

Globalisation versus Localisation Towards Self-sufficiency

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&

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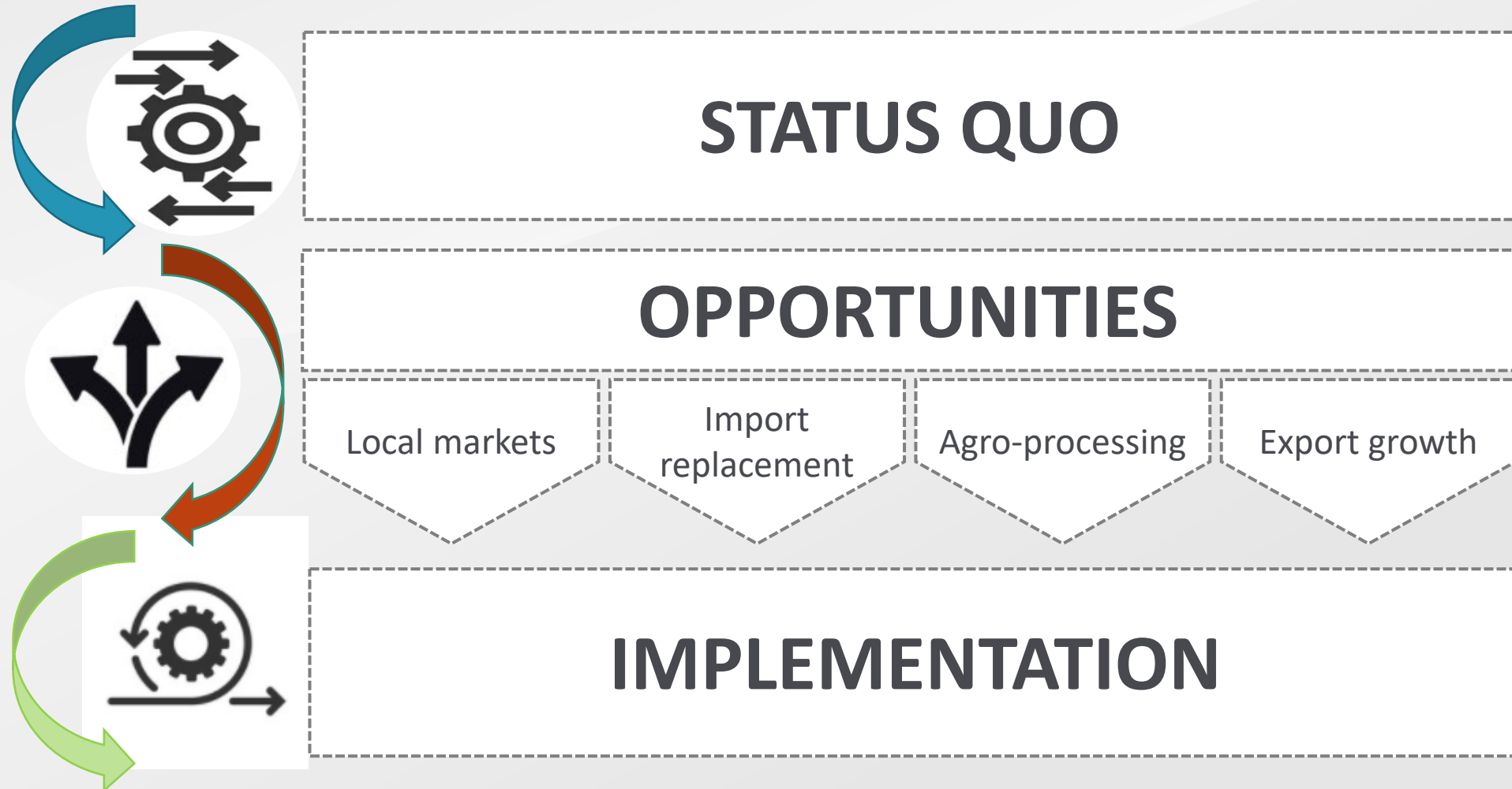


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Overview of presentation







Review of current Risk Assessments

Global Risks Scenario's, Countries at Risk, and Global Risks

FIGURE 1.1

“What is your outlook for the world over the next three years?”

 Negative scenarios  Positive scenario



Source: WEF, 2022

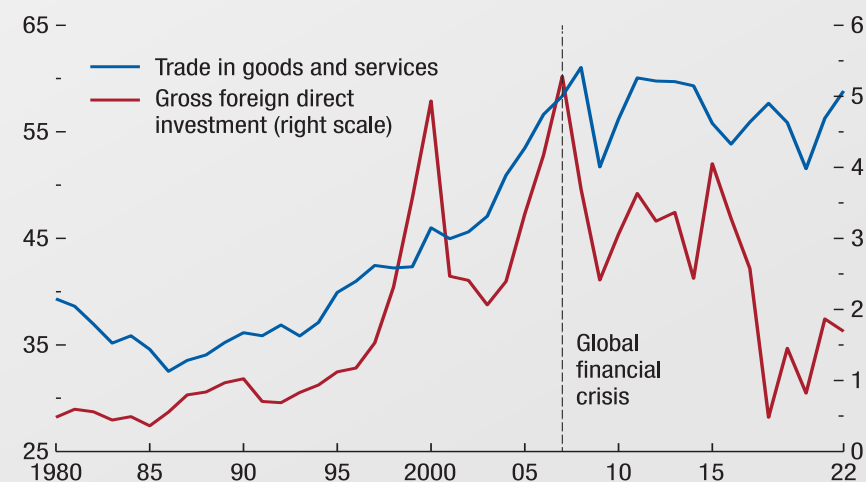
Global growth continually adjusted lower

Prolonged inflationary pressures, impact of the war and monetary tightening

Y-o-Y % change	IMF				2023		2024		
	2019	2020	2021	2022	WB- Jan	OECD -Mar	WB	OECD	
World	2.9	-3.1	6	3.4	1.7	2.6	2.7	2.9	
Advanced countries	1.7	-4.5	5.2	2.7	0.5	2.6	1.6	2.9	
US	2.3	-3.4	5.7	2	0.5	1.5	1.6	0.9	
Euro area	1.2	-6.4	5.2	3.5	0	0.8	1.6	1.5	
Japan	1	-4.5	1.7	1.4	1	1.4	0.7	1.1	
China	6.1	2.3	8.1	3	4.3	-	5	-	
India	4.8	-7.3	8.7	6.8	6.6	5.9	6.1	7.1	
South Africa	0.2	-6.4	4.9	2.6	1.4	0.6	1.4	0.9	
Nigeria	2.2	-1.8	3.6	3	2.9	-	2.9	-	
Sub Saharan Africa	3.1	-1.7	4.7	3.8	3.6	-	3.9	-	

Figure 4.1. “Slowbalization”
(Percent of GDP)

Foreign direct investment sharply declined after the global financial crisis.

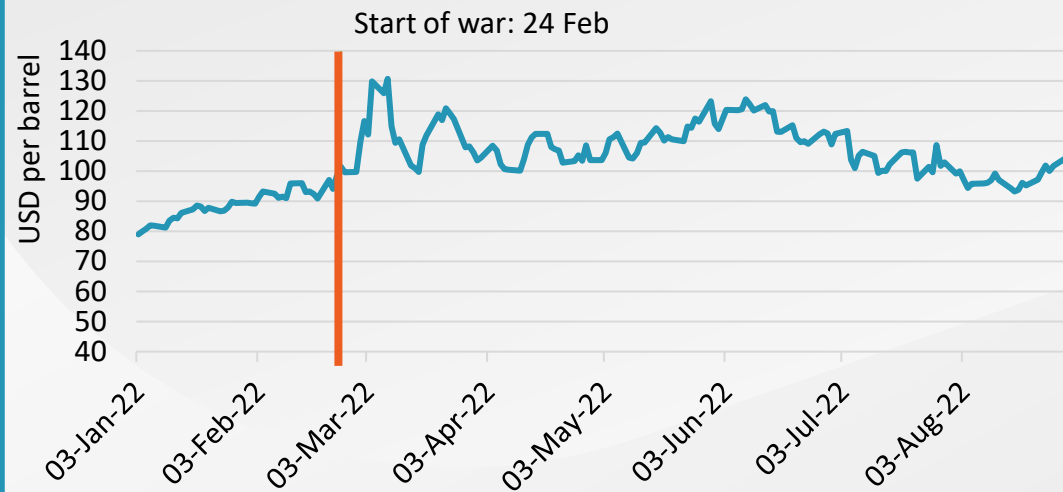


Source: IMF staff calculations.

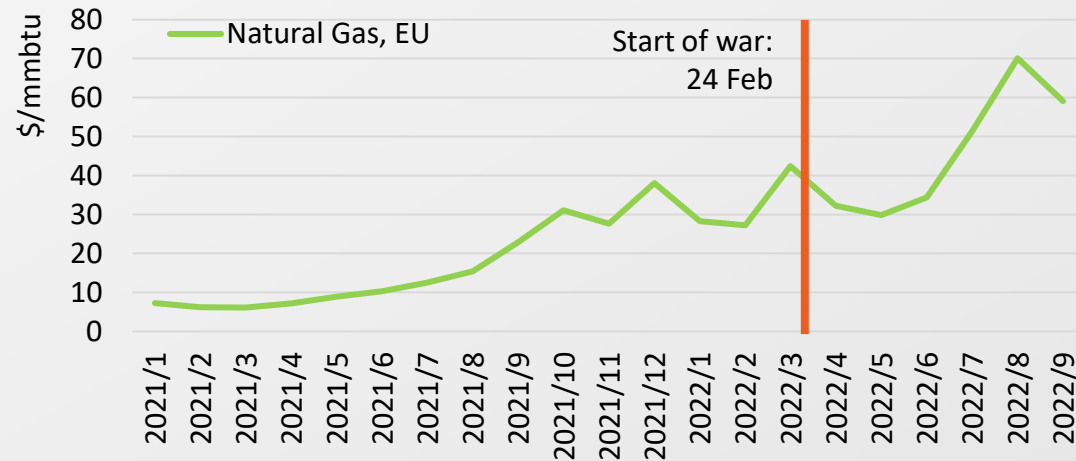
- Global growth again adjusted downward and remains well below 2021 and 2022 levels
- Persistence of inflation, although energy prices have come down in the past few months.
- Many factors are weighing on global growth prospects for 2023 – including the Russian war in Ukraine, consequent inflationary challenges and responses by most central banks of rising interest rates to control inflation
- At the same time, China’s reopening after 3 years of COVID-19 related restrictions have paved the way for a faster than initially expected recovery in China, which will support global prospects to some extent

