



REPUBLIC OF NAMIBIA
MINISTRY OF AGRICULTURE, WATER AND LAND REFORM

Keynote Statement
Positioning the Namibian Agricultural Sector in Global Value Chains

BY

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Director of Ceremonies,

Hon Ministers and Deputy Ministers,
Mr Johannes !Gawaxab, Governor of the Bank of Namibia
The Representative of the FAO,
The Representative of the UNDP
Members of the Diplomatic Corps
Distinguished Speakers,
Senior Officials from the Government and the Bank of Namibia,
Distinguished Invited Guests,
Agricultural and Farmers Unions
Captains of Industry;
Members of the Media,
Ladies and Gentlemen

What an auspicious occasion for me to address you at this 25th Anniversary of the Annual Symposium, themed “*Global Value Chains for Inclusive Development: How can Namibia position its Agricultural Sector*”? This thematic choice is timely and derives its relevance from the centrality of agriculture as a pathway for food self-sufficiency, inclusive growth and social transformation, supporting long-term prosperity for all Namibians.

I am delighted that this year’s symposium has rightly elected to zero-in on the role of agriculture and agro value chains as formidable pathways to deepen the quality of growth by drawing the majority of Namibians into mainstream economic activity while enabling food security for all. The acclaimed high priority must well be engendered in the Sixth National Development Plan (NDP VI).

Over the last two decades, world trade and production have become increasingly organised around Global Value Chains. Global Value Chain related trade, rather than conventional trade, has a positive impact on investment, productivity, income per capita and economic performance. However, industrialised economies gain more benefits from Global Value

Chain than developing countries due to organised production, division of labour and high technology operations.

Kowalski and others (2015) identify geography, size of the market, and level of development as the key determinants of Global Value Chain participation. Trade and investment policy reforms as well as improvements of logistics and customs, intellectual property protection, infrastructure and institutions also play an active role in determining Global Value Chain participation. This should be our departure point for Namibia's agriculture sector participation in Global Value Chains.

Namibia's macroeconomic outlook is positive, with steady headline growth numbers projected for the medium to long-term horizon. This is thanks to the anticipated activity in oil and gas, Green Hydrogen and the demand-driven critical raw minerals to fuel future industries. Unfortunately however, we have historically come to contend with the fact that respectable headline growth has disappointingly co-existed with stubbornly high unemployment, sluggish per capita income, high poverty and high income inequality rates.

We start from the premise that agriculture, both commercial and subsistence, is a direct and indirect source of income and livelihoods for a significant share of the population, estimated at about 70 percent of the population. This is an attestation that broad-based growth in the sector impacts positively on the quality of life, jobs, prosperity and social transformation for the majority of people in Namibia:-

The sector contribution to GDP amounts to an average 6 percent over the past five years, and as the sector contends with the impact of climate change, volatility in monetary policy and variable industry growth, real growth averaged 4.6 percent over the same calendar. It is showing some resilience defying the adverse impact of COVID-19 on the economy, holding growth steady and enabling the country to build back better.

Direct employment in the agricultural sector is estimated at approximately 20%, the single most important sector in terms of the job content with less skills demand, hence the high potential for inclusion and erosion of poverty through growth in the sector. Adding the food sector the percentages edge towards 50%.

However, bouts of volatility in growth rates, coupled with the trade-related impacts of global geopolitical tensions of our times, have now warranted a policy shift from over-reliance on rain-fed agriculture, to intensive agriculture, thus de-risking the sector from climate change and variability.

There is, therefore, a compelling case, tested across the generations, that the agricultural sector stands the best chance to induce a high dimension of inclusion and social progression through: -

boosting national food security and food self-sufficiency through increased agricultural modernisation, increased productivity and production,

improve competitiveness and production in the livestock value chain targeting the export markets'

development of agricultural production and commensurate value chains for high yielding horticultural products,

job creation, given the sector's high employment intensity,

poverty reduction potential through the generation of per capita income for individuals and households, and

erosion of income inequalities through land reform and wealth-based empowerment opportunities.

How can we better utilise the agricultural potential of Namibia

The frontiers for inclusive growth in the agricultural sector are scalable through the value chain approach, *from farm to fork*; that is, from the primary activities of production to preservation, processing, distribution and marketing. The sector can singularly crowd-in a large number of people, with less skills complexity. Significant value and high job content are realised through the production of final consumer goods, development of value chains and increasing farmer and local participation in the value chains and value shares.

Key Prerequisites for Repositioning the Sector

Director of Ceremonies,

This symposium brings to the fore practical strategies on how best to position the agricultural sector in the domestic, regional and global value chains.

