

# Agricultural Marketing Policy

for the  
Republic of South Africa



agriculture,  
forestry & fisheries

Department:  
Agriculture, Forestry and Fisheries  
REPUBLIC OF SOUTH AFRICA



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Republic of South Africa

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## Acronyms and abbreviations used

AESC	Agricultural Economics Standing Committee
ATF	Agricultural Trade Forum
AMIS	Agricultural Marketing Information System
BATAT	Broadening Access to Agriculture Thrust
CSP	Customised Sector Programme
DTI	Department of Trade and Industry
ITAC	Information Technology Acquisition Centre
KPA	Key performance area
NAMC	National Agricultural Marketing Council
OECD	Organisation for Economic Co-operation and Development
PSE	Producer Support Estimate
SACU	Southern African Customs Union
SMME	Small, medium and micro-enterprises
WTO	World Trade Organization

## Foreword by the Minister

Over the last decade, South Africa substantially liberalised the economy through reform of the import regime and deregulation of the agricultural sector in order to reverse the decades of “inward industrialisation strategies”. This shift was mainly guided by globalisation policies in the context of multilateralism, bilateralism and regionalisation processes. As a result, tremendous progress was made in the form of agricultural marketing reform to align South Africa’s agricultural marketing legislation with the rest of the world. This was in response to the South African political imperative that necessitated the opening of economic opportunities to all players within the different sectors of the economy.

For the agricultural sector, the required agricultural support interventions are clearly articulated in the White Paper on Agriculture (1995), the Broadening Access to Agriculture Thrust (BATAT) report of 1995, the Marketing of Agricultural Products Act, No. 47 of 1996, *The strategic plan for South African Agriculture* of 2001, the *Agricultural marketing review report* of 2006 and the 2006 Organisation for Economic Co-operation and Development (OECD) report on agricultural policy reform in South Africa. In all the latter policy documents, the most common agricultural marketing support measures required by smallholder farmers and other players across the value chain are on agricultural marketing information, agricultural marketing infrastructure, agro-logistics, agricultural marketing skills, agricultural marketing institutions, agricultural export facilitation, and protection against unfair external competition. Furthermore, escalating input and food processing costs that lead to increases in food prices necessitate that smallholder farmers should become more efficient in their operations.

Access to efficient agricultural marketing support services is one of the prerequisites for competitiveness in the trading of agricultural products both domestically and internationally. The observed inequitable access to commercial agricultural markets by smallholder farmers and other players across the value chain due to lack of access to agricultural marketing support services is therefore a critical challenge to the department. In order to bridge this gap, appropriate support measures in the form of agricultural marketing interventions in the agricultural sector are essential.

Noting that a formal approach is not yet in place to guide government intervention in agricultural markets, a need arose to formulate a nationally considered approach in the form of an agricultural marketing policy to direct such interventions in partnership with provinces, municipalities, organised agriculture, the private sector, other state departments and public entities and other potential partners to the benefit of smallholder farmers and other aspiring agribusiness entrepreneurs involved in agricultural marketing and trade. In summary this agricultural marketing policy is about ensuring equity for smallholder farmers and fixing the whole marketing system.

**Tina Joemat-Pettersson, MP**

MINISTER OF AGRICULTURE, FORESTRY AND FISHERIES

## Overview by the Director-General

The dualistic nature of our agricultural economy has generated some negative consequences around access to critical commercial resources for the majority of players within the sector. The Department of Agriculture, Forestry and Fisheries has over the years identified access to agricultural marketing support services such as agricultural marketing infrastructure and agro-logistics, agricultural marketing information, agricultural marketing skills, agricultural marketing institutions, and agricultural marketing finance as key constraints limiting smallholder farmers to enter the mainstream agricultural marketing and trading environment. This observation is clearly highlighted and articulated in the White Paper on Agriculture (1995), the BATAT report (1995), *The strategic plan for South African agriculture* (2001) and other research findings from a number of independent researchers. The Department of Agriculture, Forestry and Fisheries further did a comprehensive qualitative and quantitative analysis of the status of agricultural logistics in South Africa, identified gaps and proposed infrastructure investment plans to bridge the gaps. I now have the privilege of announcing that my department has concluded a framework in the form of an agricultural marketing policy to guide intervention in agricultural marketing by the government and other relevant stakeholders.

