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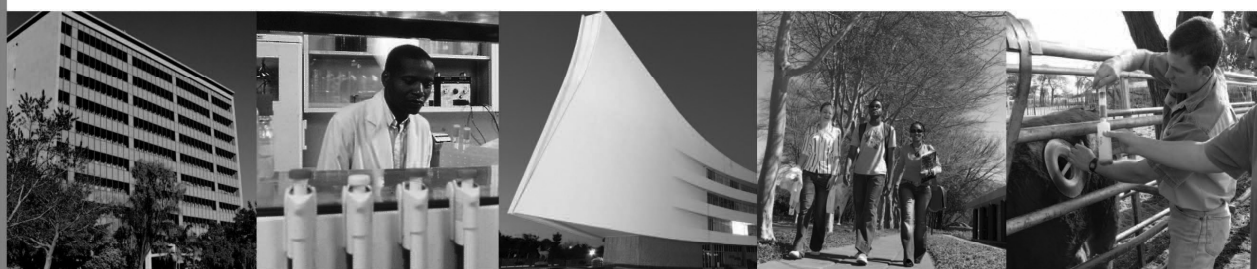
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Fakulteit Natuur- & Landbouwetenskappe
Faculty of Natural & Agricultural Sciences

Department of Agricultural Economics, Extension
and Rural Development

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C.J. van Rooyen



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

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Leading Minds

THE COMPETITIVENESS OF THE SOUTH AFRICA AGRIBUSINESS SECTOR, 2008.

1. INTRODUCTION

Globalisation of economies has contributed many new challenges to agribusinesses around the world. Agribusinesses need not only to compete in their domestic market, but also to compete in foreign markets and develop strategies to induce new customers in new markets to buy their products. In addition global trends in the agro-food sector are driven by consumer behaviour, alternative usages for agricultural products and technology. However, from the perspective of local agribusinesses, the global “playing field” is everything except equal – global competitors draw from natural resources and labour pools which vastly differ in levels of quality, ability and costs. Different countries also have varying regulatory environments and support structures that impact differently on their domestic agribusinesses. Access to finance, technology and knowledge also differs dramatically between countries.

The South African agribusiness sector, however, has to compete within this environment. Competing under these conditions can be harsh, but given a global regulatory environment that entrenches the notions of international competition (on both regional and global level), South African agribusiness have simply no choice but to compete.

2. THE MEASURING FRAMEWORK

Esterhuizen *et al* (2006) developed and refined a unique 3-step framework for measuring and analysing competitiveness in the agribusiness sector of South Africa which operates in a dynamic and involving competitive environment. Three instruments emerged from this viz the *Agribusiness Competitiveness Status index (ACS)*, based on the Relative Trade Advantage (RTA) method; the *Agribusiness Executive Survey (AES)*, based on the methods used by the International Institute for Management Development (IMD) and the World Economic Forum (WEF) to prepare the World Competitiveness Yearbook and the Global Competitiveness Report respectively; the Trends in the *Determinants of*

Competitiveness index (ADC), based on the “new” competitiveness theory as described by Michael Porter of the Harvard University.

3. DEFINING COMPETITIVENESS

Three levels of competing can be identified: **Surviving** – the lowest level of competing - refers to the ability to adapt passively or reactively to “changes in the approach in which the game is being played”. **Competitive** - refers to the ability to respond proactively to “changes in the approach in which the game is being played” by improving the qualities and activities of the business by being more efficient and flexible. **Winning** - refers to the ability to defeat your competitors by influencing the “changes in the approach in which the game is being played” through more efficient operation, innovation and better qualities than competitors.

With the above views in mind, competitiveness can then be defined as “*the ability of a sector, industry or firm to compete by trading their products within the global environment while earning at least the opportunity cost of returns on resources employed.*”

Winning can then be defined as “*consistently defeating your competitors successfully in order to achieve sustainable profits and growth.*”

4. MEASURING THE COMPETITIVENESS STATUS

To measure how competitive the agribusiness sector in South Africa is, it is necessary to determine how successful the sector sells its products over time in the local and global environment. The Relative Trade Advantage method as originally developed by Balassa (1977, 1989) and extended by Volrath (1991), allows for the measurement of competitiveness under real world conditions such as uneven economic “playing fields”, distorted economies and different trade regimes and are therefore the most suited for measuring competitiveness status.

4.1 The Agribusiness Competitiveness Status index:

The Agribusiness Competitiveness Status index (ACS) for South Africa from 1980 to 2007 is shown in Table 1 and illustrated in Figure 1. The ACS index has values at levels of less than one for most of the period which means that the competitiveness status of the South African agribusiness sector can be classified as generally marginal in terms of global competitiveness [competitive ($RTA > 1$), marginal competitive ($1 > RTA > -1$), not competitive ($RTA < -1$)]. This implies that minor adjustments related to factors influencing the competitiveness status can contribute to changing the status to positive. It will, however, be important to identify the particular set of factors required to facilitate the upgrade.

