“Coming to grips with Agri-Competitiveness”

Agricultural Trade Policy Institute

Namibia University of Science and Technology
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THE "NEW NORMAL" - TO BE COMPETITIVE

"In today's (agri) business, the competition will bite you if you keep running; if you stand still, they will swallow you!" (William Knutson, Jr. Chairman Ford Motor Company)

"If you do not have competitive advantage – do not compete!" (Jack Welch, CEO General Electric)

"Do not give me stats....explain the trends" (President Bill Clinton)

Focus of the talk:

- I found that -- in more than 20 year active in “operational agribusiness”-- the one consistent and underlying **QUESTION** to be answered was, and still is: “ **HOW CAN WE BE MORE COMPETITIVE?”** (…..i.e. to sustain our business)

- I realized it was far more complicated than to deal with “too high production costs”; or surviving the “skelm middlemen”; or “missing support from Government”; or the exchange rates ; or “unequal playing fields of international trade”….

- I also concluded that to support agriculture in this quest **“TO BE COMPETITIVE”** , it is needed to measure competitive performance and to analyse all contributing factors, in order to support decision making - at business, industry and policy levels.

- So, when I “retired” from “operational” agribusiness in 2010 and started the **Centre for Agribusiness**, **funded by Standard Bank at Stellenbosch University, I** decided to focus on the question: **“HOW TO IMPROVE AGRI-COMPETITIVENESS THROUGH BUSINESS INTELLEGENCE & LEADERSHIP”**

- The talk tonight talk will be on **“Coming to Grips with Agribusiness Competitiveness” -** at industry, business and policy levels.

- The talk will not focus on **“WHAT TO DO RECIPIES”**…I know far too little of Namibian agriculture - but fortunately you have some smart people here, working on agri-competitiveness…..two studied with me - Ms Alex Angala, M Sc Agri Econ (Cum Laude), on dates; and Martin Angula, busy with his PhD on agricultural performance with beef and table grapes case studies.

- And I also trust the **Agricultural Trade Policy Institute,** with Salomo Mbai, Tina Mojo et al, will (soon) provide grounded information/business intelligence to support Namibian Agriculture to increase competitive performance.

- **GOOD LUCK -- THANK YOU FOR INVITING ME HERE--YOU CAN COUNT ON ME!!!**

Content:

- How to Define, Measure & Analyse - if you can measure it, you can manage it

- How competitive is agriculture?
  - South African & Namibia cases
  - Understanding the trends

- Towards the “New Normal: Improving competitiveness: industry level & policy considerations

Evolution of Competitiveness Thinking and Analysis:

Trade Theory:
Wealth is set by **Natural Endowments**
Absolute Advantages
Adam Smith(1776)

David Ricardo
Comparative Advantage
(1817)

Heckscher-Ohlin
Factor Proportions Theory
Marginality & Pareto optimality
(1877-1949)

Leontief
The Leontief Paradox
USA both labour and capital intensive?
(1953)

Stefan Linder
Overlapping Demand
(1961)

Raymond Vernon
Product Cycle Theory
(1966)
Balassa, 1963, Vollrath, 1998

Krugman, Lancaster
Economies of Scale
(1979)

New Competitive Theory:
Wealth created by
Strategic Choices,
not Natural Endowments
Michael Porter, Competitive Diamond
(1985, 90, 98)

Post Porter models- expanding the PCD:
IMD, WEF Reports
Double Diamonds, Rugman & De La Cruz, 1993, , Small economies, Cho, 1994
Diamond Clusters, vR, 2011;
Socio-economics (Porter, 2007; Barr, 2019, Zyinda 2020; Angula, Jantjies, Tsega,

Recent Competitiveness Analysis applications

Comprehensive economy wide analysis;

not much industry (agriculture*) level (yet):

- IMD – WORLD COMPETITIVENESS YEARBOOK &
- WEF - GLOBAL COMPETITIVENESS REPORT – 12 pillars

Agri-focussed analysis: constrained frameworks:

- Agri-benchmarking, fruit industry: O'Rourke, production cost based.
- Decision Support Model (DSM) & Market Attractiveness Index (MAI)
- Product focus: Applied Boston Matrix
- Profits; productivity; ROI; ROR, "Partial budgeting"

The applied Porter-Vollrath methods: Comprehensive analysis of trade & business trends

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

Insight Report

The Global Competitiveness Report

BFAP

IMD

REAL LEARNING. REAL IMPACT

IMD WORLD COMPETITIVENESS CENTER

IMD World Competitiveness Yearbook 2020

COUNTRY PROFILE

SOUTH AFRICA

SOUTH AFRICA

OVERALL PERFORMANCE (63 countries)

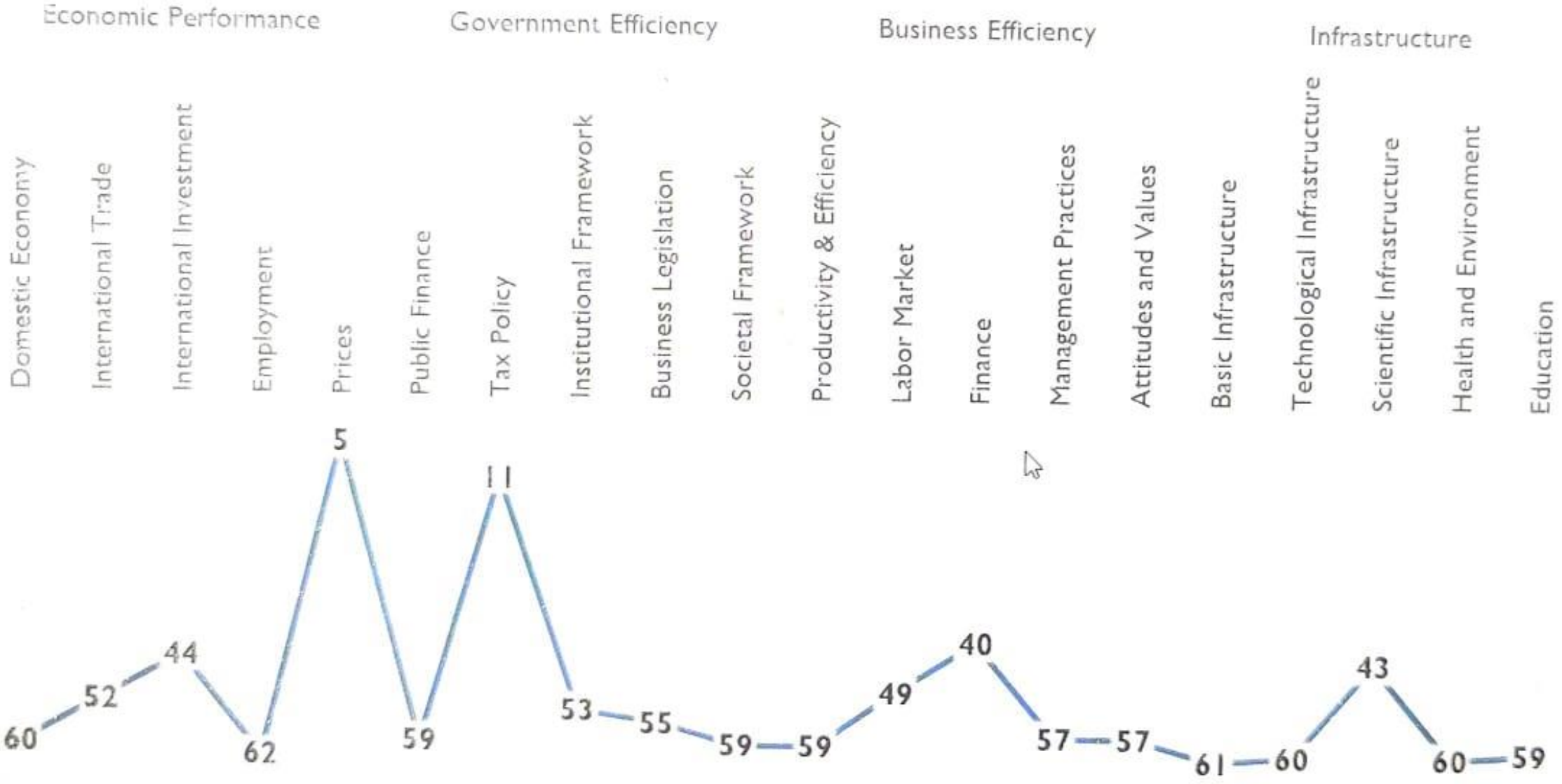
CHALLENGES IN 2020

- Deteriorating headline and youth unemployment.
- Rising public debt levels amid a shrinking fiscal space.
- Lack of decisive plans to revive the struggling economy.
- Ongoing electricity supply problems and rolling blackouts.
- Sluggish legal process to address corruption in state owned enterprises.

Productivity SA

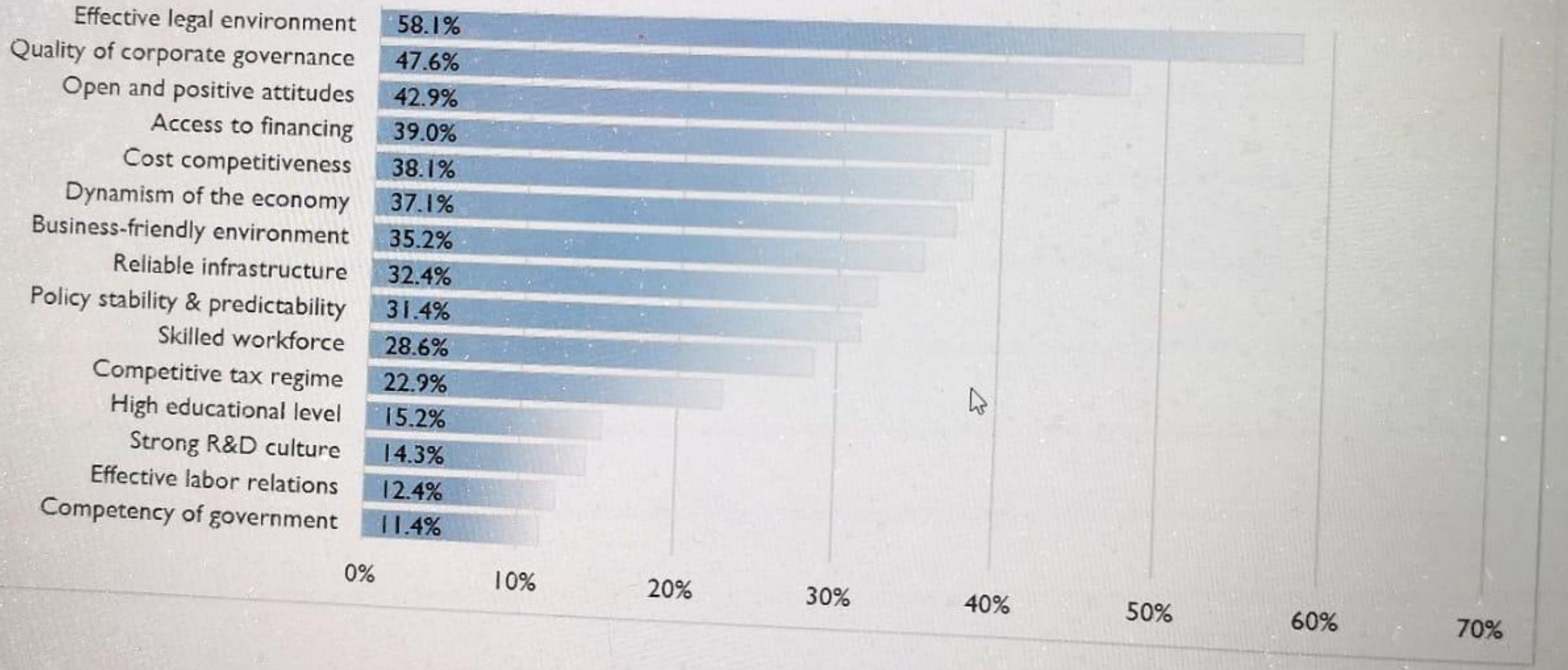
Direct investment flows inward (% of GDP)	1.32	2019	48

COMPETITIVENESS LANDSCAPE



KEY ATTRACTIVENESS INDICATORS

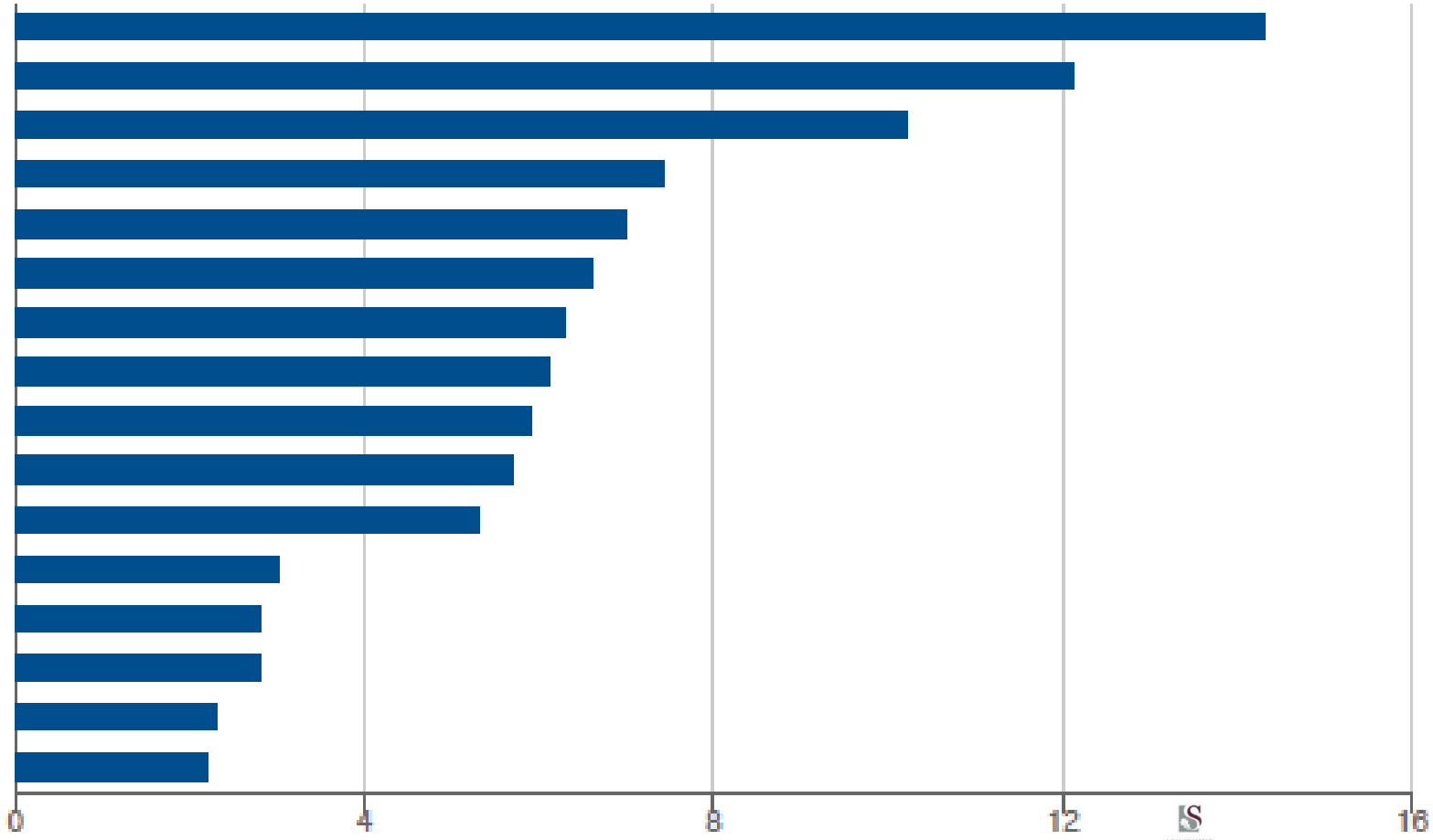
From a list of 15 indicators, respondents of the Executive Opinion Survey were asked to select 5 that they perceived as the key attractiveness factors of their economy. The chart shows the percentage of responses per indicator from the highest number of responses to the lowest.

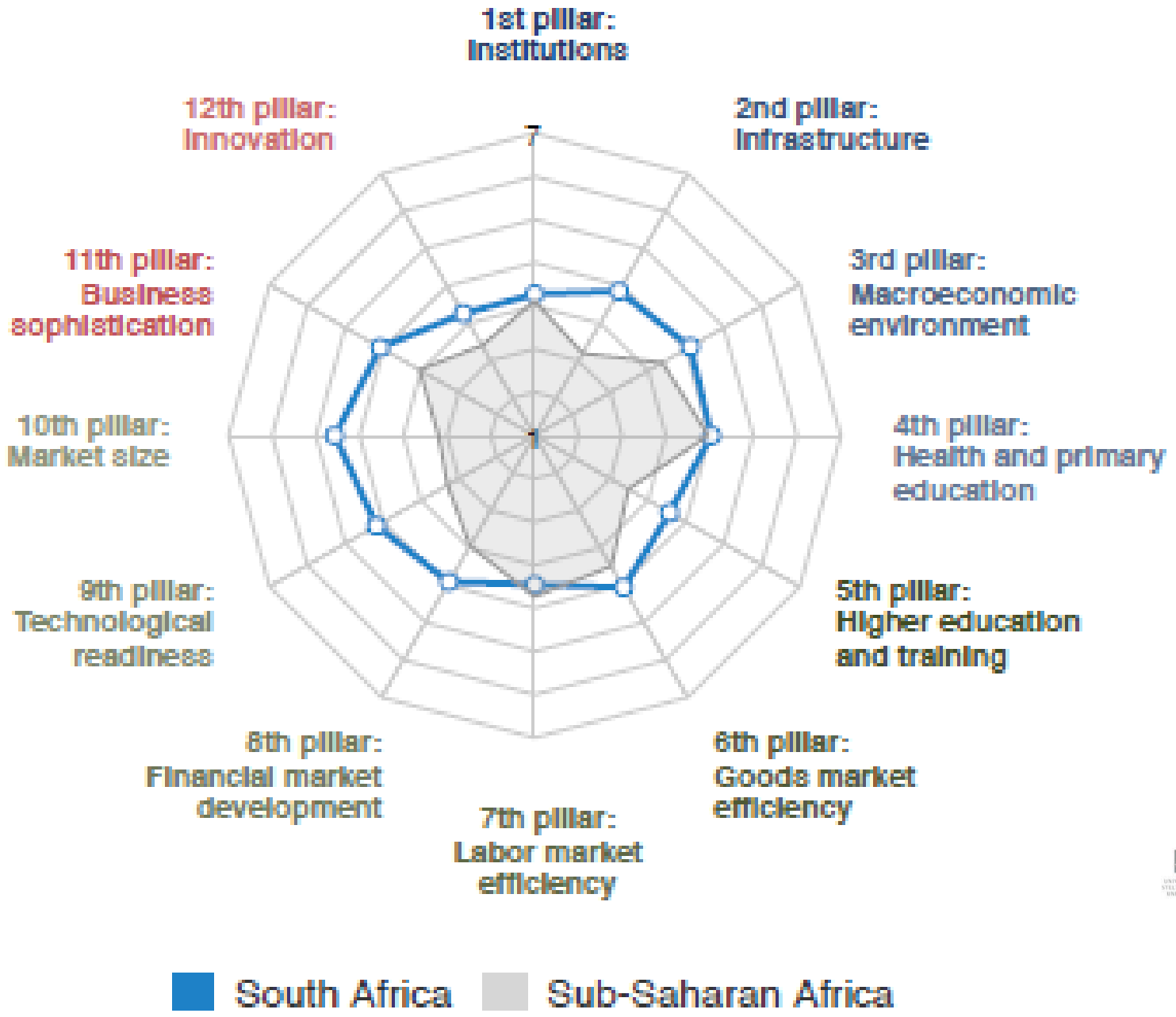


Most problematic factors for doing business

Source: World Economic Forum, Executive Opinion Survey 2017

Corruption	14.3
Crime and theft	12.1
Government instability/coups	10.2
Tax rates	7.4
Inefficient government bureaucracy	7.0
Poor work ethic in national labor force	6.6
Restrictive labor regulations	6.3
Inadequately educated workforce	6.1
Inflation	5.9
Access to financing	5.7
Policy instability	5.3
Inadequate supply of infrastructure	3.0
Insufficient capacity to innovate	2.8
Tax regulations	2.8
Poor public health	2.3
Foreign currency regulations	2.2



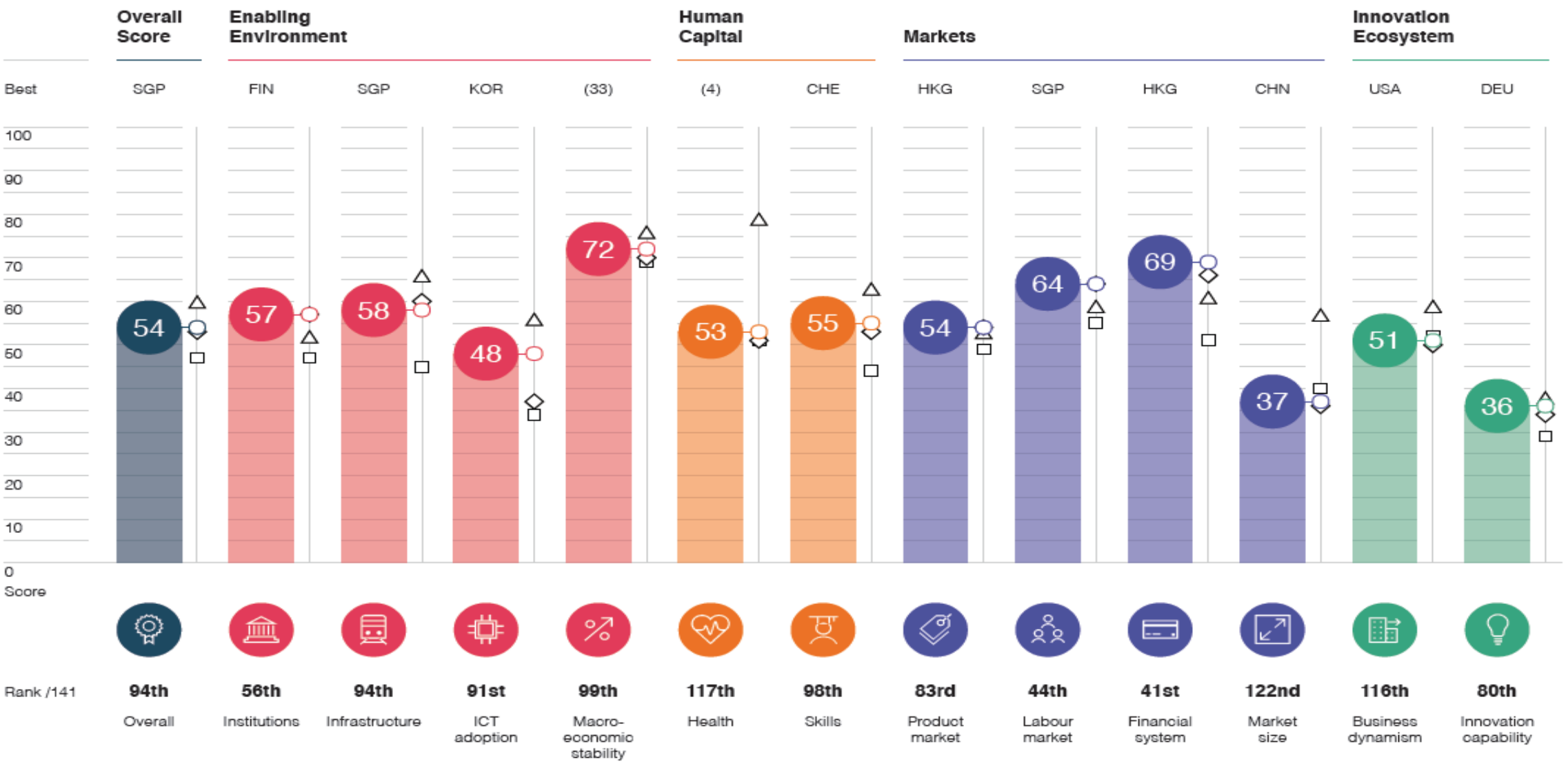

1st pillar:
Institutions
2nd pillar:
Infrastructure
3rd pillar:
Macroeconomic environment
4th pillar:
Health and primary education
5th pillar:
Higher education and training
6th pillar:
Goods market efficiency
7th pillar:
Labor market efficiency
8th pillar:
Financial market development
9th pillar:
Technological readiness
10th pillar:
Market size
11th pillar:
Business sophistication
12th pillar:
Innovation
7
1
South Africa
Sub-Saharan Africa

Global Competitiveness Index 4.0 2019 edition

Rank in 2018 edition: 100th/140

Performance Overview 2019

Key ◇ Previous edition △ Upper-middle-income group average □ Sub-Saharan Africa average



Macro focus areas- Namibian Agri-competitiveness (94/141)

- **IMPROVEMENT FOCUS:**
  - Macro economics
  - Infrastructure
  - Health
  - Skills
  - Market size
  - Business admin /red tape
- **SUSTAINED FOCUS:**
  - Institutions
  - ITC Adaption
  - Product market
  - Labour market dynamics
  - Financial system
  - Innovation

BUT…….

HOW DOES ALL THIS TRANSLATE INTO AGRI- COMPETITIVENESS and POLICY REFORM???

THE AGRI-COMPETITIVENESS ANALYSIS PROGRAMME: CAB, Stellenbosch University

Approach and process:

- New Competitiveness Theory framework: From comparative to competitive advantages
- Linking in to IMD/WEF competitive analysis models
- Participative strategic planning – Government, industry value chains, firm level- leaders, executives and experts;

Reports/analysis…12 Masters completed; 4PhD's in progress:

- Agri-Competitive Matrix: RTA values for 35 SA value chain groupings; 1600 observations; 1961/2001…. **Namibia—soon?**
- RSA industry analysis: Apples, sub-trops, citrus, stone fruit, wine, table grapes, wool, vegs….
- African agribusiness: Dates (Nam), oil palms (DRC), coffee(Ethiopia), Cacao (Cameroon), sugar (Eswatini), Meat, grapes.. (Nam)..

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AGRI- SECTOR LEVEL COMPETITIVENESS ANALYSIS: A "Five Step" Enquiry Framework

1. DEFINITION	Contextualise and define competitive performance - Industry, enterprise, product
2. MEASUREMENT	Empirically measure competitive performance;RTA,RCA Data sets: FAO STATS; ITC (Trade Maps)..Trade based.
3. IDENTIFY FACTORS AND DETERMINANTS	Explaining the trends: Executive Surveys/Delphi: trends and rating of factors impacting on competitive performance
4. ANALYSE	Consider, interpret major Trends & Determinants of Competitiveness (Porter and extensions)
5. STRATEGY PLANNING	Develop strategies to enhance competitive performances – national/industry/firm level

STEP1: DEFINING COMPETITIVENESS

- **Point of interest**: Economics; Food security; Social- poverty, inequality…; Business- national, industry, firm; commodity- traded or non-traded; product- product life cycle?
- **Appropriate methodology and data base:**
- **CAB Focus:** National, Industry and business strategy and policy to enhance global competitive performance…
- Trade based, New Competitiveness Theory & Methods

STEP1: DEFINING COMPETITIVENESS

Economics/policy analysis or Business focus?

