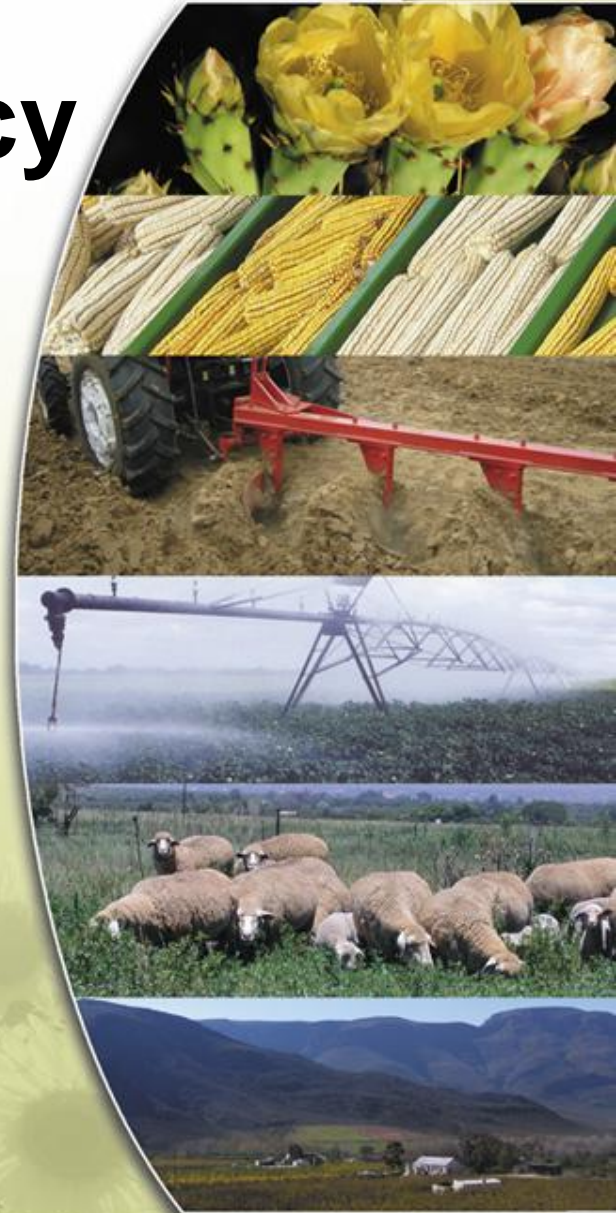


Revised Industrial Policy Action Plan (IPAP)

**Presentation to the Portfolio
Committee on Trade and
Industry
3 March 2010**



Hans van der Merwe
Johan Pienaar
Agri SA

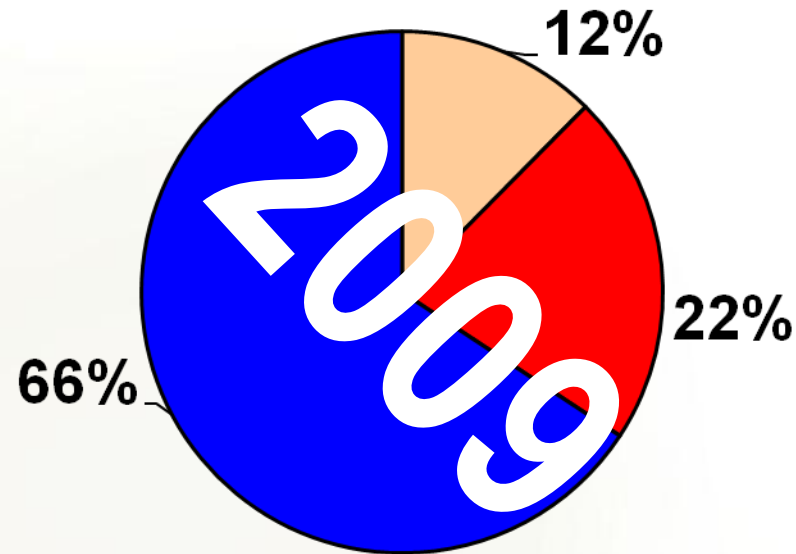
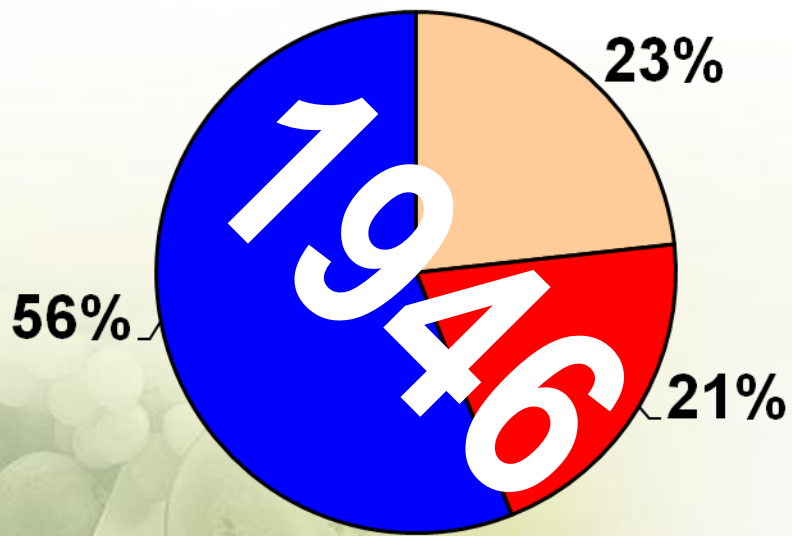


Agri SA

- Agri South Africa is a federal organisation which promotes, on behalf of its members, the sustainable profitability and stability of commercial agricultural producers and agribusinesses through its involvement and input on national and international level
- Represent commercial and emerging farmers through:
 - *9 provincial unions*
 - *26 commodity organisations*



Sectoral GDP contribution (1946 and 2009)



