South African Agricultural Trade and Investment

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South African Embassy Business Seminar

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Content for today....

- Value proposition
- SA Facts & Figures
- SA’s trade agreements
- SA’s Agricultural Trade
- SA’s Agricultural Trade with France
- Regulatory requirements in South Africa
Value proposition

Why invest in and do business with South Africa?

• One of most sophisticated, diverse and promising emerging markets globally – part of BRICS
• Strategically positioned on African continent with a market of 1,0 billion people and a GDP growth rate of >5,0% over past couple of years
• Political and macro-economic stability: Africa powerhouse
• Infrastructure, democratic institutions, financial & legal system, ICT, innovation system, open & competitive business system, etc.
SA Facts & Figures
South Africa

Key indicators, 2013

Population (millions) ........................................ 53.0
GDP (US$ billions) ............................................. 350.8
GDP per capita (US$) ........................................... 6,621
GDP (PPP) as share (%) of world total ............... 0.69
Global Competitiveness Index

<table>
<thead>
<tr>
<th></th>
<th>Rank (out of 144)</th>
<th>Score (1-7)</th>
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</thead>
<tbody>
<tr>
<td>GCI 2014–2015</td>
<td>56</td>
<td>4.4</td>
</tr>
<tr>
<td>GCI 2013–2014 (out of 148)</td>
<td>53</td>
<td>4.4</td>
</tr>
<tr>
<td>GCI 2012–2013 (out of 144)</td>
<td>52</td>
<td>4.4</td>
</tr>
<tr>
<td>GCI 2011–2012 (out of 142)</td>
<td>50</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Basic requirements (40.0%)
- Institutions               | 36 | 4.5 |
- Infrastructure             | 60 | 4.3 |
- Macroeconomic environment  | 89 | 4.5 |
- Health and primary education | 132 | 4.0 |

Efficiency enhancers (50.0%)
- Higher education and training | 86 | 4.0 |
- Goods market efficiency     | 32 | 4.7 |
- Labor market efficiency     | 113 | 3.8 |
- Financial market development | 7 | 5.4 |
- Technological readiness     | 66 | 3.9 |
- Market size                 | 25 | 4.9 |

Innovation and sophistication factors (10.0%)
- Business sophistication    | 31 | 4.5 |
- Innovation                 | 43 | 3.6 |

Stage of development

1. Factor driven
   - Institutions
   - Innovation
   - Macroeconomic environment
   - Health and primary education
   - Higher education and training
   - Business sophistication
   - Market size

2. Efficiency driven
   - Financial market development
   - Labor market efficiency
   - Technological readiness

3. Innovation driven
   - Institutions
   - Innovation
   - Macroeconomic environment
   - Health and primary education
   - Higher education and training
   - Business sophistication
   - Market size

Graph showing the relative positions of South Africa and Sub-Saharan Africa in terms of competitiveness.
An Achilles heel: Unemployment

Source: StatsSA, 2015
Economic Outlook for South Africa

- SA GDP growth for 2014: estimate 1.4%
- SA GDP growth for 2015: IMF forecast 2.1%
- Further weakening of the Rand (Trade deficit, etc.)
- Global GDP: 3.5%
- Growth inhibitors:
  - Electricity crisis (Will continue for at least 3 years).
  - Labour relations
  - Skills factor/Unemployment
  - Policy uncertainty
  - Poor service delivery
  - Transport infrastructural constraints, etc.
- Growth enhancers - various
BER Business Confidence Index

Source: BER, SARB (Shaded areas represent economic downswings)
Characteristics of SA Agriculture

• Well developed commercial sector (~93% of supply) and subsistence oriented smallholder sector – dual economy
• Only ~12% of land area arable, of which 22% is high potential land – limited land resource base, and loss to mining/urbanisation
• ~1.6 million hectares under irrigation (NDP Expansion?)
• Water major limiting factor – SA semi-arid: Policy impact of NWRS2?
• Deregulation & open markets introduced in 1996
• Number of competitive advantages (OECD):
  - Infrastructure (relative)
  - Counter-seasonality to Europe (fruit exports)
  - Biodiversity – range of agricultural products
  - Trade agreements
  - Competitive input costs
  - Access to latest technology & innovation
Contribution of Primary Agriculture to GDP
(Source: StatsSA)

Source: StatsSA
Graph: Agbiz
SA economic growth: Tradable goods sectors lag the non-tradable goods sectors

Source: StatsSA
Graph: Agbiz
Figure D.1 The relative shares of agriculture and agribusiness in GDP change as incomes rise

Source: UNIDO, 2012

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.
Inflation

INFLATION: ALL ITEMS & FOOD YEAR/YEAR CHANGE

Source: AMT, Feb 2015
Exchange rate

Source: AMT, Dec 2014
The SAARF LSM Segments: Proportion of SA adult population and average monthly household income in 2013
Source: SAARF All Media and Products Survey (AMPS) 2013