- **The European Commission:** "a sustained rise in the **standards of living** of a nation or region; and as **low a level of involuntary unemployment as possible"**
- **The OECD:** "ability of companies, industries, regions, nations and supranational regions to generate, while being and remaining exposed to international competition, relatively high factor income and factor employment levels on a sustainable basis"….."while **maintaining and expanding real incomes of its people over the long term"**
- **Sharples, 1990:** "the results of the combined effect of market distortions and comparative advantage….an industry or a firm should be able to survive by **selling at the going price** and at the same time **increase its market share".**

STEP1: DEFINING COMPETITIVENESS…

- **Worley,1996:** "Competitiveness **explains** the **existing trading patterns** between countries even when industry marketing skills, product quality differences and policy effects which are **ignored by comparative advantage**".
- **Fafchamps, De Janvry and Sadoulet,1995:** "the ability of a country or firm to produce a commodity at an average variable **cost below its price**".
- **Porter,1998: "….even though a country can have good production factors, it does not guarantee its competitiveness; this is rather due to strategic choices, technology and management".**

DEFINING AGRI-COMPETITIVENESS…

- **The sustained ability of an agri-industry/firm to attract investment and other (scarce) resources by trading products in the (global) market, whilst striving to earn at least the opportunity cost of resources engaged" (from Freebairn, 1987; Van Rooyen & Esterhuizen, 2001; Esterhuizen, 2006; vR,E & Botha, 2011; CAB**research since 2010)**
- **Notions of:**
- **- International trade despite policy distortions/playing fields;**
- **- Scarcity & opportunity costs- alternatives opportunities;**
- **- Sustainability: trends, cycles, business structure, partnerships;**
- **- Tradable vs Non Tradable products: exports and imports**
- **- Economic vs Business = Comparative vs Competitive Advantage.**

“Competitive Performance” in short

To :

- Trade and keep trading even on “uneven playing fields”;
- Sell products, services & ideas in the global (real world/distorted?) market;
- Sustain profits and investments;
- Engage, draw, retain “”best” production factors - management, technical innovation labour, land, water;
- Grow the business/industry

STEPS 2-4: MEASUREMENT AND ANALYSIS

TRADE/BUSINESS BASED MEASUREMENT

- RER and PPP
- RCA and RTA
- Other Indices; EMS, NEI, GL

- $RCA_{ij} = RXA_{ij} = \left[\frac{X_{ij}}{X_{ik}}\right] / \left[\frac{X_{nj}}{X_{nk}}\right]$

$$RMA_{ij} = \left[\frac{M_{ij}}{M_{ik}}\right] / \left[\frac{M_{nj}}{M_{nk}}\right]$$

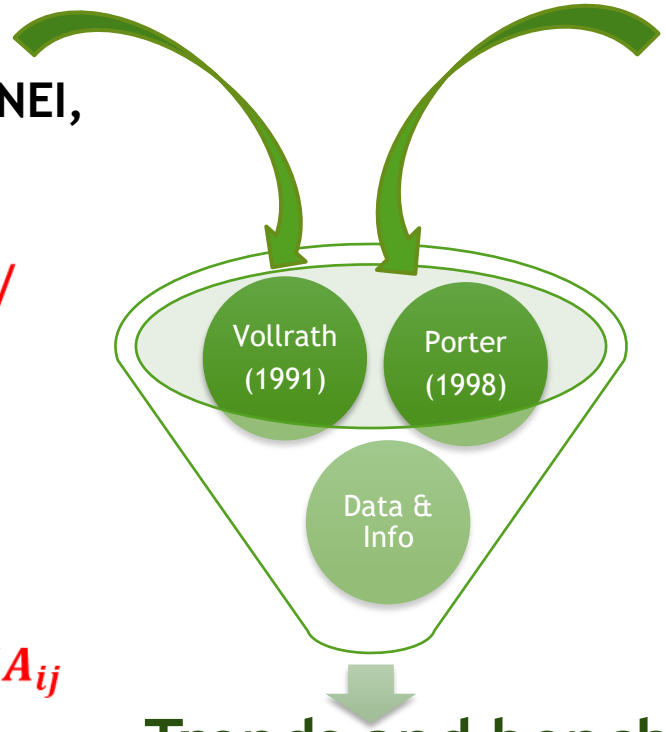
- $RTA_{ij} = RXA_{ij} - RMA_{ij}$

(Balassa 1966, Vollrath 1991)

Data:

FAO STATS -1961....

TRADEMAP -2001....



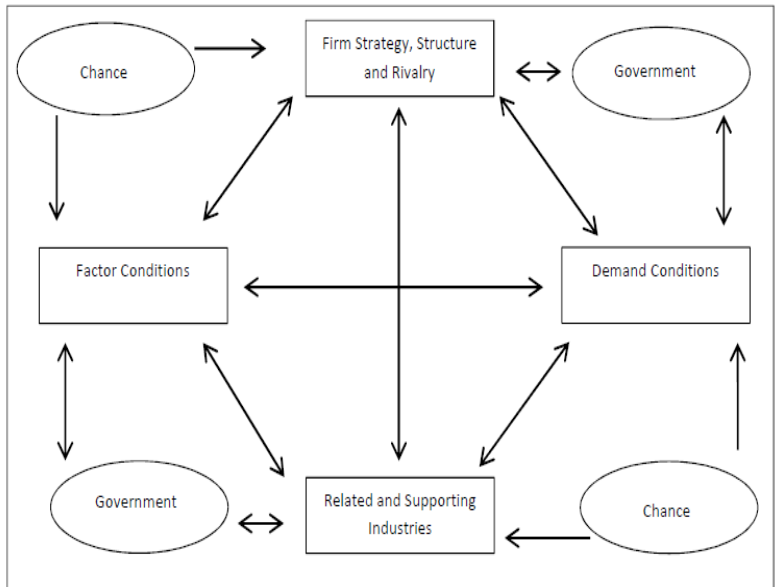
Trends and bench marking

Strategic proposals

ANALYSIS & STRATEGIC PLANNING

- Cost Measures
- Profitability
- Productivity and Efficiency

- PORTER DIAMOND;EXEC SURVEYS; LOGFRAMES



Balassa (1965)

Vollrath (1991)

The chosen technique:

$$(1)\ RTA_{ij} = RXA_{ij} - RMP_{ij} \text{ (Vollrath)}$$

$$(2)\ RXA_{ij} = \left(X_{ij}\Sigma 1,1 \neq jXi1\right)\left(\Sigma k, k \neq iXkj\ \Sigma k, k \neq i\Sigma 1, 1 \neq jXk1\right) \text{(Balasssa)}$$

$$(3)\ RMP_{ij} = \left(M_{ij}\Sigma 1,1 \neq jMi1\right)\left(\Sigma k, k \neq iMkj\ \Sigma k, k = i\Sigma 1,1 \neq jMk1\right)$$

RTA > I: Competitive,

I > RTA > 0: Marginally Competitive,

RTA < -0: Not Competitive

RTA: Ratio's of (RSA) trade in (Citrus) vs Global trade in (Citrus) relative to (RSA) trade in All Products vs Global trade in All Products i.e. the ability to trade RSA Citrus products relative to All Trade i.e. "opportunity costs" principle

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What about domestic trade - How does that influences competitiveness measurements?

- RTA = Relative export value minus relative import valuesover time
- $RTA_{ij} = RXA_{ij} - RMA_{ij}$

  (i= product; j = time)
- Domestic trade not included!!!!

But…

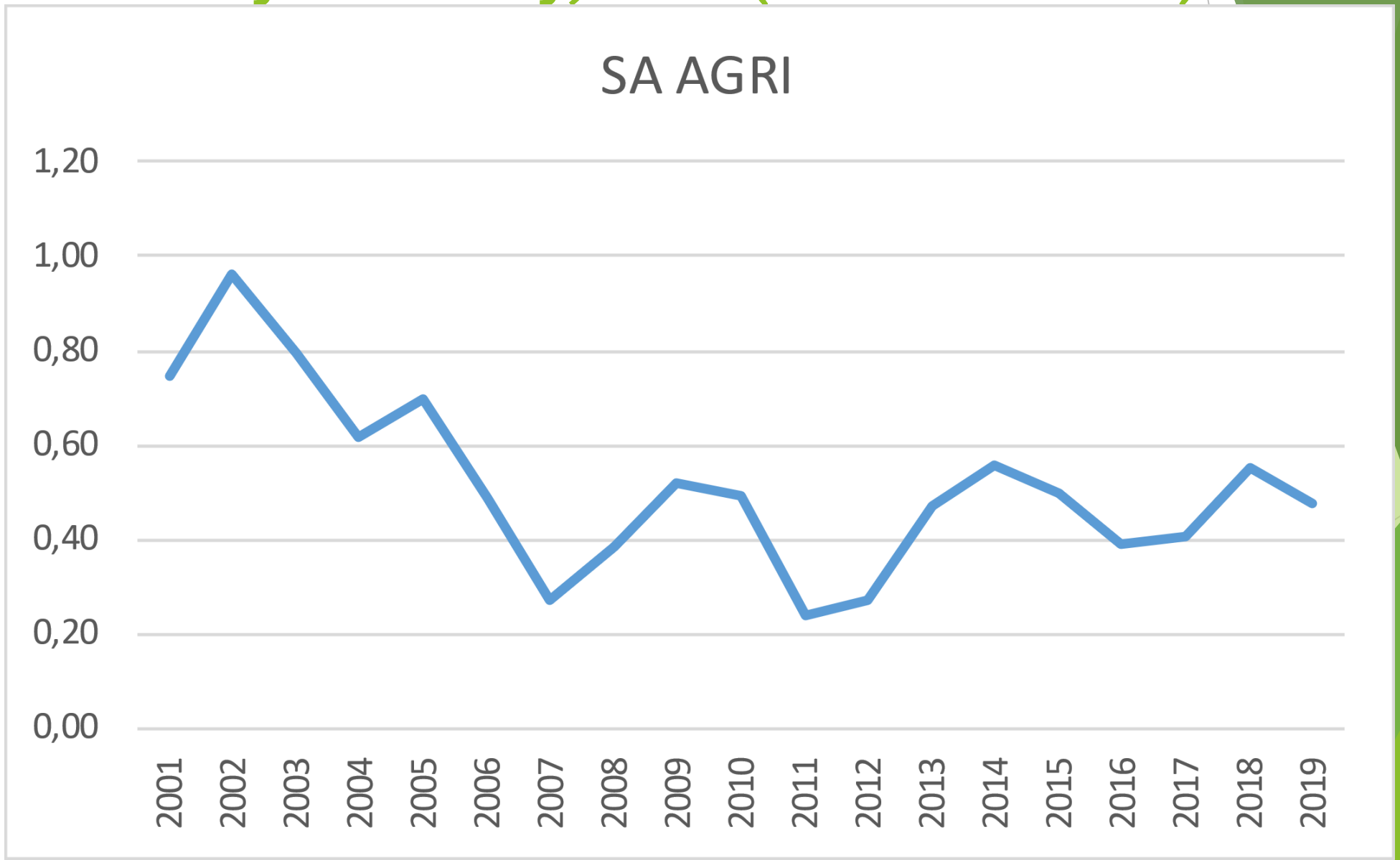
- Imports will reduce competitiveness < RTA;
- Domestic trade only happens if imports are more expensive
- So domestic trade ONLY if local industry are competitive viz a viz imports
- Adding Domestic trade will be double counting competitiveness!!!

So: RTA as a competitiveness ration does accommodate the impact of domestic trade

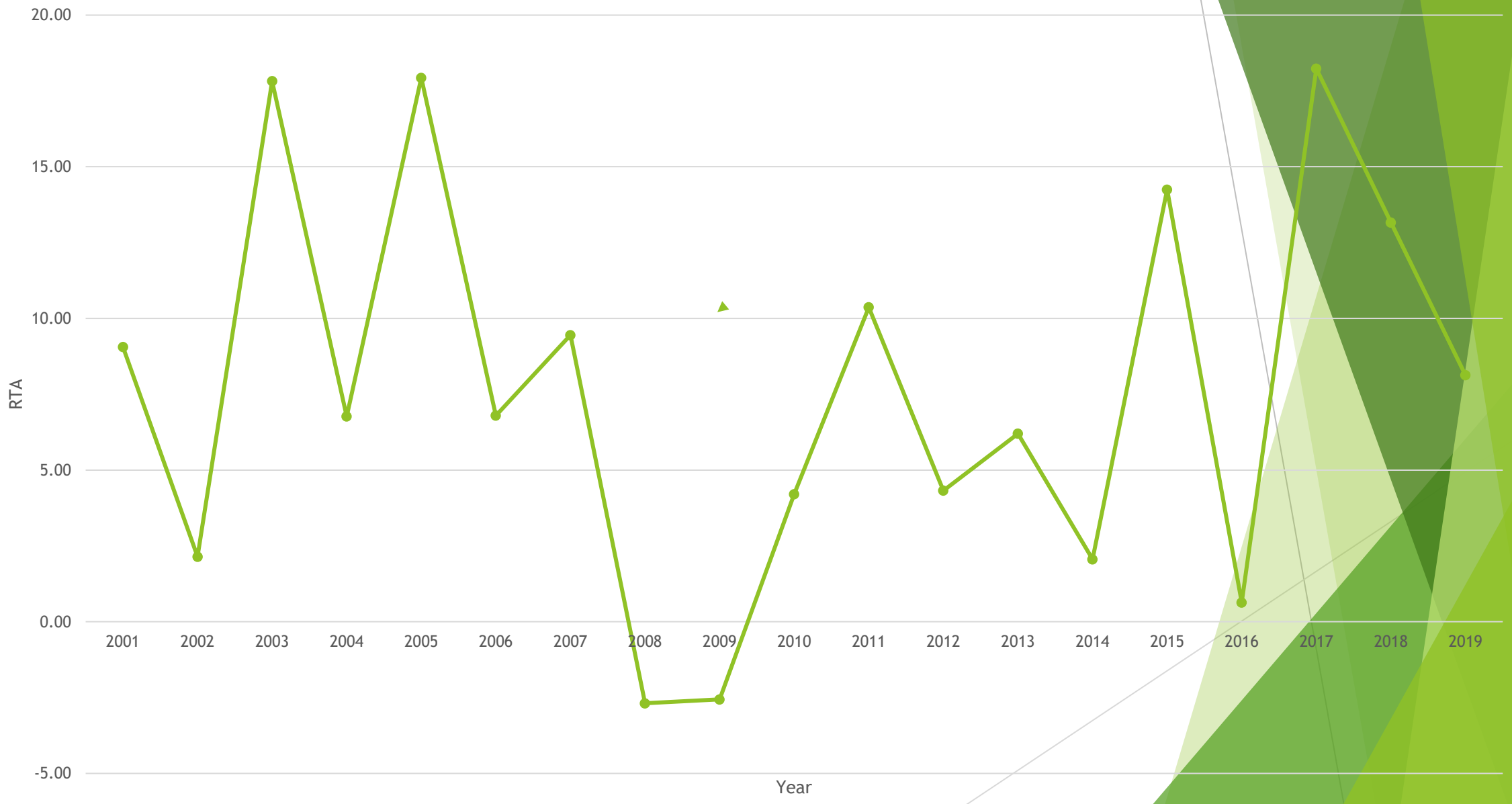
Application, Step 2: Measuring RSA agri-competitiveness: RTA's ITC data sets, 35 industry groupings,1353 item lines; 2001-2015 ---20

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Live animals	1	0.13	0.18	0.28	0.06	0.05	-0.16	0.03	0.16	0.23	-0.63	-0.91	-0.48	-0.61	-0.18	-0.37
Meat and edible meat offal	2	-0.08	0.04	-0.24	-0.46	-0.71	-0.64	-0.60	-0.38	-0.38	-0.47	-0.82	-0.91	-0.72	-0.47	-0.31
Fish and crustaceans, molluscs and other aquatic invertebrates	3	1.37	1.78	1.65	1.49	1.31	1.07	1.23	1.24	1.02	0.64	0.46	0.46	0.41	0.49	0.54
Dairy produce; birds eggs; natural honey; edible products of animal origin, not elsewhere ...	4	0.00	0.23	0.04	0.03	-0.17	-0.10	-0.23	-0.10	0.04	0.33	0.20	0.21	0.35	0.34	0.38
Products of animal origin, not elsewhere specified or included	5	-0.82	-0.24	-0.70	-0.77	-1.00	-0.89	-1.37	-1.71	-1.51	-1.65	-1.45	-1.31	-1.16	-1.22	-1.18
Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	6	0.70	0.95	0.81	0.87	0.87	0.66	0.63	2.40	0.61	0.58	0.39	0.54	0.42	0.48	0.49
Edible vegetables and certain roots and tubers	7	0.07	0.06	-0.07	0.06	0.04	-0.03	-0.13	-0.10	-0.14	0.17	0.14	0.13	0.24	0.23	0.27
Edible fruit and nuts; peel of citrus fruit or melons	8	4.45	5.37	5.75	6.44	5.68	5.02	5.28	4.91	5.66	5.39	4.42	4.90	5.37	5.71	6.68
Coffee, tea, maté and spices	9	-0.27	-0.19	-0.36	-0.37	-0.51	-0.50	-0.41	-0.54	-0.49	-0.35	-0.36	-0.30	-0.27	-0.30	-0.35
Cereals	10	-0.34	-1.07	-0.98	-1.32	-0.40	-1.05	-1.58	-0.12	-0.32	-0.26	-0.14	-0.76	-0.12	-0.08	-0.70
Products of the milling industry; malt; starches; inulin; wheat gluten	11	0.72	1.73	0.39	-0.21	2.76	-0.05	-0.31	0.26	0.40	1.42	0.83	1.02	1.34	1.21	1.49
Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	12	0.27	0.58	0.26	0.15	0.27	0.14	-0.04	0.40	0.32	0.29	0.14	0.20	0.05	-0.05	-0.03
Lac; gums, resins and other vegetable saps and extracts	13	-0.96	-0.82	-0.82	-0.98	-0.78	-0.54	-0.65	-0.68	-0.86	-1.09	-0.87	-0.61	-0.68	-0.51	-0.46
Vegetable plaiting materials; vegetable products not elsewhere specified or included	14	-0.88	-1.37	-0.60	-0.07	-0.44	-1.03	-2.43	-0.49	-0.83	-0.24	-0.37	0.87	0.46	1.19	2.18
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	15	-1.62	-1.62	-1.55	-1.72	-1.43	-1.43	-1.82	-1.41	-1.25	-1.38	-1.22	-1.13	-0.90	-0.89	-0.40
Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	16	-0.13	0.02	-0.18	-0.06	-0.07	-0.10	-0.27	-0.45	-0.59	-0.43	-0.21	-0.66	-0.50	-0.26	-0.12
Sugars and sugar confectionery	17	4.97	4.00	2.93	2.19	2.37	2.70	1.55	0.91	2.02	0.43	-0.09	-0.01	0.25	0.81	-0.33
Cocoa and cocoa preparations	18	-0.20	-0.15	-0.22	-0.25	-0.30	-0.33	-0.34	-0.35	-0.28	-0.15	-0.34	-0.41	-0.41	-0.40	-0.39
Preparations of cereals, flour, starch or milk; pastrycooks products	19	-0.17	0.02	-0.06	-0.15	-0.17	-0.23	-0.31	-0.21	-0.20	0.19	0.15	0.18	0.27	0.34	0.29
Preparations of vegetables, fruit, nuts or other parts of plants	20	2.11	2.75	2.44	2.11	1.96	1.63	0.98	1.11	1.41	1.75	1.19	1.28	1.32	1.52	1.62
Miscellaneous edible preparations	21	-0.19	0.10	0.07	-0.07	-0.14	-0.06	-0.05	-0.02	0.25	0.69	0.47	0.56	0.48	0.52	0.49
Beverages, spirits and vinegar	22	2.00	2.63	2.53	2.42	2.41	1.76	1.54	1.64	1.92	1.65	1.09	1.16	1.50	1.72	1.97
Residues and waste from the food industries; prepared animal fodder	23	-1.36	-1.15	-0.89	-1.30	-0.86	-1.04	-1.08	-1.22	-1.38	-1.02	-1.07	-0.85	-0.79	-0.49	-0.16
Tobacco and manufactured tobacco substitutes	24	0.91	0.41	0.18	0.17	0.79	0.98	0.62	0.24	0.25	0.74	0.51	0.75	0.70	0.40	0.53
Essential oils and resinoids; perfumery, cosmetic or toilet preparations	33	-0.40	0.02	-0.19	-0.25	-0.17	-0.10	-0.29	-0.29	-0.41	-0.31	-0.41	-0.59	-0.59	-0.50	-0.60
Raw hides and skins (other than furskins) and leather	41	0.89	1.25	0.76	0.69	0.84	0.86	0.79	0.65	0.84	0.25	0.72	0.86	1.73	1.43	1.61
Furskins and artificial fur; manufactures thereof	43	0.12	0.12	0.07	0.05	0.06	0.07	0.11	0.08	0.18	0.06	0.05	0.07	0.06	0.05	0.05
Wood and articles of wood; wood charcoal	44	0.73	1.01	0.89	0.70	0.65	0.38	0.14	0.31	0.25	0.34	0.19	0.17	0.15	0.25	0.14
Cork and articles of cork	45	-0.53	0.22	0.00	0.01	-0.76	0.00	0.00	0.00	-0.11	0.01	0.10	0.08	0.01	0.01	0.22
Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...	47	3.61	3.84	3.87	3.31	3.27	2.93	2.69	2.76	3.59	2.97	3.11	2.71	2.78	3.45	3.79
Paper and paperboard; articles of paper pulp, of paper or of paperboard	48	0.34	0.10	0.09	0.08	-0.02	-0.09	0.06	-0.06	-0.13	-0.09	-0.20	-0.19	-0.27	-0.25	-0.28
Silk	50	-0.36	-0.40	-0.41	-0.46	-0.52	-0.38	-0.35	-0.34	-0.37	-0.30	-0.24	-0.19	-0.17	-0.12	-0.17
Wool, fine or coarse animal hair; horsehair yarn and woven fabric	51	2.68	3.49	3.59	2.91	2.78	3.32	3.68	3.72	5.25	3.62	3.77	4.68	5.36	5.06	4.58
Cotton	52	-0.40	0.02	-0.19	-0.25	-0.17	-0.10	-0.29	-0.29	-0.41	-0.31	-0.41	-0.59	-0.59	-0.50	-0.60
Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	53	-0.65	-0.86	-0.64	-0.62	-0.91	-0.87	-1.02	-0.89	-0.83	-0.71	-0.62	-0.80	-0.80	-0.83	-0.84

RSA Agri-Competitiveness, 2001-2019: Primary industry, RTA (ITC data set)



RTA NAM AGRI SECTOR



Nam. agri-competitive status: Winners and Losers???

WINNERS:

Fruit: Table grapes

Live animals: beef, sheep, goats

……..

DECLINERS:

S&G Meat

RISERS:

Dates,

Pork

LOSERS:

Maize, Poultry, Dairy

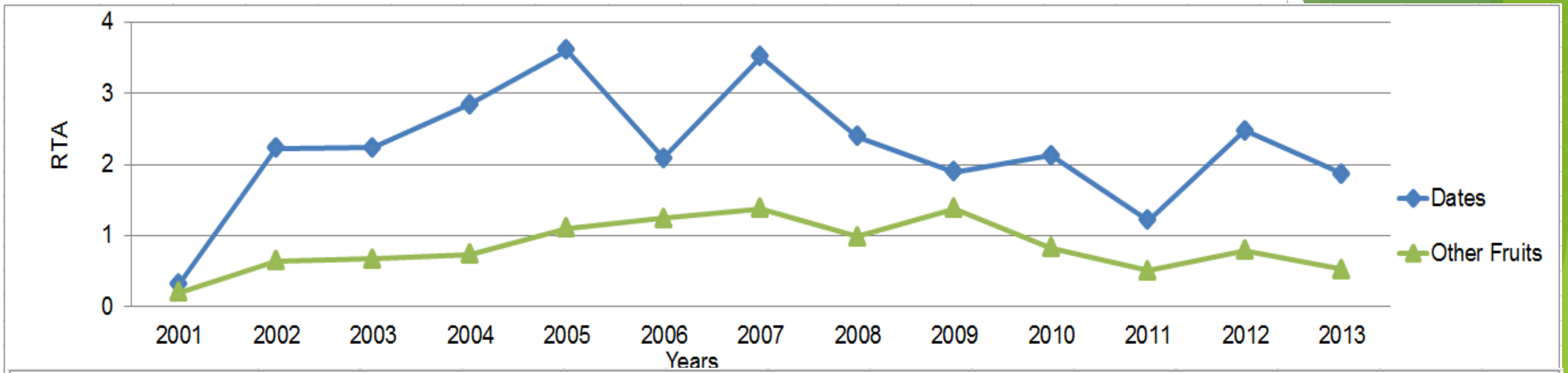
Step 3: Finding & Explaining Factors & Trends determining competitive performance

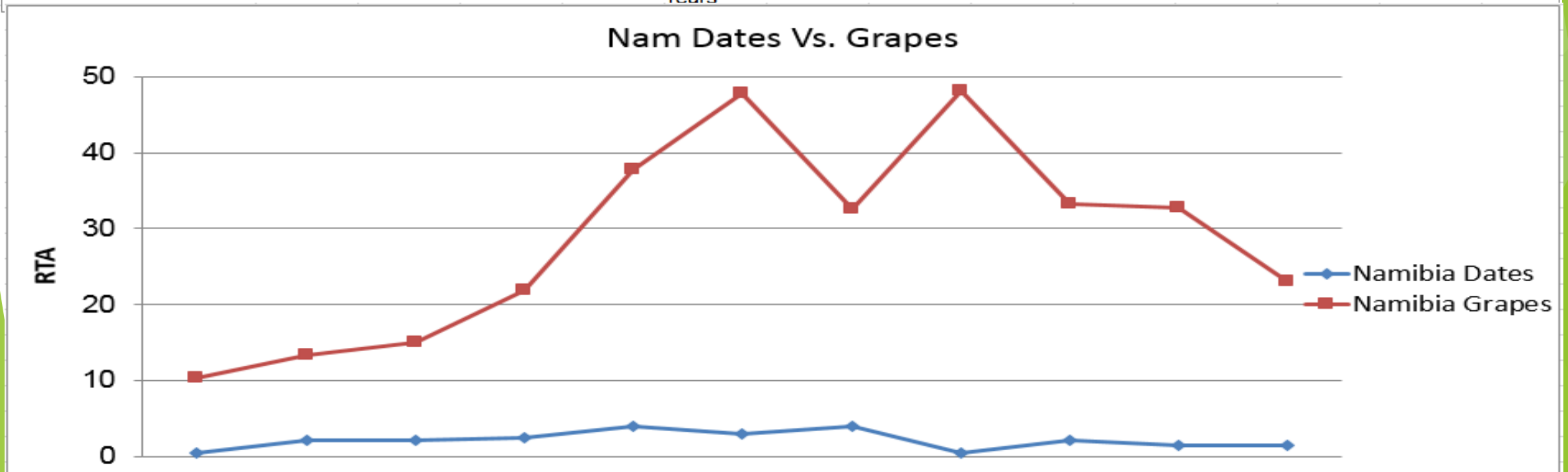
- Why these ratings and trends???
- Industry/product break downs?
- Opinion & views on factors affecting competitiveness, by “those who make strategic decisions”

