

AGRI SA CONGRESS: PRESIDENTIAL ADDRESS: 2011

Unlocking the development potential of agriculture

Globalisation is not a new concept. We are reminded thereof daily by the influence of the ongoing economic crisis in the USA and Europe on the exchange rate of the rand and on interest rates. Regional conflicts in Arab countries push up our fuel prices. Aeroplanes and information technology have reduced obstacles such as time and distance. With Skype, Twitter, Facebook and BBM messages news from over the world is exchanged and even revolutions are planned and managed. Our children, acquaintances and friends work in different continents the world but stay in contact as if we are neighbours. Our society and economy have merely become another part of a global village. This is also how the investor community sees South Africa when they weigh it up against other options whereby they can serve their business interests.

The South African economy has certain attractions, the most sought-after being its wealth of natural resources and contact with Africa. However, the basis thereof should be its competitiveness which, by way of surveys, is compared annually against that of virtually every other country in the world. Unfortunately we lack a few critical elements, with the result that South Africa figures in the middle group, which does not make it a preferred investment destination.

With globalisation businesses do not only compete with one another at local and national level, but also with virtually any other business in the world offering a similar product or service. This also applies to local farming operations which, with very little protection and support, must operate within sophisticated value chains which, in turn, compete in the world market for retail shelf space and consumer support. Although important, price competitiveness is not the only determining factor for success at this level. Suppliers must also meet quality standards, be a reliable supplier and able to provide sufficient volumes to reap the benefits of scale advantages in terms of packaging, processing and transportation, and must also offer good logistical capacity that supports reliability and quality. Numerous preconditions must therefore be met for South African agriculture to be a worthy competitor in the global food market.

The value of external alliances, such as South Africa's membership of the BRICS group, could certainly make a contribution to the further integration of the South African economy with emerging markets. We have noted that specific attention is given within this group to the identification of trading opportunities which can support the balanced development of member states. This relationship with the BRICS states, most having well-developed agricultural sectors and industrial industries, will compel South Africa to give increasing attention to the fundamental aspects that determine its competitiveness. In this regard logistical shortcomings, restrictive measures in the labour market, critical skills shortages, and bureaucratic and regulatory red tape are matters which impact negatively on South Africa's competitiveness. Some of the changes required could be easily affected, such as the turnaround of poor administration, eradicating corruption and a willingness to co-operate constructively with the private sector. Other changes are more fundamental and will require a strong political will to adopt and implement policy which is market and investor friendly.

The question is therefore if it is possible to make South Africa a winning economy and society amidst a struggling world economy? A counter question is whether South Africa can afford not to

be ambitious with its growth and development targets. It is only by accelerated economic development that the systemic unemployment problem with its social and political risks can be addressed. Without money very little can be done to improve training, health services, housing and service delivery or whatever may be necessary to effectively meet the social needs of the broader community. It is obvious that the integrity and capacity of the state to provide such service should also be in place. We all have concerns in this regard, but it is a challenge government must accept and for which it is accountable to the voting public.

To allow agriculture to make its rightful contribution to growth and development is not merely a theoretical option. Agriculture can and must make its full contribution to rural development, job creation and food security. Agriculture's linkage effect with input suppliers and the food market will also stimulate general economic development – far more than growth at primary level. Unlocking the development potential of agriculture is therefore a national priority for which the government should strive for in collaboration with role players in the industry.

For this reason it is important that there should be no differences or dispute regarding the ultimate objective of agricultural development. After all, it is not possible to work together cordially and successfully if role players have diverse motives or, even worse, differences as to what must be achieved. Therefore consensus between the government and role players in the industry regarding the vision - what we want to achieve with agriculture - is imperative. The vision must accommodate the legitimate objectives of government but must also serve the interests of a successful commercial agricultural sector. It should provide a solid point of departure for policy action according to which the industry can be expanded and confidence built among farmers and *agri-businesses* so that they will invest in agriculture's production capacity and place sufficient food and fibre of good quality on the market. Later more about this.

Some of the concepts to which I have referred deal with what should be done so that the South African agricultural industry can best serve the interests of the country's economy and society amid severe challenges posed by a competitive global market environment. While rugby countries currently compete for the sought-after Webb Ellis trophy, the winner of which will be crowned world champion, I wish to make a few comparisons between our agricultural industry and the proudly South African rugby culture. After all, we would like to be serious competitors on the world stage in respect of both!

