

# Reflections on South Africa's agricultural economy

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# Outline

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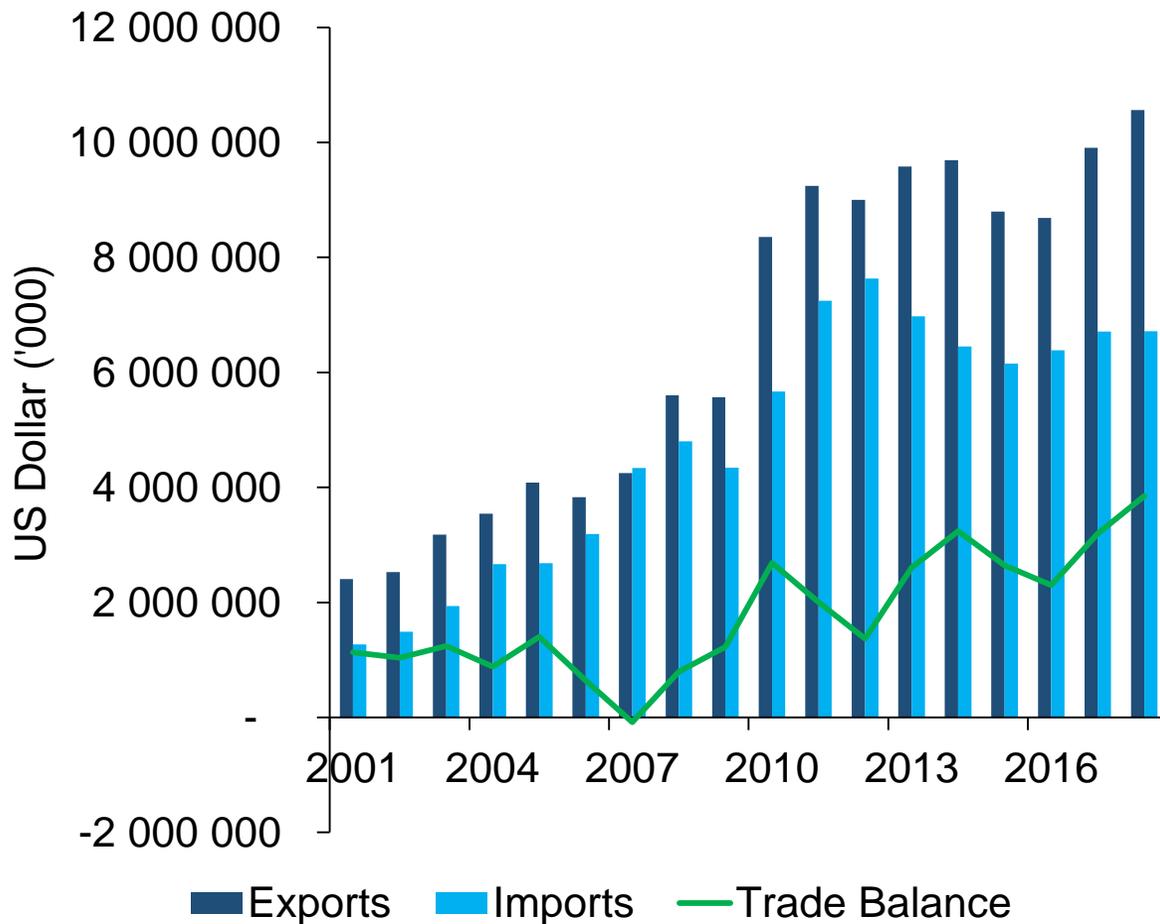
- Framing the discussion with background on the journey of SA agricultural production
- Key policies that dominated SA agricultural sector since 1994
- Impact on agribusiness confidence levels and investment over time
- Near-term possible policy focus for South African agriculture
- Closing remarks