Energy prices have peaked and trending downwards

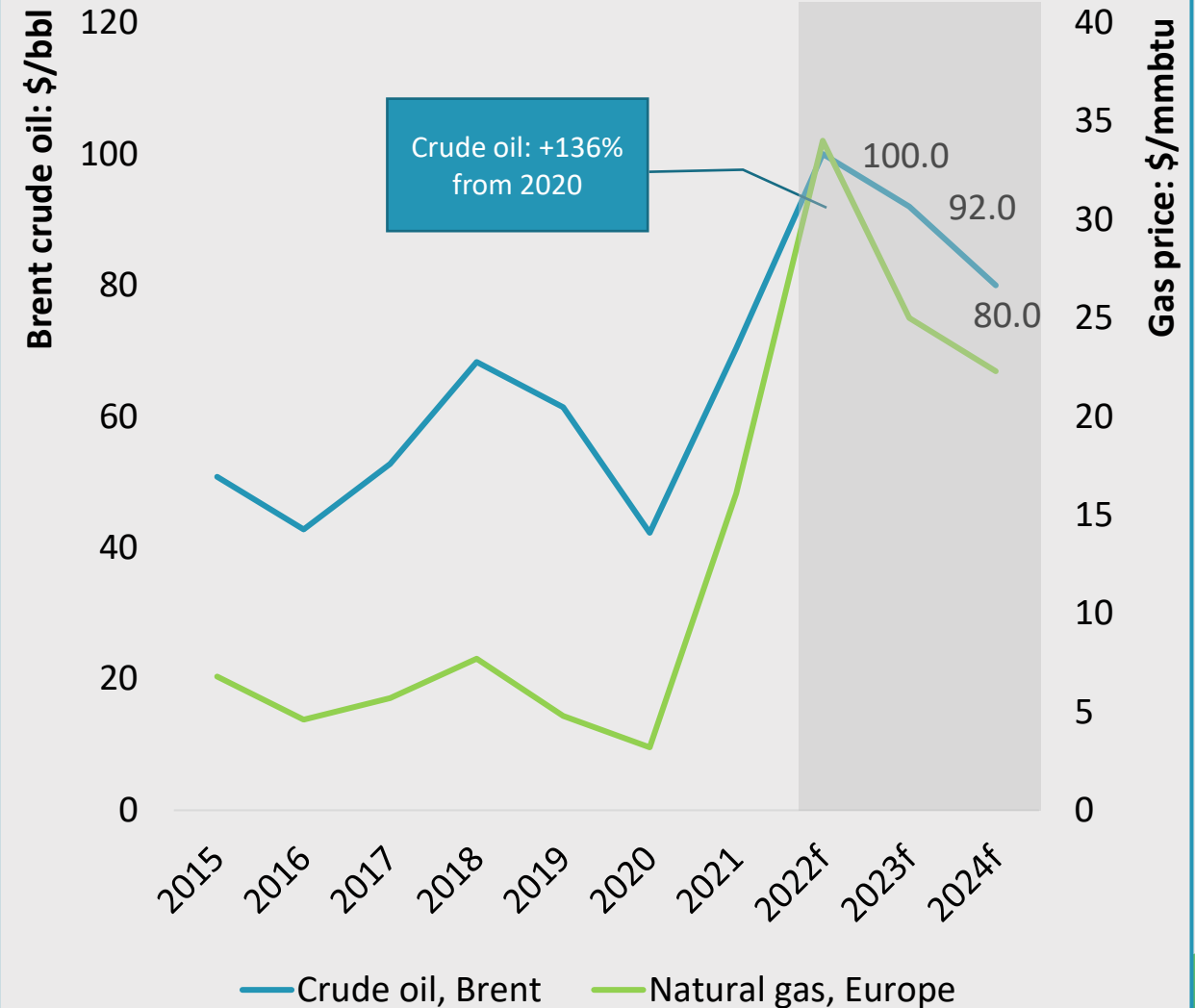
Brent crude oil prices



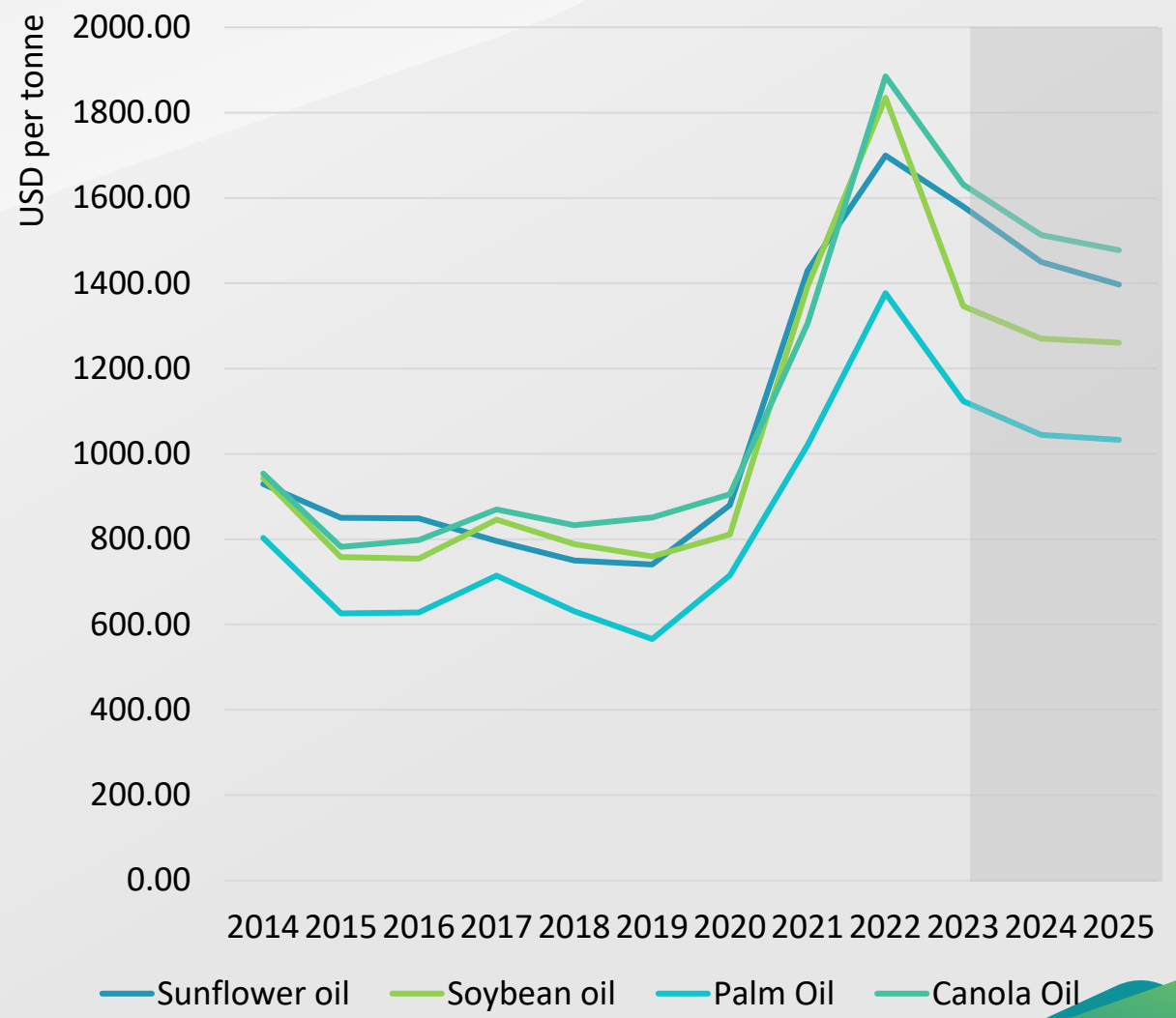
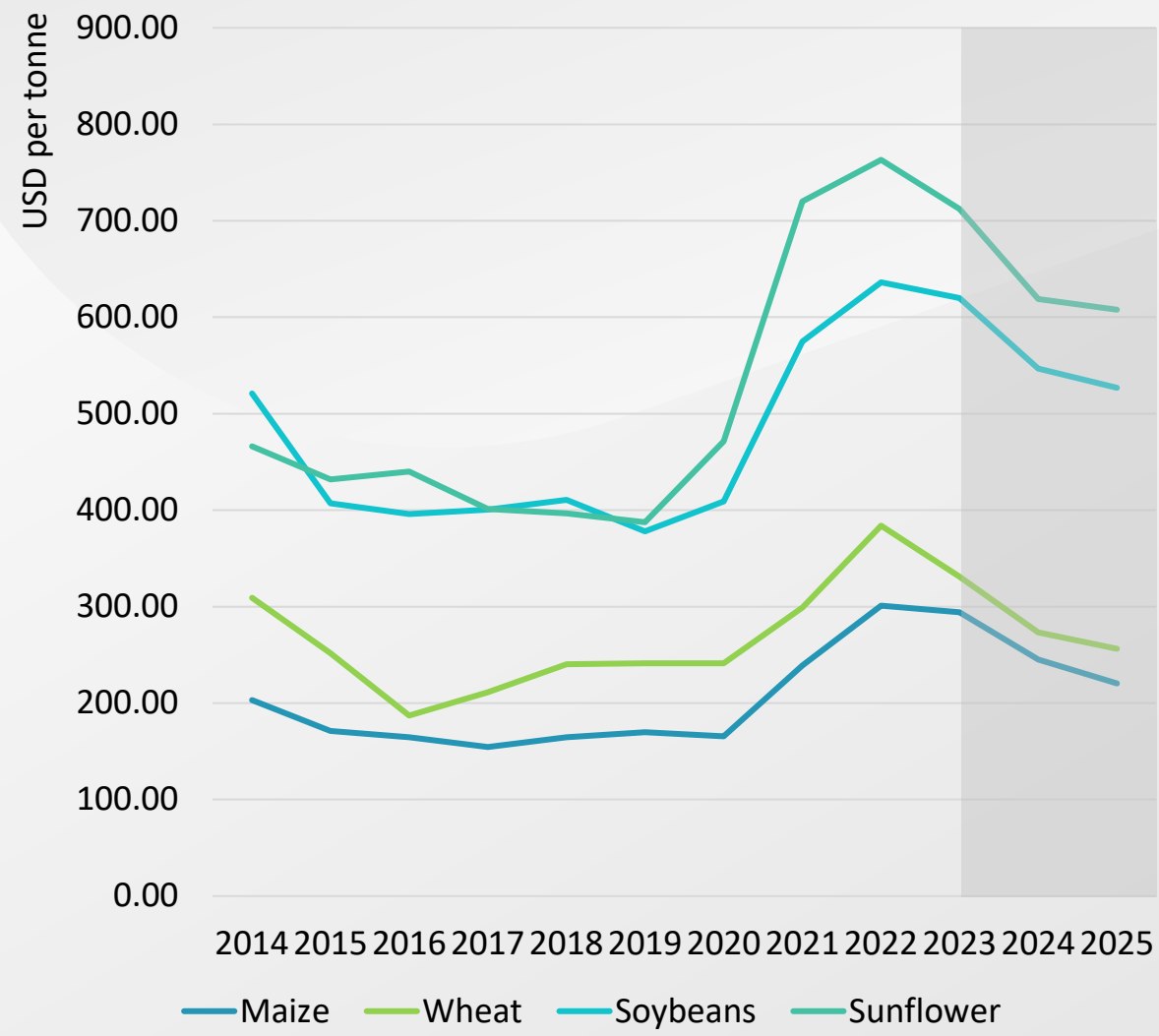
Natural Gas Prices



