Trends in the agribusiness sector: Challenges and opportunities

Fertasa Congress
23 May 2024
Theo Boshoff

agricultural business chamber
the way to prosperity

Agribusiness trends – growth but consolidation since deregulation

Central marketing

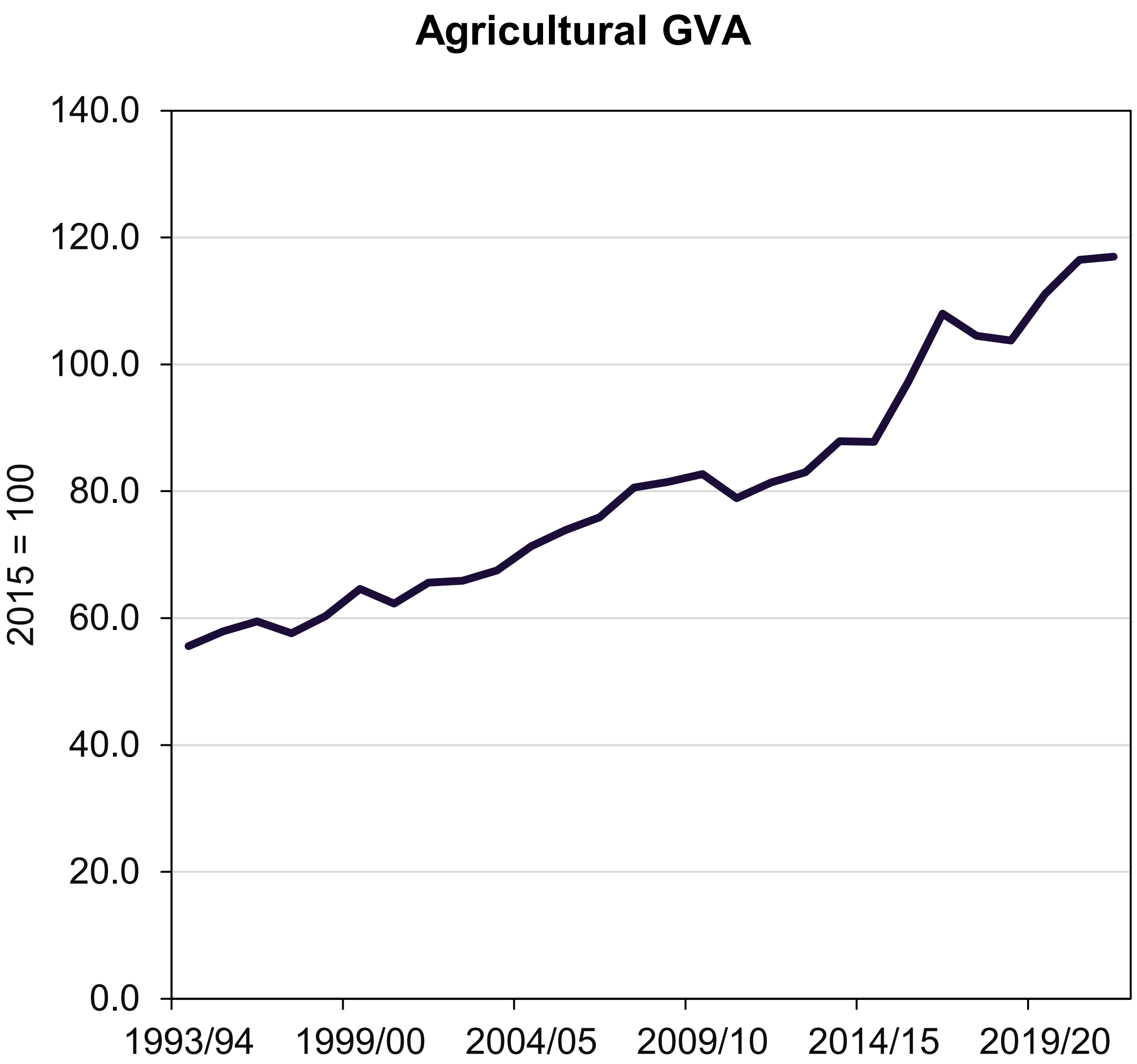
- Inward focuses on SA
- Single buyer, everyone in the value chain gets a cut
- Co-ops formed
- 80 000+ commercial farmers
- Highly subsidised infrastructure

Deregulation

- SA Jointed the WTO & abolished marketing boards
- Export opportunities
- Many co-ops changed to Pty (Ltd) or Ltd & diversified
- +-40 000 commercial farming entities, highly mechanised & capital intensive;
- Least subsidised in world (Cairns group)
- Consolidations!

