



National Agricultural
Marketing Council
Promoting market access for South African agriculture

The trumpet

Issue 1 | October 2017

Quarterly Economic Research Newsletter of the NAMC

South Africa should do more
to boost its local poultry
production capacity

Recent research
output

Past events hosted
by the MERC

Published by the Markets and Economic Research Centre
of the National Agricultural Marketing Council

CONTENTS

Foreword	ii	
Focus: South Africa should do more to boost its local poultry production capacity	01	
Recent Research Output: Working papers	02	
Published Journal Articles	05	
Published Book	08	
Papers presented at conferences	10	
Editor in Chief: Dr Simphiwe Ngqangweni	14	Feature
Editor: Ms Thulisile Khoza	15	Awareness & Did You Know
Communications: Mr Stephen Monamodi	16	Up-coming events
Content team: Ms Xolisiwe Yolanda Potelwa Mr Christo Joubert Dr Herbert Moses Lubinga	18	Past events hosted by the MERC: Seminar
Photography: Mr Bongani Radebe	20	Workshop
Design and Layout: Mr Daniel Rambau Mr Sylvester Moatshe		

For more information on *The Trumpet*, contact:

Dr Simphiwe **Ngqangweni**,
Senior manager: Markets and Economic Research Centre,
Email: simphiwe@namc.co.za
Postal address: NAMC, Private Bag X 935, Pretoria, 0001
Tell: 012 341 1115

This Newsletter and all NAMC research output can be accessed online at: www.namc.co.za/research-portal

Foreword

The National Agricultural Marketing Council (NAMC), as a state-owned entity that is empowered through legislation to be a premier advisory body to the Minister of Agriculture, Forestry and Fisheries and other sector stakeholders, established a markets and economic research unit ten years ago. The unit, named the Markets and Economic Research Centre (MERC), has evolved over the past ten years and has expanded its portfolio of research outputs mainly in three focus areas namely, agro-food chains, smallholder market access and agricultural trade. In its intensification of research output, it has also sought to continuously improve the quality of its offering with the aim of making it more reliable and relevant for its audience (the Minister and directly-affected groups). The NAMC, through MERC, has also endeavoured recently to seek ways to communicate its research outputs in a number of user-friendly platforms and channels. The recently launched economic research portal (www.namc.co.za/research-portal) is one such example. As part of making more options available for stakeholders to access its research output, it has been decided that a research newsletter should be established.

This is the first issue of the economic research newsletter. The name “*The Trumpet*” has been chosen to reflect the goal of “announcing” quick and easy to digest snippets of research outputs to the NAMC stakeholders. This newsletter will be available through multiple channels, including email, hard copy, website and social media. It will seek to summarise latest research along with communicating information on recent and upcoming events of interest to our stakeholders. There will also be attempts to profile some of the researchers at NAMC with a view to promoting an interactive culture between the NAMC and the readers of this newsletter. Lastly, snippets of important information and statistics on the agricultural sector locally, regionally and globally will be presented.

Among the key topics highlighted in the October 2017 issue of **The Trumpet** Newsletter, we tackle the thorny issue of cheap chicken imports into South Africa. Lubinga has written an article on the issue of South African chicken production capacity in the context of imports from competing countries. His article was originally published in the NAMC’s Trade Probe Issue 68. The dynamics of participation in the livestock commercialisation initiatives by communal farmers in South Africa are analysed in an article by Sotsha and others, which was published recently as an NAMC Working Paper. Another critical issue highlighted in this issue of the newsletter is that of the impact of South Africa’s participation in the Africa Growth and Opportunity Act (AGOA) trade arrangement with the United States. The full article was written by Nyhodo and others and was published as an NAMC working paper.

For more information on NAMC’s economic research publications, go to www.namc.co.za/research-portal.

Happy reading.

S Nqangweni

Senior Manager: Markets and Economic Research Centre (MERC)
National Agricultural Marketing Council (NAMC)

South Africa should do more to boost its local poultry production capacity

Lucius Phaleng

South Africa is currently faced with the challenge of an upsurge of chicken imports into the country particularly from the EU. This has raised concern from the poultry industry as producer margins come under pressure and survival of the local poultry industry is threatened with wide-ranging implications on local jobs and incomes.

