

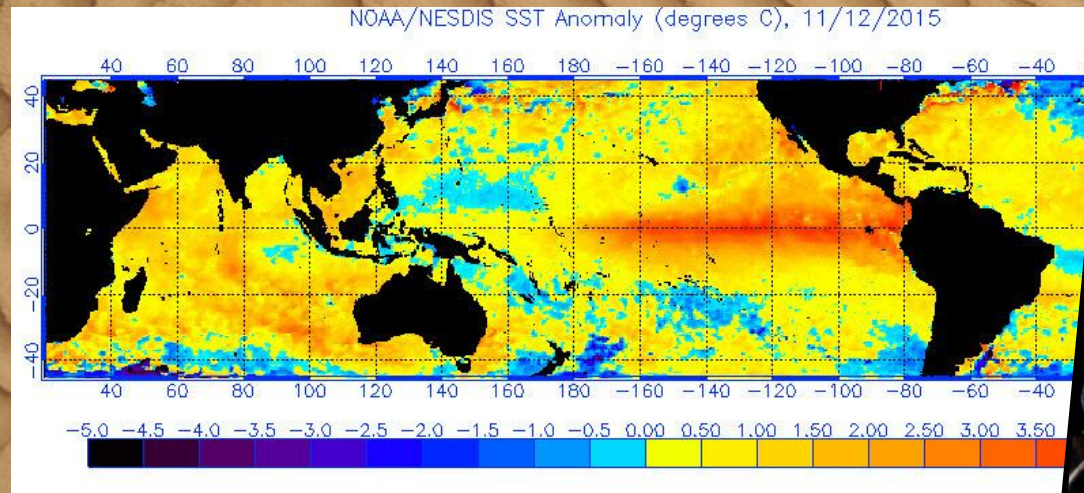
# **Facing new realities.... The Climate is Changing**

## **Facing New Realities for the Free Market**

**Hamish McBain**  
**Grain SA Congress 2016**



# Facing new realities.... the climate is indeed changing



# What can I possibly tell you?

- I am not a farmer, an academic or an economist
- But I do have three decades of experience in trading, shipping and processing of agricultural products in South Africa, Zimbabwe, India and the United States.....
- And conducted evaluation studies of factories on 6 continents
- Farming in South Africa is a tough and risky business, requiring hard work, resilience and perseverance. So what can I possibly tell you.....

*It's tough out there*  
Being a conventional farmer in South Africa is one of the toughest jobs around.

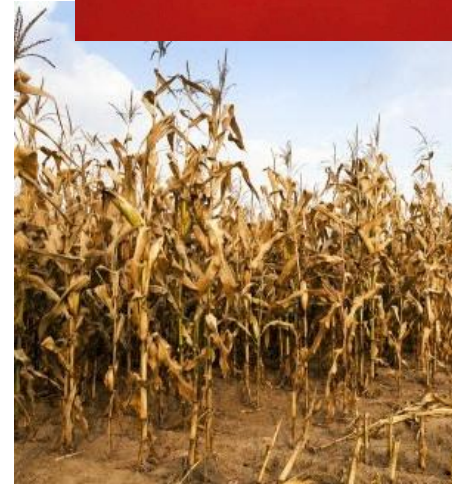




# The road ahead

*my thoughts for what they are worth...*

- The 'Free Market' is not really free at all
- My key lessons in strategic thinking from the experts over the years
- Global Scenarios – they will effect us
- SA Scenarios and as others see things
- SA Agriculture Scenarios
- SA Agriculture at a crossroads – *the key issues confronting you*
- What are your priorities?



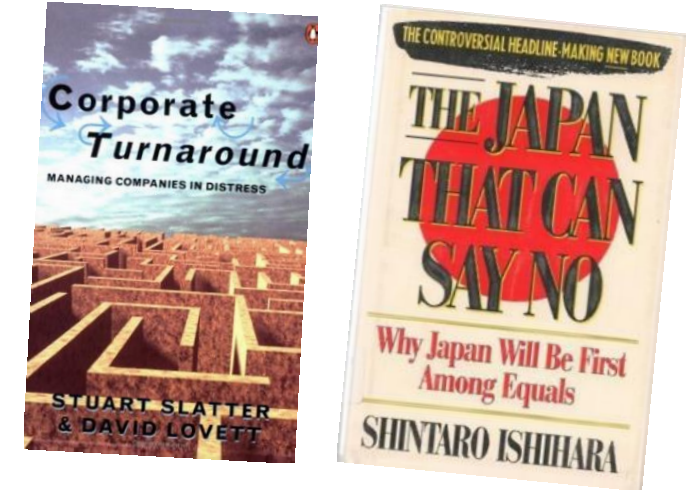
# The Free Market – it's not really free

- The rules keep changing and in agriculture South Africa has been a naïve player
- US and EU agricultural subsidies are deliberately complex as are their non-tariff barriers
  - Both defend their domestic markets aggressively
  - Proving unfair trade practices or dumping is complex and onerous
  - Agricultural subsidies aid beneficiated food product exports
- World sugar trade is highly regulated
- Brazil imposes export levies on soyabeans
- Canada and Australia have 'influenced' wheat exports
- The 'Free Market' is a function of political aims and economics
- So we need to be highly aware of the political and economic environment



# Key lessons on strategy

- **Stewart Slatter – London Business School**
  - *Managers are reluctant to accept tough realities*
  - *Managers don't pay enough attention to the downside*
    - *Explained as due to the weather, bad luck, irresponsible competitors*
    - *When they eventually act it is often 'too little, too late'*
- **Akia Morita – founder of Sony “The Japan that can say No”**
  - *Make things of tangible value, cheaper and better*
  - *Productivity, quality and innovation really count*
- **Michael Porter – Harvard Business School**
  - *Sources of Competitive Advantage – Low cost or Differentiation*
  - *Sources of Core Competence*



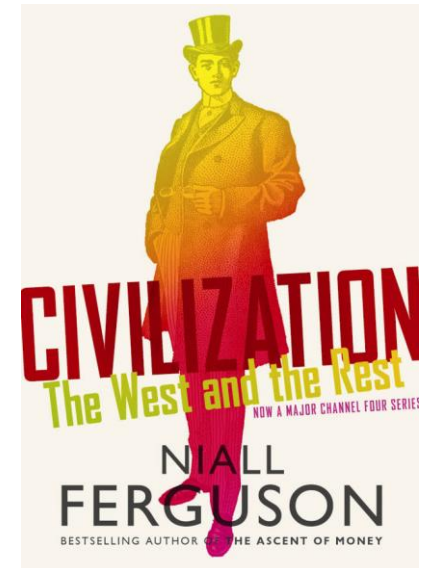
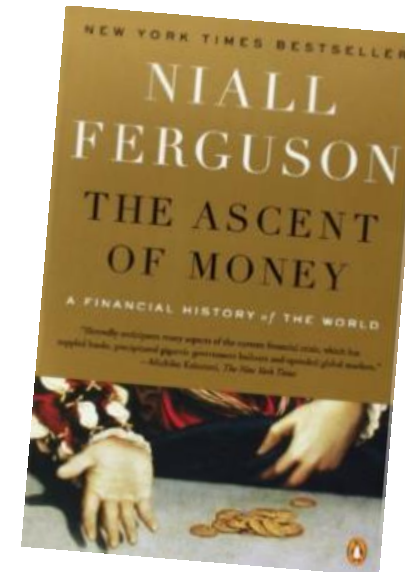


# Key lessons on strategy

- **Clem Sunter – former Anglo American Head of Strategy**
  - *From Forecasts to Scenario Planning*
  - *1985 ‘High Road or Low Road’*
  - *Prediction of Soviet Union collapse*
- **Ronald Coase – Nobel Prize for Economics 1991**
  - *For work done in the 1930’s*
  - *Businesses exist because of their ability to reduce transaction costs*
- **Niall Ferguson – Harvard University**
  - *History matters – the six ‘Killer Apps’*
  - *Institutions really matter, far more than we think*

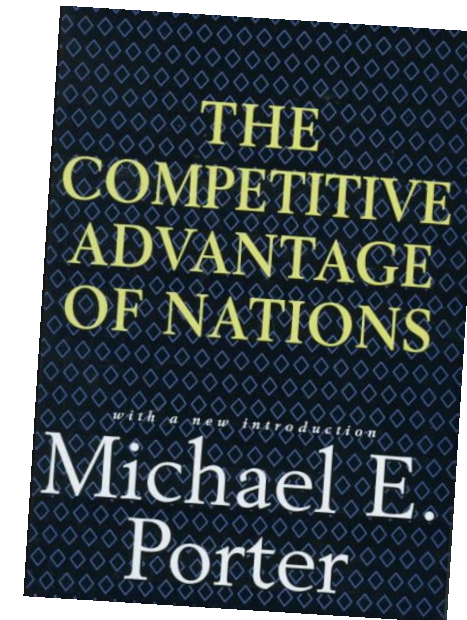
## FERGUSON’S SIX KILLER APPS

1. COMPETITION
2. SCIENTIFIC REVOLUTION
3. PROPERTY OWNERSHIP AND PROTECTION
4. MODERN MEDICINE
5. CONSUMER SOCIETY
6. WORK ETHIC



# Common Themes *of these experts*

- **Focus on productivity**
  - Drive down costs, do things better and cheaper
  - Look to international benchmarks
- **Innovation through proven technology**
  - Use other people's ideas and research
  - Use innovation to reduce costs
- **Tackle Transaction Costs**
  - Look well beyond the boundaries of the business
  - Finance; raw materials; transport; storage; marketing
- **Pay attention to the downside**
  - Probability of discontinuities
  - New entrants; government action; chance events; substitute products; infrastructure changes
- **Strategy really is important**
  - Institutions and networks matter





