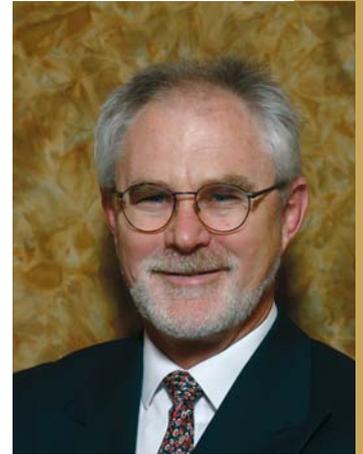




3 agricultural trade and business development

AIM

This programme promotes trade, international and domestic market access, Black Economic Empowerment, and interacts with the National Agricultural Marketing Council (NAMC).



attie swart
assistant director-general

PROGRAMME POLICY DEVELOPMENT

The programme comprises four directorates:

Business and Entrepreneurial Development develops strategies for the growth of strategic agricultural industries and promotes equity.

Marketing implements policies to improve domestic market access.

International Trade develops policies for agricultural trade and negotiates and manages international trade agreements.

The National Agricultural Marketing Council advises the Minister on statutory marketing measures.

PROGRAMME OVERVIEW

In the strategic plan for 2003/04 the department stated that a Black Economic Empowerment (BEE) strategy for the implementation of equitable access and participation in the sector is essential. A draft broad based empowerment framework, called Agricultural Black Economic Empowerment (AgriBEE), has been compiled after consultations with various stakeholders, including industry groups and the planned release for public comment is the second quarter of 2004/05.

The vision of AgriBEE is empowerment through growth in the agrifood and fibre value chain for a representative, united and prosperous agricultural sector. An inventory of empowerment initiatives in agriculture was completed during the year under review, providing valuable insight into various models of empowerment in the sector.

Government's commodity approach for implementing *The strategic plan for the South African agriculture* was endorsed by means of a number of commodity action plans, for example to the cotton, grain, wine, red meat, poultry and fruit industries.

The marketing infrastructure in different nodes, leading to the development of draft norms and standards, which are being discussed with provinces, was assessed. The department decided to review the agricultural marketing environment and the terms of reference for the review was concluded and the appointment of a task committee initiated. It is expected that the review will be completed in 2004/05. The Agricultural Produce Agents Amendment Act, 2003 (Act No. 47 of 2003) was also promulgated.

In the year under review an agricultural trade strategy was completed. This strategy guides the development of negotiating positions for multilateral and bilateral trade negotiations. An example is applying the principle of not negotiating tariff reductions on products subject to distorting subsidies by trading partners. The department acquired positions in the World Trade Organisation (WTO), the Southern African Customs Union (SACU)-United States of America (USA), the SACU-European Free Trade Area and the SACU-MERCOSUR trade negotiations. Trade with Africa was brought into sharper focus in the department's planning for 2004/05.

programme performance



KEY OUTPUTS, INDICATORS AND TARGETS

The objectives of the programme are to ensure equitable access and sustained participation in the agricultural sector.

Directorate	Output	Indicator/measure	Target	Status/comment
Business and Entrepreneurial Development	Agriculture industry-based business partnerships	The number of businesses engaged in partnerships	A commodity-based partnership programme by March 2004	Partnership programme implemented: cotton, grain, wine, livestock strategies well advanced and others scheduled according to priorities
Domestic Marketing	Targeted domestic marketing support	The number of farmers in rural development nodes reached with marketing support measures	Marketing support measures to farmers in rural development nodes in 3 provinces by March 2004	Draft marketing infrastructure norms and standards being discussed with provinces. Marketing information system delayed, but in progress.
International Trade	Assessment reports on trade trends, opportunities and constraints	The number of issue-based reports and recommendations	10 issue-based reports by March 2004	Report target exceeded. Agricultural Trade Forum advised of all negotiations and opportunities.



liako moahloli
senior manager

Business and entrepreneurial development

The main purpose of the directorate is to encourage equitable participation that enhances competitiveness and mainstream emerging groups/individuals in agribusiness through win-win strategies to benefit all South Africans.

