Session 1:
The Economic and Political Landscape

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Key Factors Impacting on SA Agricultural Sector Growth and Viability

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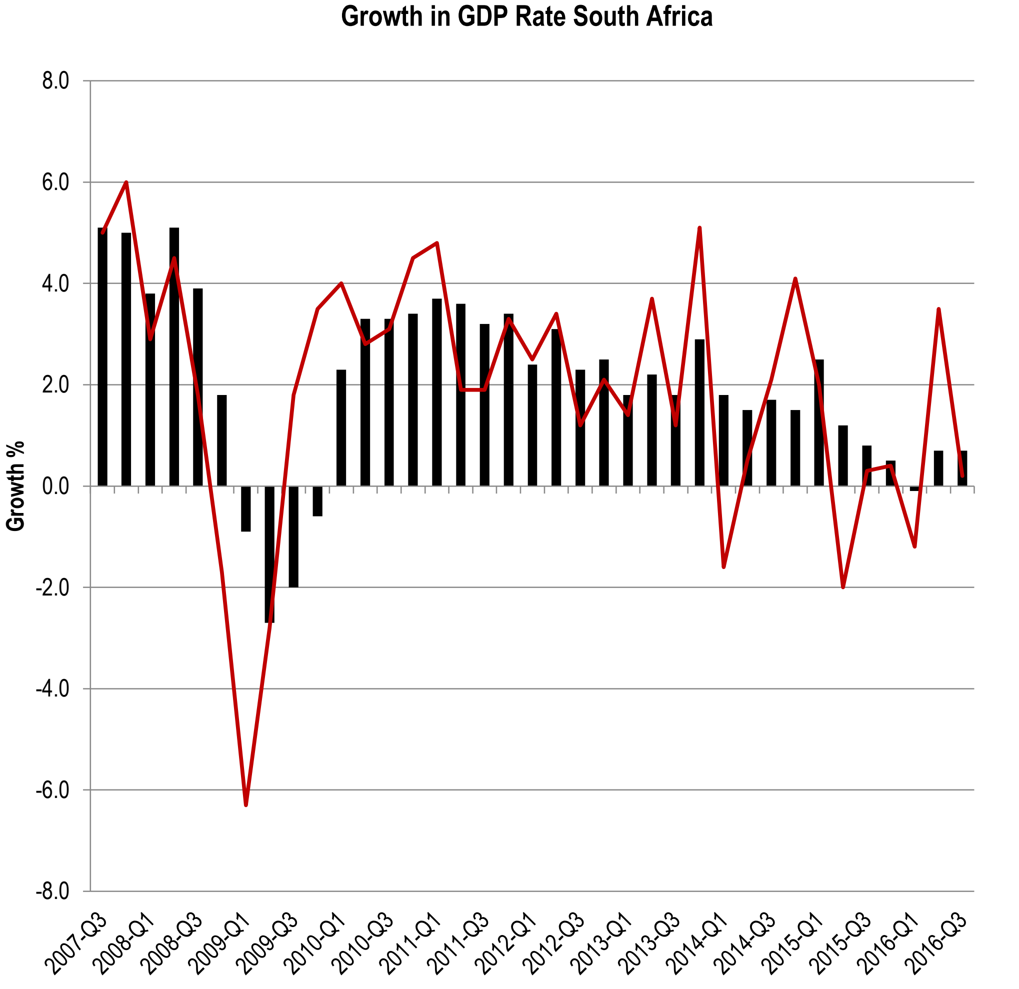
World Economic Growth to Remain Sluggish

- **Trump protectionist policies**
- **Instability in the EU**
- **Commodities recovery reverses**
- **Monetary policy reaches limits**
- **Tighter fiscal policy weighs**

