



REPUBLIC OF NAMIBIA

STATEMENT

BY

CARL-HERMANN GUSTAV SCHLETTWEIN, MP

MINISTER OF TRADE AND INDUSTRY

At

**Namibia's Agricultural Outlook Conference**

**2014**

Safari Hotel & Conference Centre

8 October 2014

Hon. Comrade Minister John Mutorwa,

Dr Derick Wright, President of the NAU,

Mr Meckie Schneider, Chairman of the Livestock Producers,

Director of Ceremonies,

Ladies and Gentlemen,

Good morning. I am greatly honoured to be here today to deliver the keynote address at this memorable event; an event that marks the official opening of the annual conference of the Namibia Agricultural Union (NAU).

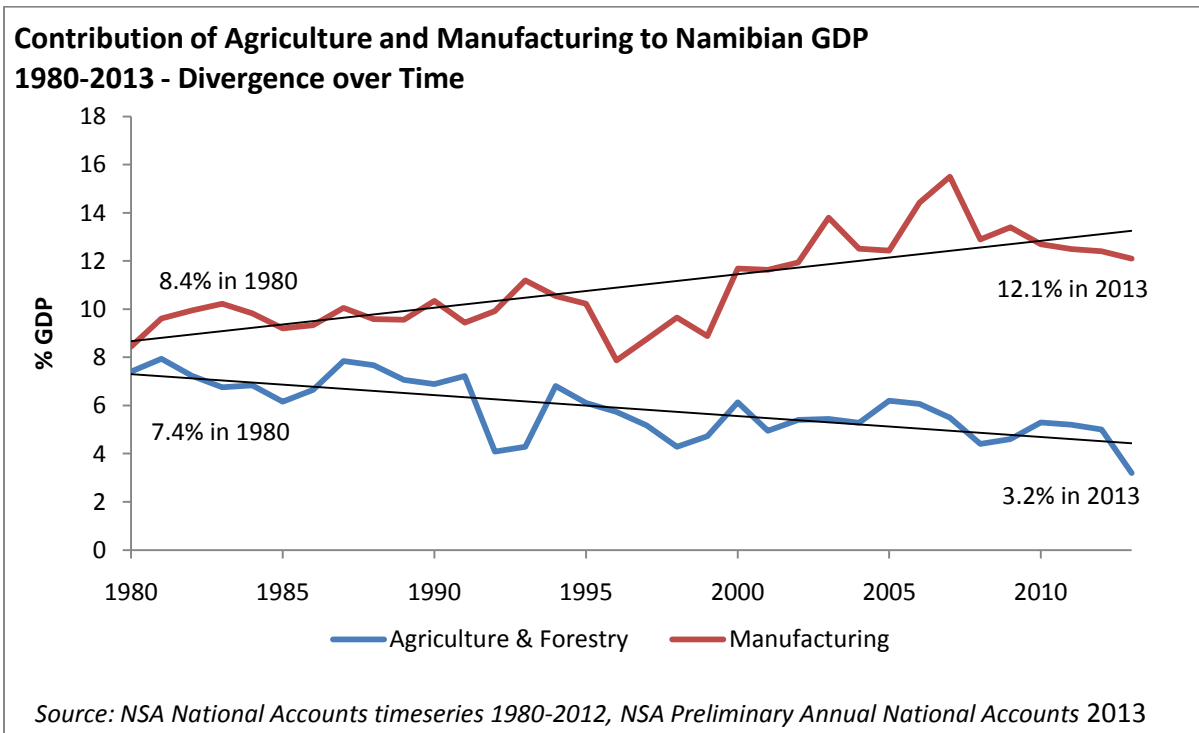
I was asked to talk about the “Contribution of Industrialisation & Technology to Agricultural Development-Expectation of the Agricultural sector to achieve the objective of the Industrialisation Policy”. I shall attempt to align this very relevant topic with our “Growth at Home Strategy”, through which we aim to accelerate economic growth, reduced income inequality and increased employment.

Namibia’s agricultural sector is still characterised by its dicotomy into a commercial and communal sector comprising of apoximately 6000 privately owned farms of varying size and communally owned land respectively.

The fourth National Development Plan (NDP4) indentifies agriculture as one of the priority sectors of the Namibian economy with significant growth potential and while that may be so let me pause briefly and reflect on past economic trends of the agricultural sector. The national economy as a whole grew by 4.6 % a year between 2000 and 2011 while the growth in agriculture over the same period was merely 1.4 % per annum. For a sector that underpins the livelihood of about 70% of the population this trend must be cause for concern. Overall contribution to GDP dropped from about 7.4 % in 1980 to 3.2% in 2013 while for the same period the

GDP contribution from manufacturing increased from 8.4 % to 12.1 %.

It is further important to note very few countries managed to industrialize without a strong agricultural base. It is agricultural surplus production that drove the industrialization processes in much of Europe and North America in the past two centuries. Only a few countries have reached advanced development and industrialization without agriculture, for example Singapore, but the rule in general applies. This makes me worried of course, as the Minister responsible for industrialization that our agricultural base seems to be shrinking.



