

SA agriculture economy: trends, policy and opportunities

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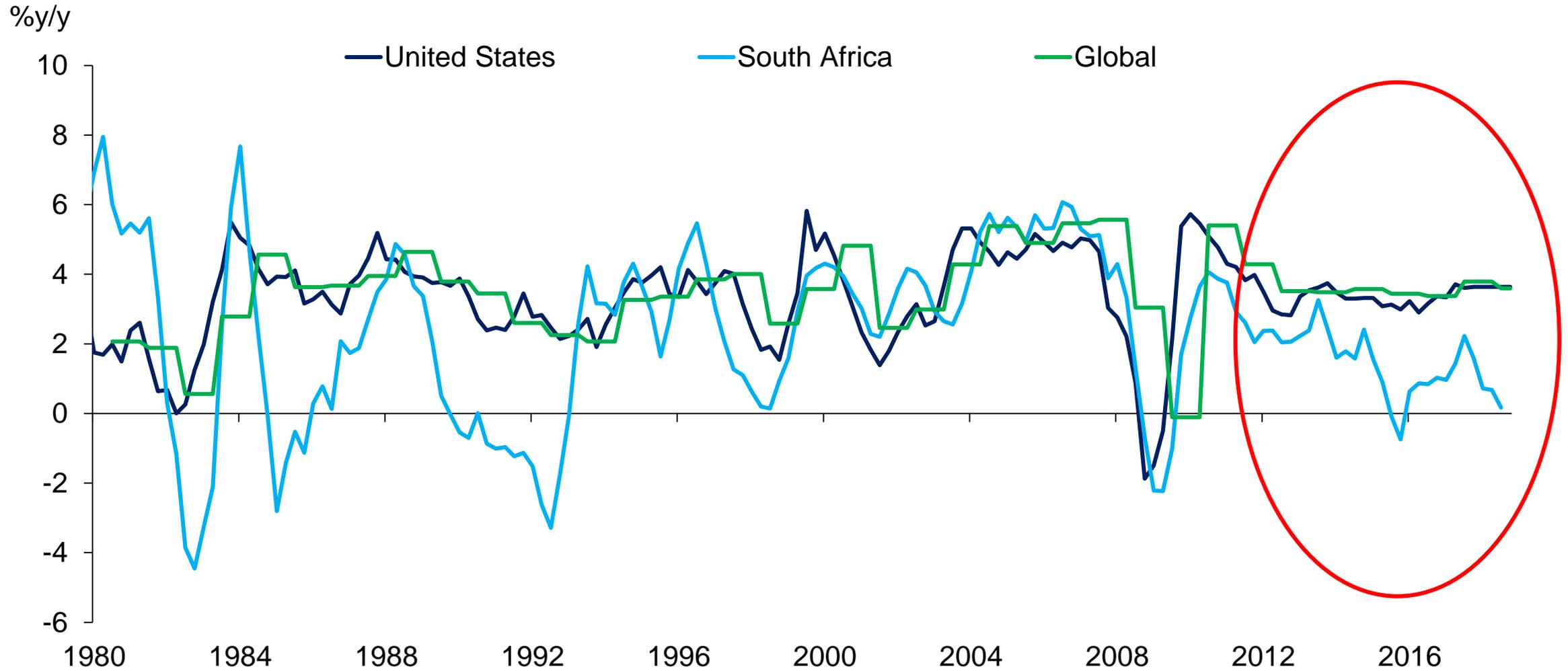
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Outline

- Macroeconomic snapshot
- Framing the discussion with background on the journey of SA agricultural production
- 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

South Africa's growth has decoupled from global growth



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

Some ticks but the new Cabinet 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
- Simplifying BEE codes
- Promoting greater competition in state-controlled markets
- Improving the quality of education etc. etc.

