

SOUTH AFRICAN AGRO-PROCESSING SECTOR OVERVIEW

Presenter: Solly Molepo
Directorate: Agro-processing

University of Limpopo & Waterberg TVET College
Students Exposure Webinar

21 October 2021



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Contents



- ❖ Background
- ❖ Overall facts about agriculture and agro-processing
- ❖ Top traded agricultural commodities
- ❖ Agro-processing export share
- ❖ Agro-processing employment
- ❖ Structure of agro-processing sector desk in **the dtic**
- ❖ Responsibilities of the agro-processing sector desk
- ❖ Policy levers
- ❖ Agro-processing growth and opportunities
- ❖ Sector opportunities and constraints
- ❖ Industry associations in agriculture and agro-processing space
- ❖ Conclusion



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Background

- South Africa is the world's 24th most populous country, with the number of young people expected to grow to 39 million in 2030.
- The unemployment rate for youth tends to be significantly higher than for the rest of the population.
- However, there are less youth participating in agriculture and agro-processing, hence these sectors are expected to create 643 000 direct jobs and 326 000 indirect jobs in agriculture, agro-processing and related sectors by 2030.



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Overall Facts about Agro-processing

- Starting with the contribution to the economy in the form of the Gross Value Added (GVA), the Agriculture and Agro processing sectors made up 5.8% of all formal economic activities in 2018.
- Agriculture and Agro processing sectors contributes around R253 billion to the total South African economy's R4.5 trillion in value added.
- The agro processing sector, food manufacturing made up a significant share of 71% of the total value added, followed by beverages and tobacco.



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Overall Facts about Agro-processing-2

- In terms of formal employment, primary agriculture employed around 974 thousand formal jobs, with Agro processing adding another 346 thousand direct jobs, the combined total share of these two sectors make up more than 8% of formal employment in South Africa.
- The country exported products valued at around R1.3 trillion in 2019 of which 5.4% were primary agricultural exports, whilst the contribution for agro processing was 6.7%.



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

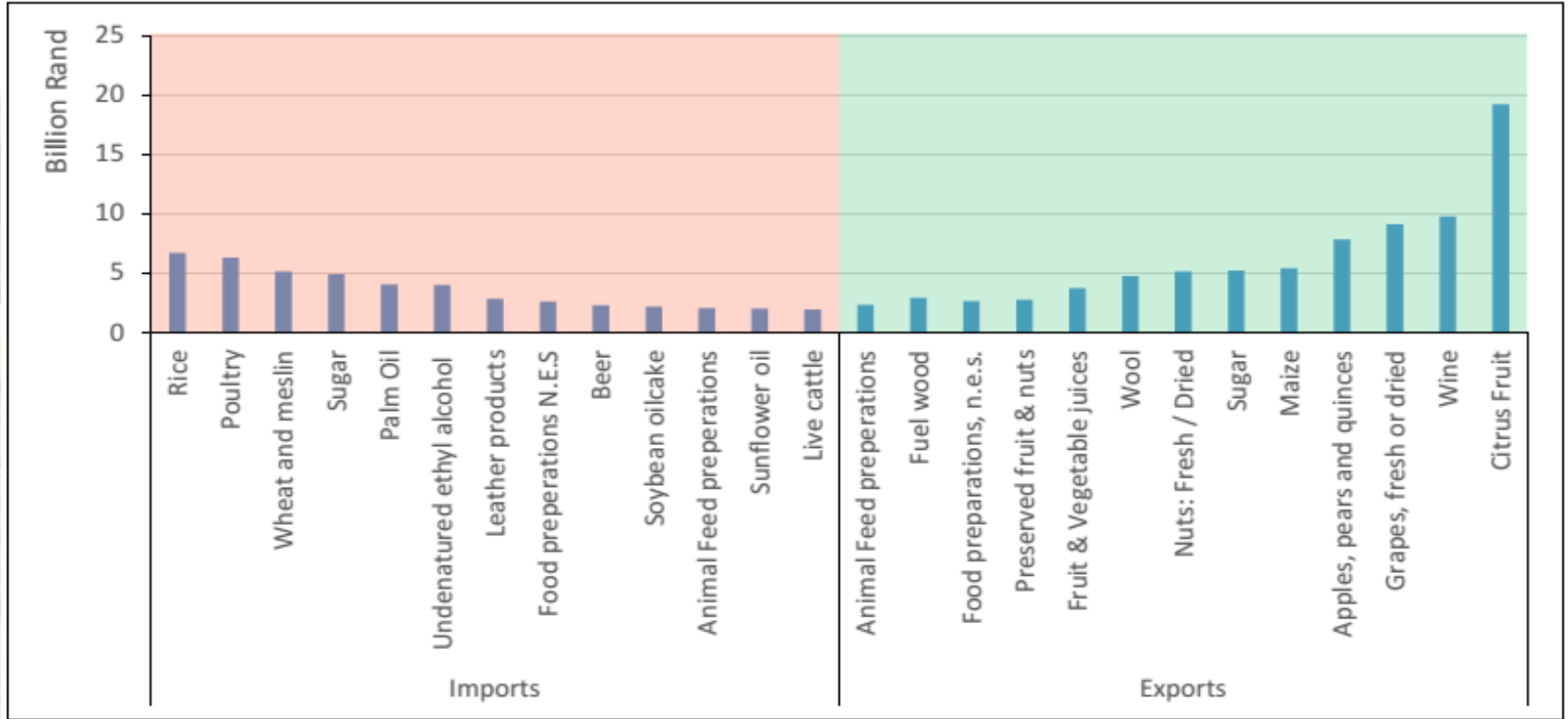
the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Top Traded Agricultural Commodities



