

- **Smallholder and developing farmer support for commercialization**

  - access to finance (Development Finance Agency)

  - access to markets (totally revisit current Agriparks model – be market-driven)

  - access to technology & training

  - access to infrastructure

  - access to resources (title deed, tradeable lease or any tenure security model that can attract finance)

  - Identify scale neutral commodities/products for development purposes

  - Develop **partnerships** with private sector/agribusinesses to ensure aggregation models are feasible and sustainable

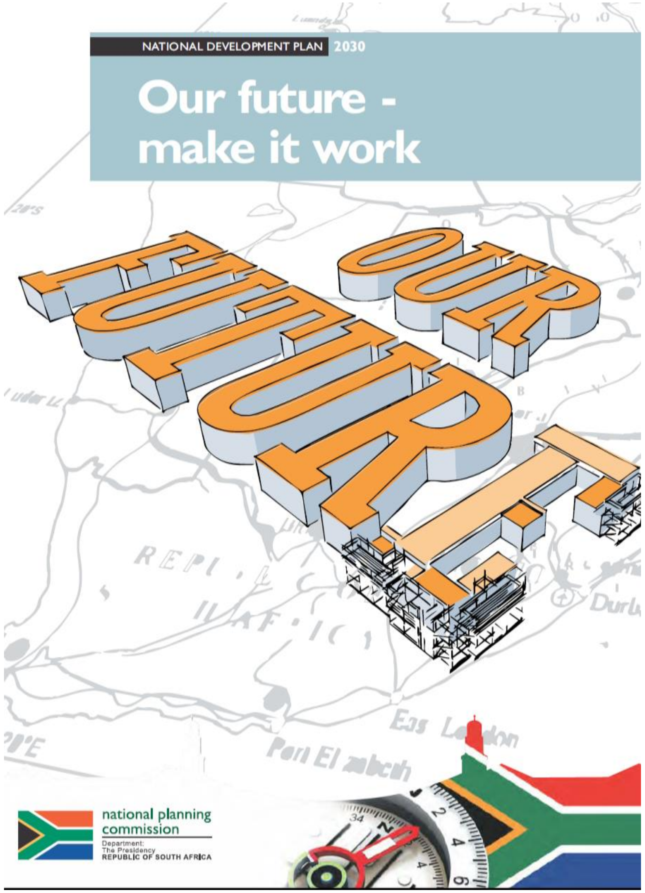
# Proposed Growth and Development Plan for South African Agriculture and Agribusiness

Meeting with Minister Nkosazana Dlamini-Zuma, DPME

John Purchase, Jannie de Villiers & Omri van Zyl

21 September 2018

# Take our cue from National Development Plan





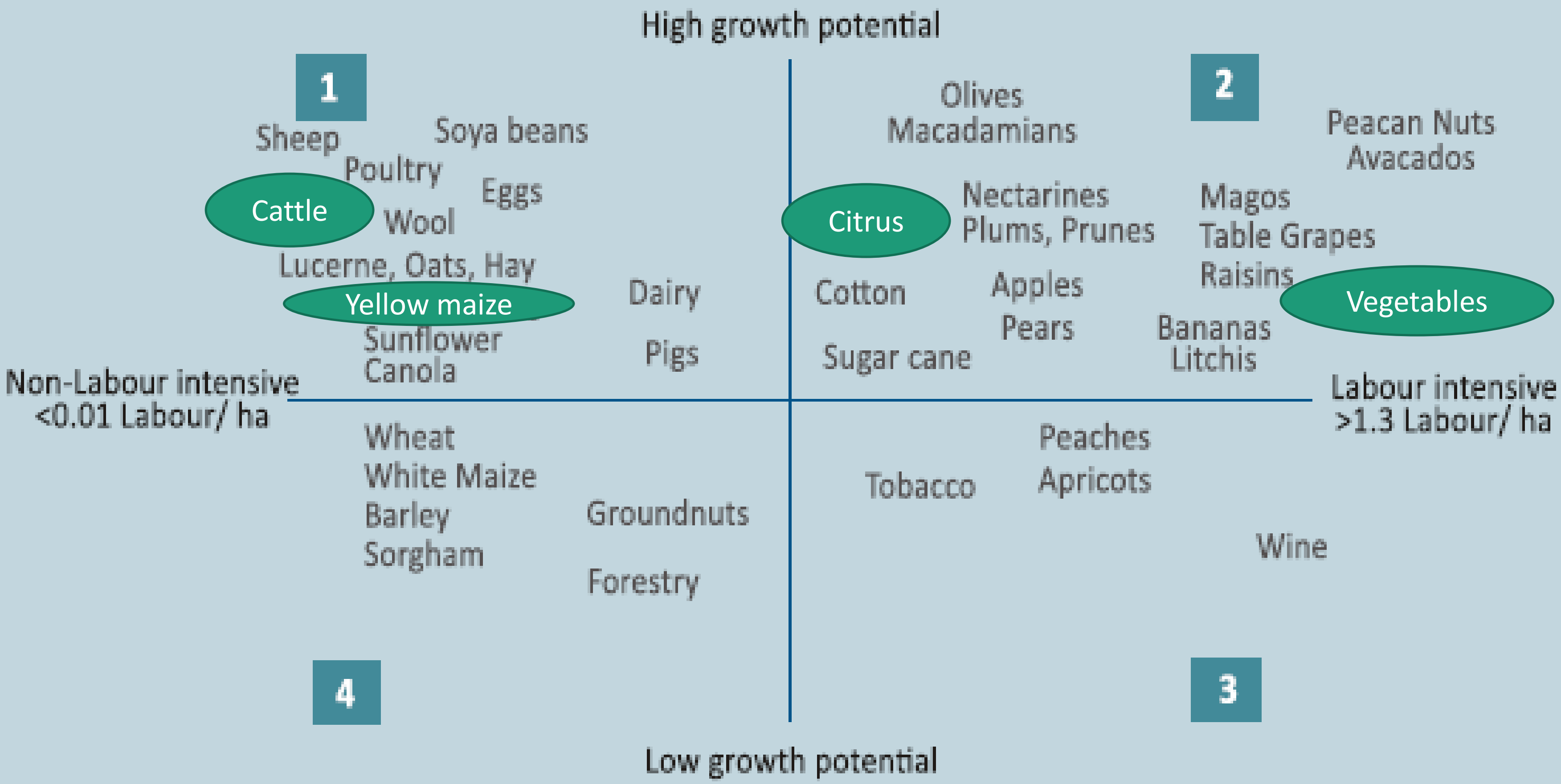
CHAPTER SIX

## An integrated and inclusive rural economy

KEY POINTS

- Rural communities require greater social, economic and political opportunities to overcome poverty.
- To achieve this, agricultural development should introduce a land-reform and job-creation/livelihood strategy that ensures rural communities have jobs.
- Ensure quality access to basic services, health care, education and food security
- Plans for rural towns should be tailor-made according to the varying opportunities in each area. Intergovernmental relations should be addressed to improve rural governance.

## FIG 6.3 AGRICULTURAL GROWTH AND EMPLOYMENT POTENTIAL




*Source: Bureau for Agricultural Policy, 2011[5]*

FIG 6.1 **THE EMPLOYMENT CREATION POTENTIAL OF SOUTH AFRICAN AGRICULTURE**

| Target group | Primary jobs created | Secondary jobs created | Assumption |
|---|---|---|---|
| Subsistence farmers with <0.5 hectares | 83 000 | 41 500 | The livelihoods of one in 10 of the farmers in this category are improved. |
| Small-scale farmers with between 0.5 and 5 hectares of land | 165 000 | 82 500 | The livelihoods of half the farmers in this category are improved. |
| Small-scale farmers with >5 hectares of land | 75 000 | 37 500 | These farmers employ themselves and two others. |
| Better use of redistributed land | 70 000 | 35 000 | Redistribution beneficiaries employ themselves and two others; one in 10 restitution beneficiaries become self-sufficient. |
| Labour-intensive winners | 200 000 | 100 000 | Critically, this requires investment in irrigation, support to smallholder farmers and their ability to grow their businesses. |
| Labour-extensive field crops | 10 000 | 5 000 | This reflects a "high road" or optimistic scenario and assumes that the current decline in employment in commercial farming is halted. |
| Labour-extensive livestock | 40 000 | 25 000 | This reflects a "high road" or optimistic scenario and assumes that the current decline in employment in commercial farming is halted. |
| **Total** | **643 000** | **326 500** | **969 500** |

Note: The employment multiplier between agriculture and its upstream and downstream industries has been taken at a conservative estimate of 0.5 for small-scale farmers.