Energy Price Outlook: World Bank expects slow decline



Global agricultural markets are trending downwards



Source: FAPRI, 2022

Global fertiliser trade

Top 10 countries that trade in fertiliser



Brazil imports from Russia: +14% yoy in March, +31% yoy in April

Source: BFAP compiled from ITC Trademap, 2022

Global Fertiliser Imports
Average 2019-2021



Global Fertiliser Exports
Average 2019-2021

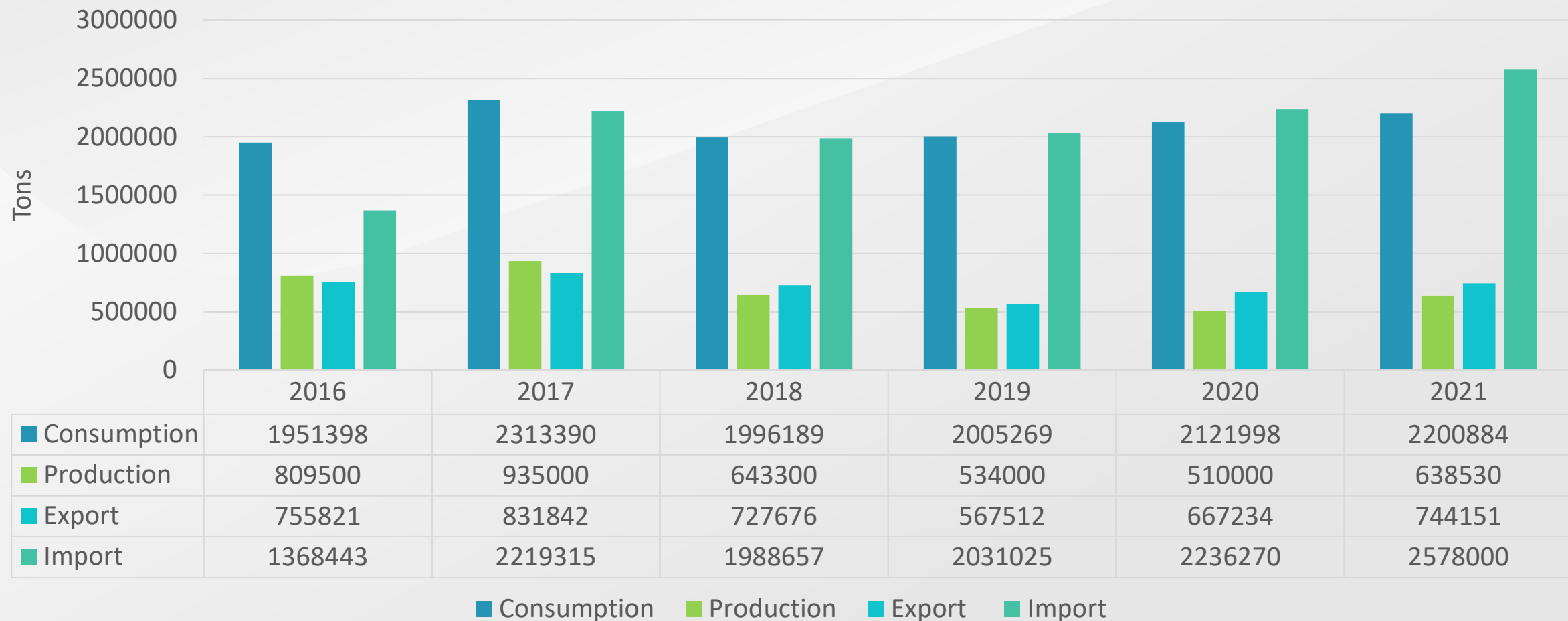


- Russia exports 14,1% of total global fertiliser followed by China with 12,5%
- Brazil Imports 13,9% of global fertiliser followed by India with 10,1%
- USA is a net importer of fertiliser with a value of \$3,78 Billion

SA is highly dependent on fertilizer imports.

Approx 25% is produced locally (N, P, but no K)

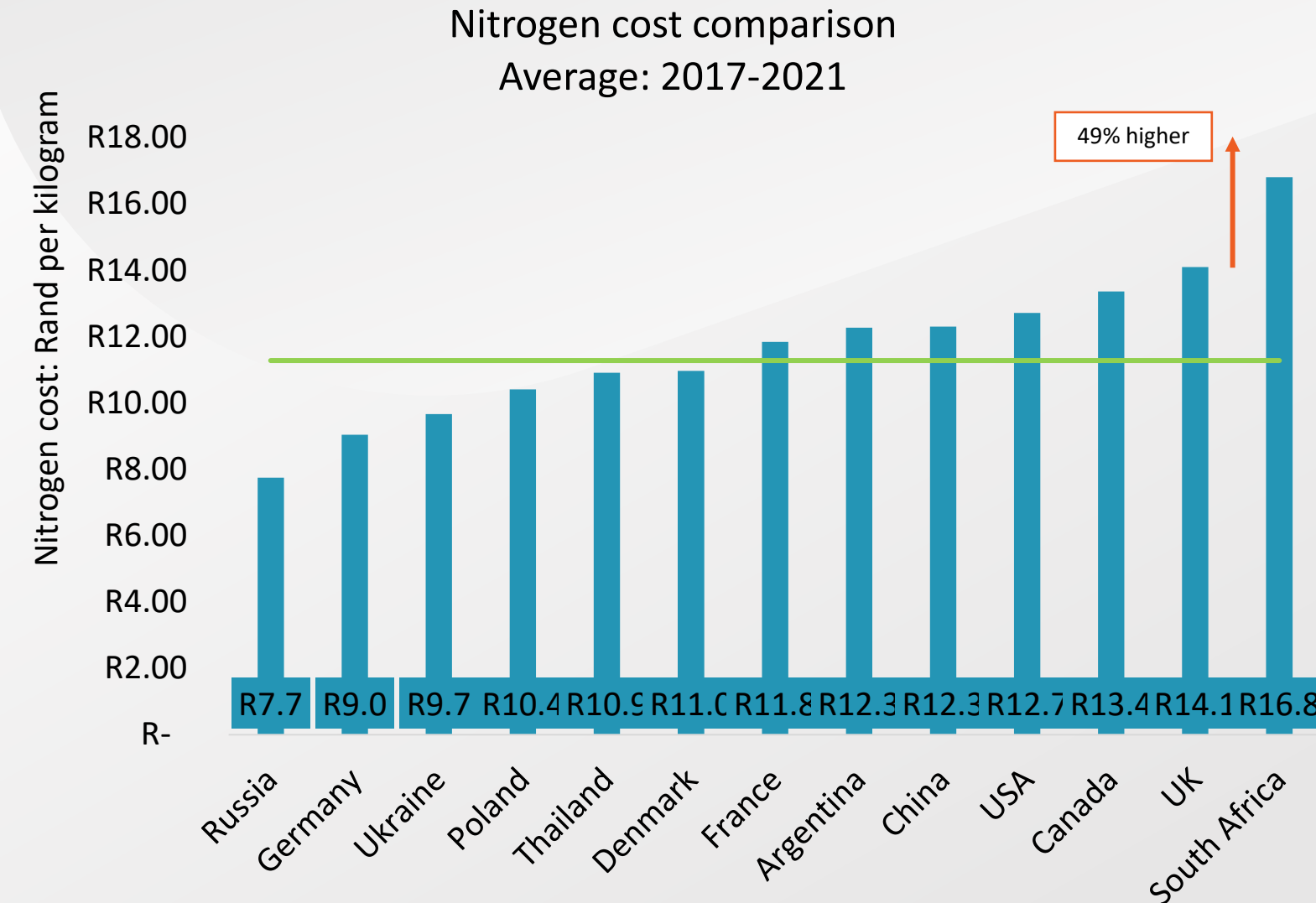
Physical tons of Fertilizer (RSA)



Source: Fertasa, 2022

Global nitrogen cost competitiveness

South African farms pay roughly 49% more compared to international sample space of 12 countries



Approach:

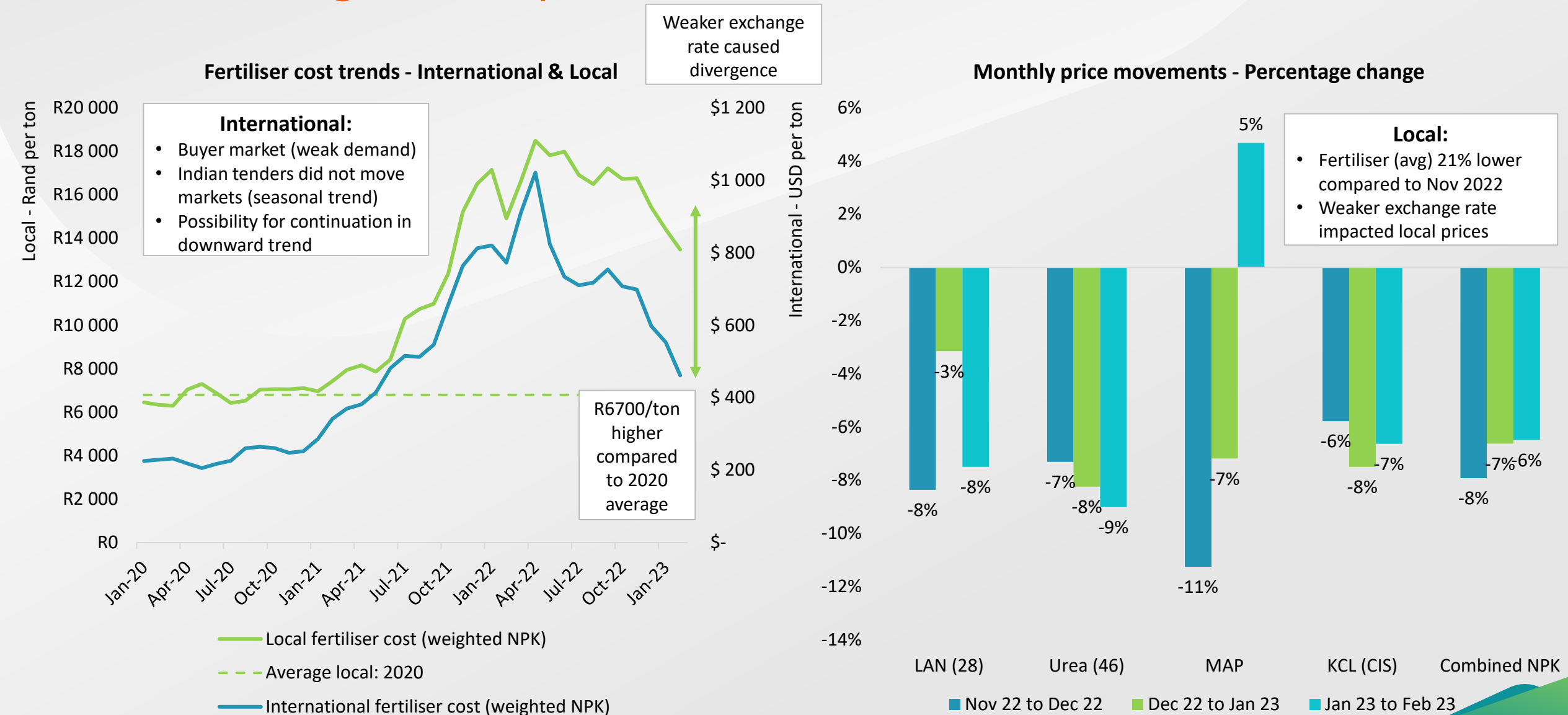
- Compared cost of nitrogen in 13 countries, including South Africa
- N-cost per kilogram = Total nitrogen (nutrient equivalent) cost per hectare divided by nitrogen applied
- Average calculated across crops: Maize, soybeans, wheat, barley, sunflower, oats, canola, linseed, lentils, potatoes, sugar beet and rice

Findings:

- Over the period between 2017 to 2021, South Africa indicated the highest cost of nitrogen = R16.80/kg
 - Eastern Free State = lowest
 - Northern / Western Free State = highest
- On average, South African farms paid 49% more for nitrogen compared to the international sample average
- Lowest cost observed in Russia followed by Germany and Ukraine (below R10/kg)