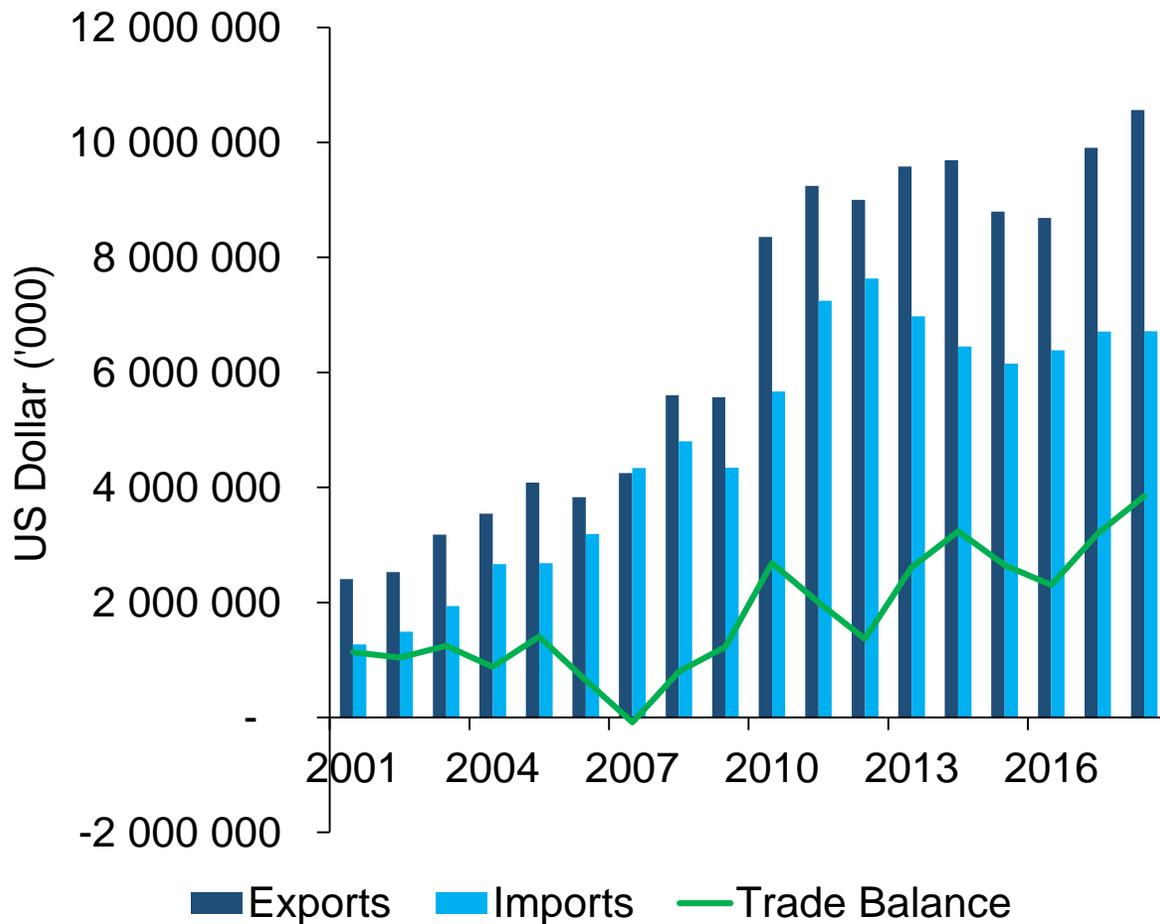
The agricultural economy story is rather mixed

