

Input on potential of and challenges affecting the Agriculture Sector

Sandy La Marque

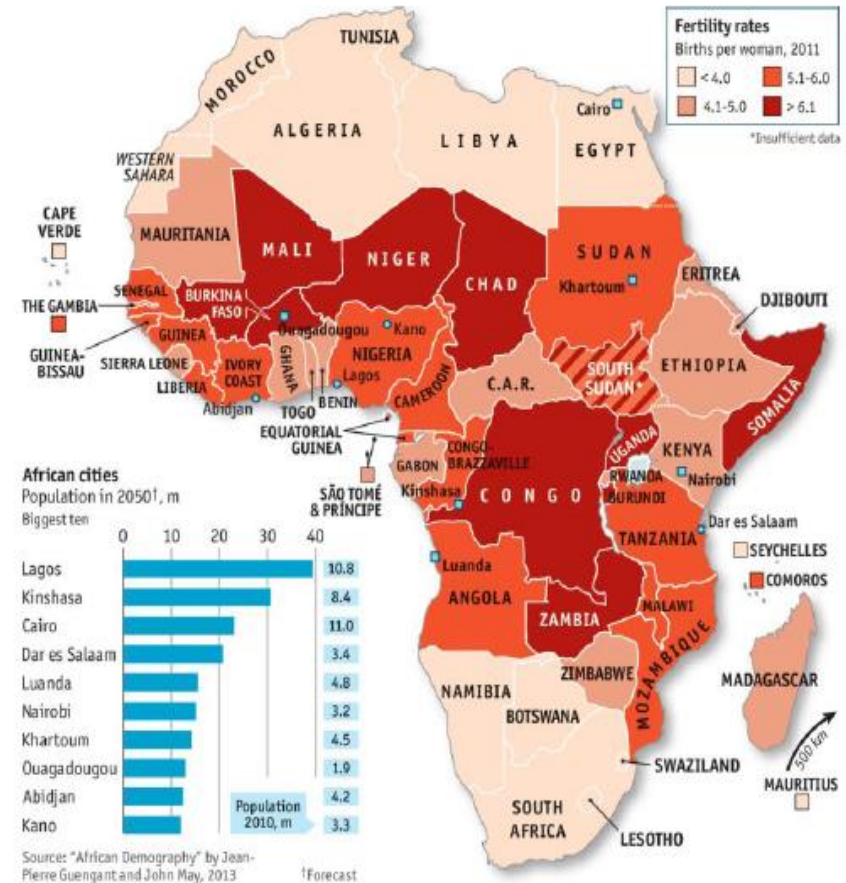
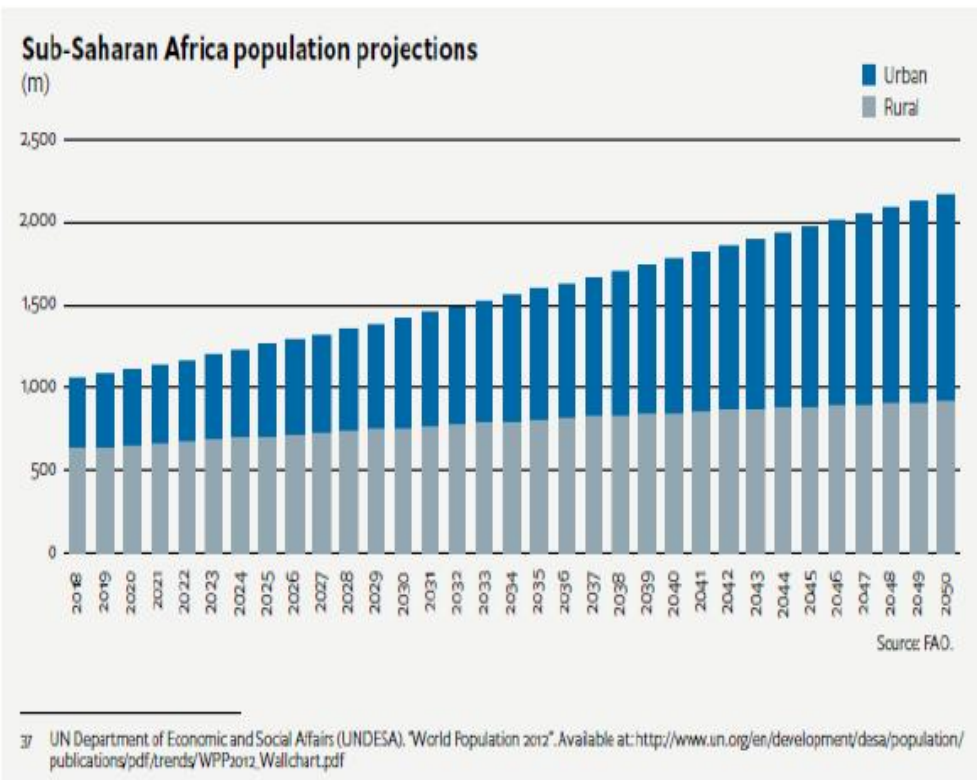
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Challenges