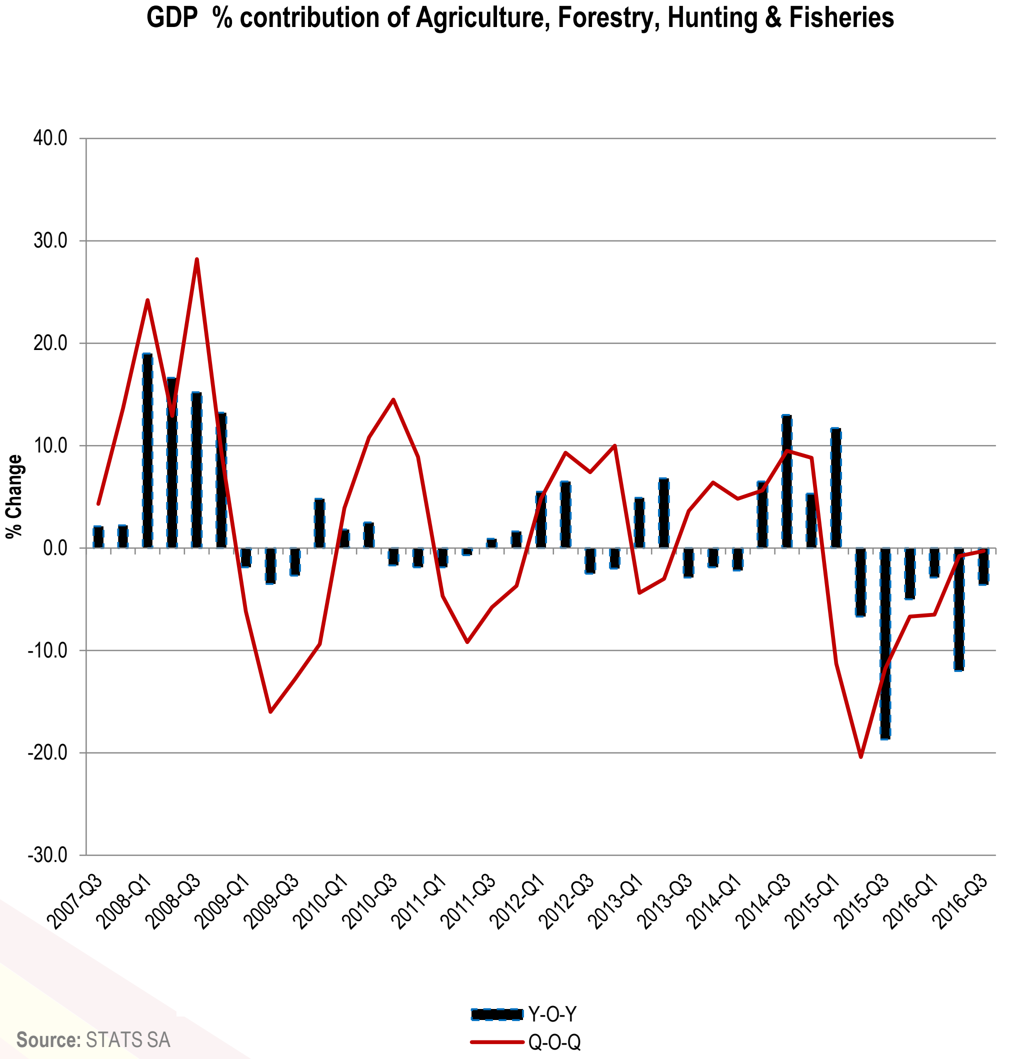
Trends that Will Shape the Industry

Age of the role players in the industry, expected to change	Changing commodity environment, demand growth less bullish
Acceleration in technology, data analysis will replace intuition	Meat consumption shift, demand growth in China to exceed the US
Biotechnology strategy evolves, GMOs are here to stay, must just influence public opinion	Public scrutiny of livestock treatment, consumer demanding humane treatment of livestock
Specialization to continue, economies of scale, technological advances	Environmentalism's influence grows, complex regulations for cleaner production
Resource scarcity, climate change and water challenges.	Government policy in influx, approaches to land use, GMOs, biofuels and monetary policy in different countries

