

An agile regulatory system of seeds, farm inputs and animal medicine is essential to SA agriculture productivity

Agricultural productivity growth – the increase in yield per unit (land/animal) – depends largely on technological innovation and the adoption of new seeds, new equipment, new genetics as well as effective animal medicine. Over the years South African farmers rapidly adopted new technology – either imported or developed from our own research and development processes at the Agricultural Research Council, universities and private sector. This has set South Africa's agricultural sector, apart from much of the African countries in terms of output per hectare.

It is obvious that governments need to regulate any new inputs to ensure that humans, animals and the environment will not be harmed by the introduction of new chemicals, fertilizer or seed. This regulatory process requires independent scientific assessments and evaluation of the trial data provided by the technology developers/innovators. Some of these new inputs are often urgently needed to counter plant diseases or animal diseases that impact negatively and therefore the government processes must be agile, fast and rigorous to ensure the timely release of these new inputs to farmers and businesses.

The South African regulators and farmers have always been eager and flexible to adopt new technologies, including biological and mechanical innovations. This has helped the country to be nearly on par with the likes of Brazil in terms of crop yields per hectare. An example of this flexibility is South Africa's openness to adopting genetically modified maize seeds widely in the 2001/02 season, which then contributed to the increase in yields.¹ The countries that did not follow this path experienced decline or subdued crop yields over the past couple of decades (see Exhibit 1). For South Africa to remain competitive amongst the leading agricultural producers in the world in a range of crops, fruit and vegetables, role players in the sector, especially regulators should be more open to adopting and importing new technologies.

Unfortunately, this is not how things are progressing currently. Farmers, input manufacturers and organised agriculture has expressed their concern about the long delays in getting critical inputs approved by the office of the registrar of the Fertilizers, Farm Feeds, Seeds and Remedies Act 36 of 1947.² There is an urgent need to overhaul and modernise that system and to deal with the large backlog of applications for new chemicals and new medicines.

For future gains and maintaining the country's agricultural productivity, the same energy and dedication of the early 2000s to new technologies should be revitalised. Simultaneously, the regulators will have to apply the rigorous testing of the technologies before being adopted for commercial use in South Africa. With that said, if our peer agriculture countries such as South America, Canada, Australia and the United States have already adopted new agriculture technologies, then South Africa is inclined to take lessons from them and consider moving the same path to maintain our competitiveness. The slow adoption of agricultural technology is what, in part, has plunged numerous African countries into the low yielding agricultural sector and rural poverty.

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¹ Sihlobo, W., 2021. *A New Chance for Genetically Engineered Crops*. Czechia: Project Syndicate.

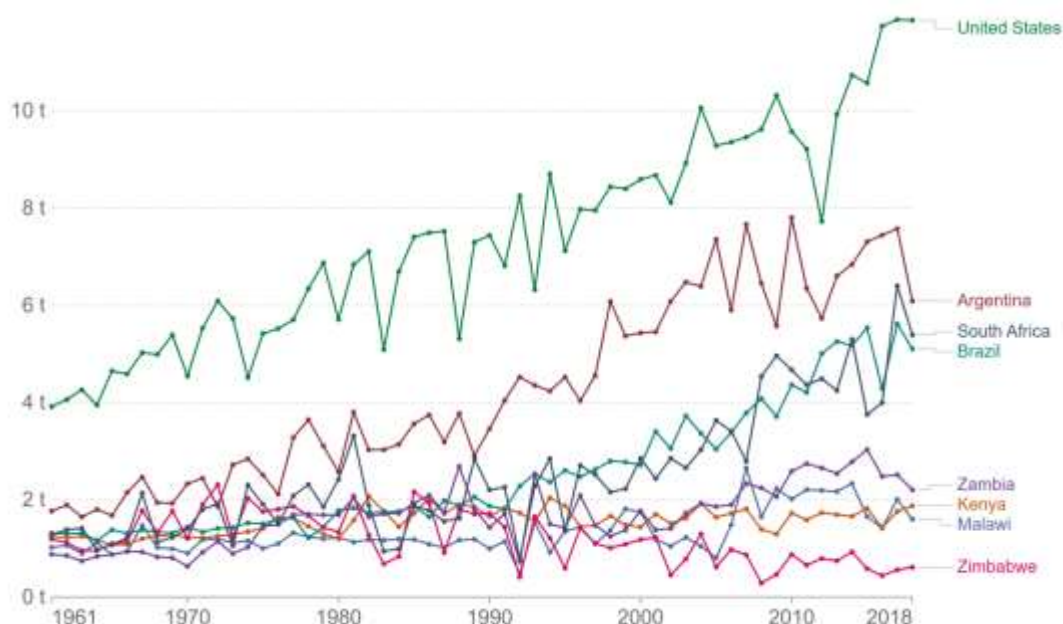
² More information about the Fertilizers, Farm Feeds, Seeds and Remedies Act 36 of 1947 is available [here](#).