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

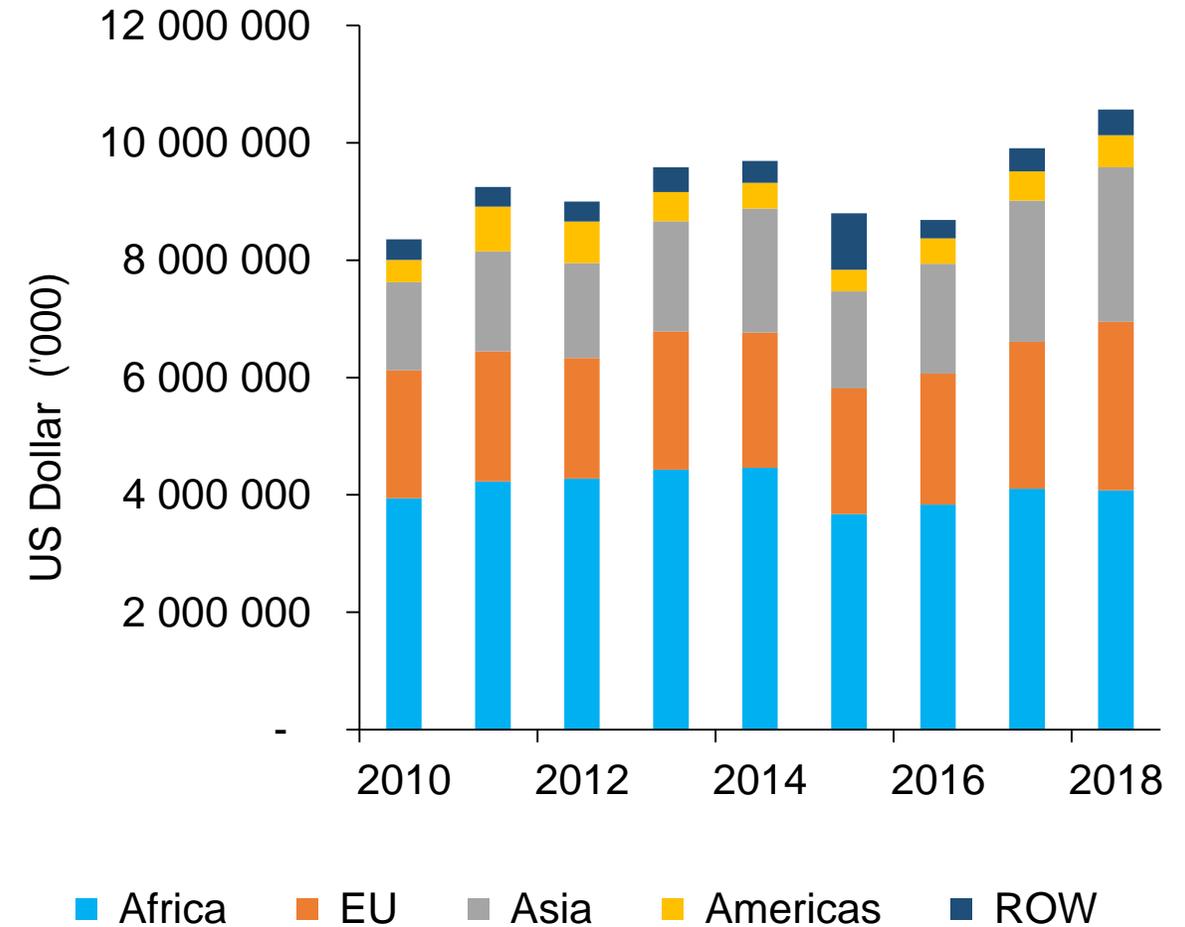


# SA agriculture has enjoyed an export-led growth

SA agricultural exports reached record level in 2018



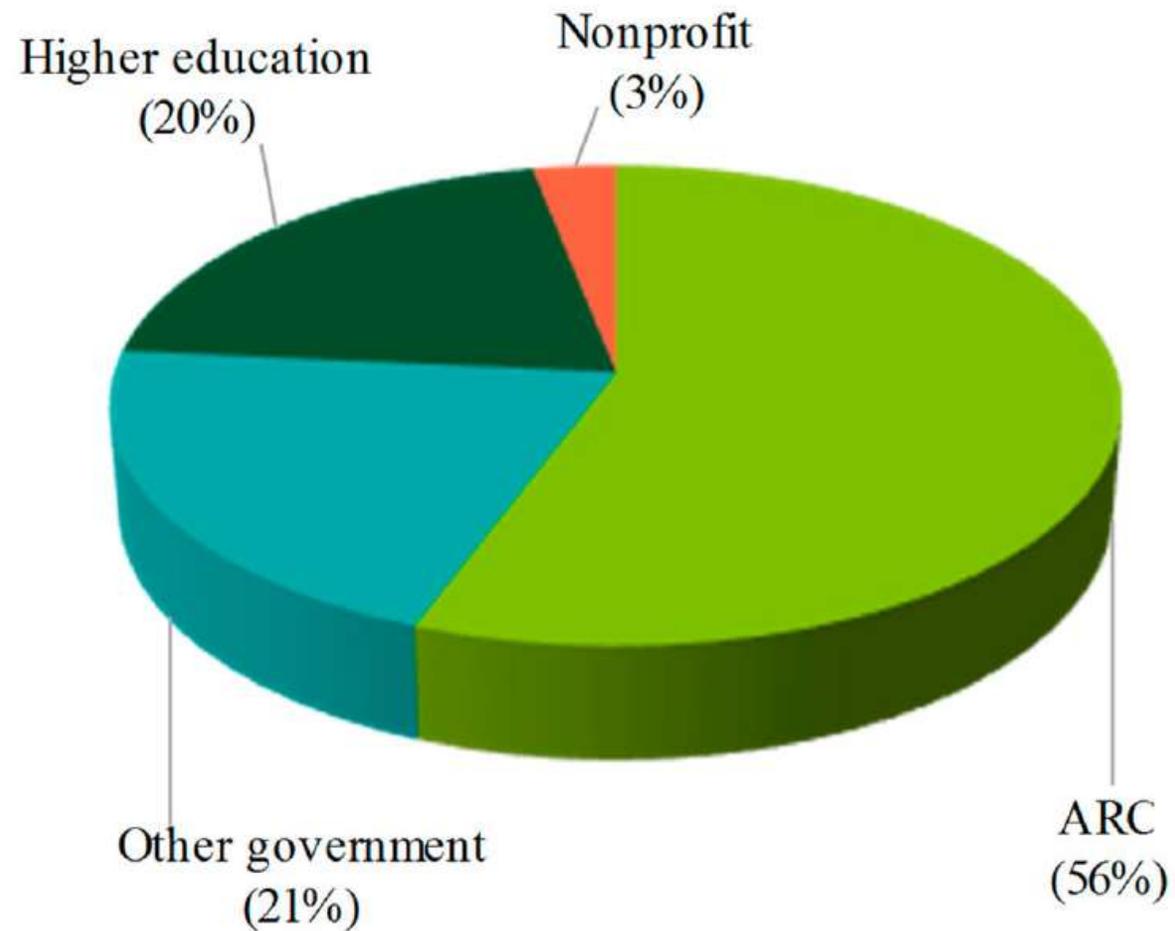
Africa, Europe, and Asia remain key markets



