

# The **beaten path** for South African agriculture

By John Purchase, chief executive of the Agricultural Business Chamber

**O**n 8 December 2015, the day before the infamous Nenegate debacle or so-called '9/12' moment, the Agricultural Business Chamber (Agbiz) released a press statement on its outlook for 2016. Agbiz warned of the critical crossroads South Africa has reached, and that 2016 may well be a defining year in terms of the nation's future. Little did we then realise how defining a year 2016 would prove to be, but with no clear outcome as yet.

The battle lines in South African politics have been drawn, both on an inter- and intra-political party basis, as we head towards municipal elections in August of this year. Normally second-tier government elections would not be termed defining of the local political power landscape, but these elections will be. Either way, they will impact greatly on the future of South African agriculture.

## Linked

Politics and the economy are inextricably linked in the so-called political economy, as ratings agencies such

as Fitch, Standard & Poor's and Moody's are at pains to point out and remind us. At stake is an open, competitive market economy embracing strong inclusive economic growth and driven by the private sector and secure property rights, versus a system of state patronage, excessive government control and intervention, scant regard for property rights – under the banner of the ironically termed 'economic freedom'.

The choices are stark, especially within the ruling party where the outcomes may well be determined in our courts of law, including the Constitutional Court.

Agbiz believes that sanity and good reason will prevail, and people in top decision-making and influencing positions are increasingly recognising the choices to be made, and correctly identifying with those choices. Press freedom and the independence of the judiciary, including the Public Protector, are fundamental to our constitutional democracy, and we all have a role to play in upholding our *Constitution* and its very important *Bill of Rights*.

## Hope despite the challenges

Against this uncertain background, South African agriculture and agribusiness have been ravaged by one of the most, if not the most, severe droughts in living memory, primarily due to a particularly severe El Niño occurrence in the Pacific Ocean.

Numerous farmers and agribusinesses have been adversely affected and will take years to recover from losses incurred, while some may not recover at all. However, there is certainly hope and light at the end of the tunnel.

South Africa, thanks to its largely open and competitive market system,

still possesses a resilient and robust agro-food system providing in the largely unacknowledged food security for the nation and all its people. It will yet again bounce back from another major setback.

Already the very late and significant plantings, of especially sunflower in the Free State and North West provinces, have escaped the first frost and will provide much-needed income and cash flow, as yields appear to be fairly good in general and prices are holding up due to the prevailing import parity scenario.

In addition, the El Niño phenomenon is rapidly waning and being replaced by a La Niña counter-reaction, which bodes well for good rains in the summer rainfall region of South Africa in the 2016/17 cropping season.

There is and will be significant production risk (low soil water levels) and price risk (a possible move from import to export parity pricing) in the new production season, and farmers will need to manage these risks proactively and timeously. Business plans in this regard will be essential when approaching the financiers for production loans.

Every crisis creates opportunity, and from there comes the old adage: 'Never waste a crisis!' Understanding the environment within which one is producing, what the risks and especially the opportunities are, and planning wisely and realistically are all essential for survival. A great advantage in our industry is that people must eat and demand therefore generally remains inelastic. Let us plan and prepare well for the next season!

For more information, contact Dr John Purchase on 012 807 6686. 