In the past the focus has been more on primary production and only little was done with regard to value addition. I therefore hope that the deliberations and the outcome of this conference will encourage major players in the agricultural sector to invest more in value addition. To this end, I wish to see more investment in food processing activities in the future and other value added activities which should enable the country to export more value added agricultural products. I also firmly believe that value addition would create further demand for raw material, and if

added value is properly shared along the value chain, all agricultural producers would benefit more than they are doing now.

It is often thought that farmers can only participate in the first stage of the value chain, and that their responsibility stops at the farm gate. Yes, specialized companies have a vital role to play in manufacturing and agro-processing, but here is also vast potential for on-farm processing. Equally, I would like to see a greater measure of equity participation by farmers in agro-processing companies, and consider that farmers are not only well positioned to take such an opportunity but must do so for their own survival.

All of us know what impact could result from wildly fluctuating commodity prices leaving agricultural producers reeling from low demand or low prices, and crying out for government support. This scenario calls for diversification of land use and production systems, as everyone here must be aware of, and even more so in a country such as ours which experiences regular drought, but also vertical integration in the value chain. By this I mean that agricultural producers must for their own good become part of a greater part of the product value chain than just the first step of producing raw material. There is plenty of evidence that this is taking place and that many people are making a success of it, and others should be encouraged to do the same.

### **Director of Ceremonies,**

The Ministry of Trade and Industry in consultation with key stakeholders developed the Namibia's Industrial Policy, which is aimed at achieving Vision 2030. It is a guiding policy framework that will guide Namibia's approach towards industrial development. Namibia's industrial ambition is articulated in Vision 2030, which stipulates that Namibia wants to become a prosperous and industrialized country developed by her human resources, enjoying peace, harmony and political stability.

The Ministry is now in the process of developing Namibia's Industrial Policy and Implementation Strategic Framework which will provide more details on the strategies, programmes and action plans, targets, and projects whose implementation will be pursued over the medium term. Hence we adopted a "Growth at Home Strategy" which emphasis on reinforcing the importance of accelerating economic growth, reduce income inequality and create employment. Therefore, value addition and creating value chains are the key priorities.

**Ladies and Gentlemen,**

The key elements of supporting industrialization is to ensure that maximum value addition takes place to raw materials before they are exported, thereby increasing the income and employment carrying capacity of raw materials.

Reliance on primary production and exports of raw materials is unsustainable as it entails huge forgone economic gains and income through the lack of value addition, the export of jobs to countries where value is added, and the exposure of risks due to the dependence on exhaustible commodities and fluctuations in demand and prices.

**Director of Ceremonies;**

At the core of our strategy for manufacturing is therefore the need to trigger a commodity-based industrialization as the engine of growth and economic transformation. Namibia is endowed with significant human and natural resources that can be used to advance industrialization and structural economic transformation through value addition strategies in all sectors, but particularly in agriculture and agro- processing, fish processing and in mining and mineral beneficiation.

We aim to develop value chains that are based on raw materials available in Namibia. We have also included the concept of regional value chains through which we could accelerate regional economic integration. We need to link producers of raw materials to those who can further process such material and if there is no one ready to perform this role, Government may need to initiate and incubate the process.

In this process we need to identify all constraints and find solutions, and to provide targeted support to the private sector to rise up to the challenge, complementing private sector investment.

Our economy must be geared towards a higher level of value addition and manufacturing and enhanced local supply-side capacity as well as better coordination and collaboration between all role players in the economy. Domestic markets must be accessible through a well functioning retail and distribution network and local sourcing together with local content provisions have to become high priorities in our quest to industrialize.

The public-private dialogue must be deepened and win-win situation should be brought about through public private partnerships. We need to make sure that in these partnerships both, the objective of the private sector to make profits and governments objectives to create jobs and an equalised income distribution are achieved.

Our ultimate focus is to ensure that the impact of our work is visible through tangible improvements in terms of the capacity of our local industries to produce efficiently and competitively as well as in the socio-economic welfare of the citizens of our country through employment and business opportunities.

The programmes of the Ministry of Trade and Industry are geared at removing supply side constraints, increase productive capacity, and improve the competitiveness of Namibian industry in the domestic, regional and international markets.

Here I want to mention the role of infant industry protection and import restrictions, as one of the interventions that we as a government have used to support an emerging industry. In all but one instance thus far in Namibia, agro-processing industries have been the beneficiaries of infant industry protection. We have seen the well documented success in the wheat milling and pasta manufacturing industry as well as significant private sector investment in the dairy sector as the result of such measures. In a situation where our market is open and where well established foreign products are well entrenched we have no option other than to use such measures to create development space for our own companies. We almost always get challenged by the importers of foreign goods when we take such action, but we are determined to lend the maximum extent of support to domestic agro-processors and manufacturers as the law allows us to do.

I have also noted with interest an observation by the International Monetary Fund (IMF) in its report on Namibia, wherein it noted that although Namibia has been one of more stable economies in Africa, its ballooning import bill could in the long term pose a major threat to government expenditure. The Fund is of the view that Namibia could double its manufacturing output from 6 percent annually and reduce its rising import bill by 10 percent, if focus is put on growing secondary and tertiary industries. I cannot agree more with this sentiment.

