PROGRAMME 3

Agricultural Trade and Business Development

AIM

This programme promotes international and domestic market access and black economic empowerment, and interacts with the National Agricultural Marketing Council, which advises the Minister on statutory marketing issues.

PROGRAMME STRUCTURE

The programme comprises three 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.

PROGRAMME OVERVIEW

Increasing the participation of black farmers and agribusiness entrepreneurs in local and international markets was a strong thrust of this programme’s activities during 2004/05, as can be seen from our substantial contributions to developing guidelines for Agricultural Broad-based Black Economic Empowerment (AgriBEE) and the Comprehensive Agricultural Support Programme (CASP).

**AgriBEE**

Domestically, the core empowerment event of the year was the launch by the Minister of an AgriBEE Framework for public comment in July 2004 as promised in the President’s 2004 State of the nation address.

The sector-wide consultation process around the AgriBEE Framework was managed by a broad-based AgriBEE Steering Committee appointed by the Minister and the programme provided two members, as well as a technical support team and secretariat. Based on a report of the comments received, it was clear that while most stakeholders were in favour of AgriBEE, there were widely varying views on the targets that should be set and on the modalities for achieving agricultural empowerment. This necessitated further consultation and negotiations on the content of the framework and scorecard. It is expected that the AgriBEE Charter will be concluded in 2005.

Other notable activities that supported empowerment during the year included the drafting of norms and standards for agricultural marketing infrastructure, the training of SMME facilitators, and the production and dissemination of marketing training manuals in 11 official languages.
Agricultural economic empowerment is not purely a domestic issue but one that is closely linked with world trade developments and the move towards agricultural reform. During 2004/05, this programme worked closely with the Department of Trade and Industry (dti) and our partners in the Southern African Customs Union (SACU) to ensure that agricultural reform and development issues remained firmly on the global trade negotiating agenda.

This programme was actively involved in all phases of the World Trade Organisation (WTO) negotiations on the Doha development agenda, which resumed during the year after the breakdown at the Cancun meeting in the year before. The WTO Framework for Agriculture, concluded in July 2004, showed an improvement in favour of developing country interests, largely due to the coherence and focus of the G20 group, in which the programme participated on behalf of the department.

CASP

The grain, fruit and cotton strategies progressed well during the report period. The programme agreed with the agro-processing unit of the dti that all new commodity strategies would be developed jointly between the two departments. The benefits that clients can expect to flow from this are greater synergies and more co-ordinated support.

The design specifications for the marketing information system, aimed at meeting the requirements of farmers in the rural development nodes, were completed during 2004/05. Procurement, particularly delays for the development of IT systems, has retarded the conclusion of this important project.

The department utilises preferential and free trade agreements to drive and accelerate the growth and competitiveness of South Africa’s agricultural sector. During 2004/05, the programme developed concrete proposals and positions for SACU free-trade negotiations with Mercosur, the European Free Trade Agreement (EFTA) and the United States. SACU successfully maintained its position against concessions on products subject to market-distorting subsidies.

**KEY OUTPUTS, INDICATORS AND TARGETS**

Measurable objective: Increase access to resources and opportunities in the sector and to markets for agricultural products, domestically and internationally, in order to optimise growth, employment, income and equity in agriculture.

<table>
<thead>
<tr>
<th>Directorate</th>
<th>Output</th>
<th>Indicator/measure</th>
<th>Target</th>
<th>Status/comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and Entrepreneurial Development</td>
<td>Agricultural industry-based business partnerships</td>
<td>Partnerships developed</td>
<td>Four commodity action plans concluded</td>
<td>Cotton, grain, fruit strategies well advanced/ concluded</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SMME operators trained for excellence in entrepreneurship</td>
<td>30 trainers trained</td>
<td>22 trainers trained</td>
</tr>
<tr>
<td>Marketing</td>
<td>Targeted domestic marketing support</td>
<td>Number of farmers in rural development nodes reached with marketing information facilitated by DoA</td>
<td>Majority of LRAD farmers in three development nodes</td>
<td>11 000 marketing training manuals distributed to provincial departments for farmers</td>
</tr>
<tr>
<td>International Trade</td>
<td>Negotiating positions and plans</td>
<td>The number of issue-based positions developed</td>
<td>10 position papers or reports on opportunities and constraints</td>
<td>Report target exceeded. Agricultural Trade Forum advised of all negotiations and opportunities</td>
</tr>
</tbody>
</table>
Business and Entrepreneurial Development

