



South Africa's Agro-food sector and the global economic downturn

Peter Jacobs
CPEG, Cape Town

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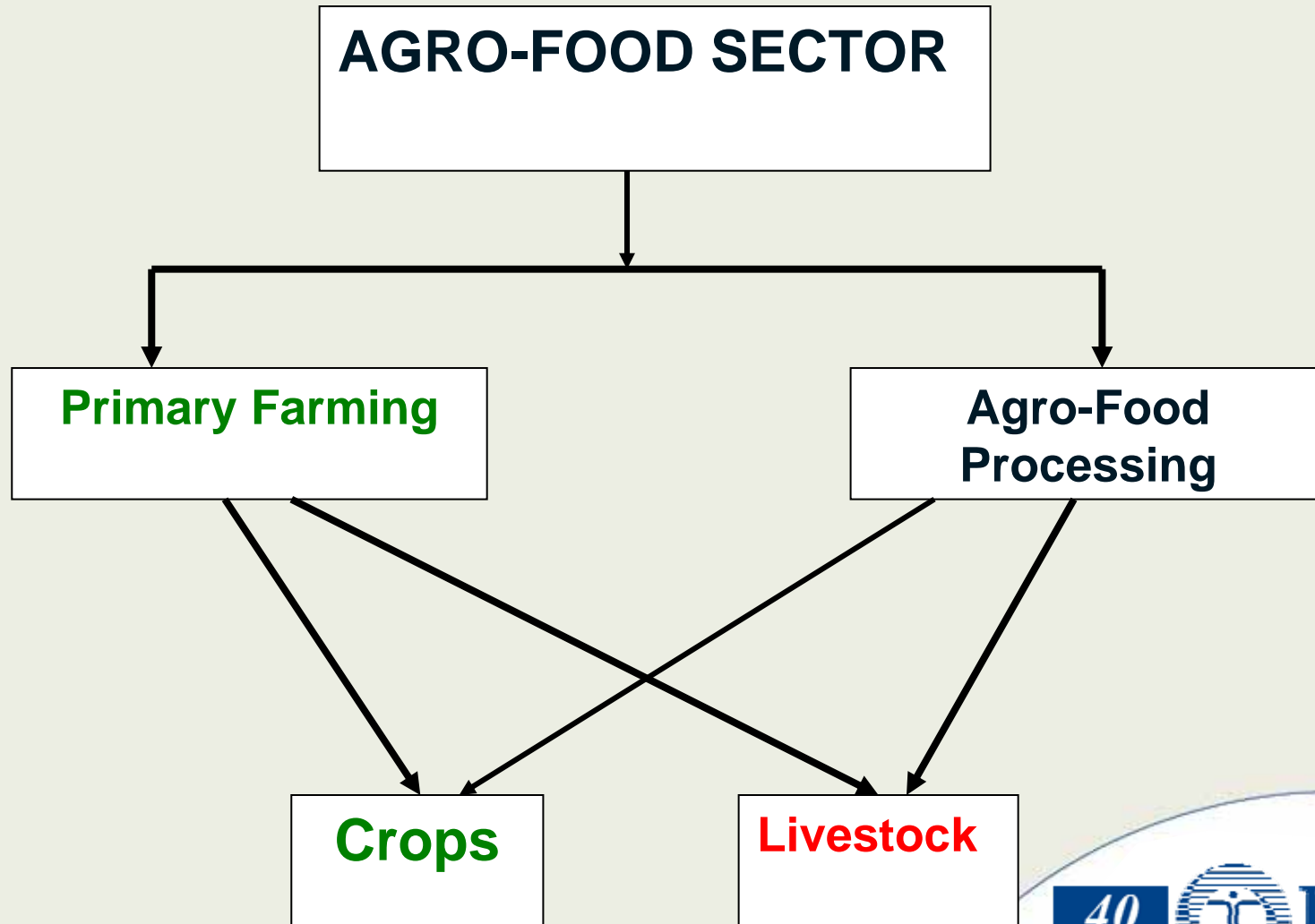
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Snapshot of agro-food sector...



Research problem motivation: agricultural and the global crisis

- Amartya Sen (2008): 3 interacting crises affect the globe: food, environment and financial; interlinked driving forces that impact on agriculture
- Mixed and contested views of the meaning/implications of global economic downturn for SA agricultural sector.
- The latest annual **Food Cost Review** highlights the end of SA's traditional net food exporter status (NAMC 2008); shifting to *net food importer*

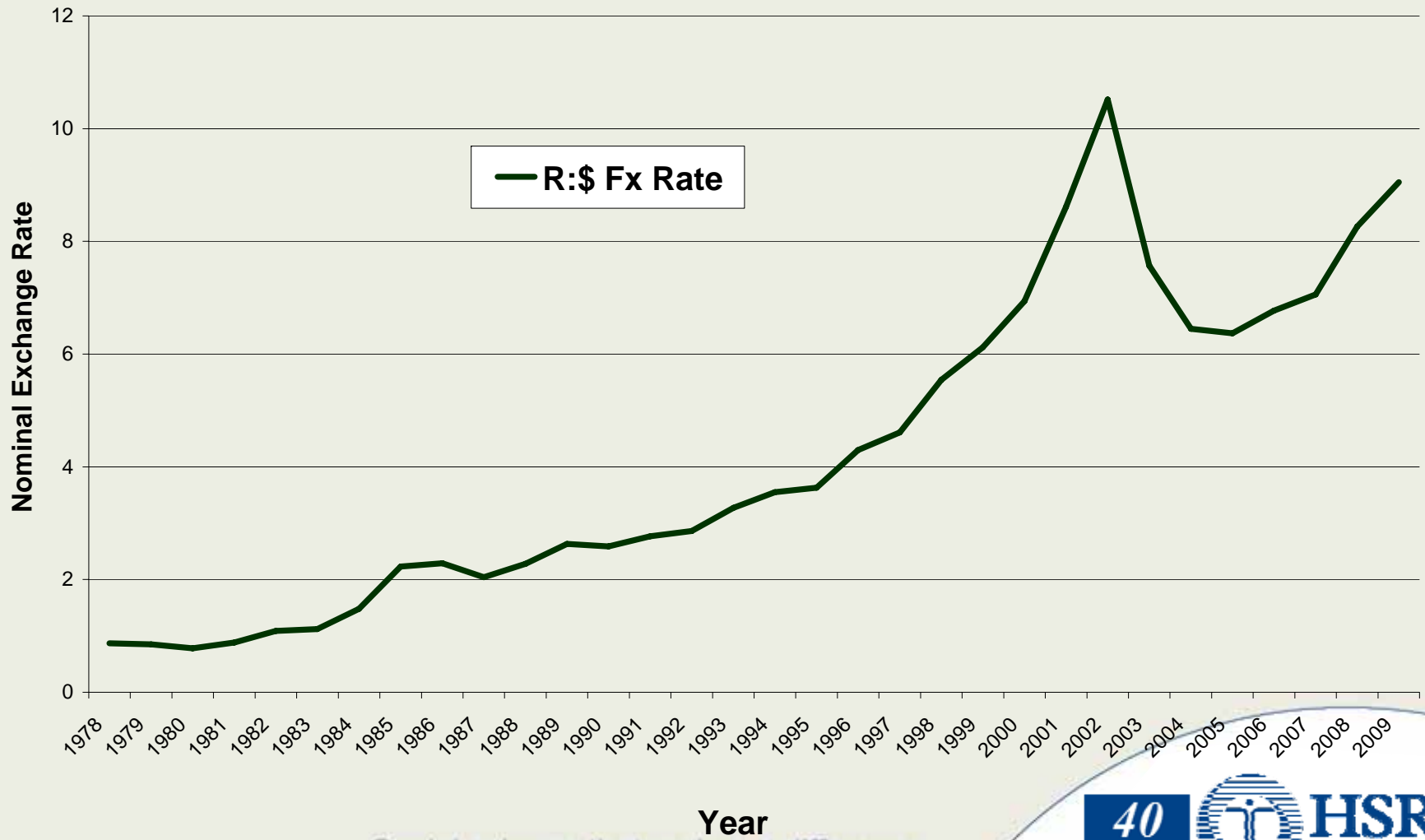
Research problem motivation: agricultural and the global crisis