Currently, the agribusiness sector in South Africa is in a declining phase in terms of competitiveness status. This negative trend in competitiveness started around 2004 after the definite positive trend in competitiveness which started in 1992 and lasted until 2004. The main reasons for this decline in competitiveness will be investigated in the next section. However, this downward trend in competitiveness is also in line with the findings of the WEF in their Global Competitiveness Report and with the findings of the IMD in their World Competitiveness Yearbook. In the WEF's Global Competitiveness Index, South Africa dropped from 36th position in 2006 to 44th position in 2007. The IMD's World Competitiveness Yearbook for 2007 showed a 12-place drop in South Africa's ranking, from 38th to 50th out of 55 countries.

Table 1: The competitiveness status of the South African agribusiness sector

	RTA 2007	RTA 2006	RTA 2005	RTA 2004	Trends 1980-07	Trends 1990 - 07	Trends 1997 - 07	Trends 2002-07
The South African agribusiness sector	0.23	0.36	0.53	0.39	+	+	+	-

Source: Own calculation based on data from FAOSTAT 2008.

Notes: '+' Positive trend; '-' negative trend;

Competitive ($RTA > 1$), marginal competitive ($1 > RTA > -1$), not competitive ($RTA < -1$).

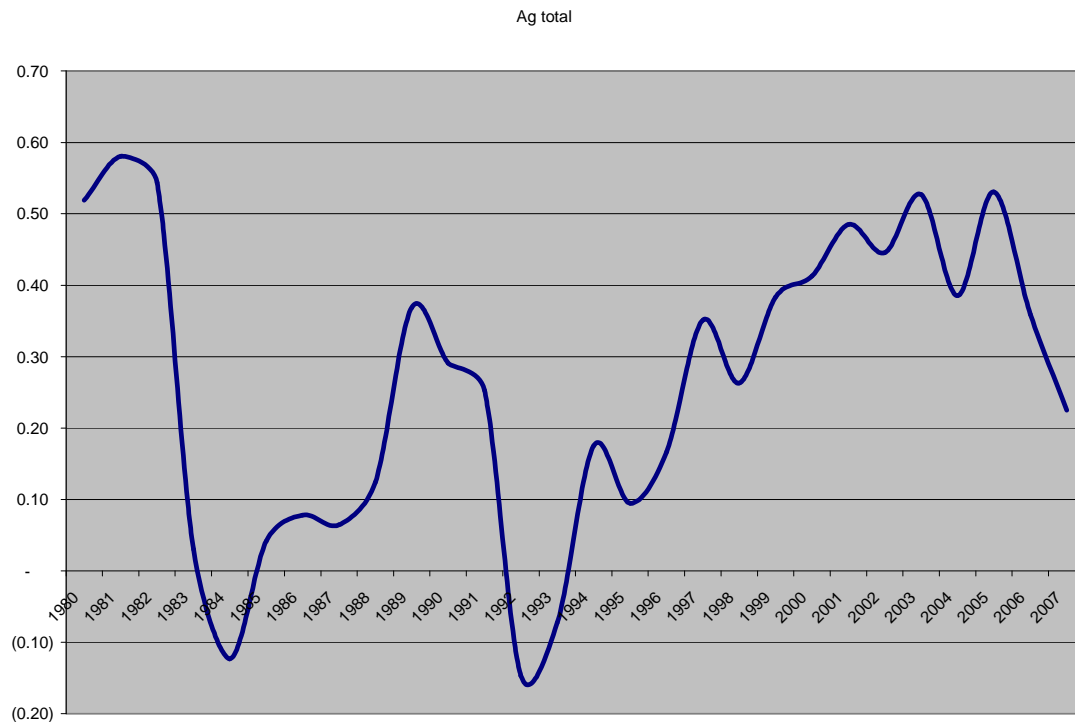


Figure 1: The Agribusiness Competitiveness Status index (1980 – 2007)

Notes: Competitive ($RTA > 1$), marginal competitive ($1 > RTA > -1$), not competitive ($RTA < -1$).

4.2 South Africa's share of world trade in agricultural products:

Figure 2 shows South Africa's imports and exports of agricultural products as percentage of world trade in agricultural products for the period 1960 to 2007. From the figure it is clear that South African imports of agricultural products as percentage of world imports have stayed relatively constant over the past, nearly 50 years. This means that when "playing in their own backward" the South African agribusiness sector has stayed relatively competitive against other global competitors trying to gain local market share. However, South African exports of agricultural products as percentage of world exports show a definite declining trend over the past, nearly 50 years. This means when "playing in the markets of other countries" the South African agribusiness sector is losing its ability to compete.