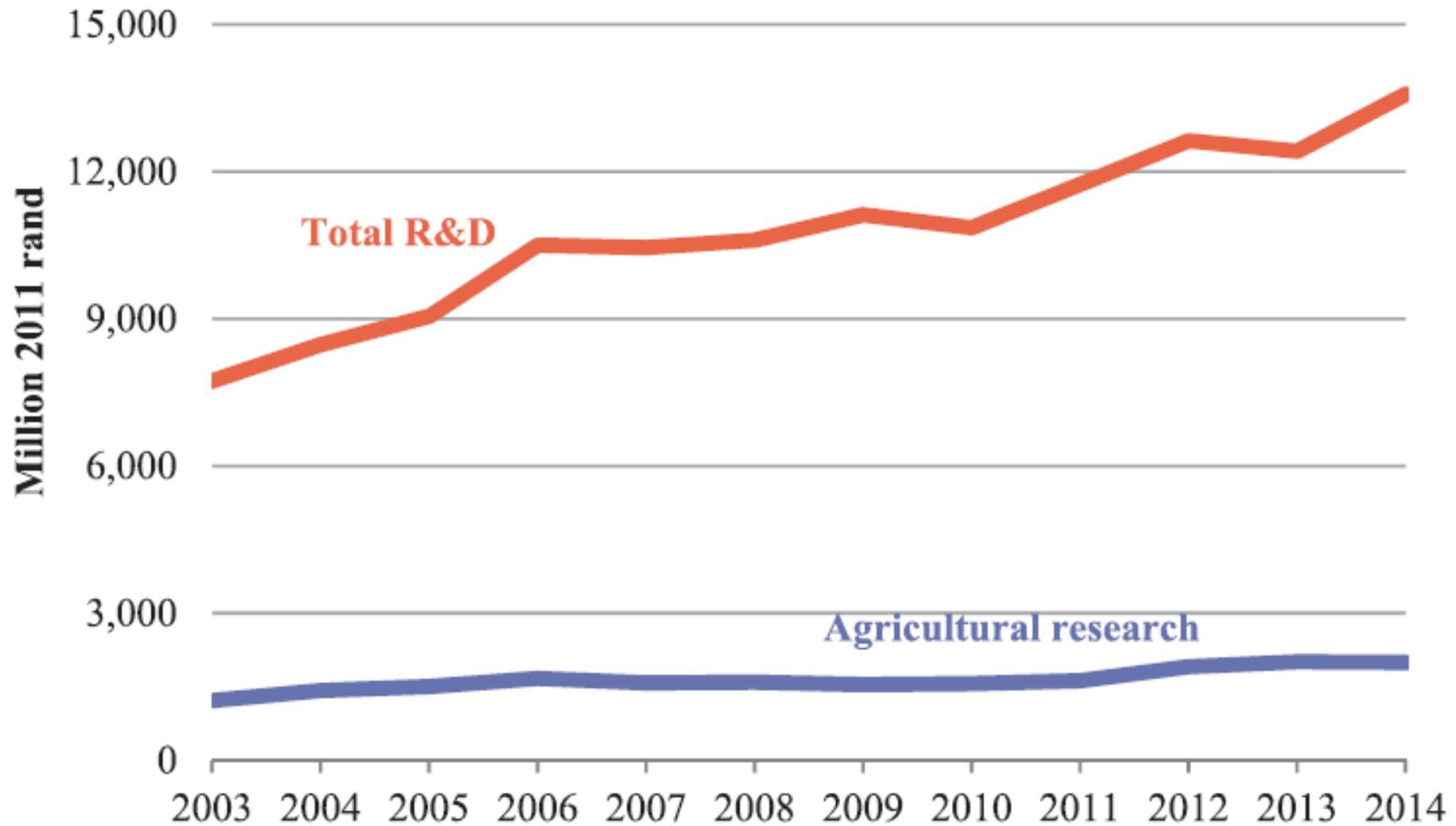
# Public agricultural research spending in South Africa, 2014



