

Partnerships, sector stability and access to markets key to unlocking full potential of SA's agri sector

It was fitting that Minister Tito Mboweni announced that there would be a push towards creating jobs in agriculture, along with a R495.1m pledge for the Department of Agriculture, Land Reform and Rural Development to improve compliance with biosecurity and support exports.

By [John Hudson](#) 4 Mar 2020



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It is no secret that the country's agriculture sector is in recession having contracted in the first three-quarters of 2019. But this is a sector with the potential to address unemployment on a major scale.

While we expect a marginal uptick in Q4 (data to be released on 3 March 2020) the view overall is that agriculture GDP is estimated to contract by -8% year-on-year for 2019. This will be the second consecutive year of contraction in the agriculture GDP. The general economy remains subdued and with rating agency Moody's adjusting its 2020 growth forecast for South Africa downwards from 1.5% to 0.7% it points to another tough year which could further erode investor confidence.

It's not all bad news though and looking ahead we expect SA agriculture GDP growth of 5% year-on-year in 2020. This uptick will be supported by a recovery in summer crops production, wine grapes and the growth in export crops such as citrus and nuts. However, the unknown factor currently is the impact of the coronavirus – rightly identified by the Minister as a global challenge - on international trade given the disruption to logistics and the availability of containers.

For agriculture to thrive, the sector requires the continued commitment of local and international investors who are prepared to invest for the long term into primary and secondary production. However, this can only be achieved if the fundamentals are in place and investors are able to take a longer-term view and have confidence in the sector, the country and the broader economy.

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In agriculture, a long-term view is required because of the long cycles at play and the lag between investment and return. For example, the investment in long term crops such as citrus takes around four to five years for the trees to reach an early bearing stage with full production only evident from around year eight onwards. Uncertainty, therefore, curtails investment and while there is still a lot of interest shown by international companies to invest in the country, and to partner with strong local agribusinesses, there is much more that can be done if we create a conducive investor environment.

During his recent State of the Nation Address, President Cyril Ramaphosa emphasised the need for inclusive economic growth in addressing the key challenges facing South Africa. He also reaffirmed the importance of agriculture and the contribution of the sector in meeting these challenges. Some of the key considerations emanating from SONA are:

The development of a master plan for agriculture and agribusiness which is a public-private sector-led initiative needs to be supported. The real test, however, will not lie in the drafting of these plans but the efficient implementation and execution.

As part of the sectoral master plans, hemp and medicinal cannabis hold great potential for the sector and small-scale farmers in particular. Notwithstanding the opportunity, it is important that South Africa moves speedily ahead in creating a framework and introducing the relevant regulation. To make the most of this opportunity, we need to look further than primary production and into what the broader value chain has to offer.

Agriculture is highly dependent on a secure and consistent supply of energy and the implementation of the Integrated Resource Plan and the move towards renewable energy generation as part of the mix is welcomed. Equally important is our reliance on an efficient logistics network which includes road, rail and ports. The delays experienced in our ports is placing severe pressure on imports and exports and given the rapid growth in some agriculture commodities it is vital that this receives urgent attention. It is therefore reassuring to see the focus on these two aspects in the SONA.

Land reform and opportunities for small scale producers

With the government's ability to create the platform and the private sector's ability to implement, the relationship between the two parties has always been important but more so now in delivering skills development and capacity building that is critical to growing an inclusive sector.

The Minister of Agriculture, Forestry and Fisheries, Thoko Didiza, continues to demonstrate that government is open to working with the private sector and we believe that more value can be unlocked through greater clarity on policy, trade agreements and the development of a framework that can look into channelling some of the grant funding for land reform into commercial agriculture. Nedbank is also actively participating in private sector-led initiatives which we believe are a vital ingredient in solving the land reform challenge.

Many of our agribusiness value chain players are highly competitive on an international level so there's a high degree of understanding of what is required to meet farmer needs, whether it be financial, technical or access to technology and markets. This kind of information and value that can be shared with smaller growers is of vital importance when competing in a highly competitive sector and where consumers are demanding food safety and food traceability.

There's also a need to do things differently as the land reform discourse strengthens on the national agenda. For example, Nedbank along with WIPHOLD and Old Mutual partnered on a rural economy project in the Eastern Cape focusing on commercial-scale agriculture on communal land.

The project will yield significant spin-offs for the local community in terms of employment, skills transfer and development, which is critical to the success of this project. We look forward to the learnings of the project and the impact this will have on encouraging the financial sector to look at funding differently.

Climate change and water scarcity remain a major threat

Climate change is regarded as one of the top risks facing agriculture. Innovation, conservation and efficient use of land and natural resources will continue to take priority as climate change and water scarcity persist. Soil health, water efficiency and renewable energy are important considerations in building a climate-resilient and financially sustainable farming business going forward. The adoption of technology and the implementing of precision farming has contributed to farmers meeting this challenge and essentially doing more with less.

The South African agricultural sector is world class and holds great potential not only in meeting our food security requirements as a country but also contributing to an inclusive sector that creates opportunities and employment and positively contributes to the broader economy. Full marks to Minister Mboweni for recognising the potential in the agri-sector – it's time for shoulders to the wheel to get South Africa working.

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