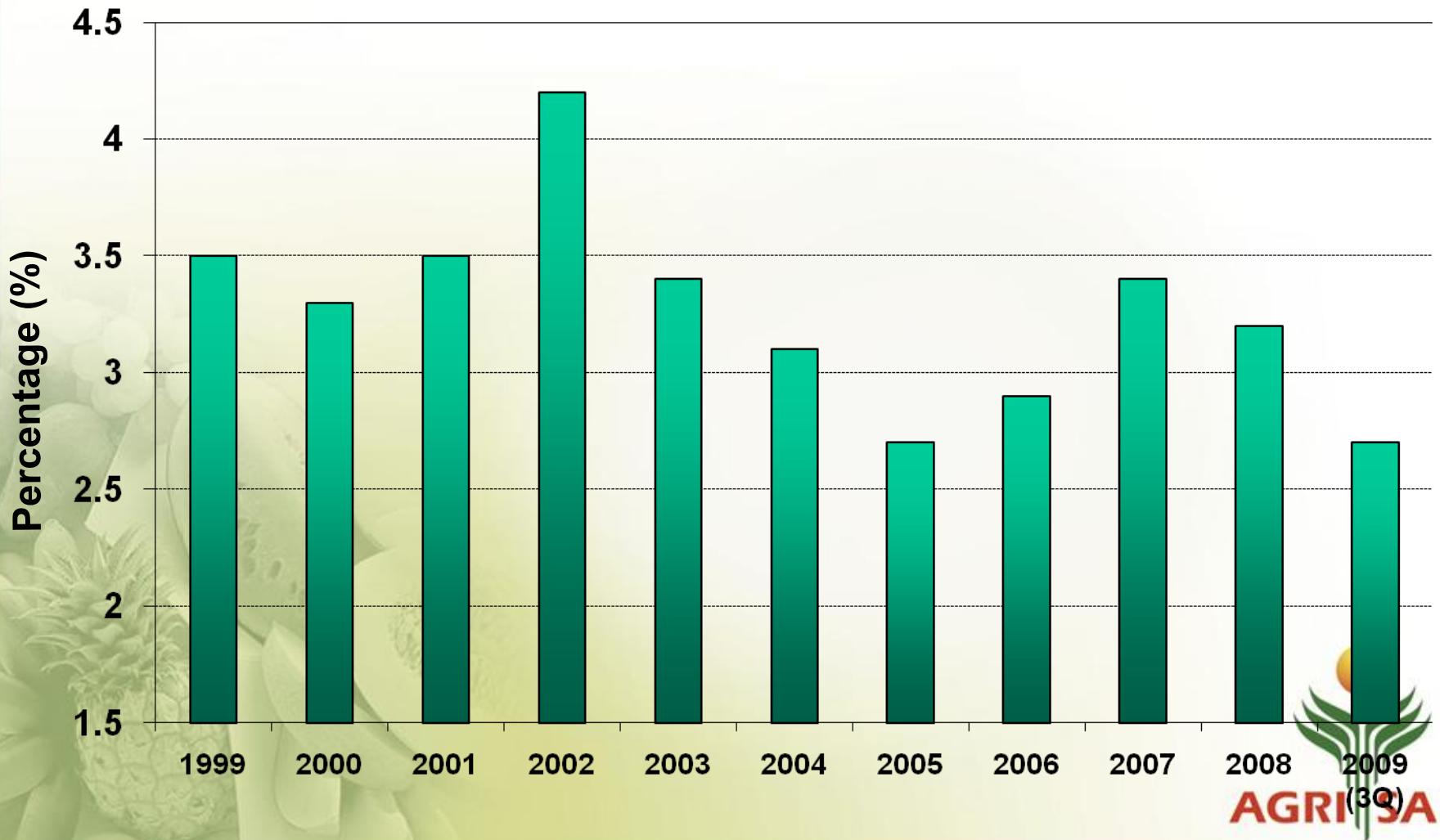
□ Primary sector
■ Tertiary sector

■ Secondary sector

□ Primary sector
■ Tertiary sector

■ Secondary sector

Contribution of agriculture to the gross domestic product in SA, 1999 to 2009



Contribution of agriculture to the gross domestic product in SA, 1999 to 2009

Year	Total Gross Domestic Product (GDP) (R'million)	Contribution of agriculture to the GDP* (R'million)	Agriculture as % of the total GDP (%)
1999	738 873	26 179	3.5
2000	838 218	27 451	3.3
2001	928 215	32 588	3.5
2002	1 065 697	44 232	4.2
2003	1 155 150	39 644	3.4
2004	1 270 600	39 490	3.1
2005	1 401 067	37 402	2.7
2006	1 572 319	45 351	2.9
2007	1 793 147	60 370	3.4
2008	2 058 029	65 612	3.2
2009(3Q)	2 177 324	59 633	2.7



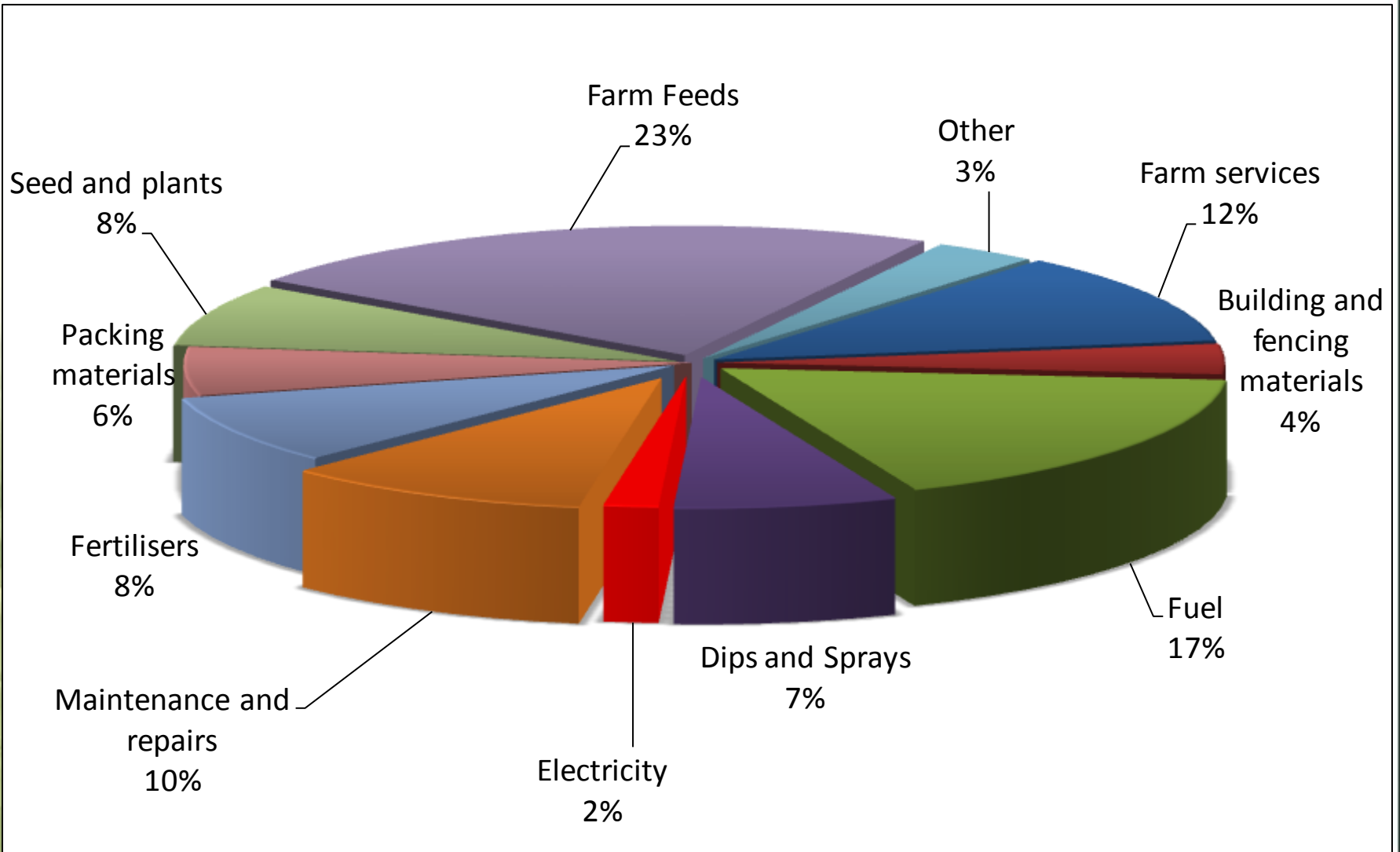
* Agriculture, forestry and fishing

Source: SA Reserve Bank, Dec 2009

GDP - Perspective

- Integral part of the food chain
- Uses intermediate goods (fertiliser, chemicals ...)
- Linkage effects with other sectors
- Comparative and competitive advantage → international trade
- Factors of production (i.e. labour, capital)
- Rural economic orientation

Expenditure on intermediate goods and services (2009)