# Many plans:

- National Development Plan
- New Growth Path (Not Agriculture specific)
- Integrated Growth and Development Plan (IGDP) of DAFF
- Agricultural Policy Action Plan (APAP) of DAFF
- Operation Phakisa (Agriculture, Land Reform and Rural Development)
- DAFF Strategic Plan 2015/16 – 2019/20

***Need proper PPP Implementation Plan***

***+ PPP M&E structure***

# Imperatives for SA Growth Plan for Agriculture/Agribusiness

## Cross cutting imperatives:

- *Conducive and enabling investment environment;*
- *Inclusive economic growth and development;*
- *Open, competitive market-driven system;*
- *Market access and demand-side management*
- *Commercial and development finance;*
- *Producer support systems (Esp. rural communities);*
- *HR capacity development (Govt services)*
- *Labour matters;*
- *Infrastructure, including rural development investment,;*
- *Sustainable use of natural resources & biodiversity and ecosystems;*
- *Sustainable Land Reform*
- *Sustainable Water Reform*
- *Rural safety*

*Indicators NB*

## Imperative of Competitive Value Chains

- *Poultry industry*

  *- Broiler production*

  *- Egg production*
- *Red meat,*
- *dairy*
- *Wool & Mohair*
- *Grain and oilseed industries*
- *Fruit industries*
- *Vegetable industries*
- *Beverage industries*
- *Industrial crops (Sugar, cotton, etc.)*
- *Others (CGCSA, AFASA, AgriSA, NAFU, TLUSA)*

*PARTNERSHIPS & GOVERNANCE CRITICAL*

# Organised Agriculture's 5 year plan to revive the economy
## and develop more Black Farmers in South Africa

### NDP GOALS

1. 1 Million jobs
2. 500 000 ha under irrigation
3. Underused land in communal areas
4. Value chain approach to job creation

### CURRENT STATE

**Agriculture's Contribution to GDP**

2.4 % Primary
± 12.6 % Secondary

**± 15 %**

### GOAL

1. **Primary + Secondary = 20% to GDP**
2. Agrarian Transformation
3. "Agri Singapore of Africa"

## DEVELOPMENT COMPONENT

### A Agricultural Development Fund (DAFF, DRDLR)

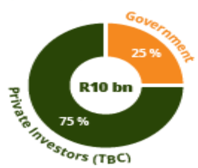
**Finance**

**Principles of the ADF**

- Blended finance model (grant funding & private equity fund)
- Farmers want: finance at discounted rate, access to a production loan, access to subsidised interest rates.
- Based on the partnership principle
- Incentivise farmers to invest (tax incentives, Agri BBBEE)
- A value chain approach to development

**The ADF leverage model**

Proposed Proportional Contribution




**Implementation**

**Public Private Partnership**

- Producer Support
- Extension Services
- Research & Development
- Advisory Services
- Genetics
- Technology

**Agri Value Chain**

- 28 000 Farmers
- 30 Commodities
- > 100 Agri Companies

**Facilitate Trade** (DTI)

ATF | SPS | PPECB | FTA | PTA

### B Beneficiaries (DRDLR)

1. **Communal Areas**
   ± 17 million ha
   **Commodity Focused Approached**
   ± 2,5 million people could benefit
2. **Existing Land Reform Projects**
3. **Current Projects (Mega and small)**
4. **Partnerships**

### C Demand Led Market Development

1. **International new market access and existing market development**
2. **Focus on high value commodities and commodity specific market growth e.g livestock, grain, wool**

## COMMERCIAL COMPONENT

### A Demand Led Market Development

### C Local & International Investment in Sector Focus

**Singapore Concept**

### B Policy Certainty

- **Secure Property Rights** (EWC + market related compensation)
- **Tax Incentives**
- **Regulatory Streamlining**

=

### OUTCOMES

- Food Security
- Job Growth
- Transformation
- Household Income
- Sector Investment
- Etc.

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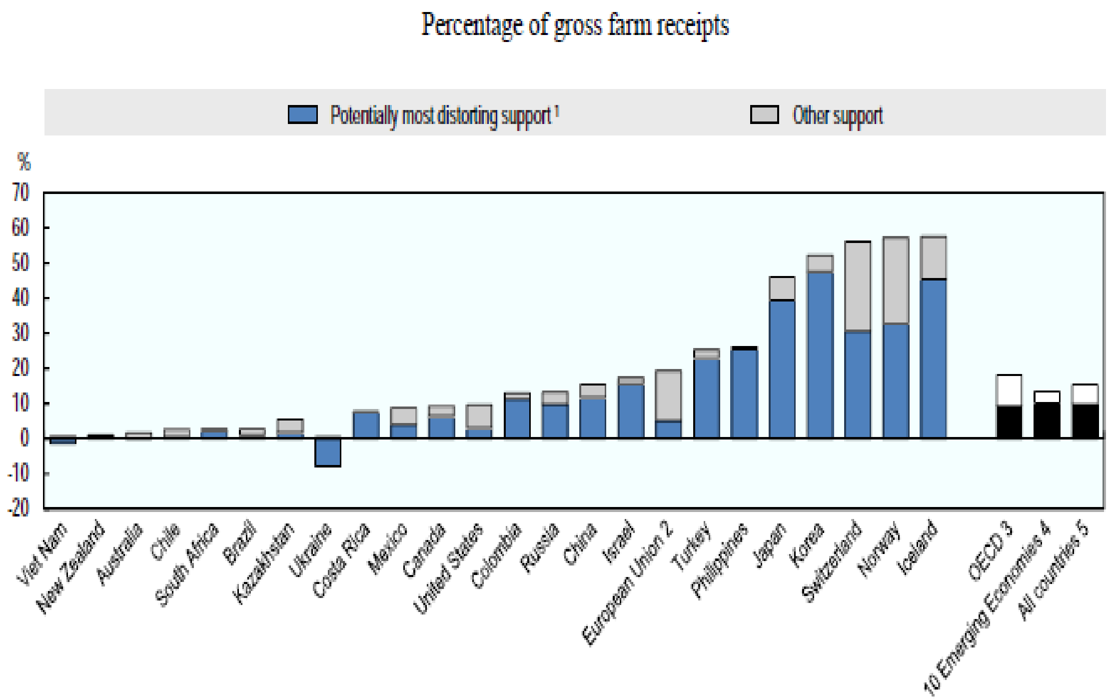
# South Africa's Producer Support Estimate (PSE) is not competitive.

Figure 1.8. Composition of the Producer Support Estimate by country, 2015-17




Source : OECD (2018)

1. Grant-based programmes have limited reach: Producer Support Estimate declined from 0,26% to 0,14% of GDP in 2016. Comparatively speaking South Africa remains at a disadvantage with EU at 0,61%; Brazil (0,42%); China (1,91%) and Russia (0.94%).
2. Only 11,1% of the households involved in agriculture reported getting agricultural-related support from the government. Nationally, slightly more than two per cent (2,2%) of the households reported receiving training and 7,0% received dipping/ livestock vaccination services (GHS, StatsSA, 2016)
3. Market and wealth concentration. SMMEs including smallholder farmers are not favoured by the market. Poor access to financial and efficient business support services.

**MORE IS NEEDED TO SUPPORT SOUTH AFRICAN PRODUCERS**

# For today…….

1. Challenging and complex environment evolving
2. Food Security and Competitiveness imperative
3. Engagement with President Ramaphosa and DPME
4. **Wrap up**

# Wrap up…….

1. Business Confidence in the Agricultural Sector and Opportunities for Growth – Wandile Sihlobo
2. Challenges and changes in the Policy and Legislative Environment – Theo Boshoff
3. BFAP 2018 Baseline: Investment environment and Commodities Outlook – Prof Ferdi Meyer

