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Op-Ed

Efficient logistics needed to keep agri-exports on the right track
By Daryl Swanepoel

South Africa's infrastructure challenges are resulting in lost competitiveness and are impacting negatively on the country's agricultural exports.

The agricultural industry is a major foreign exchange earner, along with minerals, automotives and some niche manufacturing, and the sector's continued competitiveness relies on access to effective and efficient logistics systems.

Last year, agricultural exports hit a record high of $12.4-billion, with products such as South African wine, maize, citrus, nuts, berries, wool, and fruits finding favour among consumers around the world. This performance was achieved despite decaying infrastructure and logistical systems.

Calls are now being made for urgent interventions to improve basic infrastructure in order to restore the competitiveness of South African agricultural exports.

The fact is that agriculture exports, such as our sought-after citrus, require well-run and efficient rail and ports to compete in the global market. At a point last year, citrus growers had to halt harvesting and packing of fruit to help ease congestion at the Durban port. Perishable products simply cannot be left stranded for days, or in some instances weeks, at logjammed terminals.

The key ports of Cape Town, Durban, Gqeberha and Ngqura, all managed by parastatal Transnet, are among the worst-performing in the world, according to a 2020 assessment by the World Bank.

South Africa's crumbling economic infrastructure was a key point of discussion during a recent Inclusive Society Institute (ISI) interaction with the agricultural sector as part of a bigger economic research project to identify a blueprint for accelerated economic growth.

The industry's concern about the state of railways, ports and road infrastructure echoes that of the mining industry, where companies in the coal and iron-ore sectors have reported billions in lost revenue because of their inability to get their product to market.

Transport problems are eroding the profitability of the farming sector, placing its future under threat. The roundtable discussion was told that port inefficiencies cost producers of yellow maize up to R200/t in additional costs and that rail inefficiencies add a further R150/t.

Transnet's challenges are being addressed through a R100-billion infrastructure development project at the Durban port and plans are under way to bring in private-sector participation for ports and railways, but this must be done on an urgent basis before lasting damage is done to the agricultural sector and other export industries.

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The repair and maintenance of roads must also be a priority, given the extra costs that poor road infrastructure entails for producers. The poor state of roads, particularly dirt roads in rural areas, is a headache for farmers. Trucks carrying heavy goods, such as cattle or crops, find it very difficult to reach markets when road infrastructure disintegrates. In many instances, farmers maintain crumbling roads at their own cost.

This not only hits the bottom line of producers, but it also results in a deepened trust deficit between the agricultural sector and government. Farmers are less likely to participate in land reform or other government-led initiatives when they feel let down.

While the failure of infrastructure is arguably the most pressing issue on the table, a conducive environment for investment is equally critical for the future sustainability of the sector. This includes the premium place by the agricultural sector on political and labour stability.

Over-heated rhetoric about ‘expropriation of land without compensation’ has been a cause of much uncertainty and continues to rattle the industry. Even though efforts have so far failed to amend section 25 Constitutional to define circumstances when expropriation of land without compensation may take place, an Expropriation Bill continues to make its way through the legislative process. The industry has warned that any ill-conceived attempts to expropriate productive land will not only undermine agricultural growth and food security, but would also do enormous harm to South Africa’s reputation as an attractive investment destination.

The minimum wage for farmworkers has also been flagged as an issue, especially as South African farmers do not enjoy the production support of many of their counterparts in other parts of the world. The sector argues that if wages rise too high, farmworkers will be priced out of the market and farmers may turn to mechanisation to remain competitive.

Compared with many international competitors, South Africa’s agricultural sector does not receive direct support from government. Citing an internal study by AgriSA, a participant in the ISI roundtable discussion noted that four of South Africa’s emerging market counterparts, which provide significant budget allocations to support agriculture, experienced average yearly gross domestic product growth of 3.40% over a ten-year period, a rate of growth much higher than South Africa has been able to achieve in the past decade.

It is vitally important that South Africa run its agricultural sector optimally, particularly in the context of a rising incidence of weather and climate shocks, as well as international crises, such as the unfolding war in Europe which is disrupting logistical supply chains and putting upward pressure on food and fuel prices across the world.

Daryl Swanepoel is the Chief Executive Officer of the Inclusive Society Institute, an autonomous and independent research institute. This article captures the essence of the agricultural sector’s contribution towards the development of the institutes blueprint for the rejuvenation of the South African economy.

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