OBJECTIVES

The directorate's objectives are to stimulate economic growth through mainstreaming and levelling of the playing fields, facilitating the unlocking of the economic potential of idle and underutilised resources through empowerment of previously marginalised groups in farming and agribusiness and the transfer of organisational and technical skills and business management principles.

It also facilitates the opening of opportunities and markets and accesses productive resources, encourages the development of partnerships and niche enterprises at each value chain level and provides incentives and support for specialised training and mentorship.

It furthermore encourages existing agribusinesses to enhance their competitiveness through collaboration and the incorporation of BEE principles through commodity strategies and action plans. This expansion aims to create opportunities for new groups to grow into markets and contribute to the growth of their economy. The directorate also guides and monitors compliance to standards and codes of conduct for partnership in agribusiness.



ACHIEVEMENTS

Policy

A draft AgriBEE framework with a scorecard was completed, supported by the executive committee and approved in principle by the Minister and Deputy Minister. An AgriBEE conference is planned as a final stage of the consultation process.

A prioritising commodities report was finalised by June 2004.

The final draft of the grain industry strategy is almost completed. The industry has to nominate a driver to consolidate an implementation plan and co-ordinate implementation of agreed action plans. Unlike the cotton industry, with Cotton SA as a formal structure for industry co-ordination, the grain industry forum is an informal structure. Implementation occurs within the various commodity forums. A proposal was made for the industry to implement the strategy within the various commodity forums. The industry is currently discussing ways to direct the implementation process with a decision expected at the next meeting.

The fruit industry, including deciduous, citrus and subtropical fruit, has pro-actively embarked on developing an overall national industry strategy. Individual fruit industry strategies will follow from this overall framework. The consortium of consultants developing the strategy is overseen by a steering committee of three major fruit industries and the Departments of Agriculture and of Trade and Industry.

A draft Agricultural Small, Medium and Micro Enterprises (SMME) strategy was completed and the alignment with the Comprehensive Agriculture Support Programme (CASP) finalised in June 2004.

Developing the ostrich industry strategy consists of three phases. The technical phase was completed while the second phase of drafting an ostrich strategy will be discussed with key role-players. The third phase will be strategy implementation.

The agribusiness policy framework was completed, the final policy document submitted and the marketing environment review is awaited.

The directorate also contributed to the Department of Trade and Industry's revised small and medium enterprise development programme.

Products and services

According to the cotton strategy it is expected that 2 000 ha will be planted in the Eastern Cape, 800 ha in the Northern Cape, at least 1 000 ha in Northern Province where developing projects will support double the number of hectares planted in the next season. A total of 9 000 ha will be irrigated this season.

From an empowerment point of view, it is expected that a co-operative company will be formed in the Upington area in the next season, while two developing projects will follow in the Makhathini flats in northern KwaZulu-Natal, also in the next planting season.

The initial draft for a SMME excellence model for agriculture and related business was finalised, based on the testing of farmers and agribusinesses around Gauteng. Further product testing continued with a wider scope and the second draft was completed in June 2004. The process of developing an entry point of the model for new businesses commenced in July 2004.

The audit of empowerment initiatives was completed and a summary circulated to management. These findings are being analysed and will be communicated with recommendations for taking outcomes forward.

Regarding the fruit industry strategy, the first round of discussions has commenced and tenders were called for and evaluated with a consortium of consultants being selected. The development cost is an estimated R1,5 million. A project proposal for funding from stakeholders secured R1 million with a request for R250 000 from the department, possibly funded from the supplementary estimates for the 2004/05 financial year.



INTER-AFRICAN INTEGRATION AND TRADE DIALOGUE

A collaboration agreement was reached with the West African cotton producers in Benin. Discussions continued with the rest of the African cotton farmers during the International Federation of Agricultural Producers' conference held in May 2004.

CO-OPERATIVE DEVELOPMENT INITIATIVE

The department recognises the potential empowerment value of linking the entrepreneurial skills, management and technical expertise, experience, business processes and opportunities in existing agribusinesses to the management and owners of emerging agribusinesses. Therefore a joint venture with the co-operative development initiative was piloted.

