



Serving emerging farmers in South Africa:
Linking farmers, the state and agricultural
input suppliers

Ted Stilwell

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Development Bank of Southern Africa

Centre for Policy, Information and Evaluation

Development Paper 91

Occasional Paper

March 1995

ISSN 1022-0127

ISBN 1-874878-89-7

Compiled by:

Ted Stilwell

Contributions by:

Bongiwe Njobe-Mbuli, Nonjabulo Nduli, B M Maloa, Steve Mokoene, T Toto,
T Tleane, M Mosane, K G Malatsi, Ian Jarvie, Jan Kleynhans, Hilmar Venter,
Wynand van der Walt, Vernon Swanepoel, Jim Rankin, Mike Zingle,
Clive Nicholson, Edzi Netshifhefhe, Johan Koorts, Andrew Nhlapo.

Mission of the Development Bank of Southern Africa

The Development Bank of Southern Africa is a development finance institution whose primary aim is to facilitate development and empower people in the region.

Acknowledgements

The authors wish to express their appreciation towards all the participants who contributed to a stimulating and rewarding workshop and made this publication possible: Wynand van der Walt, Jan Kleynhans, Jim Rankin, Hilmar Venter, Jan van Zyl, Ted Stilwell and Andrew Nhlapo who initiated the process and made all the arrangements deserve special mention, so do Hermien Wouda, Leoni Vosloo, Nellie van Staden and Sandy Kok who assisted so ably. The competent and successful manner in which Johan Koorts facilitated the sessions, thereby extracting the essence of the workshop deliberations, is acknowledged with appreciation. The coordinators of the special interest groups, Bongiwe Njobe-Mbuli, Wynand van der Walt, Clive Nicholson and Steve Mokoene who have unstintingly volunteered their time to take the thrust forward in order to better serve the emerging farmer, deserve a very special mention. Financial and institutional support of the workshop and this publication was provided by the Development Bank of Southern Africa and members of the Agricultural Input Suppliers' Forum. Their contribution is gratefully acknowledged.

The opinions expressed in this manuscript are those of the respective authors, workshop rapporteurs or the editor. They do not necessarily reflect the views of any organisations that supported the workshop.

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Development Bank of Southern Africa
Corporate Affairs Division
P O Box 1234
Halfway House, 1685
South Africa
Tel: (011) 313-3911
Fax: (011) 313-3086

Contents

Executive summary and recommendations	1
Part 1: Workshop objectives and methodology	
1. Introduction	7
2. Aims and objectives	8
3. Institutional framework	8
4. Methodology	9
Part 2: Sharing views and insights	
5. Broadening Access to Agriculture Thrust	10
6. National African Farmers' Union and its affiliates	14
7. Agricultural Input Suppliers' Forum	17
8. Crop Protection and Animal Health Association of South Africa	18
9. Fertiliser Society of South Africa	20
10. South African National Seed Organisation	23
11. South African Chamber of Business	24
12. South African Agricultural Machinery Association	26
13. Sharing views and insights: Summary and conclusions	33
Part 3: Key issues	
14. Social and economic role of the agricultural input suppliers	34
15. What emerging farmers and input suppliers jointly require from government	37
16. Systems for contact, communication and information between emerging farmers and AISs	40
17. Access to products and product distribution systems for emerging farmers	43
18. Funding and credit provision of agricultural input to emerging farmers	46
Part 4: Special interest groups	49
Annexure A: Attendance list	53

Executive summary and recommendations

Agricultural input suppliers (AISs) can play an important role in the transformation of agriculture and rural restructuring. For this to happen, a number of actions have to be taken, and therefore a workshop was organised that brought together key role-players as well as a number of farmers over a period of two days. It was decided that one third of the delegates would be from the AISs, one third from the public sector and one third from the farming community.

As delegates shared their knowledge and viewpoints, five themes emerged that need to be put on the agricultural agenda as a framework for action. Interestingly, they identified important actions where all the stakeholders have to play a role and will not be able to act independently. Once again 'masakhane' has become the watchword for action.

Delegates all agreed that government would have to create an enabling environment for the AISs and other stakeholders to play a meaningful role in the reconstruction of agriculture. Communication and funding from government would be necessary requirements to provide farmers with access to products and services. Very briefly, the themes that were addressed by the working groups were the following:

- Social and economic role of the AISs
- What emerging farmers and AISs jointly require from government
- Systems for contact, communication and information between emerging farmers and AISs
- Funding and credit provision of agricultural input to emerging farmers
- Access to products and product distribution systems for emerging farmers.

Social and economic role of the AISs

AISs will play an important role in the transformation of agriculture, but this will have to be driven by sound business principles. The working group suggested the following main social and economic focus areas for the AISs:

- education and training

- communication
- developing institutional networks
- entrepreneurial development support for farmers.

The overarching approach is to include all role-players, that is the Departments of Agriculture, the RDP Office, and education and development agencies, as counterparts.

What emerging farmers and AISs jointly require from government

Key factors that the group considered were

- reviewing and removing restrictive legislation that is currently acting as a barrier to AISs serving emerging farmers
- providing a policy environment conducive to farmer assistance
- providing the necessary macro-economic, social and technical resource data.

The working group also arranged a follow-up meeting between the AIS Forum and the Broadening Access To Agriculture Thrust (BATAT), in order to take issues such as distribution, training and information further.

Another important point made by the working group was that innovative ways should be sought for the farmer support programme. Consequently

- government should consider an input cost assistance scheme for emerging farmers – this does not mean subsidising, but improving access to input loans
- research should not be put on the back burner for smallholder farmers
- emerging farmers and AISs should be given representation on government structures such as the various boards.

It was decided that the process of discussion with government should be initiated as soon as possible.

Systems for contact, communication and information between emerging farmers and AISs

There are two major aspects:

- Communication is important – the industry must play a leading role in communicating with farmers.
- Activities embracing communication, contact, and information transfer must be representative, with participatory learning, planning and action by the farming communities.

An important constraint that the group identified is the lack of national statistics. Despite existing government structures and farmer representative structures for communication with the farming community, there is still an information gap. This precludes farmers from information on what services are available from the AISs and how to access these services. Conversely, the AISs do not know about farmer organisations and how to approach them.

The workshop delegates recognised that communication is a two-way process. Structures do exist at the community level and any communication should be in harmony with these structures to be effective.

Funding and credit provision of agricultural input to emerging farmers

The working group did not only approach the 'hard' financial side but also 'softer' and often wide-ranging issues that are necessary conditions to make (rural) financing systems work.

- In dealing with the government the working group identified the key hard issues as a redefinition of the role of the Agricultural Credit Board, and the provision of adequate infrastructure. The Agricultural Credit Board Act was also singled out for review. The key soft issues were the role of government in creating an environment conducive to private sector involvement, beginner farmer assistance and improving extension services.
- As regards commercial banks and the issue of collateral security, the group – especially the farmers – came out strongly in favour of alternative systems.

- On the role and needs of the farmers, the need for training in how to work with money came strongly to the fore.
- The working group took serious note of the work of the Rural Finance Commission, but nevertheless decided that the dialogue initiated by the workshop should be taken further as a possible input into the commission's work.
- It was decided that the successes and failures of development corporations, Development Bank of Southern Africa (DBSA) loans for farmer support programmes and, moreover, financial aid fund lessons should be taken note of. Since reformed and restructured corporations will be a characteristic of the future dispensation, banks must consider taking equity with the provincial governments or development corporations.
- The delegates emphasised that extension officers are the first point of contact – this has to reflect back to BATAT to include training offered by commercial banks.
- In the final analysis, the important element is the recognition of all the other role-players and activities to improve the relationship between the farmer and his or her bank.

Access to products and product distribution systems for emerging farmers

The group identified the target community as farmers who can pay for goods and services. They further argued that

- government subsidies are not recommended and suggested alternative financial systems such as group savings and purchases (eg the stokvel)
- delivery had to be on a decentralised system and there was a need to identify possible models
- information on the product has to be part of the delivery system.

The group had some innovative thoughts on the ways AISs could help in providing access to emerging farmers.

- Collective buying has a decided influence on delivery systems. As people progress economically they are inclined to move out of collective buying.

-
- AISs must entertain the idea of giving short-term production credit.
 - Contract application of plant protection products by farmers or other entrepreneurs specially trained in the safe use of agricultural chemical products needs investigation.

A limitation to the deliberations of the workshop was that the fuel industry and the animal feed manufacturers of South Africa were not invited and hence did not participate.

The group agreed that although alternative systems are in place, they are not a cure-all and there is a need for innovation by farmers and the AISs. Some of the options are collective buying, delivery and marketing systems and stokvels. AISs have to strengthen and work through these systems rather than wait for government to facilitate on their behalf.

Special interest groups

To take the action forward special interest groups (SIGs) had to be established. The delegates nominated the original convenors and the working group rapporteurs and mandated them to establish SIGs. The nominees met on 12 April 1995 to plan the way forward and subsequently decided that four SIGs were necessary. These are an SIG each

- on the role of government
- on the role of the AISs
- to strengthen organised emerging agriculture
- to attend to communication channels.

The nominees also decided to establish a continuation committee for report back and liaison. It was agreed that each SIG would develop its own terms of reference and share these and its minutes with its counterparts.

The SIGs will be open networks and therefore anyone with a particular interest in one or more of the SIGs will be able to take part in all the activities of that SIG. SIGs should

- be representative of the triad: farmer – business – government
- be a communication system with a two-way flow

- share information on issues to ensure dialogue.

Some of the problems identified were that

- a mind-set shift has to take place at top levels of the government and the private sector
- house-cleaning is a prerequisite for change
- government has to remove stumbling-blocks and provide incentives to get things going
- the most limiting factor has to be dealt with first, namely the apparent weakness in organised African agriculture in the country.

The issues identified to guide the SIGs in their actions were also put on the agenda for action.

Conclusions and recommendations

The broad conclusion that emerged from this workshop was that specific roles of the various actors had to be clarified in more detail, and that communication was an extremely important aspect. Delegates all agreed that a reappraisal of the supportive role that government should play was necessary, as well as clarity on the new role of the AISs in respect of a 'new' group of clients.

