

SA agriculture: finding its place in a depressed economy

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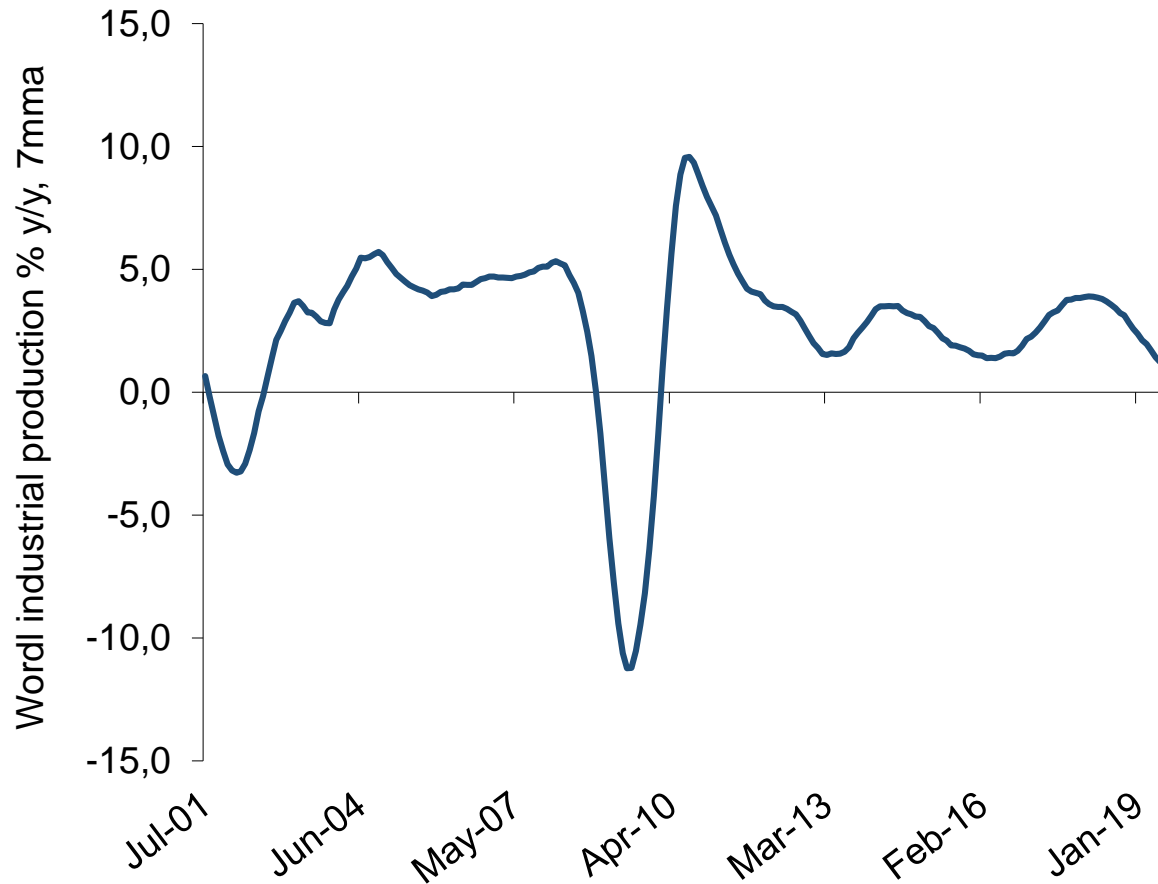
Outline

- Macroeconomic snapshot
- Framing the discussion with background on SA agriculture's standing in the world, the journey from 1994
- Near-term possible policy focus for SA agriculture
- Agribusiness confidence conditions and investment over time
- Remarks on the presidential advisory panel's report on land reform and agriculture
- Closing remarks

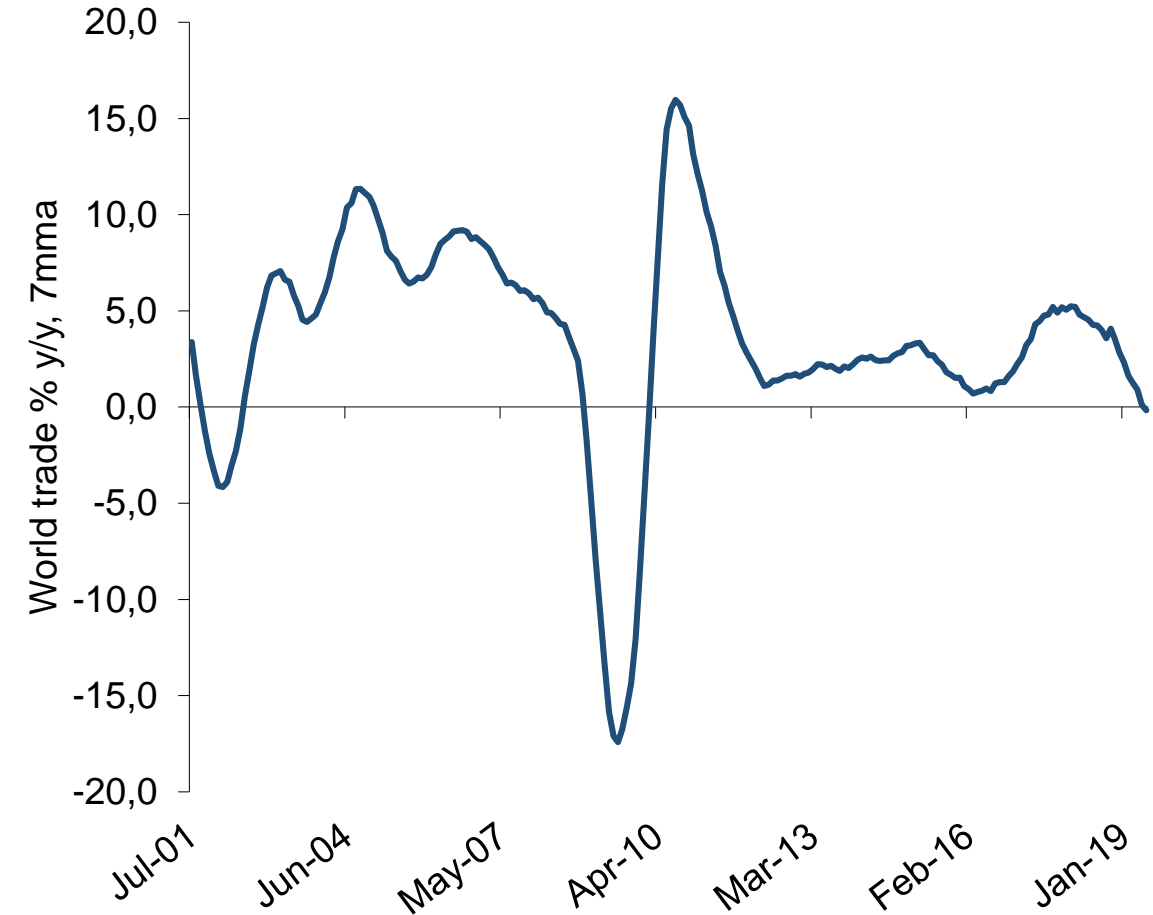
First, what are key developments in the macroeconomy?