# Strategy project for New Zealand

## *the All Blacks prove a point*

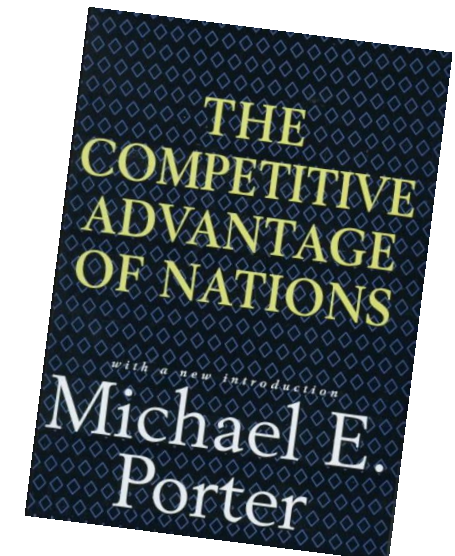
### *Michael Porter – Wellington Town Hall address*

- New Zealand needs a vision that will excite and motivate every citizen to reach new and heretofore unheard of heights.
- If the nation can boost productivity through improving skills and technology, prosperity will rise. On the other hand, *if there are impediments which stand in the way of relentlessly improving productivity, the nation will stagnate.*

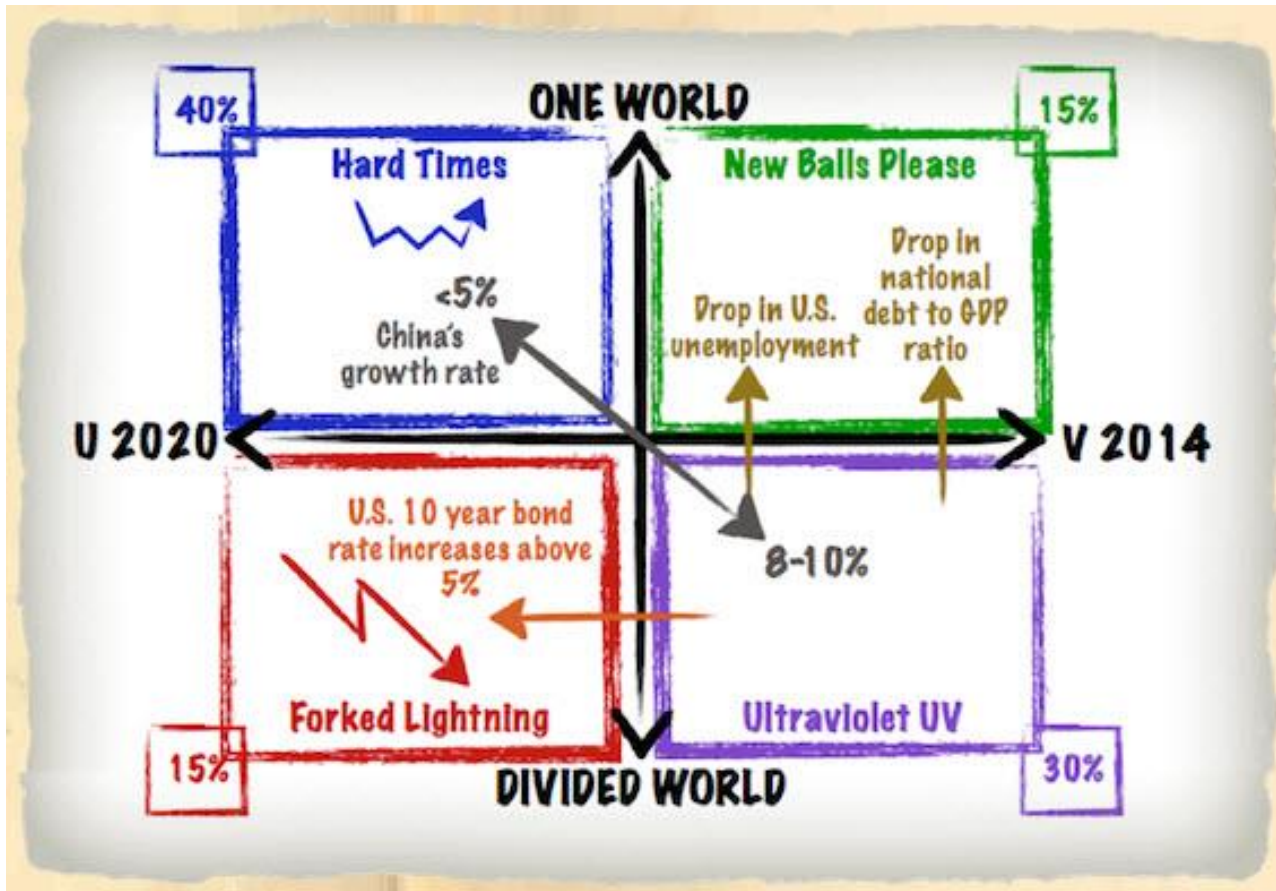
So how have the All Blacks done vs the Springboks?

WEF Global Competitiveness Index 2015-16  
ratings out of 140 countries

	NZ	SA	Chile	Turkey
Overall Ranking	17	49	35	51
Institutions	3	38	32	64
Infrastructure	28	68	45	53
Macroeconomic Environment	22	85	29	68
Labour Market Efficiency	6	107	63	127
Health + Primary Education	5	126	74	73
Higher Education + Training	10	83	33	55
Financial Market Development	1	12	21	64



# Global Scenarios (*and Flags to Watch*)



Source: Clem Sunter November 2013

## Sunter's Flags – November 2013

- China's growth rate  $< 5\%$  or 8-10%
- Drop in US unemployment to  $< 6,5\%$
- US Bond rate rises above 5%
- Reduction in US/EMU debt to GDP ratio
- Default by Spain or Italy

**HARD TIMES ARE HERE TO STAY**





# Some current observations

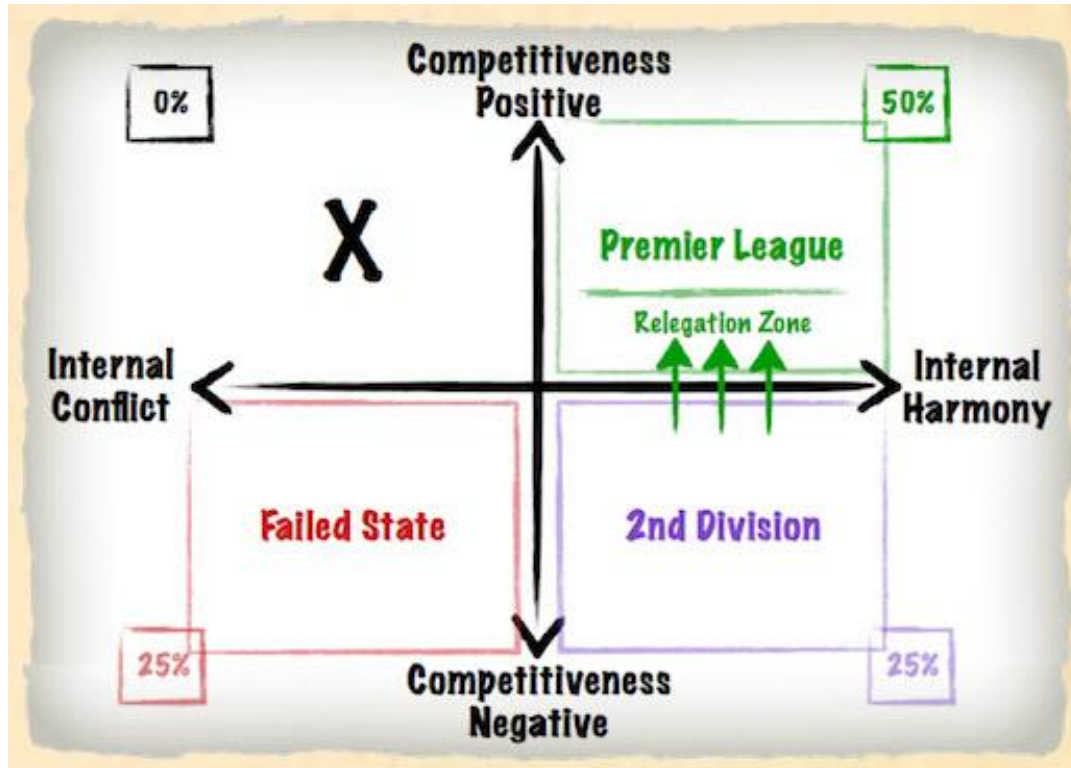
## More flags to watch

- **Energy war flag**
  - *Saudi Arabia versus Russia and USA oil 'frackers'*
  - *Cheap oil for how long? Russia suffers in this 'game'*
- **Arab 'spring' turns to 'winter' flag**
  - *Sunni versus Sh'ia conflict in a US created vacuum*
  - *Saudi Arabia (Wahhabi Sunni) vs Iran (Sh'ia)*
  - *Who is backing ISIS; who is backing Syria?*
- **Sovereign Debt 'time-bomb' flag**
  - *National debt to GDP not showing improvement*
- **China flag**
  - *Soft or hard landing for their economy?*
  - *Communist government and a capitalist economy – what was more significant - 1979 Mao to Den Xiaoping or 1989 the fall of the Berlin Wall?*
  - *Past turmoil resulted in massive loss of life, so expect harsh reaction to any dissent*





# SA Scenarios *and the Flags to watch*



X Previously depicted as a “Poor but Happy” scenario  
Source: Clem Sunter November 2013

## Clem Sunter’s Red Flags for SA

1. A South African “Arab Spring”
2. Nationalisation
3. Bungled NHI implementation
4. Land grabs – the most toxic of all red flags
5. Gagging the Media