An article by Moses Lubinga published in the DAFF-NAMC Trade Probe Issue 68 (March 2017) raises the point that one of the ways of analysing the challenge of cheap imports is to look at it against the backdrop of South Africa's local poultry production capacity to meet local demand. His study points to a widening negative trade balance for frozen chicken portions in particular. The study also reveals that South Africa's broiler chicken production capacity is far below that of each of the selected EU member states (Netherlands, UK and Spain). The conclusion is that South Africa's broiler production capacity is still too low to match the high demand for chicken meat, given that it is currently the cheapest source of protein. These findings bring to light the need to tackle the bottlenecks curtailing increased broiler production capacity in South Africa.

For more information on this article, go to: www.namc.co.za/research-portal/trade/trade-probe-issue-68-march-2017/



RECENT RESEARCH OUTPUT

Working papers

NAMC Working Papers are also available on the **Agecon Search international online platform:** <http://ageconsearch.umn.edu>

Factors influencing communal livestock farmers' participation into the National Red Meat Development Programme (NRMDP) in South Africa: the case of the Eastern Cape Province

K. Sotsha, B. Fakudze, L. Myeki, S. Ngqangweni, B. Nyhodo, X. Ngetu, N. Mazibuko, H.M. Lubinga, T. Khoza, T. Ntshangase and V. Mmbengwa,

The National Red Meat Development Programme (NRMDP) initiative emanated from the observation that the local demand for beef outstrips production, resulting into importation of more beef. The programme has so far had a significant contribution towards communal farmers' participation in formal beef markets as well as their understanding of the value of formal beef market participation. Empirical evidence to support this notion is still desirable. Hence this case study was conducted to determine the factors that influence farmers' participation in the programme, focusing on the Eastern Cape Province. The results indicated that distance to markets, stock size, days of fattening and the contribution of the programme

(income earned from livestock sales through the programme) significantly influence farmers' participation. This is an indication that farmers are slowly beginning to understand how they can best make use of the opportunity presented by the programme. Hence policy wise, it is commendable to encourage communal livestock farmers to participate in programmes that are aimed at increasing formal market access.

For the full article, go to: <http://www.namc.co.za/research-portal/academic-papers/working-paper-the-national-red-meat-development-programme-nrmdp/>

Economy wide effects of a possible erosion of AGOA preferential access for South Africa

B. Nyhodo, T. Ntshangase and S. Ngqangweni

Removal of South Africa's preferential access to the USA market under AGOA, is expected to lead to losses in the South Africa economy, albeit minimal. This study used, as a policy shock, the introduction by USA of applied tariffs on selected imported agricultural products (beverages and tobacco; sugar; and vegetables, fruits and nuts) from South Africa. In terms of the overall effect (looking at Equivalence Variation, EV, in the case of GTAP model) the South African economy stands to lose about \$3.11 million as a result of the removal of the preferential access under AGOA. The results show that quantities

of industry outputs for the selected products are expected to decline while the rest will benefit positively. There will also be labour demand losses (loss of jobs); capital demand losses (reduction in investments) coupled with shift in the land demand. Overall the economy stands to lose because of hypothetical erosion of the AGOA treatment.

For the full paper, go to: <http://www.namc.co.za/research-portal/academic-papers/working-paper-sa-economy-impacted-without-agoa/>

AGOA

African Growth and Opportunity Act



Published Journal Articles



Factors influencing the growth of South Africa's agricultural exports to world markets

X.Y. Potelwa, M.H. Lubinga and T. Ntshangase

South Africa is a net exporter of agricultural products into the world market. Owing to the fact that Agriculture is one of the major earners of foreign exchange, an empirical analysis was conducted to determine factors influencing the growth of South Africa's agricultural exports to the world market. Findings indicate an improvement in South Africa's export earnings and the importer's GDP plays an important role in the increase in agricultural exports. The importer's population and the export capacity showed a positive relationship on the growth of South Africa's agricultural exports to its trading partners. Trading agreements, which include AGOA and the TDCa with the EU, show a positive impact on increase in export performance.

For the full paper, go to: <http://www.name.co.za/research-portal/wp-content/uploads/2017/10/Factors-influencing-the-growth-of-South-Africa%E2%80%99s-Agricultural-Exports-to-World-Markets.pdf>

This paper was published in the European Scientific Journal, Vol 12, No. 34 (December 2016). It could also be accessed via the journal's website: <https://europeanjournal.org/index.php/esj/article/view/8487>



The role of agricultural trade and policy complementarities in poverty reduction in South Africa

M.H. Lubinga,

Although South Africa exhibits an increasing positive trend in agricultural exports, poverty still remains a considerable challenge in the country. This study sought to determine whether South Africa's increasing trend in agricultural export performance translated into lower poverty levels between 1996 and 2014. Results suggest that imports of household consumables significantly reduce poverty levels by 9.5-22%, depending on the model used. Policy wise, there is need to further enhance the populace's education levels, increase people's confidence in public institutions of governance, as well as boost the depth of the financial sector. It is also necessary to promote importation of household

consumables, particularly those that are not necessarily produced in the country.

