

# **SA Agribusiness in the VUCA<sup>2</sup> world, building partnerships to sustainability**

FERTASA 62<sup>nd</sup> Annual Congress

John Purchase

13 April 2022

# So again, what is VUCA?

V – Volatility

U – Uncertainty

C – Complexity

A – Ambiguity

## How do we deal with this?

# NWU Business School

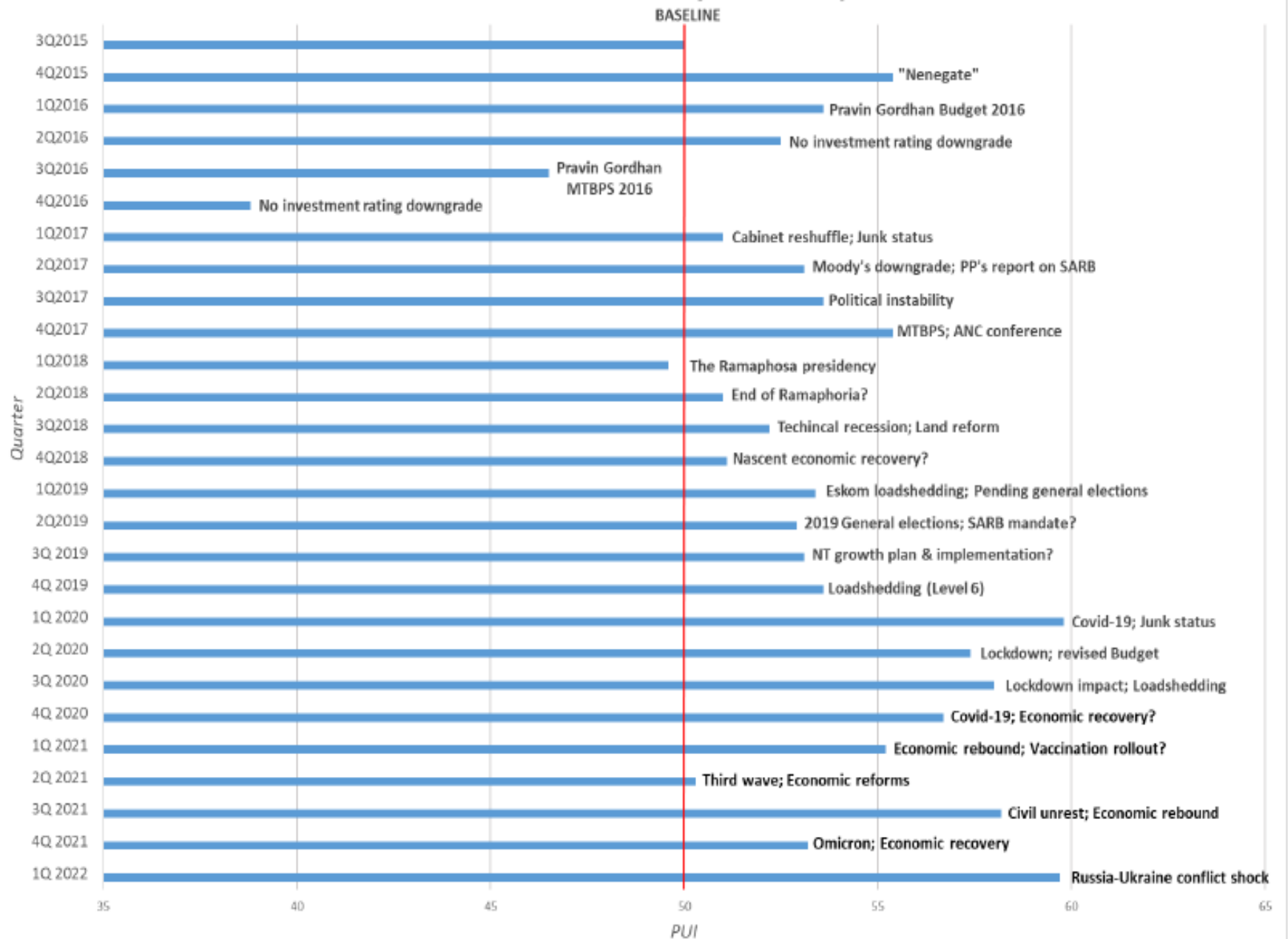
## Policy Uncertainty Index (PUI)

1Q 2022



Professor Raymond Parsons  
NWU Business School

# NWU Business School Policy Uncertainty Index



# 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. Agriculture and Agro-processing Masterplan (AAMP)

## 5. Wrap up

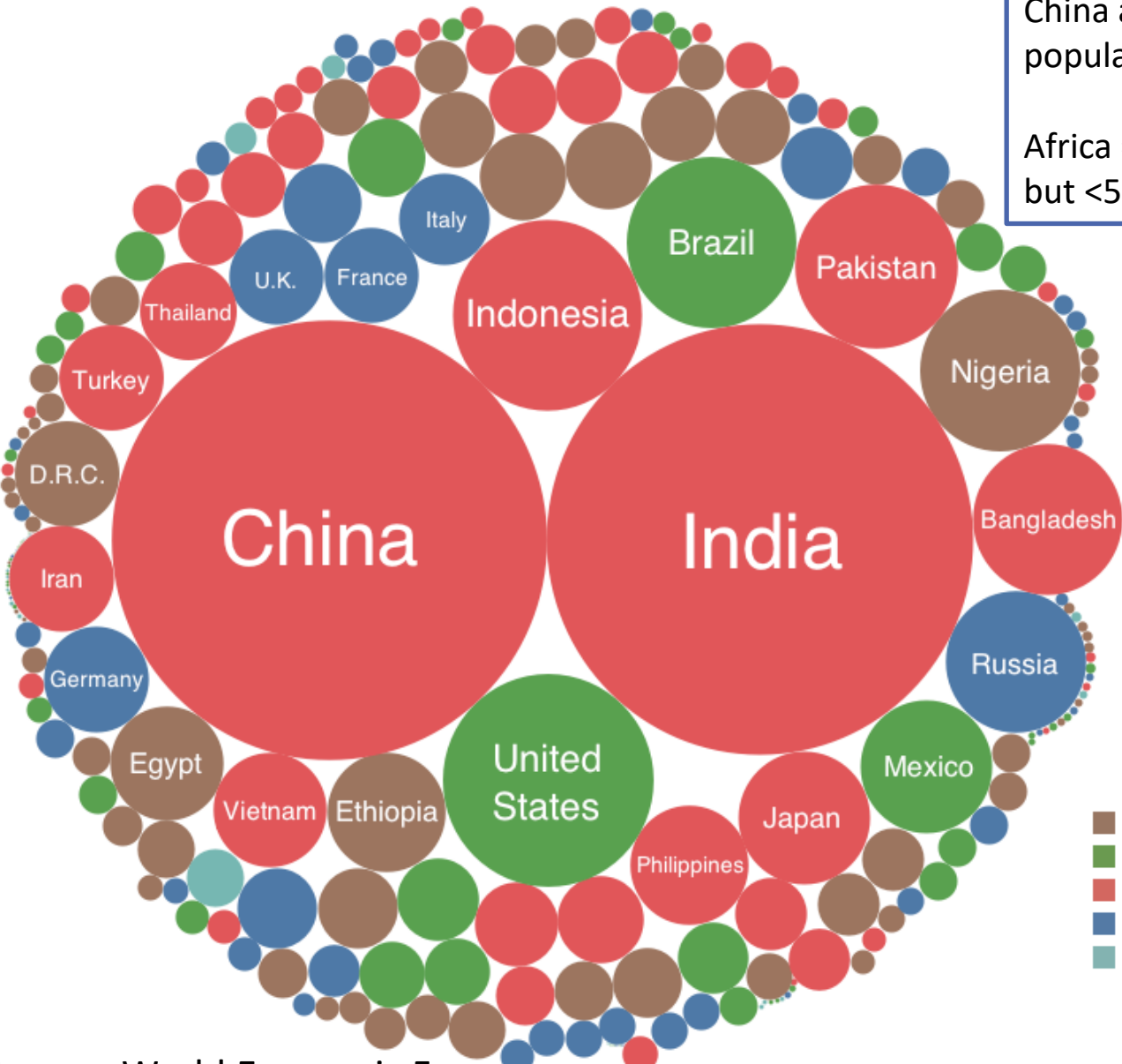
# Major Global Risks and Challenges: Last year and **now**