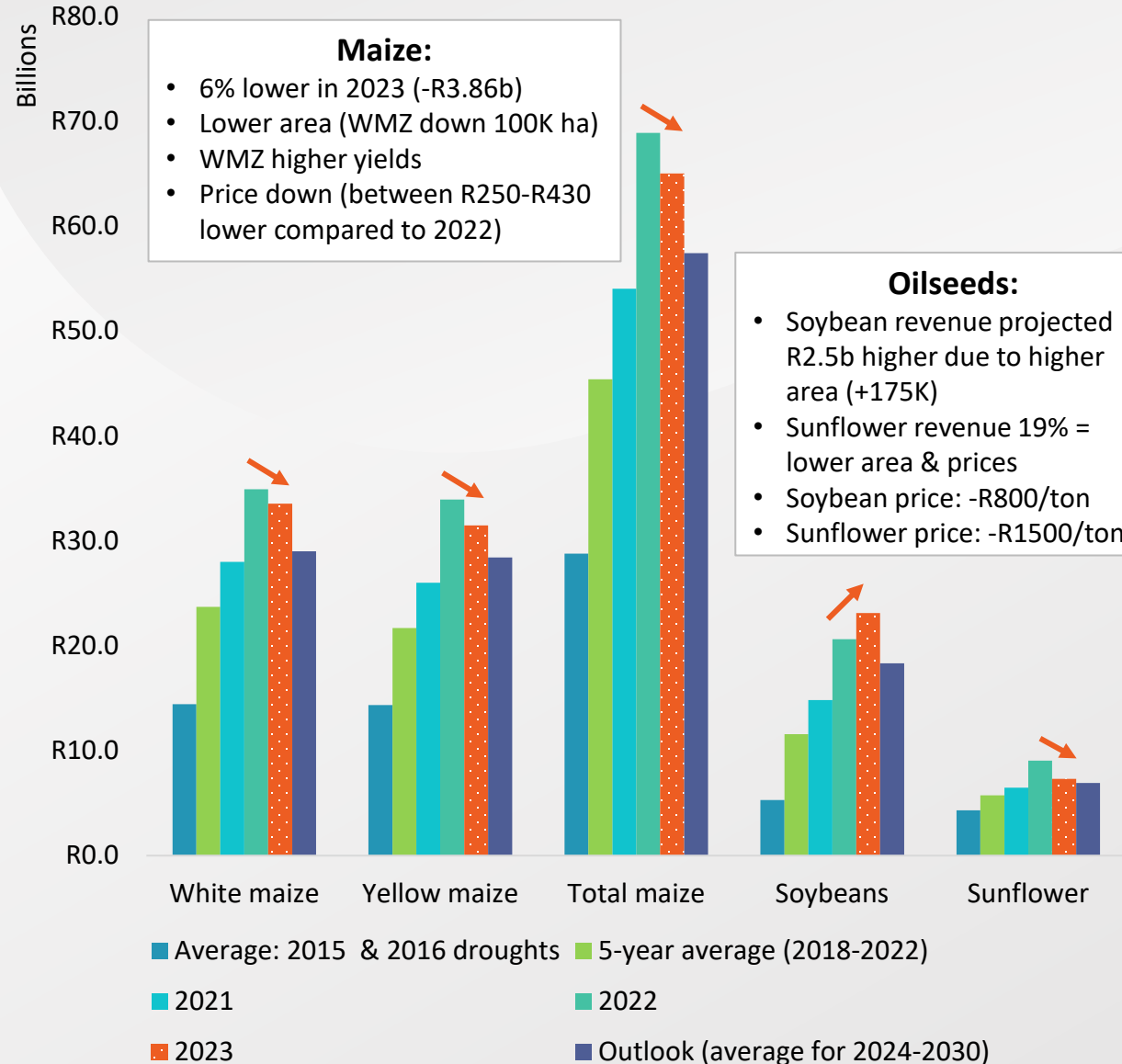
Fertilizers: Both international and local prices continued downward trend