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

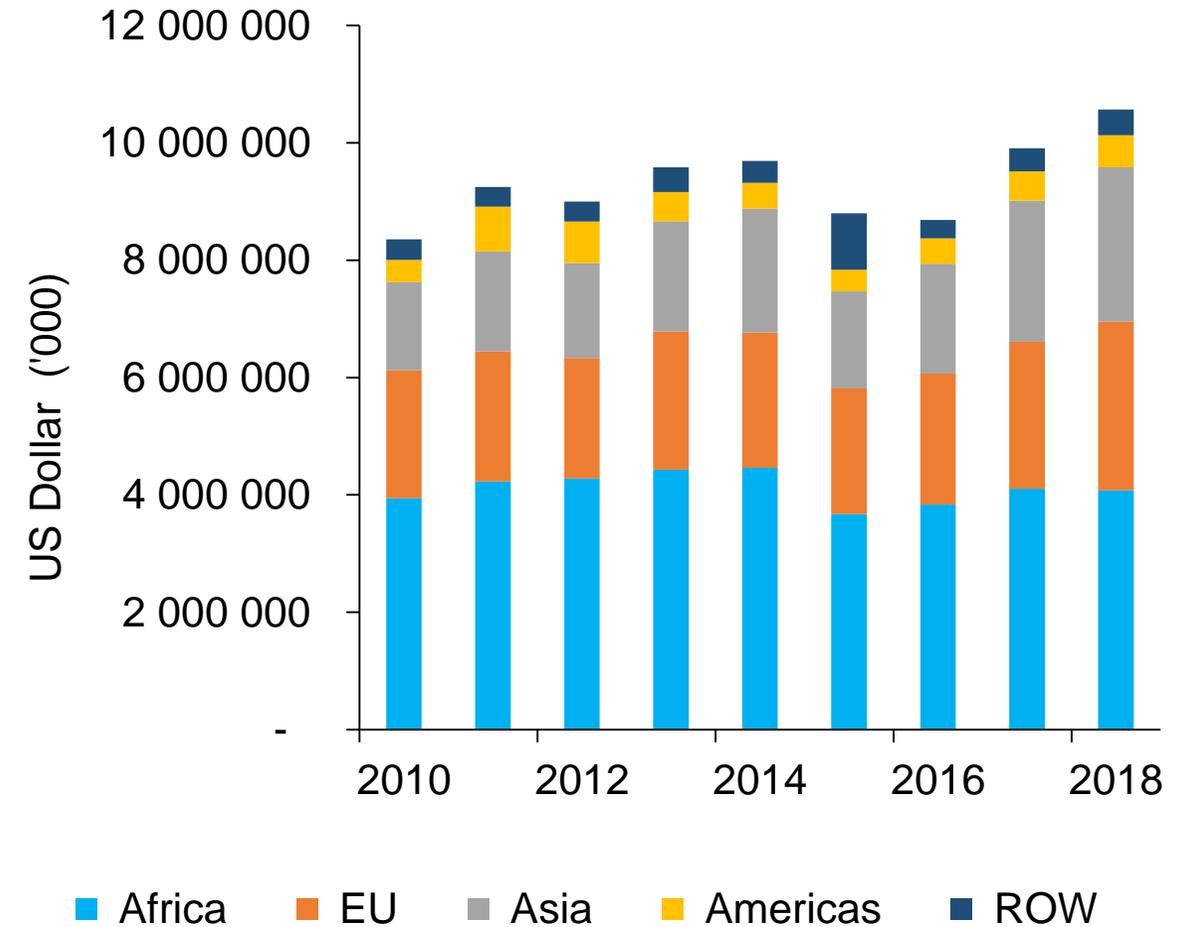


SA agriculture has enjoyed an export-led growth

SA agricultural exports reached record levels in 2018



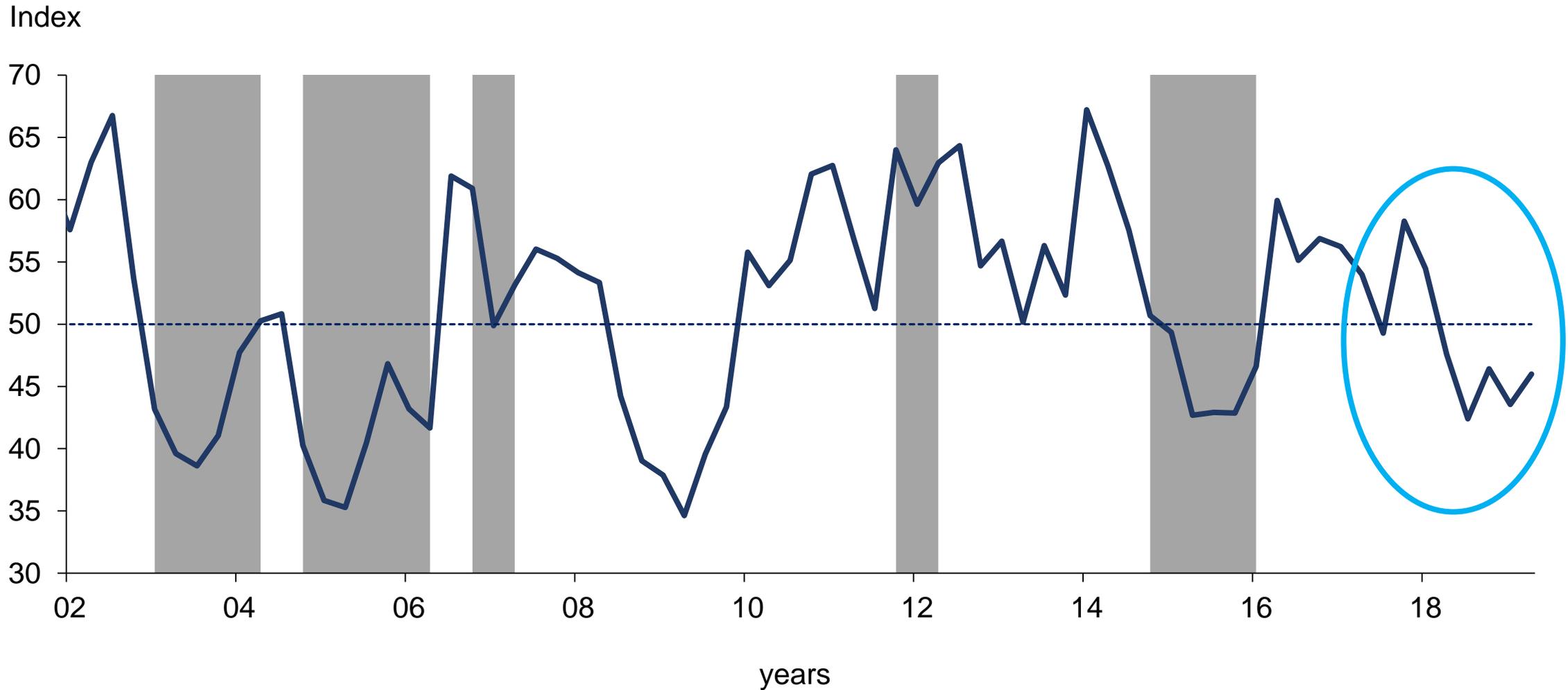
Africa, Europe, and Asia remain key markets