Threads running through the recommendations of all the working groups were the following:

- Agricultural legislation that may be restrictive, has to be reviewed.
- Government has to provide the necessary infrastructure where it is lacking.
- Government has to act to provide region/province-specific information on the socio-economic profile of farmers, farming systems and agricultural resources as well as available physical and institutional infrastructure.
- AISs must become involved in building human and institutional capacity by means of pooling their resources more effectively.
- AISs have to provide readily available information on their products and services as well as training programmes.

- SIGs have been established to deal with the themes that emerged and to take further action as necessary.

Part 1: Workshop objectives and methodology

1. Introduction

Poverty is at its worst in rural areas. Seventeen million people are living below the subsistence level in South Africa, and of these at least 11 million, that is 25 per cent of the population, are rural dwellers. Agriculture is an appropriate vehicle for redistribution and raising the living standards of the majority of the country's poor. Unlike many other public programmes such as housing, the output is infinitely divisible. It can be planned to reach the 11 million rural poor at a relatively low marginal cost, as most of the public infrastructure for farmer support is already in place. As a result, the Reconstruction and Development Programme (RDP) can be served very favourably by using agriculture as a vehicle. Considerable socio-economic benefits can be achieved at a relatively low public sector cost.

Unlike most other Southern African countries, South Africa's agriculture is endowed with a strong private sector. The production input industry has made a major contribution to agricultural growth and performance over the last three decades. The democratisation of the country has given rise to the policies aimed at land reform with specific focus on emerging – mainly small-scale and part-time – farmers. The private sector can and will make a significant contribution toward this farming sector just as it has done in commercial agriculture in the past. There may however be some constraints to industry becoming fully involved in support to the developing small-scale farm sector. Scale will play an important role in this regard as transaction costs could be high in providing technical advice, input in small quantities, research and development directed at undeveloped markets, sales and promotion, and so on.

A framework for action is likely to be very timely as the AISs have shown great willingness to become involved in supporting smallholder farming at a time when the new government is developing its policies on agriculture. The envisaged framework for action provided by this report will provide policy options as well as assist the private sector in dealing with this new environment.

2. Aims and objectives

The long-term goal of the workshop is to improve smallholder farm productivity and to raise living standards in rural areas through full involvement of the AISs.

The immediate objective is to produce a framework for action which provides a clear alternative for the role that the government, the agricultural input suppliers and the farmers have to play in mobilising the AISs in the process of reconstruction and development of agriculture. This will most likely result in improvements in the overall farmer support environment and ultimately benefit the target group of farmers.

3. Institutional framework

This workshop is part of the ongoing policy dialogue around the transformation of agriculture in South Africa. Andrew Nlapho from the Land and Agricultural Policy Centre (LAPC) and Ted Stilwell from DBSA met with the AISs Forum as part of a small group to plan the workshop. The input suppliers are the crop protection and animal health industry (AVCASA), the commercial banks (COSAB), the fertiliser industry (FSSA), the implement manufacturers (SAAMA) and the seed industry (SANSOR). It was decided that one third of the delegates would be from the AISs, one third from the public sector and one third from the farming community.

4. Methodology

At the workshop relevant issues were raised and debated. The final session put together proposals on, for example policy, institutional and technical issues. The output of the workshop was planned to be specific follow-through plans for action so that the momentum would be maintained.

The workshop was organised in terms of

- the RDP of mobilising resources
- enabling the AISs to know their market
- most importantly, allowing all the stakeholders to make their input.

There were three kinds of input in the first session to show the face of the changing South Africa. The first of these was on BATAT; then a panel of farmers led by the National African Farmers' Union (NAFU) and supported by the Professional African Farmers' Union, and the African Farmers' Union, stated their needs and viewpoints. Thereafter the AISs Forum introduced their business.

A plenary discussion was then held from which strong themes emerged. This was followed by group discussions where each delegate was held responsible for the consequences of the discussions and was allowed a free choice to join any group set up to debate the emerging themes.

Based on the outcome of the workshop a draft report was prepared by the task group for comments by the key stakeholders. This paper constitutes the final report.

Part 2: Sharing views and insights

5. Broadening Access to Agriculture Thrust (BATAT): The reconstruction and development strategy within the Department of Agriculture (Bongiwe Njobe-Mbuli, Nonjabulo Nduli and Bigman M Maloa)

Democratisation has come about in South Africa, hence the requirement to provide efficient non-racial services to all farmers in the country – be they large or small, men or women. The constitution itself will provide for a central government and nine provinces where agriculture is primarily a provincial function. Moreover, changing agricultural policy has brought in greater market-related considerations, hence the need for deregulation and efficiency in delivery of services.

In the past delivery services were exclusively focused on one sector of the farming community, that is the large-scale modern farming sector, in a ‘whites own affairs’ Department of Agriculture. In contrast the future holds in store one agriculture. These profound changes challenge the long-held ideas of agriculture.

One result is a redefinition of a ‘farmer’. There are two main groups of farmers: one group is the social farmers who use land and other resources, often out of necessity, to produce food for their households. Their main objective is not to derive an income from farming but rather to augment their household needs by means of agricultural production. The other group’s objective in the long run is to derive a marketable surplus for profit from farming. They are the commercial farmers who form an array from very small, often part-time, sometimes urban, mostly emerging entrepreneurs to large-scale, full-time and sometimes large company-held farming enterprises.

There is a need to provide services to all farmers in South Africa – from social farmers to fully commercial farmers. However, the government has a limited budget and so the idea of Broadening the Access to Agriculture Thrust (BATAT) was developed. This was done to broaden the RDP strategy and is not in competition with it. It is the RDP within the

Department of Agriculture.

BATAT is a thrust – a movement aimed at a paradigm shift in thinking. It is focused on the services that government can best provide and which are directed towards meeting the needs of farmers. BATAT is about working through the provinces while developing their capacity to implement the provisions of Schedule 6 and the government's RDP policy. BATAT seeks ways of managing a diversified agricultural sector in the most cost-effective way.

Three key objectives are to be achieved by BATAT:

- To design mechanisms for broadening access to agriculture
- To facilitate the establishment of programmes and projects for resource-poor farmers
- To establish a framework for agricultural development within which external donors can participate.

There are five areas of focus on which design teams are working:

- *Financial services:* To make proposals on why the state should provide financial assistance, to whom, for what purpose and in what manner.
- *Human resource development:* To determine the role of government in mobilising, facilitating and integrating the development of human resources in the agricultural sector in order to broaden access to agriculture effectively.
- *Technology development:* To make proposals on how to facilitate a participatory process which broadens the focus of research and technology support, to ensure that it is suitable for different farming systems, with the emphasis on the needs of the new clients, and taking into consideration indigenous knowledge and coping strategies.
- *Delivery systems:* To identify, develop and facilitate a process to ensure that farmers have equitable and effective access to all services provided by the government, depending on their needs.
- *Marketing:* To make proposals on strategy and mechanisms on how to identify marketing services and infrastructure which effectively drive production and mediate between production and consumption.

Further features are the following:

- *Inclusive and transparent approach:* The design teams dealing with the five focus areas are made up through twinning arrangements. The concept of twinning emerged from a consideration for bringing in the experience, perceptions and expertise of people who have traditionally worked outside of the government and the expertise and experience of those in the public sector.
- *Exposure locally and externally:* BATAT aims to provide farmers and administrators with broad exposure through, for example, workshops and study tours.
- *Provincial workshops:* Once the national exercise is completed, the BATAT proposals will be taken to the provinces for further debate and refinement. The ultimate aim is to institutionalise the thrust.
- *Farmer fact file:* All the reports from the design teams will be put into a farmer fact file for use by farmers. One of the aims is also to provide information on where to access services and input in the fact file for easy reference by farmers and facilitators.
- *Farmer summit:* BATAT will be presented to farmers at a farmer summit planned for June 1995.

As noted earlier, the objective of the technology development design team is to make proposals on how to facilitate a participatory process which will broaden the focus of research and technology support. This will ensure that it is suitable for different farming systems. The emphasis must be on the needs of the new clients, taking cognisance of indigenous knowledge and coping strategies.

From the farmers' point of view there are three key issues that constrain improved production under their circumstances:

- *Inappropriateness:* Many of the technologies are inappropriate to the resources (land, money, labour availability and skills) of the farmers and also do not fit their operating circumstances.
- *Inaccessibility:* If appropriate technology is available, many of the emerging farmers do not have access to it because the providers of services see the market as too small,

government systems fail to deliver on time, or there is a lack of basic infrastructure to deliver the technology effectively.

- *Training:* Farmers need training in the use of new improved technologies such as production input, farming practices and the wise use of credit.

From a planning point of view a number of issues arise that have bearing on technology delivery systems:

- *Funding mechanism:* That is, who funds technology development and delivery. Many new technologies are for public good and their development and delivery need to be funded by government. Conversely, other technologies' benefits can be internalised and are therefore in the private domain.
- *Linkage issues between national and provincial structures:* These are important considerations in the development of technologies (mostly at national level) and their delivery (mostly at farm level). How the linkages should operate – also with the AISs – needs to be considered.
- *Farmers' needs:* Their needs drive the demand side of delivery systems. Government is slow to respond to needs, whereas private business responds rapidly. However, there have been many barriers between private business and the emerging farmer in the past, and many still exist.
- *Inventory of existing research:* This is necessary to catalogue technologies that are potentially useful for the new client base in agriculture.
- *Delivery mechanisms:* These have to be developed for both information and the physical input itself. This will require new ways of thinking and innovation.

BATAT proposes a two-pronged approach to technology development and delivery. The one prong is to develop delivery mechanisms and the other is to develop technology options with farmers participating in the process.

- *Delivery mechanism:* To develop a delivery mechanism through which science research can make an input into agricultural development. This should happen in close consultation with farmers, provinces and institutions. Action: Provincial level BATAT workshops.