In the interests of a united, prosperous agricultural sector, the directorate encourages partnerships between established agricultural enterprises and emerging farmers and entrepreneurs. This promotes skills transfer and facilitates access to mainstream emerging farmers to participate in markets (both domestic and global) and business opportunities. It also gives established agriculture the opportunity to contribute to transformation of the agricultural sector in a way that is mutually beneficial. The directorate’s new structure and establishment was concluded and the recruitment process stepped up in the reporting period. Some intended outputs were delayed due to staff shortages and the prioritisation of AgriBEE.

Items which could not be attended to for these reasons include a report on high-value niche enterprises, establishment of entrepreneurial guidelines and niche enterprise identification. The department decided not to implement a planned mentorship scheme until a policy on this matter had been concluded. The Programme Agricultural Production has subsumed the development of a wool industry strategy into the development of the Livestock Development Strategy and the Potato Industry Strategy was not commenced due to the industry not being in a position to undertake such a venture yet.

OBJECTIVES AND OUTPUTS FOR 2004/05

According to the department’s Strategic plan for the year, the directorate was required to contribute to AgriBEE and CASP.

ACHIEVEMENTS

AgriBEE

An AgriBEE Steering Committee was appointed by the Minister to drive the empowerment consultation process within the agricultural sector. Following the launch in July 2004 of the AgriBEE Framework, the Steering Committee met regularly to review progress made with the consultation process, with regard to targeted consultation with youth, emerging groups, organised agriculture, people with disabilities, organised labour, farmworkers and women, including rural women. This directorate provided support and the secretariat to the Steering committee.

Overall consultations on the AgriBEE Framework were concluded on 20 December 2004. In all, more than 50 written submissions were received from individuals, associations, provincial unions, commodity groups, agribusinesses and organised agriculture.

The Steering Committee met twice in January and February 2005 to consolidate and analyse the written comments received, and to make high-level recommendations to the Minister for Agriculture and Land Affairs. In summary, there was widespread support within the agricultural sector for the AgriBEE Framework, with merely two areas needing further negotiation to reach consensus. These were land-related issues and the setting of specific empowerment targets. The next step is to finalise a proposal for a framework to the Minister, including scorecard weightings and targets based on the outcome of the consultation process.
CASP

The directorate's key contributions to CASP centred on the development of strategies for the grain, fruit and cotton industries, as well as a strategy for small, medium and micro enterprise (SMME) development and a policy for agribusinesses.

In the case of the Fruit Industry Strategy, a final report compiled by consultants was debated within the three key fruit industry constituencies, namely deciduous, subtropical and citrus. The strategy was then submitted to a joint fruit industry council for finalisation and for a decision on an implementation plan. Provincial consultations will be held and it is hoped that the strategy will be finalised shortly.

The draft Grain Industry Strategy was agreed upon at a stakeholder workshop held in February 2005 and will be ratified at the next meeting in June 2005. The only outstanding issue is the appointment of a project manager who will drive the Grain Industry Strategy Implementation Plan.

A stakeholder meeting was held in December 2004 to review the Cotton Industry Strategy and plan the way forward for the implementation process. Immediate challenges facing the industry were assessed and a joint meeting was recommended with ITAC, the dti and the Directorate International Trade to discuss tariffs, subsidised imports, WTO issues and issues between producers and spinners in the value chain.

