



*The Grain and Oilseed Industry
of South Africa*

A JOURNEY THROUGH TIME

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Louw Steytler

PREFACE

To understand the future it is necessary to understand the past. For humanity seems to continually repeat the mistakes made throughout history and the calamitous effect that these historical facts have had on the psyche and the actions of all the peoples of South Africa.

The tragedy of the Anglo Boer War, the first holocaust of the 20th century, in which so many Afrikaner men, women and children and indigenous African men, women and children, paid the ultimate price and the subsequent rise of Afrikaner nationalism had significant consequences for all South Africans. The exploitation of this deeply ingrained injustice primarily driven by the greed of the British Empire and the subsequent grossly irresponsible exploitation of these sentiments by Afrikaner leaders in their endeavour for self-determination, at the exclusion of the indigenous peoples, led to the confrontation of the two greatest South African nationalisms, on the one hand Afrikaner nationalism and on the other, African nationalism.

The abuse of political power and the exclusion of the majority led to great confrontation. The subsequent political compromise brought about by two prominent South Africans, namely President Nelson Mandela and President FW de Klerk and the adoption of the Constitution of South Africa in which the right of the individual is enshrined lay the foundations of an inclusive, democratic approach. Founded on human dignity, advancement of human rights, freedom of speech, religion, association and a free press, supremacy of the Constitution and Rule of Law, universal adult suffrage, national common voters roll, regular elections and a multi-party system, democratic government to ensure accountability, responsiveness and openness.

The tragedy of South Africa is that society has not heeded the example set to all South Africans by President Nelson Mandela. We need, as a nation, to return to the ideal of co-operation across civil society, amongst all men and women, if we are serious about growing the country's economy and in so doing address the issues of our time. As a nation we cannot afford the levels of corruption, nepotism and state capture by so few that have dominated society – past and present. Our Constitutional court has stood as a beacon of hope to all South Africans who demand a functional, transparent, democratic and caring society.

Despite the political challenges that have faced us all, we must recognise the agricultural sector's ability to produce the cheapest quality food in the world. However, we recognise that many of the most vulnerable people in society are unable to purchase enough food, daily. Herein lies one of our greatest challenges to address the grinding poverty experienced by so many South Africans. The greatest privilege enjoyed by all South Africans is the food security enjoyed by its citizenry. This privilege is only possible when there is a mutually beneficial collaboration across the entire value chain. That beacon of hope is the Constitution and the Constitutional Court.

Transformation is a necessity that has thus far been bedevilled by gross incompetence and unacceptable levels of corruption. Had we co-operated and had there been inclusive levels of co-operation within this very value chain and government, we would have progressed far more successfully in the sustainable transformation of the agricultural sector. Any actions must both be constitutionally and economically sound, for the maintenance of property values serve as the cornerstone for



sustainable food security. It must be said that the free market has served the consumers of agricultural commodities well. No sector of society is more committed to the future of South Africa than the agricultural sector. For these resilient men and women, across the colour line, who for generations have worked the land, under the most challenging circumstances, both financially and climatically, must be afforded fair and unbiased comment as to their achievement in producing the sustenance of our nation.

At this year's 50th Grain SA NAMPO Harvest Day, we celebrated these achievements and our history and afforded our gratitude to all men and women that have made this possible by their dedication and commitment to our industry and to South Africa. May their contribution serve as a reminder to both the current and future leadership as to the critical importance of the contribution by so few for so many, who have served in the structures of what must be termed as the greatest commodity organisation in South Africa.

God bless South Africa. God seën Suid-Afrika. Nkosi Sikelel'iAfrika.

LOUW STEYTLER

Chairperson of Grain SA 2012 - 2016





Jannie de Villiers

INTRODUCTION

The Afrikaans writer Langenhoven once said that if you want to look ahead, you first have to look back at where you came from. This research and recording of Grain SA's history is aimed not only at remembering the history and giving recognition to the leaders of the previous generation, but also to look back as organisation to help us find the path to the future.

As a young man I greatly admired all the old *ooms* in the industry who always sounded as if they knew everything and could say exactly what would happen in the future. Considerably later in my career I realised that agriculture had an inherent inability to convert by itself from the controlled system to a free market. People and events from the outside eventually contributed to the metaphorical plug of the controlled system finally being pulled in 1997. The 1937 Marketing Act was revoked and was replaced by a new act. This led to major changes in the grain industry. Not only individual grain producers had to adjust, but organised agriculture had to make dramatic adjustments as well.

During this transition many meetings were held. Preparation for these meetings was extremely important. Many of the meetings assumed a character of 'bravado': 'We are going to this and that them', or 'we will never allow them to...' was heard everywhere, until reality kicked in and many compromises had to be made to give the grain industry – and ultimately food security – a firm footing in South Africa.