  - Executive Surveys, Focus Groups & Delphi’s

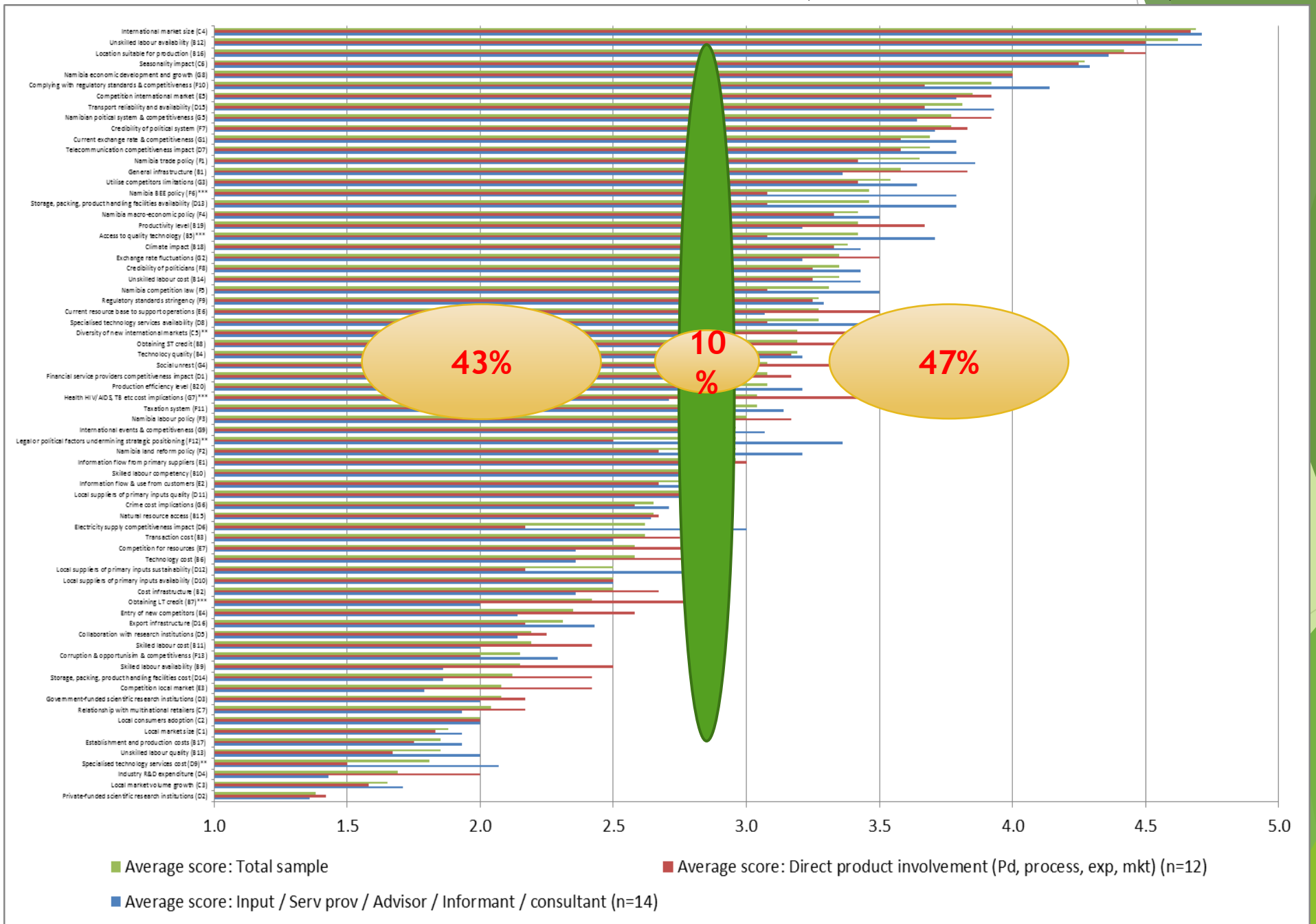
  - Value chain clusters

Dates vs other NAM Fruits (RTA), 2015





NAM DATES: RATING OF ALL 72 FACTORS (SCORES OUT OF 5)



Step 4: The Strategic Determinants of Competitiveness (Porter Competitive Diamond)

- encing

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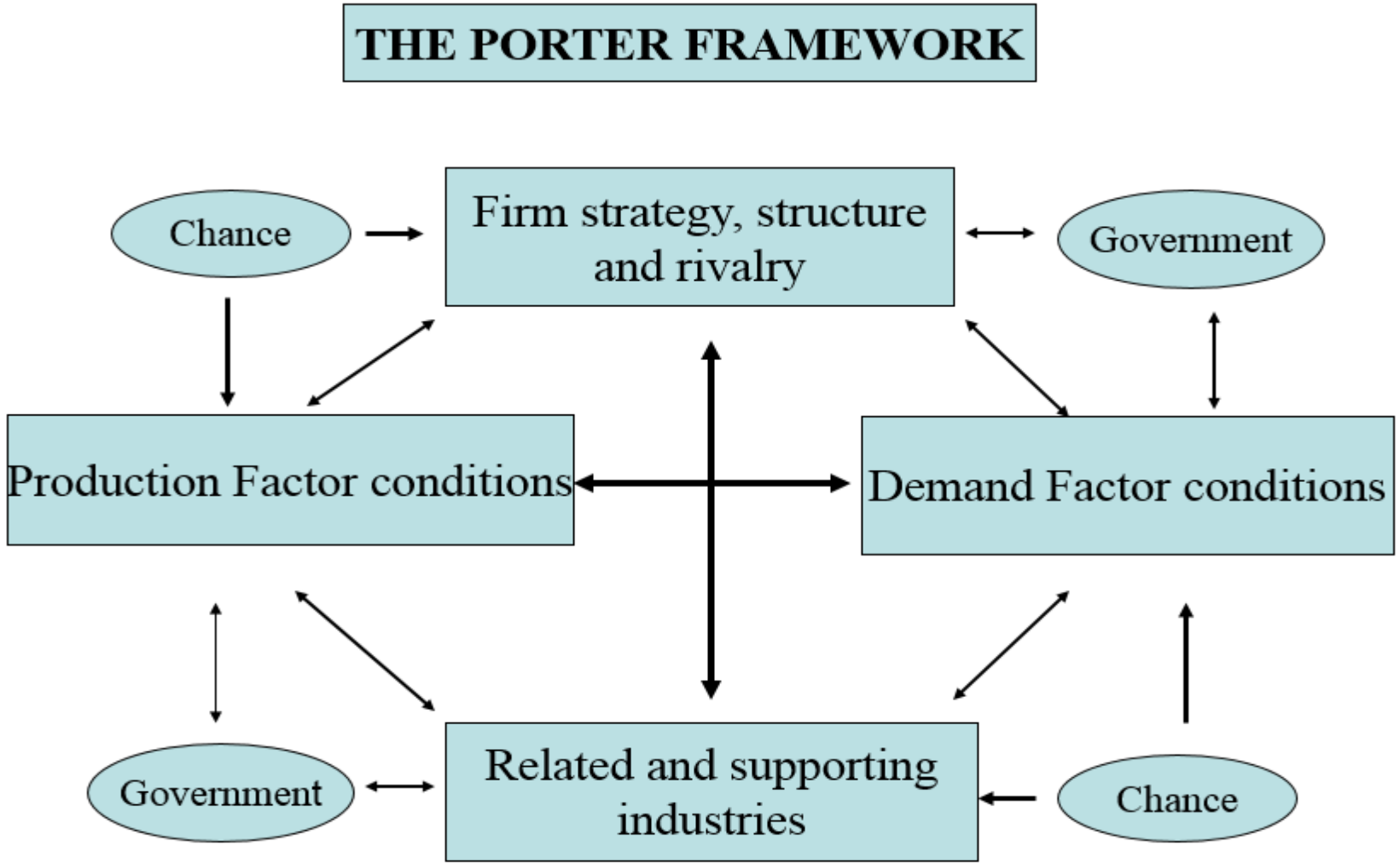
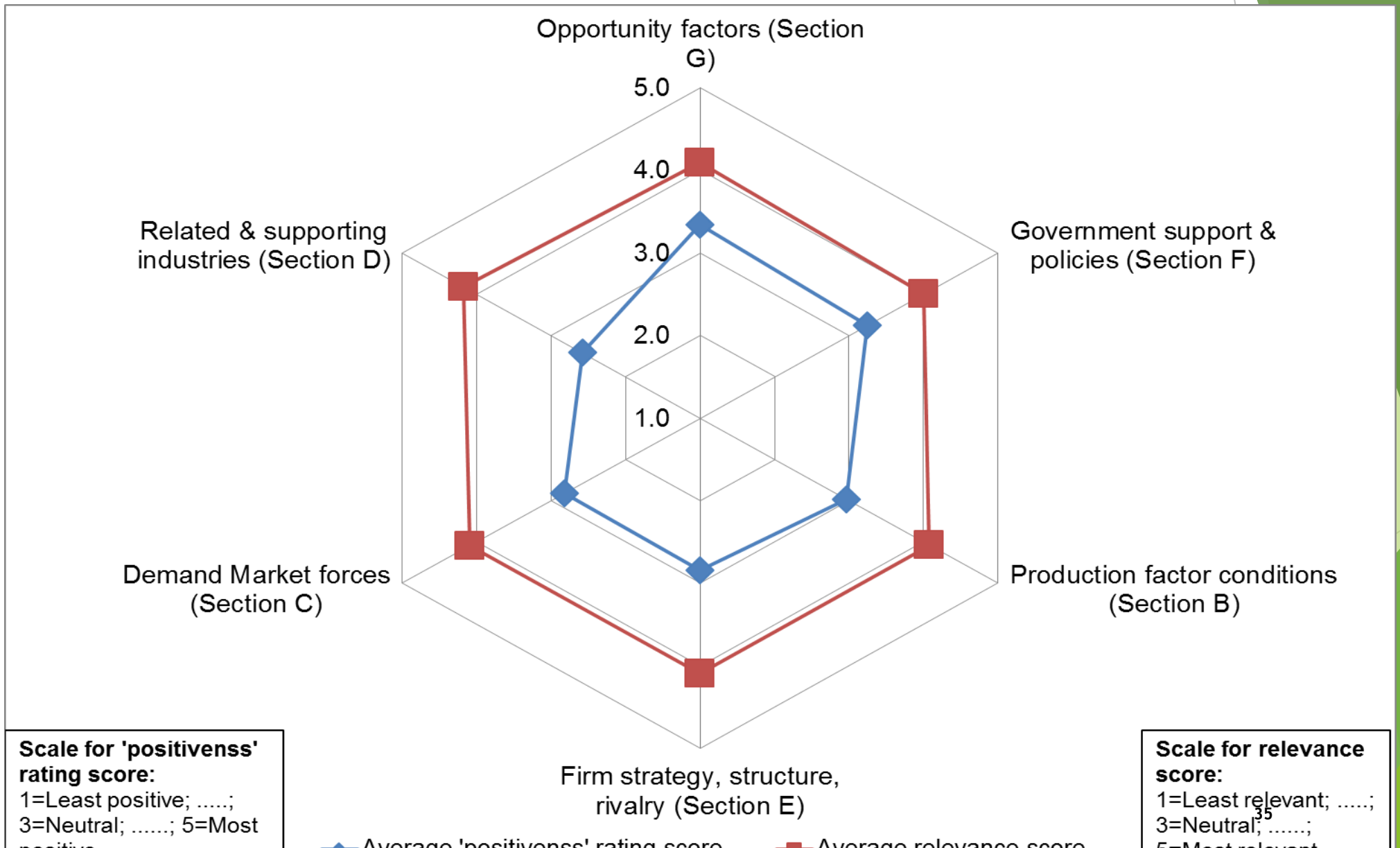
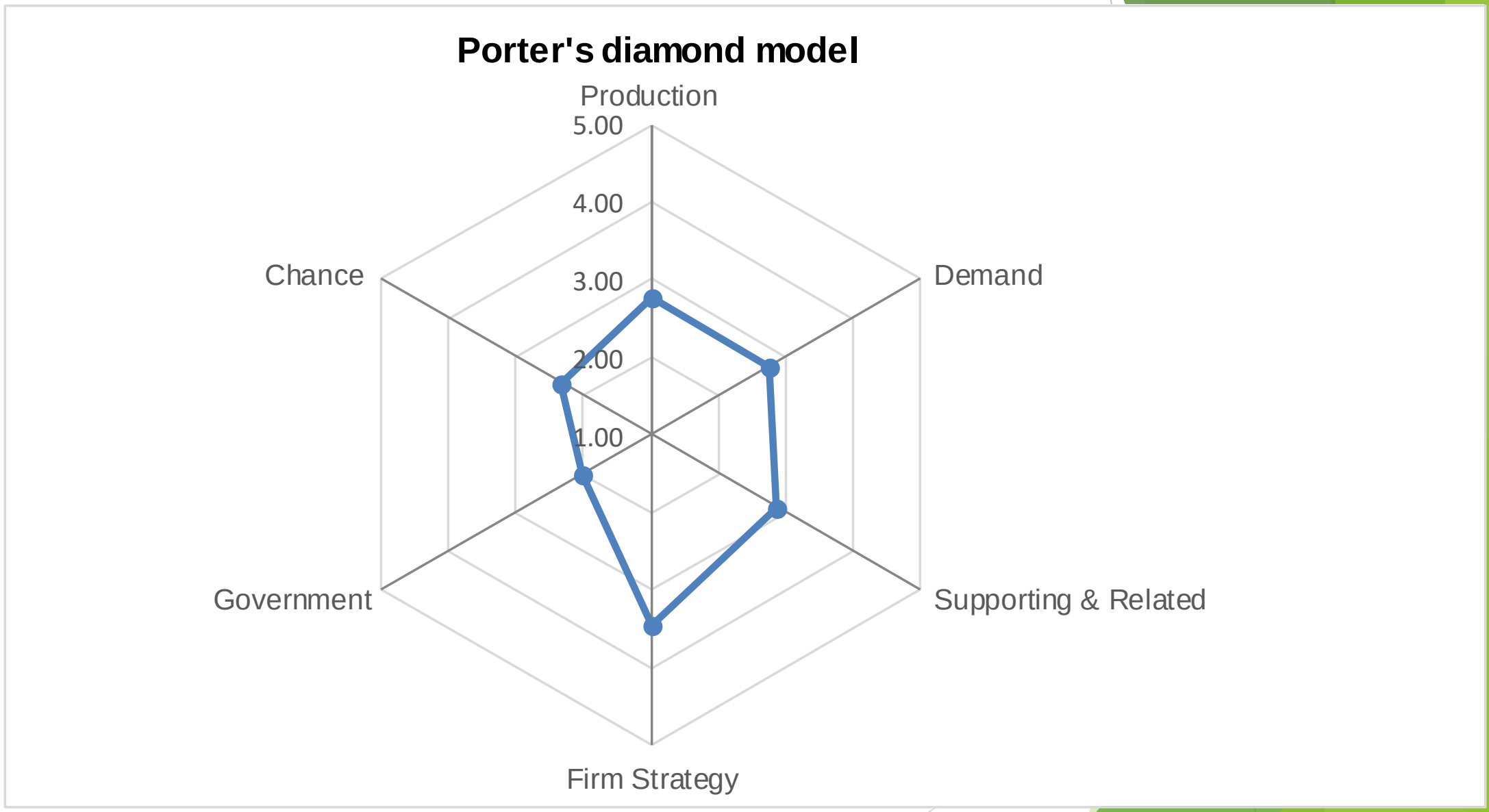


Porter (1990)

Scoring the determinants of competitiveness in the Namibian Date fruits industry – Gap analysis



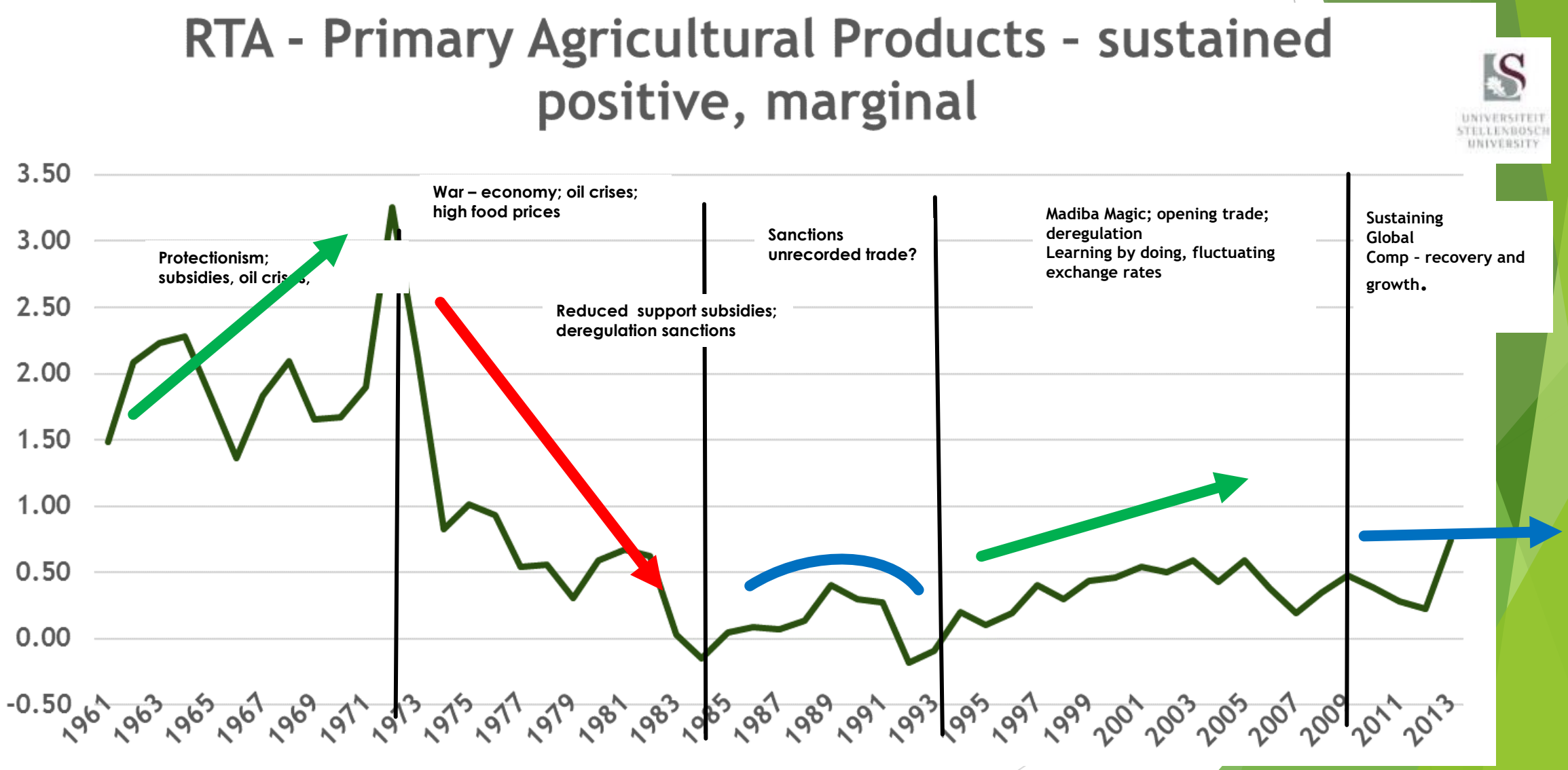
RSA Table Grapes: Porter Competitive Diamond (PCD)



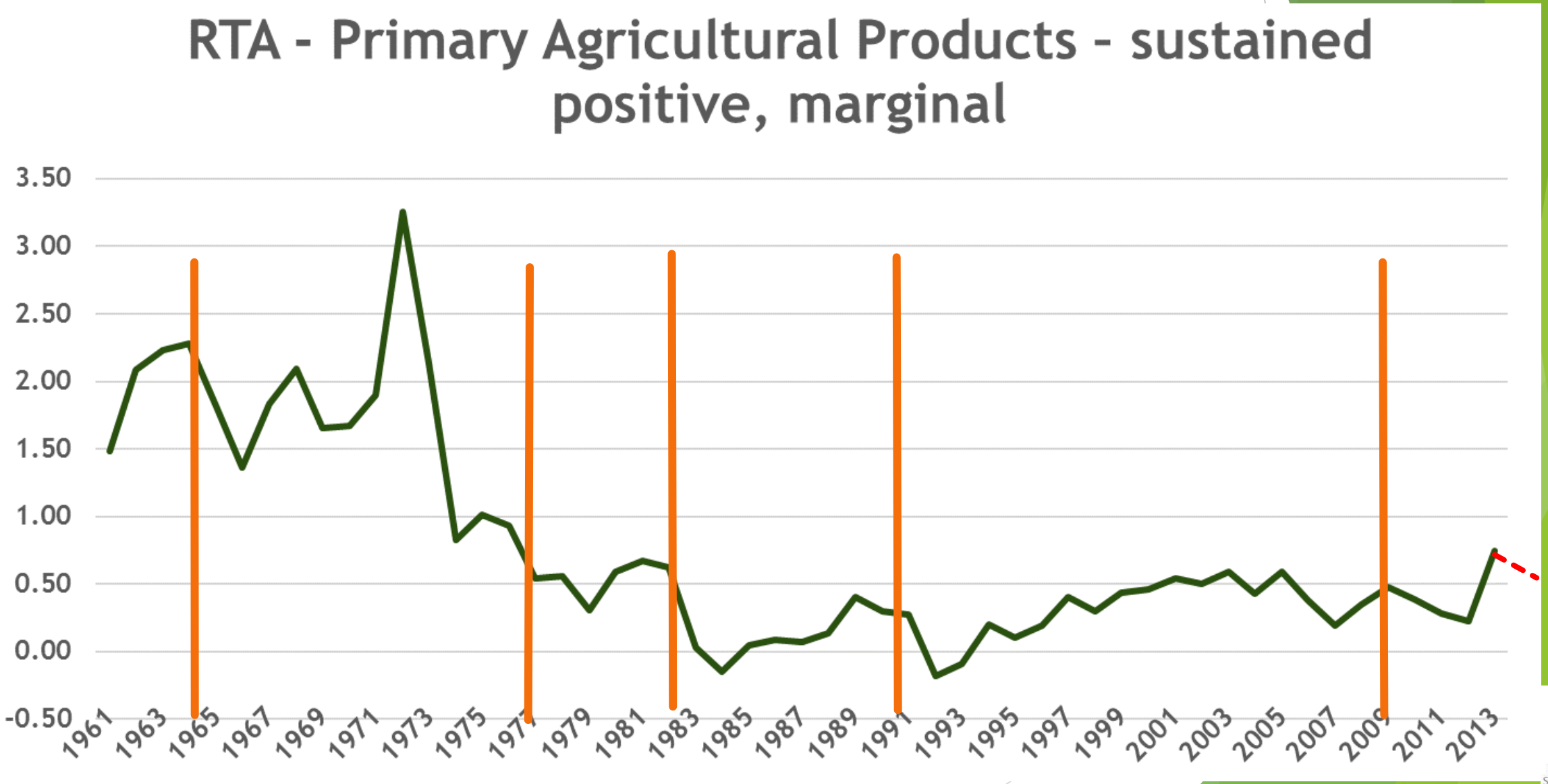
STEPS 3 & 4: EXPLAINING & INTERPRETING COMPETITIVE PERFORMANCE

1. Changing agri-fortunes: Consider the impact of global events, climate, local policy changes….
2. Understand diversity & complementarity in agric.
3. Consider the agri-food value chain as a Strategic Partnership- the importance of comp. chains.
4. Horses for courses: Expanding the analytical framework to fit the local situation
5. The importance of being COMPETITIVE: Towards sustainable and fair value-add distribution

1. CHANGING FORTUNES: GLOBAL FORCES, LOCAL POLICIES & TRENDS IN COMPETITIVENESS -RSA AGRIC CASE (FAOSTATS)



Droughts impact negatively on agri-competitiveness



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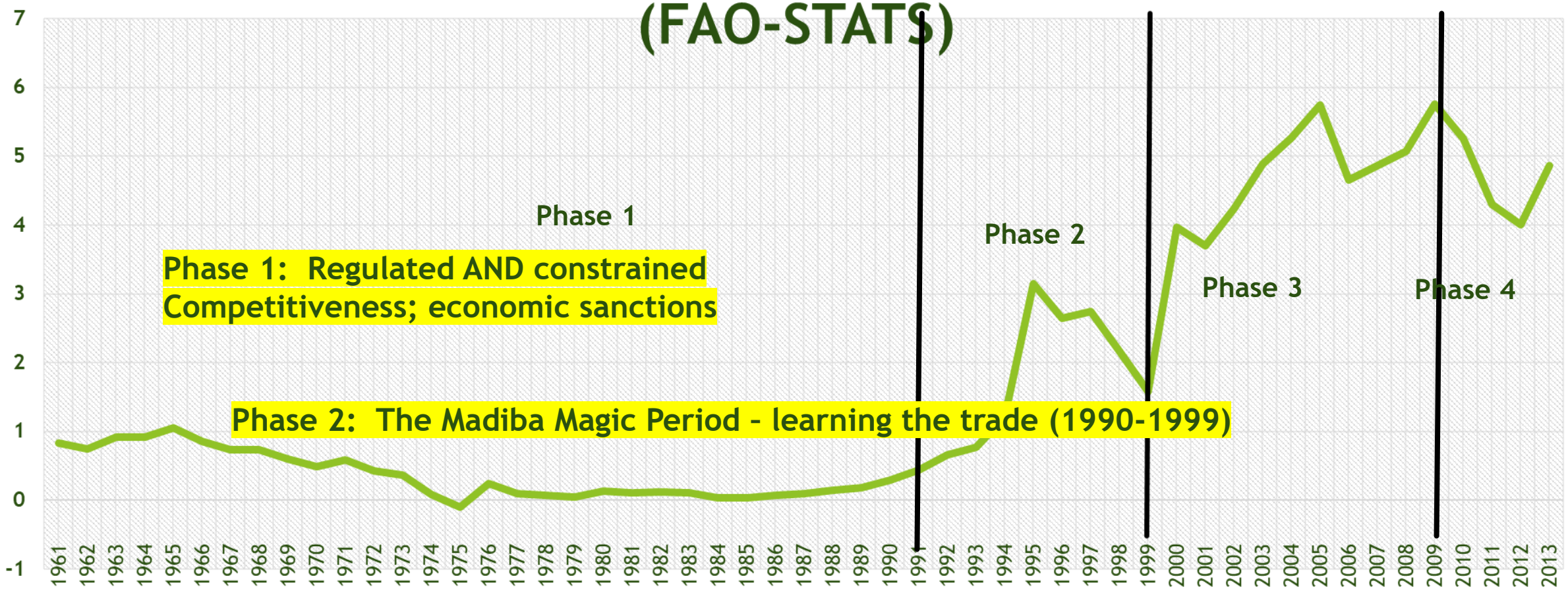
RSA: RTA Wine Trends
(FAO-STATS)



