Mega Trends Shaping Tactics and Strategies in Agriculture

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Bureau for Food & Agricultural Policy

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DATA DRIVEN INSIGHT

Do we still believe that there is growth??

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Strategic goals amidst coping tactics

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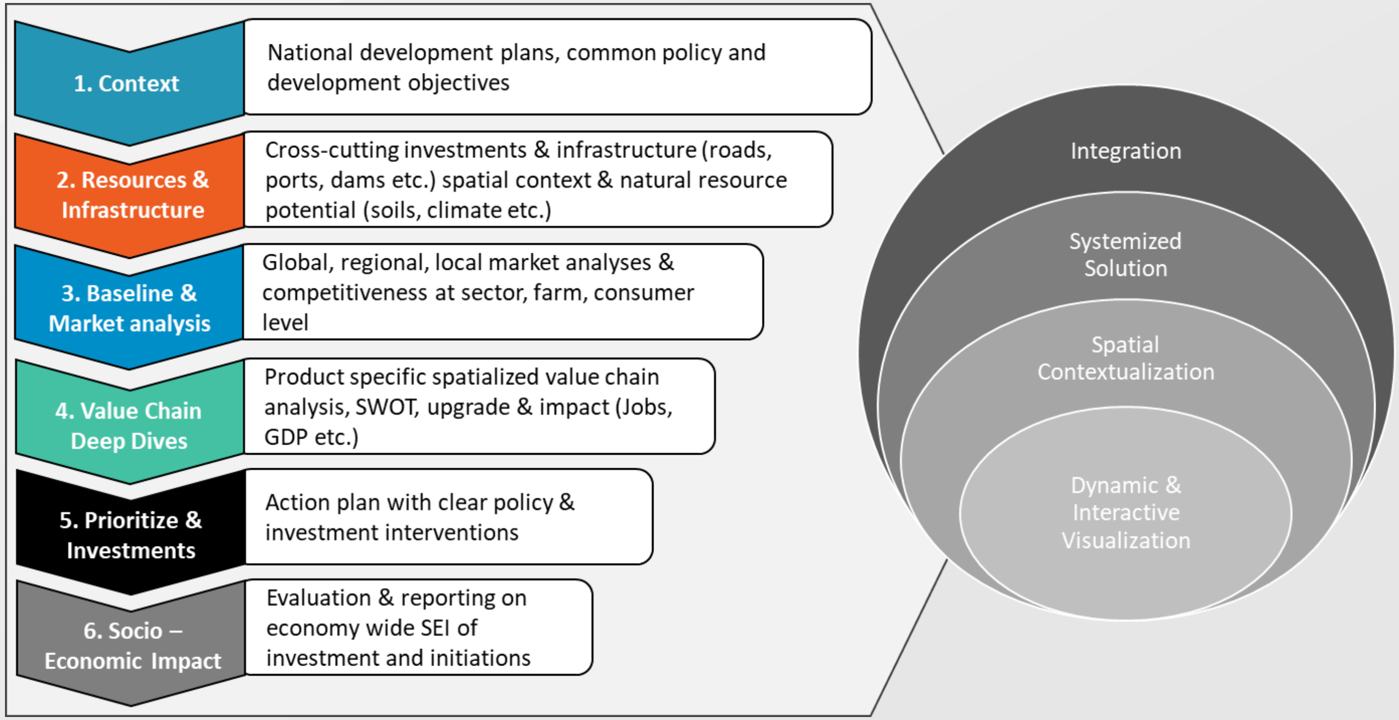
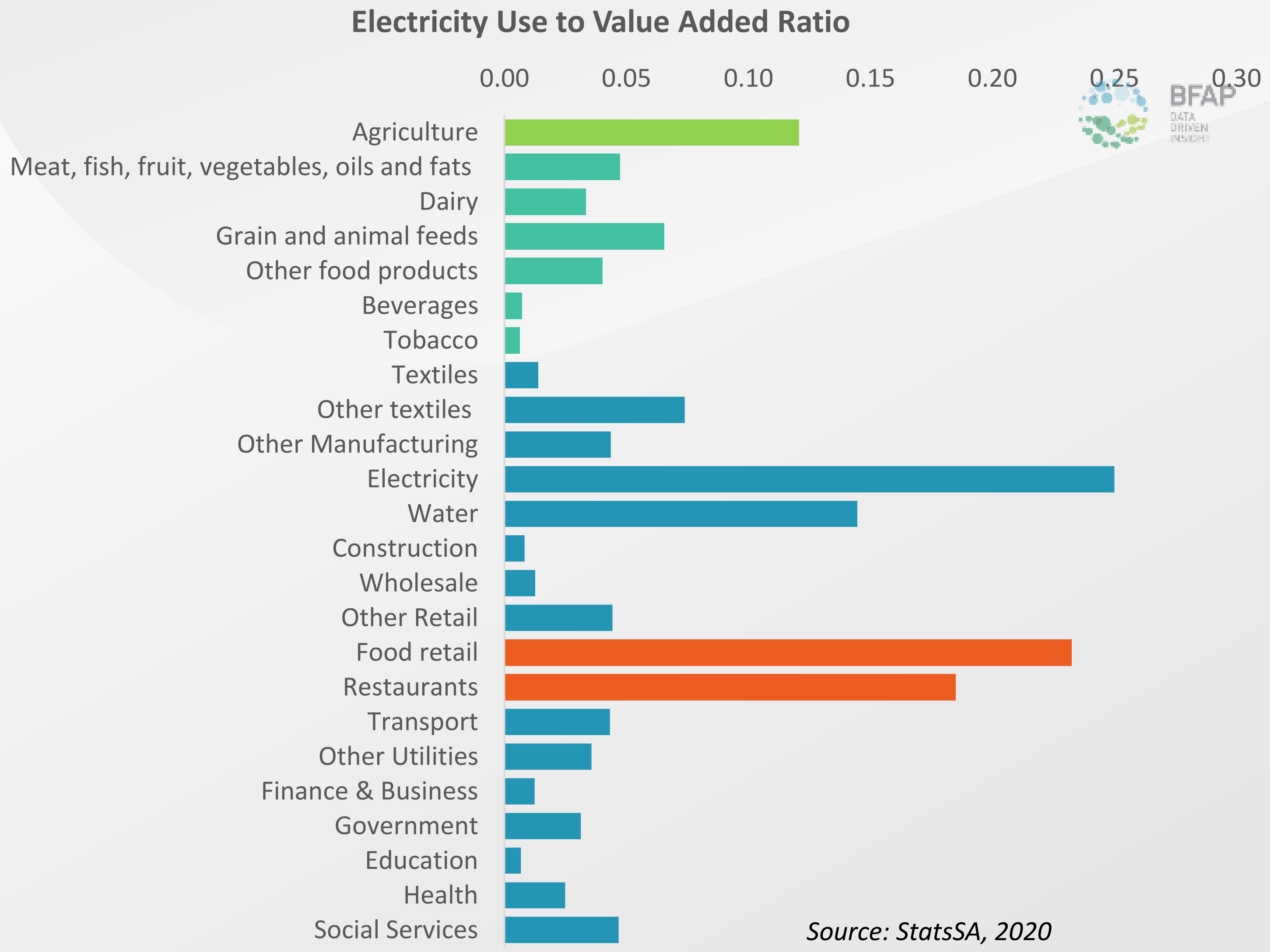


Agricultural dependency on electricity

Asides from the electricity industry itself, agriculture has one of the highest use to value added in the SA economy



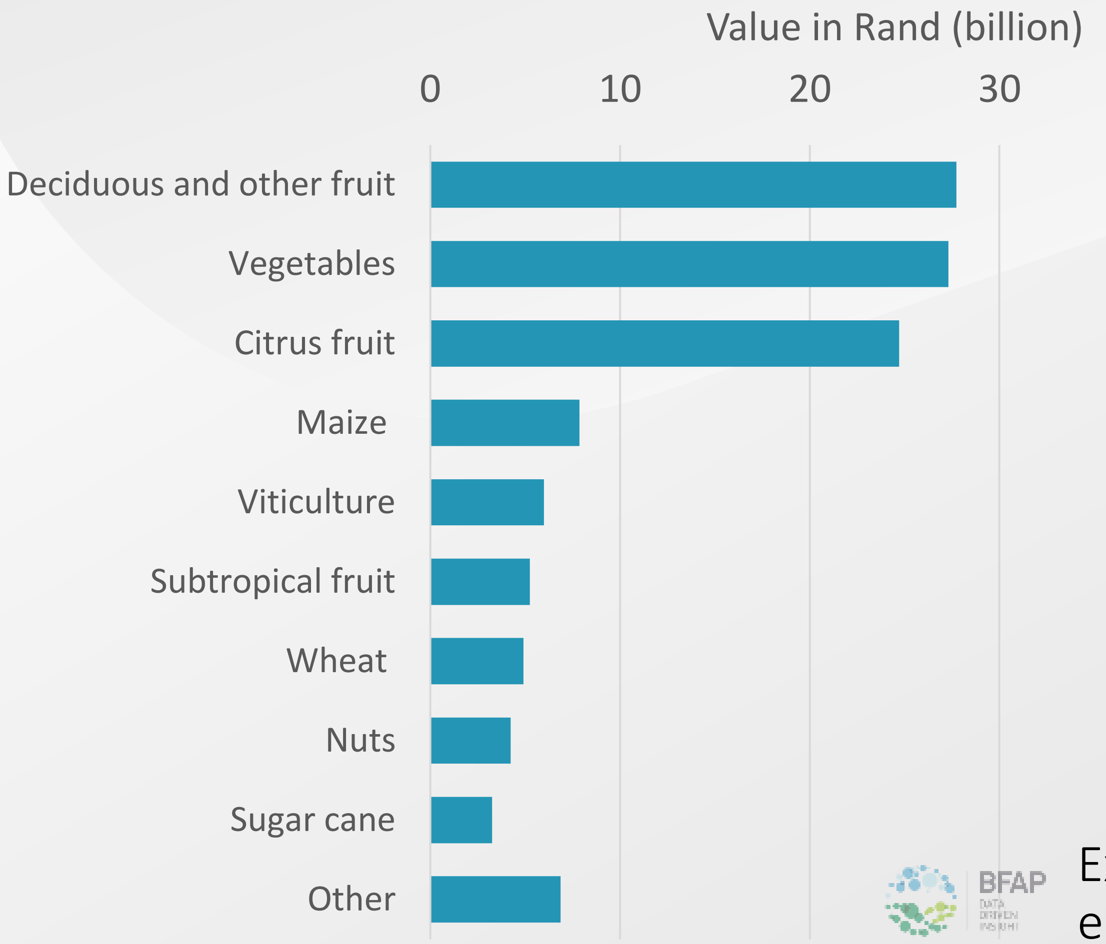
This indicator standardise the relative intensity and use of electricity in generating economic value added.

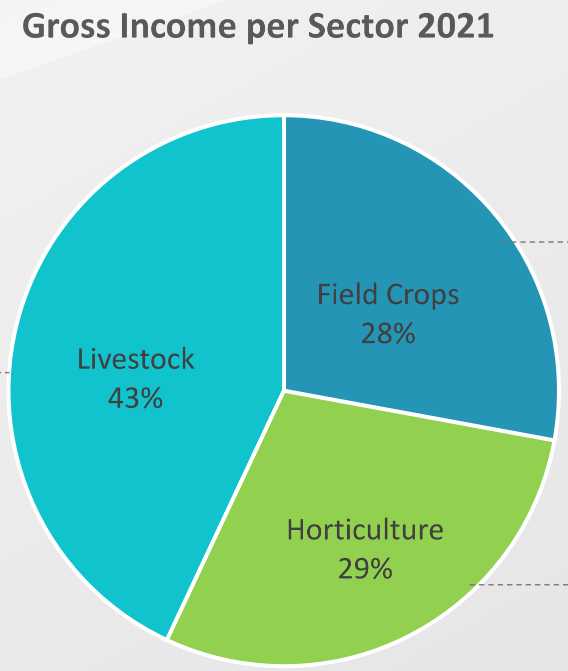
Agriculture = 12%
Agro-Processing = 3%
(but grains & animal feed 7%)
The question then becomes how easily can industries lower their energy dependence?

