Is there hope for Agriculture in South Africa?

Is daar hoop vir Landbou in Suid-Afrika?

John Purchase

SATI/SASEV

18 August 2020

We truly live in the VUCA world.

What is VUCA?

V – Volatility

U – Uncertainty

C – Complexity

A – Ambiguity

Who coined the term? USA MI

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. Covid-19 Impact

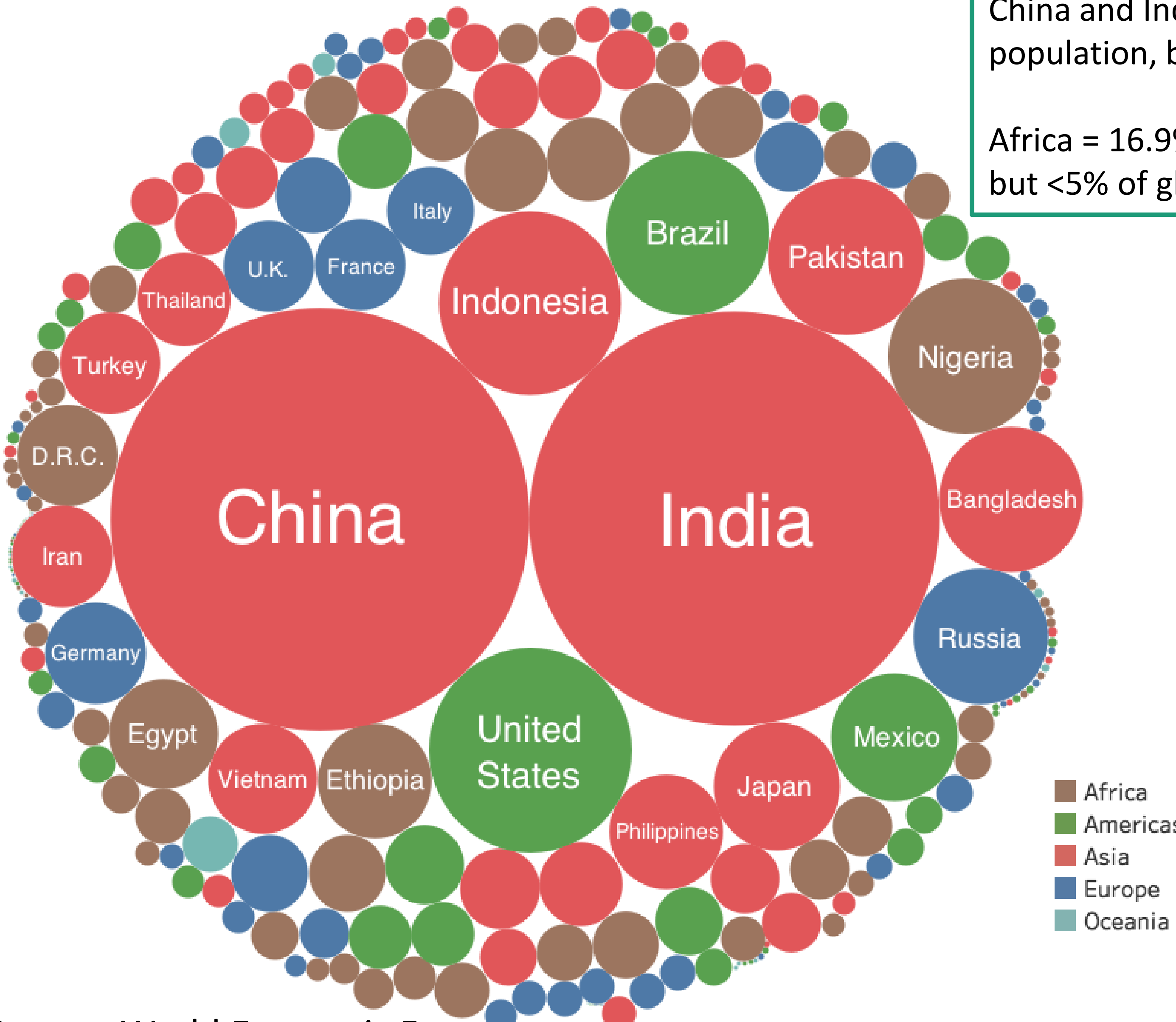
6. Wrap up

Major Global Risks and Challenges

- New multi-polar global power dynamic – power shift to Asia (BRICS role NB?)
- USA vs China Trade War – impact on global power dynamics
- Middle East tensions will continue – importance for SA.
- Brexit and European Unity: UK and EU economic outlook depressed.
- **Global population & Africa's demographic 'dividend'**
- Interconnectivity (4^{th} IR) still a massive driver, despite general protectionist and localization developments across the globe. Covid-19 has hit Globalization hard.
- Mass migration, as an outcome of conflict and globalisation/interconnectivity, was rampant. Stopped in tracks by Covid-19, but will return.
- Environmental sustainability issues, e.g. climate change and extreme weather phenomena, water availability and quality, biodiversity loss, pollution/waste, etc.
- Biosecurity issues: human (Covid-19), animal and plant.
- Global GDP projected at -4,9% for 2020, but rebounds by 5,4% in 2021 - IMF.

agbiz

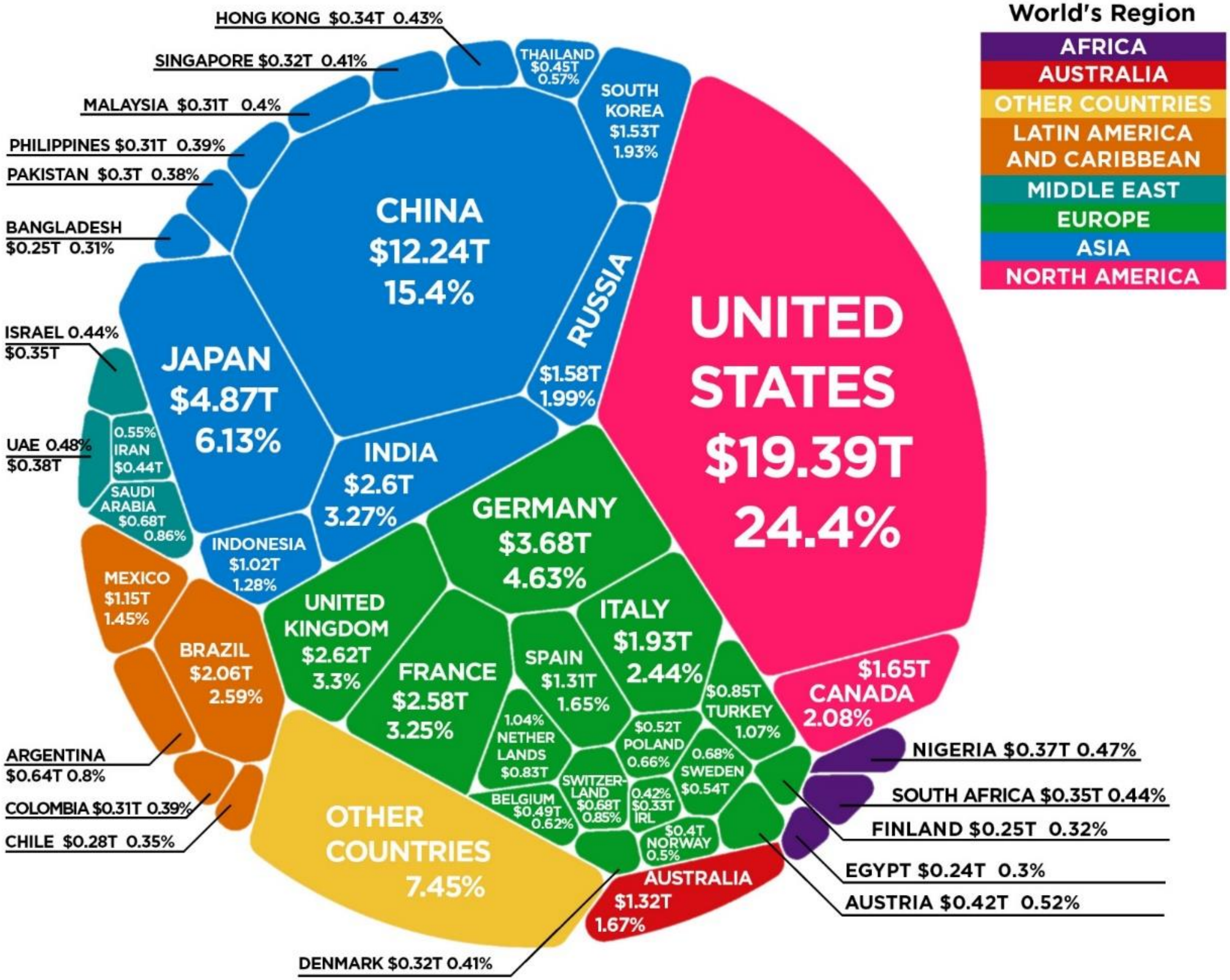
Countries by Population Size



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

Source: World Economic Forum

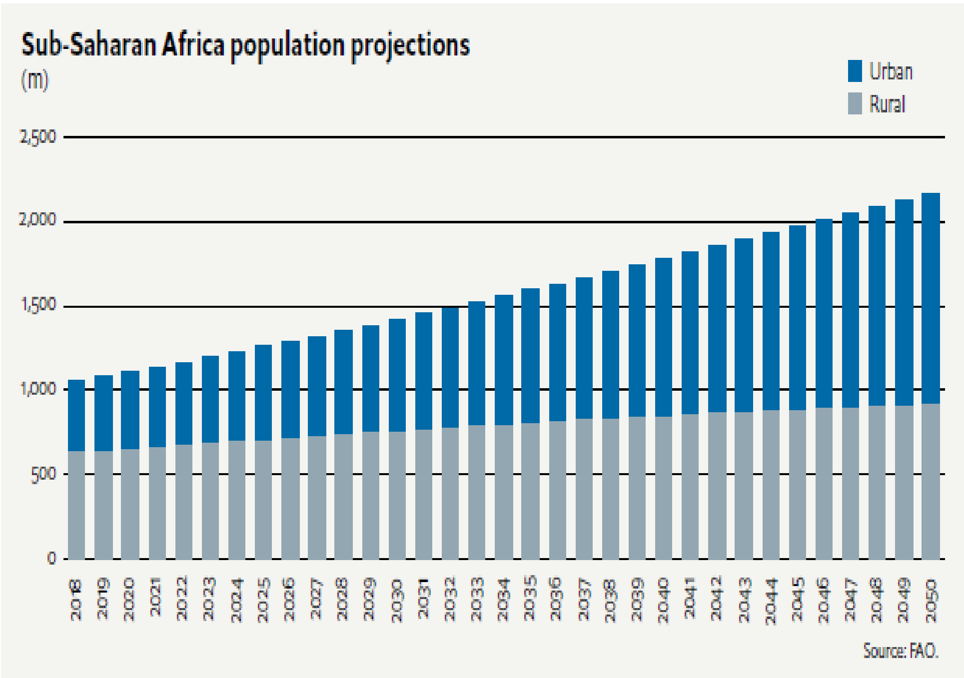


Article and Sources:
https://howmuch.net/articles/the-world-economy-2017
http://databank.worldbank.org/data/download/GDP.pdf

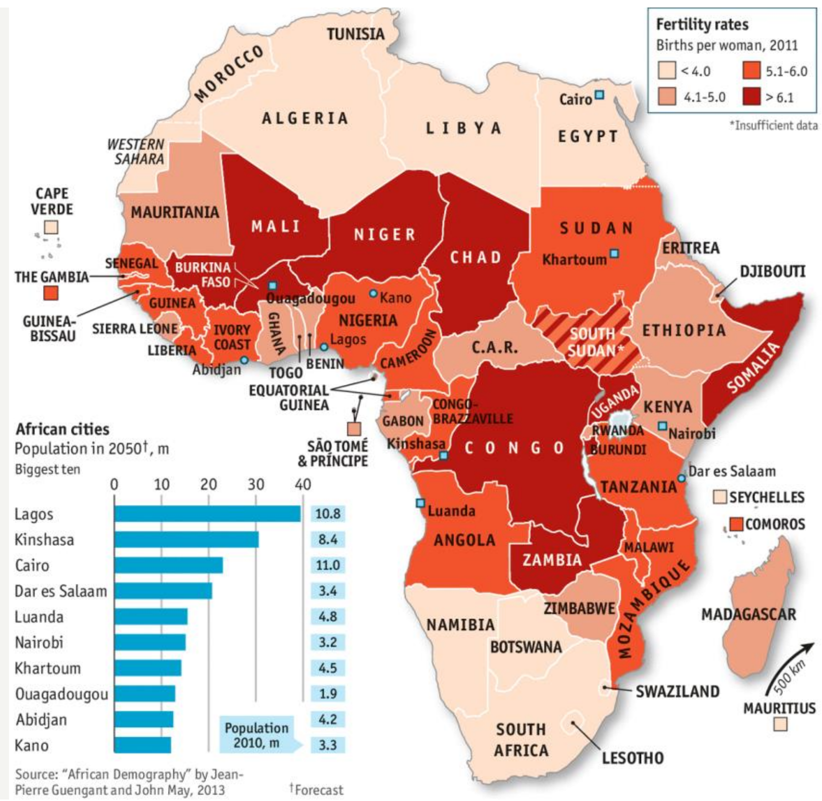
howmuch.net

agbiz

Africa Urbanisation and Demographics.....



37 UN Department of Economic and Social Affairs (UNDESA). "World Population 2012". Available at: http://www.un.org/en/development/desa/population/publications/pdf/trends/WPP2012_Wallchart.pdf



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……!

agbiz

Major Global Risks and Challenges

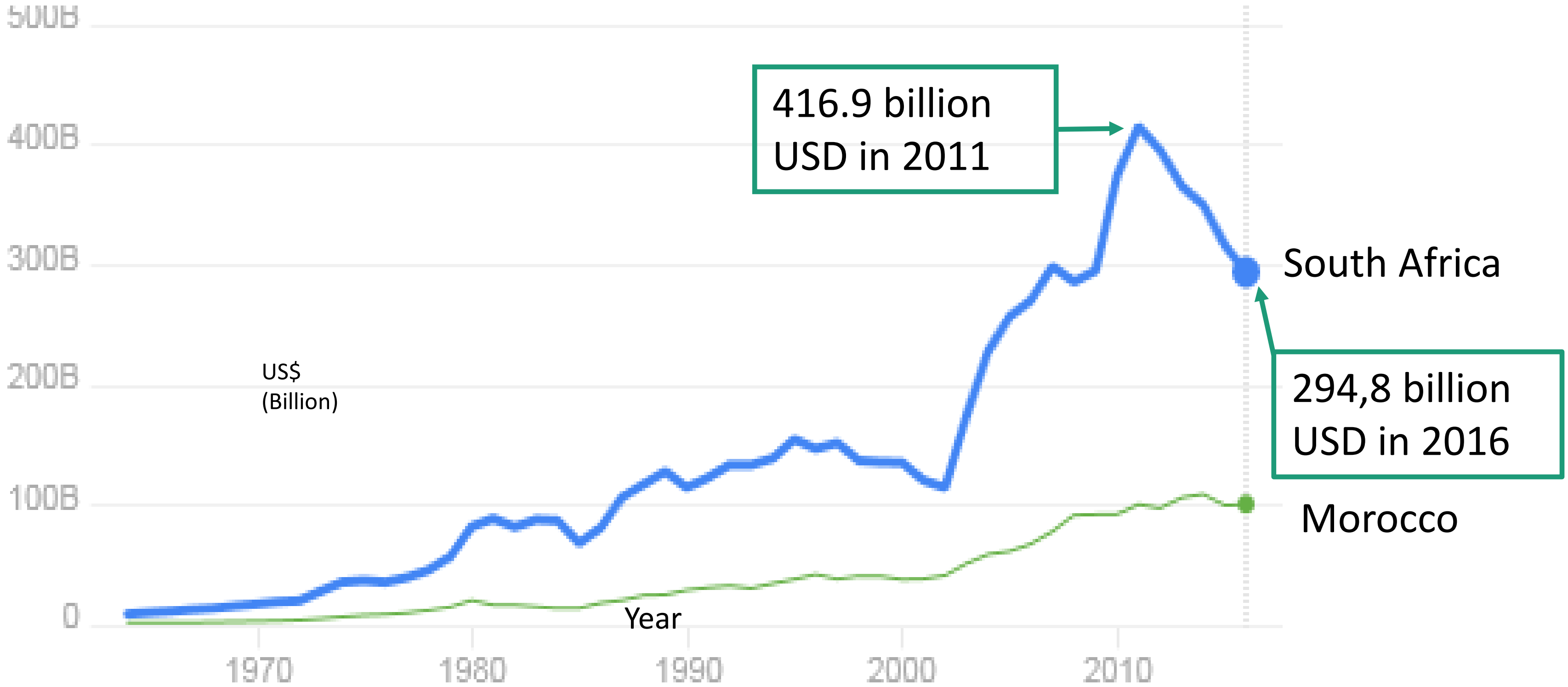
- New multi-polar global power dynamic – power shift to Asia (BRICS role NB?)
- USA vs China Trade War – impact on global power dynamics
- Middle East tensions will continue – importance for SA.
- Brexit and European Unity: UK and EU economic outlook depressed.
- Global population & Africa's demographic 'dividend'
- Interconnectivity (4^{th} IR) still a massive driver, despite general protectionist and localization developments across the globe. Covid-19 has hit Globalization hard.
- Mass migration, as an outcome of conflict and globalisation/interconnectivity, was rampant. Stopped in tracks by Covid-19.
- Environmental sustainability issues, e.g. climate change and extreme weather phenomena, water availability and quality, biodiversity loss, pollution/waste, etc.
- Biosecurity issues: human (Covid-19), animal and plant.
- Global GDP projected at -4,9% for 2020, but rebounds by 5,4% in 2021 - IMF.

agbiz

South Africa’s Political Economy: Risks & Challenges

- **ANC remains in turmoil** – divisions and distrust persist, given various Commissions of Enquiry into respectively ‘State capture’, SARS, PIC, NPA and now PPE corruption.
- **President Ramaphosa’s SONA** in February 2020: Right direction, but can State implement? **Capability of the state has been badly eroded –** seen in DALRRD. Also other Dept’s/SOE’s.
- **Biggest concern: Lack of GDP growth, Competitiveness decline (WEF) and escalating debt.**
- **Massive unemployment** (>29% pre-Covid), 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. “Expropriation without Compensation” decision.
- **Crime & Security factor**, including corruption and farm/rural safety, a huge and increasing concern.