- BFAP 2009-2014 scenarios for the agricultural sector:
 - “It is difficult to gauge the long term impact of the economic crisis on the agricultural sector. The impact of the crisis on production and processing capacity will be one of the decisive factors for the movement of prices over the next few years.” (BFAP 2009)
- BFAP (2009) and NAMC (2008) studies pay scant attention to the foreign investment flows into South Africa’s agro-food sector.

Main question, objectives and data

- What are the ways in which the global slowdown could affect the agricultural sector?
- Descriptive analyses of:
 - agricultural trade trends (*trade channel*)
 - Foreign capital inflows into agriculture (*investment channel*)
- Data sources:
 - For the trade data, we used the SARS foreign trade database
 - For the investment data we used various SARB *Quarterly Bulletins*

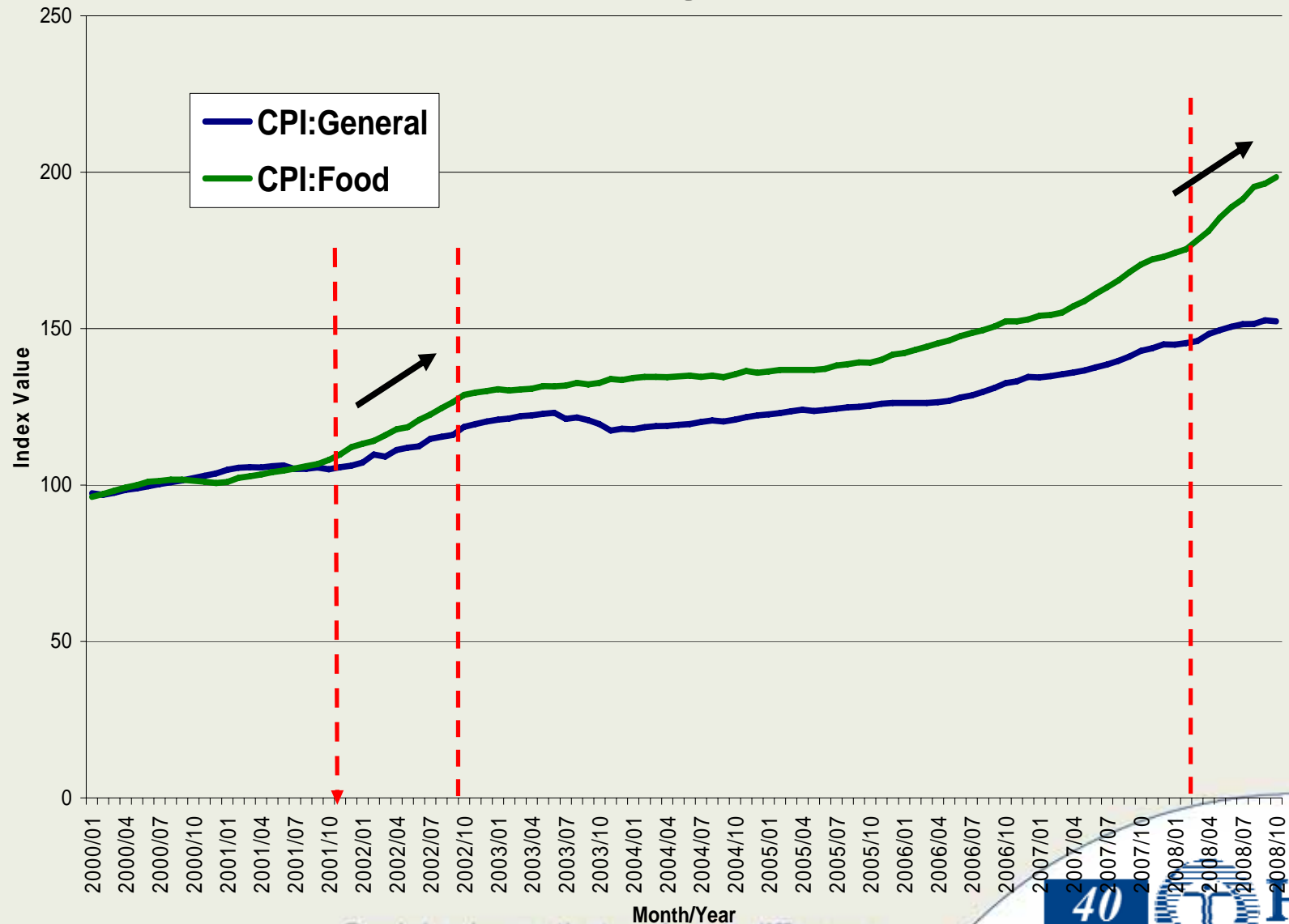
Exchange rate movements and agricultural trade and investment... *nominal and not adjusted for relative inflation*



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South Africa's agro-food price crisis