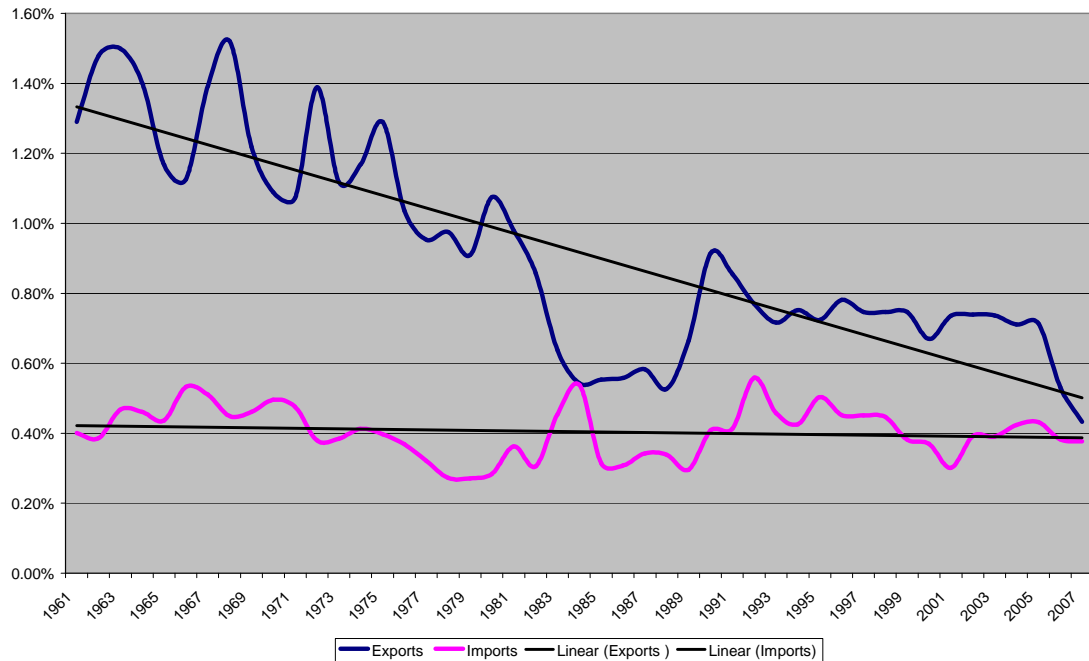


Figure 2: South Africa's imports and exports of agricultural products as percentage of world trade in agricultural products (1960 to 2007)

4.3 Measurement of the competitiveness status of selected commodity and product chains in South Africa

Table 2 illustrates a comparison between the competitiveness status of selected commodity and product chains. The competitiveness status for each chain is indicated for the years 2004, 2005 and 2006. The trends in competitiveness are also indicated in Table 2: the long-term trend (1980 – 2006), the trend in competitiveness from 1990, the last 10 years' trend and the last 5 years' trend.

Table 2: The competitiveness of selected product and commodity chains in South Africa in 2006, 2005 and 2004 and trends in competitiveness from 1980 to 2006 based on the Relative Trade Advantage (RTA) index

Chain	Product	RTA 2006	RTA 2005	RTA 2004	Trends 1980-06	Trends 1990 - 06	Trends 1997 - 06	Trends 2002 – 06
<u>CEREALS</u>								
Total cereals	Total primary cereals	(0.92)	(0.40)	(1.11)	-	=	-	+
	Total processed cereals	(0.19)	0.50	(0.24)	+	+	+	+
Wheat chain	Wheat	(1.01)	(1.44)	(1.48)	-	+	-	-
	Flour of wheat	0.14	0.25	0.64	+	-	-	-
	Macaroni	(0.43)	(0.44)	(0.35)	-	-	+	-
	Pastry	(0.22)	(0.15)	(0.11)	+	-	-	-
	Bread	(0.01)	(0.06)	0	+	+	+	+
	Breakfast cereals	0.12	0.05	0.19	+	+	+	-
Maize chain	Maize	0.70	3.79	0.64	=	+	-	+
	Flour of Maize	3.81	4.89	2.14	+	-	-	-
Sorghum chain	Sorghum	(0.65)	0.29	(0.32)	-	+	-	+
Barley chain	Barley	(0.35)	(0.81)	(0.53)	-	-	+	+
	Malt of barley	(1.29)	(2.07)	(2.27)	+	+	+	+
Oats chain	Oats	(2.77)	(3.14)	(2.28)	-	-	-	-
	Oats rolled	(1.30)	(1.23)	(0.75)	-	-	+	=
<u>VEGETABLES</u>								
Total vegetables	Total primary vegetables	0.03	0.09	0.10	+	+	+	+
	Total processed vegetables	(0.52)	(0.35)	(0.36)	-	-	-	-
Potatoes chain	Potatoes	0.86	0.96	0.87	+	+	+	=
	Potatoes, frozen	(0.60)	(0.25)	(0.09)	n/a	-	-	-
	Flour of potatoes	(0.41)	(0.41)	(0.49)	+	+	-	-
Tomatoes chain	Tomatoes	0.04	0.02	0.05	+	+	-	-
	Tomato juice	0.13	1.17	0.21	+	+	+	+
	Tomato paste	(0.47)	(0.43)	(0.66)	-	-	-	-
	Peeled Tomatoes	(0.84)	(0.61)	(0.38)	-	-	=	-
Asparagus chain	Asparagus	(0.01)	0.05	0.03	-	-	-	-