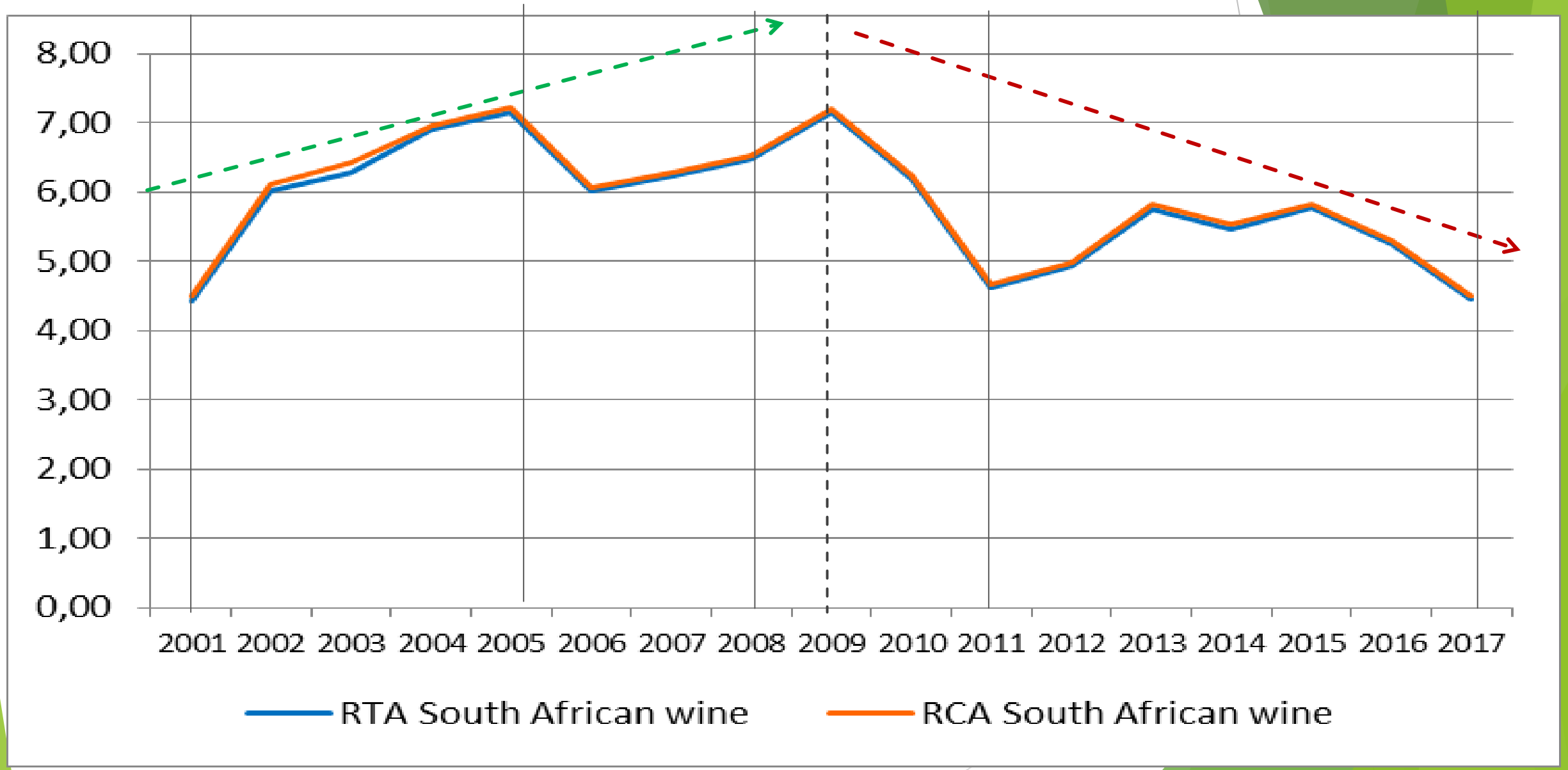
Phase 1: Regulated AND constrained Competitiveness; economic sanctions

Phase 2: The Madiba Magic Period - learning the trade (1990-1999)

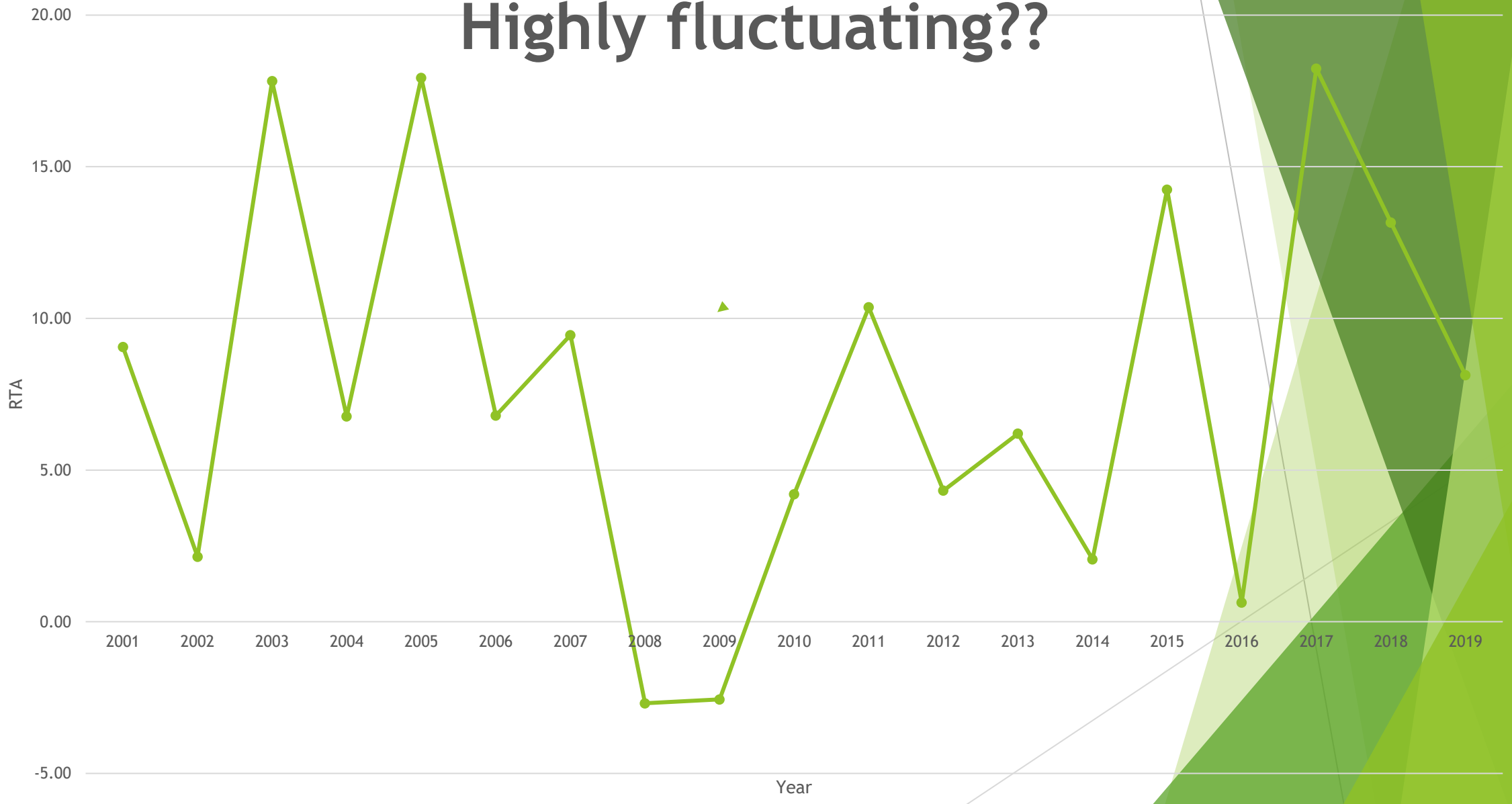
Phase 3: Towards becoming a global player (2000 -2007)

Phase 4: After the economic melt down- operating in a constrained competitive environment (2007/8 -)

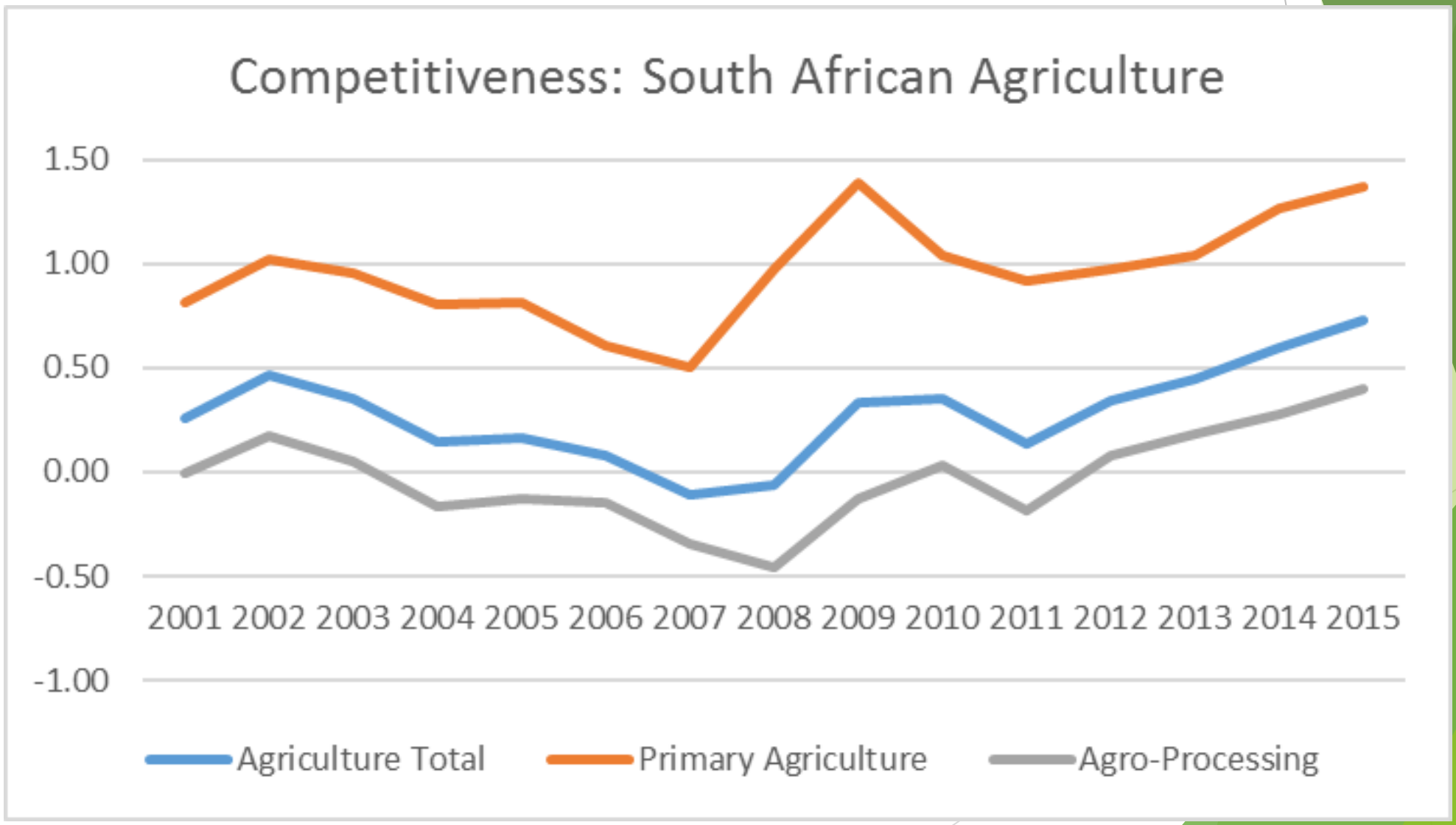
RSA wine industry 2001-2018- competitive, fluctuating, declining!! (ITC data)



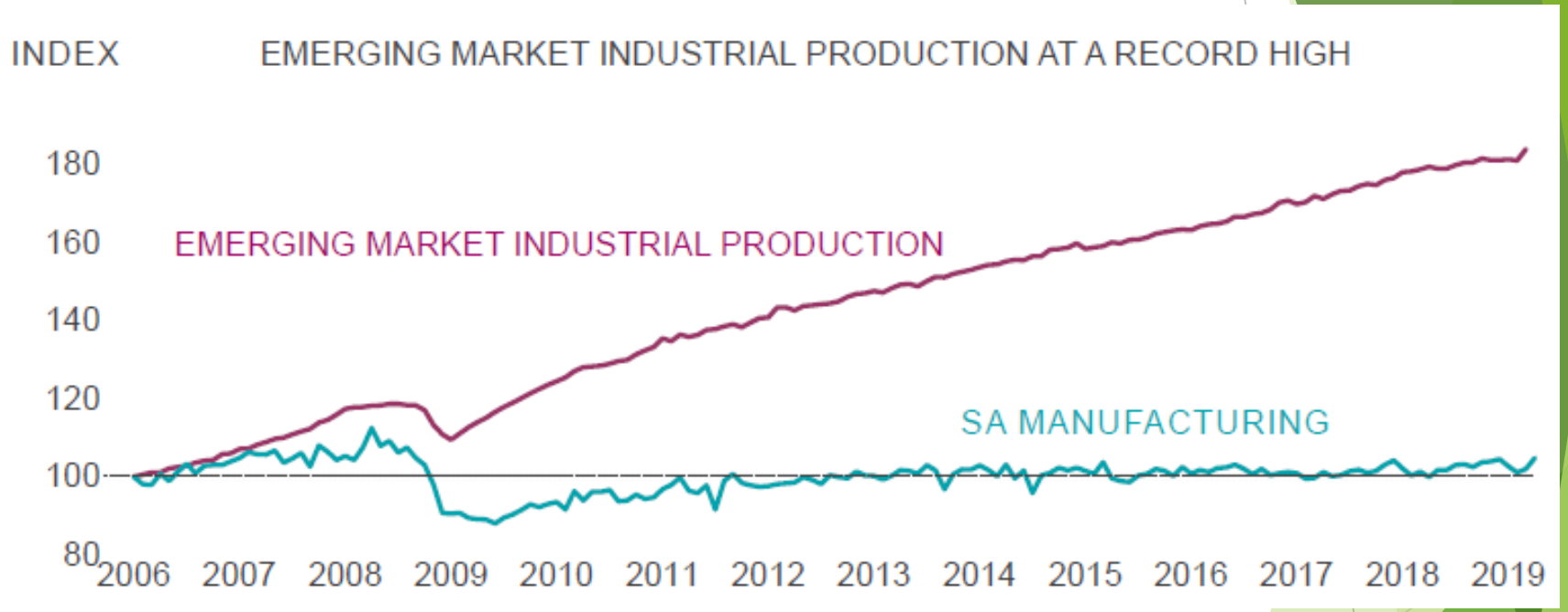
TRENDS: NAM AGRI-SECTOR??
Highly fluctuating??