Local agricultural markets heavily dependent on electricity, creating a third loop or impact on the agricultural sector in terms of the demand pull for products

Impact of Eskom on Agri-Growth

Estimated share of agricultural income directly dependent on irrigation



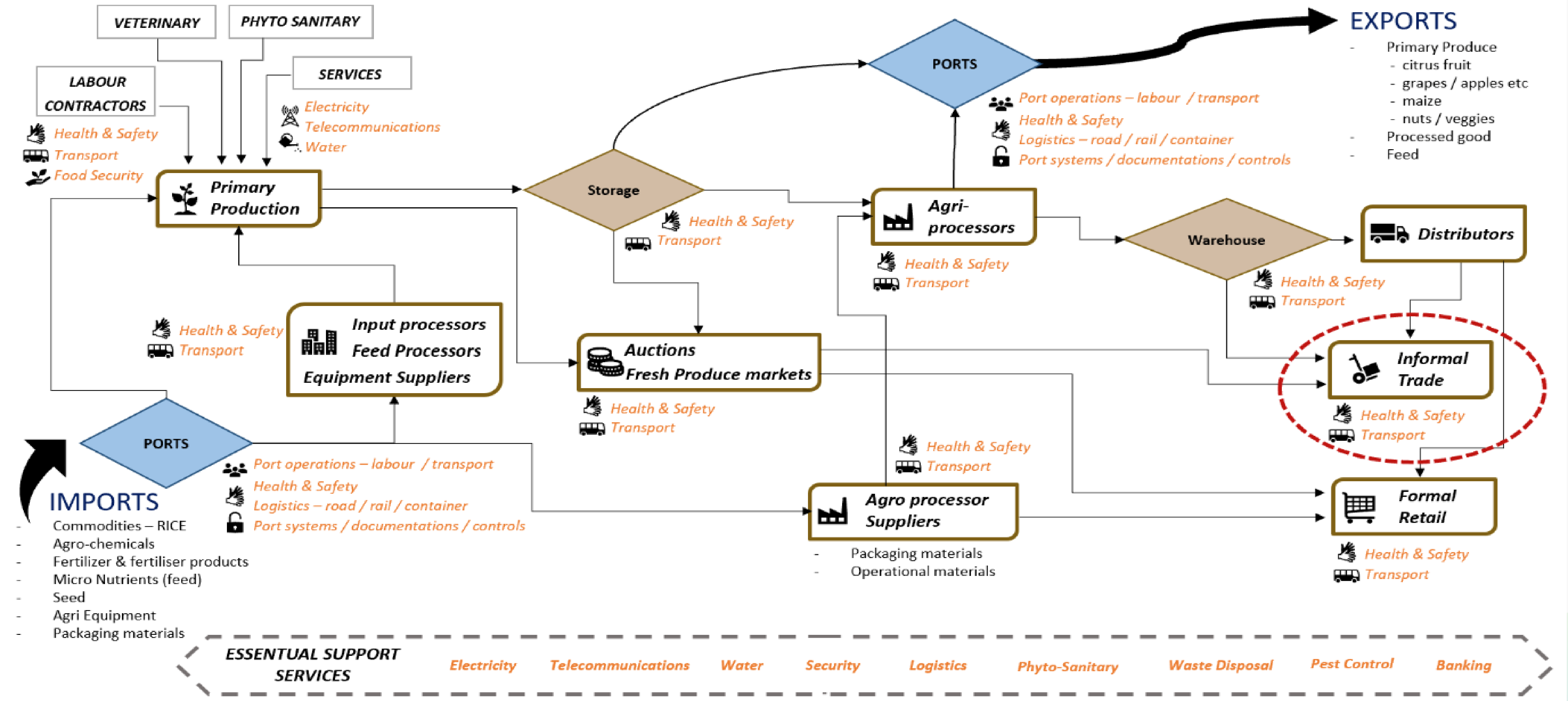


33% of total Farming Income is directly dependent on irrigation

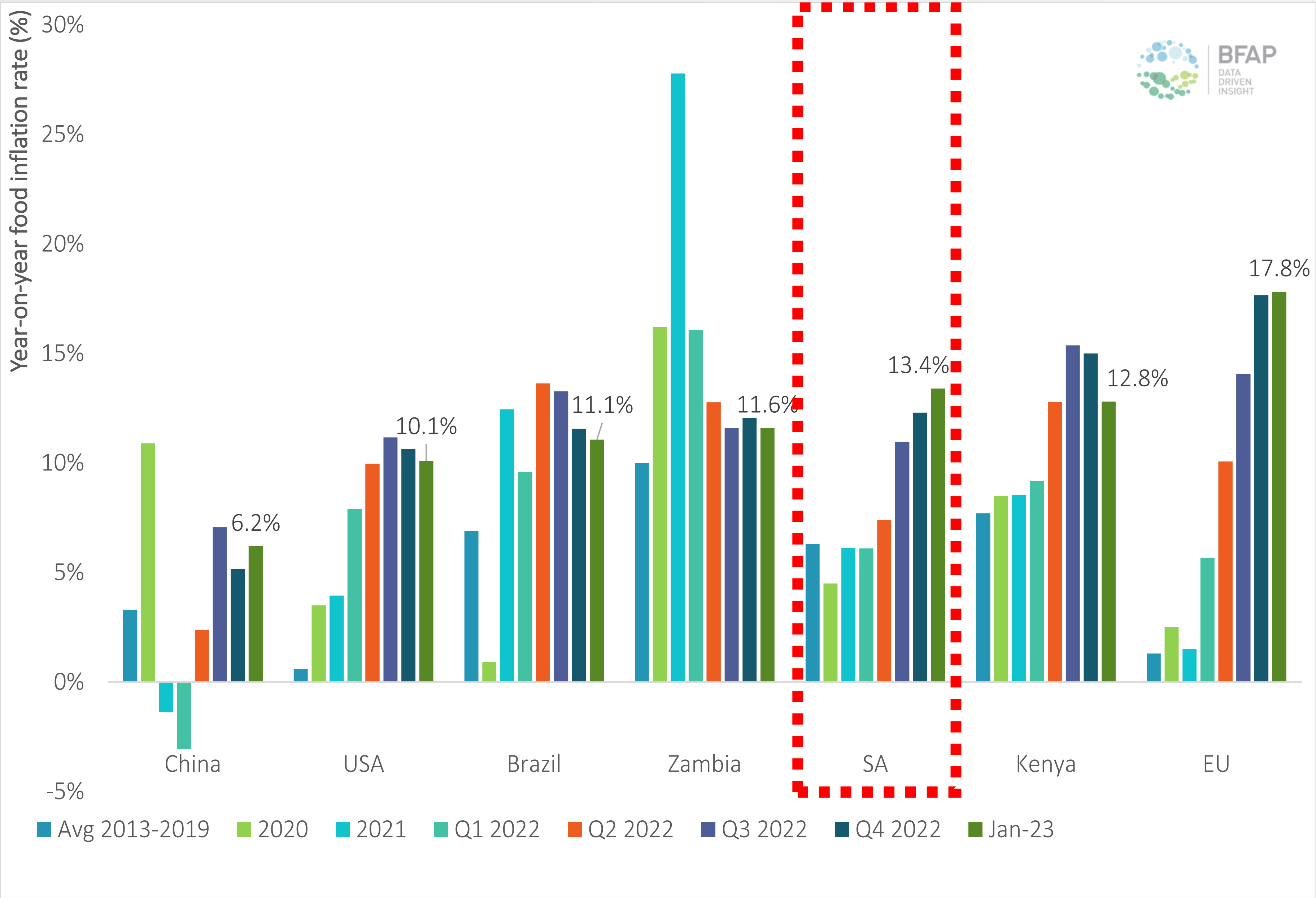
Excluding the direct impact of electricity on water supply to intensive livestock sectors and climate control

Source: DALRRD & Own Compilation, 2022

Interlinkages of agri-food system result in cost build up



Food price inflation rising rapidly



- SA inflation not following global trends as impact of energy crises and supply chain constraints strat to have an impact on the value chains
- The least affluent 50% of households in SA cannot afford a basic healthy diet (as measured by the BFAP Thrifty Healthy Food Basket).

South Africa's food security time bomb

THE BFAP THRIFTY HEALTHY FOOD BASKET (THFB)#

THFB – January 2023:

R3 415/  **/month**

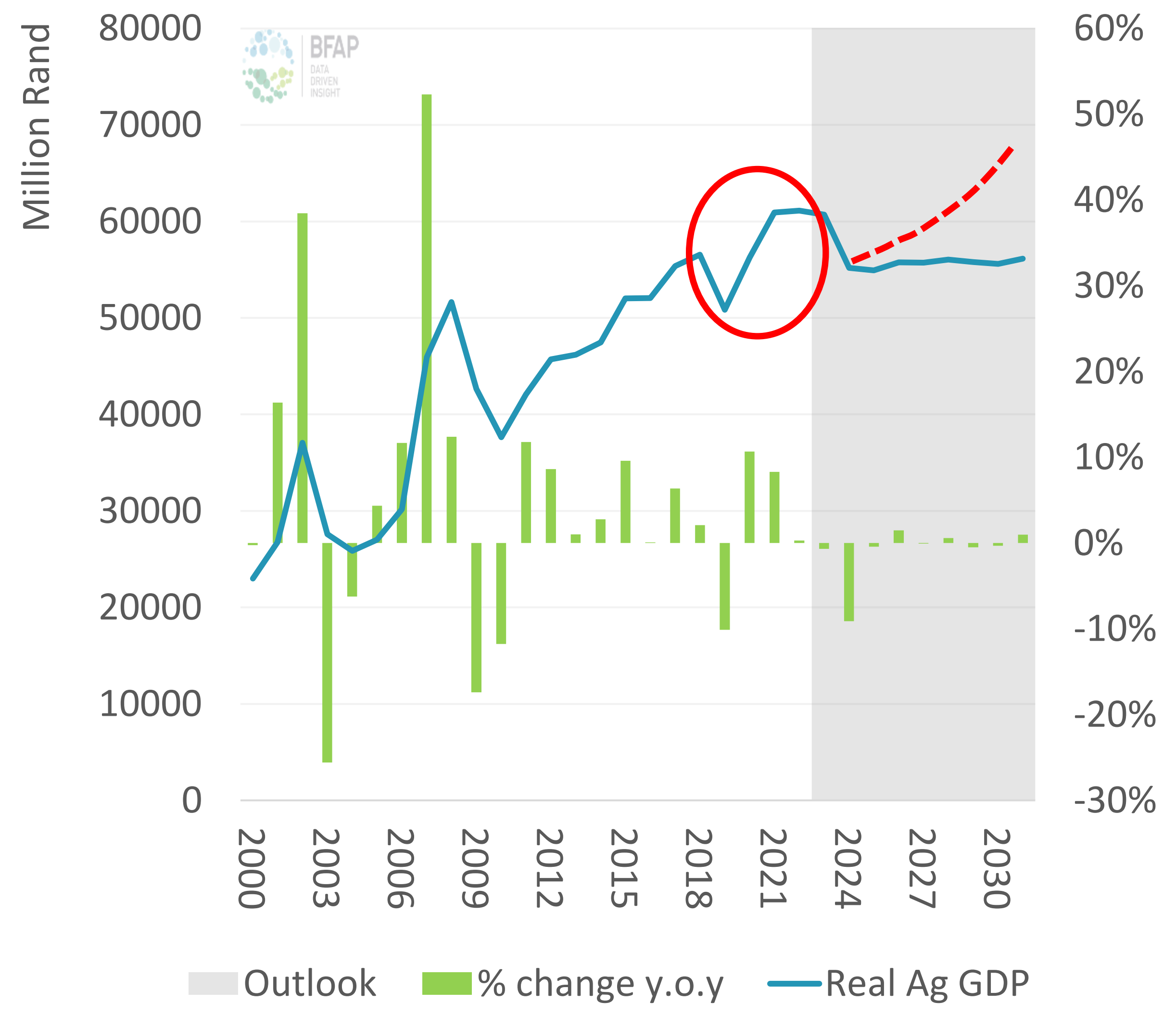
Month-on-month change: +R64/ +1.9%

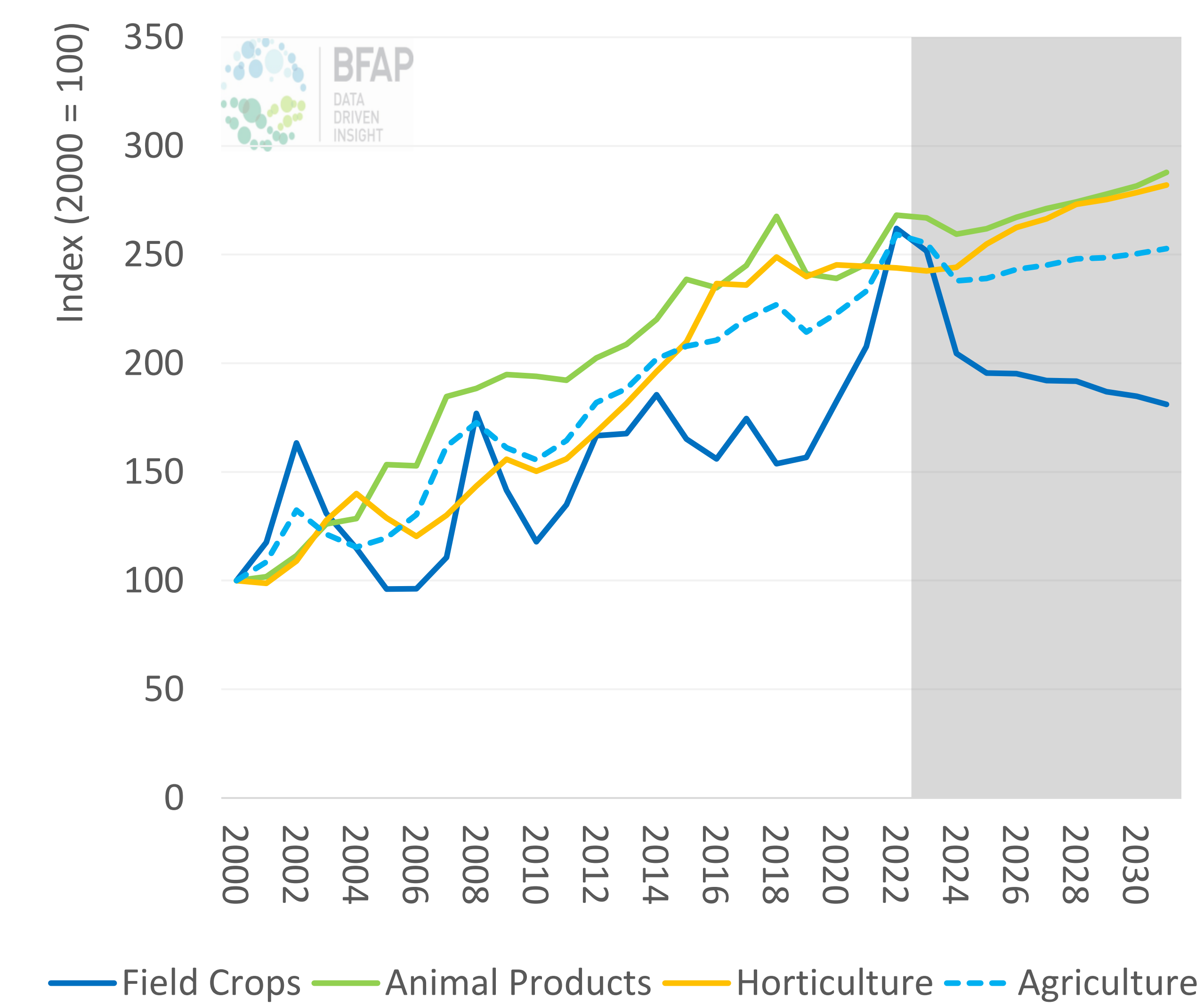
Year-on-year change: +R418 / +13.9%

Affordability*: 32.6% food expenditure share (compared to 32.0% in December 2022)

** The share of total income spent on food for a household with a dual minimum wage plus child grants and school meals.*

Agricultural Outlook subdued:
- requires targeted reforms , innovation & investments





How do we move from R1000/ha to R1mil/ha?

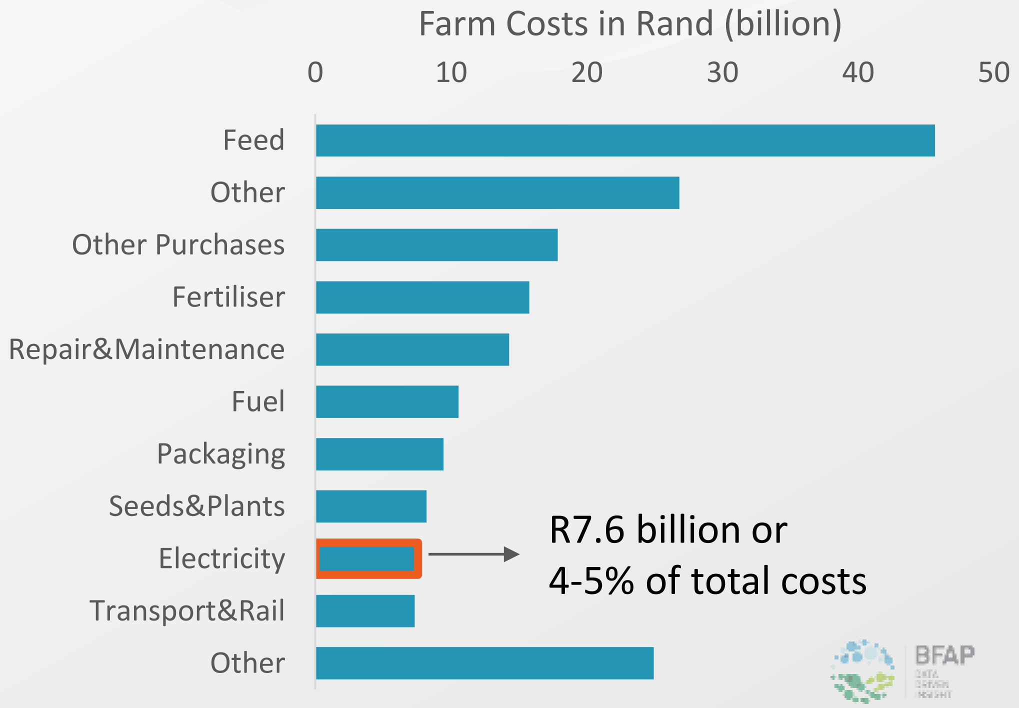
ECONOMIC & SOCIO-ECONOMIC CONTEXT

Making the case of investment in agricultural value chains

The Agriculture Value Chain Context

Primary Agriculture

40 000 commercial farms
2.5 million smallholder households
200-300 000 emerging farmers
R332 billion Turnover in 2017



Agro-processing

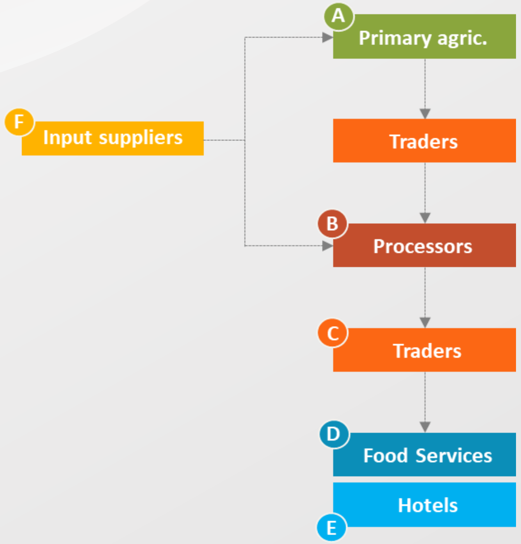
Around 4 700 commercial processing firms
(meat, fish, fruit, veg, oils, dairy, feed, bakery etc)
Unknown number of informal processors
R546 billion Turnover in 2017

The bulk of agro processing costs come from buying raw material from the agricultural sector

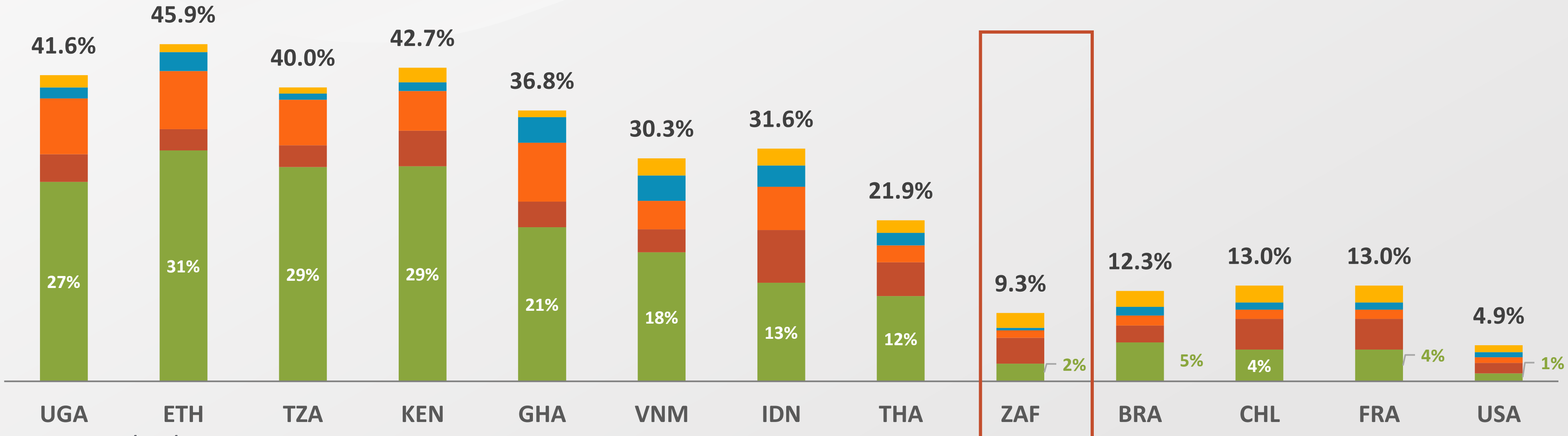
Around 1-2% of total costs are for electricity spending

Agriculture Food System contribution to economy

We can leverage functioning markets, private sector investments & tax base, strong institutions and infrastructure to leap-frog transformation