- Global socio-political environment
- Local socio-political environment
- Climate Change
- Increased regulation of agro-food system
 - Food safety, health, etc.
- Consumer trends and their involvement
- Natural Resources and the sustainable use thereof:
 - Water
 - Land
 - Energy
- Employment

Urbanisation and Demographics.....

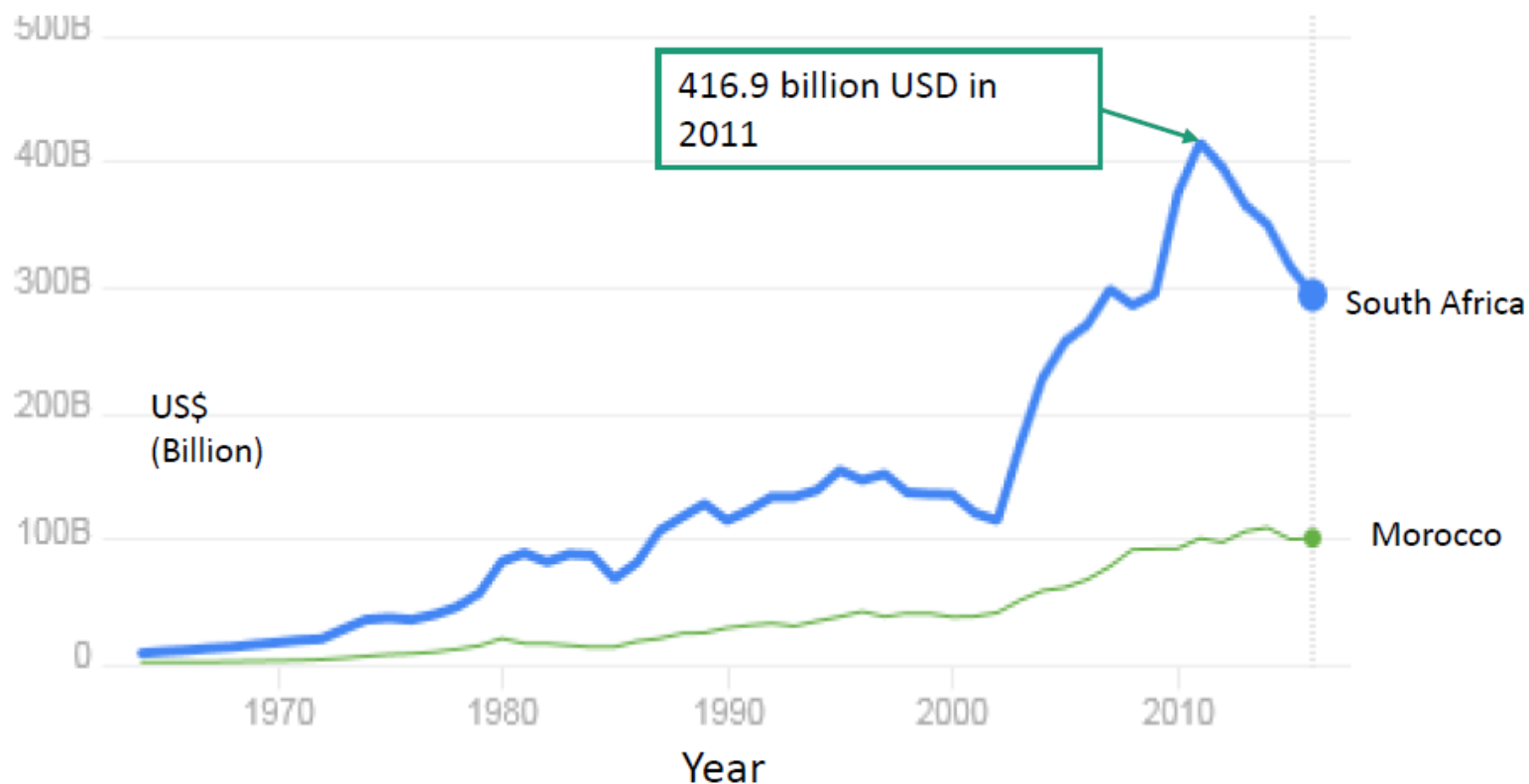


The UN Food and Agriculture Organisation (FAO) estimates that farmers will have to produce 70% more food by 2050 to meet the needs of the world's expected 9-billion-strong population. With less natural resources, land, water, etc.

RSA

- *Lack of GDP growth and Competitiveness decline (WEF)
- Massive unemployment (~27%), especially amongst the Youth (>50%)
- Political uncertainty
 - Centre of demands:
 - Land & water reform
 - Mining
 - Finance
- Safety and Security
 - Crime (eg. stock theft)
 - Corruption

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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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.

