Fertasa 62nd Annual Congress

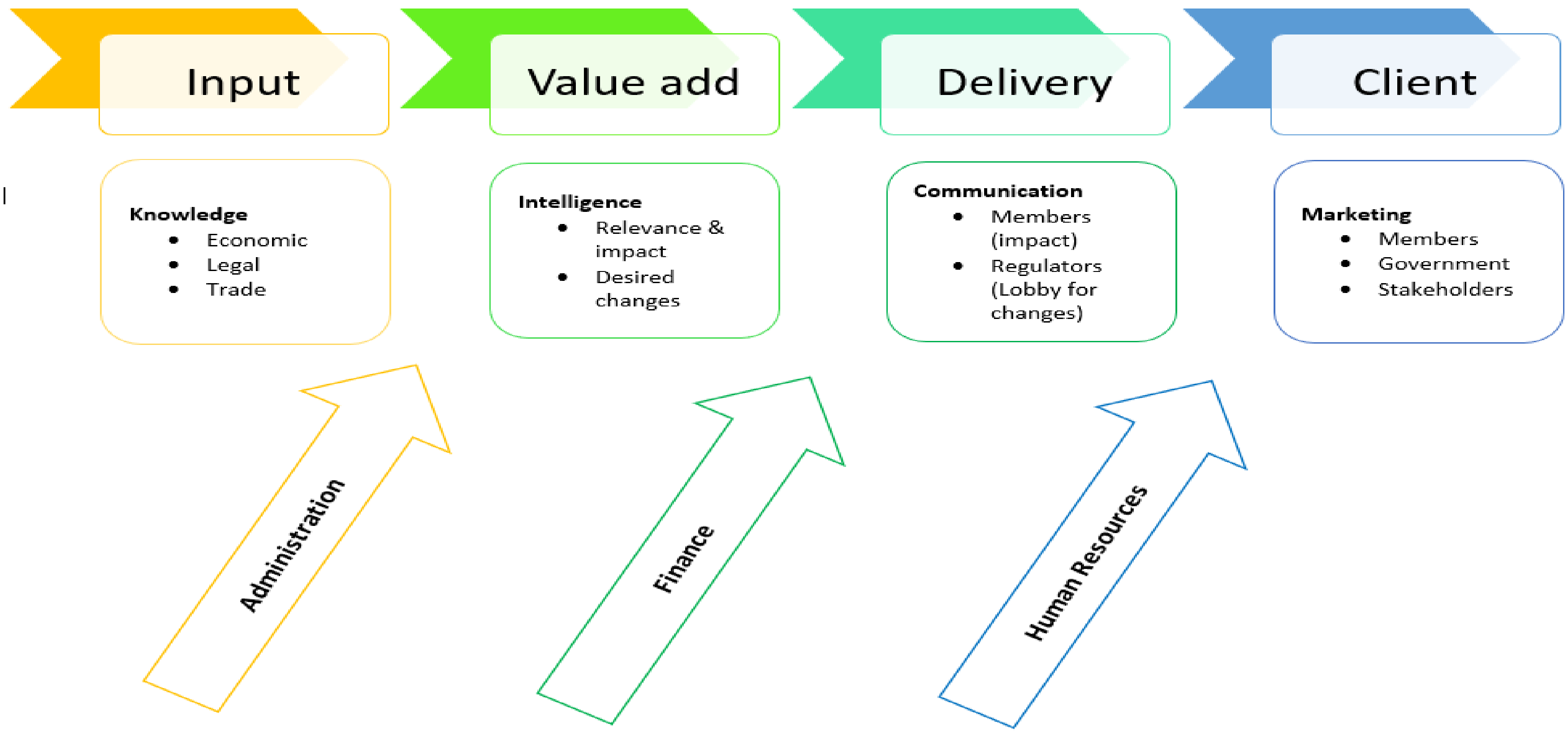
Legislative lessons from Covid &
new initiatives for 2022
13 April 2022
By Theo Boshoff

agbiz
agricultural business chamber
the way to prosperity

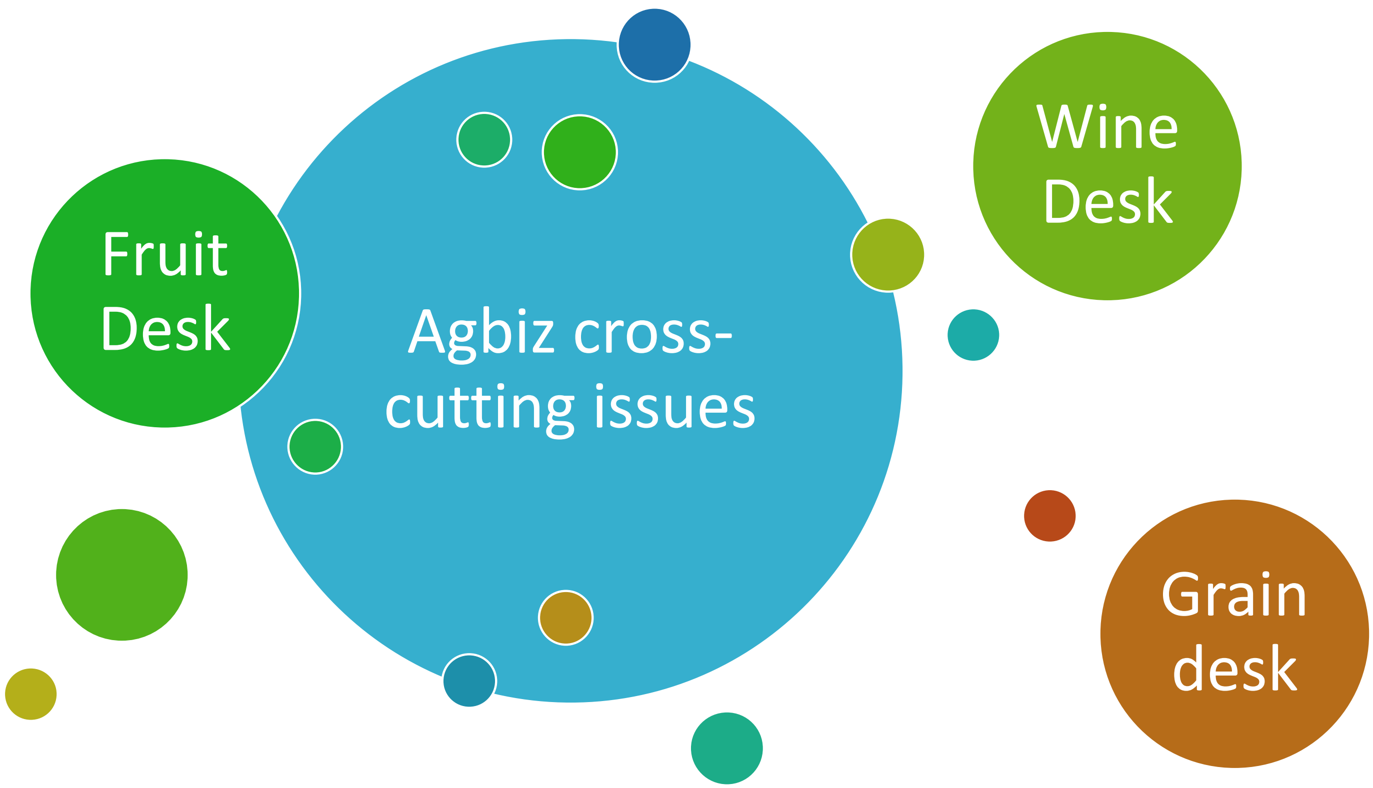
For today

- *The role of Agbiz;*
- *Covid interruptions & Agbiz response;*
- *Lessons from Covid for the input industry?*
- *State of the sector & current initiatives;*