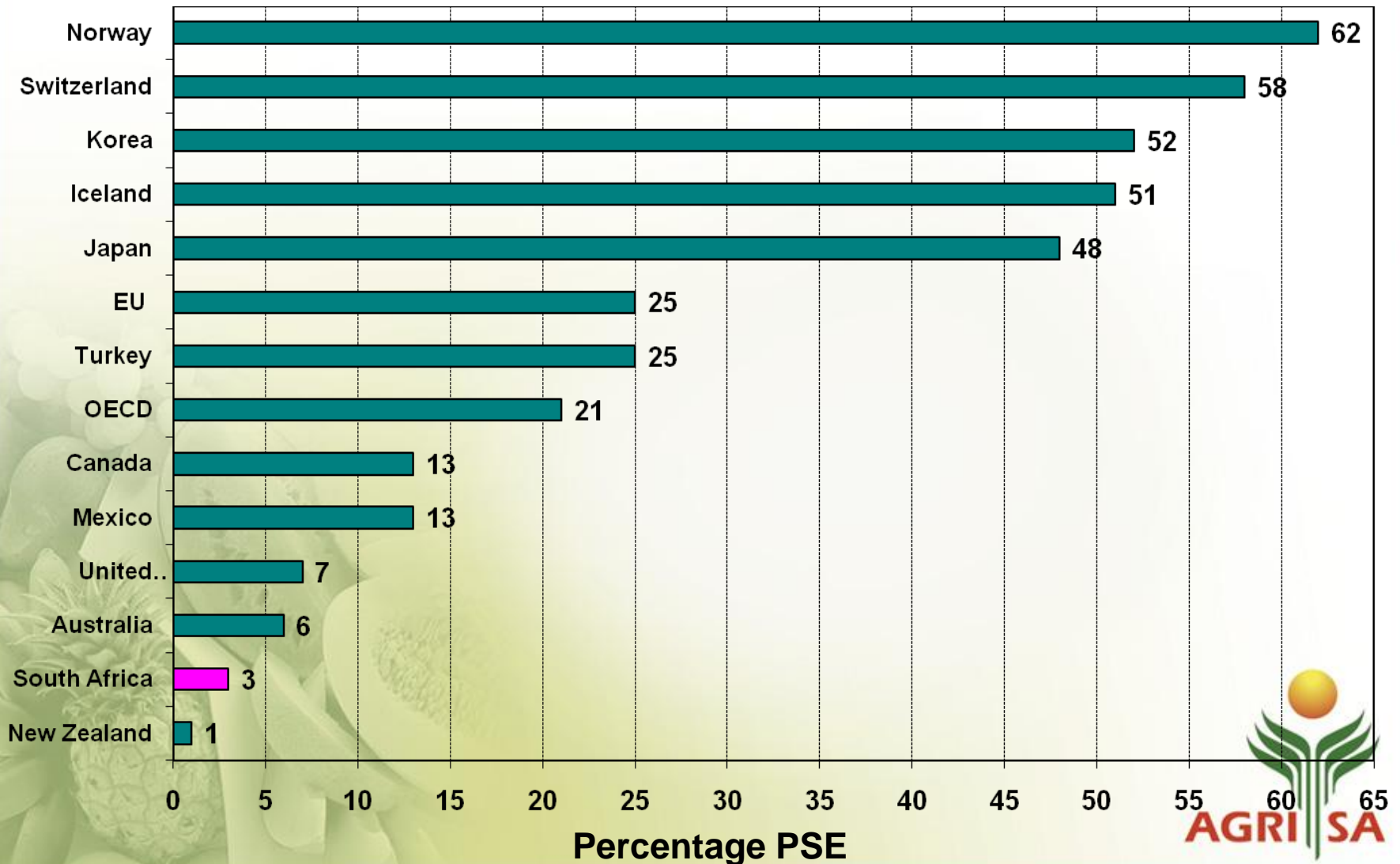
Forward linkage – downstream linkage

- Final consumption expenditure on food, beverages and tobacco. Liberally viewed = forward multiplier
- The empirical results suggest that for a 1% growth in the agricultural sector, the non-agricultural sector (manufacturing) responds by more than 1%.

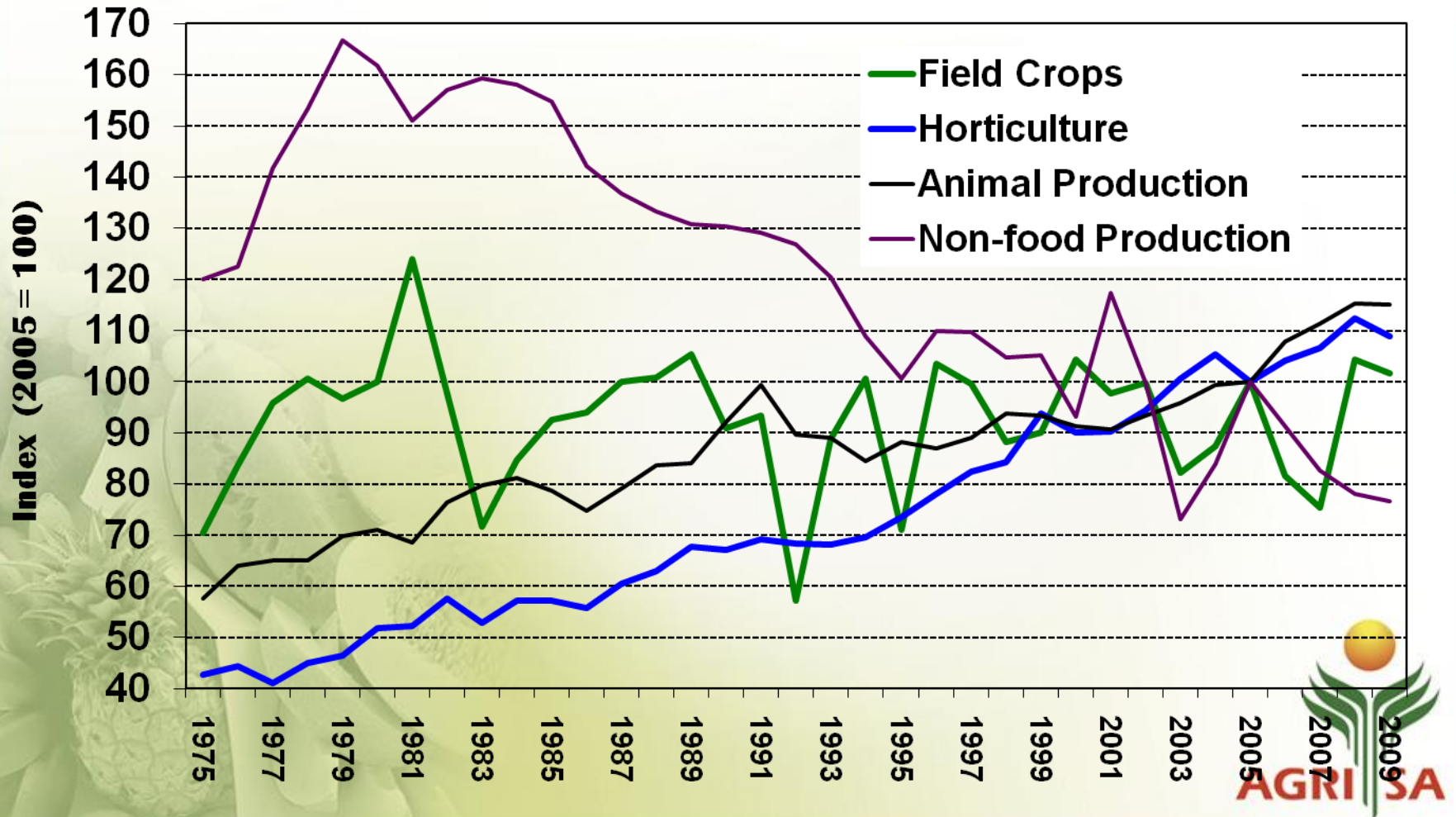
The Producer Support Estimate (PSE) is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers, measured at farm gate level, arising from policy measures, regardless of their nature, objectives or impacts on farm production or income.