South Africa

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

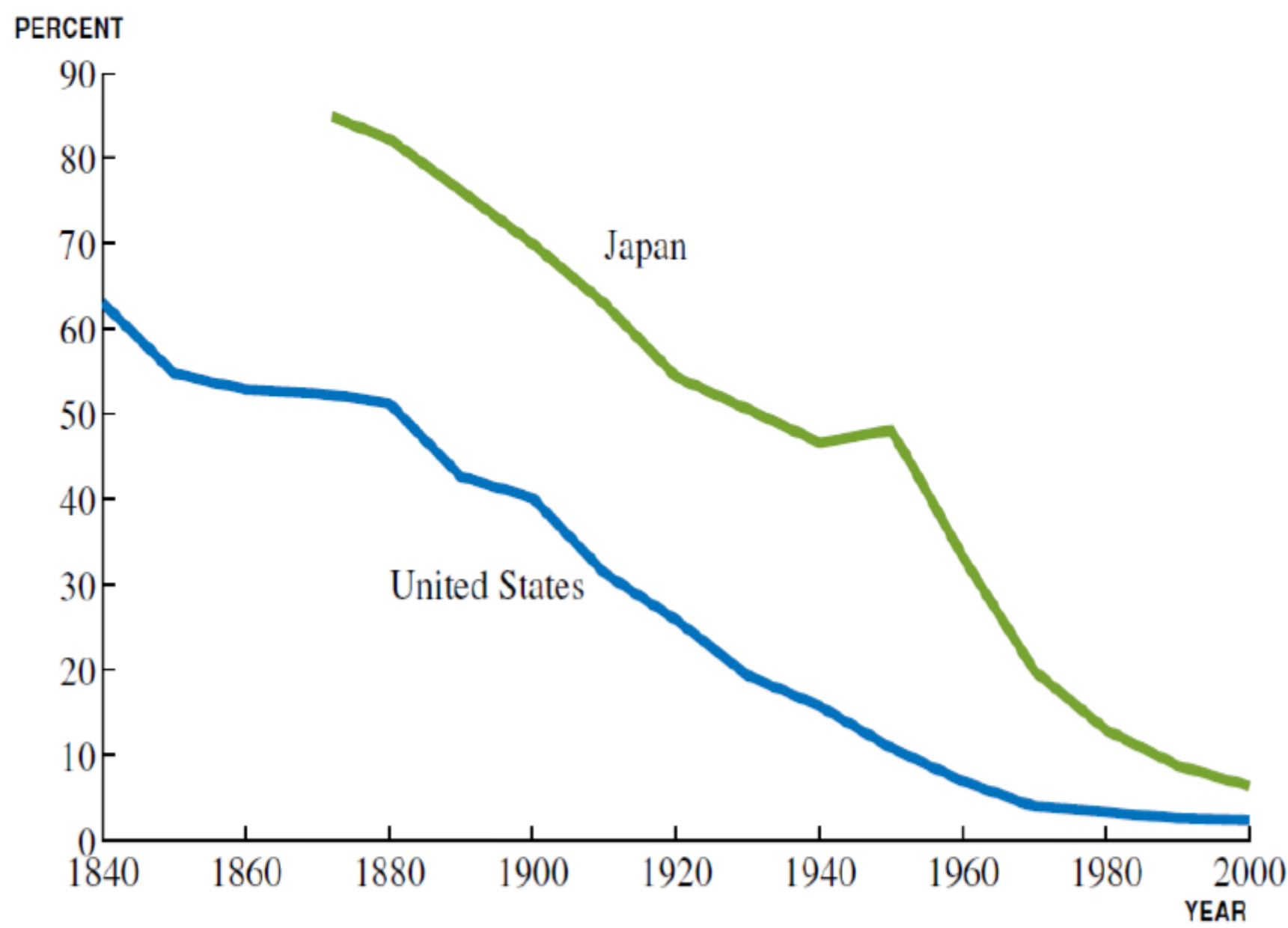
2018 = 67th

Rank	Economy	Score ^a	Rank	Score	Diff. from 2017 ^a
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	—	+0.9	
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	+18	+3.4	

Rank	Economy	Score ^a	Rank	Score	Diff. from 2017 ^a
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	61.6	—	+0.7	
60	Colombia	61.6	-3	+0.1	
61	Turkey	61.6	-3	+0.3	
62	Brunei Darussalam	61.4	+2	+1	
63	Peru	61.3	-3	+0.2	
64	Panama	61.0	-9	—	
65	Serbia	60.9	+5	+1.7	
66	Georgia	60.9	—	—	
67	South Africa	60.8	—	—	
68	Croatia	60.1	—	—	
69	Azerbaijan	60.0	—	—	
70	Armenia	59.9	+2	+1.1	
71	Montenegro	59.6	+2	+1.4	
72	Brazil	59.5	-3	-0.2	
73	Jordan	59.3	-9	+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	Lesbania	57.7	-5	-0.1	
81	Argentina	57.5	-2	+0.1	
82	Dominican Republic	57.4	—	+1.8	
83	Ukraine	57.0	+5	+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	