South Africa's GDP: 347,7 billion USD (2018)



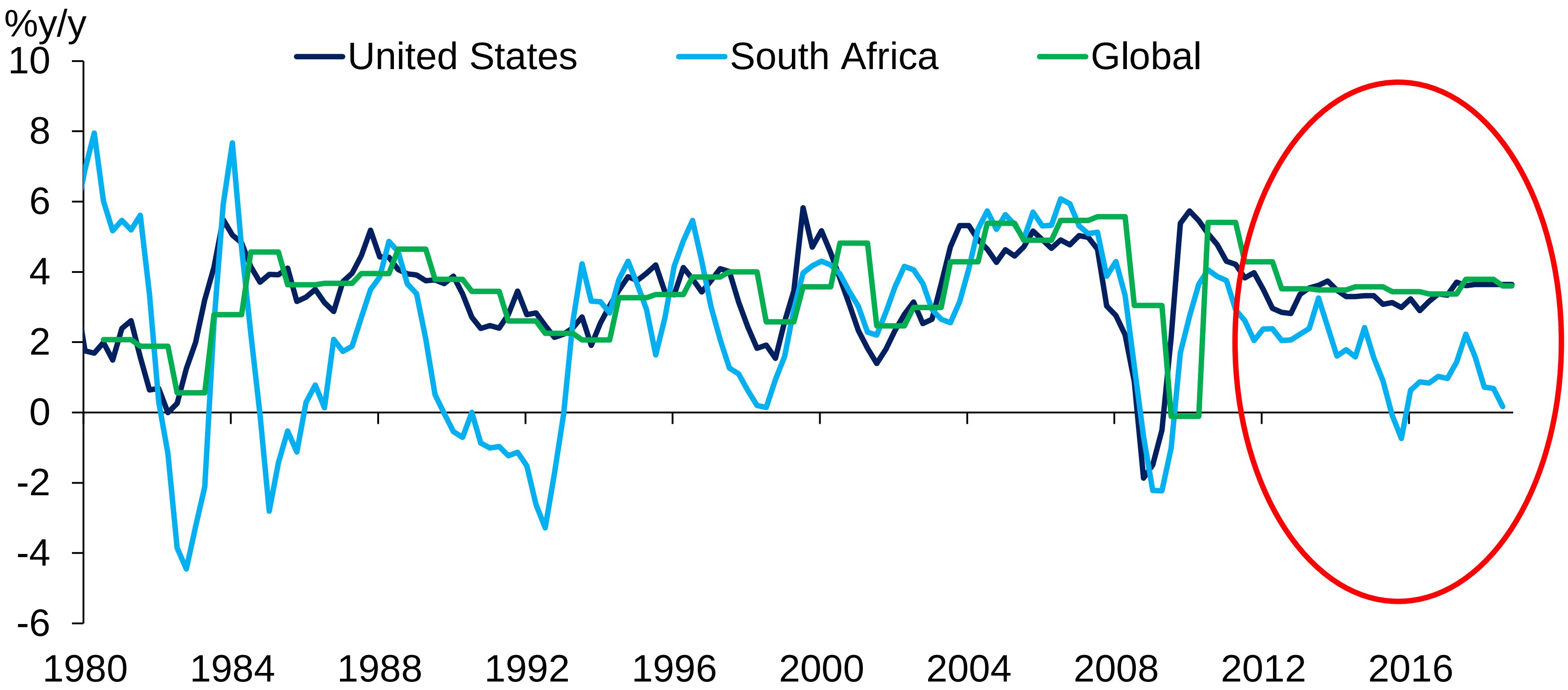
2011 GDP per capita (US$) = 8,066

2016 GDP per capita (US$) = 5,261

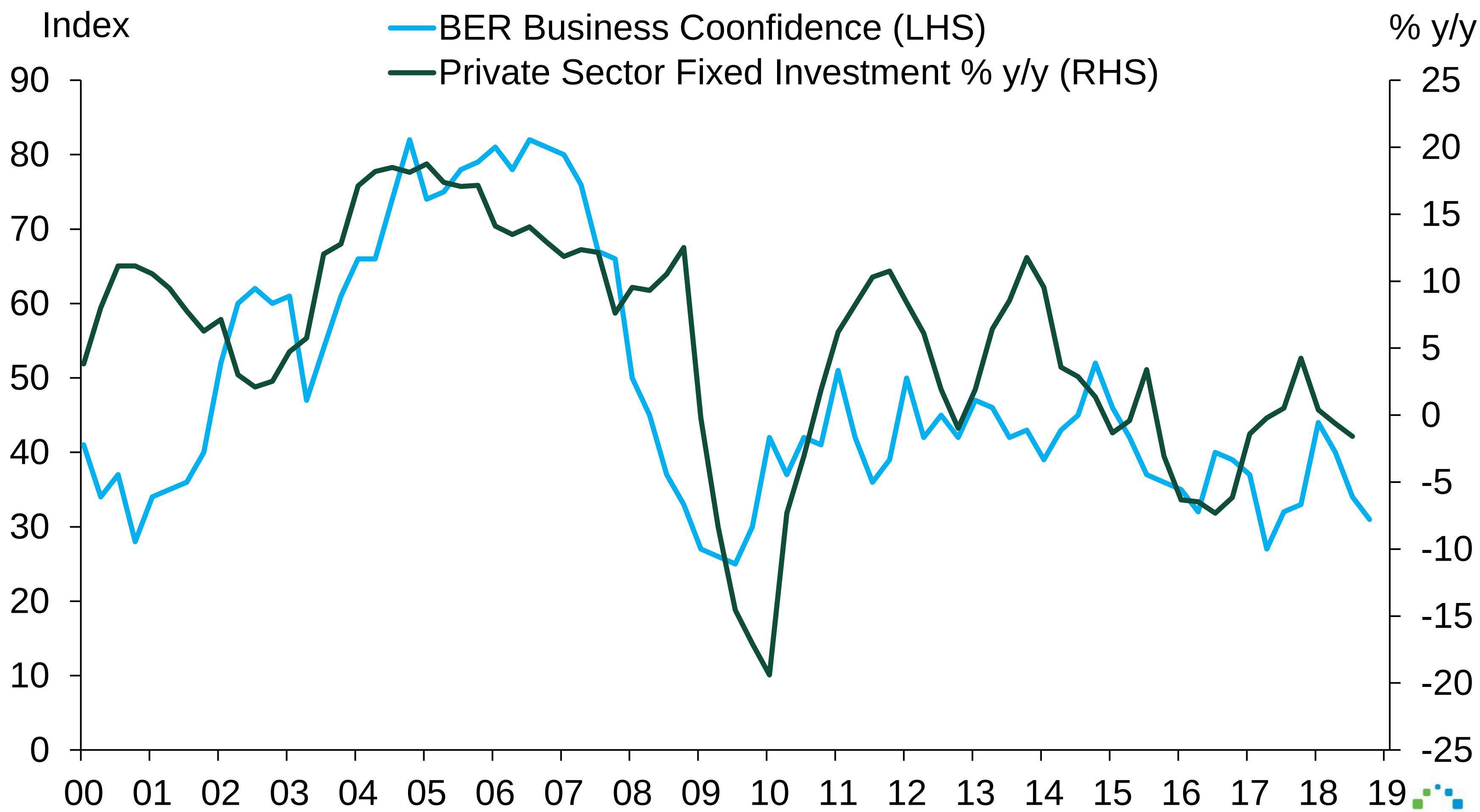
2018 GDP per capita (US$) = 6,180

Source: WEF Competitiveness Reports

South Africa’s growth has decoupled from global growth



Business confidence leads fixed investment



SUPPLEMENTARY
BUDGET 2020

BUILDING A BRIDGE TO RECOVERY BEYOND COVID-19

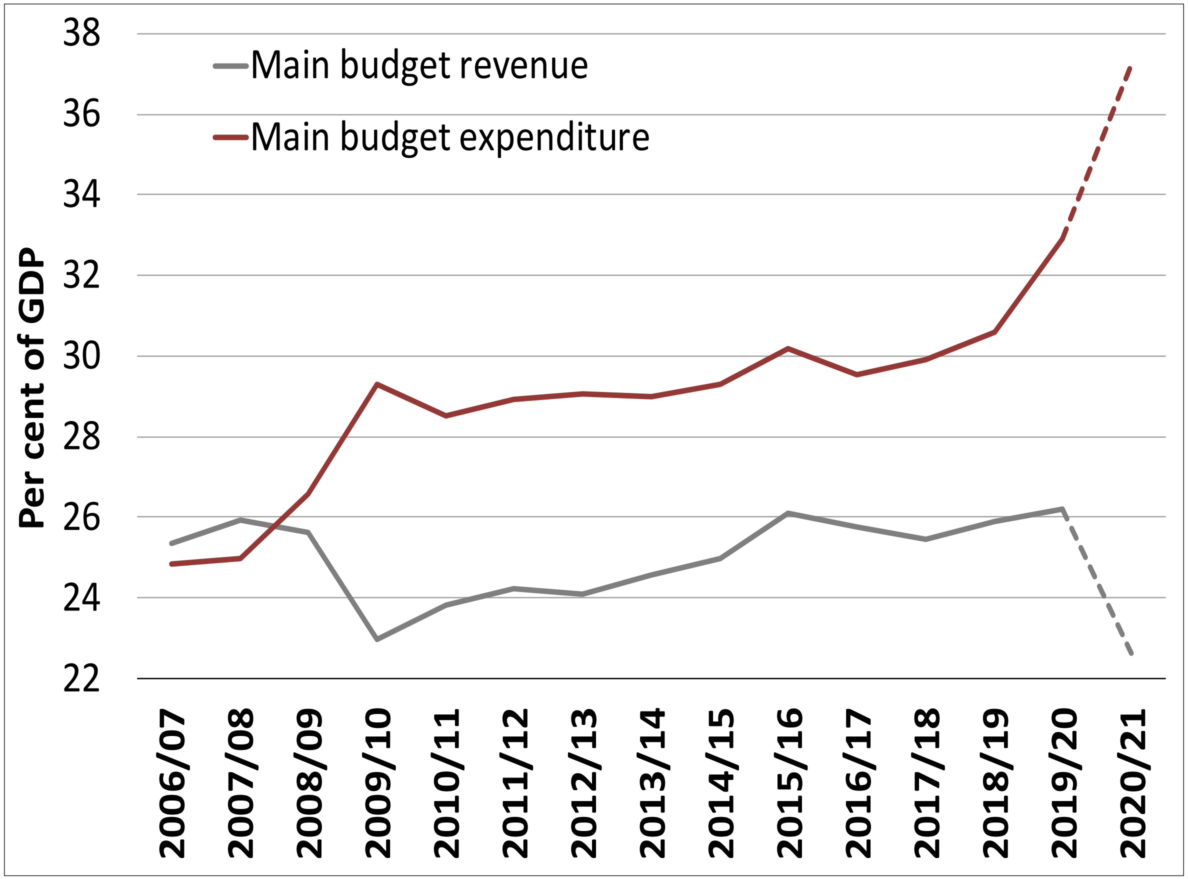
national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

STAY SAFE
PROTECT SOUTH AFRICA

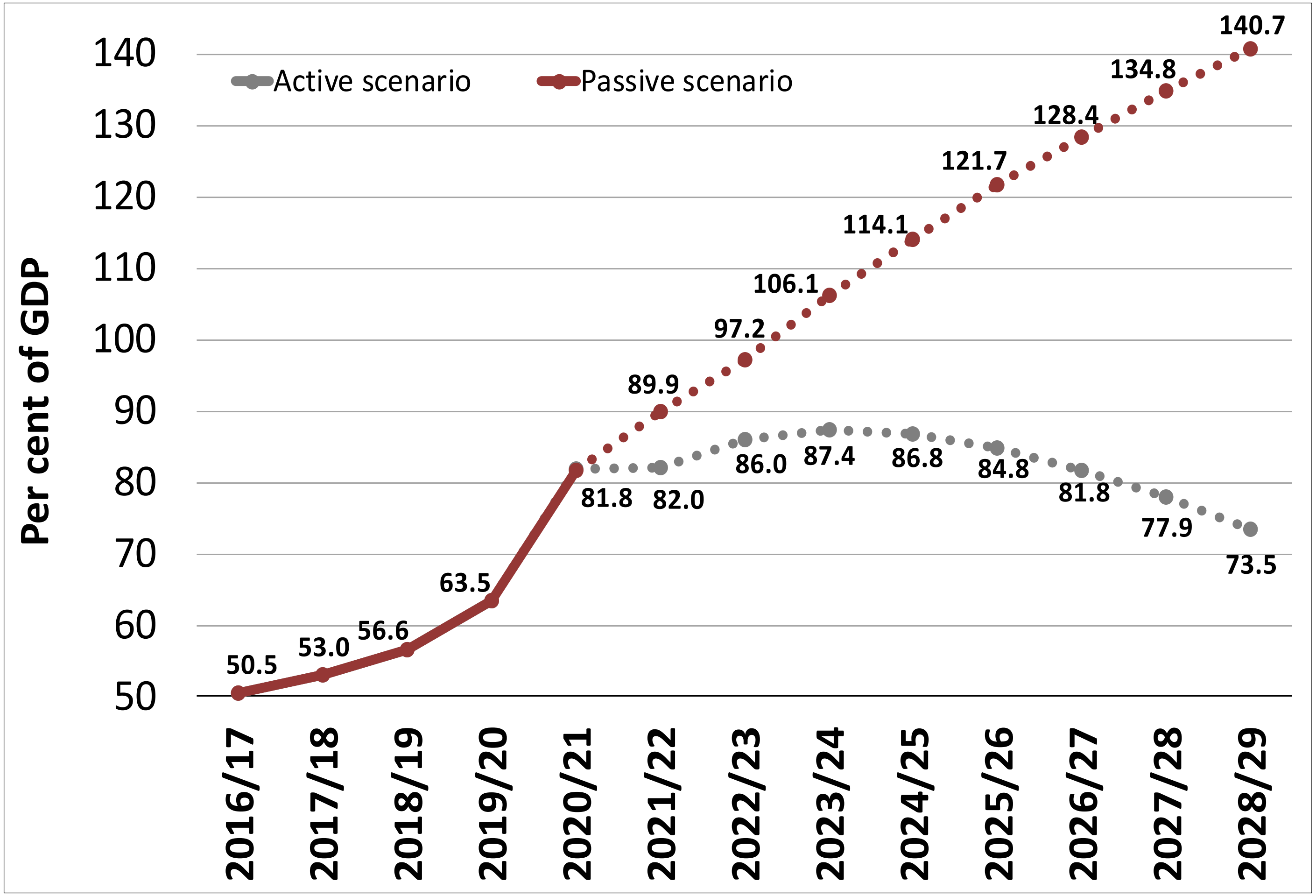
The gap between revenue and expenditure is expected to widen

Main budget revenue and expenditure



- The COVID-19 pandemic erupted when South Africa was already in a weak fiscal position
- In recent months, fiscal deterioration has accelerated
- In 2020/21, significant tax revenue underperformance is expected, and expenditure will increase as government reprioritises and allocates funds to contain COVID-19.
- The main budget deficit and gross borrowing requirement will increase sharply