- New multi-polar global power dynamic – power shift to Asia (BRICS role?) and USA vs China Trade & Technology War – impact on global power dynamics. **Russian invasion of Ukraine and a highly polarized world – huge risk.**
- Middle East tensions to continue – important to SA: oil and export destination. **Brent Crude oil price >100 US\$/barrel – also fertilizer impact!**
- Impact of Brexit On UK and EU: outlook fairly depressed, but NB market for SA-Agriculture. **Market expansion greatly needed and being achieved.**
- Global population & Africa's demographic 'dividend'. AfCFTA a game-changer? **No AfCFTA trade yet taking place – much to still sort out, especially RoO.**
- Interconnectivity (4<sup>th</sup> IR) still a massive driver, despite general protectionist and localization developments across the globe. Covid-19 has hit Globalization hard. **Supply chain disruptions massive, also in fertilizer and agricultural commodity/food markets**
- Mass migration due to political instability, conflict and globalisation was rampant. Stopped in tracks by Covid-19, but already returning. **Operation Dudula in SA – classic orchestrated xenophobia attacks. Across the globe.**
- Environmental sustainability issues, e.g. climate change and extreme weather, water availability and quality, biodiversity loss, pollution/waste, fossil fuels, etc. **UN Climate Change Conference (COP26 – Glasgow, UK). Some, but limited success to curb emissions.**
- Biosecurity issues: human (Covid-19), animal and plant. **Major FMD outbreak in heartland of SA Agriculture this past week.**
- Global GDP at -4,9% for 2020, but rebounds by 5,4% **(5,9%)** in 2021, and **4.9%** in 2022 - IMF.

# Brent Crude Oil Price (US\$/barrel)



# Countries by Population Size



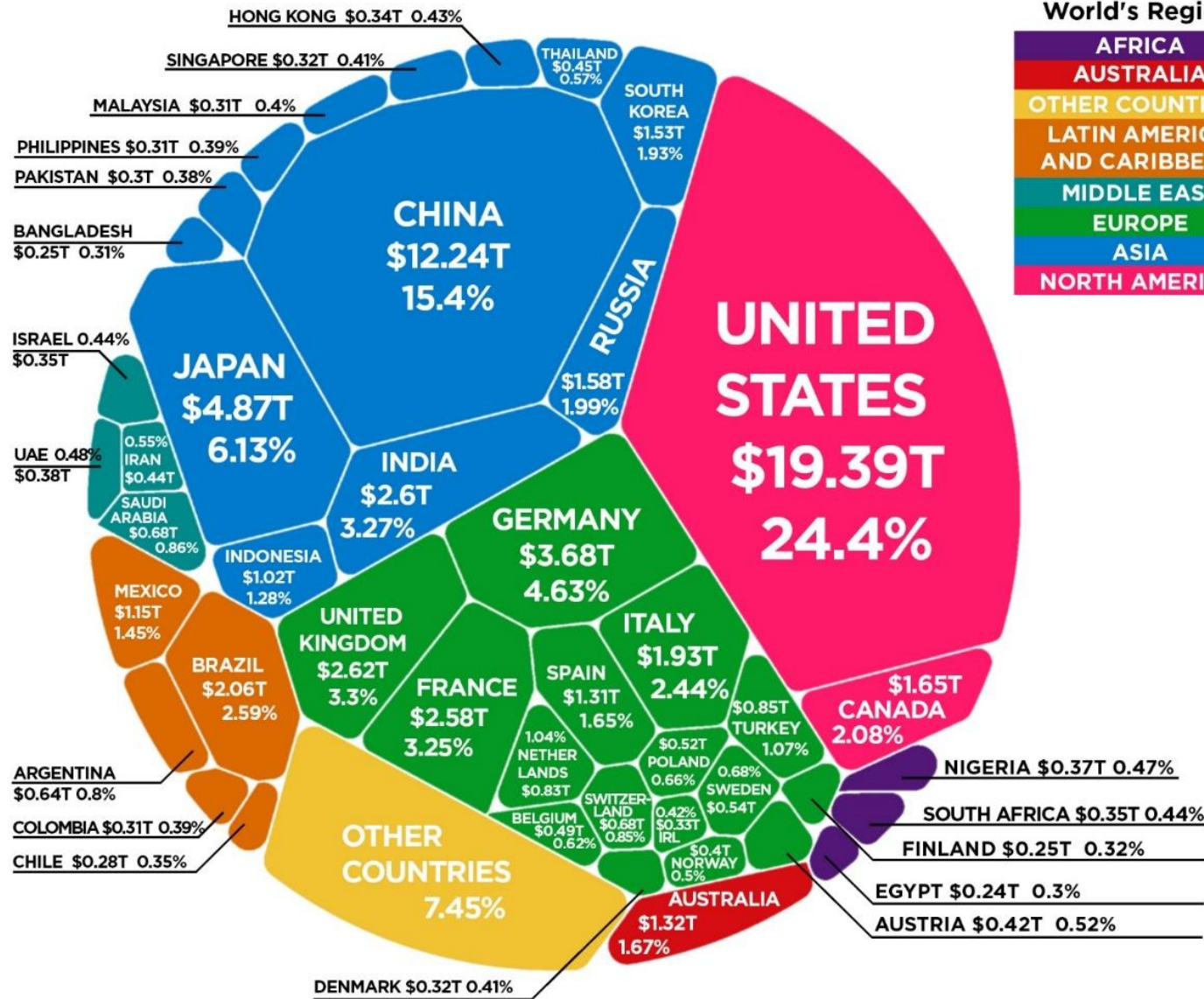
China and India = 36.2% of global population, but 18,7% of global GDP