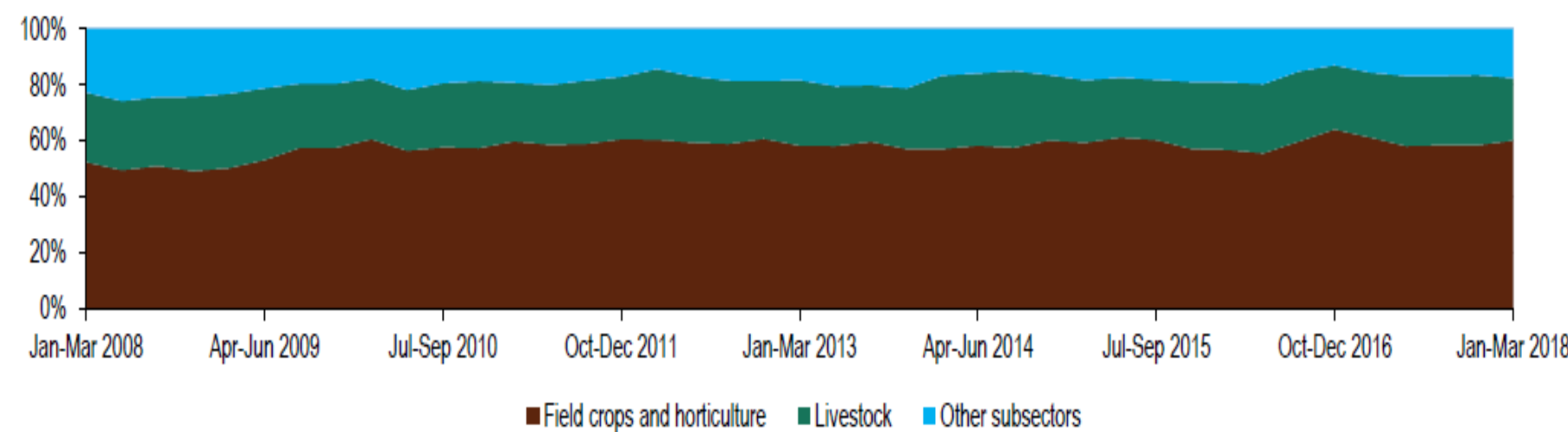
Rank	Economy	Score ^a	Rank	Score	Diff. from 2017 ^a
95	Paraguay	53.4	+1	+0.6	
96	Guatemala	53.4	-5	-0.1	
97	Kyrgyz Republic	53.0	+3	+1.1	
98	El Salvador	52.8	—	+0.4	
99	Mongolia	52.7	-4	-0.2	
100	Namibia	52.7	-1	+0.3	
101	Honduras	52.5	+2	+1.2	
102	Tajikistan	52.2	-5	-0.6	
103	Bangladesh	52.1	-1	+0.7	
104	Nicaragua	51.5	-3	—	
105	Bolivia	51.4	n/a	n/a	
106	China	51.3	-2	+1.4	
107	Pakistan	51.1	-1	+1.3	
108	Rwanda	50.9	-1	+1.3	
109	Nepal	50.6	-1	+1.3	
110	Cambodia	50.2	-1	+0.8	
111	Cape Verde	50.2	-6	+0.4	
112	Vanuatu	49.3	-2	+0.7	
113	Georgia	49.0	-2	+0.6	
114	Armenia	47.8	n/a	n/a	
115	Croatia	47.5	-3	-0.5	
116	Ukraine	47.2	-2	+0.8	
117	Uganda	46.8	-4	-0.2	
118	Zambia	46.1	-3	+0.6	
119	Gambia, The	45.5	—	+0.6	
120	Eswatini	45.3	-4	+0.2	
121	Cameroon	45.1	-3	+0.2	
122	Ethiopia	44.5	-2	+0.6	
123	Berlin	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	-8	+0.9	
140	Chad	35.5	-6	—	

