

AGRICULTURE IN THE ECONOMY AND FOOD SECURITY

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Overview

- Investment and support to reposition agriculture in the economy is critical in ensuring its contribution to food security

Outline

- Introduction
- Stage of agriculture and food security
- Agriculture in the market economy
- Contribution in the economy
- Policy imperatives to enable the role in food security
- Conclusion

Introduction

- Agriculture production and system is a primary driver of food (in)security.
- So far there is an inherent contradiction of promoting food security, but much less is said to support agriculture
- Agriculture's role in the economy is linked to the stage of transformation of the sector
- This presentation diagnose the role within the market economy
- To what extent can food security and developmental objectives be achieved through agriculture operating in a market environment?

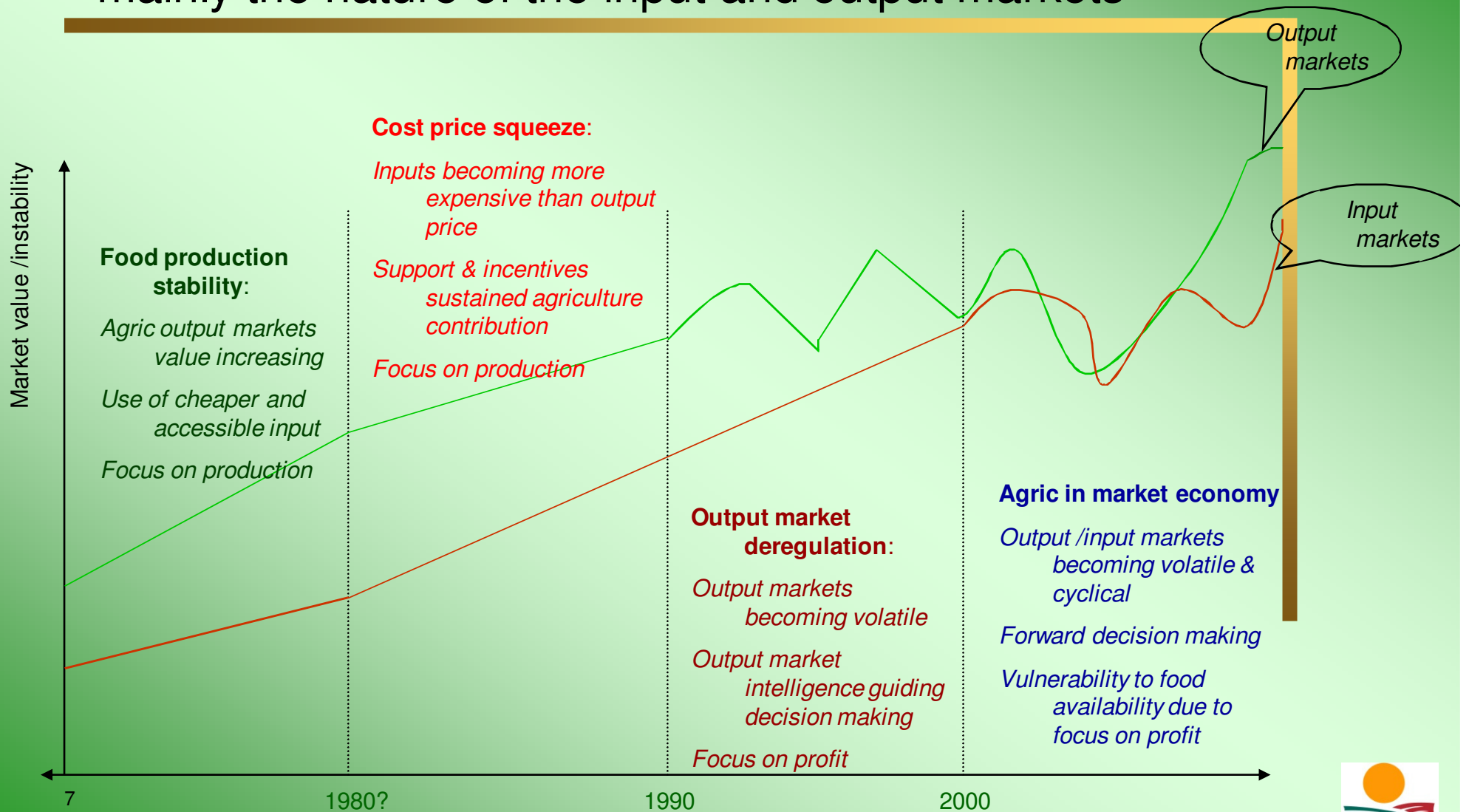
The position of agriculture depends on the phase or strategy of Agricultural Transformation: Four phases

- **Getting agriculture moving:** through institutional change, technology, incentives and infrastructure (Mosher):
 - Emerging farmers sector requires more of this basics (DBSA Survey 2005)
 - In state of food deficit: Quest for food self sufficiency
- **Making agriculture contribute to the economy:** linkages with industry, create healthy agric sector, mobilise resources (Johnston-Melor):
 - Realisation of food self-sufficiency
- **Integrating agriculture into the macro-economy:** responding to macro-economic instruments, efficiency, resources out, rural/urban disparities (Schultz-Ruttan):
 - Vulnerability due to less focus on production
- **Agriculture in industrial economies:** small share of agric, unemployment & need for labour in agriculture, income disparities (DG Johnson)
 - Food self reliance

Agriculture in the Market Economy

- South Africa displays different stages of agriculture due to its diversity
- The current stage has some distinctive features.
- There is another way to look at this in line with food security question

Agriculture position in food security has been driven by mainly the nature of the input and output markets



Drivers of Agriculture in the Market Economy

Business focus:

➤ From business of farming to business of agriculture (value chain).