Weaker exchange rate impacts local costs

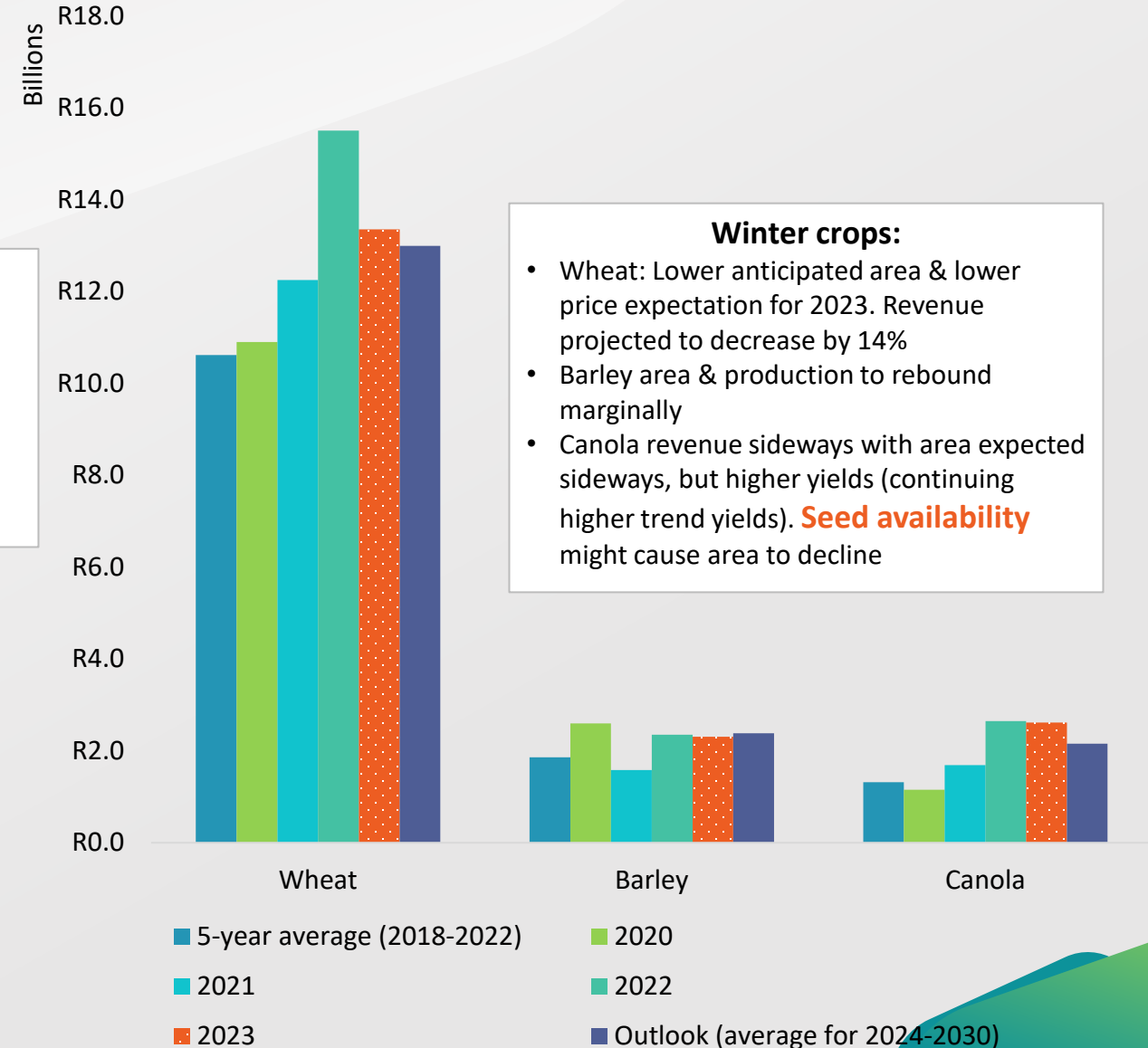


Gross Production Value: Lower projected prices to drive down revenue

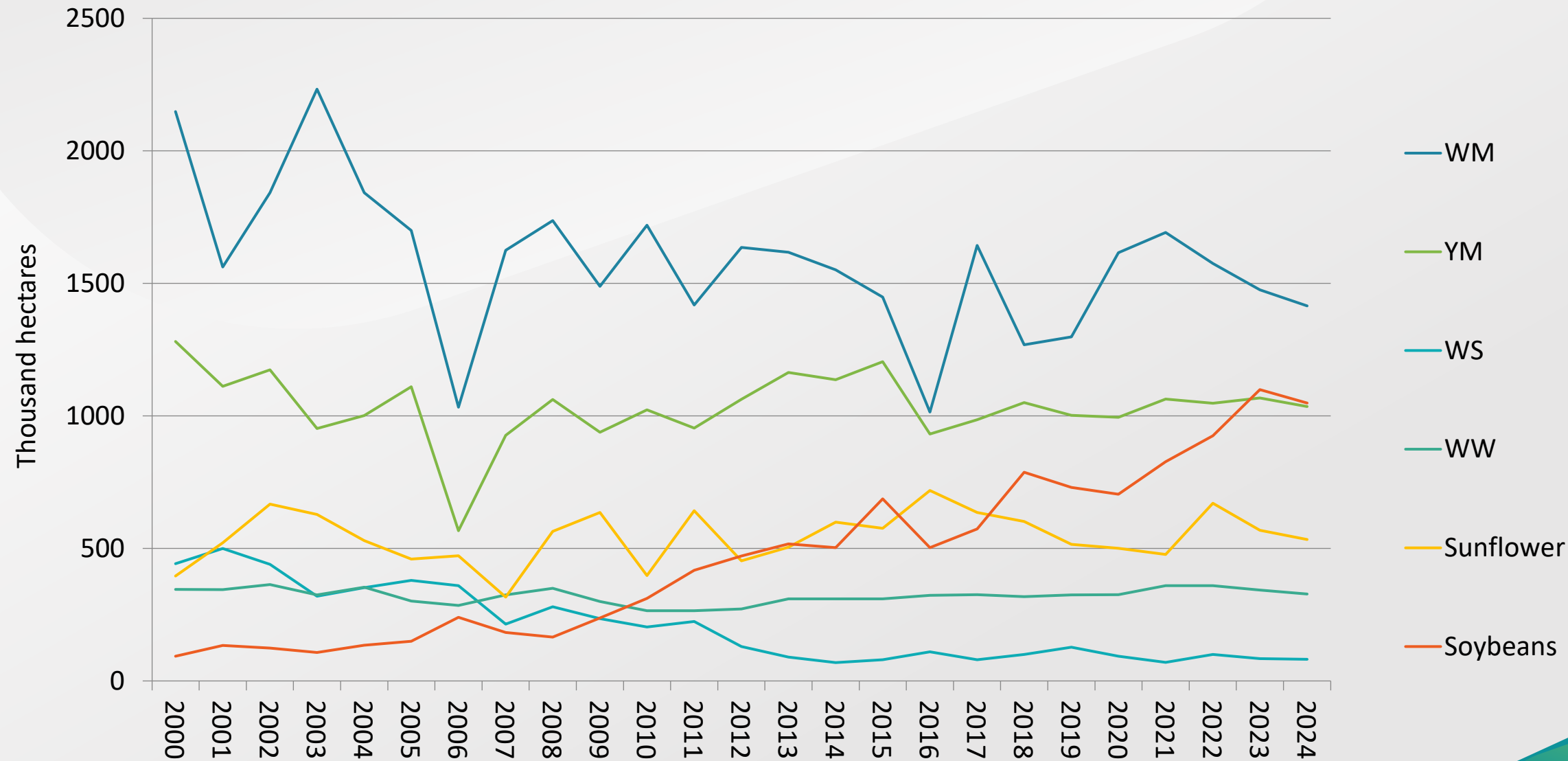
Gross production value: Summer crops



Gross production value: Winter crops

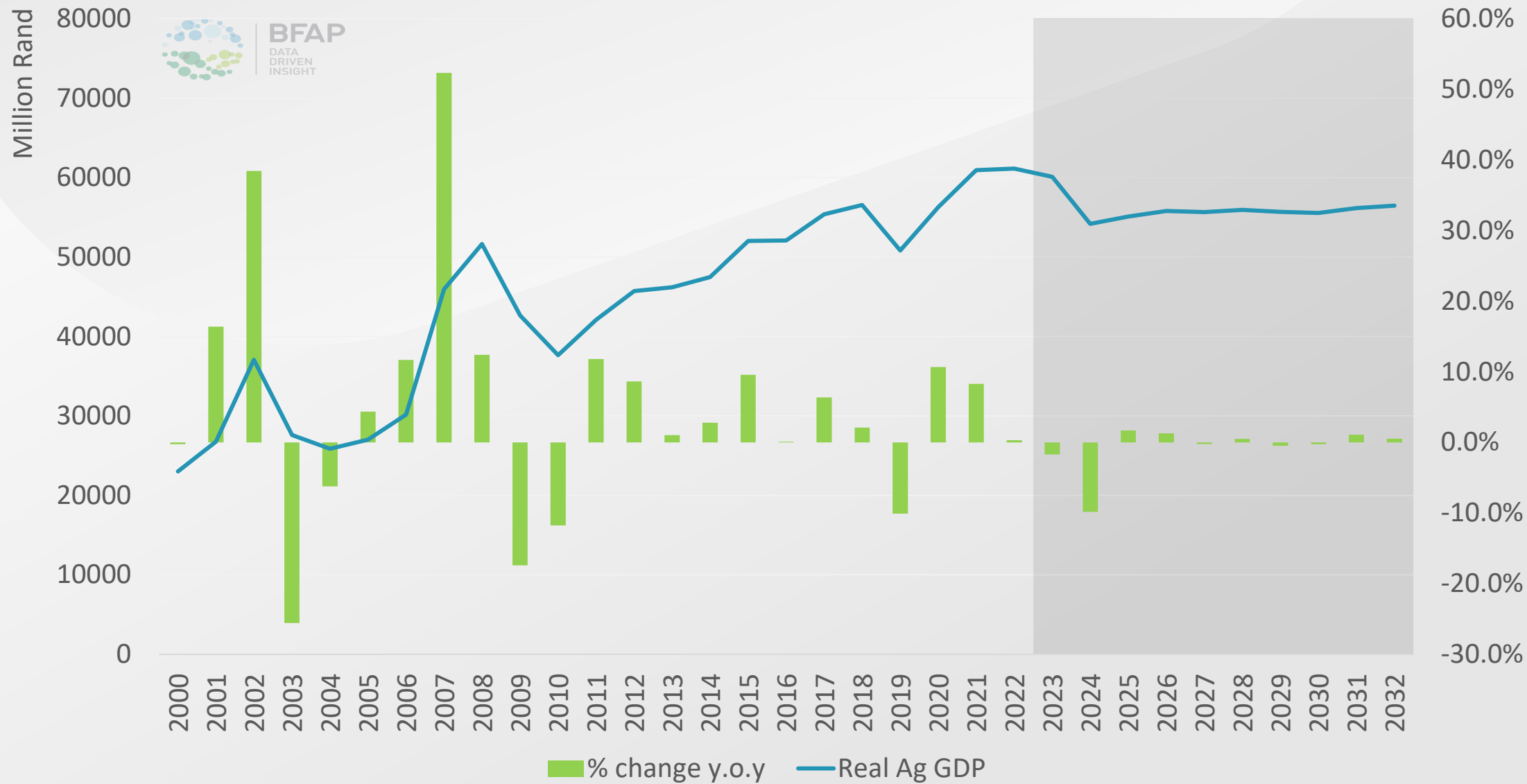


Total summer area increased over past 5 years, but projected to decline marginally in near future





Agriculture has been a top performer in SA economy - but uncertainty abounds & slowdown expected





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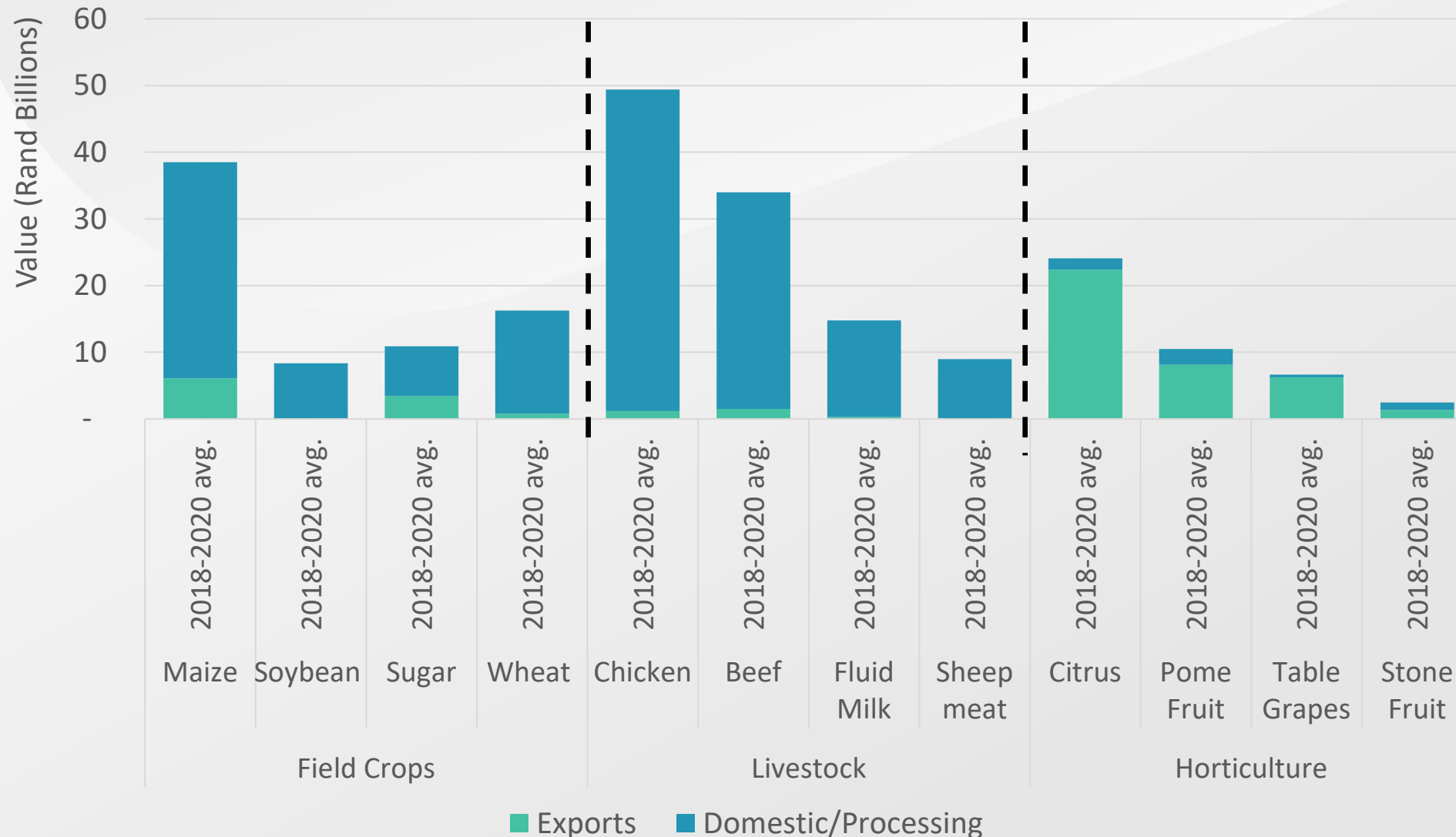
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Identifying opportunities amidst imminent risks & inefficiencies



The Markets: Critical to ensure sustainability

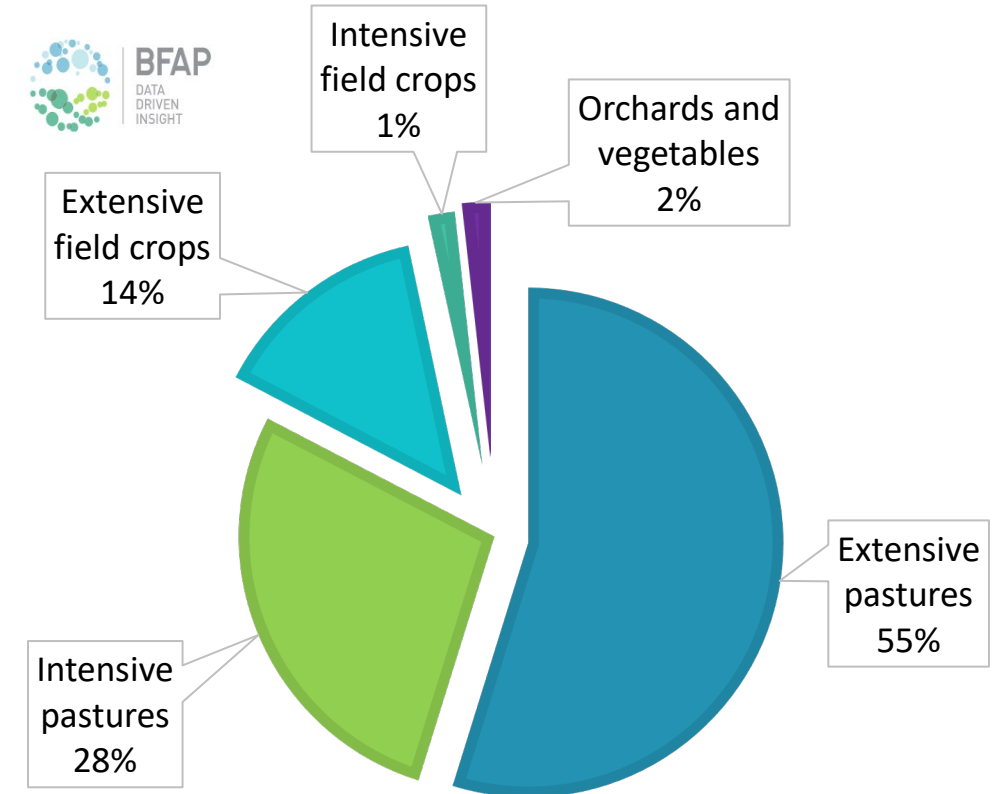
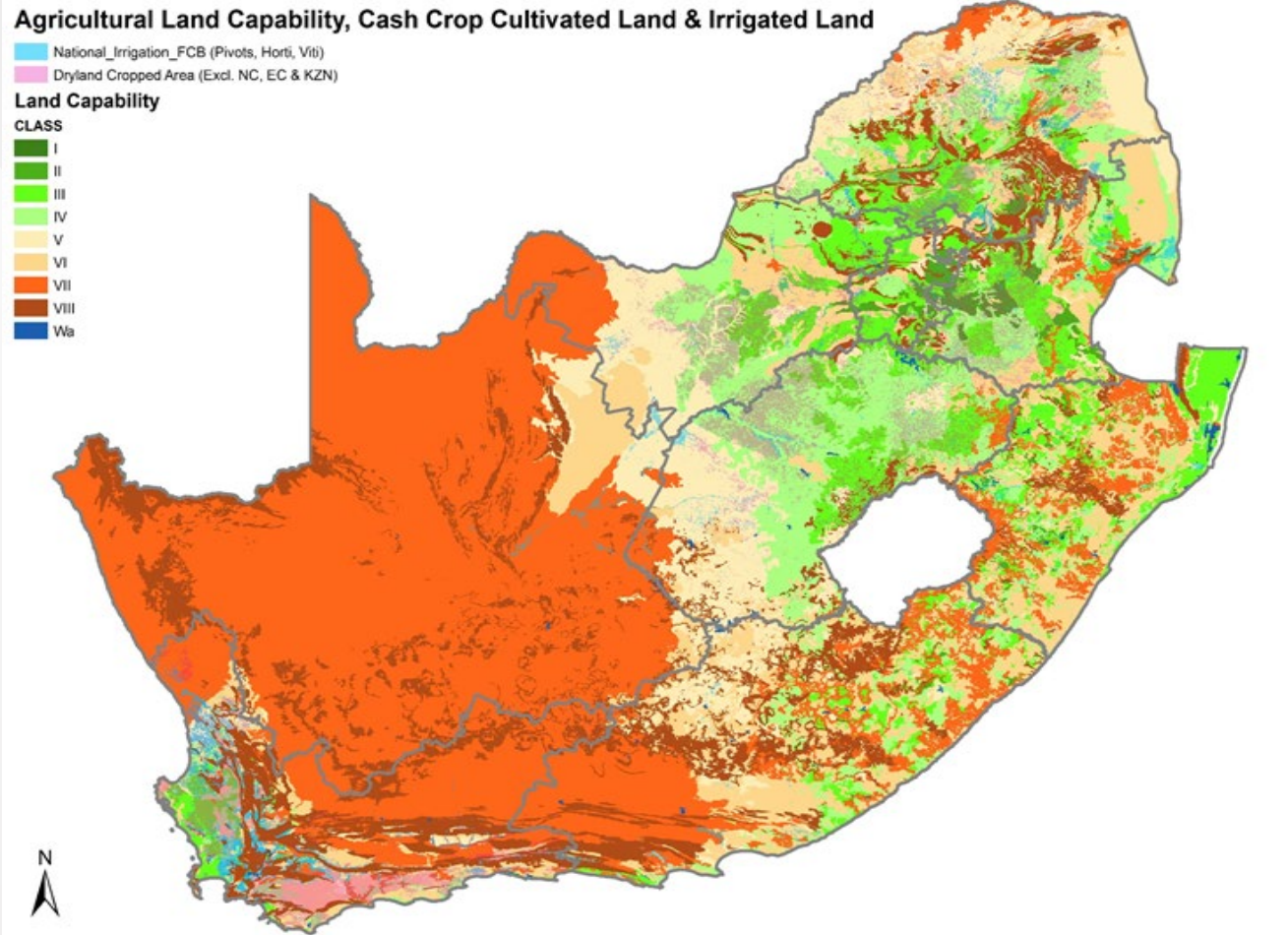
Combination of local, regional & global markets necessary to create the “demand pull”



