HIGH IMPACT FOR ACCELERATED GROWTH IN AGRICULTURE AND AGRO-PROCESSING PROGRAMME

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INTRODUCTION

• South Africa's agro-processing sector plays a significant role in terms of job creation and sustainability in the economy.
• Despite the 2008 economic meltdown, food processing continues to be resilient and it is one of the largest manufacturing sectors by employment.
• An estimate of 255 000 jobs in 2014 against a backdrop of job losses in other parts of the sector.
• The Food & Beverage industry contributes about R101 billion to GDP, which contributes 24 percent to manufacturing GDP.
FOOD & BEVERAGE TRADE BALANCE

Value in millions Rand

-20,000 -10,000 0 10,000 20,000 30,000 40,000

2009 2010 2011 2012 2013 2014

Imports  Export  Trade balance
AGRO-PROCESSING SECTOR WITH GROWTH POTENTIAL IN SOUTH AFRICA

The diagram illustrates the growth potential and labor intensity of various agricultural products in South Africa. The axes represent low and high growth potential, with non-labor-intensive and labor-intensive categories.

- **Non-labor intensive (<0.01 Labour/ha)**: Sheep, Soya beans, Cattle, Wool, Sunflower, Canola, Poultry, Eggs.
- **Labor intensive (>1.3 Labour/ha)**: Peacan Nuts, Avocados, Vegetables, Tobacco, Peaches, Apricots, Wine.
- **High growth potential**: Olives, Macadamians, Citrus, Nectarines, Plums, Prunes, Magos, Table Grapes, Raisins, Bananas, Litchis.
- **Low growth potential**: Wheat, White Maize, Barley, Sorgham, Groundnuts, Forestry, Sugar cane, Tobacco, Peaches, Apricots, Wine.
FORESTRY AND FOREST PRODUCTS INDUSTRY

• The forestry and forest products industry contributes about R12.2 billion to GDP.
• The timber industry contributes 7.7 percent to manufacturing GDP and 25.5 per cent to the agricultural GDP.
• South Africa has 1.34 million ha under forestry and the total value of timber produced in South Africa is R 6.7 billion,
• While associated value-adding sectors contributing a further R20.4 billion and sales to processing plants added a further R17.4 billion.
The sector provides the raw material for beneficiation in subsectors such as:

1. Pulp and paper,
2. Sawmilling,
3. Particle boards for furniture manufacturing,
4. Mining timber, construction and poles.
## Manufacturing Investment Programme (MIP) Funding

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<th>Incentive</th>
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Aquaculture Development Enhancement Programme (ADEC)

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SOUTH AFRICAN FRUIT AND VEGETABLE CANNERS (SAFVCA)

- The dti & canning industry association established- PPP canning initiative.
- The dti hosted a generic domestic market campaign in collaboration (SAFVCA), Proudly South African and the Culinary Arts Association of South Africa (CAASA).
- The nature of the event aimed at:
- It was aimed at educating the general public about nutrition: was to function as a platform to market and promote the consumption of local produce to preserve and protect jobs in the Agro-processing sector.
• A platform as a conduit for Boland Pulp to show case and launch their new products

• Subsequently, on the 22 October 2013 the dti in collaboration with Rhodes Foods hosted an Eat Well, Eat Safe, Eat local campaign at Vangate Mall, Cape Town The exhibition serves as a conduit to market and promote local produce consumption in order to preserve and protect jobs in the Agro-processing sector.
• The Rhodes Foods group launched and showcased new products revitalizing the canning industry in South Africa.

• The products include various permutations of fruit cocktails, jams, vegetables.

• Products are easy open lids that do not require a tin opener like the traditional canned products.

• In 2014, the dti also hosted planting of 10 ha orchards trees at Robertson in Western Cape

• Phase 2 of the project is being wrapped up and the projects are now being identified for phase 3
SMALL SCALE MAIZE MILLING INDUSTRY

- the dti, is working closely with:
  - Home Grown Investment Holdings (Pty) Ltd 11 micro maize mills (FABCOS)
  - African Micro mills under the umbrella of Kuvusa mills
  - Soweto milling
  - Illimolino milling
MILLING SECTOR : RETAILER SCENARIO
HOME GROWN SUPER MAIZE MEAL
HOME GROWN SUPER MAIZE MEAL
HOME GROWN INVESTMENT HOLDINGS (PTY) LTD MICRO MAIZE MILLS

• FABCOS is a multi-sectorial national member based business chamber that serves the interest of small black owned business that are located in townships and rural areas of South Africa.

• Its mission is to build an alternative food value chain within the agriculture and agro-processing sectors.

• The company also offers programme with independence finance, access to market, business opportunities, training and development, business support programmes and policy advocacy.
HOME GROWN INVESTMENT HOLDINGS (PTY) LTD MICRO MAIZE MILLS CONT.

