

# South African grain strategy

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The grain strategy is a common determination by the Grain Value Chain and Support Industries including government, working together towards a common vision of united, prosperous and competitive grain industry. This vision translates into the following goals supported by all stakeholders:

- A profitable and sustainable industry
- Globally competitive industry
- An industry with equitable access to resources and participation.

The vision and the goals are to be achieved through research promotion, development and international co-operation, mutually benefiting efforts, capacity building and skills development, seeking finance at competitive costs to the whole value chain and embracing of a conducive environment.

Through this process, the grain industry was able to raise issues of concern. These key issues as highlighted below are crosscutting strategic concerns in the whole grain value chain.

## Broadening participation in the grain industry

All role players accept that this strategy must be much broader than just empowering black farmers. It should take place at all levels throughout the whole value chain. It is also important that this strategic focus aligns with the government's BEE strategy. According to the BEE strategy, black economic empowerment can be achieved in four ways:

- Direct empowerment through ownership and control
- Human resource development and
- Indirect empowerment through preferential procurement and enterprise development
- Employment equity

In the agricultural context, we also need to add the following components to

ensure wider participation of blacks in the industry:

- Land redistribution and restitution
- Comprehensive agricultural support structures and services

## Farm level

In the spirit of partnership and mentoring of farmers, a number of initiatives were launched to assist black grain farmers across the country. There is independent farmer development initiatives by different stakeholders within the grain value chain aimed at benefiting black farmers. Many of these efforts are done independently, largely uncoordinated and in some cases co-operation is lacking. Frustration amongst black farmers due to poor access to finance, poor extension service and general limited engagement of government is also rife.

In the context of improved coordination and cooperation, government through its national and provincial structures, commits itself in order to see that the partnership philosophy is lived up to. The following plans will be brought into action:

- The formation of black farmers study groups to be facilitated by government.
- Government will support and co-finance accredited skills training programmes for farmers.
- The government will revitalise the LRAD programme by ensuring that budgetary funding is available to assist land purchases by individual farmers.
- The government will consider a programme whereby on-farm infrastructure on newly established and targeted black owned farms are subsidised.
- Access to production finance seems to be one of the major factors affecting the ability of blacks to enter commercial farming and the mainstream of agricultural activity. This aspect is currently the major source of frustration for many black farmers and will be addressed as a matter of priority. Consideration will be given to the merits of aspects such as:
  - A state guarantee for production

- loans or alternatively a subsidised crop insurance scheme,
- Introduction of more financial intermediaries closer to farmers.
- A disaster management (or safety net) programme needs to be in place to provide guidelines to government on how to act in extreme weather conditions.

Limited and poor market access is also a major factor constraining proper empowerment of black farmers.

In an endeavour to improve market access of black farmers the stakeholders in the grain industry commit themselves to the following:

- Expanding of existing training programmes to improve production skills and knowledge.
- Silo owners (and buyers of grain) accept their responsibility to ensure credible, transparent and non-discriminatory practices in grading, handling, storage and pricing in accordance with the existing code of ethics adopted by all grain silo owners.
- A comprehensive system of market information, tailor-made for the needs and circumstances of black farmers, will be introduced.
- Grain traders and agricultural financiers will ensure that the standard grain-trading contract is inclusive and accommodating all farmers.
- Provincial governments in the main grain producing regions will implement a large programme of improving rural roads so that distance to delivery points can in relative terms be shortened.
- The formation of 'new' co-operatives will be a further vehicle to improve market access through collective marketing.

*Note: Some of the aspects noted here are currently addressed as part of the government's newly designed 'comprehensive agricultural support programme' (CASP).*

Secondary and tertiary levels in terms of empowerment beyond the

farm gate the stakeholders agree to a facilitative process of business development for black entrepreneurs entering the business of grain trading, storage, transport and processing. In this context the following activities and tasks will be implemented:

- Develop appropriate and innovative development programmes, project models and targets to activate empowerment opportunities at various business points in the different grain supply chains.
- Develop innovative ways to overcome the high capital requirement of access in the processing business.
- Government and business will facilitate joint ventures and partnerships through leverages as potential opportunities for black economic empowerment.
- Assurance that participants in new business ventures have continuous access to technical, business and marketing advice.

#### Improving competitiveness and profitability

In terms of achieving the goals of a competitive, profitable and sustainable industry the following action plans need to be implemented.

#### Expanding the market for grains

The long term survival and financial viability of the grain industry depends on its ability to expand market opportunities in the local grain market for current farmers and new entrants into the industry. Expanding the market for grain milling products in SADC will be one avenue of increasing the market. In addition alternative uses for oilseeds and maize through bio-diesel and bio-ethanol can provide another important opportunity to expand the domestic market for grains.