- **Love for and knowledge of agriculture**

Most of us have experienced, listened to and supported rugby since childhood. We had our heroes at school and university but especially those in Springbok colours. We argued about the referee's decisions and also spotted and appreciated talent and tactics. A winning team can always rely on its fans' support. No one likes a loser. Naturally there is a rule book and referees who apply it. Penalty goals, yellow and even red cards keep the players in line and force them to abide by the rules, which will hopefully ensure that the game flows and that the best team hopefully wins.

What does this say for agriculture under current conditions? With how much love for and knowledge of agriculture are decisions made regarding the care of players and the application of rules for competitive, sustainable production? Is there enough understanding on the part of consumers and administrators as to what it takes to stand firm against strong competition on the

agricultural front? I doubt it – in living memory our population has never been exposed to a national food security crisis. Stores have always had enough of everything we need. Therefore outsiders often see agriculture as an idyllic life which from time to time experiences droughts, fires or floods, but otherwise represents good quality of life. In most cases people are ignorant regarding depressed profit margins as well as safety, biological, climatic and market risks. Therefore land is often equated with wealth, with little understanding of what it requires to prosper from land.

Ignorance and lack of understanding should not be regarded as an accusation against outsiders. For decades a large section of the population was excluded from commercial agriculture or to make decisions in this regard. With urbanisation communities estranged from agriculture, with the result that the largest section of the population no longer has proper understanding and knowledge of the complexity thereof. For this reason it is a challenge for us as farmers to overcome this rift of ignorance so that decision-makers at all levels, as well as administrators and consumers, will have confidence that our knowledge, insight and contributions are indispensable for the critical policy choices made about us and on our behalf.

Comprehensive communication and liaison aimed at broadening knowledge and correcting perceptions are therefore vital points of departure for a winning agricultural industry.

- **Consensus on a long-term vision and co-operation**

Planning in order to win a world cup tournament does not take place overnight. Structures and systems must be in place and must function effectively for a considerable time before it will be possible to produce a world champion. This is only possible if a clear vision is strived for.

The question is: What is our vision? Is there consensus in this regard among players, spectators, rule-makers and whistle blowers? Often poor performance is attributed to disagreement between management and players. My view is that there are still material differences between stakeholders. The logical question then is: Are confusing messages being sent to role players in agriculture? This is definitely the case. There are even contradictory messages from government as to where they are going with agriculture. This destroys trust, resulting in a lack of focus.

There is also a lack of consensus within agricultural ranks as to what they require from the state. I therefore welcome the discussion that is again underway under chairmanship of Professor Mohammad Karaan in an attempt to promote consensus between agricultural organisations – especially with regard to the more important and sometimes emotional issues. In this case an important point of departure is that existing organisations' right to exist should be acknowledged and that trust be built by seeking co-operation possibilities on some policy areas.

The Agricultural Sector Plan, which was formulated during former president Thabo Mbeki's term of office, to serve as framework for policy-making, was discussed with him regularly by the stakeholders but lacked a partnership relationship in managing the implementation thereof. The plan has been revised since then to accommodate new policy directives, yet no progress has been made during the past three years in managing the implementation thereof. In fact, a significant communication gap is developing between the players in the industry, the administration and the rule-makers. Issues that are of concern to players extend across a wide

front, but certain specific questions arise, for example: Who can say with authority what the term “agrarian transformation” implies for commercial agriculture? What does an “acceptable” and “sufficient” contribution by existing commercial farmers in the interest of transformation entail? With what certainty can business decisions be made regarding land purchases or capital improvements, which place a long-term obligation on the investor, against the background of the Green Paper on Land Reform currently available for commentary?

The New Economic Growth Path, the work of the National Planning Commission and other policy documents make it clear that government has the expectation that agriculture could and must make a significant contribution to rural development and job creation. International experience and trends support the view that agriculture is facing a flourishing period (golden age) despite worldwide concern regarding economic prospects due to the debt burden with which the USA and Europe are struggling.