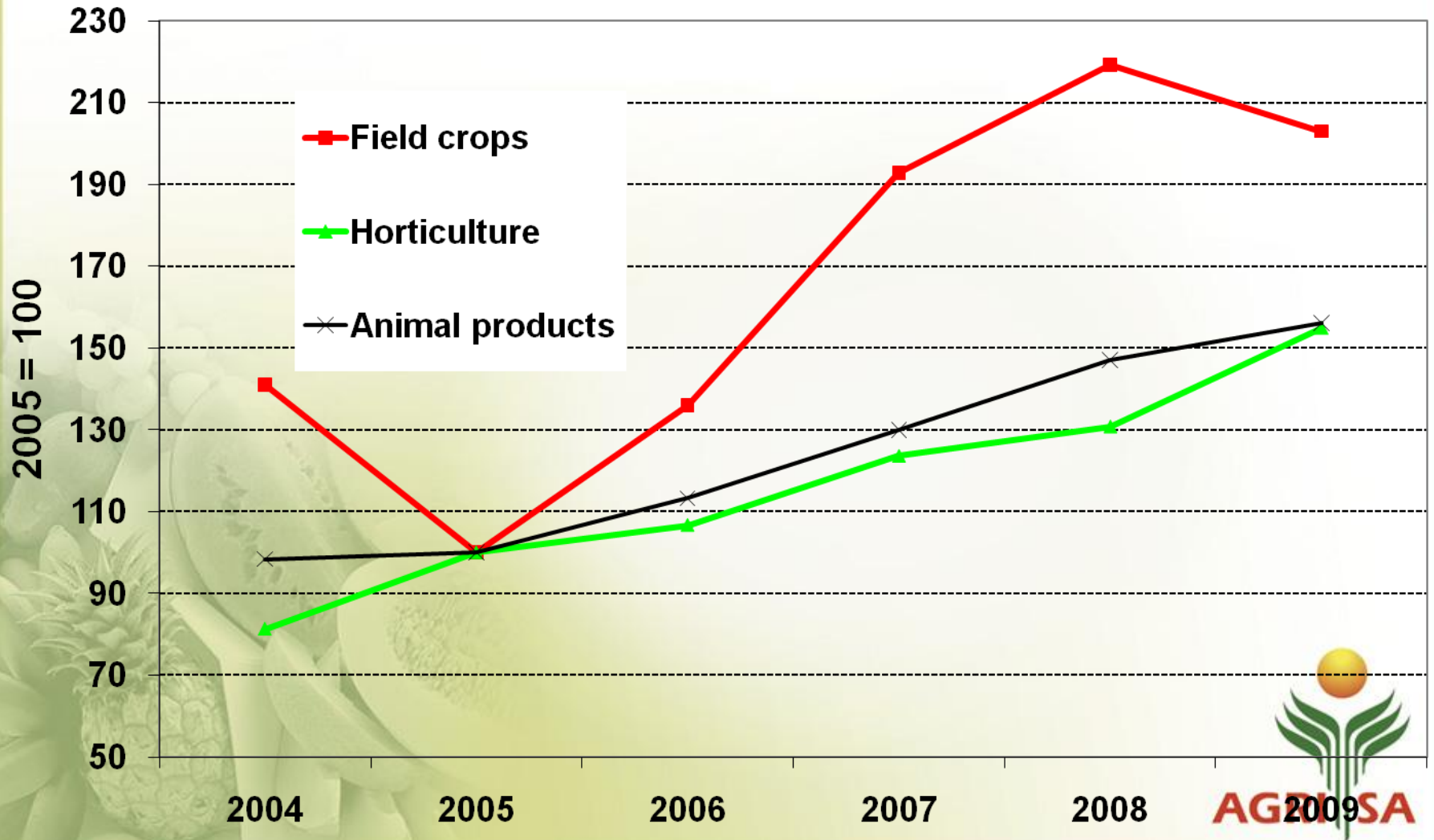
Estimates of support to agriculture in selected non-OECD and OECD countries (2008)



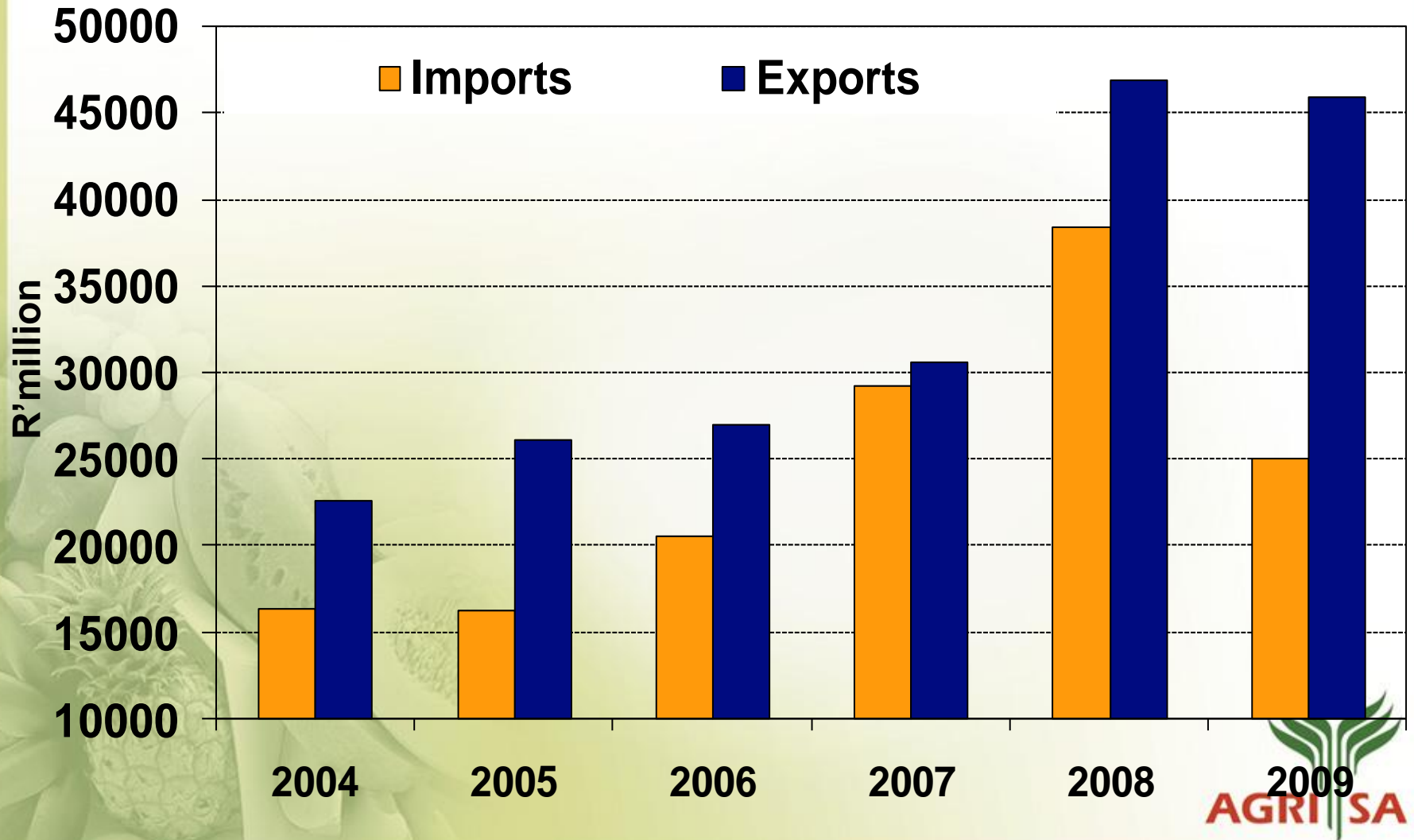
Volume index of agricultural production



Producer price index (2004 – 2009)