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

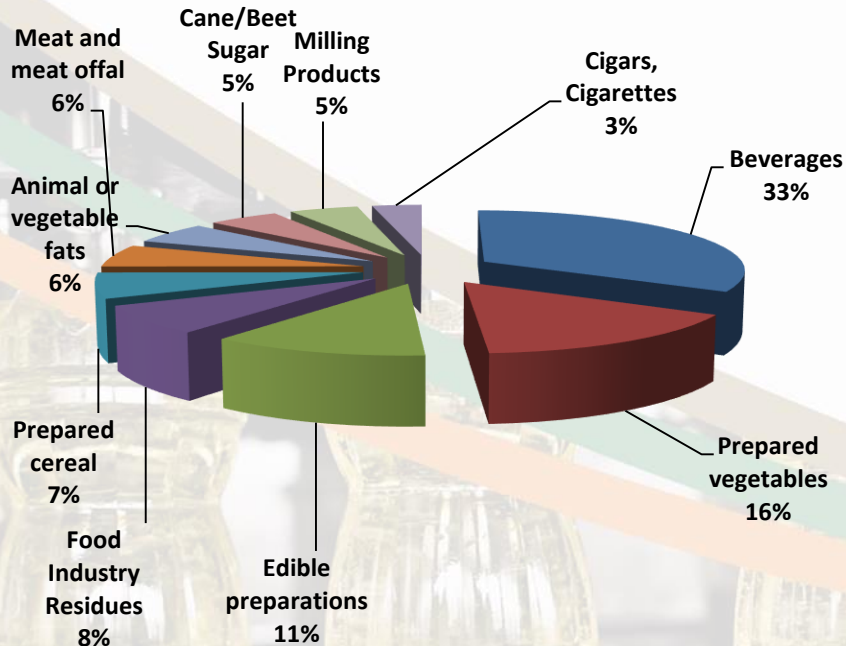
the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Agro-processing Export Share

Exports in percentage



the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA



Agro-processing Employment

Formal Employment	Number of Jobs in 2019	Percentage Contribution (%)	Combined
Agriculture	861 022	5.2	8.55%
Agro processing	554 230	3.3	
<i>Food</i>	<i>310 558</i>	<i>1.88</i>	
<i>Beverages & Tobacco</i>	<i>73 804</i>	<i>0.45</i>	
<i>Textiles</i>	<i>60 237</i>	<i>0.36</i>	
<i>Leather & leather products</i>	<i>7 525</i>	<i>0.05</i>	
<i>Wood & paper products</i>	<i>102 107</i>	<i>0.62</i>	
Total employment (all sectors)	16 561 955	100	



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Structure of Agro-processing Sector Desk in the dtic

