

**AGRI-BUSINESS AND THE POLICY ENVIRONMENT: The challenge and how to deal with it.**

I have just returned from a 5-week trip to Southern Italy, Sicily and Malta. The trip has, more firmly than ever, convinced me of the views held by many analysts and futurologists:

- 1) We live in an integrated and interdependent, albeit very complex world. Complexity will increase. The old credo of: "Keep things simple" is as dead as a Sicilian donkey. How to interact with this complex, integrated and interdependent world, is the challenge. (Butterfly effect; "contacts"/networking.)
- 2) The future is a moving target. Leadership – and in particular its innovative quality – will be tested on a daily basis: How to deal with instability and volatility?
- 3) Competitive advantage is still the name of the game. It is, however, dependant on the "holy trinity" of: Efficiency, productivity and credibility. Without the "trinity" you will not survive!
- 4) Governments and policymakers, despite their friendly words, do not really view agriculture as a top policy-priority. Farmers and agri-entrepreneurs will have to devise ways and means to keep agriculture high on the policy agenda – even, if necessary, by means of demonstrating tractors!
- 5) The poor is on the move – and angry, given the obscene wealth they are confronted with.

Against this general background I intend doing the following:

- I) Use a broad-brush to paint a picture of what I would like to call the unholy triplets, or the three confusing public perceptions on agriculture facing South Africa. Philosophically speaking: What do we hear from the public discourse? I am indebted to my very good friend, JP Landman (BOE Securities), in this endeavour, I stand on his broad shoulders and rely on his sharp intellect.
- II) Make a few suggestions on how to deal with the challenge.

**I) Three Confusing Messages**

Policy is a strange animal, despite its critical importance. Many years ago at a similar conference, I quoted a World Bank statement emphasising the importance of policy: "You can't have good projects in a bad policy environment".

Besides projects, we have to add two other elements: The communication of policy; the implementation of policy. These two elements sometimes have a dramatic effect on outcomes. In fact, these elements determine the levels of trust and confidence members of civil society have in politicians and bureaucrats.

In this respect "policy implementation", is not only about visible projects. It is – and in my opinion of critical importance – also about public communication, or: about translating "policy documents" into understandable, credible and supportable visions of projects and plans. This has everything to do with what is called "public discourse" and the creation of "public trust" and "public understanding".

My focus, with the help of JP Landman, will be on the issue of public discourse – not "policy documents".

So what are the "messages" on agriculture from the perspective of policy communication and policy perceptions?

I would like to identify three confusing if not conflicting messages regarding agricultural issues.

**First message: To control or not to control?**

In view of the deepening global and South African food crises, the Minister of Finance, Mr Trevor Manuel, rejected in ANC Today of 6 May 2008 price controls and subsidies as a way in which to deal

with rising food prices. Typical of his thinking on socio-economic problems, he came out firmly in favour of two remedies:

- Rising productivity (+ growth).
- Direct income support to the poorest of the poor.

On the previous day (5 May 2008), however, the Minister of Health told the media on behalf of all those departments involved in social services that if food prices get out of hand, government would have to use legislation to control prices!!

Of course, the existence of cartels, for instance the bread cartel adds unnecessary fuel to the ever-present fire of control in South Africa. We must not underestimate the influence and power of the interventionists and control-addicts. Cartels undermine the credibility of business, besides creating anger among those struggling to make ends meet.

Conflicting and confusing political messages in this regard will most probably increase over the next couple of years.

I will deal with this problem at a later stage.

### **Big, small or both?**

By coincidence Mr William Gumede, respected commentator and analyst, responded in The Witness to the food crisis on the very same day Mr Manuel published his article (reference: JP Landman). Mr Gumede saw an excellent opportunity in the high food prices: Small scale farmers should be established. Small plots of land should be provided and redistribution of land should be closely linked to a programme of skills-training. Access to micro-finance would be necessary and the formation of co-operatives should be contemplated.