Africa = 16.9% of global population, but <5% of global GDP

Source: World Economic Forum



### World's Region



#### Article and Sources:

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

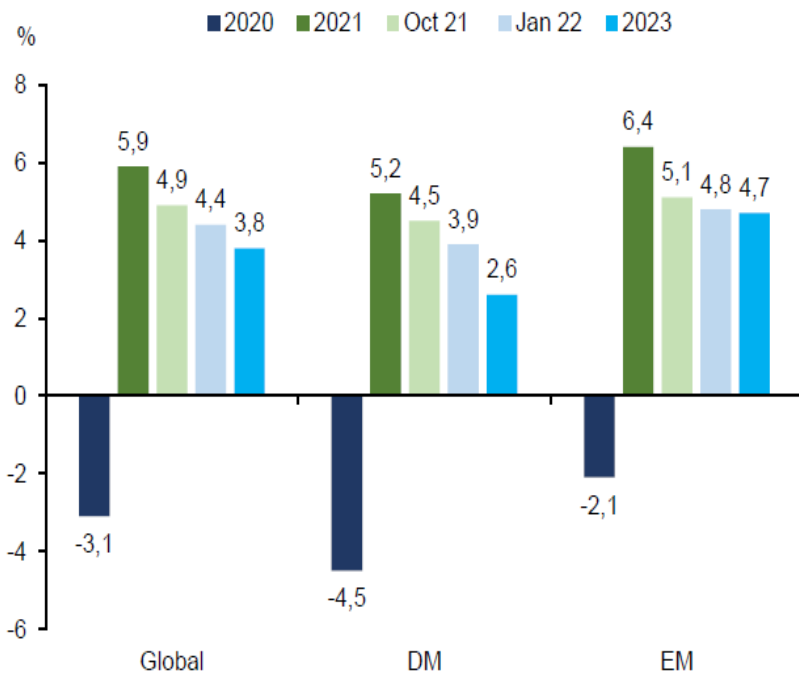
howmuch.net

# South Africa's Political Economy: Risks & Challenges

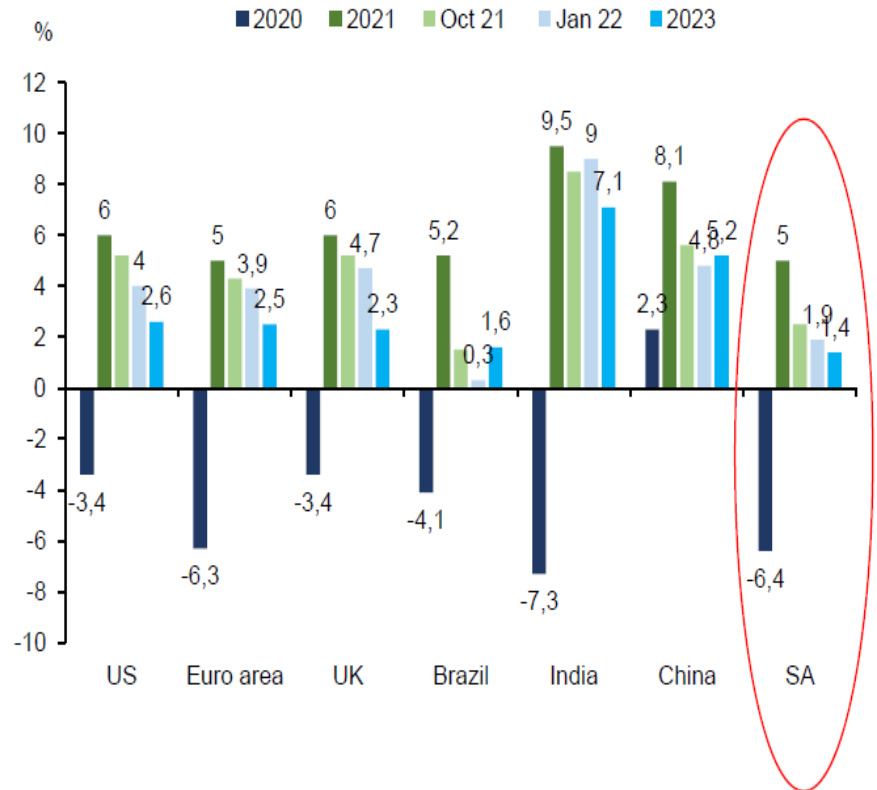
- **ANC remains in massive turmoil, but Pres Ramaphosa consolidating position.** ANC Elective Conference at the end of 2022 is critical.
- **President Ramaphosa's SONA** in February 2022: **Most Business-friendly in past decade and more.** Right direction, but can State implement? **Capability of the state has been badly eroded** – seen in DALRRD. Also other Dept's/SOE's. **PPP's and 'privatisation' critical**
- **Biggest concern: Lack of GDP growth, Competitiveness decline (WEF) and escalating debt. Debt a bit more under control (Budget 2022 figures), But GDP growth huge concern.**
- **Massive unemployment (>29%) (now >35.5%),** especially amongst the Youth (>50%) (~60%).
- **Inequality** – SA top of GINI Coefficient: populist calls & demands will persist. **EFF, etc.**
- Service delivery and other **protests increasing, and more violent (ISS).** **July insurrection in KZV and Gauteng.**
- **Land & water reform** will be at the centre of demands. Even nationalisation pressure on banks & mines, e.g. Reserve Bank. “Expropriation without Compensation” decision. **Cooled off somewhat from governing party – good reasons.**
- **Crime & Security factor,** including corruption and farm/rural safety, a huge and increasing concern. **Rule of Law** under pressure. **Massive issue - SAPS Commissioner replaced.**