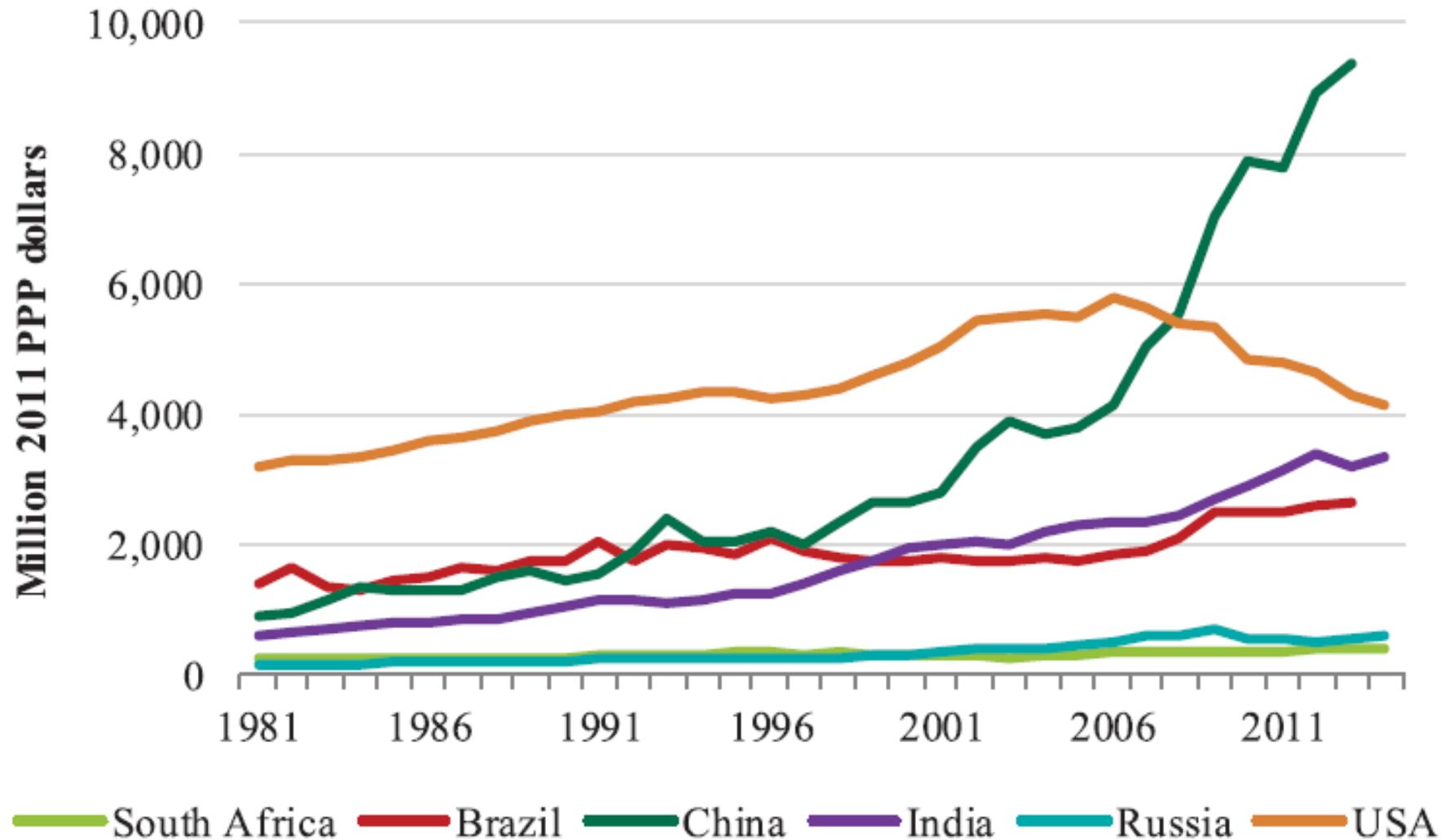
## Public agricultural research spending by institutional category, 2010–2014



## Total public R&D and public agricultural research spending, 2000–2014



## While we have made progress, we are lagging behind some countries: Agricultural research spending in selected countries, 1981–2014.



# Important events in SA agricultural policy 1994 to 2019

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- 1994: Decline in State funding to agriculture (subsidies) due to fiscal policy constraints
- 1994: Implementation of land reform policy
- 1994: Labour market policy
- 1994: Trade policy
- 1997: Liberalization of agricultural markets
- 1997: Genetically Modified Organisms Act
- 1998: Water policy
- 2000: Meat Safety Act