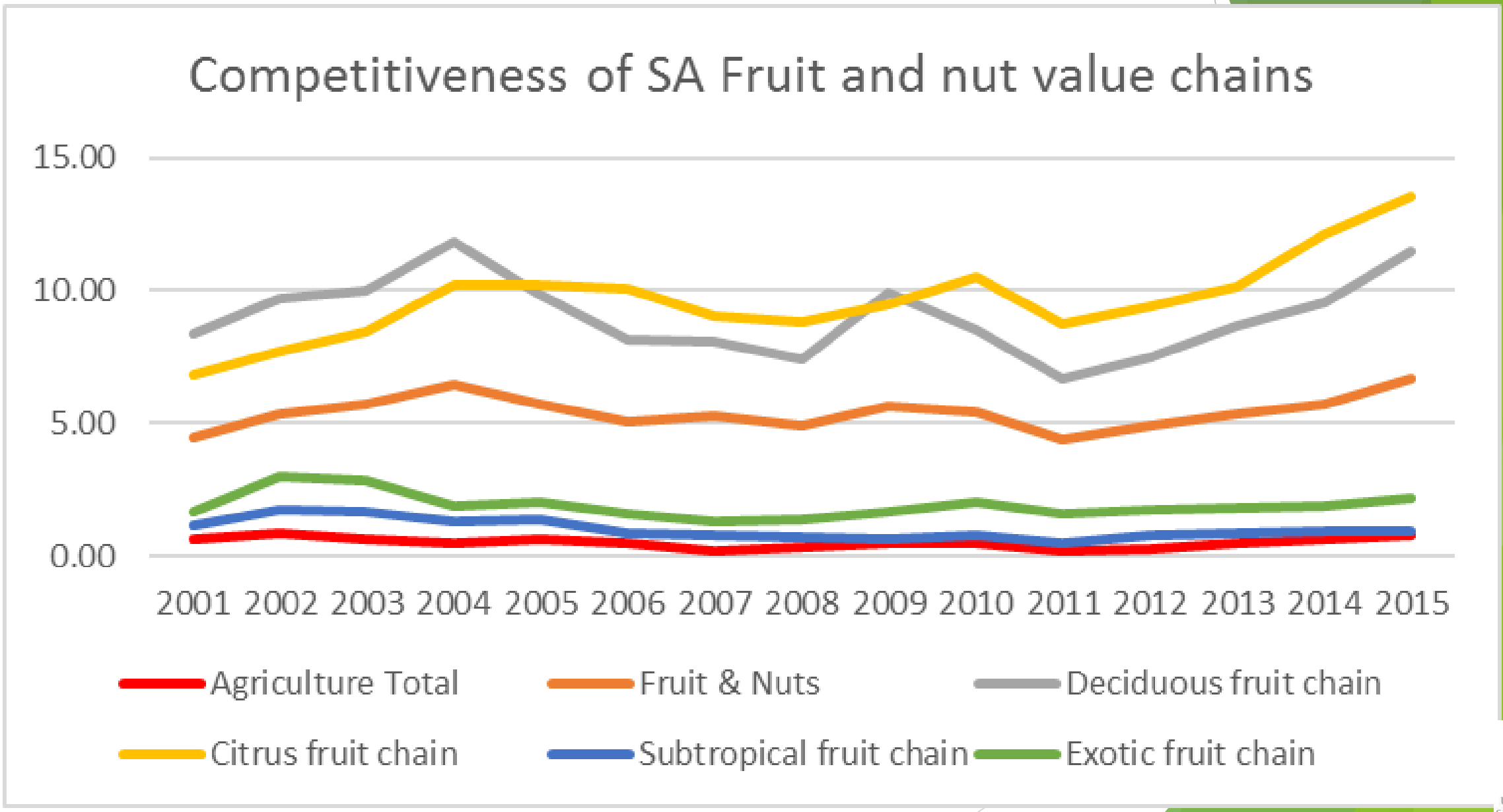


2. Understanding diversity & complementarity in the Agri-industry

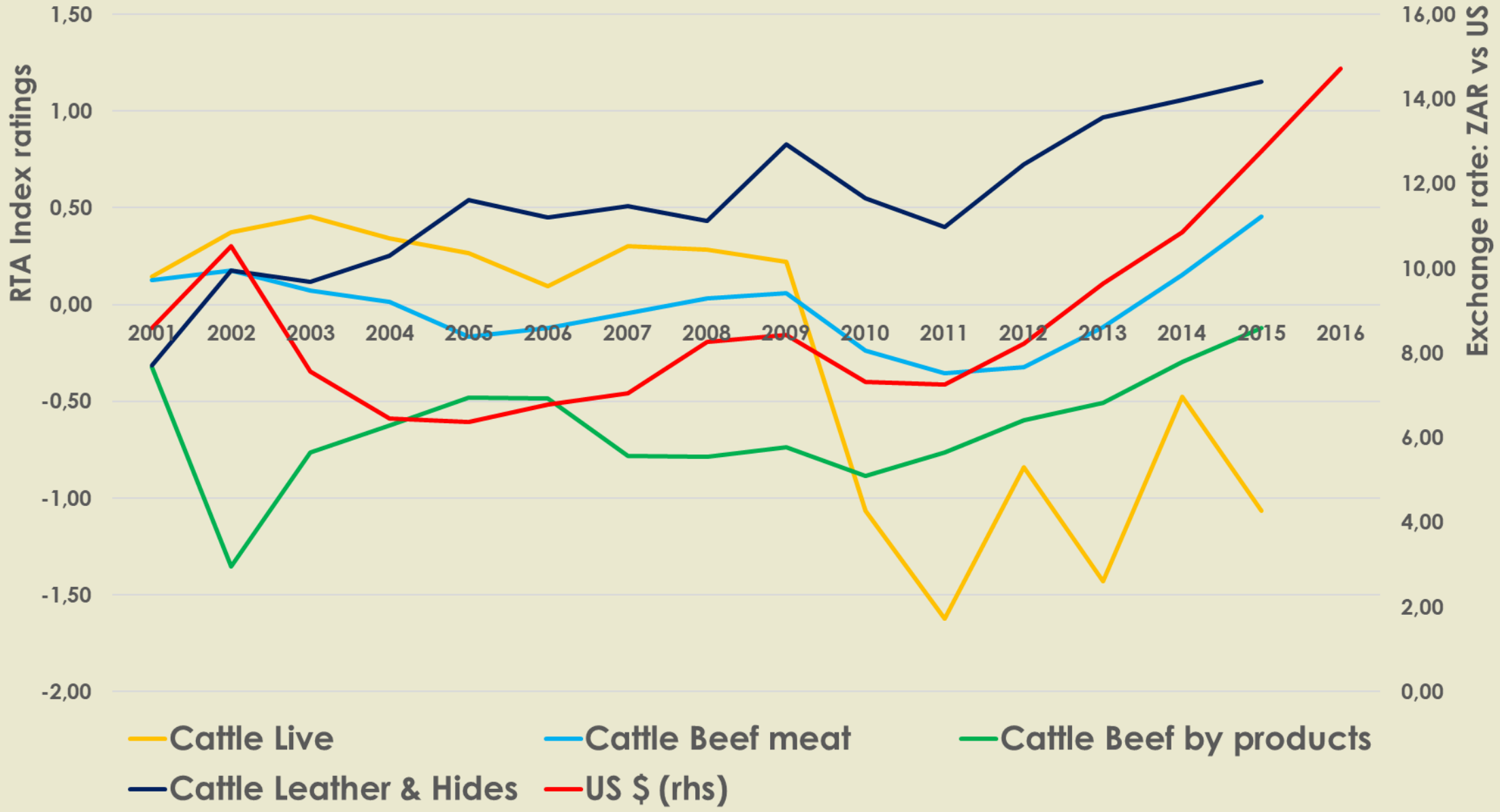


South Africa vs emerging market manufacturing

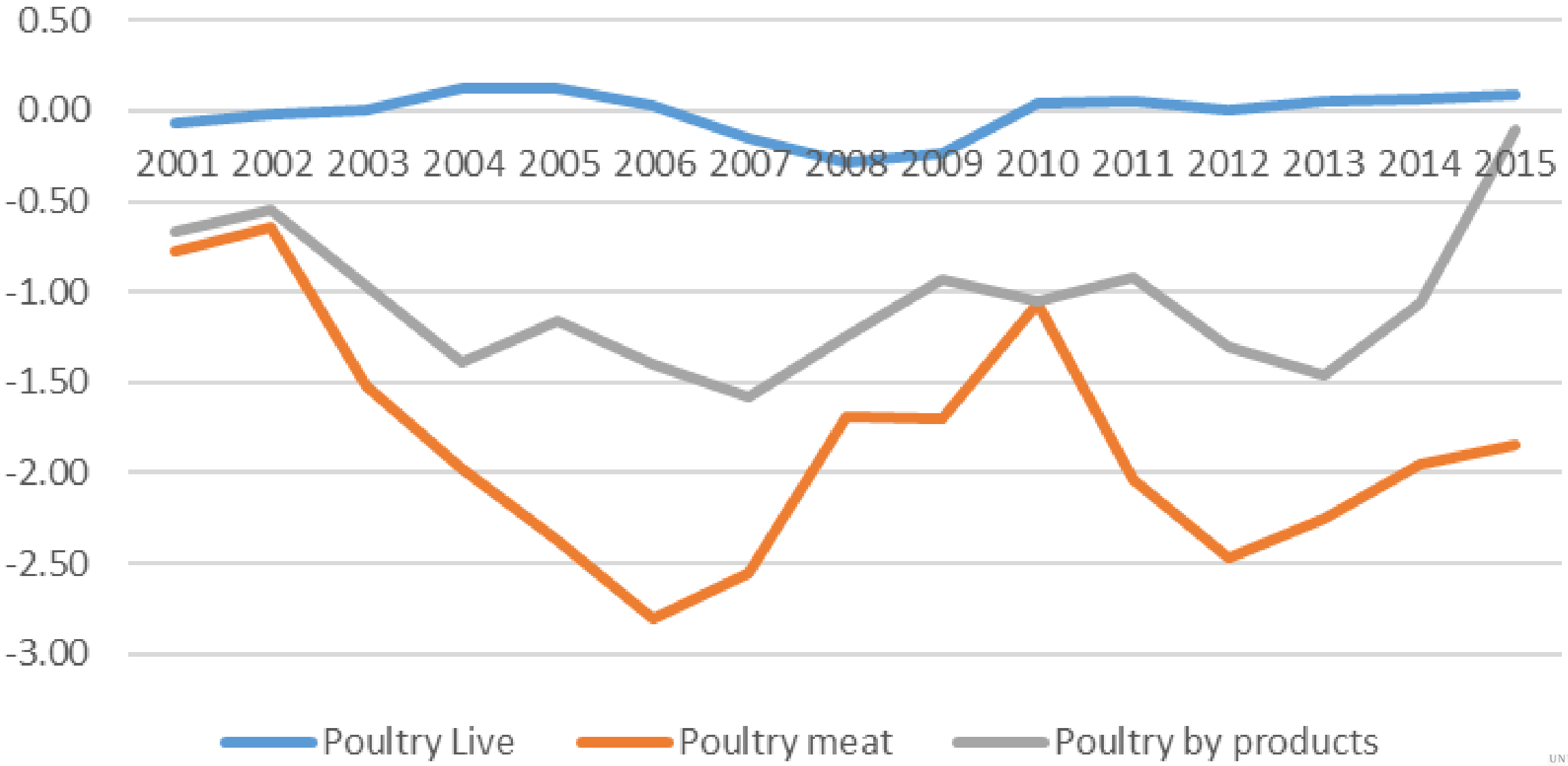


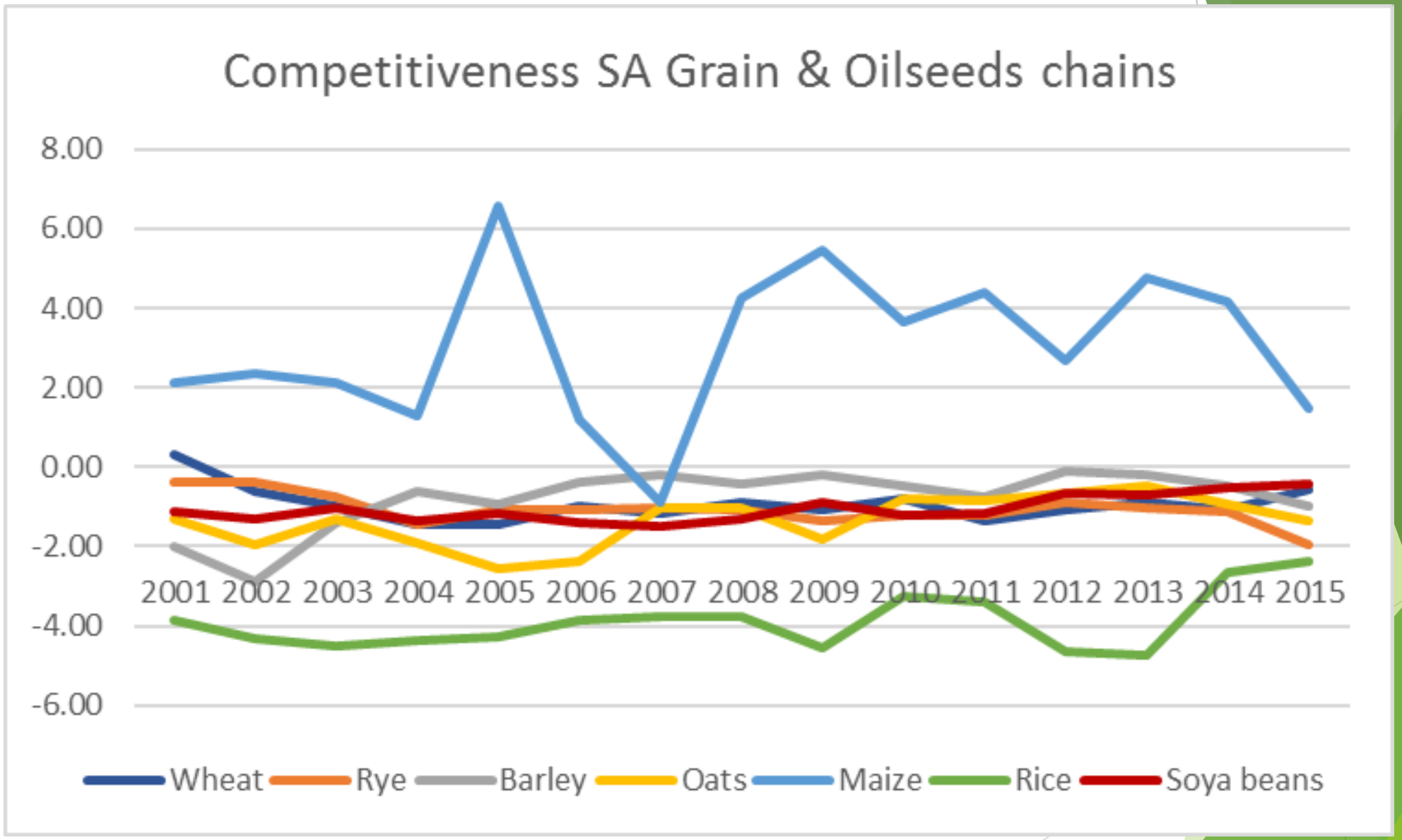


RTA of the SA Beef value chain

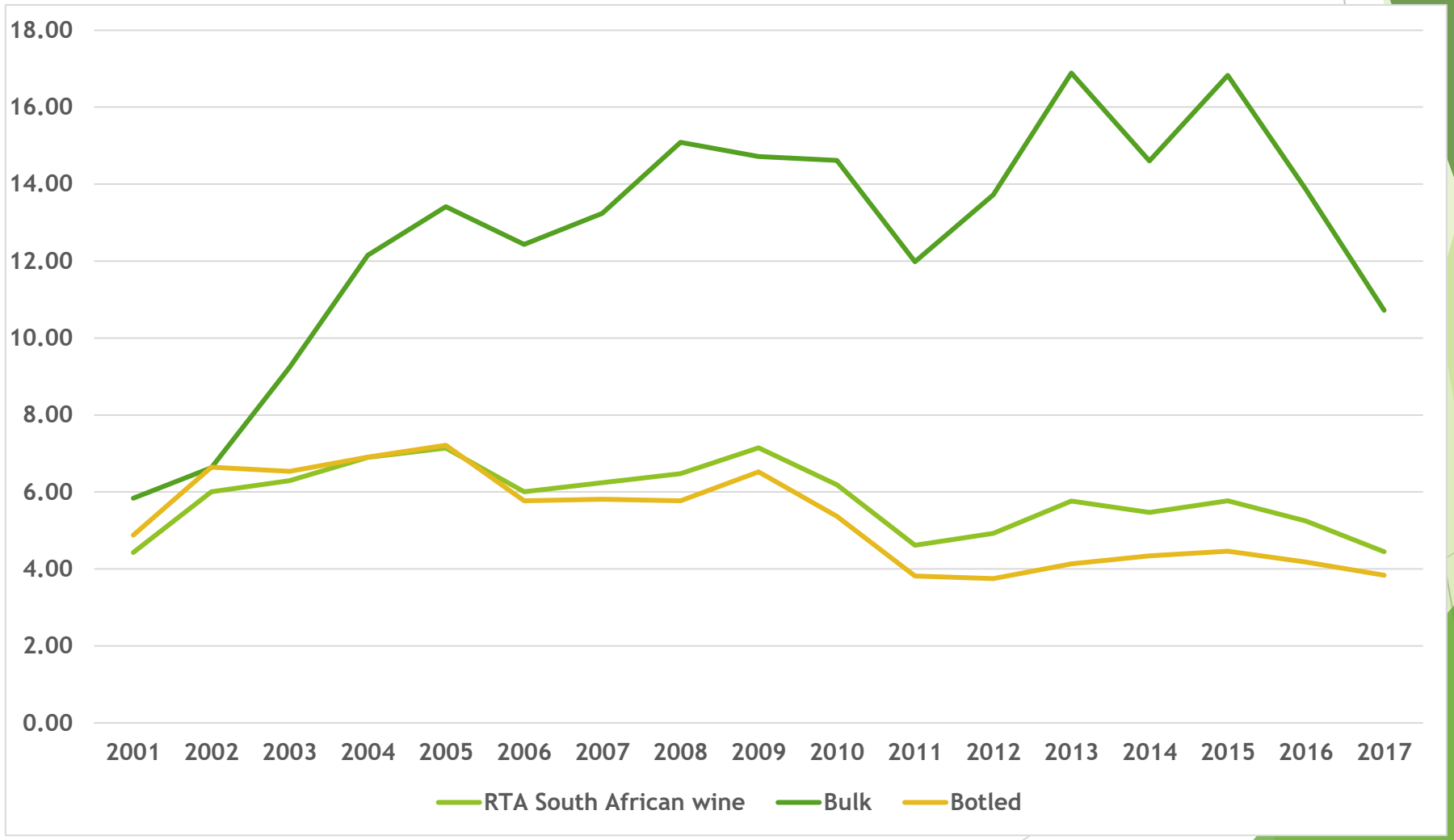


Poultry Industry: Value chains

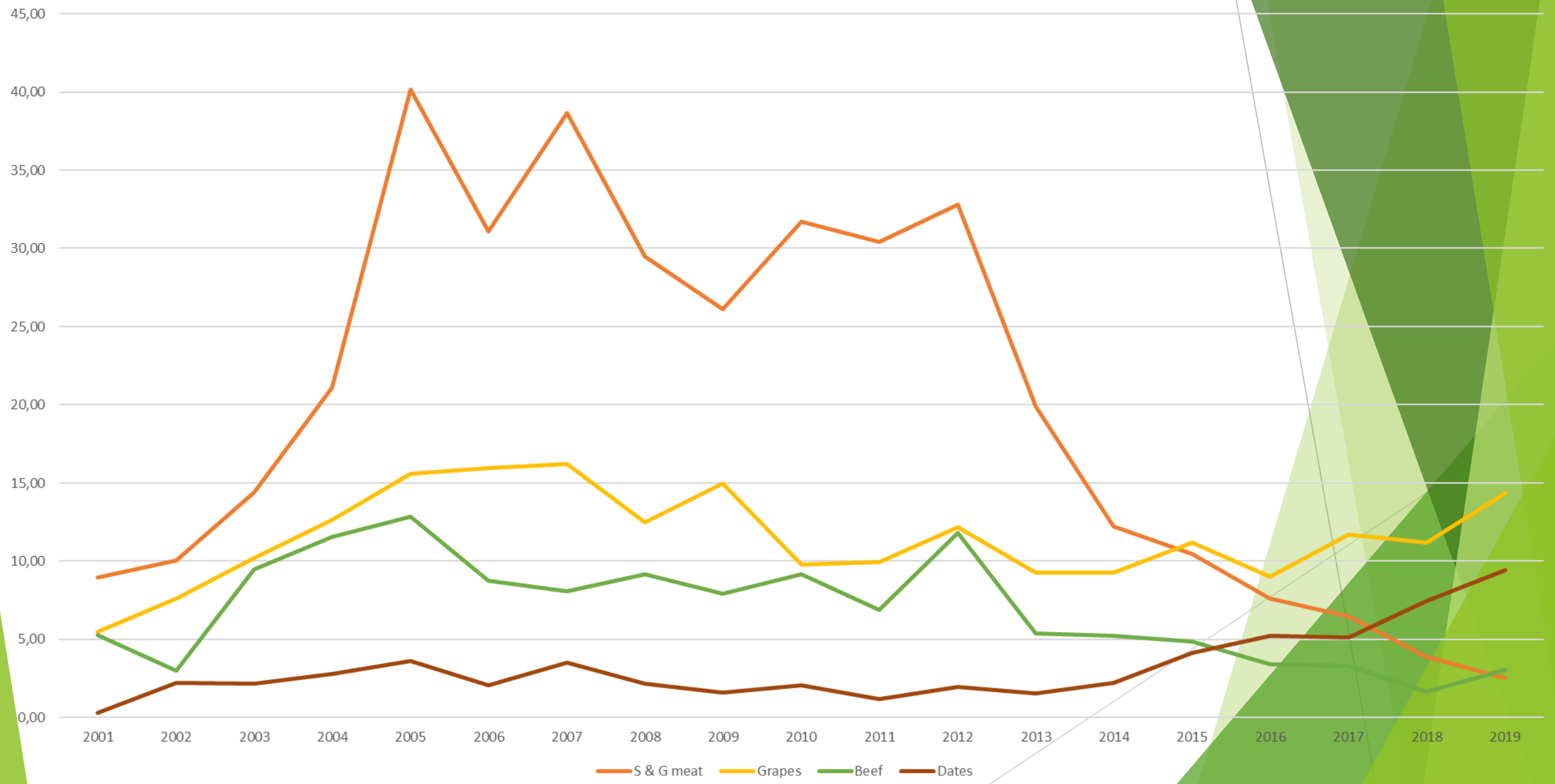




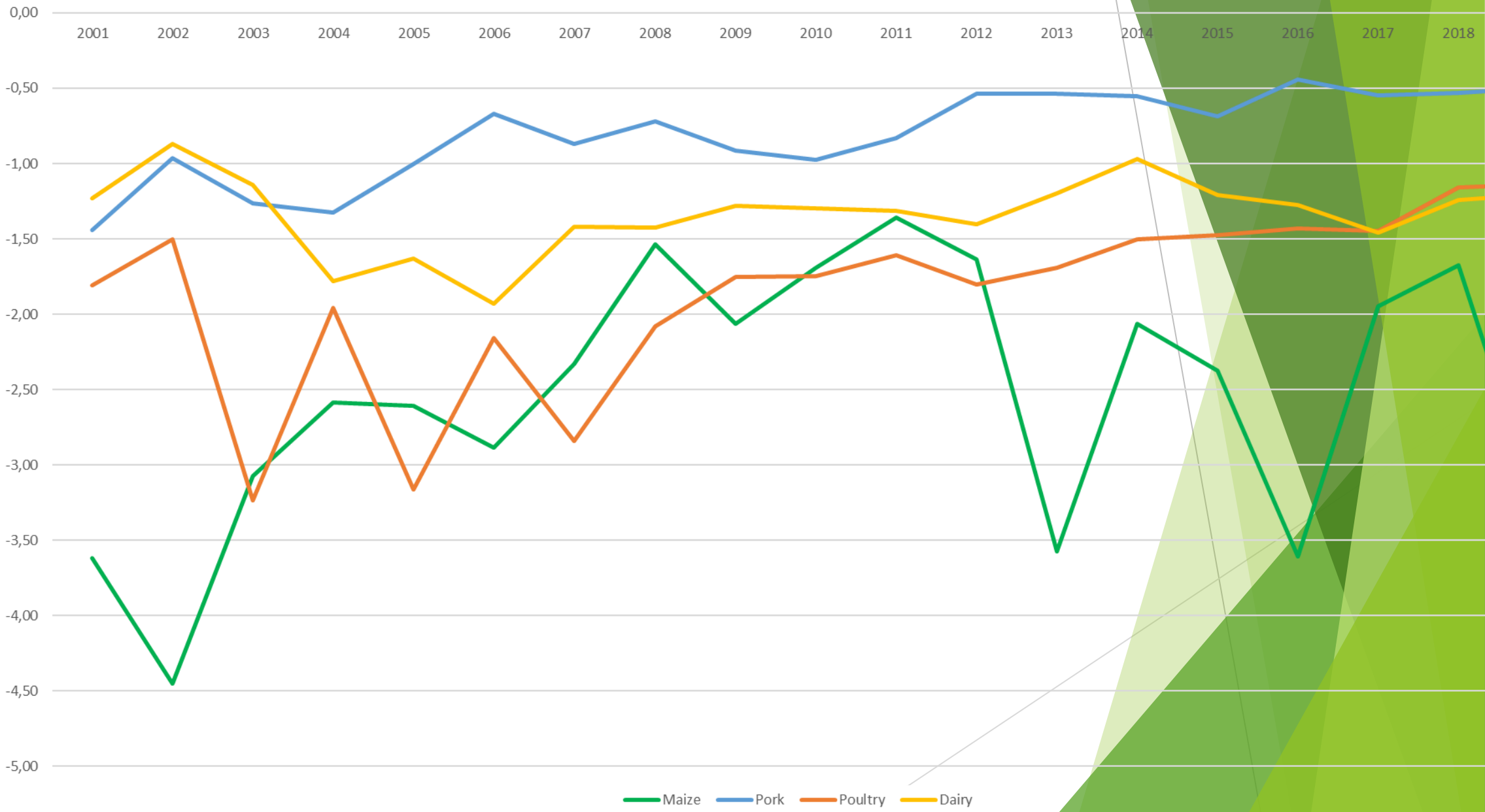
Competitiveness: RSA Wine value chain- bulk trade more competitive than bottle!?



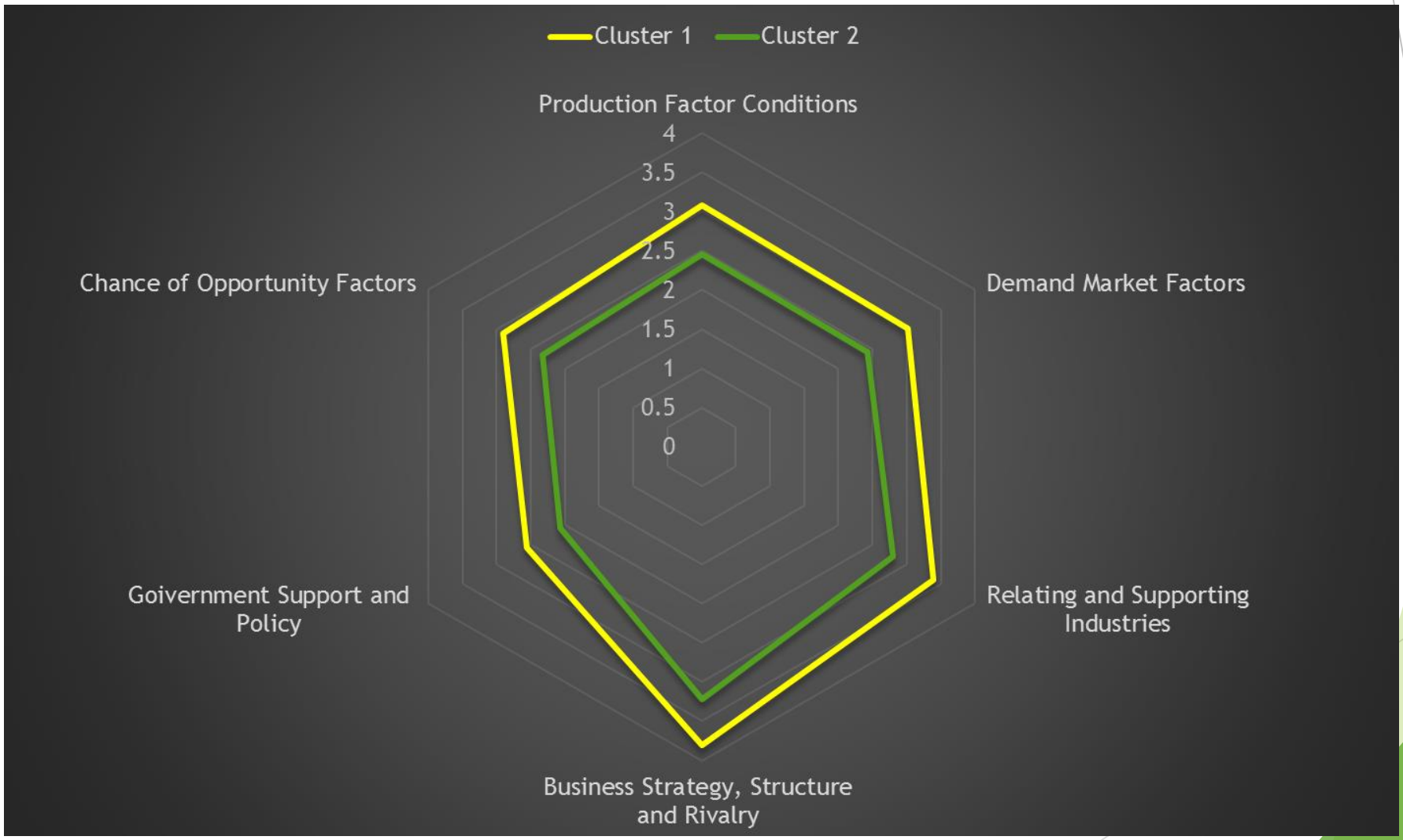
RTA Competitive Industries, Namibia



RTA Non-Competitive Industries, Namibia

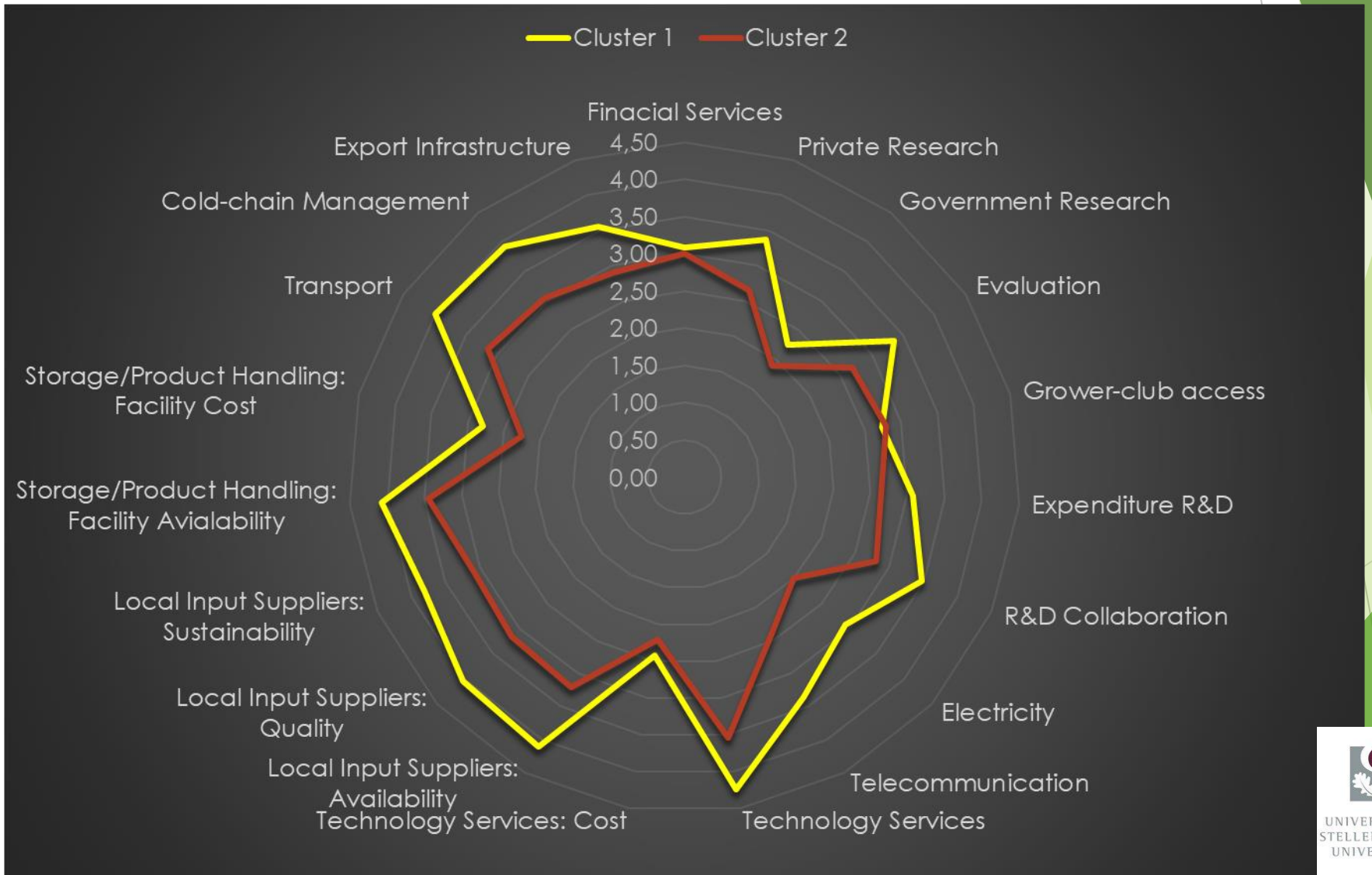


3. Strategic partnerships important: RSA Stone Fruit value chain



RSA Stone fruit value chain views:

Relating and supporting industries



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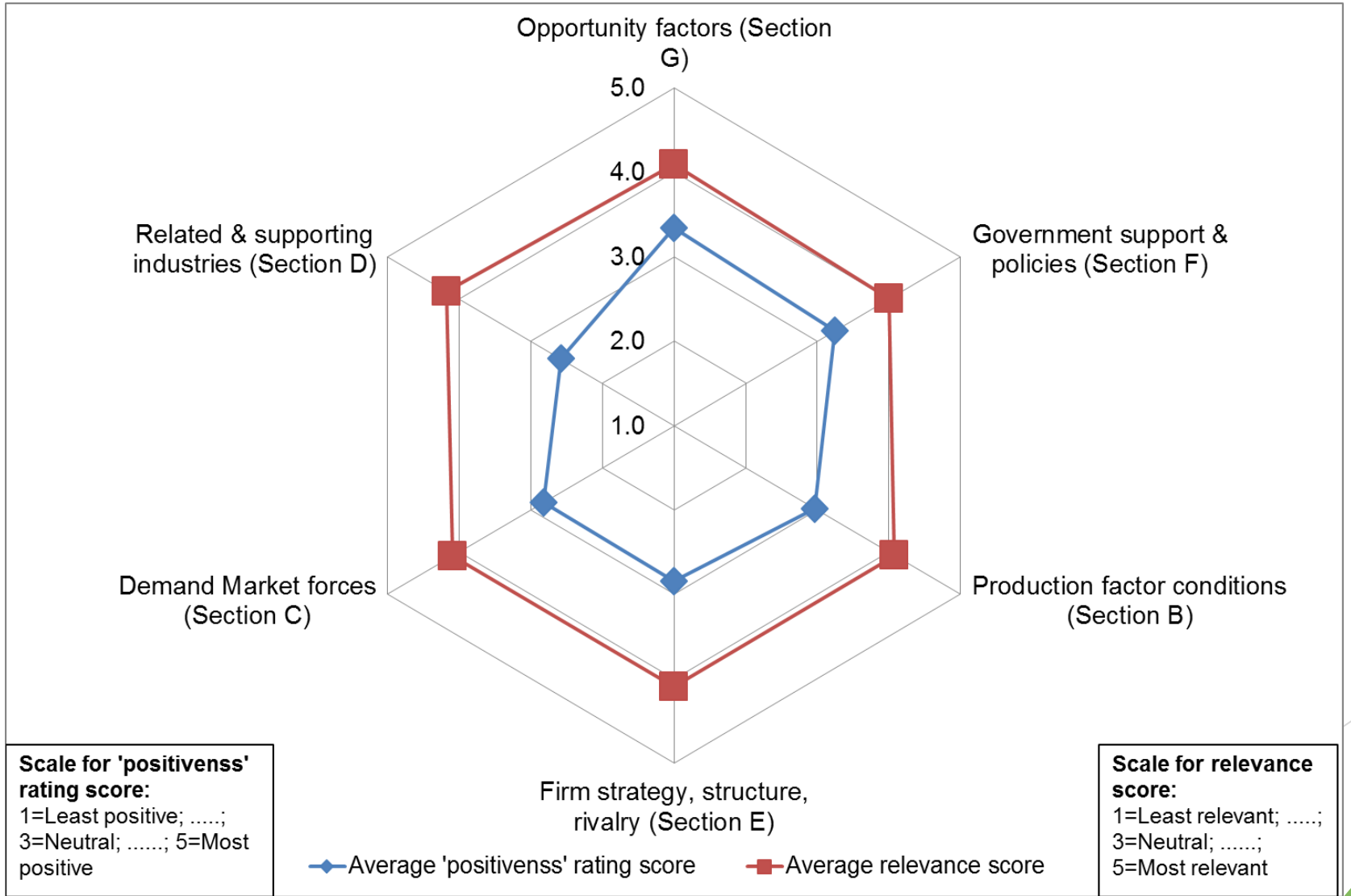
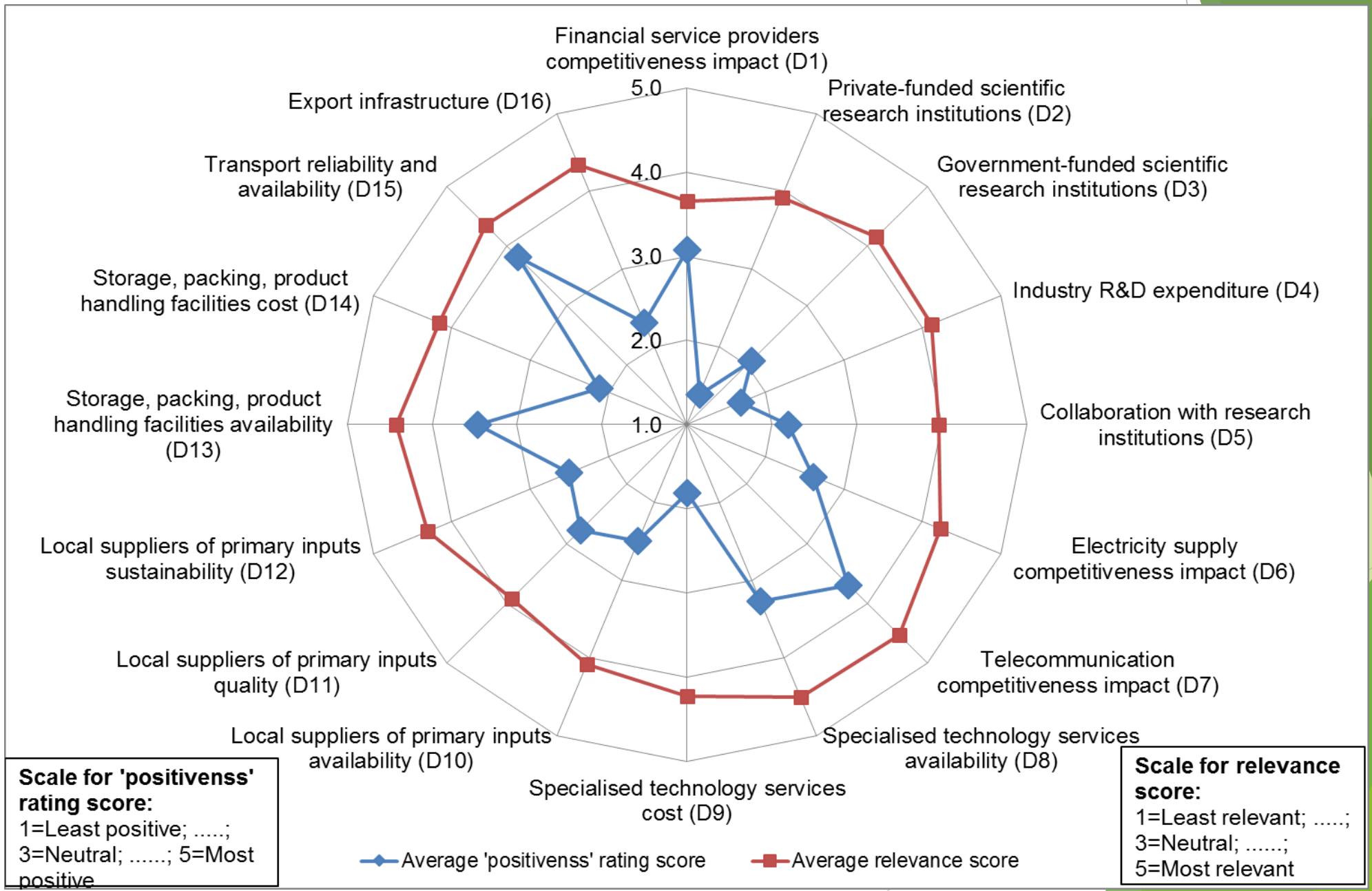
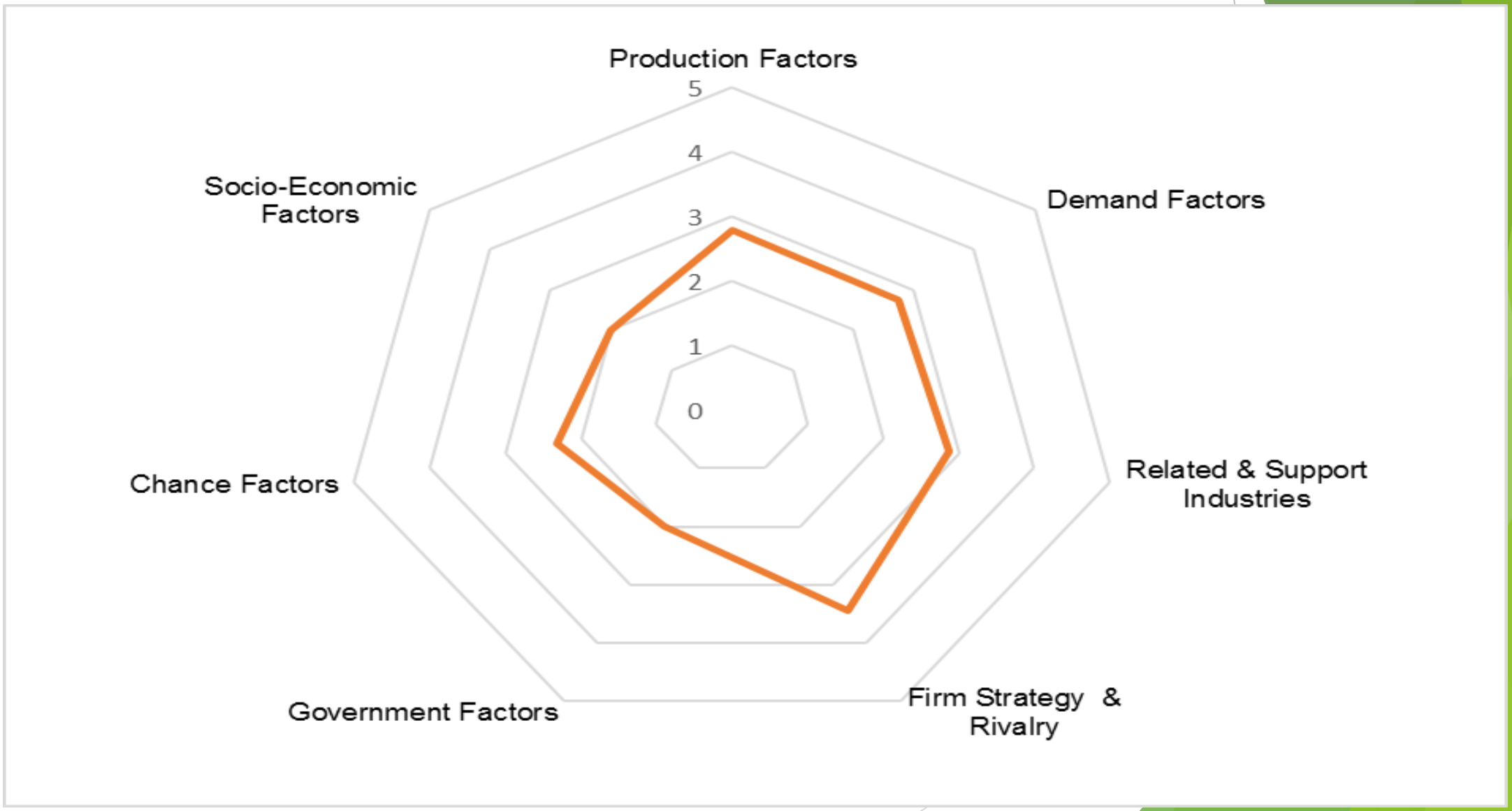
4. Horses for courses: Fitting the analytical framework Nam. Dates Double Diamond Gap analysis

