National Agricultural Marketing Council

Promoting market access for South African agriculture

# SA National Close Out Policy Dialogue

Sifiso Ntombela, PhD
sifiso@namc.co.za ; @Ntombela_SM

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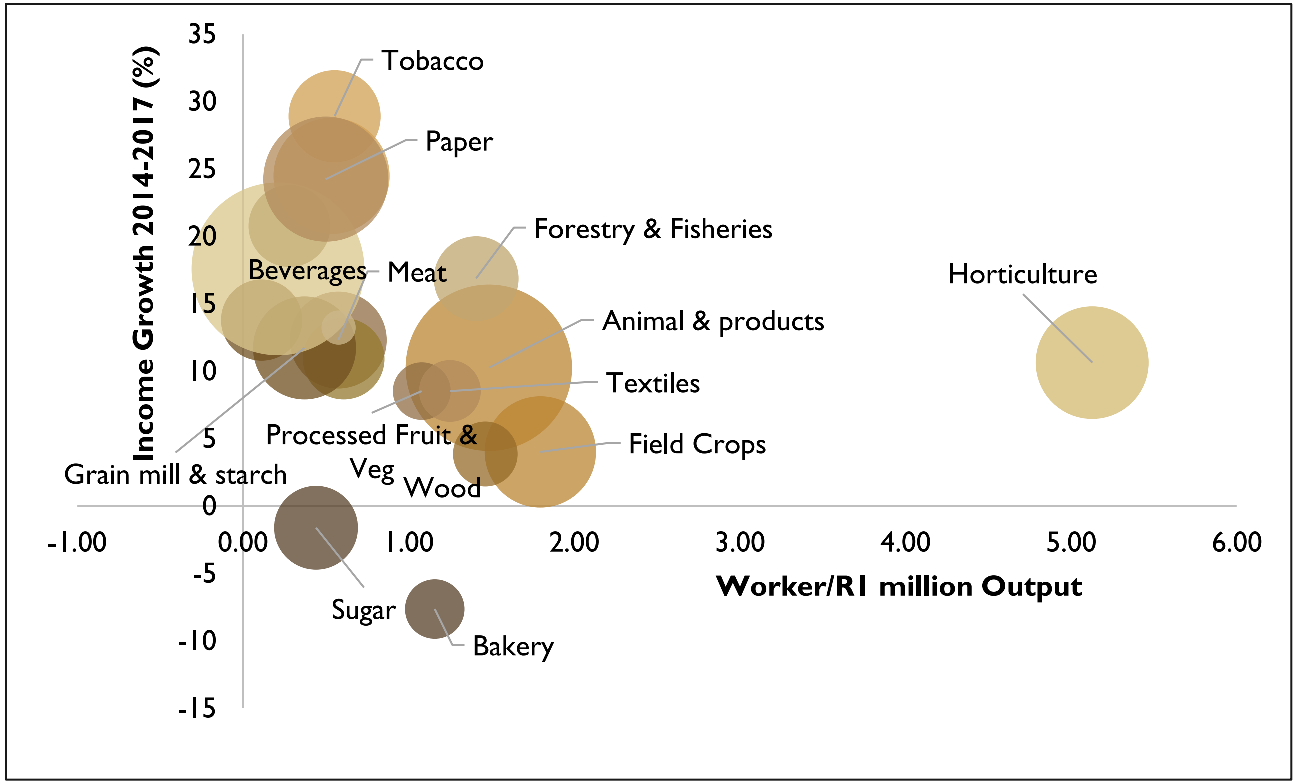
agriculture, land reform & rural development
Department: Agriculture, Land Reform and Rural Development
REPUBLIC OF SOUTH AFRICA

