Re-imagining a future for South African agriculture

FR Tomlinson Commemorative Lecture held on 6th June 2006 at Elsenburg.
FR Tomlinson Gedenklesing gehou op 6 Junie 2006 te Elsenburg.

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Abstract

Agricultural policy in the past was characterized by elementary objectives such as stabilisation, protectionism, deregulation and producer interests. Future policy direction faces the complexity associated with post-modernism. In this regard, global markets are considered increasingly saturated, unfair, inequitable, volatile, concentrated and dominated by supply chains and retailers. Agricultural firms are moving beyond a producer orientation towards firms that focus on creating value from size, non-farm business, service orientation, more open management style, greater human capital, accelerated self-renewal, innovation, marginalizing commodities, retaining and unlocking further value from traditional business. Furthermore, contemporary issues like land reform and empowerment remain key challenges but suffer from deficiencies in bureaucracy, beneficiary selection, forms of ownership, and generally incentives to engage markets. Empowerment efforts however favour asset acquisition instead of human capital formation and entrepreneurship. Addressing these challenges requires a reconceptualisation of the role of the state and markets. The argument strongly advanced is for greater integration between state and market whereby markets are incentivised to perform and execute economic programmes.

1. Introduction

Agricultural policy in the past was characterized by elementary objectives such as stabilisation, protectionism, deregulation and producer interests. Future policy direction faces the complexity associated with post-modernism. The key issues now include dealing with instability, uncertainty, industrialization, value chains, unfair trade, market concentration and consumer interests. In this regard, the first part of this paper is devoted to the features and factors that define a post-modern agriculture. The second part of the paper attempts to define and provide policy direction for a possible future for South African agriculture. The important themes addressed here are

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conceptualising the role of the nation state, international trade, and the economic integration of black farmers.

2. The nature of a post-modern agriculture

2.1 Marketing and trade

World markets have acquired distinct features in recent years that shape the space and nature of survival and competition. The first is market saturation for most consumables as proposed by Ostenton (2004) as the 'death of demand'. This is mainly caused by accelerated management and technological advances by which the ability to produce exceeded the ability to consume significantly. The subsequent shifts in the aggregate supply curves obviously outpaced population induced demand shifts with expected price reductions. However, price reductions in the hypothetical absence of subsidies, supposedly borders on minimum profitability thresholds which can hardly be sustained in most production systems. Hence in many countries subsidies are required to sustain ailing systems. In poorer countries, it is only the most efficient and effective who can remain competitive. Another effect of saturation is that innovation and entrepreneurship is increasingly the source of competitiveness. Such innovation is not only focused on products and services but also on the ability to influence consumer needs preferences and consumption patterns. Concepts such as irrational exuberance and consumerism entered, whereby consumers began to consume at levels that are beyond conventional needs, budgets, or rates. The nature of supply hence changed to offer products that offer more value for money, associated value, image, dispensability, *inter alia*.

A second factor is that world markets remain distorted an inequitable despite the efforts made at the WTO. The failures observed in Seattle and Cancun as well as the complexities faced in reaching agreements subsequently confirms the reservations over globalization of Stiglitz (2002), Ralston-Saul (2005) and several other scholars. Competitive and emerging firms in poorer countries remain the real losers in the short and medium term and the mood is shifting from waiting for a fair dispensation towards strategic and tactical adaptations that can be equally inequitable, but allows for survival in an inequitable world. Comparative country evidence around the PSE's show that countries like Brazil, Australia and New Zealand have deregulated fast and have more recently begun to increase their domestic support measures (OECD, 2006). This inequitable world is also more volatile given that the prior more regulated environment was partly aimed at achieving more stability. Deregulation and more rapid consumption and technology changes brought a more volatile world to contend with.

Amidst the above, technology advanced exponentially to make the world 'flatter' so well illustrated by Friedman (2004). Globalisation accelerated the acculturation process and meant that the majority of consumers began to mimic and adopt choices that transcended cultural and geographic boundaries. Much of this is induced by the internationalization of retailing led by Walmart and other chain stores. The observed trend in retailing is one of increased bargain power and concentration among fewer and larger firms amidst relative fragmentation on the production side. This trend encouraged the formation of supply chains to enhance coordination between supply and demand against the backdrop of establishing Just-in-Time management systems. The industrialization of food and fibre chains coupled with the explosion of extra-nutritional expectations in consumption brought entirely different dynamics to food systems. Prescription farming, the disappearance of the farm gate, sophisticated risk management techniques, logistics, category management, mass customization, and so forth, are but some of the concepts that gained prominence as the world grow 'flatter'.