The directorate adopted the South African excellence model as a management tool for SMMEs in agriculture and related businesses. Two models were completed and tested—one for the existing businesses as in five provinces' nodal areas and the entry model in the Free State and Mpumalanga. The next step was to initiate the training of facilitators. By 31 March 2005, 22 people had completed the facilitation course; five of them graduates without working experience who could benefit from doing internships within businesses. The students will undergo Agricultural Management Development Programme training at Stellenbosch University. The training is to be followed by attachment with established agribusinesses, arranged by the Directorate Education and Training. They will afterwards be considered for establishing their own businesses as part of promoting and empowering youth in agriculture.

The directorate also engaged into partnership with the Co-operative Development Initiative (CDI) to identify emerging agribusinesses in nodal areas, identify their needs and link them with existing established agribusinesses. The directorate, in conjunction with CDI, will also implement the South African excellence model for agriculture and related businesses in the identified nodal areas. The existing SMME model will be used for existing agribusinesses and the entry-level model will be used for emerging agribusinesses. Eleven potential nodal projects have been identified.

A framework for representative emergent groups emanating from ITCA deliberations was accepted by the DoA management. The directorate developed a directive for its attendance at the International Cotton Advisory Council supporting the reduction and removal of distorting subsidies by developed countries that harm developing industries.

Marketing

Emerging farmers and agribusiness entrepreneurs in South Africa face many challenges in entering and competing in domestic markets. Entry barriers and input costs are high and emerging farmers and entrepreneurs have to compete against well-established commercial enterprises with extensive marketing and distribution networks. The directorate, while serving the entire agricultural value chain, places special emphasis on promoting equitable access to markets by historically disadvantaged farmers and agribusinesses.
OBJECTIVES AND OUTPUTS FOR 2004/05

According to the department’s Strategic plan, the directorate’s deliverables for the year were linked to CASP and AgriBEE.

Certain intended deliverables were unfortunately not completed or delayed, for example an unexpected procurement delay which retarded the marketing information system, and which will now be piloted and launched in 2005.

A Strategy for Restructuring of National Fresh Produce Markets was presented to management, but requires further consultation and work. The Agricultural marketing review was delayed to expand the review committee through a public nomination process.

ACHIEVEMENTS

CASP

The Directorate Marketing contributed to CASP by developing norms and standards for the establishment of agricultural marketing infrastructure, as well as by providing marketing information, training and capacity-building services, and managing market access permits for imports and exports.

Norms and standards

The national norms and standards (guidelines) for establishing agricultural marketing infrastructure are aimed specifically at supporting agrarian reform beneficiaries in the rural development nodes. As part of the process of finalising the guidelines, the directorate undertook a detailed assessment of the status of existing marketing infrastructure in five development nodes. The results led to the setting of guidelines that were extensively discussed with provincial government. These guidelines will give provinces and municipalities clear criteria for evaluating marketing infrastructure requests from farmers and agribusiness entrepreneurs.

Capacity-building and training

To build the marketing capacity of emerging farmers and entrepreneurs, the directorate continued developing and distributing information booklets covering specific aspects of agricultural marketing. This work started in 2003 with the production of a training manual on the basic principles of agricultural marketing, targeting beneficiaries of the LRAD Programme and other agrarian reform projects. During 2004/05, the directorate took this a step further by translating the manual, initially available in English only, into 10 other local languages. More than 11 000 copies were distributed to all provinces and, in some cases, are being used to train farmers and extension officers. A tender was issued during the year, paving the way for the appointment of a service provider to develop agricultural training materials suitable for accreditation by the South African Qualifications Authority (SAQA).

In another capacity-building milestone of 2004/05, the directorate collaborated with the Community Public Private Partnership (CPPP) Programme of the Development Bank of Southern Africa (DBSA). This involved the joint presentation of market access training workshops to farmers and extension officers in Gauteng, Limpopo and KwaZulu-Natal.
Agricultural marketing information system

During the year, the directorate initiated the development of a web-based integrated agricultural marketing information system, designed specifically to also cater for the needs of farmers in rural development nodes. The State Information Technology Agency (SITA) was appointed to develop the computer system.