Domestic Economy and Agriculture



Source: STATS SA



Source: STATS SA

Macroeconomic Forecast

Exports expected to support economic growth recovery in 2017

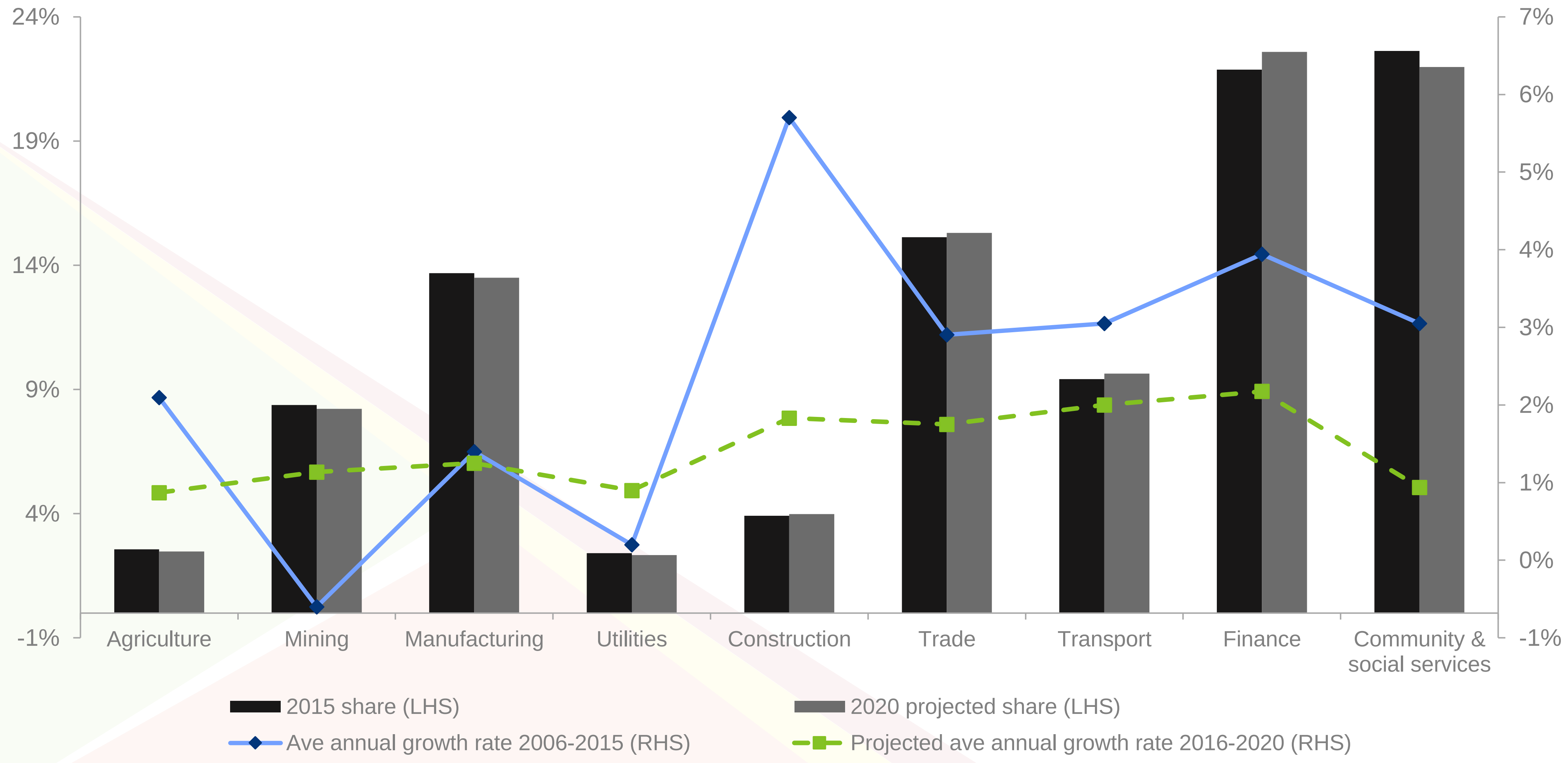
Growth data (% y/y, seasonally adjusted & annualised)	Q1:16	Q2:16	Q3:16	Q4:16	Q1:17	Q2:17	Q3:17	Q4:17	2016	2017
Expenditure on GDP	-0.6	0.7	0.7	0.8	1.7	1.3	1.3	1.4	0.4	1.4
Household consumption expenditure	0.8	1.0	1.1	0.1	0.4	0.3	-0.2	0.5	0.8	0.2
Durable consumption	-8.2	-7.1	-7.1	-6.0	-4.9	-3.0	-3.4	-2.3	-7.1	-3.4
Semi-durable consumption	4.4	5.1	3.1	-3.6	-4.3	-4.8	-4.4	0.3	2.3	-3.3
Non-durable consumption	1.2	0.9	1.2	0.7	1.0	1.1	0.6	0.5	1.0	0.8
Services consumption	1.8	2.1	2.4	1.8	2.1	1.3	0.6	1.0	2.0	1.2
Government consumption	1.5	1.5	1.8	1.6	0.5	-0.3	-0.5	-0.5	1.6	-0.2