Chief Directorate: Agro-processing and Forestry Based Industries

Directorate: Major Agro-processing

- Poultry Master Plan
- Poultry Designation
- Sugar Master Plan

Directorate: Niche Agro-processing

- Agriculture and Agro-processing Master Plan
- Cannabis Master Plan
- Supplier Development Programme
- Localisation Programme

Forestry Based Industries

- Furniture Master Plan
- Forestry Master Plan
- Enterprise Development
- Furniture Design Competition



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Responsibilities of the agro-processing sector desk

- To understand the agro-processing institutional support system, and actively align and build the capacity of key stakeholders across the various spheres of government.
- Support the mature agro-processing subsectors to higher growth paths through critical interventions along the value-chain
- Identify and facilitate investments by the private sector and the state in critical market-enabling agri-infra-structure that unlocks opportunities for agglomeration and rural development.
- Facilitate the development of high opportunity/ high growth niche sectors that have significant export potential
- Facilitate strategic mega-investments which are transformative to the sector, create jobs and unlock value-chain potential
- Develop high potential food processing suppliers on scale through facilitating upgrading programmes in partnership with the retailers and large agri-business players.



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

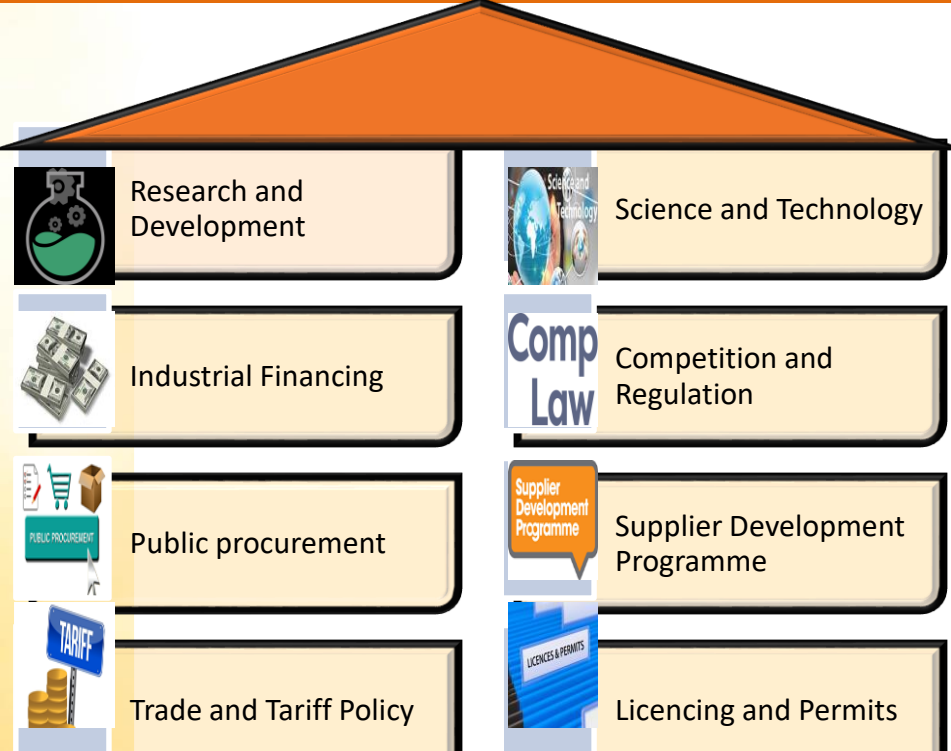
the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