South Africa has designated agriculture as one of the sectors that will drive economic recovery and rural economic activity for the coming years. This means the seed industry and various agrochemicals ideal for agricultural progress should be made available by the regulators to the farming community to attain this national goal. As such, the multiple streams of the Agriculture and Agro-processing Master Plan, which is the country's plan based on a social compact to drive agricultural progress, should prioritise the inputs and take to heart various hindrances that agribusiness role players and commodity associations highlight about the slowing trend of technology adoption in the country in the recent past.

In an environment of changing climate and erratic weather conditions, better or improved seeds and agrichemicals should be encouraged while maintaining the regulators' rigorous testing before adopting products for commercial use is vital. Disappointingly, the anecdotal evidence of the growing sentiment about the reluctance of the South African agricultural regulators to approve the release of new technologies presents large risks for the competitiveness of the agricultural sector in the coming years. Hence, this issue should be central in the various commodity deep dives of the Master Plan so that the country emerges with a unanimous government-business-labour view on agricultural technologies for driving the agricultural sector.

Admittedly, this is an economic view, and there are undoubtedly scientific considerations that are essential before countries make any notable calls for the adoption of technologies. Still, this is a matter that should be well discussed, and there should be close collaboration between agribusinesses, commodity organisations and government. Ultimately, we should remember that our common interest is prosperous and inclusive South African agriculture and agribusiness sector. While differences in opinion might exist about various technologies and registration of new agrochemicals, such should be discussed with speed and ensure that in the process, maintaining and boosting South Africa's agricultural productivity is an ultimate goal for all role players involved.

Exhibit 1: Maize yields in selected countries (average tonnes per hectare)



Source: Adopted from *Our World in Data*, derived from FAO data

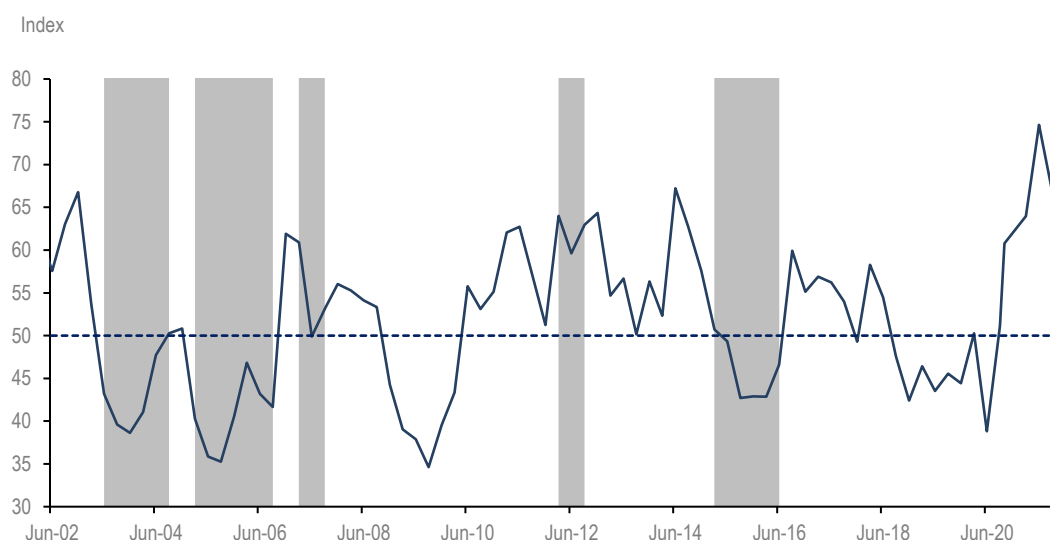
Weekly highlights

Agbiz/IDC Agribusiness Confidence Index rebounds in Q4, 2021

After a slight retreat to 67 in the third quarter, the Agbiz/IDC Agribusiness Confidence Index (ACI) recovered to 74 points in the final quarter of this year.³ This is the second-highest level since the inception of the ACI in 2001 (the second quarter of this year had the record level at 75 points). A level above the neutral 50-point mark implies that agribusinesses are optimistic about operating conditions in the country. The results reflect the favourable outlook about the 2021/22 production season. The higher commodity prices, combined with the excellent weather outlook on the back of a La Niña event, are conducive to agricultural activities and could help farmers offset the higher input costs that farmers incurred at the start of the season. This survey was conducted over the last two weeks of November and covered agribusinesses operating in all agricultural subsectors across South Africa.