Agbiz core business process flow



Focus areas



Cross-cutting operational areas

Leading the sector

- Political economy
- Economic recovery
- Inclusive growth
- Promoting SA agribusiness
- Improving the operating environment

Legal intelligence

- Inclusive growth (land reform, property rights, BBBEE)
- Environmental sustainability
- Labour market & social policy
- Commercial regulation
- Sector-specific

Economic intelligence

- Market analysis & intelligence
- Agribusiness confidence index
- Transformation reports
- Macro economic policy inputs

Trade intelligence

- Logistics
- Opening up new products
- Trade analysis & intelligence

Desk focus

Fruit desk

- Funded by Fruit SA & commodities;
- Trade issues;
- New markets;
- SPS matters;
- Trade protocols;
- High-cube container issue;
- Etc.

Grain desk

- Funded by grain storage sector (silo owners);
- Grading & product inspections;
- JSE requirements;
- Technical specifications.

Wine desk

- Funded by Vinpro / SALBA;
- Industry affairs liaison;
- Manage EU EPA TRQ allocations & quotas;
- Non-tariff barriers;
- AfCFTA & SADC EU EPA key.

Focus on forums

	Leading the sector	Legal Intelligence	Economic Intelligence	Trade Intelligence
Forums	AgriBEE Charter Council	BUSA Socpol	ITAC	ATF
	CEO Forum	BUSA environmental committee	DARLLD Stats econ committee	Teselico
	BUSA governance	BUSA energy committee	Stats SA	IFAMA
	High-Level ad hoc	BUSA logistics committee	SARB	BRICS Business Council
	AGDA	IBA ALS	PEAC	
	AAMP	Nedlac LMC (Jahni)	BUSA Econpol	
	BRICS	Nedlac Development Chamber (Theo)	Nedlac TIC (John)	

Ex officio

BUSA Nomination

Individual invitation (based on good will & reputation)

Nedlac Forums

	Trade & Industry Chamber	Development Chamber	Labour Market Chamber	Monetary & Fiscal Policy
Nominated	**John**	**Theo**	**Jahni**	**None**
Gov representation	DTIC	DoT (Transport)	DOEL (Labour)	National Treasury
	DAFF functions	DRDLR functions	DoHE (higher Education)	
	DFFE (environment)	DBE (Basic Education)		
	DoH (Health)	DOSD (social development)		
	PDE (public enterprises)			

Covid interruptions & Agbiz response

Covid lockdown & crisis management

- Government was concerned about food security but the concept was poorly understood;
- Agbiz asked for inputs & midnight drafting sessions to amend regulations;
- Bulk of agriculture could operate during the lockdown (essential service);
- Restrictions had moderate to severe impacts on specific sub-sectors that were not covered; i.e Wool, mohair, flowers, pet food, wine, tobacco etc.

Industry	Level 5 26 March – 30 April	Level 4 1 May to 31 May	Level 3 1 June -17 Aug
Maize	Minimal disruptions at the ports	Improved sea port operations	No impact
Soybeans	No impact	No impact	No impact
Wheat	No impact	No impact	No impact
Sunflower	No impact	No impact	No impact
Canola	No impact	No impact	No impact
Barley	No impact	No impact	Impact due to weaker demand from the brewers
Grain sorghum	No impact	No impact	No impact
Oats	No impact	No impact	No impact

Industry	Level 5 26 March – 30 April	Level 4 1 May to 31 May	Level 3 1 June – 17 August
Beef cattle	Reduced demand and lower prices:	Reduced demand and lower prices:	Temporary disruptions in supply chains under exponential infection rates
Dairy	Reduced demand and lower prices due to bans on QSR.	Reduced demand and lower prices due to bans on QSR.	Temporary disruptions in supply chains under exponential infection rates
Lamb and Mutton	Reduced demand and lower prices: Minimal impact	Minimal impact Prices back to pre-COVID-19 levels	No impact
Wool	Auctions and all fibre activities suspended. Cash flow impact for farmers with wool in value chain/auctions	No impact	No impact
Mohair	Auctions and all fibre activities suspended. Cash flow impact for farmers with mohair in value chain/auctions	No impact	No impact
Animal skins/leather	Trading and transport suspended – cash flow impact on abattoirs and beef and lamb farmers	No impact	No impact
Broilers	Drop in volumes and prices due to bans on take-aways, hot meals, roast chickens (20% of normal market demand destroyed)	Drop in volumes and prices due to bans on take-aways, hot meals, roast chickens (20% of normal market demand destroyed)	Temporary disruptions in supply chains under exponential infection rates
Eggs	Drop in volumes and prices due to bans on take-aways & restaurants	Drop in volumes and prices due to bans on take-aways & restaurants	Temporary disruptions in supply chains under exponential infection rates

Industry	Level 5 26 March – 30 April	Level 4 1 May to 31 May	Level 3 1 June -?
Potatoes	Potato market prices In April 2020 R10/packet lower than the same month in 2018, 2019	Impact (prices and volumes not back to normal levels)	Impact due to weaker demand and restaurants that remain closed
Tomatoes	Reduced demand and lower prices:	Reduced demand and lower prices:	Reduced demand and lower prices:
Other vegetables	Reduced demand and lower prices:	Reduced demand and lower prices:	Reduced demand and lower prices:
Citrus	Minimal impact due to logistical bottlenecks at ports but support from the weak exchange rate	Minimal impact due to logistical bottlenecks at ports but support from the weak exchange rate	Minimal impact due to logistical bottlenecks at ports but support from the weak exchange rate
Deciduous fruit	No impact	No impact	Potential impact on seasonal labour under exponential infection rate
Table Grapes	No impact	No impact	Potential impact on seasonal labour under exponential infection rate
Wine grapes	Some wineries/cellars were not able to pay producers for Feb/March deliveries	Minimal impact	Potential impact on seasonal labour under exponential infection rate
Wine cellars and estates	Full impact – all sales and exports prohibited. The dramatic impact on stock levels and cash flow and profitability. South African wines lose market share abroad. No other wine exporting country banned exports!	Wine cellars and wine cooperatives continue to experience cash flow strain due to the ban on local sales.	Reduced demand due to no tourism, & restaurant sales.