Taking into account Namibia's agronomic and climatic conditions, specific prerequisites have to be secured as a basis to successfully anchor the sector into the value chains map. These primary policy enablers are:

First, meaningfully recognising agriculture as a national priority and according such priority through deliberate resource allocation across all facets of the value chain. At 2.3 % of total non-interest expenditure, and about 0.7 percent of GDP in 2024/25, budgetary allocation to agriculture fall far short of recognising agriculture as a high national priority, a matter which must urgently be aligned.

Second, investment in water resource development, distribution infrastructure and sanitation with the objective of providing secure, reliable and affordable water supply required for the transition from rain-fed agriculture to intensive and climate smart agriculture, thus re-risking the sector from climate change and variability. An allocation of about 1 % of total non interest expenditure is grossly insufficient to support both SDGs for food and water security and must be significantly improved.

Third, investment in primary, logistical and supportive infrastructure to address supply-side challenges and product quality considerations. These range from abattoirs, processing plants and feedlots in the livestock sector to grain and cold storage infrastructure for fresh food and marketing hubs in the agronomic sector and IT infrastructure.

Fourth, provision of consistent and broad-based support services, particularly the veterinary, agricultural extension services and a targeted national subsidy program on the back of

a robust research and development program, digitalisation of some of the services and mechanisation of production systems.

Fifth, secure, affordable and reliable power provision. Power and water availability and affordability are key input factor for the fortunes in the sector. Our experience is that the cost of energy often rockets out of affordability range for farmers, particularly for the small scale farmers. This binding constraint limits increasing returns to scale and productive diversification in the sector.

Sixth, diversifying market access to achieve economies of scale and expansion of the domestic productive capacity.

Some Impediments

Namibia has gone at great length to invest in some of the above prerequisites, setting the basis for leveraging regional and international value chains. This had the effect of addressing domestic supply-side constraints across the value chains and to promote access to domestic, regional and international markets. However, let us pause briefly and take stock of some of the glaring impediments.

The small market size of Namibia is providing little advantage in terms of economic scaling. At the same time producers have to bear high transport, logistic and input cost due to long distances to and from markets. Competitiveness with regional global producers severe.

The SACU arrangement perpetuates Namibia as a captive market for South African finished products (such as food) and agricultural inputs, while at the same time it hinders Namibian ambitions to industrialise. Currently still about 70 % of all consumables in Namibia are imported from South Africa. Current trends show a deceleration of agro processing.

Public industrialisation and marketing entities that were created with the correct intent to facilitate an economic transition towards value chain development and industrialisation in the agricultural sector, without exception, failed to deliver. MEATCO, AgriBusDev, AMTA, AgriBank,

NIDA, all had the mandate to support farmers and entrepreneurs, but unfortunately became a burden to them instead. Serious uncompetitiveness and mismanagement created financial constraints, which were rolled onto their farming clientele.

The financial service sector (banks and insurances) remained a risk adverse and most expensive service provider to entities in the agricultural sector. Further, the financial services industry product offerings to the sector are not the most tailored and not the most inclusive and broad-based due to adverse selection. The absence of a sustainable targeted agricultural subsidy program nationally coupled with the absence of tailor made financial service offerings and, at times, the moral hazard problem, tend to leave the farmer saddled with debt.

Food Self sufficiency, Market access and policy interventions

Notably, market access is a key pivot for agricultural products. One distinct advantage for the Namibian agricultural sector is access to the best paying markets regionally and globally, thanks to investment in core enablers and the upkeep of sanitary and phytosanitary standards. This unfettered market access is in respect of not only Africa but also to the European Union, United States and China, both for livestock and crop products. A month ago, Namibia signed a further bilateral agreement with China for the export of small livestock products, in particular for sheep and goats; while pursuing finalisation of a similar wide-ranging bilateral arrangement for high-value fruits; grapes, dates and blueberries.

In essence, we discern FOUR key entry points for positioning domestic producers to better leverage value chains in the sector and realize increasing value shares.

The first entry point regards the domestic value chain in the livestock and agronomic sub-sectors. For the livestock sub-sector which is the mainstay for the majority of Namibian farmers, the existence of excess market demand is a favourable opportunity to improve domestic livestock productive capacity and to transform the sub-sector from a

producer of raw materials to an exporter of finished livestock products by servicing these best paying markets with finished or intermediary goods. This requires that registered abattoirs are put to productive use, value chain industries such as meat processing plants and tanneries are harnessed, veterinary services are efficiently provided and the public sector institutional capacity is improved to serve the sector better.

