

The challenges facing Eastern Cape agribusinesses

The challenges that agriculture and agribusiness stakeholders face are the same across South Africa. After engaging with our members in various provinces of the country, we spent time with agribusiness and farmers in the Eastern Cape this past week. The Eastern Cape is an important agricultural province, accounting for about 6% of the sector's annual gross value added, roughly the same as Limpopo, North West and Gauteng. The broad challenges that continue to weigh on agribusiness leaders' minds in this province are 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). These inefficiencies lead to increasing costs of doing business in the province and taking investment away from productive agribusiness activities to maintaining roads and other infrastructure.

Beyond these challenges are the 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.

The agribusinesses we engaged with also highlighted the need for South Africa to expand export markets to accommodate the growing fruit and livestock output. Moreover, there needs to be improvement of relations between industry and the shipping companies so that the Eastern Cape ports can also receive prominence in services. There have been occasions where the province's ports have struggled to get shipping lines essential for the movement of agricultural products to export markets.

The need for agricultural finance, particularly developmental finance for the new entrant farmers and the need to build trust and accountability, as well as implementation, monitoring and evaluation of various sector plans, was also highlighted in the engagements.

Interventions

These challenges we highlight above are cross-cutting and not limited to the functions and responsibilities of the Department of Agriculture, Land Reform and Rural Development. This means the form of engagement with the government will also need to be broad and include the likes of the Department of Public Works and Transport, amongst others. Agbiz has been engaged in discussions on these issues through various national platforms and direct engagements with Transnet and other stakeholders. The agricultural sector role players are in regular conversations with Transnet regarding the effectiveness and efficiency of the ports. So far, Transnet has been open to engagements and efficient in resolving challenges such as rebuilding the Port of Durban following the destructive floods. Going forward, private sector role players want to explore possibilities of better partnerships in the various nodes of the ports, which could help improve efficiencies, not only for agriculture but a range of industries

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such as mining and automobile, amongst others. The "Interface Agreement" to be signed between Agbiz and Transnet will likely be the first step in strengthening the cooperation and delivery for the agriculture and agribusiness sectors.

Admittedly, the push for export growth has become even more urgent as agricultural output consistently improves and the country has limited capacity to absorb new produce. As we have pointed out, South Africa exports half its products in value terms. Therefore, the government and industry efforts to boost domestic production should be underscored by the expansion of the export markets. Japan, China, India, Saudi Arabia, Bangladesh, the Philippines and South Korea remain the key markets in which South African agribusinesses are interested in expanding their presence. We continue to highlight these markets to the relevant government departments and the Presidency. The presence of the agricultural role players in the recent South Africa-Saudi Arabia engagement stands as an example of what we need for cooperation and championing "South Africa Inc" agricultural products as a country. This should now be followed by technical government engagements to open the path for exports of South African agricultural products.

Regarding agricultural finance, the focus was on the recently launched 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. Moreover, the Department of Agriculture, Land Reform and Rural Development has drafted the Blended Finance instrument for the broader financial service and agribusinesses sector. It will be an additional pillar that further cushions the sector and provide a necessary resource for expansion.

Overall, the challenges agribusinesses and farmers face across South Africa are similar. These are also well understood by both the government and various industry stakeholders. South Africa needs a plan of action, particularly on improving efficiencies in the network industries, municipality delivery, rooting out corruption and legislative reforms within the Department of Agriculture, Land Reform and Rural Development. The Agriculture and Agro-processing Master Plan lay out the policy framework that provides a comprehensive view of the sector's challenges and proposes some solutions. It is not a perfect plan, but it could improve the sector's operational conditions if implemented effectively and efficiently by all stakeholders. As agriculture is one of the sectors that will help grow the South African economy, there needs to be increased attention to the reforms necessary to unlock inclusive growth and job creation.