



# **Farm Business Management**

## **Handout 2**

### **The Agricultural Sector in SA**

## The agricultural sector in South Africa – SWOT on different sectors

Source: <https://bizconnect.standardbank.co.za/sector-news/agriculturearticles/reference-documents/the-agricultural-sector-in-south-africa>

KPMG's study of the agriculture sector in South Africa for the Small Enterprise Development Agency (Seda), "Research on the Performance of the Agricultural Sector", includes a SWOT analysis of three main products:

- field crops
- horticultural products
- animals/animal products

These results contained in the report are helpful for developing a strong business strategy as they point out the most prominent strengths and weaknesses, as well as the opportunities and threats in the marketplace, when it comes to each agricultural sub-sector.

### 1. The field crop sub-sector



#### **Strengths**

- Maize is the primary food of 80% of the country's population and will maintain strong growth
- South Africa is one of a few countries that produces white maize with significant potential for export
- Significant maize-yield improvements have resulted from stable production on irrigated land
- Demand for maize is linked to rising demand in livestock as yellow maize is the main feed-stock
- Tobacco continues to be in demand in international countries

#### **Weaknesses**

- Steady decline in planted area of maize
- Farmers are financially constrained in the period between planting and harvesting
- Input costs for farmers are rising
- Maize prices are volatile
- Farmers are not cost competitive when compared to other sugar producing countries
- Preferential trade agreements and high export tariffs for sugar farmers
- Declining cotton prices and the perception that the industry is not profitable

- Increased smoking laws, high tax rates and high input costs are slowing the demand for tobacco

### **Opportunities**

- Creation of biodiesels will improve demand for oil seeds
- Biodiesels have the potential to lower farmer's input costs by using it to meet their energy requirements
- Sugarcane-based renewable energy could assist Eskom with cogeneration of power
- Cotton farming can create numerous jobs as it is labour intensive
- South African cotton is one of the world's finest, giving the country a distinct advantage
- Tobacco sector and government partnership is helping emerging farmers to enter the commercial space

### **Threats**

- Rising prices of yellow maize places added pressure on the animal feed sector
- Maize exports need to be monitored to ensure that domestic demand is met
- Reducing profit margins for farmers may result in a reduction in production to remain profitable
- Competition from cheaper imports may hurt the domestic production market
- Major sugar producing nations subsidise the production of sugar with the overproduction eroding the global price of sugar
- Crop diseases can severely affect farmers' production levels and profitability

## **2. The horticulture sub-sector**



### **Strengths**

- The climatic diversity of the country is suitable for the cultivation of a wide variety of fruits and vegetables
- Citrus industry is export-orientated, and SA is firmly established as one of the leading citrus producers in the world. Infrastructure and climate is suited to maintaining this position
- Off-season production suits the European market and ensures demand for South African fruit

### **Weaknesses**

- Small-scale fruit and vegetable farmers do not have sufficient access to credit, transport and storage infrastructure and markets and experience difficulty participating in commercial agriculture
- Small-scale farmers lack access to advanced farming technologies thus reducing their global competitiveness

- The subtropical fruit industry is cost-intensive and requires high levels of investment required during non-bearing seasons

### **Opportunities**

- Asia and the Middle East are forecast to become major markets for South African table grapes
- Niche markets for rooibos and honey bush tea as well as for essential oils set to increase especially as people get more health-conscious
- Increasing demand for organically grown fruits and vegetables
- Growing market for ornamental and cut flowers
- Training of emerging and communal farmers to combat crop-related diseases

### **Threats**

- Rising input costs
- Fruit and vegetable farmers are particularly prone to crops being affected by pests and diseases
- The citrus industry does face serious international competition and farmers will need to become increasingly cost-competitive

## **3. The livestock and animal product sub-sector**



### **Strengths**

- Livestock farming comprises 40% of the country's agricultural output and is a major component of the sector
- Approximately 80% of agricultural farm land can be used for the farming of livestock and as such farmers combine livestock and crop farming
- Poultry is a fast-growing convenience food and has healthy future demand
- Help is available for small-scale farmers with financing issues

### **Weaknesses**

- Weak demand due to the effects of the global financial crisis
- South Africa is an importer of red meat and with potential rise in demand
- Small-scale farmers do not have the research and market information needed to commercialise their products
- There are many financing backlogs
- Financing options for small-scale farmers have high interest rates and repayments

### **Opportunities**

- Communal farming has the potential to help local producers meet domestic demand

- Access to viable and affordable financing options
- Providing small-scale farmers with the technical skills and information to tap into commercial markets

***Threats***

- Influx of cheap poultry will reduce production levels for local producers
- Rising feed prices are likely to affect local producer costs
- Avian flu' could deter growth in the industry and would affect both poultry and ostriches
- Foot and mouth disease is a major concern