The ACI comprises ten subindices and all improved from the third quarter of this year. Essentially, the Agbiz/IDC ACI's fourth-quarter results present a picture of a sector poised for another year of positive growth if weather conditions remain favourable and the logistics remain fairly operational for export markets. We were concerned that the higher input costs would discourage planting in some areas of the country, but all the high-frequency data point to the opposite. Farmers are boosting plantings and taking advantage of the favourable weather conditions and attractive commodity prices. All else being equal, we are heading for another year of solid growth in South Africa's agricultural sector.⁴

Exhibit 2: Agbiz/IDC Agribusiness Confidence Index



Source: Agbiz Research, South African Weather Service

(Shaded areas indicate periods when rainfall across South Africa was below the average level of 500 millimetres)

Solid SA agriculture jobs growth a reflection of a healthy sector

The Quarterly Labour Force Survey data released by Statistics South Africa last week showed that in the third quarter of 2021, agricultural employment increased by 3% y/y to 829 000.

³ The Agbiz/IDC Agribusiness Confidence Index reflects the perceptions of at least 25 agribusiness decision-makers on the 10 most important aspects influencing a business in the agricultural sector (i.e. turnover, net operating income, market share, employment, capital investment, export volumes, economic growth, general agricultural conditions, debtor provision for bad debt and financing cost). It is used by agribusiness executives, policymakers and economists to understand the perceptions of the agribusiness sector, and also serves as a leading indicator of the value of the agricultural output while providing a basis for agribusinesses to support their business decisions.

⁴ More information about the Agbiz/IDC Agribusiness Confidence Index is available [here](#).

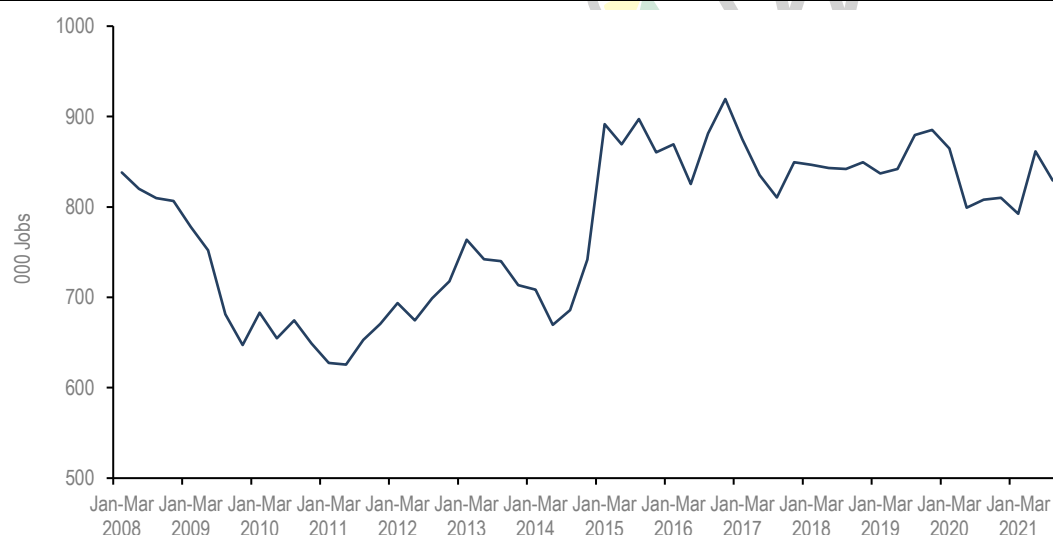
This is well above the long-term agricultural employment of 780 000. Admittedly, the third quarter of each year is typically not a busy period for agriculture; hence employment is down 4% from the second quarter – a busy harvesting period for field crops, with seasonal employment opportunities.