*All 5 Flags are rising. Significant control of the media has been achieved through acquisitions*

*I am neither as pessimistic nor as optimistic*

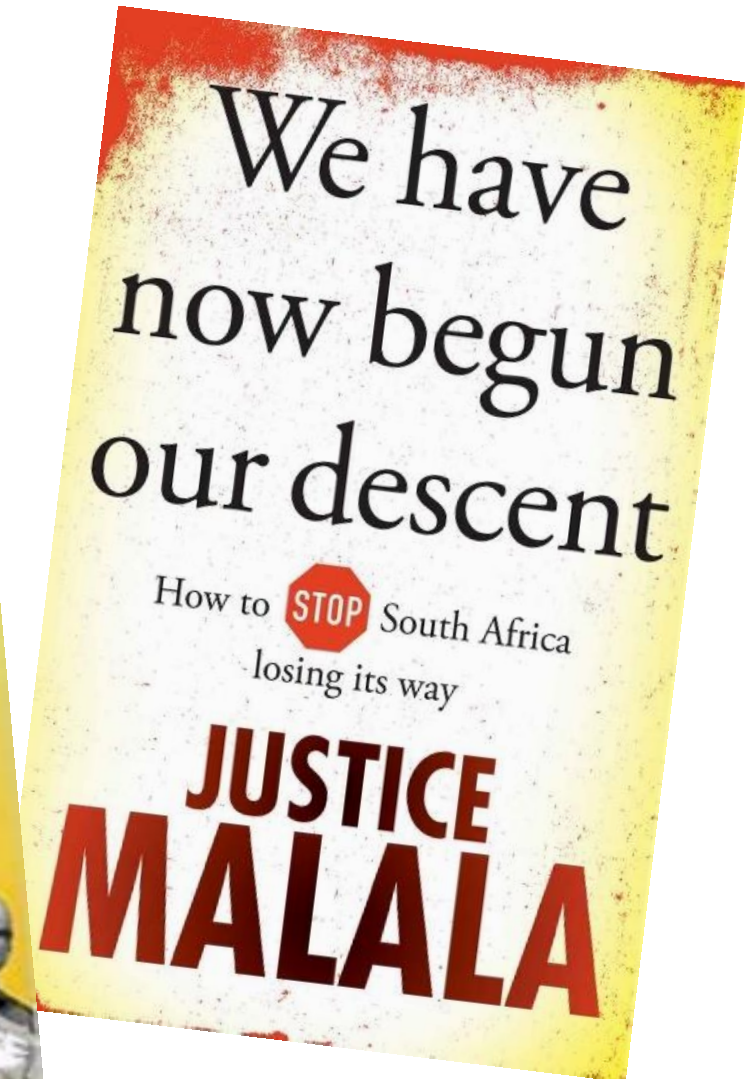
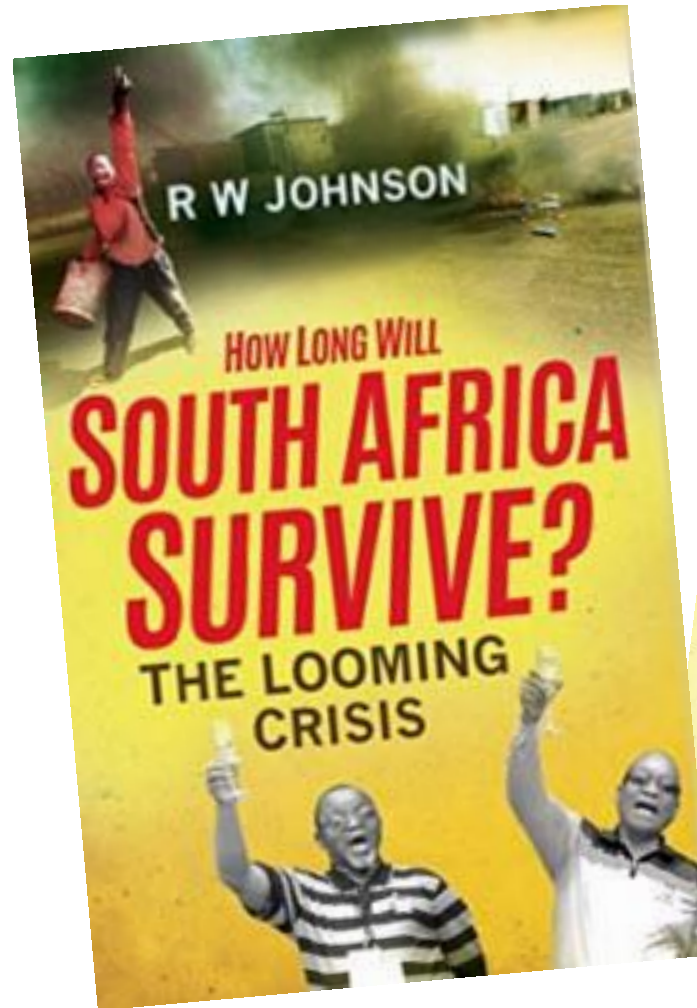
- *SA has very little chance of retaining anything like the Premier League scenario*
- *But the Failed State scenario seems equally unlikely*

# South Africa is in trouble....

Even supporters of the ANC realize it and are telling us so, for example:

RW Johnson – *Rhodes Scholar; Oxford Don; Anti-apartheid activist*

Justice Malala – *former ANC Youth League activist; journalist; proud ANC member*



# **As others see things – *some harsh realities***

- **Government borrowings have increased from 24% of GDP to 46% since 2008.**
- **Social grants public sector wages and cost of servicing the National debt consume 60% of the budget**
- **The public service has grown by over 250 000 since 2005 and now makes up 26% of the country's labour force (government and SOE employees constitute around 45% of COSATU's membership)**
- **BUSA 2010 study shows that public sector salaries for comparable jobs were 43% higher than in the private sector. The public sector salary bill has doubled in just 5 years**
- **Corruption, theft, misuse of state funds and resources are now endemic.**
- **From 18 Cabinet Ministers, 6 Deputy Ministers and 18 DG's in 1994, SA now has 35 Ministers, 38 Deputy Ministers and 159 DG's**





# Unemployment – a ticking time-bomb

- **Official unemployment rate is over 25%**
  - Most analysts put the figure at above 35%
  - Youth unemployment is estimated as over 45%
  - Many University graduates struggle to find jobs
- **Over 700 000 wrote matric in 2015**
  - 100 000 are likely to enter tertiary education
  - Where are the rest going to find jobs?
  - No next door country to go to
- **Globalisation has exported jobs**
  - From clothing and textiles to steel and engineering
  - From a food exporter to an effective importer
- **When will the lid blow off the pressure cooker?**
  - Labour regulations, disputes, strikes and unrealistic wage demands are hampering job creation

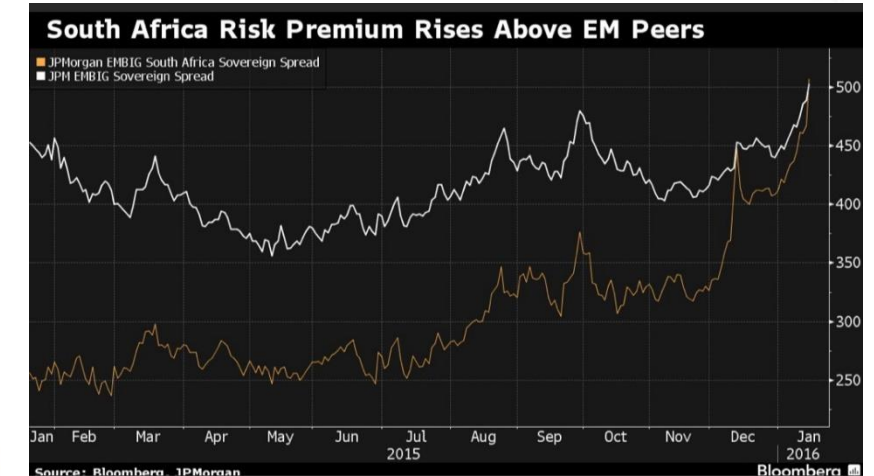


# As others see things

## Credit Rating Agencies & Exchange Rate (and the Zimbabwe street vendor)

Slovenia	A-	positive	Baa3	stable	BBB+	positive	62	positive
Solomon Islands			B3	stable			25	stable
South Africa	BBB-	negative	Baa2	negative	BBB-	stable	46	negative
South Korea	AA-	stable	Aa2	stable	AA-	stable	84	stable
Spain	BBB+	stable	Baa2	positive	BBB+	stable	62	stable
Sri Lanka	BB-	stable	B1	stable	BB-	stable	39	stable

- Credit Rating Agencies and the exchange rate tend to say it all
- Fitch, and S&P rate SA at BBB- or just one step away from 'speculative' or 'junk' status. Moody's rating Baa2 (equivalent to BBB)
- Outlook for South Africa has changed from *Stable* to *Negative*. Bond risk premium has risen
- IMF predicts SA GDP growth at 1,4% for 2015 and 0,7% for 2016 - *this could well be optimistic*
- Any further downgrade by credit rating agencies will put SA Bonds into 'speculative' or 'junk' category and overseas fund managers will be obliged to sell



ZAR per 1 USD

13 Jan 2014 00:00 UTC - 13 Jan 2016 11:06 UTC  
USD/ZAR close: 16.53420 low: 10.30413 high: 17.43956



# Budget 2016 – *providing hope?*

*“We are strong enough, resilient enough and creative enough to manage and overcome our economic challenges....”*

*“Above all we need action not just words...”*

*“Let us unite as a team, sharing our skills and resources, building social solidarity, defending the institutions of democracy and developing our economy inclusively....”*