The good news…

South Africa's agriculture journey from 1994 remains encouraging

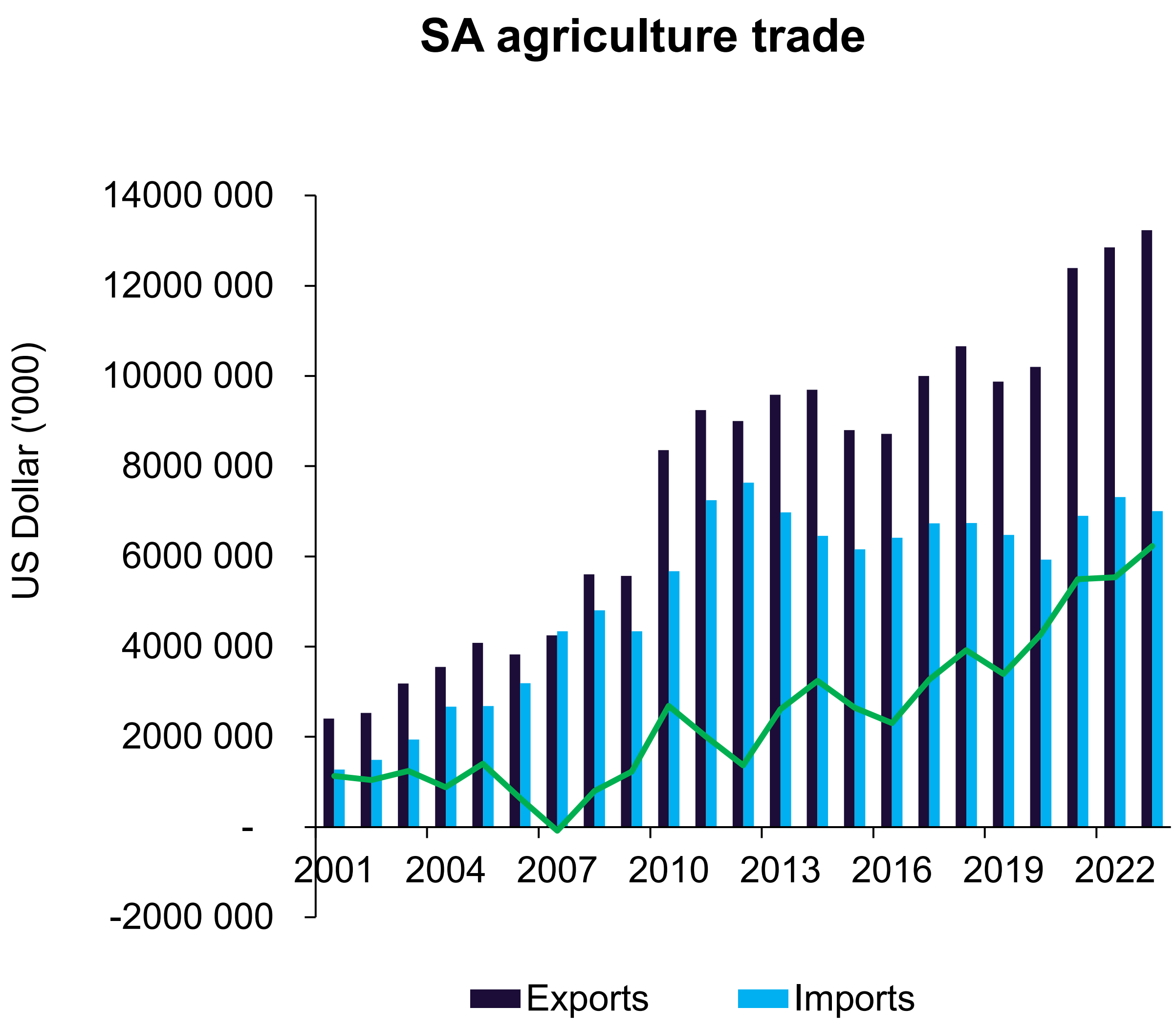


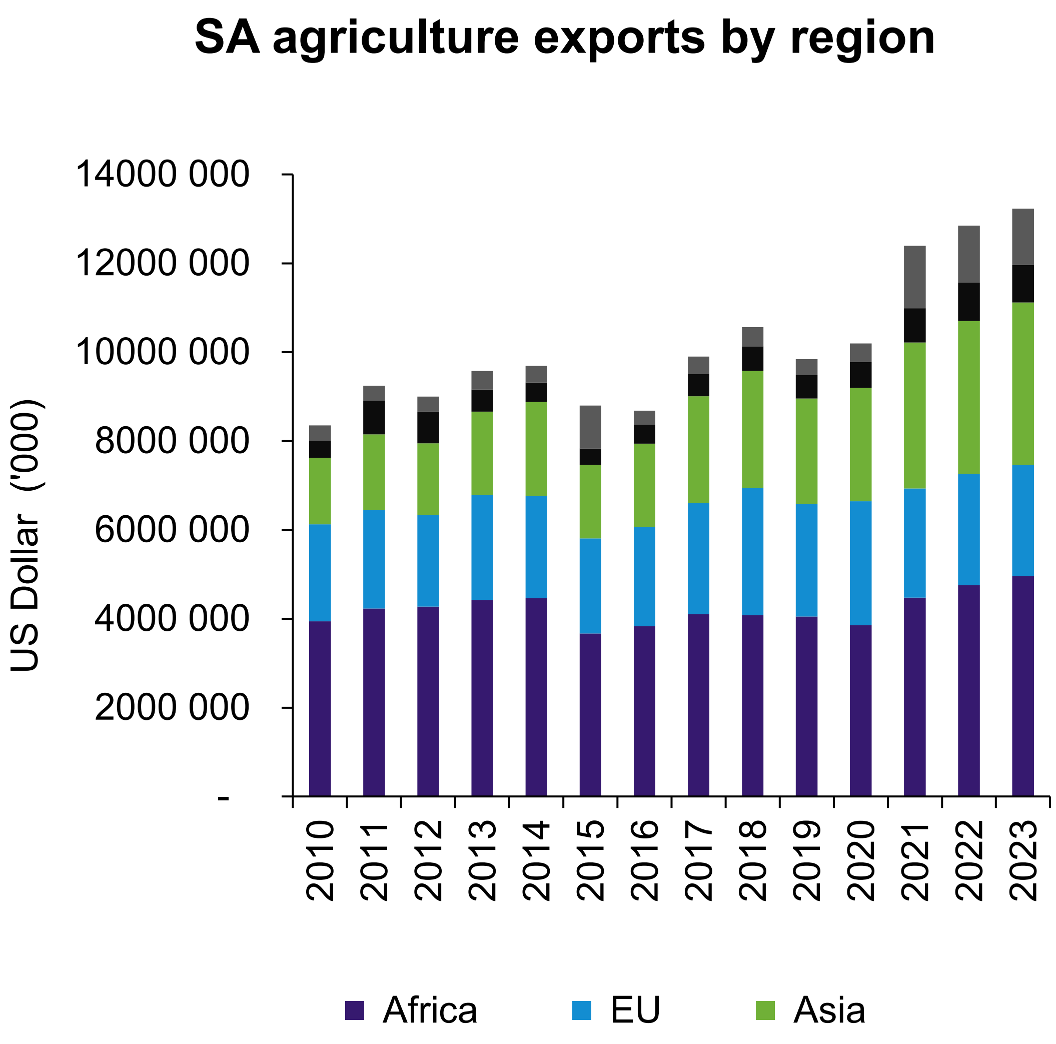
Major catalysts over the past 30 years

- This expansion was driven by all subsectors -- livestock, horticulture, and field crops.
- The **adoption of new production technologies**, **better farming skills**, **growing demand (locally & globally)**, and **favourable trade policy** has been vital.
- South Africa was the 32nd largest agricultural exporter in the world in 2023 – the only African country within the top 40 world's largest agricultural exporters.
- SA agricultural exports at a record US$13,2 bn in 2023.

Source: DALRRD and Agbiz Research

SA's agricultural growth is export-led but rising protectionism is a new challenge





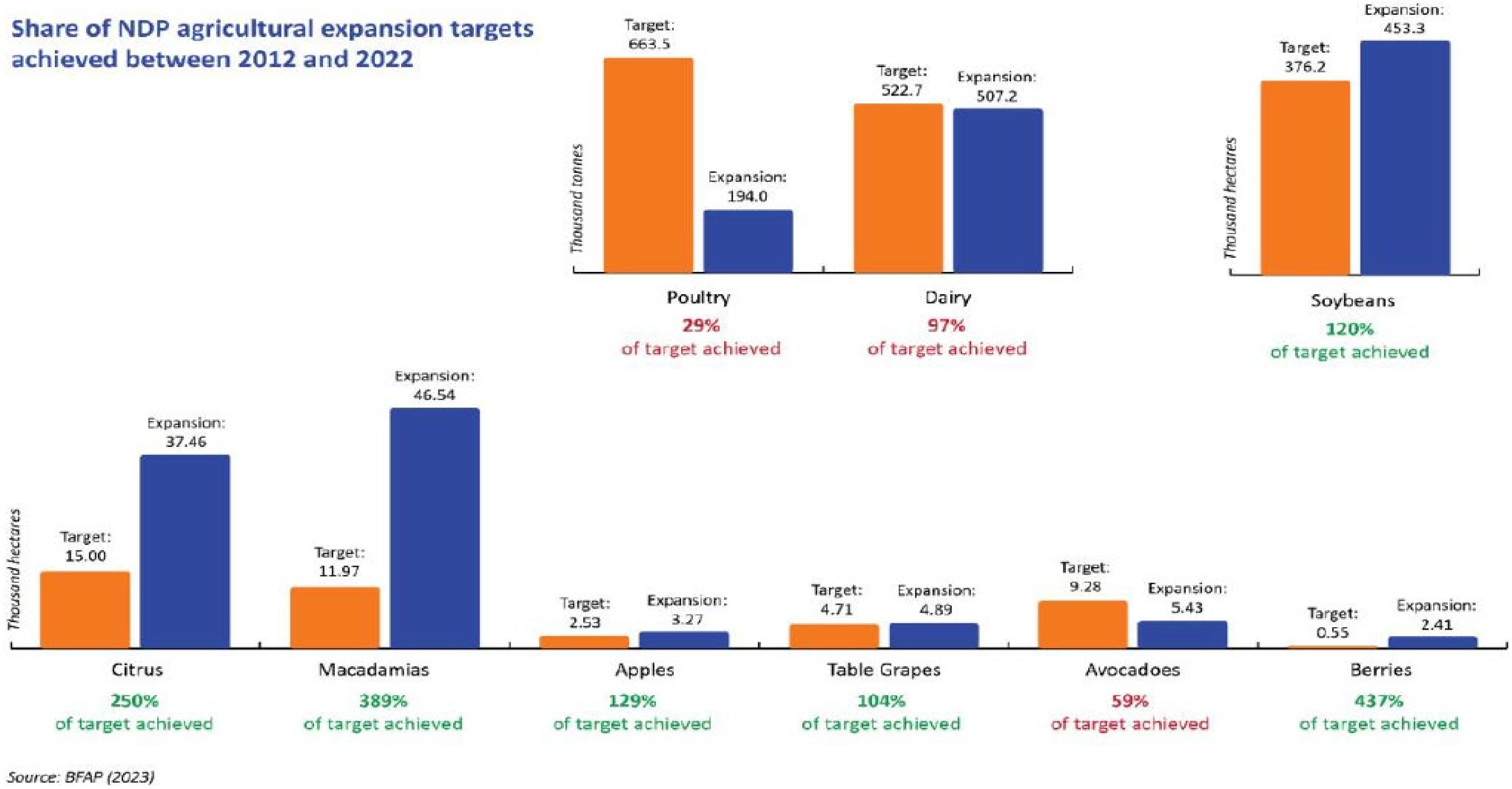
Source: Trade Map and Agbiz Research

Sectoral trade highlights

- **2nd** largest citrus exporter;
- **4th** largest grape exporter
- **6th** largest pear producer;
- **8th** largest apple exporter,
- **9th** largest avos exporter;
- Worlds **largest** macadamia nut exporter
- **8^{th}** largest wine producer