Market access permits

The directorate administered and issued import and export permits for a range of agricultural products covered by preferential and free trade agreements. These permits facilitate bilateral trade and allow local manufacturers to access raw materials at internationally competitive prices. During 2004/05, a total of 1 335 permits were issued to facilitate trade, of which 1 058 were import permits issued to local importers. These permits saved the local importers an estimated R300 million in import duties. A further 277 export permits were allocated to local exporters in terms of preferential market access arrangements.

The table details the products for which export permits were issued.

### Products

<table>
<thead>
<tr>
<th>Products</th>
<th>Quantities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>6 250 tons</td>
</tr>
<tr>
<td>Cut flowers</td>
<td>2 965 tons</td>
</tr>
<tr>
<td>Strawberries</td>
<td>288 tons</td>
</tr>
<tr>
<td>Canned fruits</td>
<td>68 265 tons</td>
</tr>
<tr>
<td>Fruit juices</td>
<td>6 555 tons</td>
</tr>
<tr>
<td>Sparkling wine</td>
<td>562 500 litres</td>
</tr>
<tr>
<td>Wine</td>
<td>45 197 000 litres</td>
</tr>
</tbody>
</table>

AgriBEE

While a percentage of such preferential trade permits is reserved for SMMEs and new importers, in recent years a worrying trend has been the low number of permit applications from small, medium and micro agribusinesses. During 2004/05, the directorate addressed this by developing a communications campaign targeting these entrepreneurs and highlighting the benefits of applying for import and export permits. Since the start of the campaign in October 2004, which uses print media and television, there has been an improvement in the application rate among entrepreneurs, along with an increase in enquiries about import and export support incentives. The project will run until the directorate is satisfied with the level of response among agribusinesses.

KIMS

National Agricultural Marketing issues were included in the NCA Agricultural Economist Standing Committee.
International Trade

The success of commercial and emerging farmers in penetrating and participating competitively in international markets depends in no small measure on access to in-depth intelligence on market opportunities and constraints, as well as support in negotiating a favourable trading environment and in initiating and strengthening trading relationships.

The directorate supports this by analysing, developing, participating in and advising on bilateral and multilateral trade policy, in collaboration with the dti. In terms of the new SACU agreement, the partners interact as a group in trade negotiations. In this way, we create and strengthen the knowledge and relationship base for successful market entry, while also ensuring that empowerment and development issues receive international attention.

OBJECTIVES AND OUTPUTS FOR 2004/05

The directorate’s key deliverables for the year were linked to CASP, AgriBEE and the AADP. Certain intended outputs were not achieved, mainly due to factors beyond the department’s control. Government’s negotiating priorities meant that technical reconnaissance visits and trade negotiating positions for India, China and Nigeria were not required in the reporting period. Global WTO negotiating delays included the retardation of WTO modalities and commitment schedules.

ACHIEVEMENTS

CASP

In 2004/05, the directorate supported two of the six CASP service pillars, namely information and knowledge management, and marketing and business development. We did this by identifying and developing bilateral and multilateral trading opportunities and positions, with the emphasis on improving market access and dismantling trade barriers for exports from Southern Africa. At the same time it was necessary to ensure that the region’s development needs, as well as unfair trade practices, are addressed.

In all, we produced more than 10 negotiation position papers, plans and reports, as indicated as a deliverable in the department’s Strategic plan. This included agricultural positions on the EU enlargement and the EU TDCA review. These were fed back to the Agricultural Trade Forum (ATF), through which the directorate ensures that stakeholders actively benefit from the market intelligence gathered on international trade, and at the same time have the opportunity to influence negotiating positions.