*Positive words from the Minister of Finance....*

***But will the curtailment of Government expenditure actually happen?***

## UPDATE 3-Austere South African budget fails to reassure investors

© Updated Wed Feb 24, 2016 at 19:42 SAST



\* Rand falls, bond yields soar as budget fails to impress

\* Drought, low global growth weigh on domestic output

\* Government to cut spending and narrow budget deficits

**South Africa budget lacks specific details on cutting deficit -Moody's**

**South Africa's rand on the backfoot after budget disappoints**

Thu Feb 25 07:04am GMT

.... BUT things are much worse in Brazil

Negative economic growth of -3,7% GDP

Current Account deficit of 10%

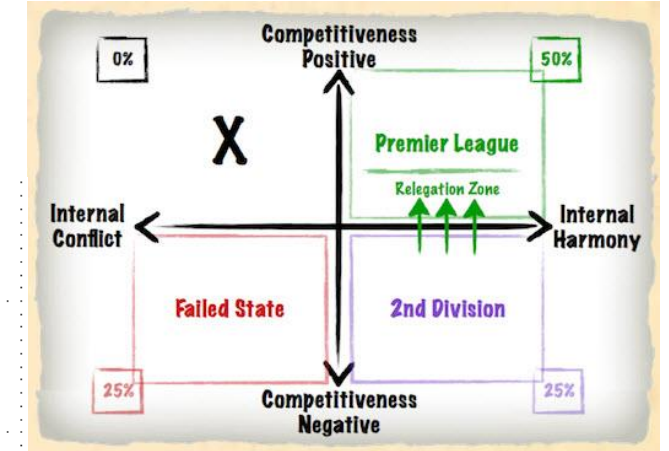
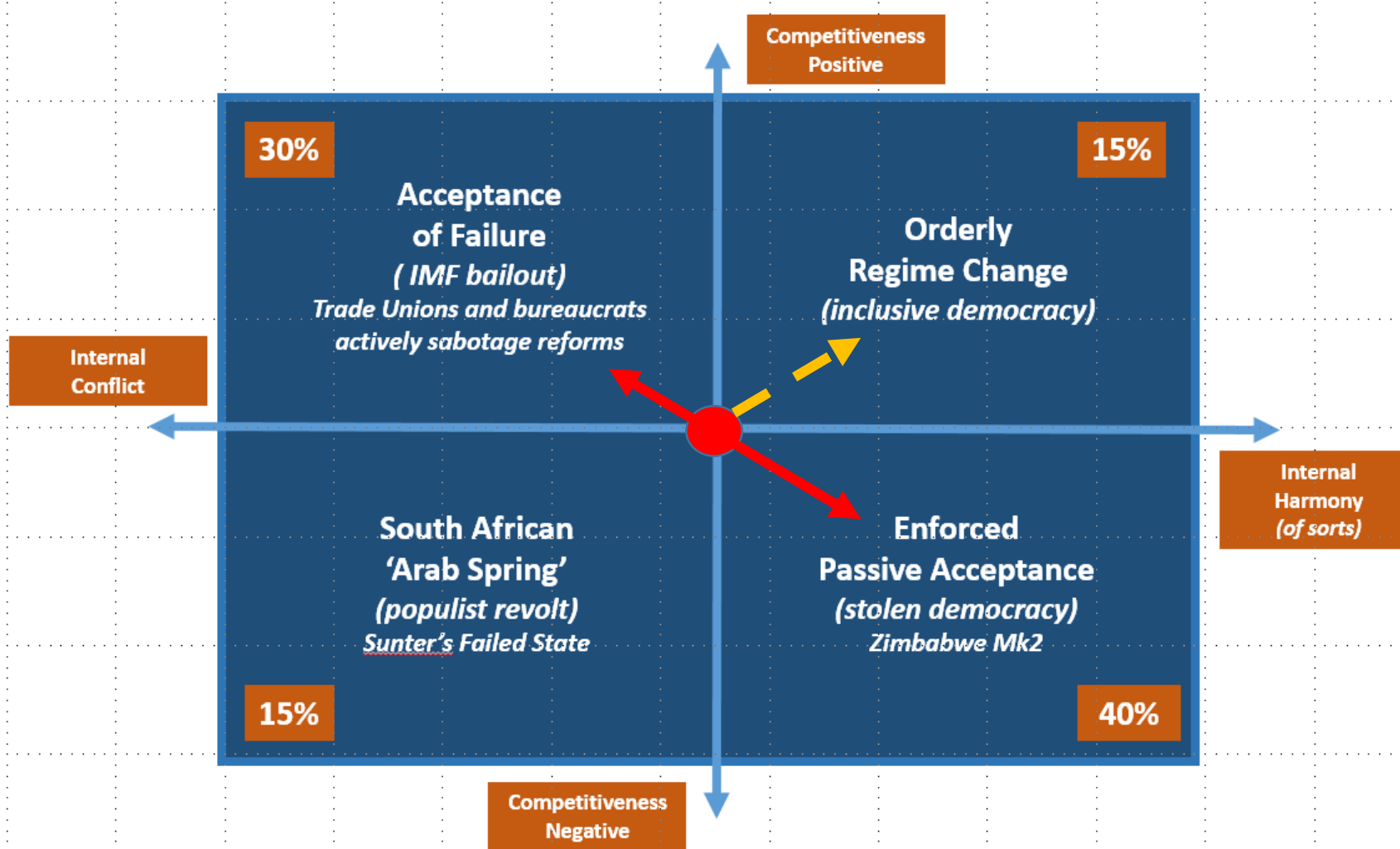
Inflation rate of 13%





# SA Scenarios – my version

*based on the same Red Flags and axes*



## Same Red Flags

1. A South African “Arab Spring”
2. Nationalisation
3. Bungled NHI implementation
4. Land grabs – the most toxic of all red flags
5. Gagging the Media

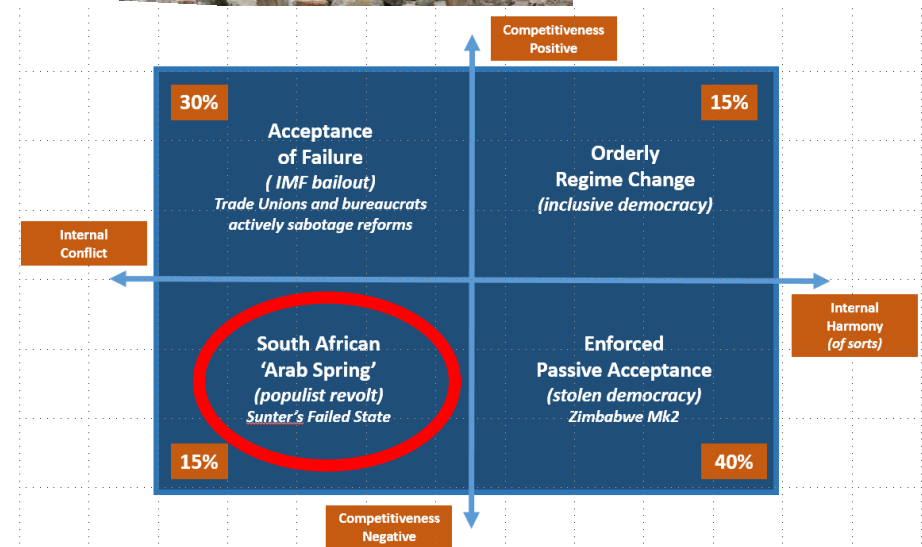
*Both less Optimistic and less Pessimistic than Clem Sunter*

# SA's "Arab Spring" – 15% probability

*"The tyranny of the majority"*

- *"Police Minister Nathi Nhleko reported to Parliament in May 2015 that there were a staggering 14 700 incidents of unrest – community and service delivery protests – reported to the SAPS in the previous year" - Justice Malala*  
...But according to investigations by the late Lawrie Schlemmer protests were *invariably* caused by a *turf-war* between local ANC elements over 'my turn to eat'.
- The NIS reportedly concluded that the common cause of the Middle East uprisings was the dramatic increase in food prices. So the El Nino induced drought could increase the probability of such a scenario.

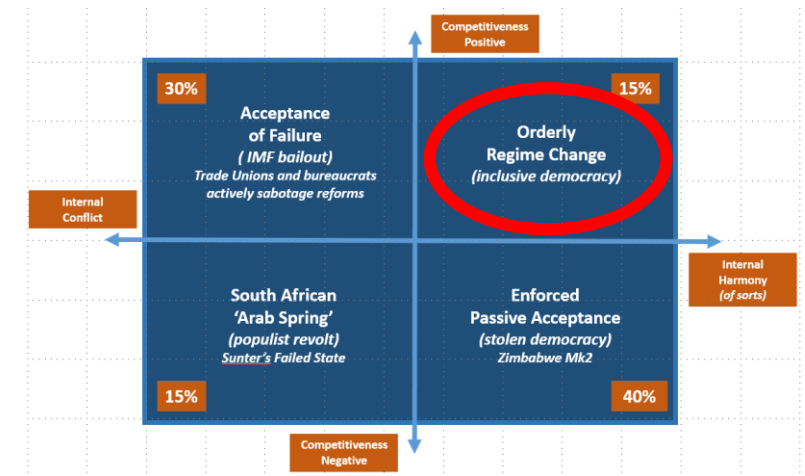
**EXPECT DISSENT TO BE SUPPRESSED WITH INCREASING FORCE**





# Orderly Regime Change – 15% probability

*Return to economic growth in an inclusive democracy  
(even one dominated by the ANC)*



*"I have become a secret admirer of Zuma's cunning. The man is unparalleled at playing ANC politics. He is even better at playing the chess game of South African politics" Justice Malala*

Think about the consequences of serious reversals in the 2016 Local Government elections. How will the ANC react? Meek acceptance?