**Our Goal:**

**Empower you with the best information and intelligence possible!**

# Thank you

# Growth and **Jobs** in South Africa's Agricultural Sector

**Wandile Sihlobo**

Agbiz Info Day

D'Olyfboom, Paarl

15 November 2018

agricultural business chamber

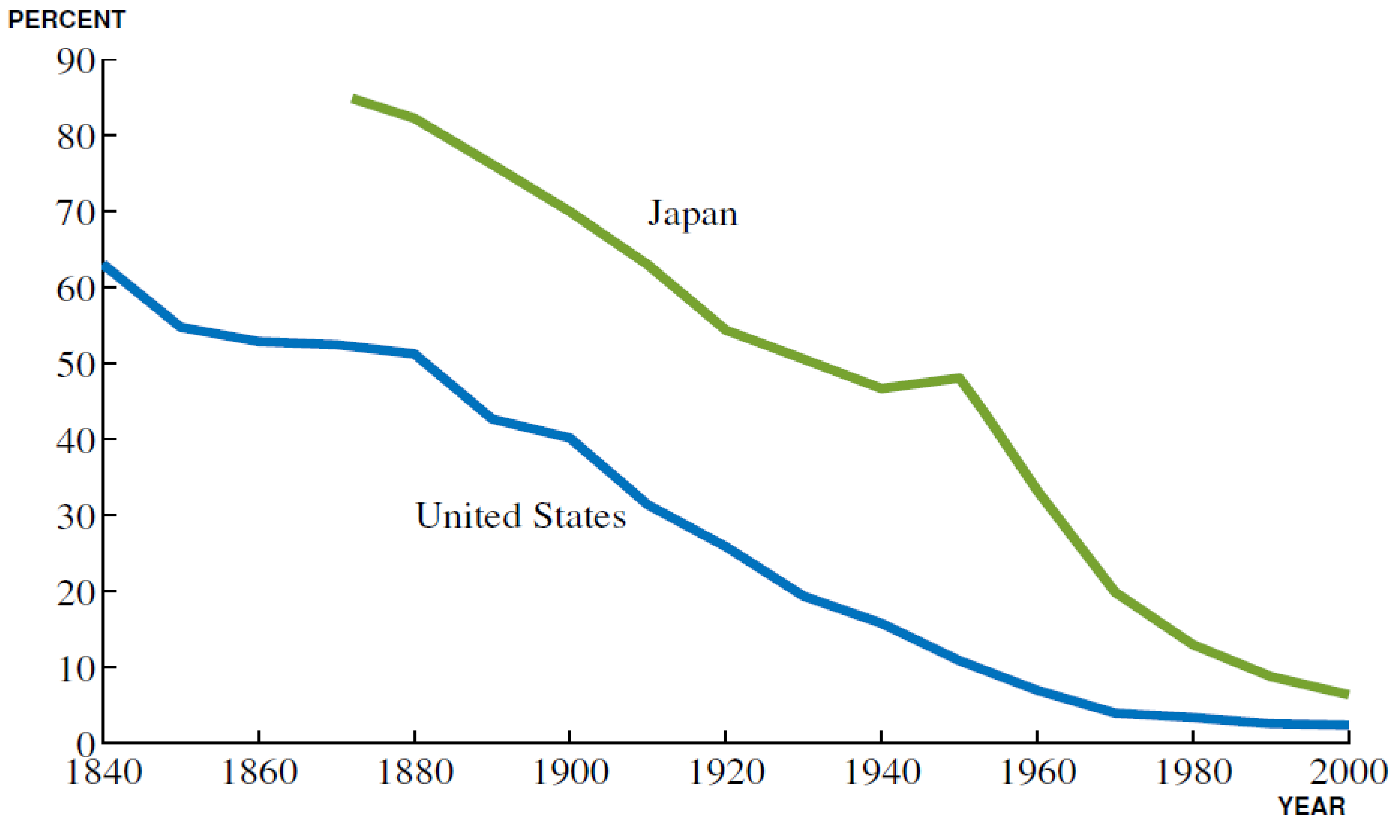
the way to prosperity

## Overview of the presentation

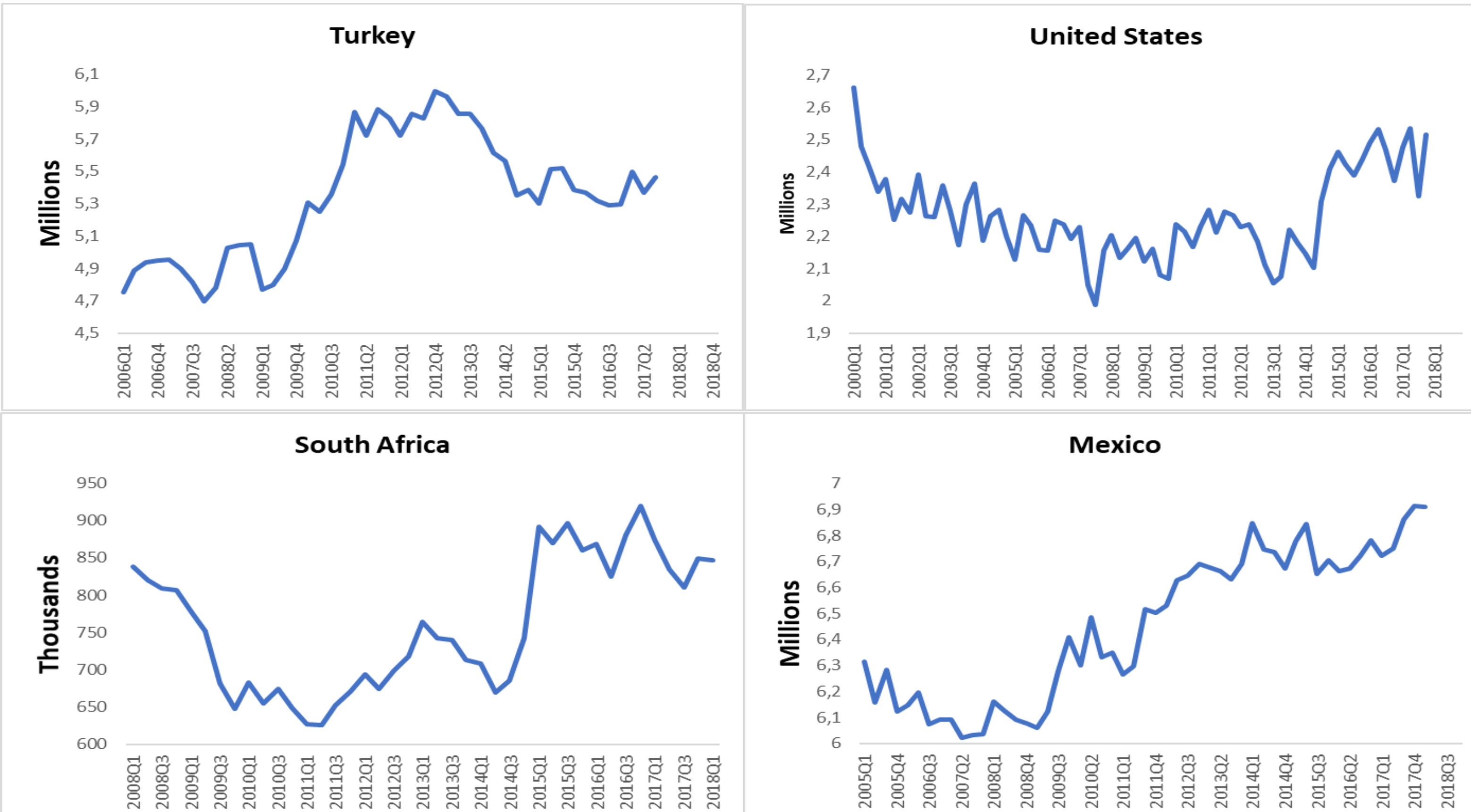
- **International experience**
- **Domestic picture**
- **Issues that could constrain growth and job creation in SA agricultural sector**
- **Looking ahead, which subsectors have a potential to create jobs and growth in SA agriculture?**
- **Where should expansion happen?**
- **Concluding remarks**

