Given our VUCA world, where are we as the South African Agriculture sector
What is VUCA?

V – Volatility
U – Uncertainty
C – Complexity
A – Ambiguity

Who coined the term?
For today......

1. Political economy context:
   - Major Global & African risks and challenges
   - Major South African risks and challenges

2. Food Security and Competitiveness imperative

3. Confidence and growth in SA Agriculture

4. Major developments in legislative and policy environment

5. Wrap up
Major Global Risks and Challenges

• New multi-polar global power dynamic – power shift to Asia (BRICS factor NB)
• Middle East tensions will continue – instability.
• Brexit and European Unity: Hard Brexit most likely, negative UK economic outlook
• USA vs China Trade War – impact on global trade dynamics major and irreversible, incl. WTO regime of multilateralism and dispute resolution mechanism.
• Global population & Africa’s demographic ‘dividend’
• Globalisation and Interconnectivity (4th IR) still a massive driver, despite general protectionist and “narrow nationalism” developments across the globe.
• Mass migration an outcome of conflict and globalisation/interconnectivity - very difficult to stop.
• Environmental sustainability issues, e.g. climate change and extreme weather phenomena, water availability and quality, biodiversity loss, pollution/waste, etc.
• Global GDP slowdown to ~2.5%, but recession unlikely. Some downside risks still.

More interconnected → but greater uncertainty → less control → more risk → greater opportunity and reward though → identify and exploit!
China and India = 36.2% of global population, but 18.7% of global GDP

Africa = 16.9% of global population, but <5% of global GDP
Africa’s population to exceed 2.0 billion by 2050. Africa’s population to exceed 4.0 billion by 2100.

World population to reach 11.2 billion by 2100

Either massive opportunity, or a critical risk......!
Major Global Risks and Challenges

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More interconnected ➔ but greater uncertainty ➔ less control ➔ more risk ➔ greater opportunity and reward though ➔ identify and exploit!
South Africa’s Political Economy: Risks & Challenges

• Despite poll victory, **ANC remains in turmoil** – divisions and distrust persist, given various Commissions of Enquiry into respectively ‘State capture’, SARS, PIC & NPA.

• **Key elements of 2019 Election:** 1. Low poll % - voter discontent, esp. rural areas  2. Loss of the centre to polarisation, viz. EFF and FF+ growth   3. Smaller parties not really a factor.

• Improved political certainty, with solid mandate for **President Ramaphosa**. However, can he act to do what he knows has to be done? **Difficult decisions have to be made.**

• **Biggest concern:** Lack of GDP growth and Competitiveness decline (WEF)

• State capability a major concern – evidenced in DAFF & DRD LR. Also other Dept’s/SOE’s.

• **Massive unemployment** (>29%), especially amongst the Youth (>50%).

• **Inequality** – SA top of GINI Coefficient (WEF, 2018): populist calls & demands will persist.

• Service delivery and other **protests increasing, and more violent** (ISS).

• **Land & water reform** will be at the centre of demands. Even nationalisation pressure on banks & mines, e.g. Reserve Bank.

• **Crime & Security factor**, including corruption and farm/rural safety, a real concern.
South Africa’s GDP: 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
South Africa’s growth has decoupled from global growth

Source: Bloomberg, Agbiz Research
Business confidence leads fixed investment

BER Business Confidence (LHS)
Private Sector Fixed Investment % y/y (RHS)
Debt outlook

- Debt is expected to stabilise at 59.6 per cent of GDP in 2023/24

- In the current year, upward revisions to gross loan debt reflect the wider deficit and weaker exchange rate

Rating agencies? Only Moody’s still investment grade.
Fitch: further downgrade to negative sub-investment grade
Warning from BUSA

Ramaphosa warned on runaway debt

Busa president Sipho Pityana says the economy is in a worse state than it was 18 months ago.
South Africa’s Political Economy: Risks & Challenges

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Food Security Imperative
Components of Food Security

**FOOD QUALITY & SAFETY (5)**
- Nutritional standards
- Protein quality
- Food safety, etc.

**FOOD AFFORDABILITY (6)**
- Food consumption as % of DHI
- % of pop under GPL (<US$3.10)
- Presence of Food Safety Net Programmes, Etc.

**FOOD AVAILABILITY (8)**
- Sufficiency of supply
- Volatility of agric production
- Agricultural infrastructure
  - R&D spend, etc.

Complex concept: Difficult to measure and evaluate.