AFS share of total GDP

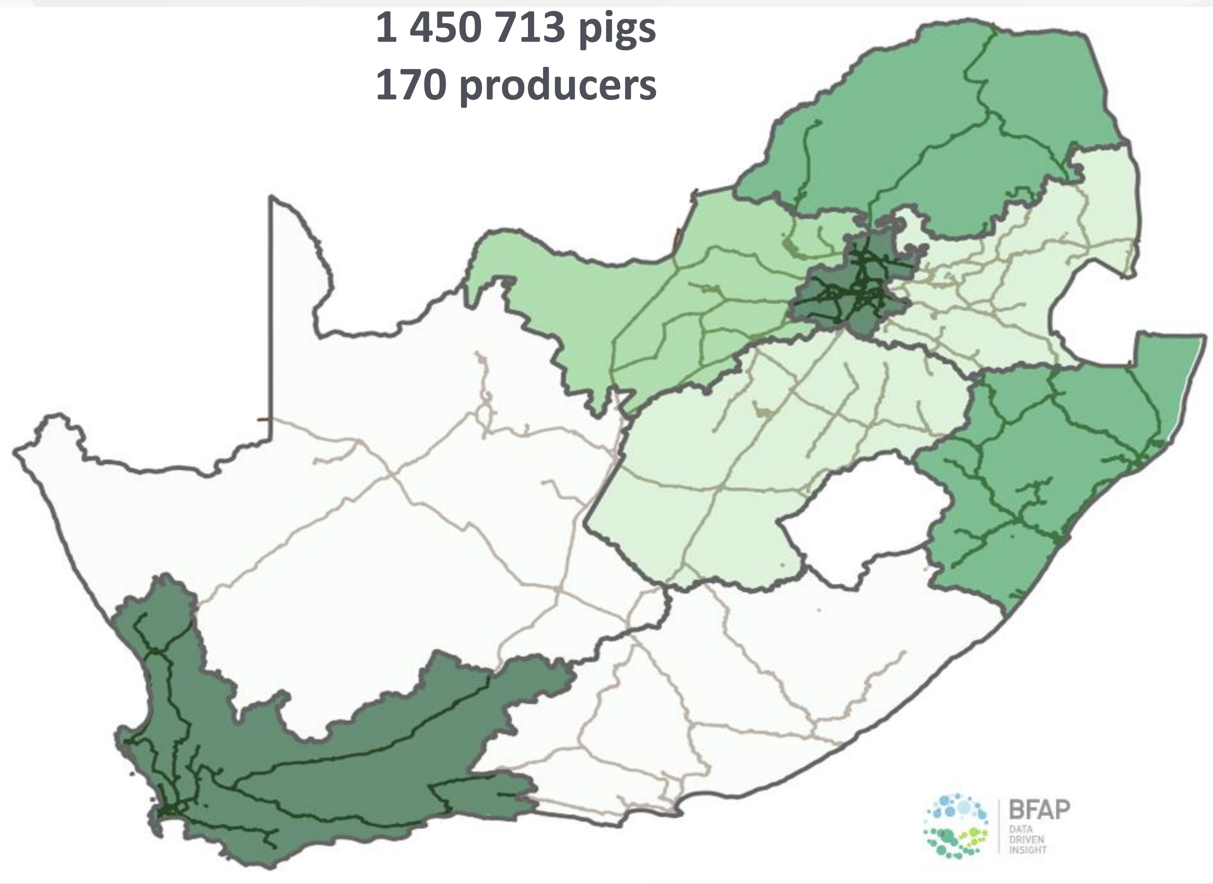


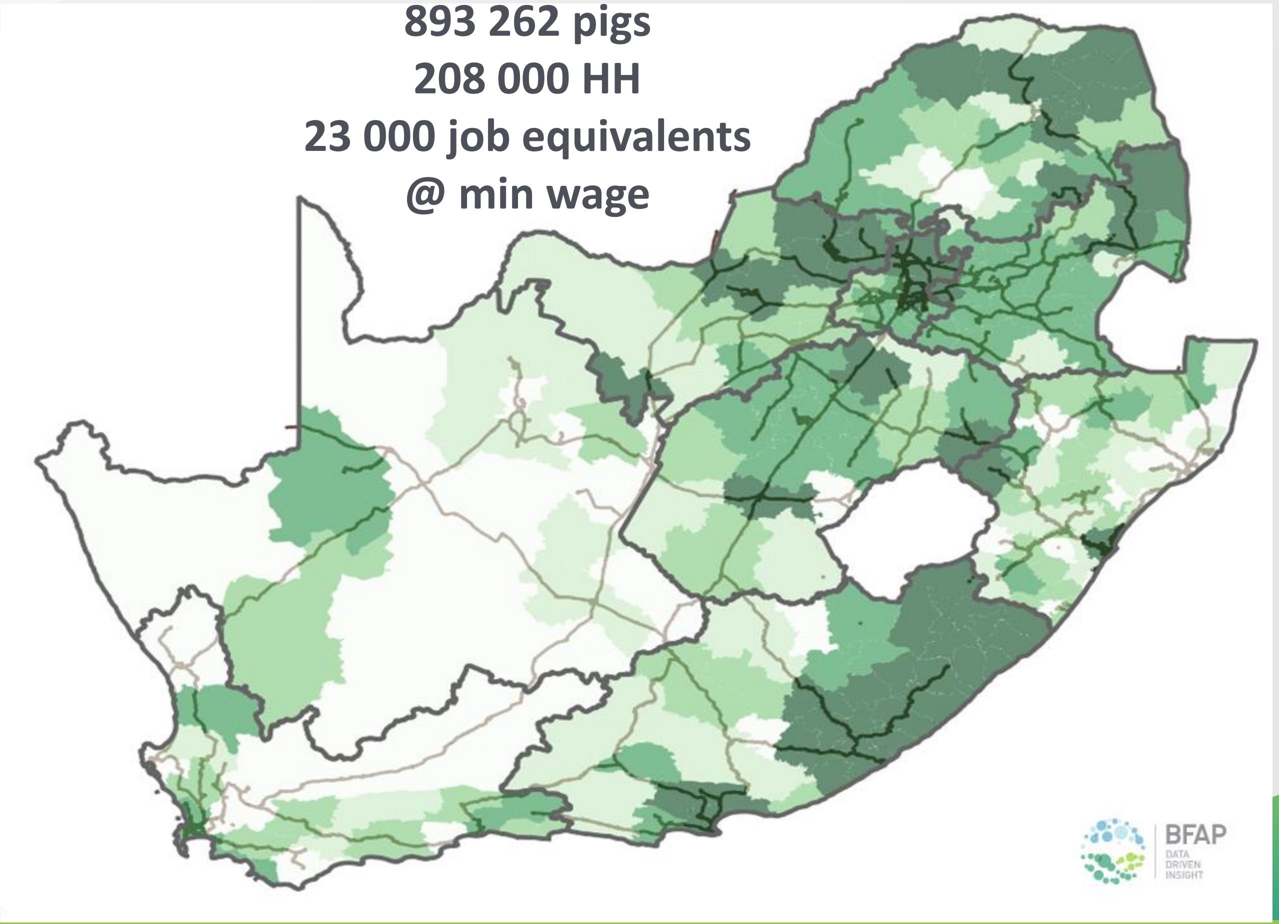
Source: Thurlow J., IFPRI 2021

Increasing GNI per capita

...and we are still underestimating agriculture's contribution to rural economies & black farmers' share of production

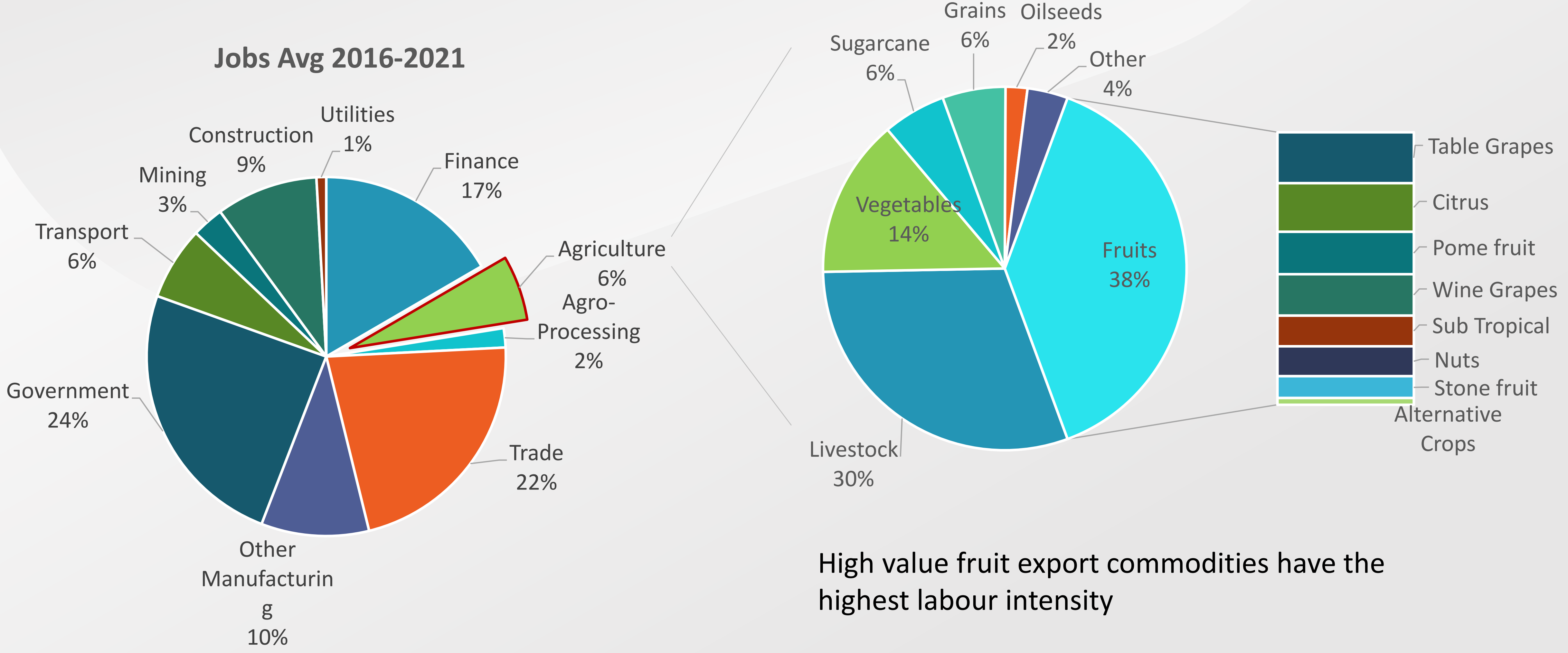
FORMAL	INFORMAL
Households or Producers responsible ***for more than 50 pigs (SAPPO, 2019)***	*Households or Producers responsible* ***for 50 or fewer pigs (StatsSA, CS2016)***





Agriculture's Contribution to employment

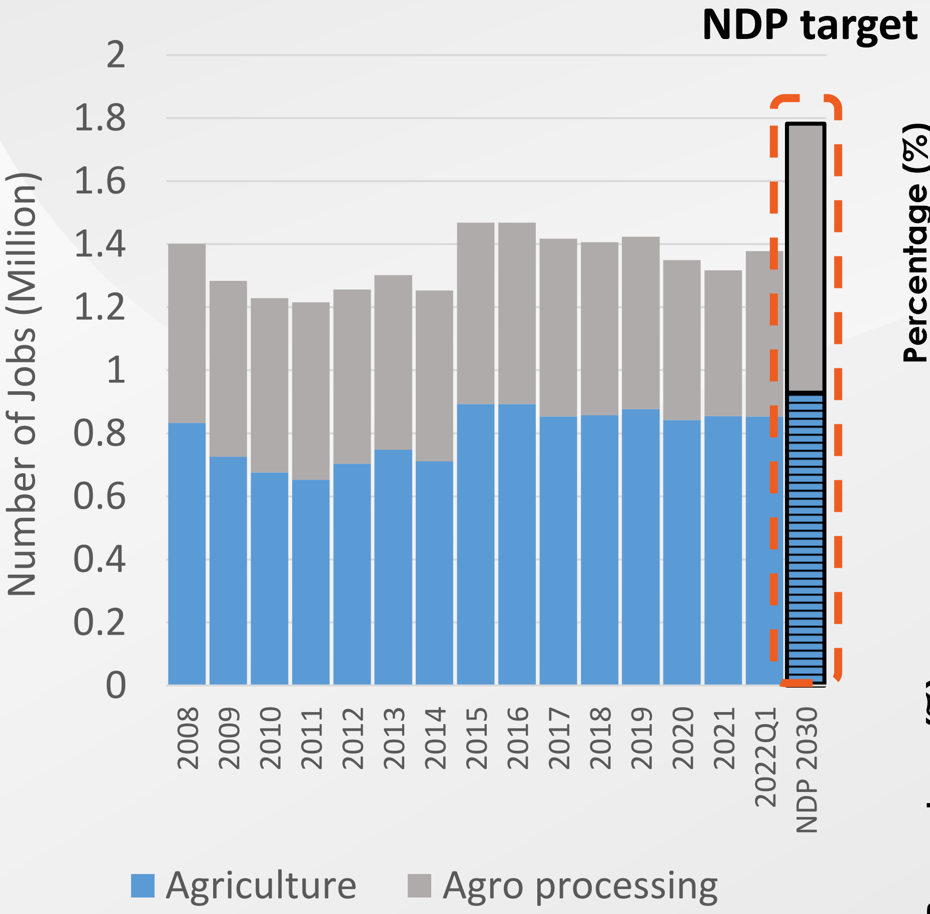
Agriculture's employment share is almost double that of its GDP contribution

