

Drought, land tenure and foreign politics: Farming in South Africa in 2019

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We'd call it a perfect storm, but that would at least imply some rainfall. Farmers throughout history have always been at the mercy of the weather, but farmers in South Africa at present have a triple threat to deal with: the crippling drought still affecting large swathes of the country, the uncertainty of where the land reform process will leave them, and now the knock-on effects of foreign political events; namely Brexit and the US-China tariff war.

Drought

The 2018-2019 drought has its own Wikipedia page and has been described as 'the worst in a thousand years'. It affects a huge area, from the Northern Cape, through the Eastern Cape, and down into the northern-most portions of the Western Cape - and is negatively affecting food security for this region.

Impacts from the drought have been felt on several of the farms in the Futuregrowth Agri-funds, and, in some cases, have been exacerbated by higher than usual temperatures. The effects range from a reduction of fruit size, a lack of forage for livestock, dams drying up and The future of water availability in some regions and the ramifications for future seasons remain to be seen. Proactive measures have been taken on the affected farms, such as changes to irrigation methodology and the optimisation of boreholes, amongst others.

Land reform

The land reform debate, particularly the issue of expropriation without compensation, remains at the forefront of every land-owner's mind. Continued uncertainty as to how this will be implemented has negatively affected property prices for agricultural land, and made financial institutions reluctant to lend money for transactions in the agri sector, further slowing development and weakening the ability of farmers to react to challenging conditions. The report issued by the President's special advisory panel offered some faint light at the end of the tunnel, however.

Although the report, as anticipated, recommended that the Constitution be amended to allow for instances of expropriation without compensation, the language within that report suggested that it should be applied primarily to land held under specific circumstances, including abandoned land; land held purely for speculative purposes; land already occupied and used by labour tenants and former labour tenants; and inner city buildings with absentee landlords.

Foreign markets

Britain has traditionally been South Africa's strongest ally within the EU, and the impending chaotic Brexit leaves exporters scrambling to form new alliances. The US-China trade war has contracted global trade growth, and South Africa's economy has suffered collateral damage. There have been direct impacts for the fruit export industry, affecting many of the farms within the South African portfolios.

Typically, fruit from South America is heavily marketed into the US and China. Given the uncertainty in light of the tariff dispute and a consequent surplus of domestic inventory in the US, a large proportion of South American fruit instead flooded the European market – traditionally South Africa's strongest market. South African fruit was already in or en route to Europe and exporters were not able to react timeously. In an environment where large

uncontrolled volumes are entering a market segment, the traditional suppliers tend to suffer the most. The rate of sales is slower, which places pressure on the cold chain management (fruit cannot be held until the markets cleared), and this results in a reduction in price to try to increase the sales rate. A further consequence of the saturation was a very unforgiving market in respect of any blemishes or minor quality issues which would ordinarily have been overlooked.

The rapid escalation and unpredictability of the current fracas has caught the South African fruit industry on the back foot. Trade wars in and of themselves are nothing new to the export industry, and often may provide opportunities for those players who remain agile and proactive. There are potential opportunities for increased export to China next season if the situation continues – and farms will need to revise their marketing strategies.

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