



*The Grain and Oilseed Industry
of South Africa*

A JOURNEY THROUGH TIME

CHAPTER 3

3 Deregulation of **AGRICULTURAL MARKETING** and the establishment of **TRUSTS**

Virtually from the time the Union of South Africa came into being in 1910 South African agriculture has been characterised by government intervention through various pieces of legislation. From a marketing point of view the main intervention was probably the Marketing Act of 1937 and the accompanying introduction of control boards for the various agricultural products.

The main aim of the 1937 Act and its successor, the Marketing Act of 1968, was to ensure the orderly marketing of agricultural products. Chapter 1 of this publication describes how the acts functioned and were amended from time to time, often because of dissatisfaction about the lack of order and consensus.

For some five decades the affairs of the grain industry in South Africa were managed by a variety of boards in accordance with marketing schemes in a single-channel marketing system in which the Minister of Agriculture made the final decisions, particularly with respect to prices and marketing.

Since the eighties the pressure on the single-channel marketing system gradually increased. This gained momentum in the 1990s, particularly as a result of prices that were set unilaterally by the Minister. The enormous deficits that accrued in the Stabilisation Fund also contributed to the pressure – to the extent that it could not be neutralised even by NAMPO’s direct inputs from its members on the Maize Board.



Sound bite: Mr Jannie de Villiers’ account of the reaction of producers to the Kassier Committee report during a meeting in Bethlehem.



Over time a huge gap emerged between the producer price and the consumer price of maize, which put further pressure on the single-channel marketing system. Buyers and producers increasingly began to bypass the system and the Maize Board without paying the necessary taxes to the Maize Board.

Internationally, liberal economic systems increasingly came into play in the 1980s. Because of the political situation, South Africa was not really affected by this before 1990, but as the political and economic dispensation in South Africa started to change, this change had an increasing effect and the pressure on the single-channel marketing system grew.

South Africa participated in the negotiations regarding the General Agreement on Tariffs and Trade (GATT) and it was clear that the agricultural marketing scheme in terms of the Marketing Act of 1968, which was in effect then, had to become considerably more transparent, particularly with respect to single-channel marketing schemes.

THE REPORT BY THE COMMITTEE OF ENQUIRY INTO THE MARKETING ACT (KASSIER REPORT – 1992)

On 25 June 1992 the Minister of Agriculture, Dr Kraai van Niekerk, appointed a Committee of Enquiry into the Marketing Act (the so-called Kassier Committee) with the brief to conduct an in-depth investigation of and report on the marketing of agricultural products in South Africa. The terms of reference were furthermore that the investigation should include the way in which any recommendations by the Committee had to be implemented, as well as their influence on the producer, consumer and food security in South Africa. The Committee's terms of reference included the individual investigation of the various schemes that function under the existing Marketing Act, taking the risks and instability inherent in agricultural production as a result of the South African climate into account.

The Kassier Committee was of the opinion that the Marketing Acts of 1937 and 1968 had not succeeded in accomplishing their basic objective, namely to stabilise the industry in order to make effective production possible, reduce marketing margins and protect the natural resource base, and that the schemes that had been established under the Marketing Act did not serve the best interests of all the role-players in the industry.

The Committee also believed that the changes that had been implemented with respect to deregulation left much to be desired, particularly with respect to the way in which it had been done, and that they had in fact promoted a monopoly for certain individuals and organisations in the wheat industry in particular, without any statutory control to accomplish orderly marketing.

The Kassier Committee also maintained that the agricultural marketing system had to be lodged in a free-market system to a greater extent. In the Committee's report the view was held that a strong, independent, transparent and more centralised and representative power was required to abolish the vested interests of the control boards that functioned under the 1968 Act.

The Committee's main overall recommendations were:

- That an Agricultural Marketing Council (AMC) that complies with the above criteria be established, with equal representation for all the interest groups concerned. The main task of the AMC would initially be to manage the process of the deregulation of the different control boards. It then had to be instructed that certain statutory interventions that already existed in legislation and new measures that were introduced should be implemented through the industry bodies, which would act as part of the AMC.
- That the deregulation of agricultural marketing should be a managed process, rather than a once-off abolition of all control.
- That the AMC only had to act in an advisory capacity for the minister.

Some of the more general recommendations included:

- That the grading standards for maize, wheat and other types of grain be amended to better reflect their nutritional and economic value.



Prof Eckart Kassier (right) received a certificate of recognition at NAMPO's closing Congress from Mr Japie Grobler, Chairperson of NAMPO.

WHO WAS ECKART KASSIER?

Prof. Eckart Kassier obtained the degree Dr. Agrar from the University of Hohenheim in Germany and spent most of his professional career as Professor and Head of the Department of Agricultural Economics at the University of Stellenbosch.

He was also the first chairman of the National Agricultural Marketing Board under the law on Agricultural Marketing of 1996.

- That the marketing councils for grain follow a more consumer-friendly approach with respect to pricing.
- That in instances where the marketing councils used a unitary pricing policy, it be abolished immediately and replaced by a pricing system that would better reflect the comparable benefits, including location and quality differences.
- That statutory single-channel and price-supporting marketing schemes be abolished and the existing marketing councils continue as private and voluntary organisations.

At the same time the Kassier Committee warned against the risk that deregulation could lead to a loss in industry information, as the control boards were responsible for this at that stage.

The Committee also believed that the government had to take greater responsibility for ensuring food security in South Africa. This should not be integrated with the agricultural marketing system, but funded from the central budget, with the necessary assurance of transparency.

Early in 1993, shortly after the Kassier Committee's report had been released, Minister Van Niekerk appointed an Agricultural Marketing Policy Evaluation Committee (AMPEC) and, with a view to developing a marketing policy for different agricultural products, instructed it to propose a framework with guidelines for future marketing systems for each agricultural product and, in collaboration with other stakeholders, including the control boards, draft guidelines for an implementation plan.

Although AMPEC consisted of representatives from a widely divergent number of interest groups, it eventually provided the Minister with a consensus report. The report recommended that the *status quo* be retained, but with less regulation and greater transparency.

On 7 March 1995 a draft act to replace the 1968 Act was published. This was largely based on the recommendations of the AMPEC report and elicited severe criticism



Sound bite: The beginning of the movement to a free market maize was due to the maize of Mr Attie Swart, previous Deputy Director General in the Department of Agriculture.



Sound bite: The free market is an illusion – it is in truth a manipulated market – Mr Crawford von Abo.