Trade war and uncertainty visible on production and trade activity

World industrial production losing momentum

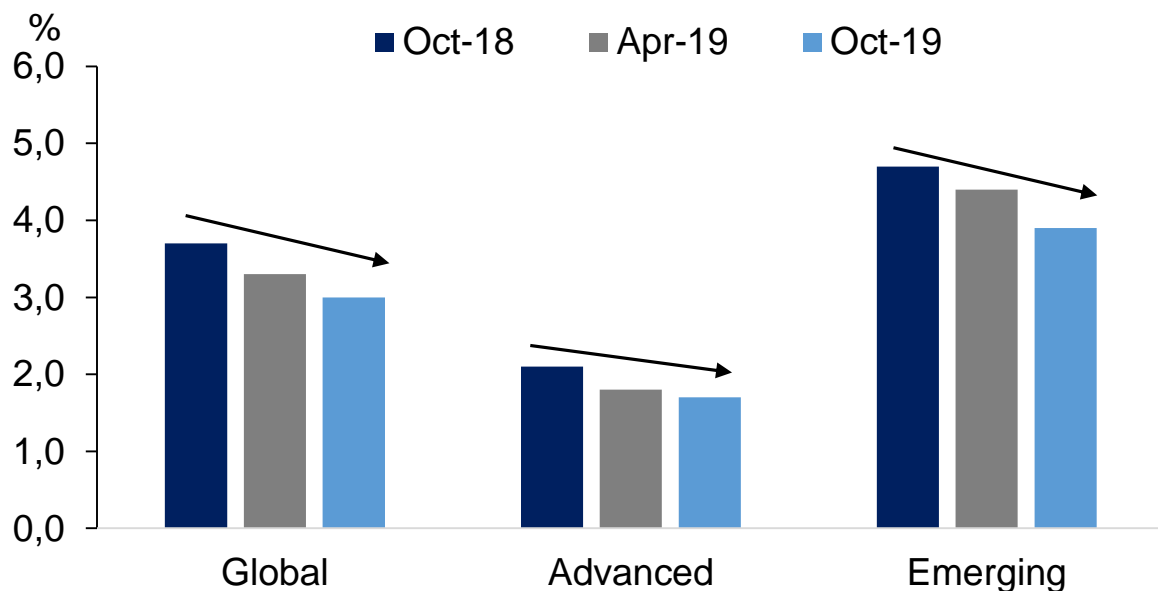


World trade volumes too have lost momentum

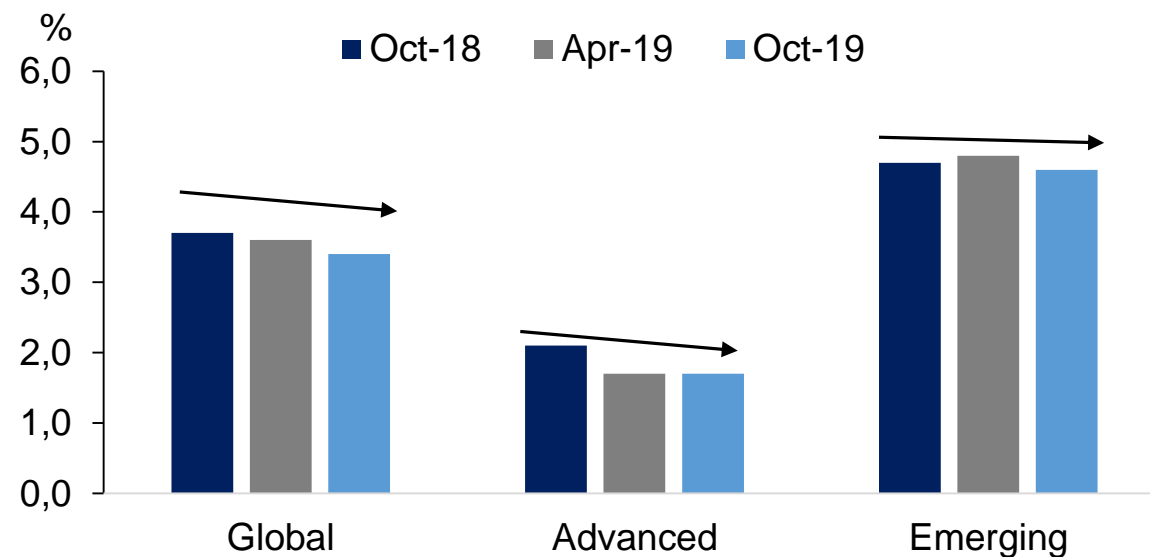


Global economic growth downwardly revised

Economic growth forecast for 2019 revised lower