Uncertainty regarding the future of commercial agriculture – which is unfortunately further exacerbated by the unintended negative consequences of certain legislation and sometimes unwarranted radical political statements – is in fact the reason why agriculture has not met growth expectations and will probably also not benefit fully from the upswing in global markets, which we need so desperately.

This represents failure by leadership which is ill affordable by the agricultural team and consumer community. If this were to be resolved through an agricultural *codesa*, Agri SA would participate in it. The fact is mere movement is futile without a destination or ultimate purpose. It is like driftwood on the sea carried aimlessly by the wind,

Agri SA’s congress decided last year that the organisation would participate constructively in any forum or opportunity where ground rules for property rights are discussed or decided on. I would like to offer this mandate once again as an opportunity for dialogue with the government. We appreciate the opportunity for consultation on certain critical issues, as in the case of the Green Paper on Land Reform, but find it problematic that this is an ad hoc approach and that policy development is often at an advanced stage by the time consultation takes place. By then it is difficult to make significant changes – however justified. This creates the impression of conflict, which as such has a negative effect on confidence. A lack of consultation has resulted in Agri SA resorting to court action a few times to secure a fair dispensation. Although I have great appreciation for the Constitution and courts which make it possible to stop undesirable policy choices, this is not the appropriate way to build confidence on the part of players in the industry and to establish a winning culture.

- **Striving for excellence**

To win the world cup requires excellence at all levels and in all areas. For example, I am concerned about the risks that endemic African diseases hold for our livestock industry. There are indications that research and preventative and after-care treatment with essential regulatory control is deteriorating, which has already left its mark on the stock industry. The Animal Health Forum has a very important responsibility to plan proactively for the livestock industry and to assist in managing crises in a co-ordinated manner. In this regard lessons can be learned from the foot-and-mouth epidemic in KwaZulu-Natal and bird flu in the ostrich industry.

Disaster and emergency aid for agriculture is like having good medical care available at the rugby field. I wish to thank everyone who helped to get this year's flood relief approved. There are nevertheless systemic problems with surveys and unlocking of funds which need to be addressed. I am glad that this is currently receiving attention at high level. Too little aid that arrives too late could leave our agricultural team no option but to field injured players or to play a man short. There should be general agreement that such shortcomings need to be addressed.

However, excellence also requires investment in the discovery and honing of agricultural talent. According to a report of the Land Bank entitled "Addressing Challenges of Financing Emerging Farmers", one of the reasons why so many new entrants fail is the poor selection of beneficiaries. One recommendation is that more stringent selection criteria should be applied. I agree with this and would like to see the government buying into it. The honing of talent goes further than mere identification thereof. Our agricultural schools and colleges must be prime institutions that support excellence in agriculture. Agricultural support services must also offer sought-after career opportunities for talented students. I am of the opinion that all role players in the industry as well as the state have a major contribution to make in promoting enthusiasm regarding agriculture, which in turn will encourage the right human material to become involved in the industry.

- **Investment in infrastructure and services**

Professional performance on international level will only be possible if players have access to decent training facilities, to sport centres where the game can be practised, to equipment of the highest standard and to someone to see to the players' diet and logistical arrangements such as travel and accommodation. In agriculture such requirements can be compared to electricity provision, water infrastructure, communication and marketing logistics, including information, roads, rail transport, telecommunication, harbours, silos, etc. Such infrastructure and services are essential for viable production as well as for marketing. During the report year, Agri SA gave considerable attention to proposals to make electricity more affordable for agriculture and to eliminate transportation as well as communication obstacles. We are now waiting for a government decision regarding a better electricity tariff dispensation for agriculture and have held constructive discussions with transport authorities regarding the poor road infrastructure. It also seems that rural communities, who are very frustrated with Telkom's landline services, will require new-generation communication technology to overcome the problem. We have also achieved constructive results in negotiations with the Department of Water Affairs with regard to water tariffs.

These aspects, including that of an effective information and competition environment, were also incorporated into the congress agenda for further debate and instructions for handling in the coming year.