It is interesting to note his examples of success stories in this regard: South Korea and the Afrikaners.

We cannot find fault with his reference to skills training and access. In fact, a number of economically suicidal farming experiments were created because of failure to provide the necessary skills training and finance – not to mention another suicidal policy experiment, namely the creation of dysfunctional co-ownership on one piece of land.

We have to accept that the idea of small scale and subsistence farming is a very popular idea in South Africa. Unfortunately, and in my limited opinion, at the cost of the importance of commercial farming – in particular regarding the recognition of commercial farming on both the levels of officialdom and general public opinion. This problem is exacerbated by the fact that commercial farming still suffers from an image problem.

Admittedly, policy-makers do from time to time emphasise the importance of commercial farming in their public communications. Some time ago - as mentioned by JP Landman – and in view of the food crisis, the Minister of Agriculture during a visit to the Far East stated that the South African government would refrain from imposing limitations on the export of maize. She gave two powerful reasons: Exports feed people in neighbouring countries; exports motivate farmers to become more productive. Her message was clear: Food security rests firmly on increased productivity and investment by commercial farmers.

Whether this message is consistently and comprehensively conveyed – backed up by credible policy and other measures in this regard – is, in my opinion, a completely different matter. I do hope I am wrong. But my impression is that the small scale farming option gets priority in the communicative and discourse levels as the best ways in solving both the food crisis and the issue of land redistribution. This, in my opinion, is a false and extremely dangerous assumption.

JP Landman convincingly argues the case for investment and rising productivity – in other words: The case for commercial farmers or, as it should preferably be described: Agri-businesses.

Referring to a guru on economic growth – Paul Collier, who wrote the book: *Bottom Billion* – Landman quotes from a recent article of Collier in the *Financial Times*. It was written on 5 May – the same day the statement by the Minister of Health was made and a day before Mr Manuel’s article.

Collier writes that the “remedy to high food prices is to increase food supply, something that is entirely feasible”. He refers to Brazil as an example: “... large, technologically sophisticated agri-companies supplying for the world market”. Good land, he argues, should be properly managed. Large companies have the expertise, capacity and access to finance to do so.

He is blunt in his response to small scale farming: “... peasant style production is not well-suited to investment and technological innovation”.

In a nutshell: Small scale farming increases the possibility of peasants sinking deeper into a morass of poverty (India).

I am afraid that one of the challenges facing South African agri-businesses is how to convince policy-makers that Big is not necessarily Bad. You have, in my opinion, not succeeded in conveying this message to policy-makers and, in particular, township people.

A personal opinion is that South Africa will try to create a balance and, hopefully, workable partnership between big and small.

### **Productivity and land redistribution**

The way in which land redistribution has been executed so far can be termed in only three words: A total disaster – despite a number of success stories and despite solid policy positions.

Land redistribution is a very emotional issue. The frustration and anger among both landowners and claimants regarding the ineffectiveness of the process, is close to reaching unmanageable levels.

A number of confusions in this respect prevail. The most important one of these is the assumption that the transfer of ownership to previously disadvantaged South Africans will not impact negatively on productivity.

Land redistribution, strategically seen, has a dual objective:

- To create new landowners with new vested interests.
- To deracialise landownership and move in the direction of a truly non-racial society.

Unfortunately these admirable objectives were sabotaged by something else: The need to increase the productivity of the redistributed land. In fact, this need was not properly addressed. Most of the redistributed land became unproductive land.

Supporting Landman I want to make two strong points:

- We need a more commercial approach, more investment, bigger economies of scale and more output.
- Agri-businesses can effect BEE transactions in a way individual farmers cannot.

Land redistribution at the cost of productivity is one of the surest ways to socio-economic and political disaster.

- II) What are the signs of hope? And how does agri-businesses have to proceed to interact meaningfully with government and the bureaucracy?