The current policymakers' thinking revolve around these aspects

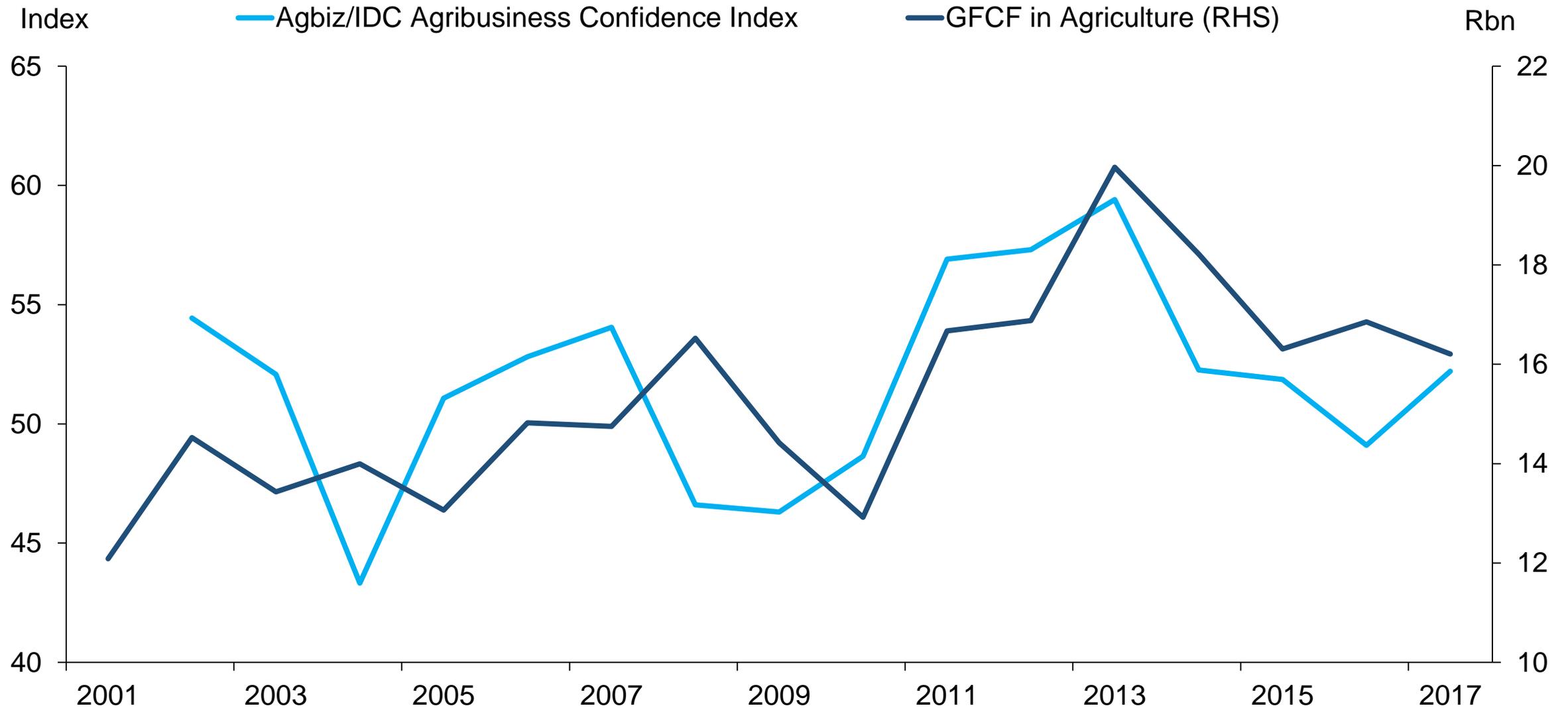
- Inclusive growth and jobs creation
- Land reform
- Farmer support programmes
- Climate change
- Water rights regulations and water infrastructure
- Infrastructure constraints in some farming areas, particularly former homelands
- Shipping ports infrastructure
- International trade matters (market access,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