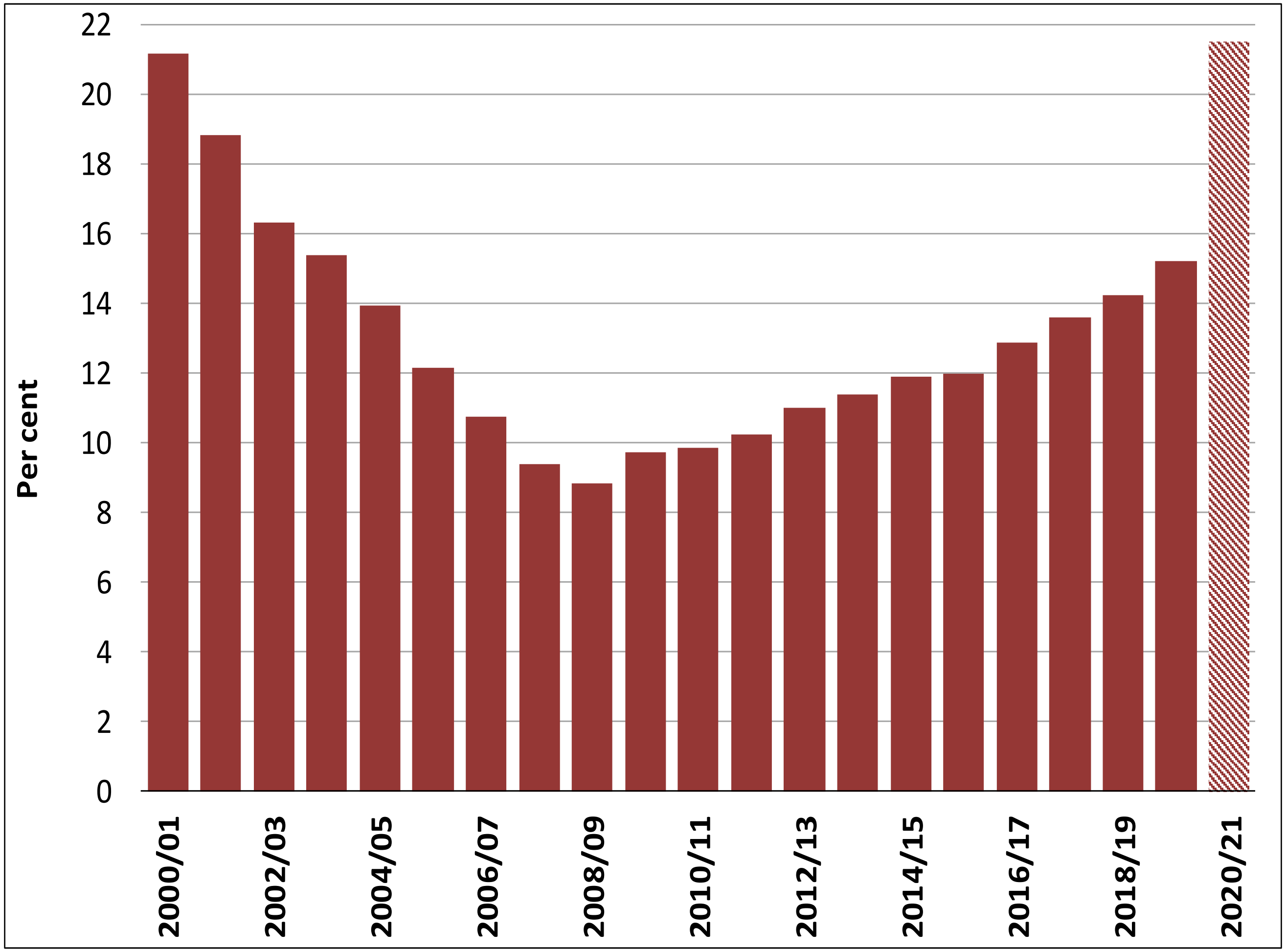
DEBT OUTLOOK SCENARIOS



- In the active scenario, debt stabilises at 87.4 per cent of GDP in 2023/24

DEBT-SERVICE COSTS TAKE AN INCREASED SHARE OF MAIN BUDGET REVENUE

Debt-service costs as a proportion of main budget revenue



- Gross national debt is now expected to reach 81.8 per cent of GDP in 2020/21 compared to the 2020 Budget estimate of 65.6 per cent of GDP
- Rising public debt means that an ever-increasing share of tax revenue is transferred to bondholders

South Africa's Political Economy: Risks & Challenges

- **ANC remains in turmoil** – divisions and distrust persist, given various Commissions of Enquiry into respectively 'State capture', SARS, PIC, NPA and now PPE corruption.
- **President Ramaphosa's SONA** in February 2020: Right direction, but can State implement? **Capability of the state has been badly eroded –** seen in DALRRD. Also other Dept's/SOE's.
- **Biggest concern: Lack of GDP growth, Competitiveness decline (WEF) and escalating debt.**
- **Massive unemployment** (>29% pre-Covid), 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. "Expropriation without Compensation" decision.
- **Crime & Security factor**, including corruption and farm/rural safety, a huge and increasing concern.

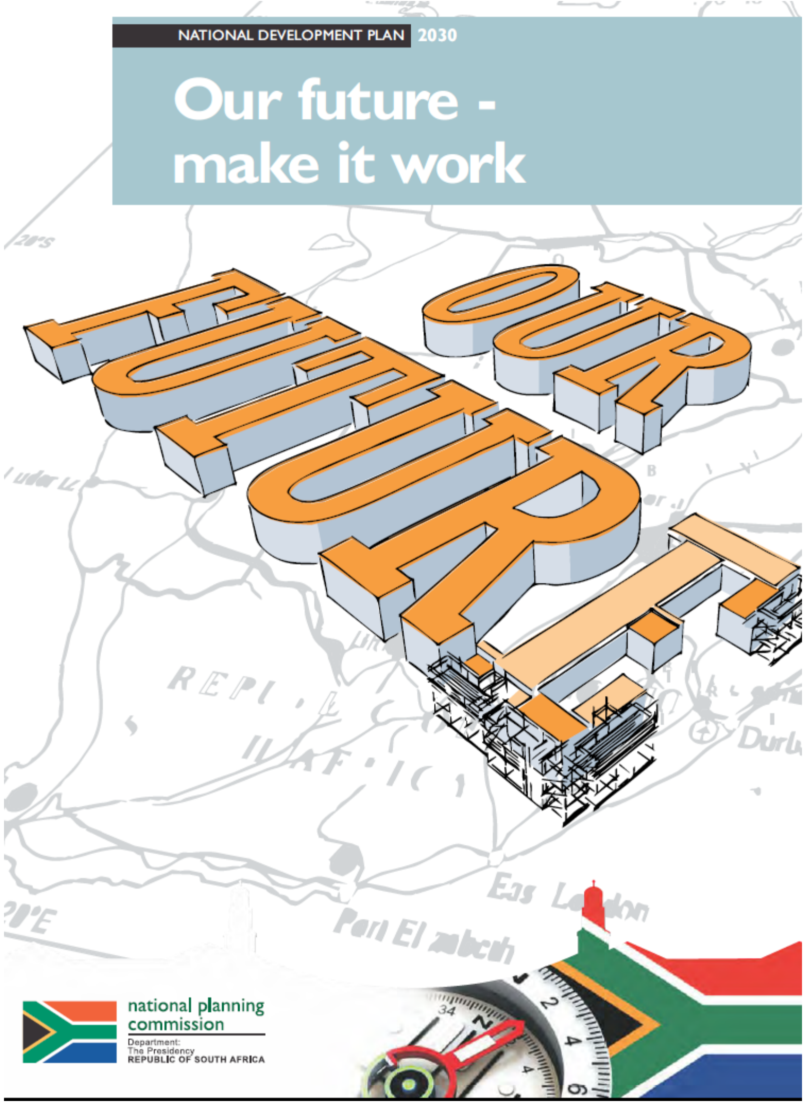
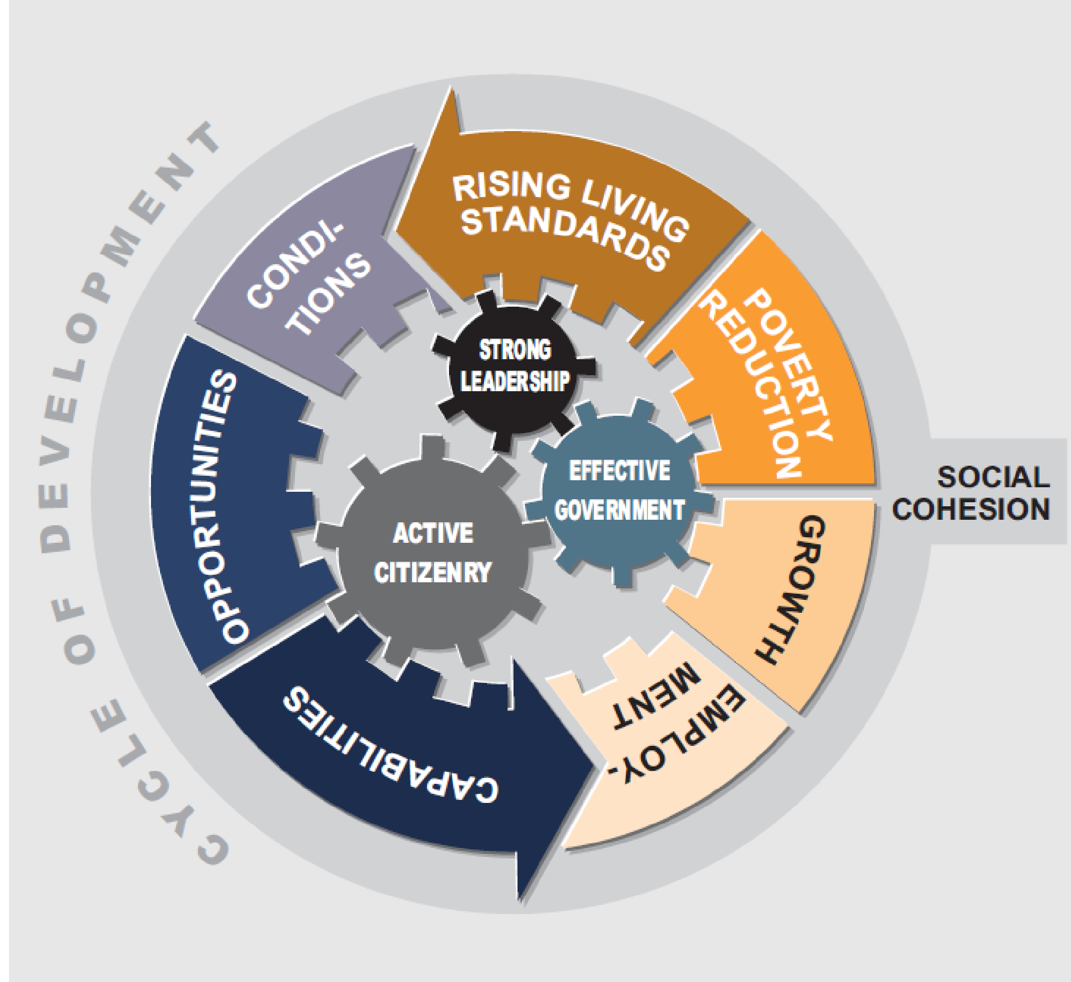


FIG 1.1 AN APPROACH TO CHANGE



For today…….

1. Political economy context:

   - Major Global & African risks and challenges
   - Major South African risks and challenges

2. **Food Security and Competitiveness imperative**

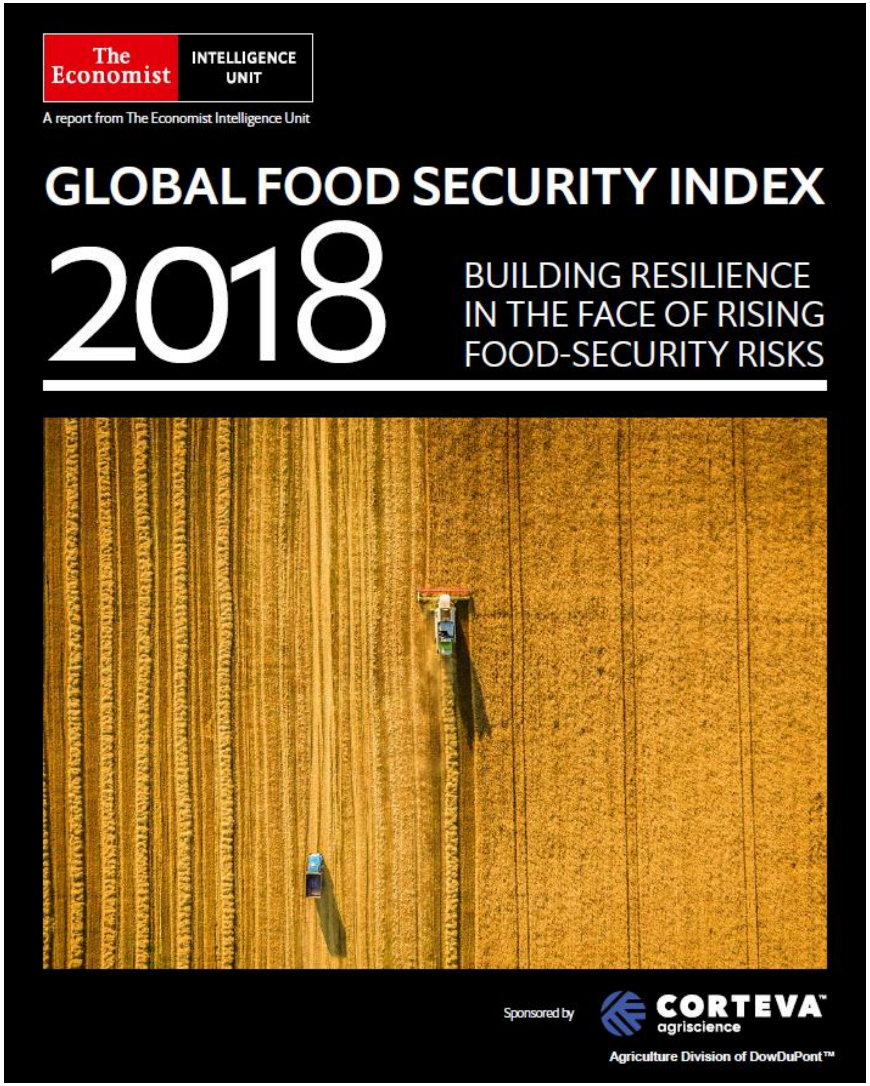
3. Confidence and growth in SA Agriculture