Falling employment in agriculture...

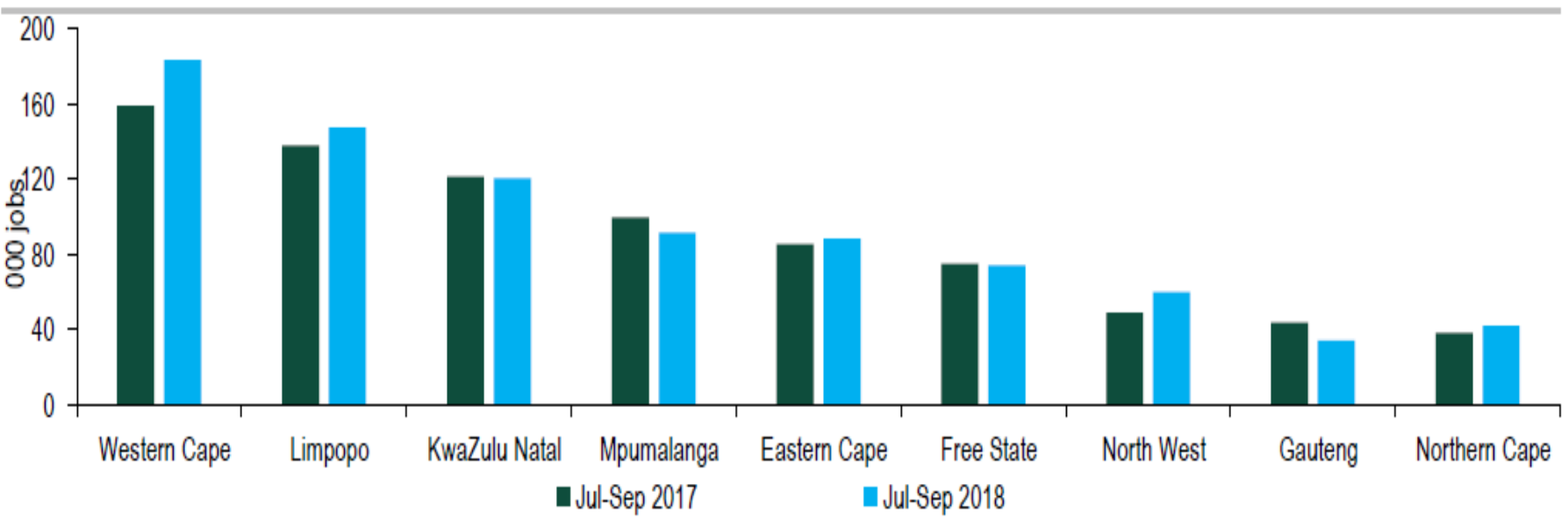


SA agricultural employment trends by subsector and province