Chain	Product	RTA 2006	RTA 2005	RTA 2004	Trends 1980-06	Trends 1990 - 06	Trends 1997 - 06	Trends 2002 – 06
Green Beans chain	Beans green	0.01	0.02	0.01	=	+	-	-
Dry beans chain	Beans dry	(2.82)	(1.92)	(2.64)	-	+	-	+
Cabbages chain	Cabbages	0.62	0.52	0.42	+	+	+	+
Carrot chain	Carrots	0.59	0.81	0.76	+	+	+	+
Chillies and peppers chain	Chillies and peppers, green	0.03	0.03	0.01	+	+	+	+
Garlic chain	Garlic	(0.11)	(0.05)	(0.05)	-	-	+	-
Mushroom chain	Mushrooms	0.46	0.52	0.59	+	+	=	-
	Dried mushrooms	(0.04)	(0.10)	0.04	-	-	+	-
	Canned mushrooms	(0.12)	(0.09)	(0.22)	-	-	+	-
Onions chain	Onions, dry	1.14	0.76	1.27	+	+	+	+
Lettuce chain	Lettuce	0.05	0.07	0.05	+	+	+	-
Watermelons chain	Watermelons	0.09	0.11	0.10	n/a	n/a	-	+
Sweet potatoes chain	Sweet potatoes	0.64	1.52	0.76	+	-	-	-
Peas chain	Peas fresh	(0.09)	0.24	(0.01)	n/a	-	-	-
	Peas, dry	(0.65)	(0.65)	(1.04)	-	+	+	+
<u>FRUITS</u>								
Total fruits	Total primary fruits	6.01	6.76	7.29	+	+	+	+
	Total processed fruits	1.24	0.99	1.29	+	-	-	-
Oranges chain	Oranges	26.12	23.48	20.91	+	+	+	+
	Orange juice	1.88	0.81	0.77	+	+	+	-
Apples chain	Apples	7.55	8.27	9.76	+	+	+	+
	Apple juice	2.79	2.12	4.49	-	-	-	+
Apricot chain	Apricots	2.53	4.61	3.49	+	+	-	-
	Apricots, Dry	4.30	3.03	3.32	-	-	-	-
Avocados chain	Avocados	4.20	8.25	6.76	-	-	-	-

Chain	Product	RTA 2006	RTA 2005	RTA 2004	Trends 1980-06	Trends 1990 - 06	Trends 1997 - 06	Trends 2002 – 06
Bananas chain	Bananas	(0.03)	(0.01)	(0.01)	-	-	-	-
Grapefruit and Pomelos chain	Grapefruit and Pomelos Grapefruit juice	22.45	37.81	27.84	+	+	+	+
		36.30	39.70	17.95	+	+	+	+
Grapes chain	Grapes	13.72	15.47	18.38	+	+	+	+
	Grape juice	1.03	2.55	4.12	+	=	-	-
	Raisins	8.05	7.39	8.19	+	+	-	-
Kiwi fruit chain	Kiwi fruit	(0.31)	(0.19)	(0.06)	n/a	n/a	-	-
Lemons and lime chain	Lemons and lime	9.18	9.79	10.35	+	+	+	+
Mangoes chain	Mangoes	0.00	0.00	2.85	+	-	-	-
Olive chain	Olives, preserved	(0.27)	(0.22)	(0.22)	n/a	-	+	-
	Oil of olives							
Papayas chain	Papayas	0.06	0.05	0.04	m/a	=	-	+
Peaches chain	Peaches and Nectarines	0.93	1.21	1.54	+	+	+	-
Pears chain	Pears	8.99	12.12	12.46	+	-	+	+
Pineapple chain	Pineapples	0.51	0.55	0.62	-	-	-	-
	Pineapples, canned	2.07	2.97	4.53	-	-	-	-
	Pineapple juice	8.80	18.20	29.09	+	+	+	+
Plum chain	Plums	10.51	16.28	20.64	+	+	-	-
	Plums, dried	(0.03)	(0.33)	(0.10)	-	-	-	-
Strawberries chain	Strawberries	(0.03)	(0.02)	0.01	n/a	+	-	-
Dates chain	Dates	0.29	0.55	0.05	+	+	+	+
<u>OILSEEDS</u>								
Total oilseed chain	Total primary oilseeds							
	Oils of oilseeds	(0.01)	0.14	(0.03)	+	+	-	-
	Cake of oilseeds	(1.32)	(1.27)	(1.54)	-	=	+	+
		(1.77)	(1.44)	(1.92)	-	-	-	+
Soybeans chain	Soybeans	(0.02)	0.00	(0.03)	-	+	+	+
	Oil of Soybeans	(3.45)	(3.30)	(2.88)	-	-	-	-
	Cake of Soybeans	(1.89)	(1.55)	(2.05)	-	-	-	+
Groundnuts chain	Groundnuts in shell	1.81	9.86	5.12	+	+	-	-