My suggestions are the following:

- 1) Public support and endorsement of acceptable public positions on policy and projects. When Manuel made his statement (referred to) and Zwelenzima Vavi from Cosatu rejected price control for food as being unpractical (Financial Mail, 25 April 2008), were they publicly supported by ABC, Agri-SA and other stakeholders?

In the current war on perceptions “silent diplomacy” in this regard is as dysfunctional as President Mbeki’s silent diplomacy towards Zim.

I hope I do not sound rude. But may I ask: Do you have a credible voice in the public domain? What I want to say with this remark, bluntly stated, boils down to the following. You could jump up and down, shout loudly and run to the pony press on hearing the remarks made by the Minister of Health. Or – you could ignore her and publicly endorse the views of Manuel and Vavi. Which means: You have to be on the ball!

In fact, if the DA or ID make sensible remarks, why refrain from endorsing them publicly?

We are in dire need of a robust public debate on agricultural issues. I am not impressed by what I see, read and hear.

- 2) Interaction/interface between agri-businesses and policy-makers and bureaucrats.

This, in my opinion, is an area in which not much progress has been made – and for two fundamental reasons.

- a) Government, its bureaucrats and advisors do interact occasionally. But not in a partnership founded on common ground and objectives.
- b) Organised agriculture focuses more on specific problems than on long-term strategic objectives, policy positions and viable projects.

The interface between government and interest groups such as agriculture takes place on two levels:

- The informal level – when access has become personalised, based on a relationship of confidence and trust. Informal access requires careful planning and lots of integrity. You have to build a relationship of trust and confidence – and you need your trusted partner’s telephone number.

Do you have a strategy in this regard? Do you know the real movers and shakers on the level of agriculture by name? Without informal networking you are in the desert – one of the reasons for many Afrikaners’ feelings of marginalisation.

- The formal level, that is: The institutionalised level. My impression is that this level works well and is appreciated.

I have, however, to mention a critical aspect: I am not sure that these interactions have delivered on the required objectives.

On a positive note: I am a firm believer in learning by doing. And, of course, learning by mistakes.

Regarding agriculture, government has gone through a very hard learning process. Government is now even prepared to admit to some vital mistakes being made. This amounts to progress and an exciting opportunity.

Posed in a question: Can organised commercial agriculture come up with convincing and workable plans to resolve the pressing issues of land redistribution and productivity?

Do you have the informal network and formal institutions to market such proposals?

Moreover, your position as policy-influencers and project supporters will be enhanced if you succeed in mobilising support from civil society for your plans.

Food security, social stability and poverty alleviation by means of job creation have become huge opportunities for constructive engagement with government and making a difference.

If you interact with government with the primary purpose of conveying criticism and identifying problem areas, you will get nowhere. You must be able to provide viable solutions.

For instance: You must accept, as a political reality, the push for small scale farming – hopefully not at the cost of commercial agri-businesses.

An example of resolving the challenge is to organise the small scale farmers as “satellite farms” around a big commercial enterprise which provide the expertise, monitoring of quality and marketing experience. Success stories are emerging.

- 3) My third suggestion is – in my opinion – of vital importance. If you want to be taken seriously you have to be very, very good at what you are doing. And you must be accepted as “onmisbaar”. On a scale of 10, how do you rate yourself? How are you rated by civil society?

To make my point quite clearly: Without money you will not build muscle.

Does your investment in your organisation reflects the need to build muscle, networks and bargaining power? Or do you regard ABC – as so many white South Africans perceive much-needed institutionalised bargaining power – as charitable organisations based on “vrywillige diens”!

Bluntly stated: Moenie raas en blaas as jy nie bereid is om geld agter jou gerasery en geblasery te sit nie. Liefdadigheid en welwillendheid is belangrik en selfs noodsaaklik. Dit los egter nie uitdagings soos die waar voor u staan op nie.

Ter afsluiting: groei of bloei; produseer of krepeer.

DANKIE/THANK YOU