Four provinces underpinned the improvement in agricultural jobs in the third quarter, namely, the Western Cape (up 44% y/y), Eastern Cape (up 10% y/y), Northern Cape (up 19% y/y), and Free State (up 48% y/y). Meanwhile, the rest of the five provinces registered a decline in employment in the third quarter of 2021 compared with last year's corresponding period. The 2020 surveys were done at a period of heightened uncertainty with numerous harsh lockdowns that severely affected the Western and Northern Cape, where the wine industry is amongst the dominant employers. Hence, the employment numbers for these provinces should be read with the recognition that they are from a lower base. The game industry, forestry, livestock, and fisheries were amongst the subsectors that registered a notable decline in employment compared to the third quarter of 2020.

In sum, South Africa's agricultural sector is healthy, and its jobs market reflects the optimism. The Western and Northern Cape agricultural employment has recovered following a slump in months after the temporary ban on alcohol sales. This speaks to a rebuilding effort that producer organisations have been undertaking over the past few months.

Notably, the employment data will remain of interest following the 16,1% increase in the farm minimum wage to R21,69 per hour with effect on 1 March 2021. At the time of its publication, various commodity groups indicated that the increase in the minimum wage would cause a further squeeze on cash flow and negatively influence hiring decisions. But, the actual effects of the current minimum wage increase on jobs will only be apparent with a lag. The favourable agricultural conditions, combined with higher commodity prices, have also improved the farmers' financial conditions and, thus, temporarily eased the pressure of minimum wage increase. We will continue to monitor the data. Fundamentally, the agricultural economy is on a solid footing for a second consecutive year. In 2020, the sector's gross value added expanded by 13,4% y/y. This year will likely also be another year of good performance, with the Bureau for Food and Agricultural Policy (BFAP) forecasting a 7,6% y/y growth.

Exhibit 3: South Africa's agriculture employment



Source: Stats SA and Agbiz Research

Data releases this week

We start the week with a domestic focus. On Tuesday, Statistics South Africa will release the **Gross Domestic Product (GDP)** for the year's third quarter. To recap on the activity of the first half of the year, after contracting by 1,0% quarter-on-quarter (seasonally adjusted) in the first quarter of this year, the agricultural gross value-added expanded by 6,2% in the second quarter. This improvement was supported by increased production of field crops, horticulture, and relatively better production conditions within the livestock subsector. Overall, we generally expect a good performance of agriculture in 2021 because of the aforementioned ample harvest.

On Wednesday, SAGIS will release the **Weekly Grain Producer Deliveries** data for 03 December 2021. This data cover summer and winter crops. For summer crops, on 26 November, 1 353 tonnes of soybeans were delivered to commercial silos. This placed the soybean producer deliveries for 39 weeks of the 2021/22 marketing year at 1,84 million tonnes, which equals 97% of the expected harvest of 1,89 million tonnes.

Moreover, 673 338 tonnes of sunflower seed for the 2021/22 season had already been delivered to commercial silos in the same week, out of the expected crop of 677 240 tonnes. In maize, the marketing year is different from oilseeds; we are still in the 30th week of the 2021/22 marketing year, which began in May. The producer deliveries currently amount to 14,3 million tonnes, equating to 88% of the expected crop of 16,2 million tonnes.