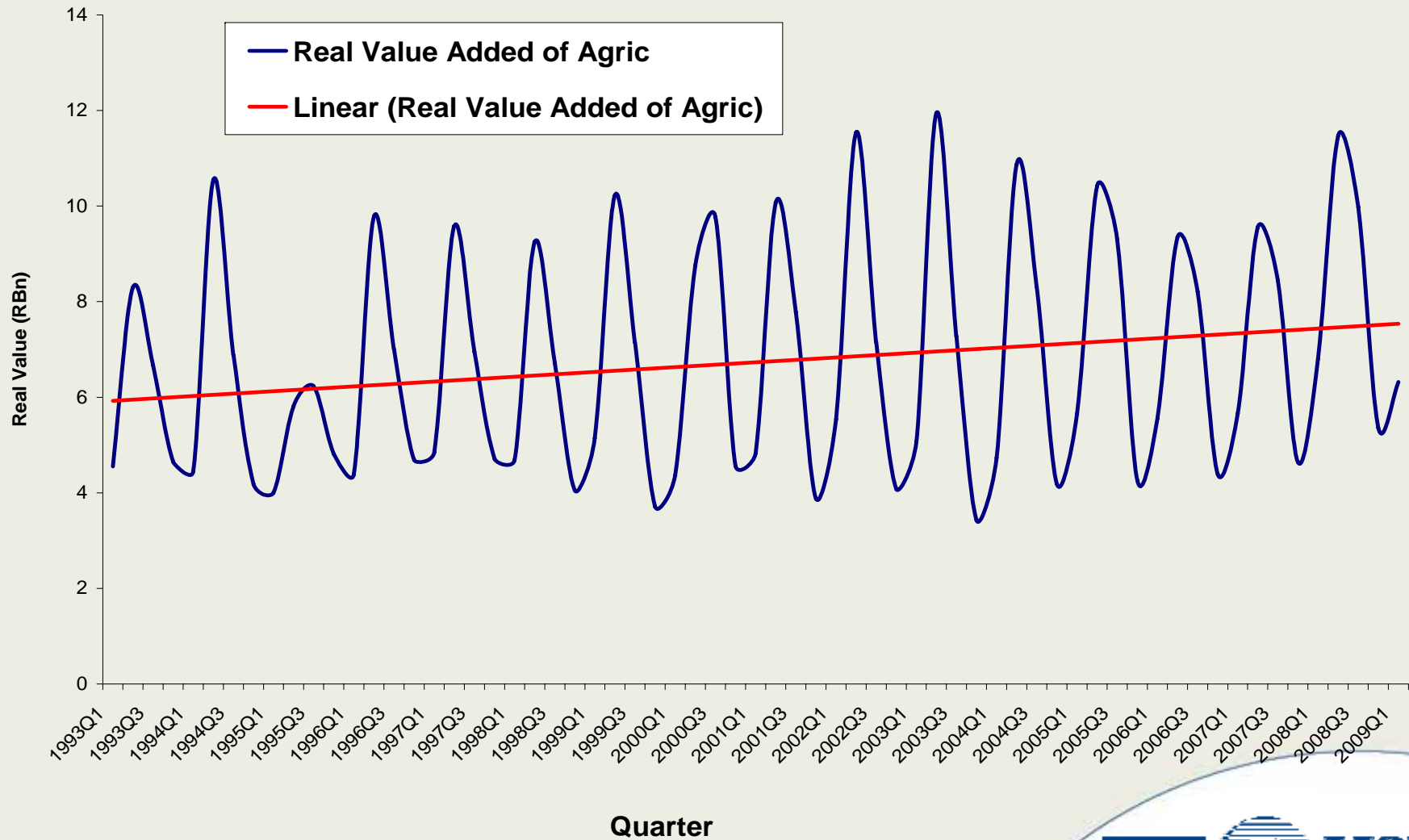


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The value agriculture adds to quarterly total output (GDP) in SA... **strong seasonality**



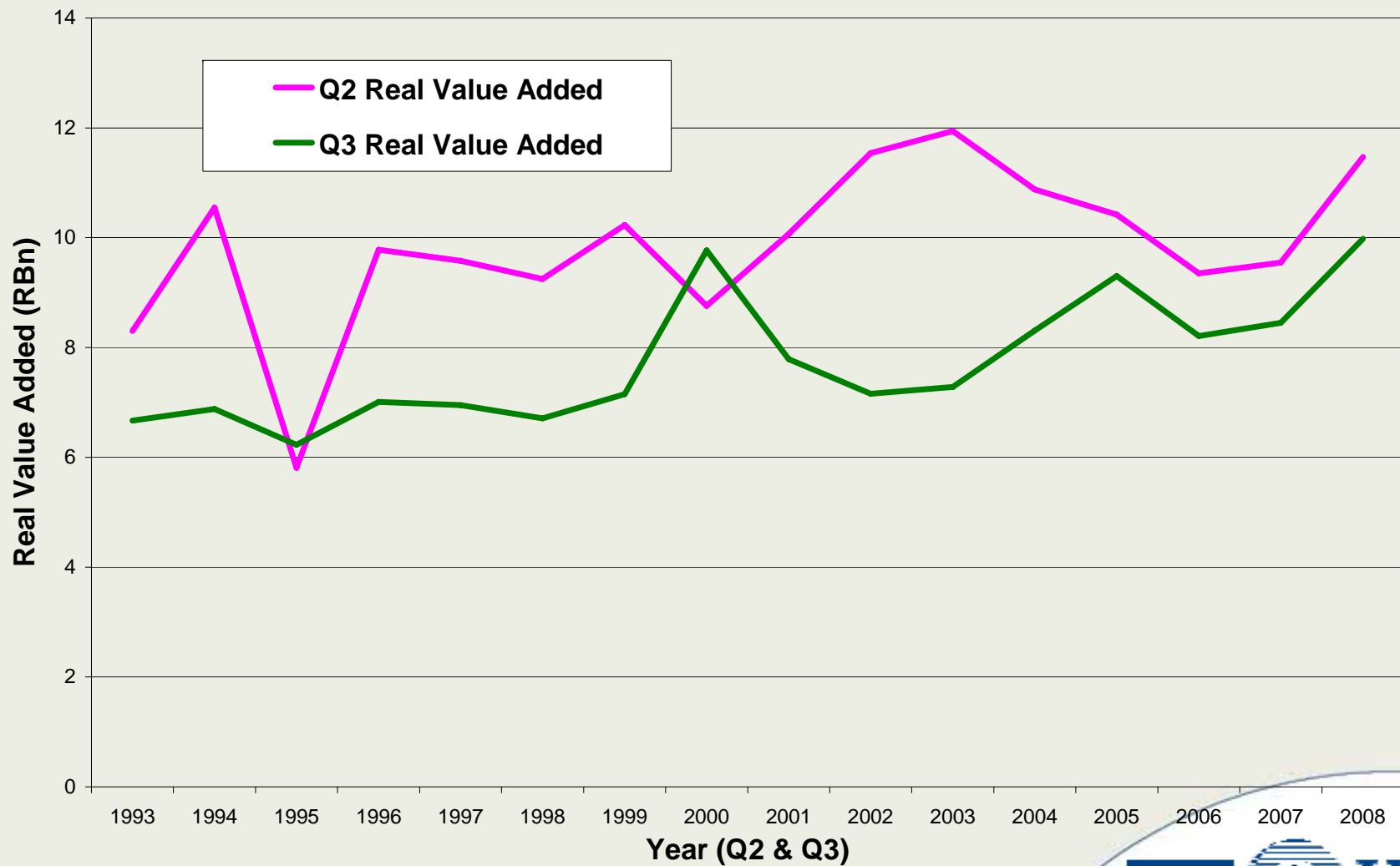
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The value agriculture adds to **Q2 & Q3** total output (GDP) in SA... *peak output periods*



