

CHAIRMAN'S REPORT

On the occasion of the biennial ABC Congress, we reflect on the past, but we also plan for the future of the organization and the industry we serve. We learn from yesterday, we live for today and we dream of tomorrow!

The theme of the 2006 ABC Congress was "Agribusiness's key to competitiveness". We can look back with great satisfaction at the past two years in which the ABC has lived this theme and fulfilled a stronger leadership role as a valued partner in organized agriculture. But it is also with humility and deep gratitude that I report the significant contribution the ABC has made to the agricultural sector, to the people who work in it, to food security and ultimately to all the people of South Africa.

The 2008 ABC Congress theme is "Mobilising agribusiness for growth". Notwithstanding the many challenges that face us, such as electricity supply failures, declining real investment by government in agriculture and other infrastructural deterioration, we will focus on the fundamental issues that need to be addressed to ensure sustainable growth and development of South African agriculture. I trust that you will benefit extensively from our deliberations and join us in deciding on the key performance areas for growth of our agribusinesses, as well as for our partners, the farmers and government.

Five years ago the ABC was established in its current form in order to represent a broader spectrum of businesses operating in the agricultural sector. The vision, mission and goals were embraced by agribusinesses, government and broader civil society with enthusiasm. Much time and effort has been spent enhancing the profile and optimizing the impact of the ABC, in order to promote the image and especially the value of agribusinesses to the agricultural sector and the country's economy as a whole. At all times the ABC has strived to ensure an enabling and

favourable business environment in which agribusinesses can operate competitively and sustainably, given the challenges facing the sector.

Highlights of the past two years I wish to mention include:

- **Agricultural Chief Executive's Forum (CEO Forum)**

The ABC has played a major role in establishing the Agribusiness CEO Forum, as well as in determining its agenda and on-going activities through participation in its Steering Committee. It furthermore provides role players in the agribusiness and processing sectors secured representation at the highest political and government levels. A key role is the co-ordination of the agenda for the Presidential Working Group for Agriculture meetings, which primarily focuses on the Strategic Plan for South African Agriculture. The CEO Forum, in the words of the former DG of the National Department of Agriculture, Mr Masiphula Mbongwa, is focused squarely on implementation.

- **Review of the Strategic Plan for South African Agriculture**

At the May 2007 meeting of the Presidential Working Group for Agriculture, President Mbeki called for a review of the implementation of The Strategic Plan for South African Agriculture, which was adopted in 2001. The ABC has been fully involved in the process and held two meetings with Prof Johann Kirsten of the University of Pretoria, who was contracted to coordinate and lead the review process. Positions and viewpoints were submitted and adopted, and it is interesting to note that Prof Kirsten also made extensive use of the ABC's Agribusiness Confidence Index and Agribusiness Competitiveness Index as key indicators in the submitted report.

The basis of and challenges with regard to The Strategic Plan were conveyed in various presentations, including to the ABC Council, the Northern Cape

Agribusiness Chamber and KwaNalu's Congress in 2007. There is no doubt that this Strategic Plan is of critical importance for a dynamic, sustainable and competitive agricultural sector, and that it forms the basis of coordinating policy formulation and implementation between the major stakeholders and role players within the sector. It also informs policy formulation within the broader economic cluster within government, and needs to be approached as such by all role players and stakeholders.

- **AgriBEE Charter**

The ABC was represented in the AgriBEE Ministerial Committee, appointed to draft a Broad Based Black Economic Empowerment Charter for the Agricultural Sector, by Mr Johan Dique and Dr Tobias Doyer. The ABC took on a leadership role in the drafting team and after an exhaustive process the Draft AgriBEE Charter was presented to the Minister of Agriculture and Land Affairs by the Chairman, even though not signed off by the AgriBEE Ministerial Committee.

The draft AgriBEE Charter has subsequently been approved by the Minister of Trade and Industry as a Transformation Charter, according to Article 12 of the BBBEE Act, Act 53 of 2003. The Minister may in future also publish the AgriBEE Charter as a Code (Article 9 of the BBBEE Act), but until such time the agricultural sector and agribusinesses will be subject to the generic Codes of Good Practice published in the Government Gazette of 7 February 2007.

