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25 February 2013

MEMORANDUM

TEN MOST CHALLENGING ISSUES CONFRONTING AGRICULTURE

1. Policy coherence in relation to agriculture

Clearly there is little coordination between government departments in dealing with agricultural development and related aspects like farmer development. The dismal performance of the land restitution process is a case in point and so the transfer of water rights which until recently was rejected by the Department of Water Affairs on the basis of a BEE approach irreconcilable with guidelines and generic codes of good practice prescribed by DTI. This creates an uncertain policy environment not conducive for growth in the sector.

2. Administered prices

It is general knowledge that increases in administered prices exceed the general inflation by far as such places a tremendous cost burden on the agricultural sector. Increases in prices of electricity, fuel, water and minimum wages are typical examples in this regard. Although solutions to this situation do not always lie beforehand serious attention should be paid to efficiency considerations to mitigate the impact of these specific items on the financial survival of the agricultural sector.

3. Agricultural research

The shortcomings of the current agricultural research system in South Africa are well known. Although research expenditure on the budget of DAFF is foreseen to increase to over R1 billion in 2013/2014 it is still not near the international benchmark of 3% of the contribution of the agricultural sector to the economy. Admittedly the private sector also contributes to agricultural research but the observed decrease in the number of scientists with the ARC is a serious concern.

4. Labour in agriculture

South Africa is facing a systemic unemployment problem. Related legislation seems to be untouchable whilst productivity is also a subject seldom raised by government or trade unions as it is often viewed as labour replacing. Recent increases of approximately 52% in minimum wages will also not serve the aim of employment creation in agriculture envisaged by the National Development Plan at all. Related issues include improved training opportunities, housing (on and off farm options), competing rights of farmers versus that of farm dwellers and service delivery to those living on farms.

5. Trade dispensation

The local cost dispensation the agricultural sector is facing is likely to lead to structural adjustments especially in the horticultural industry. Less intensive agriculture might be a natural adjustment process but will entail serious ramifications for the country in terms of economic performance and food sovereignty. Certainty with respect to the trade and tariff policy aimed at agriculture is of serious importance to the sector, a situation that does not currently prevail.

6. Land reform

The current land reform dispensation does create serious uncertainty in the agricultural sector also from an investment perspective. Aspects like land ceilings being mooted by government and expropriation with uncertain levels of compensation should be brought to closure as a matter of urgency. The re-opening of the restitution process also prolongs uncertainty.

7. African development

African development is a national political imperative also within the context of Nepad and participation in the SADC-EAC-COMESA tripartite trade negotiations. South African farmers wanting to take up farming in African countries are facing constraints in terms of investment protection in the respective destination countries. The South African government seems to have very little appetite in entering into related investment agreements thus complicating cross border extension of agricultural activities.

8. Infrastructure

The dilapidated nature of rural infrastructure is well known. The investment program announced by president Zuma and the Presidential Infrastructure Coordinating Committee will apparently provide the framework for actions in this regard. It remains to be seen to what extent rural infrastructure will be dealt with within this context. It nevertheless remains an important determinant of rural and agricultural development. PPP's between rural communities and municipalities may present a solution towards dealing with these matters in future.

9. Integrated growth and development plan for agriculture

The previous strategic plan for the agricultural sector was updated but not yet further interrogated by government with a view to providing a strategy for the agricultural sector. Essentially the sector finds itself in a policy vacuum whilst the strategic and operational approach by DAFF is also lacking a proper framework.

10. Disaster management and protection of natural resources

Disaster management takes on many forms in the sector e.g. droughts, floods, animal diseases and even rural crime. On many of these matters legislative and procedural arrangements seem to be insufficient, a situation requiring serious attention.

The competing demands on natural resources by especially the mining and agricultural sector also require policy clarity especially with respect to the protection of high potential agricultural land and limited water resources.

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