International experience…

## Falling employment in agriculture…

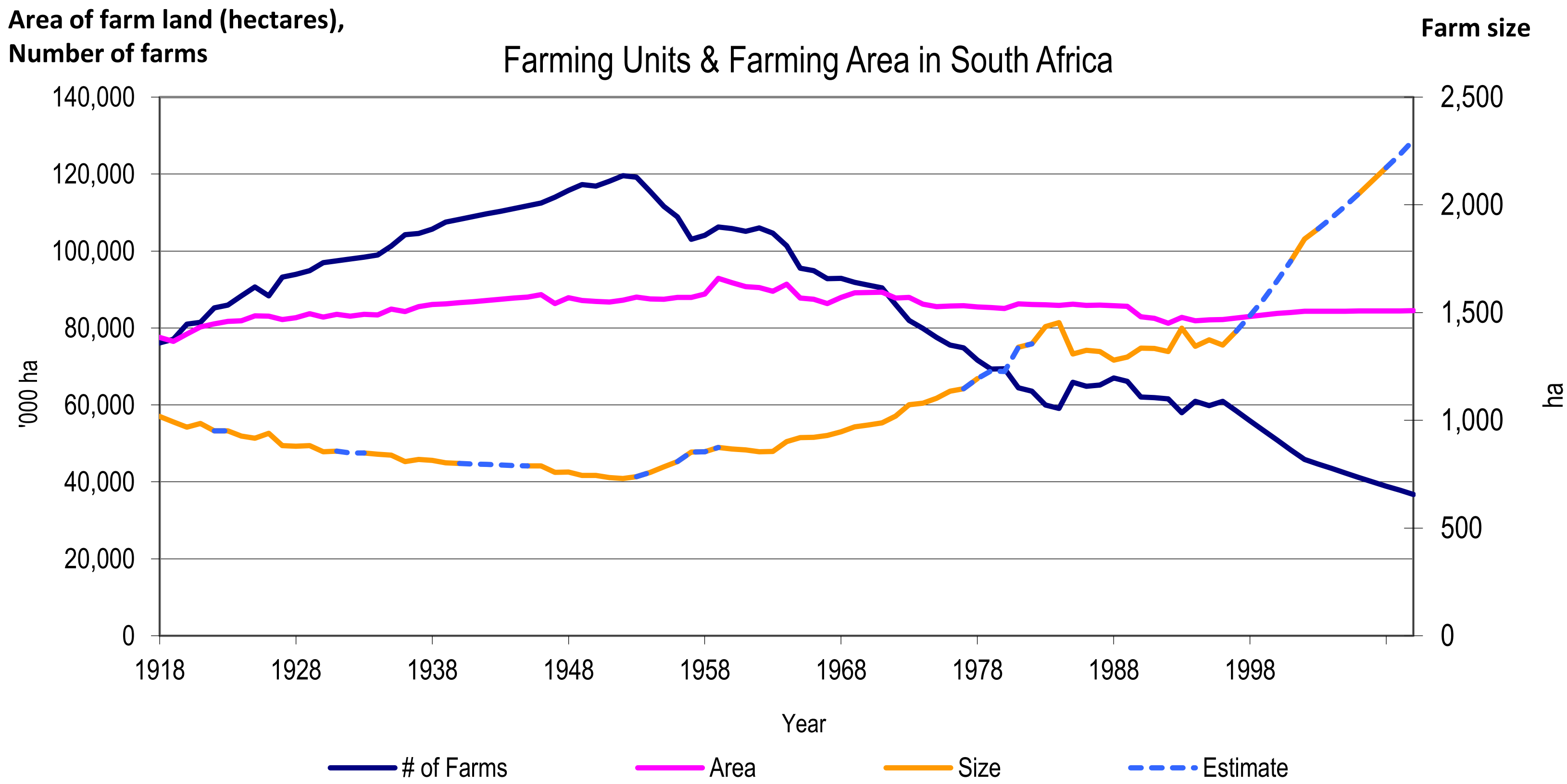


# Agricultural employment in various countries

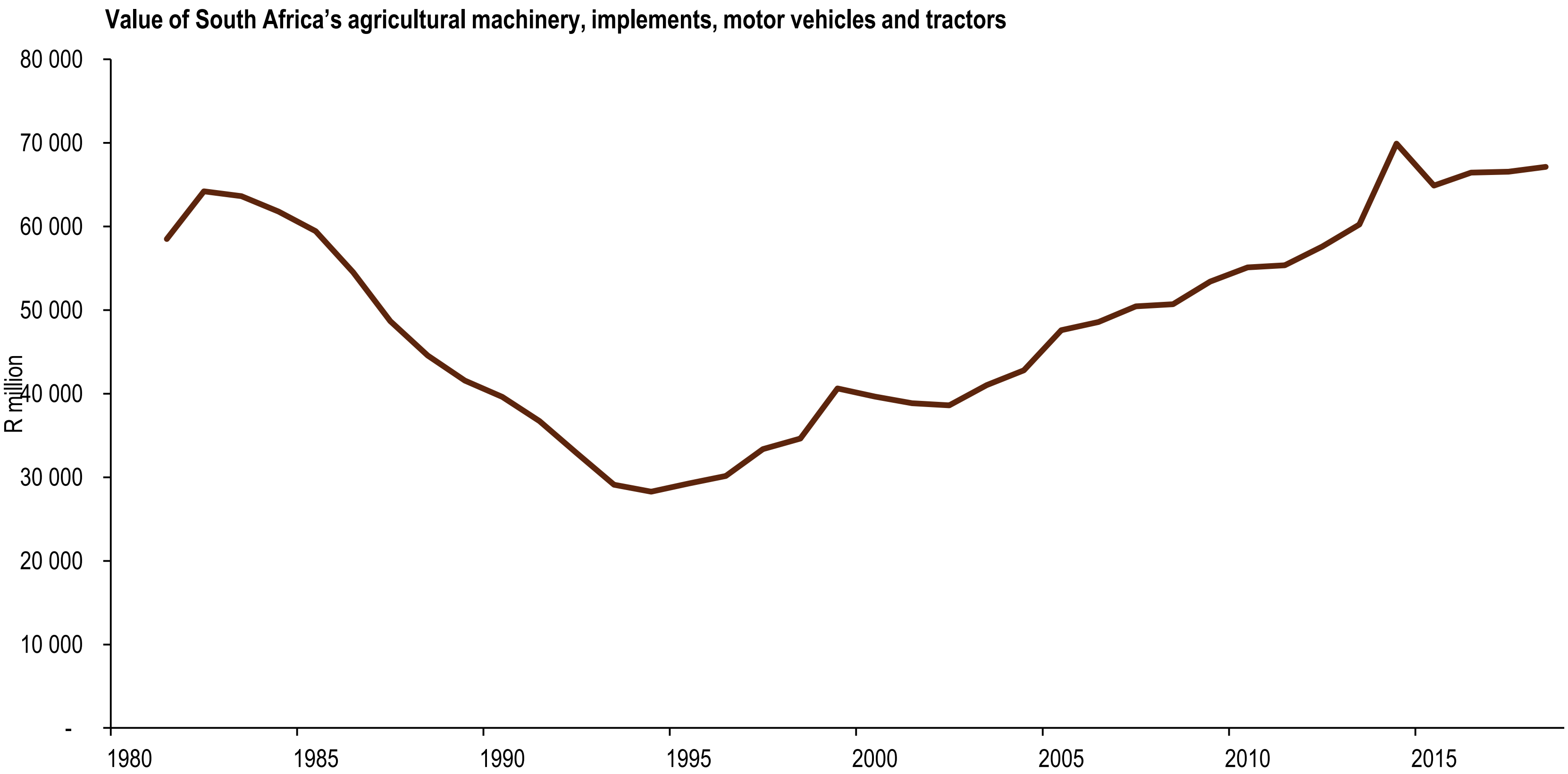


Domestic picture…

# Evolution of farm sizes in South Africa



## The SA agricultural sector is mechanising …



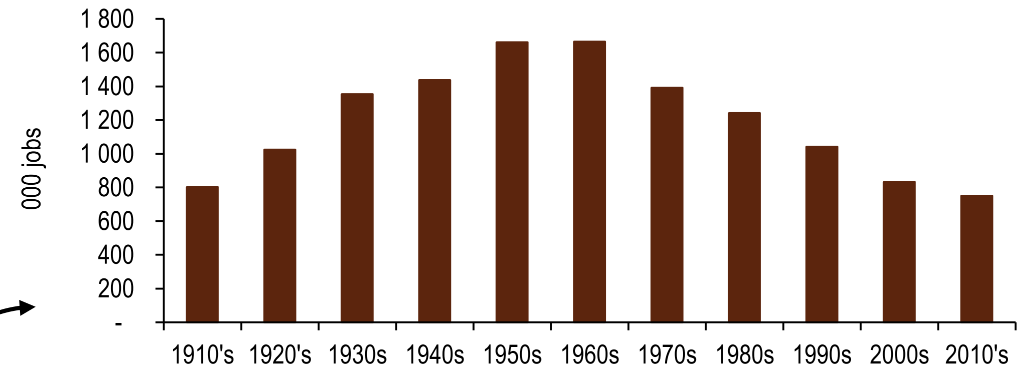
## … which somewhat led to a decline in employment

- The total number of people employed on South African farms increased from levels around 780 00 in 1910 to a peak of 1.8 million in 1961. Thereafter, it decreased to about 800 000 in 2010s.

- It is also worth noting that the mix of regular and seasonal labour in agriculture has also shown marked changes over the years – from levels around 35% share in 1910 to about 53% in the 2000s, according to data form Liebenberg (2013).

- The aforementioned changes in the labour market were partially caused by changes in regulations – particularly the introduction of the Basic Conditions of Employment Act of 1993, as well as the Extension of Security of Tenure Act of 1997. Literature shows that these legislative changes led to farmers favouring seasonal labour, instead of permanent (Liebenberg, 2013).

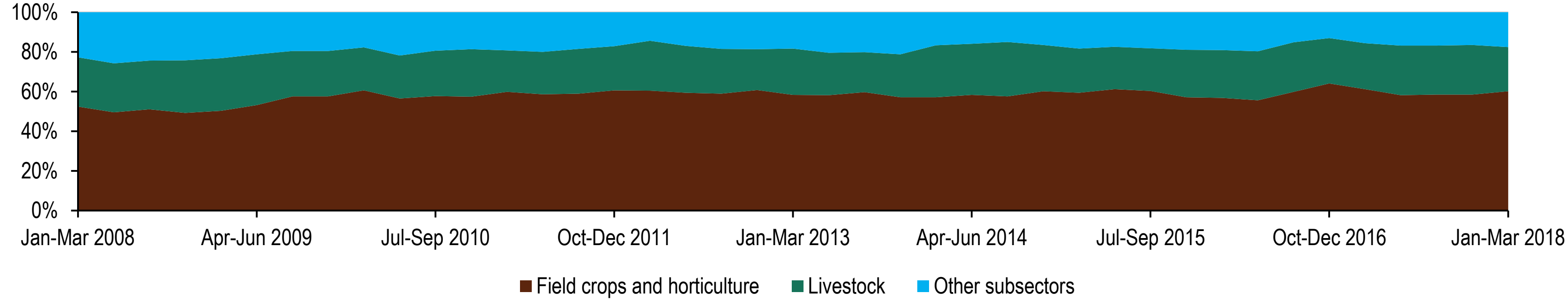
**Jobs in the South African agricultural sector**