Stability over TIME

Purchasing power key to access
2017 Global Food Security Index

2018: South Africa ranks 47th

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

Source: Economist Intelligence Unit/DuPont

http://foodsecurityindex.eiu.com
Competitiveness Imperative
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.
### South Africa

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#### 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
Agro-food Value Chain competitiveness

Analysis on:

• Relative Trade Advantage
• Comparative Advantage
• Competitive Advantage
• Porter diamond analysis (Participative analysis)
• Pioneered by Agbiz (Prof Johan van Rooyen and Dirk Esterhuizen) in early 2000’s. Still done!
South African Agricultural Sector

Competitiveness: South African Agriculture

- Agriculture Total
- Primary Agriculture
- Agro-Processing

Year: 2001 to 2015
SA has now become a net exporter of beef

Source: Trade Map, Agbiz Research
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RSA Agriculture, Forestry & Fisheries GDP: 2005 -2018

Mean GDP growth per annum: ~1.4%

Year-on-Year quarter change (RHS)
Agriculture Gross Value added (R Million): Real 2010 (LHS)

Source: Agbiz, Stats SA
SA agricultural economy contracted in Q2, 2019

Although South Africa’s economy has recovered from the previous quarter’s economic performance with a 3.1% quarter-on-quarter seasonally adjusted growth rate (q/q saar), agriculture did not contribute to the improvement. After a strong contraction (16.8% -- revised numbers) during the first quarter of 2019, we were optimistic that things would turn around for South African agriculture. We hoped that base effects coupled with improved horticulture production would trigger a recovery for the sector. However, we were wrong.

Data shows that the sector is in recession – having contracted a further 4.2% q/q/ saar in the second quarter of 2019, largely owing to poor field crop harvest, as a result of droughts earlier this year (Figure 1). While this surprised us, it is important to note that these are seasonally adjusted numbers, which means that the increased horticulture activity on the ground may not be reflected in a similar size in the data. The data is weighed down by major summer crops, which performed poorly during the 2018/19 production season – maize, soybeans and sunflower seed production are down by 12% y/y, 21% y/y and 24% y/y, to 11.02 million tonnes, 1.17 million tonnes and 680 940 tonnes, respectively.
Inconsistencies in policy impacts agricultural business confidence and investment

(Shaded areas indicate periods when rainfall across South Africa was below the average level of 500 millimetres)
Fortunately, there has not been disinvestment in SA agriculture thus far.
Evolution of farm sizes in SA: mechanisation has been key on this process

Area of farm land (hectares),
Number of farms

Farming Units and Farming Area in South Africa

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<tr>
<th>Year</th>
<th># of Farms</th>
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<th>Size (ha)</th>
<th>Estimate</th>
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SA’s Agricultural imports, exports & trade balance

Source: ITC, Agbiz Research
South Africa's agricultural exports by region

Source: ITC, Agbiz Research

ROW represents Rest of the World
Indexed GDP: Agro-processing vs Manufacturing Output

South Africa's Manufacturing Output Index (Seasonally adjusted)

Agro-processing: ~25% of MO and ~3.5% of GDP

Source: Stats SA, Agbiz Research
36 of 54 commodities SA a net exporter = 67%
High-growth industries are on track

Gross Value of Agricultural Production

Source: DAFF, 2019
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The current policymakers’ thinking revolves around these aspects

• Inclusive growth and jobs creation
• Land reform
• Climate change
• Water rights regulations and water infrastructure
• Infrastructure constraints in some farming areas, particularly former homelands
• International trade matters (market access, and expansion of export markets)
For today...

1. Presidential Land & Agriculture Reform Advisory Panel Report, ‘Expropriation without compensation’ and other land policies/legislation

2. Environmental and natural resource legislation

3. Engagement with Government
Whereas His Excellency The President of South Africa, Mr Cyril Matamela Ramaphosa, appointed the Expert Advisory Panel on Land Reform and Agriculture on 16 September 2018 comprising:

- Dr Vuyo Mahlati (Chairperson)
- Professor Ruth Hall
- Professor Mohammad Karaan
- Mr Dan Kneik
- Ms Bululwa Mabasa
- Ms Thaio Moagi
- Mr Thandi Ngcobo
- Advocate Tembeka Ngcukaitobi
- Mr Nic Serfontein
- Mr Wandile Sibiya

I am honoured to present this report as a response to the Terms of Reference of the Panel from the Presidency, as well as an account of proceedings and relevant developments that took place towards the finalisation of the report.

Sincerely yours,

Dr Vuyo Mahlati, Chairperson
Presidential Advisory Panel’s report on land reform: why context is important

On Sunday, the Presidency released the final report of the Advisory Panel on Land Reform and Agriculture. The release of this report was highly anticipated and therefore attracted a flurry of media coverage. At this juncture it is worth taking stock of the process and considering the effect which the recommendations may have on land reform policy.