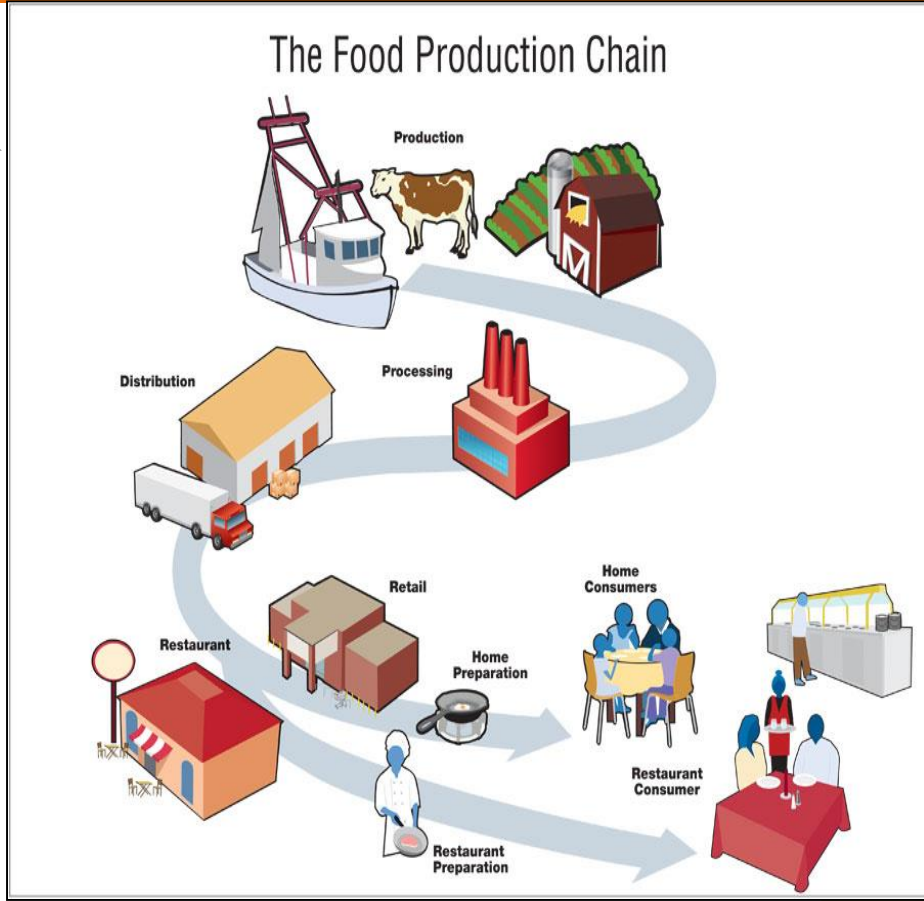
the dtic Website: www.thedtic.gov.za



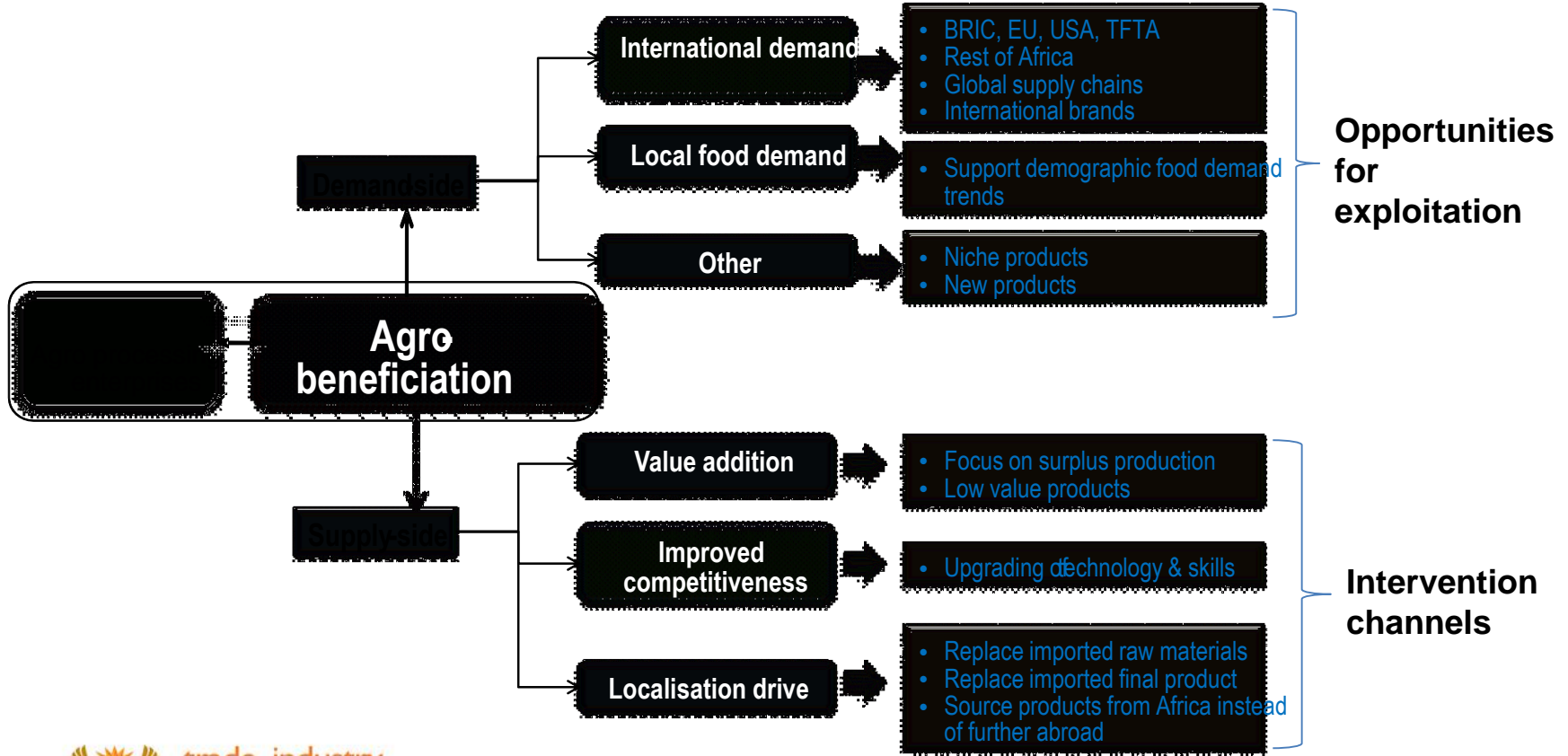
Policy levers



These services are rendered by various government department and agencies



Agro processing Growth and Opportunities



trade, industry
& competition

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

Sector Opportunities and Constraints

Opportunities

- Import replacement (localisation)
- New product development
- Untapped Markets (Africa and Asia)
- Trade agreements
- Strategic partnerships

Constraints

- High utility prices and inconsistent supply (electricity, water) disrupting manufacturing and productivity
- Climate change
- COVID-19 pandemic
- Security of raw material supply
- Lack of continuous investments in plant, machinery and equipment
- Rising cheap imports of agro products



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Industry Associations in Agriculture and Agro-processing Space

- Consumer Goods Council of South Africa;
- Red Meat Producers Organisation;
- Fresh Produce Exporters Forum;
- Fruit South Africa;
- South African Fruit and Vegetables Canners Association;
- Grain South Africa
- Milk South Africa;
- Potato South Africa;
- Wines of South Africa;
- South African Poultry Association;