Inconsistencies in policy impact agricultural business confidence and investment



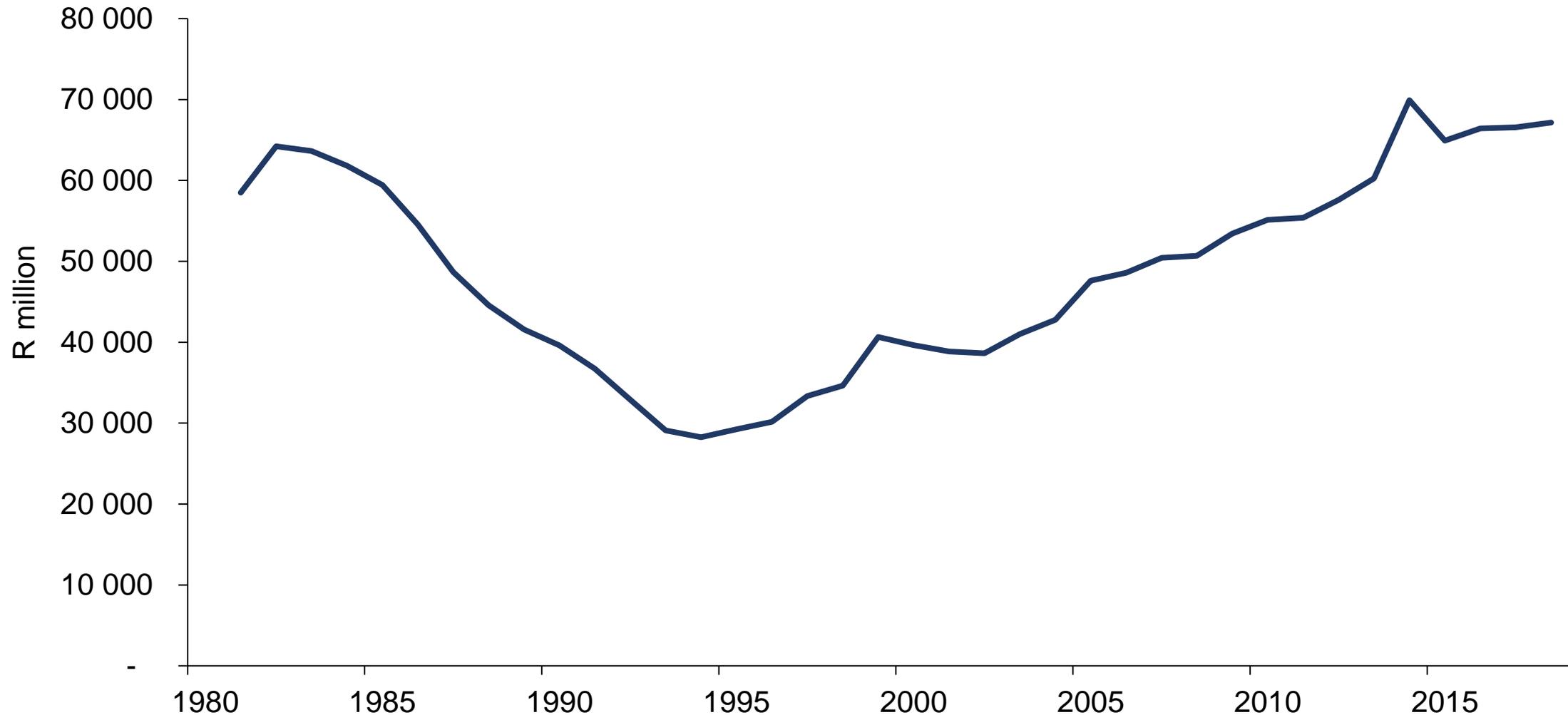
(Shaded areas indicate periods when rainfall across South Africa was below the average level of 500 millimetres)

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



Movable assets sales have been solid thus far

Value of South Africa's agricultural machinery, implements, motor vehicles and tractors sales