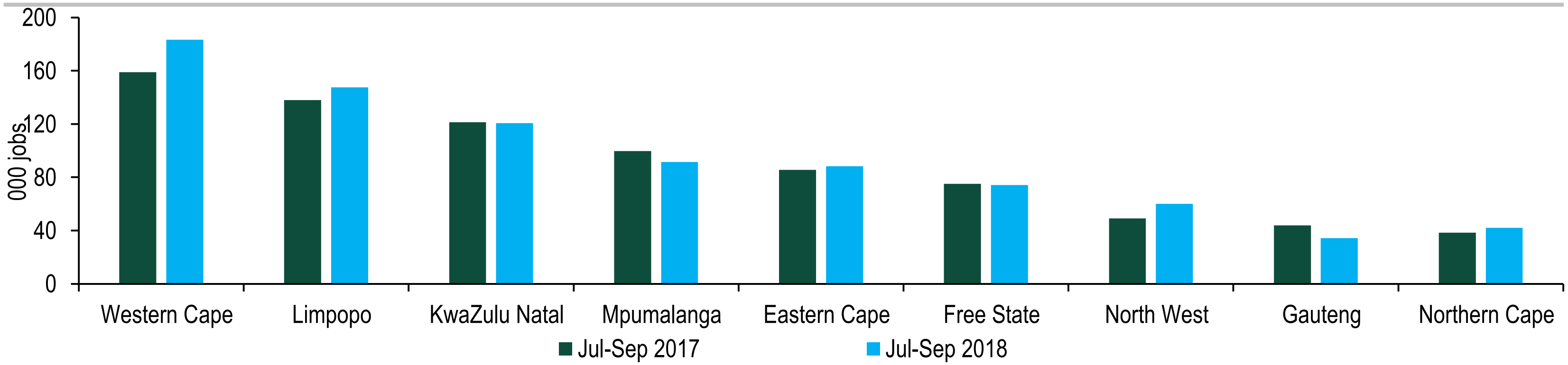

| | 1910s | 1920s | 1930s | 1940s | 1950s | 1960s | 1970s | 1980s | 1990s | 2000s |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | *Decade Averages (thousands)* | | | | | |
| Family | 78 | 83 | 80 | 61 | 56 | 57 | 40 | 24 | 17 | 11 |
| Regular | 411 | 523 | 730 | 699 | 773 | 806 | 704 | 677 | 603 | 411 |
| Casual | 265 | 354 | 467 | 583 | 738 | 716 | 584 | 485 | 349 | 417 |
| Domestic | 8 | 0 | 0 | 28 | 137 | 123 | 94 | 61 | 20 | 0 |
| Owners | 48 | 65 | 76 | 94 | 93 | 86 | 64 | 54 | 46 | 37 |
| Total (excl. Domestic) | 802 | 1,025 | 1,354 | 1,438 | 1,661 | 1,665 | 1,392 | 1,241 | 1,014 | 896 |

# SA agricultural employment trends by subsector and province

**The field crop and horticultural industries are the leading employers in South African agriculture…**

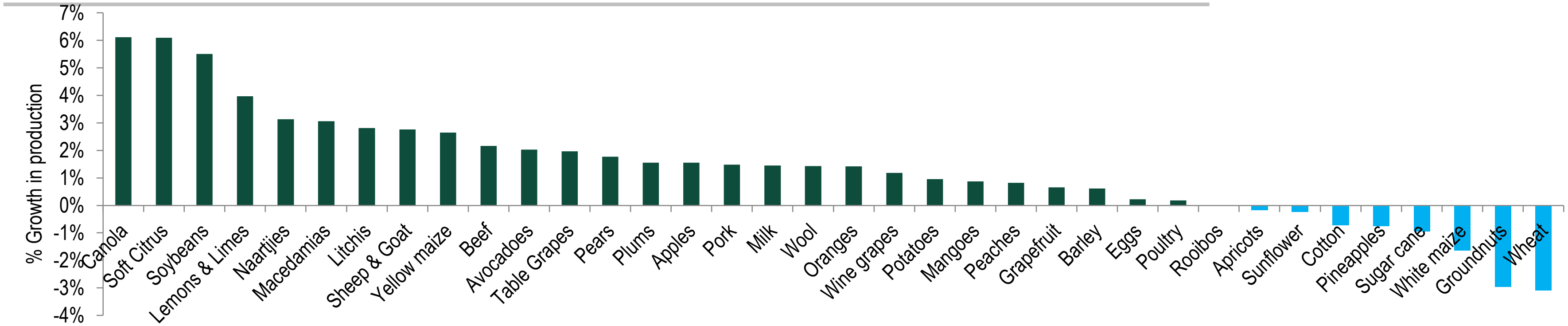



**…the provincial (agriculture) employment trends also supports this view. The WC, LP and KZN are amongst the leading horticulture producing provinces**

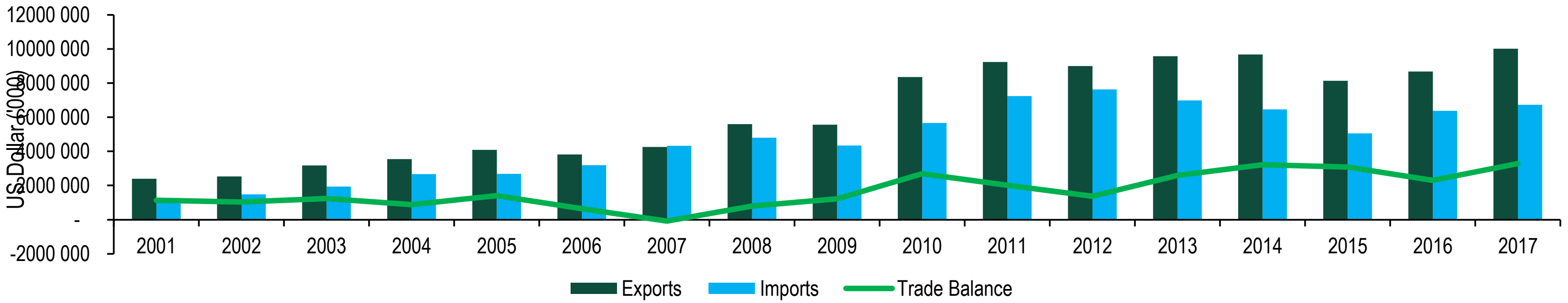


# South Africa's agricultural production and trade performance

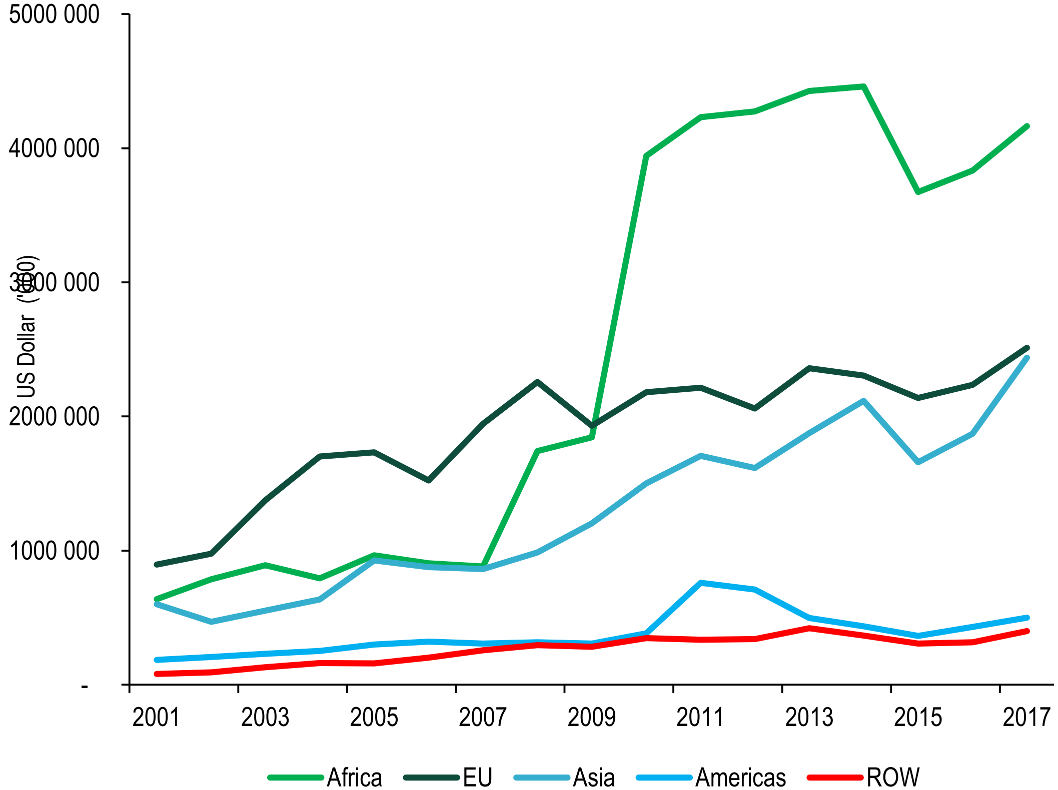
**Perspective: SA agricultural production performance (2011-2015)…**




**SA is a net exporter of agricultural products…**



## South Africa's agricultural exports by region




**ROW** represents Rest of the

Top export products

- Edible fruits
- Beverages and spirits
- Processed vegetable and fruit
- Grains
- Wool
- Sugar
- Meat
- Animal and vegetable fats
- Dairy produce
- Tobacco

Key takeaway

In 2017, South Africa's agricultural exports grew past US$10.0 billion for the first time. This is a 15 percent increase from 2016 – a year that was characterised by El Niño induced drought.