**“The more things change, the more they stay the same.”**

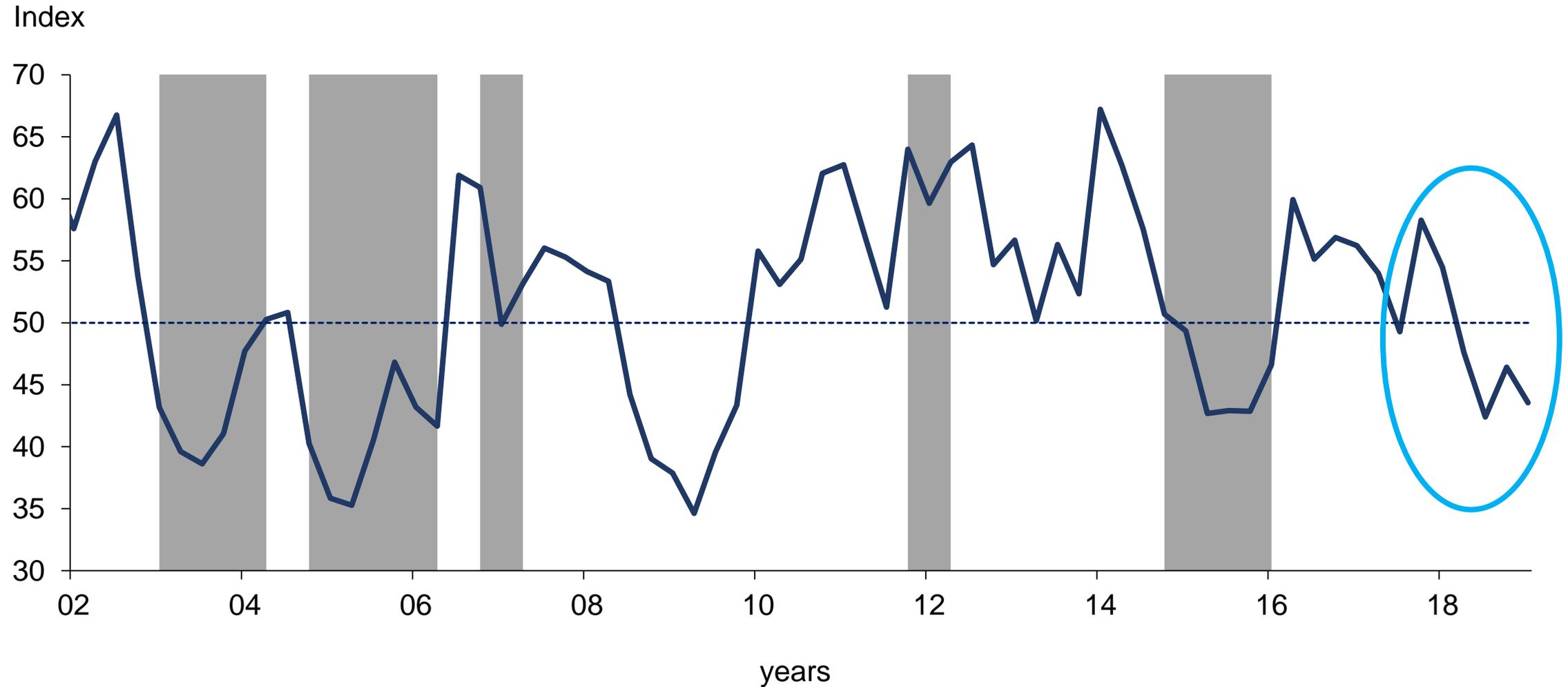
*-- Jean-Baptiste Alphonse Karr*

# The current policymakers' thinking revolve around these aspects

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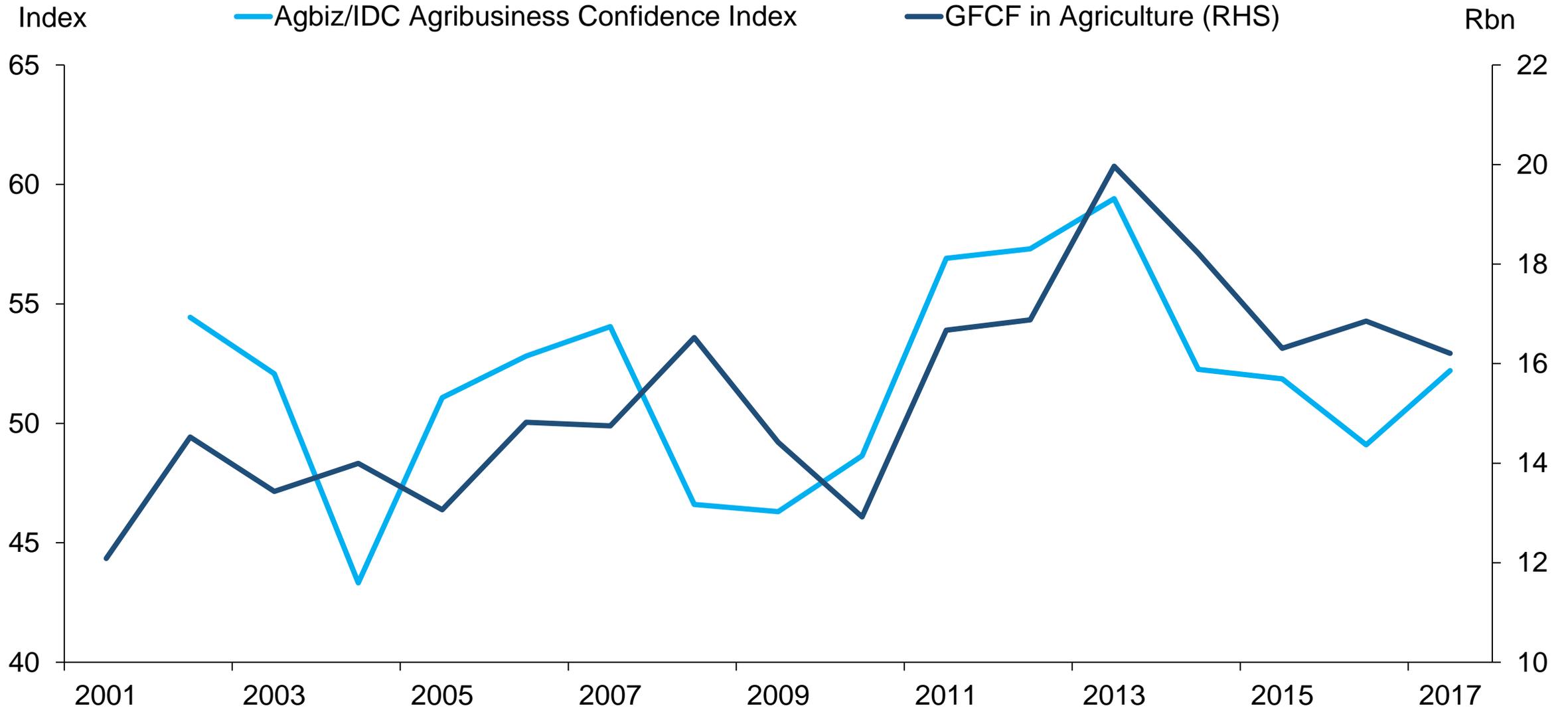
- Inclusive growth and jobs creation
- Land reform
- Farmer support programmes
- Climate change
- Water rights regulations and water infrastructure
- Infrastructure constraints in some farming areas, particularly former homelands
- International trade matters (market access, and expansion of export markets)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