For the full paper, go to: <http://www.namc.co.za/research-portal/academic-papers/agricultural-trade-policy-complementaries-and-poverty-the-role-of-agricultural-trade-and-policy-complementaries-in-poverty-reduction-in-south-africa/>

This paper was published in the Journal of Human Ecology Vol 59 No. 1 (2017). The paper could also be accessed via the journal's website: <http://www.tandfonline.com/doi/abs/10.1080/09709274.2017.1348551>

Published Books



WTO: Agricultural Issues for Africa



R. Sandrey, M.H. Lubinga, W. Mwanza, E. Nderitu, M.W. Omolo, X.Y. Potelwa and W. Viljoen

The book, jointly published by tralac and NAMC, examines the complex multilateral trade negotiations, specifically as regards the inclusion of agriculture as part of the multilateral talks. Topics tackled by the book include market access negotiations under the WTO, the gains for African agriculture and overall African welfare, and new and emerging trade issues – the so-called Singapore issues of trade and investment, competition policy, transparency in government procurement and trade facilitation.

For a full copy of the book go to: <http://www.namc.co.za/research-portal/wp-content/uploads/2017/10/WTO-NAMC-2017.pdf>

The image features two blue microphones on stands against a light blue background. The microphone in the upper right is larger and more prominent, angled towards the left. The microphone in the lower left is smaller and also angled towards the left. Both microphones have a spherical, perforated grille and a silver-colored band near the top. The stands are dark blue and have a circular adjustment knob. The overall aesthetic is clean and professional.

Papers presented at conferences

Export promotion and social welfare in South Africa: Evidence from the agricultural sector

M.H. Lubinga, N. Mazibuko, S. Ngqangweni,
X.Y. Potelwa and B. Nyhodo

South Africa's industries in the agricultural sector spend some of the statutory levy income on export promotion activities. Some industries argue that statutory levy expenditure on export promotion activities generates satisfactory returns on investment but empirical evidence is yet to be presented to support the argument. Hence, this study fills this gap by building a unique dataset based on statutory levy expenditure on export promotion for four industries (citrus, deciduous fruits, table grapes and wine). Results suggest that statutory levy expenditure on export promotion has a statistically significant positive impact on social welfare across the four industries. In a nutshell, statutory levy expenditure on export promotion plays a key role in enhancing social welfare improvement. Therefore, there is need to mobilise more resources to facilitate the export promotion initiative into new markets and products for the industries.

This paper was presented at the 55th Conference of the Agricultural Economics Association of South Africa (AEASA) in September 2017.

For access to the full paper, please contact [Dr Moses Lubinga](mailto:mlubinga@namc.co.za) at mlubinga@namc.co.za or 012 341 1115.



South Africa's domestic resource mobilization position: is it good or bad and why

B. Nyhodo, S. Ngqangweni, S. Ntombela,
L. Myeki, N. Nengwekhulu and V.M. Mmbengwa

The market oriented financial system of South Africa implies minimum state intervention as market mechanism is assumed to achieve the highest efficiency in terms of resource allocation. South Africa has put in place strong administrative measures to ensure efficient tax collection process; however, the country still experiences large losses in the form of illicit financial flows. It is estimated that the country lost over US\$ 24 billion in the last decade. South Africa's domestic resource mobilisation status has been very good, however, recently a number of variables that are used to measure the healthy nature of this are going the opposite direction.

For access to the full paper, go to: <http://ageconsearch.umn.edu/record/249312/files/15.%20Domestic%20resource%20position%20in%20South%20Africa.pdf?version=1>



Assessment of the participation of smallholder farmers in agro-processing industries of Gauteng Province

V.M. Mmbengwa, T.M. Khoza, L. Myeki, K. Rambau, N. Tempia, and J. Rakuambo



In South Africa, smallholder farmers were known to have a limited scope of participating in the agro-processing sector. Hence, part of transformational agenda of the country is to ensure that smallholder farmers are meaningfully participating in the agro-processing industries. The primary objective of this study was to identify critical factors that influences smallholder participation within the agro-processing industries. The results show that market access linkages could significantly improve smallholder participation in agro-processing. Therefore, it could be concluded

that market access linkages is significant to ensure that Gauteng smallholder farmers participate in the agro-processing value chain.