Gross fixed capital formation	-2.4	-3.9	-5.2	-5.4	-3.0	-1.7	-1.7	-1.2	-4.2	-1.9
Gross domestic expenditure	-1.8	-0.7	0.8	-0.5	-0.3	0.7	-1.0	0.1	-0.5	-0.1
Exports	-0.2	2.1	-4.5	-0.1	5.7	0.8	7.3	1.7	-0.7	3.9
Imports	-4.0	-2.6	-4.1	-5.5	-2.6	-1.1	-0.7	-1.2	-4.0	-1.4
Current Account Balance % of GDP	-5.3	-2.9	-4.1	-2.3	-1.0	-1.2	-2.3	-2.8	-3.6	-1.8
Prices										
Inflation	6.5	6.2	6.0	6.6	6.7	6.0	5.8	5.6	6.3	6.0
Interest rates (%)										
Prime lending rate (end period)	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Commodity prices										
Gold ($/oz)	1193	1259	1335	1218	1225	1250	1250	1275	1251	1250
Platinum ($/oz)	917	1012	1097	949	980	1000	1000	1000	994	995
Palladium ($/oz)	527	568	679	684	700	750	725	700	614.5	719
Copper ($/mt)	4669	4728	4793	5291	5868	5500	5500	5500	4870	5592
Brent ($/bbl)	34	47	47	51	55	55	55	55	45	55