4. Major developments in legislative and policy environment

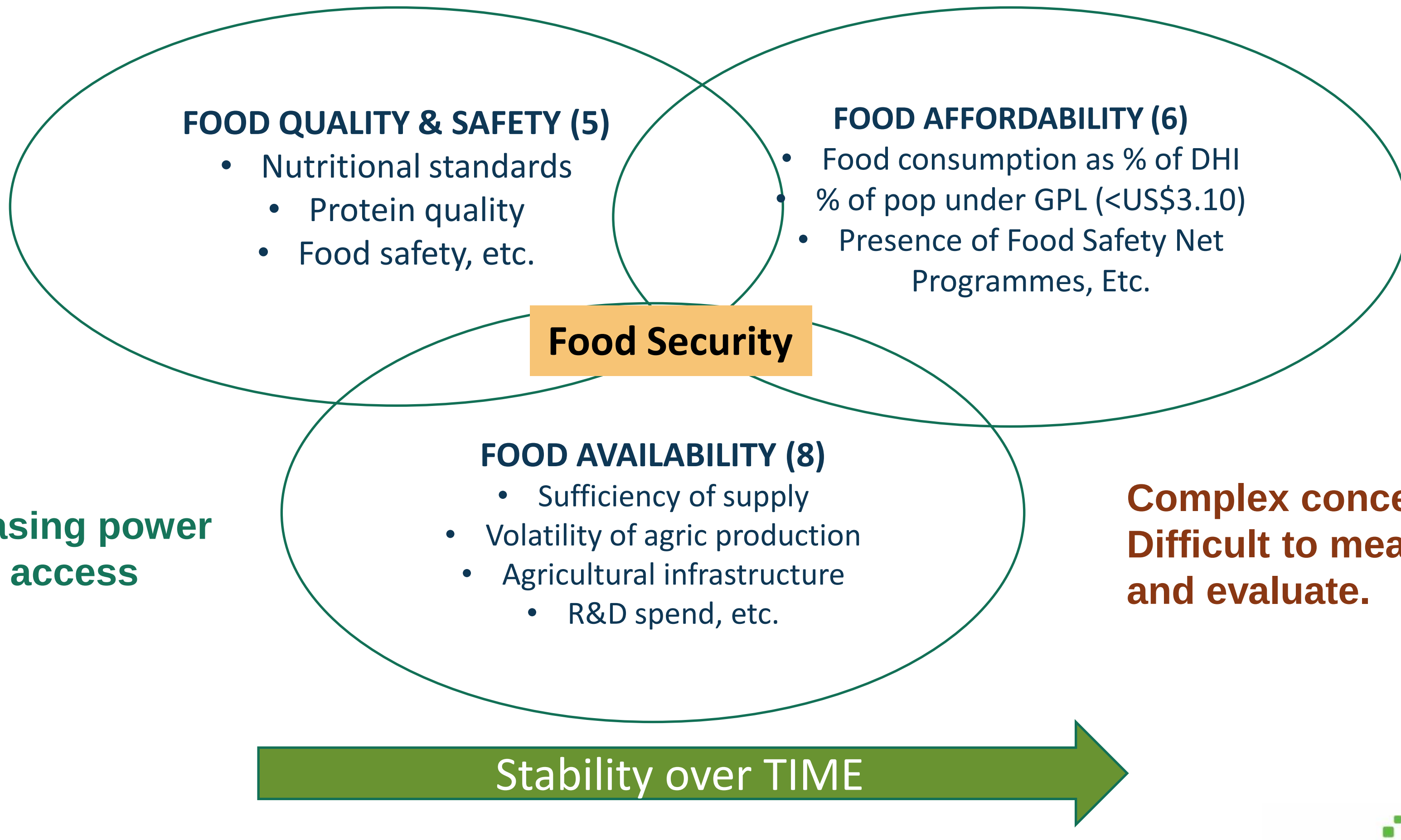
5. Covid-19 Impact

6. Wrap up

Food Security Imperative



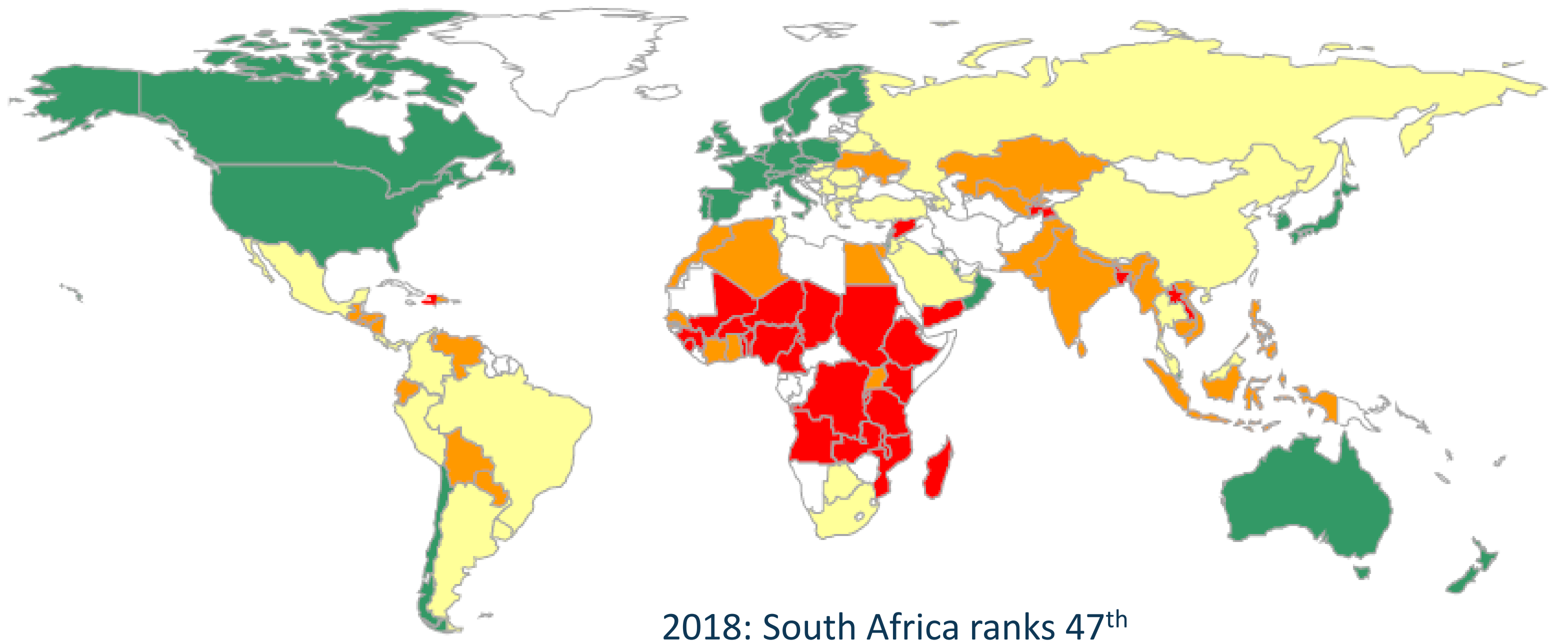
Components of Food Security



Purchasing power key to access

Complex concept: Difficult to measure and evaluate.

2017 Global Food Security Index



2018: South Africa ranks 47th

Score = Score in 2017, 0-100 where 100=best

Δ = Change in 2017 score compared with 2016

Green= score improved this year

Red = score deteriorated this year

VERY GOOD (TOP QUARTILE)	GOOD (3RD QUARTILE)	MODERATE (2ND QUARTILE)	WEAK (BOTTOM QUARTILE)
Score Δ	Score Δ	Score Δ	Score Δ

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

Source: Economist Intelligence Unit/DuPont

http://foodsecurityindex.eiu.com.

Competitiveness Imperative

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

Insight Report

The Global Competitiveness Report 2019

Klaus Schwab, World Economic Forum

Selected contextual indicators

Population millions	57.7	GDP (PPP) % world GDP	0.58
GDP per capita US$	6,377.3	5-year average FDI inward flow % GDP	1.0
10-year average annual GDP growth %	1.6		

Social and environmental performance

Environmental footprint gha/capita	3.4	Global Gender Gap Index 0-1 (gender parity)	0.8
Renewable energy consumption share %	17.2	Income Gini 0 (perfect equality) -100 (perfect inequality)	63.0
Unemployment rate %	27.0		

The Global Competitiveness Index 4.0 2019 Rankings

Covering 141 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.

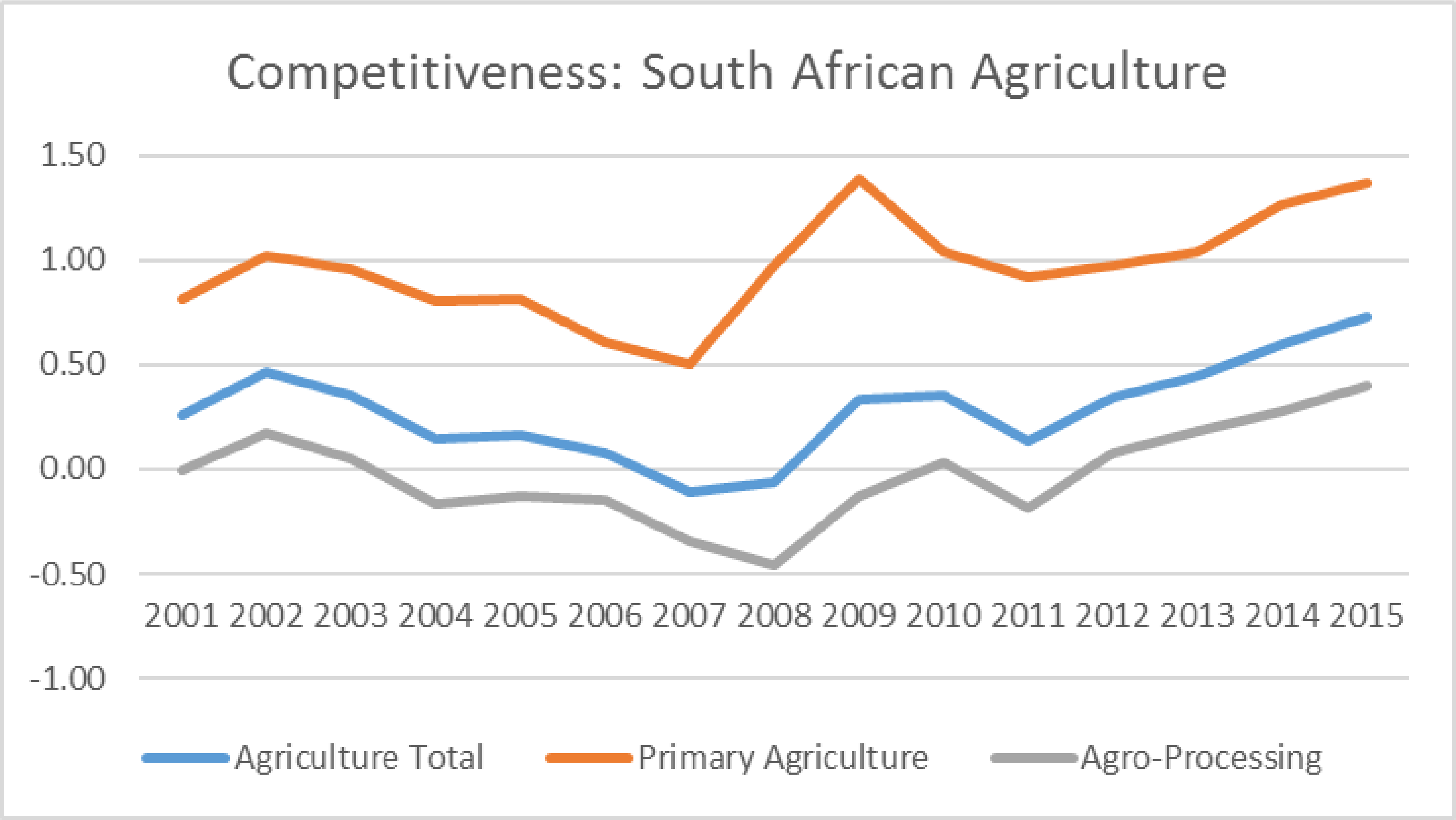
Rank	Economy	Score[1]	Diff. from 2018[2] Rank	Diff. from 2018[2] Score
1	Singapore	84.8	+1	+1.3
2	United States	83.7	−1	−2.0
3	Hong Kong SAR	83.1	+4	+0.9
4	Netherlands	82.4	+2	—
5	Switzerland	82.3	−1	−0.3
6	Japan	82.3	−1	−0.2
7	Germany	81.8	−4	−1.0
8	Sweden	81.2	+1	−0.4
9	United Kingdom	81.2	−1	−0.8
10	Denmark	81.2	—	+0.6
11	Finland	80.2	—	—
12	Taiwan, China	80.2	+1	+1.0
13	Korea, Rep.	79.6	+2	+0.8
14	Canada	79.6	−2	−0.3
15	France	78.8	+2	+0.8
16	Australia	78.7	−2	−0.1
17	Norway	78.1	−1	−0.1
18	Luxembourg	77.0	+1	+0.4
19	New Zealand	76.7	−1	−0.8
20	Israel	76.7	—	+0.1
21	Austria	76.6	+1	+0.3
22	Belgium	76.4	−1	−0.2
23	Spain	75.3	+3	+1.1
24	Ireland	75.1	−1	−0.6
25	United Arab Emirates	75.0	+2	+1.6
26	Iceland	74.7	−2	+0.2
27	Malaysia	74.6	−2	+0.2
28	China	73.9	—	+1.3
29	Qatar	72.9	+1	+1.9
30	Italy	71.5	+1	+0.8
31	Estonia	70.9	+1	+0.2
32	Czech Republic	70.9	−3	−0.3
33	Chile	70.5	—	+0.3
34	Portugal	70.4	—	+0.2
35	Slovenia	70.2	—	+0.6
36	Saudi Arabia	70.0	+3	+2.5
37	Poland	68.9	—	+0.7
38	Malta	68.5	−2	−0.2
39	Lithuania	68.4	+1	+1.2
40	Thailand	68.1	−2	+0.6
41	Latvia	67.0	+1	+0.7
42	Slovak Republic	66.8	−1	−0.1
43	Russian Federation	66.7	—	+1.1
44	Cyprus	66.4	—	+0.8
45	Bahrain	65.4	+5	+1.7
46	Kuwait	65.1	+8	+3.0
47	Hungary	65.1	+1	+0.8
48	Mexico	64.9	−2	+0.3
49	Bulgaria	64.9	+2	+1.3
50	Indonesia	64.6	−5	−0.3
51	Romania	64.4	+1	+0.9
52	Mauritius	64.3	−3	+0.5
53	Oman	63.6	−6	−0.8
54	Uruguay	63.5	−1	+0.8
55	Kazakhstan	62.9	+4	+1.1
56	Brunei Darussalam	62.8	+6	+1.3
57	Colombia	62.7	+3	+1.1
58	Azerbaijan	62.7	+11	[illegible]
59	Greece	62.6	−2	[illegible]
60	South Africa	62.4	+7	[illegible]
61	Turkey	62.1	—	[illegible]
62	Costa Rica	62.0	−7	[illegible]
63	Croatia	61.9	+5	+1.8
64	Philippines	61.9	−8	−0.3
65	Peru	61.7	−2	+0.4
66	Panama	61.6	−2	+0.6
67	Viet Nam	61.5	+10	+3.5
68	India	61.4	−10	−0.7
69	Armenia	61.3	+1	+1.4
70	Jordan	60.9	+3	+1.6
71	Brazil	60.9	+1	+1.4
72	Serbia	60.9	−7	—
73	Montenegro	60.8	−2	+1.2
74	Georgia	60.6	−8	−0.3
75	Morocco	60.0	—	+1.5
76	Seychelles	59.6	−2	+1.1
77	Barbados	58.9	n/a	n/a
78	Dominican Republic	58.3	+4	+0.9
79	Trinidad and Tobago	58.3	−1	+0.4
80	Jamaica	58.3	−1	+0.4
81	Albania	57.6	−5	−0.5
82	North Macedonia	57.3	+2	+0.7
83	Argentina	57.2	−2	−0.3
84	Sri Lanka	57.1	+1	+1.1
85	Ukraine	57.0	−2	—
86	Moldova	56.7	+2	+1.2
87	Tunisia	56.4	—	+0.8
88	Lebanon	56.3	−8	−1.4
89	Algeria	56.3	+3	+2.5
90	Ecuador	55.7	−4	−0.1
91	Botswana	55.5	−1	+1.0
92	Bosnia and Herzegovina	54.7	−1	+0.6
93	Egypt	54.5	+1	+1.0
94	Namibia	54.5	+6	+1.8
95	Kenya	54.1	−2	+0.5
96	Kyrgyz Republic	54.0	+1	+1.0
97	Paraguay	53.6	−2	+0.3
98	Guatemala	53.5	−2	+0.2
99	Iran, Islamic Rep.	53.0	−10	−1.9
100	Rwanda	52.8	+8	+1.9
101	Honduras	52.7	—	+0.2
102	Mongolia	52.6	−3	−0.1
103	El Salvador	52.6	−5	−0.2
104	Tajikistan	52.4	−2	+0.2
105	Bangladesh	52.1	−2	—
[illegible]	[illegible]	52.1	+4	+1.9
[illegible]	[illegible]	51.8	−2	+0.4
[illegible]	[illegible]	51.6	+1	+0.8
[illegible]	Nicaragua	51.5	−5	—
110	Pakistan	51.4	−3	+0.3
111	Ghana	51.2	−5	−0.1
112	Cape Verde	50.8	−1	+0.6
113	Lao PDR	50.1	−1	+0.8
114	Senegal	49.7	−1	+0.7
115	Uganda	48.9	+2	+2.1
116	Nigeria	48.3	−1	+0.8
117	Tanzania	48.2	−1	+1.0
118	Côte d'Ivoire	48.1	−4	+0.6
119	Gabon	47.5	n/a	n/a
120	Zambia	46.5	−2	+0.5
121	Eswatini	46.4	−1	+1.1
122	Guinea	46.1	+4	+2.9
123	Cameroon	46.0	−2	+0.9
124	Gambia, The	45.9	−5	+0.5
125	Benin	45.8	−2	+1.4
126	Ethiopia	44.4	−4	−0.1
127	Zimbabwe	44.2	+1	+1.6
128	Malawi	43.7	+1	+1.3
129	Mali	43.6	−4	—
130	Burkina Faso	43.4	−6	−0.5
131	Lesotho	42.9	−1	+0.6
132	Madagascar	42.9	n/a	n/a
133	Venezuela	41.8	−6	−1.3
134	Mauritania	40.9	−3	+0.1
135	Burundi	40.3	+1	+2.7
136	Angola	38.1	+1	+1.1
137	Mozambique	38.1	−4	−1.7
138	Haiti	36.3	—	−0.1
139	Congo, Dem. Rep.	36.1	−4	−2.1
140	Yemen	35.5	−1	−0.9
141	Chad	35.1	−1	−0.4

East Asia and the Pacific · Eurasia · Europe and North America · Latin America and the Caribbean · Middle East and North Africa · South Asia · Sub-Saharan Africa

2016 = 47th
2017 = 61st
2018 = 67th
2019 = 60th

WEF Global Risk Report 2020

South African Agricultural Sector



agbiz

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. Covid-19 Impact

6. Wrap up

For today…….