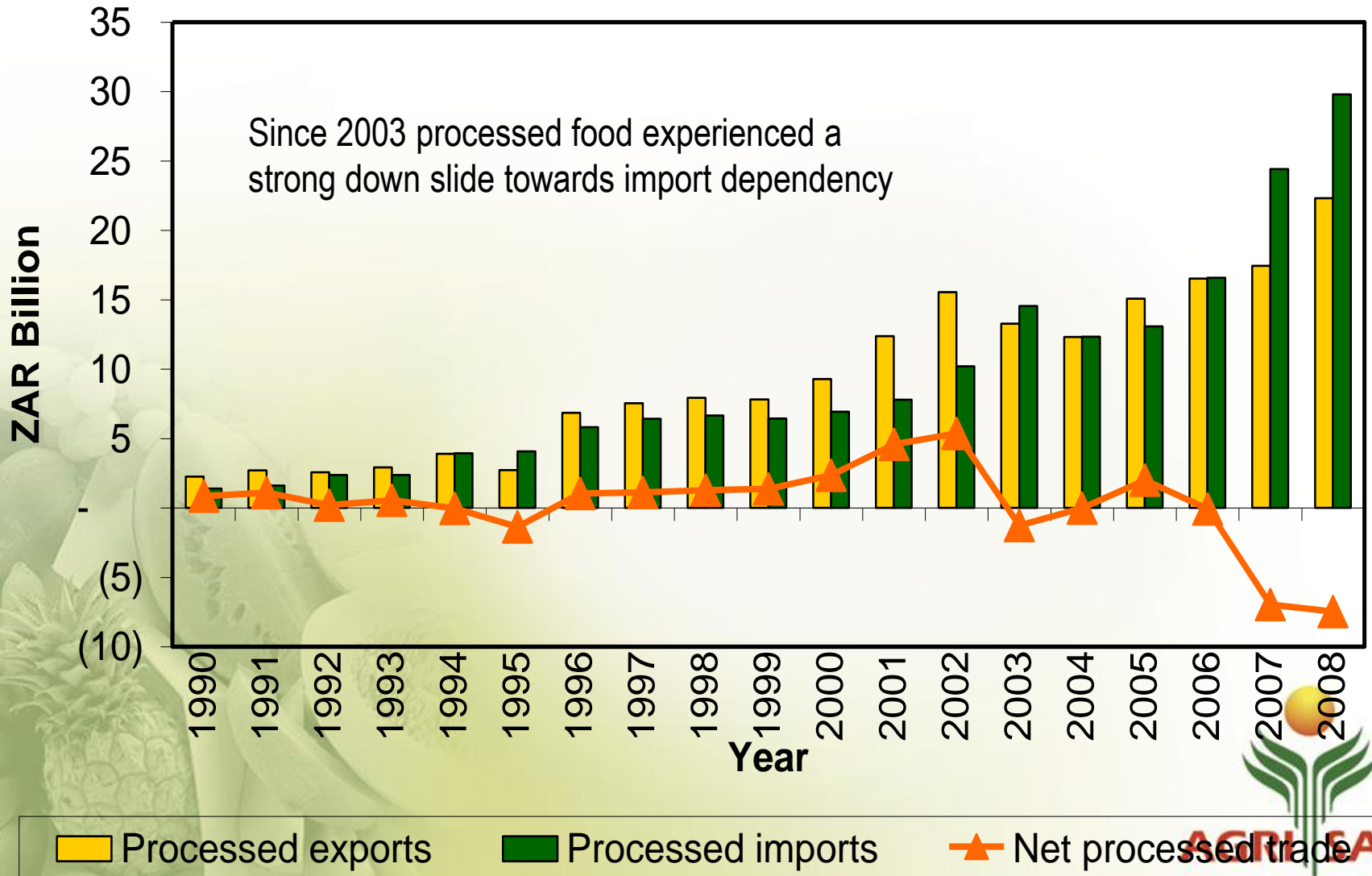
Imports and exports of agricultural products, 2004 to 2009



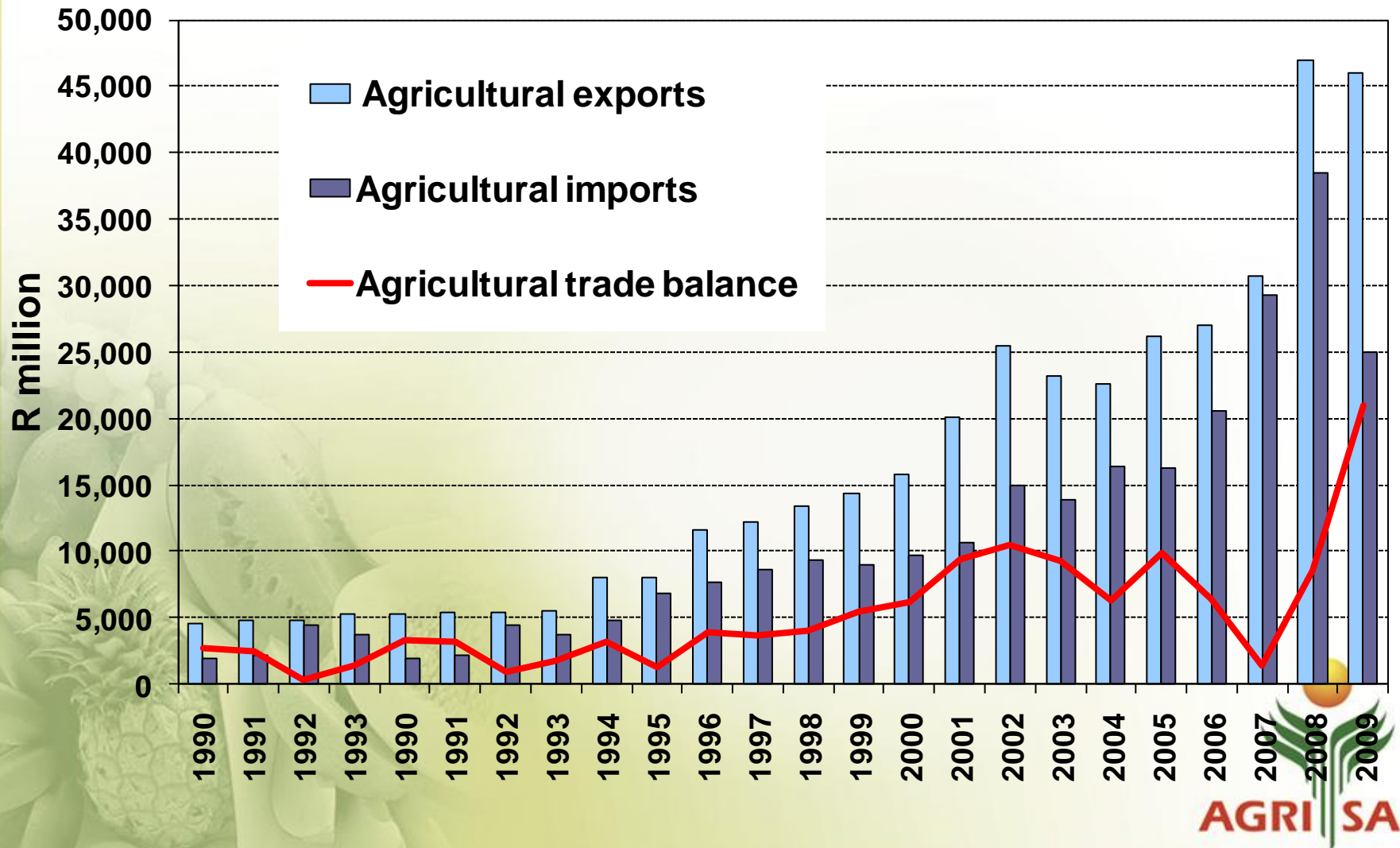
EXPORT AND IMPORT VALUE OF AGRICULTURAL PRODUCTS (F.O.B) (R'000)