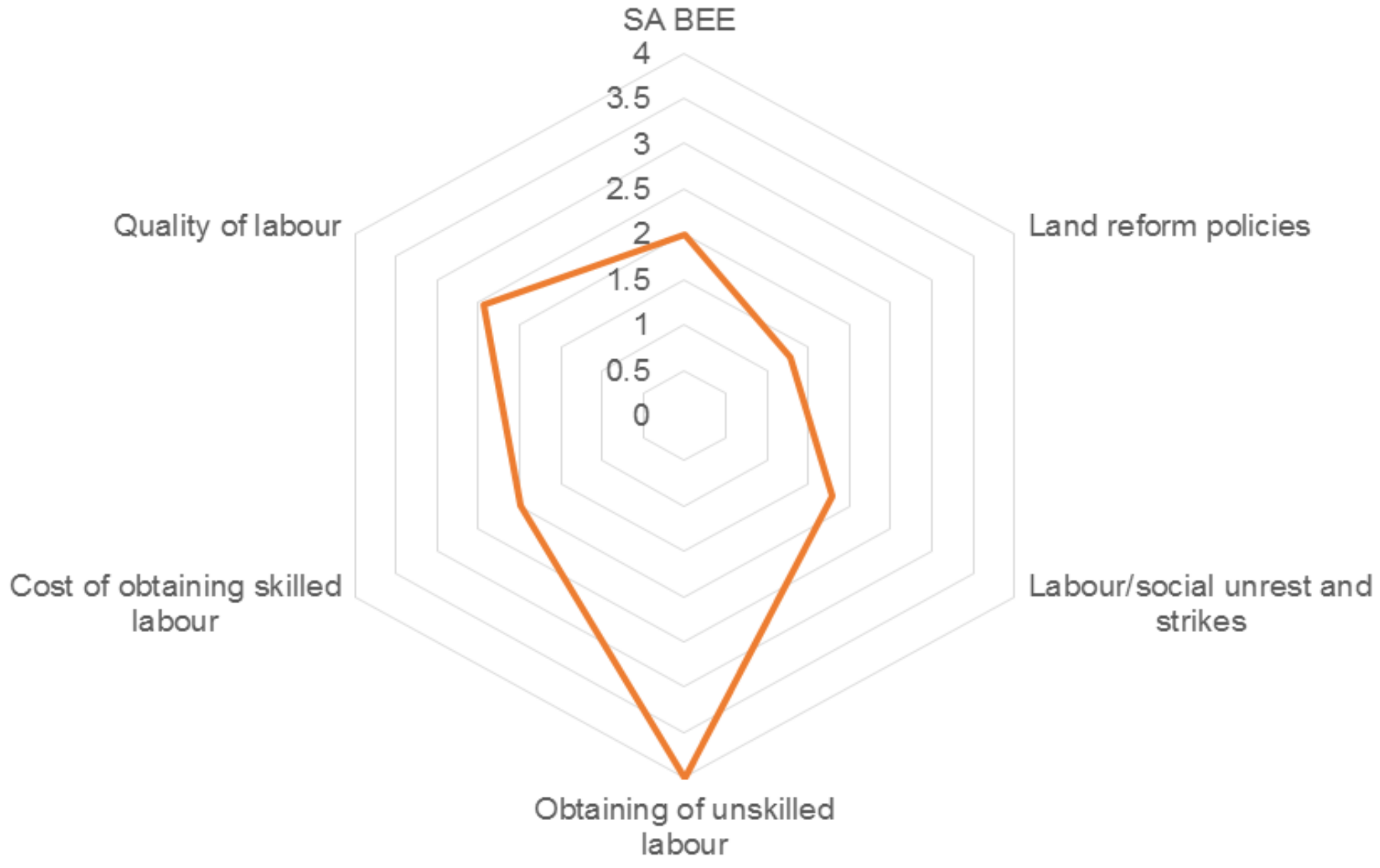


Namibia Dates: Supporting Industries



Expanding the PCD: RSA Table Grapes – adding a "Socio-economic Transformation" Determinant

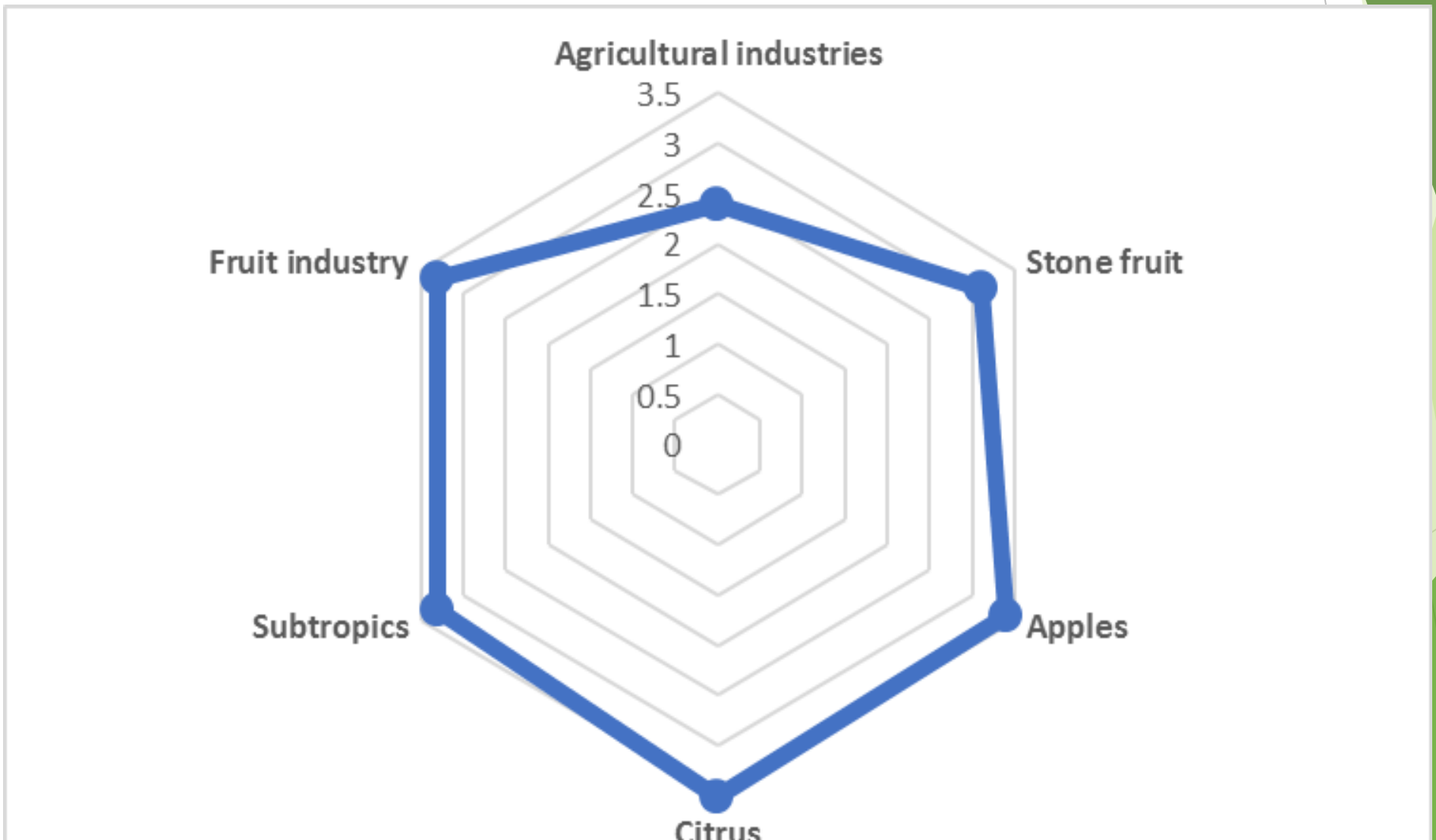



SA BEE
4
3.5
3
2.5
2
1.5
1
0.5
0
Land reform policies
Labour/social unrest and strikes
Obtaining of unskilled labour
Cost of obtaining skilled labour
Quality of labour

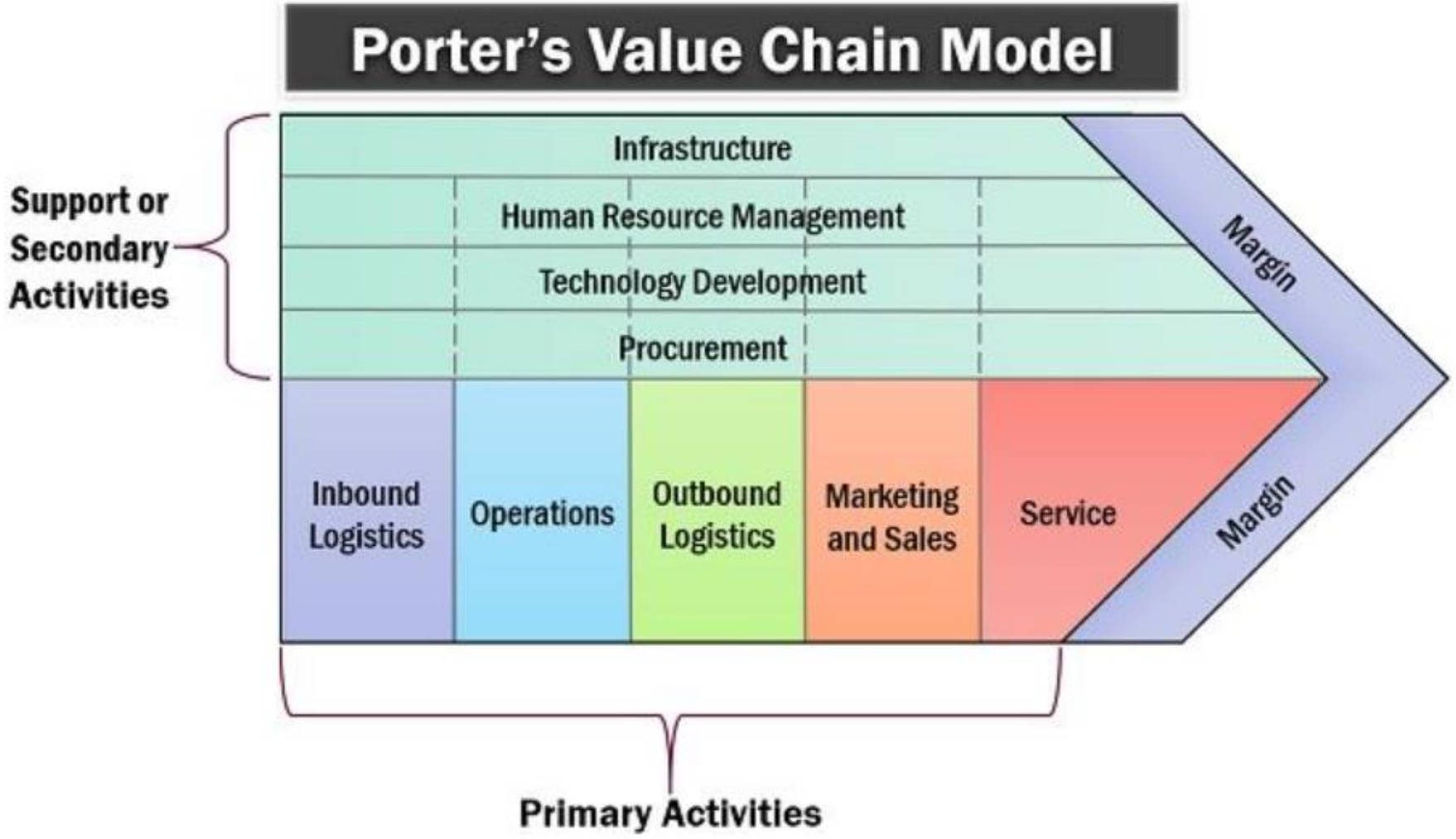
Expanding the PCD : The importance of Technical Innovation (IMD/WEF pilar)

	AGRICULTURE	STONE FRUIT	APPLES	CITRUS	SUBTROPICS	WINE
COMPETITIVENESS (RTA)	0.5	4.0	8.6	14.9	0.9	4.55
INNOVATION FACTORS:						
SCIENTIFIC R&D:	2.5	3.0	4.0	3.5	3.4	3.0
-INNOVATION	2.5		3.6	4.0	4.7	3.3
- COLLABORATION	2.5	3.5	3.8	3.0	3.4	2.5
REGULATORY STANDARDS:	>2.5	3.5	4.0	3.3	3.3	3.0
- ADMIN/ENFORCEMENT	2.5	2.2	1.8	2.2	2.1	1.7
COMPETITION LAW/ACT:	2.5	2.6	4.1	3.4	2.5	3.3
INNOVATION FACTORS	<2.5	3.1	3.4	3.5	3.3	2.9

RSA Agri-Competitiveness: Innovation factor ratings per agri–food industry (0 - constraining; 5 - enhancing)



5. The importance of “BEING COMPETITIVE”: Towards sustainable and fair value-add flows



Farmers Share- Is it fair??

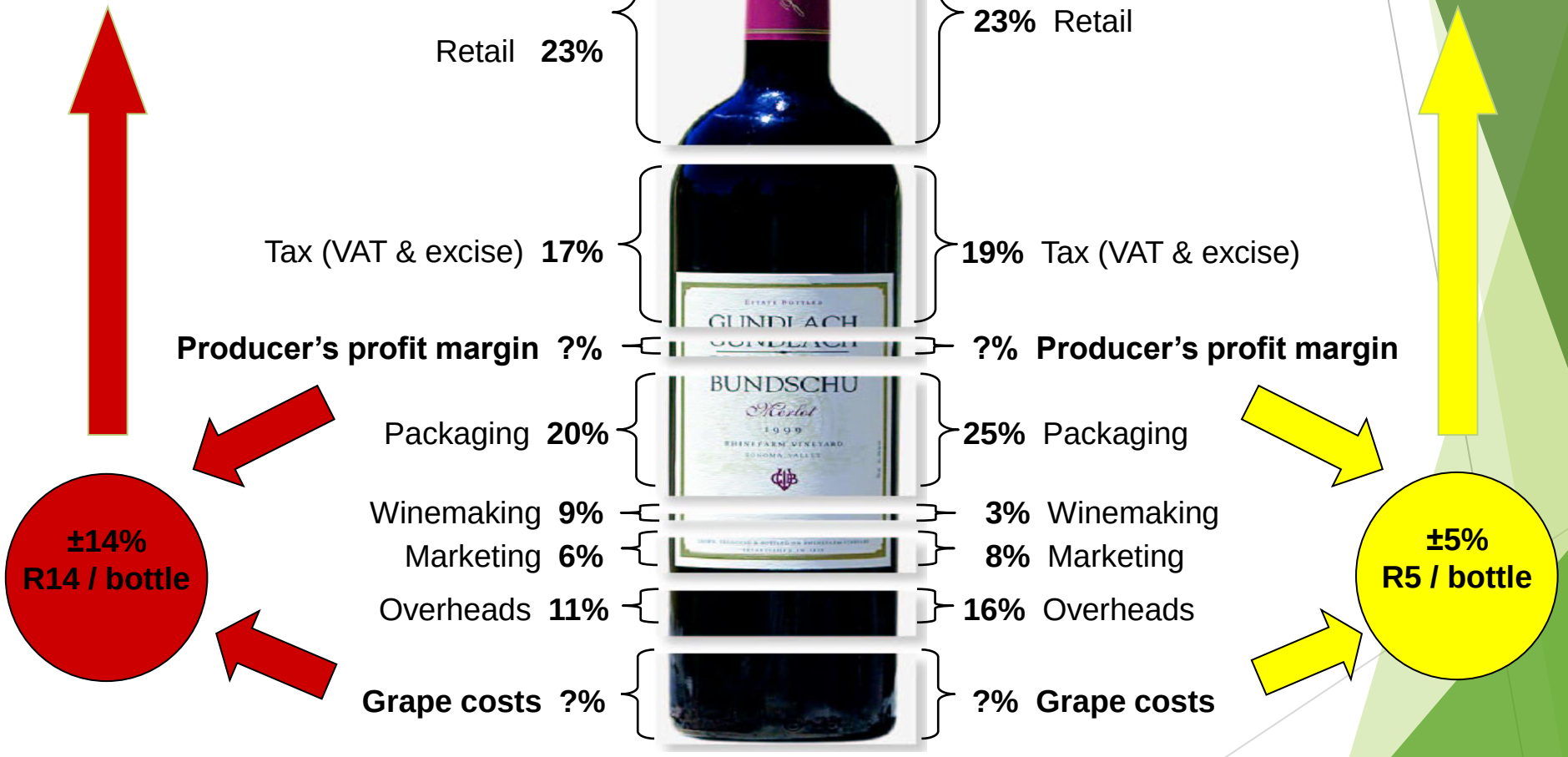
RSA farm gate/retail price spread, basic food items

Food Item	Farm gate price	Retail Price	FG as % of RP
Full cream milk - fresh 1 litre	R4.30	R12.19	35
Fresh chicken (per kg)	R22.00	R39.96	55
Pork (per kg) R25.00 R69.25 36%	R25.00	R69.25	36
Beef* (per kg) A class	R34.50	R65.001	53
Tomatoes - fresh (per kg)	R5.00	R17.45	29

Who gets what---Value chain shares: Is it fair??

Red wine

R100/bottl



White wine

R100/bottl

Sustained value chain competitiveness the key!

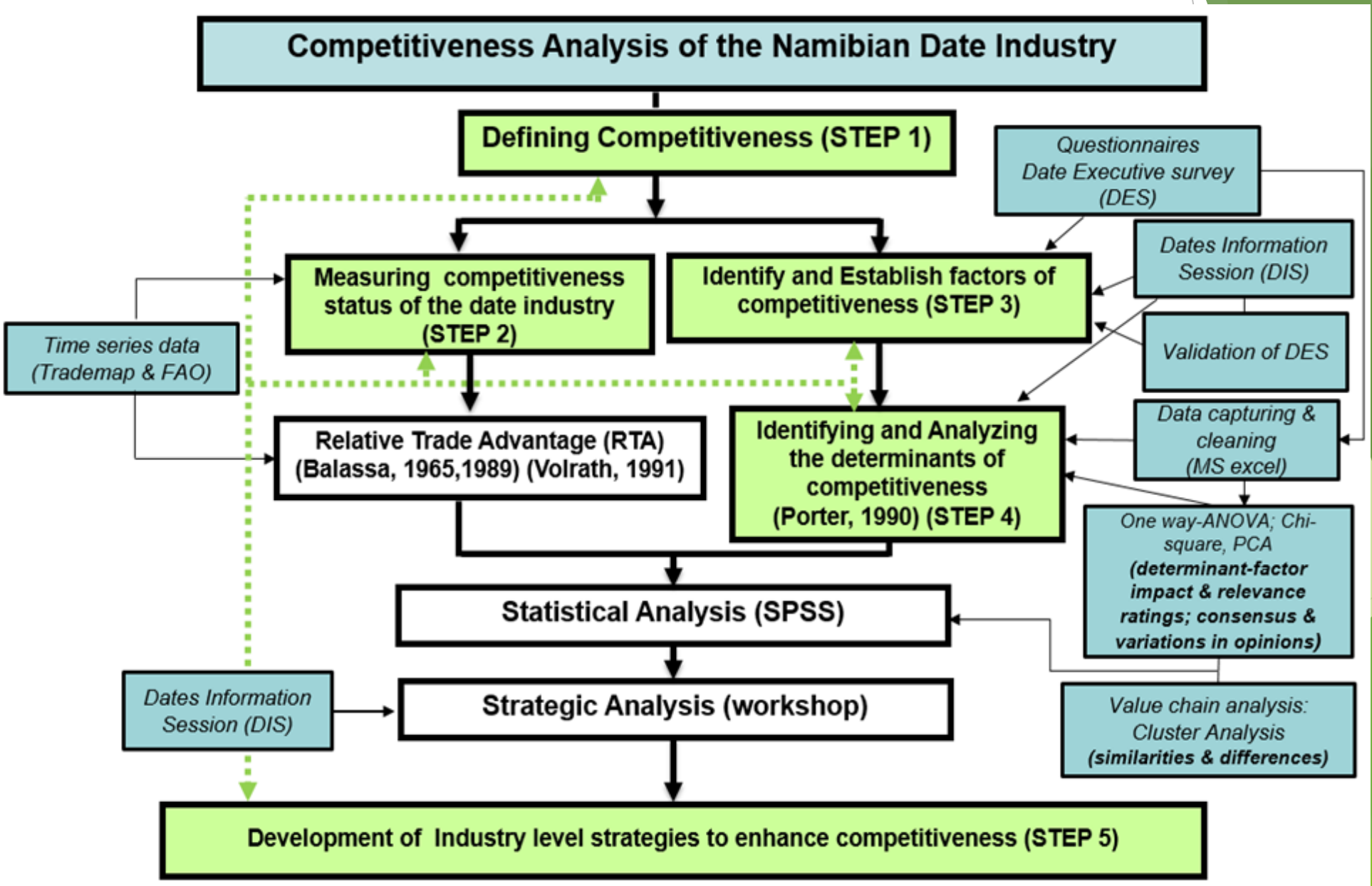
Finding and solving the weakest link through:

- Effective info/business intelligence flows – signaling what the market really wants;
- Efficient material flows- logistics, certifications, traceability
- Fair income distribution to sustain participation in the value chain

Required activities - containing “Bull Whip” effects:

- Value chain collaboration and integration
- Open, timeous info sharing with chain players -
- Building long term relationships and trust
- Joint problem-solving mechanisms
- Coordinated management systems and planning
- Joint chain learning
- Penalties (law/regulations) & rewards (preferential contracts, co-investments, brand sharing)

CAB** ANALYTICAL FRAMEWORK & METHODOLOGIES



Step 5: “Setting the strategic agenda”

- What must be done, when, by whom
- Impact, urgency, relevancy
- Industry/National level focus

- Executive survey and participative analysis – respondents: exec decision makers & leaders;
- Delphi/Focus group sessions – experts; inclusive value chain participation;
- Analysis : consistency, consensus, differences in opinions
- Cooperative Agenda setting:
  - Industry/gvt workshops
  - Expert discussions
- Approval & Monitor and evaluation

NAM Dates: Strategic Recommendations

Nam Date Industry Plan (NDIP):

1. Fifteen Porter competitiveness enhancing factors proposed
2. Coherent and coordinated approach between industry, government and firms.
3. More inter-industry collaboration….gaining critical mass.
4. Strategic value chain partnerships to explore the joint business:

PPP Public Private Partnership) with:

- Government (MAWF, MTI, MoF)
- Financial institutions (AGRIBANK; DBN, SB…etc)
- Multi-national retailers (Fruits & Vegies; Pick n' Pay….)

CO-OPERATIVE AGENDA SETTING: RSA STONE FRUIT INDUSTRY

Porter determinants	Relevant and constraining competitive factors	Strategic proposals
Production factors conditions	High technology cost	• Technological innovation through value chain collaboration • "Anticipating climate change"; water scarcity
Demand/ market factors	Inconsistent quality and availability of SA stone fruit varieties in markets	• Improved consistency in supply to exports markets, standardisation and certification • Extended supply in export markets • Market intelligence to achieve preferred supplier status - what where when
	The influence of adverse weather conditions on buying patterns of consumers (export markets)	• Redirecting market supply mechanisms

Porter determinants	Relevant and constraining competitive factors	Strategic proposals
Related and supporting industries	Electricity supply (including renewable energy and fossil fuels)	• Consistency of power supply; economising; green energy:
	Industry's expenditure on Research & Development and innovation	• Institutional arrangements to create innovation through collaborative partnerships:
Government support and policy	Trade policy	• Trade promotion support:
	Dealing with the political economy	• A "Stone Fruit Industry Plan (SFIP) and compact: • Improved industry intelligence systems:

TOWARDS INCREASED COMPETITIVENES: THE "NEW NORMAL"

1. CREATE AN "INDUSTRY INTEREST" FOCUS: THE AGRICULTURE SECTOR IS NOT A UNITARY SYSTEM; RATHER A SECTOR WITH COMPLEX NATURAL DIVERSITY, RELATIONSHIPS, ROLE PLAYERS…. A BIT **"NON-SENSICAL"** TO TALK ABOUT AGRI-COMPETITIVENESS IN GENERAL. CREATE AN INDUSTRY FOCUS & " CUT DEEP" WITH "BEST PRACTISE" BUSINESS INTELLEGENCE.