- Top 15 in Sugar;
- Worlds **largest** chicory root producer
- World **largest** Maize meal exporter
- **3^{rd}** largest abalone producer
- **6^{th}** largest wool producer (clean equivalent)

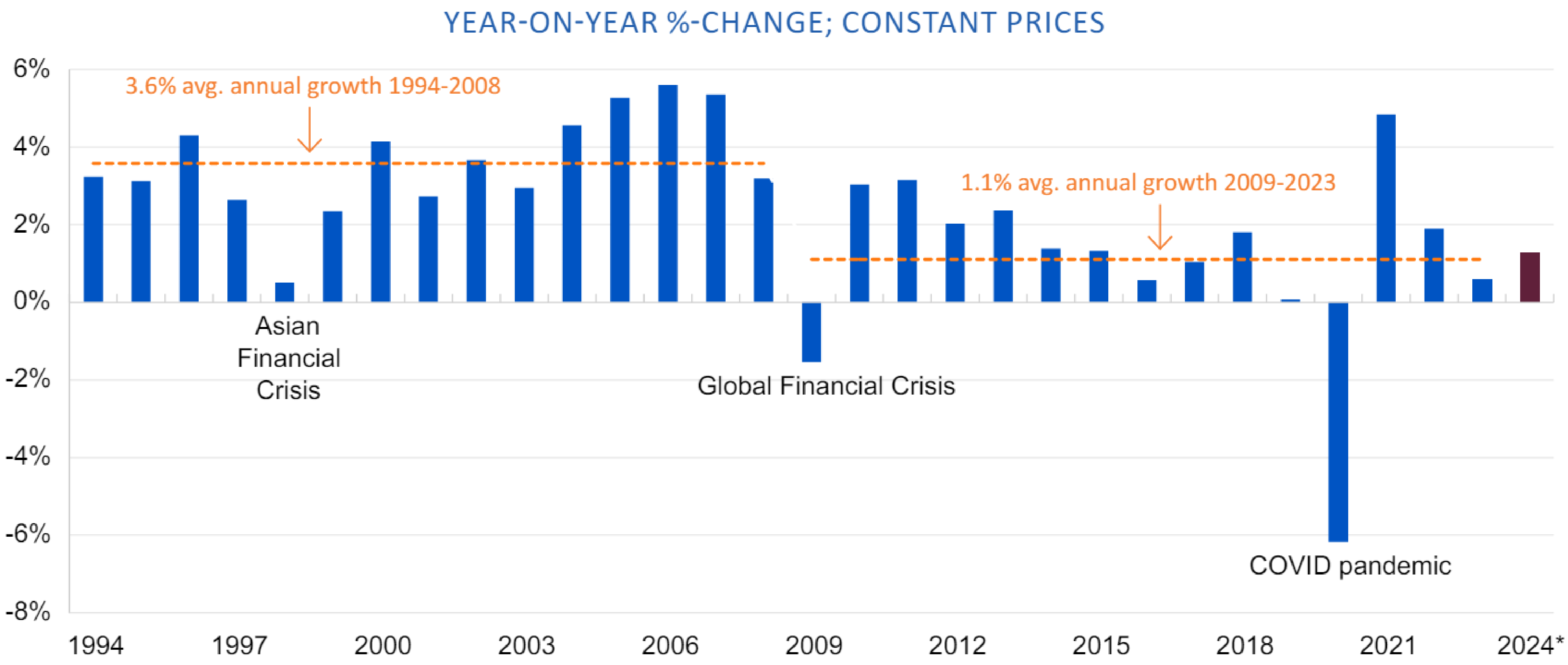
Substantial expansion in agriculture since the launch of NDP in 2012



Source: BFAP Baseline

The challenges…

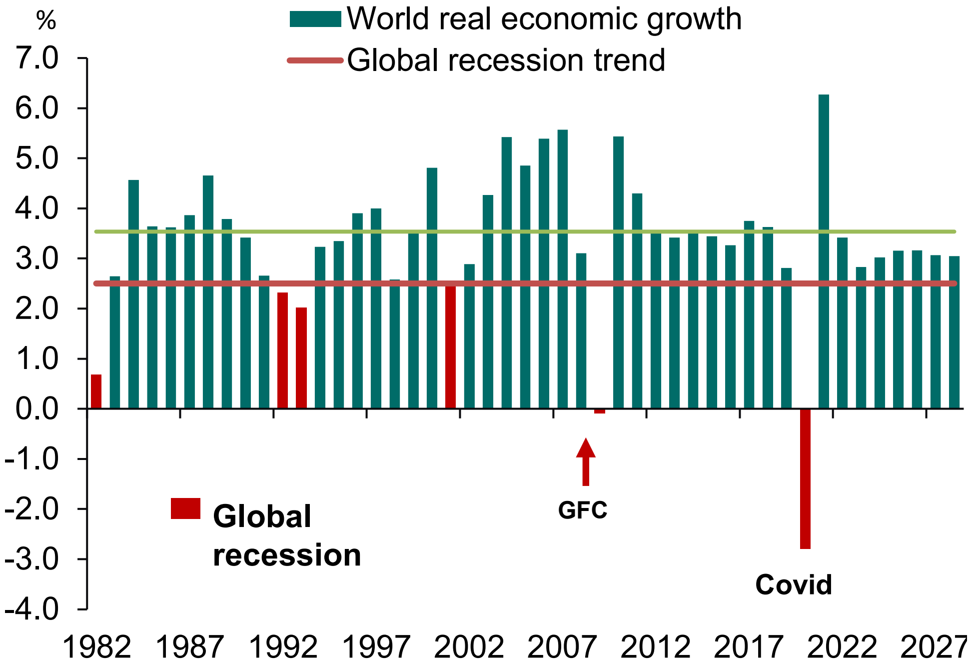
The last 15 years of a democratic South Africa has seen dismal economic performance