Chain	Product	RTA 2006	RTA 2005	RTA 2004	Trends 1980-06	Trends 1990 - 06	Trends 1997 - 06	Trends 2002 – 06
	Groundnuts shelled	0.26	2.28	0.89	-	-	-	-
	Oil of groundnut	0.01	0.55	0.12	-	-	-	-
Sunflower chain	Sunflower seed	0.09	0.27	(0.57)	+	+	-	+
	Oil of sunflower	(2.41)	(0.25)	(3.29)	+	+	+	-
	Cake of sunflower	(1.52)	(0.09)	(1.43)	-	-	+	+
Cotton chain	Cotton seed	(3.73)	(7.26)	(5.28)	-	-	+	-
	Oil of cotton seed	(3.47)	(3.90)	1.16	-	-	-	+
	Cake of cotton seed	(20.45)	(16.03)	(18.56)	-	-	-	-
<u>WINE</u>								
Wine chain	Wine	4.74	5.84	5.36	+	+	+	+

Source: Own calculation based on data from FAOSTAT 2003

Notes: Competitive ($RTA > 1$), marginal competitive ($1 > RTA > -1$), not competitive ($RTA < -1$); ‘+’ Positive trend; ‘-’ negative trend ‘=’ constant trend.

5. THE AGRIBUSINESS EXECUTIVE SURVEY

The aim of this research is to determine the key success factors that establish a competitive advantage and the constraints that impact negatively on the competitiveness of agribusinesses. The Esterhuizen *et al* has in 2000, 2002 and 2004 completed important studies in this regard, using the Executive Survey approach. These investigations generated important new intelligence to inform the government and other important stakeholders. The information was also included in the “Strategic Plan for Agriculture”. Early in 2008 Esterhuizen *et al* did a follow up on these studies to determine the current state of affairs regarding the competitiveness conditions in the agribusiness sector of South Africa and to see if there is any change in the business environment since 2004.

In the application of this descriptive methodology, the basic requirements that have an influence on the competitiveness of the agribusiness sector in South Africa such as infrastructure, primary education and macro economic stability as well as efficiency enhancers like higher education, technology and efficient financial markets together with innovation and sophistication factors are described. The focus of this institutional

analysis is at the firm level i.e. individual firms are requested to participate in the data gathering process through questionnaires. Executive opinions are thus gathered. Whereas the hard data in the ACS index is used to measure competitiveness status over a specific period, the survey data measure competitiveness as it is perceived. The Executive Survey offers many unique measures and captures the informed judgments of business leaders and decision-makers in the agribusiness sector of South Africa on issues that influence their sector's competitiveness.

5.1 Did the business environment changed since 2004?

In Table 3, the major constraints to the competitiveness success of agribusinesses in South Africa in 2008 are compared with that of 2004. From this analysis some interesting facts are revealed regarding the factors influencing the competitiveness status of agribusinesses in South Africa in a negative way:

- From Table 3 it is clear that the top three factors constraining the competitiveness success of agribusinesses in South Africa are exactly the same in both years, namely: the cost of crime, trust in the political systems in South Africa and the low level of competence of personnel in the public sector.
- Electricity supply is rated the number four constraint in 2008, reflecting the current electricity crisis in South Africa. In 2004 electricity suppliers was one of the enhancing factors to the competitiveness success of the agribusiness sector in South Africa.
- The lack of skilled labour in South Africa moved up five places which indicate that the impact of this factor on the competitiveness of agribusinesses is becoming more severe.
- The cost of finance and the cost of transport are two new factors entering the top fifteen most constraining factors, mainly because of the constant increases in the interest rates since 2006 and the current high oil price resulting in an increase in the local fuel prices.
- The Rand at a value of R7/US\$ (when the survey was done) was not rated as one of the top fifteen factors currently constraining the competitiveness success of

agribusinesses in South Africa. In 2004 at a value of R6/US\$, the Rand was rated to having the fourth highest constraining impact on competitiveness.