Components of Food Security

FOOD QUALITY & SAFETY
- Nutritional standards
- Protein quality
- Food safety, etc.

FOOD AFFORDABILITY
- Food consumption as % of DHI
- % of pop under GPL (<$3.10)
- Presence of Food Safety Net Programmes, Etc.

Food Security

FOOD AVAILABILITY
- Sufficiency of supply
- Volatility of agric production
- Agricultural infrastructure
- R&D spend, etc.

Purchasing power key to access

Informal market NB! (40% of population does not go to supermarkets)

Stability over TIME

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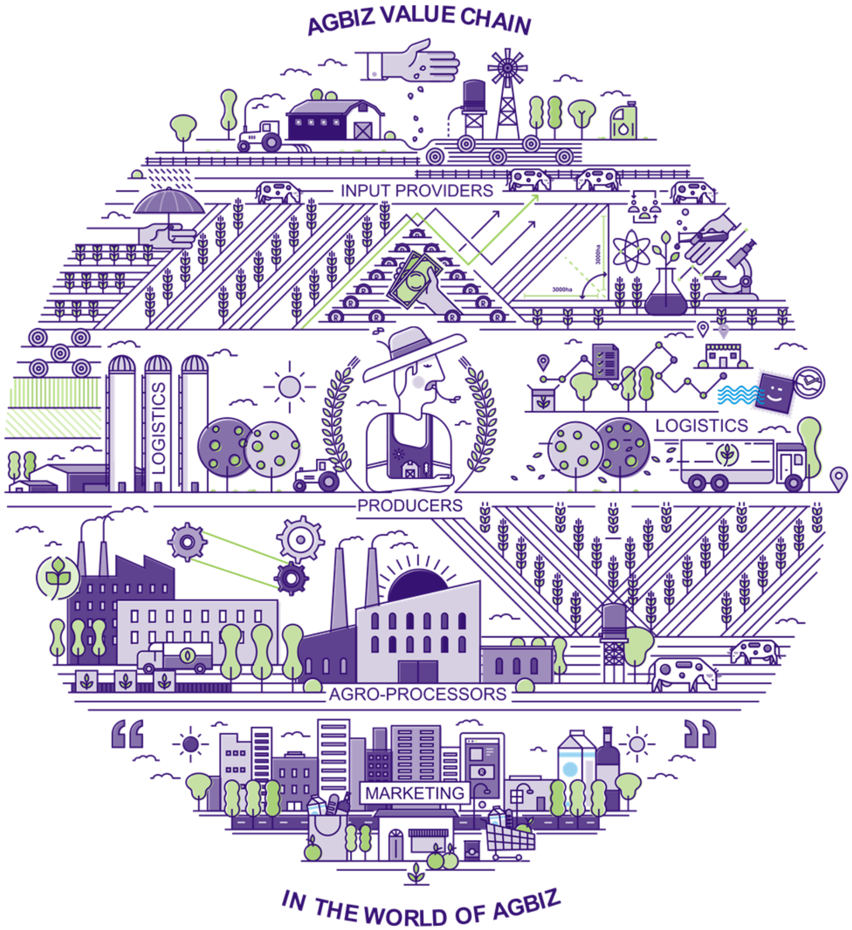

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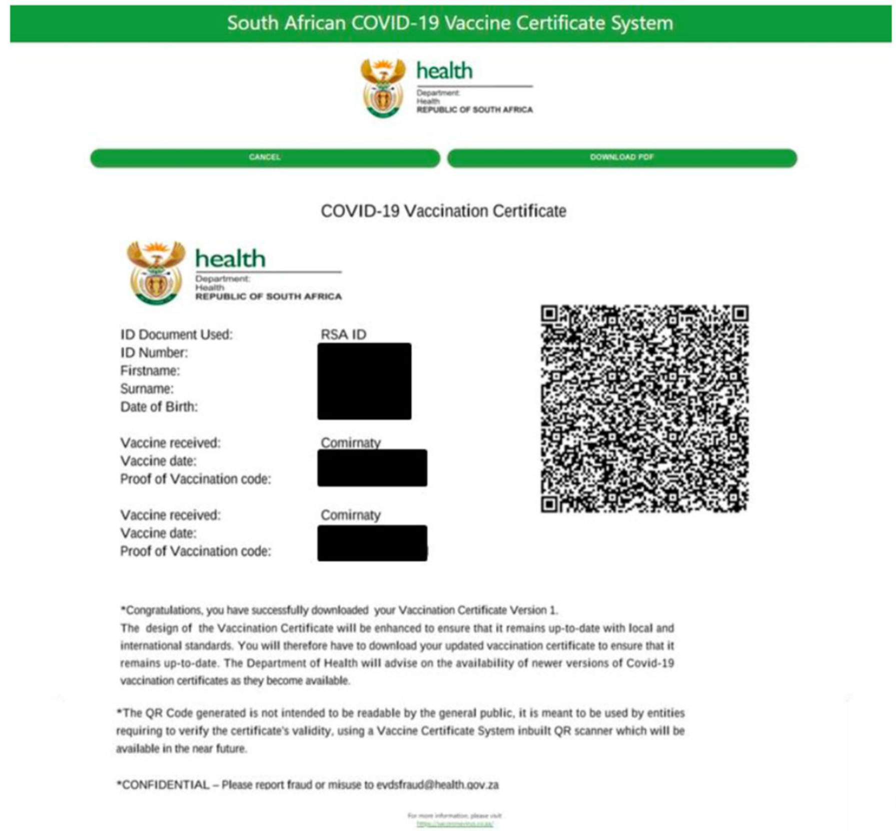
Lessons learned

- Value-chain perspective key;
  - When there is a break in the chain, the whole chain is disrupted – examples;
  - Construction of pack-houses;
  - Certification & inspection services; i.e.
  - Fresh produce markets;
- Only regulate that which needs to be regulated – unintended consequences;
- Value of informal markets;
- Pre-existing contacts NB!
- Role of executive vs declining role of Parliament as a regulator;
- Partnerships built between business & Gov NB for the future.

Lessons from Covid for the input industry?

Lessons from Covid

- Food security relies on 'entire value chain' approach – Ag inputs critical;
- Ideological issues can be put aside to cooperate;
- Benefits of digitization – if it an be done for vaccines it can be done for Act 36.