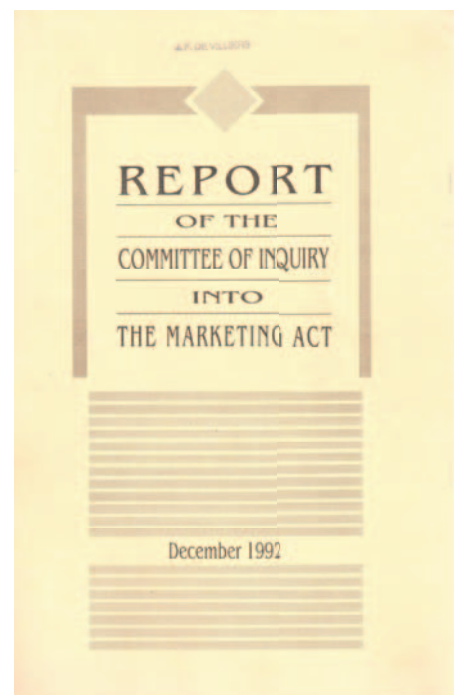
CRITICISM ON THE KASSIER-COMMITTEE

The composition of the Kassier Committee attracted criticism from various sources, including from NAMPO, particularly with respect to the known prejudices of certain members of the Committee and a lack of in-depth knowledge of the industry.

When the report was released, NAMPO as well as other experts believed that the report was superficial, that several of the Committee's findings and recommendations had been based on conclusions drawn from preconceived views and philosophies rather than practical market expertise, and that it had not taken the influence of different interests properly into consideration, as had been contained in the terms of reference.

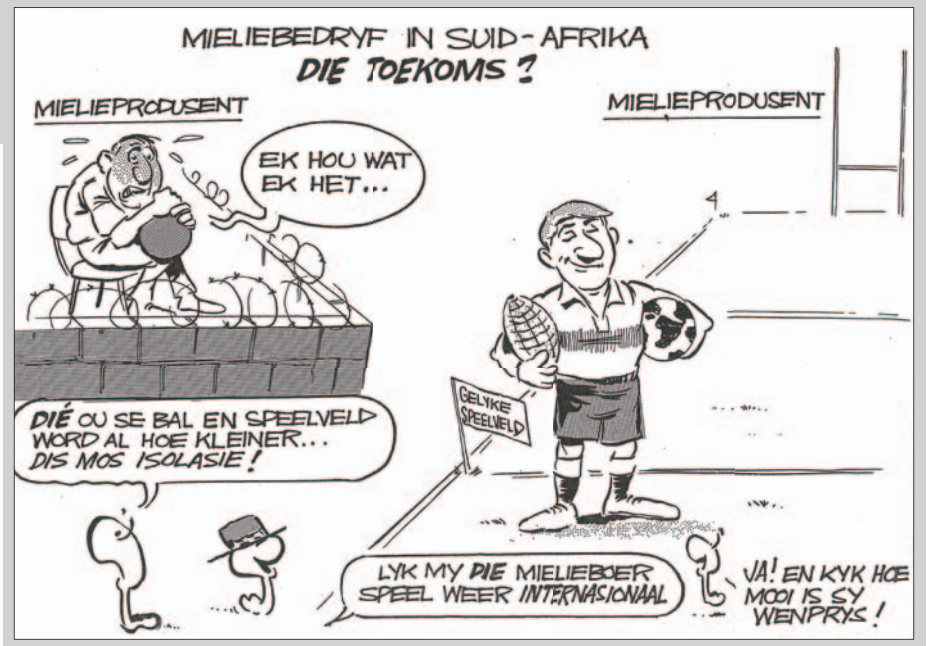
The view was also that the report made certain generalised statements in an unfair manner with respect to marketing councils, and reflected some of the committee members' philosophical views on a free market rather than assessing the needs of the industry. Advocates of controlled agricultural marketing pointed out that a completely free market existed nowhere in the world.

Critics also stated that several in-depth investigations in the decade preceding the committee's report had found that the single-channel marketing systems of agricultural products had to be retained, although it was acknowledged that they had to be adapted to changing circumstances in the course of time. The last of these reports, that of the so-called Brand Committee, on which producers as well as consumer groups had been represented, had been released in the same year that the Kassier Committee was appointed. However, the latter committee did not take the findings of these investigations into account.

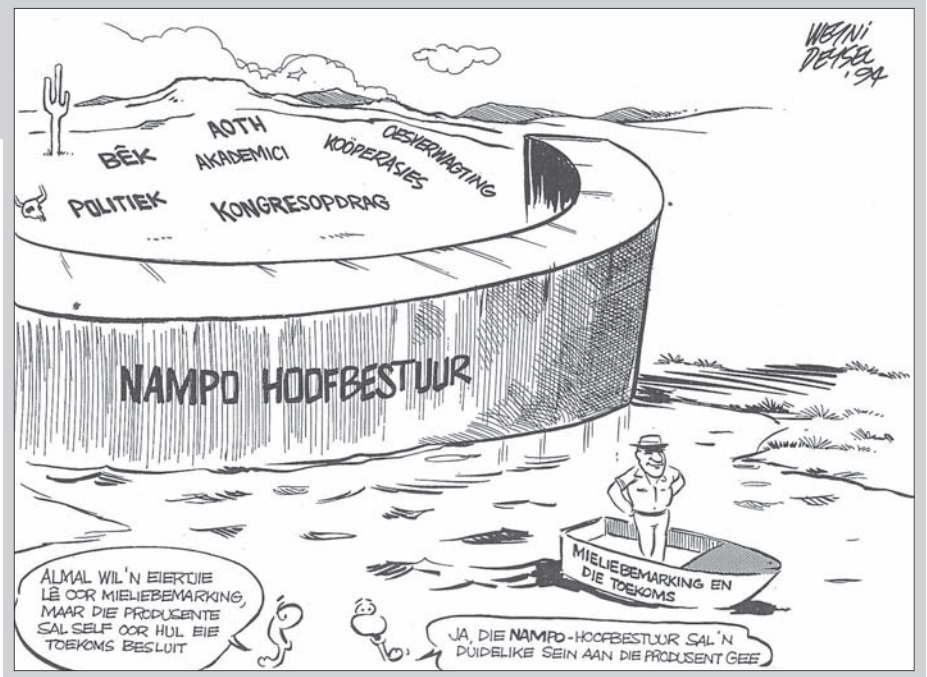


A copy of the Kassier Committee's findings. This report led to the final change of maize marketing in South Africa.