# Global economic growth is slowing down, and South Africa moves to sub-2%

Global growth to moderate to 4.9% this year

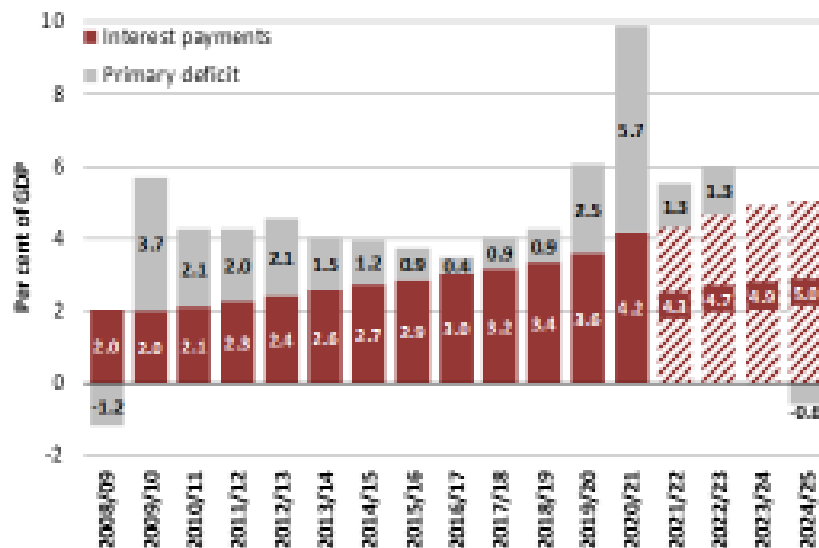


Selected countries GDP

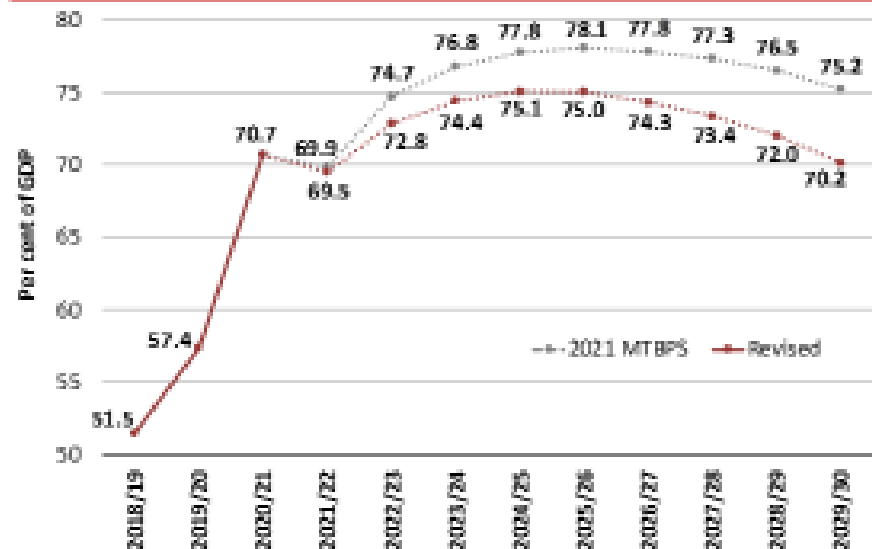


# THE MAIN BUDGET DEFICIT NARROWS AND DEBT STABILIZES IN 2024/25

## Main budget balance



## Debt as percentage of GDP

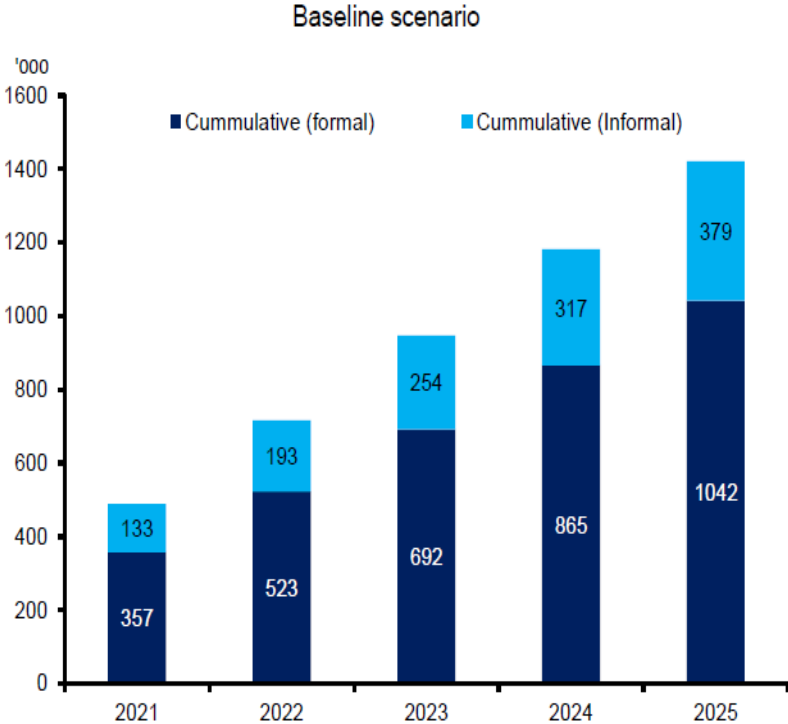
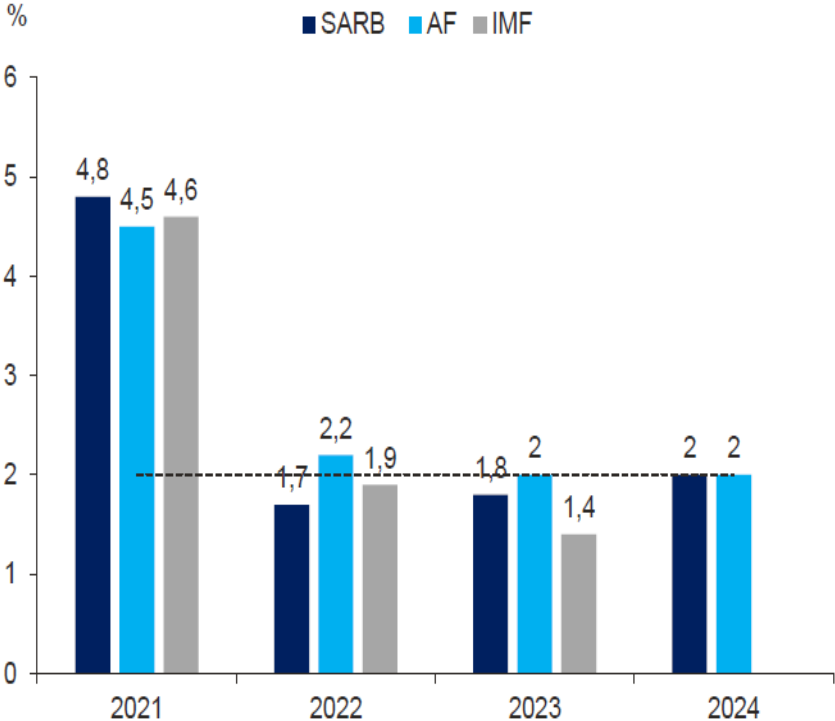


- Government debt is projected to rise to R4.35 trillion in 2021/22. A portion of revenue improvements will be used to reduce the deficit over the medium-term expenditure framework (MTEF) period. As a result, the debt trajectory improves compared to the 2021 MTBPS. Gross loan debt will stabilise at 75.1 per cent of GDP in 2024/25, a year earlier and at a lower level than projected in the 2021 MTBPS.
- On average, 20 cents of every rand collected in revenue every year will be needed to pay debt-service costs.
- Government expects to realise a primary surplus – where revenue exceeds non-interest expenditure – by 2023/24, a year earlier than projected in the 2021 MTBPS. Achieving this objective will enable government to bring consolidation to a close.

# With a sub-2% growth over the medium term, South Africa will recover lost jobs by 2025

Economic growth to moderate to sub-2% over the medium-term

It will take up to 2025 to regain 1.4m jobs due to low economic growth



Source: SARB, Statistics South Africa, IMF and Alexander Forbes Investments

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5. Wrap up

# Global Food Security Index 2021

- Best performance
- Good performance
- Moderate performance
- Needs improvement

South Africa: 70/113

# Global Food Security Index 2021

70

## South Africa

57.8 score Figures are from the annual baseline model.



**FREE**  
**Download the index**  
**GFSI 2021 Model**  
(Excel file 5.43mb)

- score / 100
- ### Strengths (7)
- 92.7 Food safety
  - 86.6 Micronutrient availability
  - 78.4 Agricultural import tariffs
- [View all strengths](#)

- ### Challenges (2)
- 0 Volatility of agricultural production
  - 0 Food security and access policy commitments