South African COVID-19 Vaccine Certificate System

health
Department: Health
REPUBLIC OF SOUTH AFRICA

CANCEL

DOWNLOAD PDF

COVID-19 Vaccination Certificate

health
Department: Health
REPUBLIC OF SOUTH AFRICA

ID Document Used: RSA ID
ID Number: [redacted]
Firstname:
Surname:
Date of Birth:

Vaccine received: Comirnaty
Vaccine date: [redacted]
Proof of Vaccination code:

Vaccine received: Comirnaty
Vaccine date: [redacted]
Proof of Vaccination code:

*Congratulations, you have successfully downloaded your Vaccination Certificate Version 1.
The design of the Vaccination Certificate will be enhanced to ensure that it remains up-to-date with local and international standards. You will therefore have to download your updated vaccination certificate to ensure that it remains up-to-date. The Department of Health will advise on the availability of newer versions of Covid-19 vaccination certificates as they become available.

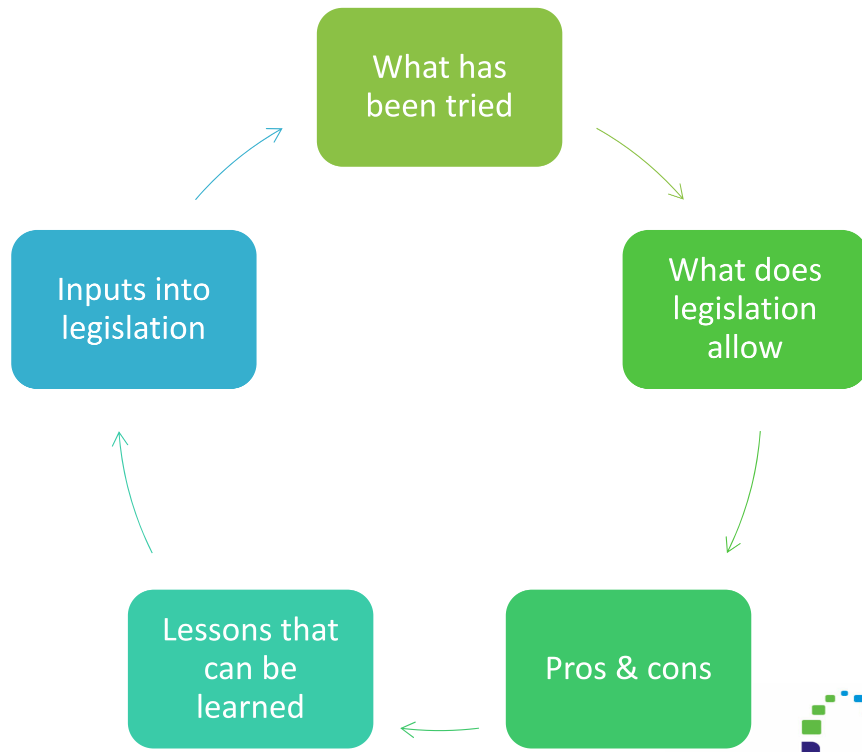
*The QR Code generated is not intended to be readable by the general public, it is meant to be used by entities requiring to verify the certificate's validity, using a Vaccine Certificate System inbuilt QR scanner which will be available in the near future.

*CONFIDENTIAL – Please report fraud or misuse to evdsfraud@health.gov.za

For more information, please visit

Public-Private-Partnership workshop 1 April

- Industry constrained by service delivery challenges from regulators;
- Functions outsourced, with varying degrees of success;
- PPPs more than privatisation, but there are pitfalls;
- Looking for workable models & to share experiences across industries;



Examples of PPPs for Regulatory services

Secondment;

- Staff in the employ of private sector made available to assist Government;
- Research or technical support or implementation;
- Latter more complicated as decision making powers need to be delegated – not all legislation allows this;
- Does not absolve regulator of responsibility + can be over-ridden (different than assignment of functions);
- Liability vis-à-vis public or affected parties?

Examples of PPPs for Regulatory services

Challenges

- 2 ‘bosses’ – work under direction of regulator but no employment relationship;
  - can you focus on specific industry’s issues only;
  - Conflicts of interest?
- Differing conditions of employment to public service;
- Only MAPA, Plant Improvement Act, Meat Safety Act & Agricultural Pest Act allows for delegation outside of state employees;
- Practical challenge – will Gov employees not feel threatened or alienate a person. seconded to Gov?

Examples of PPPs for Regulatory services

Cost sharing;

- Private sector makes funds available for regulator to create more capacity;
- Could be suitable where delegation is only allowed to gov employees; i.e. Current Act 36;
- Threats of alienation or conflicts of interest neutralised; but

Challenges

- Little control over SOPs, KPAs etc. beter performance not guaranteed;
- ‘Free rider’ challenge.

Examples of PPPs for Regulatory services

‘footwork’ done by independent 3rd party

- NEMA / EIA model;
- Regulator retains decision making authority; but
- Based decision on information & recommendations made by an independent, accredited 3rd party;
- Paid for by applicant;
- Not part of agricultural legislation but proposed for Fertilizer Bill.

Examples of PPPs for Regulatory services

Assignment

- Decision making authority as well as responsibility & accountability outsourced to a 3rd party;
- Can improve efficiency, but comes with additional costs;
- APS Act, MAPA, Meat Safety Act, Fertilizer Bill & Animal Feed & Pet. Food Bill makes provision for assignment;
- Will discuss pros, cons & variations in detail during next session.
- *NB for the Fertilizer Bill!*

Examples of PPPs for Regulatory services

Assignment

- Agbiz & other organisations make inputs into draft legislation – do we need consistency or tailored to each industry?

- Potential checks & balances
  - ❖Regulation per product vs licencing of facility / company?;
  - ❖Profit vs least cost option vs strict cost recovery?
  - ❖Mandatory industry representation on governance structure, SOPs?
  - ❖More than 1 assignee per product line? (WB study NB);
  - ❖Funding model – levies vs fees?

Key takeaways

- Trust NB factor – 3rd parties could assist to build trust where relationships are broken;
- Solutions only acceptable if they are developed jointly;
- Outsourcing wholesale functions not only option;
    - low-hanging fruit such as digitisation can be explored.
- Self-regulation is possible even in the context of assignees, but there are a few critical success factors, including.
    - Transparency and accountability are key. Where an entity does not meet the standards there should be consequences. Hence an entity at arms' length from the industry is preferred.
    - Government should set the standards in consultation with the industry, but a third-party entity independent of both could be used to implement.
    - Both sides must understand the need and the benefit to be regulated; and
- Finally, with various legislation currently being amended, there is a window of opportunity to craft wording that will allow industry and government sufficient flexibility to partner going forward.