Price volatility (increases) of imported food products is a case in point and the Namibian economy remains vulnerable towards such external shocks.

**Ladies and Gentlemen,**

A further measure to help establish domestic industry is the small stock marketing scheme that was implemented as a catalyst of government initiative to promote value addition and job creation in the small stock sector. Currently the scheme stands at a one to one export ratio. The Ministry will continue to maintain the one to one ratio until the industry can develop a long-term small stock marketing strategy that will ensure value addition in the whole value chain which could reduce the dependency on the South African livestock export market in order to avoid future market interruptions as it was the case earlier this year with the livestock exports to South Africa. There are however fresh threats as was reported in the local newspapers a day or so ago and this is a testimony that we need to pursue this value addition approach with vigour and urgency it deserves.

While recognising the need to discourage exports of raw materials, the Government may consider exempting the extremely remote and small farmers and the exports of fat-tailed sheep from exports measurers provided that a clear monitoring system is in place.

**Ladies and Gentlemen,**

The Government will re-instate the 30% export levy on the slaughter ready cattle in order to discourage exports of live cattle and therefore create employment at home through value addition of our products and to ensure economic growth. While government support export on the hoof for those livestock that can't be slaughtered locally such as the weaners, we should endeavour to increase local value addition so that we create jobs and ensure beneficiation by developing downstream industries.

Here I want to note with appreciation the initiatives by MEATCO that is to significantly increase its feedlot capacity. More weaners can now be grown to



slaughter ready animals set to enter the local value chain. Equally the MEATMA initiative, which enhanced the variety of table ready meat products for the domestic market, adds value to the raw material base available to MEATCO, it diversifies the business and revenue streams, which in turn ultimately benefit producers and the national economy.

Let me add here that it remains an important objective for us to diversify our market access. Not only have we just gone through a highly intensive and by times extremely worrying negotiation for market access to the European Union, but we have reached agreement with the Russian Federation concerning exports of beef, China concerning beef and fish, and we are continuing to pursue access into the USA for all red meat products in addition to the fish and table grapes which can already be exported there, as well as other potential markets. We are not forgetting the major market on our doorstep that Africa represents, and considerable progress has already been made in the free trade area negotiations amongst 26 African states.

In terms of market size and access Namibia has made significant progress. As a member state of the Southern African Custom Union (SACU) we are part of a single market, which includes South Africa, Botswana, Lesotho and Swaziland. As a member of the SADC free trade area Namibia has quota and tariff free access for about 90% of all tariff lines into the SADC area save Angola and DRC. With the European Partnership Agreement initiated we have quota free, tariff free access into the world's largest market, the EU. As a member of SACU Namibia has preferential access into the EFTA group of countries (non EU countries) and to the MERCUSUR group of South American countries. Namibia has therefore good access into the global market. What we however do not possess as yet is the productive capacity to produce finished goods with which to trade.

With regard to horticulture, the government has been implementing the Green Scheme Policy of 2008. The objective is to increase agricultural production. Since the implementation of the green scheme coupled with the implementation of the market share promotion, the country horticulture production has increased.

According to the Namibian Agronomic Board the local horticulture market share of locally produced commodities was a mere 3 % in October 2004. Through implementing the horticulture market share promotion (MSP) requirements scheme together with the Green Scheme this contribution could be improved to 37.5 % in April 2012. This has in turn created an opportunity for investment in creating value chains in this sector.

This is evidence that it can be done and we must commend the Minister and his team at the Namibian Agronomic Board for having pulled off this initiative. Our intention now is to take the next step and bring investors who could locate agro-processing facilities near green scheme projects or at the fresh produce hubs that the Hon. Mutorwa and his team are developing.

Furthermore, Namibia got approval from SACU to increase its total allowable quota under the wheat rebate from 50000 tons to 80000 tons per rebate year. The main purpose of the wheat rebate is to prevent the unnecessary cost burden on basic food for the consumers and for food security purposes.

**Director of Ceremonies,**

Despite the declining contribution to GDP as I have mentioned, agriculture sector is still the back bone of the economy and prosperity for many thousands of Namibians. Our Government is committed to providing support to this sector for its enhanced contribution to food security and increasing the living standard of our people, particularly those living in rural areas. I trust that everyone also understands the linkage between agriculture and industry, and recognize the potential this linkage

holds for our development. All stakeholders of the Agricultural sector are urged to take advantage of the different government support schemes in place and where possible also form joint ventures with Government institutions in order to develop the agricultural sector value chains.

While emphasizing increased local value addition to our natural resources and a high share contribution of the manufacturing, our Growth at Home strategy also accentuates the linkages and coordination between the various sectors and role players in the economy and society. We all have roles and responsibilities to contribute and ensure the transformation of our economy in order to bring about the desired levels of growth, employment, and income and wealth distribution. As the saying goes, “Charity begins at home”, and it is my belief that the resources of our country, natural and human, should be exploited to first and foremost generate growth and tangible benefits at home, in Namibia.

I thank you