Currency Forecasts

Rand weakness fades

	Spot @ 08:00 (17-Feb-2017)	Q1 17	Q2 17	Q3:17	Q4:17	2018
USDZAR						
Consensus	12.96	14.00	14.30	14.68	14.62	14.60
Current Fwd	12.96	13.05	13.26	13.47	13.68	14.41
SBR	12.96	13.75	13.75	13.50	13.00	14.00
EURZAR						
Consensus	13.83	14.56	14.72	15.26	15.35	16.06
Current Fwd	13.83	13.94	14.23	14.54	14.85	16.02
SBR	13.83	13.75	13.48	13.50	13.26	16.10
GBPZAR						
Consensus	16.20	17.08	17.30	17.90	17.98	18.69
Current Fwd	16.20	16.32	16.63	16.94	17.26	18.43
SBR	16.20	15.81	15.95	16.34	16.12	18.20
ZARJPY						
Consensus	8.74	8.21	8.25	8.01	8.00	7.81
Current Fwd	8.74	8.67	8.50	8.32	8.15	7.54
SBR	8.74	8.73	9.45	8.89	9.23	7.86

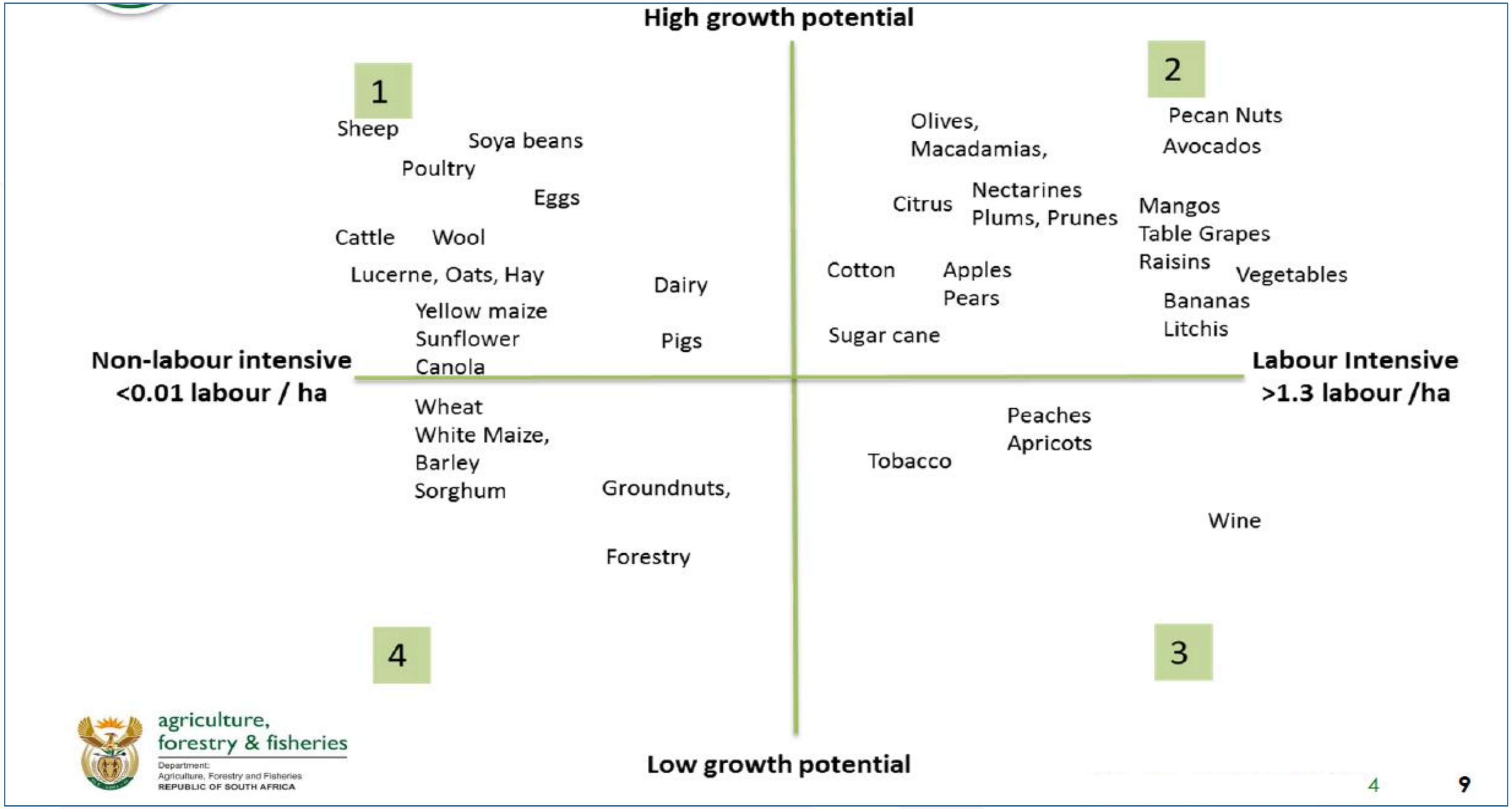
Percentage Share per Industry



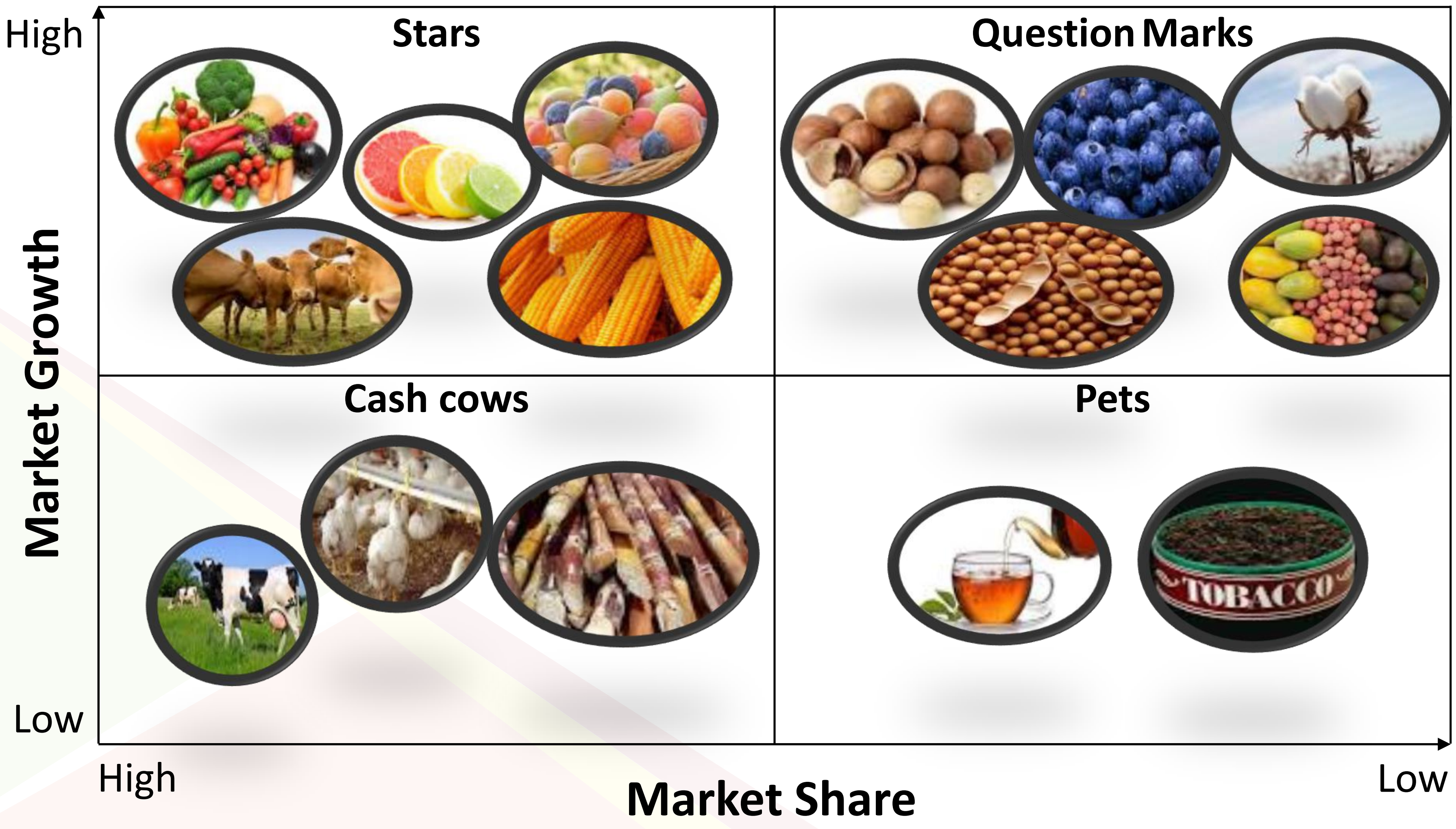
Structure of the Agricultural Sector

Overview	
Contribution to GDP (2016 estimate)	R 77.7bn (2% of GDP)
Number of employees (2016Q2)	919 000
Rate of unionisation (2016Q2)	6%
Proportion of employed with less than Grade 12 (2016Q2)	85%

NDP Winners


High growth potential
1
Sheep
Soya beans
Poultry
Eggs
Cattle
Wool
Lucerne, Oats, Hay
Dairy
Yellow maize
Sunflower
Canola
Pigs
2
Olives,
Macadamias,
Pecan Nuts
Avocados
Citrus
Nectarines
Plums, Prunes
Mangos
Table Grapes
Raisins
Vegetables
Cotton
Apples
Pears
Bananas
Litchis
Sugar cane
Non-labour intensive
<0.01 labour / ha
Labour Intensive
>1.3 labour /ha
Wheat
White Maize,
Barley
Sorghum
Groundnuts,
Forestry
Peaches
Apricots
Tobacco
Wine
4
3
agriculture,
forestry & fisheries
Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA
Low growth potential
4
9