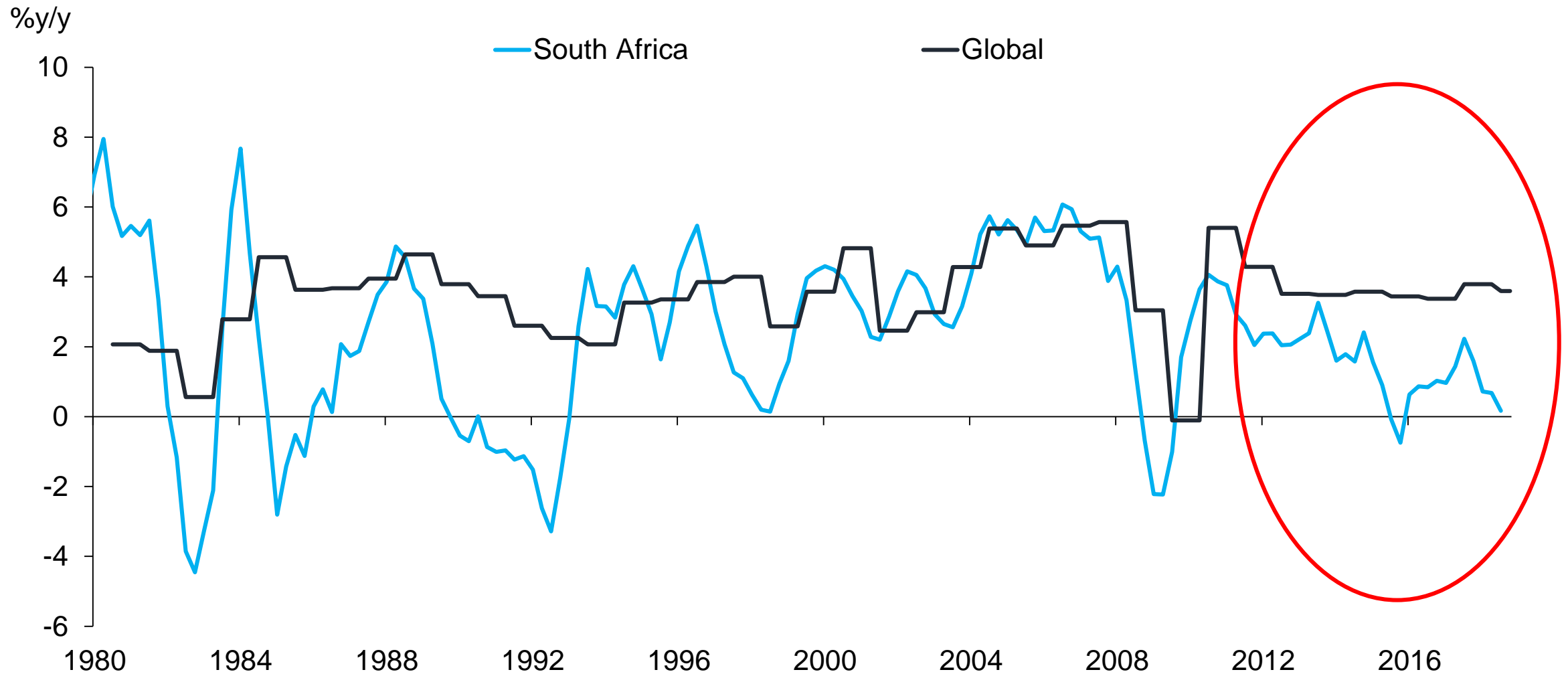


Economic growth forecast for 2020

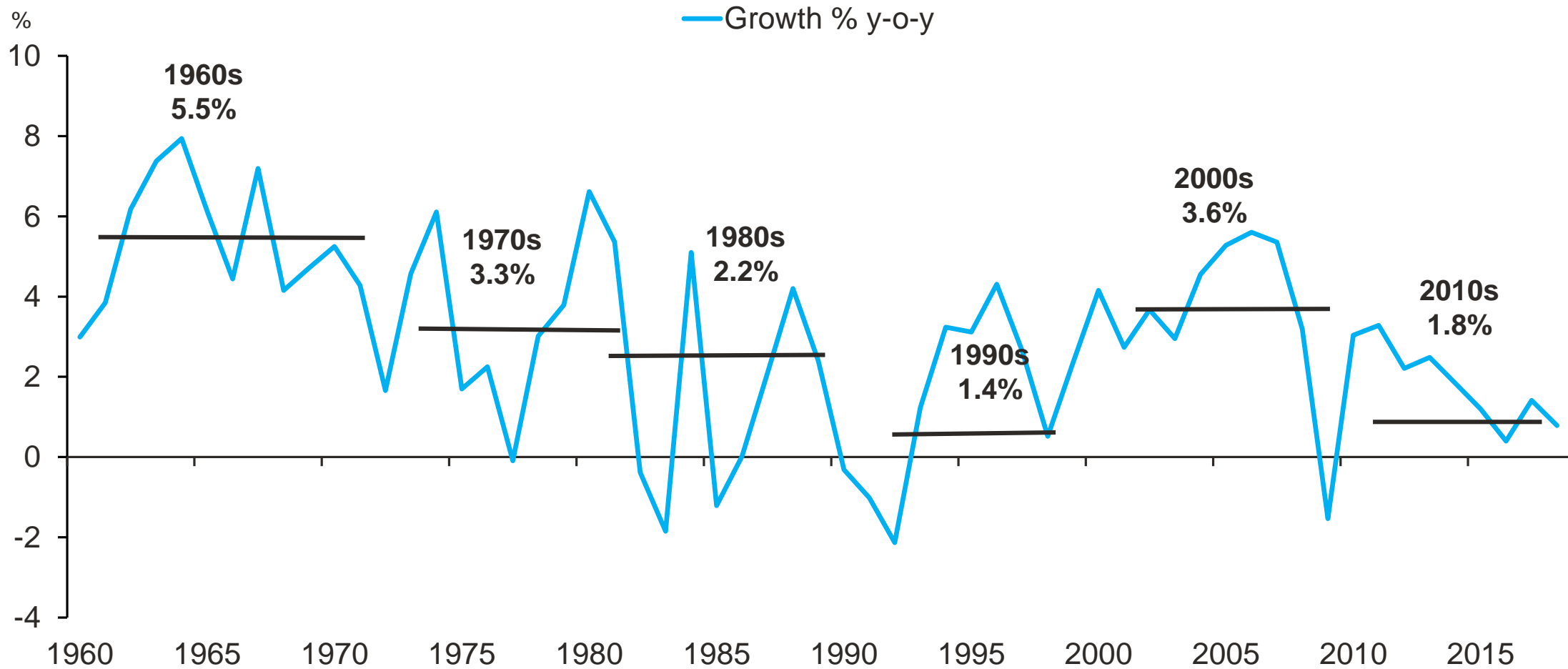


With down downside risks from trade tensions and Brexit uncertainties

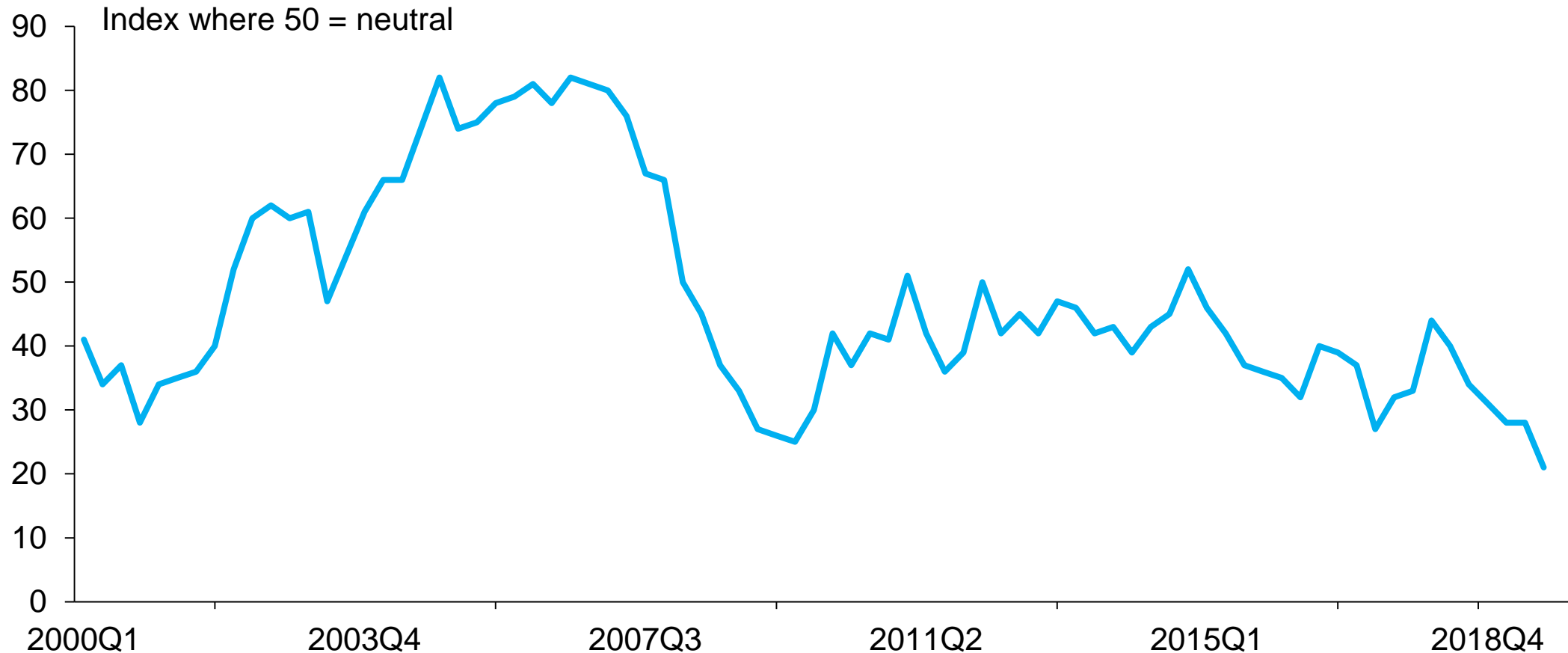
South Africa's growth has decoupled from global growth