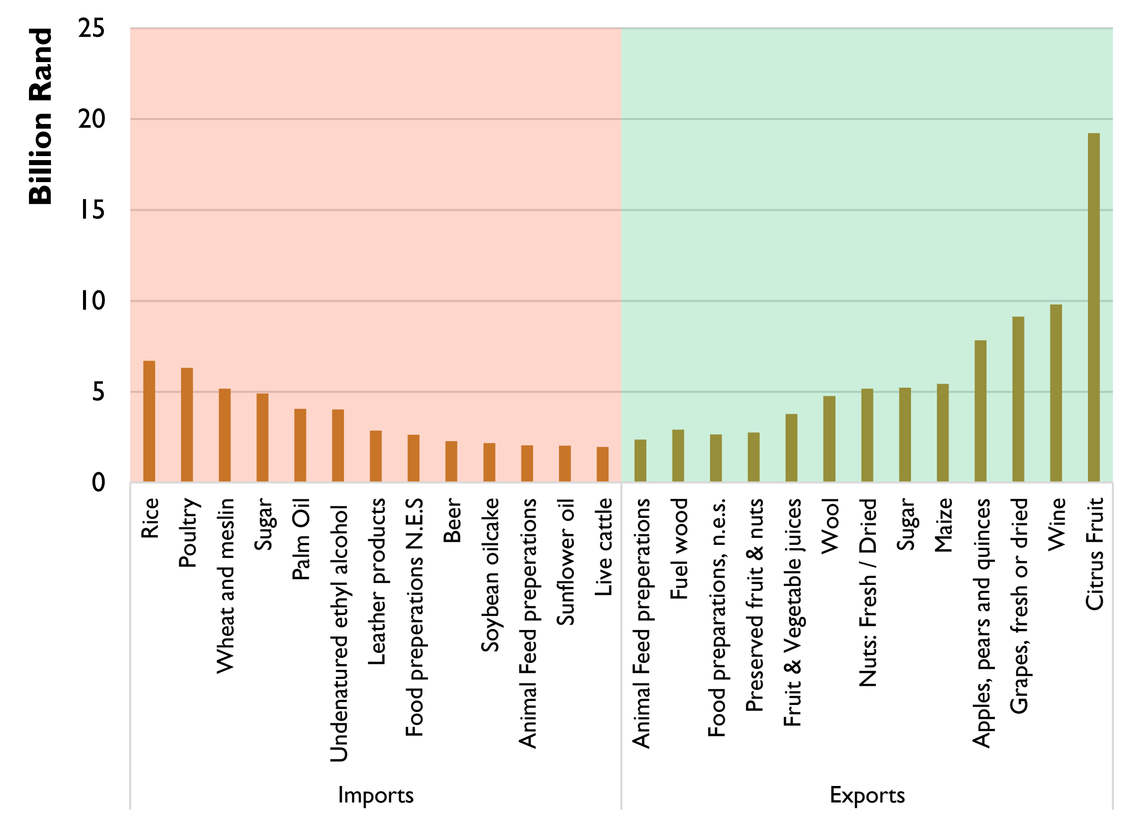
# SA agricultural economy "Increasingly export-oriented"

## Agriculture & Agro-processing Sector Performance




- Most agricultural industries have doubled in volumes since 1996
- Technology innovation has been key in expanding production
- Policy reforms (e.g. market deregulation) brought efficiency and competitiveness in the sector – leading to export-oriented growth

## Agriculture Trade Performance




- SA export raw products & imports processed food
- Some products, impractical to replace imports (e.g. rice, palm oil and wheat) –import substitution where plausible

# Environmental Scan "Available Policy Space"

| | | |
|---|---|---|
| 1995 | Marrakech Agreement & WTO | Radical Tariff Reform & Subsidy Removal |
| 1996 | Marketing of Agricultural Product Act | Deregulation of Agricultural Markets |
| 1997 | White Paper on Land Reform | Redistribution of Land & Tenure Security |
| 2001 | Land Bank Act | Rural Credit Reform & Abolishment of ACB |
| 2005 | Co-cooperatives Act | Corporatization of Farmer Cooperates - inputs |

## Problematic Assumptions

- Agriculture's share to GDP must increase, too small at current 2.8%
- Creating jobs vs driving agricultural output to tackle food security
- Market forces will correct itself – minimum interference by the State
- Export markets a priority over food security and transformation
- State has no funds to drive agriculture and rural development

Disunity

Black Subsistence and Small-scale farmers in former homelands, townships & land reform areas

Subsistence farmers

SAGRA

SAFDA

NAFU members

FUSA

AFASA members

Barrier line

**Market Failures**

Limited transformation and market access
Inadequate data collection and reliability
Rising food insecurity and poverty

