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SA agricultural trends to watch in 2023

South Africa's agriculture will likely have a downbeat start into 2023. The gross agricultural value added for 2022, which will be released in March, will probably show a mild contraction. This would be a notable shift from two consecutive years of solid growth, with the sector expanding by 14,9% y/y in 2020 and 8,8% y/y in 2021. Mild declines in critical crop harvests such as maize, production challenges in the sugar industry, trade friction in fruits, vegetables, beef and wool, and widespread foot-and-mouth disease weighed on the sector's performance this year. In a slightly more technical sense, the strong growth in the last two years has created an exceptionally high base, setting the ground for some pullback.

This year some of the challenges that dominated the agricultural calendar will again surface. Here are some that I believe will be part of discussions, especially in the first half of this year.

1. Intensified discussion about the need for expansion of agricultural exports export markets

South Africa's agricultural sector is export-oriented, exporting roughly half its value products. Consequently, organized agriculture groups are pushing to expand export markets to accommodate the growing produce. This is not a new discussion, but it will likely gain momentum in 2023. The priority countries should be China, South Korea, Japan, the USA, Vietnam, Taiwan, India, Saudi Arabia, Mexico, the Philippines and Bangladesh. These countries have a sizable population and large imports of agricultural products, specifically fruits, wine, beef and grains.

2. Land reform will be back at the top of the agricultural agenda

After a heated debate about land reform in the years leading up to 2020, the previous year was muted. However, we saw a few legislative matters, such as the Expropriation Bill, surfacing from time to time. In 2023, there will likely be a renewed interest in land reform. But the discussion this year could be different, mainly focused on the redistribution pillar of the land reform (other pillars are land restitution and tenure). The focus could be on the Agricultural Development and Land Reform Agency. For much of 2021 and 2022, the agency was mentioned on various occasions by South African President Cyril Ramaphosa and Minister of Agriculture, Land Reform and Rural Development Thoko Didiza. It will help accelerate land redistribution, working collectively with the private sector and redistributing some of the state-owned lands.

3. Costs of deteriorating municipalities on agriculture

The threat of deteriorating municipal service delivery, corruption in public offices and the failures in the network industries (i.e., roads, rail, water, electricity and ports) are the major challenges that have occupied agribusiness leaders for some time. These inefficiencies lead to increasing costs of doing business and taking investment away from productive agribusiness activities to maintaining roads and other infrastructure. This year, the organized

agriculture groupings will likely be more vocal about these challenges as they continue to constrain the agricultural sector expansion and make conditions even more challenging for the new entrants in the sector.

4. Growing unease about the slow progress in agricultural regulations

South Africa's agricultural sector also faces regulatory constraints, such as the dysfunctional State Veterinary Service and the need to modernize Act 36 (Act 36 of 1947) for Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act. For an extended period, South Africa embraced science and led the continent in agricultural productivity, benefiting from the adoption of critical agrochemicals, seeds and livestock remedies. However, the country's pace is drifting from this positive path. We lag behind our competitors due to the delays and large backlogs in the Registrar's office, resulting in crucial productivity-enhancing inputs not being released to the agricultural industry. The failures in national vaccine production also remain an issue, and the livestock industry is again at risk as the rainy season starts.

This has been a frustration for numerous role-players in the sector. This year, the pressure will intensify on this matter, especially as it is part of the legislative points the Agriculture and Agro-processing Master plan should address.

5. Agricultural finance will be a topical matter

The need for agricultural finance, particularly developmental finance for the new entrant farmers, has always been an important issue which is less discussed in the sector. At the end of 2022, the focus was on the blended finance instrument by the Department of Agriculture, Land Reform and Rural Development and the Land Bank. This is a necessary product and will positively contribute to the sector's growth and to servicing the needs of some new entrant farmers. In 2023, there will be a drive for the Department of Agriculture, Land Reform and Rural Development to broaden the blended finance instrument for the wider financial service and agribusinesses sector.

Overall, agriculture will likely see a rebound in 2023, benefiting from the La Niña induced favourable weather conditions (assuming they won't be destructive), combined with farmers' drive to increase plantings. Notably, a positive outcome of the highlighted points would be an even more important catalyst for the sector's long-term growth.