Potential growth has moderated below population growth



SA business confidence downbeat and thus reducing investment



Why should we be concerned about depressed sentiments in SA economy?

Evidence shows that every 1% sustained rise in Business Confidence leads to a 0.5% rise in fixed investment (SA Reserve Bank, 2017)

A list of structural reforms to lift SA's potential growth rate

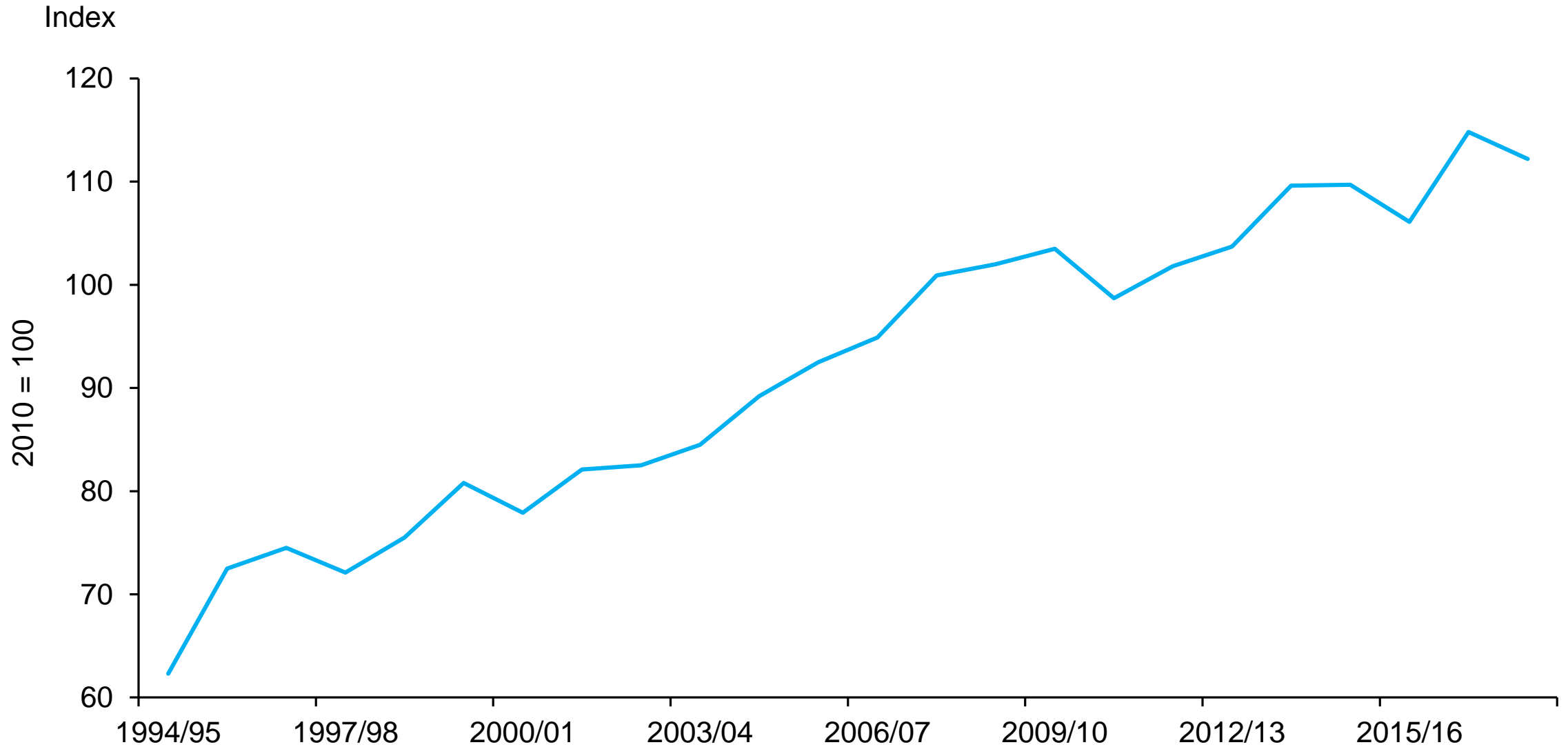
Some ticks but the new administration has much to achieve still

- Restructure Eskom and ensure predictable energy supply and price ✘
- Licensing of small-scale embedded generation renewable energy projects ✘
- Rebuilding of SOEs, SARS, NPA etc. ✓
- Auction of 4G spectrum to fast-track digital migration
- Further relaxing the visa regime ✓ ✓ ✓ ✘
- Provide greater policy certainty (e.g. mining, land reform, NHI) ✘
- Establish an infrastructure fund to accelerate investment in road, rail, port etc. ✓
- Fast-track city renewal, urban spatial development, revitalising townships and industrial parks ✓
- Reducing red tape that continues to encumber SMMEs ✘
- Easing immigration policies to help with the country's skill constraints ✘
- Reskilling municipalities ✘
- Measures to improve the state's ability/capacity to spend ✘
- Promoting regional integration through cutting non-tariff barriers, improving custom procedures etc. ✘
- Accelerate initiatives to award title deeds ✘
- Promoting greater competition in state-controlled markets ✘
- Improving the quality of education etc. etc. ✘

Ticks represents a sign of progress, not ultimate achievement.