Way forward

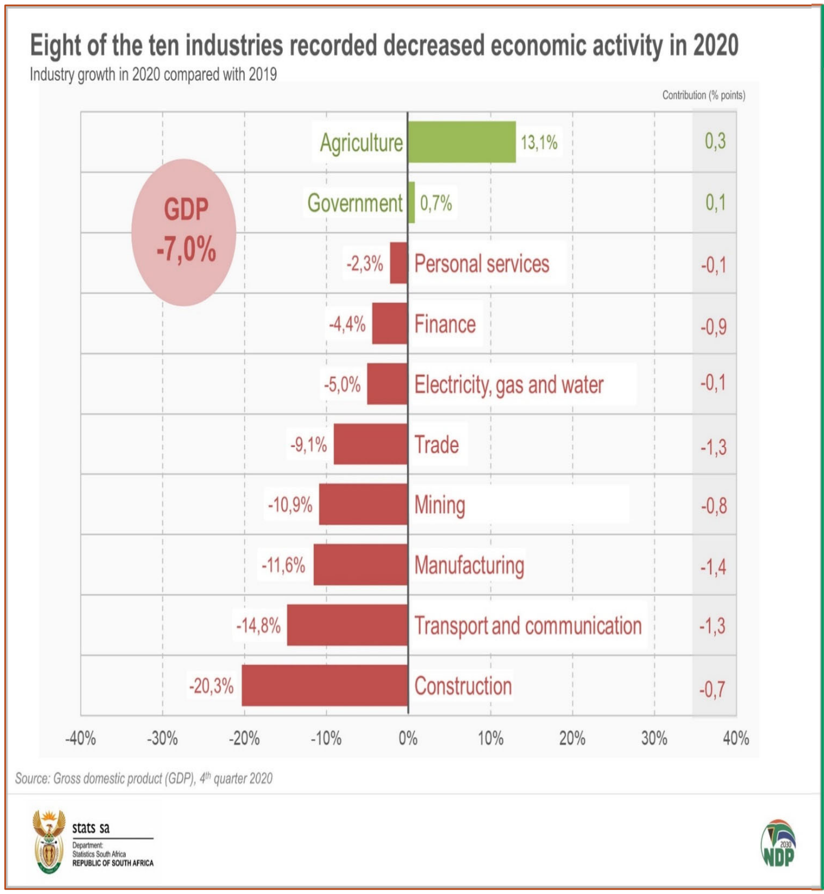
3 workstreams to take PPPs forward;

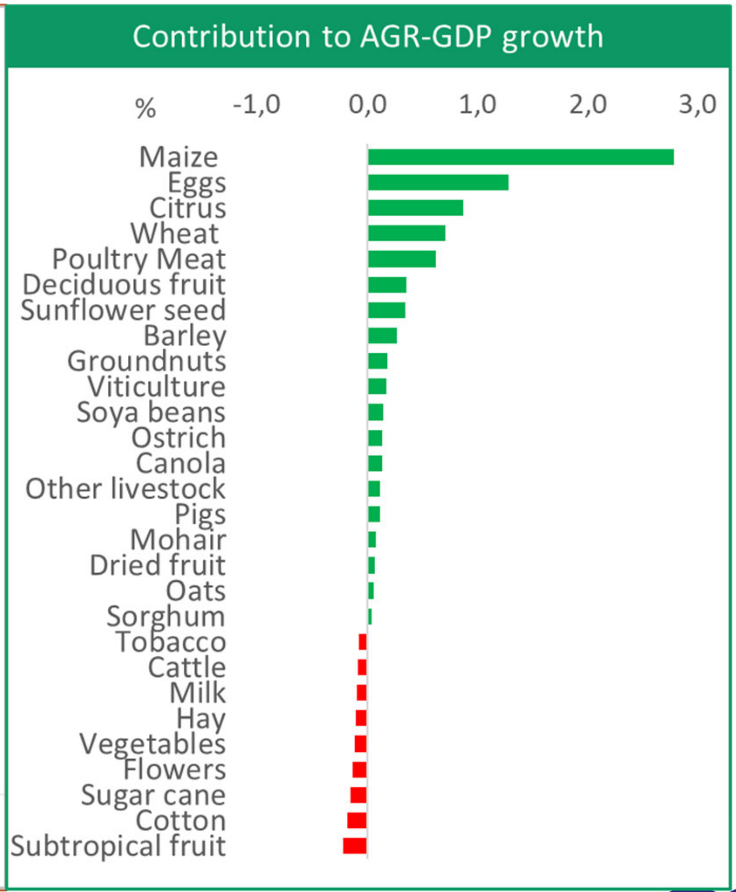
- Act 36 to support SAIF;
- Assignees & inputs on legislation;
- TAMDEV (training, mentorship & development);

- Agbiz working with Fertasa & SAIF for inputs on legislation;
- Strategy for next steps