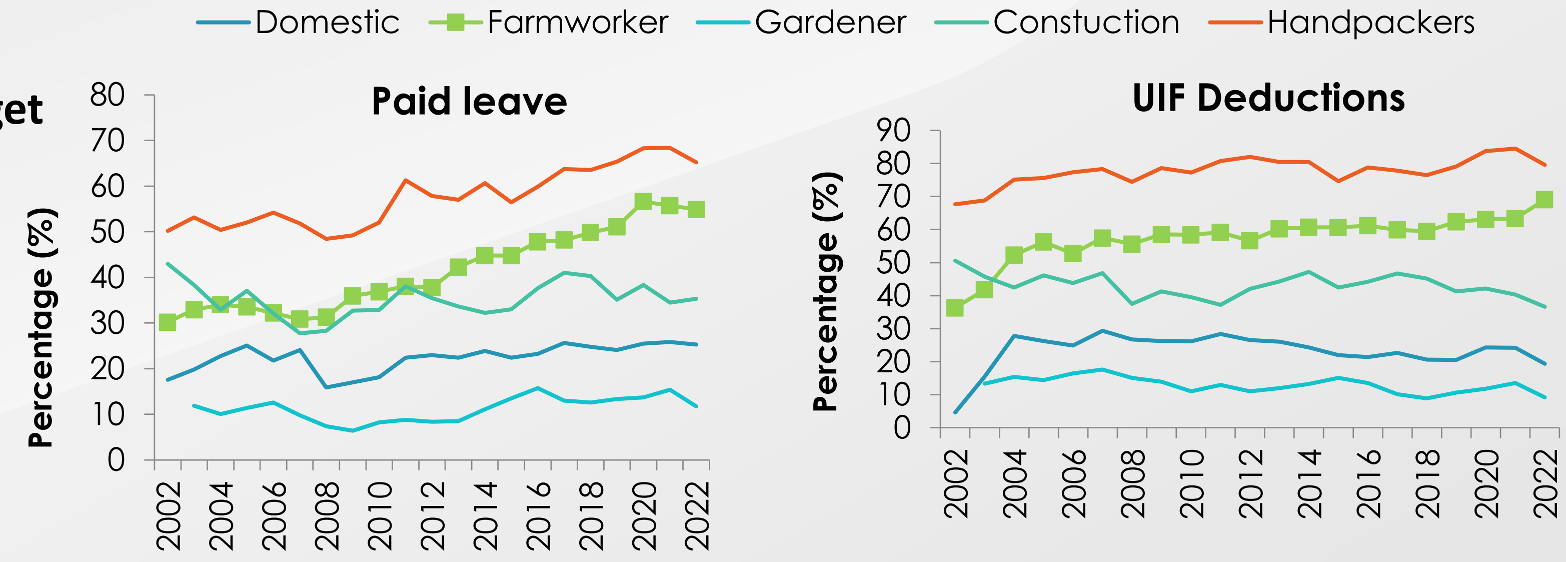


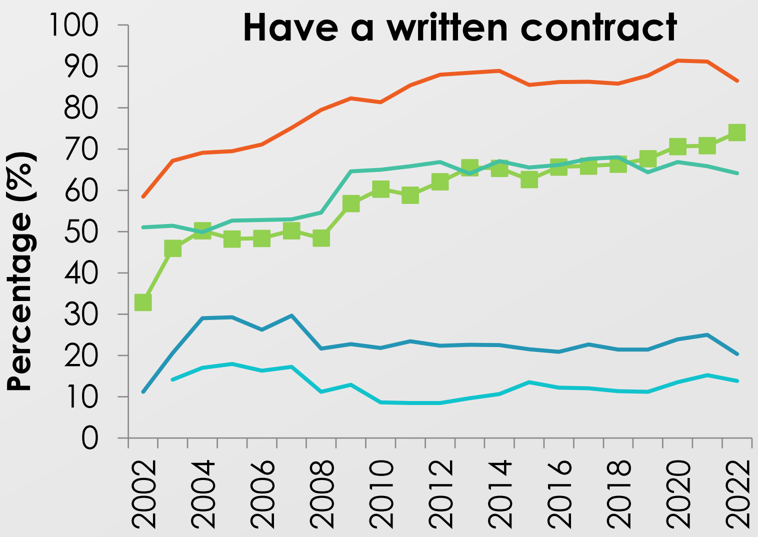
High value fruit export commodities have the highest labour intensity

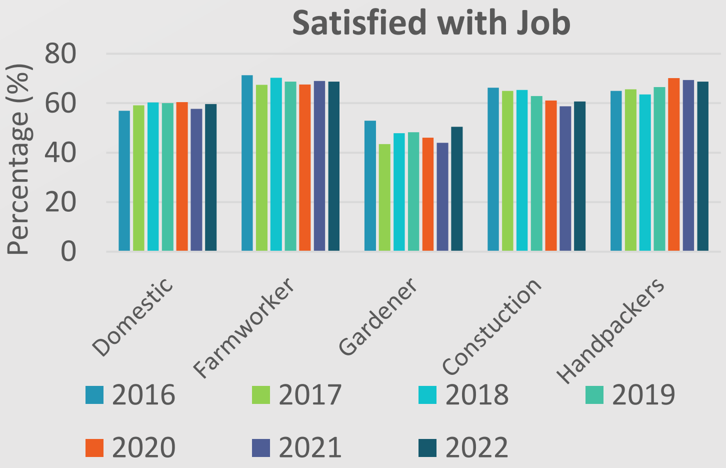
SA Labour Market Dynamics

Beyond legislated wage increases, agricultural jobs have been stable and performed well in improving livelihoods in various labour market outcomes



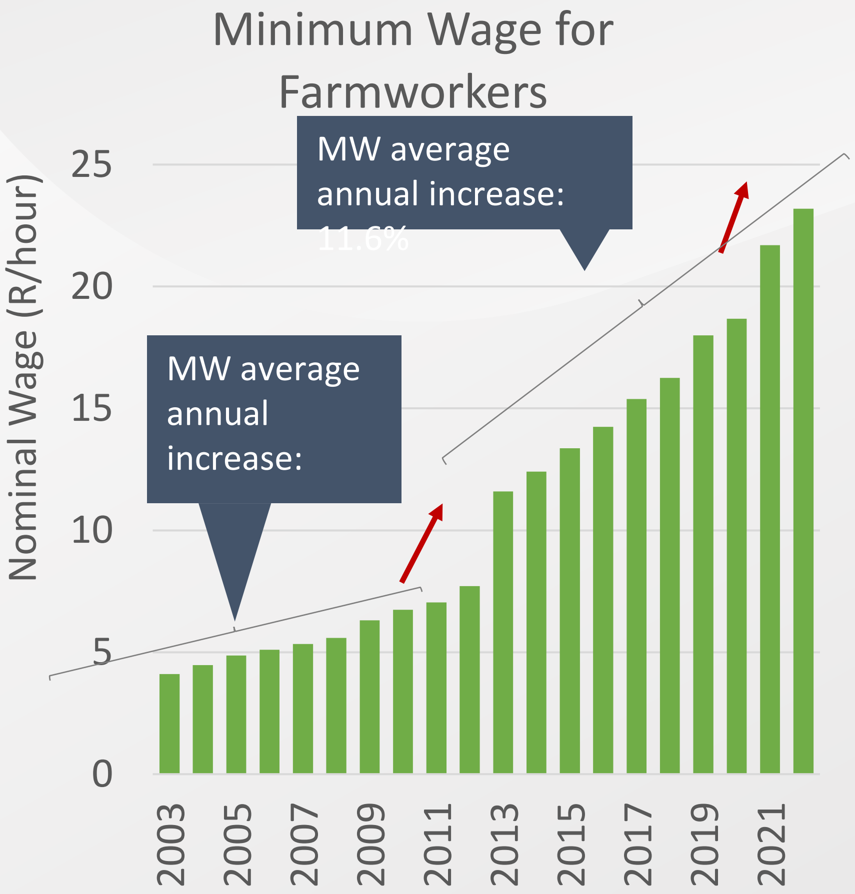






Wages projected to be highest cost component by 2027 for intensive crops

Despite drastic wage increase through minimum wage increases, farm employment has remained stable



Within SA Context:
SA Population = 61 million Labour Force = 22.7 million
Employed = 14.9 million
Agriculture = 855 000

** Excludes livelihoods of approx. 2million HH in agric

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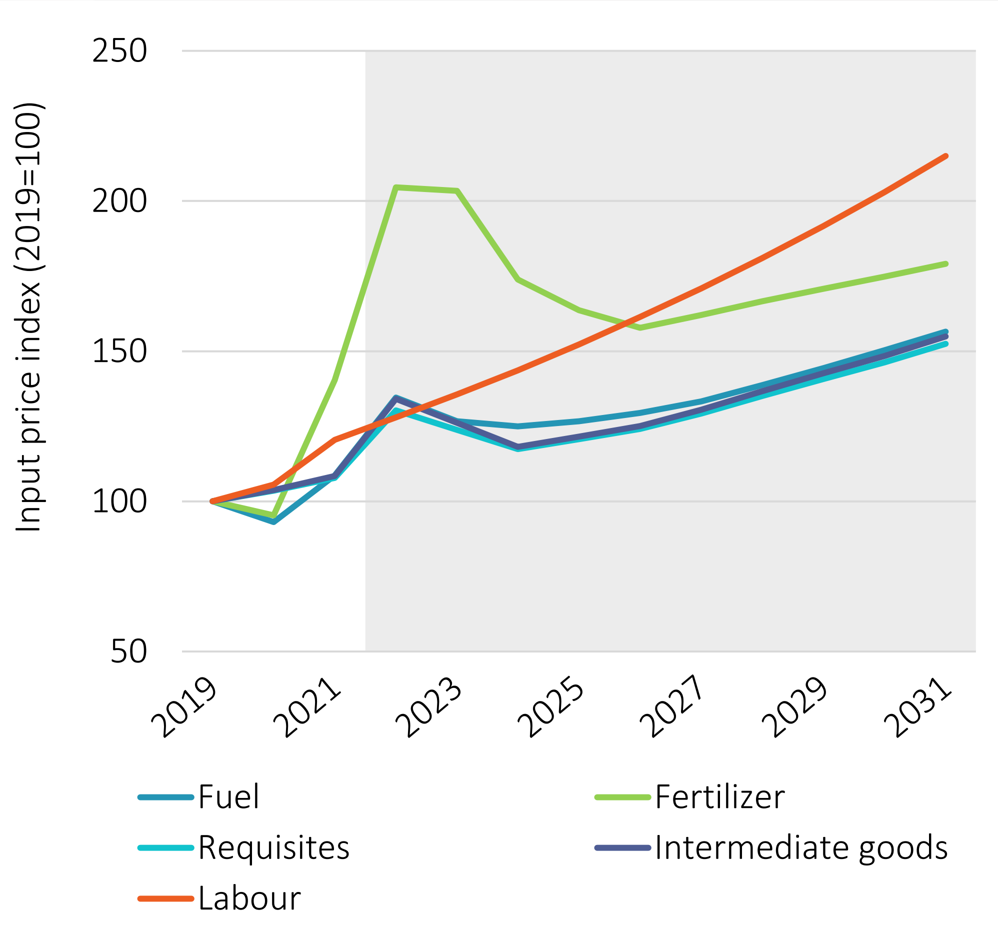
Unemployed = 7.8 million
Discouraged = 3.7 million

Expanded unemployment rate = 45.5%



South African Agricultural Policy Context

NPD remains overarching policy documents for SA's economic development

Tier 1: Pick and support commercial sectors with high potential for growth and employment

Tier 2: Support job creation in upstream and downstream industries

Tier 3: Provide an environment for new entrants to access key value chains

The NDP: Towards 2030

GDP (Y) = C + I + G + Ex - Im

C = Consumer spending

I = Investment

G = Government spending

Ex-Im = Trade

EFFECTIVE IMPLEMENTATION!!