**DON'T EXPECT AN ORDERLY REGIME CHANGE ANYTIME SOON – but there are signs of an attitude change**

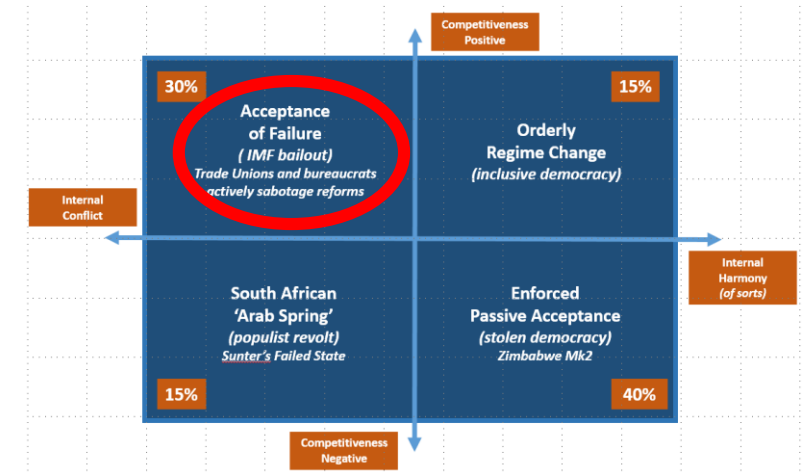


# Acceptance of failure – 30% probability and an IMF Bailout

- Growth will fall below 1% and tax revenues on current base will reduce - *more 'stealth taxes' like the fuel levy*
- Cost of servicing debt will increase; drought will add to forex burden
- Excessive cost of a bloated civil service, burgeoning social grants and funding of loss-making SOE's adds more pressure – and Government fails to curb expenditure significantly
- A further ratings downgrade will greatly add to problems, making borrowing more expensive.  
*A crisis can develop suddenly.*
- IMF bailout will only come with conditions – such as reducing the size of the civil service, sale of loss-making SOE's etc. *Trade Unions and bureaucrats will resist imposed changes and sabotage reform efforts. Courageous leadership and coalition support will be needed for success*

AN IMF BAILOUT WILL BE A BITTER PILL TO SWALLOW

Acceptance unlikely under the current SA regime and alliance

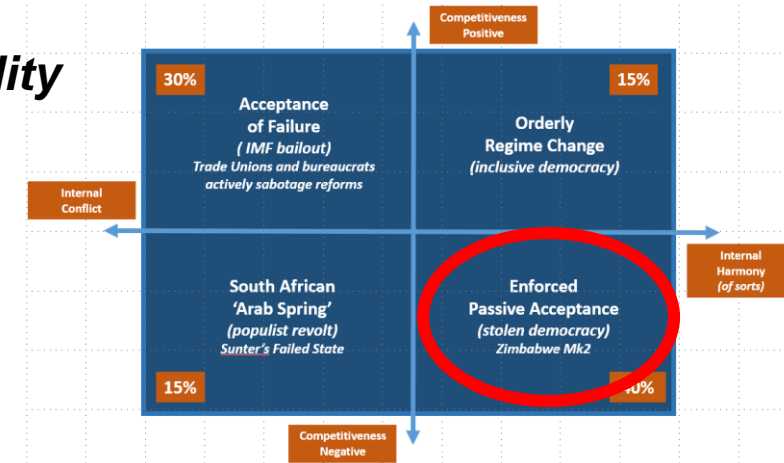


# Enforced “Passive Acceptance” – 40% probability

“Restraining the tyranny of the majority”

- Despite high unemployment and dissatisfaction over service delivery, the majority will continue to vote ANC.  
*Protests will be suppressed with increased firmness*
- Increase in intimidation of opposition supporters and waverers within the party (*using youth mobilization?*)
- Blind eye turned to “land invasions”?
- As the economy stagnates new ways of ‘extracting rent’ will be sought
- To avoid the IMF bailout, Government reduces expenditure despite opposition from bureaucrats and alliance ‘partners’  
– *leading to more strikes and protests*

A SLOW BUT STEADY SLIDE TOWARDS THE ‘Swamp of Despair’ but less violent and devastating than an ‘Arab Spring’



# National Development Plan – *could this be a way out?*

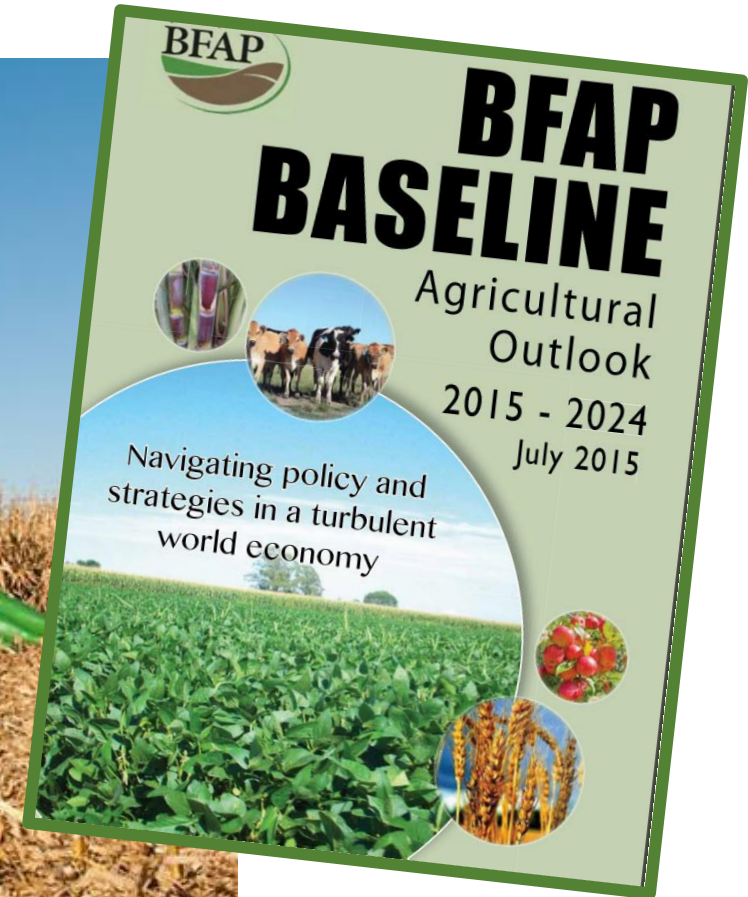
- The National Development Plan (NDP) evolved from 20 studies coordinated by the *Centre for International Development* at Harvard (completed May 2008) – initiated by then Minister of Finance Trevor Manuel.
- *“Since the NDP was adopted by Cabinet, very little of it has been implemented. We need leadership to implement some of the extremely tough measures that are called for in the report.”* - Justice Malala
- COSATU and SACP strongly oppose the implementation of the NDP
- So we also have a New Growth Plan (NGP) and an Industrial Policy Action Plan (IPAP). The three documents have very different ideas about where jobs will come from
  - *‘It's time to make the tough choices and stick to them. It is not clear which approach the government had chosen from the three documents’ Anne Bernstein CDE*
- Plus the President’s 9 point plan.... SONA 2015, WEF Davos, SONA 2016 and a budget ‘guided by the NDP’



The budget tabled today is guided by the NDP – *Pravin Gordhan* 24 Feb 2016



# SA Agriculture – the climate is changing and not just the weather, but the ‘free market’ too?

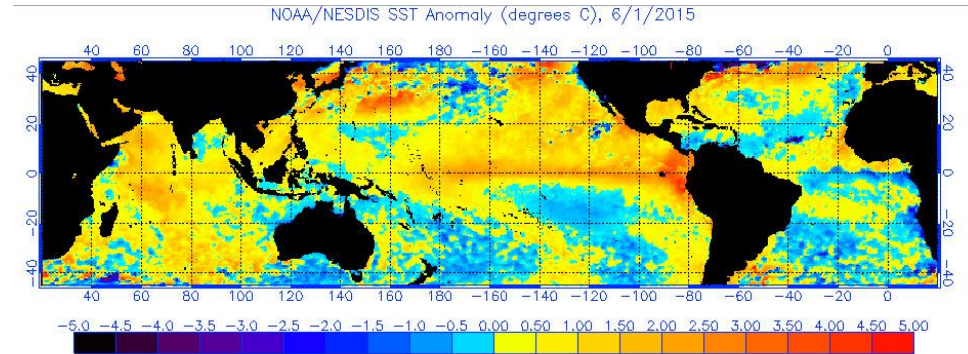
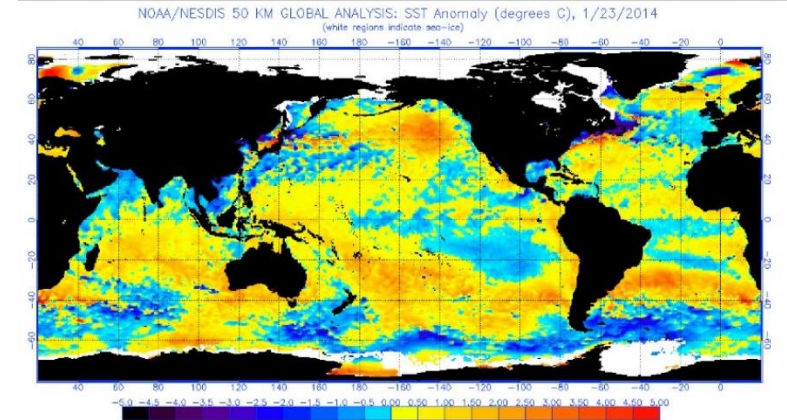


*even more challenges, as if the drought is not enough*

# SA Agriculture – drought dominates thinking

*"The worst drought on record in South Africa is aggravating the ongoing economic slowdown, threatening near-zero growth if not a recession in 2016" - Moody's 16 Feb 2016*