**Decaying state capacity & efficiency**

Provision of extension, R&D & regulatory
Provision of affordable finance, Land & Water
Building and Maintenance of Infrastructure
Agricultural colleges & skills development

**Black farmers**

Disorganization and conflicts among farmers
Entitlement issues equivalent to supremacy

## Current Structure

DALRRD: Legislation, Policy and Regulations

Regional & International Integration

Provincial Department of Agriculture & Land

DALRRD Entities: *ARC, NAMC, Land Bank, PPECB, OBP, Deeds & other*

Industry Forums formed via Commodity Value Chains

Commodity Associations

Farmer Unions

Agribusiness / Banks & Services

Industry Trusts

Statutory Levies

Existing Structure large serves: Commercial Farming Operations, dominated by white farmers & few lucky blacks farmers

Consumers / Supermarkets

# Critical Success Factors: Farmer Support & Decisions Quality

**20%**

### Skills, R&D and Inputs

Foskor (fertilizer), OBP (vaccines); ARC (IPs & varieties) and Agricultural Colleges room for improvement.

**35%**

### Markets, Competition and Finance

Farm Register says "80% of farms uses informal markets"

NAMC Statutory Survey says "10% of commercial output is from Black farmers"

Competition Commission Report says "top 10% of firms accounts for 86% of turn over – agriculture is one of the worse sector in market concentration"

Land Bank says "only 20% of total loan book is to black farmers" so is Transformation Levy and Trusts

**45%**

### Land, Equipments and Water Use

ARC Land Capability & DALRRD Land Reform Records says "The State is buying land outside high potential areas"

Intsika study says "86% of transferred land was without the associated water use rights"

Farm Register says "82% of farms on state land – 6% Land Reform & 76% PTO on tribal Land"

SIP 11 reports estimates over R35 billion infrastructure deficit in agriculture, mainly in rural farming

## Type of Farmers

**Large/ Medium Commercial Farmer**

Eligible for commercial funding in longer term loans at lower rates. **Turnover +R10 million**

1.5k

**Medium Scale Farmer (Distressed Farmers)**

Farmers with potential commercial viability but lacking market, technical and debt resolution support