Agriculture & Agro-Processing Master Plan (AAMP)

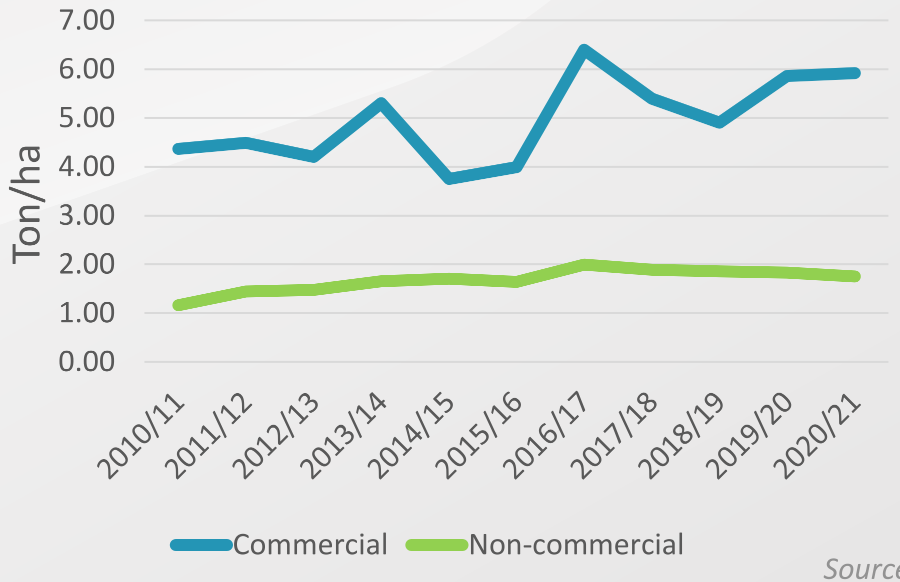
PILLAR 1	PILLAR 2	PILLAR 3	PILLAR 4	PILLAR 5	PILLAR 6
Resolving policy ambiguities and creating investment friendly climate	Creating enabling infrastructure	Providing comprehensive farmer support, development finance, R&D and extension services	Ensuring food security, expanded production and employment creation, decency and inclusivity	Enabling markets expansion, improving market access and trade facilitation	Developing localized food, import replacement and expanded agro-processing exports

Unlock under-utilised state land

Key elements to unlock the potential includes; beneficiary selection, access to finance and markets, extension, training

PLAS Hectares ('000)										
Provinces	**EC**	**FS**	**GAU**	**KZN**	**LIM**	**MPU**	**NW**	**NC**	**WC**	**Grand Total**
Total assessed	232	203	45	153	93	242	241	571	78	**1 859**
Field Crops	9	35	18	23	9	54	22	54	5	**230**
Horticulture	10	10	2	15	14	20	7	9	14	**84**
Livestock	198	150	23	110	66	168	212	502	56	**1 511**
Irrigation	8	9	1	6	7	5	2	7	5	**50**

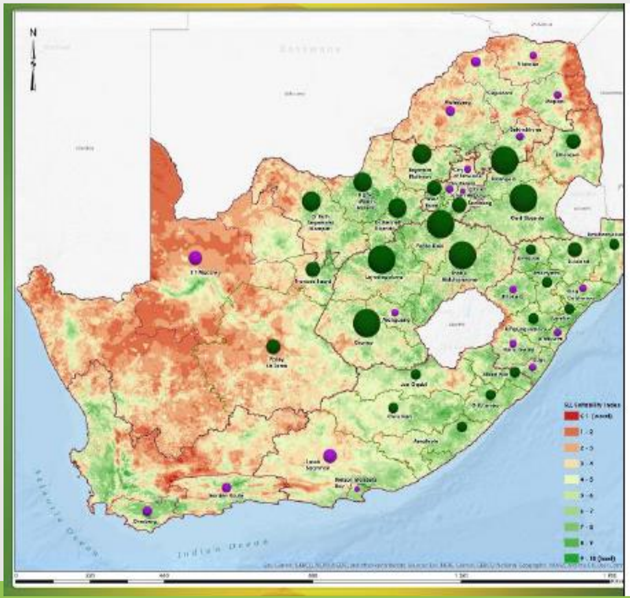
Source: ARC, 2019

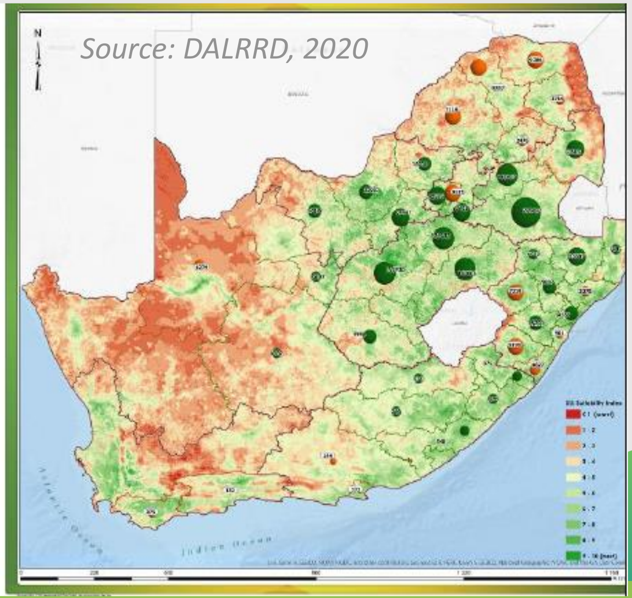


Source: CEC, Jul 2021

MASTER PLAN (E.g. Grains to add R6.4 Billion)

- 388 000 ha expansion in field crop cluster
- 230 000ha out of 1.8mil ha PLAS farms surveyed by ARC suitable for field crops currently under-utilised / idle. (4.8mil Ha PLAS farms)
- Grow black farmer share from 4.7% to 20%





BFAP BASELINE
AGRICULTURAL OUTLOOK
2022 - 2031

Think in value chains …. Not only farm-level AAMP Value Chain Deep-Dive Analytics

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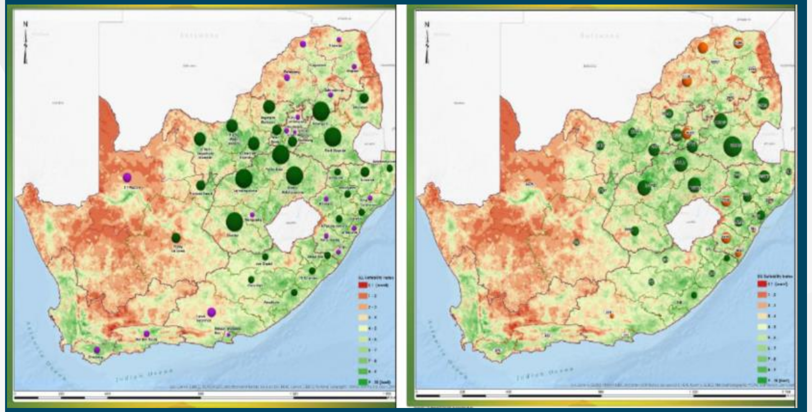
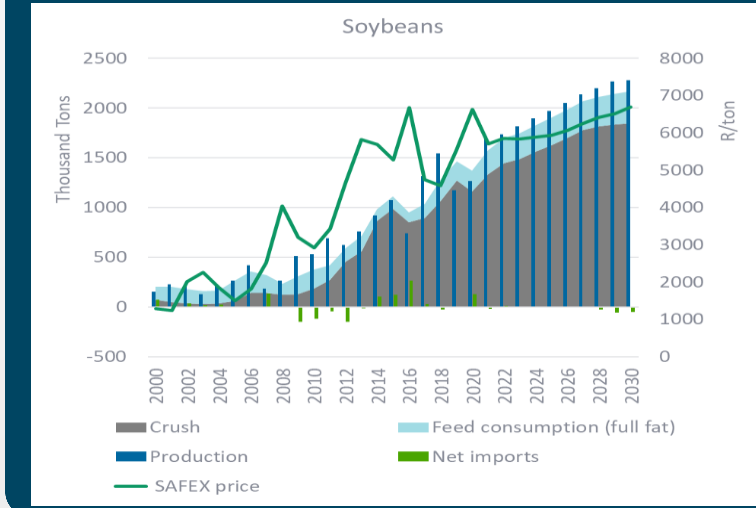
1. Spatial context (natural resource potential)

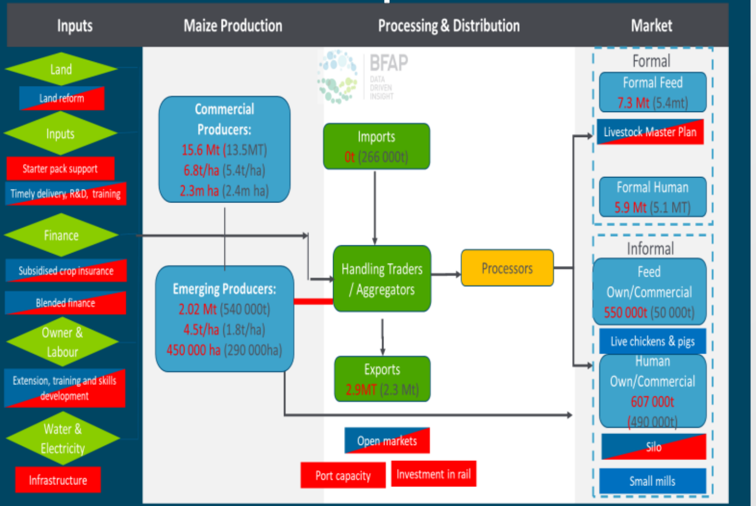
Focus on PLAS farms & under-utilsed land



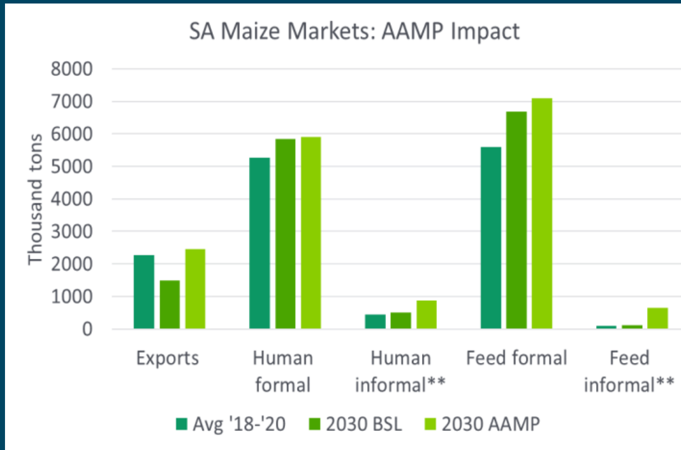
2. Market potential (domestic, regional, inter)



3. Market structure & product flows



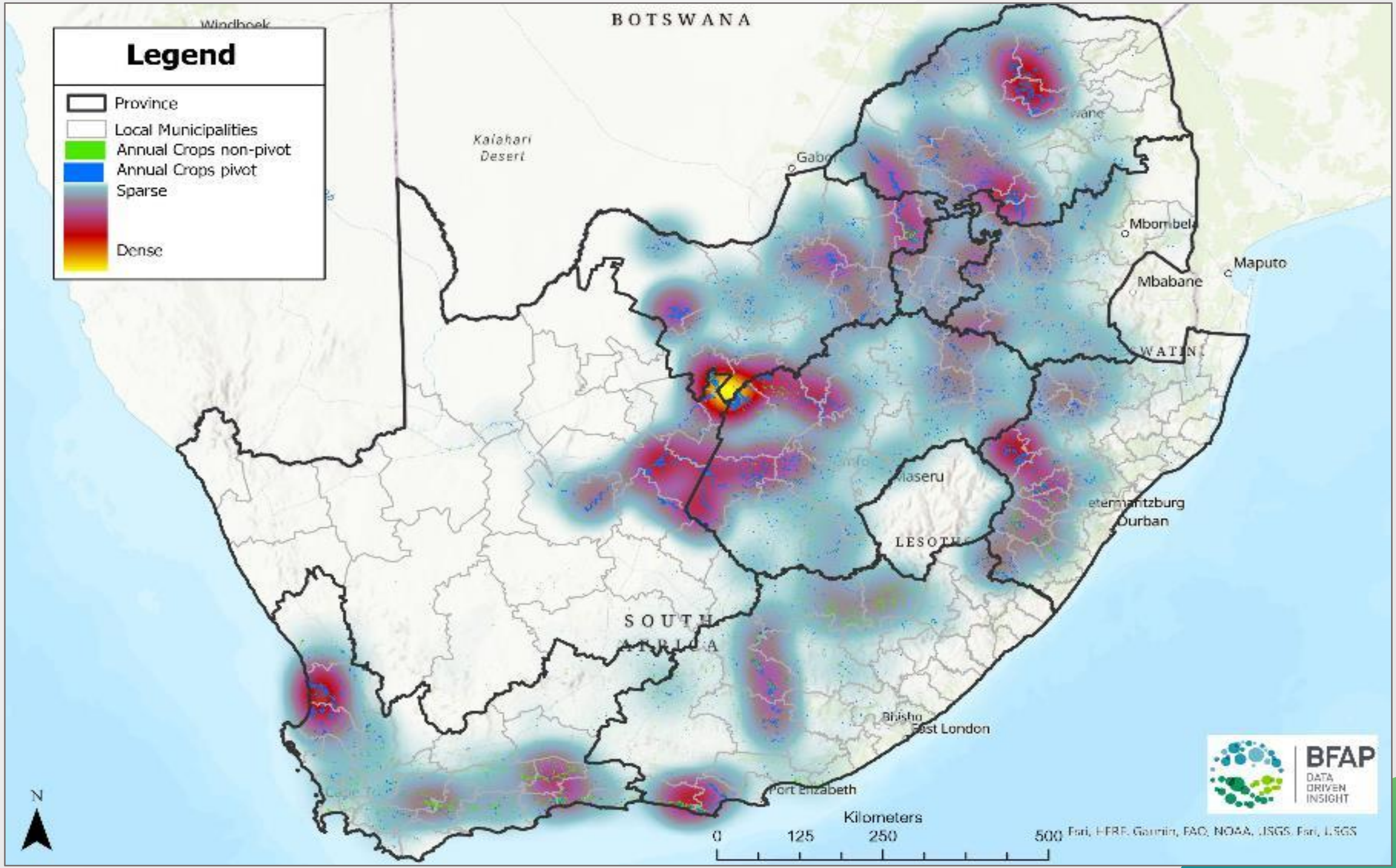
4. Economic feasibility & competitiveness



