Land reform uncertainty erodes business confidence but fruit industry reports no decrease in investment nor risk to supply

”Now is the time to support South Africa”

Consultations with industry leaders and farmers on land reform in South Africa make it clear that while the current uncertainty doesn’t benefit agriculture, there is no wanton programme of land invasions nor a withdrawal of investment and pullback in expansion.

One aspect that comes up repeatedly in conversation is that market access is a big challenge for South African agriculture. “If the world is really concerned about South Africa, then show that concern by better market access,” declares an economist at one of the biggest banks. “We have some of the best farmers in the world, we are one of the cheapest producers at half the rainfall of many other countries and our technology is excellent. More favourable market access would stimulate the economy, create employment and that is the only sustainable solution to our problem. Now is the time to support South Africa.”

He continues: “This is, at the end of the day, a South African problem and we’re the only ones who can solve it. We can’t afford to fall behind our overseas competitors. All we can do is to focus on what we’re good at.”

Recent land summit gives encouragement

The recent land summit in Limpopo, organised by Landbouweekblad magazine and AgriSA and attended by high-ranking government officials like deputy president David Mabuza, has filled some of those who attended with hope. "My eyes were opened to the generous and kind reform projects already on the go. I was really heartened by the speech of the deputy president and believe that from here on the most important element is trust. The signing of a MOU to develop a national agricultural strategy between government and organised agriculture gives me even more hope," says a citrus producer in Limpopo. "The time for positive change has come and momentum is on our side."

There is a lot of emotion among farmers. “Some grain farmers have wondered whether they should continue planting for the new season but obviously they must,” notes a business developer in the financial sector, “otherwise the farm will be classified as unused land which is specifically what the government has said it would target.”

He continues that the one effect of the land reform uncertainty that is noticeable, is a decline in farm prices and a slowdown in farm purchases. “The farm is usually the farmer’s largest asset which is used as security to obtain bank loans, but if there’s a negative effect on farm prices, it changes the financial position of the farmer and also the willingness of bank to give loans.” This is most evident in the grain sector, given current low grain prices and their reliance on the domestic market, where consumers are tightening belts. Banks have reiterated their commitment to South African agriculture.

No evidence of decrease in investment

The fruit sector is strongly dependent on exports and in this sector, there is for the moment no evidence of a decrease in expansion or investment. “A farmer who is struggling financially is bound to be negative,” says a Limpopo fruit producer, “but when you have capital behind you, you can make other plans, you don’t feel like you’re in a weak position. Many farmers are negative, it’s a big concern to us, but the country needs us. We’re diversifying as much as we can.”

An economic researcher in the Western Cape agrees that he has witnessed no sign of decreased investment, but notes that continued uncertainty could lead to a decrease in hectare allocations of closed cultivars to South African producers by international companies, if it's felt that supply cannot be guaranteed. However, he cautions against believing everything one reads in the media, especially if it emanates from other countries. A social researcher in international affairs agrees, saying that there is a current of Afropessimism among former South Africans who have emigrated, which is finding fertile ground in the alt-right media and populist leaders like President Donald Trump.

The South African Department of International Relations and Cooperation has conveyed its disappointment to the US deputy ambassador, warning against "alarmist, false, inaccurate and misinformed, as well as – in some cases – politically-motivated statements that do not reflect the policies and intentions of the South African Government".

The department, as well as President Cyril Ramaphosa during Prime Minister Theresa May's visit to South Africa yesterday, reiterated their determination that whatever measures are taken to effect land reform, do not undermine the economy.

An industry leader in the subtropical industry says that there is currently a process of engagement with government which has to play out. "The general feeling is that we have to find a workable solution, and we believe that there *is* such a solution."

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