- *Generate technology options:* To generate technology options for emerging farmers, taking into account financial, energy, water, labour and land constraints. Action: A brainstorm workshop at national level; collation of output from other processes.

The challenge facing the AISs is whether they always have to produce products to satisfy the markets or are they prepared to open up new market opportunities by means of new product ranges.

6. National African Farmers' Union (NAFU) and its affiliates (Steve Mokoene, T Toto, T Tleane, M Mosane and KG Malatsi)

NAFU is a mouthpiece of farmers which strives to promote the interests of the disadvantaged farming constituency by lobbying for access to support services and enlightening its members through effective communication and capacity programmes.

NAFU has developed a set of strategic goals for its members. The main aims are

- national and international recognition and support for members
- policy reform towards a level playing-field in all agricultural matters
- appropriate provision of services to members by agricultural service organisations through fair representation
- empowerment of women
- to identify, qualify and address the needs of its members.

NAFU is a national union to which a number of regional unions are affiliated. It is represented by the following constituents:

Free State African Farmers' Union
Eastern Transvaal African Farmers' Union
Northern Natal African Farmers' Union
Venda African Union
Gazankulu African Farmers' Union
Northern African Farmers' Union
North West Farmers' Union

Transkei Farmers' Union

Professional African Farmers' Union (PROFUSA) (Border)

African Farmers' Union (Western Cape)

Farmers' Union of KwaNdebele

NAFU's understanding of a farmer needs to be explained, because it relates to those whose interests it aims to serve. Its definition of a farmer reads as follows: '... an entity, irrespective of one's race, gender or scale of production, is a productive resource (land) user, who engages productively in agriculture on a part or full-time basis regardless of whether one's principal source of income is agriculture'.

Certain unique characteristics set emerging farmers apart and these are often not appreciated by 'mainstream agriculture'. This can lead to poor understanding and communication. Emerging farmers

- are resource-poor, that is referring to size and quality of land, capital available, age and level of education
- have suffered decades of state neglect through apartheid policies excluding them from the mainstream of the agricultural sector
- have been subjected to all forms of theoretical and academic experimentation as 'they' and not 'us'
- neither manage or control resources – the 'we know what is good for you' syndrome
- are not small-scale as result of land size but as a result of access to state finance
- are not 'black' farmers but underdeveloped farmers because they were ignored in the past.

In 1993 a farmer needs survey was conducted by NAFU and the Standard Bank Agricultural Division. Interestingly the following were the main needs that emerged:

- finance to purchase farm capital equipment for improvements
- finance to purchase agricultural land
- access to credit facilities earmarked for farmers
- access to infrastructural support

- access to extension support, for example agricultural information services
- access to training/capacity-building
- redress of injustices of apartheid.

Farmers feel that there is much talking but they would like action as they are in dire need. Their priority objective is to do business in a normal way. However, because they do not have access to support they cannot practise what they know. The farmers are looking forward to assistance in developing their farming enterprises.

For NAFU and its affiliates the contribution that the private sector can make lies in technology development as well as delivery. This can be achieved by

- providing easier and quicker access to finance
- research to develop practices that give high yields
- extension, training and information
- providing access to agricultural input in the least expensive way.

The state has a significant role to play. Farmers identify the following key areas for positive state support and intervention:

- acquisition of land by emerging farmers
- credit provision on an equitable basis
- production assistance
- marketing assistance
- protection of the agricultural industry
- capacity-building of institutions such as farmers' associations and cooperatives
- training, for example farmers' days
- provision of agricultural information.

Specific needs for support relate to farmers' enterprise. Crop farmers identify the following as important support needs: finance, seed, fertilisers, labour, pesticides and information. Livestock farmers require the following support services: medicine, veterinary services, fodder, water, information and finance.

If all input is to be accessible to farmers, this means that the input has to be nearer to the farms and has to be supported by production assistance and sufficient information.

7. Agricultural Input Suppliers (AISs) Forum

(Ian Jarvie, Vice-Chairman, on behalf of Dr John Skeen, Chairman)

The AISs Forum was established in 1994 in response to the need for contact, communication and representation that was felt by several bodies representing various agricultural input industries.

Good contact and relationships between various sectors of the agricultural input industry and other role-players have been built up over many years. These have included commercial farmer groups, government and provincial institutions, processors and food manufacturers, peripheral industries and consumers.

In the new South Africa it was felt that an effort should be made to make contact with

- people in the new government
- new faces and policies
- new provinces
- emerging farmer groups.

The forum wants to take with it its experience and the positive aspects of the past to build new relationships in adapting to the future. As a single forum sharing common interests in this process, it might reduce duplication and confusion in liaising with the new dispensation and the new agriculture that will emerge.

The forum consists of the Crop Protection and Animal Health Association of South Africa

(AVCASA), the Council of Southern African Bankers (COSAB), the Fertiliser Society of South Africa (FSSA), the South African Agricultural Machinery Association (SAAMA) and the South African National Seed Organisation (SANSOR).

The objective of the AISs is to communicate to the small-scale farming group the resources, distribution and technology that is available.

8. Crop Protection and Animal Health Association of South Africa (AVCASA)

(Jan H Kleynhans)

AVCASA stands for the Agricultural Veterinary and Chemical Association of South Africa. Recently AVCASA has had a name change to the Crop Protection and Animal Health Association of South Africa. However, the AVCASA acronym is to be retained.

AVCASA is the mouthpiece of the crop protection and animal health industry and is the only recognised body. It represents some 50 manufacturer, formulator and distributor companies in South Africa of crop and animal protection products.

Its mission is to 'promote interests of a vital economic sector – with due consideration of human and animal health as well as the environment'. These products are essential for sustainable food production.

The industry needs to know what the emerging farmers' needs are, for example access to product, packaging, distribution, protective clothing, and application technology. The crux of the matter is *responsible use*. AVCASA does not believe in the simple equation of reduced risk equals reduced use. With responsible use there need not be risk.

A scenario we never want to have to face is described in a poem. This poem was

written by the late Dr John Carew, scientist, teacher, humanitarian and former chairman of the Horticulture Department of Michigan State University.

In balance with Nature

In the beginning

There was Earth, beautiful and wild.
And then man came to dwell.
At first he lived like other animals
Feeding himself on creatures and plants around him
And this was called IN BALANCE WITH NATURE.

Soon man multiplied.

He grew tired of ceaseless hunting for food.
He built homes and villages.
Wild plants and animals were domesticated.
Some men became Farmers so that other might become Industrialists, Artists or Doctors
And this was called Society.

Man and Society progressed.

With his God-given ingenuity, man learned to feed, clothe, protect and transport himself more efficiently so he might enjoy life.
He built cars, houses on top of each other, and nylon.
And life became more enjoyable.

The men called Farmers became efficient.

A single Farmer grew food for 28 Industrialists, Artists, and Doctors
And Writers, Engineers, and Teachers as well.
To protect his crops and animals, the Farmer produced substances to repel or destroy
Insects, Diseases, and Weeds.
These were called Pesticides.

Similar substances were made by Doctors to protect humans.

These were called Medicine.
The Age of Science had arrived and with it came better diet and longer happier lives for more members of Society.

Soon it came to pass

That certain well-fed members of Society disapproved of the Farmer using Science.
They spoke harshly of these techniques for feeding, protecting and preserving plants and animals.
They deplored his upsetting the Balance of Nature.
They longed for the Good Old Days
And this had emotional appeal to the rest of Society.

By this time Farmers had become so efficient, Society gave them a new title:
Unimportant Minority.

Because Society could not ever imagine a shortage of food
Laws were passed abolishing Pesticides, Fertilisers and Food Preservatives.

Insects, Diseases, and Weeds flourished.
Crops and animals died.
Food became scarce.

To survive, Industrialists, Artists and Doctors were forced to grow their own food.
They were not very efficient.
People and governments fought wars to gain more agricultural land.
Millions of people were exterminated.

The remaining few lived like wild animals
Feeding themselves on creatures and plants around them.
And this was called IN BALANCE WITH NATURE.

9. Fertiliser Society of South Africa (FSSA): Servicing the emerging small-scale farmer (GCH Venter)

It is a well-known fact that the world's agricultural resources are finite and diminishing. This truth certainly also applies in South Africa's case, especially so because the country is not well endowed with natural agricultural resources. Producing sufficient food at affordable prices for a fast-growing population is one of the great challenges of our time. In this challenge, fertilisers and aglimes are indispensable components of the crop production equation.

The FSSA is a non-profit (Article 21) company and is the representative body of the fertiliser and aglime industries. It is funded entirely by its members, which fall into the following categories:

• Producers of raw materials	1 (Foskor)
• Producers of intermediate and final (downstream) fertiliser products	6
• Blenders and distributors	4
• Aglime producers	<u>6</u>
Total	17

The mission of the FSSA is the following:

- It endeavours to establish and maintain the society as an authoritative body on fertiliser and fertiliser-related matters.

-
- It strives to facilitate effective liaison with government and other interest groups on the interface with fertiliser and aglime industries.
 - It assimilates, adds value to and disseminates fertiliser-related information for the benefit of its members and the public at large.
 - It is committed to promoting sustainable agricultural systems which are conducive to the maintenance of an ecologically sound environment and which will best serve the nutritional needs of the people.

The FSSA has made meaningful input on a variety of issues, which include

- regulations on fertilisers and liming materials, including quality, minimum requirements, labelling and packaging
- setting guidelines for optimal fertiliser use
- promoting responsible fertiliser use and fertiliser practices which are agronomically justifiable and environmentally accountable
- providing fertiliser sales statistical services
- monitoring world fertiliser price trends and statistics
- collecting and disseminating fertiliser-related information on request.

Some of these aspects are evident in the FSSA's publications, for example the Fertiliser Handbook, Plantfood Newsletter, Plantfood and Fertilisers, and Soil Fertility. The latter two publications are aimed at small-scale farming, more specifically to provide information of a technical nature for the extension officer servicing the small-scale farmer.

The FSSA staff consists of three full-time staff members and a part-time consultant. Its activities were and still are focused on commercial agriculture. This would also be true of the fertiliser and aglime industries whose interests it mirrors.