- Impact is enormous and devastating for farmers
  - How many aware of an 85% El Nino drought probability by early June 2015?  
Climate change? Why now? What about next year?
- Volume of grain imports will place strain on foreign exchange rate, ports, and railways
- Food inflation will soar – leading to calls for price controls; increase in interest rate; further Rand decline
  - January CPI already 6.2%
- Divergent views on 'food security' need clarification
  - Household versus National food security
  - Looking through the wrong end of the telescope





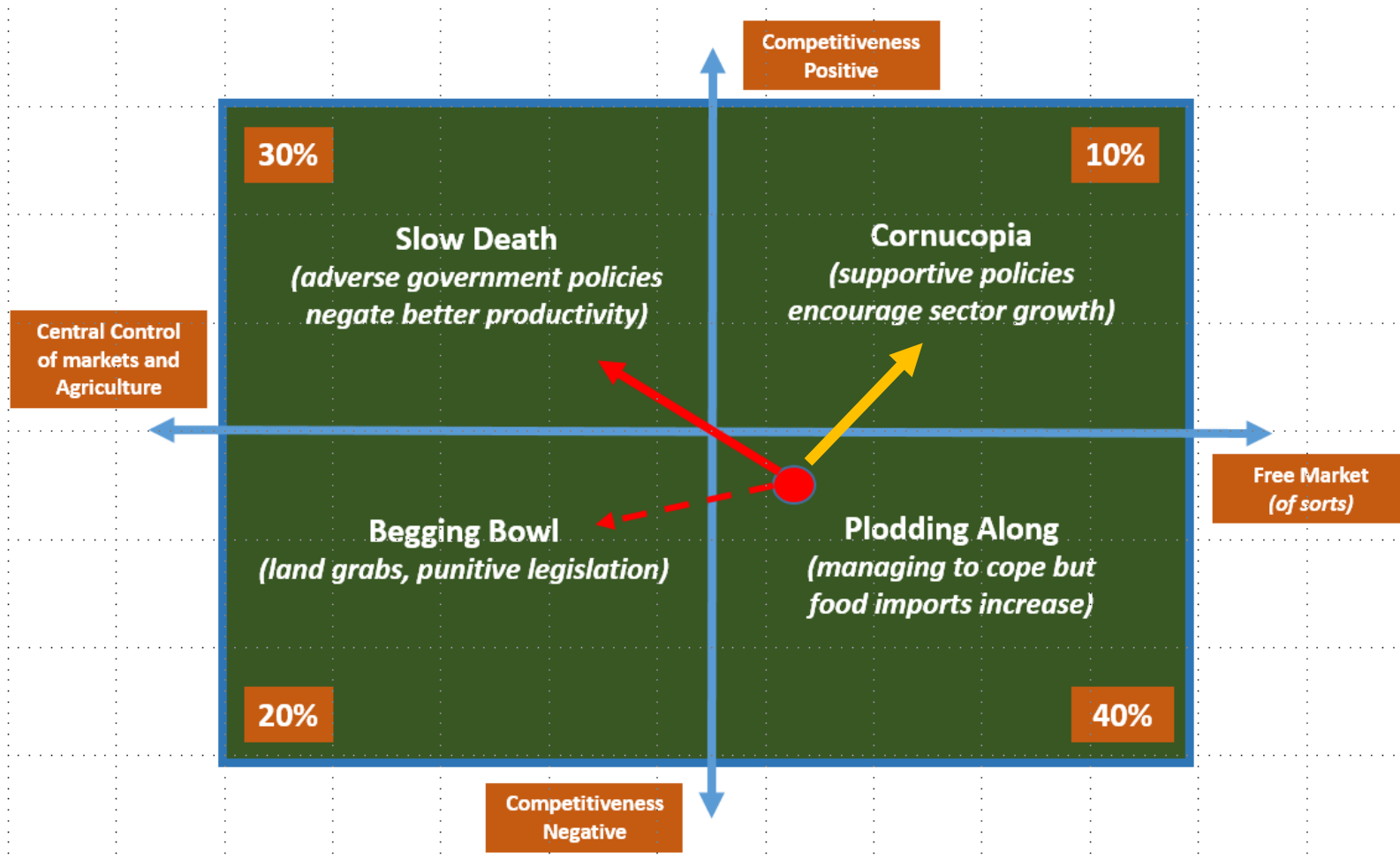
# SA Agriculture – key challenges ahead

- New Legislation and Regulations
- Understanding Food Security
- Failure of Land Redistribution and perceptions
- Productivity for global competitiveness
- Transaction costs
- Water resources
- Preserving your Institutions





# SA Agriculture – averting disaster in a changing climate



## Red Flags to watch

1. **Disruptive land legislation**  
There is a lot of it
2. **Land invasions**  
A blind eye is turned
3. **Transaction costs increase**  
Oil, electricity, fertilizer, chemicals, interest, water?
4. **Collapse of Institutions**  
From research to sector associations
5. **Government control of markets**  
Price controls, control of exports/imports

# Cabinet's 9 point plan - *to revitalise South Africa*

*SONA 2015, repeated at WEF Davos and SONA 2016*

1. **Revitalising agriculture and the agro-processing value chain**
2. Advancing beneficiation and adding value to our mineral wealth
3. More effective implementation of a higher impact Industrial Policy Action Plan
4. Unlocking the potential of small, medium and micro enterprises, cooperatives and township enterprises
5. Growing the Ocean Economy and Tourism
6. **Encouraging private sector investment**
7. Resolving the energy challenge
8. **Moderating workplace conflict**
9. State reform, including boosting the role of state owned companies in broadband, water, sanitation and transport infrastructure

**Farming set to follow mining into greater state control, with business in general possibly next**

All of South Africa's farm land is to be taken into the custodianship of the State in terms of legislation currently before Parliament. The agricultural sector will therefore face new risks over and above those arising from land reform proposals and new expropriation legislation.



Excellent Information Briefing and a positive Budget speech

# SA Agriculture – confronting the challenges (more uncertainty beyond the drought)

- Government and organized agriculture
  - Shared vision – *A united and prosperous agricultural sector*
  - But there is a major disconnect and an apparent drifting apart – **how can this be fixed?**
- Legislation and Regulations– a whole raft of new proposals
  - Land use; maximum farm size; 50% of land for farm workers; expropriation vs willing buyer/willing seller; foreign ownership; land tax; land claims
  - Adding to uncertainty and a disincentive to invest in agriculture
  - But the Cabinet’s 9 point plan talks of *Revitalising Agriculture*



Draft Preservation and Development of Agricultural  
Land Framework Bill and Policy

As published in the Government Gazette 38545, No 210 of 13 March 2015

**Parliament passes land expropriation bill**

Bill will scrap willing buyer, willing seller approach

Reuters | 23 February 2016 22:15



# Food Security – what do we mean?

- **Significant difference in interpretation and focus**
  - Household Food Security vs National Food Security
  - Not mutually exclusive, a major reason to hold an AgriDESA
- **Household food security**
  - The definition and apparent focus of government
  - Assistance programmes and research directed here
    - Home vegetable gardens, fruit trees, chickens and goats
  - *An interesting aside* - Indigenous goats
    - 250 000 pa imported from Namibia to meet demand
    - 4 million goats in SA used almost solely for ceremonial purposes
    - Kid mortality rate extremely high at 41%, solution seems easy



# Food Security – what do we mean?

- **National food security**
  - Focus of commercial agriculture
  - Concern over swing to food import dependency
    - A concern apparently not shared by retailers and manufacturers
    - Declining Rand exposes the growing threat to SA food security
  - How do we bridge the gap in thinking?
- **World Bank - food demand will increase 50% by 2030**
  - Who will be feeding SA then?
  - Population growth in much of Africa is 3% pa
    - $70 / 3 = 23.3$  years for the population to double
  - SA population growth 1,6%



# Failure of Land Redistribution

- Minister of Land Affairs & Rural Development
  - Reported to Parliament March 2010 – *'90% of land transferred is now poorly used or fallow; going concern and profitable farming operations have gone bankrupt or are in serious financial trouble...'*
- BFAP 2015 study in Limpopo revealed that
  - *'only a very small fraction of the supposed beneficiaries have received any benefit...'*
- Facts need to be established and well documented
  - *General perception is that land redistribution has been thwarted by 'commercial farmers'. Public unaware of the huge extent of failures, mismanagement, waste of resources, theft and corruption.*
  - *People need to be made aware of the realities of Land Redistribution and Government needs to act differently*
- There are also some great success stories to be told
  - Success stories I know of have all involved the private sector
  - We need to work together if we are to win