Thirdly, the emergence and dominance of supply chains articulating supply and demand in a more integrated world raises important questions about the role of the nation state and conventional understanding of country competitiveness. Economic activity is increasingly coordinated within chains that transcend traditional country borders. Hence the demise of country competitiveness as argued by Porter (1990). Greater resource mobility such as human capital, information, research, and finance also diminishes the role of the nation state in favour of cross border chains and markets. Nations have to contend with creating country environs that are enabling for the functioning of several, though concentrated supply chains that are well articulated to foreign country environs.

The consumer arena has also experienced significant dynamics. Key amongst these is the entrenchment of irrational exuberance fuelled by consumerism. This is especially true of growing economies where the middle class acquires enhanced spending and borrowing ability. Consumption patterns tend to mimic those of the rich which creates enormous markets for products that are relatively inferior, cheaper, mass produced, imitations, etc and creates the image of well-being. Despite the exceptional choice, variety and volume offered, the consumer preferences are increasingly influenced by promotions and advertising. The erstwhile 'consumer sovereignty' is hence but a noble notion. One way to absorb the enormous increase in supply has become to encourage 'irrational' consumption based on created needs. The enchanting ability of markets to accommodate all of these remains remarkable.

2.2 Agricultural land reform

Land reform in South Africa is critical to achieving social and economic stability. The results and achievements to date have been unsatisfactory. This can be attributed to unfavourable economic conditions, opportunistic behaviour, inappropriate design, risks, and various other deficiencies. The premise of making land redistribution contingent on economic viability must be questioned in the face of an obvious shortage in the requisite level of human capital among beneficiaries. The fact that 77% of commercial farmers have an annual income of less than R1million is testimony to the renowned 80:20 rule in agriculture whereby it is accepted that 20% of farmers produce 80% of output. The inherently low viability of agriculture and relatively high risk profile imply that expecting economic viability from emerging producers is somewhat unfair and unrealistic. It can then be argued that land reform is fundamentally a political imperative and must be separated from the economic imperative i.e. viability or competitiveness. This may mean that land should be redistributed for the purpose of socio-political stability. A subset and outflow of this could be the creation of a class of competitive black farmers who would largely mimic the economic nature of commercial farming.

Land reform does not suffer from a lack of political or economic goodwill. Instead is suffers from a lack of business incentives that facilitated collaboration between state and market. For instance, once land is transferred to beneficiaries the market is not sufficiently incentivised to enhance economic activity. On the contrary, markets would often penalize new entrants who are less able to deal with risks and economic realities. Often this is purported as state failure, instead of market failure. Again, it is not the lack of will but rather the lack of synchronisation between state and market that fails land reform.

The targeting of land reform has not been directed with the results that initiatives were hardly prioritized. All applicants were treated as having the same rights to land of they could more or less prove relative poverty, dispossession, and project viability. A study into black economic empowerment in the wine industry (VinPro, 2005) however proved that private acquisitions of wine farms by blacks rivalled those acquired with government assistance, albeit the fact that private sales favoured relatively richer blacks. A similar case was observed in Natal where market mechanisms rivalled the state (Graham and Lyne, 1999). What this implies is that richer black people as discriminated against, or not favoured in economic empowerment initiatives of government, despite the fact that this is the entrepreneurial class needed to drive the industry. This point to an important fact that land reform fails to attract, support and entrench black entrepreneurs. In this light, is must be acknowledged that land reform focused on means (grants, land, planning, etc) instead of the real prerequisites/means (human capital, entrepreneurship, incentives). This inherent tendency of a developing states to ignore entrepreneurs and making low and negative return investments in the poor seem to perpetuate itself in the Hernando de Soto (2000) line of inquiry. This is not an argument against investing to eradicating poverty, but rather on the neglect of entrepreneurs. The East Asian examples of economic success bring advances issue of embedded autonomy illustrated by Evans (1995). Embedded autonomy refers to the insular network of a bureaucratic elite in charge of policy making and can also be considered as the political economy of the developmental state. This insulation Evans regards as the key to success of the East Asian states

2.3 Empowerment

Human capital remains South Africa's (and any other country) single biggest challenge. Friedman (2005) aptly describes the main source of economic growth as the ability of a country to offer relatively more human capital for money. The real crime of Apartheid is the prevention and distortions in human capital development, hence the need for empowerment. Significant human capital deficits and large asymmetries create the space for opportunism. In this context opportunism refers to the tendency to capitalize on short term gains at the expense of longer term sustainability. Black economic empowerment suffers from this occurrence. It is therefore necessary to reconsider the fundamental definitions and intentions of empowerment.