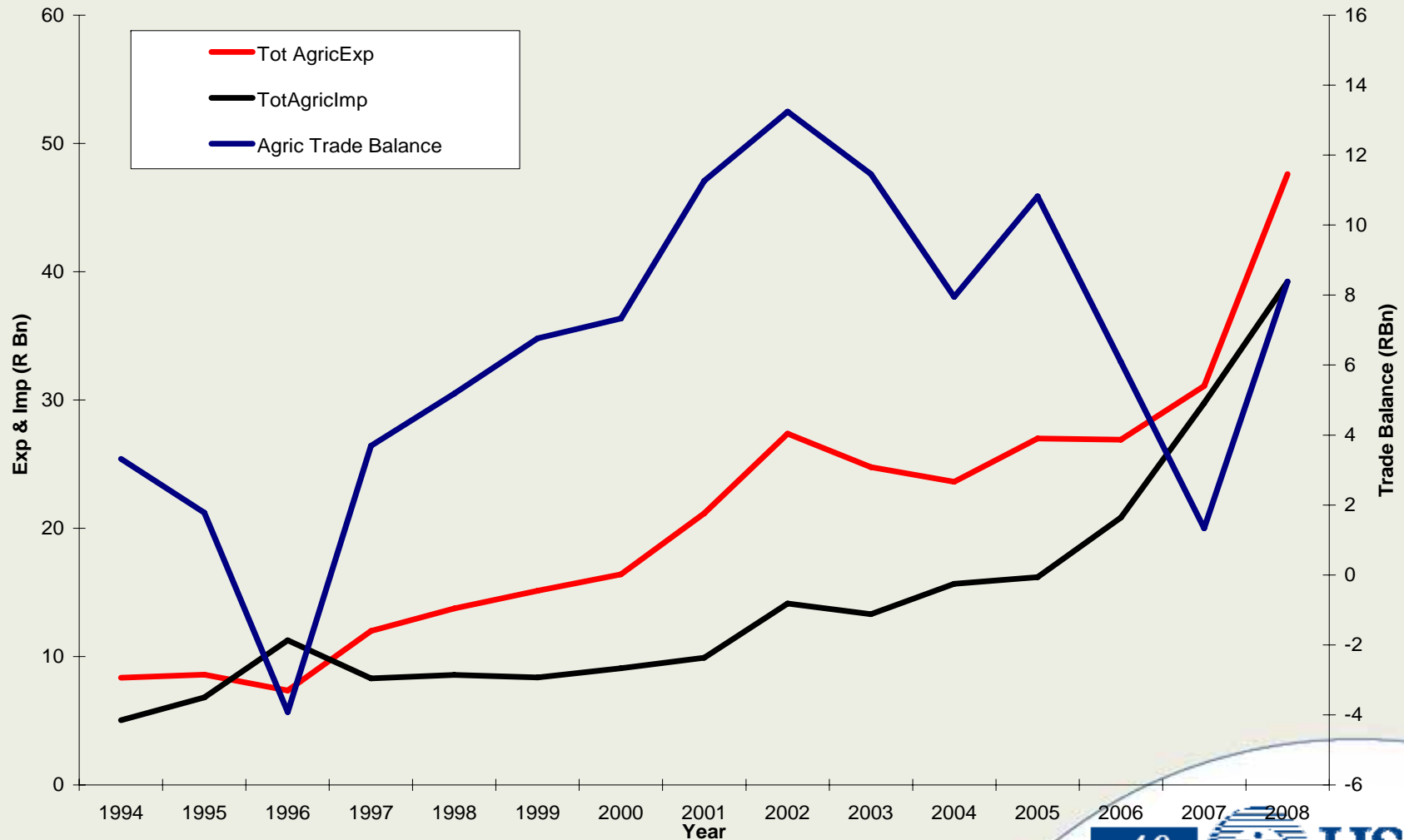
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Overall trends in agricultural exports, imports and “trade balance”, 1994-2008



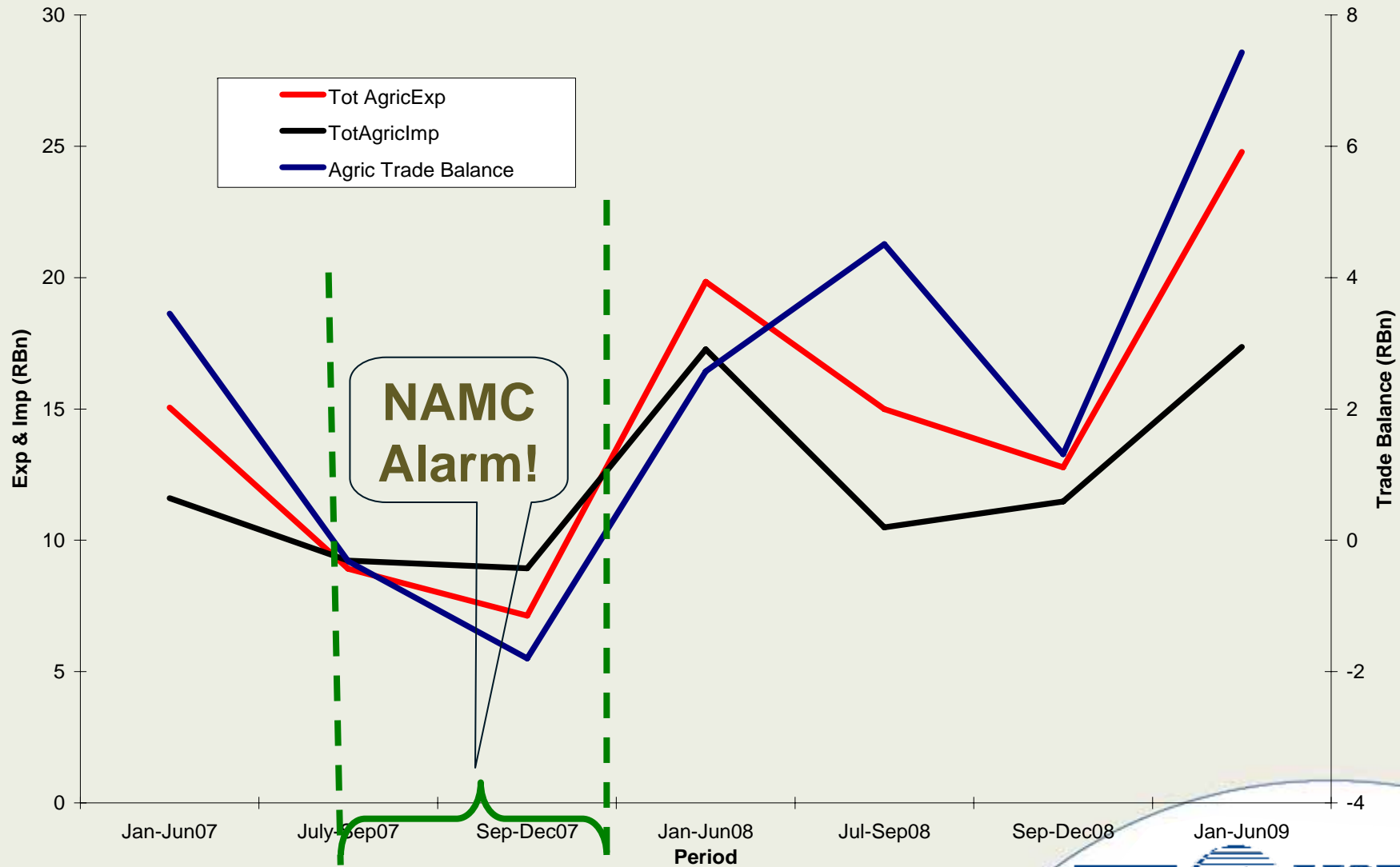
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Agro-food exports, imports and trade balance recovered and... grow during the crisis