### SCOPE OF THE AGRICULTURAL MARKETING POLICY

The scope of application of the agricultural marketing policy takes in those circumstances where the state assumes the primary responsibility to provide support to enable smallholder farmers to commercialise their production and to add value to their primary agricultural products. This document spells out the key policy interventions and instruments to be applied by the government in the marketing of agricultural products such as the promotion of fair competition and pricing, the formulation and application of agricultural tariff policy, agricultural market access facilitation, the provision of agricultural marketing information, the provision of agricultural marketing infrastructure and logistics, the establishment of commodity associations and agricultural marketing cooperatives, the provision of agricultural marketing skills and agricultural marketing finance.

### THE STRUCTURE OF THE POLICY DOCUMENT

The document begins with vision and mission statements followed by a background which explores previous intervention efforts in agricultural marketing. Then comes an exposition of the problem that is addressed by the policy document and a motivation for why the country requires an agricultural marketing policy. The document goes further to provide some general guiding principles on government intervention in agricultural markets and then explores the eight key policy interventions and instruments that underpin this policy. The last part deals with implementation, governance, and monitoring and evaluation issues.

**Peter Thabethe**

DIRECTOR-GENERAL: AGRICULTURE, FORESTRY AND FISHERIES



## 1. Vision

The overall vision of this agricultural marketing policy is: A globally competitive and profitable agricultural sector with equitable access and participation in the opportunities offered by agricultural marketing in the various value chains. This vision of the agricultural marketing policy is in line with our vision for the entire agricultural sector, which is “A leading dynamic, united, prosperous and people-centred sector” to be achieved through three core strategic thrusts: improving equity and participation, improving profitability and competitiveness, and sustainability.

## 2. Mission

The agricultural marketing policy aims to promote and facilitate an efficient and effective agricultural marketing system through the following:

- Enhanced competitiveness of the sector and protection against unfair external competition
- Promoting competition and competitive pricing in agriculture and minimising anti-competitive behaviour on the efficient performance of deregulated agricultural markets
- Utilising non-trade-distorting mechanisms to assist in providing an environment conducive to agricultural export growth
- Providing a range of agricultural marketing support services to enhance participation by all role players across the agricultural value chain
- Contributing to the ability of smallholder farmers to access the necessary finance for their agricultural enterprises.

## 3. Background

Formerly controlled markets have been radically deregulated and at the end of 1996, the Marketing of Agricultural Products Act (Act No. 47 of 1996) was passed. It provides for certain limited statutory interventions such as registration and information collection. It also provides for the collection of levies in very exceptional cases where proposals for their utilisation need to be fully justified in terms of improved market access, the promotion of marketing efficiencies, the optimisation of export earnings, and the enhancement of the viability of the agricultural sector. By early 1998, all control boards had ceased operation, and their assets were transferred to industry trusts which would provide services such as market information, export advice and product development. Price controls were removed and single channel markets disappeared with the abolition of control boards. As a result, many new small-, medium- and large-scale enterprises have entered the domestic and export markets which offer good prospects for future job creation and marketing services for new and smallholder farmers.

The White Paper on Agriculture (1995) emphasised that the South African agricultural marketing system should ensure equitable access to the market for all participants and, to this effect, special attention

should be paid to the needs of smallholder farmers. Their success depends inter alia on infrastructural and marketing support services such as market facilities, information, packing and storage facilities and transport services. Their small output volumes are also often not acceptable to agents or traders. It is furthermore internationally accepted that in developing economies the necessary marketing services must preferably be rendered through agricultural marketing cooperatives. The government will assist local communities and private enterprises by creating an environment where smallholder farmers have access to services at an affordable cost. Such development requirements should be dealt with where the need exists outside marketing price arrangements and preferably by provincial governments.