The fertiliser industry is characterised by

- a strong manufacturing base
- self-sufficiency in nitrogen and phosphate fertilisers (potash has to be imported)
- an effective network of manufacturing, sales and distribution in commercial agriculture

- a limited network in developing/emerging agriculture
- a wide range of products to meet the needs of agriculture
- fierce competition in the market-place.

It is unsupported by government protection, for example import control, and is therefore totally exposed to the discipline of market forces.

As regards servicing the emerging small-scale farmer, this sector of the industry's business is characterised by

- limited exposure to small-scale farmers
- 'normal' business with traditional development corporations (eg Agricor and Agriven): most of the fertiliser bought in this manner probably finds its way to large projects
- some cooperation with non-governmental organisations (NGOs), for example Farmer Foundation, Boskop Training Centre, with some success in certain communities
- some involvement with smaller corporations that conduct business in old homelands
- individual small-scale farmers who buy at cooperatives over the counter
- little exposure and limited volume of business in this potentially important market.

The industry's problems of penetrating this market can be summarised thus:

- Transaction cost is very high.
- There is exposure to financial risk (high debt write-off).
- The infrastructure in the emerging small-scale sector is poorly developed.
- Distribution, marketing and financing remain a major problem.

A word of warning: in developing agriculture authorities always tend to intervene by way of direct subsidisation. Experience in many African countries suggests that this route should be avoided because of the major economic distortions it may cause. We need to know the needs of small-scale farmers in order to put some mechanism in place through which farmers' needs can be serviced better in future. For us this is a learning experience.

10. South African National Seed Organisation (SANSOR)

(Wynand van der Walt)

Seed is the starting-point for almost all food and animal feed production. A good crop needs to start from good seed.

The seed trade is represented by SANSOR as its official spokesperson. SANSOR also has two additional responsibilities, namely to manage and execute the official seed certification schemes on behalf of the Minister of Agriculture, and to serve as licensing body for varieties developed by the Agricultural Research Council. SANSOR has some 90 members of which 75 are companies and cooperatives.

The seed trade has made a significant contribution towards developing varieties adapted to South African conditions. At present there are more than 1500 varieties of the 57 major crops. Farmers have a wide choice of varieties with different characteristics and with different seed selling prices.

Specific issues that need attention in serving small-scale farmers include

- identifying and recommending the right varieties to suit the farmers' needs
- conveying information on variety characteristics and crop management
- safe storage of seed (seed being a perishable product which can lose germination vigour, and can also be infected by insects)
- the legal liability of sellers of seed for seed quality.

The Peace Gardens social responsibility project of the seed trade is now in its fourth year and more than 500 000 food gardens have been reached. SANSOR believes that the same principles can be used in encouraging and supporting small-scale farmers.

11. The Council of Southern African Bankers (COSAB): Problems and opportunities in financing the small-scale farm sector

(Vernon Swanepoel)

Commercial banks have often been criticised for not servicing the banking needs of small-scale farmers, despite an apparent social obligation to do so. This section highlights the major problems as well as the opportunities facing banks wishing to serve these farmers.

The main problems faced by the banks are the following.

- lack of suitable collateral, which is coupled with the problem of financing in areas with communal land tenure
- lack of credible guarantors (Case studies have shown that when rural people find out that the government is the guarantor, repayment is low.)
- illiteracy and numeracy problems often imply a lack of financial planning which is needed to ascertain profitability and repayment ability
- lack of the necessary managerial skills and experience
- lack of information and high cost of obtaining and verifying information on applicants who are usually spread over large geographic areas
- lack of track records with which to determine creditworthiness
- a history of high loan default rates and non-repayment (There are very few cases, internationally, where commercial banks have successfully managed to service this market.)
- poor infrastructural networks in rural areas (communication, markets, extension, input)
- high risk of transporting cash, and political violence
- fungibility of funds, that is where funds are not used for the purpose for which they were granted
- lack of clear government policy (For example, who will be getting redistributed agricultural land? The RDP Office, Land Affairs and Agricultural Departments have differing objectives.)
- state subsidising of agricultural credit as a form of unfair competition (The Usury Act prevents charging risk-related interest rates on small loans.)

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- rural customs and traditions, which the banking sector often cannot relate to
 - high transaction costs in servicing this sector.

Opportunities are the following:

- increased market share
- expansion of banking services which could increase profits and create jobs
- stimulus to increase food production, and to contribute to the gross domestic product and the RDP
- savings mobilisation which could increase the banks' lending capacity.

Up to 92 per cent of money advanced by commercial banks belongs to depositors. As custodians of this money, banks have a social responsibility to these depositors in ensuring that their money is secure at all times. Commercial banks therefore cannot put it at risk through unsafe lending practices.

Depositors invest money with commercial banks in good faith and their confidence in the banks must be maintained. In an economy where commercial banks have a poor reputation, savings will decline. This would have a direct, negative impact on growth in the economy, lowering job creation, and so on.

Commercial banks, as listed companies, also have a responsibility to their shareholders. The shareholders require an acceptable return on money invested. If they do not receive an acceptable return, they will withdraw their money and invest it in more lucrative investments. Unprofitable lending to any market segment results in a decrease in shareholders' return on investment and an ensuing lower share price. A lower share price leads to lower market capitalisation which inhibits the bank's ability to comply with the requirements of the Deposit Taking Institutions Act.

Dividends are that portion of net profit which is not retained. A percentage of net profit is normally paid out in the form of dividends while the rest is retained. Retained earnings are used to bolster reserves, increasing the lending capacity of a bank. This increased capacity

completes the cycle by contributing to increased profits. Ultimately, the more profitable a commercial bank, the higher its retained earnings and the higher its capacity to service new markets such as rural borrowers. Where profitability is impaired, reduced capacity forces banks to maintain or reduce their existing markets.

Commercial bank lending, in order to be sustainable, is based on a profit objective. In a competitive environment commercial banks cannot afford to allow certain of their profitable market segments to subsidise those who are relatively less profitable. This, in the face of increasing global competition (overseas banks), will reduce the lending capacity of local commercial banks.

Commercial banks, while pursuing a profit objective, are also appreciative of their social responsibilities. All South African commercial banks have trust funds which are dedicated to fulfilling a social role. These funds are financed from a percentage of profits. Therefore the more profitable a bank is, the better positioned it is to perform a social function.

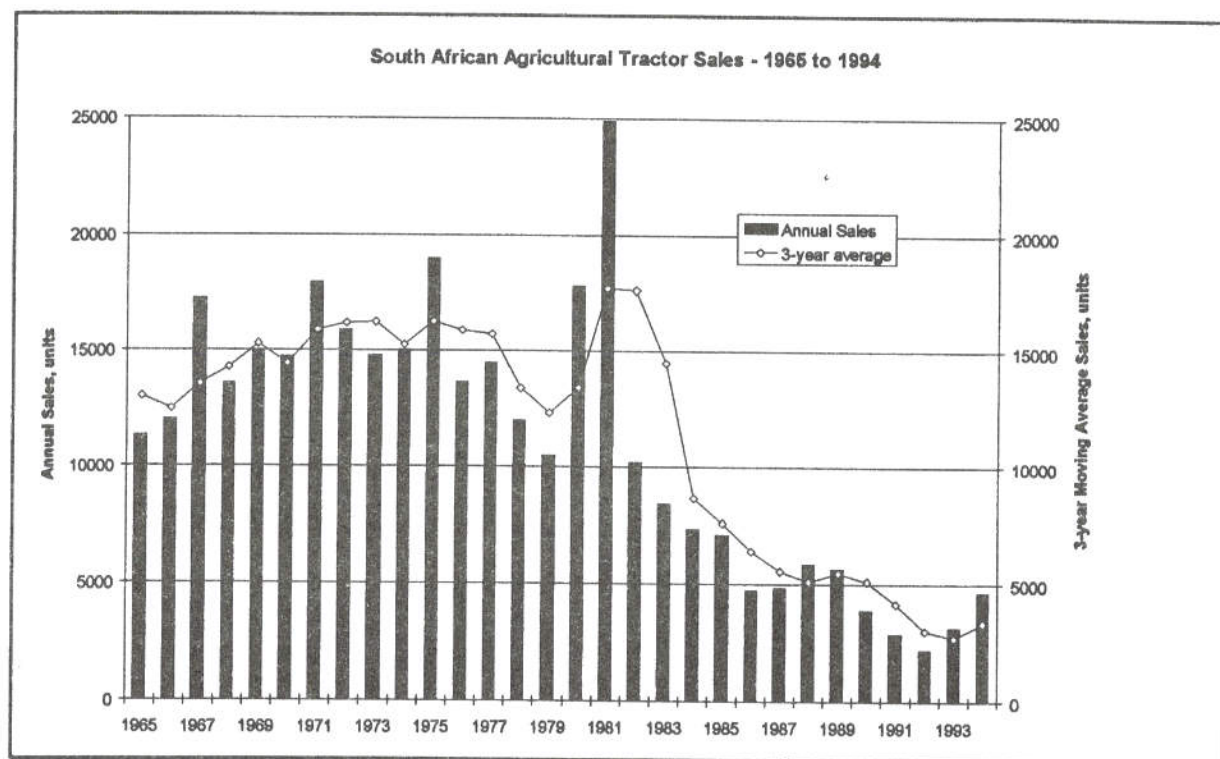
In addition, commercial banks are some of the biggest employers in the South African economy and this job-creating ability is another function of profitability. Commercial banks also spend huge resources on educating and training staff as part of their social responsibility.

12. South African Agricultural Machinery Association (SAAMA): The agricultural machinery industry – past, present and future (Dr JM Rankin)

Any review of the South African agricultural machinery industry must begin with a look at the past, so as to put the present and future into perspective. The overall make-up of the market, in terms of the sales of the different categories of equipment, has been fairly consistent over the past few years. The table below shows the proportion of sales by equipment category averaged over the five years from 1989 to 1993.