This paper was presented at the 10th Gauteng Agricultural Research Symposium in August 2017. The paper won an award as the **best oral presentation** at the event.

For access to the full paper, please contact: **Prof. Victor Mmbengwa** at VMmbengwa@namc.co.za or 012 341 1115.

Feature

Rika Verwey's path as an Agro-Food-Chain Researcher



Rika Verwey is a Senior Economist within the MERC division under the Agro-food chain focus area. She holds a Master's degree in Econometrics from the University of Pretoria. Her duties involve undertaking research projects/programmes relating to agro-food chains; coordinating and liaising with relevant stakeholders in order to gather data and information pertaining to specific projects/programmes; manages research projects/programmes in the area of agro-food chains; supervises junior staff; as well

as a provision of expertise and/or participating in MERC cross-focus area and NAMC cross-divisional research projects. Her nine years at the NAMC and her eminence has given her an opportunity to understand the agricultural sector. Since joining the NAMC, Rika has gathered valuable knowledge through industry engagement and attendance of seminars as well courses undertaken.

Rika has been working together with Corne Dempers and Christo Joubert as part of the Agrofood Chain team. This has established good working relationship to achieve each other's responsibilities. Furthermore, they have been a pillar in providing knowledge about the agricultural sector to NAMC stakeholders. Rika leads a number of projects such as Food Cost Review (Annual report), Food Basket Price (Monthly Reports), Fresh Produce Price Monitor (Joburg market report), Food Price Monitors (quarterly) and Farm-to-Retail Price Spread (quarterly report). She enjoys publishing these outputs as they provide insight into factors driving commodity prices and food price margins as well price movements. NAMC launched the first Research Symposium in March 2016 and Rika was part of the team that successfully coordinated the event.



Awareness



2nd Research Symposium 2017

Click the picture or go to: https://www.youtube.com/watch?v=fz5_awDEJ2s&feature=youtu.be

Climate Smart Agriculture

Click the picture or go to: <https://www.youtube.com/watch?v=qF4aQs6avrM&feature=youtu.be>



Did you know?

Agricultural Role in the Broader Economy



Agriculture



Plays a crucial role in the broader economy



6%
Labour Force



Mark Your Calendars

EVENTS



**30
Oct**

Joint conference of 3rd AFAAS Africa-Wide Agricultural Extension week and 51st Annual Conference of the South African Society for Agricultural Extension. 30 October to 03 November 2017, Durban, KZN. For more information, go to: <http://www.sasae.co.za/conference2017.htm>

**28
Nov**

The 4th Global science conference on Climate Smart Agriculture. November 28 – 30, Johannesburg, South Africa. For more information, go to: <http://csa2017.nepad.org/en/>

**02
Feb**

Southern Agricultural Economics Association Annual Meeting. February 2-6, 2018, Jacksonville, Florida. For more information, go to: <https://www.saea.org/wp-content/uploads/2017/07/june17.pdf%20>

**14
Mar**

3rd Economic Research Advisory Network (ERAN) 2018 Annual Conference, Durban, KwaZulu-Natal, South Africa. 14 to 16 March 2018. For more information, go to: <http://www.thedti.gov.za/ERPC/papers.jsp>



PAST EVENTS



Seminar

For Sharing Solutions

Leadership Conversation with Dr Amon Myeni on the 06th April 2017, NAMC



Dr. Amon Myeni

“TODAY’S LEADERSHIP GIANTS ARE TOMORROW’S LEADERSHIP DINOSAURS”

The Self-Defeating Leadership Behaviour Model

The idea behind the conversation was to ensure that employees at different levels get a better understanding of what is leadership and management and can distinguish between these two terms. Different foundations of leadership (Spiritual, Political and Managerial) were noted, however, the conversation focussed on the managerial leadership environment. Traditional management functions were outlined. These include planning, organising, financing, staffing, controlling, and leading. The purpose of listing these functions was to stress the fact that leadership is part of management. According to Dr Myeni, as a leader at any organisation you should know that your employees are your most

critical stakeholder. According to his finding, work related issues are the most stress drivers in South Africa, which is why employees should be the first priority for managerial leaders. Other stress drivers include, family issues, social upheavals, financial problems and traffic bullying. All employees, regardless of their position within an organisation are leaders, hence they should be aware of the self-defeating leadership behaviour, i.e. cultural deformity syndrome, tokenism, factionalism, hypocrisy, narcissism, kingdom approach and self-alienation.