While there have been major delays and constraints in terms of accreditation of scorecards, the majority of agribusinesses have already developed and started implementing BBBEE strategies, not only to ensure compliance with the Act, but also as an embracing approach to pro-active transformation of our sector and society. Late in 2007 the Industrial Development Corporation (IDC) and the ABC conducted a joint survey of clients and members respectively to determine the status of and constraints to BBBEE initiatives in the agribusiness environment.

- **Post Settlement Support to Land Reform beneficiaries**

Land Reform is a national imperative led by government under a legal framework as stipulated in Section 25(4) of the Constitution of the Republic of South Africa. The Constitution further stipulates that the state must adopt reasonable legislative and other measures, within its available resources, to foster conditions that will enable citizens to gain access to land on an equitable basis. To this effect, the Department of Land Affairs, together with other state Departments, have enacted several pieces of legislation to enable compliance with the land reform provision and to meet the 30% target of farmer white commercial farmland being transferred to previously disadvantaged people by 2014.

However, land reform has not progressed according to plan and many newly settled black farmers are now worse off after acquiring land, while in many cases the productivity of that land has also dropped dramatically, raising food security concerns. There are various reasons for this state of affairs, such as a lack of selection criteria for new farmer entrants, flawed business plans, etc, but one of the key elements is the lack of sufficient Post Settlement Support (PSS) for land reform beneficiaries.

There are three critical elements to effective PSS, and if one of those three elements is not sufficiently addressed, failure is certain. Those three elements are:

- Access to capital, eg production loans, etc.
- Access to information, technology and extension services.
- Access to dependable and transparent markets.

Many South African agribusinesses are excellently positioned to provide, in a public-private-partnership (PPP) agreement with government, services to

beneficiaries in terms of all three elements. It is through this service that many white farmers were established previously, and are even to this day.

To date, discussions have been held with the Department of Land Affairs (DLA), the Department of Agriculture and the Land Bank in this regard. Already a draft Memorandum of Understanding has been established between the ABC and DLA. Further to the PSS initiative, the Maize Trust has engaged with several ABC members to supply financing for developing maize farmers on a contractual and preconditional basis. This programme is to be expanded substantially in the forthcoming summer planting season as a result of the significant success achieved over the past season.

- **BUSA**

The ABC's recent affiliation to BUSA, through a combined project with Agri SA, has created a marked opportunity for agribusiness to be involved in a truly unified organisation for all business in South Africa. BUSA represents South African Business, including agribusiness, on macro-economic and high-level issues that affect it at the national and international levels.

In terms of the economic environment, BUSA has two standing committees that address high-level issues, viz:

- Standing Committee on Economic Policy
- Standing Committee on Trade Policy

The Economic Policy Committee's main focus over the past couple of months has predominantly been to engage Government and Eskom on technical and strategic issues on the electricity crisis, and to offer constructive solutions from the private sector side. BUSA has already played a major role in assisting both Government and Eskom, through the National Electricity Response Team, in

managing the crisis more efficiently and transparently. However, issues such as Competition Policy developments, the new Companies Bill and the Consumer Protection Bill have also received the necessary attention and action.

The Trade Policy Committee has been active around the issues of:

- A proposed customs union for SADC
- The current Southern African Customs Union (SACU)
- Economic Partnership Agreement (EPA) negotiations with the EU
- Non-tariff trade barriers
- IBSA Meeting (India, Brazil, South Africa)
- Trade missions

Deputy Minister Rob Davies of dti also addressed the Committee on the current international trade debate towards the end of 2007. After the July 2006 suspension of the Doha Round of WTO negotiations, a formal resumption was announced early in 2007. However, progress has been very slow. Other issues addressed included SADC Regional Integration and the status of the SADC-EU EPA negotiations.

- **NEPAD Business Foundation (NBF)**

The ABC is affiliated to and actively participates in the activities and initiatives of the NEPAD Business Foundation (NBF). The NBF is a Section 21 company that endeavours to deliver on the NEPAD imperatives of alleviating poverty, halting the marginalisation of Africa in the globalisation process and fully integrating Africa into the global economy. These objectives will be achieved through the delivery of sustainable projects and interventions for the benefit of the people of Africa and for the African continent to prosper.