On the eve of 1994 one fact was as clear as daylight, namely that nothing would ever be the same again. *Mielies/Maize* 1993.



During an extraordinary Congress on 26 August 1993, NAMPO members realised that changes to the maize marketing system were inevitable.




from certain circles because it retained many of the principles of the 1968 Act and, in the opinion of the critics, was still drafted very much in the producers' favour. It was also thought that the draft Bill would make it possible for parties with vested interests to influence the government's policy, while statutory intervention was still allowed in the market without any criteria according to which such intervention had to be considered having been determined.

In July 1995 Minister Van Niekerk, who was still an appointee of the National Party (NP) in the Government of National Unity, released a White Paper for Agriculture. This was drafted taking the interim Constitution of South Africa and the government's Reconstruction and Development Programme into account. When introducing it the minister pointed out that the changed political and social dispensation in the country and the accompanying objectives, as well as South Africa's entry into international markets, would hold great challenges for agricultural producers too – with respect to the domestic as well as the international market.

The declared objectives of the White Paper were to ensure equal access to agriculture in South Africa for all races and genders, to maintain and expand a sound



Sound bite: Within a few years the establishment of Safex had taken shape – Mr Jannie de Villiers.



commercial farming sector, promote food security and the preservation of natural resources, and ensure free competition in the agricultural sector.

However, the African National Congress (ANC), which was the other party to the Government of National Unity, submitted its own policy document on agriculture that had been largely based on the Kassier Committee's report, with strong preferences in favour of a total free-market system.

MARKETING OF AGRICULTURAL PRODUCTS ACT, 1996

In 1996 the Marketing of Agricultural Products Act, Act 47 of 1996 ('the 1996 Act') was accepted by parliament. This Act, which revoked the Marketing Act of 1968, came into effect on 1 January 1997.

The Kassier Committee's approach of a managed transition that should lead to the minimum intervention was included in the 1996 Act, in spite of strong views by some role-players that the entire system simply had to be abolished after a limited phasing-out period. However, the Act in some respects went further than the recommendations of the Kassier Committee, for instance by defining the circumstances and conditions under which the government would be allowed to intervene in the marketing of agricultural products, as well as the process that had to be followed to do so.

Goals

The objects of the 1996 Act are, among other things, to provide and enforce regulatory measures aimed at regulating the marketing of agricultural products, including authorising the introduction of levies on agricultural products, as well as making provision for the establishment of the National Agricultural Marketing Council (NAMC). The NAMC had to monitor the effect of deregulation and conduct investigations about export marketing initiatives and rate fixing. In contrast to the Marketing Act of 1968, the point of departure of the Act was to prevent undesirable interference rather than to authorise it.

Objectives

The objectives of the 1996 Act were to accomplish the following:

- Increased market access to all the participants in the market.
- Promotion of effective marketing of agricultural products.
- Optimising of earnings from the export of agricultural products.
- Promotion of the viability of the agricultural sector.

The Act expressly provides that statutory measures may be permitted only if the Minister of Agriculture is satisfied that such measures will directly and significantly promote one or more of the Act's objectives without having a material negative effect on food and job security and the maintenance of fair labour practices. Statutory measures can also be implemented only if proof can be provided that such measures enjoy sufficient support from parties who are directly affected.

These measures, together with various other provisions in the 1996 Act, were added in an attempt to make the decision-making process with respect to statutory intervention in the marketing of agricultural products more transparent and inclusive.

National Agricultural Marketing Council

The 1996 Act makes provision for the establishment of a National Agricultural Marketing Council (NAMC) to advise the Minister of Agriculture in various ways and fields on and assist him with matters pertaining to statutory measures and the agricultural marketing policy.

The composition, powers and functions of the NAMC, which was established on 6 January 1997, differ considerably from those of its predecessor, the National Marketing Council. The NAMC's composition is regulated expressly by the 1996 Act. It comprises ten members who are appointed by the Minister of Agriculture at the recommendation of parliamentary portfolio committees. The appointments





EVEN WHEN CONTROLLED MARKETING WAS ESTABLISHED AS FAR BACK AS THE 1930S SOME GROUPS AND INDIVIDUALS BELIEVED THAT THE RESTRICTIVE REGISTRATION REQUIREMENTS OF THE WHEAT BOARD WOULD LEAD TO MARKET CONCENTRATION. WITH HINDSIGHT, THESE VIEWS COULD PERHAPS BE JUSTIFIED BY THE CONVICTION IN 2009 OF MILLERS AND BAKERS WITH RESPECT TO UNCOMPETITIVE PRACTICES UNDER THE COMPETITION ACT OF 1998. IN ONE CASE FOUR BAKERS WERE ACCUSED OF PRICE FIXING, WHILE THE COMPETITION TRIBUNAL CONVICTED 17 MILLERS OF PRICE FIXING IN THE OTHER CASE.

are made in such a manner that the council is representative of a broad spectrum of interest groups, including consumer groups and emerging farmers who were excluded to a great extent in the past.

The members of the NAMC must possess practical knowledge and experience on the agricultural industry, the production of agricultural products, local and international marketing of agricultural products, agricultural economics and/or the production and marketing of agricultural products by small and emerging farmers.

The NAMC was given greater powers than its predecessor, whose main task it was to advise the Minister of Agriculture, which advice he could ignore in any case. The NAMC has its own staff, in contrast to the previous dispensation, where the AMC had to use seconded staff, and its budget is approved by the Minister of Agriculture after consultation with the Minister of Finance.

If the NAMC makes recommendations on statutory measures, whether they be the introduction of new measures or the continuation, amendment or revoking of existing measures, the minister is obliged to publish his reasons for the acceptance, rejection or re-referral in the Government Gazette.

After the 1996 Act was implemented, statutory measures with respect to record-keeping, registration and the submission of returns in various agricultural industries, including maize, wheat, oilseeds and sorghum were introduced. Although various industries completely abolished statutory measures, levies were introduced in a number of industries after the commencement of the Act, including in the wheat and sorghum industries.

When the NP withdrew from the Government of National Unity, the NP's Minister of Agriculture, Dr Kraai van Niekerk, was replaced by Mr Derek Hanekom, a Minister who had been appointed by the new ANC government. The new Minister's view was simply that the marketing schemes should be abolished and the control boards should be dissolved on 1 May 1997. He was not prepared to listen to NAMPO's repeated requests to phase in the transition process to a deregulated market over time.