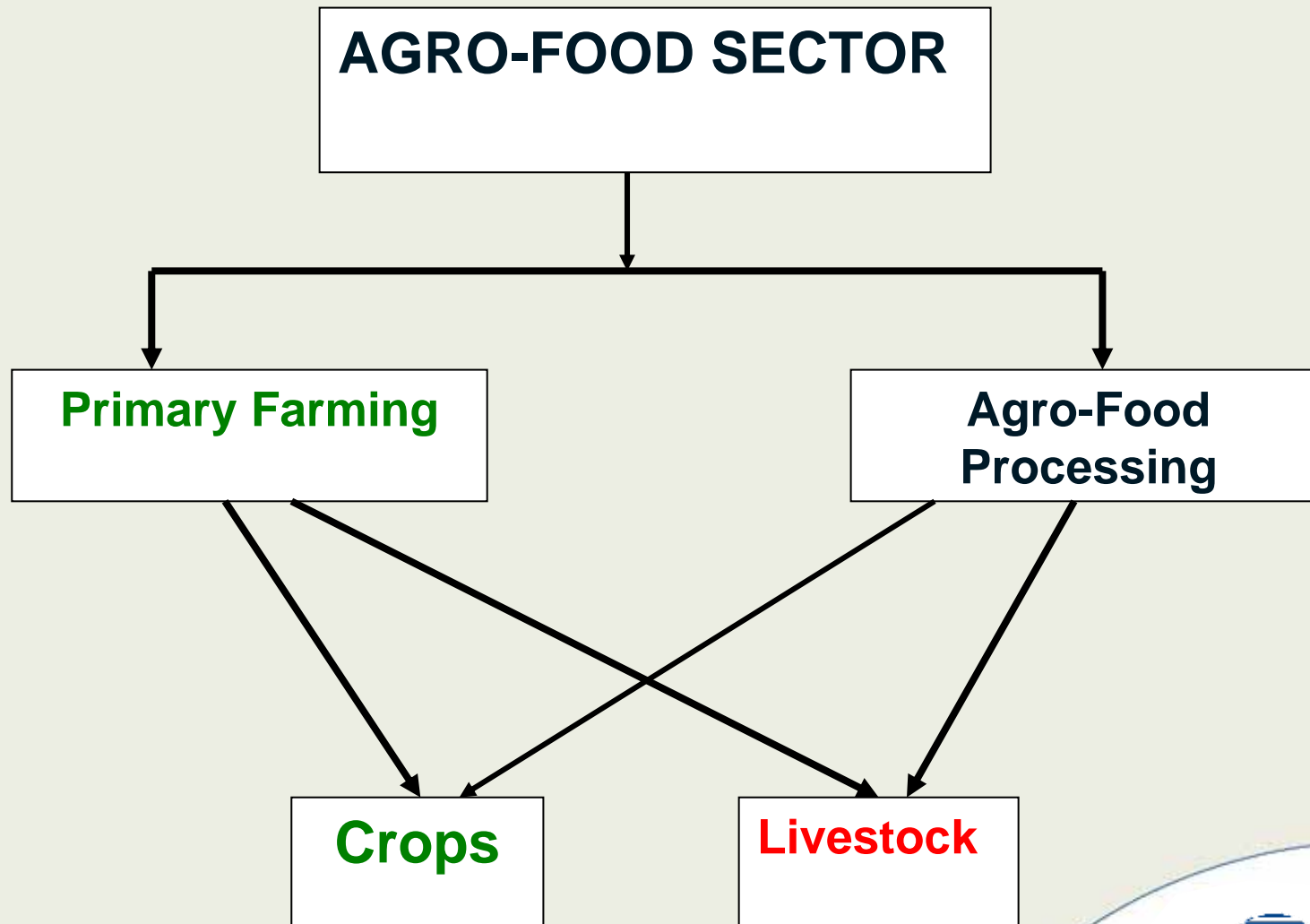


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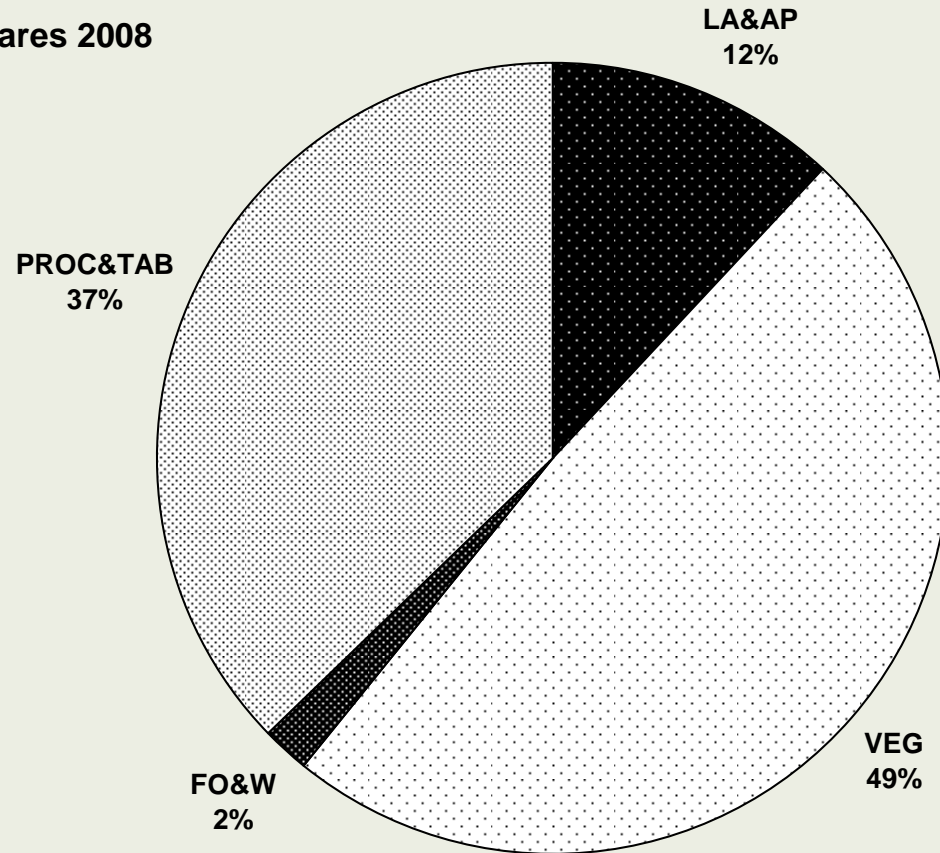