The NBF is endorsed by the NEPAD Secretariat and has already developed a substantial body of interested and affected businesses, who have a common purpose to identify and pursue multiple business and investment opportunities in Africa. This goal is being achieved through the establishment of sectoral committees who each provide a contact point for business within each industry. These sectoral committees further meet to network, identify opportunities, disseminate information and ultimately bring projects to fruition.

The ABC, who chairs the Agriculture Sector, has identified the following focus areas for active attention:

- Agribusiness linkages
- Factors constraining and enhancing agricultural trade and competitiveness
- African Agribusiness Trade and Investment

These focus areas are being addressed through several initiatives and fora, such as:

- Joint Agribusiness Department of Agriculture Forum for Africa (NADAF)
- Agricultural Trade Forum (ATF) of the National Department of Agriculture
- Post Settlement Support initiative with Department of Land Affairs, National Department of Agriculture and Land Bank
- NEPAD-OECD Investment Initiative
- EU-SADC Agro-Industry Partnership
- Leadership for Conservation in Africa
- Comprehensive Africa Agriculture Development Programme (CAADP) of NEPAD

There are many additional fora and initiatives in which the ABC is involved, for example Agrolistics and RTMS, Petroleum Products Working Group, Cooperatives Amendment Act and JADAF, to name but a few. All these

endeavours are aimed at positively influencing the agribusiness climate to ensure a growing and competitive agribusiness sector.

The Future

As important as it is to report on the progress achieved over the past two years, so is it equally, if not more, important to reposition and prepare for the future. With the appointment of Dr John Purchase as the new chief Executive of the ABC as from 1 September 2007, it was an opportune time to again critically evaluate the role and impact of the ABC and to reposition the organization according to the changed challenges and opportunities we now face, for the next few years.

To this end the ABC went through a thorough strategic planning exercise, including a strategic planning session that was well attended, well run and extensively participated in. This culminated in a **Visionary Framework and Strategic Plan for the Agricultural Business Chamber**, of which I now briefly just highlight the major aspects:

Strategic Intent

To enable South African agribusinesses to operate competitively and profitably.

Mission

The ABC negotiates for and facilitates a favourable agribusiness environment in order for its members to perform competitively and sustainably.

ABC Culture and Values

The ABC is an inclusive, voluntary association of agribusinesses that cooperates positively and acts dynamically, creatively and with integrity.

The culture of the ABC is to subscribe to the values of ethical business, accountability, leadership, trust, competence, quality service and excellent communication.

Core and Operational Objectives

Core objective 1: To influence the policy and legislative environment insofar as it affects agribusiness activities, by way of ongoing and professional interaction with all relevant government institutions.

Core Objective 2:

To improve the agribusiness environment through liaison and co-operation with influential groups within the business environment – locally and internationally.

Core Objective 3:

To support the developing agriculture value chain and Black Economic Empowerment.

Core Objective 4:

To create unique, relevant and accessible agribusiness intelligence to support ABC programmes.

Operational Objective 1:

To promote the ABC.

Operational Objective 2:

To develop member capacity through exposure to networks, new information and ideas, and training.

Operational Objective 3:

To maintain current membership and actively canvass for and enroll new members in order to broaden the base of the Association.

Operational Objective 4:

To ensure efficient ABC administration, communication systems and management, to the benefit of its members.

A comprehensive implementation plan has also been drafted in order to monitor progress and output. Already members have indicated great acceptance and buy-in of the new ABC Visionary Framework and Strategic Plan.

However, the real impact of an organization such as the ABC is not ultimately measured in terms of events, meetings or contributions on the political and/or economic stages, but rather in the strong relationships, excellent communication and positive attitudes created among business, the government and other participants in the agricultural sector. At this level, positive attitudes are developed that ultimately create a positive and favourable environment for everyone to prosper in, and in which to foster growth. I can say with confidence that at this level the ABC is positioned as a reliable and valued partner, as well as leader, in government and business circles.