On 28 November 1996 Minister Hanekom announced that from the beginning of the next season, in other words from 1 May 1997, there would be no floor price for maize and that a free-market system would apply. He was not even prepared to meet delegations from producers about the matter. It appears that his decision could have been influenced by his dissatisfaction with an increase in the domestic price of maize due to a domestic shortage, which he felt had been caused deliberately by exports. Consequently, major changes to the agricultural marketing environment had to be implemented within a very brief period.



Sound bite: For two years prior to the introduction of the free market, the surplus removal scheme created a floor price in the maize market – Mr Cerneels Claassen.



Sound bite: The abolishment of the Wheat Board followed on the phasing out of the one channel system – Mr Andries Beyers.

CONSEQUENCES OF DEREGULATION

The deregulation of agricultural marketing not only changed the entire grain marketing landscape in South Africa radically, but also caused large-scale changes in many related fields, including farming methods, production, financing, storage, mechanisation, labour and research and development.

The first indication of changes in producers' decisions about crop production was observed in the maize industry. Although the total area that had been cultivated under maize was reduced in the first years after deregulation, this was mainly with respect to yellow maize. Statistics show that, since deregulation, the sentiment of producers and traders has turned towards white maize.

It will not be an easy task to try and determine the ultimate consequences of deregulation in all its facets, and it does not fall within the scope of this publication, but a few of the immediate consequences do deserve attention.

The biggest change caused by the deregulation of agricultural marketing was that the prices of agricultural commodities were no longer regulated, but were determined by the action of market forces in the free market. This created a totally new agricultural marketing environment from the regulated system that had applied for several decades. The transition was made very rapidly, without a proper phasing-in period, and therefore without proper planning.

Many new players entered the market and a new risk developed because of role-players who did not adhere to their agreements. This led to the development of standard contracts for marketing grain, which created greater certainty and contributed to more order in the market.

In Chapter 4 reference is made to initiatives by NAMPO and later Grain SA to provide training to producers about the operation of the maize markets. A broker service was also established to accomplish transparency in the market.

The abolition of the control boards also meant the end of an era where producers with a guaranteed majority vote on the various control boards could direct industry decisions.

Pricing: Grain and Oilseeds

During the period of regulation the control boards handled all the marketing of grain in South Africa. Producers had no control or decision-making responsibility



Sound bite: Circumvention of the maize marketing system which occurred, placed severe pressure on the one channel marketing system – Mr Cerneels Claassen.

From 1 May 1995 the course of maize marketing was altered when the final move was made from the old one channel marketing system to the new deregulated marketing system for maize.

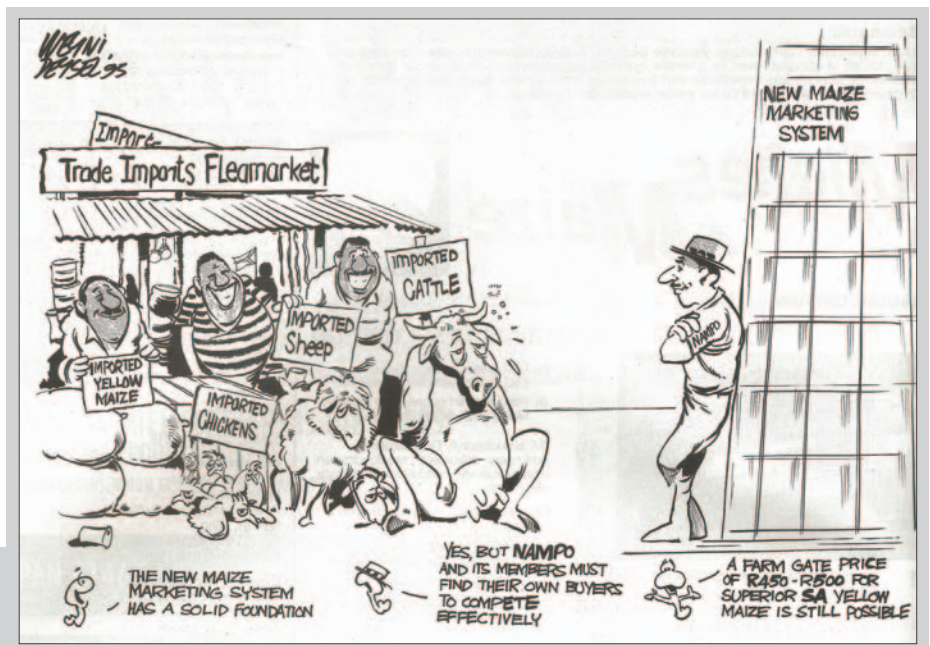


SINCE DEREGULATION PRODUCERS COULD NO LONGER RELY ON GOVERNMENT AID AND FIXED PRICES, SO ECONOMIES OF SCALE BECAME INCREASINGLY IMPORTANT. IN THE CASE OF WHEAT PRODUCTION, A CONSIDERABLE INCREASE IN PRODUCTIVITY WAS OBSERVED, BUT AT THE SAME TIME THE AREA IN WHICH WHEAT WAS CULTIVATED WAS REDUCED CONSIDERABLY AND THE QUANTITY OF WHEAT IMPORTED RAPIDLY INCREASED. BY 2007 ONLY ABOUT 632 000 HECTARES IN SOUTH AFRICA WAS UNDER WHEAT, COMPARED TO ABOUT 1 550 000 HA IN 1991.

with respect to their prices, while the agribusinesses acted only as agents for the boards to receive, store and distribute grain, and pay the purchase price of the grain to producers.

With the deregulation of grain marketing in 1996 the responsibility for marketing shifted to the producers themselves virtually overnight, and as the control boards in the regulated market had dealt with all the marketing activities with respect to grain, agribusinesses and producers had little experience in the marketing of grain. Producers generally did not have the knowledge to make pricing decisions and initially they could not rely on the agribusinesses for this. Considerable uncertainty about price movements therefore reigned initially among those who became involved in the buying and selling of grain in the new market environment.

Since deregulation the prices of grain in South Africa were mainly affected by factors like import and export parity, tariffs, net domestic demand, supply, stock levels, crop estimates, weather conditions and exchange rates. The price stability of the regulated market made way for prices that fluctuated enormously and over which the producers had no control. The market did offer producers the opportunity to hedge their financial risks through the use of market instruments, but a lack of expertise in this field created major challenges.