Prominent economists like Gary Becker, TW Schultz, Arthur Lewis, Francis Fukuyama and others have made substantial contributions towards establishing human capital and entrepreneurship as the real basis for economic development and the performance of individuals and firms. Institutional design can hardly substitute for this economic vigour and zeal. These two elements are mutually inclusive yet different, and both necessary conditions for economic performance and empowerment. The historical context of this reasoning could be seen following the Karl Marx, Max Weber, Douglas North positions. However, the economic empowerment context is one of shorter term interventions required for economic advancement that takes the line of development as a matching of scarce human capabilities attempting to take advantage of economic opportunities. The opportunities act as a pull factor constrained by deficient abilities and entrepreneurship as advanced by Joseph Schumpeter. Empowerment is considered this fast tracking process that intends to accelerate the rate of human capital acquisition whilst taking advantage of economic opportunities.

Economic empowerment relates to a situation where an individual or entity is enabled and acquires a tradable asset. Being enabled refers to the availability of human, social and physical capital required to managing the acquired asset in an entrepreneurial fashion. Hence, economic empowerment has human capabilities and tradable assets as necessary conditions for entrepreneurial behaviour when such behaviour is constrained.

A more practical definition of empowerment is the systematic reduction of control concomitant to a systematic increase in assumed responsibility by individuals or firm beneficiaries. In other words, affording people the opportunity to make mistakes and engage in experiential learning in a supportive environment. Such an environment includes safeguards and safety nets that limit punitive effects.

2.4 Agribusiness

Agribusiness and particularly cooperatives are have undergone strategic adaptations the last century. Their initial establishment for political economic and bargaining power purposes changes towards entities that have to service farmers, consumers and capital. In the past they were confined to serving farmer interests almost exclusively. This remains the case whether cooperatives became companies or remained traditional coops. This is well evident from the extensive work of Michael Cook in this domain (Cook & Chaddad, 2000). Cooperative agribusiness these days therefore firstly tussle with their traditional role of producer services to their modern role of firms striving for earnings and return on capital. These separate objectives appear contradictory. Returns in capital however can be the only winner as cooperatives modernize and farmers increasingly alienate their equity to unlock their (past) value in the market. The investment environment in South Africa is trading at unprecedented levels and listed company stocks are beginning to trade at premiums. Investors and brokers are thus turning to invest in the unlisted market where most cooperative agribusinesses operate. This demand for unlisted shares resulted in many agribusinesses trading equity to non-agricultural shareholders who clamour for economic performance. This unravels a process from being primarily pro-producer to being pro-client and pro-investor. The history of cooperatives the word over may be testimony to this inevitable outcome of agricultural cooperatives are to survive over the longer term. The renewal process encompasses several features including less bureaucracy, management style, board composition, product composition, pricing, corporate image, location, staff composition, client orientation, size, human resource management, etc.

Survival of cooperative agribusiness depends on creating value from size, non-farm business, service orientation, more open management style, attracting more human capital, accelerated self-renewal, innovation, marginalizing commodities, retaining but unlocking further value from traditional business. In this vein, they also have to seriously contend with the asset stripping tendencies of investors who may not share the agricultural service orientation that must be appreciated as the key dimension that creates the fundamental value. The argument is therefore made that cooperative agribusiness becoming more market oriented is not a departure from its traditional agricultural role, rather a consolidation and expansion of this role.

2.5 Supply chains

A note on value chains is necessary given the continued industrialization of agriculture and the disappearance of the farm problem (Bonnen and Schweikhardt, 1999). Competitiveness is increasingly a function of the conditions created within supply chains. As argued earlier, these chains operate across borders as consumption and retailing converges across the globe. Single country conditions create markets and the economic environments wherein chains function, and can critically affect the competitiveness of chains. For instance, developing countries can frustrate the functioning of chains by inducing high transaction costs, despite their comparative advantages or market potential. Cross border trade in the SADC is but one example. Logistics systems and related infrastructure to support international trade is another. Opportunistic behaviour including corruption, hold-up problems, prisoners' dilemmas, free-riding and the like are further challenges.