- South African Wine Information System
- South African Flower Growers Association;
- Association of Meat Importers and Exporters
- National Chamber of Milling
- South African Sugar Association



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



SUPPORT MEASURES - SUMMARY OF INCENTIVES



INNOVATION CLUSTER

- **Technology and Human Resources for Industry Programme (THRIP)**
- **Support Programme for Industrial Innovation (SPII)**



MANUFACTURING INVESTMENT CLUSTER

- 12I Tax Allowance Incentive (12I)
- **Black Industrialists Scheme (BIS)**
- **Aquaculture Development Incentive Programme (ADEP)**
- Strategic Partnerships Programme (SPP)
- **Agro-processing support scheme (APSS)**
- Automotive Investment Scheme (AIS)



SERVICES INVESTMENT CLUSTER

- Global Business Services Incentive (GBS)
- Film and Television Production (Film and TV)



COMPETITIVENESS INVESTMENT CLUSTER

- Manufacturing Competitiveness Enhancement Programme (MCEP IDC Loan Facility)
- **Export Marketing and Investment Assistance (EMIA)**
- **Sector-Specific Assistance Scheme (SSAS)**
- Capital Projects Feasibility Programme (CPFP)



INFRASTRUCTURE INVESTMENT CLUSTER

- Special Economic Zones (SEZ)
- Critical Infrastructure Programme (CIP)
- Industrial Parks