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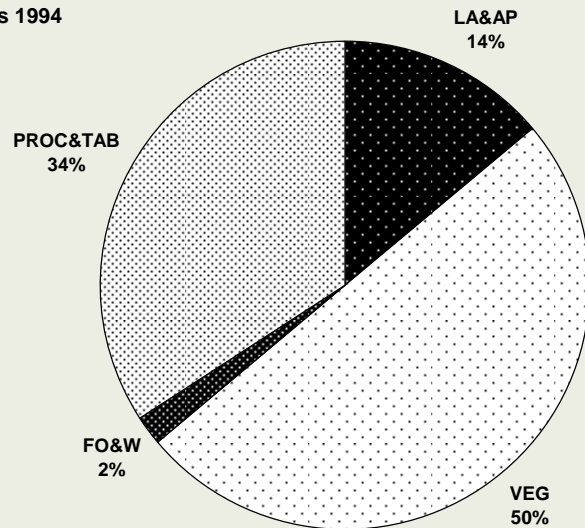
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Export Shares 2008



Export Shares 1994



Year	Export Value (RBn)	Trade Balance (RBn)
1994	8.36	3.32
2008	47.62	8.39

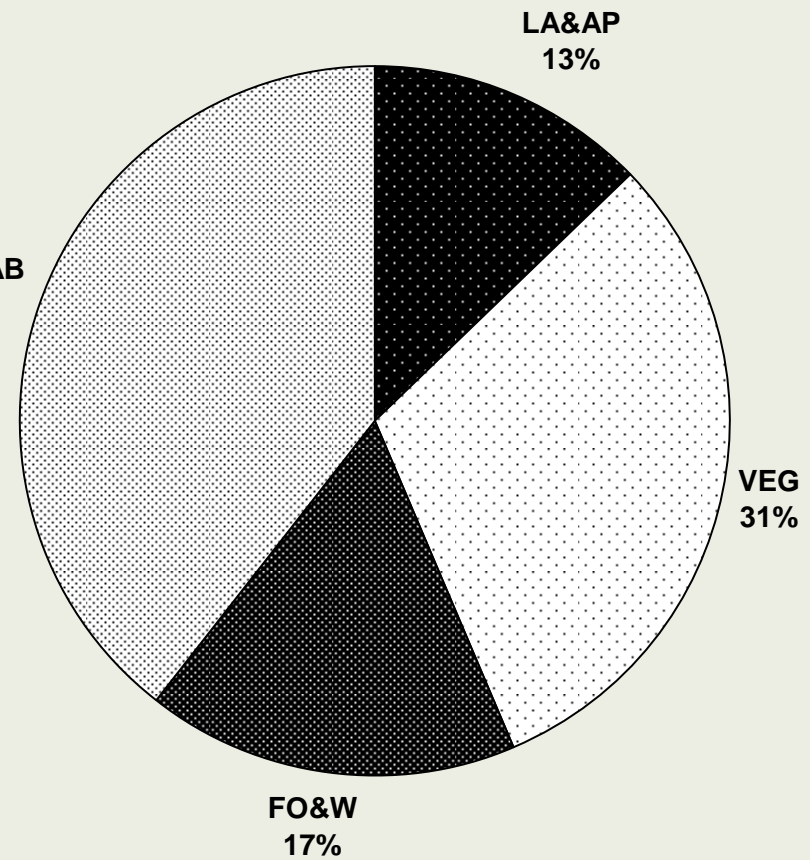
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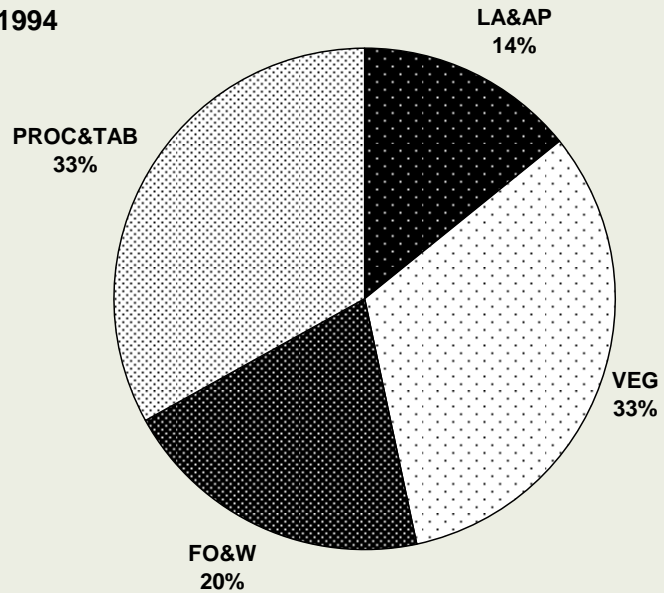