This action plan calls for an acceleration of current negotiations and planning between government and various private sector role players for the development of an economically viable policy framework for the production of environment-friendly and renewable fuels, such as bio diesel and bio-ethanol.

#### International Market Access and Trade Policy

Having discussed the problems related to

access to domestic markets earlier, the focus of this strategy is on the ability of the South African grain industry to access international markets. Various factors affect access to international markets and thereby the competitiveness and profitability of the grain industry. These include:

- High subsidisation levels of grain production in developed countries.
- High levels of tariff and non-tariff protection in developed economies
- CSIR study issues that included:
  - A cleaner environment
  - New job opportunities
  - Favourable balance of payment effect
  - Development of rural communities, and
  - Development of new market opportunities for oil seed producers
- Issues related to GMOs in grain commodities such as segregation and identity preservation and restrictions imposed by importing countries.
- Food aid in the SADC region and the purchasing behaviour of relief organisations.
- The cost, efficiency and availability of rail transport, as well as the inefficiency at the ports.
- SPS standards and negotiations
- The implementation of tariffs and anti-dumping measures
- No export promotion programmes for South African grain

In the spirit of the 'Strategic Plan for South African Agriculture' the Department of Agriculture has already drafted a comprehensive agricultural trade strategy, which addresses all the concerns raised by stakeholders. This strategy is based on the regional reality (SACU and SADC context related to trade protection); our commitments under current and future bilateral agreements; and in the third place the multilateral engagements to address world trade concerns. It is further acknowledged that there is a need to improve our capacity and skills of negotiation and control aspects related to all trade matters, including SPS matters.

To ensure continued access to world markets it is now necessary that strong measures be implemented to ensure segregation between GM and non-GM

grain commodities. To this effect the Grain Silo Industry and the commercial grain silo owners commit themselves to where possible make provision for segregation of GM and non-GM grain. The segregation between GM and non-GM products should however be backed-up by GMO labelling legislation. Government (Directorate of Genetic Resources at the National Department of Agriculture) commits to get such legislation passed by end 2004.

Government acknowledges the critical importance of infrastructure, and specifically rail and harbour infrastructure, to the international trading position of the grain industry. To this effect the NDA and the grain industry will continue to engage with Spoomet in relation to its ability to serve the grain industry. The intended recapitalisation of Transnet and Spoomet has already provided some indication of government's commitment to this challenge.

#### Information and communication

The core focus of the information and communication action plan is to provide quality, timely and appropriate industry information to assist strategic leadership and informed business decisions. In addition this strategy also has as objective the creation of an effective and efficient information reference and communication system.

The stakeholders in the grain industry have through a collective effort established a Section 21 Company, the South African Grain Information Service (SAGIS), which operates a well developed and co-ordinated market information function. Although SAGIS provides free, accurate and relevant information there are some concerns regarding distribution as well as the assimilation of the information. It is related to the latter aspect of assimilation that more analysis, interpretation and intelligence are needed. Specific efforts are required to make market and industry information available to disadvantaged communities in a format they could utilise. In this context the following activities and tasks need to be performed:

- Government will strengthen its

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statistical and economic analysis capacity at national and provincial level to provide more analysis and interpretation of SAGIS data and thereby also ensure a wider dissemination of information.

- Make sure about the information needs for disadvantaged communities and ensure that information is disseminated in the form and frequency according to their needs.
- Improving quality of key information, such as crop estimates. Government has accepted its major role in this respect and has already invested in a new system and funding to improve crop estimates.
- Collaboration between NDA, SARS, the Grain Industry and DTI to ensure that actual export and import figures on all grains are available on a weekly basis.
- Improving the CPI and PPI figures by requesting StatsSA to record the appropriate packaging and product type in the composition of the various indices.

This action plan also acknowledges that farmers, especially those from disadvantaged communities, need information on market opportunities, production practices, financing opportunities, etc. It is for this reason that consideration will be given to the following activities (which in a way relates to the empowerment strategy):

- Establish an effective and efficient information reference system. The system should not carry actual information but use key words to link a person to the various sources of information.
- Establish an effective and efficient information help desk as a service where questions could be raised in any format and the client could be directed to the appropriate service providers.

**Technology innovation and transfer**  
The long-term global competitiveness of the South African grain industry depends on its ability to learn and innovate faster

than its competitors. This requires a well-designed, well-financed and well-executed programme of research and technology development.