State of the sector & current initiatives

2020: Agriculture a shining light in a dark year

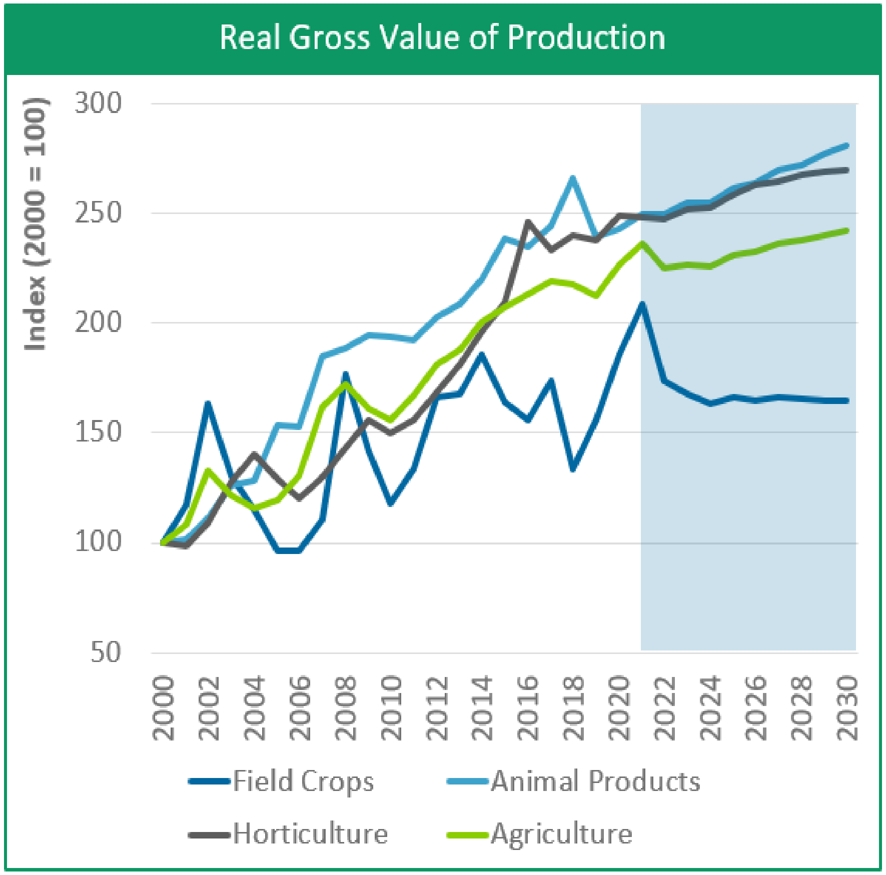


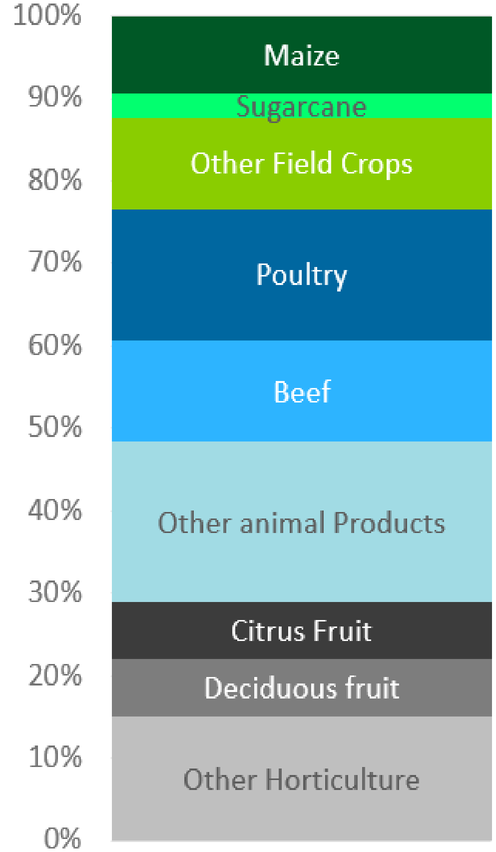


Slide courtesy of BFAP, 2021

Remarkable year for field crop sector in 2021

BFAP DATA DRIVEN INSIGHT





2020 & 2021 Highlights

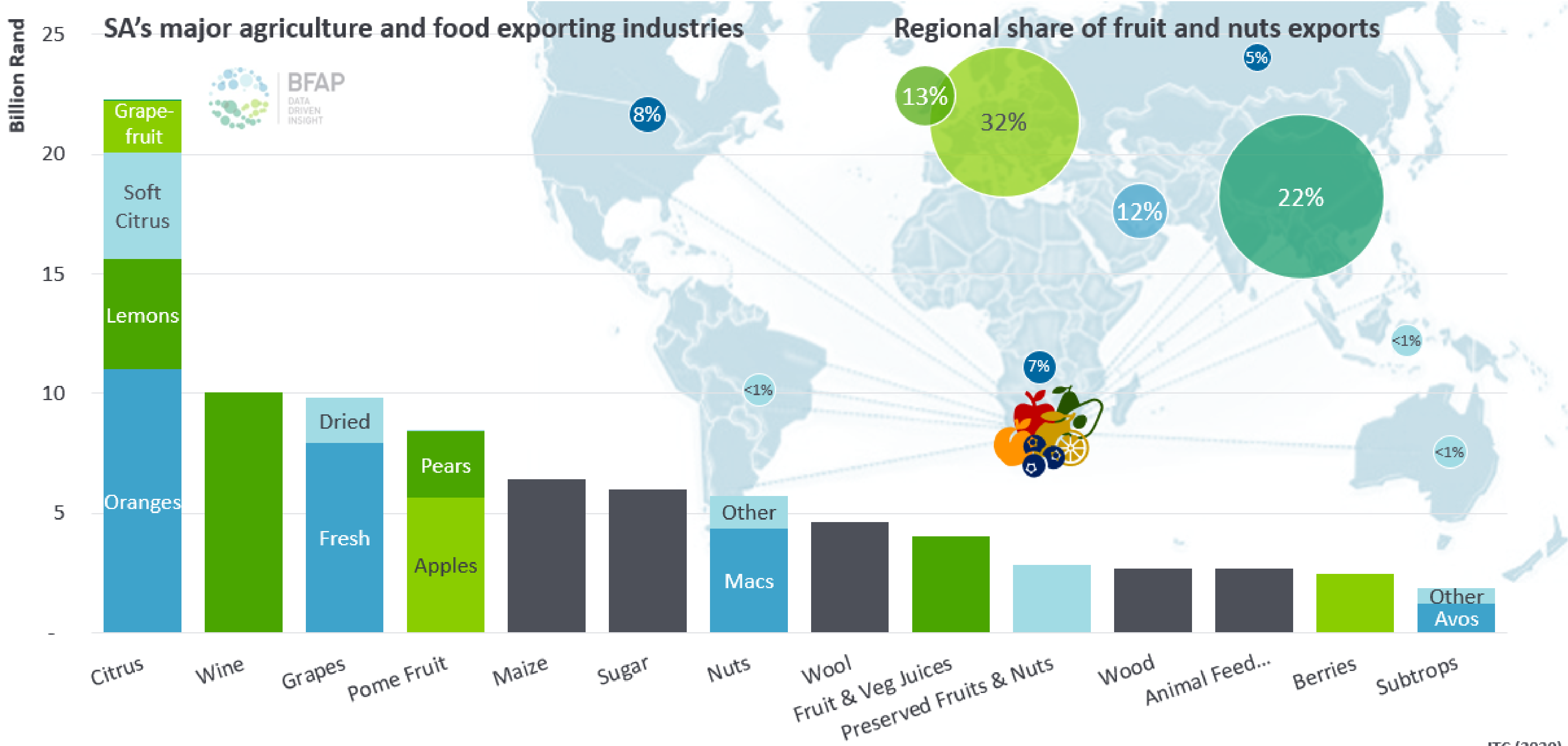
Strong volumes with prices supported by exchange rate (2020) & international price levels (2022)

Weak demand, but prices supported by weak exchange rate & constrained supply due to herd expansion - high feed costs weaken profitability

Strong export volumes – strong prices in 2020 due to exchange rate & high global demand, softer prices in 2021…

Major export contribution from Fruit & Nuts

Important contributor to Ag Exports; Relative distribution by region of HS08 Edible Fruit and Nuts