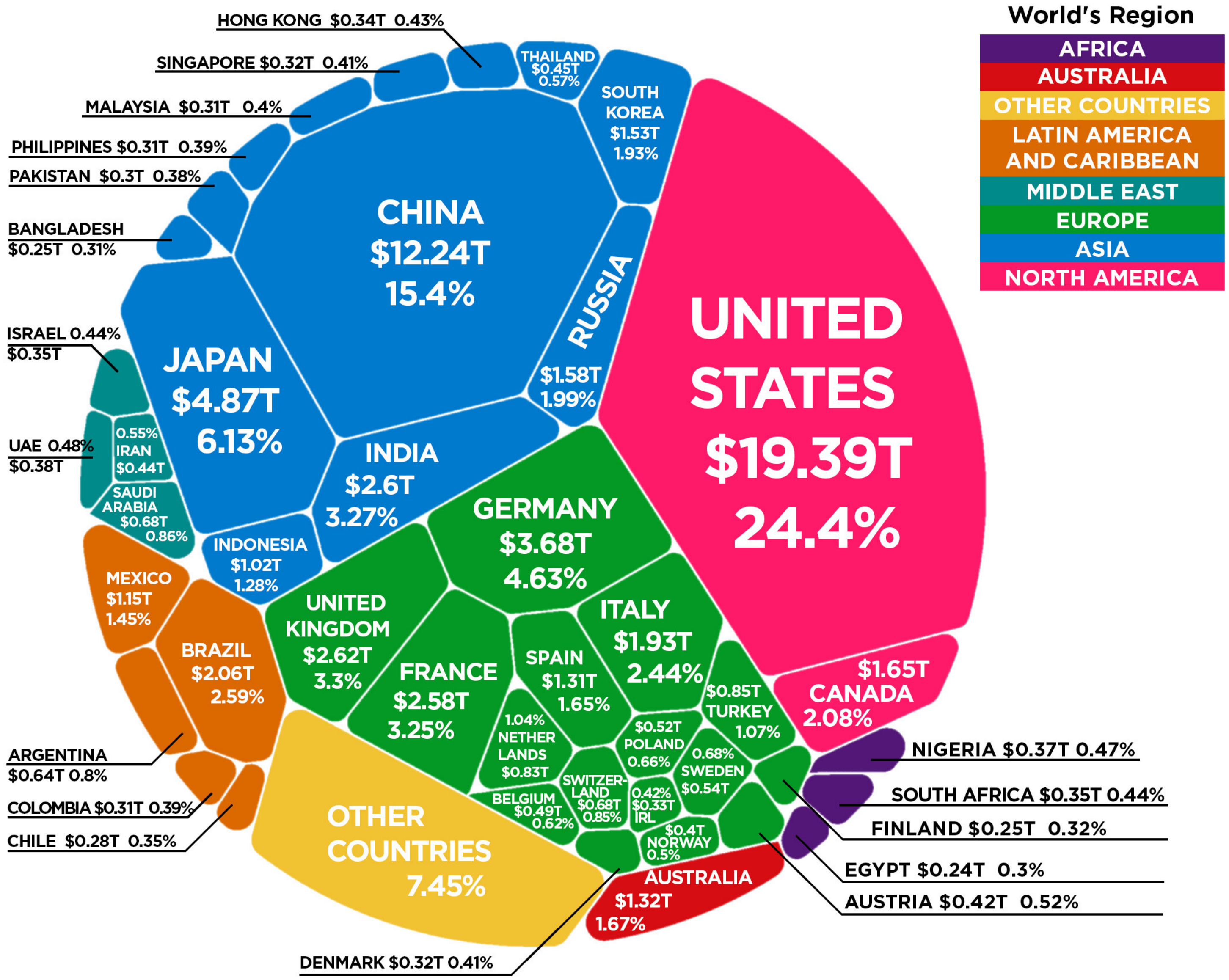


Source: Adopted from BER (2024)

The political economy

Global

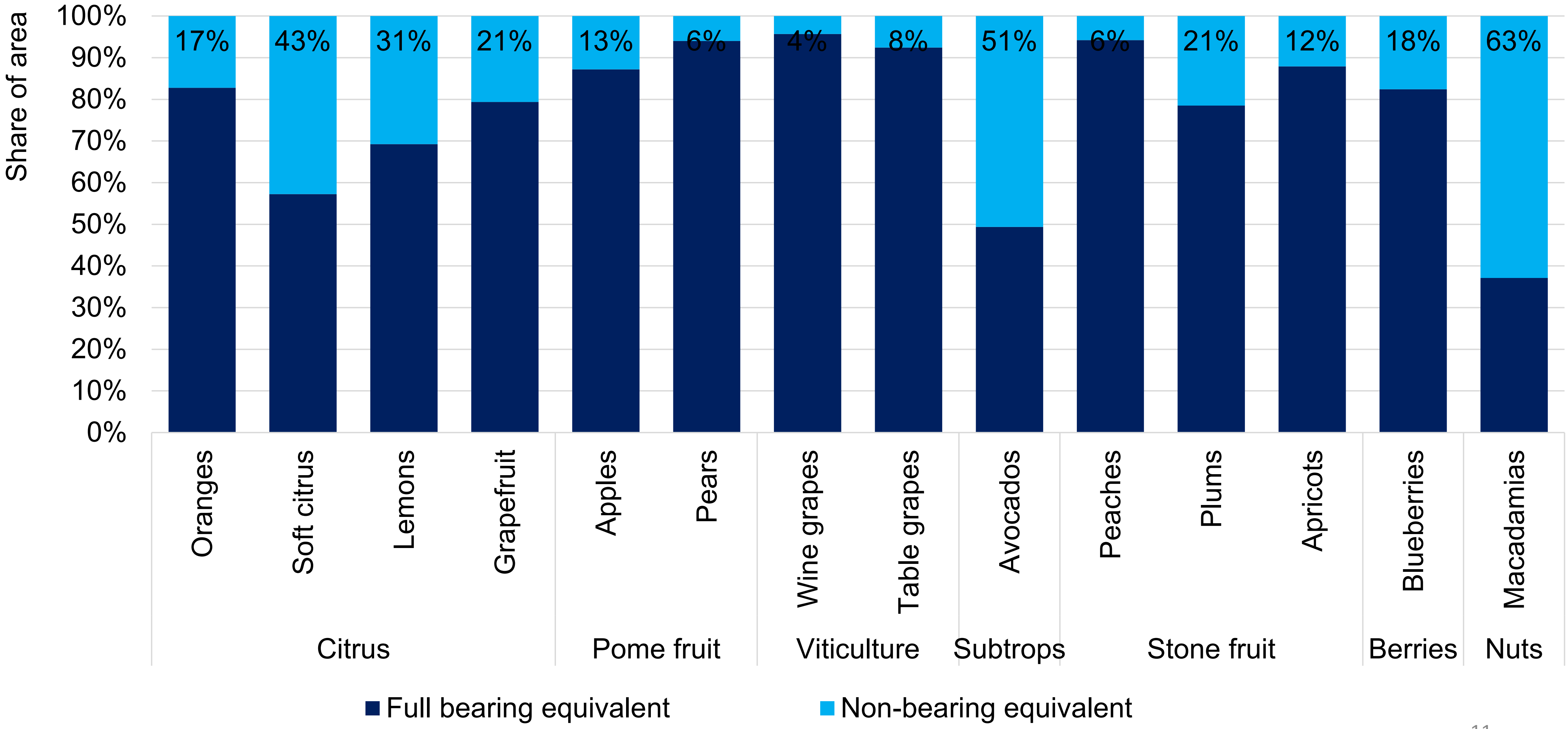




Article and Sources:
https://howmuch.net/articles/the-world-economy-2017
http://databank.worldbank.org/data/download/GDP.pdf

howmuch.net

Large share of total area not yet in full production, and will require export markets