2. INCORPORATE VALUE CHAIN PLAYERS: COMPETITIVE VALUE CHAINS THE KEY - FIND AN IMPROVE THE WEAKEST & MOST VULNARABLE LINKS!

3. AGREE ON HOW TO DEFINE AND MEASURE COMPETITIVE PERFORMANCE: CONSIDER COMPETITIVENESS PERFORMANCE IN TERMS OF THE NATURE OF A PARTICULAR INDUSTRY AND ITS VALUE CHAIN/NETWORK RELATIONSHIPS, RISKS AND FRAGILITIES – COMMODITY GROUPS, TRADE ORIENTATIONS, MARKETS, RIVALRY, FIRM STRUCTURE, SOCIO-ECONOMIC SETTING, TRANSFORMATION AGENDA AND IMPERATIVES, CONCENSUS vs DIFFERENCES, ETC.

4. CONSIDER STRATEGIC INVESTMENTS AND INNOVATION (PORTER FOCUS) WITH **START-UP SUPPORT - THROUGH PPP (SMART SUBSIDIES)** WHERE SO REQUIRED, TO ACHIEVE COMPETITIVENESS. SEEK COMPLIMENTARY RELATIONSHIPS THROUGH SUCH INVESTMENTS (SOUTH KOREA - ELECTRONICS, HRC, AUTOS)

TOWARDS INCREASED COMPETITIVENES: THE "NEW NORMAL"…

5. RELATIONSHIP MANAGEMENT IS IMPORTANT: BUILT LONG TERM TRUSTFUL AND TRANSPARENT RELATIONSHIPS – MANAGE RELATIONSHIP RISKS; **AVOID OPPORTUNISTIC BEHAVIOUR**; SHARE INTELLEGENCE AND DATA SETS WITHIN THE INDUSTRY VALUE CHAIN; SEEK CONSENSUSS ON IMPACT AND URGENCY.

6. UNDERSTAND THE TRENDS: USE TREND ANALYSIS TO DESIGN CONSISTENCY AND RELIABILITY INTO STRATEGY & "DIALOGE " EFFORTS i.e. **REFRAIN FROM OPPORTUNISTIC BEHAVIOUR** & EMOTIONAL TALK. TRENDS REFLECT SUSTAINED PERFORMANCES, "SPILL-INN" EFFECTS, RISK DYNAMICS – THE EVOLVING STATUS OF THE INDUSTRY/FIRM.

7. INTRODUCE PENALTIES & REWARDS: CREATE A LEGAL FRAMEWORK TO PENALISE 'BLATANT" UNCOMPETITIVE BEHAVIOUR. REWARD COMPTITIVE PERFORMANCE..AS PER JOINT AGREEMENTS

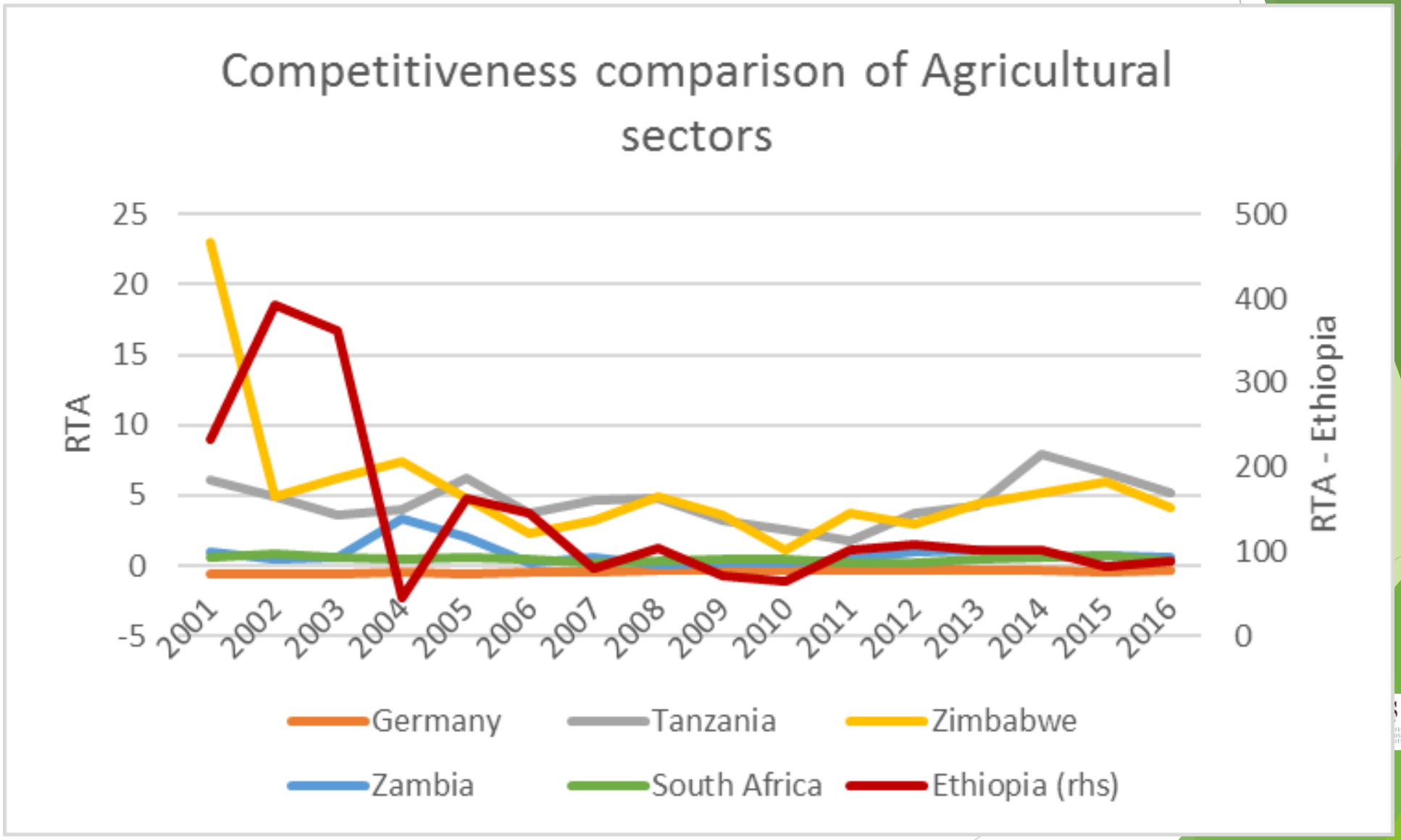
THANKS, COMMENTS, QUESTION & GOOD LUCK!!

ADDITIONAL MATERIALS:

- **RTA VALUES- RSA AND NAMIBIA AGRICULTURE**

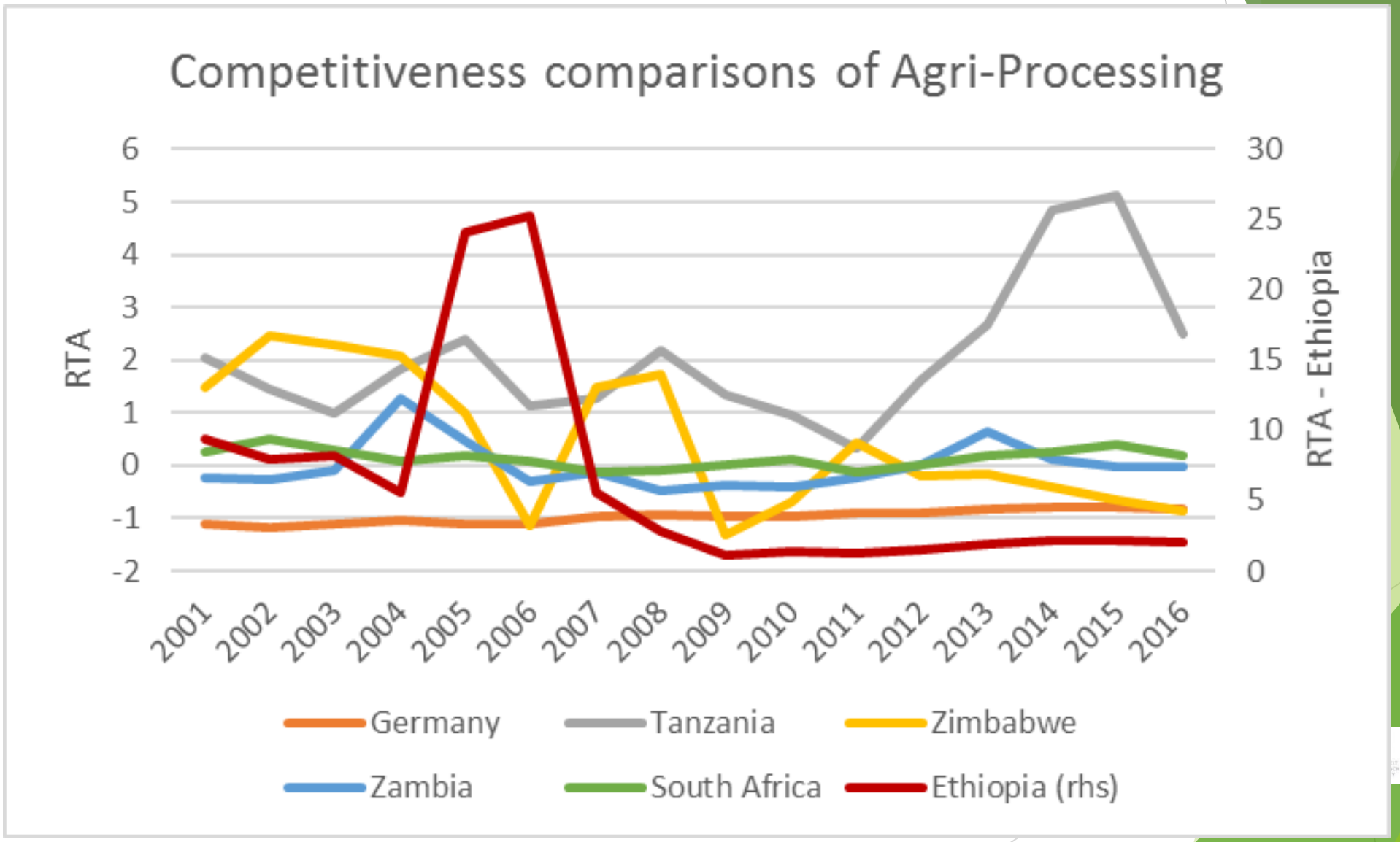
MEASUREMENT AND ANALYSES

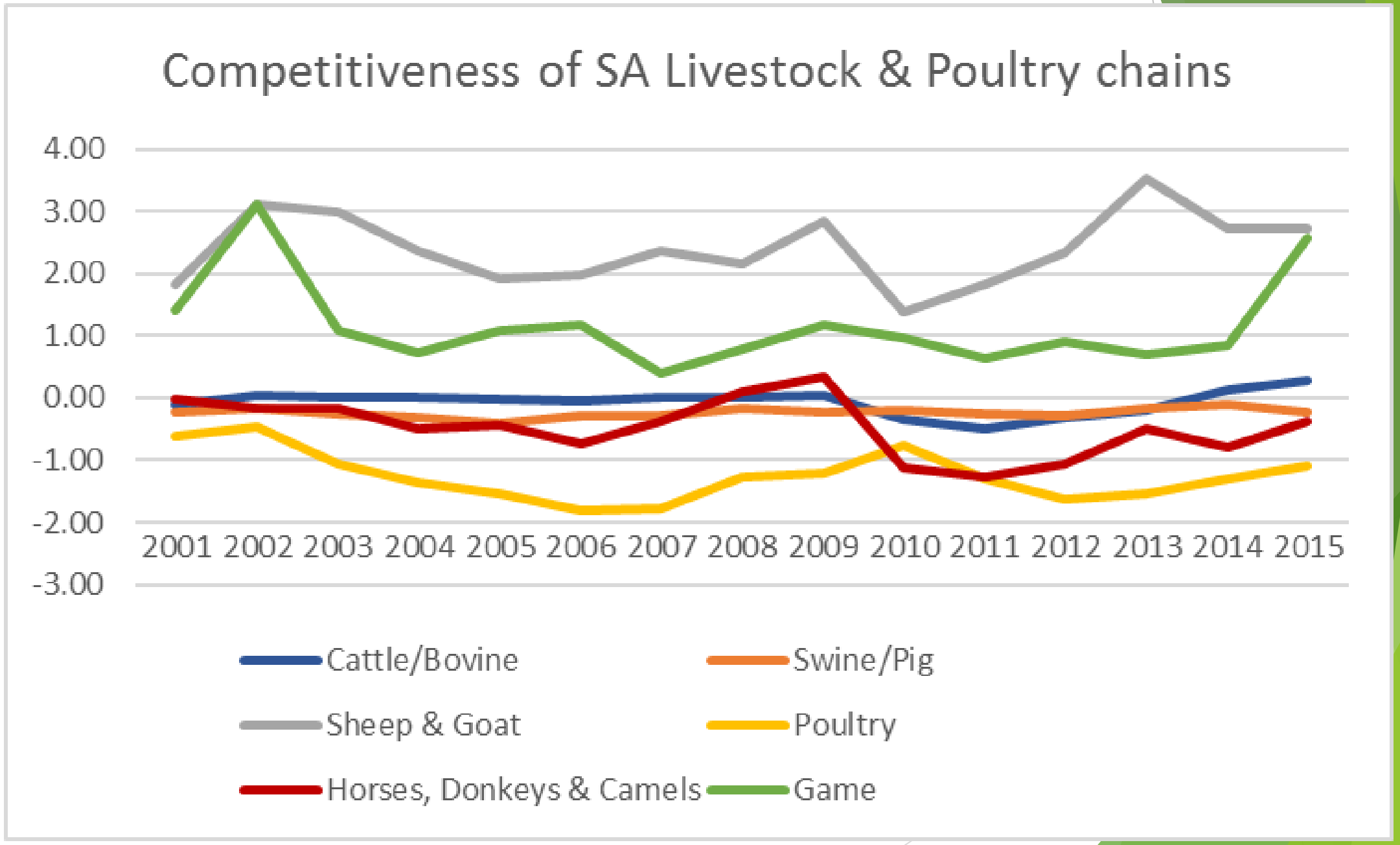
SOUTH AFRICAN VS INTERNATIONAL ROLE-PLAYERS (ITC)

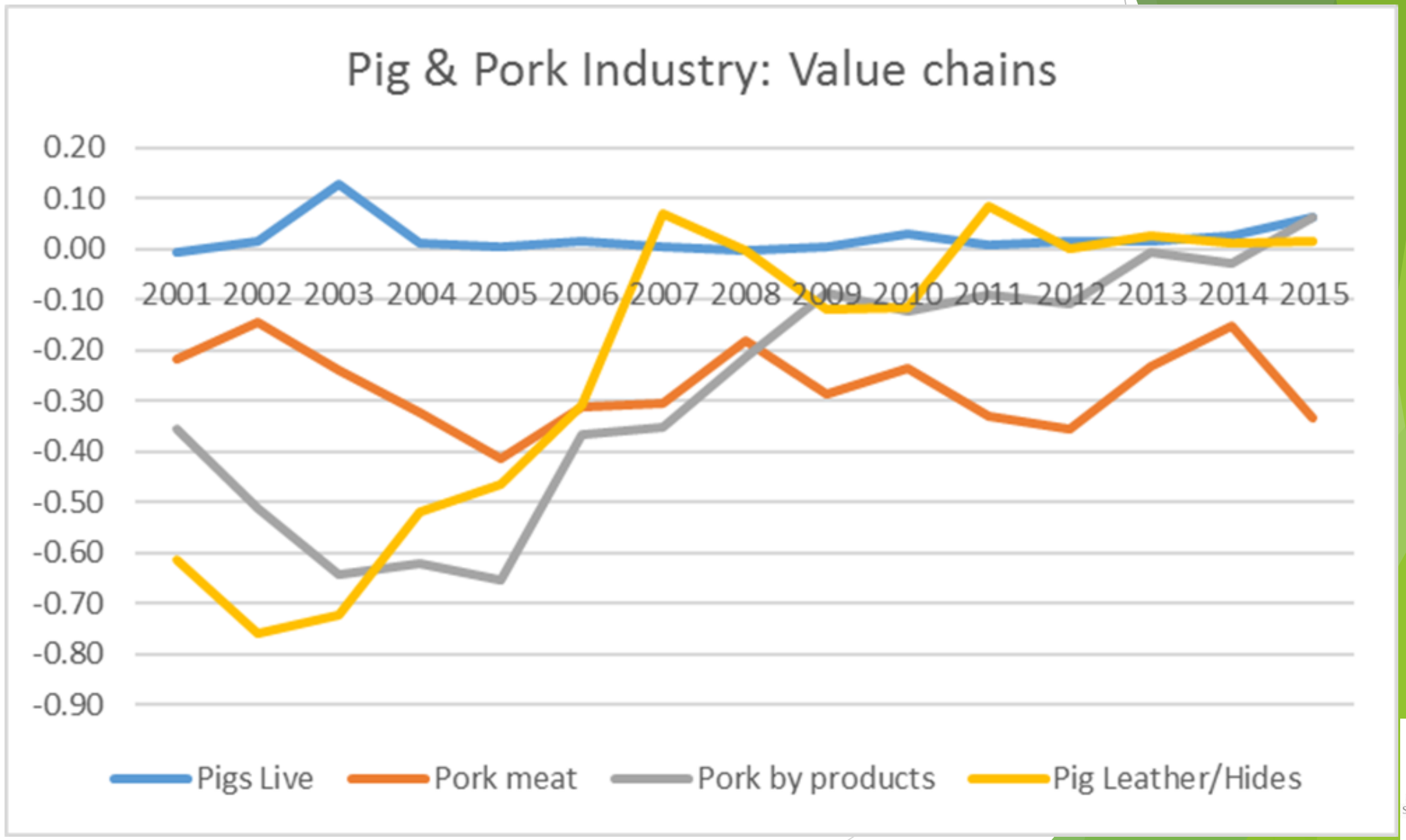


AGRI-PROCESSING

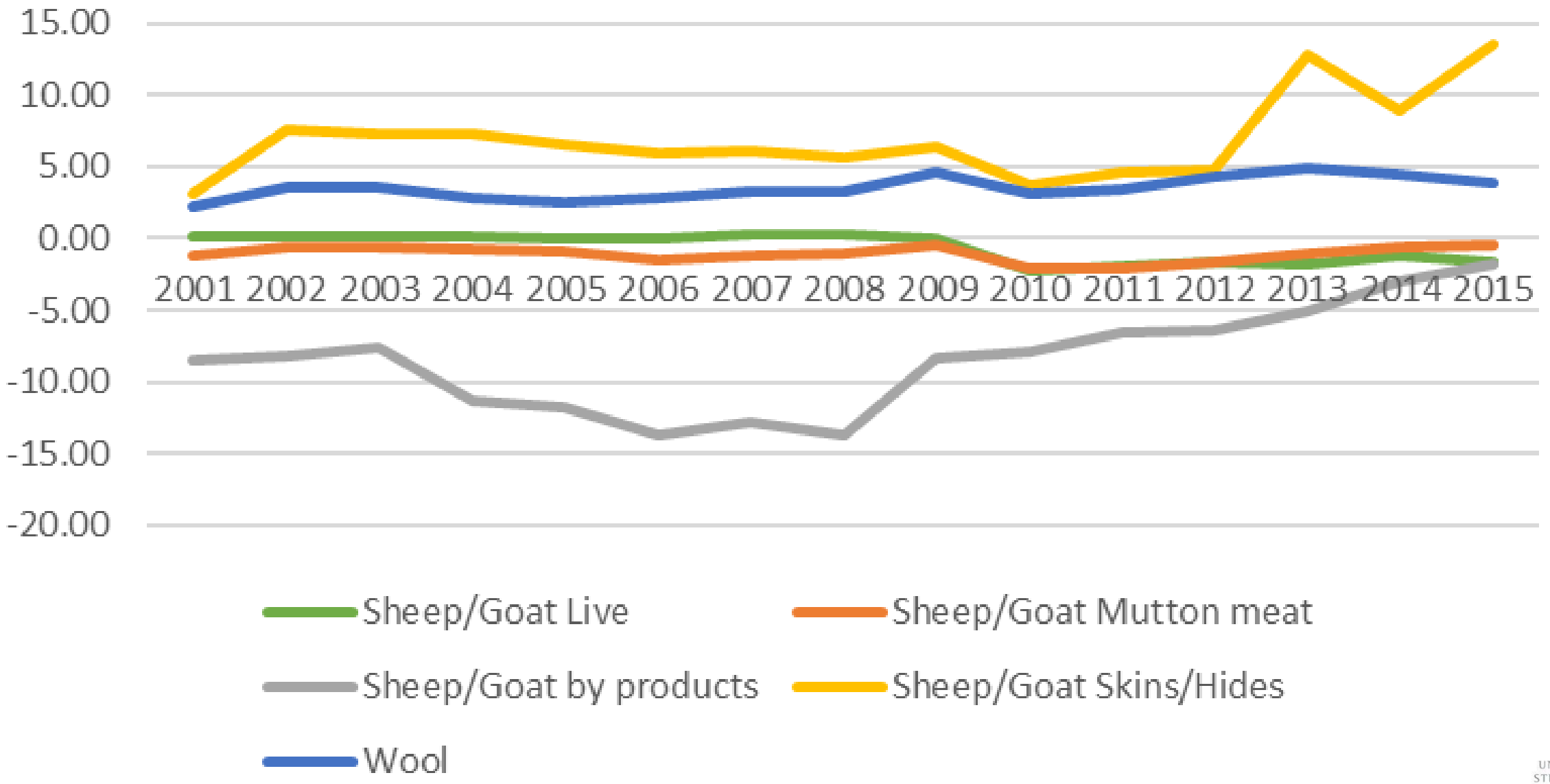
SOUTH AFRICAN VS INTERNATIONAL ROLE-PLAYERS



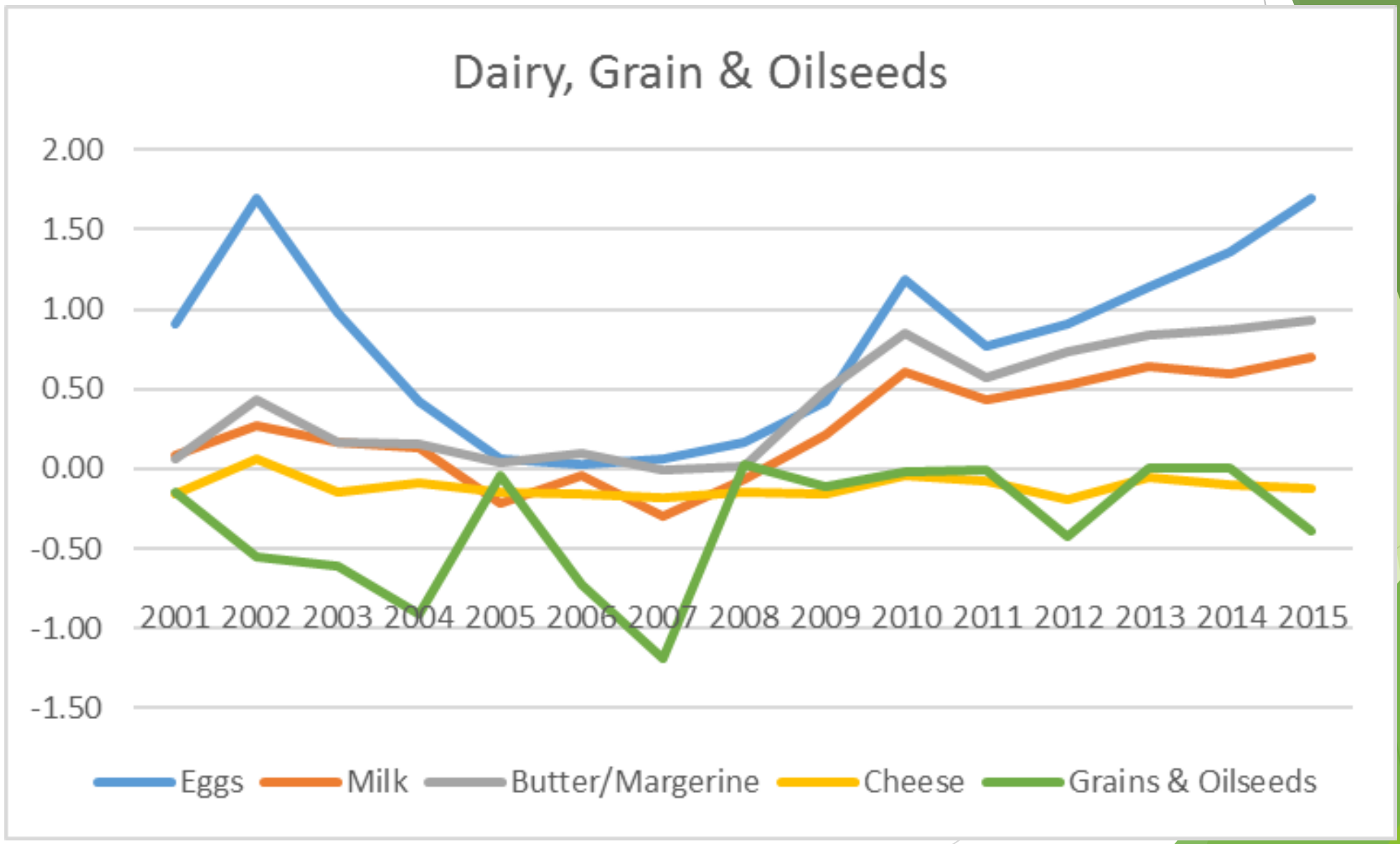

Competitiveness of SA Livestock & Poultry chains
4.00
3.00
2.00
1.00
0.00
-1.00
-2.00
-3.00
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
Cattle/Bovine
Swine/Pig
Sheep & Goat
Poultry
Horses, Donkeys & Camels
Game


Pig & Pork Industry: Value chains
0.20
0.10
0.00
-0.10
-0.20
-0.30
-0.40
-0.50
-0.60
-0.70
-0.80
-0.90
2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015
Pigs Live
Pork meat
Pork by products
Pig Leather/Hides