South Africa vs. all index countries





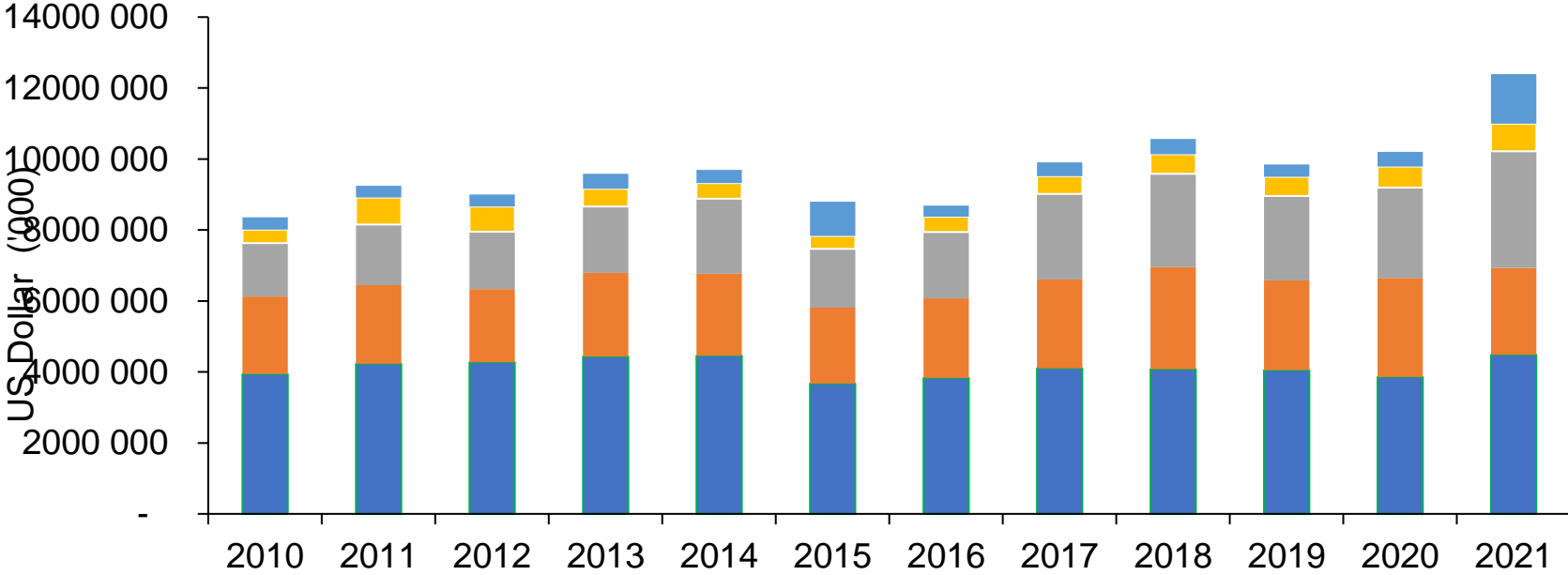
# Competitiveness Imperative

# SA's agriculture trade



Source: Trade Map and Agbiz Research

# SA's agriculture exports by region



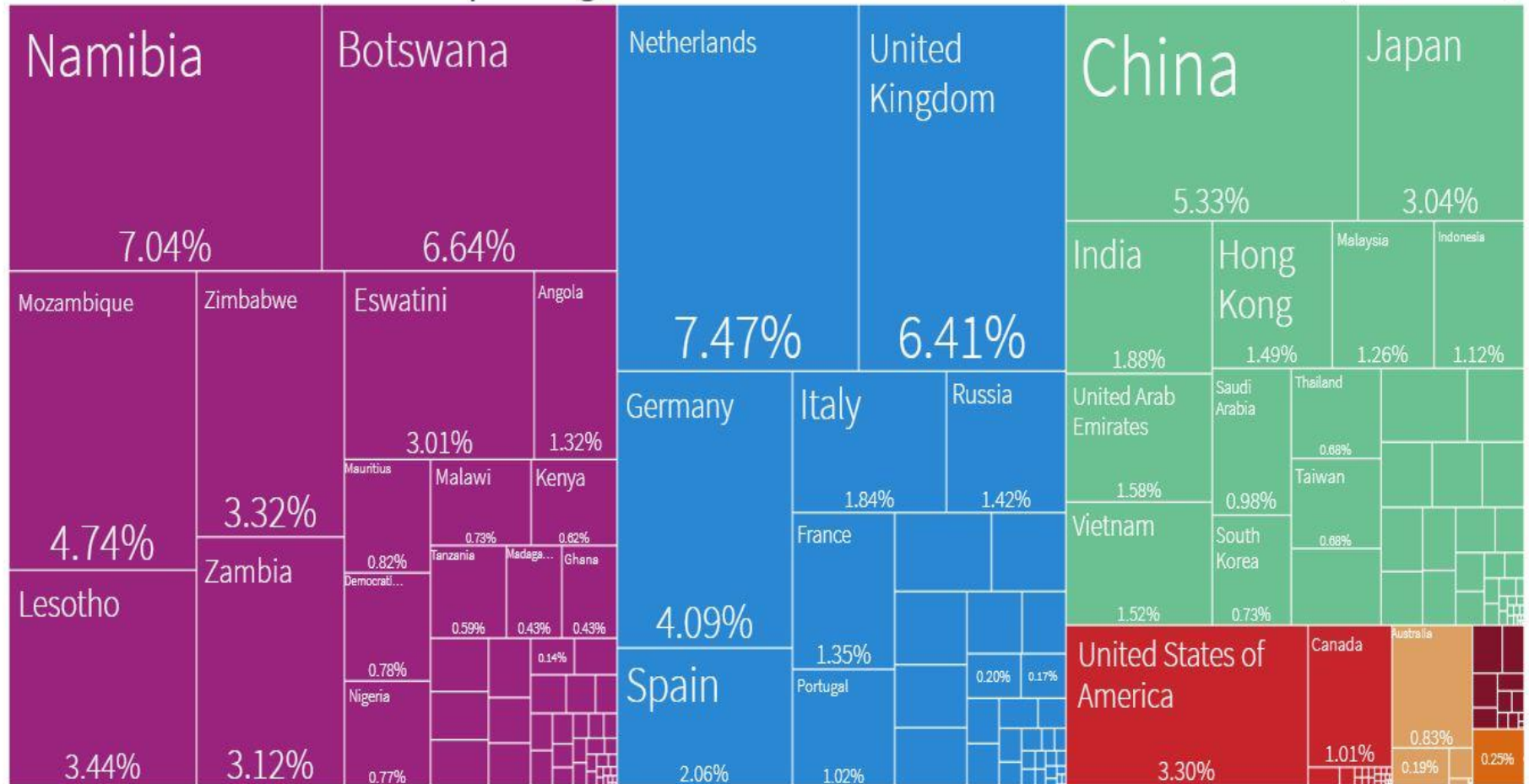
■ Africa   
 ■ EU   
 ■ Asia   
 ■ Americas   
 ■ ROW