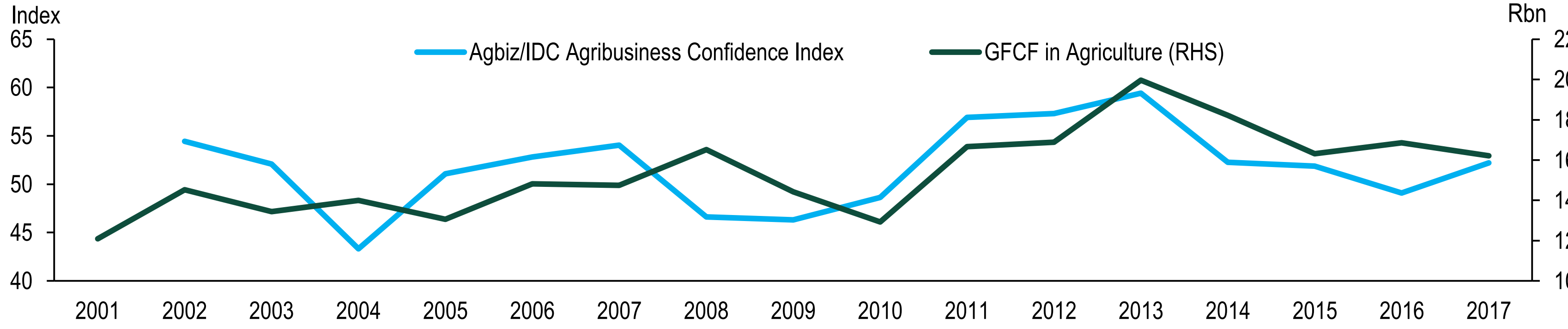
# Issues that could constrain growth and job creation in SA agricultural sector…

## Issues that could constrain growth and job creation in SA agricultural sector

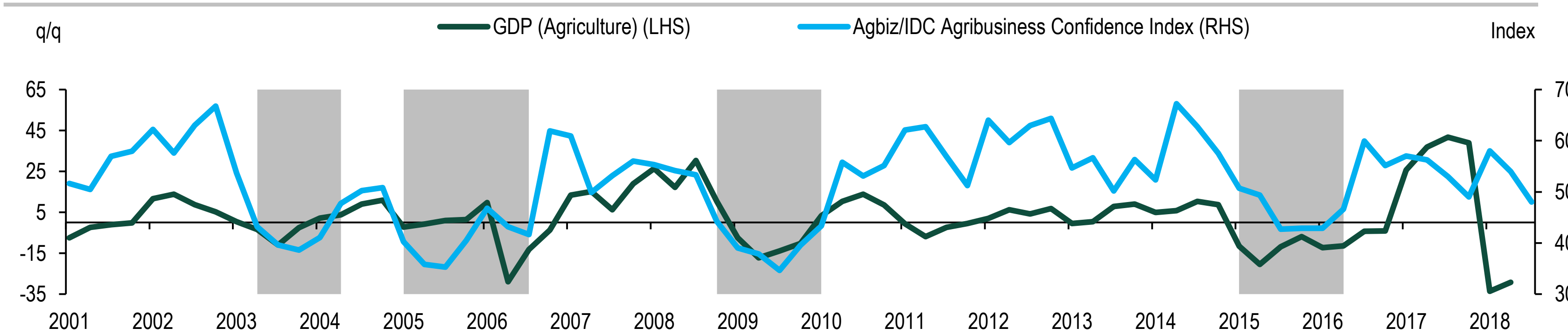
- The uncertainty regarding SA's land reform policy is a key risk in the near term
- Climate change (the sector's ability to adapt)
- Water rights regulations
- Lack of biosecurity measures for domestically produced and consumed products
- Infrastructure constraints in some farming areas, particularly former homelands