Dr Myeni defines leadership derailment as a situation that occurs when a leader fails to perform the leadership function in such a way that he/she gets demoted, dismissed, arrested or simply quit voluntarily. The importance of this seminar was to give an insight on how to tackle challenges and how to use opportunities as leaders in a work place, society and in our businesses. Dr Myeni retired at 62 years as a Director at DAFF after managing the Directorate Cooperatives and Enterprise Development (CED) for two years.

The seminar was based on a book that he wrote and published in 2016, titled “Comrade your leadership style sucks! A closer look at the dark side of managerial leadership in South Africa.”

For access to the book, contact Dr. Myeni at 076 401 2304

Climate Change in Agricultural industries: coconuts in Sri Lanka



Professor Garry Griffith. Adjunct Professor – UNE Business School, Australia

This was joint seminar organised by National Agricultural Marketing Council, Landbank and Agricultural Research Council. The Seminar was presented by Prof Garry Griffith together with panellists Dr Moses Lubinga (NAMC), Dr Mampiti

Matete (Land Bank), Dr Sue Walker (ARC). The presentation was based on a research paper and the aim was to develop an economic model of the coconut value chain that allows prediction of welfare impacts and a quantitative representation of coconut yield that allows the impact of climate change conditions on production. The average outcome of 16 climate models was used to generate future climatic conditions, with two future climatic scenarios for 2020, 2030 and 2050 considered for three production regions. The findings were that a wider adoption of fertilizer application at specific times and moisture conservation practices are estimated to be economically beneficial. On his conclusion, he highlighted that significant economic costs from predicted climate change (5% of industry total value) but large benefits from possible adaption options; everyone in the value chain losses from climate change if nothing more is done mainly for farmers and final consumers.

The panellists related the presentation of Prof Garry Griffiths as the situation that currently faced South Africa in terms of the climate change reality. They further highlighted that climate change negatively effects production and various scenarios (shown from the presentation) have different outcomes; although these might be different in the South African context. It was recommended that there is a need to work together or form the network to combat the challenges facing South Africa in terms of adapting and mitigating climate change for the agricultural sector.



Workshop

Hemp feasibility stakeholder validation workshop on the 24th March 2017, Leriba Hotel and Spa, Centurion



The purpose of the workshop was to share the hemp feasibility study findings and gather consensus on the findings. Hence, it is referred to as a validation workshop. The specific objectives were: to validate the key findings of the hemp feasibility study, get recommendations in terms of what needs to be done to establish a sustainable hemp industry in SA and outlining the role of other stakeholders (private and public).

Some of the recommendations presented during the validation workshop are as follows:

- ◇ Upon expiry of the license, an open system needs to be used whereby the licenses can be given to a number of participants to ease the tensions brought about by once license – and in so doing encouraging participatory research. However, compliance with the set systems need to be encouraged or enforced.
- ◇ DAFF needs to act urgently in request for considerations of making amendments to all the legislations that hinder hemp production.
- ◇ DAFF in collaboration with other government departments need to come up with a contact office for industry players to contact when there are hemp related bottlenecks.

For more information on the developments thus far, please contact Mrs Francina Rakgahla

Tel: 012 319 6092

cell: 084 581 8965

Email: FrancinaM@daff.gov.za

For more information on *The Trumpet*, contact:
Dr Simphiwe **Ngqangweni**,
Senior manager: Markets and Economic Research Centre,
Email: simphiwe@namc.co.za
Postal address: NAMC, Private Bag X 935, Pretoria, 0001
Tell: 012 341 1115

This Newsletter and all NAMC research output can be accessed online at: www.namc.co.za/research-portal

DISCLAIMER

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises or guarantees regarding the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the content thereof. No warranty of any kind, implied, expressed or statutory, including but not limited to the warranties of non-infringement of third party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus is given with respect to the contents of this document in hard copy, electronic format or electronic links thereto. References made to any specific product, process and service or another commercial commodity or entity are for informational purposes only and do not constitute or imply approval, endorsement or favouring by the NAMC.