1. Political economy:

   - Major Global & African risks and challenges
   - Major South African risks and challenges

2. Food Security and Competitiveness imperative

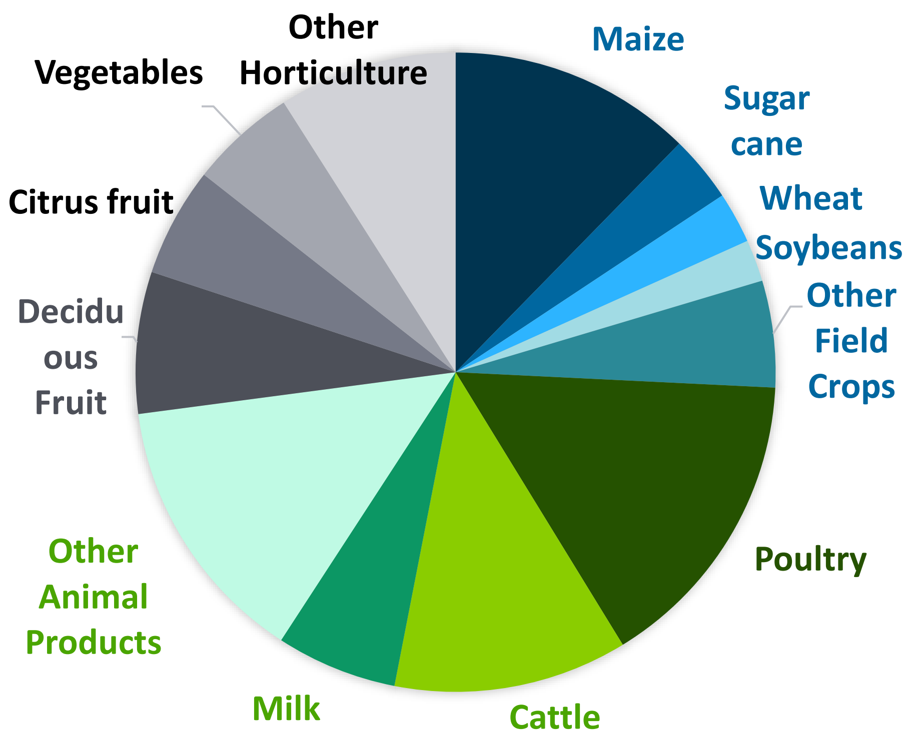
3. **Confidence and growth in SA Agriculture**

4. Legislative and policy environment

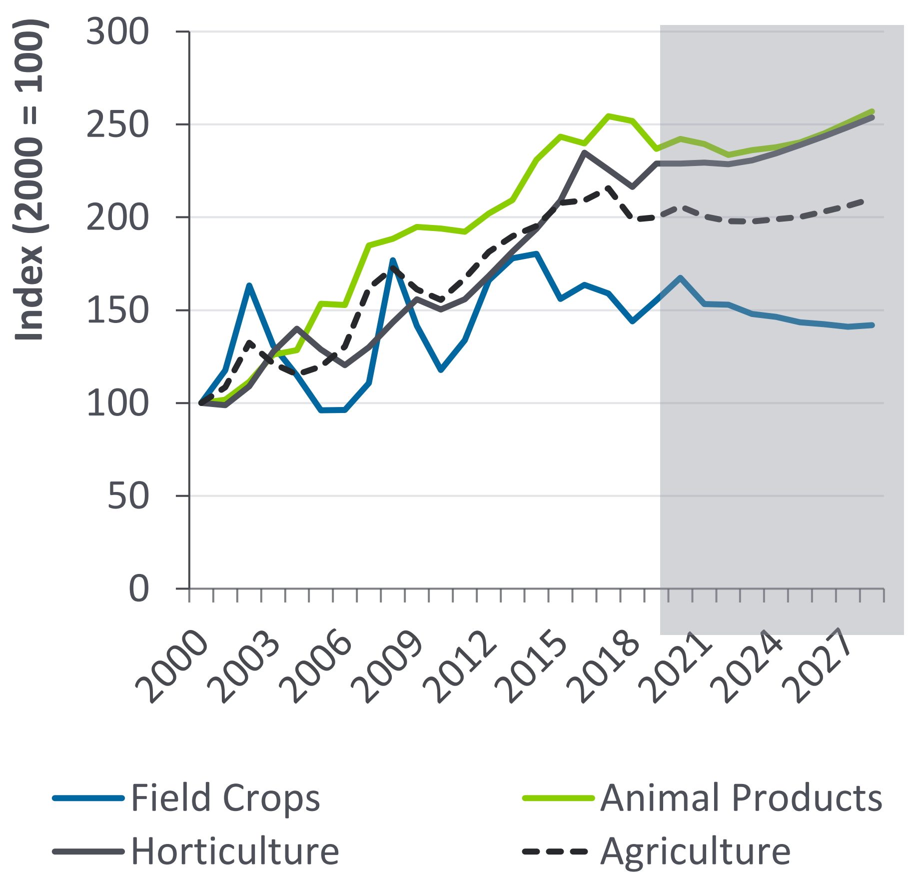
5. Wrap up

Agric Subsector Performance

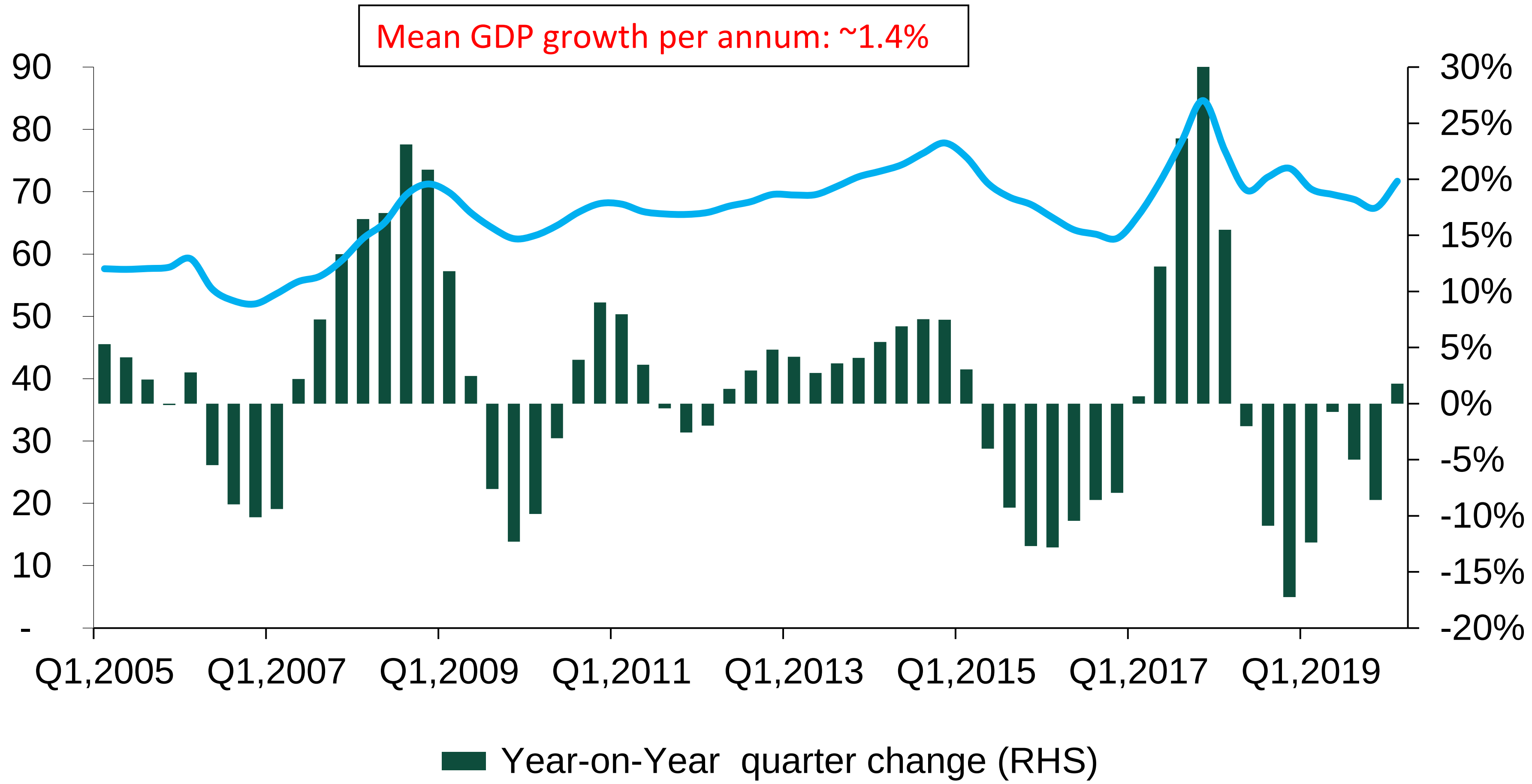
5-year average share



Subsector Performance: Gross Production Value



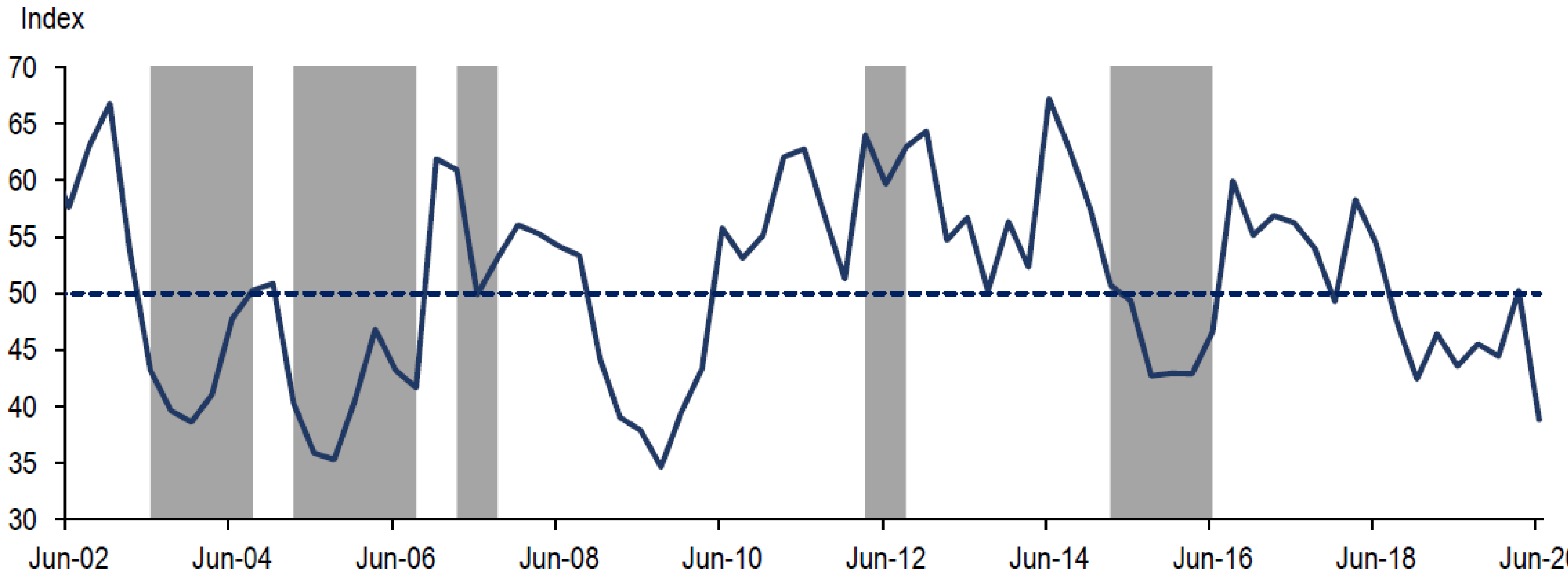
SA Agriculture, Forestry & Fisheries GDP: 2005 -2020



Source: Stats SA, Agbiz Research

Inconsistencies in policy impacts agricultural business confidence and investment – major drop in Q2 2020

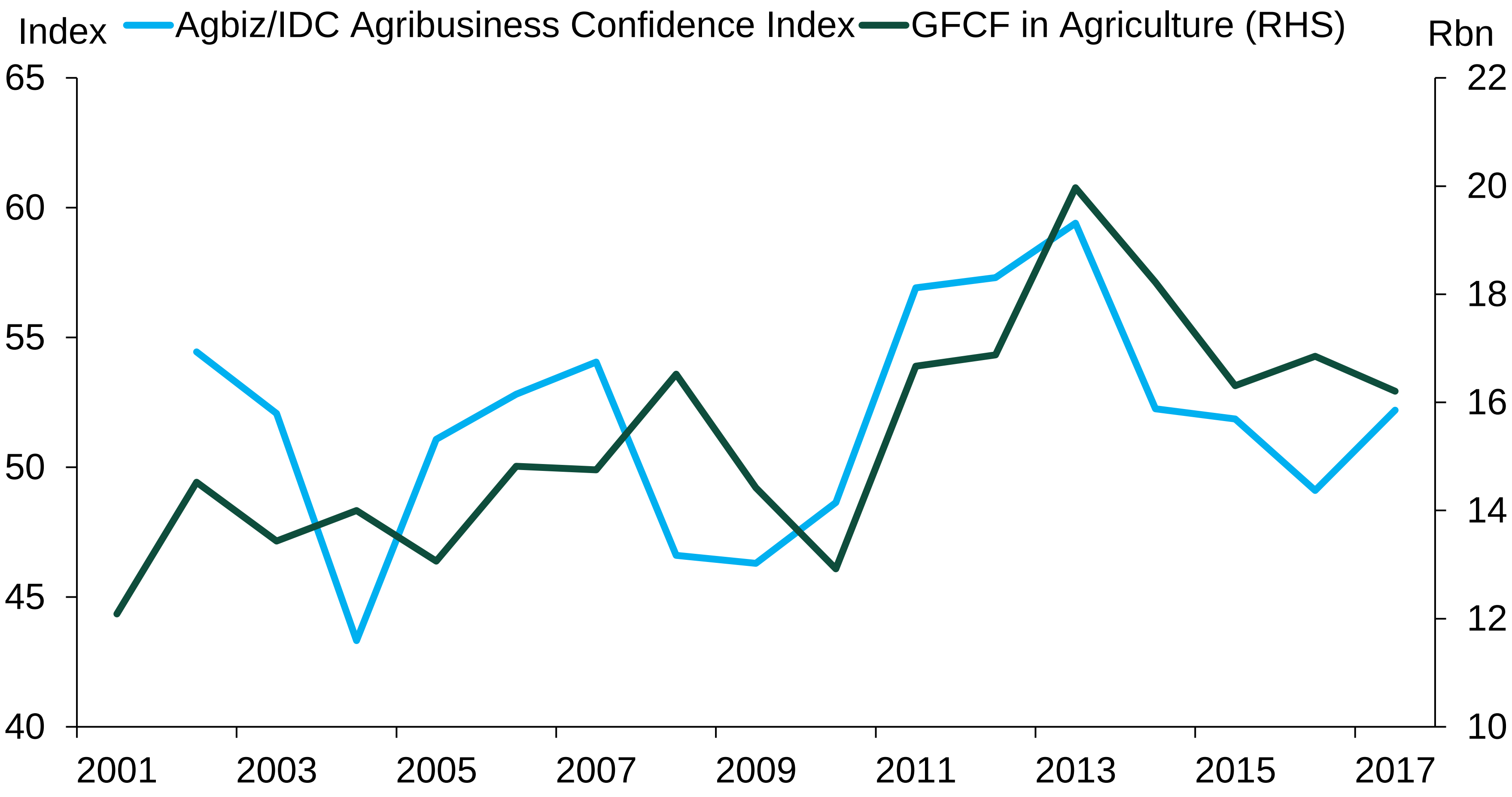
Figure 1: Agbiz/IDC Agribusiness Confidence Index[1]



Source: Agbiz Research, South African Weather Service
(Shaded areas indicate periods when rainfall across South Africa was below the average level of 500 millimetres)

(Shaded areas indicate periods when rainfall across South Africa was below the average level of 500 millimetres)

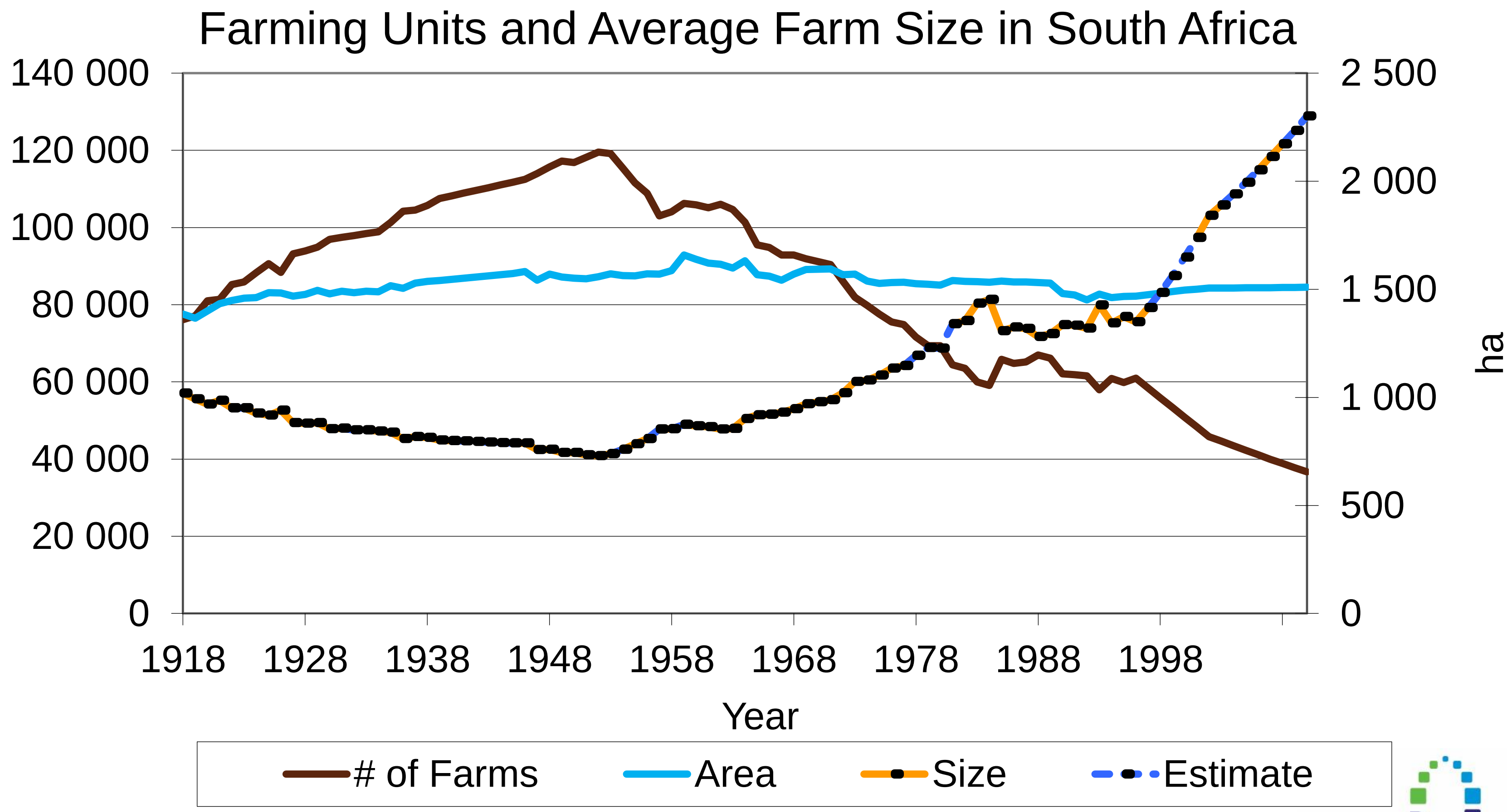
Fortunately, there has not been disinvestment in SA agriculture thus far