EXPORTS	2003	2004	2005	2006	2007
TOTAL S.A. PRODUCTS	273,126,802	292,078,673	327,125,414	393,046,718	463,237,932
TOTAL AGRICULTURAL PRODUCTS	23,252,678	22,656,749	26,141,249	26,977,545	30,666,837
TOTAL UNPROCESSED AGRICULTURAL PRODUCTS	9,521,019	9,760,538	11,073,307	10,460,430	12,530,110
TOTAL PROCESSED AGRICULTURAL PRODUCTS	13,731,659	12,896,211	15,067,942	16,517,115	18,136,727
AGRICULTURE AS % OF TOTAL EXPORTS	8.5	7.8	8.0	6.9	6.6
IMPORTS					
TOTAL S.A. PRODUCTS	256,977,662	304,745,791	349,163,721	465,215,663	484,837,495
TOTAL AGRICULTURAL PRODUCTS	13,910,467	16,415,496	16,286,418	20,588,468	29,304,473
TOTAL UNPROCESSED AGRICULTURAL PRODUCTS	3,829,848	4,007,462	3,205,131	4,625,818	5,971,064
TOTAL PROCESSED AGRICULTURAL PRODUCTS	10,080,619	12,408,034	13,081,287	15,962,650	23,333,409
AGRICULTURE AS % OF TOTAL IMPORTS	5.4	5.4	4.7	4.4	6.0

