

20 November 2023

Beyond building a unifying and growth-enhancing vision for SA agriculture: A focus on operationalizing and implementing the plans

- When structuring growth-enhancing reforms, there is value in crafting a unifying overarching vision where each role-player has a sense of ownership, responsibility, and clarity about the possibilities of success. When such a vision is implemented, each party should continuously communicate success and glitches along the way. The success stories offer encouragement and a sense of progress while outlining the snags in the process, assisting other stakeholders in knowing that there is work underway, helping them understand the challenges, and even collaborating to resolve them. When all this is missing, a vital economic reform plan may fail to receive much-needed support and full implementation. The responsibility for any collaborative reforms lies on all parties involved to check in with each other and ensure supportive energy and focus from all sides. When there is a sense that one party is not applying themselves fully, the challenge should be rectified quickly to maintain momentum in implementation. This also helps ensure that all stakeholders keep an eye on the broader vision or outcome of the policy or programme reform.
- The South African agricultural sector had the opportunity to create an ambitious and unifying vision through the Agriculture and Agro-processing Master Plan (AAMP). Admittedly, the AAMP is not perfect, and some aspects were contested during its drafting stages. This is to be expected given the breadth of social partners involved in crafting it – it would be next to impossible to make everyone happy due to varied and diverse interests. Still, most social partners, such as the business community, government, and labour, agreed that the AAMP offers a framework to grow the agriculture and agro-processing sector, build competitiveness, attract more investment, improve inclusion, and create jobs. These bold prospects directly address South Africa's social challenges, such as rising poverty, low economic growth, and high unemployment. Each party involved in the AAMP has a bigger mission of resolving these broad societal challenges through relentless work in their businesses.
- Notably, the AAMP was not a fluffy document; it was rooted in evidenced-based research that outlined the possibilities for growth and the current growth-inhibiting factors. For example, growth constraints such as biosecurity, infrastructure, widening of export markets, registration of new crop protection chemicals, and various commodity-specific and regionalized plans are some of the aspects that the AAMP aimed to address. These were to be tackled simultaneously with managing the financial needs in the sector, specifically for new entrant farmers through the blended finance instrument, and the land needs for expansion through the yet-to-be-launched Land Reform and Agricultural Development Agency that was mentioned several times in the State of the Nation Address (SONA) by President Cyril Ramaphosa. The promise of these bold reforms in South Africa's agricultural economy led to estimates that the gross value added to the sector could expand by over 15% in the following decade.

- Disappointingly, the vision that excited most role-players in the agricultural sector over the past two years is beginning to wane. Various challenges took focus away from the implementation of the AAMP, such as persistent load-shedding at the start of the year, logistical constraints at ports, protectionism in export markets, and the spread of animal disease. These events meant that the government and various industry stakeholders moved into "crisis" mode, and the attention shifted from the AAMP and its promise for growth in the sector. The political economy tensions that often arise between industry role-players and government while resolving these urgent and near-term issues further strain trust and the collaborative vision. Thus, these headwinds are weighing significantly against the AAMP's prospects. Additionally, with the general elections ahead of us, the political leadership across the board may also devote more time to aspects outside the AAMP, further slowing the implementation prospects.
- Still, given the importance of this developmental and progressive plan for the sector, there is a need for leadership across all stakeholders to realign and rekindle the AAMP's vision and outline steps for implementation. Therefore, implementation and operational planning are critical across various levels of government, mainly provincial and municipal governments, to ensure alignment and coherence in policy implementation. Failure to operationalize the AAMP will be tragic for the agricultural sector and create a precedent of premature abandonment of yet another well-conceived plan that was never fully implemented. There are further negative implications that will emerge – a damaging loss of confidence in the government and questions regarding the credibility, competence and capability of the state to implement government mandates. The loss of trust will imply that any other plan in the future will not receive the seriousness and commitment it deserves. The first step may not necessarily be deeply technical but more geared towards designing implementation and operational modalities where each role-player has a sense of ownership, responsibility, and clarity about the steps they must take to see the AAMP through. Again, the government must be at the centre of this process to lead the way.

WEEKLY HIGHLIGHT

South Africa's agricultural jobs up 10% y/y in Q3, 2023

- The solid production conditions in South Africa's agricultural sector continue to be reflected in the employment data. For example, the Quarterly Labour Force Survey data released last week by Statistics South Africa showed that in the third quarter of 2023, about 956 000 people were employed in primary agriculture, up 10% y/y (and 7% q/q). This is well above the long-term agricultural employment of 793 000. From a regional perspective, the Western Cape, Eastern Cape, Northern Cape, KwaZulu-Natal, North West and Gauteng significantly drove this uptick in sectoral employment. Meanwhile, the Free State, Mpumalanga and Limpopo saw declining jobs.
- As with the previous quarter, the robust production conditions of various field crops, forestry and aquaculture were behind the improvement in agricultural jobs in the third quarter. Meanwhile, the livestock industry registered a decline, which is unsurprising as the industry is confronted by various animal diseases such as foot-and-mouth, avian influenza and African swine fever. Moreover, we saw a notable decline in the game industry and production of organic fertilizer facilities.