*ROW represents Rest of the World*

Source: Trade Map and Agbiz Research

# Where did South Africa export Agriculture to in 2018?

Shown: \$12.5B | Total: \$12.5B i



- Africa
- Asia
- Oceania
- Europe
- North America
- South America
- Other

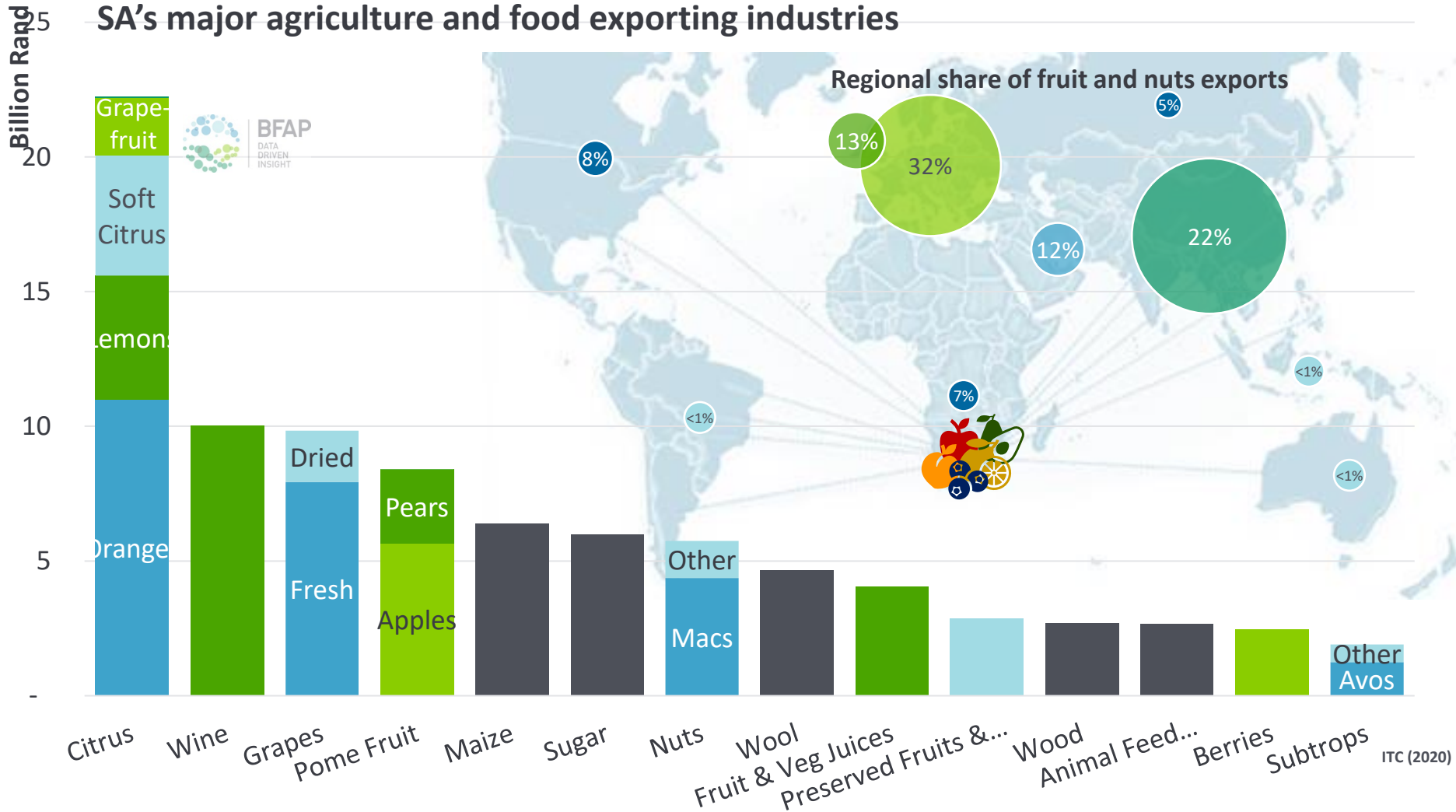
SEARCH IN VISUALIZATION 🔍

2018



# Major export contribution from Fruit & Nuts

Important contributor to Ag Exports; Relative distribution by region of Edible Fruit and Nuts

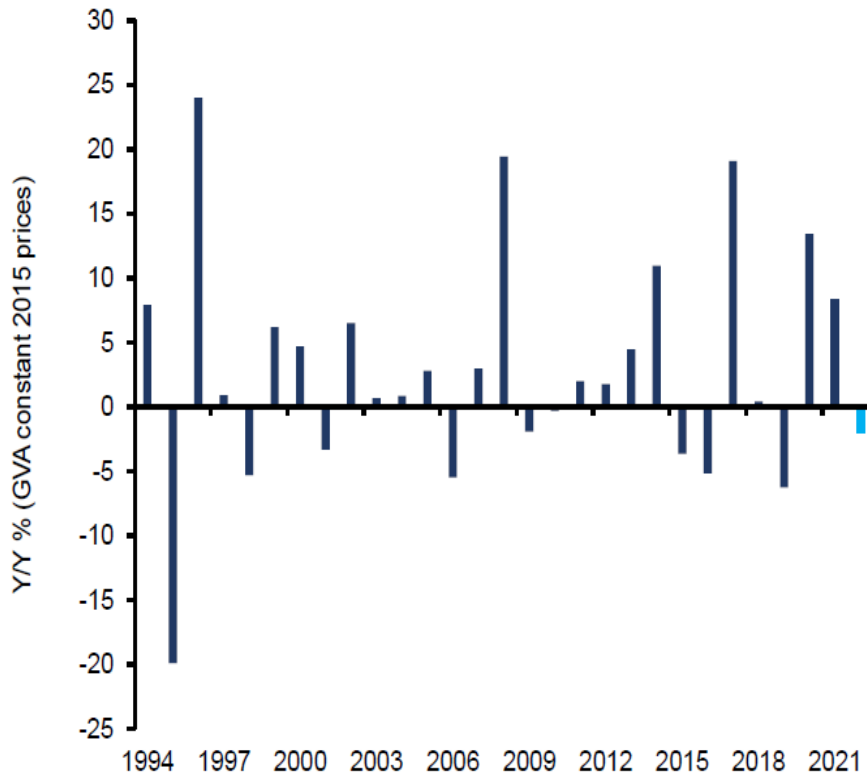


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# SA agriculture economy remained on solid footing in 2020-21, but there's risks ahead

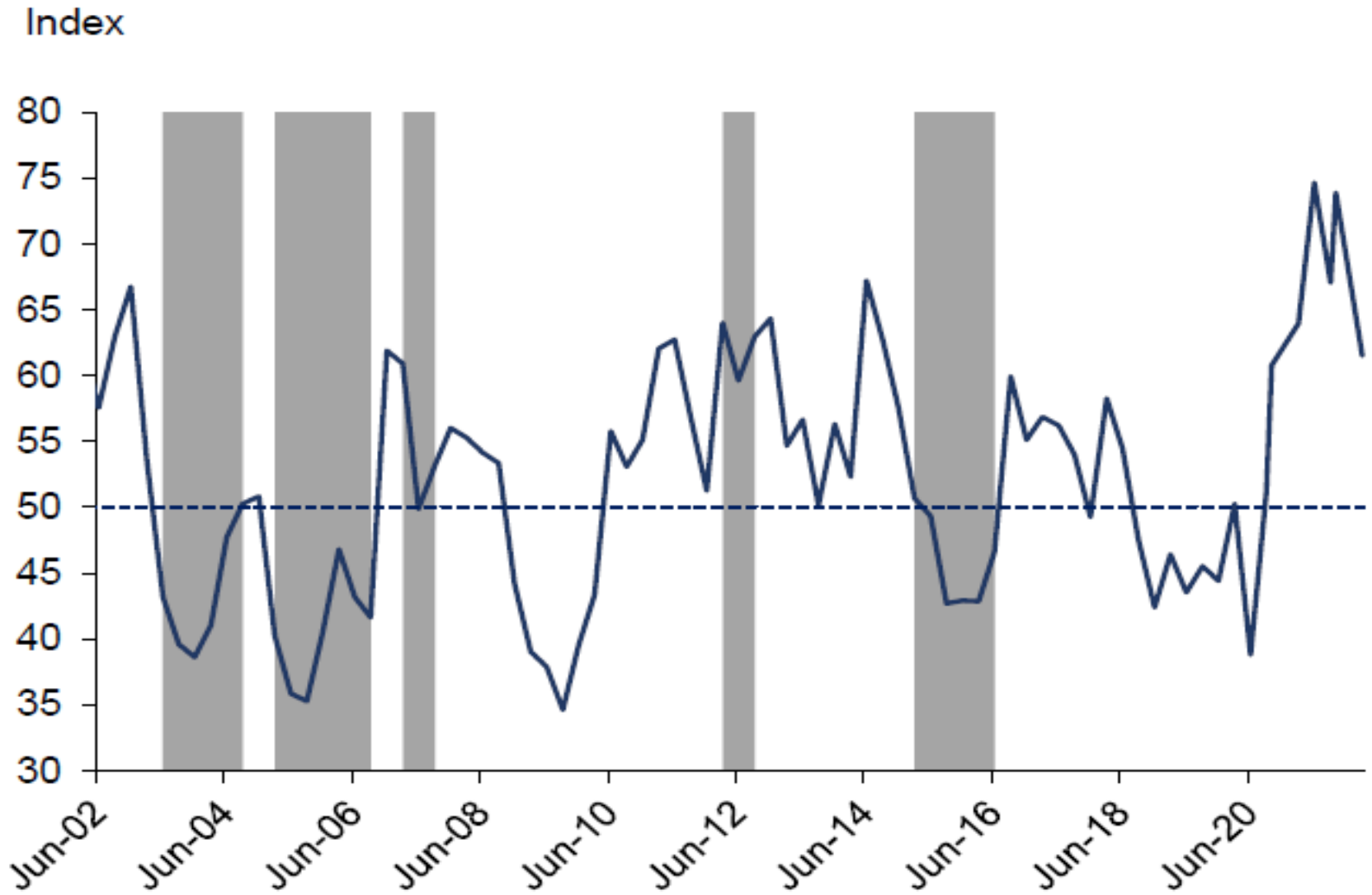
SA agriculture could slightly contract in 2022