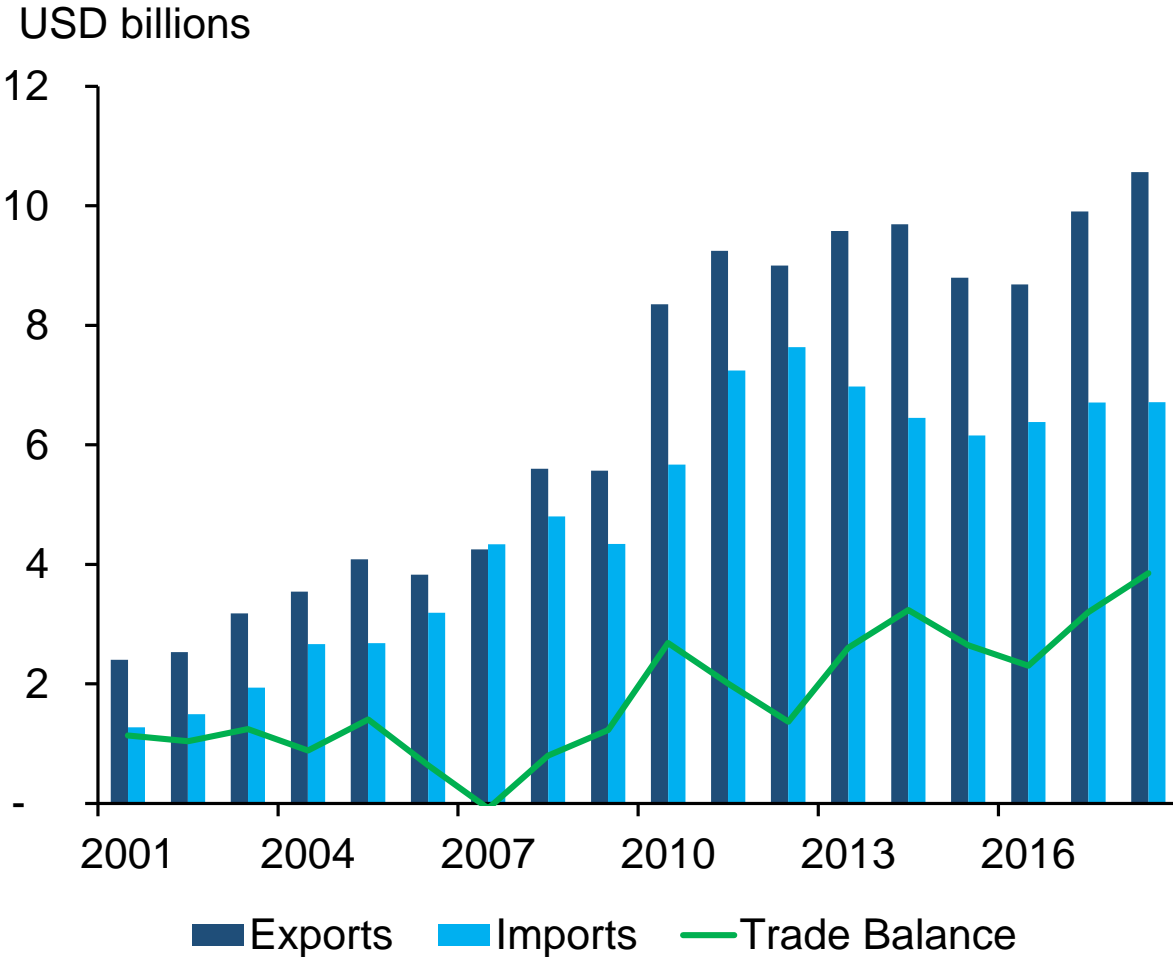
The agricultural economy story is rather mixed

SA agriculture's journey from 1994 (volumes of production)