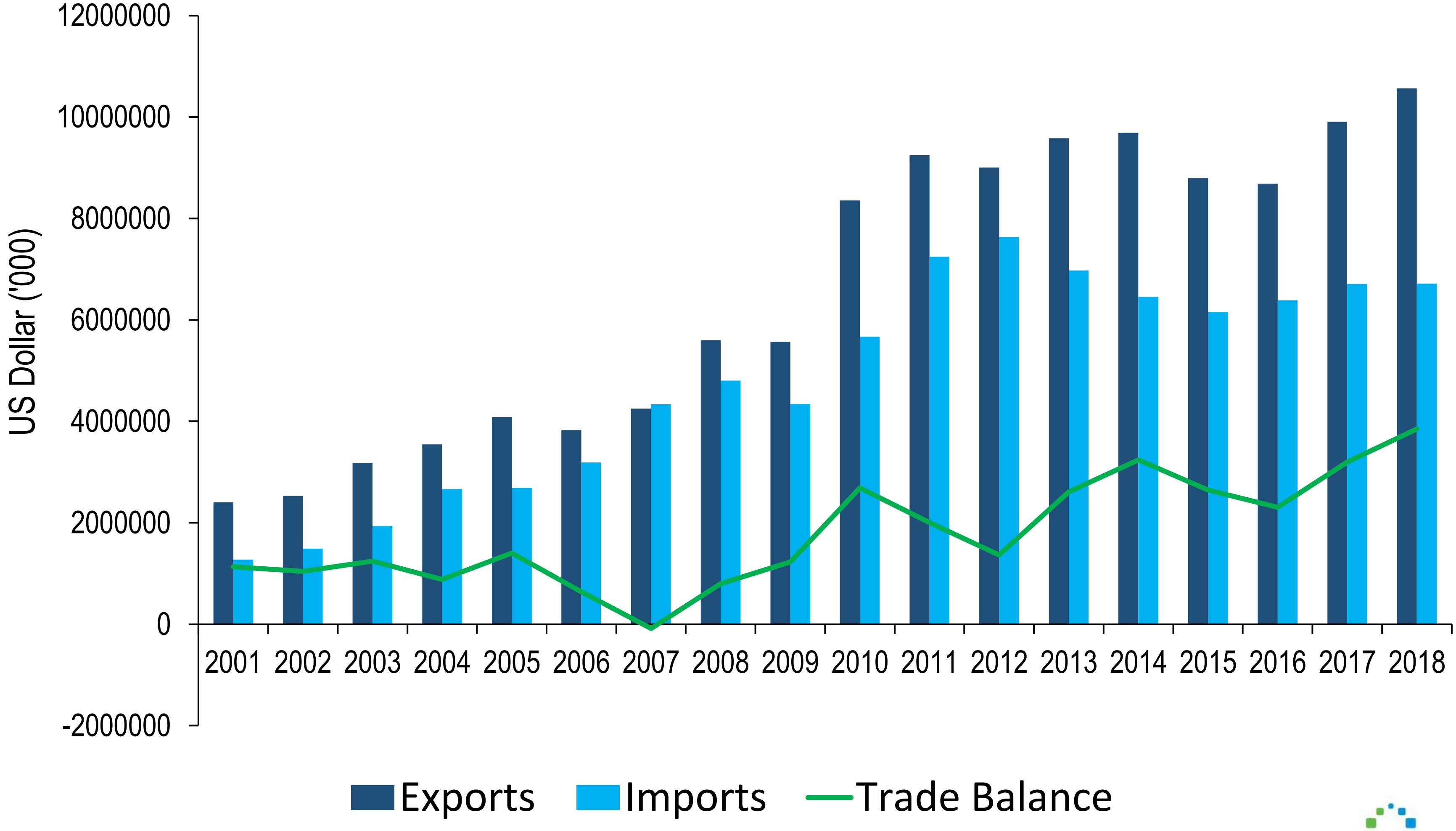
Evolution of farm sizes in SA: mechanisation has been key in this process