## Inconsistencies in policy impacts agricultural business confidence and investment



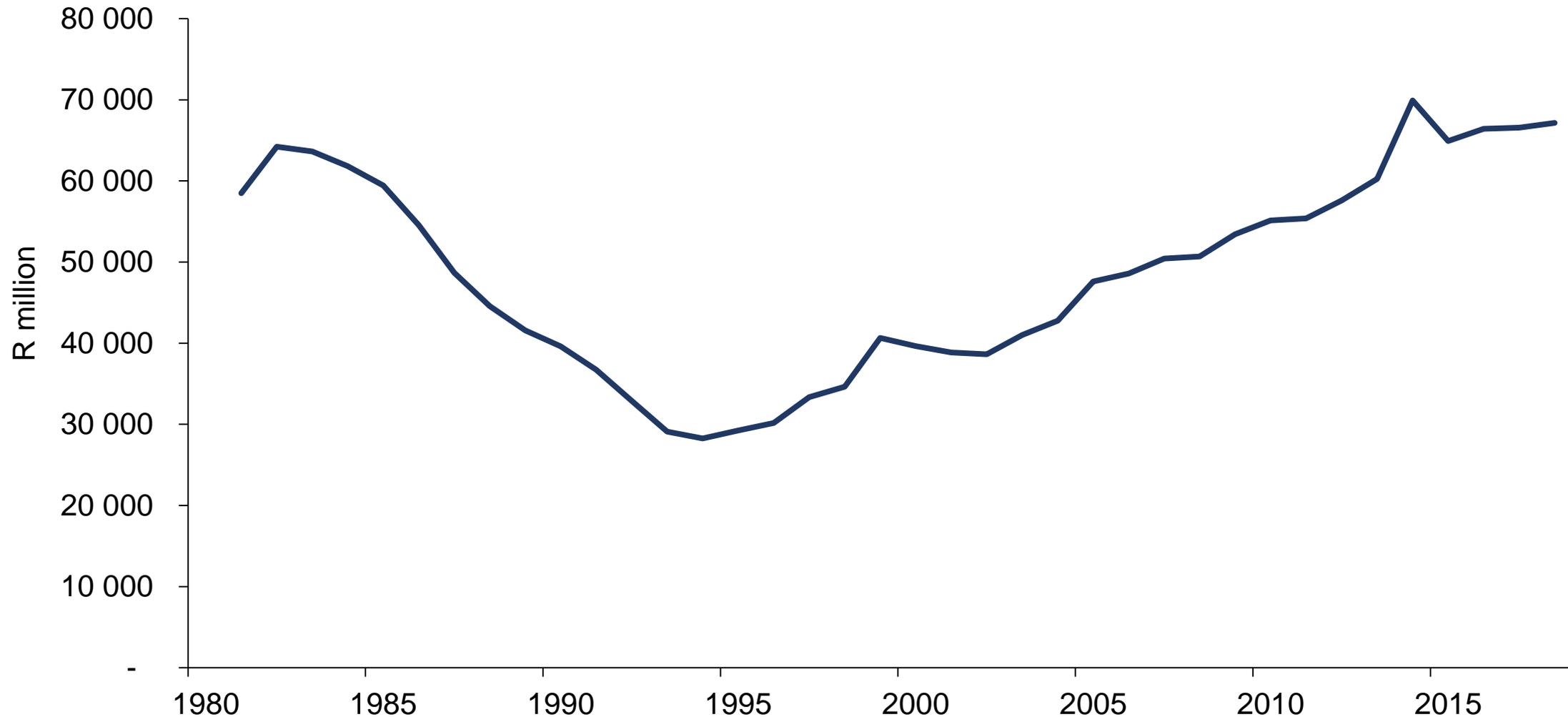
*(Shaded areas indicate periods when rainfall across South Africa was below the average level of 500 millimetres)*