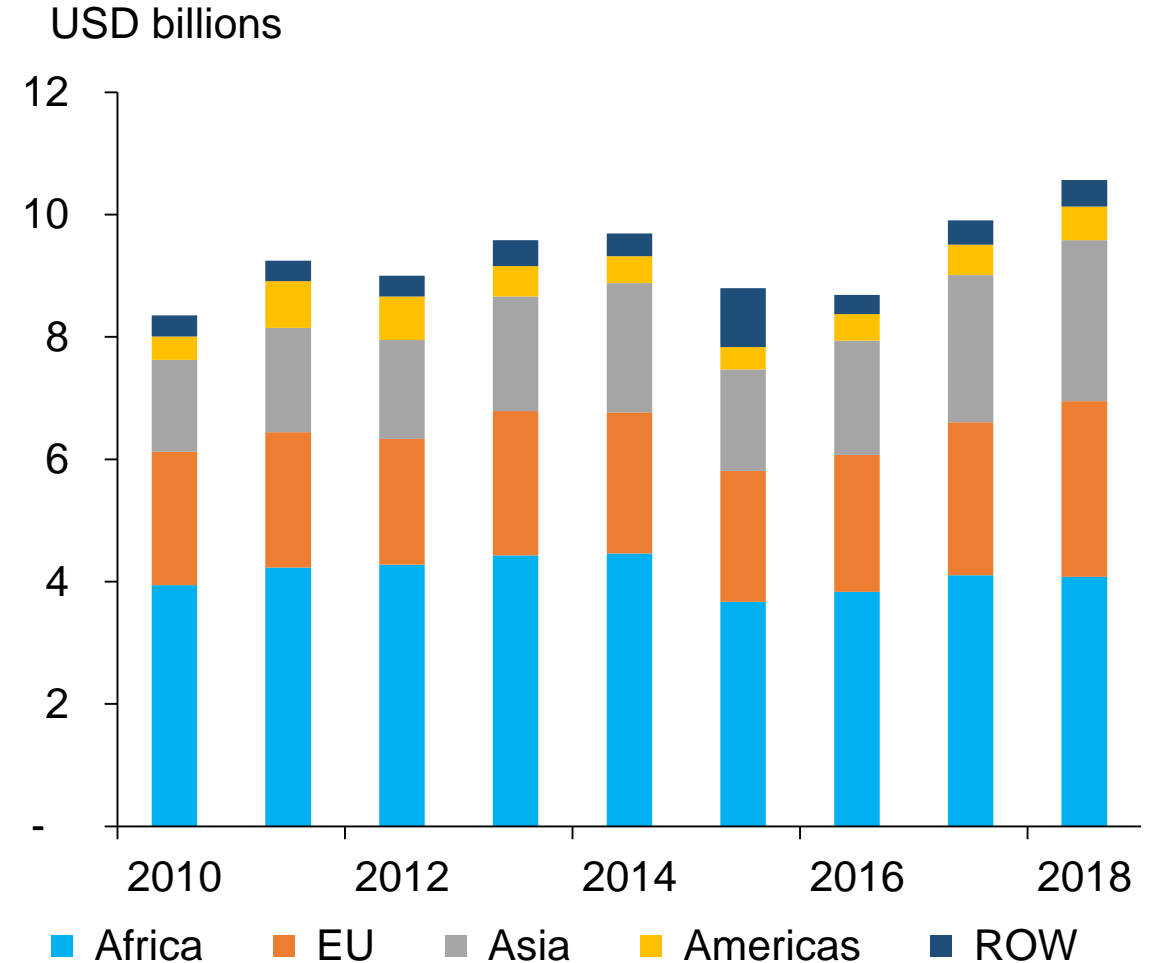


SA agriculture has enjoyed an export-led growth

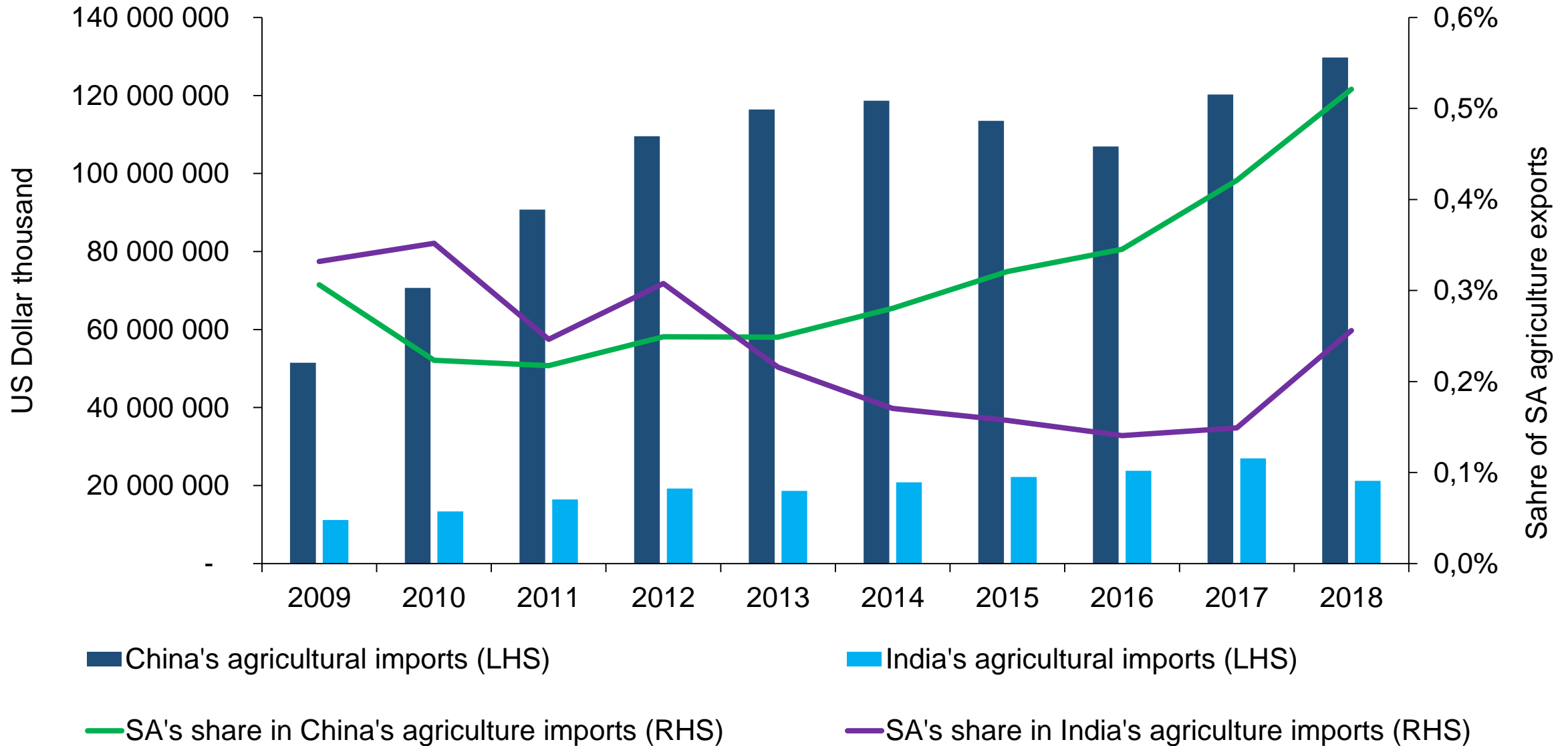
SA agricultural exports reached record level in 2018



Africa, Europe, and Asia remain key markets



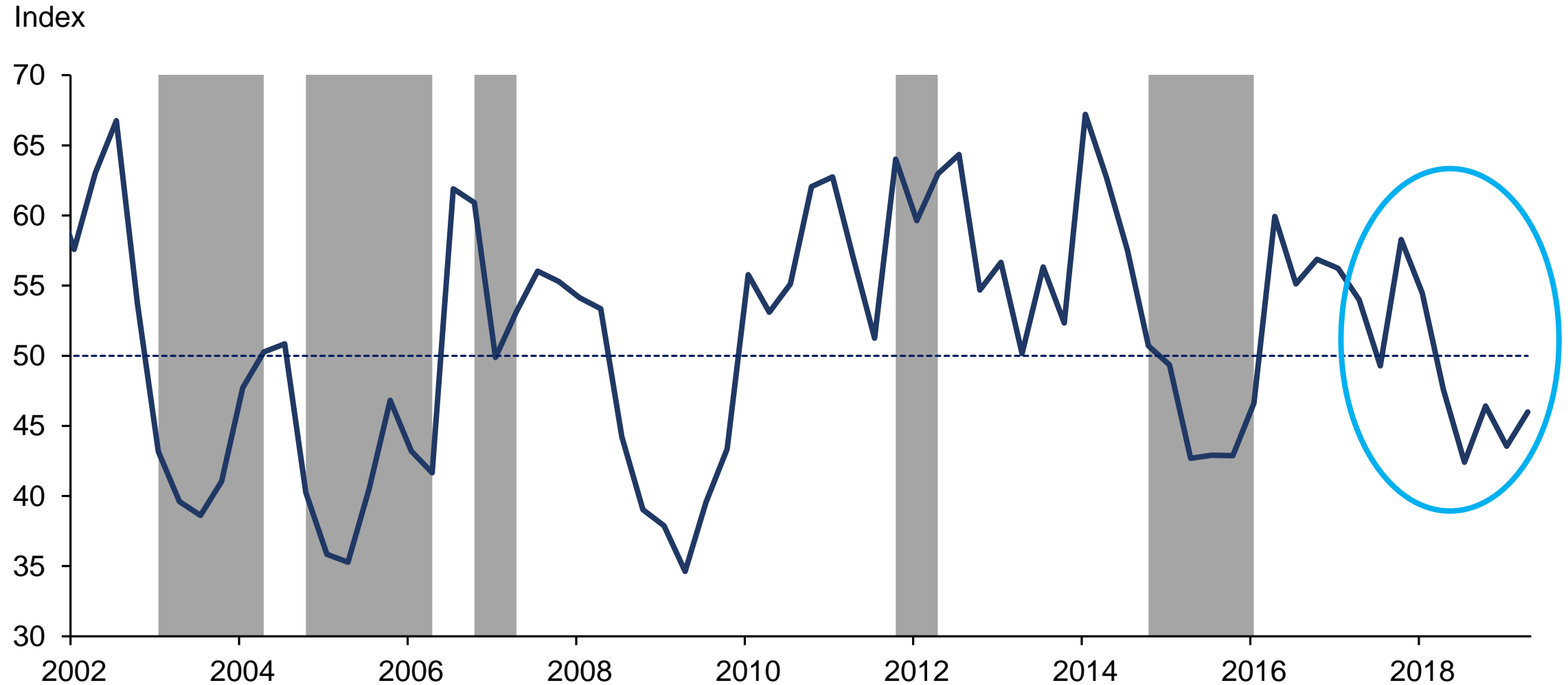
India and China should be a key target for South Africa's agricultural exports