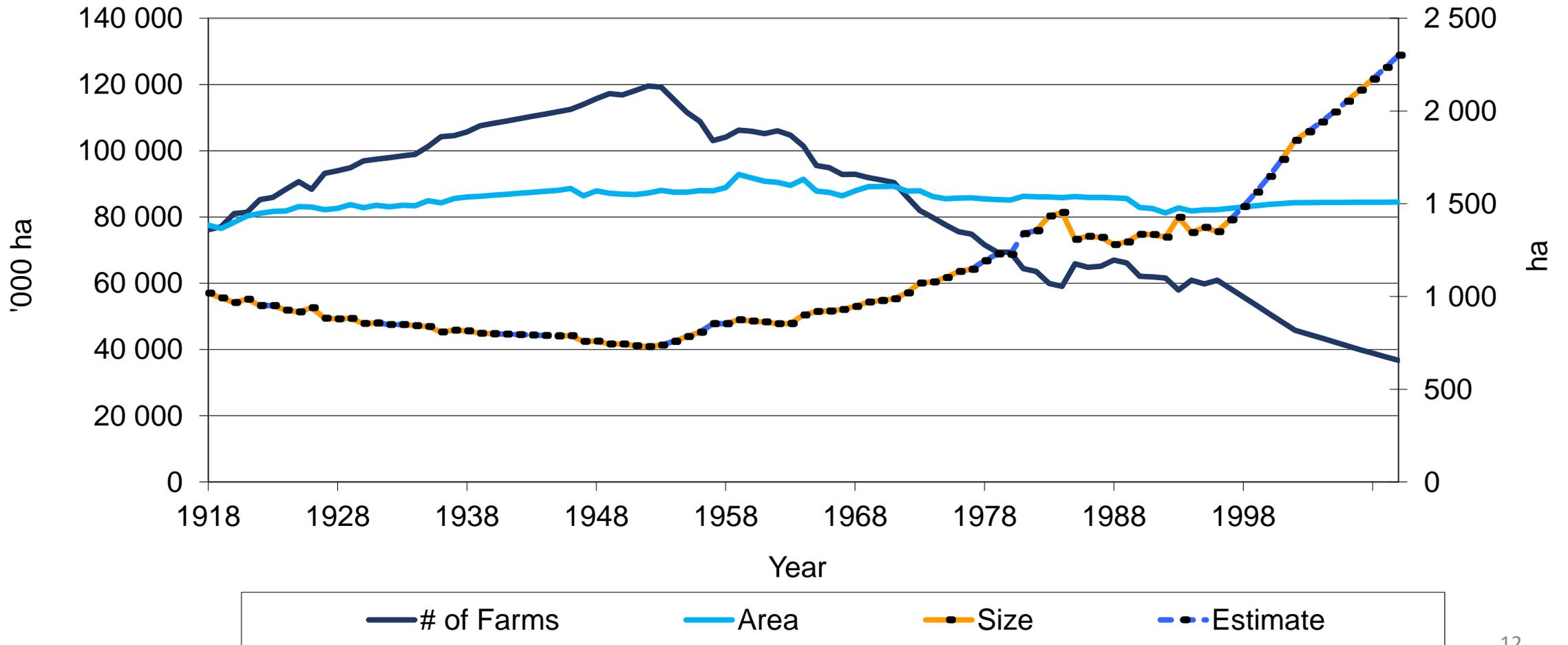


Evolution of farm sizes in SA: mechanisation has been key on this process

Area of farm land (hectares),
Number of farms

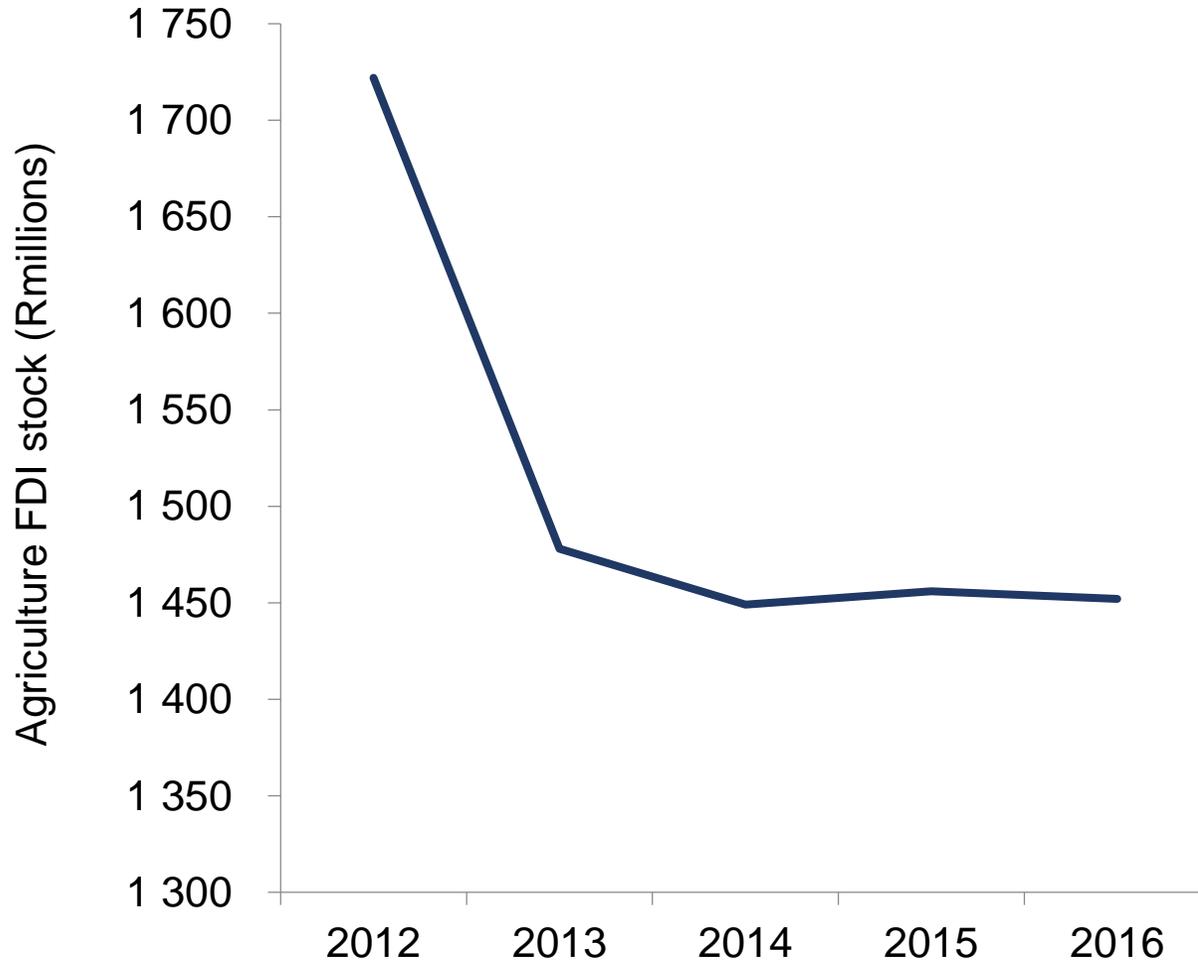
Farm size

Farming units and farming area in South Africa

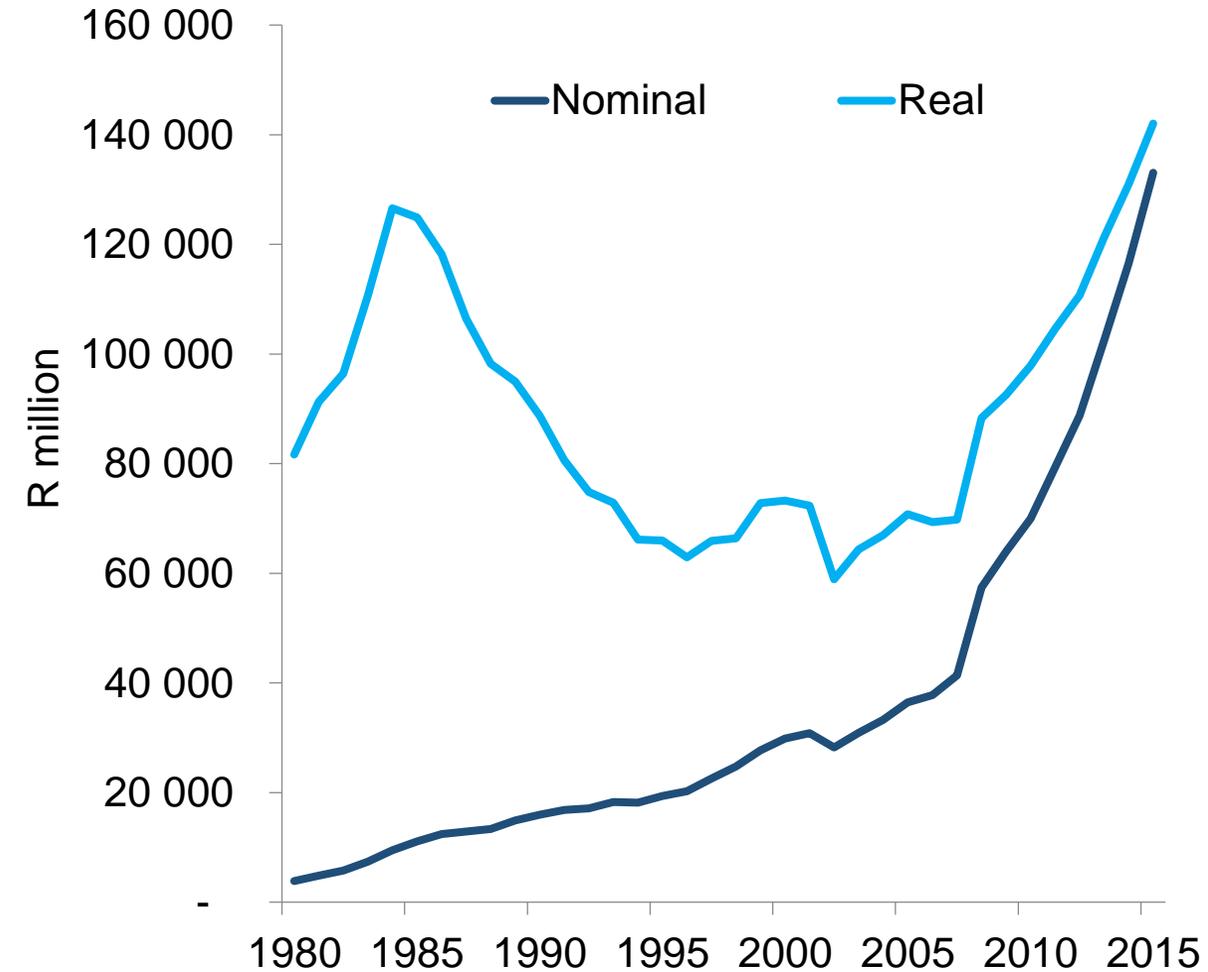


...but mechanisation has largely been funded by debt from local institutions

FDI in SA agriculture on a decline



SA farm debt growing



SA land reform policy discussion

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 establish 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?