Market structure:

➤ From single demand & supply to a series of more valuable demands and supplies

Service sector:

➤ From cooperatives to corporations

- ie from services to members to shareholder profit

Market system:

➤ Emergence of food retail industry (supermarkets) chains: from fresh produce & depots

Driver of demand:

➤ From producer kingdom to consumer queendom

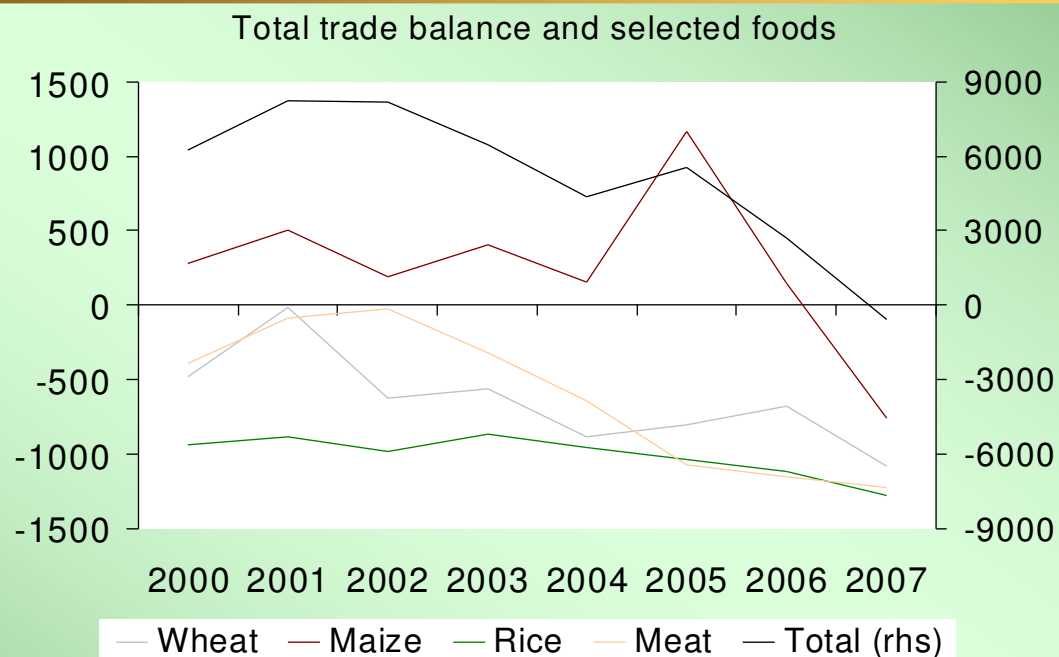
Contribution of agriculture

- Agriculture has become increasingly more valuable and has entrenched its linkages with the overall economic activity
- The contribution to the GDP has declined but recovering from high prices (and the absolute value of agriculture increased)
- Employment has declined and the share
- Linkages with other sectors increase the contribution
- Agriculture net importer of food items (first time)
- There is vulnerability to food security

Contribution of agriculture generally underestimated. Need to restate the effect

	Current Phase	Pre 1990	Pre 1980
GDP	2,3% - 3 % (R110 bill)	3% – 5 % (R35 bill)	5% - 10% (R5 bill – R25 bill)
Employment	9 % (800000 w)	13% (+ 1 mill w)	(+ 1,3 mill w)
Forward Linkages: <i>Output supply for manufacturing</i>	+68%		
Backward Linkages: <i>Agric demand for intm inputs</i>	R57,5 bill		
Foreign exchange: <i>Agric trade (x+m)</i>	-/+ R60 bill Net importer of food	Net export	
Food security state	Self reliance <i>(From income to price insecurity)</i>	Self sufficiency <i>(with less trade)</i>	Food production stability

South Africa became a net importer of food in 2007/08



Source: Quantec

Import tariffs on selected food items

Product	Tariff heading	Tariff			Imports (R millions)	Tariff revenues (R millions)	Effective Tariff
		General	EU	EFTA			
Chilled red meat	0201	40% or 240c/kg			0.64	0.21	32.9%
Frozen red meat	0202	40% or 240c/kg			156.68	49.65	31.7%
Meat of sheep or goats, fresh, chilled or frozen	0204	40% or 200c/kg			250.03	67.13	26.9%
Hams, shoulders and cuts thereof, with bone in	020322	15% or 130c/kg			189.86	2.14	1.1%
Other wheat	100190	2	2	2	1530.51	29.06	1.9%
Wheat flour	110100	2	2	2	3.17	0.06	2.0%
Total					2130.90	148.26	7.0%

Policy Efforts

- Land and Agrarian Reform Programme
 - Elements
 - Land reform programmes
 - Post settlement agric support
- Agricultural Budget
 - Agric and land budget allocation small (-/+ 1%)
 - Low investments in agriculture
 - There is scope to increase investment or support for agriculture (OECD)
- Agricultural institutions
 - Agric system
 - Farmers
- Aligning agriculture across the value chain

Reinventing agriculture for food security

- **Mainstreaming** agriculture in the economy and food security policy
- **Transformation** of agriculture by including untapped producers and areas
- **Innovation** process/strategy to assist agriculture to survive changes in agricultural and macro-economic environment
- **Foundational** programmes to build the base for agricultural development: supporting small food producers, capacity building, research

Conclusion

- If left in the current state, agriculture's contribution to the economy and food security will decline – with the consequences of failing to achieve food security goals
- There is scope and options to support and improve stability of the agricultural system – which will subsequently anchor other economic sectors
- For food security there is a need to keep balance between consumers' needs and producers (farmers) situation

➤ Thank You

Kgotso