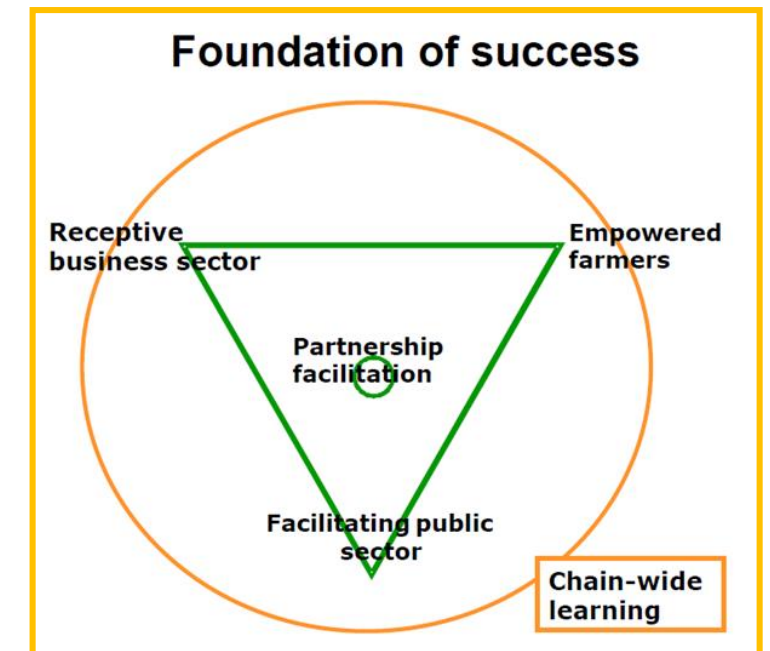
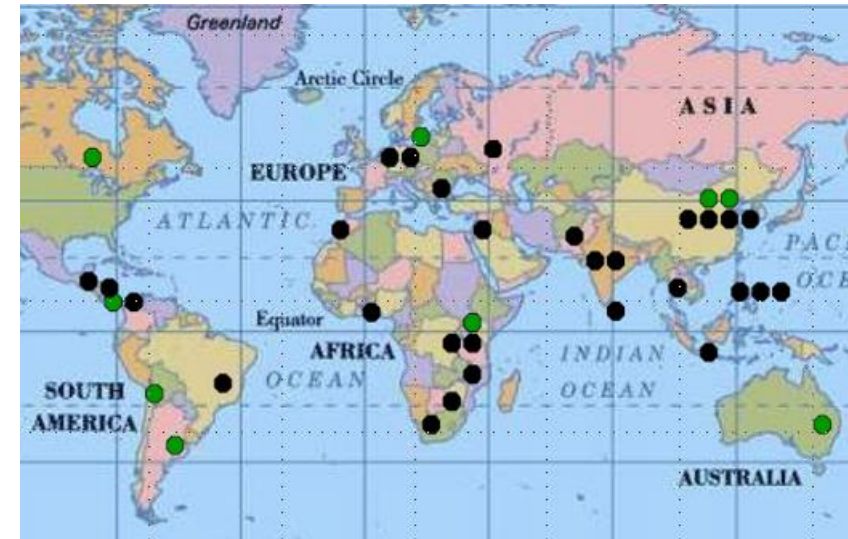


# Beijing Conference 2008

## Regoverning Markets

Small-scale producers in modern agrifood markets

- South Africa's problem is not unique
- 38 case studies, 29 countries, 9 regions
- Potential for private sector partnership underutilised
- Empowered farmers need to be formally organised and trained
- Without private sector involvement, government extension services fail
- General lack of trust between government, farmers and private sector
- Independent 'Partnership Facilitators' greatly increase prospects of success
- Need for new financing models – problem of land title
- Peer pressure often very effective in ensuring compliance
- **Common factors of success – Receptive Business Sector, Empowered Farmers who are trained and organised, Facilitating Public Sector, Partnership Facilitators**



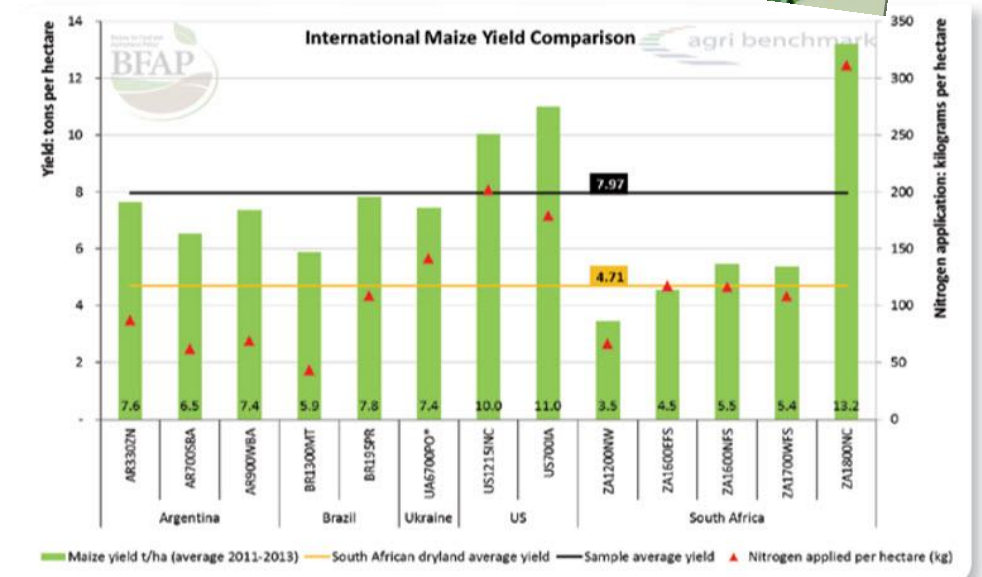
# Turning failure into success

- **SA Extension Services** – economically sustainable farming
  - Government extension services appear to have failed badly
  - Disconnect between central and provincial departments
  - Attempts by ARC to assist largely thwarted
- **Grain SA**
  - Grain SA, with agriculture Trust funding and in cooperation with various bodies (ARC, Monsanto, Sasol, Bayer, Omnia and TWK) – have had success
  - The 'Farmer Development Programme' involved 6193 farmers most farming only 0,5-10 ha
  - Yields obtained by resource poor farmers increased dramatically
  - Well done Grain SA - It is vital to maintain such programmes
- **Other examples**
  - *Heifer International* - vegetable gardens, chickens, cows, sheep, goats
  - ARC extension projects – *what happened to the treadle pump?*
  - Initiatives have numerous sponsors - fragmented, and uncoordinated
- **And now some strange claims – *but what are the facts?***
  - *43 agri-park sites identified by August and one agri-park already launched in North West. The programme aims to create 300 000 new small-scale producers and 145 000 new agro-processing jobs by 2020?*
  - *Number of jobs in agriculture increased by 183 000 between 2014 and 2015?*



# Productivity – for global competitiveness

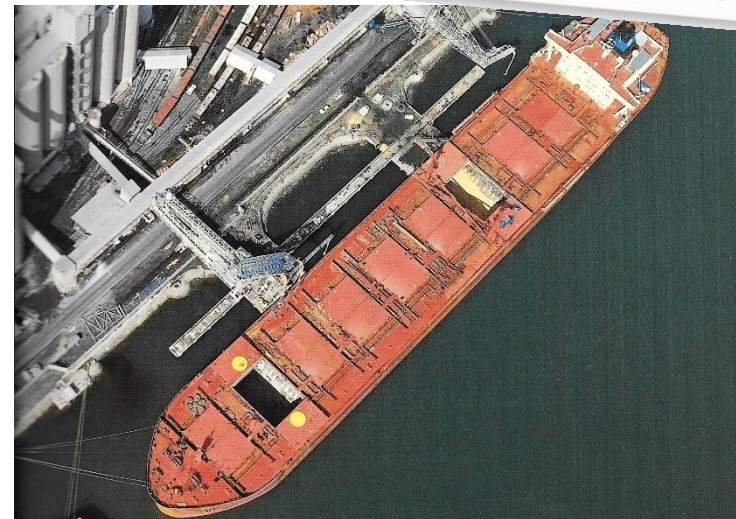
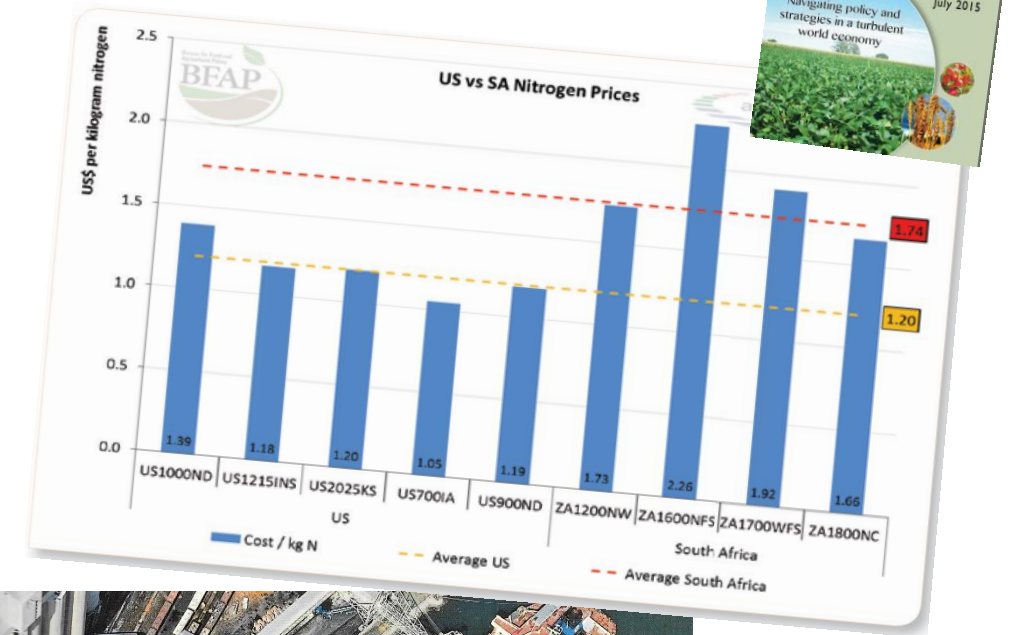
- **Productivity in grain production has improved**
  - Reduction in area planted largely compensated for by increased yields
  - Fewer more efficient grain farmers in the 'free market'
  - But yields have often not improved as rapidly as competitors
  - Ability to export profitably depends largely on improved productivity
- **Applying technology effectively**
  - Communication of research and development findings
  - Need for applicable research and support
  - Extension services not just for 'new farmers'
  - Enormous advances in applying IT systems
  - Focus on effective training and learning from others
- **Research**
  - Inadequate funding for research?
  - Need to target research efforts better
  - Need to learn from others faster
  - Incredible potential return from good research is not understood