**Turnover R 1 – R 10 Million**

40k

**Smallholder Farmers**

Farmer possessing skill with funding expansion and production requirements

**Turnover R 50 000 – R 1 Million**

300k

**Subsistence Farmers**

Start farmers with limited skills & resources

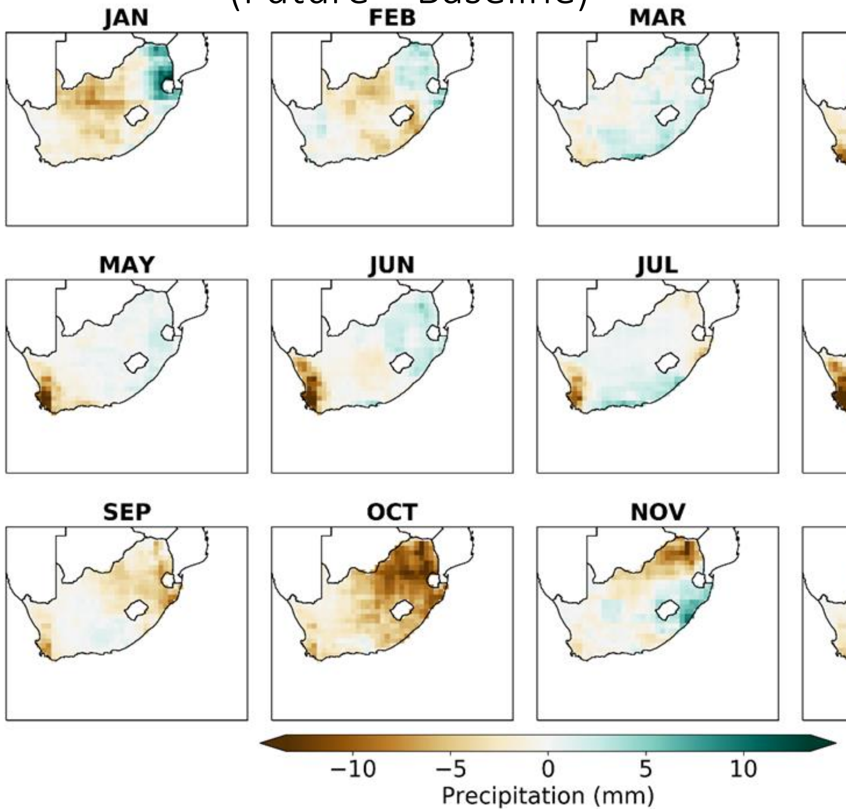
**Turnover R 0 – R 50 000**

2.3 mil

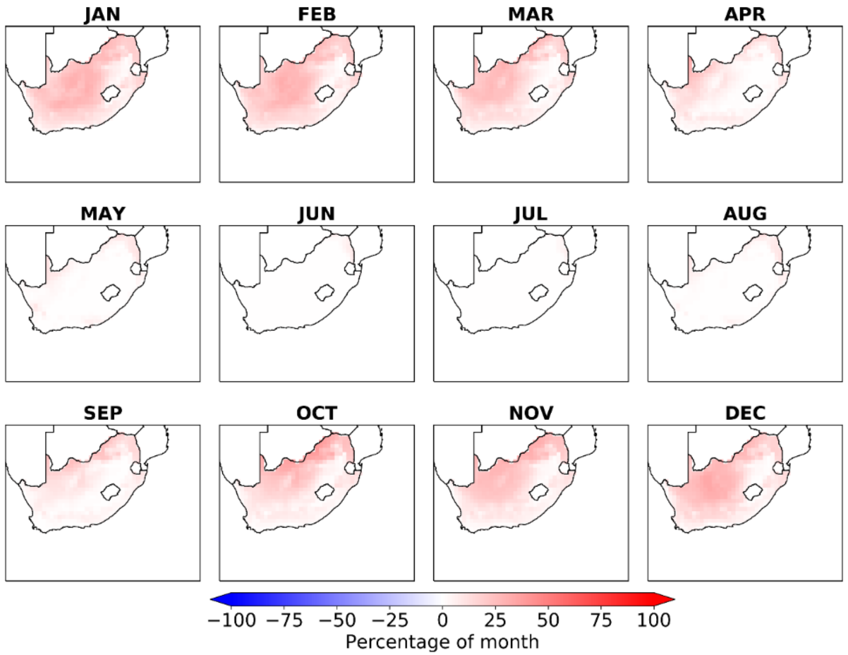
# Changing climate and impact on future food supply

- The figure opposite shows the difference between the ensemble mean future and baseline total precipitation each month
- The data show some seasonal and regional differences in the total precipitation response to climate change, with different parts of the country becoming wetter and drier, and in different months.

South Africa: Total Precipitation
(Future – Baseline)