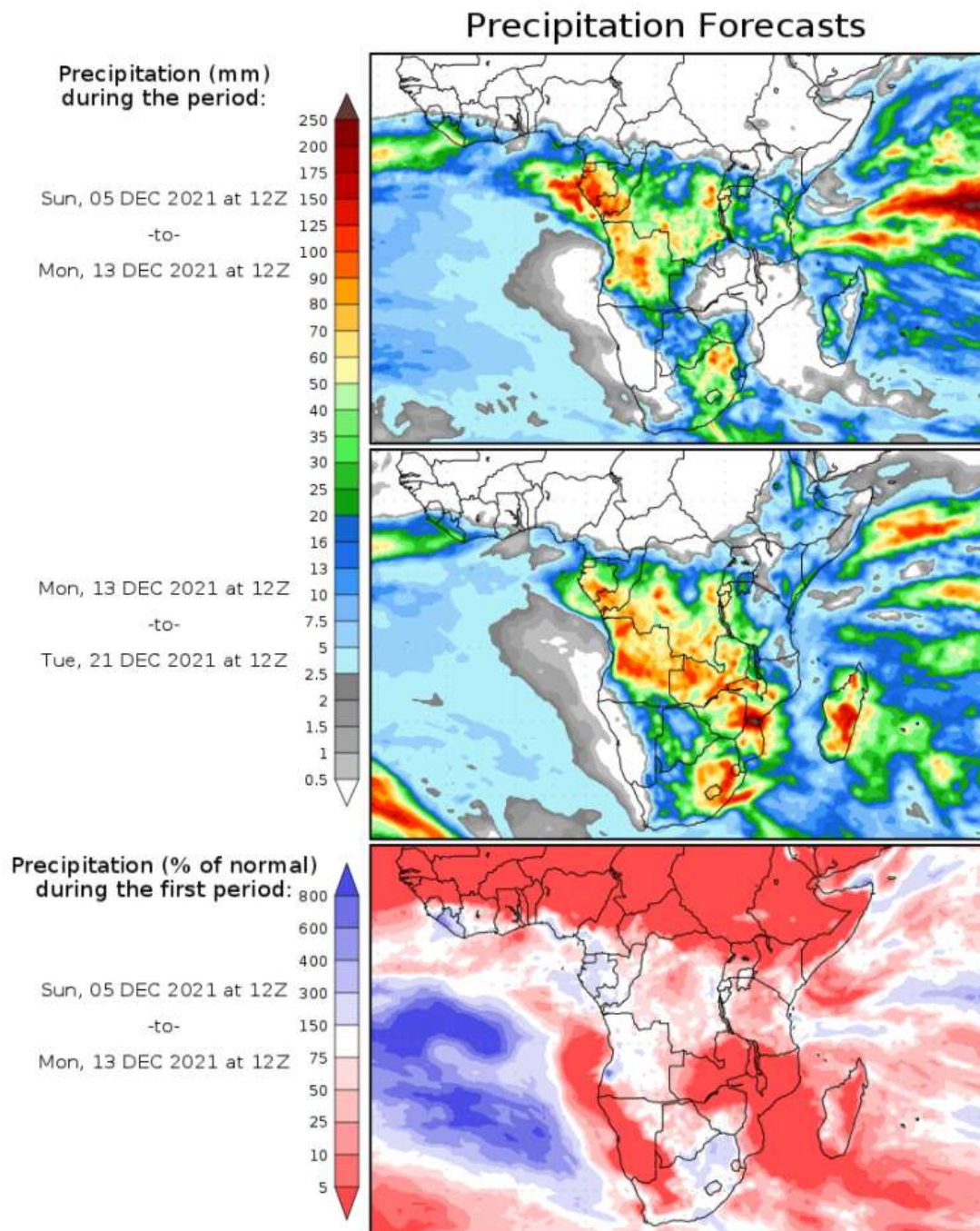
In terms of winter crops, 1,06 million tonnes of wheat have already been delivered to commercial silos in the first nine weeks of the 2021/22 production season. This equates to 50% of the estimated harvest of 2,12 million tonnes.

On Thursday, SAGIS will release the **Weekly Grain Trade** data for the week of 03 December 2021. On 26 November 2021, which was the 30th week of South Africa's 2021/22 maize marketing year, total maize exports amounted to 2,24 million tonnes, equating to 65% of the revised seasonal forecast of 3,42 million tonnes (up by 16% y/y). South Africa is a net importer of wheat, and 26 November 2021 was the ninth week of the 2021/22 marketing year. The total imports are now at 348 398 tonnes out of the seasonal import forecast of 1,53 million tonnes (slightly above the 2020/21 marketing year imports of 1,51 million tonnes).

Globally, the United States Department of Agriculture (USDA) will release the **World Agricultural Supply and Demand Estimates** report on Thursday, bringing insight into the expected global harvest in the 2021/22 season. We look to see if the USDA's view for South America's crop will change or remain optimistic, given the dryness in parts of this region as a result of the La Niña.⁵ On the same day, the USDA releases the **US Weekly Export Sales** data.

⁵ More information about the La Niña weather event is available [here](#).

Exhibit 4: South Africa's precipitation forecast



Source: George Mason University (wxmaps)

The weather forecast for the next two weeks shows prospects of widespread rainfall over South Africa.

This should help improve soil moisture and support the planting activity for the 2021/22 season and crops in areas that have already planted.

With that said, some areas might experience slight planting delays because of moisture. Still, this is not an issue at the moment, and we remain positive about the 2021/22 production season for South Africa's agriculture.