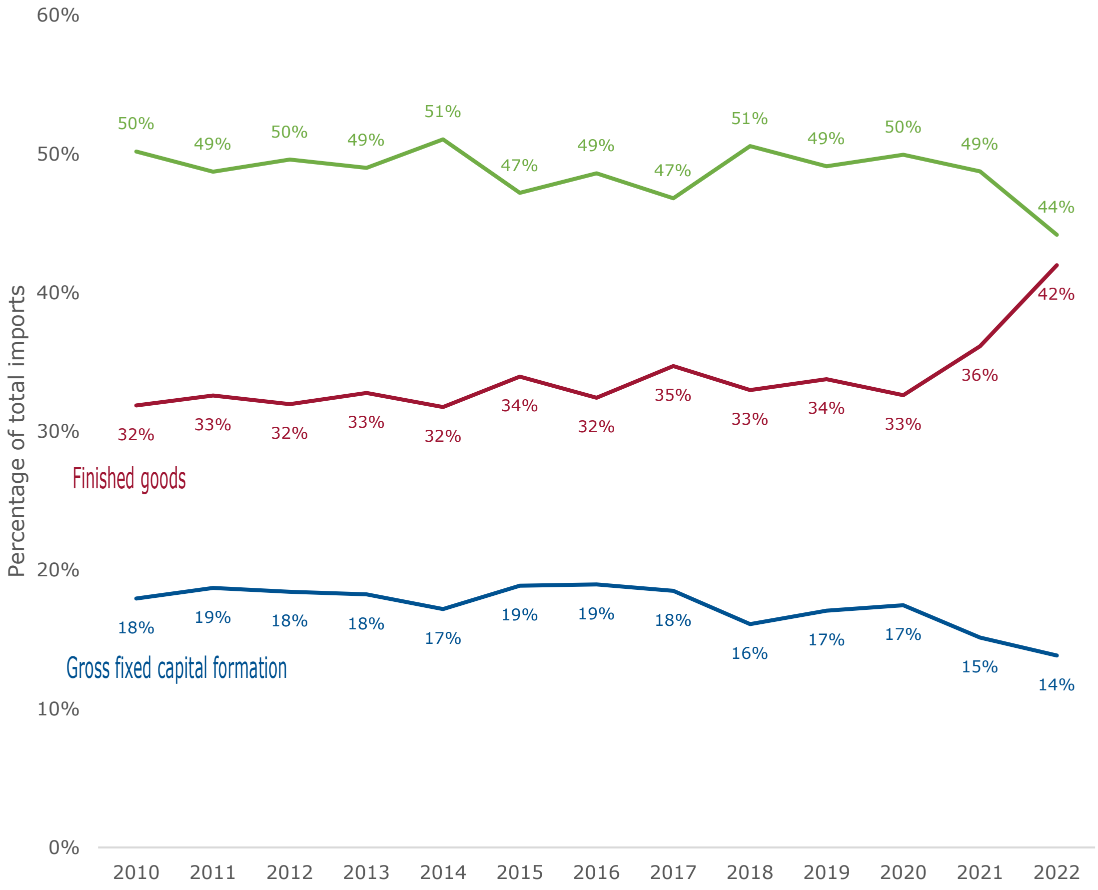


Source: BFAP Baseline

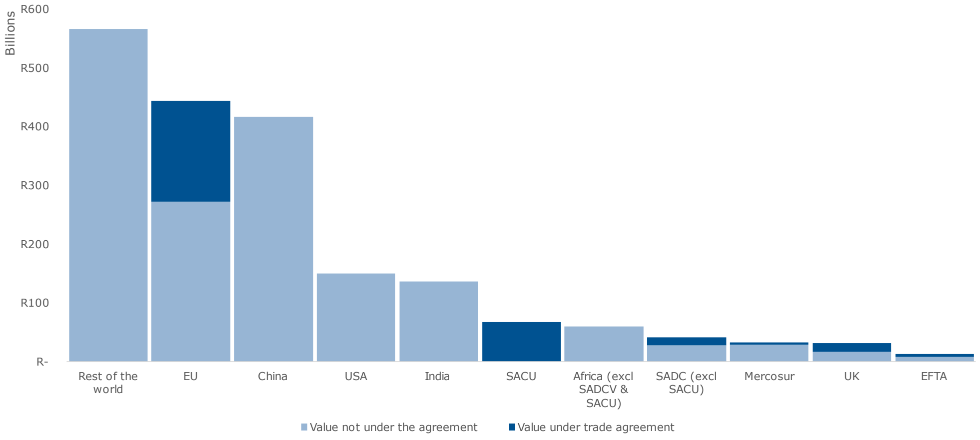
The global economy faces a multitude of risks over the remainder of the year

Sources: Economist Intelligence Unit (EIU)

Trade & industrial policy

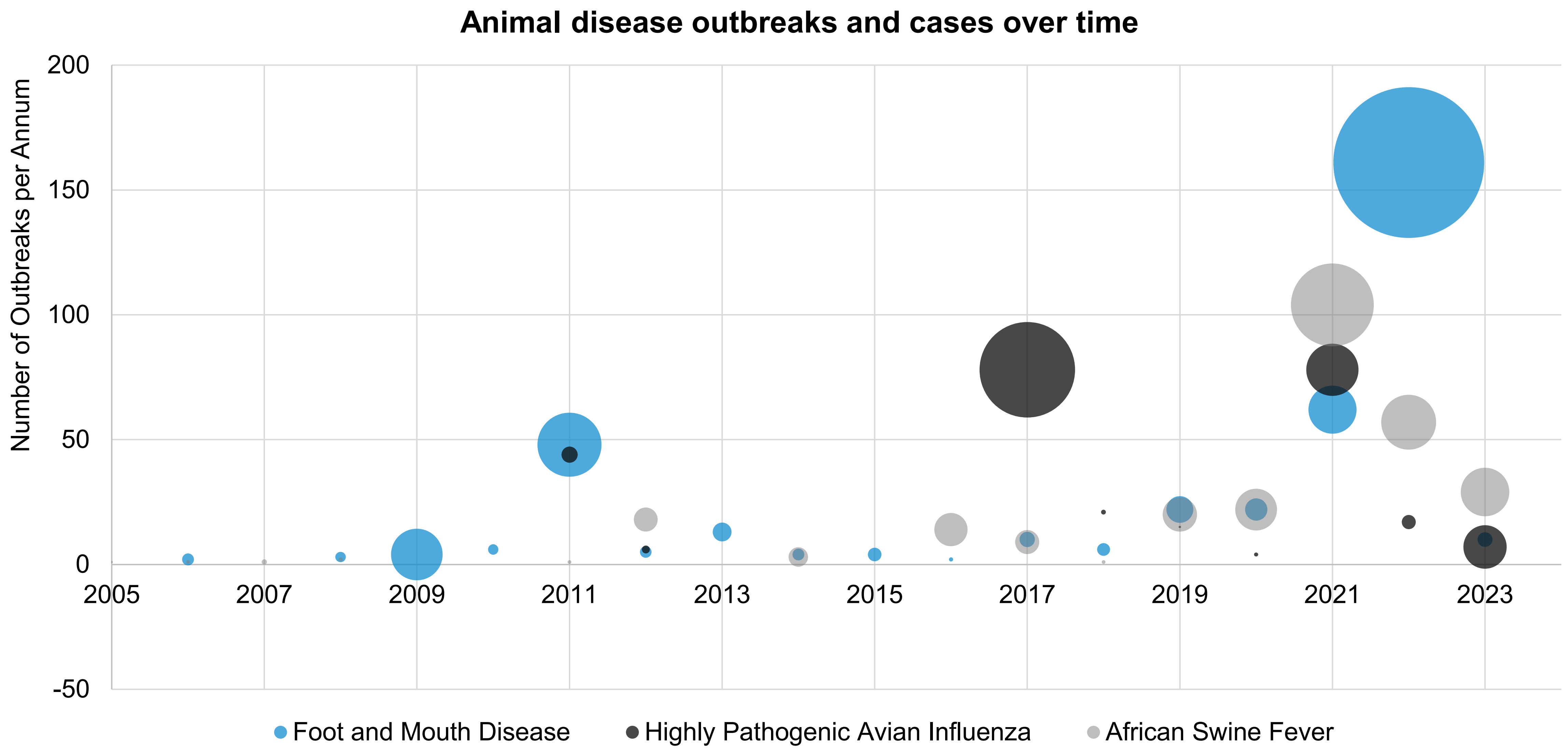


Most of South Africa's imports are sourced from countries we have no trade agreement with
July 2022 to June 2023