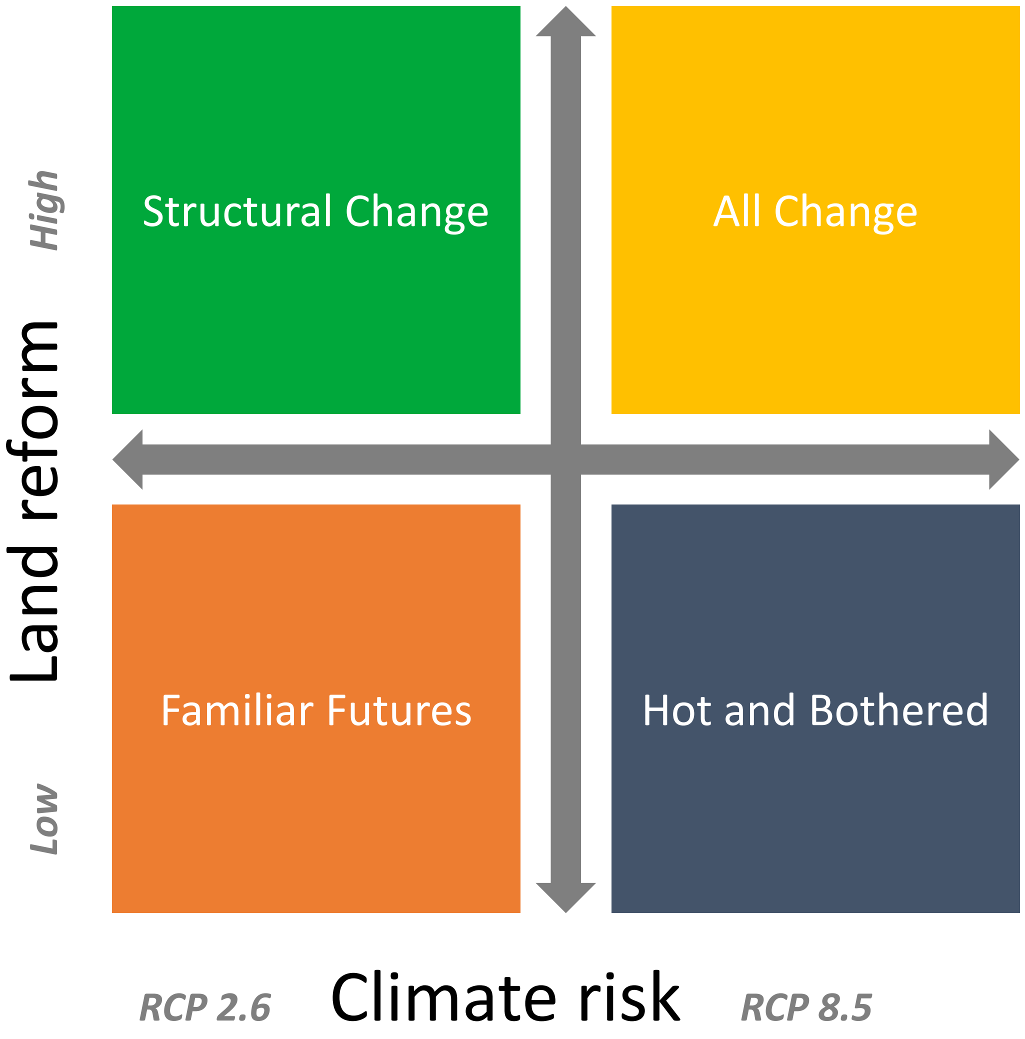



South Africa: Extremely Hot Days
(Future – Baseline)