SA agricultural employment could slow further in 2022



## SA Agribusiness Confidence Index moderated in Q1, 2022

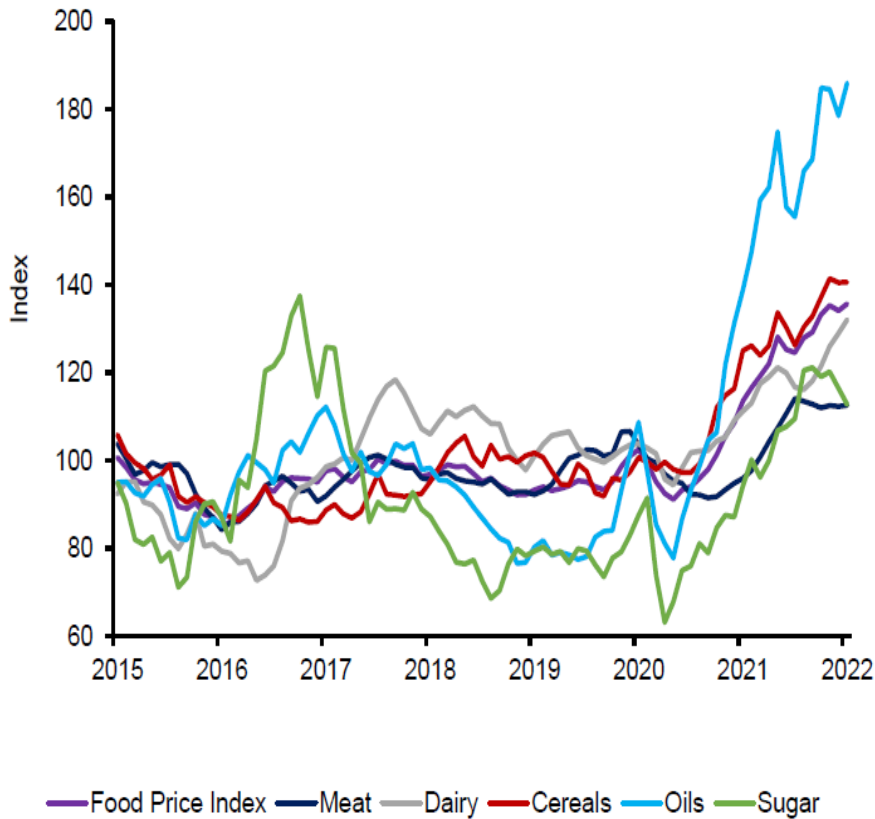




# There are also risks brought by the Russia-Ukraine war (for consumers and for farmers)

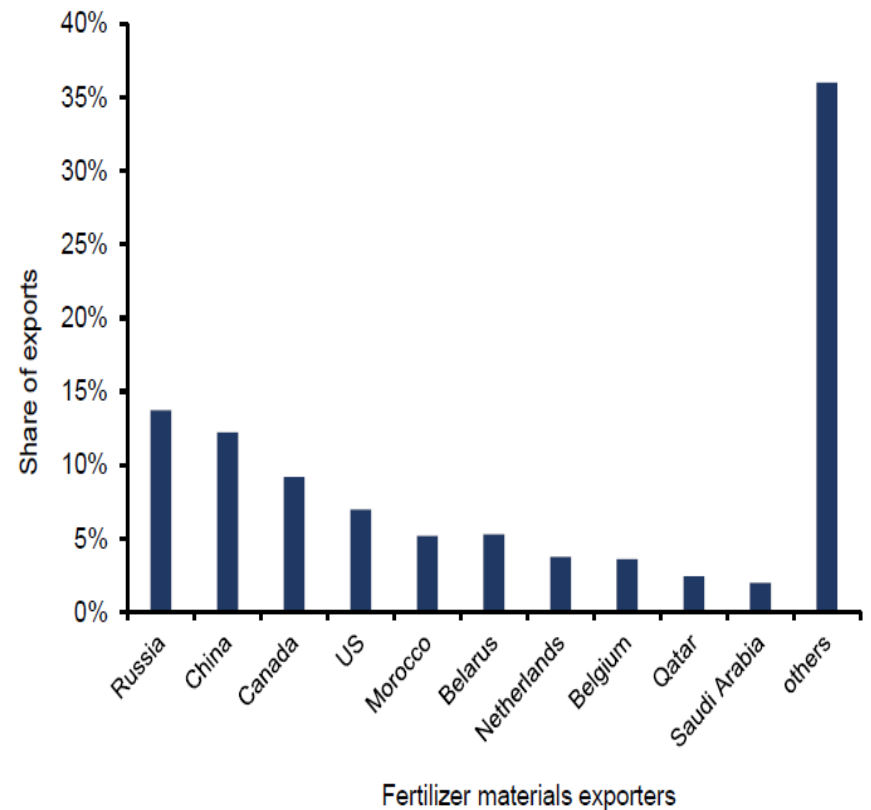
Consumers will experience higher food prices

(Chart shows the Global food Price Index)



Farmers will experience rising input costs

(Chart shows share raking of world's top fertilizer exporters by value)



# SA farm economy on a growth path

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## Growth in gross value since 2010

<b>Agriculture</b>	<b>44%</b>
Horticulture	70%
Animal products	43%
Field crop	22%
Agro-processing	13%

## Growth in volume of production since 2010

<b>Agriculture</b>	<b>19%</b>
Horticulture	23%
Animal products	21%
Field crop	12%

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# agriculture, land reform & rural development

Department:  
Agriculture, Land Reform and Rural Development  
REPUBLIC OF SOUTH AFRICA

## AGRICULTURE AND AGRO-PROCESSING MASTER PLAN “SOCIAL COMPACT”

APRIL 2022

FACILITATED BY:

Prof Mzukisi Qobo

### RESEARCH AND DRAFTING TEAM



National Agricultural  
Marketing Council  
Promoting market access for South African agriculture



**BFAP**  
DATA  
DRIVEN  
INSIGHT



**CCRED**  
CENTRE FOR COMPETITION,  
REGULATION AND ECONOMIC DEVELOPMENT

All social partners agreed that they will strive to promote a *globally competitive agriculture and agro-processing sectors, support market oriented and inclusive production to develop rural economies, ensure food-security, and create decent and inclusive employment and entrepreneurial opportunities for all participants in agriculture and agro-processing value chains.* More specifically, the objectives of the Masterplan are to:

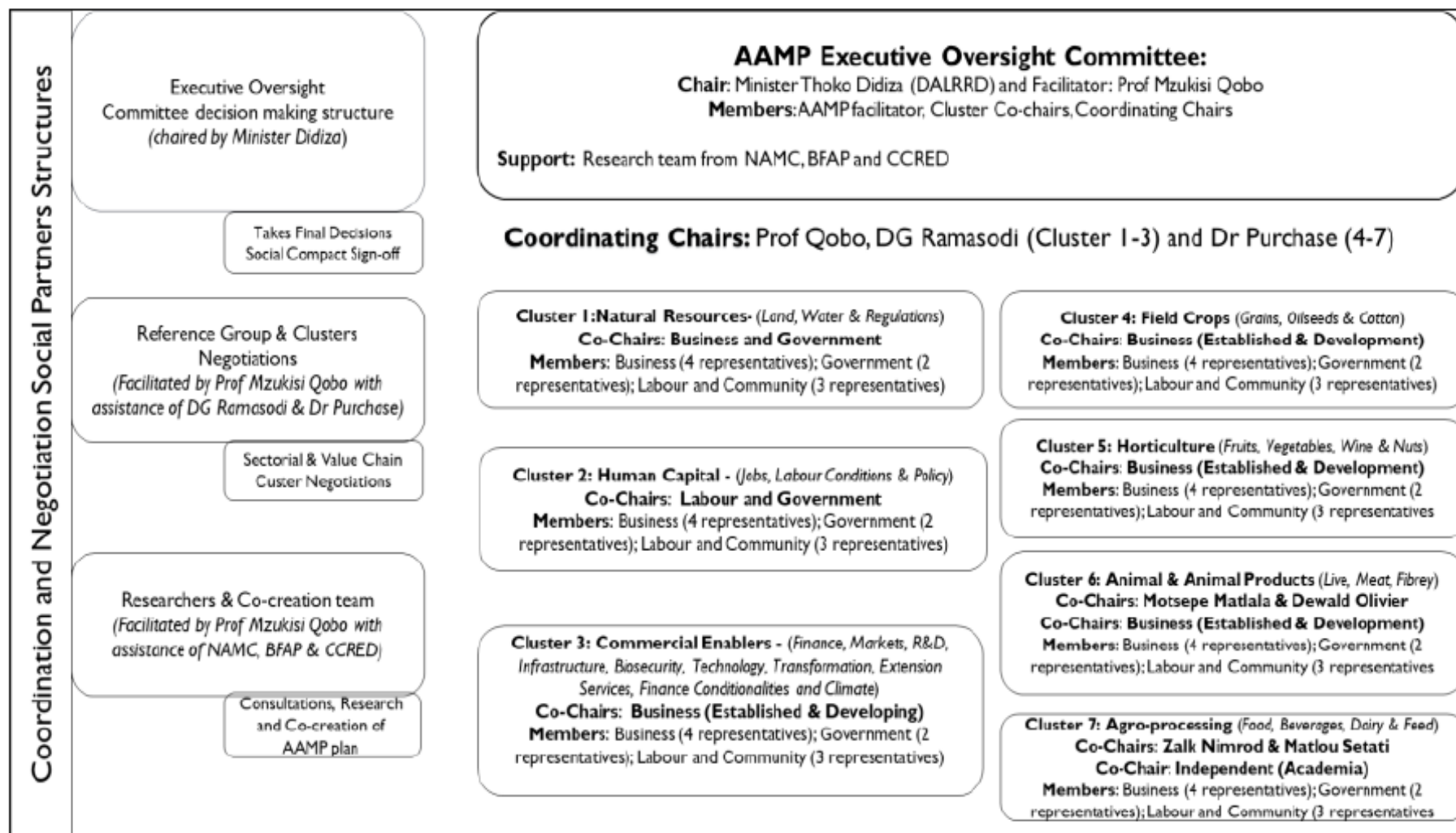
- Promote sustainable transformation in the agriculture and agro-processing sectors;
- Increase food security in South Africa;
- Accelerate the opening of local and export markets through better access conditions, something that will require constant improvements in the quality of supply to bolster South Africa's competitiveness;
- Enhance competitiveness and entrepreneurial opportunities through technological innovations, infrastructure development and digitalization;
- Create an effective farmer support and agro-processing incentives;
- Create decent, growing and inclusive employment, and improve working conditions and decent pay in the sector, while we are in the face of climate change and technology innovations, as envisaged in the Just Energy Transition (JET);
- Increase farming community safety and reduce stock and crop theft, and farm attacks;
- Create a capable state and enabling policy environment; and
- Enhance resilience to the effects of climate change and sustainable management of natural resources.

The following six pillars were adopted by social partners as means to achieving the aforementioned goals, and as constituting a framework to guide their negotiations across different value chains and crosscutting enabling measures:







- i) Resolving policy ambiguities and creating investment friendly climate
- ii) Investing in enabling infrastructure
- iii) Providing comprehensive farmer support, development finance, R&D and extension services
- iv) Ensuring food security, expanded production and employment creation, decency and inclusivity
- v) Enabling markets expansion, improving market access and trade facilitation
- vi) Developing localized food, import replacement and expanded agro-processing exports.

The social partners are confident that if government follows through with implementation of this Plan and continues to work closely with social partners in realising the outcomes of this Masterplan, the sector will not only grow but do so in ways that support inclusive value chains, create jobs, and affirm the rights of farm workers. As social partners we are also committed to diversifying the geographic markets for exports and to position the sector at the cutting edge of technological developments globally and adhere to growing requirements for sustainable production.

# AAMP Coordination and negotiation structure



# The Master Plan attempts to address these challenging and also drive inclusivity

PILLARS	 <b>PILLAR 1</b>	 <b>PILLAR 2</b>	 <b>PILLAR 3</b>	 <b>PILLAR 4</b>	 <b>PILLAR 5</b>	 <b>PILLAR 6</b>
	Resolving policy ambiguities and creating investment friendly climate	Creating enabling infrastructure	Providing comprehensive farmer support, development finance, R&D and extension services	Ensuring food security, expanded production and employment creation, decency and inclusivity	Enabling markets expansion, improving market access and trade facilitation	Developing localized food, import replacement and expanded agro-processing exports
TARGETED COMMITMENTS	<p><b>Land:</b> Land &amp; Agric Coord Agency 200k ha transferred per year</p> <p><b>Water:</b> Water license issued in 90 days Black farmer share to 19%</p> <p><b>Labour &amp; Conditions:</b> Worker equity &amp; ownership Employment creation Upward mobility &amp; Rights @W Just transitional technology</p> <p><b>Transformation:</b> Production schemes for smallholder &amp; subsistence farmers aligned to VC via PPP</p>	<p><b>Water &amp; Electricity:</b> Dams and Irrigations Schemes Improve water efficiency Cogenerating inline with IRP</p> <p><b>Road, Rail &amp; Logistic:</b> Port efficiency and capacity Off-farm infrastructure</p> <p><b>Market &amp; Biosecurity</b> Traceability &amp; Identification Research and Development Project Rebirth – NFPMS</p>	<p><b>Farmer Support:</b> R&amp;D and technology access Non-financial support</p> <p><b>Extension Services:</b> 10 000 extension officers in partnership &amp; secondment to commodity associations</p> <p><b>Finance:</b> Blended Finance Tool for farmers and SMMEs  Supplier Development Programme for SMMEs</p>	<p><b>Develop Value Chain:</b> Adopt value chain approach for expanding primary and processing production via private-public partnerships</p> <p><b>Employment:</b> Create new jobs along value chains – unlock potential of idle land</p>	<p><b>Domestic Market:</b> Increase local spending &amp; institutional procurement</p> <p><b>Regional Market:</b> Promote and implement AfCFTA – regional VC</p> <p><b>Exports Markets:</b> Create Trade Promotion Fund Improve market access for fruits, wine, meat &amp; fibre Enhance port efficiency</p>	<p><b>Routes to Markets:</b> Alternative Routes to Markets</p> <p><b>Localization:</b> Implement the Import Substitution Strategy</p> <p><b>Retail Lease:</b> Implement Competition Commission Supermarkets Recommendations</p>
	Real GPV added R32 billion	Crops production expand by 410 000ha	Animals and Animal Product production expand by 611 000t	71 487 New Jobs created 303 223 Livelihoods supported		6 500 new SMMEs



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# Wrap up.....

- Relatively healthy and robust agri-food industry, **but faces various major challenges and risks.**
- **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 – **a major South African asset.**
- **But we live in hugely uncertain times – many risks and variables, some controllable, others not or less so.**
- **AAMP an attempt to bring greater certainty to all role players and stakeholders, and create a common vision and unity of purpose for inclusive growth.**

Thank you