- Growing role for exports in beef sector, key factor supporting prices through 2020 & 2021
- Livestock & Field Crop sectors predominantly reliant on domestic markets
- Fruit sectors very much export orientated

The land: Natural resources under pressure

SA is semi-arid country with weak resource base of agriculture – regular climate volatilities



The farmers: SA has diverse farming systems

Large-scale: targeting global markets & growing urbanization

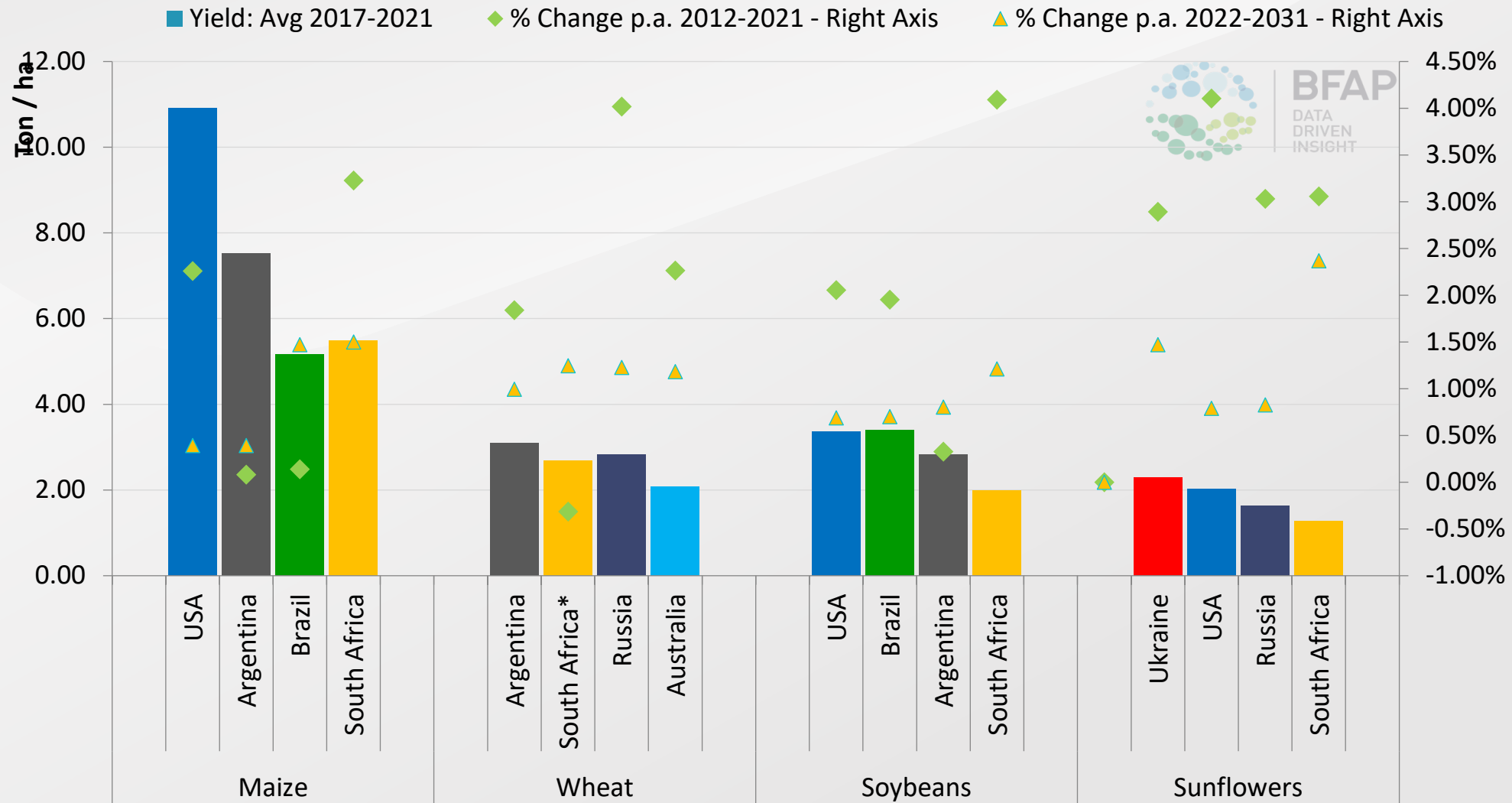
Small-scale: strength on shorter chains

Number of farms and households	Commercial Farming Units by Turnover				Smallholder	HH's
	Large (R22.5 million)	Medium-Small (R2.25 million - R22.5 million)	Micro (=R2.25 million)	Total		
Field Crops	387	2 474	5 698	8 559	162 583	975 776
Mixed farms	812	4 409	7 237	12 458		
Horticulture	649	1 966	2 028	4 643	15 054	176 829
Livestock & other	703	3 431	9 505	13 639	123 443	1 174 696
South Africa	2 610	12 570	24 942	40 122	301 080	2 327 301
Employment	389 421	284 111	84 097	757 628		

Source: Stats SA 2019; GHS, 2019

Driving efficiency gains towards global competitiveness

SA's avg growth in yields faster than global average





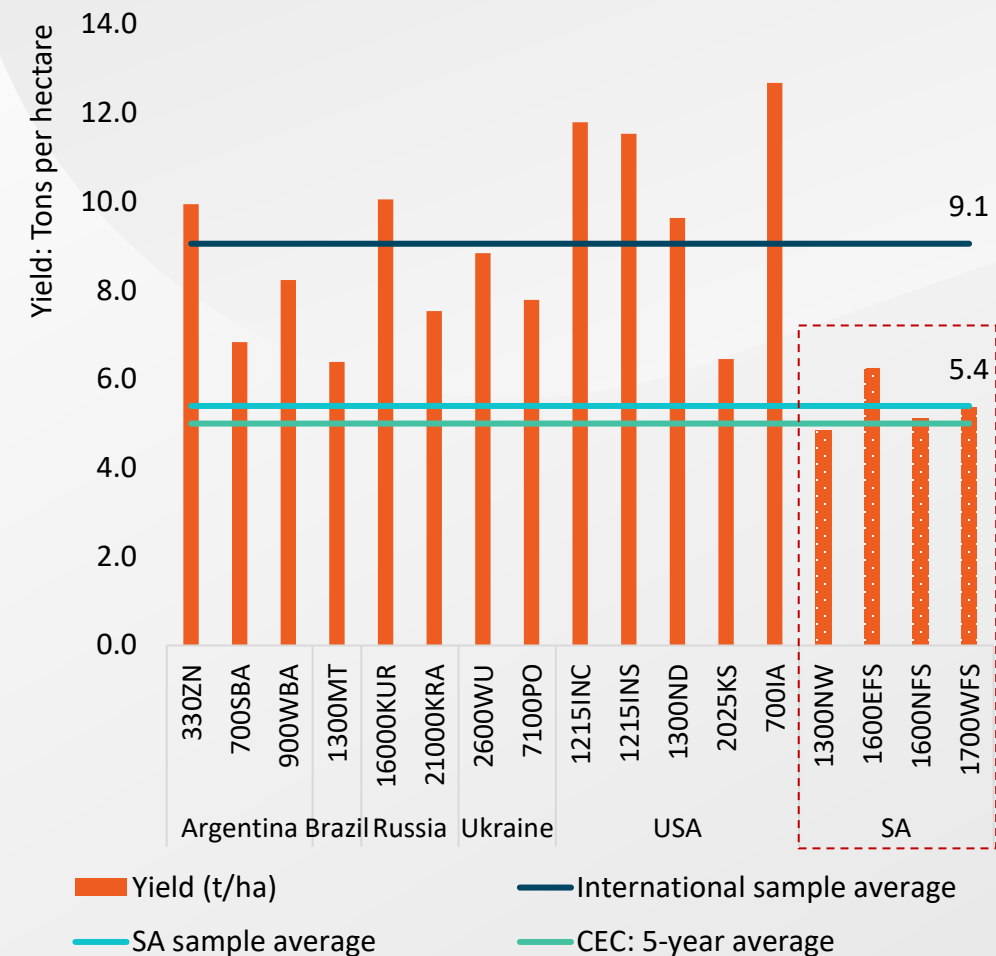
Improvement in maize competitiveness – but further efficiency required