This commentary about the new marketing system appeared in *Mielies/Maize* of July 1995.

It was not always a simple matter to use market instruments to hedge risks, particularly in the wheat market where market share was vested in a relatively small number of role-players, with roughly four organisations that almost totally dominated the market.

However it appears that producers in general did quite soon start utilising the pricing mechanisms offered by Safex (the South African Futures Exchange), and in the 1998/1999 season about 47,1% of the grain producers were already using them.

Safex

The development of a futures market for beef commenced in 1994, with the intention being to expand it to grain later when it was functioning successfully. As the Maize Board had already started hedging the exporting of maize in the Chicago Board of Trade (CBOT) against unfavourable price fluctuations in the early 1980s and therefore knew how the futures markets worked, it became actively involved in the development of a futures market for agricultural commodities.

The interest in this increased to such an extent in anticipation of the deregulation of the agricultural sector that the Agricultural Markets Division (AMD) was established as an independent section of Safex in 1995. Safex has functioned in the financial markets since the 1980s, and when the AMD was established it therefore had the necessary knowledge and administrative systems to enable it to trade the first maize contracts as soon as the first quarter of 1996.

At the time the Marketing Act of 1968 was replaced by the 1996 Act, Safex was already established and white and yellow maize, as well as wheat, were traded. It was later expanded to other products like grade 2 maize, sunflower and soybeans. Initially only forward contracts were traded on Safex, but in due course the variety of available contracts and market instruments was expanded and Safex developed into a fully fledged futures market. Safex became the platform on which the prices of listed agricultural products in South Africa were determined and contracts for these were traded, in contrast to the previous dispensation, where the price was determined by the only buyer and seller of wheat.

In 2001 Safex became part of the Johannesburg Stock Exchange (JSE) and was known as the Agricultural Products Division (APD) of the JSE. Its vision was to provide a safe and effective market for the trading of derivatives in South Africa.

**THE FIRST MAIZE
CONTRACTS WERE TRADED
ON SAFEX IN THE FIRST
QUARTER OF 1996 – A
TOTAL OF 485 CONTRACTS,
OR 48 500 TONS. IN
JULY 2015 AN AVERAGE
OF 1 080 JULY 2015-
MAIZE CONTRACTS
(1 080 000 TON) AND
3 057 DECEMBER 2015
MAIZE CONTRACTS
(3 057 000 TON) PER
DAY TRADED.**

A maize farmer in South Africa today just cannot afford not to know what's going on in the future(s)!

With the introduction of maize futures contracts on the South African Futures Exchange, South African maize farmers can now benefit from this internationally recognised, market related facility to manage the price risk associated with maize farming.



For more information on how you can use the futures market to manage your price risk, contact John Wixley or Rod Blondin at the Agricultural Markets Division of the Safex.
Tel: (011) 728 59 60 Fax: (011) 483 25 27

"Isn't it about time you considered the future(s)?"

One of the first adverts which appeared to introduce Safex.



On 31 December 2015 the following contracts were traded on Safex:

Contract	Date listed
White maize WM1	March 1996
White maize WM2	July 2000
Yellow maize YM1	March 1996
Yellow maize YM2	July 2000
Wheat	November 1997
Sunflower	February 1999
Soy	April 2002

Transport differential

The transport differential introduced with the establishment of Safex reflects the transport costs component that is taken into account in pricing. It represents the transport costs for transporting grain from different localities to Randfontein.

Safex used Randfontein as the point of reference for determining the transport differential because of the large volumes of grain that were processed there. The transport differential for each Safex point of delivery was then calculated with the transport component as basis and deducted from the Safex price to determine a basis price at each silo.

Initially the transport differential was calculated mainly with respect to the cost of rail transport, as most of the grain was transported by rail. Rail transport was cheaper than road transport, so that as the volumes of grain transported by road increased, the cost component was increased accordingly. Likewise, the increase in the price of diesel as well as the higher maintenance costs of trucks due to the poor condition of roads in time led to a higher transport differential.

Infrastructure

After the deregulation of the markets in 1996 and the accompanying changes in production volumes in certain isolated and marginal areas, several of the silos and rail infrastructure established in the period of controlled marketing basically fell into disuse, while a greater concentration of storage developed in other areas.

With deregulation the storage capacity was virtually totally under the control of the former agricultural co-operatives. Allegations were made that the storage facilities abused their dominance with respect to storage capacity to apply uncompetitive practices. One of the biggest storage facilities of maize at the time, Senwes, was in fact accused by the Competition Commission that they had abused their dominant position in the provision of storage capacity. With the introduction of alternative storage facilities after deregulation, e.g. silo bags and grain dams, traders had other options than just the concrete silos of the former co-operatives and the silo owner would probably no longer find it easy to dominate the market for storage.

Agribusinesses

One of the biggest adjustments for producers shortly after deregulation was the change in their relationship with agribusinesses. Since the start of controlled marketing in South Africa in the 1930s agricultural co-operatives played a very important role in the grain industry. The co-operatives, which were owned and controlled by producers, functioned as agents of the control boards, which were the only legal marketers of grain. Grain producers conducted all their grain business through the agribusinesses (co-operatives). The producers therefore focused on production, while the control boards marketed their products.

However, with the commencement of the 1996 Act the position changed completely and producers had to manage the marketing of their products themselves. The commencement of the 1996 Act and accompanying abolition of the marketing councils also meant that the role of agribusinesses as agents of the marketing

LOCATION DIFFERENTIAL A MAJOR POINT OF DISCUSSION

The Safex location differential is a major point of discussion amongst grain producers, because there are different opinions on the phasing out or retention thereof. It is therefore no surprise that it was on the agenda of more than one Grain SA Congress and the various Breakaway Sessions during Congress.

Although it was decided during Congress not to phase out the location differential, it became clear at the Congress of 2014 that there was not consensus amongst all producers on the phasing out of the location differential. Following a decision by producers, the Executive was tasked to determine the impact of the location differential on the grain industry and make recommendations thereon to Congress 2015 for consideration.

Despite requests by Grain SA the JSE eventually decided not to phase out the system, because the location differential forms part of Safex's business model. The 2015 Congress took note and recommended that cash markets be developed further and managed more transparently.

Grain SA was also tasked to go on monitoring the fair calculation of the location differential by the JSE and, where necessary, contact the JSE for the recalculation thereof. The organisation takes active part in and gives input on the calculation of the differential for the new marketing season before it is announced by the JSE.