The report contains ideas and recommendations, not policy
Present Ramaphosa convened the panel of experts to advise him on land reform and agricultural policy, but like any advice, the president can take it under consideration and decide what to use. It was clearly never the intention to outsource the formal policy making function of the Government. As such, the report contains ideas and recommendations from experts that may well influence eventual policy decisions, but it is not automatically become government policy.
Fields of policy and legislation

1. **Credit legislation:** National Credit Amendment Bill passed by Parliament and assented.
   National Credit Act: Regulation 23A: Affordability assessment (flexibility required for Agric sector?)

2. **Carbon Tax Act (implemented) and Climate Change Bill (In Nedlac) - contentious**

3. **Labour legislation:** NMWA + LRAA + BCEAA (Nedlac package) – Exemption system problem?

4. **Water rights and water security:**
   - Water Masterplan & Water Phakisa – New Water Bill & ELU?
   - Water licence application regulations & Water tariffs (Independent Water Regulator?)

5. **Land reform:**
   - Expropriation without Compensation – Re-establishment of Parliamentary subcommittee to propose wording to National Assembly
   - Regulation of Agricultural Landholdings Bill – in Nedlac but suspended.
   - Valuation Regulations (Property Valuation Act) – Recent Court judgement vital and welcomed.
   - Communal Land Tenure Bill (Comments in 2017 – no progress?)
   - Communal Property Association Amendment Act (passed but not assented)
   - Preservation & Development of Agricultural Land Framework Bill (DAFF Bill) – currently in Nedlac and contentious. Constitutional challenge?

6. **Other**
DISCUSSION DOCUMENT FOR PUBLIC COMMENTS

National Water Security Framework
6. Framework thematic areas

In order to address the various dimensions presented, thematic areas were identified to guide the framing and implementation. Nine thematic areas have been identified for South Africa’s Water Security Framework.
Engagement with Government

1. Bilateral (Agbiz, BUSA, CEO Forum, etc.)
2. NEDLAC:
   - NEDLAC Act
   - Jobs Summit developments
   - Trade & Industry Chamber
   - Development, Labour Market & PFMP Chambers
3. Public-Private Growth Initiative (PPGI)
Nedlac TIC Strategic Session

- Hosted by **Minister Ebrahim Patel**: totally new approach and welcomed.

- Emphasized 6 major focus areas, viz.:
  1. **Expand markets for our products** and facilitate entry to those markets
  2. **Support improved industrial performance, dynamism and competitiveness** of local companies.
  3. **Improve the levels of investment** in the economy and help to achieve the target set by the President in SONA last year.
  4. **Promote economic inclusion**. (Competition legislation & B-BBEE)
  5. Promoting **more equitable spatial and industrial development**. (e.g. SEZ’s)
  6. **Improve the capability of the state**. (CIPC example)

- Two cross-cutting themes for all 6 initiatives:
  (i) Partnerships & (ii) Inclusion & Transformation
Following broad discussion, Minister announced the following structures:

- A National Committee on the African Continental Free Trade Agreement.
- A Ministerial Export Promotion Panel. Seven seats for Business and 3 for Labour.
- An SEZ Reference Group, with 5 seats for Business.
- A Port Charges Joint Committee, chaired by André de Ruyter and Yunus Hoosen.
- A 1-day session on the Technical Regulatory Agencies will be convened, to be preceded by the DTIC reviewing whether the existing regulations are conducive to growing the economy.
- An engagement on addressing Business’ concerns regarding the functioning of SETAs to be held. Paul Theron (Business) and André Kriel (Labour) to draft a concept note.
- A Special Ministerial Session on BEE will be convened to endeavour to establish a broad-based BEE framework that maximises impact while minimising costs on business.
- A Committee on Digital Trade, with 2 seats per constituency.
Public-Private Growth Initiative

- Dr Johan van Zyl (Toyota International), Roelf Meyer, Min Dlamini-Zuma & Pres Ramaphosa
- Reference in SONA, Ministry Budget Vote speeches and other forums
- Now transferred to PMO in President Ramaphosa’s Office
- Merging of MTSF 2019-2024 with 5-Year Agric Value Chain Plan to develop Masterplan for Agriculture/Agro-processing value chain
- Three projects from Agriculture Value Chain: (1) ADA  (2) Citrus Industry (market access & logistics primarily)  (3) Beefmaster
- Will continue to drive process to create an improved investment and business environment.
Overriding theme: Inclusive growth
b) Key Focus Areas

i) Expansion of Markets - internationally and locally (Exports/Trade & non-tariff barriers/Increased R&D/Beneficiation)

ii) Training and skills development

iii) Feasible financing opportunities for new farmers (Development and commercial finance)

iv) Climate change adaptation and disaster management

v) Pest and disease management, including food safety considerations
Inhibiting factors