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Import Shares 2008

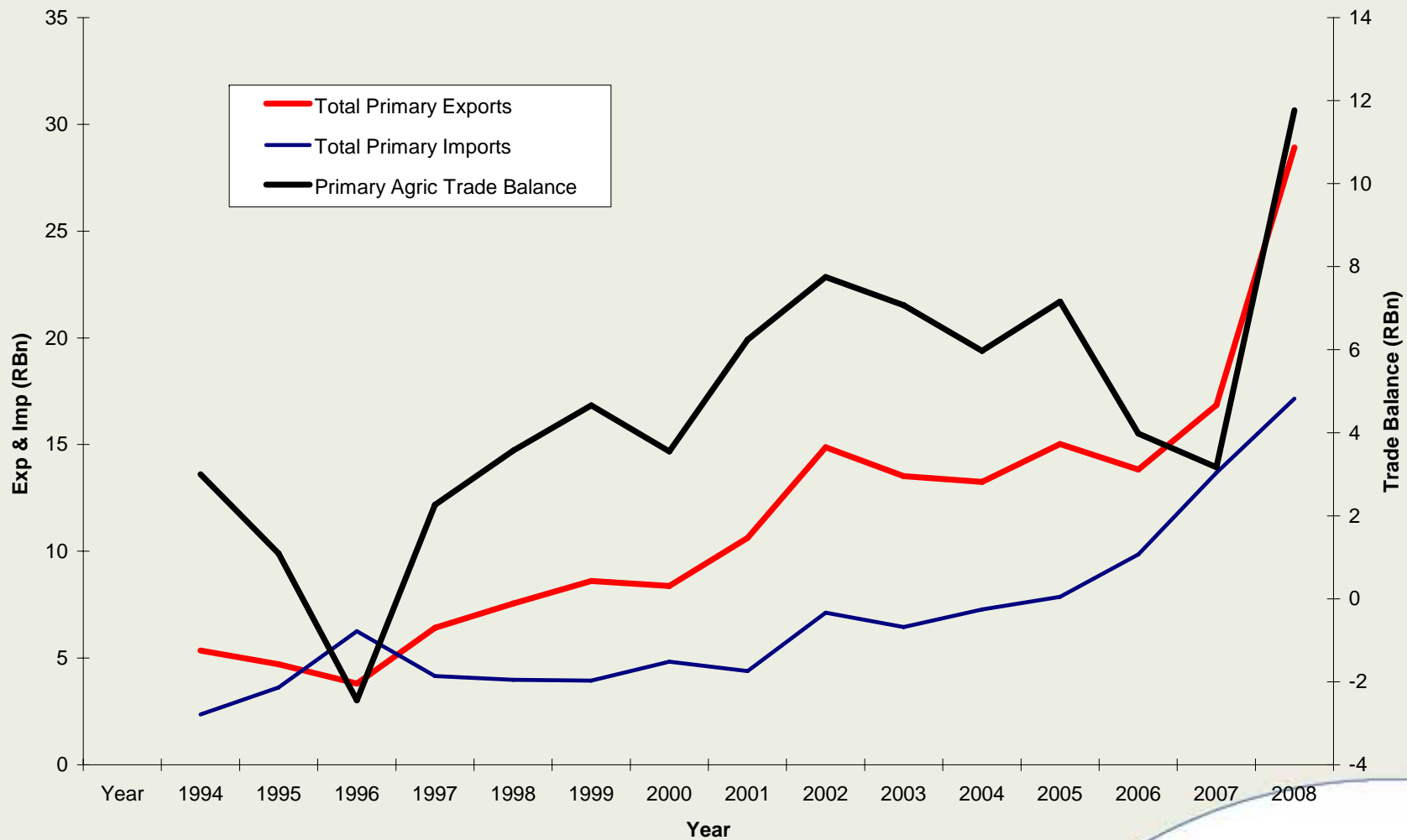


Import Share 1994



Year	Import Value (RBn)	Trade Balance (RBn)
1994	5.04	3.32
2008	39.23	8.39

Overall trends in *primary* agricultural exports, imports and “trade balance”, 1994-2008



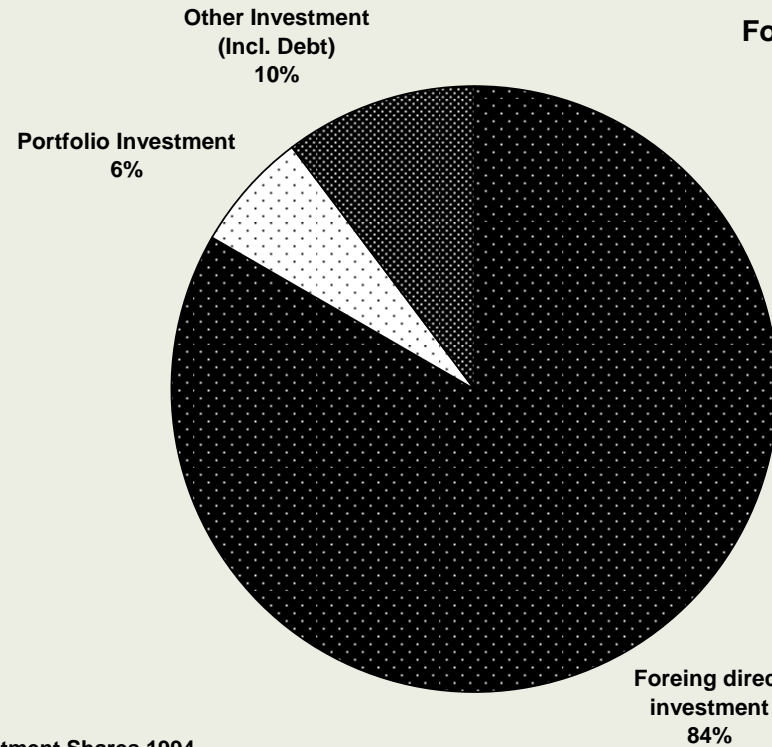
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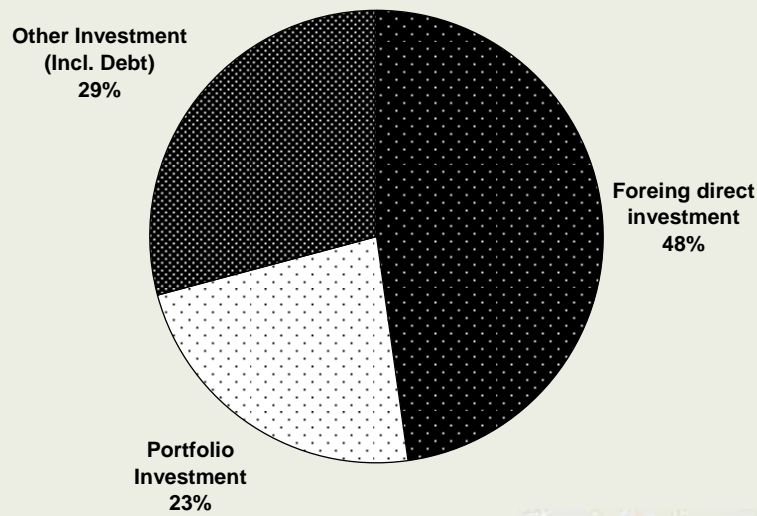


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Foreign Investment Shares 2007