NAMPO openly blew the whistle about the maize buyers and processors, or rather the "fat cats" that were unilaterally favoured by the decision of the Maize Advisory Committee concerning the future of maize marketing.

Voortsetting van funksies na afsluiting van Mielieraad

Persverklaring deur die Mielieraad

Die Mielieraad se Voorstter, mnr Vic Mouton het in Pretoria gesê dat die Mielieraad op 31 Januarie 1997 'n besigheidsplan aan die Nasionale Landbouberamingsraad (NLBR) voorgelê het soos in die Wet op die Bemarking van Landbouprodukte vereis.

"Die besigheidsplan is deur die Mielieraad en al die direkte belangegroepes vir mielies, soos in die Mielie-advieskomitee verteenwoordig, goedgekeur en as 'n voorlopige besigheidsplan vir die uitsfasing van die Mielieraad ter tafel gelê," sê mnr Mouton. "Namate verdere beplanning in die proses van uitsfasing gedoen word, sal dit aanvullend tot die voorlopige besigheidsplan aan die NLBR verstrekk word," sê hy.

Sekere belangrike funksies vir die bedryf, wat tot dusver deur die Mielieraad verrig was, sal wel in ander strukture gevestig word, sodat die dienste nog vir die bedryf beskikbaar is. Mnr Mouton sê "van hierdie funksies wat as noodsaaklik vir die

bedryf geag word, is byvoorbeeld markinligting en laboratoriumdienste. Die nodige beplanning vir die skep van nuwe strukture of die oordrag na bestaande strukture om hierdie funksies te verrig, is tans aan die gang en die Raad sal die funksies verrig tot tyd en wyl die nuwe strukture daartoe in staat is."

Mnr Mouton sê "een van die aspekte wat beslis sal voortgaan, is die afhandeling van regsaksies en die invordering van uitstaande heffings. Hy sê die Raad is nie van voornemens om enige saak, waar die feite hulle daartoe leen of waar daar voldoende bewyse vir die verhaling van verskuldigde heffings bestaan, te laat vaar of terug te trek nie."

"Die Raad is tans besig om 'n aksieplan vir die afhandeling van alle regsaksies te finaliseer," sê mnr Mouton "en die nodige infrastruktuur sal geskep of in stand gehou word om dit moontlik te maak."

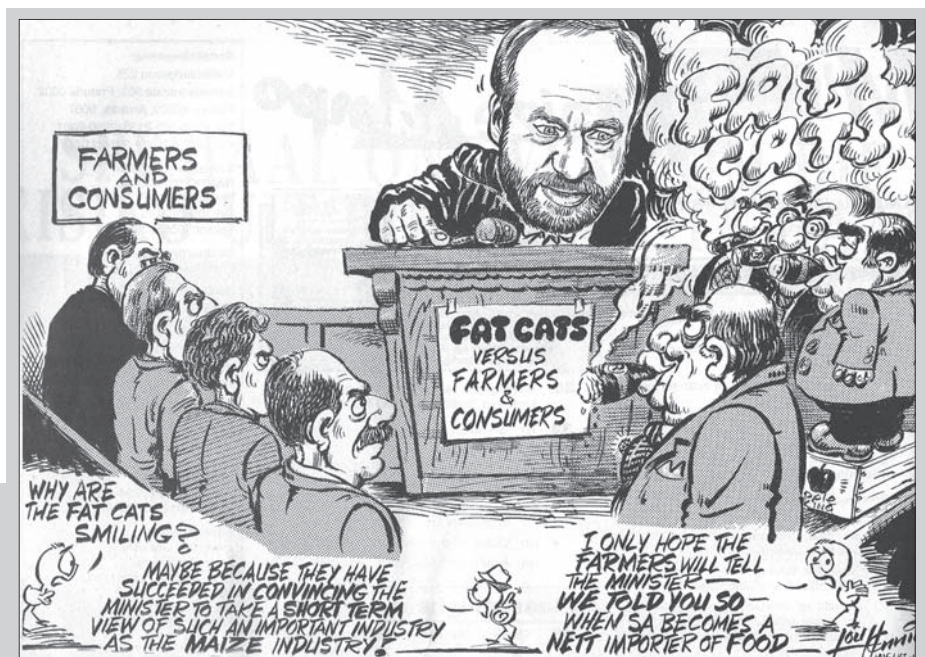
Press release by the Maize Board, March 1997.

councils disappeared. They were therefore forced to change their business approach by becoming more marketing oriented, which had an enormous effect on the relationship between the agricultural co-operatives and the grain producers.

Many of the larger co-operatives in particular were converted into companies, with the producers as shareholders. The position of the producers therefore changed from a member of the co-operative to an investor who was a client at the same time. In an environment where the producers were no longer bound to the co-operatives for the biggest part of their business, they also had to start making decisions on the basis of sound business principles and not pure loyalty.

Likewise, milling companies used the opportunity to consolidate their positions and expand their interests, as the restrictions that had applied during the existence of the control boards were scrapped. The restrictions and control over the registration of bakers in the bread chain were ended, so that the millers entered that industry too on a large scale.

Although some 99 new mills had been erected since the abolition of the control boards until 1999, 33 of them still produced about 97% of the country's wheat meal.





In the baking industry literally thousands of new bakeries were established, but by 1999 roughly 80% of the bread in the country was baked by only six groups. In 2000, 80% of the wheat meal and 65% of the bread in South Africa were produced by only four groups (Pioneer Foods, Tiger Brands, Premier Foods and Foodcorp).

Exports

In the previous dispensation the control boards had full control over the exporting of agricultural products. However, since the commencement of the 1996 Act there was no export control, except for quality control measures.

Phasing out of control boards

Under the 1996 Act all the marketing schemes of the 1968 Act had to be phased out by 5 January 1998. However, the control boards had assets and staff as well as industry commitments and obligations that had to be managed out.

The new Act required existing control boards to submit a business plan to the Minister of Agriculture and the NAMC within 30 days of the first meeting of the NAMC, with recommendations on the way in which the control board concerned would manage the termination of operations.

Requests by the industry for statutory measures also had to be motivated fully in the business plan. The core principle was that a statutory measure and proposals for the restructuring of the functions of the control boards had to be supported by the industry with consensus recommendations. In the absence of a consensus recommendation the minister could decide on his own measures for deregulation.