• To realize its mission:

✓ FABCOS has established HOMEGROWN brand

✓ Develop a farm and farmer development programme which is aimed at building infrastructure and capacity that is necessary for the nurture and development of small scale black farmers

✓ Establishment of a major agribusiness that will create access to markets, business opportunities and finance for small-scale farming enterprises in South Africa via a farm—incubation model”
IL MOLINO SPECIALITY GRAINS

- IL MOLINO Speciality Grains is the ONLY wholly-owned black owned wheat milling company in the country.
- Currently, employs between 50 and 65 people
- The company was started with the modest use of small micro-milling machinery that could produce up to 600 tonnes a month of wheat flour for local bakeries and biscuit factories and a staff compliment of 10 people.
IL MOLINO SPECIALITY GRAINS

- The company want the flagship of black millers under the ambrella of African Star Grain & Milling

- African Star Grain & Milling is also being assisted through the MCEP cluster Programme from the dti and possibly the IDC (application pending) and hopes to commission its operations by December 2015 and plans to

- Intending to employ another 65 people more.
SOWETO MILLING

• Soweto Milling is a 100% black owned proposed maize milling company that is based in Soweto, Pimville.

• The owners include the youth and community cooperatives.

• The plant is planned to process 30 tonnes of maize mill per hour with a capacity of 11800 tonnes of super maize mill per month.

• The proposed site is the Free State owing to its proximity to the raw material and silos.
SOWETO MILLING CONT.

- The required initial investment required is R250 million for the equipment and working capital.
- **the dti**, has already facilitated negotiations with the IDC, Old Mutual and the NEF in terms of the funding.
- The IDC together with Old Mutual have already given concessions to fund the project.
- Thus far, the IDC has committed about R187 million for the project.
The Minister of Trade and Industry, Dr Rob Davies launched an African Micro Mills

In an attempt to address high basic food prices and increase competition in the milling sector, the dti earmarked the small-scale milling industry as an Industrial Policy Action Plan (IPAP) priority intervention.

As part of the initiative, the project supports and facilitates the market entry of small-scale maize mills through financial assistance from the dti’s Manufacturing Investment Programme (MIP).
REGIONAL INTEGRATION

- Facilitating the incubation of small poultry growers will also improve on their competitiveness and contribute to employment creation in the sector.
- Facilitating the opening for the Gulf States for South African poultry exports.
- South Africa used to export meat (beef, skins, cloven-hooded animals and animal products) and poultry (chickens: chilled and frozen, and eggs products) to UAE (United Arab Emirates) and Saudi Arabia, the meat from South Africa has been regarded as the best and of a good quality in the Middle East.
- South Africa is currently working on compiling the information required by the Gulf States.
- In order to attempt to expedite the process, the Department of Agriculture, Forestry and Fisheries (DAFF) intends to send a full report on the avian influenza situation in South Africa to Saudi Arabia.
REGIONAL INTEGRATION

Once this is done, South Africa will be exporting chicken (projected) to Saudi Arabia in 2016 as follows;

- 1,200 tons pa of KFC Nine Piece Cut value $ 3.6m
- 250 tons pa of KFC Matured Skinless Boneless Breast Fillets value $ 1.2m
- 800 tons pa of various KFC Crumbed chicken products value $ 3.6m
- Total 2,250 tons pa value $ 8.4m in 2016
AGRO-PROCESSING IMPACT ON ACCELERATED GROWTH

• **the dti** has put in place various tools to enhance the agro-processing industry and economic transformation.

• These includes but not limited to the following:
  
  ✓ Processing traditional exports such as coffee, cocoa, and cotton,
  
  ✓ Africa has demonstrated its global competitiveness in producing raw products, adding value, and creating jobs.
  
  ✓ Scaling up promising non-traditional exports such as fruits by upgrading the supply chain—from farms to processing factories—increasing farmer incomes and generating jobs in factories and allied agribusiness services.
Import substitution potential, which is growing in importance given the rapid rate of increase in agricultural imports into Sub-Saharan Africa: the total value of imports rose 62% between 2007 and 2011 to reach $37 billion.
AGRO-PROCESSING IMPACT ON ACCELERATED GROWTH INTERVENTIONS cont.

- Export promotion programme for wine in Russia, China and United States of America (USA)

- Exports of wine to the world has increased; EU, US, China and Africa

- Drawing smallholder farmers into the procurement processes of the large Agro-processors in 2015:
  - R 126 million Black Supplier –from Compass group
  - R 2 billion spend on stockfells –from Tiger brands
ESTABLISHMENT ON THE NATIONAL-LOCAL GOVERNMENT INTERGRATION STRATEGY

- The dti is working on the following:
  - Establishment of a pilot domestic agribusiness hub
  - Establishment of the targeted exotic products export programme
  - Establishment of 27 rural agro-processing parks
  - Furniture manufacturing hub
EXPECTED OUTCOME OF HUBS

The hubs will:

- Improve productivity,
- Create employment,
- Increase competitiveness,
- Optimise the use of the current natural resources in the region,
- Develop skills through agribusiness and food processing by creating a central processing and marketing company and
- Allow the provision of common infrastructure facilities where the enterprises gains advantages through co-location with shared infrastructure, logistics and input costs.
Thank you!
Q’s & A’s