At this point in time, co-funding of value chain nodes with the support of the European Union under the Livestock Support Program, encompassing feedlots, artificial insemination centres, processing facilities and expanded market access schemes is underway to enhance efficiency mechanisms in the livestock sub-sector. The objective is to crowd-in producers, most specifically small scale producers and women and youth farmers, into livestock value chains with market integration into regional and global value chains.

This is notably in addition to the Government investment in achieving disease free status for the whole of Namibia and the resulting shifting of the VCF northward. Also, the abattoir, processing and marketing infrastructure outlay in the Northern Communal Areas, enabling commodity-based trade and market access for a significant portion of the population north of the veterinary cordon fence. As such, through commodity-based trade, market access for NCA livestock farmers is achieved not only for south of the veterinary fence, but also to specific African and Middle East market destinations. With lucrative market access secured, backward linkage mechanisms to the smallest producers must be enabled to work, with increasing returns to scale for value chain players.

Poultry and pork value chain schemes are promoted through input subsidies and market promotion scheme respectively to enable domestic players in these sub-sectors to realise gains and market share with significant domestic job content and revenue gains. The Poultry Value Chain Development Scheme has particularly rendered itself highly employment intensive through high multiplier effects, enabling more domestic market oriented flows, increasing value shares and more jobs.

In the agronomic sector, the policy objective is to achieve scaled up productive capacity for basic grains and cereals as basic staple food for food self-sufficiency, while allowing for diversification into high-value fruits, horticulture products and crops. Such productive diversification and intensification extend well beyond the government-owned green schemes to include commercial and communal farming practices in the country. The Ministry continues to support agronomic producers through the Horticulture Support and Value Chain Development Scheme, focusing on technical capacity building and equipment support interventions.

It is well-known that the government has invested in the Green Scheme Projects with the objective of securing at least 27,000 hectares of land under irrigation, while developing similar strategic projects such as the Hardap irrigation scheme. Considered alone, the schemes are sufficient to enable the country to achieve self-sufficiency in basic staple foods once effectively utilised. The domestic private sector, agri-entrepreneurs and financiers are called upon to take advantage of these opportunities.

There is substantial empirical evidence and market experience about input and product subsidies in the agricultural sector, regionally and globally. Inasmuch as subsidies may have distortionary effects on prices, the Namibian agricultural sector and its nascent industries cannot withstand the uneven playing field in the global market for agricultural products, including those from advanced and emerging market economies, which are highly subsidised. We should, therefore, master the capacity to scale up the national subsidy program, beyond the current discrete and under-funded, small incentive packages with limited outreach.

The coming on line of new industries of oil and gas as well as the Green Hydrogen, present opportunities for significant participation through local sourcing.

Secondly, regional value chains through the SADC and the African Continental Free Trade Area, provide diverse entry points for the Namibian agriculture sector. Namibia has a distinct, perfect advantage

of being wedged between the sizeable economies of South Africa and Angola, providing effective demand for agricultural products. The African Continental Free Trade Area provides sizeable market access and opportunities for productive diversification in the sector, beyond the existing capacity of the domestic producers. This is in addition to market access agreements which Namibia is party.

Thirdly, Namibia as a logistics hub for the sub-region is competitively poised to better harness global value chains in the sector. Being a gateway to land-locked SADC and international markets, Namibia is a natural epicenter for market agglomeration, assembly and processing of final consumer goods through importation of raw materials. This has further multiplier effects in the domestic economy, and enable domestic industry players to participate in the global value chains setting.

Conclusion

To fully exploit the tremendous potential of real economic growth agriculture and its strategic role must be recognised. It must be based on creation of an enabling environment that treats the land with respect, adequate financial provision, environmental sustainability, which support farmers better.

Let me conclude by stressing that repositioning our agricultural sector in the domestic, regional and global value chains requires us to enhance policy cohesion and support mechanism to shore up productive capacity and competitiveness within public and private entities.

Indeed, local economic development and wealth creation are greatly optimised not only through increasing participation of domestic producers and small holders in the value chains, but also assuming increasing value shares across the chains. These are critical imperatives for the medium to long-term policy to elevate the role of the sector in the economy and achieving shared prosperity, thus eroding

poverty and income inequalities through inclusive growth and more jobs.

I am confident that through the assemblage of the expertise gathered here today, this symposium would contribute to a range of innovative proposals for policy options.

I wish you successful deliberations and look forward to the outputs from this annual platform.

Thank you for your attention