

Focus on the wine industry

The need for a better policy environment, dealing with bulk wine exports and ways to increase profits were among the topics covered at the recent VinPro Information Day. **Denene Erasmus** reports.

Slow growth expected – economists

South Africa's economic situation in 2013 won't be better than in 2012, but it also won't be much worse, according to Nedbank economist Nicky Weimar, one of the speakers at the VinPro Information Day recently held in Somerset West in the Western Cape.

Consumer and government spending will continue to drive modest growth, but production will remain under pressure, causing imports to increase faster than exports, said Weimar.

SA's economy lost momentum during the third quarter of 2012, with the GDP growth rate dropping to under 2%, compared to around 4% growth in the second quarter, said Weimar.

Between 2010 and 2012, domestic spending increased by around

4% to 6% per year, while production only increased by between 2% and 4% – proof that the production side of the economy has been under pressure for some time.

Primary production has suffered the most, due to factors such as the lack of infrastructure development, red tape involved with getting investment plans off the ground and poor service delivery, said Weimar.

CONSTRAINED

"This has constrained South Africa's ability to grow and employ more people and the ability of local producers to compete in the global market has also been affected," she said.

In addition, producers have been struggling with sluggish exports due to

a weak global economy, especially in the Eurozone, which has caused imports to grow faster than exports.

Exports increased by 1,9% in 2012, while imports increased by 8,5%. In 2013 and 2014, said Weimar, exports were likely to increase by 2,9% and 2,5% respectively, while imports could increase by 7,8% and 7,5%.

PRESSURE

Due to the weakening trade balance, the rand was expected to remain under pressure, and weaken further against the US dollar and the euro.

Weimar said exports had been further undermined by slower growth in the emerging markets.

"South Africa remains highly exposed to the weakest spot in the world economy, the Eurozone," she said.

This market accounts for 37% of all agricultural exports, 28% of manufacturing exports and 21% of mining exports from South Africa.

But since 2009 the largest share of SA's exports has

gone to Asia – by 2011 about 25% of all exports went to Europe, while 33% was destined for Asia. Despite this, though, Europe remained the most important export market for agricultural products, said Weimar.

In 2011, just over 37% of all agricultural exports went to Europe, while 29% went to Asia and less than 10% went to Africa.

GROWTH

On balance, 2013 was not expected to be greatly different from 2012 in SA or globally, said Weimar.

The US, Japan and the Eurozone expected economic growth of around 1,5% in 2013, compared to 1,6% in 2011 and 1,3% in 2012.

Emerging and developing economies, meanwhile, were likely to experience 5,6% growth in 2013, compared to 6,2% in 2011 and 5,3% in 2012.

South Africa's economy was expected to grow by no more than 3% this year, compared to 3,1% in 2011 and 2,6% in 2012.

Agriculture needs a more co-ordinated policy environment



DR JOHN PURCHASE

SA's agriculture sector has suffered due to generally unco-ordinated policy and legislation development across departments, with poor communication between them and poor co-ordination at macro-level. This was according to Agbiz CEO Dr John Purchase at the recent VinPro Information Day.

Purchase said SA's agricultural policy had been informed by the Agricultural White Paper of 1995 and the Strategic Plan for Agriculture drafted in 2001, which will soon be replaced by the Integrated Growth and Development Plan for Agriculture, Forestry and Fisheries. But a lack of co-ordination remained a threat

to the sector, said Purchase.

A further problem, he added, was the lack of skills and expertise in agricultural policy development, as well as a lack of proper analysis of the options available and possible outcomes.

The presidential working group for agriculture was disbanded under

President Jacob Zuma's administration and this had exacerbated the problem because there was no longer a platform that encouraged co-ordination on these matters, said Purchase.

Agriculture, he said, needed cohesive and coherent evidence-based policy development that would favour growth.