- Overall, this notable improvement in employment in the third quarter is unsurprising as South Africa has a robust field crop and horticulture harvest following favourable rainfall and farmers' strategic interventions to adapt to load-shedding interruptions.
- Hence, the 2022/23 maize harvest is estimated at 16,4 million, 6% higher than the 2021/22 season's harvest and the second-largest harvest on record. Soybean harvest could reach a record 2,8 million tonnes. South Africa's sugar cane crop is forecasted to be 18,5 million tonnes in 2023/24, up 3% y/y. Other field crops and fruits (see here) also show prospects for decent harvests this season, which underpins these favourable job data.
- Beyond the current jobs data, the sector's broad challenges are inefficiencies at the ports, rising geopolitical tensions, deteriorating rail and road infrastructure, weakening municipalities, rising crime, and energy supply constraints. If not addressed, these challenges, particularly the ones within South African policymakers' reach, could negatively influence farm profitability and job prospects over the medium term. Therefore, the South African government and the private sector should address these issues to support long-term growth and job creation. The first step could be a revitalization of the Agriculture and Agro-processing Master Plan and placing it into the centre of development and growth interventions for the sector, which would be the plan's appropriate place.
- Also worth highlighting is the prospects of a relatively mild El Nino in the 2023/24 summer season, along with better soil moisture across the country, which are comforting and suggest that the sector could have another decent agricultural season and possibly sustain healthy employment conditions.

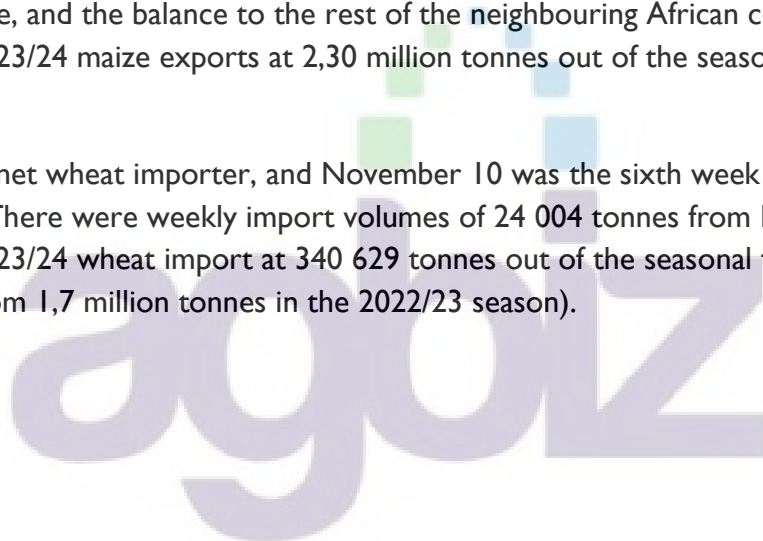
WEEK AHEAD

What we are watching this week

- As always, we start the week with a global focus, and today, the United States Department of Agriculture (USDA) will release its weekly update of the **U.S. Crop Progress Report**. The harvest of maize and soybeans is approaching completion across the U.S. Evidently, on November 12, about 92% of the maize crop had already been harvested, which is ahead of last season's pace of 88% and above the five-year average harvest pace of 86%. At the same time, 96% of the soybean crop had already been harvested, which was also slightly above last season's pace of 95% and well above the five-year average of 91%. Importantly, the harvest is mainly of good quality. Moreover, USDA will release its weekly **U.S. grains and oilseeds export sales** data on Friday.
- On the domestic front, Statistics South Africa will release the **Consumer Price Index (CPI)** data for October 2023 on Wednesday. Our focus on this data will be on the food category. If we look back at the previous release, South Africa's consumer food inflation slightly slowed to 8,0% in September 2023 from 8,2% in August. The product prices underpinning this deceleration are mainly bread and cereals; oils and fats; sugar, sweets and desserts; and vegetables. Our view of the path forward remains

unchanged from what we have consistently communicated over the past few months: continuous moderation.