Number of farms

Farm size

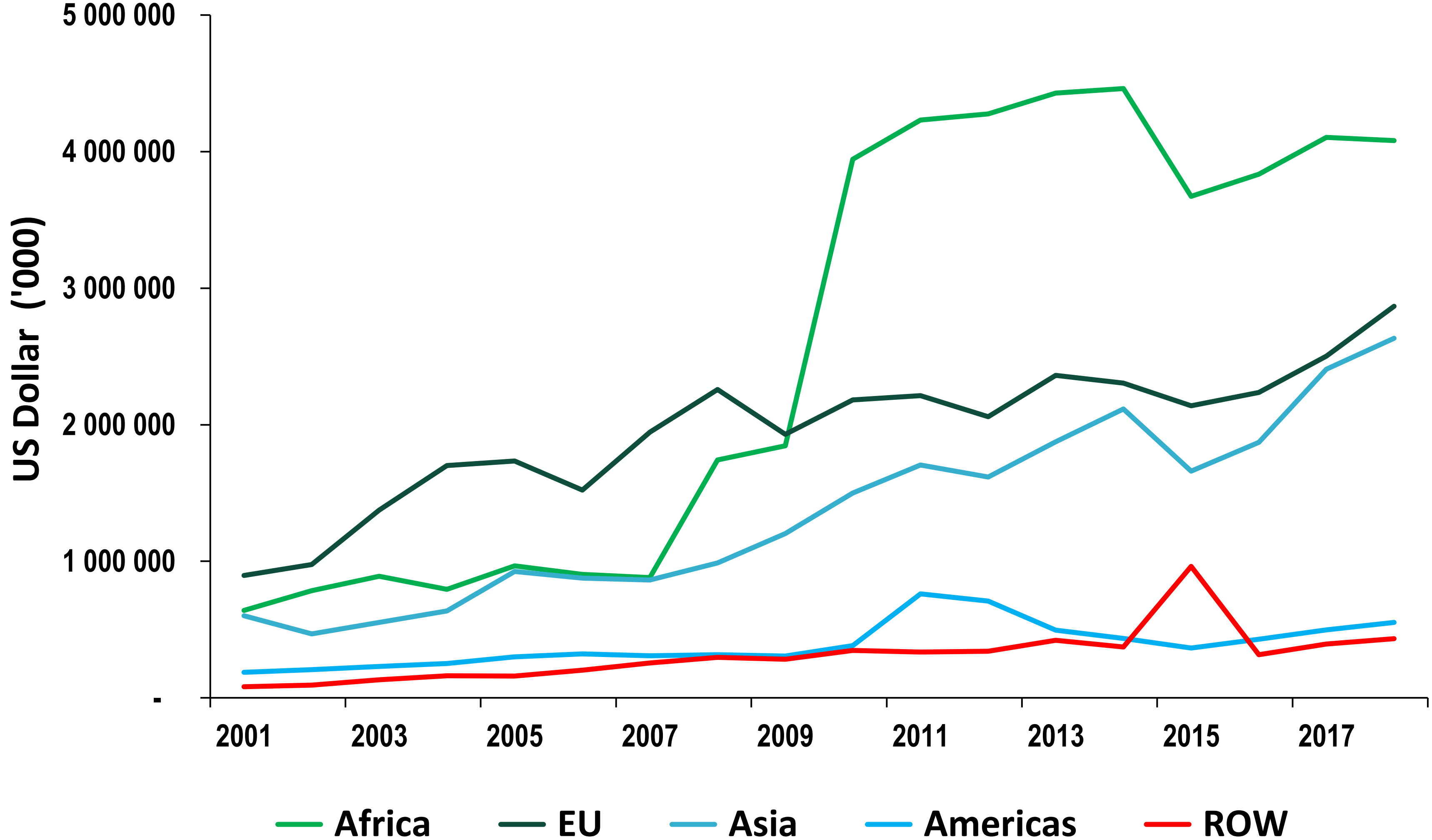


SA's Agricultural imports, exports & trade balance



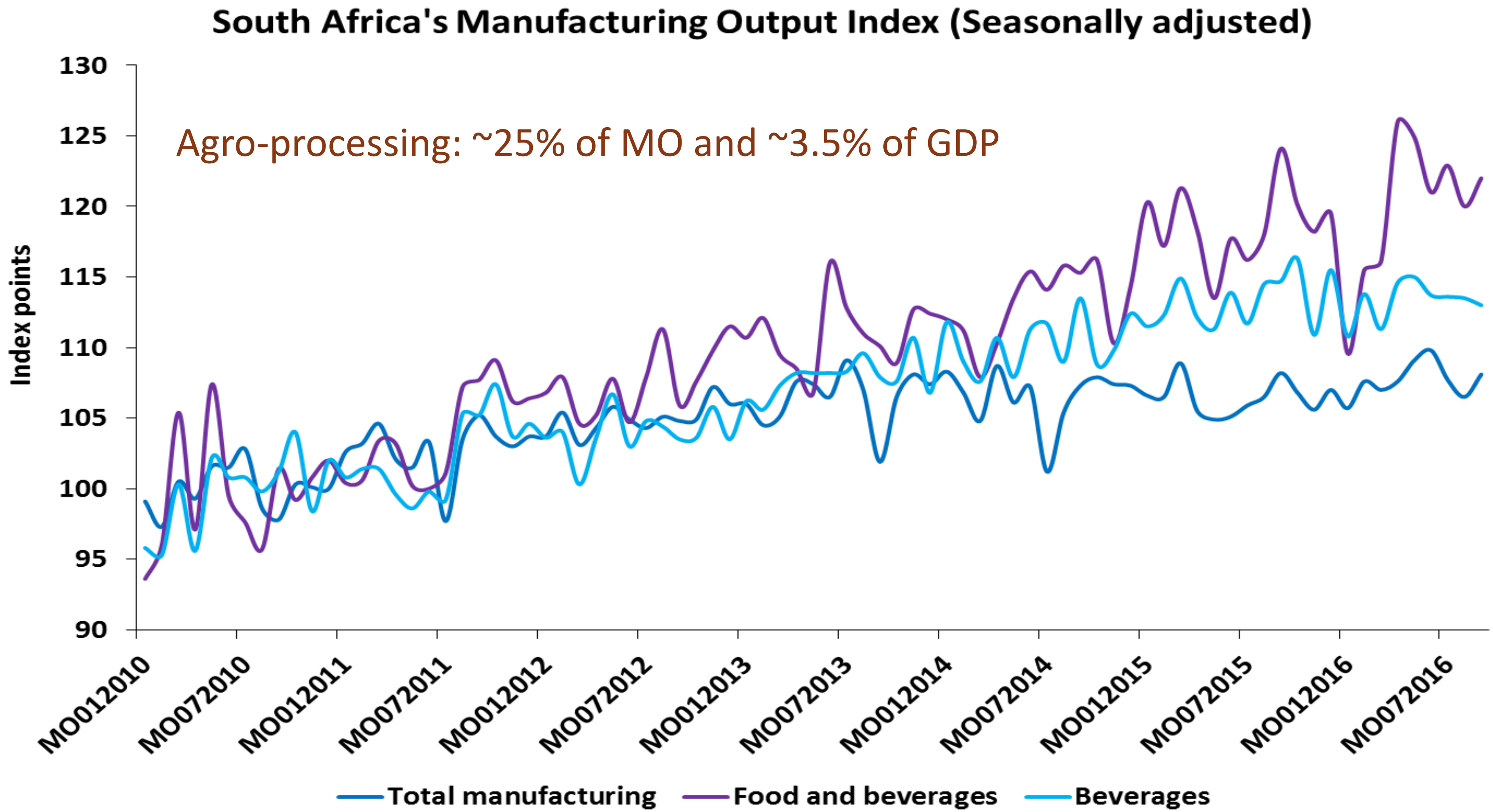
Source: ITC, Agbiz Research

South Africa's agricultural exports by region

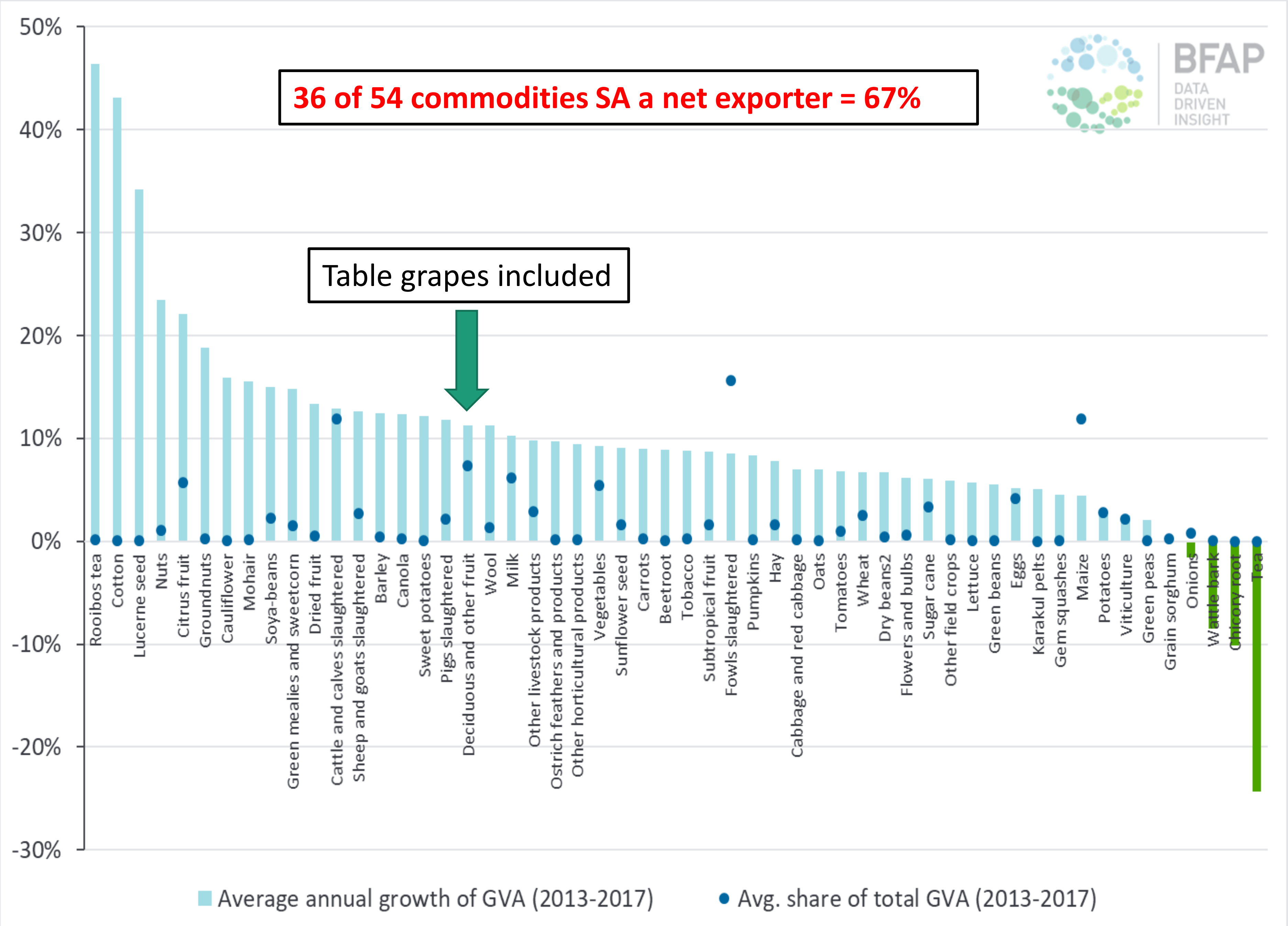


Source: ITC, Agbiz Research
***ROW** represents Rest of the World*

Indexed GDP: Agro-processing vs Manufacturing Output

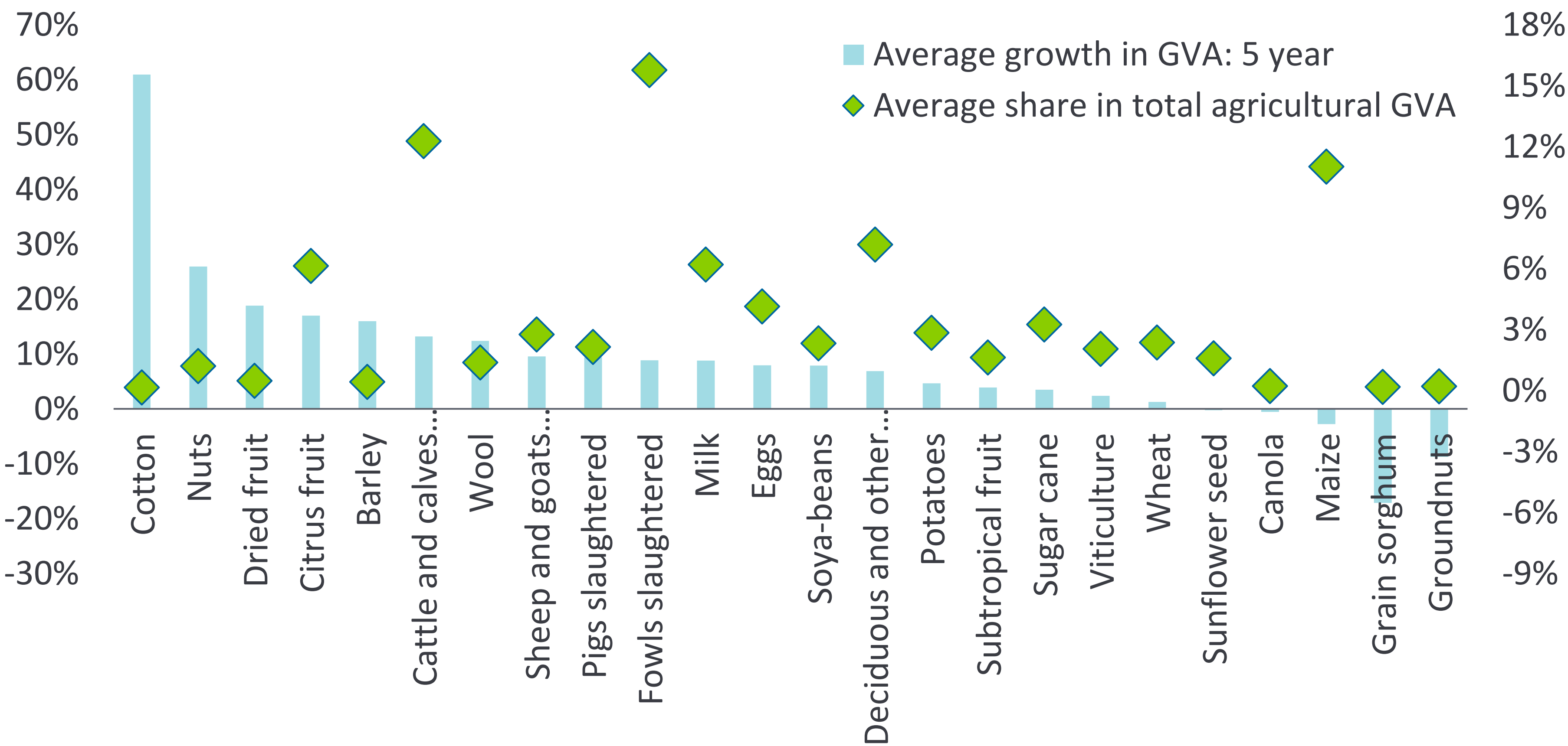


Source: Stats SA, Agbiz Research


36 of 54 commodities SA a net exporter = 67%
Table grapes included
BFAP
DATA DRIVEN INSIGHT
50%
40%
30%
20%
10%
0%
-10%
-20%
-30%
Rooibos tea
Cotton
Lucerne seed
Nuts
Citrus fruit
Groundnuts
Cauliflower
Mohair
Soya-beans
Green mealies and sweetcorn
Dried fruit
Cattle and calves slaughtered
Sheep and goats slaughtered
Barley
Canola
Sweet potatoes
Pigs slaughtered
Deciduous and other fruit
Wool
Milk
Other livestock products
Ostrich feathers and products
Other horticultural products
Vegetables
Sunflower seed
Carrots
Beetroot
Tobacco
Subtropical fruit
Fowls slaughtered
Pumpkins
Hay
Cabbage and red cabbage
Oats
Tomatoes
Wheat
Dry beans2
Flowers and bulbs
Sugar cane
Other field crops
Lettuce
Green beans
Eggs
Karakul pelts
Gem squashes
Maize
Potatoes
Viticulture
Green peas
Grain sorghum
Onions
Wattle bark
Chicory root
Tea
Average annual growth of GVA (2013-2017)
Avg. share of total GVA (2013-2017)

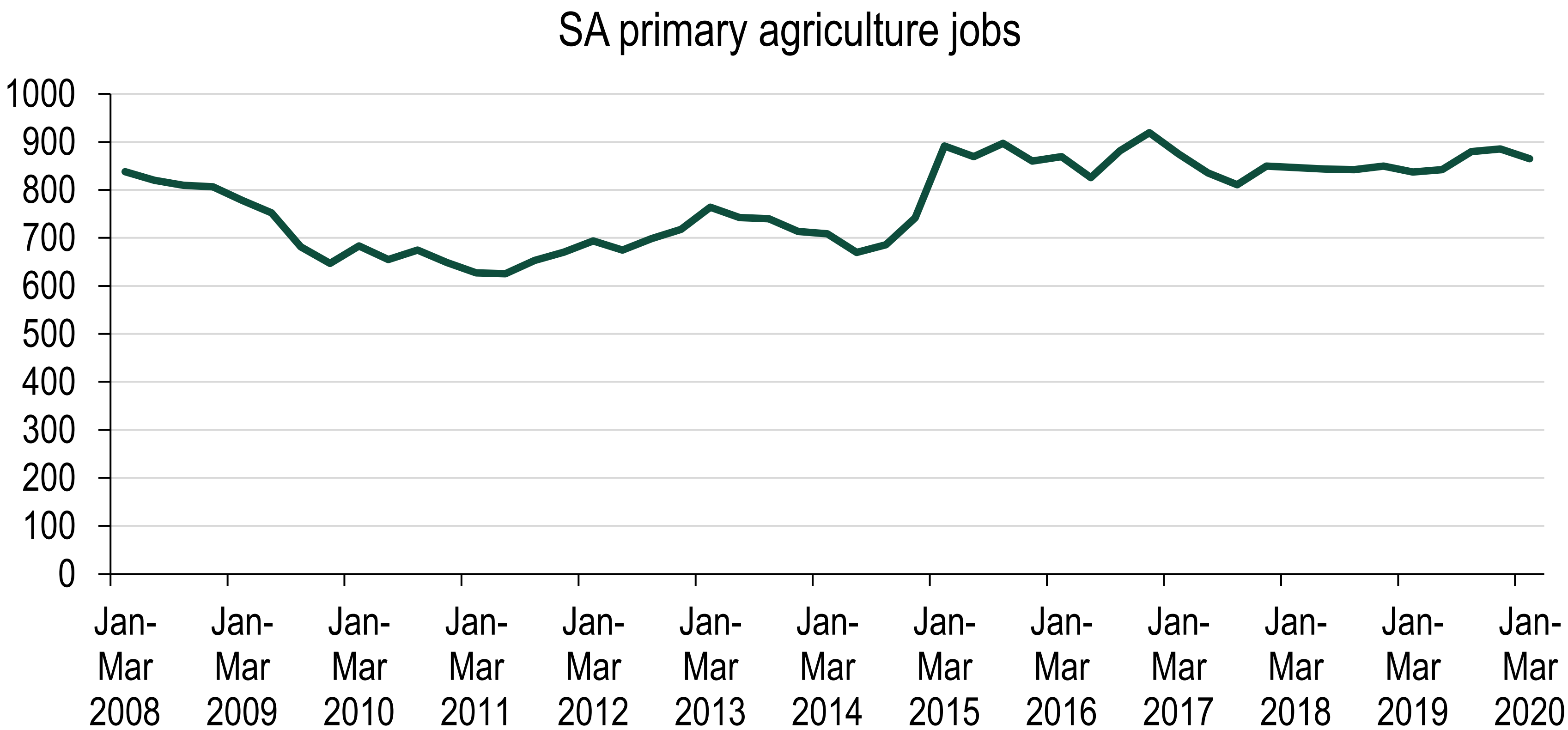
High-growth industries are on track

Gross Value of Agricultural Production



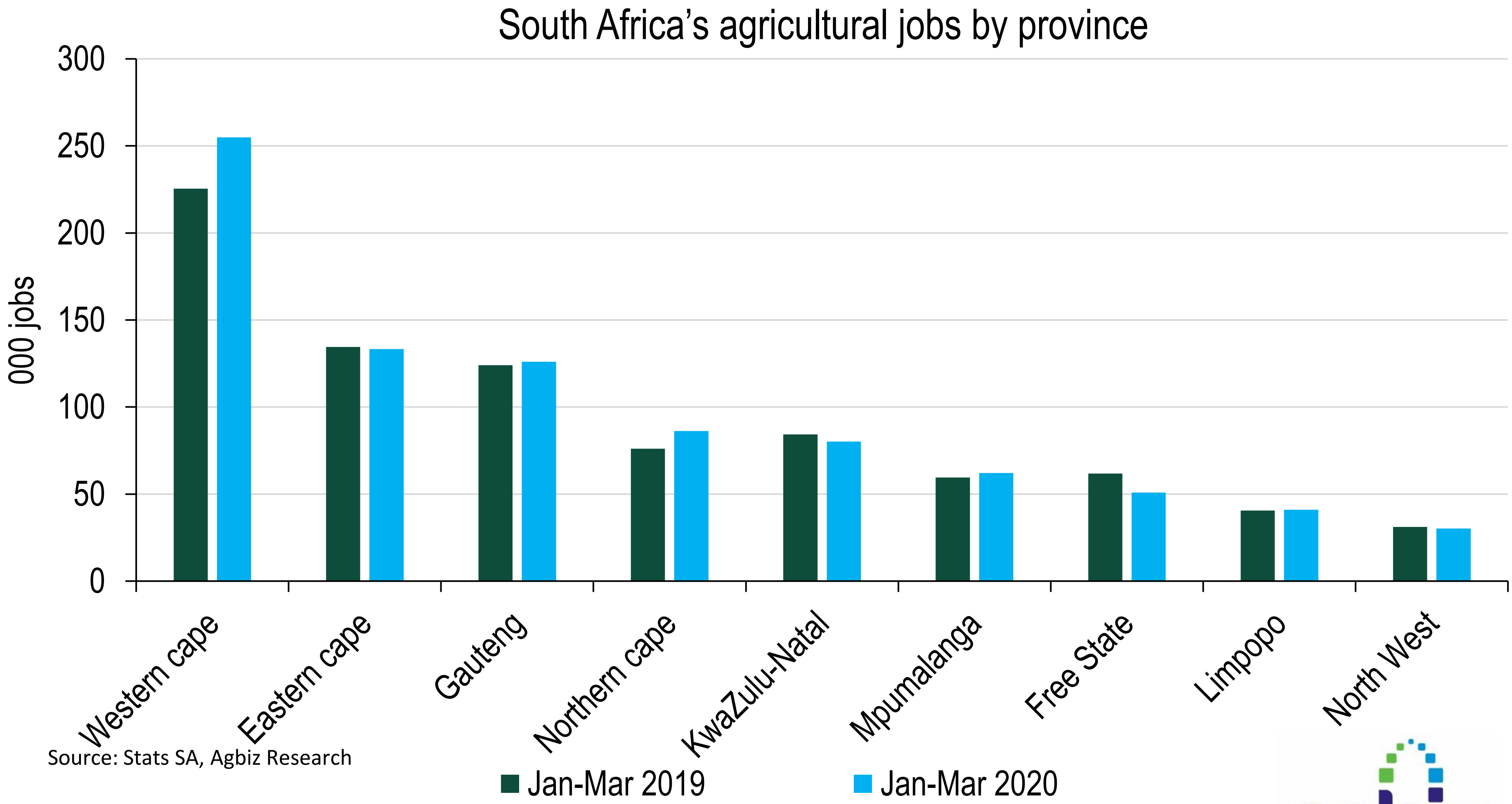
Source: DAFF, 2019

SA primary agriculture jobs



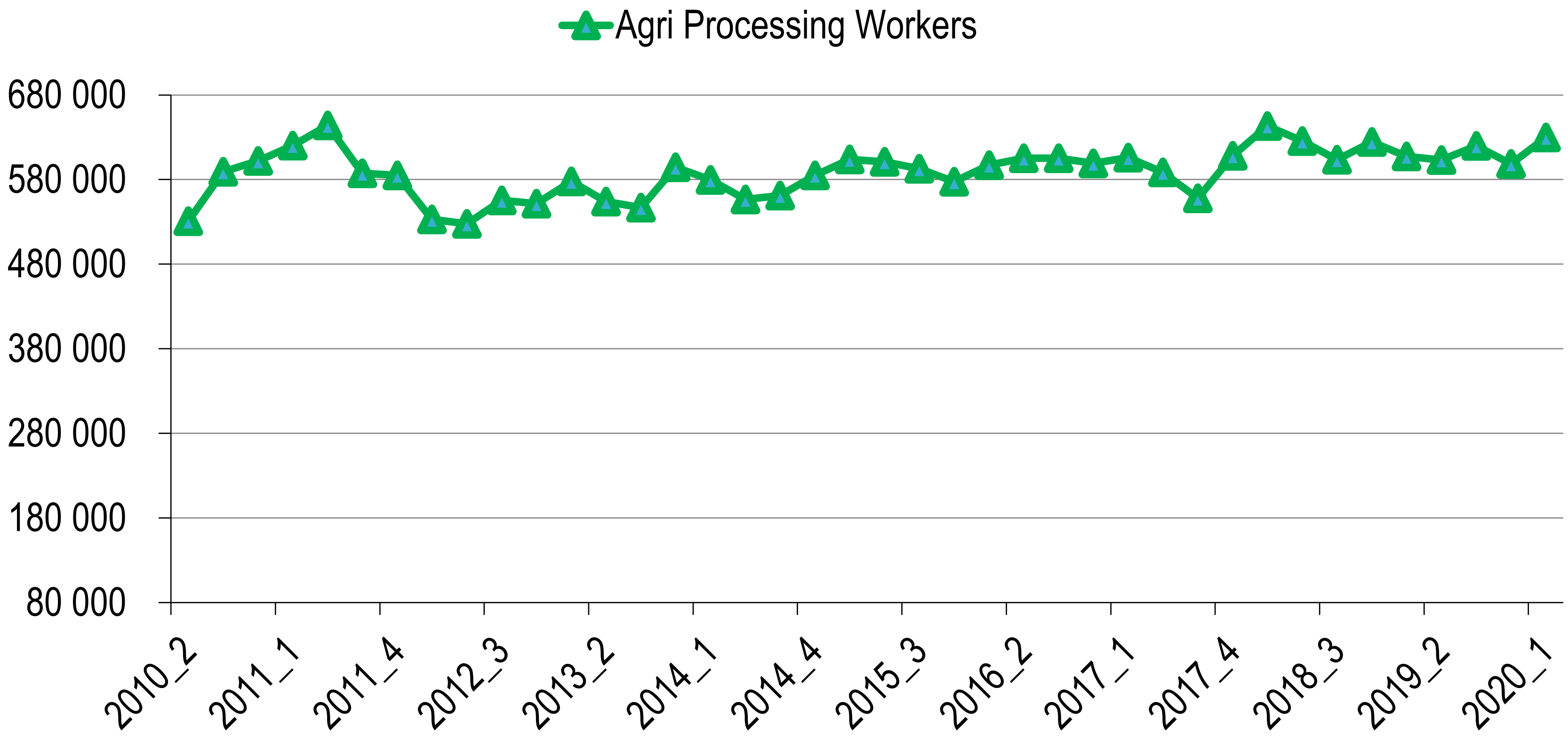
Source: Stats SA, Agbiz Reserach

SA primary agriculture jobs per province



Source: Stats SA, Agbiz Research

SA agro-processing jobs



Source: Stats SA, Western Cape Department of Agriculture

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. Covid-19 Impact

6. Wrap up

The current policymakers' thinking revolves around these aspects

- Inclusive growth and job 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

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?)