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



## Movable assets sales have been solid thus far

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

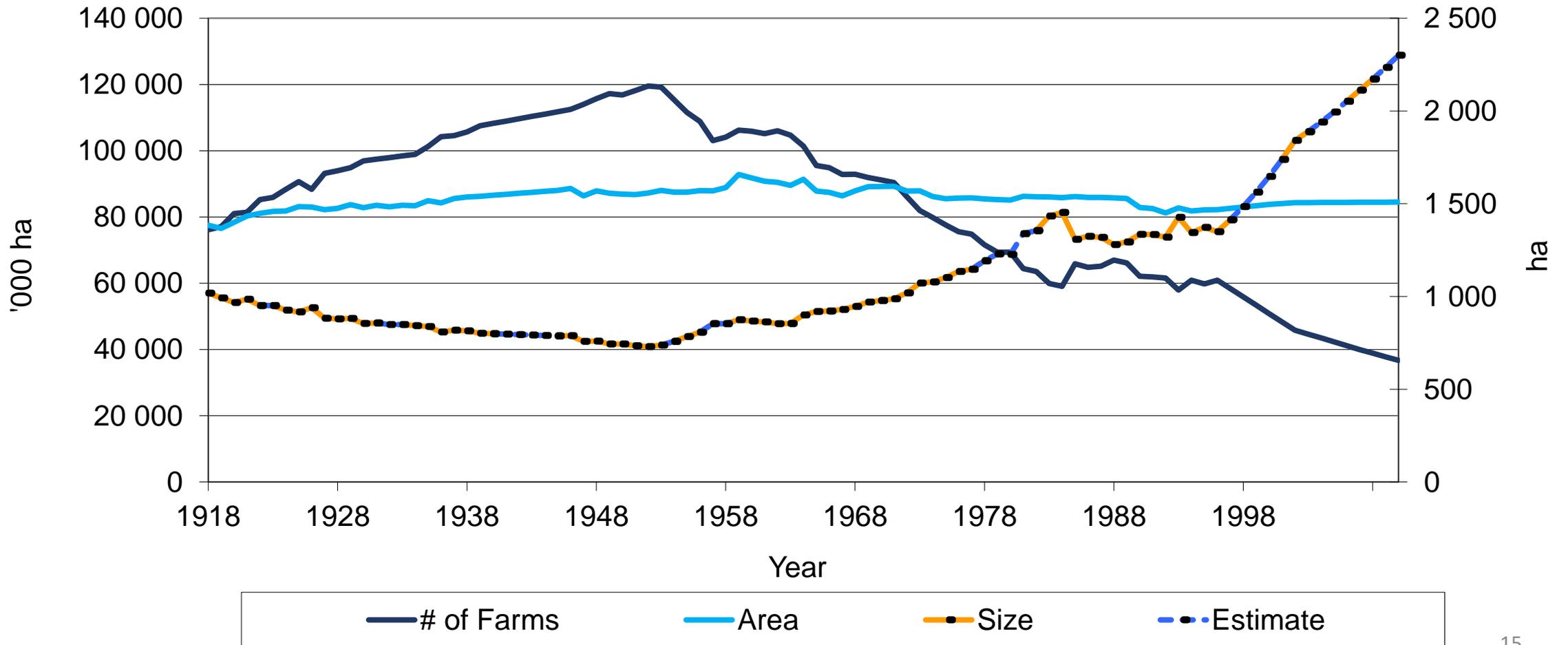


# Evolution of farm sizes in SA: mechanisation has been key on this process

Area of farm land (hectares),  
Number of farms

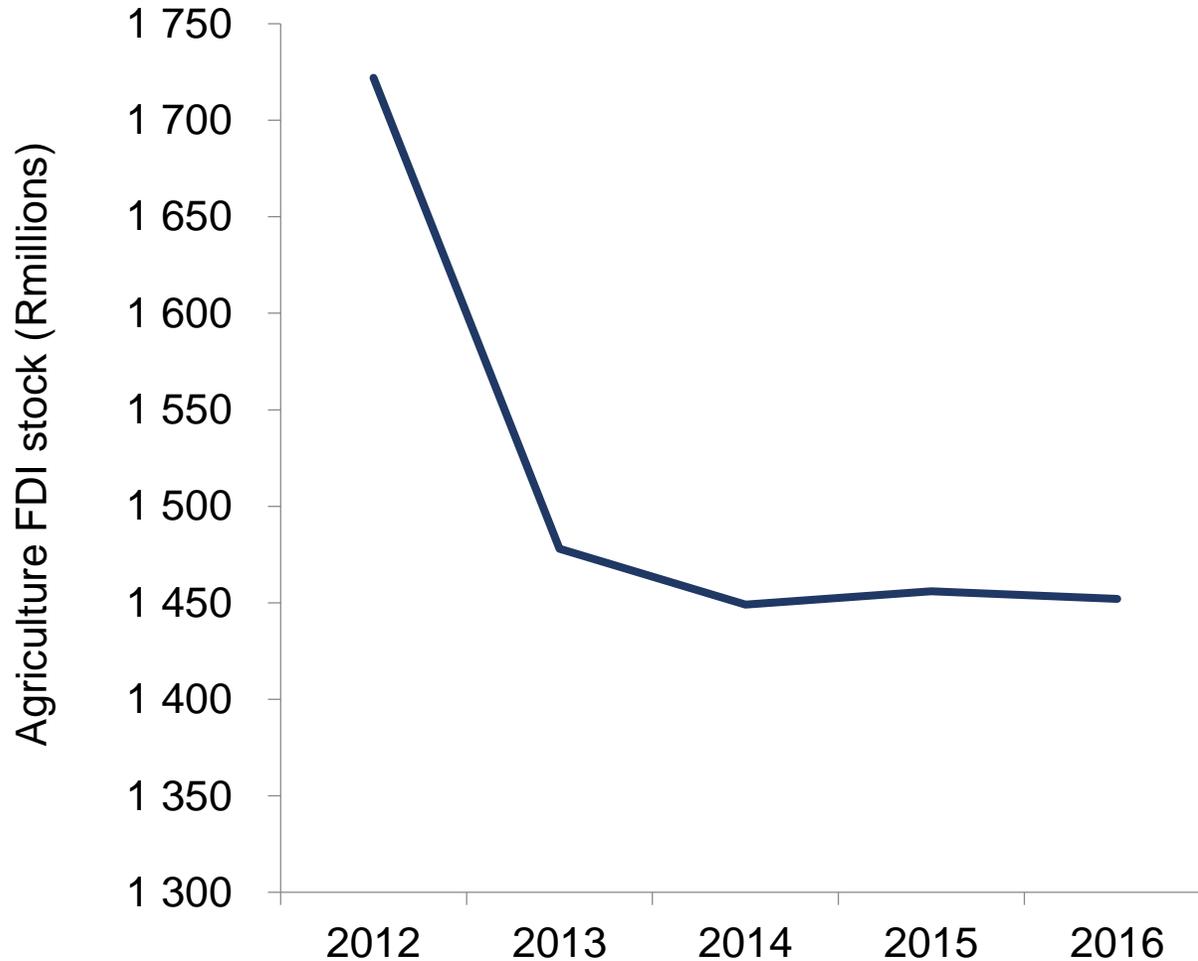
Farm size

Farming Units and Farming Area in South Africa

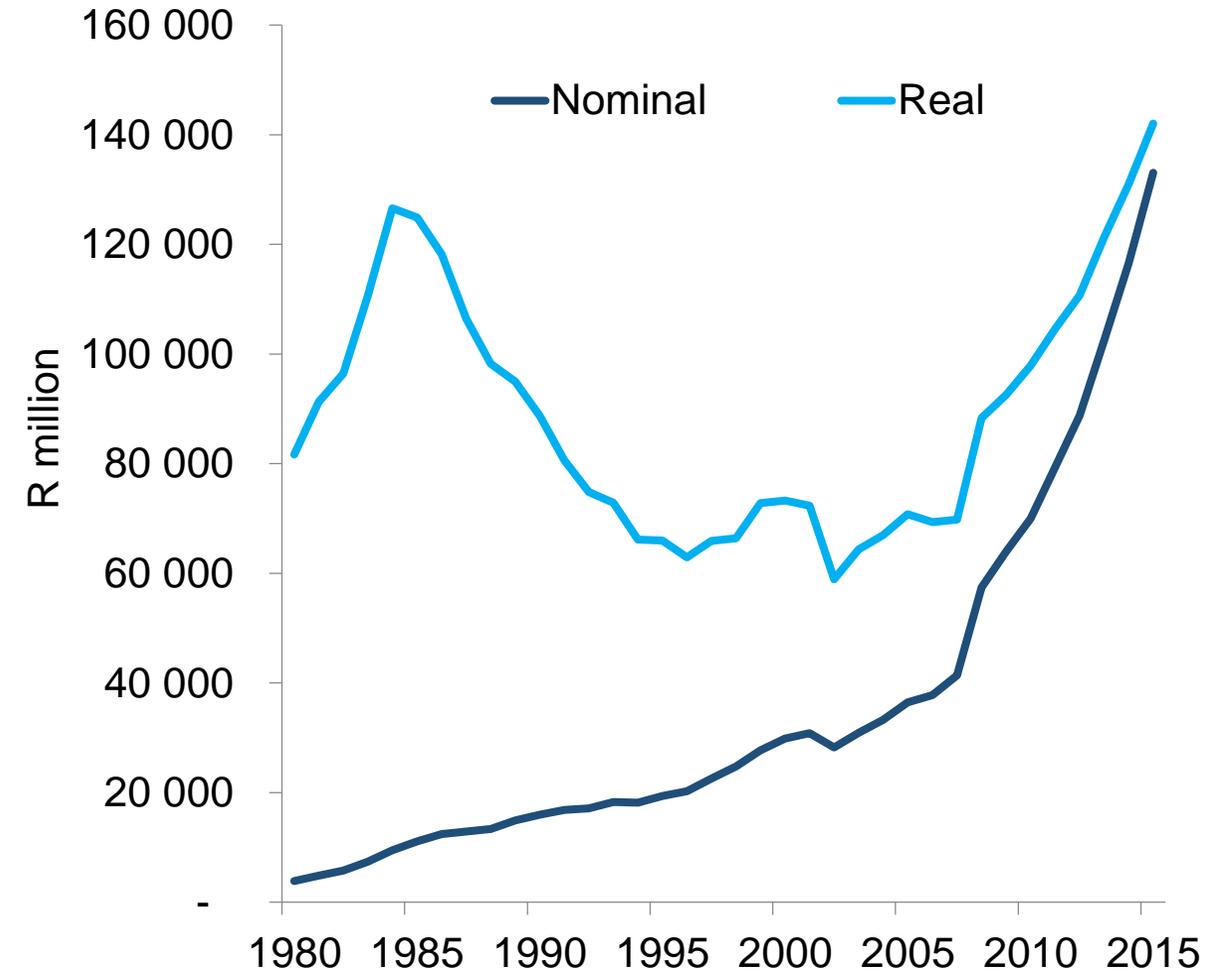


## ...but mechanisation has largely been funded by debt from local institutions

### FDI in SA agriculture on a decline



### SA farm debt growing



In all the policy discussions we've mentioned thus far, **land reform** has been the most dominant one in the recent past

## 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

**(Status quo)**

***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)**

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- “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 54<sup>th</sup> Conference Resolution Report*

## Key takeaway from the ANC resolution

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- 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

### 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.”

## Another resource is the 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.

## **Another resource is the 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;
- 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.

# Back to then Parliament (Constitutional) process - there is still a long way ahead

This is where we are now



## Closing remarks -- policy direction for way ahead

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- Pursue inclusive growth and jobs creation programmes
- Careful and effective implementation of land reform
- Farmer support programmes
- 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)
- Skills development and research

# Thank you for your attention.

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