# Transaction Costs – *some thoughts from the grandstand*

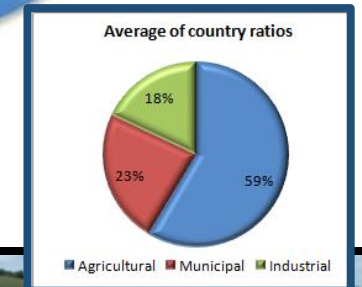
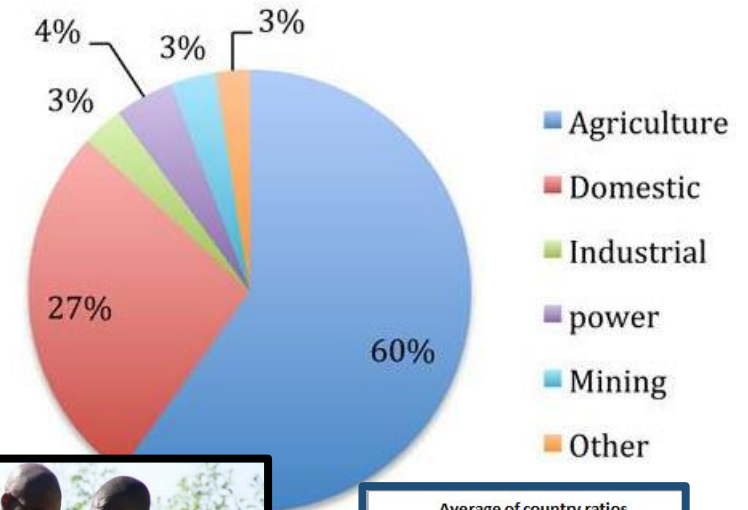
- **Revisiting the role of Co-ops - reducing transaction costs**
  - Storage, marketing, communications, laboratory analysis
  - Bulk buying of inputs, negotiating better deals
  - Training – shared facilities and expertise
  - Finance, Insurance – can they be done cheaper?
  - Learn from past mistakes and Coase
- **Fertiliser costs**
  - A serious competitive disadvantage internationally
  - Need for effective application and hybrids
- **Transport and port charges**
  - Move from rail to road transport – pros and cons
  - Port charges and inefficiency
- **Sharing of resources**
  - More effective use of capital equipment and skills



# Water Resources – both supply and quality

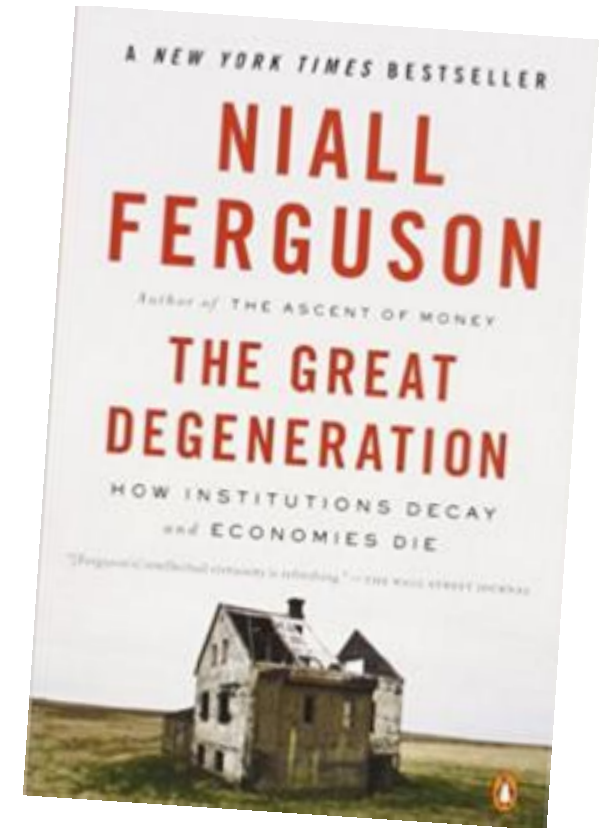
- South Africa is a semi-arid, water stressed country
  - Average rainfall of about 450-600mm pa, well below the world average of 860mm
- SA could not survive without the Lesotho Highlands Water Scheme
  - Lesotho supplies roughly 10% of requirements - so be nice to the rustlers?
- SA's limited water resources are under serious threat
  - Pollution from mines and factories
  - Contamination by untreated sewage from faulty plants
  - Several small towns can no longer provide 'safe' water
  - An overall water shortfall of 12% is estimated by 2025
- Agriculture is the main consumer of water
  - The 60% use by agriculture is in line with the average for countries
  - But this makes you a prime target for 'restrictions'
  - NDP increases area under irrigation by 145 000 ha to create jobs ???
    - *Where will the water come from?*

SA's water use, 2013



# Importance of Institutions

- Niall Ferguson – *‘The Great Degeneration: How Institutions Decay and Economies Die’*
  - Cleaning the beach example
- The Rest are catching up with the West
  - Ferguson’s hypothesis is that ‘degeneration’ is due to the decay or decline of *Institutions*
  - Marked change in social behaviour – people don’t pull together
  - Where are the service clubs, youth and support groups today?
- What role do Institutions play?
  - They set legally binding contracts – rules, laws, constitutions
  - Provide informal constraints – norms of behaviour, conventions, self-imposed codes of conduct, business ethics
  - What is the state of our Institutions?





# Importance of Institutions

- Support and protect your Institutions before it is too late
  - AgriSA, GrainSA, SAGIS, Safex – good transition by organised agriculture to a ‘free market’ – trading contracts, guidelines, standards, dispute resolution, information sharing
  - Manufacturers failed to restructure their institutions effectively in face of change from single-channel marketing
  - Greed and self-centred attitudes have tended to dominate
  - This has reduced effectiveness in countering big government and ensuring *National Food Security*
  - Working together you will be far more effective

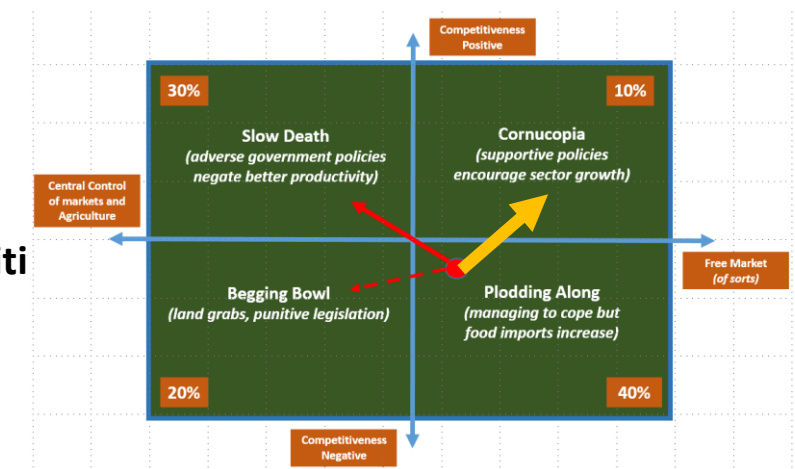
*“By shaping the ways in which individuals organise themselves and their economic transactions, institutions form the backbone of societies”*

*WEF Global Competitiveness Index 2015-2016*



# What can Grain SA do – to break the logjam?

- Previous efforts
  - Huge amount of time spent on developing a Sector Strategic Plan
    - *see Prof. Kirsten's report on 'implementation' Oct 2007*
  - More time spent on developing the AgriBEE Charter and Scorecard
    - *if effectively implemented many 'issues' could have been addressed*
  - Attempts to hold discussions with previous Ministers of Agriculture were more often than not frustrated
  - Use of Trust Funds to fund research and extension services frustrated
  - Constructive efforts on Land Reform and 'emergent farmers' support not given credit
  - Alleged common goals – but we talk past each other; perceived distrust
- New Initiatives required
  - Now a matter of urgency for the nation – real food security is at stake
  - Need to objectively collect and document hard facts – both negative and positive
  - Change the perception of 'commercial agriculture'
  - Getting key stakeholders round the same table to find workable solutions
    - *Get a good Facilitator like Clem Sunter or Rolf Meyer*
  - Time overdue for an AgriDESA of key stakeholders?
    - *Based on the CODESA (Convention for a Democratic South Africa) initiative*



# In Conclusion





# A United and Prosperous Agricultural Sector

## Taking up the Challenge

Michael Porter's message to the 'All Blacks' was:

**New Zealand needs a vision that will excite and motivate every citizen to reach new and heretofore unheard of heights**

*"The country lacks agreement over what the vision for South Africa should be. The various tiers of government and the private sector are not working towards a common goal or co-operating to achieve outcomes that will benefit the whole country" — December 2014 - Ricardo Hausman head of CID SA Team*



# A United and Prosperous Agricultural Sector

## Taking up the Challenge

Porter's message for Grain SA might well be:  
*(in the words of our own Jerry Schuitema)*

We simply have to develop a national attitude that will forge a common cause in meeting the enormous challenge we face. Or we can continue to obsess about 'things that must fall'

*What Henry Kissinger calls a moment of conjecture – take controversial action or do nothing and hope you get lucky*



# Action issues – for you to prioritise

1. Countering disruptive legislation to reduce uncertainty
2. Changing the perception of commercial agriculture
  - Changing the blame game; the facts about Land Redistribution; role in Food Security
3. Improving farm productivity to become globally competitive
4. Reducing transaction costs to improve competitiveness
5. Using water resources more effectively
  - Ensuring commercial agriculture is treated fairly
6. Improving food security and influencing trade negotiations
  - Understanding the complexities of US and EU subsidies
  - Getting government, retailers & manufacturers to understand the risks
7. Protecting and supporting your Institutions
8. Making an AgriDESA happen