There are different views that prevailed about the way in which the assets of the control boards had to be disposed of. Buyer groupings argued that they belonged to the consumers because they were recovered from them in the prices of products. The producers felt that they belonged to them, because they had been collected from them by way of levies, while the government's view was that they belonged to the government.

Eventually it was agreed to establish industry trusts for the different industries, mainly in order to administer the assets from the different control boards and utilise the funds from these to promote the individual industries focussing on research and information needs.

In time the Trusts funded various developments and initiatives to the benefit of the grain industries. A few are outlined below:

Maize Trust

The provisional business plan for phasing out the Maize Board was submitted to the NAMC on 31 January 1997 after it had been approved by all the direct interest groups as represented in the Maize Advisory Committee. This included that certain important functions for the industry that had been handled by the Maize Board, for instance market information and laboratory services, would be moved to other structures.

After the commencement of the 1996 Act the Maize Board was reduced to five board members and five persons were contracted to close off the affairs of the Board, for example the sale and transfer of assets and the collection of outstanding levies, which was accompanied by court cases that were completed only a number of years later. Ultimately all the Maize Board's assets, including the Maize Board Building in Pretoria, were liquidated and the funds transferred to the Maize Trust.

With the dissolution of the Maize Board it possessed reserves of about R240 million. In contrast, the Stabilisation Fund, referred to in Chapter 1, had an almost equalised deficit and initially the Minister wanted to set off the two amounts against each other on the basis of the argument that it was an obligation of the National Party government and not of the new government. Eventually it was agreed that the maize industry could keep the reserves, provided that they were kept in the Maize Trust, the objective and provisions of the trust deed of which had to be determined by way of agreement and had to make specific provision for transformation and development.



Sound bite: After the Maize Board was closed down, the Maize Trust was founded – Mr Vic Mouton.



The Maize Trust was registered on 31 August 1998 with the aim of making funds available to the benefit of the maize industry in South Africa, specifically with respect to the funding of:

- Market and production-related scientific and/or technical research with respect to maize.
- The acquisition, processing and distribution of market information with respect to maize and the maize industry.
- Market access with respect to South African maize, among other things by providing marketing infrastructure, training and support in rural areas where the need exists.

From 2000 to 2010, with its final dissolution, the Maize Board paid a total amount of R319 million in donations to the Maize Trust. Initially the Maize Trust funded the maize industry with between R30 million and R40 million per year, but in 2014 it already amounted to between R50 million and R60 million.

The board of trustees of the Maize Trust comprises six trustees who are each appointed for a term of two years. Three of the trustees are appointed by specific sectors in the maize industry and the other three by the Minister of Agriculture.

The Maize Trust provides a home to organisations like SAGIS and the SAGL, which provide essential support to the grain industry, in the Grain Building which was developed by the Maize Trust in Pretoria.

Winter Cereal Trust

The Winter Cereal Trust was established when the Wheat Board was phased out, and owes its existence to the need in the winter cereals industry for certain functions carried out by the Wheat Board that had to be continued after the board had been dissolved. This involved the provision of market information, laboratory services and financing for research projects.

Initially two separate trusts were created for the winter cereals industry, namely the Winter Cereals General Trust and the Winter Cereals Research Trust. However, these were later combined in one trust, the Winter Cereal Trust.

At the request of the Winter Cereal Trust the Minister of Agriculture introduced statutory levies that applied to wheat, barley, oats and durum wheat under the Marketing of Agricultural Products Act of 1996 in order to finance the Trust's functions with respect to research and the acquisition and distribution of market information.

Do you remember the search for 300 000 tons of maize in those days?



The granting of financial support for research projects occurs in consultation with the technical committees in terms of the provisions of the Trust Deed.

The Board of Trustees of the Winter Cereal Trust comprises twelve trustees who represent the different interest groups in the industry, in addition to representatives of the Department of Agriculture, Forestry and Fisheries.

Oil and Protein Seed Development Trust

The business plan that the Oilseeds Board submitted to the Minister of Agriculture made provision for the establishment of the Oil and Protein Seed Development Trust (OPDT) as one of the structures that would look after the interests of the industry after the dissolution of the Oilseeds Board.

The OPDT was registered on 18 September 1997 with a view to receiving certain investment assets, particularly the assets of the former Oilseeds Board, and administering them to the benefit of the beneficiaries of the Trust. The assets comprised capital of R58,3 million, the Oilseeds Building and movable assets, as well as all outstanding levy money that still had to be collected. Funds in the trust and/or statutory levies would in future be utilised only for activities that are in the interests of the industry as a whole, for instance market information, support services and research projects.

The main aims of the Trust are to promote and develop the oilseeds industry in South Africa through:

- The funding of research projects with respect to the improvement, production, storage, processing and marketing of oilseeds.
- The funding of the provision of information and advisory services with respect to the production and marketing conditions of oilseeds.
- Investment and preservation of the Trust's assets.
- Productive employment of the Trust's assets in such a way that their real value is preserved and grown as far as possible.
- Funding of market access of any other action in the interests of the oilseeds industry, subject to the objectives of the 1996 Act.

According to the information on the OPDT, the Board of Trustees currently comprises seven trustees, six of which are appointed by the Oilseed Advisory Committee, taking into account proposals or nominations by directly affected groups. The other trustee is appointed by the Minister of Agriculture.

The business plan also made provision for the establishment of the following structures:

(a) Oilseed Advisory Committee

This Committee comprises ten representatives from the industry and according to the trust deed, it has to be consulted by the trustees before any decisions were made about requests for financial support by the OPDT. In terms of the trust deed the Committee is also responsible for the appointment of trustees for the Oil and Protein Seed Development Trust (excluding the ministerial representative), but its primary function is to assess information and research projects in the interest of the broad oilseeds industry and refer them to the OPDT for funding.

(b) Research Priority Committee

This was a Committee of the Oilseed Advisory Committee that was tasked with identifying and assessing research and other projects in the interests of the industry and then making recommendations to the Oilseed Advisory Committee for decision-making.

(c) Industry forums for sunflower, soybeans and groundnuts

The following industry forums were established to offer role-players in the different sectors of the oilseeds industry the opportunity to liaise with one another about common commodity matters:

- Groundnuts Forum (1996)
- Sunflower and Soybean Forum (1997)

Sorghum Trust

The Sorghum Trust was established after the dissolution of the Sorghum Board. All the assets of this Board were transferred to the Sorghum Trust with the aim of utilising them to the benefit of the sorghum industry as a whole. The Board of Trustees comprises five trustees, being representatives of sorghum traders, processors, emerging sorghum producers, commercial sorghum producers and the Ministry of Agriculture.