# Sentiment in SA agricultural sector at the moment and the potential impact on investment?

**Agbiz/IDC agribusinesses confidence and Investment….**

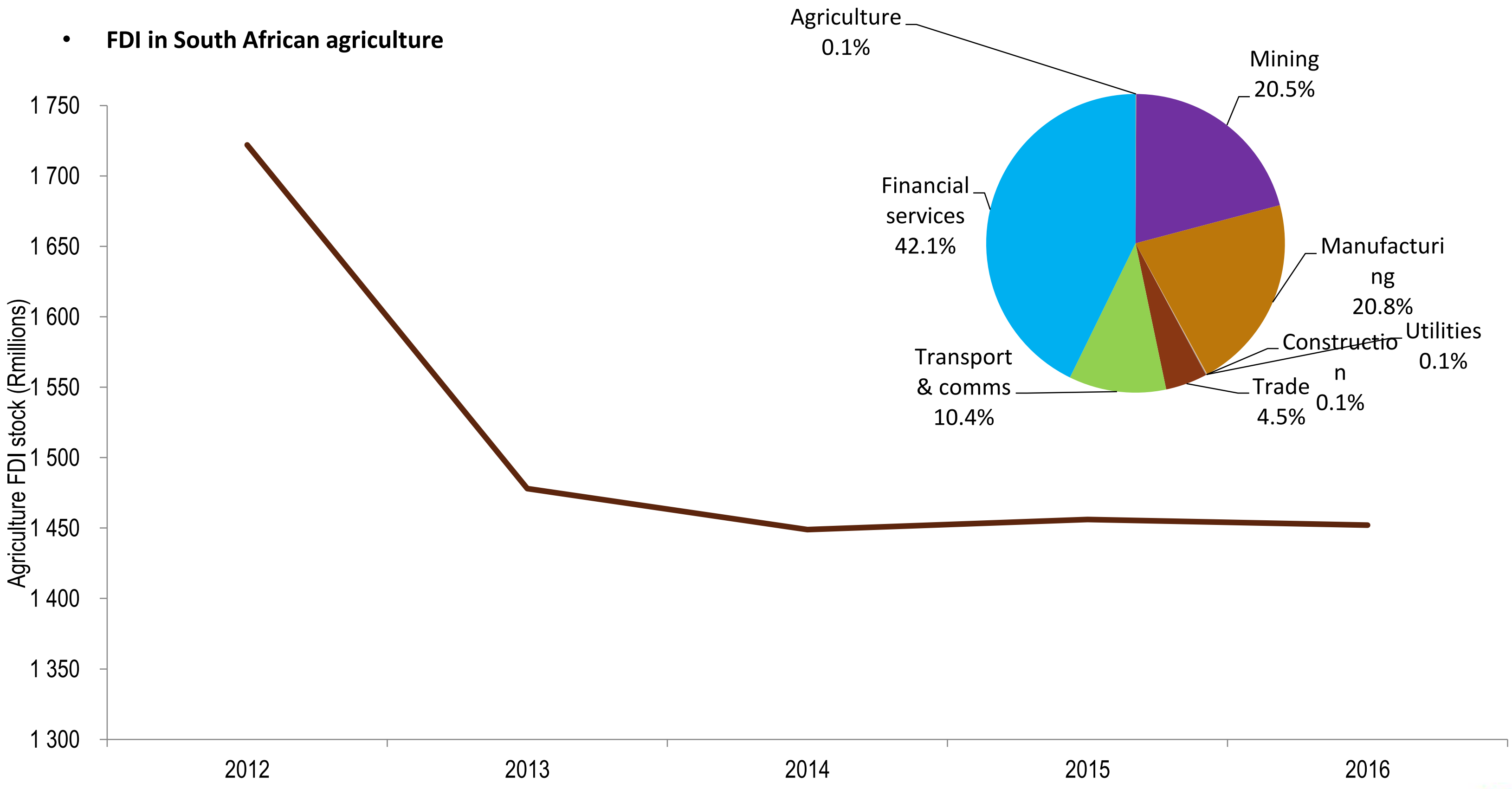



**…confidence drives agricultural production (in addition to weather dynamics)**



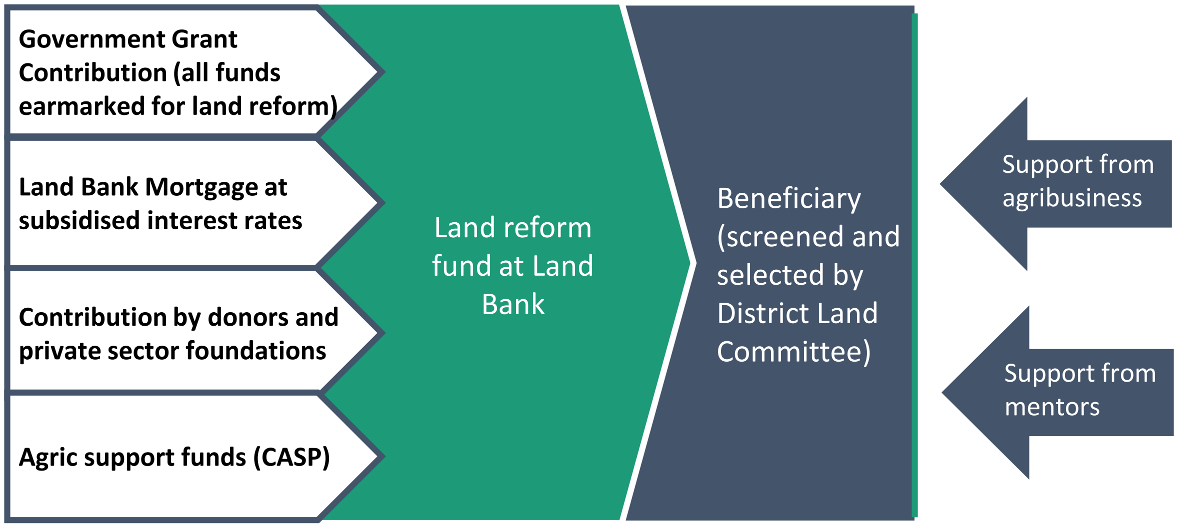
# FDI's declining in SA agriculture. Is the sentiment encouraging to change this trend?

- **FDI in South African agriculture**



## LAND REFORM: we should be thinking more about PPP models for fast-tracking the transfer pace

Here is an example that we proposed a few months back:




There are many models to be studied and explored such as:

- Agbiz/BASA model
- NDP approach (which was never fully implemented), etc

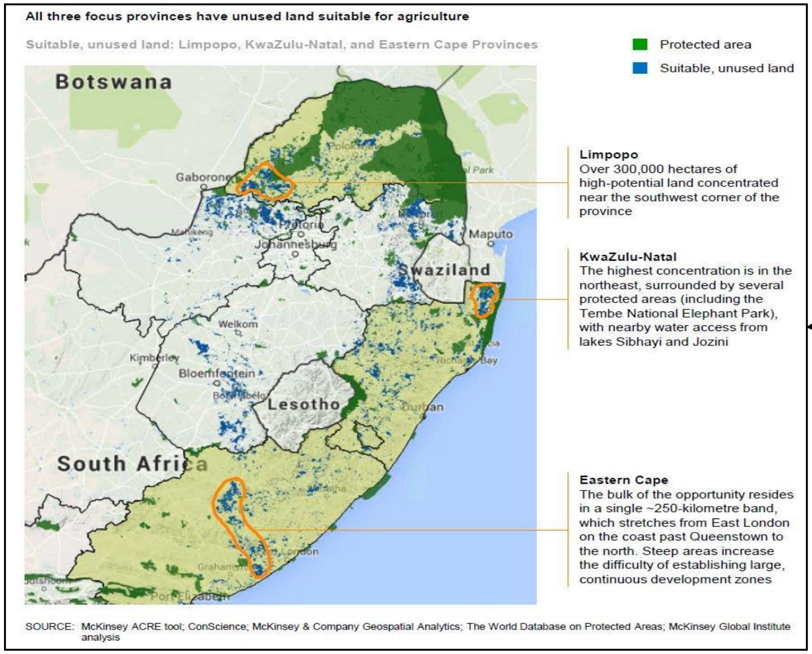
# Closing points:

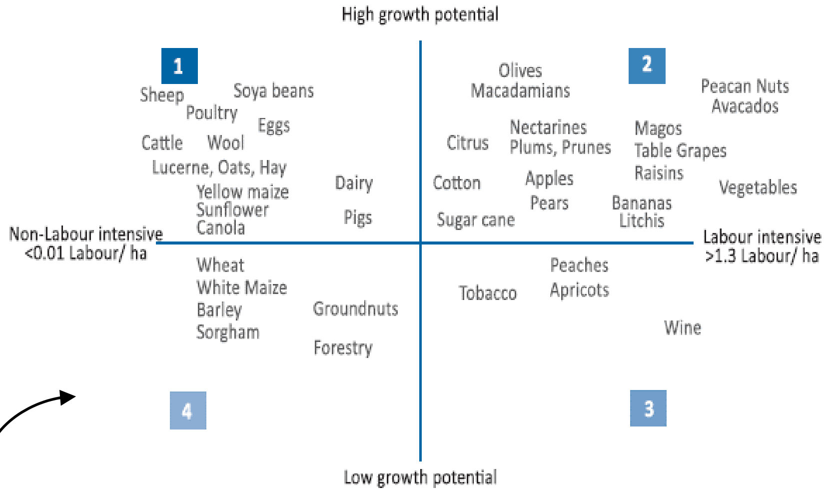
Which subsectors have a potential to create jobs and growth in SA agriculture?

Where should expansion happen?

# Here are the industries areas that we should focus on in the near term

- The focus should be on labour-intensive commodities, such as horticulture and sugar cane. This could have a positive spill over to job creation.
- This expansion can potentially happen in the Eastern Cape, KwaZulu-Natal and Limpopo, where there is over a million hectares of underutilised arable land (currently under traditional authorities).



## Concluding remarks…

Can SA agriculture create additional jobs?

- Yes (to some extent). International experience shows that the agricultural sector can play an important role in absorbing labour and increasing labour participation.
- This is especially the case when taking into account the fact there is vast untapped potential in KwaZulu-Natal, Eastern Cape and Limpopo.
- The key subsector to focus on is horticulture (it is labour-intensive), and there is also a growing demand for horticultural products both locally and in the global market.
- Most importantly, the upskilling of current agricultural labour force to align with changing technological environment, increasing investment, research and development, and financial support (to developing farmers) are key to improving the sector.

# Thank you for your attention…

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*Disclaimer:*

*Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information.*

# Challenges and changes in the policy and legislative environment

Theo Boshoff

agricultural business chamber
the way to prosperity

# For today…

1. Expropriation without compensation
2. Jobs Summit outcomes
3. Other legal and policy updates

# Expropriation Without Compensation

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# Process

- Constitutional Review Committee

1. Provincial hearings July & August

= Overwhelming support for an amendment, but

    - Debate reduced to pro v anti-land reform, little understanding of the technical nature of the proposal to amend section 25;

- Prof Ruth Hall: *“asking the wrong questions to the wrong people”*

2. National hearings (Parliament – September & October)

- Agbiz first organisation asked to present;
- Little support for an amendment – s25 not the problem.

*Ruling party left with dilemma – populist support for EWC means it will be difficult to go back on an amendment, however will likely be highly qualified to negate any impact.*