Innovation Cluster

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
<p>Support Programme For Industrial Innovation (SPII)</p>	<p>Promotes technology development in South Africa through the provision of financial assistance for the development of innovative, competitive products and/or processes</p>	<ul style="list-style-type: none"> ▪ South African registered legal entities. ▪ Registered higher education or further education institution in partnership with private sector. ▪ Licensed and/or registered science councils in partnership with private sector 	<p>Matching scheme that provides financial assistance in the form of a non-taxable grant for qualifying costs incurred in development activity associated with a specific project to a maximum of R5 million:</p> <ul style="list-style-type: none"> ▪ 50% for large enterprises ▪ 50% and 75% depending on the black economic empowerment status (BEE and shareholding of women and people with disabilities at the time of application)

Innovation Cluster

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
<p>Technology and Human Resources for Industry Programme (THRIP)</p>	<ul style="list-style-type: none"> ▪ Is intended to leverage collaborative partnerships between government and industry (working with academia) ▪ for research and development in science, engineering and technology ▪ on a cost-sharing basis, to produce highly skilled human resources and technology solutions, for improved industry competitiveness. 	<ul style="list-style-type: none"> ▪ South African registered legal entities. ▪ Registered higher education or further education institution in partnership with private sector. ▪ Licensed and/or registered science councils in partnership with private sector 	<ul style="list-style-type: none"> ▪ A 50% to 90% cost-sharing grant to maximum R8m per annum for a period 3 years ▪ for approved project engaged in applied research and development in science, engineering and technology

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
<p>Black Industrialists Scheme (BIS)</p>	<ul style="list-style-type: none"> ▪ <u>Accelerate</u> the quantitative and qualitative increase and participation of black industrialists in the national economy, selected manufacturing sectors and value chains; and ▪ Create multiple and diverse pathways and instruments for black industrialists to <u>enter</u> strategic and targeted manufacturing sectors and value chains. ▪ <u>Utilise</u> Black Industrialists for economic growth, economic transformation, employment creation and sustainability. 	<p>Characteristics of a black industrialist:</p> <ul style="list-style-type: none"> ▪ High levels of ownership (>50%); ▪ Dominant black ownership and management control ▪ Takes personal risk in the business; ▪ Does business in the manufacturing sector with particular reference to IPAP focus areas ▪ Makes a long-term commitment to the business and is a medium- to long-term investor 	<p>A 30% to 50% cost sharing grant of up to R50 million.</p> <p>Offers support on a cost-sharing basis towards:</p> <ul style="list-style-type: none"> ▪ Capital investment costs; ▪ Feasibility studies towards a bankable business plan (to the maximum of 3% of projected investment project cost); ▪ Post-investment support (to the maximum of R500 000); and ▪ Business development services (to the maximum of R2 million).

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
Aquaculture Development and Enhancement Programme (ADEP)	<p>To stimulate investment by commercially viable enterprises in the aquaculture sector (freshwater and marine farming):</p> <p>a) Fish hatcheries, fish farms and crocodile farms</p> <p>b) Production, processing and preserving of aquaculture fish</p> <p>c) New, upgrading or expanding projects</p>	<p>South African Registered Entities engaged in the following operations:</p> <p>Primary</p> <ul style="list-style-type: none"> ▪ Hatchery facilities : Brood Stock, Seed Production, Juvenile (spat, fry, fingerling) ▪ Nursery facilities and operations ▪ Grow out facilities and operations <p>Secondary</p> <ul style="list-style-type: none"> ▪ Post-harvest handling, eviscerating, packing & quick freezing ▪ Filleting, portioning, packaging and trading ▪ Value adding: curing, brining & smoking ▪ Waste stream handling <p>Ancillary</p> <ul style="list-style-type: none"> ▪ Feed manufacturing, <p>Emerging Black farmers</p>	<p>Reimbursable cost-sharing grant of 30% - 50%, maximum of R20 million for qualifying costs:</p> <ul style="list-style-type: none"> ▪ Machinery, equipment and tools ▪ Bulk infrastructure; ▪ <u>Land</u> (small enterprises) ▪ Buildings; ▪ Competitiveness improvement activities; ▪ Commercial vehicles and work boats. ▪ <u>Mentorship</u> (small enterprises) <p>Score based on economic benefit criteria</p>

Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
Agro-Processing Support Scheme (APSS)	<p>To stimulate investment by SA agro-processing/beneficiation enterprises (agri-business)</p> <p>Investment to achieve some of the following:</p> <ul style="list-style-type: none"> • Increased Capacity • Employment Creation • Modernised Machinery & Equipment • Competitiveness & productivity improvement • Broadening Participation 	<p>South African Registered Entities in the following sub-sectors:</p> <ul style="list-style-type: none"> • Food & beverage value addition and processing (including Black winemakers) • Furniture manufacturing • Fibre processing • Feed production; and • Fertilizer production 	<p>Reimbursable cost-sharing grant of 30% to 45% to a max of R20 million for qualifying costs</p> <ul style="list-style-type: none"> ▪ Buildings ▪ New machinery, equipment, tools, technologies; ▪ Commercial vehicles ▪ Competitiveness Improvement Costs

Incentive Programme	Purpose	Incentive Offering	
Export Marketing Investment Assistance	Aims to support exporters to explore export markets	Individual Exhibition Participation	<ul style="list-style-type: none"> ▪ Return airfare ▪ Subsistence allowance ▪ Transportation of samples ▪ Exhibition costs
		Primary Market Research & Foreign Direct Investment	<ul style="list-style-type: none"> ▪ Return airfare ▪ Subsistence allowance ▪ Transportation of samples ▪ Patents ▪ Production of marketing material
		Individual Inward Missions	<ul style="list-style-type: none"> ▪ Return airfare ▪ Subsistence allowance ▪ Car rental
		Group Missions & National Pavillions	Selected Trade Fairs & Exhibitions / Export Councils, Industry Associations & Provincial Trade Promotion Agencies <ul style="list-style-type: none"> ▪ Return airfare ▪ Subsistence allowance ▪ Transportation of samples ▪ Exhibition costs



Incentive Programme	Purpose	Target / Eligibility Criteria	Incentive Offering
<p>Sector Specific Assistance Scheme (SSAS)</p> <p>Components:</p> <ul style="list-style-type: none"> ▪ Generic Funding (Administered by TISA) ▪ Project Funding (Administered by IFD) ▪ Project Funding for the Emerging Exporters (Administered by IFD) 	<p>A reimbursable cost-sharing incentive scheme whereby financial support is granted to organisations supporting the development of industry sectors and those contributing to the growth of South African exports.</p>	<p>Organisations supported under include:</p> <ul style="list-style-type: none"> ▪ Export Councils, ▪ Joint Action Groups, ▪ Industry Associations and ▪ those organisations that are involved in the development of emerging exporters 	<ul style="list-style-type: none"> ▪ SSAS/Project Funding - A reimbursable 80:20 cost-sharing grant scheme ▪ SSAS/Emerging Exporters -100% of the cost to a maximum of R1, 9 million per project



APPLICATION PROCESS

Application:

- Applicant obtains incentive application form and guidelines from **the dtic** website (www.thedtic.gov.za) under Financial Assistance tab;
- Applicant may obtain further information telephonically, by e-mail or visit to the dtic offices.
- The guideline should be read before completing the application form.
- The Applicant e-mails the completed, signed application form with supporting documents to the dedicated email address;

Basic Evaluation:

- The application is allocated to a processor for assessing its completeness
- The applicant will receive an acknowledgement letter from the Programme Administration;
- The review of the documents is undertaken and should all documents be in place, the application is sent for further processing and prepared for adjudication;
- If the application has outstanding documents, then the applicant is contacted and provided with a timeframe within which to provide the outstanding information

Adjudication:

- Technical evaluation will be performed for the complete applications;
- Adjudication Committee convenes to assess the application - Applications are approved, rejected or referred back for additional information.
- The decision of the Adjudication Committee is final.
- Letter confirming approval of the application and the claim form will be forwarded to the applicant within a specified timeframe.

Conclusion

- Agriculture and Agro-processing Masterplan will assist in fast tracking youth's access to resources and markets to promote their participation in agro-processing sector; this includes supporting procurement from businesses owned by young people.
- Promote investors that actively seek to integrate youth into decision-making processes.
- Support the establishment of youth producer groups that will have greater bargaining power in supply chains.



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Thank you

Solly Molepo (Mr.)

SMolepo@thedtic.gov.za

Tel: +27(0)12 394 5456

Call Centre: +27(0)86 184 3384



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za