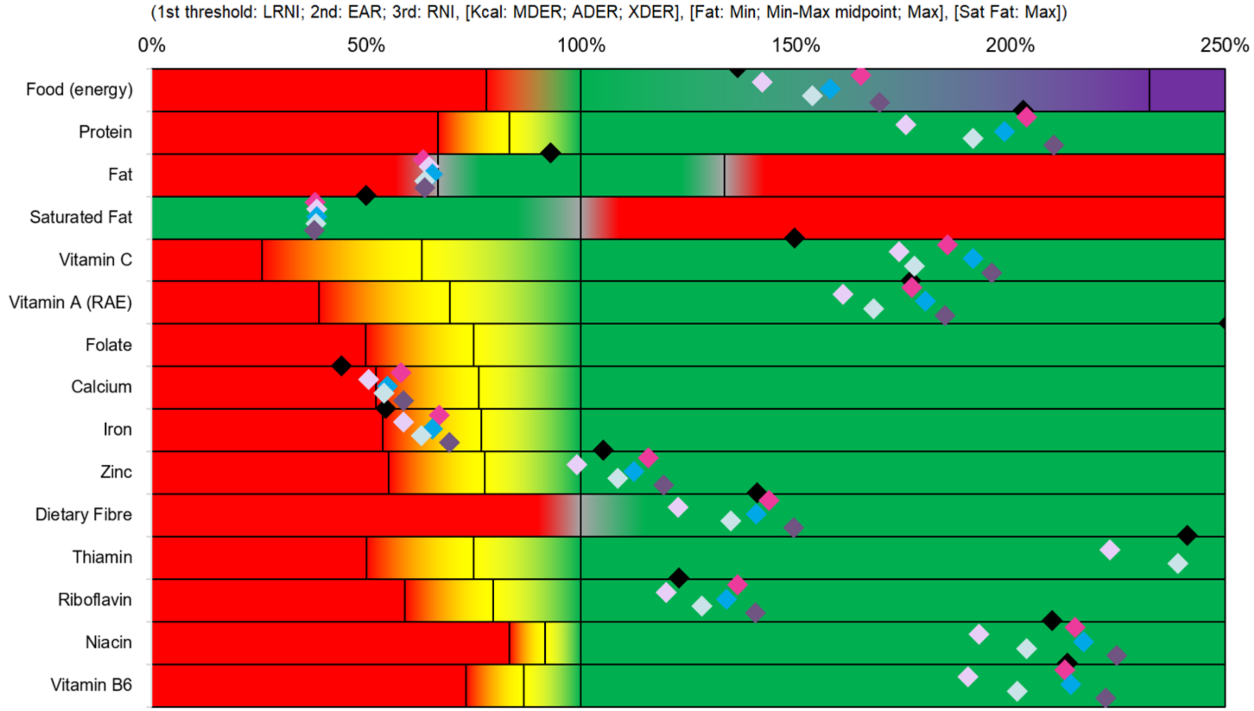



- The figure opposite shows the difference between the ensemble mean future and baseline percentage of each month in which the daily mean temperature.
- The data show an increase in extremely hot days for the future as compared to the baseline, of ~20% across the months September to April.

# Food and Policy Scenario in a changing climate




- For each 2050 scenario quadrant, population-level nutrient supplies per capita are presented considering:
- Medium-variant UN population projections
- Domestic production under five different climate models (*bcc-csm1-1-m, GFDL-CM3, IPSL-CM5A-LR, MIROC-ESM-CHEM, MRI-CGCM3*)
- Three simple trade vignettes:
  1. Self sufficiency
  2. Business as usual
  3. Stakeholder expectations



# Priorities and Planning "What to produce and what for?"

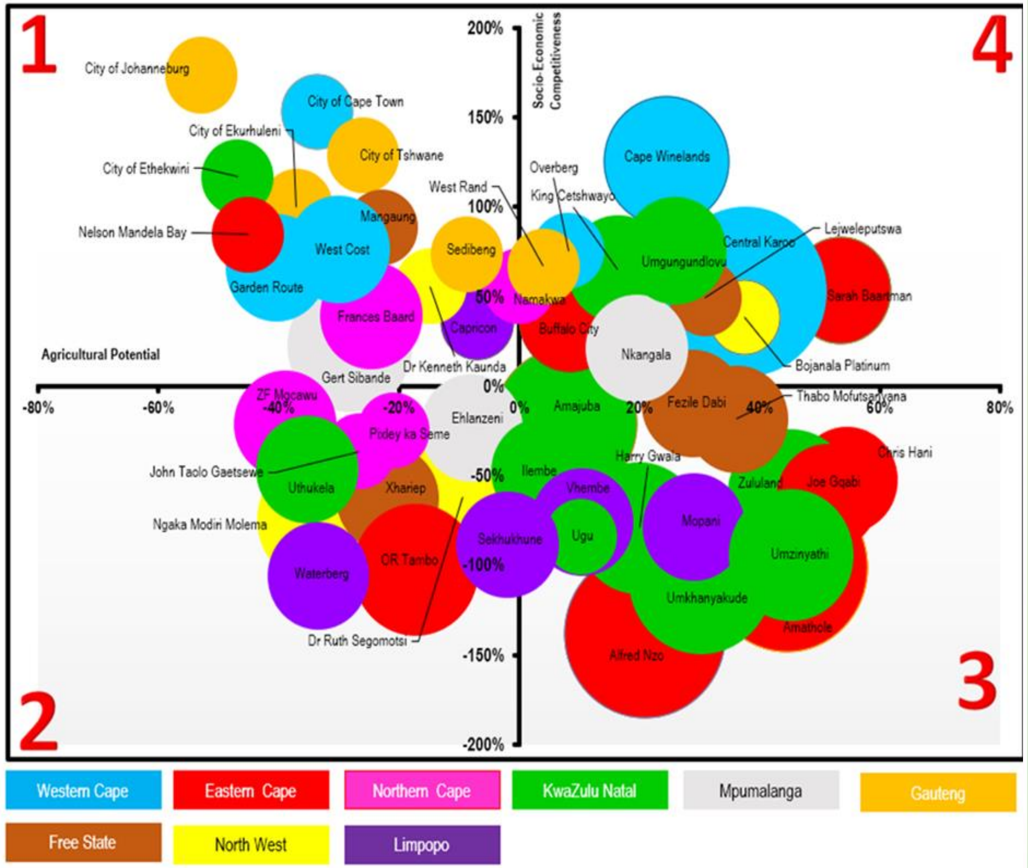
| Indicator | Measurement | Fruits | | | Vegetables | Grains, Oilseeds & Industrial | | | | | Animals & Products | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Citrus | Deciduous | Subtropical | | Maize | Wheat | Soybean | Sugar | Cannabis | Beef | Poultry | Sheep & Goat |