Equipment category	Proportion (%)
Agricultural tractors	57,8
Tillage equipment	4,9
Planting, fertiliser and pest control equipment	7,5
Harvesting equipment	9,2
Hay and silage equipment	11,9
Other equipment	8,7

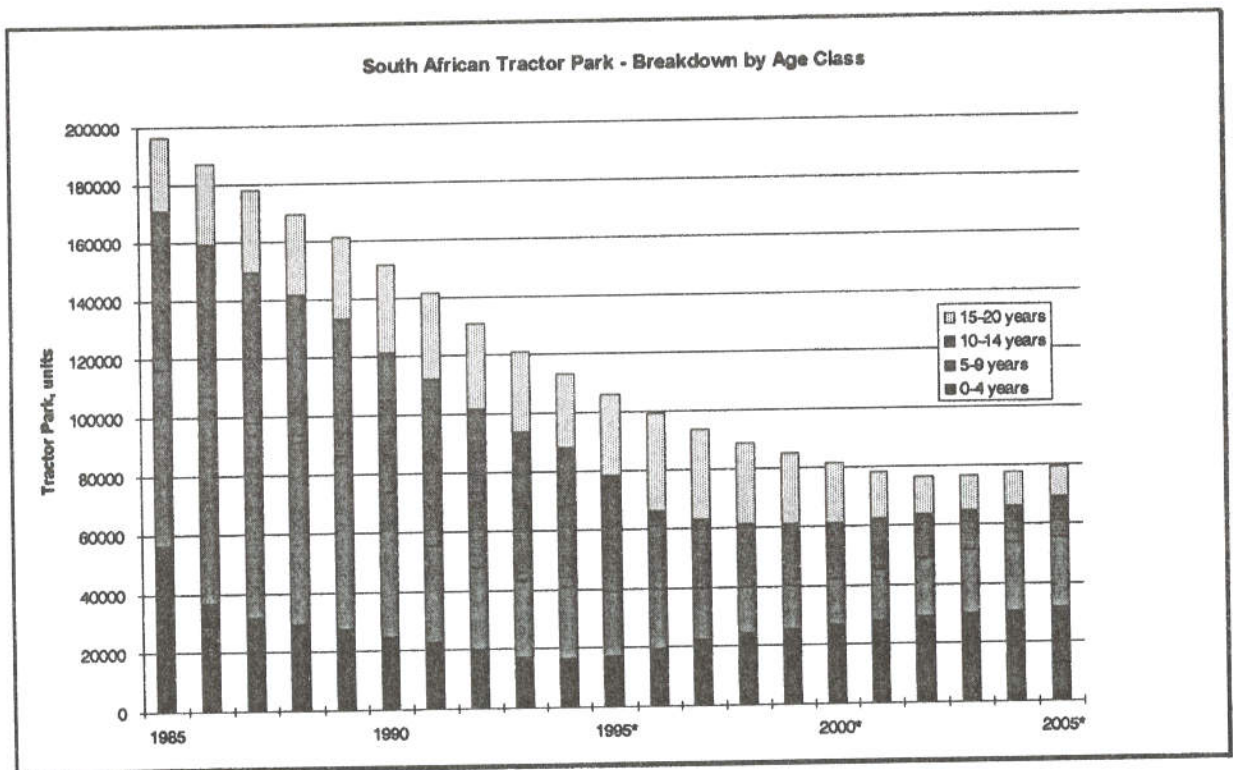
Sales of agricultural tractors consistently make up between 55 and 60 per cent of total agricultural machinery sales. This section will therefore concentrate on tractors and use these sales as a barometer of the overall market. The graph below shows agricultural tractor sales by year for the period 1965 to 1994.



Tractor sales averaged approximately 15 000 units per annum for the period up to 1981. In 1981 record sales of 24 862 units were recorded. Since then tractor sales have fallen sharply, down to a record low figure of 2 207 units in 1992. Subsequent sales recovered slightly, to 3 122 units in 1993 and 4 679 units in 1994.

The main point of including this graph is to contrast the levels of tractor sales before and after 1981. The general feeling within the agricultural machinery industry is that tractor sales will never return to the levels experienced pre-1981. The long-term figure for annual tractor sales will more likely be of the order of 6 000 to 7 000 units.

This sharp downturn in tractor sales has obviously had a dramatic effect on the size and age of the South African tractor park. (The tractor park is defined as being made up of tractors twenty years old or younger.) The graph below shows how the size and age make-up of the park has changed over the past ten years, and how it is likely to change over the next ten years. For the purposes of this forecast annual tractor sales have been projected to grow slowly (at an estimated 5% per annum) over the next ten years, to approximately 7 000 units in the year 2005.



The overall South African tractor park consisted of almost 200 000 units in 1985. It subsequently shrunk to 120 000 units in 1993 and will probably shrink further, to 100 000 units in 1996 and then to 76 000 units in 2002.

South Africa currently requires approximately 75 000 tractors of about 55 to 60 kW power for its current average levels of agricultural production. The country is obviously entering a critical period in the size and age make-up of its agricultural tractor park.

In terms of the age breakdown of the park, the number of tractors less than ten years old was almost 120 000 units in 1985. This is expected to drop to 40 000 units in 1995, placing severe strains on the ability of South African farmers to produce the agricultural output required to sustain the country's needs in terms of local consumption and export earnings.

In addition to the above park which comprises tractors twenty years old and younger, there is a large number of tractors older than twenty years. Many of these are likely to be tractors which are owned by small-scale or emerging farmers. Parts supply and service are difficult and sometimes expensive because tractors as old as these are not likely to still be running in their countries of manufacture.

Complementary to the previous graph, the average age of tractors in the South African tractor park was 8,0 years in 1985. This has increased steadily to 10,7 years in 1993 and 1994. Thereafter, based on the yearly sales of new tractors mentioned previously, the average age of the park will decline steadily over the next ten years, to approximately 7,0 years in the year 2005. It is partly this need to replace ageing tractors in the South African tractor park which is underpinning current sales of agricultural tractors.

Up to now we have looked closely at sales of agricultural tractors as being the barometer of overall agricultural machinery sales. Using the data on tractor sales and historical sales of agricultural machinery, it is likely that overall agricultural machinery sales in 1994 will reach a level of R1 billion for the first time. This is in contrast to sales of just less than R500 million in 1992.

South Africa is well served with the number of manufacturers and models available on the local market. Nineteen different manufacturers currently supply well over 200 different models to the South African market. While this may seem to be good for potential purchasers of tractors, it is clearly too many models from too many manufacturers. In an overall market of less than 5 000 units, this number of manufacturers and models can surely not be sustained in the longer term.

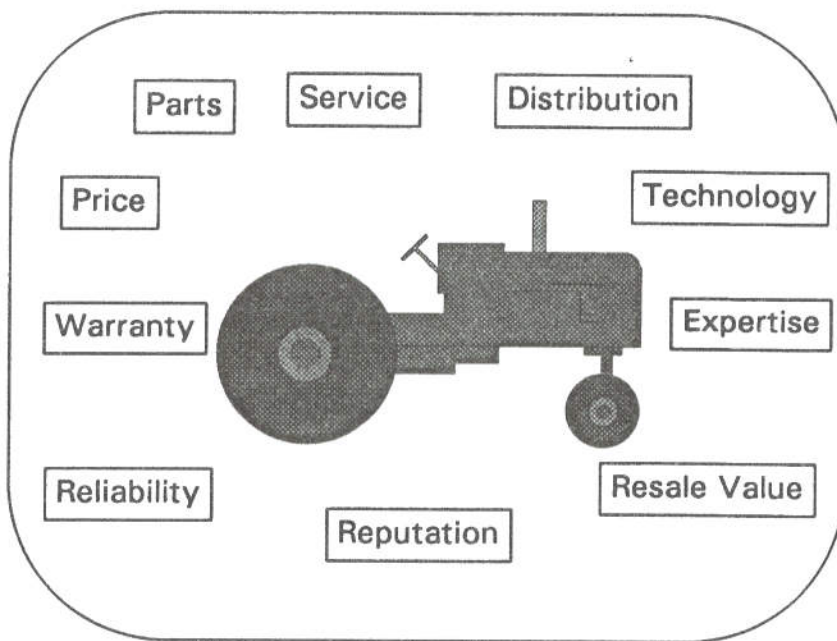
Recent relaxation on the importation of tractors with six-cylinder engines has meant that buyers of these tractors no longer have to pay duties when importing them with imported engines, as opposed to local Atlantis diesel engines. These fully imported tractors have been approximately 10 per cent cheaper than similar model tractors fitted with the local Atlantis diesel engine. The lifting of this protection has led to a surge in demand for tractors in this power class.

Protection is still in place on tractors fitted with engines with displacements of between two and five litres (mainly three and four-cylinder engines). This has made these tractors more expensive in the market-place and they are the most popular in terms of sales, whether to commercial or small-scale farmers. SAAMA is energetically pursuing all avenues in an effort to get this protection lifted, so that all South African farmers can benefit from being able to buy cheaper tractors.

The downside of the lifting of the protection, which should be imminent, is that even more manufacturers will be attracted to the local market. It is likely that South Africa will soon have at least 25 different manufacturers supplying more than 250 different tractor models. The irony of the current tractor market is that the long-established manufacturers have used the downturn in the market over the past fifteen years to

rationalise their tractor model line-up, whereas new entrants have come in with models in almost every power category in both two and four-wheel drive variants.

Thus, while it is a buyer's market at present with potential purchasers never having had a wider range of manufacturers and models to choose from, this is a classic case of the maxim *caveat emptor*, or 'let the buyer beware'. The diagram below shows a tractor with some of the factors which should be considered before purchasing one. Thus, while the initial purchase price and as yet unfulfilled promises about parts and service backup may be attractive, the cost of owning and operating a tractor is much more than this. All the factors shown in the diagram below should be weighed up and evaluated before making the decision to buy.



It was the English author John Ruskin who stated, 'There is hardly anything in the world that some man cannot make a little worse and sell a little cheaper and the people who consider price only are man's lawful prey'.