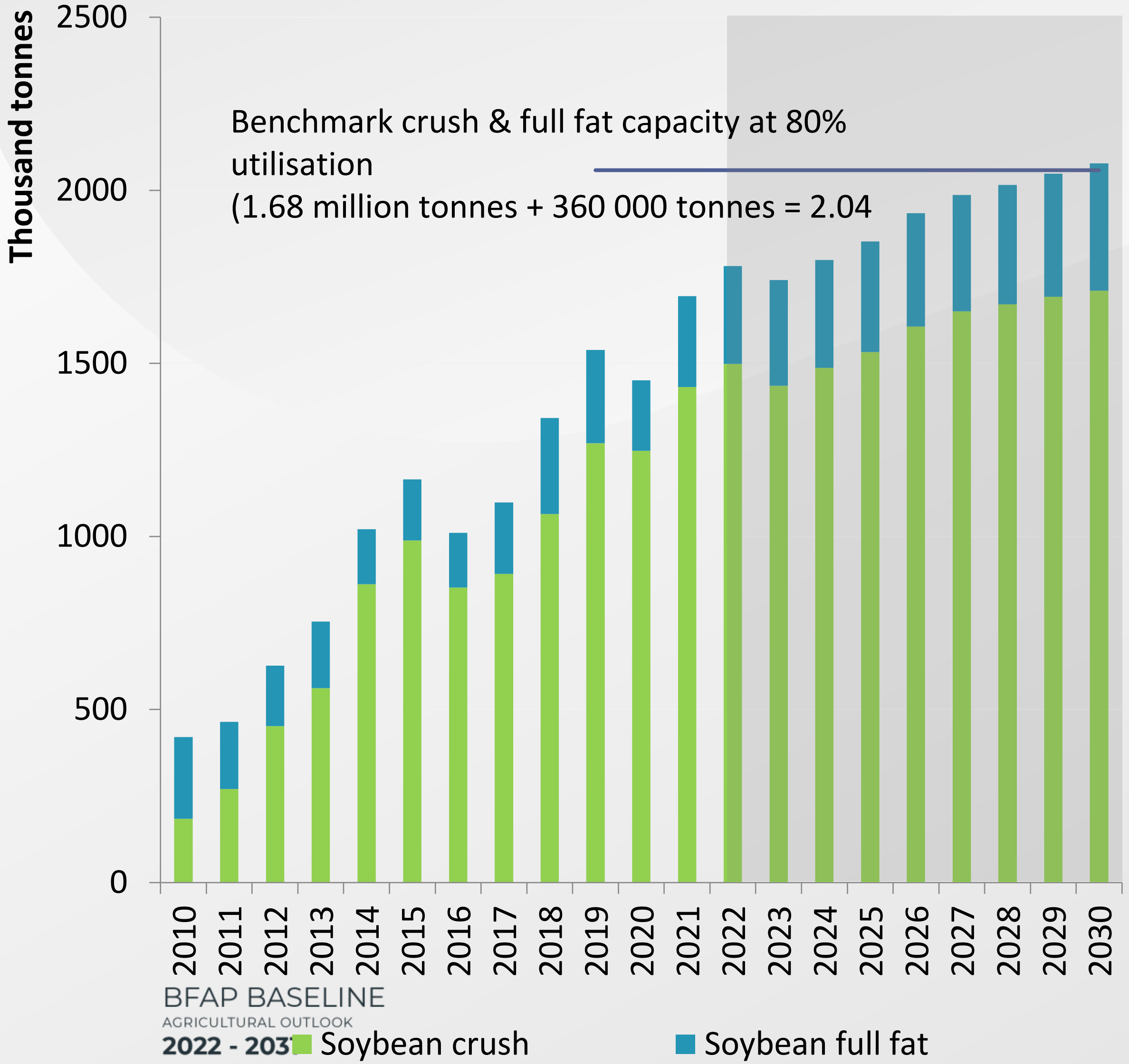
Value chain-specific policy and investment priorities

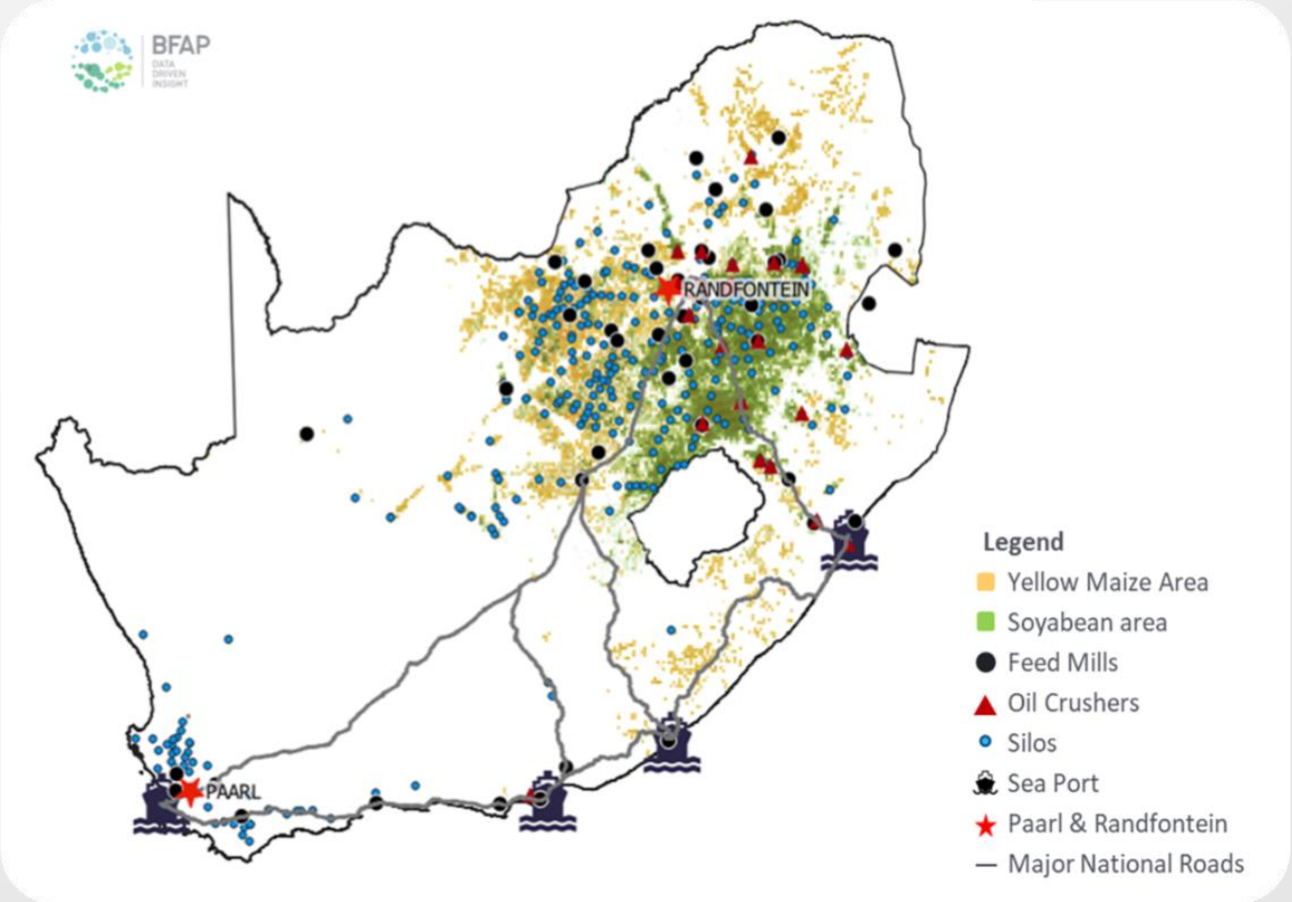
Address energy crises - Irrigation spread of annual Crops

Rank	Local Municipality	Hectares
1	Letsemeng	44883
2	Tokologo	36157
3	Molemole	29605
4	Tswelopele	28138
5	Siyancuma	26601
6	Cederberg	26501
7	Okhahlamba	24954
8	Modimolle-Mookgophong	23693
9	Kagisano/Molopo	22410
10	Thabazimbi	21777
11	Inxuba Yethemba	21662
12	Madibeng	21386
13	Ditsobotla	18202
14	Bergrivier	17704
15	Blouberg	17512
16	Lephalale	17364
17	Walter Sisulu	17146
18	Phokwane	17030
19	Kou-Kamma	16319
20	Thembelihle	15423



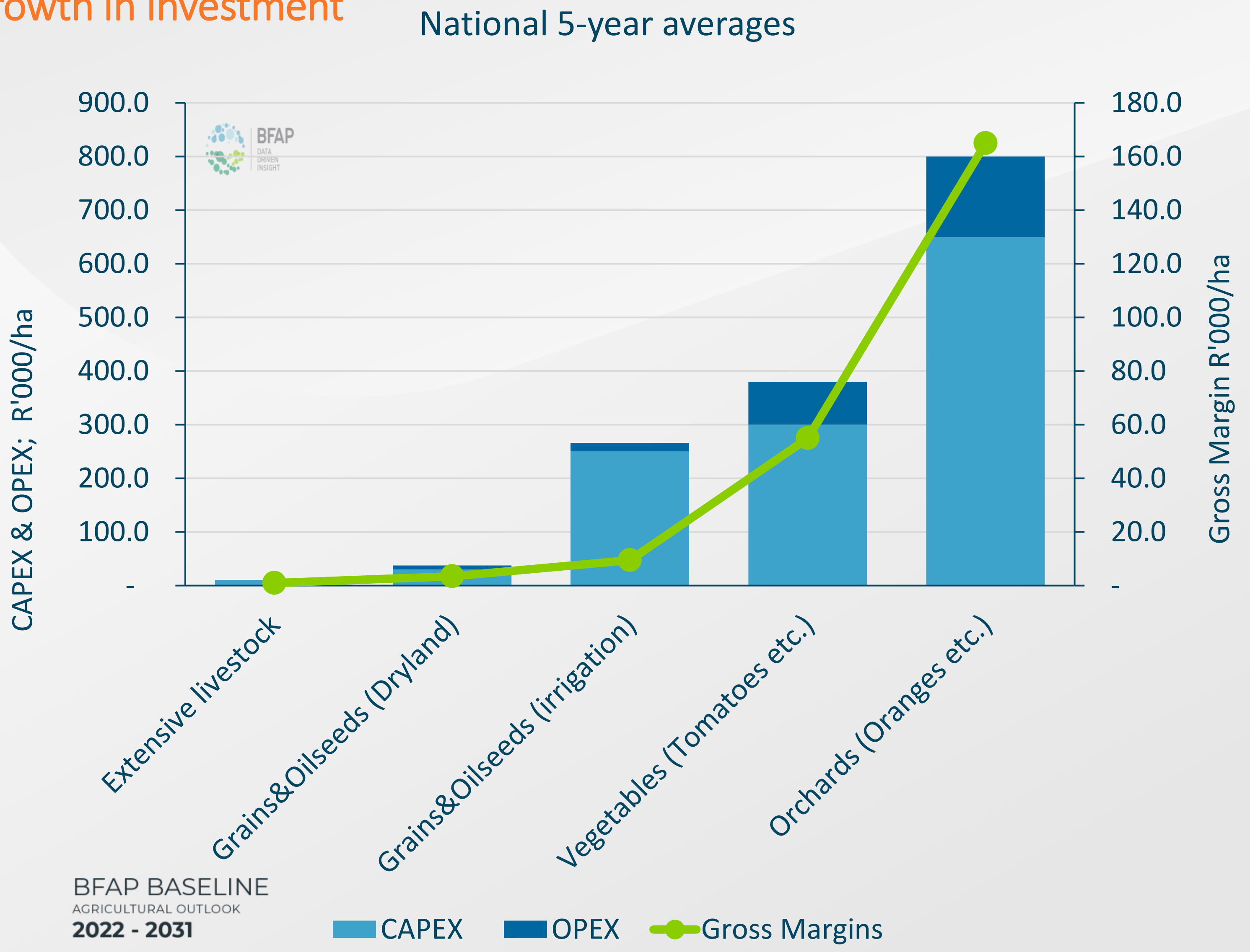
Location dynamics require targeted infrastructure investment – 30% of feed consumption in coastal regions





