Dualism in the agricultural sector – does ASUF’s vision and mission reflect this reality?

Japie Grobler

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Setting the scene......

- Recognize the role agriculture and agribusiness have played in ensuring a positive trade balance and being a major contributor to national food security.

- Modest growth in the sector since 1994 – 29% real GDP growth from 1994 - 2013 (IGDP, 2013). Per annum real GDP growth ~1,6%.

- Lower than population growth rate of 2,8% per annum.

- Positive agricultural trade balance increasingly under threat.

- Investment environment not conducive – policy uncertainty.
  - 2000 Agriculture Plan: Access, Competitiveness & Sustainability, but very little implementation.

- Acknowledge dualism in the agricultural sector, and especially the need to bridge.
SA economic growth: Agriculture 2\textsuperscript{nd} poorest growth.

Index of \% GDP growth of economic sectors

- GDP
- Agriculture
- Mining
- Manufacturing
- Construction
- Trade
- Transport
- Finance

Source: StatsSA
Graph: Agbiz
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Agricultural trade

Source: Graph by Agbiz (2013), based on ITC Trade Map data (2013)
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Gross Capital Formation and Net Farm Income: 1971-2012

Figure 8: Gross Capital Formation and Net Farm Income of the agricultural sector (1971-2012)
Source: Directorate of Agricultural Statistics (2013)

Graph: BFAP, 2013
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Dualism in the agricultural sector

• Commercial agricultural sector on the one hand:
  - comprises ~40 000 farming units and predominantly white-owned, but increasingly new entrant black farmers.
  - produces around 95% of all agricultural produce on freehold land.
  - characterised by open, competitive market system, and totally integrated and exposed to the global market.
  - Global competitiveness of value chains thus required to survive and ensure commercial/business sustainability.
  - Scale of economy, productivity and business intelligence of paramount importance.
  - Fully sustainable from triple bottom-line perspective?
Dualism in the agricultural sector

• **Small holder and subsistence farming sector:**
  - Smallholder farmers number ~200 000, and predominantly black.
  - Primarily located in former homeland areas, comprising ~14 million hectares of agricultural land.
  - Agricultural conditions complex, including tenure security issues, poor infrastructure, land degradation, skills development issues, constrained access to finance, technology and markets, etc.
  - Subsistence farmers number ~ 2,0 million households, mostly gardening for own consumption, ensuring basic level of nutrition and limiting household expenditure.
Questions arise:

1. How do we create more and better opportunities for especially smallholders and new entrants to access competitive commercial value chains?

2. Can ASUF, through its organized agriculture member organizations, play a role in bridging this dualism?
Questions arise:

How do we create more and better opportunities for especially smallholders and new entrants to access competitive commercial value chains? Can ASUF, through its organized agriculture member organizations, play a role in bridging this dualism?

1. Dualism developed from policy interventions and development backlogs, and must thus be corrected through policy and development initiatives.
2. However, policy interventions must be supportive of a market approach to agriculture and must not impact negatively on confidence, investment and production.
3. The way in which land restitution has been implemented is a case in point as in most cases it placed the development of land in limbo, with a resultant drop in production. Is this the way to address dualism? Are those communities interested in farming? What’s the cost? Who provides support?
4. Co-operative approach required to leverage off scale of economy benefits so as to ensure viability.
5. Management inputs
6. Where is the solution then? Greater symbiosis between commercial and smallholder farmers. Training and mentorship opportunities important. Mechanization circles.
7. Possible government support through soft loans, well-targeted and well-implemented subsidies, etc.
ASUF Declaration of Intent

Strategic Intent
Establish a united voice for the common interests of the broader agricultural sector in order to promote and grow the South African agricultural sector.

Vision
A united, prosperous and sustainable agricultural sector in South Africa
Message......

• Dualism a reality that needs to be bridged. National Development Plan, by and large, provides reality and direction.
• Must create more and better opportunities for smallholders and new entrants to participate and compete in commercial value chains.
• Producers and agribusinesses can and must contribute alike, but government policy development and support essential in a broader Public-Private Partnership.
• ASUF’s vision and strategic intent reflect the reality of dualism, but much more than that, ASUF has positioned itself to
  - pro-actively bridge that dualism and,
  - serve the broader agricultural sector.
Thank you