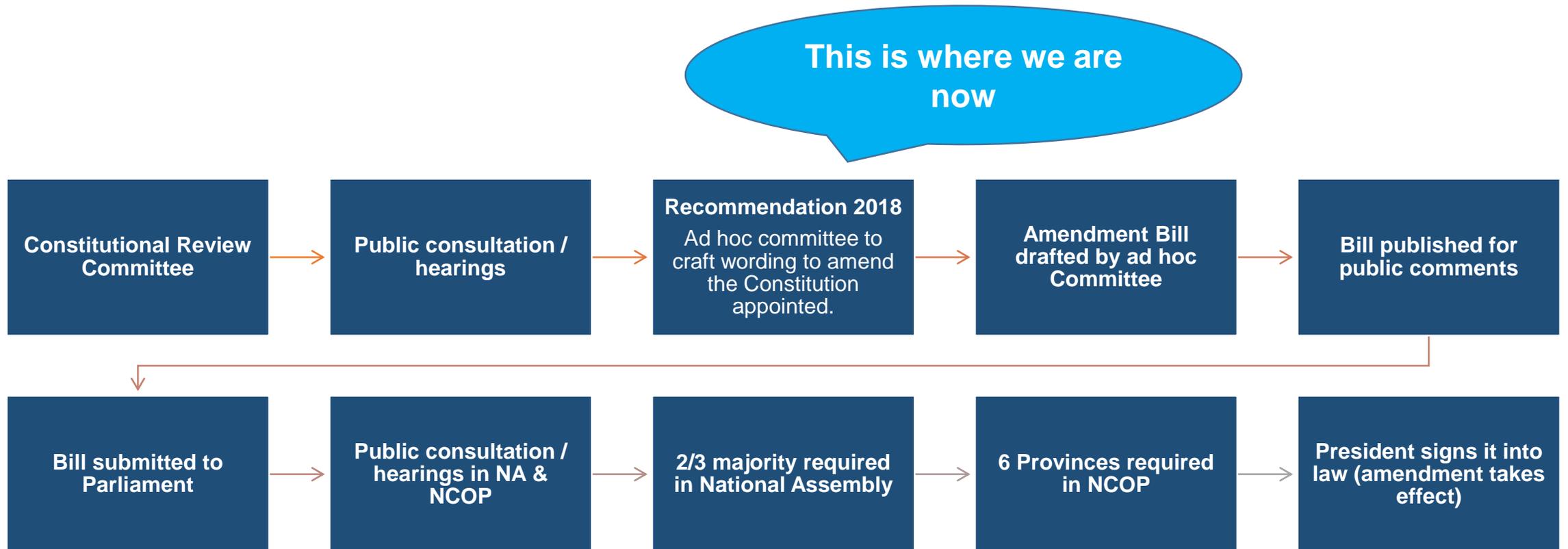
Lets focus on the middle ground -- ANC Conference resolution on land reform (EWC)

- “15. Expropriation of land without compensation **should be** among the key mechanisms available to government to give effect to land reform and redistribution.
- 16. In determining the mechanisms of implementation, we must ensure that we **do not undermine future investment in the economy, or damage agricultural production and food security**. Furthermore, our interventions **must not cause harm to other sectors of the economy**.
- 17. The ANC’s approach to land reform must be based on three elements:
 - increased security of tenure,
 - land restitution and
 - land redistribution ...
- ...These interventions should **focus on government-owned land** and should also be guided by the ANC’s Ready to Govern policy document which **prioritised the re-distribution of vacant, unused and under-utilised state land**, as well as **land held for speculation and hopelessly indebted land**” - *ANC 54th Conference Resolution Report*

Key takeaway from the ANC resolution

- Land reform must be done in an **orderly manner**
- Must be guided by **sound legal and economic principles**
- Must contribute to **job creation and investment objectives**
- Effective **support measures** for beneficiaries
- Accelerate the rolling out of **title deeds to black South Africans** in order to guarantee their security of tenure and to provide them with instruments of financial collateral

Parliament process: there is still a long way ahead



President's advisory panel on land reform and agriculture

Context:

- The Advisory Panel's report in nature – not official government policy;
- Can only 'bind' anyone if recommendations are enacted into law;
- Government will select which recommendations they take on board – we will know more by end of September 2019;
- No public comments sought – no obligation on state to consult as it is not policy, merely advisory;
- Immediate actions vs legal amendments;

Effect:

- Where legal amendments are required, draft legislation will have to be consulted on; however
- Other initiatives are immediately actionable if the political will is there

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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