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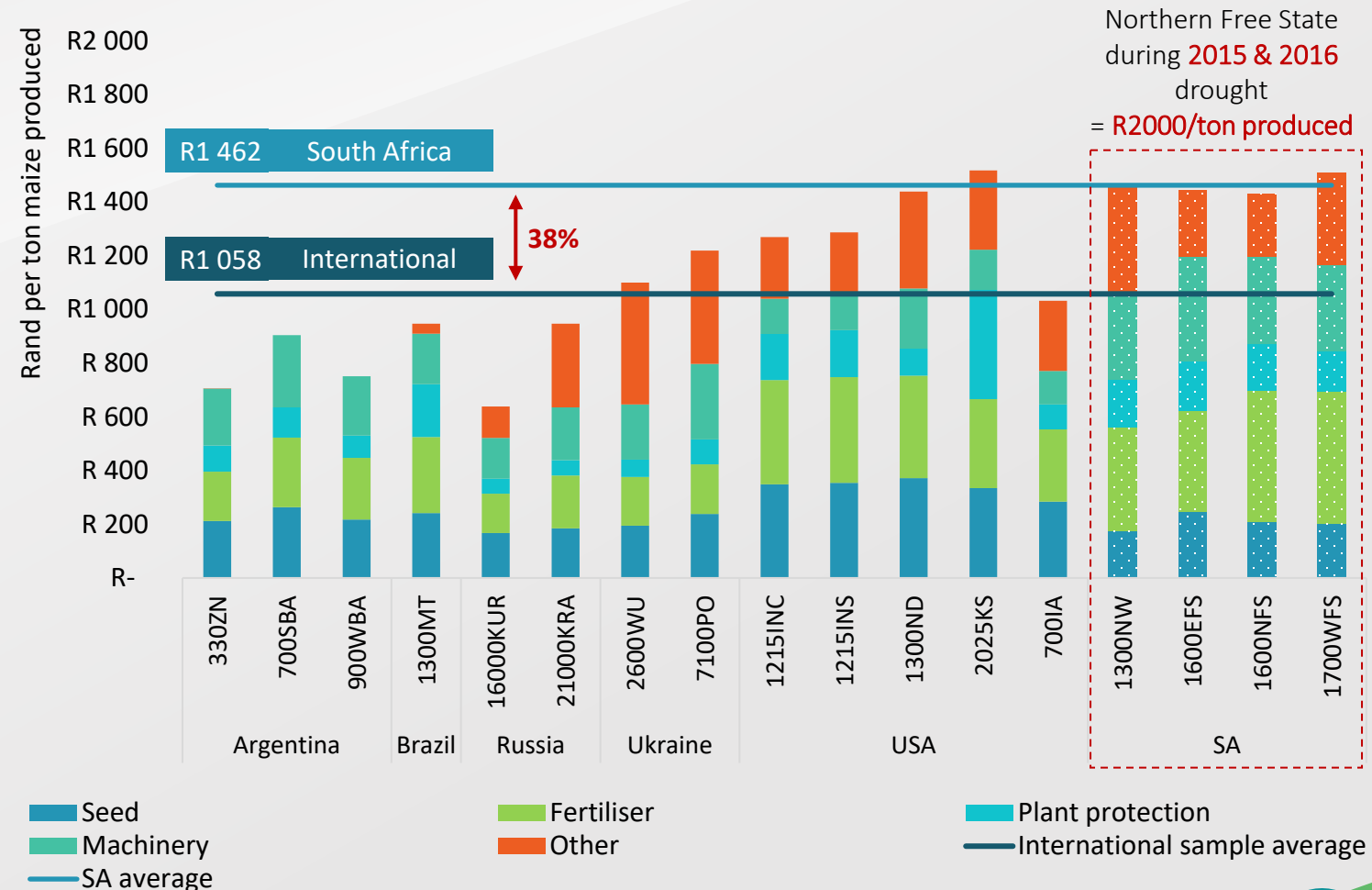
Maize: **Yield** comparison

Average: 2017-2021

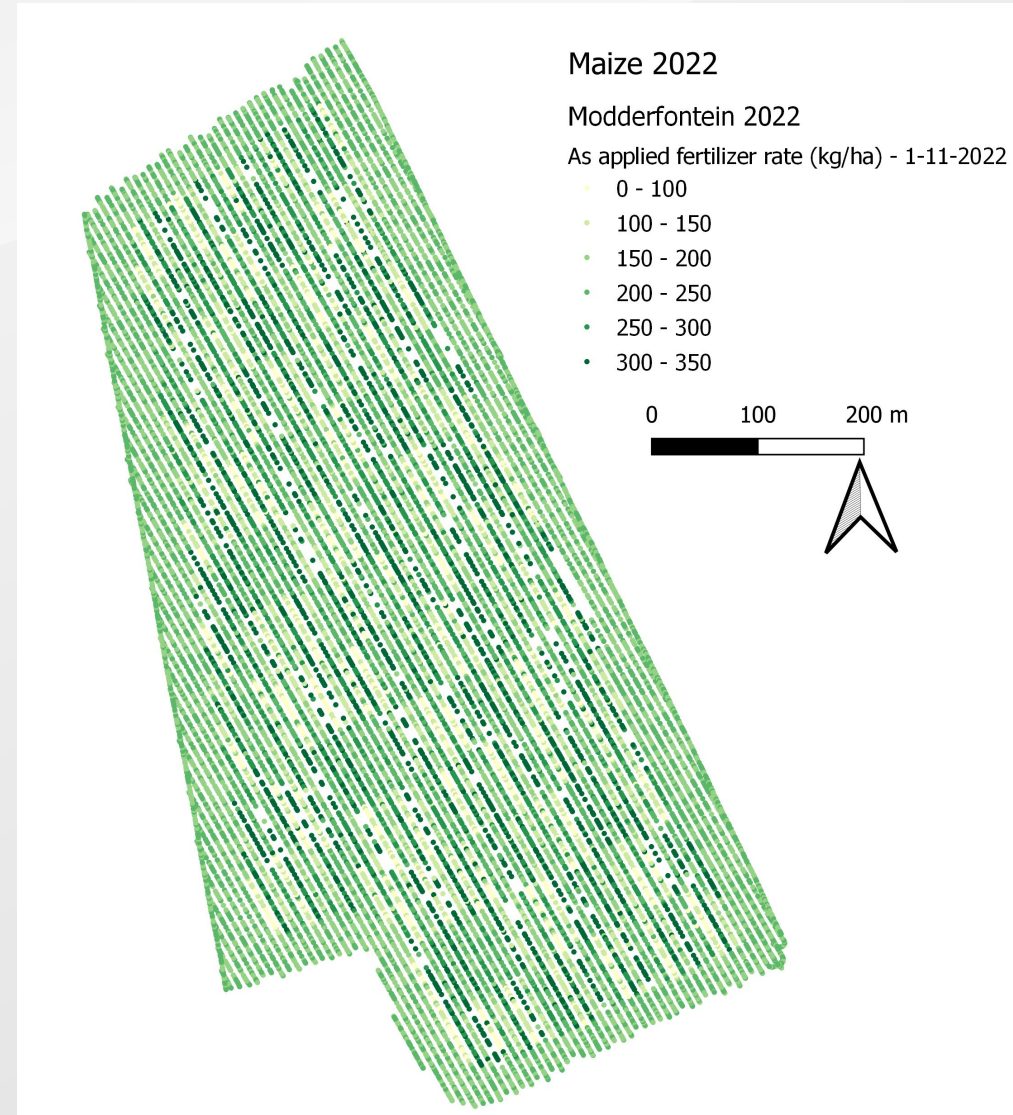
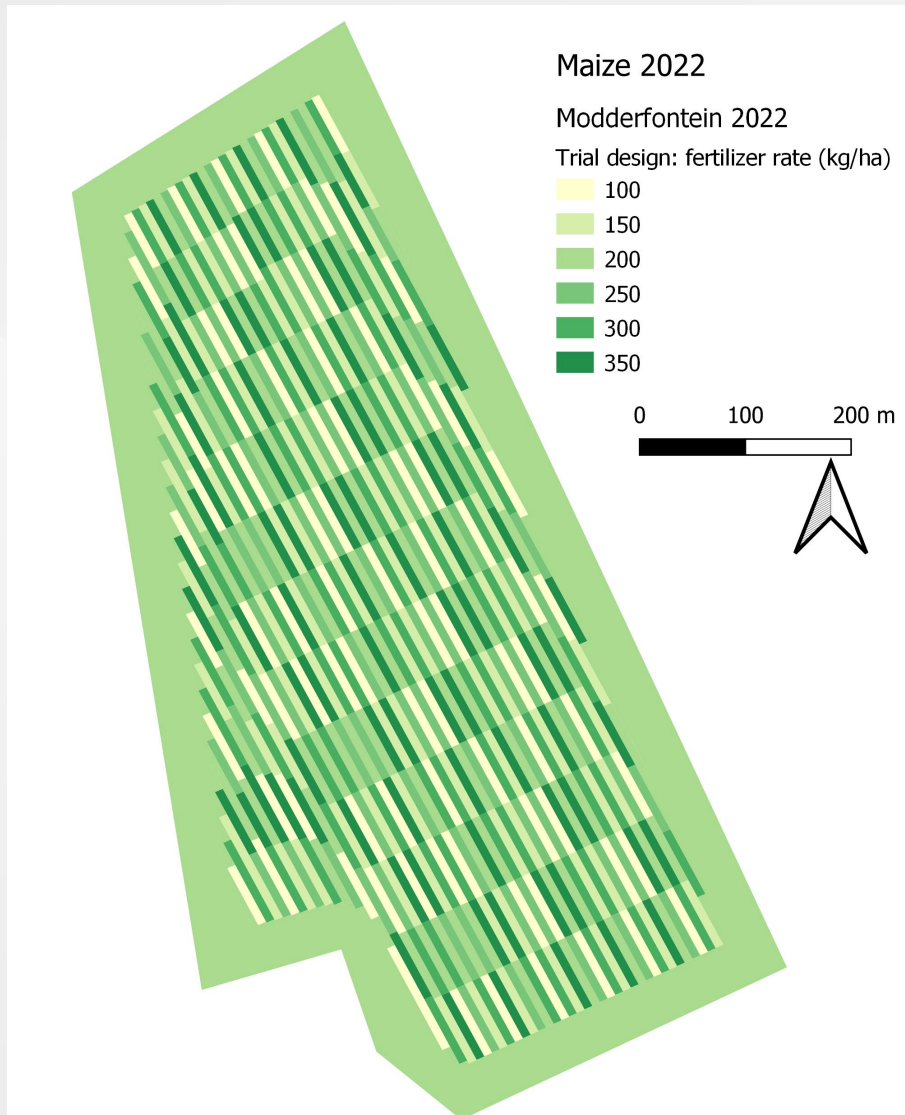