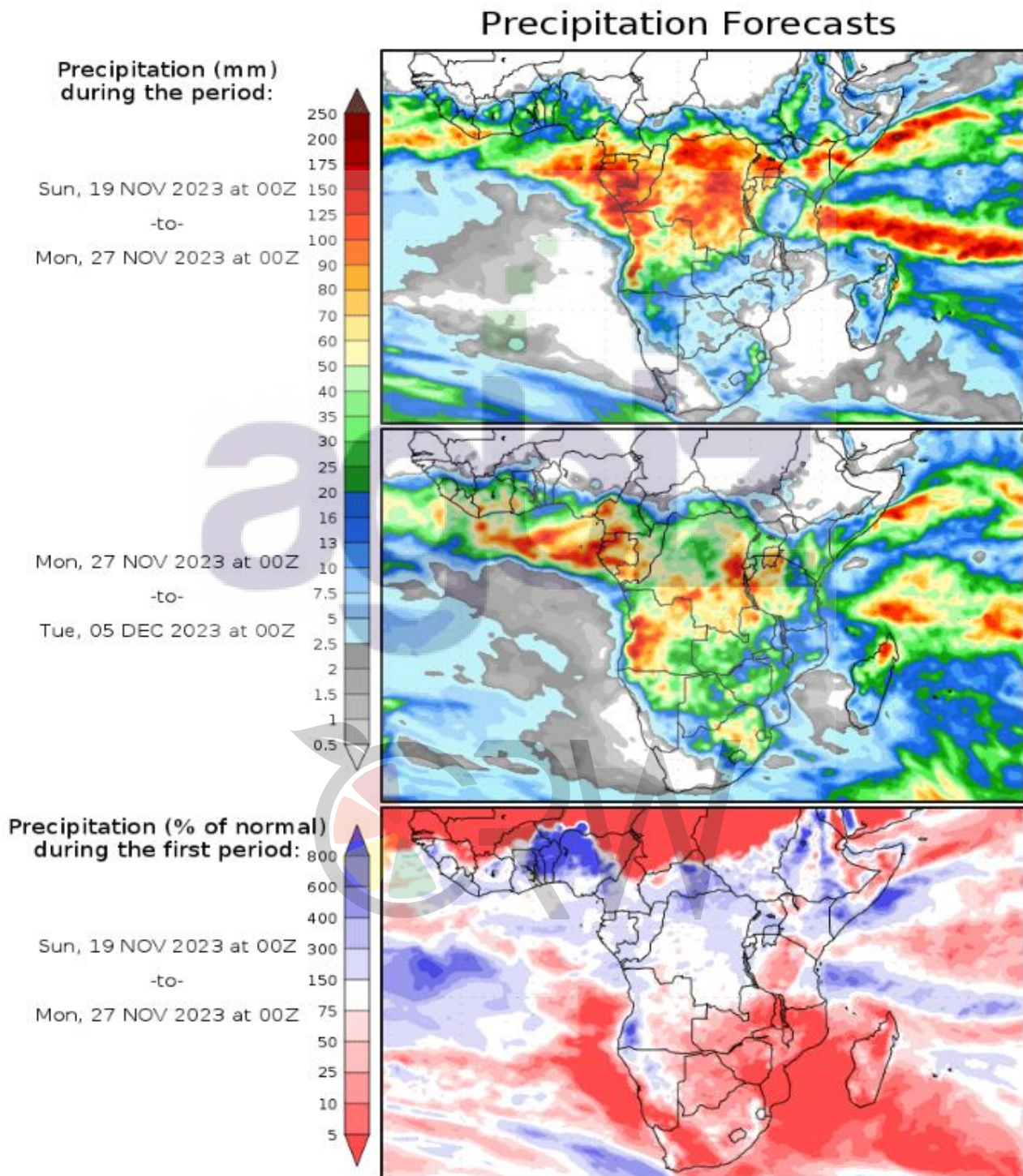
- Also on Wednesday, SAGIS will release its weekly **South Africa's Grains and Oilseeds Producer Deliveries** data for November 17. In the previous release on November 10, South Africa's 2023/24 maize producer deliveries were about 30 533 tonnes. This placed the 2023/24 marketing year's maize producer deliveries at 14,5 million tonnes out of the expected harvest of 16,4 million. On the same day, the soybean deliveries were about 2,7 million tonnes of soybeans out of the expected crop of 2,8 million tonnes. The sunflower seed producer deliveries amounted to 713 408 tonnes out of the expected harvest of 729 110 tonnes.
- On Thursday, SAGIS will publish its weekly **South Africa's Grains and Oilseeds Trade** data for November 17. In the previous release on November 10, the 28th week of the 2023/24 marketing year, South Africa exported 86 185 tonnes of maize. Of this volume, 65% was exported to South Korea, 14% to Zimbabwe, and the balance to the rest of the neighbouring African countries. This placed South Africa's 2023/24 maize exports at 2,30 million tonnes out of the seasonal export forecast of 3,33 million.
- South Africa is a net wheat importer, and November 10 was the sixth week of the new 2023/24 marketing year. There were weekly import volumes of 24 004 tonnes from Lithuania. This placed South Africa's 2023/24 wheat import at 340 629 tonnes out of the seasonal forecast of 1,6 million tonnes (down from 1,7 million tonnes in the 2022/23 season).



South Africa's Precipitation forecast

- The weather forecast for the week shows prospects of light showers across most regions of the country. Notably, the following week will likely bring much heavier rains, which will help further improve soil moisture and benefit the 2023/24 summer crop-growing regions of South Africa.

Exhibit I: South Africa's precipitation forecast



Source: George Mason University (wxmaps)