The principal aim of the Sorghum Trust is to maximise its income and provide financing for the following to the benefit of the sorghum industry:

- Research and development projects for the sorghum industry.
- Maintenance and improvement of quality standards for sorghum.
- Maintenance of information required by the sorghum industry.
- Projects aimed at promoting the interests of the sorghum industry.

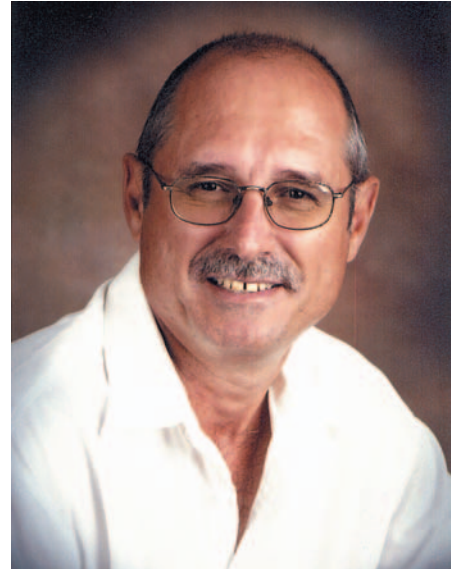
A statutory levy was introduced under the Marketing of Agricultural Products Act in order to fund research, development projects and information functions of the Sorghum Trust. Since its establishment the Trust has also administered the statutory levy applicable to the sorghum industry.

On 30 April 1997 a Sorghum Forum was established by the groups in the sorghum industry who were directly affected to serve as the mouthpiece of the sorghum industry in South Africa and ensure transparent decisions on matters of joint interest in the sorghum industry.

SAGIS

After deregulation the South African Grain Information Service (SAGIS) was born from the need of the primary grain industries, namely maize, winter cereals, sorghum and oilseeds, to ensure that essential, quality information on the grain industry would still be available timeously after the abolition of the control boards. SAGIS has to handle the gathering and distribution of macro-economic and industry information, which includes information on imports, exports, local consumption, supplies, manufacturing statistics, et cetera.

Formerly the control boards had complete and total information on whole crops (grain and oilseeds) as well as grain products. They were the only buyers, sellers,



Mr Nico Hawkins, final Manager of the WPO and after integration a senior employee of Grain SA has been the Manager of SAGIS since 2012.





importers and exporters of whole crops and the information on them was therefore mainly in their possession. Some of that information was made available only once a year in annual reports and was therefore not readily available.

Advance prices were announced at the beginning of the harvesting season on the basis of information in the possession of the control boards, which based their information on the crop estimate and other factors that affected prices.

During the first number of years after deregulation there was at times great uncertainty about the size of maize crops and supplies in particular. Suddenly the market participants had to manage their price risks themselves, but prices had become an unknown factor because the information often changed drastically and was unreliable. The availability of reliable information became vital.

On 11 November 1997 SAGIS was registered as a section 21 company by the Registrar of Companies under the Companies Act of South Africa at the time, and it became the official supplier of information on whole crops handled in commercial structures.

The introduction of silo certificates, the role of the financing houses in the free market and the introduction of silo bags for storing grain for commercial purposes on farms and at other storage points made the information function problematic for SAGIS, the suppliers and users of information. However, various role-players collaborated effectively with SAGIS to develop an essential, integrated and reliable information system.

SAGIS is funded pro rata by the Maize Trust, Sorghum Trust, Winter Cereal Trust and OPDT. The respective trusts also nominate the members of the SAGIS board.

On 9 April 1998 statutory measures were implemented to force the parties involved to keep records and submit returns and ensure that timeous, accurate information is available to role-players on an ongoing basis. This information is available on the SAGIS website and is disseminated and made available in various other ways, including:

- Monthly bulletin.
- Weekly bulletin.
- Weekly producer output (supplies).
- Weekly import and export information.
- Import tariffs.

Information is provided regularly by SAGIS contributors. All released information is available on the website www.sagis.org.za.

SAGL

The Southern African Grain Laboratory (SAGL) is a central grain laboratory that has been incorporated as a non-profit organisation under section 21 of the former Company's Act. It was established at the request of the South African grain industry in 1997 after the dissolution of the control boards and has been supplying the grain industry with grain analyses and related services since 1 November 1997. The grain laboratory services of the Wheat Board and the Maize Board were transferred to the SAGL, while the oilseeds industry decided to use the services of the PPECB.

Initially the intention was for the SAGL to use the Wheat Board's laboratory building, but the Wheat Board sold the property concerned. This meant that an alternative facility had to be found very quickly, and eventually the laboratory was established on the premises of the CSIR.

When it was established, the SAGL was the only private laboratory in South Africa that had its own Buhler laboratory mills. These mills are used to mill wheat with a view to testing the dough and baking quality.

In addition to a very wide variety of tests that can be carried out by the SAGL, including seed tests, it is a reference laboratory for the grain industry.



The accredited laboratory of the SAGL.



At that stage the SAGL was the only laboratory that had Bühler mills at their disposal.



The SAGL's maize mill.



The baking laboratory as it now stands.

National Crop Estimates Committee (CEC)

Accurate crop estimates are extremely important in a free-market environment, as they provide real-time market information that is essential when important decisions on marketing and production have to be made. In order to meet this need the CEC was established as part of the deregulation process.

Crop estimates and projections are deduced from inputs from the different members of the CEC, being the national as well as the provincial departments of agriculture, the Agricultural Research Council and Statistics South Africa, who are all independent of the trade.

The Crop Estimates Liaison Committee, an official Committee of the NAMC, monitors the crop estimate process of the CEC and is an important platform for resolving disputes and problems with respect to crop estimates. It was established in October 1998 with its focus on the establishment of an independent and objective CEC that understands and accepts its role in the industry, namely the compilation of accurate, timeous and credible crop estimates, as well as the finalisation of the production figures per crop at the end of each season and the evaluation of the CEC's performance.

RETROSPECT

In the end, the South African agricultural sector adjusted well to deregulation and South African producers are developing as strong and internationally competitive producers, which creates a good basis for adding value lower down in the value chain, attracting investments, maintaining a focus on exports and expanding into the mainly high-value products.