As chains become more tightly coordinated through sophisticated logistics, information technology, just-in time management systems, business intelligence networks, quality management, etc they by necessity have to function increasingly in the private domain. Certain support functions traditional that were traditionally provided by governments (e.g. food safety, bulk infrastructure, information, research, generic promotion) will move to the private sector in entirety or by delegation for efficiency reasons. At best, governments may impress certain incentivised guidelines to markets whereby they can adhere and contribute to national policy priorities such as macro-economic issues, trade protocols, social justice, economic transformation and so forth.

2.6 Leadership

The leadership of South African agriculture has become transformed into a bureaucracy of industry or commodity organizations and management. This is seen as a result of a previous leadership that led the country to a regulated dispensation. The change in government brought policies that favoured deregulation. The deregulation era has passed with the advent of a new marketing act in 1996. However, much of the bureaucratic leadership in agriculture seemingly remains embedded in a previous mindset and consequently tend to 'bargain for a better past', instead of are-imagined future. Senge's (2006) exposition of the rules of systems thinking (the fifth discipline) is worth keeping in mind in dealing with nature of an industry as an institution and nature of the leadership:

1. Today's problems comes from yesterdays solutions.
2. The harder you push the harder the system pushes back.
3. Behaviour grows better before it grows worse.
4. The easy way out usually leads back in.
5. The cure can be worse than the disease.
6. Faster is slower.
7. Cause and effect are not closely related in time and space.
8. Small changes can produce big results- but the areas of highest leverage are often the least obvious.
9. You can have your cake and eat it, but not at once.
10. Dividing an elephant in half does not produce two small elephants.
11. There is no blame.

What can be distilled from the above rules is that prevailing systems tend to be resilient to change, preferring quick-fix solutions, dealing with symptoms instead of causes and calls inducing profound changes in obscure yet visionary ways. Agriculture and its leadership resemble resilience to systemic change as can thus be expected, and tries to retain as much of the good of the past. However, contending with a rapidly evolving future calls for greater innovation, vision, and dynamism. It further requires an approach that does not unduly defend a past, but seek to understand and embrace a future.

3. Re-imagining the future

3.1 The developmental state

South Africa is a developmental state which means that the state is pushed beyond its conventional role of governance. It has added responsibilities in welfare, human capital, economic development, and state building (*inter alia*). The conventional view is for governments to intervene where the market supposedly fails. This notion assumes that markets cannot perform in the event of market failure. Instead, market failure could imply that markets need added incentives to perform in instances of market failure. This view is necessitated an acknowledgment of the substantial burden that developmental states have tend to. South Africa has favoured a market economy to date which certainly provides scope for an approach where markets are incentivised to deal with market failure. The empowerment of black farmers, land reform and human capital formation are cases where this approach is advocated. To achieve this require more than political will. It requires constructive engagement between state and market and evidence of cases where this has worked successfully. The case made is not made for forms of public private partnerships, but rather for trusting markets to execute developmental priority programmes on which they perform. The developmental state is thus afforded the opportunity to attend to other priorities and to provide leadership and an environment conducive to growth and investment.

3.2 The nation state

Economic development in the world was strongly related to the endeavours of the so-called 'nation-state'. The role has become much diminished in modern times due to the increased mobility of various factors of production mainly human, financial and technological capital. In Africa, the traditional nation state has been rooted in a colonial history where country demarcations were largely based on the political whims of the colonial powers. Contemporary economic factors have given greater credence to a borderless society manifested in supply chains and regional trade arrangements. Hence the diminished significance of the nation state as argued by Ohmae (2005). Another factor that brings into question the role of the nation state is the internationalization consumption accompanied by a process of mass acculturation. Acculturation means that the majority of consumers begin to mimic and adopt choices that transcend cultural and geographic boundaries. Much of this is induced by the internationalization of retailing led by Walmart and other chain stores. Nation states are relegated to spectator status as this process unfolds since supermarkets are not driven by country agendas but merely by shareholder interests that itself is internationalized through global money markets. These factors all imply that the economic agendas of nation states will increasingly be dictated to by global trends in capital and consumer choices.

3.3 Regional trade

The world has seen the formation of countries into regional trade arrangements to capitalize on local markets and share external boundaries. The challenge has now shifted towards ensuring that the benefits of regional trade is captured and results in the anticipated positive sum game. Countries could easily slip back into the more selfish nation state mode given the difficulties faced in turning theoretically anticipated benefits into reality. This is especially true in the case of smaller states with weak economies. The SADC trade protocol is a case in point where the in principle agreement favouring a free trade area is met with intra-country preferences for inward industrialization, import substitution, and ensuring positive trade balances. While the regional trade agreements do allow for such measures they usually have to be short term with defined sunset clauses.