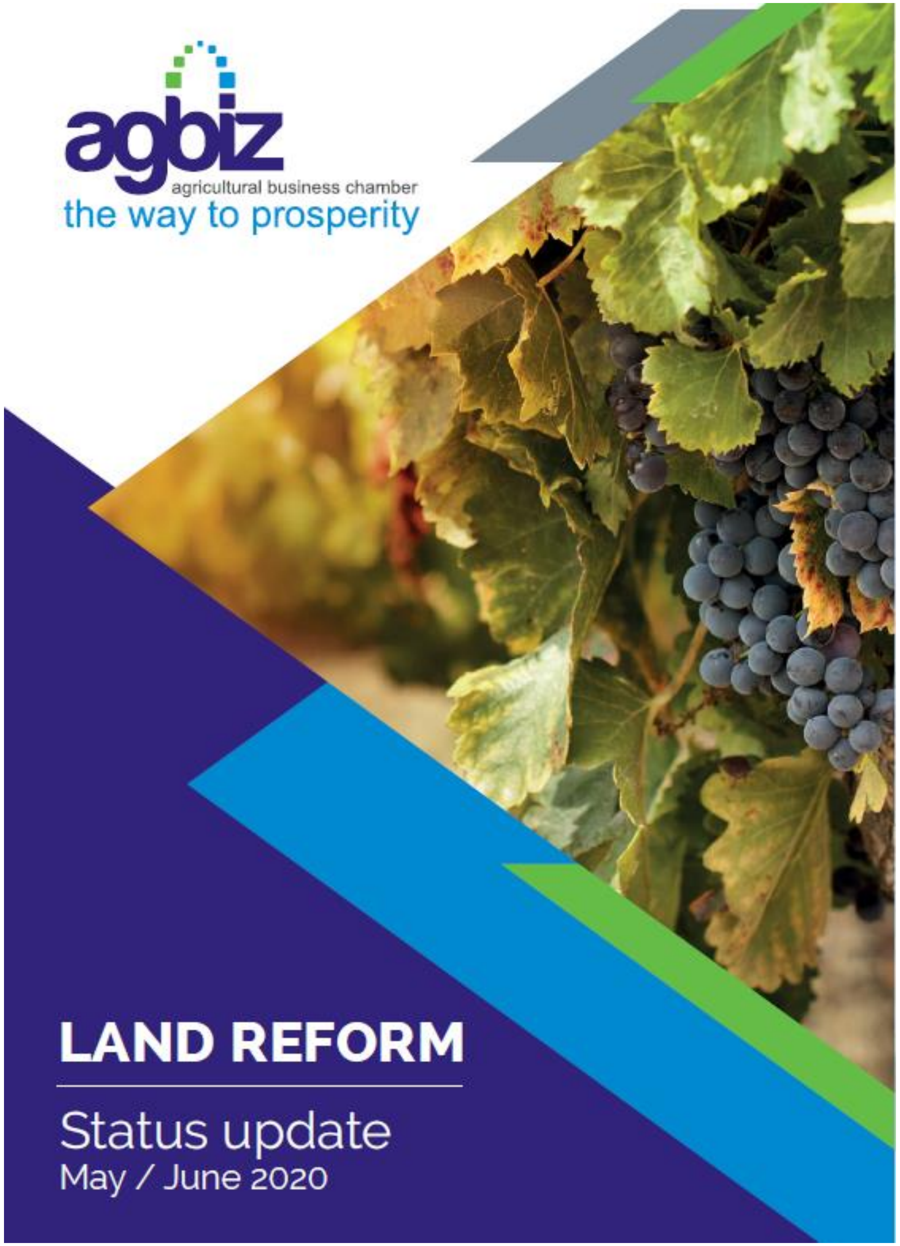
2. Carbon Tax Act (implemented) and Climate Change Bill (In Nedlac) - contentious

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?)

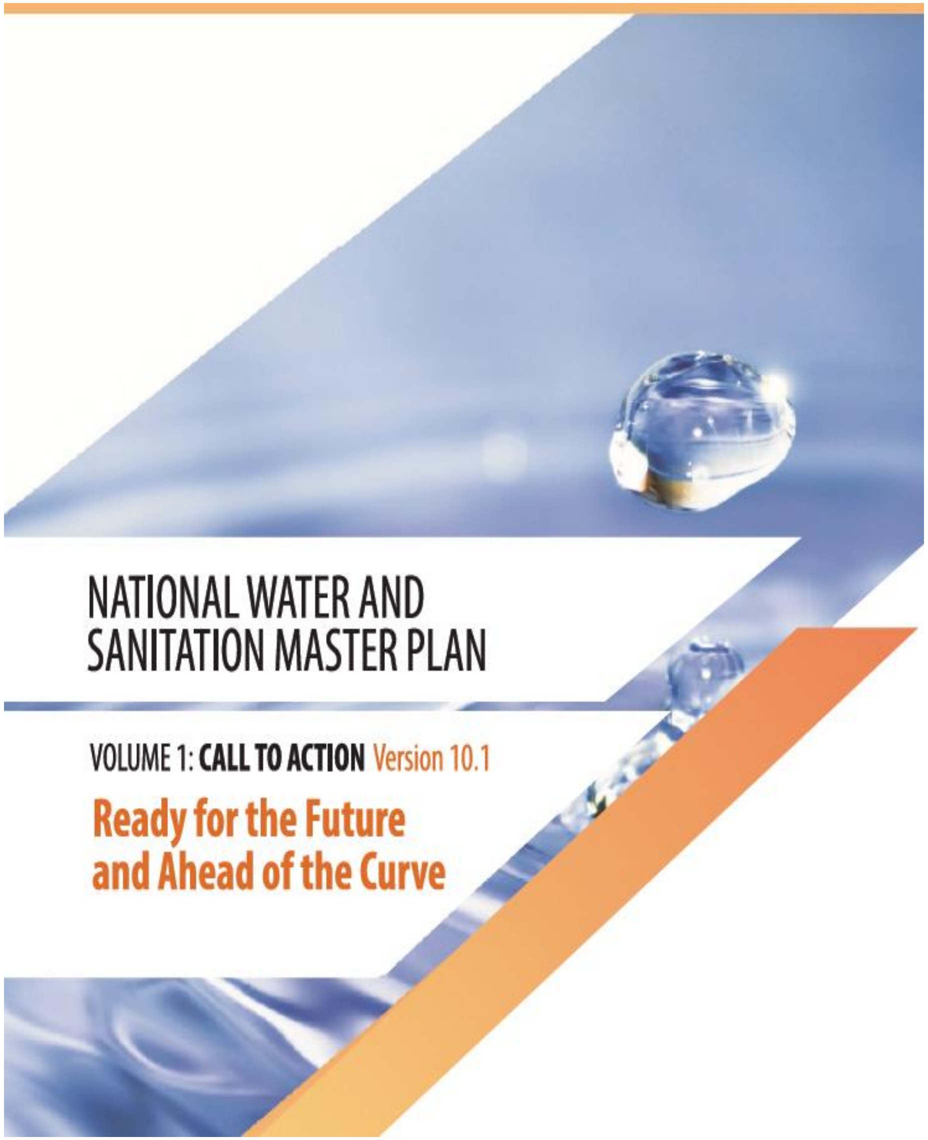
5. Land reform:
   - **Expropriation without Compensation – Re-establishment of Parliamentary subcommittee to propose wording to National Assembly**
   - Regulation of Agricultural Landholdings Bill – in Nedlac but suspended.
   - Valuation Regulations (Property Valuation Act) – Recent Court judgement 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



Contents

agbiz


NATIONAL WATER AND SANITATION MASTER PLAN
VOLUME 1: CALL TO ACTION Version 10.1
Ready for the Future and Ahead of the Curve

Contents

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)
4. Masterplan process

Government has embarked on a Masterplan initiative which is essentially a partnership model between government, business and labour in a Nedlac approach of social dialogue to establish an environment conducive for investment and inclusive economic growth in the sector.

To quote President Ramaphosa at the Investment Summit of 6 November 2019:

- ***We are on a path of removing impediments and constraints to inclusive growth.*** *We have embarked on a path that is illuminated by* ***policy consistency and regulatory certainty, fiscal responsibility, and decisive interventions to stimulate economic activity****.*
- *Central to our efforts to ignite growth and create jobs* ***is an ambitious execution oriented industrial strategy founded on partnerships between government, labour and industry****. It prioritises growth in important sectors such as automotive, clothing and textiles, gas, chemicals and plastics, tourism, renewable energy, oceans economy,* ***agriculture and agro-processing****, mining and beneficiation, the digital economy and the high-tech industries.*
- ***Master plans for each of these sectors will ensure that infrastructure, skills, incentives and other resources are directed towards where they have the greatest impact.*** *Today we will witness the signing of master plans for the poultry and the clothing, textile and footwear industries.*

Pres Ramaphosa reiterated the position of Masterplans at BUSA's Business Economic Indaba 2020 on 14 January 2020, as well as in SONA, February 2020.

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. **Covid-19 Impact**

6. Wrap up

Outline

1. **Observations and learnings of COVID-19 on agriculture**

    - Global impact and developments
    - Domestic impact and developments
    - Government engagement – critically important

2. Inclusive growth strategy for South African Agriculture

3. Take home message…!

Global agriculture is still in remarkably uncertain territory

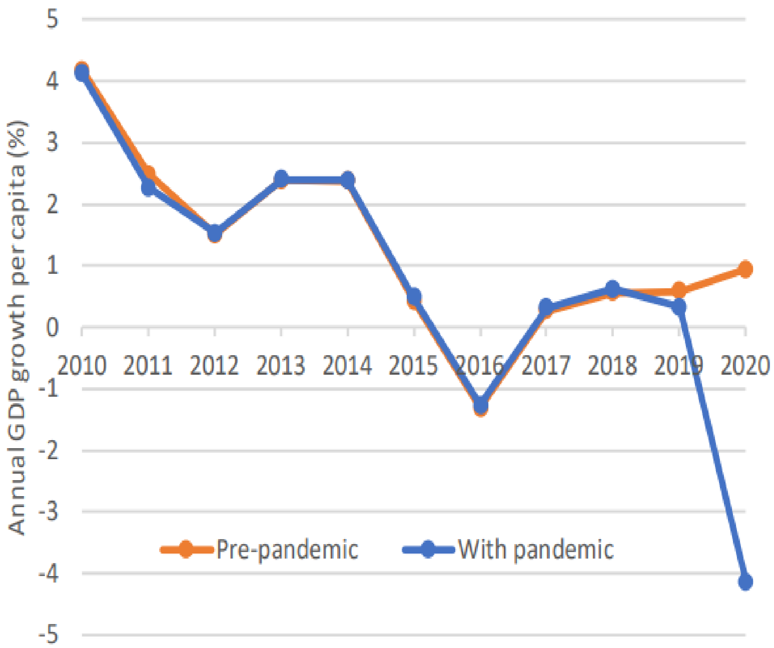
- Major supply and demand disruptions
- Demand-side: Changing consumer patterns on food spend.
- Protectionist policies and trade restrictions (Cambodia, Vietnam, Russia, etc.)
- Logistical and supply chain challenges/disruptions (India, Nigeria, Kenya, South Africa, etc.)
- Food waste amid closure of restaurants (USA, Belgium, Canada, etc.)
- Labour shortages due to lockdown (France, Netherlands, Germany, etc.)
- Agro-processing workplace closures due to Covid-19 cases, e.g. meat-packers in USA.

SA agriculture not as hard hit by the COVID 19 pandemic

- **SA agricultural sector was already constrained** prior to the outbreak of COVID-19 due to a series of droughts and biosecurity issues, amongst other aspects.
- **Estimate a 10% y/y recovery in SA agricultural GDP for 2020.** Some risks though!
- **Number of agricultural products originally not classified as essential services** during AL5 lockdown and were therefore interrupted until May 1 when AL4 regulations kicked in. These included wool, cotton, mohair & wine and the state needed to re-open their operations, which it did. **But Wine & Tobacco industries?!**
- **Exports of all agricultural products now allowed.** Port capacity has improved, but still a major concern.
- Some concerns as to whether **global demand for SA exports** will remain vibrant, amid shutdowns and economic distress in various countries. Variable across products and regions – Africa?
- **Local demand declined**, due to informal market disruption, closures of restaurants and QSR's, etc. Recovered quite well now.

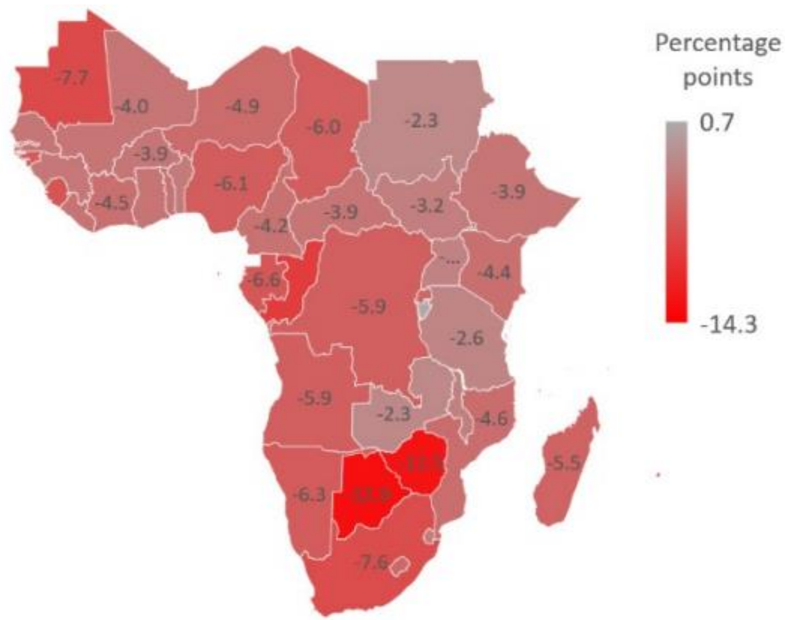
Projected reduction in Sub-Saharan Africa GDP per capita growth in 2020

Sub-Saharan Africa projections



Source: World Bank

Specific country projections



Additional impacts and developments impacting on SA Agriculture?

- The **SARB has swiftly cut interest rates** by a cumulative 300 basis points year to date: ~R5,0 bn interest saving for farmers alone over 12 months. Welcome relief for whole sector though.
- **DALRRD ring-fenced R1.2 billion for ~15 000 small-scale farmers** – Some household food security contribution.
- **Impacts of downgrade to sub-investment grade** on SA agriculture – transmission effects through volatility of the domestic currency and agribusiness confidence deterioration.
- **Land Bank default**: Significant systemic risk as it holds ~29% of SA"s ~R200bn farm debt.
- **Liquidity crunch in agriculture** – capital scarcity a real concern. **Development impact?**

Outline

1. **Observations and learnings of COVID-19 on agriculture**

    - Global impact and developments
    - Domestic impact and developments
    - **Government engagement – NB!**

2. Inclusive growth strategy for South African Agriculture

3. Take home message…!

Government engagement

- Covid-19 Response Task Team of Minister Didiza (DALRRD)
  - **Economic Workstream (Lead: John Purchase)**
    * BFAP VC Tracker Reports (9) + Submission to AL4 (plus others) to NCCC
  - Social Impact Workstream
  - Communications Workstream

- Business for SA (B4SA) : Healthcare, **Economic Interventions**, Labour & Comms TT's
  - Essential goods/services + Supply chain security + Infrastructure and logistics
  - Economic Recovery Strategy (Masterplan – The way forward…!)

- SME Development Project with Office of Gauteng Premier (PPGI)

- Bilateral engagements with Ministers and Senior Government officials.

Outline

1. Observations and learnings of COVID-19 on agriculture

    - Global impact and developments

    - Domestic impact and developments

    - Government engagement – NB!

2. **Inclusive growth strategy for South African Agriculture**

3. Take home message…!

Post COVID-19

A New Inclusive Economic Future for South Africa

Delivering an Accelerated Economic Recovery Strategy

10 July 2020

BUSINESS FOR SA | COVID-19

Key challenges: the agricultural industry faces 5 main structural constraints

Access to Finance

- **Cyclical and capital intensive nature of agriculture means farmers have a critical need to access financing**
- **Financial sustainability of the Land Bank,** and its **ability to serve conflicting mandates** (profit/commercial and development) **under question**
- **Limited state funded agricultural insurance/relief** available to protect farmers from the impact of recurring droughts

Land Reform

- **Redistribution:** Limited transfer of ownership, state support post transfer, beneficiary selection strategy
- **Restitution:** Limited institutional capacity and budget to process large backlog of claims
- **Tenure rights:** Lack of clarity and formalization of existing land rights in traditional areas
- **Expropriation without compensation:** A key inhibitor to future investment given uncertainties created

Water Infrastructure

- **Delayed water infrastructure** projects, **limited strategic prioritization** of new projects and **limited private sector investment**
- **Weak or inefficient administrative processes** (e.g. provisioning of water rights) and **significant delays in execution of projects**
- **Impending impact of climate change** on water availability and water supply gap will likely reduce available land for cultivation in key regions

Transport Infrastructure

- **Lack of investment in port infrastructure** at key ports in the country – constraining exports of high-value produce
- **Existence of operational inefficiency** at major agricultural export ports in SA
- **Limited investment / lack of operational effectiveness of rail networks** has driven up costs and caused shift to road transportation

Access to New Markets

- **Limited institutional capacity** to drive agricultural trade agendas, develop new agreements, enforce existing trade terms
- **Lack of effective coordination and cooperation** between the DAFF, DTI and Dirco, to formulate aligned and coherent trade strategies and drive through to conclusion
- **Need to target new export opportunities in Sub-Saharan Africa**

Outline

1. Observations and learnings of COVID-19 on agriculture
    - Global impact and developments
    - Domestic impact and developments
    - Government engagement – NB!
2. Inclusive growth strategy for South African Agriculture
3. **Take home message on Covid…!!!**

Take home message on Covid…!!!

1. SA has a **resilient and robust agro-food/beverage/fibre system** that is a **major asset to our country** in terms of national food security.
2. Covid-19 has **exposed some fault lines and vulnerabilities** in certain value chains that need to be addressed, including infrastructure and logistics.
3. The **informal food market system (~40%)** needs to be developed.
4. Still **great uncertainty** around the pandemic and its eventual impact on local and global markets, and thus on the demand-side of SA agricultural value chains.
5. **Stay in touch** with developments and **be prepared to adapt**. It may well be **business unusual** going forward…!

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. Covid-19 Impact

6. **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?