The current policymakers' thinking revolve around these aspects

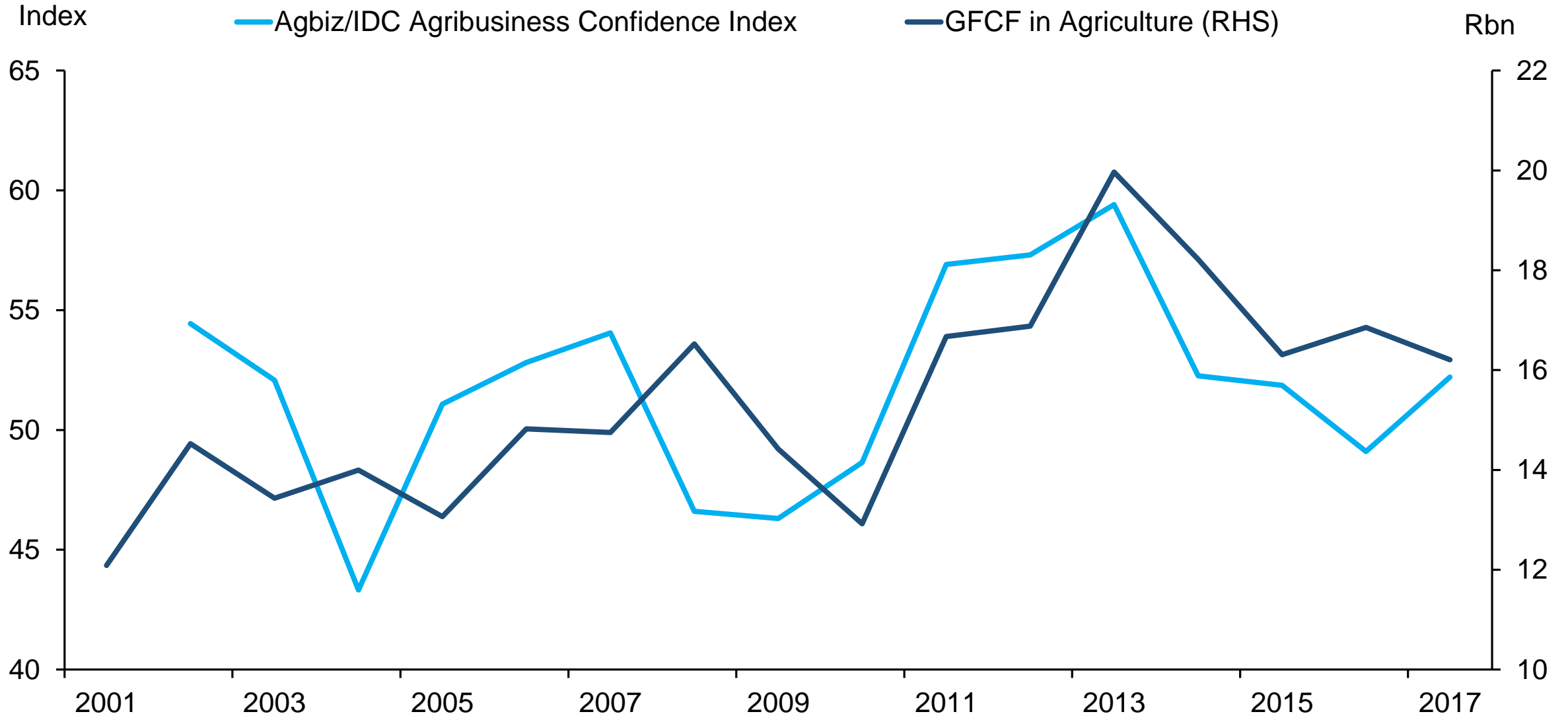
- Inclusive growth and jobs creation
- Land reform
- Farmer support programmes
- Climate change
- Water rights regulations and water infrastructure
- Infrastructure constraints in some farming areas, particularly former homelands
- Shipping ports infrastructure
- International trade matters (market access, and expansion of export markets)

Inconsistencies in policy impact agricultural business confidence and investment



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

Fortunately, there has not been disinvestment in SA agriculture thus far

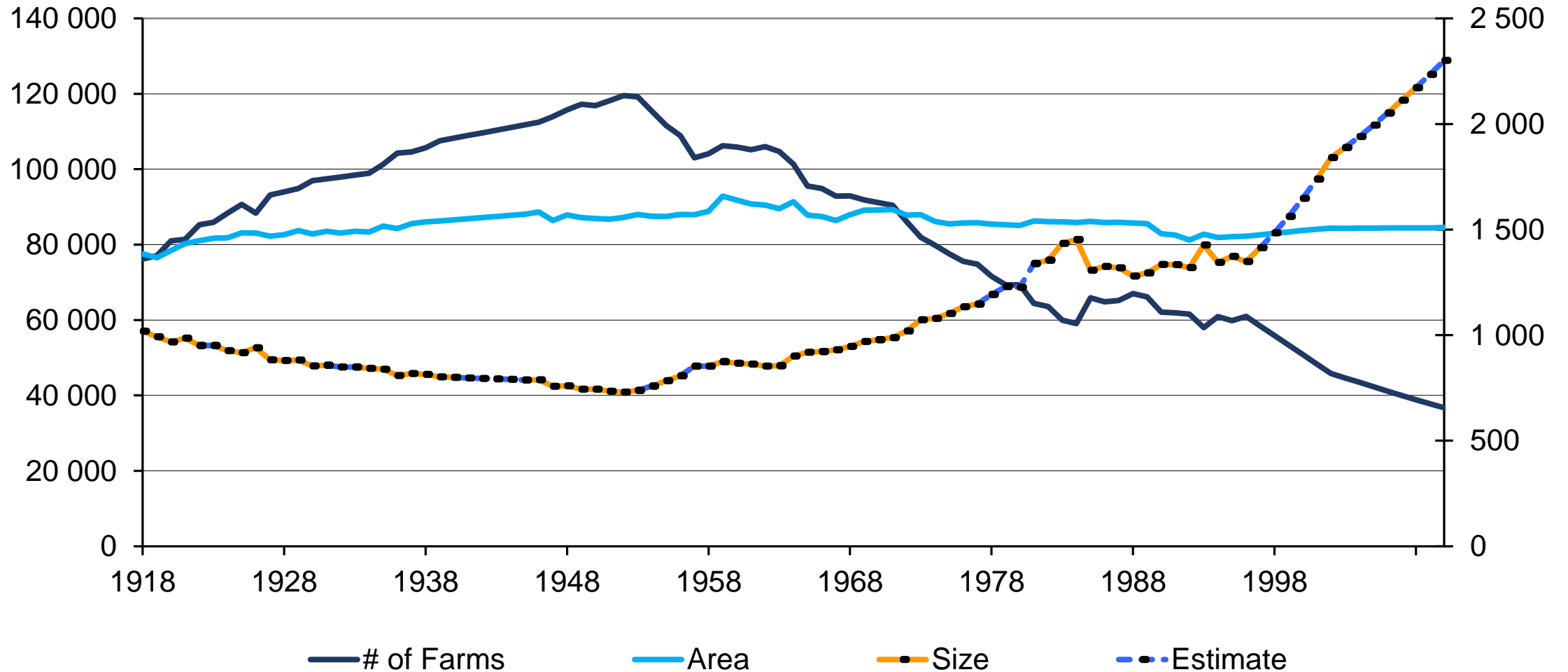


Evolution of farm sizes in SA: mechanisation has been key in this process

Area of farm land (000' hectares),
Number of farms

Farm size (ha)