This situation however opens a myriad of opportunistic behaviour in that it puts other member states at a disadvantage. Example may include limitations of red meat exports from Namibia to South Africa, duties on cotton imports into South Africa from the region, flower imports from Kenya, and so forth. While some of these measures may be allowed, they certainly impede the longer term effectiveness and viability of regional trade. The needs and benefits of regional trade remain undisputed and member states have to remain faithful to the initial intentions given the prominence and power of regional trade arrangements. The logistics and bureaucratic problems faced with regional cross border trade in SADC remains cumbersome and a major inhibitor of regional trade and investment flows. South African investors and retailers who are active in the region often cite this as a major concern limited economic activity. This must be seen against a backdrop of a trade balance that favours South Africa by far. However, to capture the benefits of regional trade require commitment to its ideals and removal of transaction costs as far as possible.

3.4 Market-based black farmer development

The Ministerial Committee to review agricultural marketing in South Africa endeavoured to ascertain the needs and opinions of black farmers in a recent workshop with the National African Farmers Union. The following were the pertinent issues articulated by black farmers:

(i) Poor farmers are worst affected by unfair trade and rich country subsidies and require stronger countervailing measures to allow them a competitive space and to survive as the distortions are incrementally (yet too slow) removed.

(ii) Governments need to regulate for measures that will facilitate their involvement in markets on a concessionary basis if need be, otherwise they will be increasingly marginalized.

(iii) Taking advantage of the opportunities in trade and endowed comparative advantages require institutional development (cooperatives, buyer groups, consortiums, associations, agents, etc) that must be established with government assistance.

(iv) Productions cannot be separated from the requisite business intelligence and information flows that in modern times became the real key to markets and economic success. Hence the need for integration into private networks, and credible accessible business intelligence systems

(v) Accessing concessionary markets, especially those available to government in the early years of development so market exposure is enhanced and likely mistakes not overly penalised.

(vi) State and donor funding must be linked to targeted subsidies and programmes with well defined tangible outputs. Too many programmes merely provide occupation to consultants and officials.

(vii) The state or lack of rural infrastructure remains a major impediment to investment and production. Agriculture alone can hardly carry this burden.

(viii) Training is crucial but must include positive market exposure to enhance an understanding and orientation towards markets.

The above issues indicate a need for integrating black farmers into markets as part of their empowerment process. The empowerment of white commercial farmers was also premised on concessionary market access programs in addition to subsidized land, credit and inputs. While these measures were effective they mostly went too far in created a dependency on state transfers and protectionism which must be avoided. Hence, the argument advanced is for the implementation of market schemes that facilitates access to markets for black farmers as a key strategy for market-based empowerment.

They are likely to be considered obsolete and distorting given their history in commercial agriculture. It must acknowledged though that they serve a critical purpose at the time of promoting market access and exposure that is valuable in nurturing and building entrepreneurial behaviour. Hence, they serve and function as economic incubators. The concern with their application and eventual failure in state regulated commercial agriculture was that they lacked clear sunset arrangements that compelled participants to plan for their termination. It began to distort, disincentivise and clamour for perpetuation at unbearable costs to society. Government regulated schemes too often ended in establishing powerful commodity sector bureaucracies bent on perpetuating their existence through statutory powers instead of valued industry service and performance. It is believed that such schemes do have powerful contributions to offer if these problems can be avoided. In summary, the problems include: a horizon problem (sunset clauses), bureaucratization, state dependency, corruption, political interference, lack market orientation, service orientation, favouritism, etc.

Experiences gleaned from various cases in South Africa highlight the following issues which marketing schemes have to address:

(i) Initiatives early into its establishment often lose loose momentum and dissipate due relatively long investment horizons and breakeven periods. Low income farmers find difficulty in sustaining themselves financially in the period and lose interest. This is experienced in land reform projects in South Africa and in cases where small growers are involved in capital intensive ventures with multi-year crops. The response is to find a means to accelerated gratification e.g. advance payments and bridging transfers to allow farmers to finance living costs and remain motivated.

(ii) Fixed favouritism (positive selection) by selecting for identified people, areas, farm type/size, enterprise type, and other socio- economic and technical criteria. In South Africa this favourism. In South Africa this favouritism in intensive farming has gone to farmworkers who have expertise and the goodwill of landowners. Difficulties are experienced with attracting aspirant youth and more human capital to agriculture.

(iii) Commodity organisations who recognise the need to empower historically disadvantaged people are clamouring with government to reserve its institutional markets for such purposes (hospitals, schools, army, etc) as well as allocate export quotas, MFN provisions, etc. Though possible they remain difficult as these markets are already served and the arrangements may be disruptive to markets. Attempts are underway.