- The factors occupying positions eight to thirteen currently, namely aids (7), South Africa's labour policy (5), the cost of quality technology (13), quality of unskilled labour (14), South Africa's Land reform policy (9) and administrative regulations (6), were also present in the top fifteen most constraining factors of 2004 (position in 2004 are shown in brackets)
- In fact, ten of the top fifteen constraining factors in 2008 are exactly the same as in 2004. More worrying is the fact that the five factors that are pushed out (strong Rand, difficulty to start a new business, development in Zimbabwe, South Africa's BEE policy and the impact of the tax system on investment and risk taking) are replaced by three cost factors (cost of transport, cost of finance and the overall cost of doing business in South Africa) and two "lack of capacity" factors, namely electricity supply and the lack of sufficient scientific research institutions. These factors will have a direct influence on the ability of agribusiness in South Africa to continue to sell their products at competitive prices and the future sustainability of any competitive edge.
- It is also important to note that the average score for the top fifteen constraining factors in 2008 is much lower than the average score in 2004. This indicates that the constraining impact of these factors on the competitiveness success of agribusinesses in South Africa is becoming more severe.

These findings are in line with the Global Competitiveness Report published by the WEF in 2007. In explaining South Africa's drop in global competitiveness rankings, the five most problematic factors for doing business in South Africa were identified to be: crime and theft, inefficient government bureaucracy, inadequately educated workforce, restrictive labour regulations and inadequate supply of infrastructure.

Table 3: The major constraints to the competitiveness success of agribusinesses in South Africa for 2008 and 2004

2008		2004	
Factors	Score	Factors	Score
1) Cost of crime	1.57	1) Cost of crime	1.80
2) Trust in the political systems	1.66	2) Competence of personnel in the public sector	1.80
3) Competence of personnel in the public sector	1.70	3) Trust in the political systems	1.87
4) Electricity supply in South Africa	1.71	4) Strong Rand (R6/US\$)	2.55
5) Availability of skilled labour	2.15	5) South Africa's labour policy	2.60
6) Cost of transport	2.20	6) Administrative regulations	2.72
7) The cost of finance	2.51	7) Aids	2.85
8) Aids	2.59	8) Difficulty to start a new business	2.93
9) South Africa's labour policy	2.64	9) South Africa's Land reform policy	2.97
10) The cost of quality technology	2.64	10) Availability of skilled labour	3.00
11) Quality of unskilled labour	2.75	11) The impact of the tax system on investment and risk taking	3.05
12) South Africa's Land reform policy	2.78	12) Developments in Zimbabwe	3.33
13) Administrative regulations	2.80	13) The cost of quality technology	3.39
14) The lack of sufficient scientific research institutions in the agribusiness sector	2.92	14) Quality of unskilled labour	3.42
15) The overall cost of doing business in South Africa	2.95	15) South Africa's BEE policy	3.45
1 = major constraint		7 = major enhancement	

In Table 4, the major enhancements to the competitiveness success of agribusinesses in South Africa in 2008 are compared with that of 2004. The following points describe some of the major findings of the analysis:

- The top six enhancing factor to the competitiveness success of agribusinesses in South Africa are exactly the same in both years, namely: intense competition in the local market, availability of unskilled labour, the production of affordable

high quality products, continuous innovation, investment in human resources and unique products, services and processes.

- The local suppliers of primary inputs are becoming an important factor enhancing the competitiveness success of agribusinesses in South Africa. Agribusinesses rated the availability and the quality of local suppliers of primary inputs as well as the supply chain relationship with local suppliers as major enhancing factors to their competitiveness success.
- Agribusiness rated the flow of information from the customer to their business as a factor enhancing competitiveness, indicating the efficient working of the supply chain.
- Agribusinesses are positive about South Africa's macro economic policy.
- By analyzing the factors enhancing the competitiveness of agribusinesses in South Africa, it seems that it is the micro economic environment and the strategies followed by agribusinesses that enable them to achieve sustainable competitiveness. Wealth is generated at the microeconomic level – through the ability of firms to create valuable goods and services productively that will support high wages and high returns to capital. Prosperity depends on improving a country's capability at the microeconomic level.
- Ten of the top fifteen enhancing factors in 2008 are exactly the same as in 2004. However, the average score of the top fifteen enhancing factors in 2008 is lower than in 2004. This means that the positive impact of these factors on the competitiveness success of agribusinesses in South Africa is becoming less.

