South African logistics: Does it measure up?

By Marike Brits

Commenting on the LPI, Sihlolo believes that the most important message that agriculture can take from the report relates to the country’s ability to handle exports. “Although the index is not specifically targeted at the agricultural sector, it provides a perspective of South Africa’s logistics performance and ability to export large volumes of commodities with minimal interruptions. In the context of the current expected record crop, this is good news, and at Agbiz we expect that this season’s agricultural export activity will run smoothly.”

SA logistics in good shape
Prof Jan Havenga of Stellenbosch University’s logistics department says there is both good and bad news regarding South African logistics. “The good news is, of course, the results of the LPI. South Africa does quite well among developing nations by, for example, outperforming all our BRICS counterparts. “Our logistics infrastructure compares better than we often believe, with new investments in railways, a satisfactory national road system and reasonably competitive ports. This good news can be attributed to the fact that South Africa has a well-developed, world-class logistics private sector.”

“The logistics network in South Africa is largely driven by private sector service providers and because it is a very competitive market, logistics seems to be in very good shape,” agrees Greyling.

The cost element
However, there is some bad news too. The fact that the system is mostly private sector driven makes logistics very expensive. “Logistics is still considered a major element of the cost of any product. This is mainly due to the fact that road transport remains the preferred mode of transportation and that it is private sector driven,” says Greyling. “From an agricultural perspective, this places further pressure on already slim profit margins in this industry and places upward pressure on the food price.”

The system also fails to support rural areas as these areas mostly have poor access to the country’s logistics systems, which is very bad news from an agricultural perspective. We should have invested more in rail a long time ago and developed rail corridors between main centres for high volume traffic. Furthermore, some of the national road corridor efforts should have gone to provincial and rural roads.”

Big gap to be filled
Prof Havenga says if we ask how South Africa’s logistics can be improved from an agricultural perspective, the most important solution will be improved provincial and rural roads with rural logistics hubs. Many decades ago railway stations fulfilled this role, but there is currently a big gap that needs to be filled.

Greyling suggests that, if logistics is to be improved from an agricultural perspective, more value-added processing and consolidation at or near sources need to be implemented to reduce the need to transport commodities in bulk.

“This will stimulate more local job creation and a diversification of economies in the smaller communities, and will relieve pressure from the South African transport system. In addition, agri commodities, especially bulk commodities, must ideally be shifted to an effective alternative transport mode, such as rail. This,
of course, will depend on increased efficiency in said mode of transport.

“Healthy logistics is key for a healthy agriculture sector. Poor logistics leads to product deterioration and product loss. In the challenging economic climate, this cannot be tolerated and will affect food security negatively in the long run.”

**Several unique challenges**
According to Prof Havenga, South Africa’s cost of logistics relative to economic output is too high. “This is especially true for agricultural products and is a situation the agricultural sector cannot afford. One simple statistic is that less than 10% of products shipped in the country are agricultural, but that the agricultural sector contributes more than 20% of logistical costs in South Africa.

“This shows that logistics costs are skewed compared to other expenses. Another negative impact South African logistics challenges may have on the agricultural sector is that emerging commercial farmers will struggle with access to markets.”

The South African logistics system faces a few unique challenges. “A poor policy environment might just be our biggest challenge. Our private sector is doing its job and Transnet, as the big state-operated entity in this environment, has improved over the last decade, but there is little leadership from the Department of Transport. This will have to change, especially if we want to improve rural logistics,” Prof Havenga explains.

Greiling once again focuses on the plea of the rural community and the smaller agricultural producer. “If we use agriculture as an example, the effect of the private sector driven logistics system is clear. In my view, most of the major producers have take-off agreements with big corporate clients that do not really care about the logistics challenges of smaller producers. We need to have systems in place that will enable smaller producers to compete effectively with larger producers, and in that way, we will improve our collective yield.”

Another concern, says Prof Havenga, is that challenges might increase in future and the positive aspects of our logistics system might not be sustainable. “A major challenge is our ailing school system, which is not only worse than our BRICS counterparts, but in some important areas, such as mathematics and science, also the worst in the world.”

**Skilled professionals**
“Currently, the country has well-educated and skilled professionals working for some of our biggest logistics companies, thereby sustaining private sector driven logistics systems. An ailing school system might change this reality. “The eastern BRICS countries, i.e. India and China, are investing a lot in infrastructure and teaching. In fact, all the other BRICS countries are catching up with South Africa in the LPI measurement and are improving at a faster rate. In short, we are well positioned, but I foresee future challenges.”

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