Growth Prospects

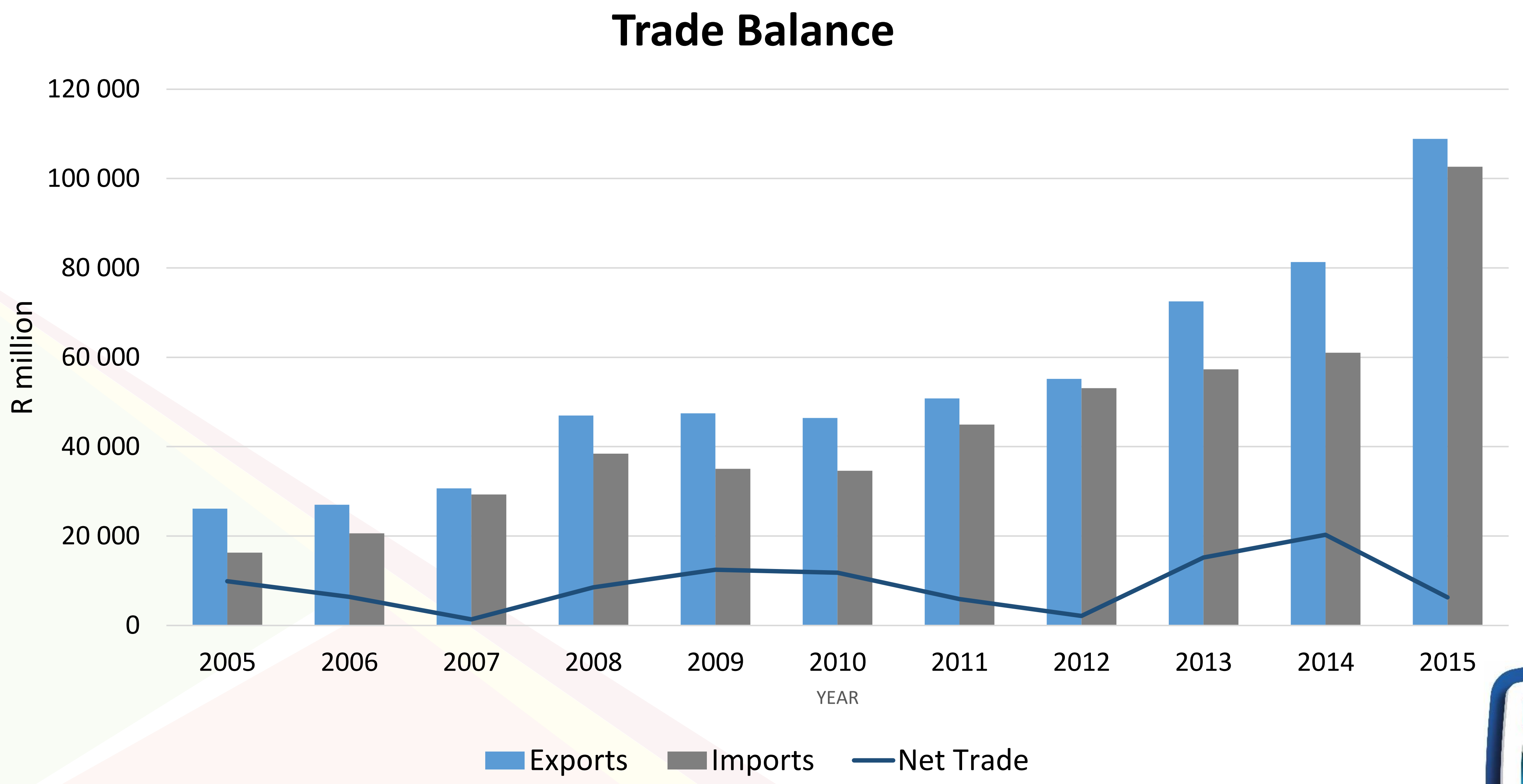


Source: DAFF and own calculations

Industry Performance

Industry	Year	Gross income (GI)	Size in agriculture	Size in sub-sector	GI growth from 2011	5 year average GI growth	Y/y GI growth	GI variability
Poultry meat	2015	R 32 851 663 130	16.4%	33.2%	21.8%	3.3%	4.8%	7.1%
	2016	R 30 471 146 657	15.4%	32.5%	12.9%	1.5%	-7.2%	6.5%
Beef & Feedlot	2015	R 24 984 301 503	12.5%	25.2%	35.0%	8.1%	8.1%	10.7%
	2016	R 25 078 943 009	12.7%	26.7%	35.5%	6.8%	0.4%	11.0%
Maize	2015	R 21 748 003 537	10.8%	48.2%	22.9%	8.3%	-14.7%	12.3%
	2016	R 20 771 863 982	10.5%	47.9%	17.4%	6.5%	-4.0%	13.9%
Citrus	2015	R 12 555 016 799	6.3%	22.3%	52.9%	11.5%	7.8%	16.6%
	2016	R 13 487 398 176	6.8%	22.5%	64.2%	10.8%	7.4%	17.3%
Dairy	2015	R 12 693 868 258	6.9%	15.3%	29.6%	3.6%	-1.4%	9.9%
	2016	R 11 899 426 292	6.0%	12.7%	21.5%	2.0%	-6.3%	9.1%
Sugar cane	2015	R 5 438 592 396	2.7%	12.1%	-3.2%	0.8%	-15.0%	14.1%
	2016	R 5 752 360 942	2.9%	13.3%	2.4%	1.6%	5.8%	13.7%