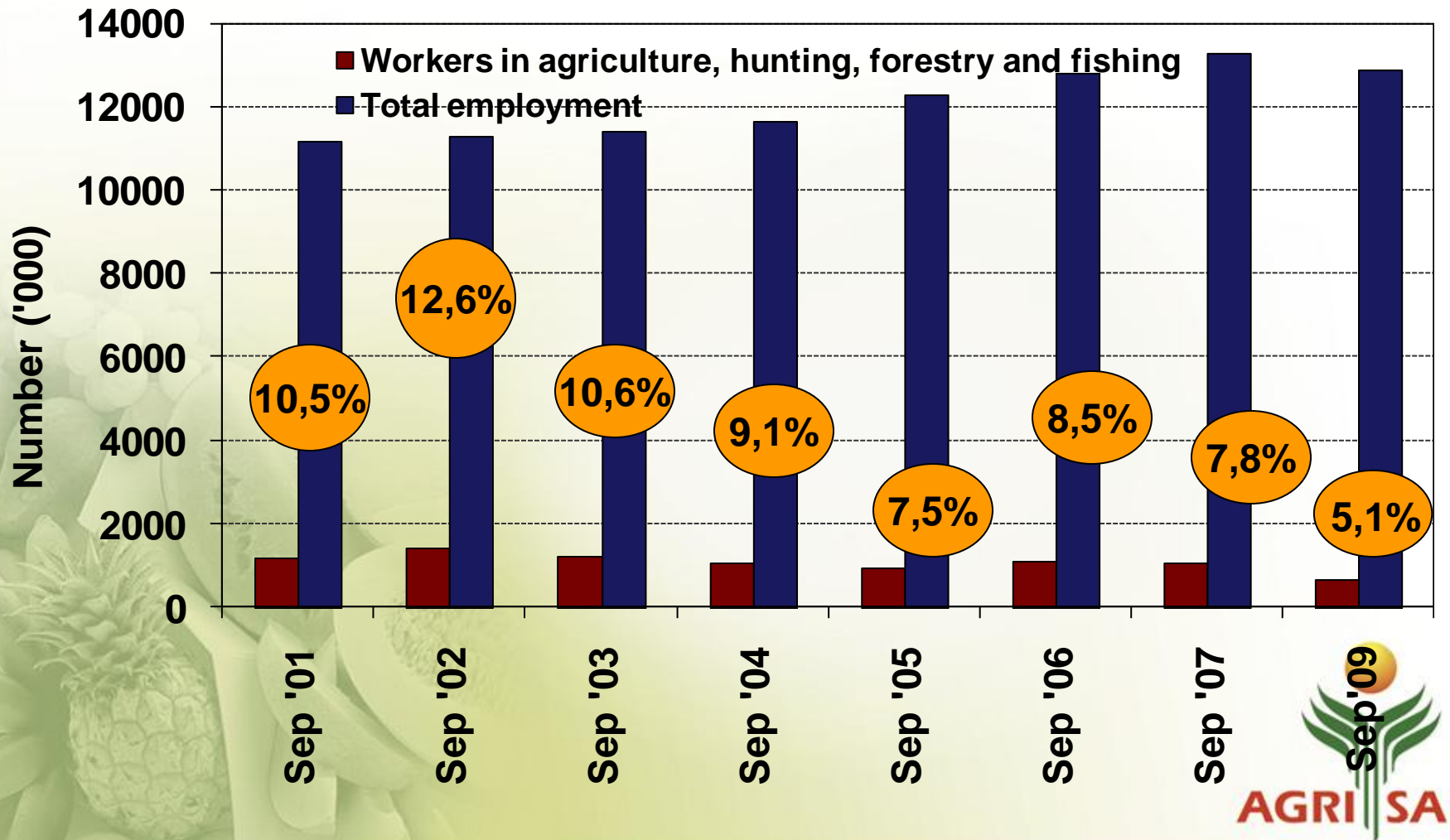
PROCESSED AGRICULTURE TRADE, 1990-2008



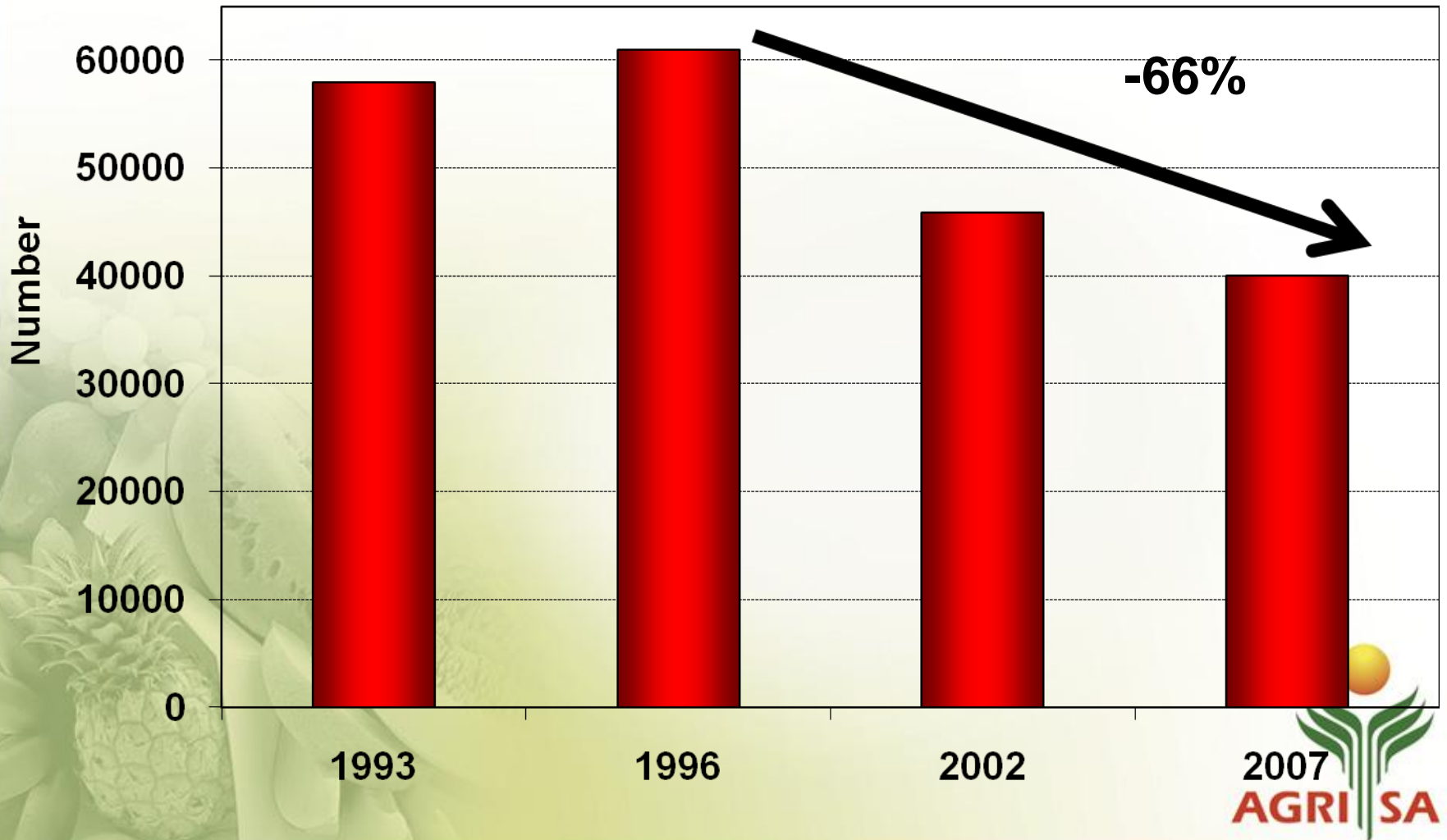
South African Agricultural exports and imports, 1990-2009



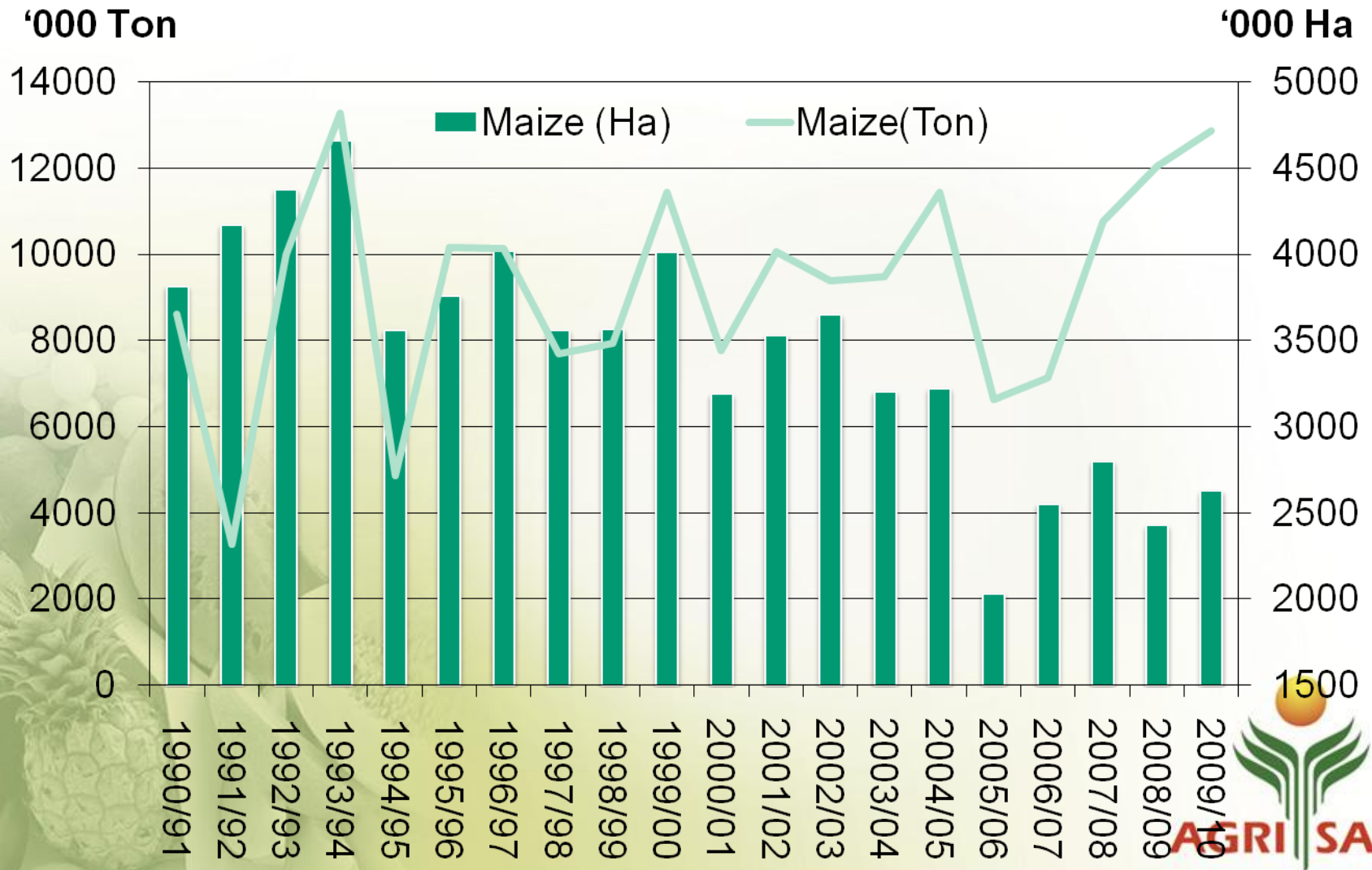
Labour in agriculture in relation to total employment in all sectors