RED MEAT EMPOWERMENT FRAMEWORK

The directorate secured a red meat empowerment framework and contributed to the development of options for the Banking Council's products to encourage agricultural development.



billy morokolo
senior manager

Marketing

The purpose of the directorate is to develop, implement and promote policies, programmes and measures to support equitable access to competitive and profitable agricultural markets on a sustainable basis.

OBJECTIVES

The objectives of the directorate are to develop and implement policies, strategies, programmes and measures aimed at the promotion of a dynamic and competitive domestic marketing environment as well as special measures to ensure the full participation of historically disadvantaged farmers and agribusiness entrepreneurs in all agricultural marketing value chains.

Furthermore, it manages the issuing and administration of negotiated import and export market access permits, provides advice on agricultural tariff policy determination and serves as the NAMC's contact. Advice is also provided to the department on council-related matters.

It also oversees the implementation of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996) and the Agricultural Produce Agents Amendment Act, 2003 (Act No. 47 of 2003).

ACHIEVEMENTS

Policy

The directorate concluded the terms of reference of the marketing assessment review and initiated the appointment of a committee. The process is expected to be completed in 2004/05.

Legislation

The directorate facilitated the amendment of the Agricultural Produce Agents Act, 1992 (Act No. 12 of 1992), into the Agricultural Produce Agents Amendment Act, 2003 (Act No. 47 of 2003), which became operational in January 2004.



The objective of the act is to regulate the activities of fresh produce, livestock and export agents. The principle is to promote self-governance and regulation without depending too much on government intervention. The appointment of the new Agricultural Produce Agents Council will be concluded before the end of July 2004.

Client and public interaction

The Minister for Agriculture and Land Affairs appointed the Food Pricing Monitoring Committee in January 2003 to investigate the food market structures, price formation and margin analysis of major food chains in the country. The report's recommendations have been considered and evaluated by the department and the Cabinet. An implementation approach has been formulated.

Programmes and projects

The directorate investigated the status of the agricultural marketing infrastructures in four rural development nodes in four provinces, using a developed node in the Western Cape as a benchmark. The assessment formed the basis for the development of norms and standards that will be used as guidelines to facilitate the establishment of an agricultural marketing infrastructure in the targeted nodes.

The directorate is also facilitating the establishment of an integrated agricultural marketing information system. The system aims to provide the necessary agricultural marketing information, especially to land reform beneficiaries and other resource-poor farmers to enable them to effectively plan their production and marketing activities. The system will integrate and consolidate the islands of marketing information that are currently available in the private sector. The information will be easy to access, comprehend and to put into action, especially to emerging farmers. The system will be linked to information outlets such as provincial and municipal offices, multipurpose community service centres, postal information terminal systems and through any other potential vehicles such as cellphone-based SMS text, to convey information to farmers.

A marketing information web page has been developed and is being expanded for broader coverage.

Products and services

The directorate developed training materials on the basics of agricultural marketing. The first series covers the basics of marketing, while the second series concentrates on livestock marketing. The material is in infotoon format to cater for nonliterate people. A total of 3 000 copies of the first series was distributed to all provinces and more copies are being printed and translated into different languages.

The directorate is routinely involved in the administration and issuing of negotiated market access import and export permits for a range of agricultural products. For the period under review, about 1 300 permits were issued to facilitate trade. About 690 import permits were issued to local importers. These permits saved the local importers about R288 million in import duties. A further 610 export permits were allocated to local exporters to access negotiated foreign markets. Permits were issued for the exportation of the following products:

Products	Quantities (tons)
Cheese	6 000
Cut flowers	2 312
Strawberries	280
Canned fruit	65 000
Fruit juices	6 400
Sparkling wine	540 000 ℓ
Wine	44 000 000 ℓ



gerda van dijk
senior manager

International trade

The purpose of the directorate is to develop, promote and support the competitive participation of the South African agricultural sector in international trade. The process is guided by the departmental Strategic plan and the agriculture trade strategy and is undertaken to further the implementation of The strategic plan for South African agriculture.