Trade Balance Remains Positive



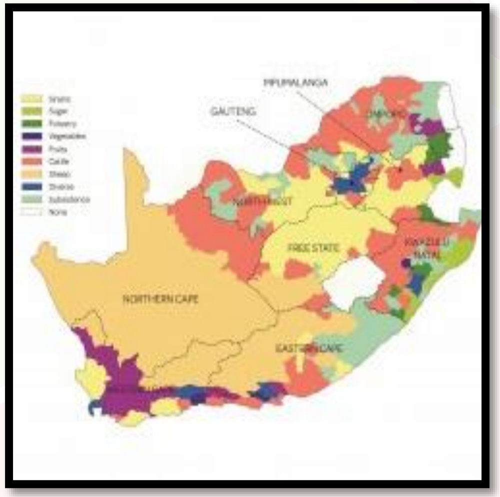
Key Challenges

Enabling policy

Water

Capital

Land



Access to markets

Skilled Labour

Why Is Growth in Agriculture Important?

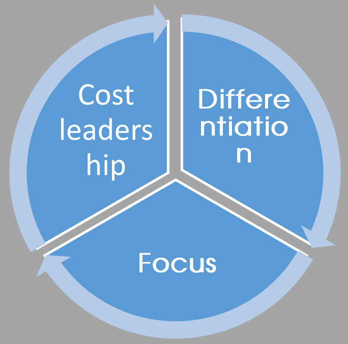
- Driver for economic growth
  - Multiplier effect along the value chain
- Job creation
  - Significant job creation due to backward and forward linkages with the rest of the economy
- Economic opportunities for rural development
  - Investment in infrastructure
- Leading exporter of labour intensive and high value products
  - Macadamia, table grapes, citrus and wool
- Opportunities for Southern Africa and Africa as a whole
  - Africa becoming an important market for SA and with already established con agriculture presents opportunities for expansion

Characteristics of a Growing Business

Competitive Edge

What makes you better than the competition in your customers' minds.
Determinants:

- **Your product**
- **Your market**
- **Competition**



Leadership

Leaders are people who know how to achieve goals and inspire people along the way.

- Do you have the right CEO / Are you the right CEO?
- You need good the best people in all the key roles
- Don't try and fix the problem, fix the people
- Pay properly
- Make the business a great place to work.

Agility

Becoming increasing important in view of the pace of change.
"Flare" Value clever ideas. Agility needs two things.
One is a **dynamic capability**, the ability to move fast – speed, nimbleness, responsiveness.
And agility requires **stability, a stable foundation** – a platform, of things that don't change. (McKinsey & Company)

Business Model

Understand how you make money - If you understand it you can better identify risk. This can lead to change in strategy

- Luck?
- Contract?
- Reading the markets?

Capital Planning and Stress Testing Essential

- The capital markets:
  - new share issues, for example, by companies acquiring a stock market listing for the first time
  - rights issues
- Loan stock
- Retained earnings
- Bank borrowing
- Government sources
- Business expansion scheme funds
- Venture capital
- Franchising
- Stress testing is critical
- Financial goals / covenants

Capital Planning and Stress Testing Essential

What should businesses within key sectors do to remain relevant?

- Have succession planning for key roles (construction)
- Staff retention and training (manufacturing)
- Stable leadership
- Processes support speed and flexibility
- Keep abreast and take advantage of relevant changes in the macro environment to proactively manage change (Political, Economic, Social, Technological, Environmental, Legislative)
- Understand customer needs v wants for now and future (sustainability)
- Have a balanced view of performance to ensure sustainability (financial, customer, employee, process/competitive advantage)
- Build micro/macro relationships along your business lines (Chamber of Commerce, Embassy's, Cross-Industry Forums)

How can these businesses overcome economic pressure?

- Understand the economic environment: macro vs micro (Hedging benefits)
- Partner with organisations that can provide mentorship and outgrow your costs (strategic advice – find and exploit economic opportunities)
- Be strategic, identify cash cows and dogs. (subsidise success)
- Be tough enough to absorb the impact of any stress and be agile enough to adapt to macro and micro impacts
- While always keeping business practise simple (Burning platforms tackled immediately, costs kept to minimum, funds spent on high return investments)

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Thank you

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