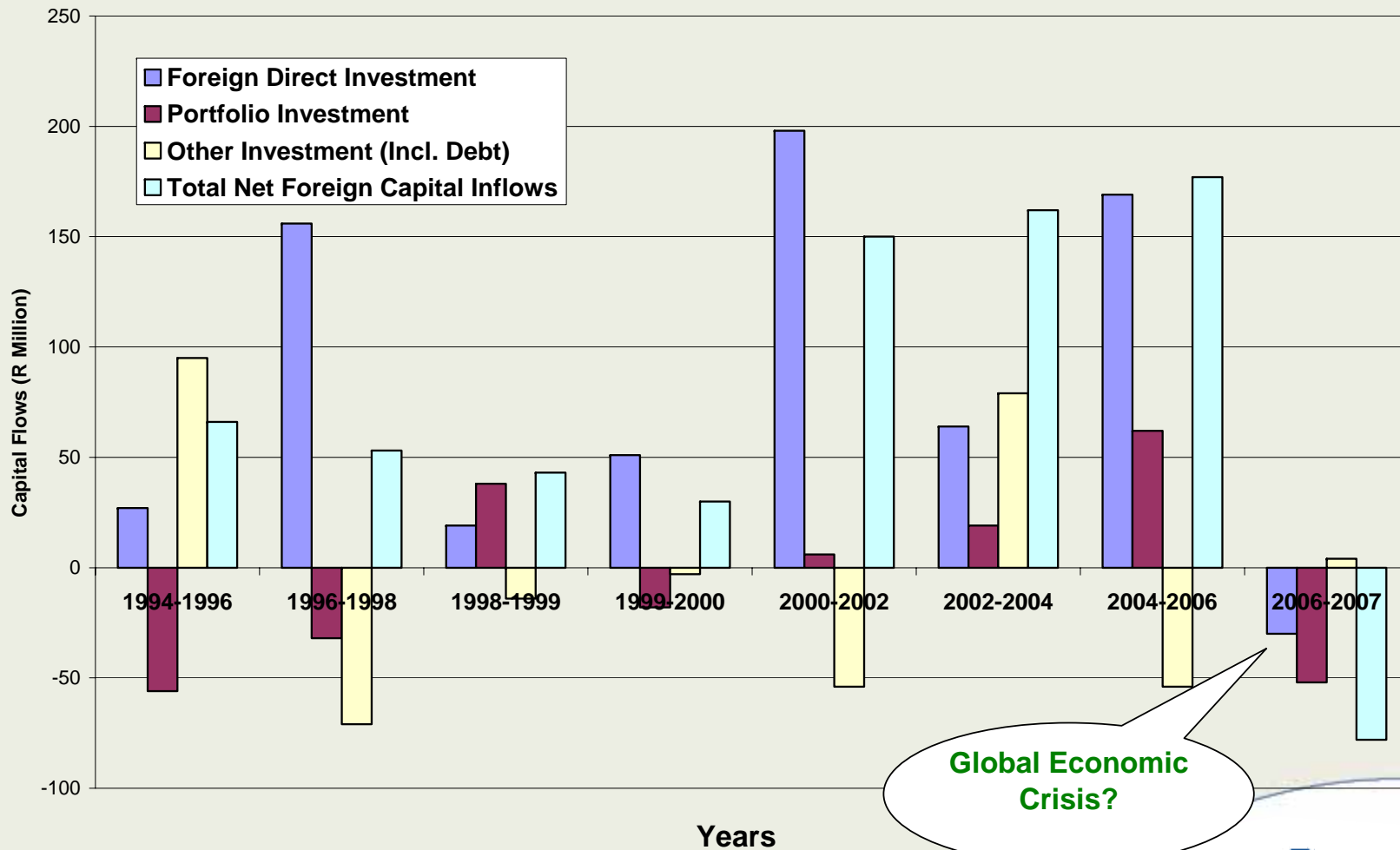
Foreign Investment Shares 1994



Foreign Investment/Capital Stock In Agriculture (R Million), 1994 and 2007

	1994	2007
Foreign direct investment	204	858
Portfolio Investment	98	65
Other Investment (Incl. Debt)	124	106
Total	426	1,029

Trends in *net foreign capital flows into SA agriculture*, 1994-2007... searching for economic slowdown effects...



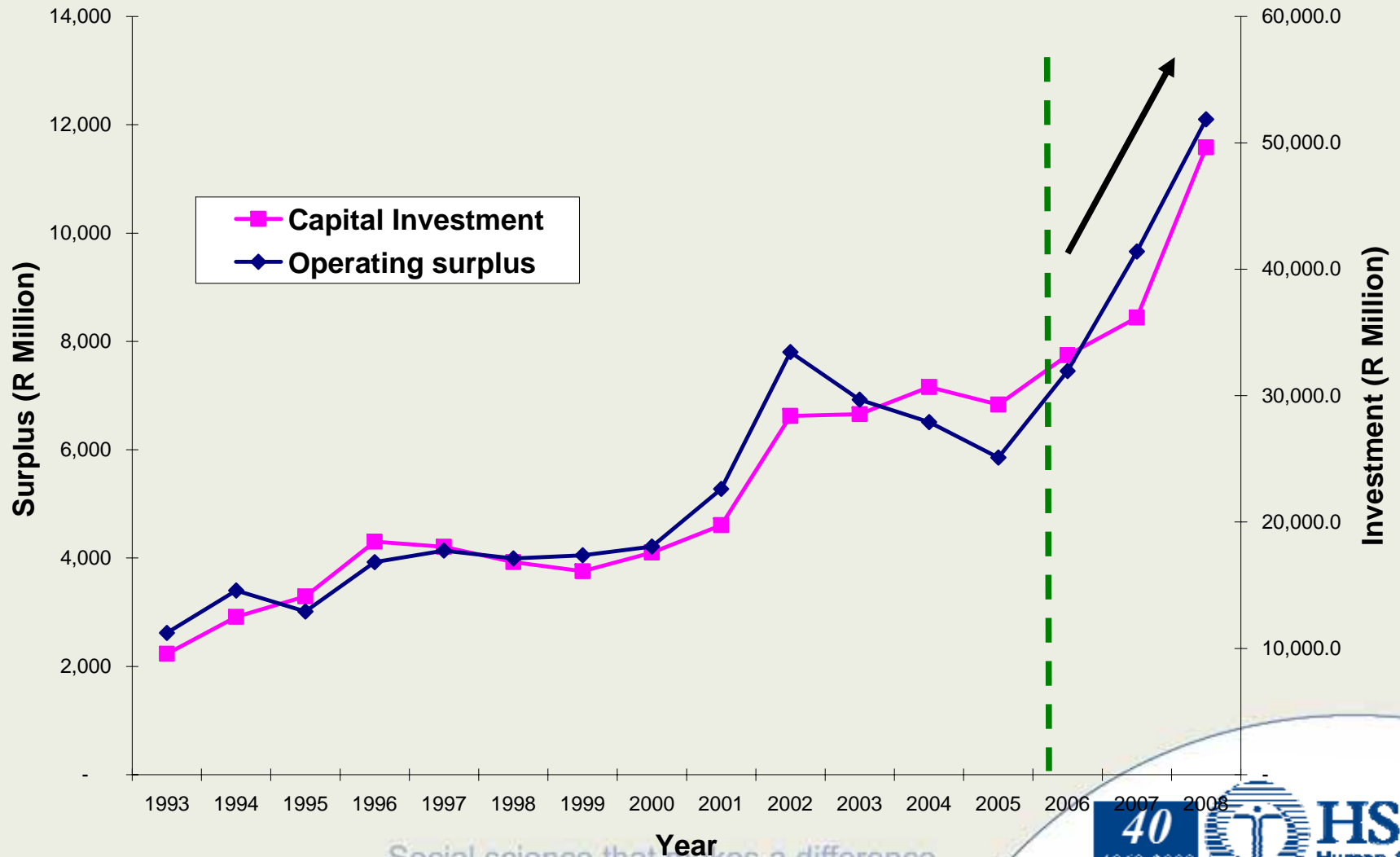
Global Economic Crisis?

Conclusion-1: Agricultural trade channel

- At the height of the food price crisis and global slowdown, the sector managed to overcome its 2007 “trade deficit” (2007 NAMC alarm!)
- More recently, agricultural trade appears to be largely unaffected by the global economic downturn; although “a double dip” cannot be excluded
- Agricultural trade continues to grow, especially cereal exports which is probably aimed at benefiting from the “bio-fuels boom”

Conclusion-2: Agricultural foreign investment channel

- Foreign capital inflows form a relative small component of net capital flows to agriculture, but this share appears to be rising
- At least during the early onset of the global financial crisis, the farming sector has experiences a net capital outflow, with the exception of debt inflows
- The reversal in capital flows could be the precursor to a contraction in agricultural trade and further food price hikes



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