(iv) The state and the banking sector thus far operated in parallel in financing emerging producers. The case of developing appropriate finance whereby concessionary capital from the state is used to cater for risks (transaction costs) and banking is left to the private sector is strongly advanced. The marketing schemes being developed intends to achieve such.

(v) Commercial agriculture is dominated by large white farmers who are well skilled and experienced. Their favoured status in the Apartheid years coupled with a history of exploitation now hangs heavily over them. Programmes have commenced to harness their capacity in mentorship and extension to emerging producers to allow for experiential learning based on shared risk and social capital.

(vi) Entry and exit arrangements that facilitates exit under non-performance and entry of suitable beneficiaries who show more promise. Political imperatives tend to discourage this practice.

(vii) Sunset arrangements to ensure that the scheme does operate in perpetuity and serve merely as an economic incubator. The experience with such schemes in developing commercial agriculture has shown how counter-productive they become when extended unduly.

(viii) Price support techniques such as viable price guarantees, price insurance, hedging, stock finance, advances, etc. These mechanisms tend to become politicised and develop bureaucratic inefficiencies when executed by the state. Instead is currently with industries that are developing such self-regulating schemes executed with state approval.

(ix) The greatest challenge observed when integrating emerging producers into markets is the pace at which market exposure in local and export markets is internalised. The fact is that the dynamic and multi-faceted nature of markets makes it difficult to absorb all quickly. Critical mistakes are seen with logistics, food safety, packaging, consistency and the like. Stronger partners are thus needed to absorb these so that exposure is regular but gradual and related to risk profiles.

(x) Risk management and insurance (safety nets) to guard against unfair or too harsh penalties given that beneficiaries are risk prone and unlike to be able to bear unaccustomed risk. Many failures and difficulties have been observed in the horticulture and land reform projects due to the lack of safety nets when risk manifests.

It is envisaged that marketing schemes executed by agribusinesses would become a feature of constructive engagement between the commercial and developing sectors and supported by the state as argued before.

3.5 International trade

Three arguments were essentially made regarding global trade. First, that global trade will remain unfair. Second, that regional and bilateral trade will feature more prominently. Third, that global supply chains and supermarkets will increasingly dominate and shape the nature of trade. Accepting this premise means that international trade is approached with expansionistic objectives (like Chile, Australia, New Zealand, Brazil, China, etc). Expansionism can be built on the following factors:

(i) The entrepreneurial flair of the top 20% of firms in South Africa who are arguably globally competitive and well versed in the demands of modern markets.

(ii) Generating and sustaining market intelligence that support critical decision making in markets.

(iii) Developing and sustaining consensus between the state and the private sector on the economic priorities for international competitiveness.

(iv) Commitment to the role of individual firms (as opposed to organizations, industries, regions, etc.) as the creators of competitiveness and economic performance.

(v) Studying and subsequently penetrating new and emerging markets in Asia and Africa whilst maintaining access to the traditional Western markets.

4. Conclusions

The economic positioning of a future agricultural sector cannot be based on the policy position of the past, but should rather take heed of the strategic trends in the global economy. The fist section of this paper was devoted to identifying and analyzing some of the key factors that will shape the future of agriculture. The key aspects attended to include understanding global markets, trade, firms as well as contemporary challenges in South Africa such as economic transformation and land reform. Global markets are considered increasingly saturated, unfair, inequitable, volatile, concentrated and dominated by supply chains and retailers. Agricultural firms are moving beyond a producer orientation towards firms that focus on creating value from size, non-farm business, service orientation, more open management style, attracting more human capital, accelerated self-renewal, innovation, marginalizing commodities, retaining but unlocking further value from traditional business. Land reform and empowerment remain key challenges but suffer from deficiencies in bureaucracy, beneficiary selection, forms of ownership, and generally incentives to engage markets. Empowerment efforts seem to favour asset acquisition instead of human capital formation and entrepreneurship. Addressing these challenges requires a reconceptualisation of the role of the state and markets. The argument strongly advanced is for greater integration between state and market whereby markets are incentivised to perform and execute economic programmes. A key programme would be to promote the economic integration of black farmers primarily through concessionary market access provisions and related support. Integration and performance in global markets on the other hand, must be built on the business intelligence and competitiveness of the best performing firms in the country. The economic performance and transformation imperatives of the country can best be achieved with more constructive engagement between state and market.

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