Source: 11th BFAP Baseline, 2014
Figure 13.2: LSM class mobility: All adults for the period 2004 to 2013
Source: SAARF All Media and Products Surveys (AMPS) 2004 to 2013

Source: 11th BFAP Baseline, 2014
Food Consumption: Growth 2012 to 2020

Source: BFAP, 2012
Performance of Sector

Gross and Nett Farming Income

Gross Farm Income  Nett Farm Income

Source: DAFF, 2014
Graph: Agbiz.
Performance of Sector
Gross Value of Production in R million

Source: DAFF, 2014
Graph: Agbiz.
Real intermediate input expenditure

Source: 11th BFAP Baseline, 2014
Real value of agricultural assets: 1971-2012 (2005 Constant prices)

Figure 9: Value of selected agricultural assets (1971-2012)
Source: Directorate of Agricultural Statistics (2013)
Graph: BFAP, 2013
## CRUSHING CAPACITY 2012

<table>
<thead>
<tr>
<th>Company</th>
<th>Capacity</th>
</tr>
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<tbody>
<tr>
<td>Wilmar Continental</td>
<td>192 000</td>
</tr>
<tr>
<td>Majesty</td>
<td>156 000</td>
</tr>
<tr>
<td>Gauteng</td>
<td>108 000</td>
</tr>
<tr>
<td>Nedan</td>
<td>96 000</td>
</tr>
<tr>
<td>Drak</td>
<td>48 000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>600 000</strong></td>
</tr>
</tbody>
</table>
NEW CRUSHING CAPACITY 2013/4

- Noble 620 000
- Russell Stone 310 000
- Nedan 230 000
- VKB 186 000
- Willowton 156 000

• Total 1 502 000
TOTAL CRUSHING CAPACITY 2014

- Noble 620 000
- Nedan 326 000
- Russell Stone 310 000
- Wilmar Continental 192 000
- VKB 186 000
- Willowton 156 000
- Majesty 156 000
- Gauteng 108 000
- Drak 48 000
- Total 2 102 000
Horticulture

• Viticulture & Wine – major export industry
• Citrus – SA’s biggest ag-export (~R7bn), growing but....
• Deciduous fruit – major net exports
• Table grapes – major net exports
• Sub-tropical fruit – net exports
• Vegetables – S/D balance, some imports/exports
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross income from horticulture (R bn)</td>
<td>R31.39</td>
<td>R31.22</td>
<td>R40.18</td>
</tr>
</tbody>
</table>

**Exports (2012):**

- **Citrus:** R7.068 billion
- **Wine:** R5.494 billion
- **Table grapes:** R3.395 billion
- **Apples & Pears:** R3.337 billion
Source: 11th BFAP Baseline, 2014
Grape exports

Source: 11th BFAP Baseline, 2014
Source: 11th BFAP Baseline, 2014
# Animal Production

<table>
<thead>
<tr>
<th>Gross income from animals (Rbn)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poultry</td>
<td>R58.4</td>
<td>R61.0</td>
<td>R76.3</td>
</tr>
<tr>
<td>Beef</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutton &amp; Wool</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pork</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dairy</td>
<td></td>
<td></td>
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</tbody>
</table>
Source: 11th BFAP Baseline, 2014
SA’s Trade Agreements
SA’s trade agreements

Preferential market access agreements:
- SACU
- SADC FTA
- EU/SA TDCA (EPA being negotiated)
- SACU/EFTA FTA
- SACU/Mercusor PTA
- Bilateral agreements with Zimbabwe and Mozambique

Current trade negotiations:
- WTO Doha Development Round Agenda
- SACU-India PTA
- SADC-EAC-COMESA Tripartite FTA

Non-reciprocal agreements:
- AGOA (Under review)
SA’s Agricultural Trade
SA’s Agricultural Trade Balance (2001-2013)

Graph: Agbiz, 2014
Trade balance: Primary agricultural products

Source: Graph constructed by Agbiz (2013), based on ITC Trade Map data (2013)
Trade balance: Secondary agricultural products

Source: Graph constructed by Agbiz (2013), based on ITC Trade Map data (2013)
SA’s export markets for agro-processed products

Africa is driving most of SA’s agricultural export growth

Source: ITC (2014)

Graph: Agbiz, 2014
Primary vs Secondary Agriculture import trends (2001-2013)

Stronger growth in agro-processing imports

Source: ITC (2014)

Graph: Agbiz, 2014
SA’s Agricultural Trade with France
South Africa's agricultural trade balance with France (2010-2014)

- SA exports to France: All agricultural products
- SA imports from France: All agricultural products
- SA's agricultural trade balance
## South Africa top 10 agricultural exports to France