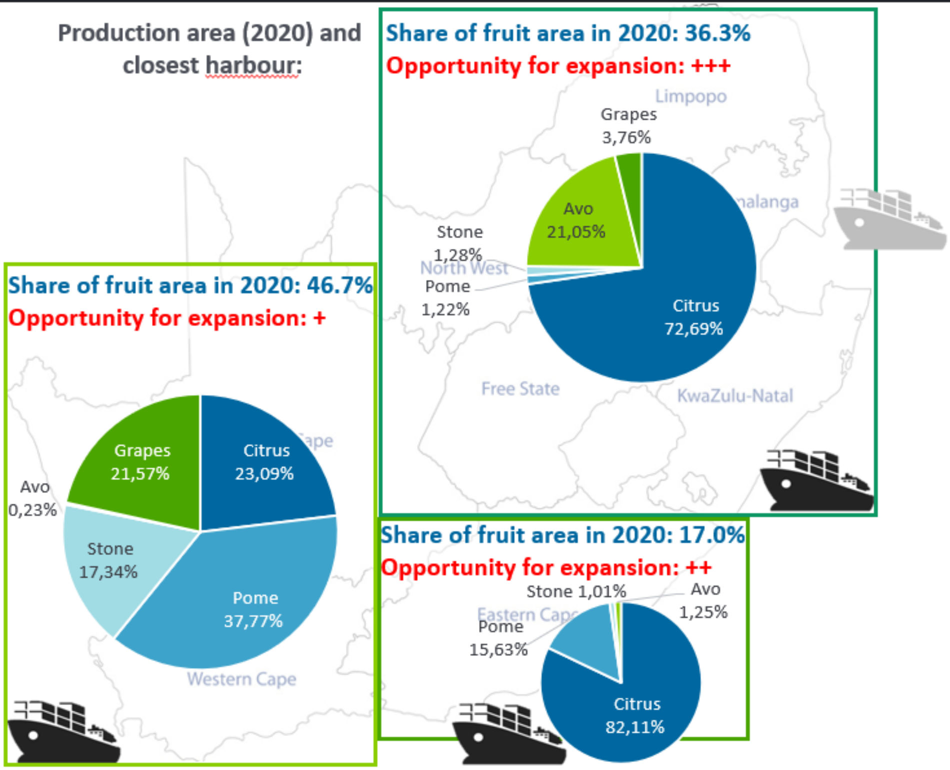


ITC (2020)

Resources & infrastructure in major fruit producing areas

Share of area by closest port; Actuals export cartons for 2020 and projection for 2030

BFAP DATA DRIVEN INSIGHT



Commodity	Export Cartons 2020	Export Cartons 2030	Equivalent carton size
Apples	36 713 600	47 536 004	12.50kg
Pears	16 821 120	20 015 394	12.50kg
Peach & Nect.	6 879 143	10 949 769	2.50kg
Plums	8 372 799	20 617 088	5.25kg
Apricots	363 233	835 457	4.75kg
Oranges	75 157 143	110 521 521	15.00kg
Soft Citrus	24 685 384	40 457 095	15.00kg
Grapefruit	13 691 016	14 561 827	17.00kg
Lemons	30 189 347	51 295 318	15.00kg
Table Grapes	63 894 865	76 259 033	4.50kg
Avocados	15 014 250	50 280 669	4.00kg
Total	**291 781 899**	**440 902 189**	+51.5%

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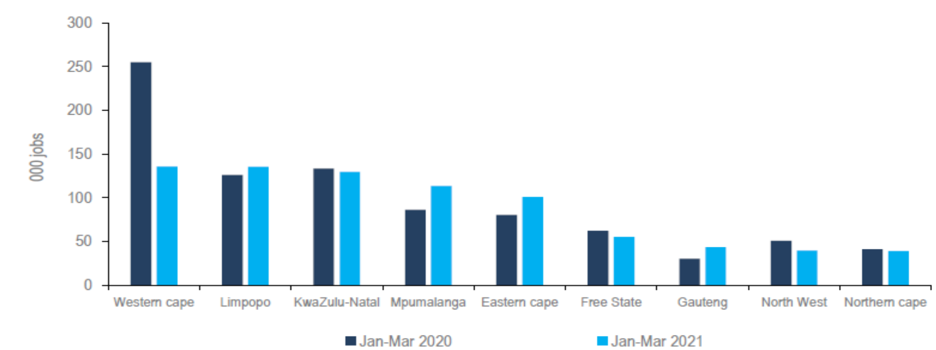
The ‘not-so-silver’ lining

- Employment has not followed growth in 2020;
- Ag jobs down 8% y/y in Q1 (Stats SA);
- Biggest drop seen in Western Cape (47%)
- Combination of factors:
    - 3 Lockdown restrictions on alcohol hit the wine industry very hard;
    - National Minimum Wage jumped by 16.1% for Ag workers in March;
    - WC biggest Ag employer in SA;

Exhibit 1: South Africa's agriculture employment

Source: Stats SA and Agbiz Research

Exhibit 2: South Africa's agriculture employment by province



Source: Stats SA and Agbiz Research

The 'not-so-silver' lining

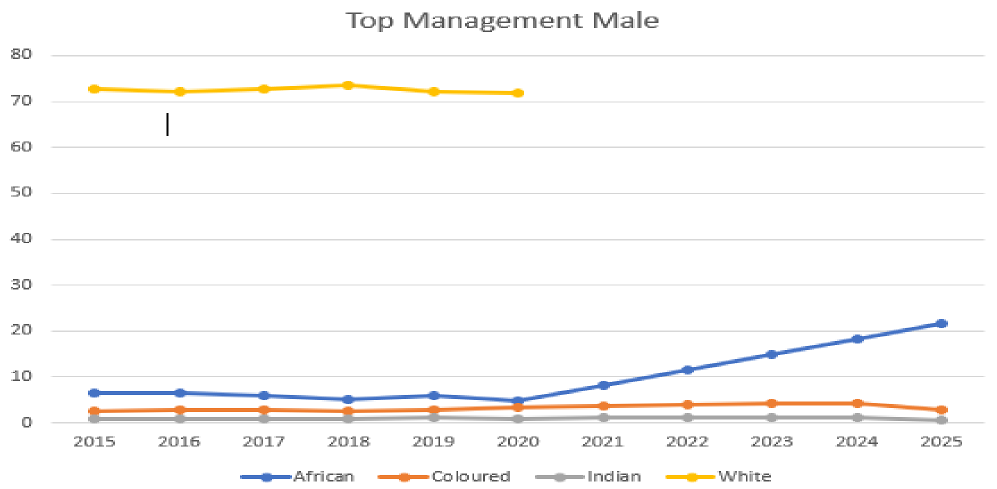
- Exceptional rain (winter & summer plantings) belies the poor state of water infrastructure & management in South Africa;
- Inefficient state capacity;
  - Biosecurity (FMD, ASF & Avian Influenza huge risks);
  - Regulatory functions (product quality inspections) being outsourced to assignees = additional costs;
- Infrastructure in rural towns – roads, water & electricity supply a huge constraint;
- Port capacity severely constrained & little investment from Treasury;
- Security concerns in rural areas;
- Continued uncertainty about property rights.