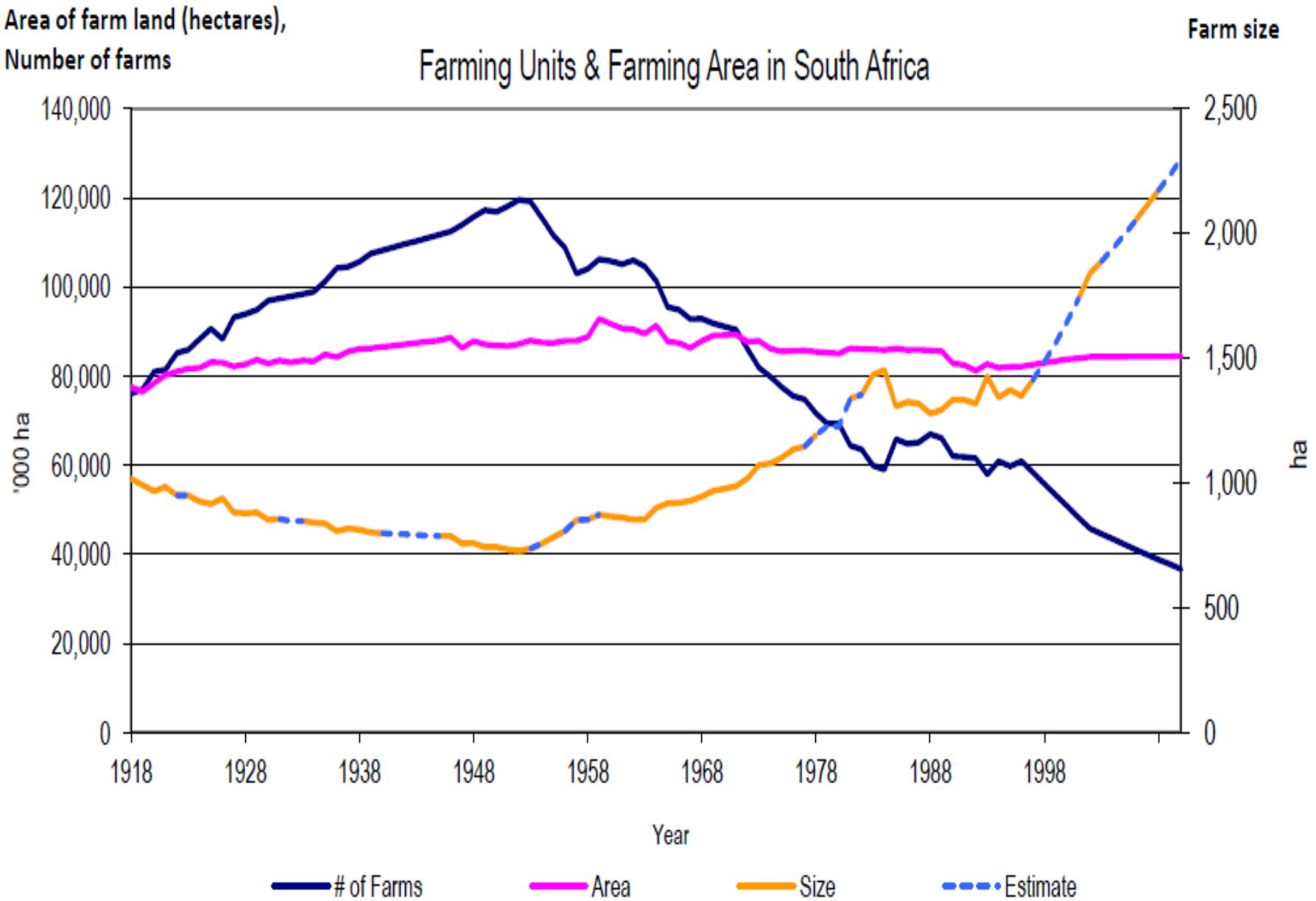
The field crop and horticultural industries are the leading employers in South African agriculture...