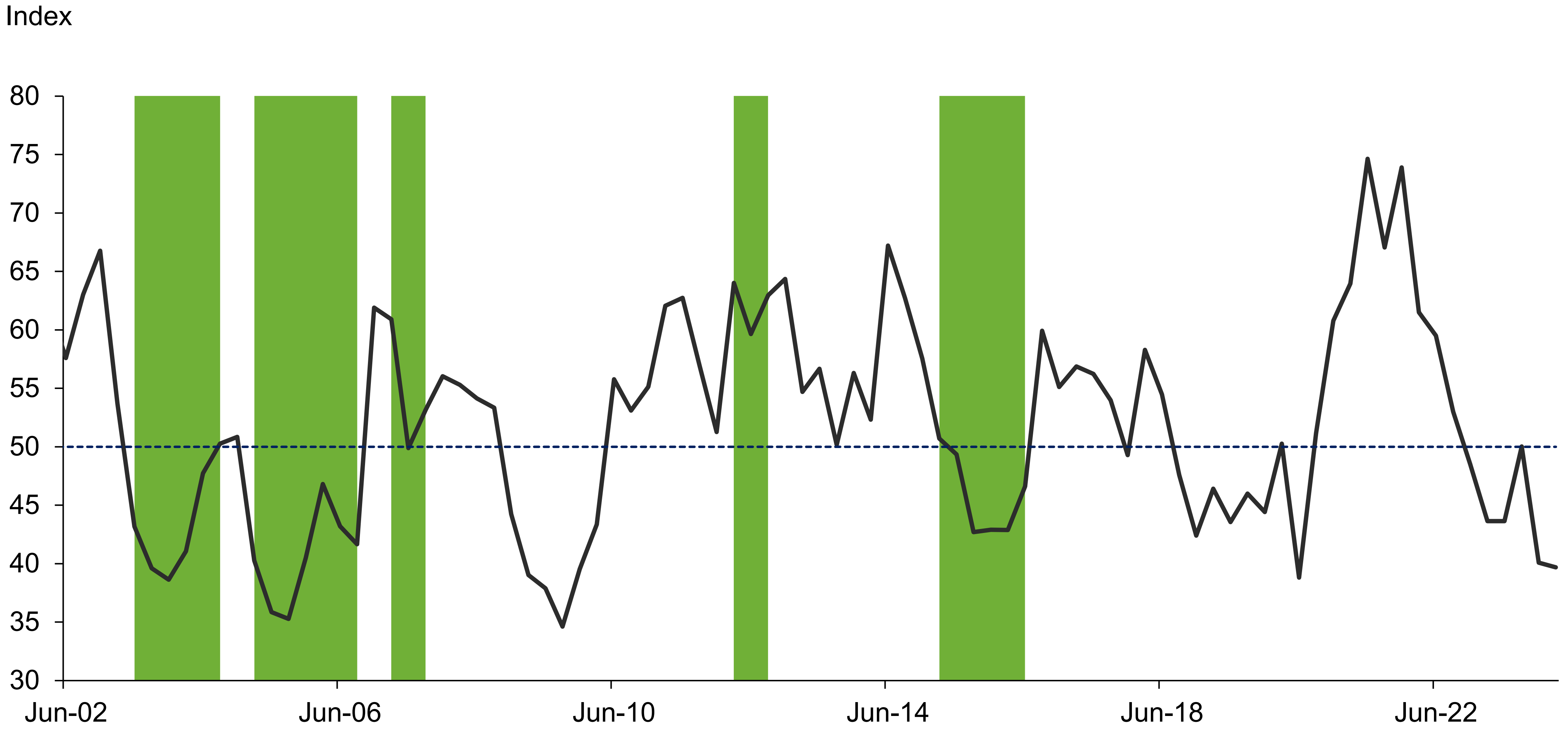
Source: South African Revenue Services, trade statistics

Animal health remains a major challenge



Source: BFAP Baseline

Agbiz / IDC Confidence Index



Source: Agbiz Research

State of agribusiness across SA – top concerns

Domestic

1. El Nino;
2. Logistics;
3. Energy;
4. Weaknesses of municipalities
5. Animal disease outbreaks;
6. Weak consumer spending power

Global

- Rising protection in some export markets;
- Intensified geopolitical tensions;
- Rising activism in agriculture (anti-chemical, anti-commercial agriculture, climate) – activist playbook NB!;
- Climate change (BAM, SETs, Carbon Tax).

The work underway…

Legislation

Legitimate concerns

- National Water Amendment Bill;
  - Prohibits trading of water rights;
  - Elevates water reform above other considerations;
- Employment Equity Amendment Bill
  - Sectoral targets unattainable;
- Migration policy & white paper;
  - Critical skills & ‘swallows’ accommodated; but
  - Likely to become stricter on unskilled labour

Positive moves

- Preservation & Development of Agricultural Land Bill;
- Plant Health Bill;
- Agricultural Product Standards Amendment Bill;
- Electricity Regulation Amendment Bill;

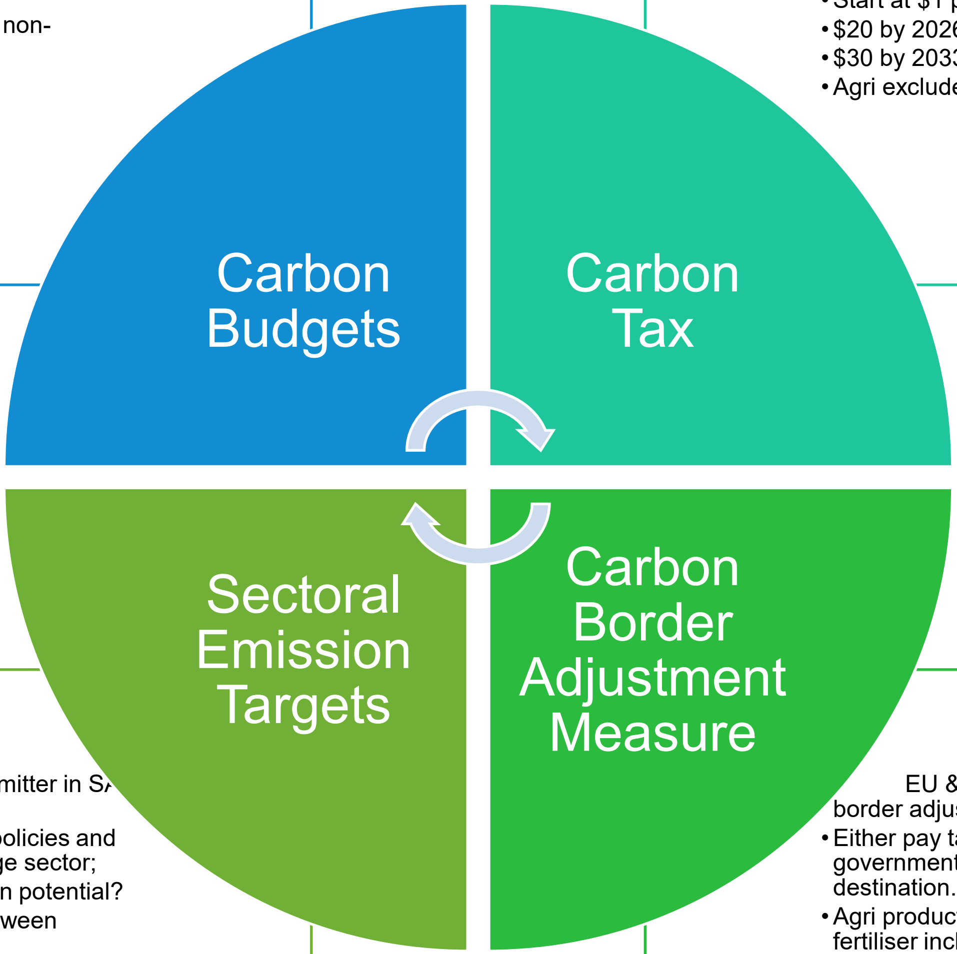
Red-herrings

- Expropriation Bill

Climate Change Bill & other legislation

- Companies allocated 5 year targets.
- Criminalisation of non-compliance.

- Coupled to $US
- Start at $1 per tonne; but
- $20 by 2026;
- $30 by 2033.
- Agri excluded in phase 1 only



- Agri 2nd biggest emitter in SA (11% of GHGs);
- DALRRD to use policies and measures to nudge sector;
- Realistic mitigation potential?
- Compromises between sectors?