There were three main parties around the tables: The producers, the buyers and the new government. Each topic had its unique partnerships. Sometimes the producers were alone, with their backs against the wall and sometimes it was the government and producers against the buyers. You never knew exactly with whom you were going to negotiate about what.

After the new policy framework had been settled, the adjustments for role-players and organisations started. Producer organisations had to find their new role and vision, agribusinesses virtually all adopted a new company appearance and producers had to learn the very hard way in the new environment – particularly with respect to marketing. However, what is crystal clear is that everybody adjusted extremely well to the new circumstances. It happened by fits and starts, but the new environment was soon defined and adjustments were made.

New structures were created, like the different grain and oilseeds trusts, the South African Grain Information Service (SAGIS), the Southern African Grain Laboratory (SAGL) and the South African Futures Exchange (Safex) and adjustments were made to the Crop Estimates Committee to continue the services provided by the boards in the free-market environment. These organisations and institutions all had their own teething problems, but the leaders of those transition years ensured that world-class institutions were established. This is not a subjective opinion – each is highly regarded internationally in its own field.

In the process, the different industry organisations also found their own role in the new environment. Producers' needs suddenly changed and the services rendered to them had to be adjusted. The culture in the organisations also had to change. It



was no longer a case of the one shouting the loudest or being the most dominant at the negotiating table emerging the winner. New styles and expertise had to be established. It was not an easy time for the leadership of the organisations. It was truly a privilege to be allowed to grow up in the boardrooms in those times, and gain exposure to such an enormous transformation in an economic sector.

Grain SA went through its own quota of adjustments and ultimately made the decision to amalgamate all the grain and oilseeds organisations. The finer details of this story can be found in the latter part of this book. Although even those who were intensely involved in the amalgamation hoped that it would not be required again, a new phase in Grain SA's history started once more in 2011 with the leadership's decision to renew the organisation by moving to Pretoria. History has shown us that it will very probably not be the last time either. Ongoing change and renewal are a sign of growth and vigour. The agricultural sector knows the cycles of the season and knows that pruning is followed by new fruit. We are not afraid of change, but it remains difficult and never occurs without pain.

As the biggest producer organisation in South Africa, Grain SA has to take the lead in many fields in organised agriculture – not only in the field of grain. This makes the relevance of our members top priority. Food security is and remains one of the major focus areas of any government and this ensures that Grain SA will always remain politically relevant. Our ability and willingness to adjust and provide top quality leadership determine the food security in our country and ultimately our political stability. Stagnation leads to death, and that is why we honour the leaders of the previous and current generation who had the courage to make adjustments to ensure that the grain and oilseed producers of today are still sustainable on their farms, and to keep them there to the benefit of everybody in South Africa.

JANNIE DE VILLIERS
CEO of Grain SA since 2011





Author's NOTES

The historical development of agriculture and specifically of the grain industry in South Africa has been affected by so many factors, events, circumstances, influences and people that it would be an impossible task to integrate everything into one document, and to try and explain each of these factors individually. Consequently it was decided to restrict the scope of this book and to focus only on certain themes and events.

POINT OF DEPARTURE AND BACKGROUND

There are an infinite number of research works, articles, dissertations, opinions, investigations, studies and other materials – not to mention anecdotes – focusing on and clarifying various individual aspects of the different factors. For this reason the approach in this book is not to render technical facts or the chronological course of events for academic purposes, but rather to tell the story of grain production in South Africa, with specific reference to the story of Grain SA.

In the process care was taken to render the facts and events as correctly as possible. Sources used for this include personal interviews with people who were closely involved in the story, historical agricultural publications, official reports, research results, websites, magazines, minutes and annual reports. A list of sources is provided at the end of the book.

The premise was also not to record all Grain SA's activities, but to rather present the history and background as a story and to emphasise only a few highlights, mainly from the period up to the end of December 2015.

INTRODUCTION

Although grain production in South Africa already started shortly after Jan van Riebeeck settled at the Cape, this publication refers almost exclusively to the conditions and developments in grain production and marketing in South Africa since the end of the Second Boer War in May 1902.

The establishment of Grain SA in 1999 was not an event that can be viewed in isolation. It was preceded by almost a century of development in the grain industry and organised agriculture in South Africa and in order to provide a proper understanding of the establishment of Grain SA and its role in the grain industry, the first four chapters of the book contain information on the conditions and events preceding this event.

These developments also had an effect on the development of the structures of organised agriculture and the eventual establishment of Grain SA.

Overall, the history of South African agriculture in general over the past century or so can be divided into two distinct eras, with a short period between the two that can be viewed as a transitional period.