South Africa has a long history of imports of 'cheaper' tractors. Many of these tractors

are now standing idle under trees, useless for the want of a part or because the promised service was not available. Other factors which have to be taken into account when considering the purchase of a tractor are

- the reputation of the company supplying the tractor
- parts supply
- availability of service backup
- expertise of technical personnel
- warranty
- distribution network
- reliability of the tractor
- suitability of the tractor for South African conditions
- technological development of the tractor
- resale value of the used tractor.

Considering first the future of the South African agricultural machinery industry in commercial agriculture, the following points can be made:

- Agricultural machinery sales will continue to grow slowly in the medium term.
- Protection of local engine manufacture will soon be lifted.
- New entrants will continue to enter the market.
- The average power of new tractors sold in South Africa will increase in the medium term.
- Many manufacturers see South Africa as the gateway to the rest of Africa.
- Agricultural activities in Southern Africa will become more integrated.

In terms of small-scale farming, there are still many questions which need to be asked, for example:

- How will small-scale farming be structured?
- What are the needs and requirements of small-scale farmers?
- What form will mechanisation take?
- How will financing of input for small-scale farming be made?
- What are the logistics of supply and service to small-scale farmers?

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- How best can local agricultural machinery suppliers serve small-scale farmers?
 - Does the small-scale farmer need protection?

Whatever the answers to the above questions, the South African agricultural machinery industry – which has in some cases been supplying the agricultural machinery needs of South African farmers for the past 150 years – will surely have the ability to acquire the equipment and supply their needs for the next 150 years.

The past twenty years, in particular, have seen dramatic changes in the circumstances of companies serving South African farmers. They have been through a period of record high tractor sales, followed immediately by a sharp decline in sales down to record low levels. During this time these companies have had to be adaptive and innovative merely to remain in business. They will surely show the same flexibility and resilience in the future as new challenges and demands arise, specifically in the case of supplying and servicing the mechanisation needs of small-scale farmers.

13. Sharing views and insights: Summary and conclusions

Up to this point the delegates had been collecting information and sharing views. All agreed that the emerging market should indeed be served, although it was quite clear that very little was known about the emerging market.

The AISs Forum was open and honest and did not hide any of its weaknesses. The delegates' discussions following this input indicated that certain key points warranted further debate and resolution:

- the social and economic role of the AISs
- what emerging farmers and AISs jointly require from government
- systems for contact, communication and information transfer between emerging farmers and AISs
- funding and credit provision of agricultural input to emerging farmers
- access to products and product distribution systems for emerging farmers.

The delegates formed five discussion groups to debate and propose further courses of action to resolve these issues. Delegates chose which group they wanted to join so that they could contribute most where their interests lay. What transpired is reported in Part 3.

Part 3: Key issues

14. Social and economic role of the agricultural input suppliers (Mike Zingle)

The working group agreed that the social input by the AISs has to be affordable. This source of support can only be from the profit margin. If not, the AISs would face extreme financial problems and even bankruptcy. The working group consequently came up with the following areas as an arena for social and economic support.

Education and training, that is human capital development, is vital for a vibrant rural economy. In the long run it is an investment in the country's future. The working group therefore came up with the following proposals:

- Support schools, mainly agricultural schools. In order to temper the marketing view of suppliers other sponsors have to be jointly involved.
- Become involved with and support agricultural colleges with the skills and knowledge of the private sector. Here support can be for formal training and informal or in-service training.
 - Formal training must be supported. AISs can make a contribution to curriculum development and transfer of knowledge.
 - Short courses and summer schools can be sponsored and supported with technical assistance and by making available trainers.
 - Hold joint farmers' days and use techniques such as demonstrations, role models and lectures.
- Provide subject matter information on product use for
 - optimal benefit of increased food and fibre production
 - safety considerations in the use of agricultural products

- environmental issues.

Community involvement with AISs: One-on-one interaction is impractical for obvious logistical reasons. Therefore, strong local coordination, which has to be set up through discussions, is a prerequisite for communities' participation in any actions taken by AISs. A multidisciplinary approach has to be followed so as to address all the production needs of the farmers. This must go hand in hand with matching input that has already been proven by farmers themselves (eg Farmer Foundation Project in Winterton, Bergville).

Agricultural extension: AISs should always support, and not oppose, government extension officers. This collaboration is vital for the successful transfer of improved production practices that will benefit farmers. The information supplied by industry also has to focus on the specific input provided by suppliers. Moreover, competition serves as a watchdog so that nothing untoward happens. Training programmes for extension staff have to be paid for by the industry or company itself.

Promotion of role models: As action speaks louder than words, role models lend credibility to training and extension. Self-help concepts are always enhanced by visible success of members of the farming community. The group agreed that the AISs' expense in identifying and promoting role models is socially and economically worthwhile, for example SANSOR's Peace Gardens. Supporting role models can be an important course of future action.

Communication via local representatives: AISs must keep in touch with RDP representatives and run parallel actions at local community level. The local presence of the AISs will enhance follow-through of the community actions.

Print: Printed material in local languages (including pictograms) has social and economic value as it provides users with helpful information. This includes catalogues, brochures and labels on product containers providing information. These have the added advantage of being self-funded information. Labelling as an educational tool holds potential for

industry in developing its market while providing a service. This is possibly supportable in terms of the human capital development aims of the RDP.

Intellectual and entrepreneurial input to develop society and markets for suppliers: The working group noted the intellectual and innovative ways in which the AISs can help develop society and provide markets for entrepreneurs. Some models that were mentioned were the following.

- Markets for small producers (eg Japanese middlemen) can be of benefit to emerging agriculture.
- Transport for small producers' products (eg black taxis) can provide solutions to marketing problems and need to be supported and developed by the AISs.
- Use of municipal waste (eg Johannesburg sewerage farms expansion potential) warrants support by AISs in terms of their knowledge base.
- Support of environmentally threatened areas (eg vegetable growing in the Sabi-Sabi game reserve) is part of the social responsibility to society.

Packaging can play an all-important role in servicing the new group of farmers, and has to be made user-friendly to their local and personal circumstances. The following are courses of action that must be taken:

- There is the potential of container colour codes to identify herbicides, poisons and other dangerous input in terms of environmental considerations.
- AISs and government regulatory bodies have to jointly rethink the size of packaging for scale of use, handling and convenience.
- The exclusion of small-scale users from products owing to large size packs of pesticides needs reassessment. In this case education is better than the dangerous decanting that is common practice at present.

Storage: AISs will have to pack and present products with due regard for expected storage facilities of small producers.

Machinery: Because of the nature of farming operations and local operational circumstances in which smallholder farmers find themselves, a number of important considerations were noted:

- Easy maintenance is essential, for example the Zimbabwean equipment.
- AISs, Silvertown Agricultural Engineering, and universities need to focus much more on the small-scale producers' needs in their research, development and recommendations.
- Non-machinery AISs are to give due consideration to methods of application of their products.

Human resource development: Bursaries can be provided for agriculture specialists (blacks and women) in those areas needed by the industry. These can be complemented by company internship opportunities for bursary holders. In this way new human resources can be developed. Business will also have to create access to students to do in-service training, that is through trainee schemes.

Conclusions

Sound business economics will rule in the social and economic role of AISs. The main focus areas suggested by the working group are

- education and training
- communication
- developing institutional networks
- support for entrepreneurial activities for farmers.

The overarching approach is to include all role-players, for example the Departments of Agriculture, the RDP Office, education and development corporations, as counterparts in the social and economic upliftment of emerging farmers.

15. What emerging farmers and AISs jointly require from government

(Jan Kleynhans)

The working group tabled a list of constraints and then proposed possible solutions and courses of action to be taken. These are listed below.

Too few farmers in the group: Since few farmers had joined the group, it had to deal with the constraints and propose solutions and courses of action without their valuable contribution.

Access to input: Smallholder farmers face serious problems in accessing input. The group proposed that government should provide an input cost assistance scheme. It was not in favour of outright subsidies but suggested that government should in some way help make input available locally at price levels on a par with those in the commercial sector, for example through transport rebates and softer production credit rates.

Availability of credit: Lack of suitable credit lines is common. State credit schemes need to be reviewed and implemented post-haste.

Legislation: Much of the current legislation came under discussion. It was recognised that this legislation only benefited commercial farmers and the services provided to them. The following acts and regulations were listed as constraints on the smallholder farmer, and the group recommended that these should be reviewed bearing in mind the interests of the smallholder and new emerging farmer corps:

- Registration Act 101
- Labelling restrictions
- Packaging restrictions
- Customs and excise protection.

Moreover, the group recommended that accreditation should be given to the responsible use of crop protection products.

Taxes and duties on input: Industry has long been lobbying for the removal of taxes and duties on input. This will lead to market-related pricing and can benefit the farming

community as a whole, ultimately resulting in lower food prices. The group proposed that government should abolish taxes and duties on input.

Distribution, training and information: By joining forces, the resources of the private and public sectors can be shared, resulting in greater synergy. The group proposed a meeting between the AISs Forum and the BATAT Technology Development Subcommittee to consider ways of joining forces. Other aspects which could receive attention are a combined extension effort and an awareness drive amongst extension officers and farmers.

Food security and natural disasters: Natural disasters such as drought and floods are endemic to the subcontinent. Government lacks a sound drought and food policy to deal with these disasters adequately, and needs to develop such policies based on the findings of the group.

Research and extension: There is a dire need for government to increase appropriate research and extension. The group noted that agriculturally successful countries have a relatively greater public sector research and extension expenditure than less successful countries. The areas singled out for increased expenditure were

- crop climate yield interactions in smallholder farming
- recommendation domains for smallholders of production input.

The group noted the lack of a national research policy statement and recommended that the National Department of Agriculture develop one. This will provide the framework for action.

BATAT – AISs Forum cooperation: Dialogue between the government and the AISs is critical and has to be pursued as an ongoing process.

Representation: Smallholder farmers and AISs do not have a voice in the affairs of state, for example research, agricultural credit and marketing. These groups can make

significant and valuable contributions to policy. The government has to provide for representation by smallholder farmers and AISs on all its statutory boards.