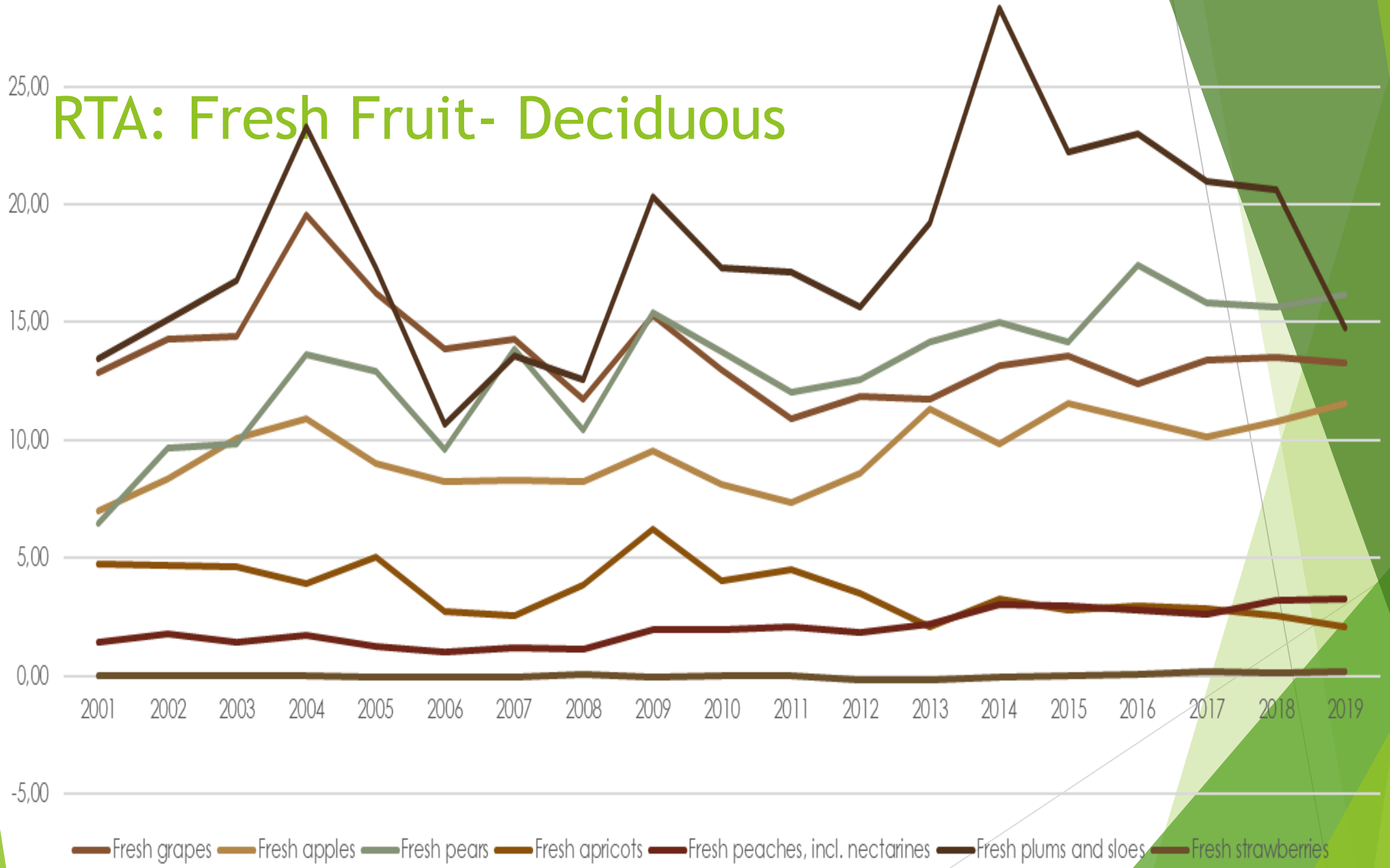
Sheep/Goat Industry: Value chains



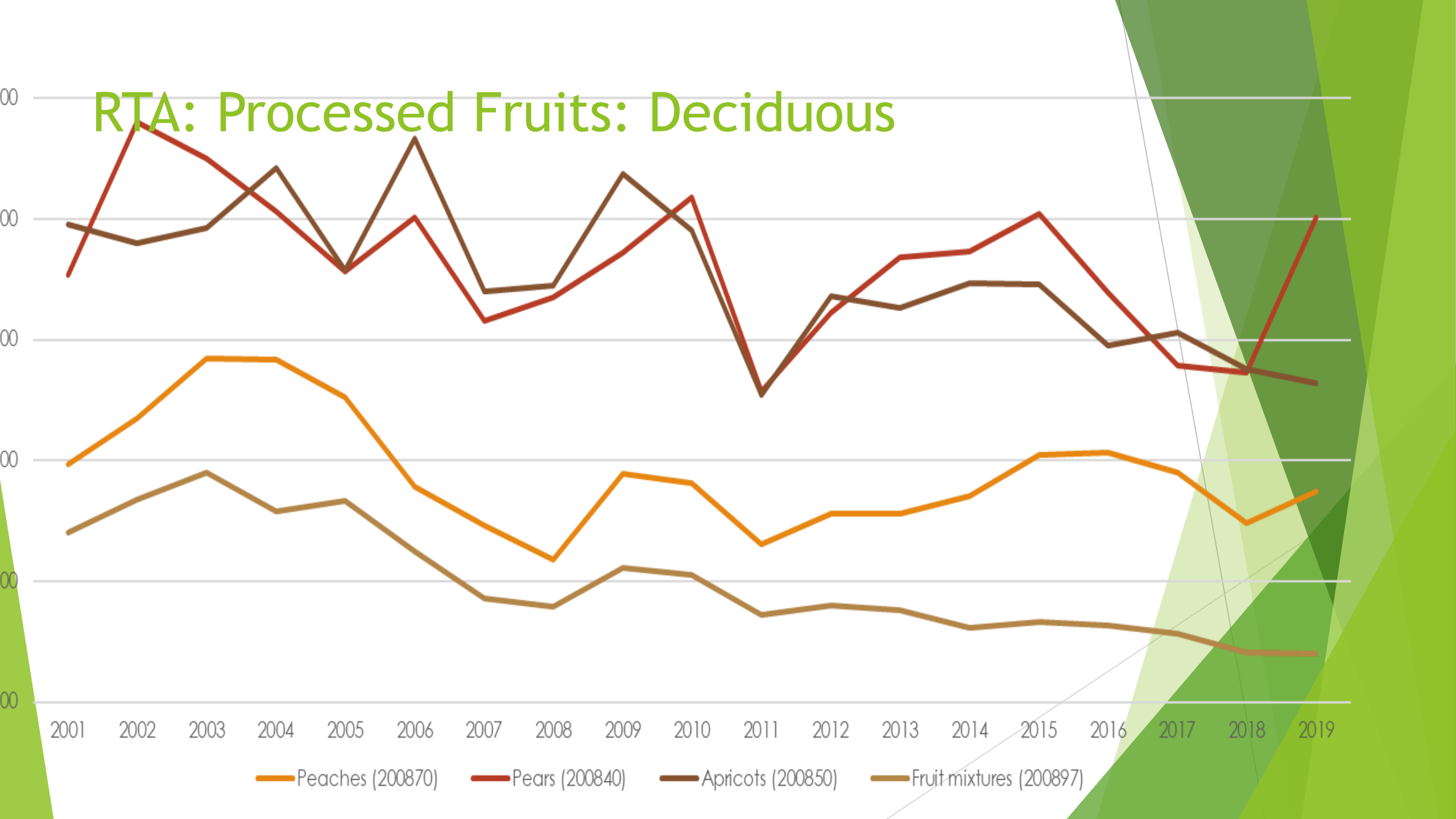
Dairy, Grain and Oilseeds: Primary and Agri-processing



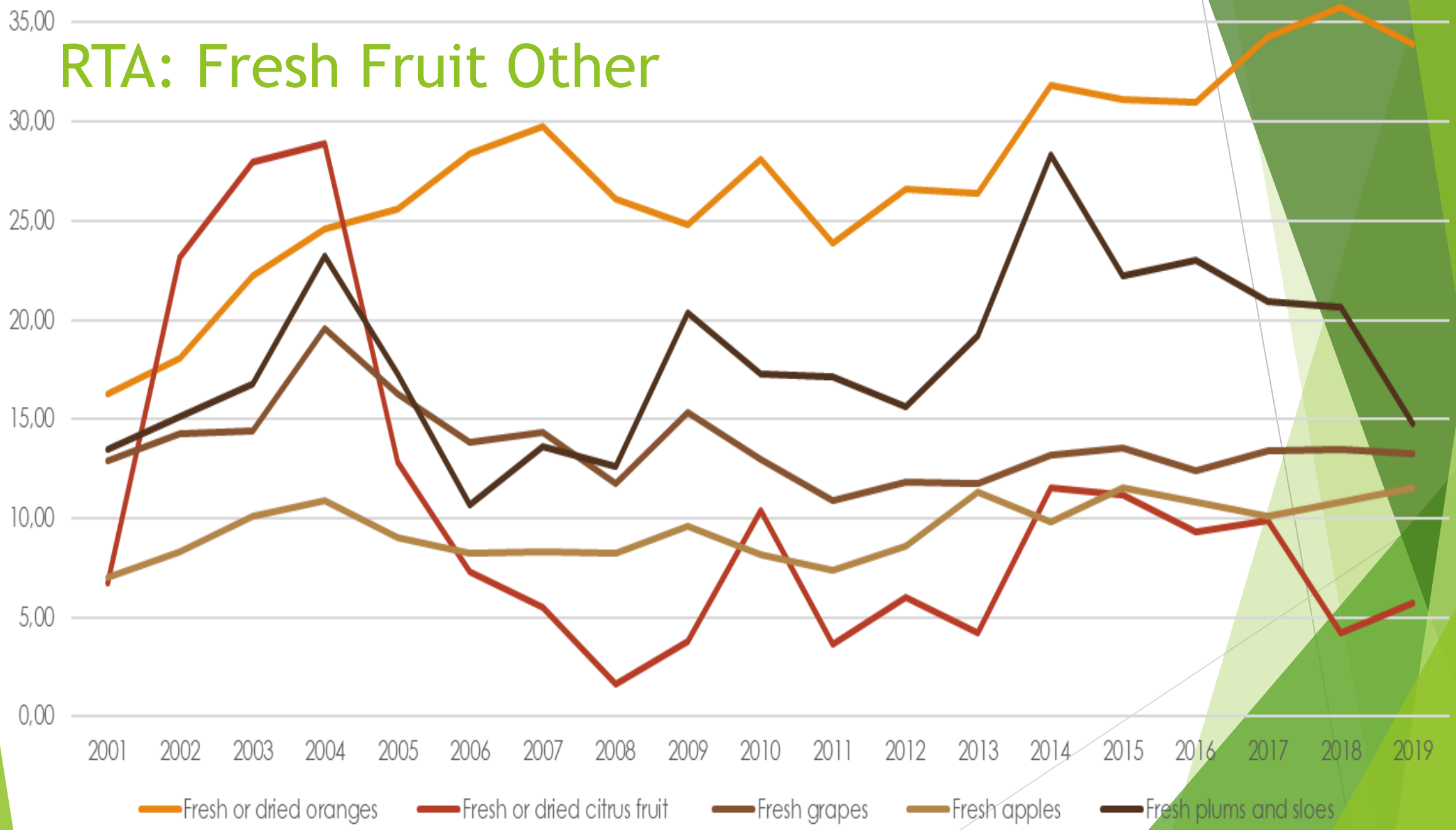
RTA: Fresh Fruit- Deciduous



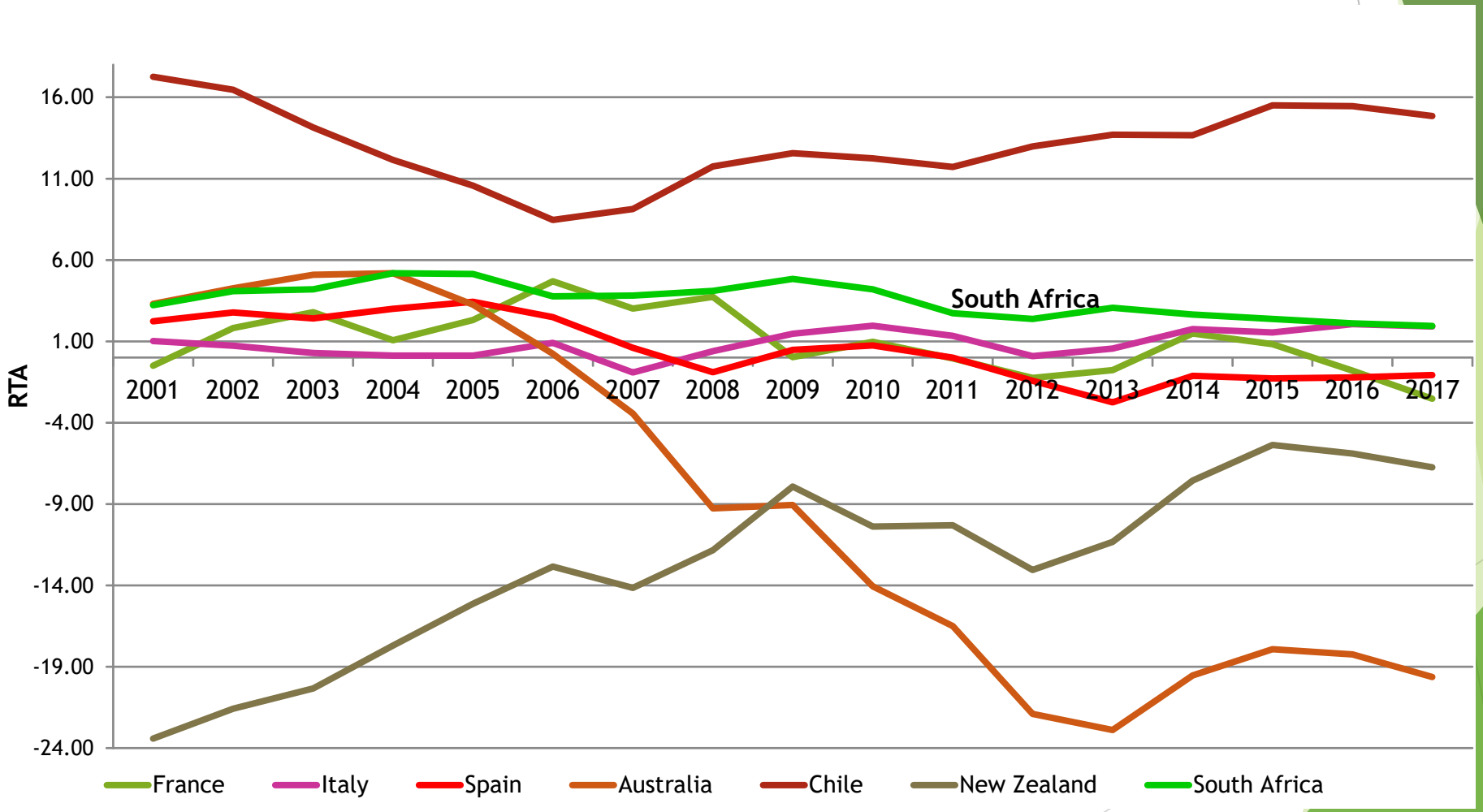
RTA: Processed Fruits: Deciduous

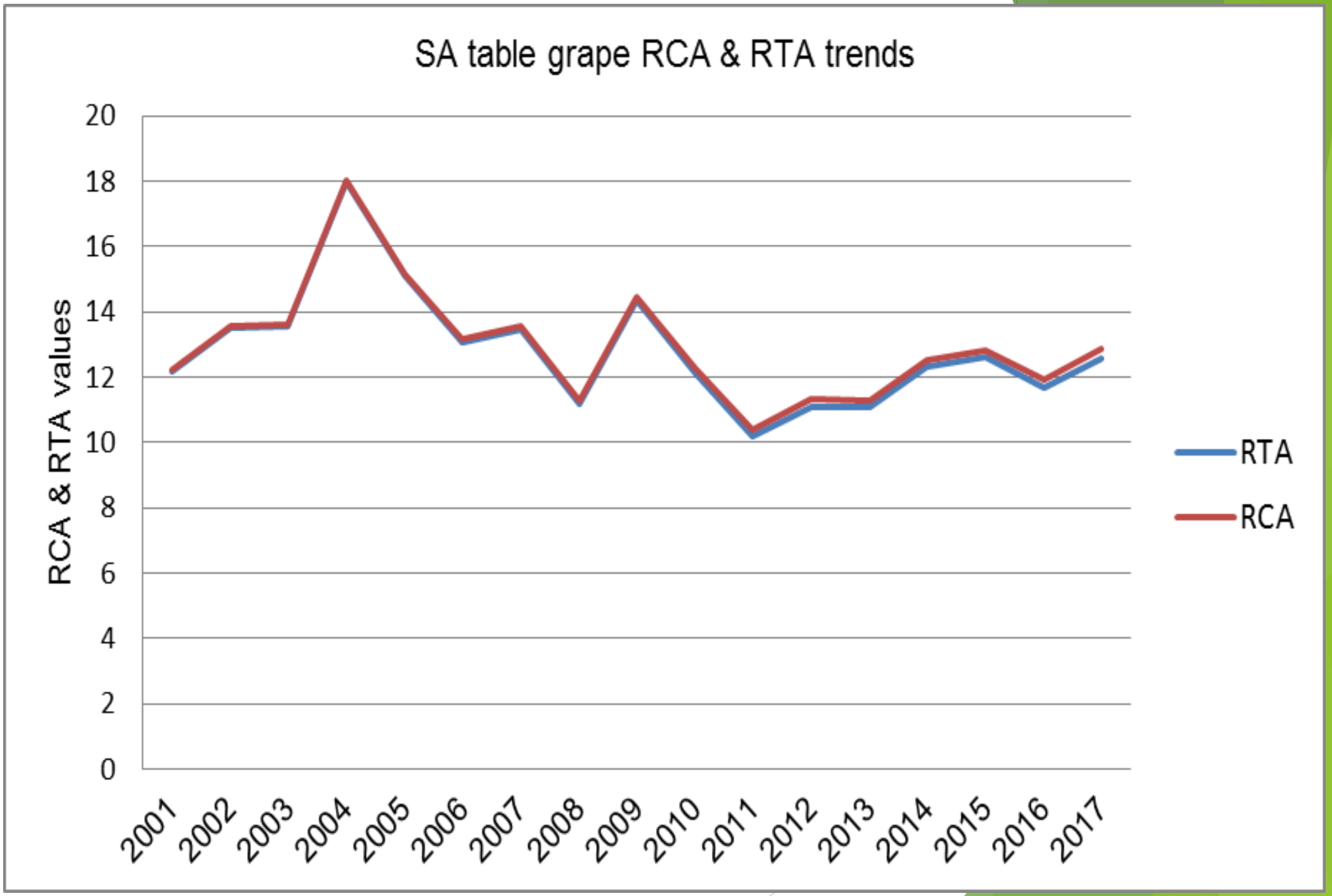


RTA: Fresh Fruit Other



South Africa compared with global competitors - a relative comparison: CONSISTENTLY on the PODIUM!!




SA table grape RCA & RTA trends
RCA & RTA values
20
18
16
14
12
10
8
6
4
2
0
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
RTA
RCA

RSA Agri-Competitive status: Winners and Losers

WINNERS:

Fruit: Table grapes, stone,deciduous,citrus,nuts

Wine? Bulk

Milling, fruit processing industrial

Wood pulp

Wool, hides and animal hair-fashion ware

DECLINERS:

Live animals & Meats

Fish

Sugar industry

Cocoa-processed

Processed Vegetables and fruit

Cotton

RISERS

Preparations of cereals, flour, starch, etc.

Edible preparations (veg sauces, soups, etc.)

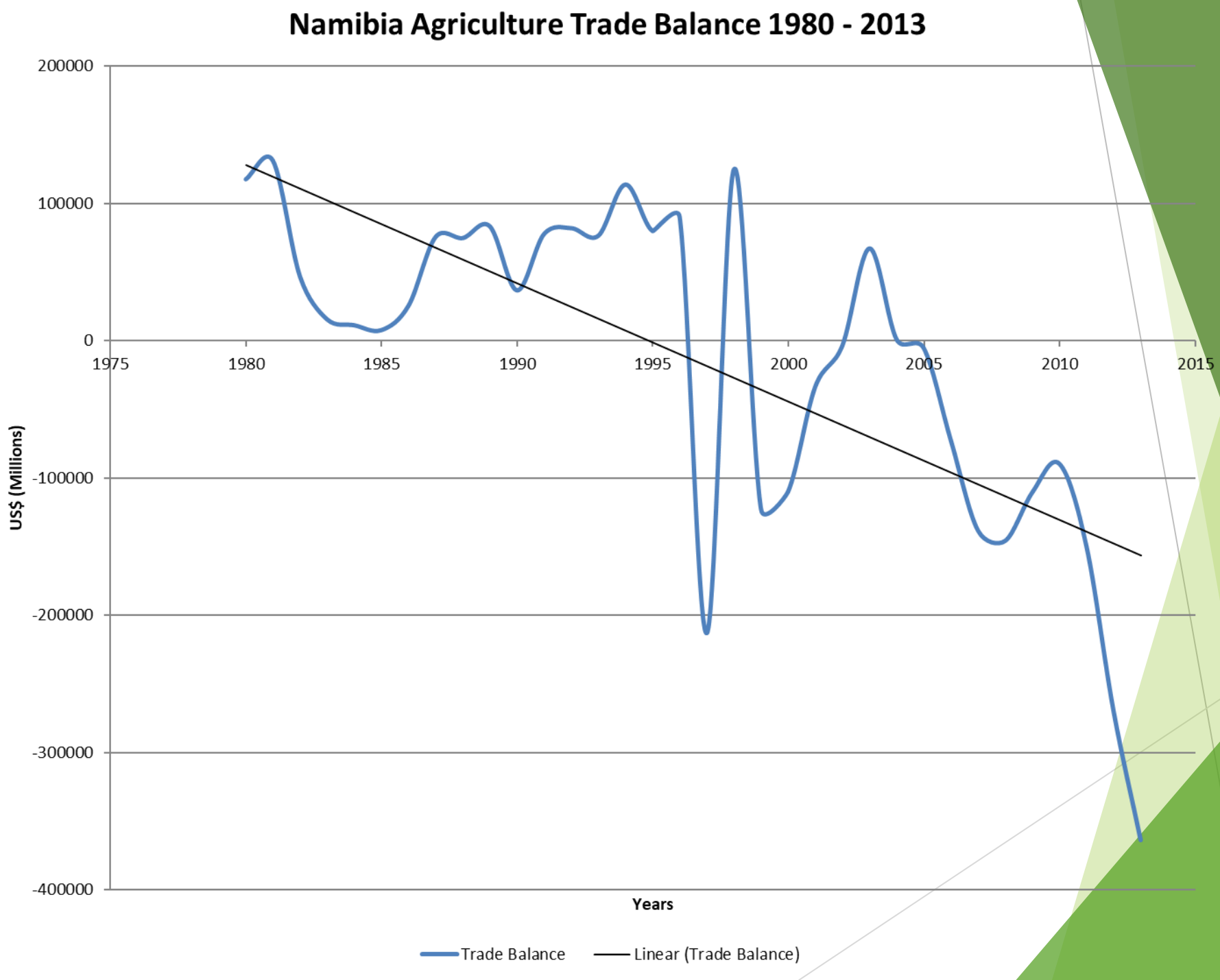
Raw hides and skins

LOSERS

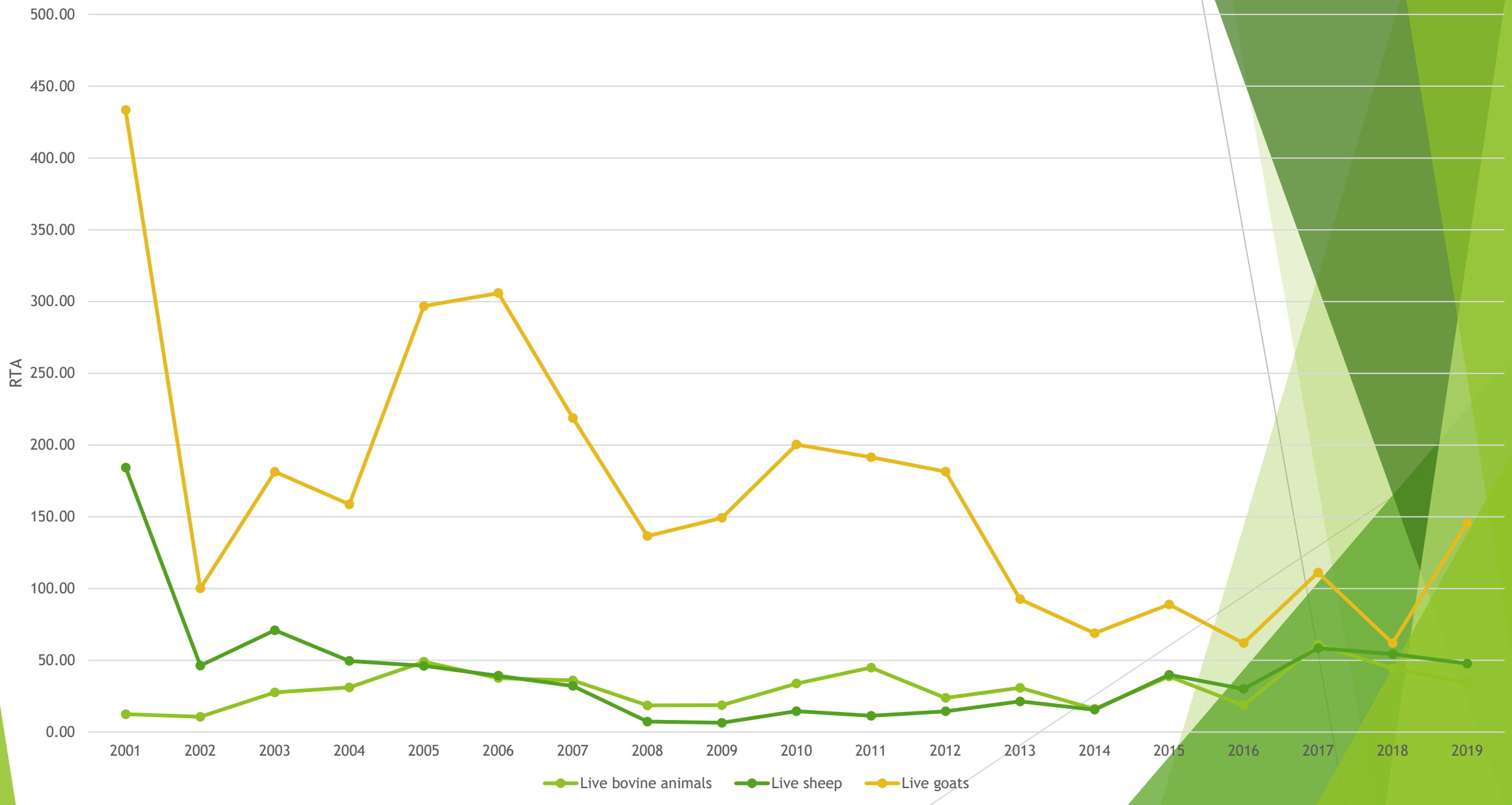
Animals products (industrial use- hair, bones & horns)

Animal & Vegetable fats/oils

Prepared animal fodder


Namibia Agriculture Trade Balance 1980 - 2013
200000
100000
0
-100000
-200000
-300000
-400000
1975
1980
1985
1990
1995
2000
2005
2010
2015
US$ (Millions)
Years
Trade Balance
Linear (Trade Balance)

RTA Live Animals, Namibia



NAM Dates: Top Ten (10) Most Enhancing and Most Constraining Factors

(5 – Highly Enhancing and 1- Highly Constraining)

Most Enhancing Factors	Most Constraining Factors
Size of international market (4.7)	Private-funded scientific research institutions (1.4)
Availability of unskilled labour (4.6)	Local market volume growth (1.7)
Projects location suitable for production (4.4)	Industry R&D expenditure (1.7)
Seasonality impact (4.3)	Cost of specialised technology services (1.8)
Namibia economic development and growth (4.0)	Quality of unskilled labour (1.8)
Complying with regulatory standards & competitiveness (3.9)	Establishment and production costs (1.8)
Competition in international market (3.8)	Local market size (1.9)
Transport availability and reliability (3.8)	Local consumers adoption (2.0)
Credibility of political system (3.8)	Relationship with multinational retailers (2.0)
Namibian political system & competitiveness (3.8)	Competition in local market (2.1)