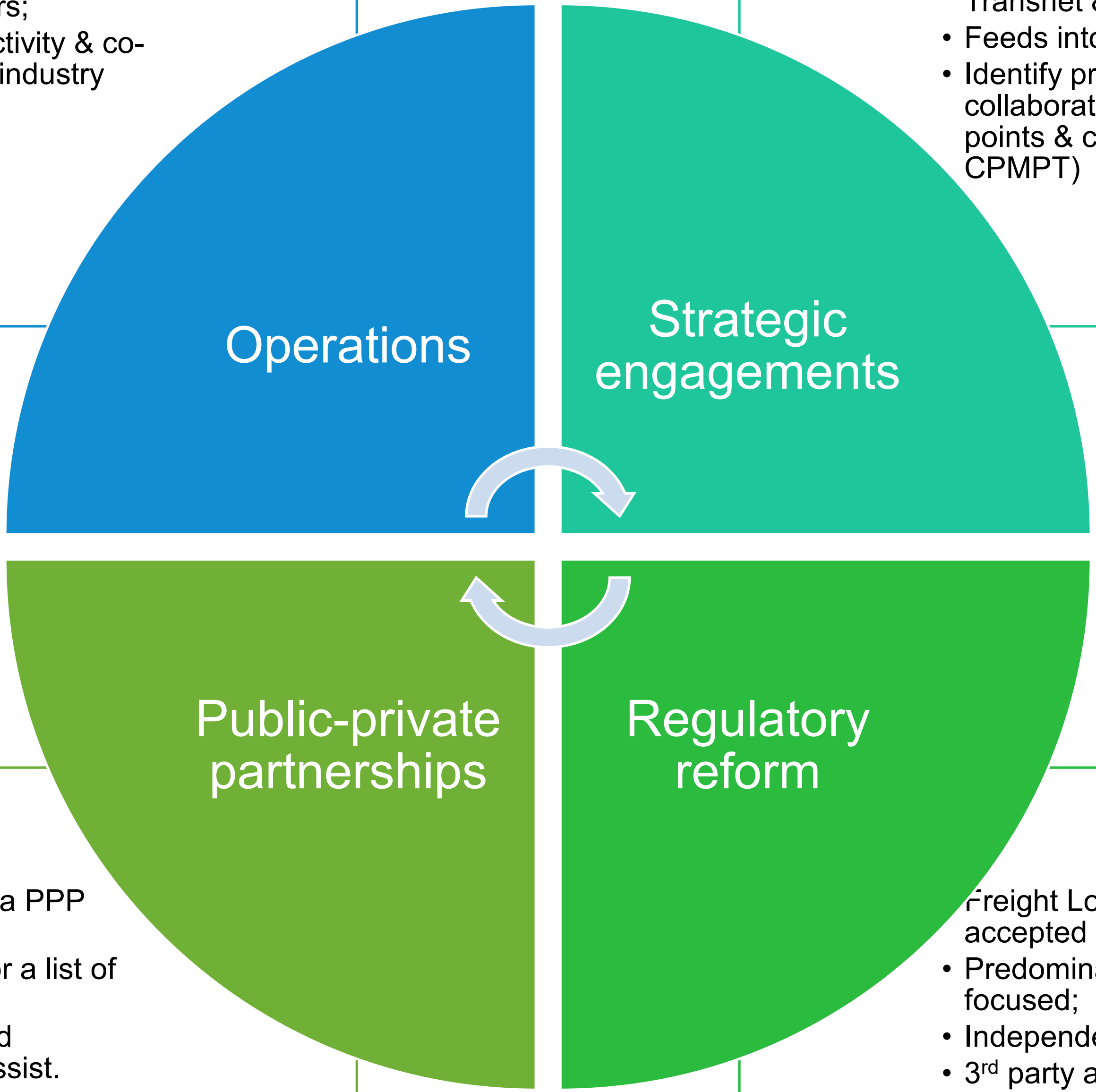
EU & UK set to impose border adjustments;

- Either pay tax to own government or export destination.
- Agri products excluded but fertiliser included.

Logistics

- Transnet CoE, War rooms;
- Led by members;
- Improve productivity & co-ordination with industry

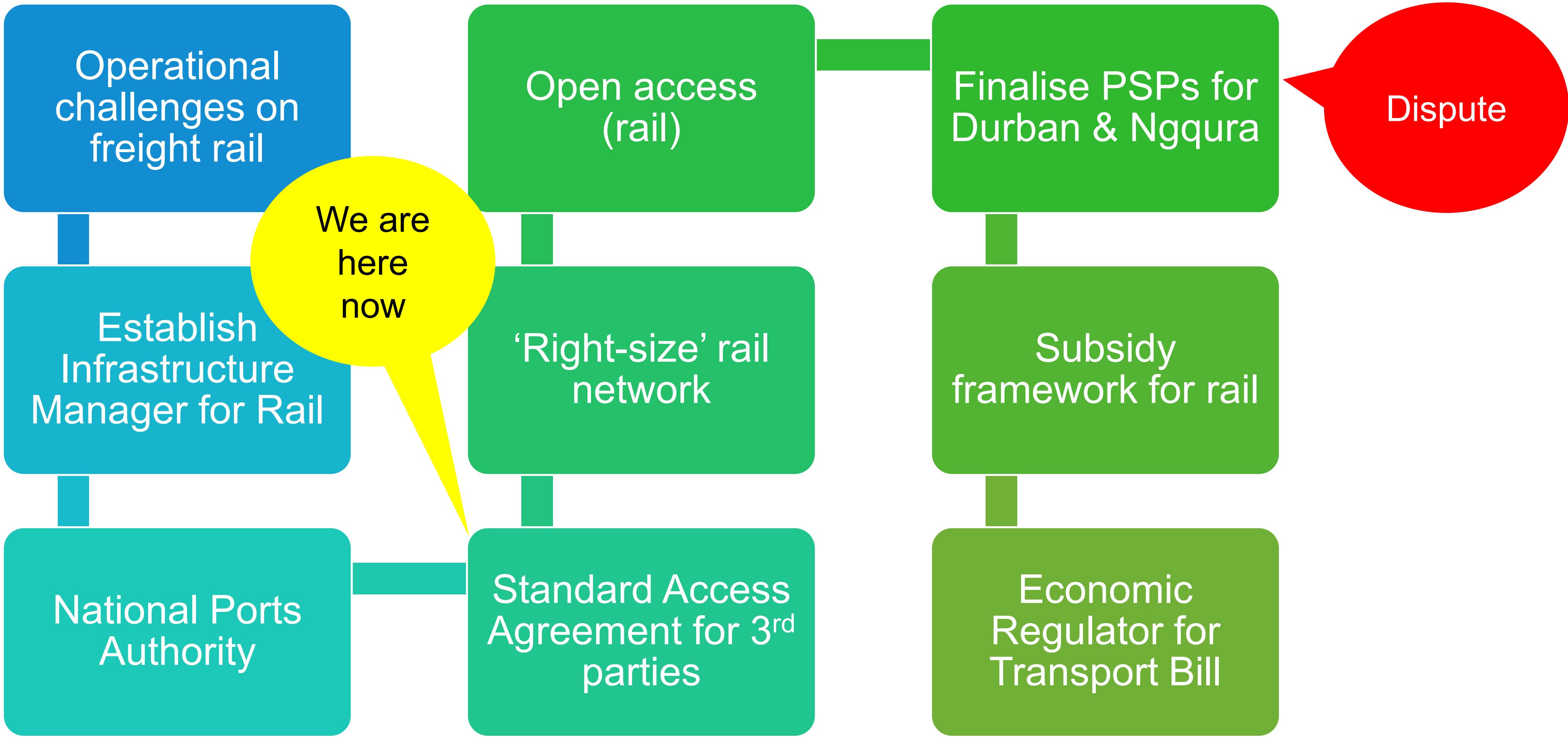
- Joint-planning with Transnet & industry;
- Feeds into NLCC process;
- Identify projects for collaboration (i.e. plug points & conversion of CPMPT)