Conclusions

The key factors concerning the enabling role that government must play are

- reviewing and removing restrictive legislation that is currently acting as a barrier to AISs serving emerging farmers
- providing a policy environment conducive to farmer assistance
- providing the necessary macro-economic, social and technical resource data.

The working group also took on itself the responsibility for joint initiatives by arranging a follow-up meeting between the AISs Forum and BATAT, in order to take issues such as distribution, training and information further.

Another important point made by the working group was that innovative ways should be sought for the farmer support programme.

- Government should consider an input cost assistance scheme for emerging farmers – this does not mean subsidising, but improving access to input loans.
- Research should not be put on the back burner for smallholder farmers.
- Government should consult with the AISs and with farmers on their needs and ability to supply. Emerging farmers and AISs should be given representation on government structures such as the various boards.

It was decided that the process of discussion with government should be initiated as soon as possible.

16. Systems for contact, communication and information between emerging farmers and AISs (Nonjabulo Nduli and Wynand van der Walt)

The present system of contact was considered by the working group in order to identify gaps in communication and information systems. Bodies or services that provide support

to smallholder farmers were listed:

- extension services
- NGOs
- cooperatives
- service agents
- development corporations
- individual AISs
- research institutions
- personnel agents.

The end-users of information are those who are represented as the ultimate clients of information. These end-users are farmers' associations, for example NAFU and The Soth African Farmers Union (SAAU), NGOs and individual farmers.

Lack of national statistics: The lack of useful national statistics to plan any further action was emphasised repeatedly. This was articulated by the following need statements:

- A need for relevant smallholder statistics in terms of numbers, resources available, locality, and so on, which has to be provided by government
- A need to access GIS and other information systems
- A need to be able to access information which government can provide. This has to be collated in such a way that it becomes useful information.

The group argued that at national level it was the responsibility of the state to provide information. AISs would do their own market research when they had identified a market segment based on national statistics.

Moreover, it was noted that for the commercial sector (ISWC), (NAMPO) and the South African Agricultural Union are using satellite to determine field size and crop estimates. This should be extended to the developing areas.

Communication systems: Communication is important – the industry must play a leading role in communicating with farmers. AISs need a strong representative farming organisation on the ground and therefore strong local farming organisations need to be established. Farmers will have to take the responsibility for this but AISs can offer support in helping them initially. The following actions were proposed:

- AISs must have people on the ground to identify needs. Moreover, since AISs can identify local potential, personnel liaison must be incorporated in this action.
- Interest groups or target groups with similar requirements must be established.
- Communication structures both of farmers and AISs are needed, for example at regional level.
- Farmers must establish feedback mechanisms so that AISs will be aware of their needs.
- Entrepreneurs to service the communities must be set up.

Local, informal and farmer representative structures as well as government structures do exist for anyone who wishes to communicate with the community. These should be used as a first resort and may need strengthening.

Information: The flow of information as distinct from communication and extension was noted. Moreover, these activities must be representative, with participatory learning, planning and action by the farming communities. This is a prerequisite for effective transfer of information between parties and is a two-way process, with both farmers and AISs learning from each other. There is a need for retraining of extension officers to do sampling and participatory research. The content of the system, how it should work and other issues surrounding it were listed:

- Indigenous farming systems need to be considered.
- It is the responsibility of end-users to articulate their needs.
- It is the responsibility of AISs to advertise themselves and their products.
- Demonstration models through the farming systems research extension approach need to be developed. It is essential that this provides for feedback from farmers.
- A link between AISs, universities and other research organisations must be established to pool resources and provide a coherent platform for action.

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- There is a need for a collective forum to fund the farmer needs analysis.
 - These participatory approaches can make use of student researchers after proper training through funding from AISs. It would also create job opportunities, for example when agriculturists are used as consultants.
 - The media can also be utilised.

Conclusions

There are two major aspects:

- Communication is important – the industry must play a leading role in communicating with farmers.
- Activities embracing communication, contact, and information transfer must be representative, with participatory learning, planning and action by the farming communities.

An important constraint that the group identified is the lack of national statistics. Despite existing government structures and farmer representative structures for communication with the farming community, there is still an information gap. This precludes farmers from information on what services are available from the AISs and how to access these services. Conversely, the AISs do not know about farmer organisations and how to approach them.

The workshop delegates recognised that communication is a two-way process. Structures do exist at the community level and any communication should be in harmony with these structures to be effective.

17. Access to products and product distribution systems for emerging farmers (Clive Nicholson)

For the purpose of dealing with access to products and product services the group defined emerging farmers to mean that they are commercial and can pay for products and services.

The first step in creating access to input is for the emerging farming community, public and private sector to get together to identify community needs bottom-up in terms of both input and output. 'Leader' emerging farmers must then be identified to serve as role models to their communities.

The working group had some innovative thoughts on the ways farming communities and AISs could cooperate in providing access to emerging farmers. Although alternative systems are in place, AISs will have to strengthen and work through these systems rather than wait for government to facilitate on their behalf. Most of these actions have to be farmer-initiated.

Delivery points: The working group emphasised the issues of delivery points for input and the lack of infrastructure in developing areas. This makes the cost margins of the AISs higher and affects the prices of goods. Delivery points have to be established as close as possible to the point of end use by the farmer. However, due to the distance from major centres delivery points and margin implications must be considered carefully to keep product costs realistically low. One way is not to duplicate services offered by cooperatives and local entrepreneurs and rather to extend their services. Another innovative way is to develop satellite depots run by local people with proven business acumen or business. Most farming activities can be performed by specialised contractors from the community. However, training is needed and this is where AISs can play a meaningful role in providing both technical and business training. As far as crop protection services are concerned, contract applications are more desirable than individual applications.

Product information and ongoing training: It is the supplier's responsibility to provide information and training all the way into the field, preferably in the language of the farmer. Making products available without information and ongoing mentoring is

irresponsible. Responsible use training must be provided by crop protection companies on an ongoing basis for the safety of the user, the consumer and the environment. Moreover, information on the product must be part of the delivery system.

Collective buying has a decided influence on the marginal cost of delivery systems. Farmers are also given greater bargaining power through collective buying. As people move up in the income bracket, they move out of collective buying. This links up with what had been said about delivery points.

Credit: The group also dwelt on the issue of production credit as part of farmers' access to products and services. The Zimbabwean experience suggests that government subsidies on input frustrate the development of market infrastructure. The group concluded that only education needs to be subsidised. Stokvel and credit union systems can be used in addition to the facilities provided by commercial banks.

A data base must be compiled by AISs and government covering all role-players in the emerging farmer community.

Conclusions

The target community is farmers who can pay for goods and services. Government subsidies are not recommended and the group suggested alternative financial systems such as the stokvel.

Delivery had to be on a decentralised system and there was a need to identify possible models. The group suggested, amongst others, contract application of plant protection products by farmers specially trained in the safe use of agricultural chemical products.

Although alternative systems are in place, they are not a cure-all and there is a need for innovation by farmers and AISs. Some of the options are collective buying, delivery and marketing systems, and stokvels.

AISs must entertain the idea of giving short-term production credit. Collective buying also has a decided influence on delivery systems. As people progress economically, they tend to move out of collective buying.

Finally, limitations to the deliberations of the workshop were that the delegates did not look at the fuel industry, and that the animal feed manufacturers of South Africa had not been invited.

18. Funding and credit provision of agricultural input to emerging farmers

(Edzi Netshifhefhe)

In dealing with the government the 'hard' issues were the role of the Agricultural Credit Board. 'Soft' issues were also discussed, such as farmer support in terms of extension and training. As regards the role of the commercial banks on the issue of collateral security the group – especially the farmers – came out strongly in favour of alternative systems. On the role and needs of the farmers the need for training in how to work with money was emphasised.

Government

Government should create an environment conducive to private sector involvement in the agricultural sector, that is both at policy and operations level.

The Agricultural Credit Board Act, articles 22 to 28, gives protection to farmers to the detriment of commercial banks and AISs. This Act needs urgent attention. The group concluded that the Agricultural Credit Board should be, in the true sense of the word, a lender of last resort. It should not compete with other private or government institutions. Moreover, to bring the Agricultural Credit Board closer to the communities the working group recommended decentralising the board's operations and its policy function.

Government also has to reduce undue risk – which commercial banks cannot do – for example by considering designing an indemnity scheme for developing agriculture that is similar to the low-cost housing and small business schemes.

Having said this, and accepting that government should assist beginner farmers, the group stated the need for a time limit to this assistance, in other words a ‘sunset clause’ to subsidies and indemnity.

Government should serve as law enforcer. This will create the environment in which business and emerging farmers can operate. Nothing scares away the private sector more than an uncertain environment, as risk is increased considerably.

Government should create infrastructure, that is electricity, communications, roads, and so on.

These are necessary but not sufficient conditions for a strong rural economy. Other conditions which government can facilitate are access to markets, effective extension services, and the improvement of rural education and skills. The delegates also emphasised that extension officers are the first point of contact. This has to reflect back to BATAT, including the training offered by commercial banks.

Commercial banks

Commercial banks should provide a comprehensive banking package, that is credit for input, land purchase, development and so on. Moreover, banks should consider other mechanisms or instruments to substitute for land as the only form of collateral.

The working group noted the need for improved communication, both regionally and nationally. Services offered to commercial farmers by banks should be offered to developing farmers as well. Savings is important as it will mobilise rural finance, but this does not preclude the other commercial services that banks can offer. Banks will also have to provide financial training for new entrants to the market.

Commercial banks should take note of the successes and failures of development corporations; also of DBSA loans (FSP) and financial aid fund lessons.

Reformed and restructured corporations will be a characteristic of the future dispensation. Banks must consider taking equity with the provincial governments or development corporations.

Farmers

The group concluded that farmers will be required to do a lot to assist the process. Farming is like any other business, therefore the profit motive must be very strong. Farmers should also improve their level of record-keeping and financial discipline as these are some of the criteria banks look at when assessing creditworthiness. Strong farmers' organisations can assist commercial banks with the selection of candidates for credit. Moreover, farmers should solicit community involvement and support for their projects. This will create an environment conducive to rural financing.