OBJECTIVES

The objectives of the directorate are to analyse and develop policy and advise on bilateral and multilateral agricultural trade and to promote trade initiatives. It also represents the department in forums where trade issues are at stake and renders a management support service regarding trade. In terms of the new SACU agreement, the directorate will interact and collaborate closely with the other union members on trade negotiations.

ACHIEVEMENTS

Policy

An agricultural trade strategy was developed to guide agriculture's interest within the broader trade strategy of the government. The strategy was presented to the Economic Development Committee of the international relations peace and security cluster and it was recommended that they be included in the cluster priorities.

A negotiating position for South Africa within the broader SACU was developed. Extensive consultation with industry as well as with the SACU partners took place and a technical visit to the United States of America to obtain information, assisted to finalise a negotiating position.

It is also important during negotiations to include the current preferential access of Southern African Customs Union members under the Africa Growth and Opportunities Act. Analysis indicated that South African exporters under-utilise the USA market. It is, however, due to other barriers than tariffs, for example, sanitary and phytosanitary requirements, not an easy market to penetrate.

Based on the analytical work and utilising the experience of the South Africa/European Union negotiations, a negotiating position followed for negotiations between the SACU and the European Free Trade Area.

The directorate's strategy included the development of negotiating positions for both India and China. As a result of stringent negotiating schedules within the SACU, government decided to finalise current negotiations before starting new negotiating ventures. Preparatory work, however, continued throughout the year.

Client and public interaction

Through the agricultural trade forum the directorate consulted with industry, including the nine provincial departments of agriculture. The forum is utilised to inform industry of all the trade negotiations, while the Parliamentary Committee for Agriculture is also informed in this regard.

Progress on intra-African trade dialogue has been made during the year under review, mostly through participation in the Africa Group in Geneva, especially in the WTO's multilateral trade negotiations on agriculture, as well as in different senior official and ministerial meetings in Africa.

As a result of the new democratised SACU, South Africa does not undertake trade negotiations on its own, but via the union. The directorate was closely involved with the union as well as the Department of Trade and Industry to draft position papers and participate in negotiations.



Products and services

According to rules and procedures of the WTO, all member countries have to undergo a review of their trade policies on a scheduled basis. The review is based on governmental input on all trade policies. The directorate compiled the agricultural input for the review. In terms of the SACU agreement, all five members of the union are reviewed simultaneously. The review process took place in Geneva, Switzerland where the review was successfully completed.

International

During the review year negotiations for a fixed preference agreement between the SACU and MERCOSUR, a free trade agreement between the union and the USA as well as between the union and the European Free Trade Area continued.

Some negotiations between South Africa and the EU with regard to outstanding issues in terms of their trade development and co-operation agreement were concluded while others are continuing.

The directorate also interacted with the Southern African Development Community (SADC) to enhance the implementation of the agreed trade protocol.

Negotiations regarding the multilateral trade negotiations under the WTO continued. However, based on the position of the EU and the USA, a group of developing countries formed the G20, shortly before the fifth ministerial meeting in Cancun, Mexico. The G20 placed the issues distorting trade support to the agricultural sector by developed countries and its influence on developing countries, in the centre of the negotiations.

Active participation with regard to the work of the G20 continued in Geneva after the Cancun meeting. Interaction and participation in G20 and other WTO negotiating sessions continues in collaboration with the South African mission in Geneva.

National agricultural marketing council

The National Agricultural Marketing Council (NAMC) was established in terms of the Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996) to advise the Minister for Agriculture and Land Affairs on the marketing of agricultural products and the co-ordination of the marketing policy.



The Minister annually approves the budget and business plan of the council. The council received its budgetary allocation of R10,1 million via a transfer payment from the department. The Food Pricing Monitoring Committee appointed to monitor high food prices in the second half of 2002, was also funded through this allocation.

The council issues its own annual report within the framework of the Public Finance Management Act, 1999 (Act No. 1 of 1999).