In December 2004, a fixed preference agreement was concluded between SACU and Mercosur, extending mutual preferential access for a limited number of agricultural products. However, the fact that only 151 tariff lines were included limited the value of the agreement and highlighted the sensitivities on both sides regarding the agricultural sector.

The fifth and sixth rounds of free trade agreement negotiations between SACU and the United States were held in May and June 2004, with both parties taking somewhat polarised positions. It appeared that the US was focusing more on second-phase issues such as investment and intellectual property rights, rather than on market access. By contrast, SACU wished to concentrate on market access issues, including addressing the influence of subsidised exports to SACU. For this reason, as well as the impact of the presidential elections and changes in the United States Administration, no further negotiation sessions were held during 2004/05, although the United States proposed a meeting early in the next financial year.
SACU negotiations with the European Free Trade Area (EFTA) continued, with the fourth round taking place in September 2004. SACU's position was based on the need to focus on market access issues rather than on second-phase matters. The directorate also looked at ways of successfully addressing in the agreement the export of subsidised products from EFTA countries. After a further meeting in December 2004 to address outstanding issues, the directorate revisited the EFTA tariff requests. The aim is to resume negotiations in April 2005 so as to conclude an agreement.

AgriBEE

In terms of the Doha development agenda, multilateral negotiations under the WTO continued in 2004/05, with the aim of reaching agreement on international agricultural reform. These negotiations are highly complex given the wide range of parties represented and their divergent interests.

With regard to the WTO negotiations, the directorate made inputs into the declaration of the Ministers of Trade of the African Union, ensuring that the development interests of Africa are taken into account. The approved declaration is very similar to the positions taken by the G20 group of countries, of which five African countries, South Africa included, are members. The coherence and focus of the G20 group contributed significantly to the WTO Framework for Agriculture that was concluded in July 2004. This framework showed a clear improvement in favour of developing country interests.

From October 2004 onwards, the directorate continued its active involvement in all WTO agricultural negotiating meetings. This included attending monthly special negotiating sessions in Geneva, Switzerland, to agree on modalities for further reform in agricultural trade, and interacting with the G20 group, the Africa Group and the Cairns Group.

Towards the end of the financial year, some progress had been made towards agreeing on an end date for the phasing out of export subsidies. On the other pillars of the negotiations, such as market access and domestic support, much work remains to be done. With regard to market access, protracted negotiations were held before agreement was eventually reached on a methodology for converting non ad valorem tariffs to ad valorem equivalents. In terms of the framework agreement agreed upon in August 2005, modalities for further reform need to be agreed upon by the WTO Ministerial meeting to be held in December 2005.

AADP

Briefly, the AADP is intended to encourage intra-African trade and address core constraints, such as those raised during the United Nations’ Food and Agriculture Organisation (FAO) African Regional Conference held in Johannesburg in February 2004. The directorate decided to replace the proposed trade workshops with a more coherent initiative to address the challenges to intra-African trade identified at the FAO regional conference. This is being pursued in collaboration with other departments in the IRPS cluster. An intra-Africa market research project was commenced but was not concluded.

In support of the AADP, the directorate met with a wide range of stakeholders during 2004/05, including the dti, the Secretariat of the New Partnership for Africa’s Development (NEPAD), SACU and the Southern African Development Community (SADC). The main aim was to achieve greater clarity on the work being done to promote intra-African trade and to more clearly define key role players.

Several milestones were reached in achieving greater trade co-ordination and collaboration. In July 2004, SACU signed a new agreement, leading to the creation of new institutions such as a full agricultural liaison committee reporting directly to the SACU Commission. Within the SADC, work continued on the implementation of the SADC trade protocol, along with preparations for the protocol to be reviewed. As a result, the directorate gathered critical information for the market research report it is compiling on intra-African trade.

KIMS

Six weekly meetings of the regular Agricultural Trade Forum were arranged by the department to provide regular feedback and receive inputs on trade matters. Briefings were made to parliament and the Portfolio Committee on Agricultural Trade Matters.