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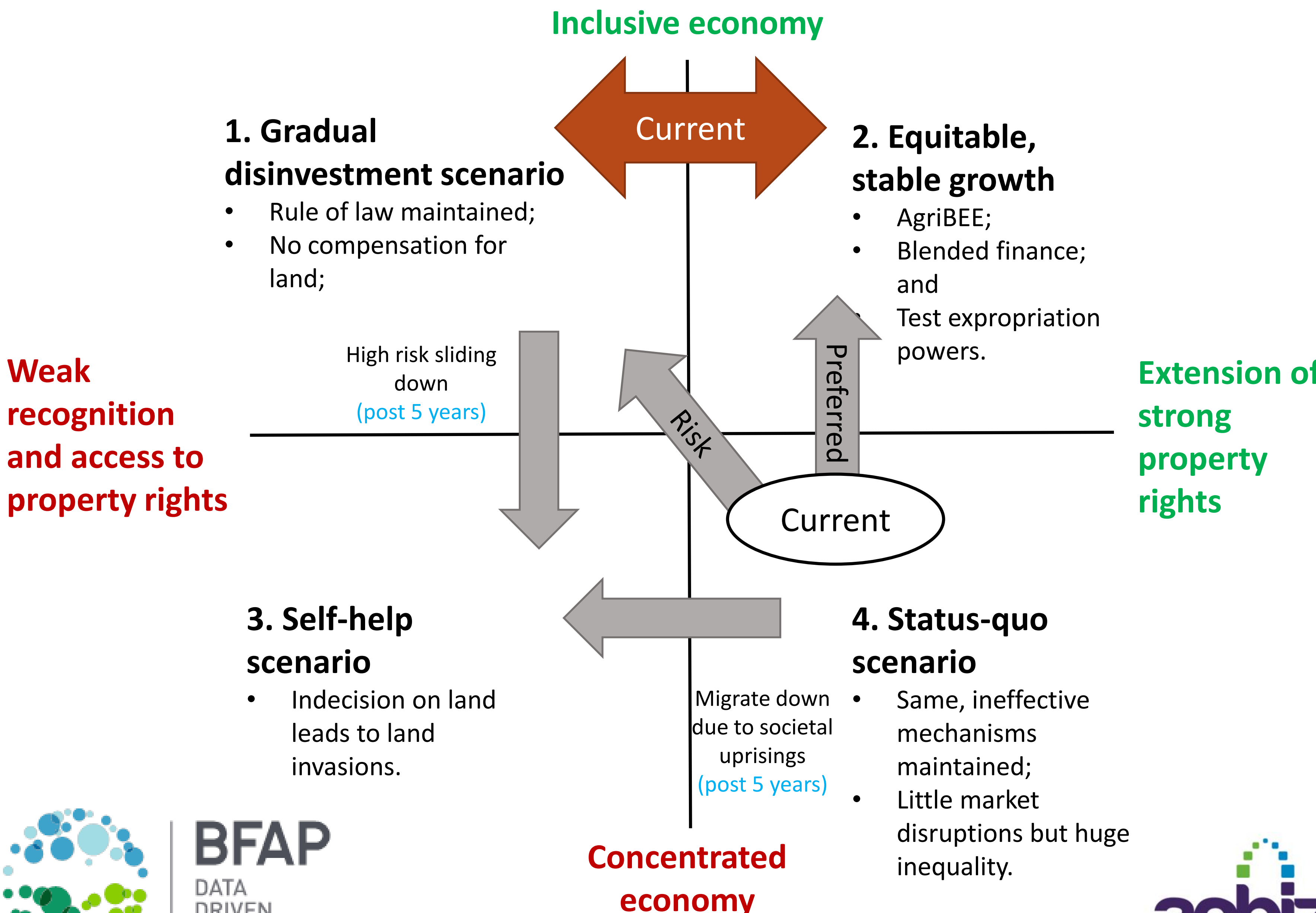
# Process

Where we are now

Constitutional Review Committee → Public consultation / hearings → Recommendation 13 to 15 November

→ If amendments are recommended – Bill drafted by Parliament → Bill published for public comments → Bill submitted to Parliament

→ 2/3 majority required in National Assembly → 6 Provinces required in NCOP → President signs it into law (amendment takes affect)

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DATA DRIVEN INSIGHT

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# Most likely scenario

**Range of compensation to be prescribed by statute**

- Section 25 already makes provision for a broad range of compensation depending on the facts; but
- Courts have not been called on to give guidance;
- Politically, no time to wait for test cases for guidance;
- Likely that the range and conditions will be spelled out in Expropriation Bill redraft;
- Accompanied by small amendment to s25 to prevent legal challenges.

# Most likely scenario

**Small amendment to Constitution accompanied by redraft of Expropriation Bill**

- Hint: Expropriation Bill withdrawn from Parliament.
  - Comprehensive redraft very likely;
- Possible amendment: *"Just and equitable <u>may</u> be zero" or "Compensation <u>may</u> be prescribed by legislation, including zero compensation in certain instances…";*
- State can express its conditions in re food security, financial sector concerns in the Expropriation Bill whilst staying true to the expectation of an amendment – albeit very qualified.

# Most likely scenario

**Possible content of Expropriation redraft:**

- Perhaps R0 compensation for:
  - Unused;
  - Abandoned buildings;
  - Land bought for speculation;
  - Absentee landlords;
  - Land over ‘ceiling’.
- Perhaps ‘partial compensation’ for:
  - Fixed improvements made, but not for the land;
  - Buildings, canals, infrastructure etc.
  - Bonded property & value of bond?

***Still speculative, CRC report not public yet.***

# Land reform not just about expropriation

State can double-up on its resources if the private sector is incentivised to take co-ownership in transforming the commercial sector on a PPP basis (SONA 2018)

**Land reform**

- Transformation in the commercial sector
  - Blended finance & AgriBEE to unlock joint ventures
  - Right of First Refusal
  - Expropriation under certain conditions
  - Communal land reform
- Agricultural Development Agency?
- Social function of land reform
  - Labour tenants, farmworker housing, Settlement (SLAG?)
- Urban land
  - Pro-active spatial planning & catalytic housing developments

PPPs in the commercial sector would free up state resources to address the social function of land reform

# Agbiz involvement

Emerging as a respected thought leader on land reform

- Wandile Sihlobo & Nic Serfontein chosen for Presidential Advisory panel;
- Task team on Rural Development Agency;
- Jobs Summit –
  - Agricultural sector amongst the leading contributors to Jobs Summit agreement;
  - President Ramaphosa mentioned the Agbiz/BASA finance model by name;
- DRDLR workstreams on financing model & legal reform;
- Presentations at SARB, BER, BUSA,GIBS, Werksmans, embassies etc.

# *"Uncertainty creates opportunity"*

- EWC remains a risk, but the final product will likely be qualified;
- Political landscape post-election a huge variable;
- Risk profile of the sector may change before any actual legal changes are effected.

➢ ***"Uncertainty creates opportunity"***

- Partnerships, B-BBEE deals, etc., have a few distinct advantages:

1. Set the terms for the deals;
2. Choose own partner;
3. Blended 'soft' finance may soon become a reality;
4. May become a competitive, business advantage in the future.

**No guarantee though that this will buy you any exemption**

➢ Other positive strides being made in agri-development.

# Jobs Summit

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# Presidential Jobs Summit 2018

- Held 4 & 5 of October 2018;
- preceded by significant work at Nedlac where:
  - Business;
  - Labour;
  - Government; and
  - Community

sought to <u>agree on solutions to stimulate job creation in the economy;</u>


# Presidential Jobs Summit 2018

Push from Agbiz/BUSA:

- To create jobs, we need to increase the competitiveness of South African agribusiness;
- Cut down unnecessary red tape;
- Reduce costs of compliance;
- Unblock administrative blockages;
- Drive efficiency in processes;

Competitiveness = economic growth = jobs.

# Creating an enabling environment

- BASA/Agbiz blended finance model;
- Comprehensive land reform legislative review;
- Adapt credit legislation for agribusiness;
- Streamline wheat tariff, CEC contracts, assignees for product approvals;
- Rationalise food security mandate (DAFF/DoH/DTI);
- Address municipal load shedding;
- Accelerate publication of standards for bio-fuel;
- Review water use authorisation application process & water master plan;
- Extend "one environmental system" to agriculture

= Integrate environmental, water and other permits

# Agricultural specific initiatives

- Blended finance model for agricultural support;
  - Public sector grant (Jobs Fund, DAFF, DRDLR) matched with loan component (Land Bank & commercial banks) for agricultural development;
  - Agbiz/BASA blended finance model for land redistribution;
- Gov to prioritise 9 Agri-Parks
  - Agbiz & DTI to review 9 Agri-park's business plans and help to make them 'investment ready';
- Smart Villages: Farmworker Housing, Land Ownership and Agropreneurship;
- Industry co-finance or provide secondment of staff to help fill key vacancies, e.g. product approvals, inspectorate at ports of entry and exit;
- Government stimulus to build biosecurity capacity;
- Road to rail;
  - Look at feasibility of rejuvenating certain rail lines on a PPP basis between Transnet, DoT and commodity groupings.
- Create a platform to facilitate JVs between businesses and communities for specific agricultural development projects – cut through the red tape.

# Cross-cutting work

Contributions also made to work on;

- Anti-corruption pledge;
- Institutional reforms to prevent corruption in land reform;
- Improved efficiency of Training Lay-off Scheme, Youth Employment Services and other job creating policy structures;
- Link up public employment programmes with skills demand in private sector, e.g.;
  - Working on Water;
  - Working on Fire.
- Water stewardship programmes
- BUSA/CCMA web tool to support SMEs with compliance.

# Way forward

- Tough deliberations at Nedlac prior to summit; but
- Real work starts now – follow-up structures being put in place to ensure agreements are refined and implemented;
- M & E key;
- Lots of work for the sector, but also great opportunity to get PPPs going in earnest;
- Commitments publicly made by President;
  - No excuse for Government Departments to second-guess key aspects such as blended finance etc.
- If we can action even half of the agreements, it will make a substantial difference in the sector.

# Reducing the regulatory burden

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# Slice red tape to improve competitiveness

- Comprehensive producer support policy;
  - Deliberations at Nedlac, focus on coordinating and incentivising PPPs for agricultural support;
- Climate Smart Agriculture policy;
- Economic Regulator for Water and Master Plan;
- Draft Fertilizer Bill;
- Draft regulations for Hazardous Chemicals
- Carbon Tax Bill;
- Climate Change Bill;
- GHG Reporting Regulations, technical guidelines and national inventory;
- Waste Exclusion Regulations;
- Integrated Resource Plan for energy;
- Draft Exclusion Regulations for the National Minimum Wage;
- Competition Laws Amendment Bill.

# Thank you

Questions or comments?