Table 4: The major enhancements to the competitiveness success of agribusinesses in South Africa for 2008 and 2004

2008		2004	
Factors	Score	Factors	Score
1) Intense competition in the local market	5.76	1) Availability of unskilled labour	6.50
2) Availability of unskilled labour	5.56	2) Production of affordable high quality products	5.85
3) Production of affordable high quality products	5.47	3) Intense competition in the local market	5.61
4) Continuous innovation	5.33	4) Continuous innovation	5.55
5) Investment in human resources	5.19	5) Investment in human resources	5.38
6) Unique products, services and processes	4.98	6) Unique products, services and processes	5.35
7) The availability of water for industrial purposes	4.76	7) Bargaining power of customers	5.30
8) Stringent regulatory standards in the industry	4.71	8) Strategy to employ quality technology	5.12
9) Production of environmental friendly products	4.71	9) Internet service providers	5.12
10) Availability of local suppliers of primary inputs	4.68	10) Quality of technology in South Africa	5.10
11) Strategy to employ quality technology	4.53	11) Availability of credit	5.08
12) Quality of local suppliers of primary inputs	4.53	12) Production of environmental friendly products	5.05
13) The efficient flow of information from the customer to the business	4.46	13) Biotechnology	5.03
14) Supply chain relationship with primary suppliers	4.44	14) Availability of local suppliers of primary inputs	5.03
15) South Africa's macro economic policy	4.40	15) Stringent regulatory standards in the industry	5.02
1 = major constraint		7 = major enhancement	

6. THE PORTER-DIAMOND

In this research the methodology of Porter (1990) is used to discover the determinants of competitiveness in the agribusiness sector of South Africa. According to Porter, there are six broad criteria or attributes that shape the environment in which firms compete and promote the creation of competitive advantage, namely:

- **Factor conditions** - the nation's position in factors of production, such as skilled labour or infrastructure, necessary to compete in a given industry.
- **Demand conditions** - the nature of home-market demand for the industry's products or service.
- **Relating and supporting industries** - the presence or absence in the nation of supplier industries and other related industries that are internationally competitive.
- **Firm strategy, structure and rivalry** – the way companies are created, organised and managed, as well as the nature of domestic rivalry.
- **Government attitude and policy** - government plays a vital role. Government can influence each of the above determinants, either positively or negatively, through policy and operational capacity.
- **The role of chance** - chance events are occurrences largely beyond the power of firms (and often the national government). Such events can nullify sources of competitive advantage and create new ones.

6.1 Trends in the Determinants of Competitiveness index

The agribusiness sector in South Africa is marginal competitive and are currently in a declining phase in terms of competitiveness status. This trend is also illustrated in Figure 3 - the main determinants (Porter – diamond) of competitiveness for the agribusiness sector in South Africa. In 2004, supporting industries and firm strategy, structure and rivalry were the key factors that provided the agribusiness sector in South Africa a global competitive edge. Two determinants had a moderate impact on competitiveness, namely factor conditions and demand conditions and two determinants had a negative impact on competitiveness, namely chance factors and government policies and support. If Porter's

six determinants of competitiveness represent a “6-cylinder engine” it can be argued that the agribusiness sector in South Africa only ran on three and a half cylinders in 2004.

In 2008, the agribusiness sector’s competitive advantage only lies with one determinant, namely: firm strategy, structure and rivalry (unchanged since 2004). Supporting industries and demand conditions now have a moderate impact on agribusinesses in South Africa’s ability to compete. Three determinants, factor conditions, chance factors and government policy and support, now have a negative impact on agribusinesses in South Africa’s ability to compete. Looking again at the “6-cylinder engine”, the South African agribusiness sector is currently only running on two and three quarters of a cylinder.