The research agenda for the grain industry is already well defined and the various programmes such as plant breeding, alternative crops, production requirements, and alternative utilisation of crops as well as research on sustainable livelihoods will all address the various strategic programmes listed above. The stakeholders in the industry accept that the research agenda, as compiled by the ARC and various stakeholders, is appropriate. It is comprehensive and inclusive but the major concern relates to the funding needed to implement the research agenda as a result of the current funding crisis of agricultural research and the dwindling skills base to do the research. It is for this reason that two critical activities have to embark upon:

- The critical food security role of grain crops justifies a strong investment by government in research. This is in line with the philosophy expressed in 'The Strategic Plan for Agriculture' and the government again commits itself to ensure appropriate investment in agricultural research.
- Transformation on the approach by research organisations is also necessary. The large loss in human capital has made it also important to train more agricultural scientists. This can be done through allocating agricultural scholarships especially to promising young students. In addition it is important to ensure that current research staff is maintained so that they can play the very important mentoring role for young scientists and for continuity.
- Technology innovation and transfer can also only take place if an effective extension service is in place. Government acknowledged the problems of the extension services in many of the Provincial Departments of Agriculture and has commissioned an investigation on how to restructure the

extension service in the country. This plan will soon be considered and be implemented by end 2004.

South Africa is generally not well endowed with natural resources for grain production. Consequently tailor-made technologies have been and still have to be developed for the industry to remain sustainable and competitive. It remains a task for the agricultural research system to develop these technologies such as reduced tillage, soil-water conservation and crop rotation systems, disease and pest resistance breeding, wide adaptability of crops, fertilizer studies on low organic and clay soils. All practices that could reduce the impact of drought and high evaporation demand should be studied to devise optimal production practices.

## Technical standards

Aspects such as inferior quality inputs and the perception of non-transparent practices of grading of grains also affect the competitiveness of the grain industry. An action plan on technical standards is therefore required. Specific concerns are raised with regard to the implementation of legislation on agricultural inputs, namely the Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act No. 38 of 1947). The government now commits to the improvement of the implementation of the Act by verifying on a regular basis whether the fertiliser and chemical industries adhere to the standards set in the regulations of the Act. The Department of Agriculture is in the process of drafting a new Bill and accompanying regulations as a matter of urgency.

It has also become clear that the grain industry needs a clear understanding of the various sanitary and phytosanitary standards that the industry has to comply with in order to compete internationally. The NDA and the industry partners will

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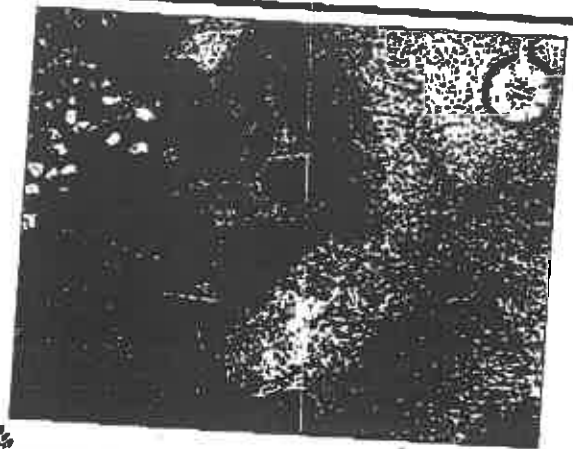
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work together to draw up such a list of requirements for different importing countries and different crops. In the same line it is argued that enforcement of the various acts and regulations regarding SPS measures is also not executed properly. A process to improve this and to ensure uniform interpretation of regulations will be instituted by government in collaboration with industry. This also applies to grain being imported.

Grading regulations for all the major grain commodities are in place and it should be ensured that they are applied consistently at all delivery points. To address potential opportunistic behaviour by graders a system of self-regulation of grain traders, graders and silo owners is necessary and is currently in place. There is a process in place whereby discrepancies and deviations are dealt

with through mediation, arbitration and price adjustment.

### Human resource development

The core focus of this action plan is to improve the supply of skilled workers to the industry in terms of international norms and standards. Successful human resource development will require that specific attention be given to the skewed access and participation of black people in the industry in the whole value chain. Training and skills development is needed in:

- Production practices of the different grains
- Food science and practical skills in the grain processing business
- General business skills (including financial, marketing and risk management)
- Training on aspects related to

- pesticide use and handling; market quality assurance requirements and SPS requirements by the market
- Interpretation and handling of market and business information
- Understanding of the components and terms of grain contracts
- Elementary aspects related to the working of futures markets

Detail inputs on these issues by different task teams are part of the comprehensive strategy document that can be obtained from the NCM or AFMA offices.

A further programme to address all these aspects will be developed by all stakeholders in the industry through the help of an industry driver. Using the National Grain Strategy as framework, individual sub-sectors will also have to develop their own strategies.