Farming Units and Farming Area in South Africa



SA land reform policy has been the much-discussed topic in the recent past

There are two key processes that dominated the discussion over the past few months:

- Parliamentary process
- Advisory panel's report

Parliamentary resolution in February 2018

Motion of Parliament on “expropriation without compensation”

- In its motion, the EFF moved that the National Assembly establishes an ad hoc committee to review and amend section 25 of the Constitution to make it possible for the State to expropriate land in the public interest without compensation.
- The ANC amended parts of the motion to read as such:
- “With the concurrence of the National Council of Provinces (NCOP) instruct the Constitutional Review Committee to review section 25 of the Constitution and other clauses where necessary to make it possible for the state to expropriate land in the public interest without compensation.”

Parliamentary process: views of land reform along the political spectrum

Fundamentally, there is no unanimous view about the land reform policy amongst South Africa's leading political parties, especially the much-contested "Expropriation Without Compensation" policy proposal.



EWC (unconditional/wholesale to facilitate nationalisation)

(Venezuela/Zimbabwe)



EWC (conditional)

(Towards inclusive economy)

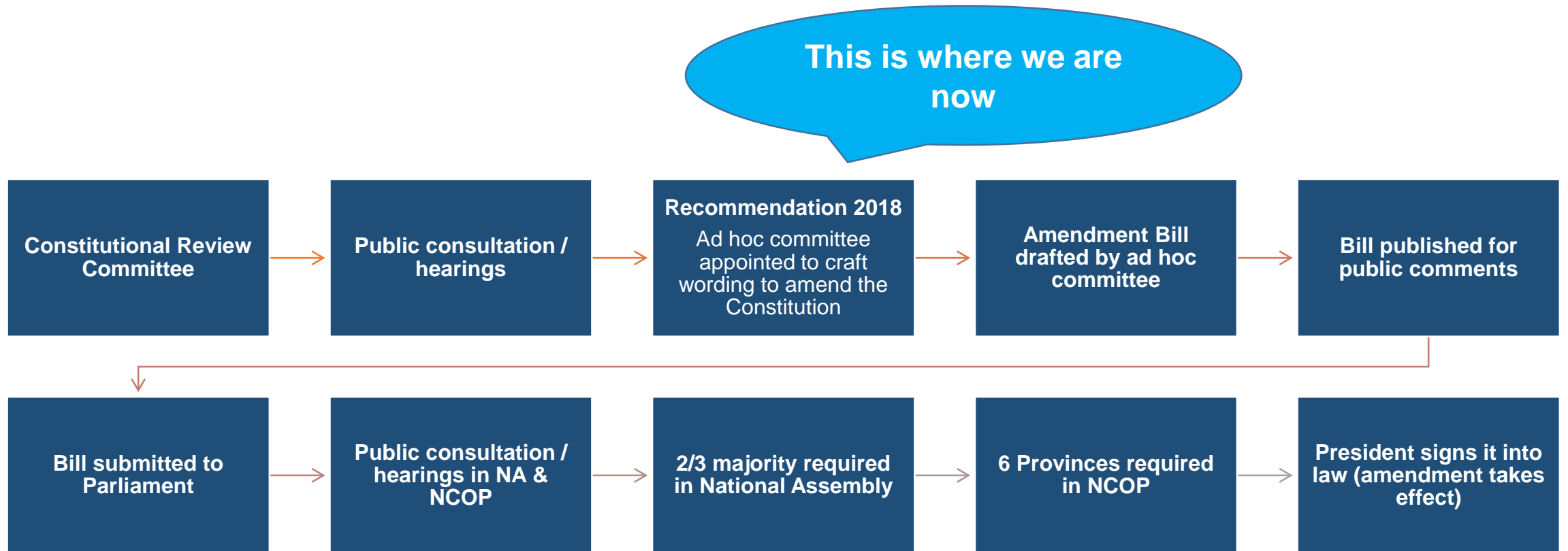


No to EWC

(current provisions of the constitution)

When the wording for amendment of section 25 of the Constitution is finalised, will there be sufficient/unanimous vote for it?

Parliament process: there is still a long way ahead



President's advisory panel on land reform and agriculture

Key points emerging from the report:

- The report contains the ideas and recommendations of experts but has no formal standing in official government policy.
- Not all proposals in the report require legal amendment. Here are a few:
 - Create innovative **financing mechanisms**;
 - Create a 'land register' to house **donations**;
 - Identify and **release state land**;
 - Conduct a **land audit**;
 - **Subdivide land already acquired by the state**;
 - **Providing tenure grants** for certain occupiers;
 - **Root out corruption**;
 - Reallocating **water rights** in conjunction with land allocation;
 - **Finalise outstanding restitution and labour tenant claims**; and
 - Split the budget between reforming the commercial farming sector vis-à-vis land reform for social considerations.

President's advisory panel on land reform and agriculture

Other recommendations **require amendments** to the legal framework, including:

- Institutional arrangements such as the creation of a land reform ombudsman;
- Create legally enforceable rights for the holders of off-register tenure rights;
- Amendments to the municipal property rates regime; additional tax on unused land;
- Altering the legal framework regulating land rights on farms (ESTA);
- Clarifying the role of traditional councils and communities in natural resource governance in communal areas;
- Expand the capacity and mandate of the Land Claims Court;
- A compensation policy for expropriation.

The latter issues require legal amendments which cannot be undertaken without substantive public consultation:

- Gazetting for public comments;
- Nedlac process; and
- Public hearings in the Portfolio Committee and Select Committee of the NCOP where applicable.

Closing remarks -- policy direction for way ahead

- Pursue inclusive growth and jobs creation programmes
- Careful and effective implementation of land reform
- Farmer support programmes
- Biosecurity
- Climate change
- Water rights regulations and infrastructure
- Infrastructure constraints in some farming areas, particularly former homelands
- Shipping ports infrastructure
- International trade matters (non-tariff barriers and expansion to new markets)

Thank you for your attention.

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