| Macro-Economic | Value (R billion in 2018) | 19 | 12 | 5 | 25 | 37 | 8 | 8 | 14 | 15 | 44 | 48 | 8 |
| | Production Growth (% pa:2008-18) | 1.5% | 0.7% | 0.8% | 0.1 | -0.2% | -0.1% | 2% | 0% | N/a | 2.3% | 3% | 2.8% |
| | Investment Attractiveness Index | High Margin | High Margin | High Margin | Low Margin | Low Margin | Low Margin | Moderate Margin | Moderate Margin | High Margin | Moderate Margin | Low Margin | Moderate Margin |
| Trade | Trade Balance (Value) | Net Exporter | Net Exporter | Net Exporter | Net Exporter | Net Exporter | Net Importer | Net Importer | Net Exporter | Net Exporter | Net Exporter | Net Importer | Net Importer |
| | Export Value Growth (% pa: 2009-19 | 9% | 6% | 7% | 16% | 3% | -17% | -25% | 3% | 17% | 18% | 10% | 7% |
| National Interest | Labour intensity (Job / hectare) | 1.3 | 1.1 | 2.0 | 2.25 | 0.03 | 0.04 | 0.05 | 0.2 | 2 | 0.06 | 0.03 | 0.08 |
| | Food Security (Weight in SA Food Basket) | 2 | 2 | 2 | 3 | 5 | 4 | 1 | 3 | 1 | 3 | 4 | 3 |
| | Agro-processing (Economic Multiplier) | 0.49 | 0.45 | 0.40 | 0.68 | 0.88 | 0.88 | 0.71 | 0.47 | 0.8 | 0.58 | 0.53 | 0.56 |