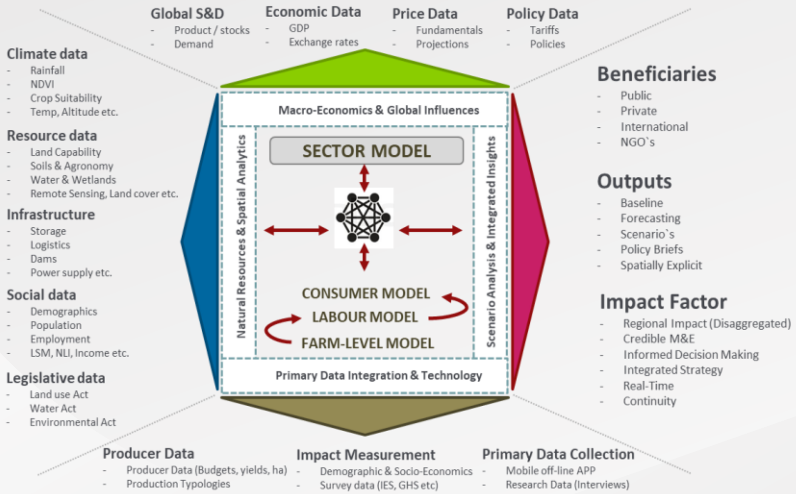
Diverse capital & financial requirements – blended finance

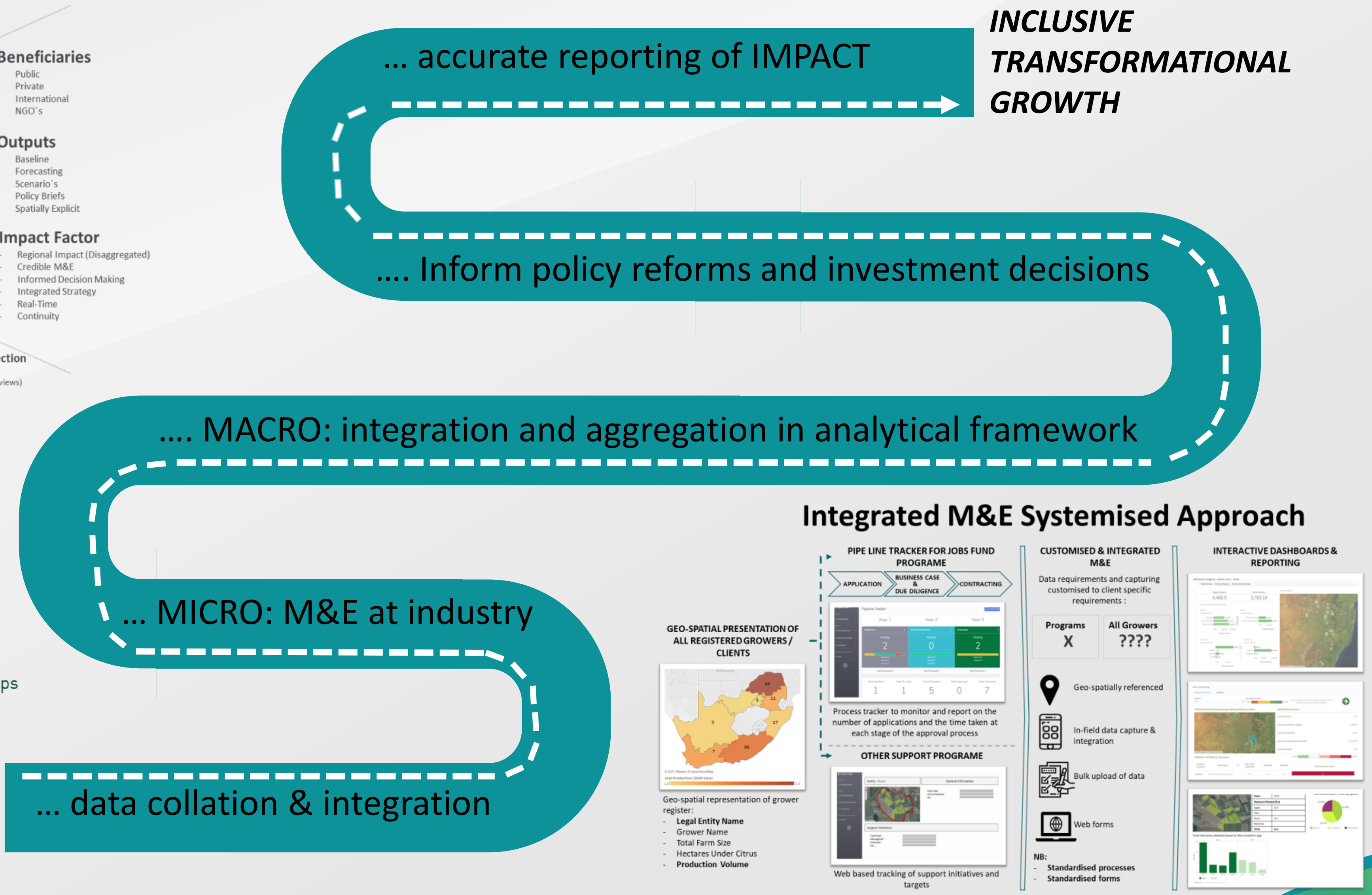
Stable policy environment, development finance with extended terms, support services critical to unlock future growth in investment

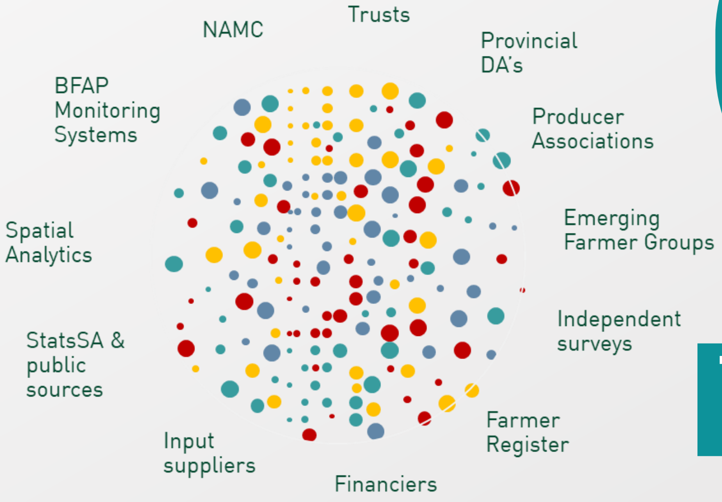


A roadmap to inclusive agricultural transformation

Building analytical capacity to measure, model and inform inclusive agricultural transformation







Integrated Monitoring & Evaluation: Tree Census Overview

** Data collation, standardization and verification work in progress

Provincial Overview | Provincial Detail | Tree Census | Production Overview | Eastern Cape Production Brea...

Provincial Summary of Tree Census

Province: (All) | Commodity: (All) | Season: 2022

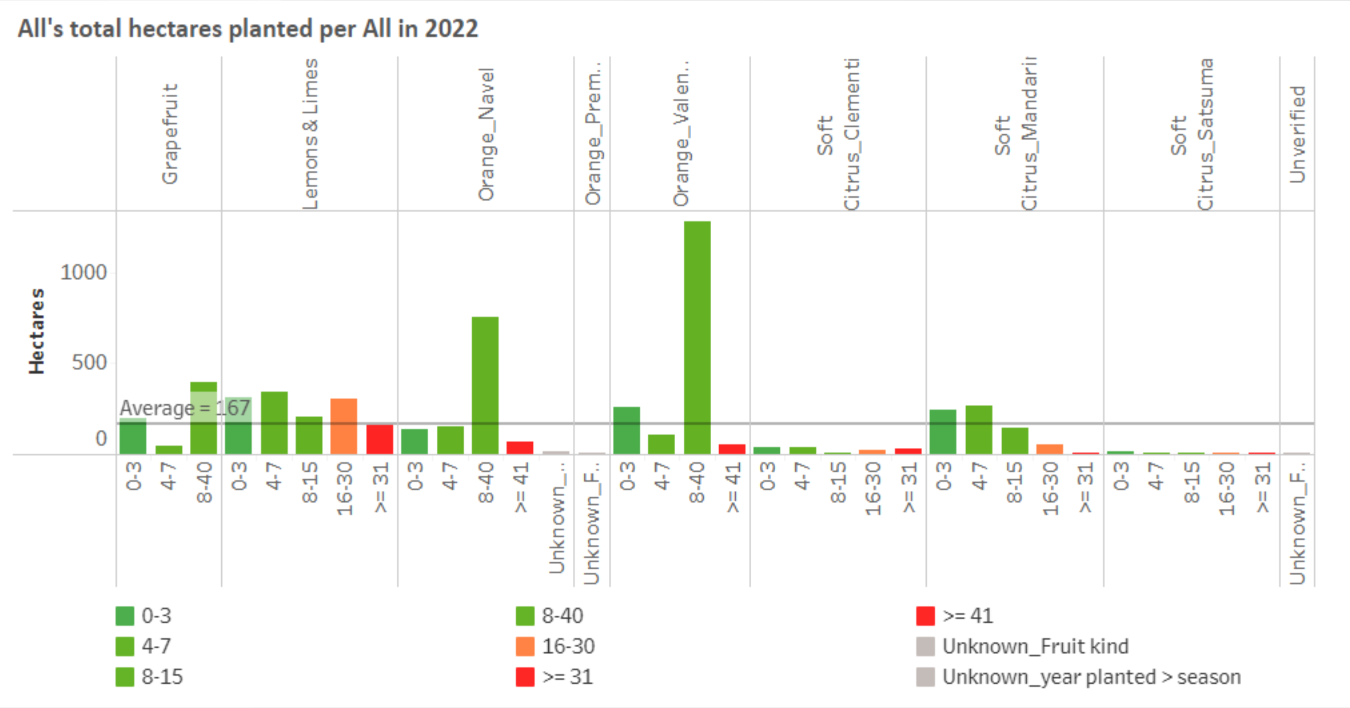
Data completeness across all seasons

This table shows the total # tree census information in the system irrespective of the season selection.

Province	# of growers	# of Tree Census (system)	% Complete
Eastern Cape	37	31	84%
Kwa-Zulu Natal	9	5	56%
Limpopo	42	8	19%
Mpumalanga	8	4	50%
North West	6	4	67%
Northern Cape	4	4	100%
Western Cape	8	4	50%
Grand Total	114	60	53%

All's provincial summary per commodity (ha)

Commodity	Eastern Cape	Kwa-Zulu Natal	Limpopo	Mpumalanga	North West	Northern Cape	Western Cape
Grapefruit	9	196	114			317	
Lemons & Limes	577	128	239	254	11	89	26
Orange_Navel	572	28	286	161	17		62
Orange_Premier					5		
Orange_Valencia	241	114	938	131	50	177	50
Soft Citrus_Clementine	92		15				24
Soft Citrus_Mandarin	335	26	106	73	20	139	11
Soft Citrus_Satsuma	47						2
Unverified			5				
Grand Total	1,872	491	1,703	619	104	722	175



Tree census enables the evaluation of number of hectares per commodity type and the analysis of age distribution

The time for collective action

Market access: New export markets, improved protocols & Preferential Trade Agreements – critical to sustainability of existing & new entrants

Health & Biosecurity – effective management of animal & plant health critical to markets, competitiveness & sustainability

Strategic Infrastructure development & improved efficiency to optimise logistics, handling & transportation

Investment in **Research and Development** & Sustainability of **Natural Resources**

Comprehensive & customised **farmer support** & **financing** -> productivity gains & sustainable new entry
Align, strengthen & expand existing PPP

Efficient **service delivery** to improve competitiveness across value chain – e.g. water & water infrastructure, electricity, municipal services, safety

Thank you

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