

# It's time to give agriculture the recognition it deserves



By [John Hudson](#)

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While it may lack the glamour of other industries, agriculture is arguably one of the most crucial sectors for the South African economy, contributing significantly to food security, employment, export earnings, and the broader economy and providing the foundation for rural life.



John Hudson, Head of Agriculture, Nedbank Commercial Banking

Digitalisation, artificial intelligence, fintech, and energy tend to dominate discussions about economic growth and innovation, while agriculture retains a low profile.

We believe this is a missed opportunity, as agriculture is the country's quiet giant. While primary agriculture contributes around 2.5% to South Africa's gross domestic product (GDP), the sector's overall contribution, including the value chain, is substantially higher, contributing more than 14% in 2023<sup>1</sup>.

## **Agriculture is the lifeblood of rural communities**

A unique feature of agriculture – and one that many forget – is its role in rural communities where, for most, agriculture and agribusinesses are the primary and sometimes only source of employment, which also makes it a key factor in social stability and local economies.

Recently, at Nampo Cape, I had the privilege of participating in a panel discussion on the role of agriculture in the rural economy. Together with my fellow panel members we concluded that the fate of rural communities is inextricably linked to the success of agriculture.

When agriculture grows, it has a knock-on effect on other sectors in those communities – everything from secondary agriculture to schools and clinics. This means that agriculture supports the entire community, which works well when commodity prices are high but presents a challenge when they're low.

The number of producers also impacts rural communities. Data from the Department of Agriculture, Land Reform and Rural Development shows that domestic agricultural output in 2022–23 was twice as much as in 1993–94. But we've also lost half of our farmers in that time; so while we're producing more with less, it's likely that we're employing less people, which puts pressure on rural communities.

## **Agriculture: A high-growth but risky investment**

Following the food shortages during Covid-19 and the KwaZulu-Natal riots in 2020 and 2021, the image of the agricultural sector changed. Food security is no longer a vague concept, as people experienced disruption first-hand.

This also brought the role of the producer into the limelight and South Africans recognised – possibly for the first time – just how vital farmers are to humanity.

Despite this, agriculture is still considered risky, which devalues private equity investments in the sector. The reality is that agricultural GDP has outperformed the economy for the past 20 years albeit with a high degree of volatility.

Yes, the sector is vulnerable to climate and rural risk, but investment in the sector by South Africa's banking sector has grown by R100bn since 2019, clearly indicating their confidence in agriculture.

And, while gearing and impairments have increased, this is cyclical and often caused by black swan events, like the citrus sector shock in 2022 from which producers are still recovering.



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At Nedbank, we are keenly aware of the vital role agriculture plays in both the broader and rural economies. Beyond having a team dedicated to servicing the sector from a banking and lending perspective, we also support programmes that benefit rural communities.

Two examples are our partnerships with PALS (Partners in Agri Land Solutions) and the EARN (Enterprising Africa Regional Network) Agripreneur Development Programme, which are empowering farmers to develop their own profitable, sustainable, growth-oriented commercial agribusinesses. This, of course, creates a virtuous circle with more jobs, more prosperity, and a thriving rural community.

Our panel agreed that we need to tell the story of agriculture beyond the sector. Its role beyond production needs to be made clearer to strengthen its position with regard to negotiations with government and other role players.

Similarly, not enough is known beyond the sector about its contribution to environmental, social and governance performance in terms of jobs, rural communities, and the social impact of agriculture in South Africa.

To harness agriculture's full potential, government, organised agriculture, the private sector and investors must work together to foster innovation, streamline regulations, and provide the necessary financial and technical support.

At the same time, rural development policies must consider the contribution of farming – beyond the farm gate – to ensure sustainable development for rural communities.

### ABOUT JOHN HUDSON

John Hudson is Head of Agriculture at Nedbank.

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