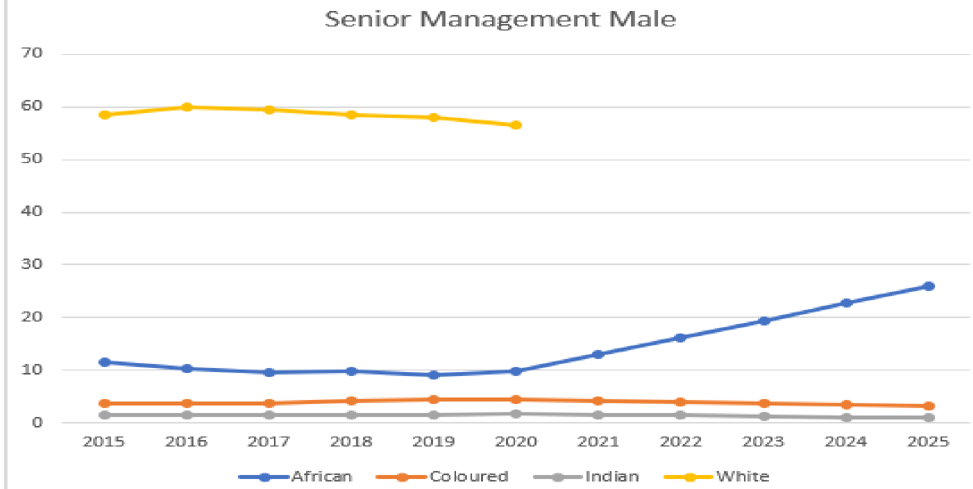
The lower contribution on agriculture by black farmers is a reason transformation is key

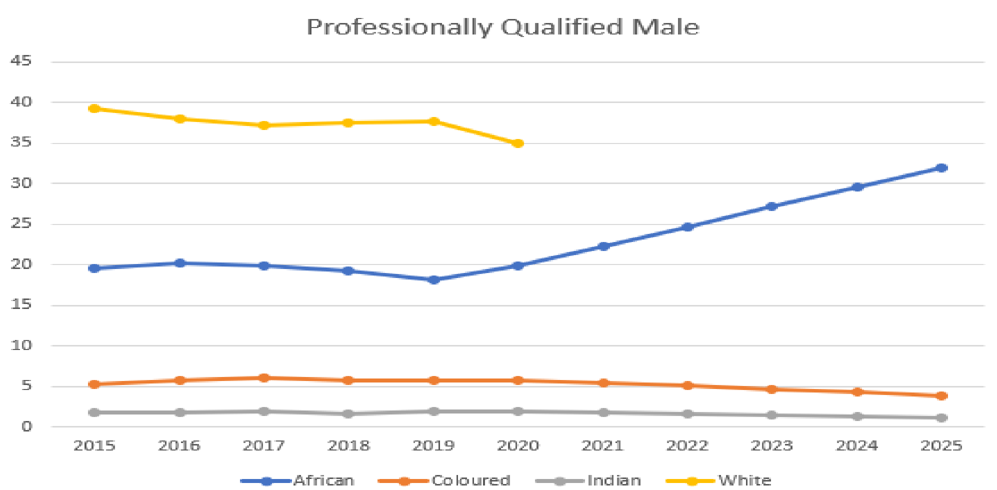
Commodities	Average: 2015 - 2019					
	Employment	Production value R'000	Black farmer share in output	Commercial farmers	Smallholder farmers	Household farmers
Maize	29,289	27,038,097	4.7%	21,024	162,583	975,776
Soybean	7,654	5,698,270	3.1%			
Wheat	2,912	5,805,830	1.3%			
Cotton	3,876	1,967,187	2.4%			
Citrus	128,219	15,046,134	2.1%	1,924	4,516	56,712
Deciduous	79,443	15,660,627	3.0%			
Viticulture	163,441	7,057,260	1.6%			
Potato	42,158	6,972,320	1.0%	3,573	10,538	120,117
Tomato	9,764	2,364,149	8.6%			
Wool	23,976	3,397,506	11.0%	13,601	123,443	1,174,696
Mohair	6,765	554,582	4.8%			
Cattle	89,752	31,992,265	34.0%			
Poultry	52,836	47,863,345	4.2%			

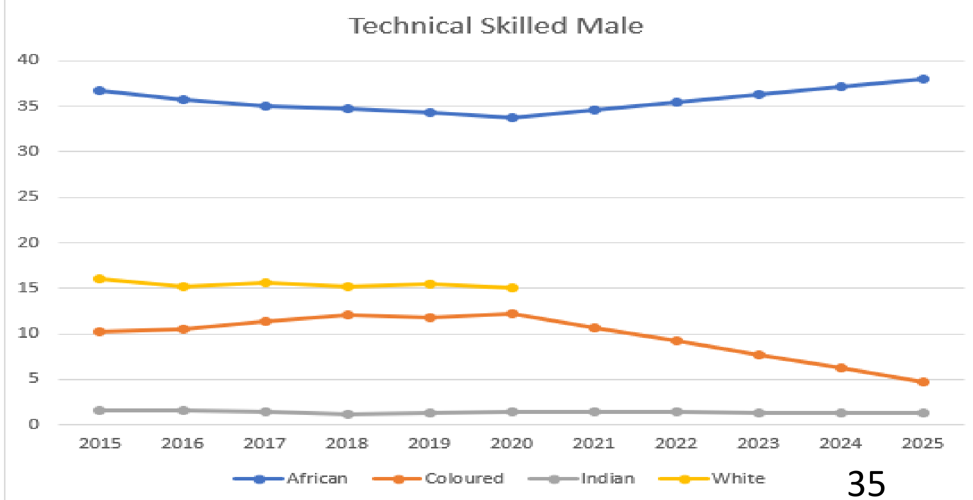
Source: NAMC & DALRRD

Employment Equity









Initiatives aimed addressing these

Agbiz Trade & Supply Chains Coordinating Committee

Logistics

Short term

- Demand dashboard across commodities;
- ‘Interface agreement’;
- Align messaging, inputs & escalation of issues;

Long Term

- PPP framework for 3rd party operators on rail & at ports;
- Inland facilities? i.e. City Deep, Harrismith, Belcon etc.

Trade

- Consolidate inputs & feedback on critical trade issues; i.e.
- SADC EU EPA review, AfCFTA, AGOA etc.
- Database of tariff & non-tariff barriers to access new markets;
- Co-ordination function.

Rural rejuvenation initiatives

- Focus on the deteriorating operating environment for rural enterprises;
- Decline in infrastructure & service delivery;
- Share best practices between agribusinesses & experts;
- Workshops;
  - Energy security;
  - Safety & security; and
  - Infrastructure – recovering costs & possible incentives;
- Look at best practice but also legal arguments;
- Work closely with organised agriculture & Consumer Goods Council of SA.

Other initiatives & achievements

- Agriculture & Agroprocessing master plan;
- Expropriation & s25 debate;
- Blended Finance Scheme;
- AgriBEE Sector Code & statutory levies;
- NMW inputs & Labour Migration Policy;
- Availability & cost of inputs – some cost factors beyond control but can focus on operating environment;
- Agbiz & NAMC designated to work with industry, also to ensure supply in light of Ukraine / Russia conflict;
- Engagement with Competition Commission.

Thank you!

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Questions?