While banks may be willing to look at other instruments to substitute for land as the only form of collateral, the communal land tenure system needs to be upgraded by actions coming from farmers.

In closing, the working group offered thoughts on credit provision:

- AISs, for example fertiliser and seed companies, should also consider offering credit to farmers.
- Communication needs improvement. To improve access to markets farmers and AISs must be represented on statutory boards and have a voice in a proper Marketing Act.

Part 4: Special interest groups

The workshop resolved that to take the action forward special interest groups (SIGs) had to be established. The delegates nominated the original convenors and the working group rapporteurs (the SIG task team) and mandated them to establish SIGs. The nominees met on 12 April 1995 to plan the way forward and decided that four SIGs were necessary.

These are an SIG each

- on the role of government
- on the role of the AISs
- to strengthen organised emerging agriculture
- to attend to communication channels.

The nominees also decided to establish a continuation committee for report back and liaison. It was agreed that each SIG would develop its own terms of reference and share these and its minutes with its counterparts.

The SIGs will be open networks and therefore anyone with a particular interest in one or more of the SIGs will be able to take part in all the activities of that SIG. SIGs should

- be representative of the triad: farmer – business – government
- be a communication system with a two-way flow
- share information on issues to ensure dialogue.

Furthermore, the SIG task team agreed that some of the problems identified were that

- a mind-set shift has to take place at top levels of the government and the private sector
- house-cleaning is a prerequisite for change
- government has to remove stumbling-blocks and provide incentives to get things going
- the most limiting factor has to be dealt with first, namely the apparent weakness in organised African agriculture in the country.

The issues identified to guide the SIGs in their actions were also put on the agenda for action. These are set out in more detail in the sections below.

SIG on the role of the AISs

The AISs established the AISs Forum with a task team coordinated by Dr Wynand van der Walt. There is therefore no need to duplicate structures and the Input Suppliers Forum (ISF) task team is *ipso facto* the appropriate SIG. To benefit from the insights of others the ISF task team will consult and liaise with persons who wish to take part in this SIG.

It is accepted that the prime concern of AISs is how to deal with business risk. Within this environment the ISF task team was guided by the SIG task team to consider the following key points as a framework for action:

- Promote a mind-set shift.
- Find out what is going on. What is the business environment in emerging agriculture, what information is lacking, what needs to be done, and what are others in the private sector (eg the housing sector) doing?
- Develop a strategy.
- Enter into dialogue with farmers and organised African agriculture.
- Consider agency functions for NGOs and traders.

SIG on the role of government

Like the IFS, government has a functioning SIG, namely BATAT. The SIG task team guided BATAT to attend to the following areas:

- Plan for creating an enabling environment (BATAT report).
- Debate the issues.
- Review legislation.
- Establish a programme of support.
- Create capacity among farmers.

SIG to strengthen organised African agriculture

The SIG task team agreed that the most limiting factor was the apparent weakness of organised African agriculture. The key to a vibrant agriculture will be to strengthen strategic, administrative and business capacity at all levels. The SIG task team gave the following guidance to the SIG on organised agriculture:

- Farmers must organise themselves.
- Articulate needs.
- Inform government and the private sector through dialogue.
- Initiate actions with government and the private sector.
- Increase their participation.

SIG to attend to communication channels

Equally important is the need to open up communication, to inform decision-makers and the public constituency, and to promote the work initiated by the workshop to a wider audience. The following guidance was offered to this SIG:

- Evaluate communication systems (an environmental scan).
- Plan regional and national workshops.
- Do promotion through the media.
- Plan a farmer help-desk.

SIG coordinators

The following people voluntarily offered their time and effort as coordinators.

Special interest group	Coordinator	Address	Phone	Fax
SIG on the role of government	Ms B Njobe-Mbuli	Dept of Agriculture (BATAT) PO Box 144 Pretoria 0001	012 319-6083	012 21-8558
SIG on the role of the AISs	Dr WJ van der Walt	SANSOR PO Box 72981 Lynnwood Ridge 0040	012 86-1185	012 804-5705

SIG to strengthen organised African agriculture	Mr S Mokoene Alternatively: Ms B Njobe-Mbuli	NAFU PO Box 9624 Hennopsmeer 0046	012 663-3111 or 2	012 663-3184
SIG to attend to communication channels	Mr CA Nicholson	Farmer Foundation PO Box 748 Irene 1675	012 663-2785 or 6	012 663-2718

Continuation committee

To provide an avenue for reporting progress and sharing experiences the SIG task team decided to reconstitute itself as a continuation committee. The function of this committee will be to convene every six months to receive progress reports from the SIG coordinators and to plan and advise on further actions to be taken. Ted Stilwell was nominated coordinator of the continuation committee.

Annexure A

Attendance list of the private sector in the agriculture workshop

NAME	ORGANISATION	ADDRESS	TEL NO.	FAX NO.
Beck, B	Minister of Agriculture	PO Box 727	01311-32164	01311-33287
Brink, SG	E Tvl Province NAMPO	White River 1240 PO Box 88 Bothaville 9660	0565-2145	0565-3613
Buthelezi, C	SACGA	PO Box 83 Gingindlovo 3800		
Chikanda, M	University of Pretoria	68 Lunnon Road Pretoria 0002		
Dillon, R	RSU	PO Box 264 Bloemfontein 9300	051-48-8010	
Du Toit, JPF	SAAU	PO Box 1508 Pretoria 0001	012-322-6980	012-320-0557
Ferreira, WA	NAMPO	PO Box 88 Bothaville 9660	0565-2145	0565-3613
Galloway, B	SACGA	PO Box 1278 Durban 4000	031-304-7264	031-305-6513
Jarvie, I	SANSOR	PO Box 72981 Lynnwood Ridge 0040	012-86-1185	012-804-5705
Joubert, IM	NTK	PO Box 29 Nylstroom 0150	01470-99378	01470-71212
Kleynhans, J		PO Box 1995 Halfway House 1685	011-805-2000	011-805-2222
Koorts, J	DBSA	PO Box 1234 Halfway House 1685	011-313-3322	011-313-3086
Lello, GB	Farmer Foundation	PO Box 748 Irene 1675	012-663-2785/6	012-663-2718
Maarela, K Mabesa, T	NAFU AVCASA	Ga-Habedi Community PO Box 1995 Halfway House 1685	011-805-2000	011-805-2222
Malatsi, KG	Farmer	PO Box 38 Mooketsi 0825	015892 Ask for Molototsi 911	
Maloa, BM	Dept of Agriculture	Private Bag X116 Pretoria 0001	012-310-4011	012-325-6978
Matshediso, G	Dept of Agriculture: NW	Private Bag X5041 Brits 0250	01461-92606	01461-92868
Mokoene, S	NAFU	PO Box 9624 Hennopsmeer 0046	012-663-3111/2	012-663-3184
Mosane, G	Farmer	PO Box 1059 Jericho		

Mosane, J Mothoa, MG	Farmer COSABB (FNB)	- PO Box 1153 Johannesburg 2000	011-352-8602	011-352-8606
Nduli, N	Dept of Agriculture (BATAT)	PO Box 144 Pretoria 0001	012-319-7310	012-323-2724
Nel, M	Agriwane	PO Box 1330 Nelspruit 1200	01311-52341	01311-52345
Netshifhefhe, E	ABSA	PO Box 7735 Johannesburg 2000	011-350-6101	011-350-5494
Njobe, B	Dept of Agriculture (BATAT)	PO Box 144 Pretoria 0001	012-319-6083	012-21-8558
Nicholson, CA	Farmer Foundation	PO Box 748 Irene 1675	012-663-2785/6	012-663-2718
Nkosi, S	SBSA	PO Box 6702 Johannesburg 2000	011-636-6467	011-636-1275
Pretorius, SGF	John Deere (Pty) Ltd	PO Box 198 Nigel 1490	011-814-1970	011-814-1970
Rankin, J	Saama/Agfacts	PO Box 1159 Edenvale 1610	011-453-7249	011-453-7249
Roos, J	Omnia Fertiliser	PO Box 197 Delmas 2210	0157-4036	0157-2752
Smit, F	Massey Ferguson SA	PO Box 80 Isando 1600	011-974-5311	011-392-4295
Smith, L	AVCASA	PO Box 1995 Halfway House 1685	011-805-2000	011-805-2222
Sokhela, MP	Cane Growers	PO Box 1278 Durban 4000	031-304-7264	031-305-6513
Stilwell, T	DBSA	PO Box 1234 Halfway House 1685	011-313-3138	011-313-3533
Swanepoel, V	COSAB	PO Box 6702 Johannesburg 2000	011-636-2228	011-636-1275
Terblanche, E	Kynoch Fertiliser	PO Box 689 Kroonstad 9500	0562-61528	0562-61583
Tlale, TP	NAFU	Ga-Rasai Community Development		
Tleane, T	Toloure Agila	PO Box 143		
Toto, T	Profusa	PO Box 278 Bisho	0401-951204	0401-91247
Van der Walt, WJ	SANSOR	PO Box 72981 Lynnwood Ridge 0040	012-86-1185	012-804-5705
Van Eck, OA	NTK	PO Box 29 Nylstroom 0510	01470-99112	01470-71118
Van Niekerk, Le R, PE	Kynoch Fertiliser	PO Box 3836 Randburg 2125	011-787-0419	011-789-5320

Van Zyl, JL	COSAB (Agric) FNB	PO Box 1153 Johannesburg 2000	011-352-8601	011-352-8606
Venter, H	FSSA	PO Box 75510 Lynnwood Ridge 0040	012-804-5920	012-804-0429?
Zingel, M	Mayford Seeds	PO Box 160 Lanseria 1748	011-659-2920	011-659-1438
Zwane, EM	Dept of Agriculture N Tvl Province	PO Box 1699 Giyani 0826	0158-23210	0158-23428