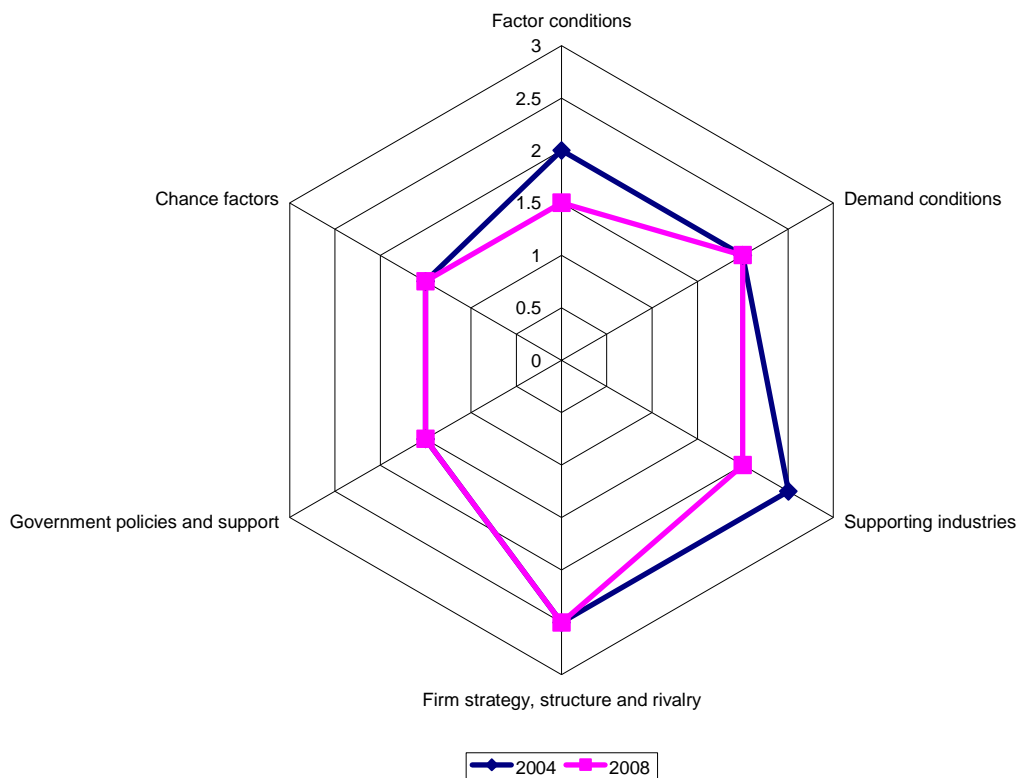


Figure 3: Trends in the impact of the determinants of competitiveness on the agribusiness sector in South Africa

Notes: 1 = Constraint 2 = Moderate 3 = Enhancement

In Figure 4 the trends in the impact of specific factors on the competitiveness of the agribusiness sector in South Africa are illustrated. Seven factors shows a decreasing trend from 2004 to 2008 in their ability to enhance the competitiveness of the agribusiness sector in South Africa (none of the factors shows a positive trend). The cost of doing business, labour, infrastructure, capital, technology, scientific research institutions and electricity suppliers, all had a moderate positive impact on the competitiveness of the agribusiness sector in 2004. Currently, the impact of these factors shifted to having a constraining impact on the competitiveness of the agribusiness sector. The biggest shift happened with electricity supplies. In 2004, it was one of the factors that give the agribusiness sector in South Africa a competitive edge globally, and currently it has a constraining impact on competitiveness.

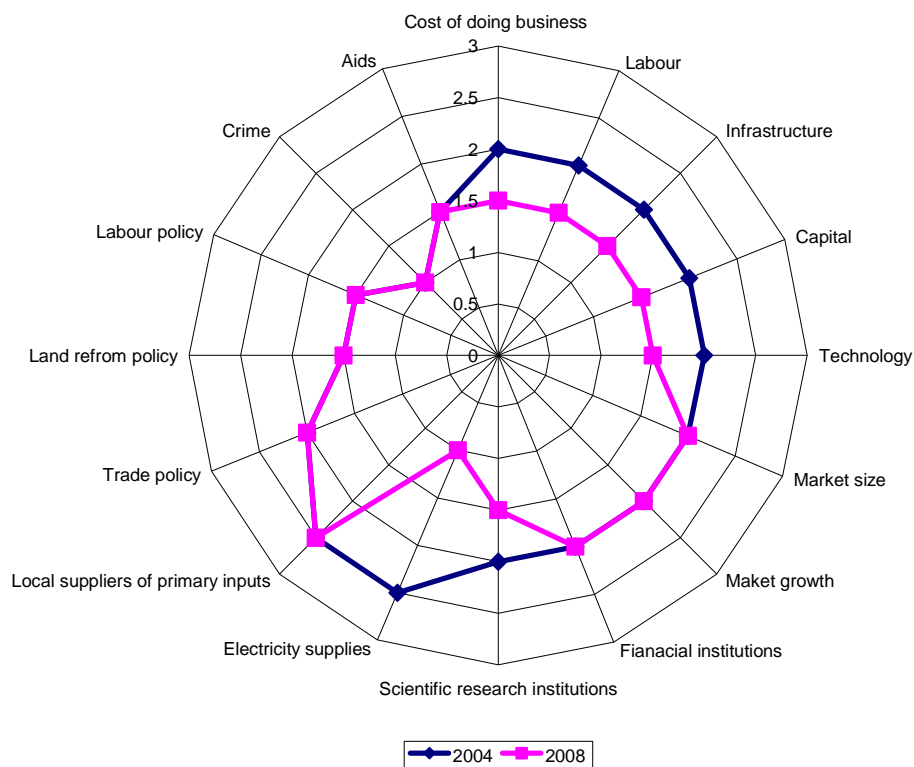


Figure 4: Trends in the impact of specific factors on the competitiveness of the agribusiness sector in South Africa

Notes: 1 = Constraint 2 = Moderate 3 = Enhancement