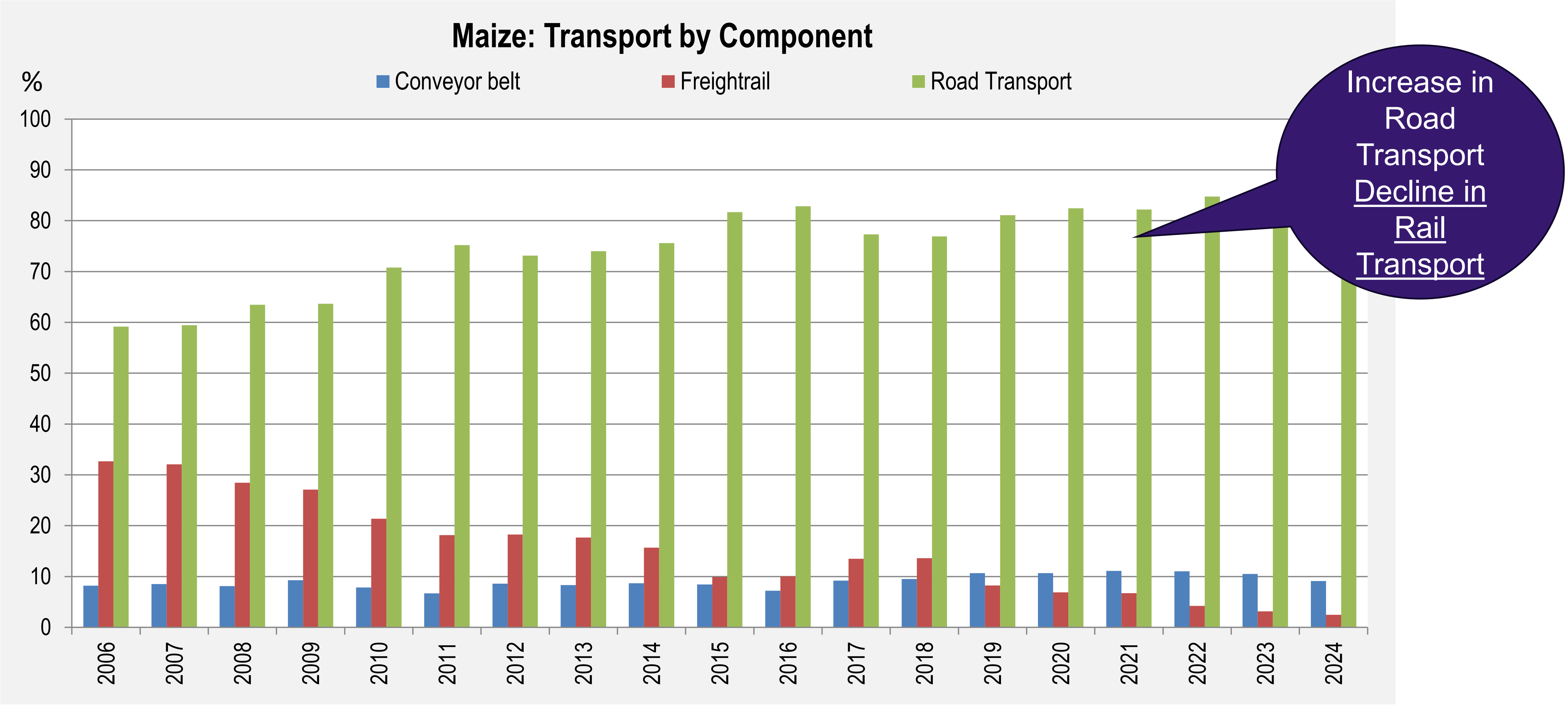
- DoT setting up a PPP office;
- Asked BUSA for a list of projects;
- Agbiz appointed consultant to assist.

- Freight Logistics Roadmap accepted by Cabinet;
- Predominantly rail-focused;
- Independent regulator;
- 3rd party access;
- ‘right-sizing’ rail network.

Operation Vulindlela – Logistics Roadmap



Maize Transport Trends…



Selection of Proposed Projects for PSP

Note Cluster consists of a region and hub of silos and/or sidings

Prioritisation by Agbiz Members: Cluster Investment in Logistics

Member	Export Market Infrastructure	Internal Market Infrastructure	Priority Clusters for Investment	Ranking
1	✓ (Deep Sea)	✓ -	Free State and Northern Cape	1
2	✓ (Deep Sea)		Western Cape	2
3		✓ -	Western Cape	2
4	✓ (To SADC Region)	✓ -	Free State and North West	1
5	✓ (To SADC)	✓ -	Mpumalanga	2
6		✓ -	Western Cape	2
7		✓ -	Western Cape	2
8		✓ -	Free State and Northern Cape	1
9	✓ (Deep Sea)	✓ -	Free State and Northern Cape	1
10	✓ (Timber Deep Sea & Grain to SADC)	✓ -	Mpumalanga (Timber)	2
11		✓ -	Free State and Northern Cape	1
12	✓ (Deep Sea)		Free State & Grainport	2
13		✓ -	Free State and Northern Cape	1

Priority Projects

Project 1: Free State & Northern Cape Clusters - Grain Rail Transport to Cape Town and Gauteng

Project 2: Free State Cluster Grain Rail Transport to Durban Harbour Export Terminal

Project 3: Refurbishment of East London Harbour Grain Silo and Elevator Infrastructure and Kroonstad – East London Line

Project 4: Additional Electricity Plug-In Points for Refrigeration Containers at Cape Town Harbour

Project 5: Mpumalanga & Northern KZN Timber Cluster: Export of Timber Ermelo & Vryheid– Richards Bay Harbour

Logistics Roadmap

Network statement

- Critical for third party access;
- Slot planning & allocation;
- Fee structure;
- R19.79 cents/GTK;

= fees needed to maintain TRF’s whole regulated asset base (R260 billion); but

- Over valued;
- 8000km+ unusable;
- No subsidies.
- Overpriced.

PSPs for Durban Pier 2

- Biggest container terminal in SA;
- ICTSI awarded 49% stake and expected to recapitalise port;
- Appointment challenged by competitors;
- Delays, but will cannot be involved (purely commercial);
- Agbiz must simply push Transnet / OV not to backslide on privitisation.

DALRRD focus & priorities

1. **AAMP**
   - Finalise outstanding engagements;
   - Prioritise initiatives for next 5 years & reconfigure where other processes are underway (i.e. NLCC);
2. **Assignee forum;**
3. **GMO / NBT distinction**;
   - Process for engagements initiated;
4. **Act 36 of 1947**
   - Collaboration with SAIF picking up speed;
   - New legislation must be prioritised;
5. **AgriBEE Charter Council**
   - Term lapsed June 2023 + impetus urgently needed to move processes along.
6. **Plant Health Bill**
7. **LITS roll-out.**

Trade

Trade agreements (Nedlac TIC)

- AGOA country review & full utilisation (SPS matters);
- Operationalising BRICS+ commitments;
- SADC – EU – EPA *ex-post facto* review;
- Operationalising AfCFTA;
- New Preferential Trade Agreements – we are making progress with SPS & non-tariff barriers but face tariff walls in many Asian markets;
- Research on agri-focussed PTAs with key trading partners;

Trade enablers

- Border management agency implementation;
- Tariff measures – substance good but reaction time can be improved;
- Competition law exemption – businesses must 'hunt in packs'.

Sustainability initiative

Progress

- Agrifusion appointed to lead work;
- Focus – identify key elements of 'materiality' common across value chain (lobby element);
- Must find convergence between:
  - Agribusiness case studies;
  - Existing ethical trade certifications (Siza, Weita etc. – gap analysis);
  - Key risks identified in 8 Feb workshop; &
  - International best practice.
- *NB – not prescribing compliance with any targets (local or international). Instead, looking to find commonality within value chain on material elements and a way to measure it.*

The Sustainability Initiative

8 February 2024

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Thank you

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