During the first period, from the beginning of the twentieth century, the trend for greater control over agricultural marketing in particular gradually increased, first



with the establishment of co-operatives to try and promote mutual co-operation, and ultimately with full-scale statutory control from the 1930s.

The various agricultural industries were controlled by statutory control boards without decision-making powers that reported to the Minister of Agriculture, which meant that the government actually exercised total control over the agricultural environment. True, the producers had the majority vote on the control boards, but ultimately these boards could not make binding decisions and could only make recommendations to the Minister of Agriculture.

During the second period, from 1996, a completely opposite dispensation applied, with a free market without a control system or marketing schemes and a Marketing Act that has specific prescriptions with which the government has to comply if it wants to introduce any control measures with respect to agricultural marketing.

The 'transition period' lasted from roughly 1987 to 1996. This book makes several references to the events during the transition period that exerted pressure on the controlled system, and that ultimately led to the Marketing Act of 1996 and the deregulation of agricultural marketing. This transition period coincided with the changes in the political environment in South Africa, which also led to a totally new political dispensation in the country after the 1994 elections. This drastically changed the entire social and business landscape of South Africa.

INDIVIDUAL YEARS

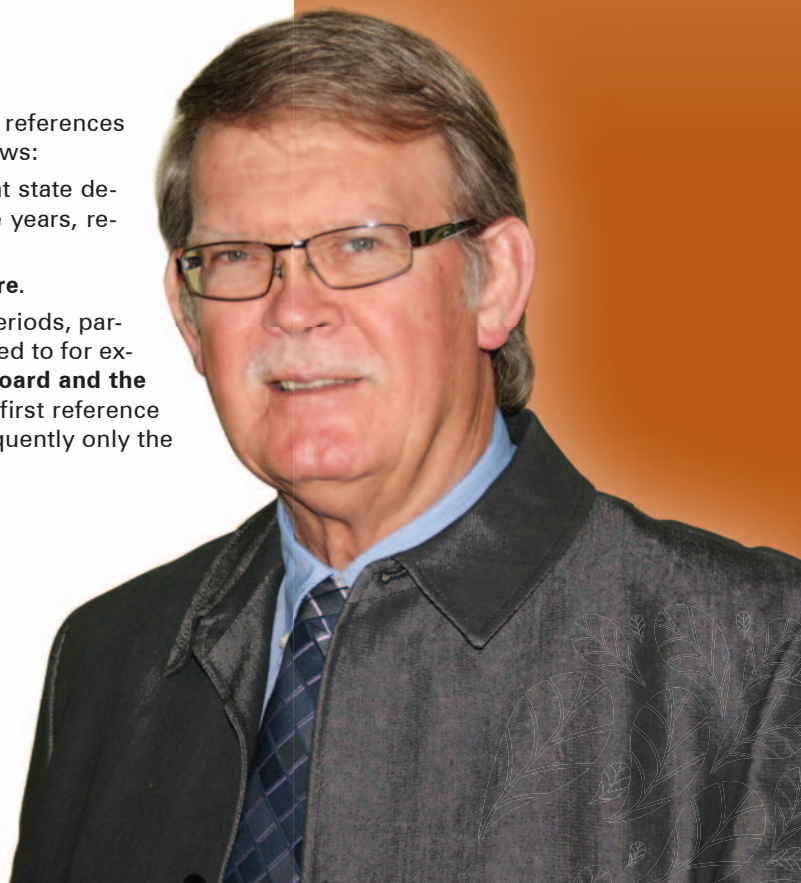
Agricultural conditions change from one season to the next (whether with respect to climate, rainfall, yield, prices, global markets, supply and demand, to mention a few), and each season has its own characteristics, challenges and results. The history in this book is recorded against that background and general knowledge. Consequently, specific problems experienced in each year are not discussed in detail, but an attempt is made to rather render the general, broad course of history, except for a number of really exceptional conditions or events, like the record maize crop of 1981 and the devastating drought barely three seasons later, or the drought of 1992, which served as backdrop for the introduction of various measures and directional changes.

TECHNICAL ASPECTS

In order to try and eliminate confusion and unnecessary detail, references to some names and concepts have been standardised as follows:

- **Department of Agriculture** is used to refer to all the relevant state departments that were responsible for agriculture through the years, regardless of the actual names as amended from time to time.
- The same applies to references to the **Minister of Agriculture**.
- In some cases the control boards also differed in specific periods, particularly in the initial years. Their names are also standardised to for example the **Maize Board, the Wheat Board, the Oil Seeds Board and the Sorghum Board**. For the sake of technical correctness, the first reference to such a board will use its full name at the time, but subsequently only the generic or abridged name will be used.

DAVID THERON
Author





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