| Legend | Good | | Sub-optimal | | Poor | |
|---|---|---|---|---|---|---|

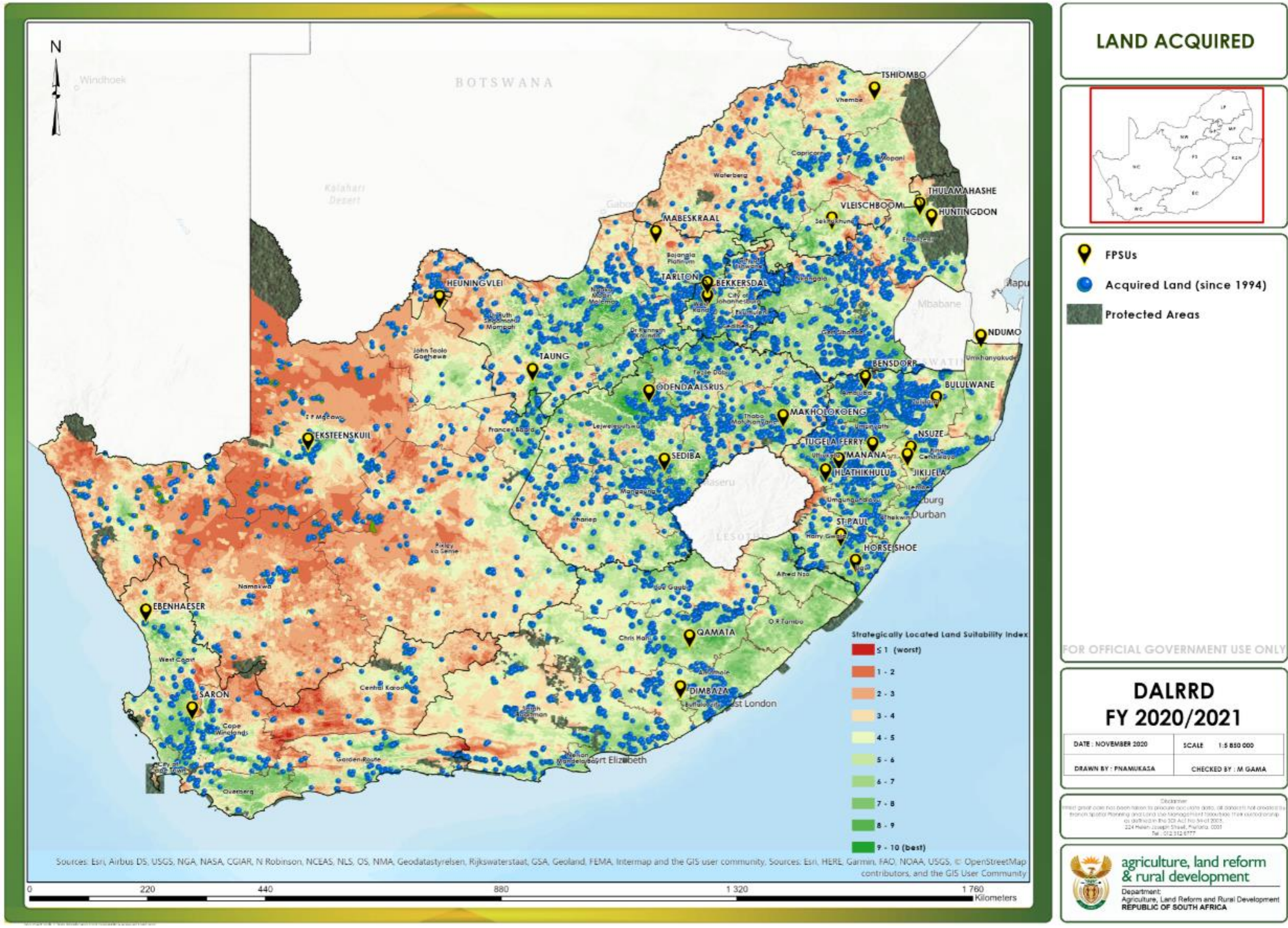
- Resource limitations compel us to priorities "Best return for every Rand invested" striving to balance food security, foreign earnings and environmental sustainability
- As part of the prioritization process need to acknowledge structural barriers of each commodity value chain.
- Adequate support to farmer and proper coordination essential for future growth coupled with appropriate policies and implementation structures
- Credit solutions must take into account realities faced by farmers.. Banks and Government roles and the quality of partnerships

# Growth Areas "where to produce prioritized commodities"

## Area prioritization




## Transferred Land and land capability map



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# The Agriculture and Agro-processing Master Plan

**Coordinated by:**

National Agricultural Marketing Council
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# Agriculture and Agro-processing Master Plan "Social Compact"

**What is it?** Social compact outlining South Africa's agriculture's inclusive growth, sustainable jobs and food security underpinned by policy reforms in markets, finance, infrastructure, skills, natural resources, R&D and technology to meaningful contribute to country's triple-challenge (*unemployment, inequality and slow growth*) and ERRP plan

**Social Partners?** Government (3-spheres), Business(commercial & non-commercial), Labour & Communities

**Approach?** Change theory to drive commodity value chain development through PPP approach. A clear inclusivity model to integrate subsistence & vulnerable farmers, workers & households to formal food value chains

**Delivery Models?** "Value chain round table" to drive competitiveness, investments and growth
"Production Scheme or Similar" to drive transformation and rural development
"Sub-sectoral labour structure" to drive conducive working conditions & compliance to labour laws

**Interventions/ Goals?** Biosecurity; raise R9.4 billion on infrastructure; appoint 10 000 extension officers; unlock R7 billion in finance; allocate 3-5% of retail & supermarkets turnover to Supplier Development Programme;

**Envisaged Outcomes?** Above baseline, to achieve R32 billion real growth; 72 000 new jobs; 303 000 livelihoods supported; minimum 410 000 hectares in grains and 25 000 in horticulture and over million in livestock grazing

# THANK YOU

For more information, contact:


National Agricultural Marketing Council

info@namc.co.za

http://www.namc.co.za

+27 (0) 12 341 1115