

## Municipal service delivery and infrastructure constraints are costly for farmers

South Africa is a diverse and sizable country of 122 million hectares. But there is a commonality in challenges that farmers and agribusiness raise regardless of the provinces or municipalities. The challenge of poor service delivery by municipalities and inadequately maintained roads are amongst some of the core issues in every discussion. This past weekend, we joined a discussion in the Free State organized by one of our members, Sernick Group, and these matters were yet again the key points of reflection, along with broad policy themes of land reform and water use regulations. Given that these hindrances hamper the profitability of many businesses and that resources that could be invested in growth-enhancing activities within farming entities and agribusiness are now increasingly diverted to public services, we will continue to raise these issues for prioritization by the government through our interactions with the Department of Agriculture, Land Reform and Rural Development, and other departments such as Department of Public Works and Infrastructure. As we stated in our previous note, the infrastructure rebuilding process of KwaZulu-Natal after the flooding should be broadened to be a nationwide effort as all provinces face varying degrees of network infrastructure deterioration. Therefore, network industries across the country should be a priority.

This is even more urgent as the farming sector, and agribusiness (along with the mining industry), which are the key economic actors in the rural towns, are coming under increasing pressure from the rising input costs. The general rise in crop prices we have observed since the start of the Russia-Ukraine war is, from a farming and agribusiness perspective, largely overshadowed by the higher input costs such as fertilizers, agrochemicals, and fuel. These are all critical risks for the 2022/23 production season ahead. In such an environment, agribusinesses can ill afford to divert scarce resources to fix public infrastructure. In the near term, there are sufficient grains supplies as farmers increase plantings in the 2021/22 season. However, input prices were already elevated, but not to the extent we are currently witnessing.

One encouraging data point this past week was the farmers' intentions to plant winter crops in the 2022/23 production season. These plantings commence this month in the Western Cape and in the coming month in areas such as Northern Cape, Free State, and Limpopo. Farmers intend to increase the canola planting to a record area of 120 000 hectares (up 20% year-on-year (y/y)). Additionally, area plantings for wheat could increase by 3% y/y to 538 350 hectares. Barley plantings could also recover by 15% y/y to 109 100 hectares. Numbers like these give one hope that even the 2022/23 summer crop planting, when it starts in October, could maintain a decent area. There is also encouraging activity in the horticulture industry through expected large yields and continued plantings of various vegetables. The livestock is one subsector that, in the near term, is constrained by a range of challenges, which include foot-and-mouth disease and trade restrictions that follow. These difficulties are in a year where feed prices are elevated (as seen in maize and soybean prices).

The set of interventions that the state can do to ease the pressures in agriculture include tackling the broad network industry challenges, i.e., roads, water, rail and electricity. Increased investment and work in these areas are also favourable for employment in the rural

04 May 2022

**Wandile Sihlobo**

Chief Economist

+27 12 807 6686

wandile@agbiz.co.za

[www.agbiz.co.za](http://www.agbiz.co.za)

### Disclaimer:

Everything has been done to ensure the accuracy of this information, however, Agbiz takes no responsibility for any loss or damage incurred due to the usage of this information.

towns where economic opportunities remain limited. Indeed, a thriving agriculture and agribusiness sector, supported by improved network industries functioning and municipalities delivering, would also continue to provide employment opportunities and use some of its resources for joint-venture projects that enhance transformation in the sector.

The Department of Agriculture, Land Reform and Rural Development also needs to build on the positive momentum of the past week with the minister visiting foot-and-mouth disease-affected areas and engaging our trade partners to explore ways of opening up commerce for wool and other affected products as a result of the trade ban. We continue to engage the government on this aspect as it's critical for a subsector that is so vital, making nearly half of the agriculture gross value-added, yet confronted by numerous challenges.

There are several challenges in the agricultural sector, and solutions to the industry-specific matters are outlined in the agriculture and agro-processing master plan, which is yet to be launched. Still, there are fundamental issues that are beyond the Department of Agriculture, Land Reform and Rural Development, which should be addressed if we are to see a continuation of good performance in this vital sector of the economy in the coming years. These are network industries and functioning municipalities.