- **Focus areas**

The rugby teams participating in the final rounds of the championship can be distinguished from others on the basis of their talent and their ability to continue focusing in a disciplined manner on the most critical aspects of the game. This is also important for us as farmers and agricultural organisation. On reading through the annual report, you will notice that Agri SA has divided its work programme into different policy areas. Each policy area has an elected leader from the ranks

of our affiliates, supported by a team of competent staff. The work programmes of policy committees are influenced by government's policy processes, but also by the needs of farmers as communicated to Agri SA by representatives of its affiliates in the relevant committees. In these committees we make optimal use of the expertise of our affiliates but also of external expertise when necessary. I wish to encourage you to use the information in the annual report when you provide feedback to your grassroots members on what is being done at national level in their interest. I would nevertheless like to point out a few priorities.

For various reasons Agri SA attaches special value to a market-oriented system supported by private property rights. A farmer's assets consist mainly of farmland and fixed improvements effected over time. This is their security for financing and also an important mechanism whereby risks can be hedged and managed.

While Agri SA fully supports transformation in terms of participation in the industry, it is of the view that owners of agricultural land should not be disadvantaged financially in relation to other tax payers when transformation objectives are strived for. Against this backdrop Agri SA has noted over the past few years that the government does not necessarily share this point of departure. In light of the high court judgment to the effect that the Mineral Resource Development Act implies the expropriation of mineral rights, Agri SA addressed a letter to President Zuma requesting dialogue in an attempt to reach a more satisfactory understanding regarding this matter. As far as Agri SA is concerned the government possibly has a different interpretation of section 25 of the Constitution which deals with property rights. South Africa has the financial resources to compensate owners fairly for sacrifices required by transformation and, should such claims be met, it will pave the way for closer co-operation and more stable relations in the long term. Given the lack of consensus on this important point of departure, Agri SA will as last option continue to resort to the courts to ensure fairness.

We have also repeatedly pointed out that policy development – despite undertakings to the contrary – takes place in so-called silos. There is a need for adequate co-ordination with policy development and implementation. Agri SA had considered this matter at its February 2011 conference when aspects such as local government, agro-industrial development and the influence of competition legislation on agricultural development were discussed. Minister Ebrahim Patel's view on this occasion was that these were aspects that would be better dealt with within the framework of the New Economic Growth Plan. This congress agenda builds forth on this and will determine Agri SA's work programme for the year ahead. For purposes of agricultural development it is important to obtain clarity on issues such as property rights, regulatory control, the rules around market information, an agricultural trade and tariff policy, infrastructure provision and value chain development. These are the building blocks with which structure must be given to a development route in order to encourage investment, create quality job opportunities and also facilitate the achievement of other elements of the vision for a prosperous agricultural sector.

Despite consensus worldwide that agriculture is heading for a golden age, there is concern regarding the food security issues which could emanate from this, especially for communities in developing economies. There is also a concern that fluctuating prices could discourage investment in production capacity. Together with issues such as global warming, climate change and the need to continue increasing agricultural production while the negative impact on the

environment must be reduced, governments and multi-national agencies have placed agriculture high on their agendas. Although South Africa faces various challenges in restructuring its agriculture to meet demographic and social requirements, we cannot lose sight of these priorities which appear on international agendas. It is therefore important that from policy down to farm level care be taken of the basic functions of agriculture, namely to produce food and fibre sustainably and competitively. This forms the foundation of stability and progress and should remain the focus of our organisation.

- **Closing remarks**

I look back with appreciation at a year in which we were able to meet with various ministers to discuss solutions to agricultural issues. We are grateful that our bona fides have been accepted and the quality of our contributions recognised. We also had the privilege to visit farmer groups countrywide and to listen to and address them. Thank you for the cordiality with which we were received. I also enjoyed excellent co-operation from Agri SA's affiliates and wish them every success in what they strive for and do in the interest of economically sustainable production. Here at Agri SA we are blessed insofar as our finances are concerned, which although not abundant, are managed with circumspection to meet our needs. I would like to thank our business partners who supplement our capacity to attend to priorities which otherwise could have been neglected. Financial institutions' generous support, which made it possible for Agri SA to host a successful first general meeting of the newly established World Farmers' Organisation, deserves special mention. Thank you to the media which attaches special value to agriculture's message, airing it regularly and widely. I also wish to thank my deputy, Theo de Jager, Agri SA's staff and above all my wife, Delene, who make it possible for me to serve agriculture.