*Sources: ITC calculations based on UN COMTRADE statistics.*

Unit: US Dollar thousand

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<tr>
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<tbody>
<tr>
<td>1</td>
<td>'08</td>
<td>Edible fruit, nuts, peel of citrus fruit, melons</td>
<td>46 674</td>
<td>37 722</td>
<td>49 289</td>
<td>59 225</td>
<td>43 582</td>
</tr>
<tr>
<td>2</td>
<td>'22</td>
<td>Beverages, spirits and vinegar</td>
<td>15 478</td>
<td>15 524</td>
<td>21 936</td>
<td>63 644</td>
<td>33 632</td>
</tr>
<tr>
<td>3</td>
<td>'03</td>
<td>Fish, crustaceans, molluscs, aquatic invertebrates nes</td>
<td>14 563</td>
<td>17 815</td>
<td>13 185</td>
<td>11 554</td>
<td>10 629</td>
</tr>
<tr>
<td>4</td>
<td>'10</td>
<td>Cereals</td>
<td>225</td>
<td>306</td>
<td>930</td>
<td>1 967</td>
<td>6 140</td>
</tr>
<tr>
<td>5</td>
<td>'23</td>
<td>Residues, wastes of food industry, animal fodder</td>
<td>283</td>
<td>99</td>
<td>1 302</td>
<td>1 676</td>
<td>5 273</td>
</tr>
<tr>
<td>6</td>
<td>'20</td>
<td>Vegetable, fruit, nut, etc food preparations</td>
<td>5 789</td>
<td>4 498</td>
<td>3 963</td>
<td>3 522</td>
<td>3 728</td>
</tr>
<tr>
<td>7</td>
<td>'15</td>
<td>Animal, vegetable fats and oils, cleavage products, etc</td>
<td>1 492</td>
<td>2 244</td>
<td>1 230</td>
<td>1 790</td>
<td>2 678</td>
</tr>
<tr>
<td>8</td>
<td>'16</td>
<td>Meat, fish and seafood food preparations nes</td>
<td>219</td>
<td>684</td>
<td>313</td>
<td>1 003</td>
<td>2 503</td>
</tr>
<tr>
<td>9</td>
<td>'12</td>
<td>Oil seed, oleagric fruits, grain, seed, fruit, etc, nes</td>
<td>1 613</td>
<td>1 301</td>
<td>1 731</td>
<td>2 011</td>
<td>2 041</td>
</tr>
<tr>
<td>10</td>
<td>'21</td>
<td>Miscellaneous edible preparations</td>
<td>665</td>
<td>660</td>
<td>958</td>
<td>996</td>
<td>1 043</td>
</tr>
</tbody>
</table>
## South Africa top 10 agricultural imports from France

*Sources: ITC calculations based on UN COMTRADE statistics.*

Unit: US Dollar thousand

<table>
<thead>
<tr>
<th>Rank</th>
<th>Product code</th>
<th>Product label</th>
<th>South Africa's imports from France</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>1</td>
<td>'22</td>
<td>Beverages, spirits and vinegar</td>
<td>24 094</td>
</tr>
<tr>
<td>2</td>
<td>'04</td>
<td>Dairy products, eggs, honey, edible animal product nes</td>
<td>15 615</td>
</tr>
<tr>
<td>3</td>
<td>'23</td>
<td>Residues, wastes of food industry, animal fodder</td>
<td>21 206</td>
</tr>
<tr>
<td>4</td>
<td>'21</td>
<td>Miscellaneous edible preparations</td>
<td>10 598</td>
</tr>
<tr>
<td>5</td>
<td>'02</td>
<td>Meat and edible meat offal</td>
<td>9 415</td>
</tr>
<tr>
<td>6</td>
<td>'20</td>
<td>Vegetable, fruit, nut, etc food preparations</td>
<td>10 381</td>
</tr>
<tr>
<td>7</td>
<td>'24</td>
<td>Tobacco and manufactured tobacco substitutes</td>
<td>6 390</td>
</tr>
<tr>
<td>8</td>
<td>'11</td>
<td>Milling products, malt, starches, inulin, wheat gluten</td>
<td>1 297</td>
</tr>
<tr>
<td>9</td>
<td>'19</td>
<td>Cereal, flour, starch, milk preparations and products</td>
<td>3 742</td>
</tr>
<tr>
<td>10</td>
<td>'18</td>
<td>Cocoa and cocoa preparations</td>
<td>3 280</td>
</tr>
</tbody>
</table>
Regulatory requirements in South Africa
Regulatory requirements in South Africa

- Corporate regulations (Companies Act, King III, etc.)
- Retention of Records
- Labour legislation & Regulations
- Broad-based Black Economic Empowerment
- Intellectual Property
- Consumer Protection Act
- Competition Legislation & Commission
- Environmental law (including response to Climate Change)
- Information, communication & technology legislation
- Land legislation
- Banking legislation
- Taxation laws, etc.
Conclusion

• Bilateral Investment Treaties (BITs) recalled
• Protection and Promotion of Investments Bill
• Various incentives available
• Considerable opportunity in South Africa and into Africa
• Many multinationals doing very well in South Africa, including many French companies.
• Market development critical – PPP
THANK YOU

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