3. Inhibiting factors:
(List matters that government needs to address to help making your 5-year-plans impenetrable)

3.1 Operational inhibitors

<table>
<thead>
<tr>
<th></th>
<th>Inhibitor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Inhibitor ONE</td>
<td>Lack of relevant and feasible trade policies and agreements for greater market access to meet new global and local consumer demands, including addressing biosecurity, and sanitary and phytosanitary (SPS) considerations.</td>
</tr>
<tr>
<td>2</td>
<td>Inhibitor TWO</td>
<td>Declining investment and especially capability in Research &amp; Development. This impacts negatively on the efficiency and service delivery of the ARC, DAFF, DRDLR, NAMC, Inspection Services, Plant &amp; Animal Health, etc.</td>
</tr>
<tr>
<td>3</td>
<td>Inhibitor THREE</td>
<td>Lack of coordinated and targeted and critical infrastructure investment coupled to growth initiatives, e.g. electricity, water, ports, rail, roads (especially communal areas as well), IT, etc.</td>
</tr>
<tr>
<td>4</td>
<td>Inhibitor FOUR</td>
<td>Uncoordinated Government programmes and support systems (National vs Provincial, Inter-Departmental, etc.). Also no alignment with private sector initiatives.</td>
</tr>
<tr>
<td>5</td>
<td>Inhibitor FIVE</td>
<td>Lack of targeted incentives to increase productivity &amp; transformation in sector, e.g. tax relief or breaks, service delivery, tariff protection where warranted, etc.</td>
</tr>
<tr>
<td>6</td>
<td>Inhibitor SIX</td>
<td>Lack of capacity and skills in especially the public sector, with specific reference to legal registrations, regulatory services, AgriSETA, etc.</td>
</tr>
<tr>
<td>7</td>
<td>Inhibitor SEVEN</td>
<td>Illegal imports, international subsidies, crime and security.</td>
</tr>
</tbody>
</table>
### 3.2 Policy and legislation inhibitors (Required policy changes to ensure investment and growth)

<table>
<thead>
<tr>
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<th>Inhibitor</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Inhibitor ONE</td>
<td>PPP approach to assist with supply chain management and global market access. (Especially trade regulatory matters / FTA's / PTA's / Trade remedies &amp; trade policy)</td>
</tr>
<tr>
<td>2</td>
<td>Inhibitor TWO</td>
<td>Adoption and support of new technologies. Innovation and R&amp;D restructuring in agriculture value chain (Matters to be addressed: EPR/Crisp-R/Energy/Water/Climate change/PBR/Biosecurity)</td>
</tr>
<tr>
<td>3</td>
<td>Inhibitor THREE</td>
<td>Financing initiatives for new entrant farmers (Includes addressing: Title Deeds / Loans / Drought assistance / Blended finance / Insurance)</td>
</tr>
<tr>
<td>4</td>
<td>Inhibitor FOUR</td>
<td>Maintenance and extension of private property rights, incl. land &amp; water.</td>
</tr>
<tr>
<td>5</td>
<td>Inhibitor FIVE</td>
<td>Turn-around strategy and implementation of infrastructure policy and plan (Road / Rail / Harbours / Energy / Water/ICT/etc.)</td>
</tr>
</tbody>
</table>
For today…….

1. Political economy:
   - Major Global & African risks and challenges
   - Major South African risks and challenges

2. Food Security and Competitiveness imperative

3. Confidence and growth in SA Agriculture

4. Legislative and policy environment

5. Wrap up
Wrap up

• Relatively healthy and robust agri-food industry, but under pressure.

• **Challenges:** Investment environment, Agro-logistics, water availability and quality, environmental sustainability, R&D, crime and security, labour relations & legislation, land reform, climate change, droughts, trade agreements, sustainable transformation, etc.

• **Opportunities:** Growing population, consumer spending trends, new markets (especially to Africa and Asia), new technologies & improved productivity, etc.

• Major contributor to Food Security, growth and employment in RSA – **major South African asset.**

• But we live in uncertain times – many risks and variables, some controllable, others not or less so.

• However, risk creates opportunity and reward, and **concentrate on those risks and opportunities you understand and can manage!**
Thank you

Questions or comments?