South Africa faces enormous challenges, not least of which are massive unemployment (over 25%) and severe poverty in many rural areas, a breeding ground for crime. The only mechanism by which to halve poverty and unemployment by 2014, the major goal of the Accelerated Shared Growth Initiative for South Africa (ASGISA), is for the South African economy to grow at 6% per annum between 2010 and 2014. The following questions arise involuntarily: Can this be done, given severe infrastructural constraints and rising energy costs experienced lately, and what contribution can the broader agricultural sector and specifically the agribusiness sector make in this regard?

But the agricultural economy is not just going to grow because government wants to attain certain targets. Government needs to create a policy framework and institute support measures that are conducive to business growth, also in the agricultural sector. It is common knowledge that the agricultural sector has not been performing even close to rest of the economy, barely managing an average positive growth rate just above zero over the past 5 years. Given our population growth, including the influx from the rest of Africa, as well as trying to grow our export markets, this is indeed a worrying trend to all in agriculture, and should be for government to. Is government's investment in agriculture sufficient and properly directed to stimulate growth? Are the necessary support structures in place to make South Africa's agriculture competitive, both locally and internationally? Does the necessary infrastructure exist and what impact will soaring energy costs, in an over-regulated energy sector, have on growth? The government has a very important role to play in stimulating growth in the agricultural sector, also to ensure long term national and household food security.

But the agribusiness sector must also be challenged. Given the global environment we all operate in, it is only by being competitive on an international basis that we will grow South African agriculture and the agribusiness environment. How innovative are we and what technological progress are we making? What are we investing in skills development, given the deficiencies of the education and skills development system in South Africa? Are we truly exploring new opportunities, both locally and abroad (especially in Africa too!)? Are we marketing and branding our produce to an increasingly critical consumer correctly? How effectively are we participating in export enhancement programmes? Within this global environment, agribusinesses must constantly, creatively and actively seek new ways to enhance their competitiveness through higher-quality products and services, as well as more efficient production. Growth will follow automatically.

During the congress we need to debate these issues and determine where we are going with agriculture in South Africa. What will our agribusinesses look like in ten years from now? From an economic perspective we will need to be more integrated in the value chain and more market-oriented, but we will also have the responsibility of creating an environment for sustainable economic, social and environmental development. The challenges are daunting, but exciting!

Members and Sponsors

The active participation and involvement of our members is paramount to the success and well-being of the ABC. Over the past two years we have seen considerable growth in membership numbers and active membership participation in the activities of the ABC, and I thank you most sincerely for this involvement and participation.

The support of our sponsors is critical for the ABC to function effectively. I wish to thank our sponsors, who are again participating actively in our congress, for their commitment to both the ABC and the agricultural sector.

The members of the ABC, Executive Committee (EXCO) and other committees of the Council have been exemplary in their voluntarily service of the ABC. My sincere thanks and appreciation for your service in an era that there is great competition for your valuable time. Your loyalty and support have made the past two years of office a pleasure and have allowed the ABC to reach new heights.

My thanks also to the ABC personnel who, through dedication and loyalty, continue to produce excellent results on a limited budget and resources. We are however in the process of actively addressing this latter situation.

Conclusion

In conclusion, agribusinesses are and will always remain an important link and service provider in the South African food, wine and fibre chain. At the ABC, our collective economic, social and political work will never end, whether we meet with government politicians, role players in the sector, unions or civil society. This interaction will continue at the highest level, both locally and internationally. The ABC has performed admirably and is well positioned to fulfil this role successfully.

No organisation can afford to become stagnant. Like any organisation the ABC must and will continually identify and evaluate new markets and opportunities for growth and development. The ABC is dedicated to promoting agriculture, agribusiness and an environment where we can all compete effectively. We have an increasing responsibility to promote sustainable and shared growth in South Africa. I wish to conclude with the words of that great and remarkable leader, Abraham Lincoln, in the midst of the turbulence of the American Civil War:

“The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew.”



Corwyn Botha
Chairman
2006-2008