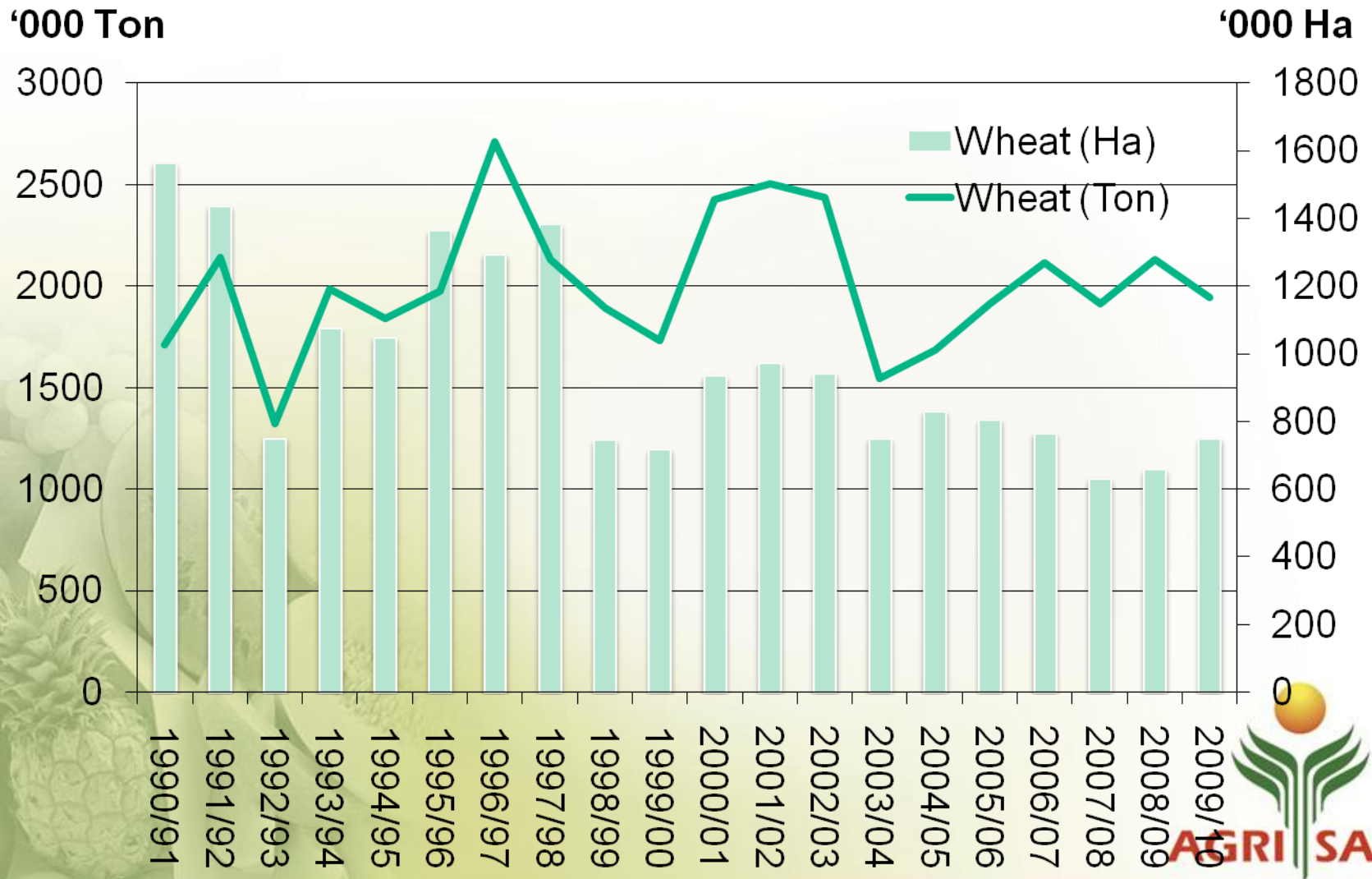
Number of farming units



RSA: MAIZE (COMMERCIAL) AREA PLANTED AND PRODUCTION



RSA: WHEAT (COMMERCIAL) AREA PLANTED AND PRODUCTION



The Portfolio Committee on Trade and Industry invite Agri SA to critically engage it on the following matters:

1. The synergies of the revised IPAP with existing government priorities and programmes.
2. Opportunities and challenges presented by the revised IPAP given the current macroeconomic environment.
3. The impact of the revised IPAP on your sector.



Synergies: Existing Policies

- Constitution of RSA
- Macroeconomy (Monetary and Fiscal)
- Legislation
- Strategic Plan for South African Agriculture
- ANC 52nd National Conference
- State of the Nation Address

Strategic Plan for SA Agriculture

- Still Government policy
- Equal access and participation
- Global competitiveness and profitability
- Sustainable resource management
- Good Governance
- Knowledge and innovation
- International co-operation
- Safety and security
- Integral and sustainable rural development



ANC Resolutions

- Developmental versus welfare state
- Commitment to land reform
- Expropriation and compensation
- Market driven land reform
- Democratization of customary land
- WAR-policy and land reform
- World connected economy: Trade
- Quality of economic growth
- Transform structures of production



ANC Resolutions (cont.)

- Linkages with Africa
- Climate change and renewable energy
- Agricultural sector and rural development
- Rural local government to lead
- Revisit national agricultural policies
- BEE in agriculture
- Stabilizing food prices

Industrial Policy: ANC

- Well-resourced Industrial and Trade policy
- Expansion of labour absorption
- Beneficiation strategy
- Sustainable export industries
- BEE
- Anti-monopoly
- SMME's
- Rural development policy



2007 National Industrial Policy Framework (NIPF)

1. To facilitate diversification beyond our current reliance on traditional commodities and non-tradable services – through promotion value-addition characterized particularly by movement into non-traditional tradable goods and services that compete in export markets as well as against imports.
2. The long-term intensification of South Africa's industrialization process and movement towards a knowledge economy.
3. The promotion of a more labor-absorbing industrialization path with a particular emphasis on tradable labor-absorbing goods and services and economic linkages that catalyze employment creation.
4. The promotion of a broader-based industrialization path characterized by the increased participation of historically disadvantaged people and marginalized regions in the mainstream of the industrial economy.
5. Contributing to industrial development on the African continent, with a strong emphasis on building its productive capacity.



Post NIPF

The implementation of the Industrial Policy Action Plan (IPAP) – based on easy to do's.

Result:

“there has been a growing recognition that industrial policy needs to be scaled up from ‘easy-to-do’ actions to interventions that we ‘need-to-do’ to generate a structurally new path of industrialization” (IPAP 2010 – 2013)



Why Agri Industrialization?

- Despite the obvious lack of support and or incentives “*the food processing sector is now the largest manufacturing sector in employment terms with some 160,000 employees, this increases to more than a million jobs once the upstream (primary agriculture) is included*” IPAP 2010
- **However, IPAP 2010 – 2013** focuses only on Horticulture, Aquaculture, Organic products and niche crops.
- Grains and Field crops are listed as low value and uncompetitive. Yet this is where the greatest opportunity sits for SA.
- ***Industrialization will deal with key challenges of agriculture in SA:***
 - a. Market development*
 - b. Price stabilization*
 - c. Investment attraction*
 - d. Trade promotion – “local trade is trade”*



Which “industrial” crops

- Sugar cane – has set the clearest and best example over years (it still has a great future)
- Sugar beet – vast potential particularly in “homelands”
- Maize – a new coming
- Sweet sorghum – comeback king
- Cotton – great market value chains
- Canola
- Soya beans – import replacement
- Hemp – what a future in biomass and textiles



IPAP: Key Action Plan

- IDC capital also for agricultural industries?
- “One-stop” financing for agricultural smallholders
- Sector specific tariff policy
- TBT’s and NTB’s
- Indicative reference pricing
- Concentration in agri-food chain
- Focus on agro-processing (Cluster 1)
- Focus on Biofuels (Cluster 2)
- Full exploitation of food and beverage subsectors

IPAP: Key Action Plan

- Small scale milling sector
- Group A – Agro Processing
- Group B – Branding
- Group C – Infant Industry
- National Food Control Agency
- Aquaculture sector
- Organic production strategy (for example cotton)

IPAP: Key Action Plan

- Vegetable Canning Industry
- Bio-fuel: Food vs fuel
- Bio-fuel: Bio-diesel (Ethanol?)
- Accelerated forestry development
- “Niche” Tourism development

Conclusion: IPAP

- Agricultural linkages important
- Marginal opportunities to be exploited
- Dedicated trade and tariff policies paramount
- African approach: Economies of scale
- Few grandfather subsectors in agriculture
- Economic realities and political imperatives
- Strategic plan (updated): Supply side measures



Thank you



Johan Pienaar
johan@agrisa.co.za
Deputy Executive Director