Maize: **Direct cost** comparison – Rand per ton maize produced

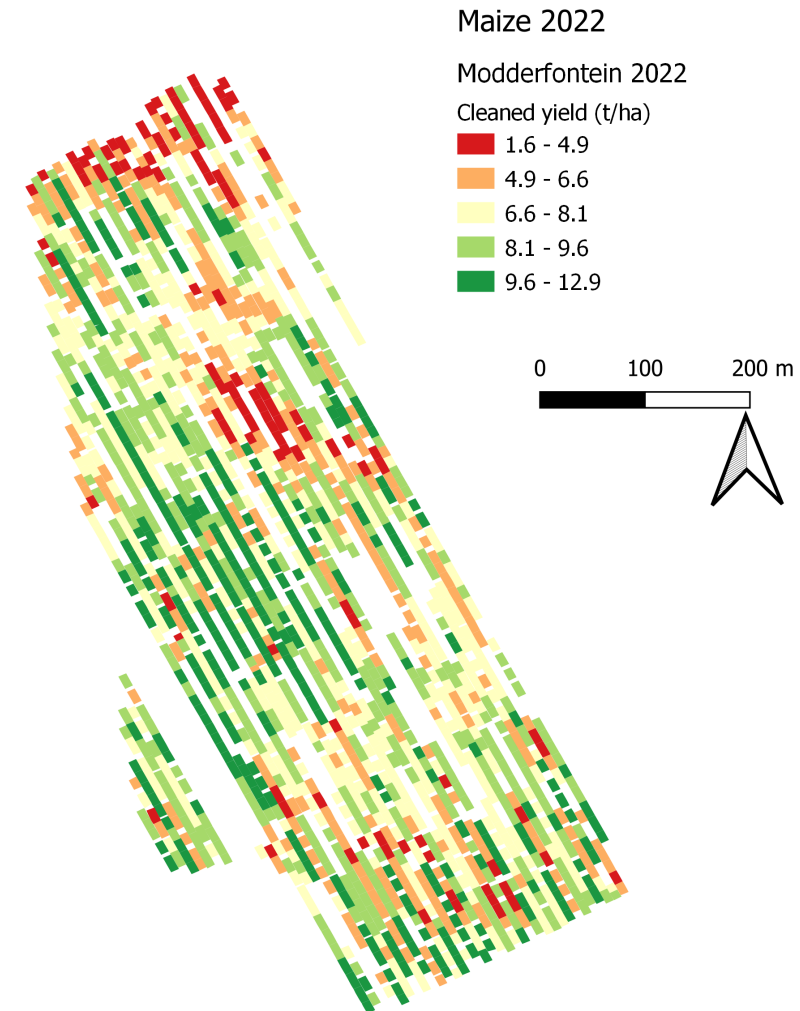
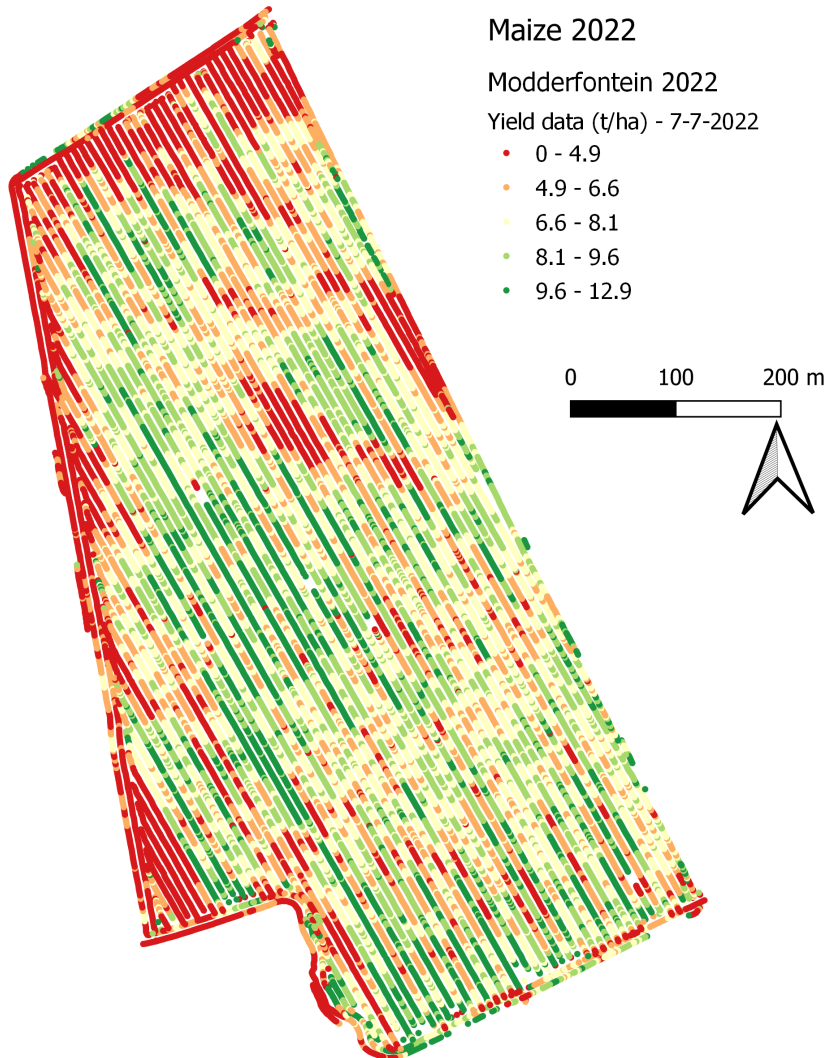
Average: 2017-2021



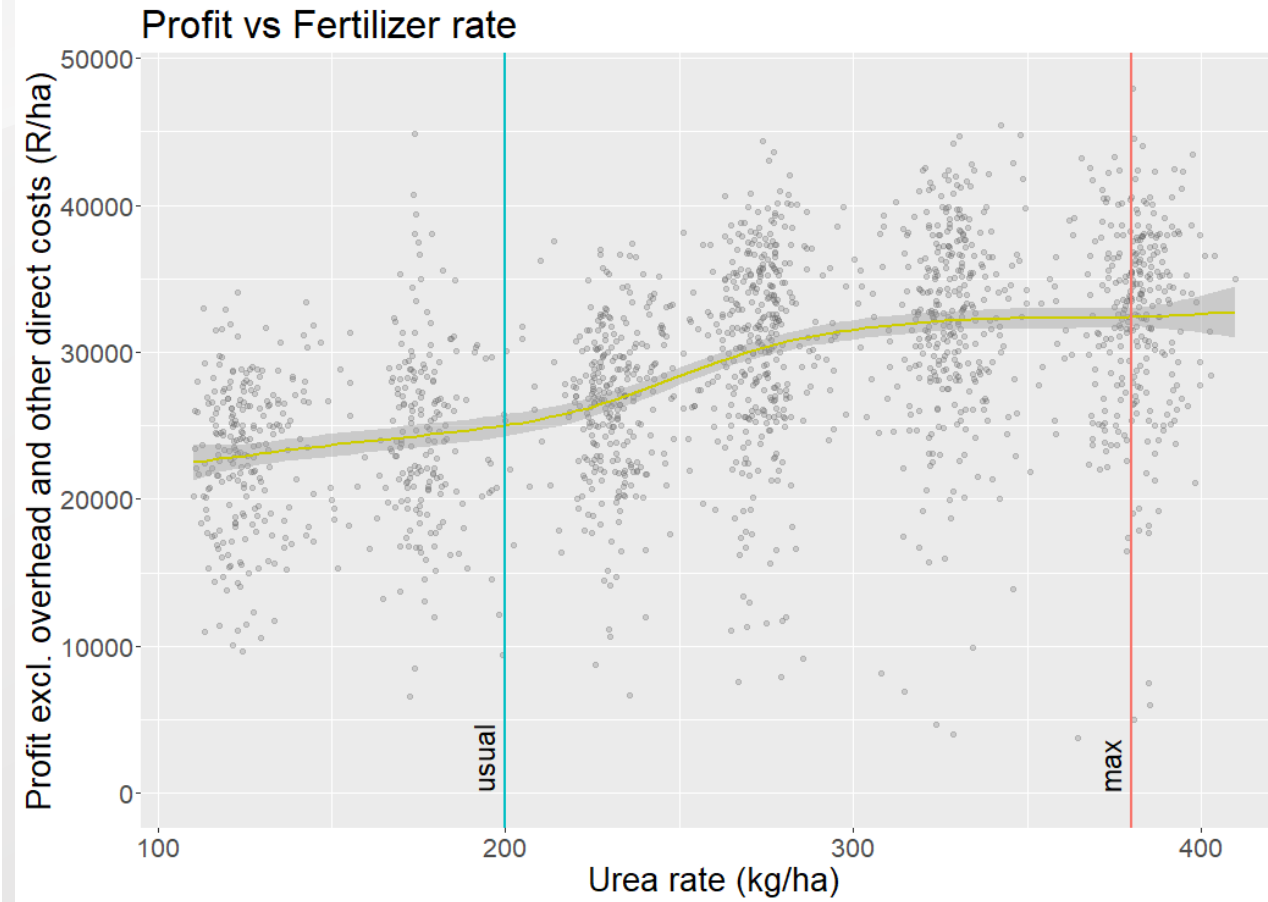
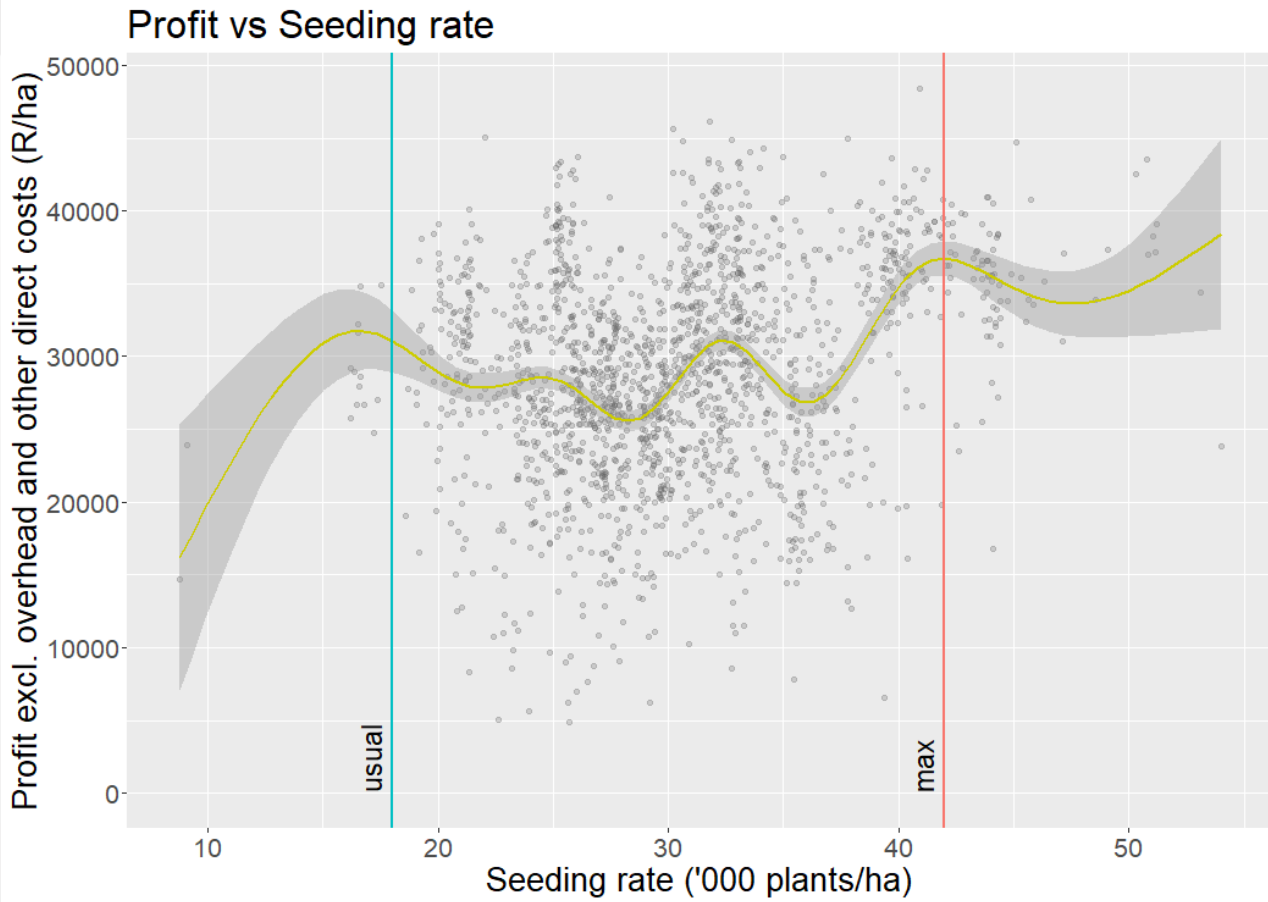
BFAP's Data Intensive Farm Management programme: Fertilizer trial



DIFM Yield Data



DIFM Profit optimization



Key pillars of growth that determine SA's competitiveness



Market access: New export markets, improved protocols & Preferential Trade Agreements – critical to sustainability of existing & new entrants



Strategic Infrastructure development & improved efficiency to optimise logistics, handling & transportation



Comprehensive & customised **farmer support & financing** -> productivity gains & sustainable new entry
Align, strengthen & expand existing PPP



Health & Biosecurity – effective management of animal & plant health critical to markets, competitiveness & sustainability



Investment in **Research and Development** & Sustainability of **Natural Resources**



Efficient **service delivery** to improve competitiveness across value chain – e.g. water & water infrastructure, electricity, municipal services, safety

Thank you



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