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



Evolution of farm sizes in South Africa



Policy and regulatory uncertainty issues

Climate change mitigation framework

- Carbon Tax Bill
- Climate Change Bill

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

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)

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

Agricultural, agribusiness sustainability

- Biosecurity (Plant & Animal Health)
- Trade environment Aquaculture Bill
- Tariff policy, and specifically tariff regime (sugar)
- 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

Plans and more plans

- National Development Plan
- New Growth Path (Not Agriculture specific)- Integrated Growth
- 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

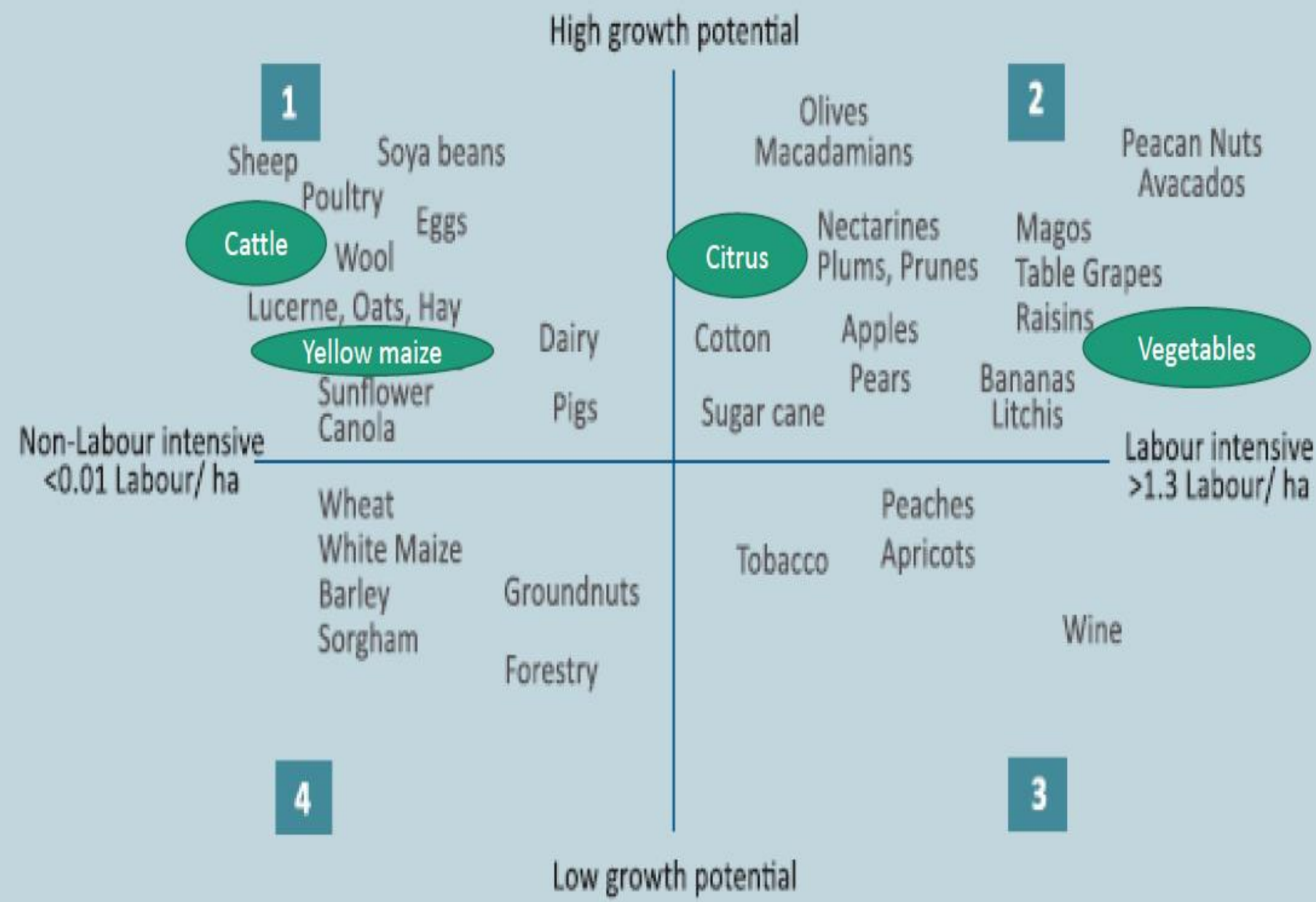
Agri / Farmer support

Smallholder and developing farmer support leading to commercialization

Access to:

- Finance
- markets
- technology & training
- infrastructure
- resources
- tenure security – models that can attract finance
- Develop **partnerships** with private sector

FIG 6.3 AGRICULTURAL GROWTH AND EMPLOYMENT POTENTIAL



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

NDP GOALS

- 1 Million jobs
- 500 000 ha under irrigation
- Underused land in communal areas
- 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 Approach
± 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

OUTCOMES



Etc.

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



Underberg FA

Rural Development Initiatives

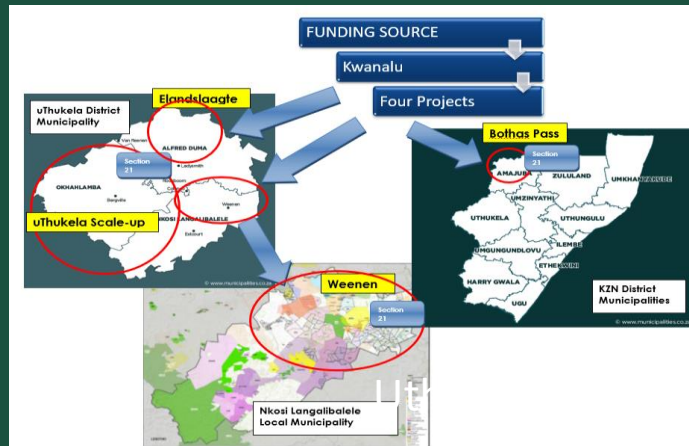
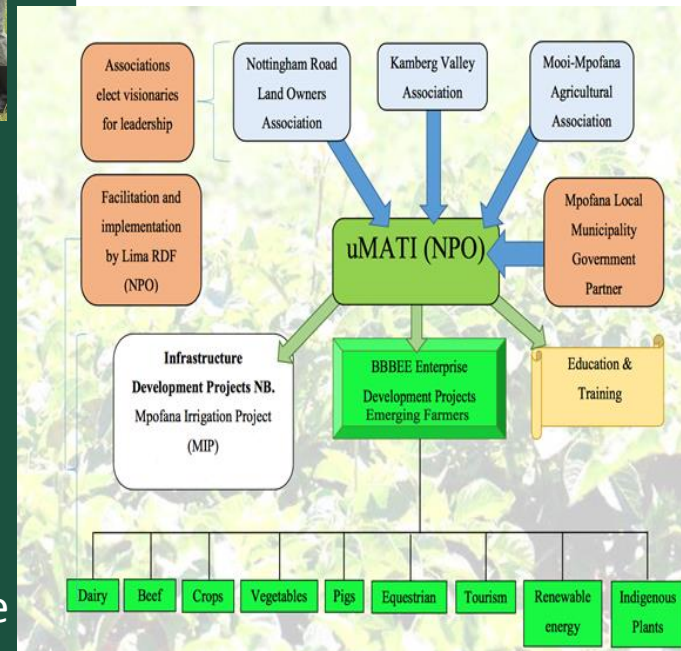
Solution orientated initiatives

- Land
- Infrastructure
- Training
- Mentorship
- Economic growth
- Rural Development
- Social integration
- Etc.

Harry Gwala Agri



Future Farmers



Factors to consider

- Conducive and enabling investment environment (Sound policy)
- Inclusive economic growth and production development
- Competitive market-driven system
- Demand led market access
- Commercial and development finance
- Producer support systems
 - Research and Technology
- Human resource capacity development (Govt services)
- Labour and employment
- Infrastructure (rail)
- Sustainable
 - use of natural resources & biodiversity and ecosystems;
 - Land Reform and tenure security
 - Sustainable Water Reform
- Rural safety
- Public private partnerships

Thank you

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