The White Paper on Agriculture (1995) further indicated that in certain areas of South Africa, the government will render more extensive services during the initial stages of development, on condition that they are based on community involvement and demand. Public investment in infrastructure in rural areas will supplement such services. It will also be necessary for the Department of Agriculture, Forestry and Fisheries to assume responsibility for the provision of information formerly supplied by the marketing boards. The BATAT Marketing Design Team (Tube, 1995) also identified information, roads and vehicles, storage, bargaining power and institutional capacity, and processing technology as some of the major barriers to entry into agricultural markets.

*The strategic plan for South African agriculture* (2001) identified skewed participation and inadequate, ineffective and inefficient support and delivery systems as some of the key challenges confronting the agricultural sector. The challenge is especially to identify programmes that will encourage new entrants and previously marginalised individuals to enter the agricultural sector. The process of enabling previously marginalised South Africans and new entrants to become successful in commercial farming and agribusinesses requires well-designed and targeted efforts to level the playing field and to bring about a more representative and diverse sector. This will include the continuation of a range of ongoing activities such as the strengthening of service delivery institutions of research, financial services, market access and development, training and skills development and the provincial departments of agriculture.

During the agricultural marketing review process undertaken by the former Department of Agriculture, the majority of the agricultural industries argued that too little attention was paid to the critically important information function and in this regard various industries identified strategic information (required for planning), market intelligence, and the normal flow of information from research as critical enablers for effective participation in agricultural markets. In identifying the areas where government intervention was desirable and justifiable, the industries argued that government should pay attention to facilities such as the improvement of infrastructure which should include the requisite physical infrastructure required to make markets function more efficiently and equitably, research, and support to emerging entrepreneurs in primary agriculture and related industries, as well as the development of tools in collaboration with industries to support industry needs with respect to market intelligence.

Various agricultural industry associations indicated that the main areas where little progress was achieved post-deregulation are in the advancement of black agribusiness enterprises, research, and information. Hence, it is generally recommended that specific support measures be introduced for black firms, and that incentives be developed for closer cooperation with the private sector in information, promotion and research. These support measures for black firms can include direct support as defined in the "green box" and special and differential treatment clauses of the *Agreement on agriculture* (Report of the Committee to review the Agricultural Marketing Environment in South Africa, 2006). Furthermore, international benchmarking during the agricultural marketing review process indicated that other countries communicate prices and other market-related information to smallholder farmers through the Marketing Information System and other forms of media while there are also various marketing schemes that are controlled by various industry bodies within these countries.

The OECD report on agricultural policy reform in South Africa (2006) indicated that policy transfers to South African agricultural producers, as measured by the OECD producer support estimate (PSE), equaled 5 % of gross farm receipts on average between 2000 and 2003. This is well below the average level of support for OECD countries (31 %) and similar to farm support in other non-OECD economies such as Brazil, China and Russia. This low level of support indicates a relatively moderate degree of

policy interventions at the agricultural producer level and the overall trend shows some reduction in support since 1994.

The Department of Agriculture, Forestry and Fisheries and the entire agricultural industry acknowledge the fact that smallholder farmers have problems obtaining the finance they require for their businesses and that deregulation had negative consequences for the farming community of the country because of the changed marketing environment that demolished the support measures and at the same time increased the pace of liberalisation of the agricultural sector. It is therefore necessary to replace the essential marketing support measures abolished during the deregulation process in order to ensure a viable agricultural sector.

The most important support measures that need to be introduced are on agricultural marketing information, market research and trade intelligence, marketing infrastructure development and agricultural marketing skills development. Many land reform beneficiaries as well as new smallholder farmers will find it difficult to access mainstream markets without proper agricultural marketing support.

## 4. Problem statement

The agricultural marketing and corresponding production environment has undergone drastic changes because of continued changes in the local and global economic scene.

In the domestic market, the deregulation of the sector, global and domestic societal changes, trade flow changes, various government policies and strategies, scientific and environmental changes and the imperatives flowing from the *The strategic plan for South African agriculture* (published by the national Department of Agriculture on 27 November 2001, developed jointly between the government and the commercial farmer unions, AgriSA and NAFU) have resulted in a multitude of uncoordinated initiatives as well as opportunities and challenges related to agricultural trade and marketing. Deregulation had an overall positive impact on the agricultural sector, having created opportunities such as increased competition, improved access to export markets, and integration of the local economy with global ones. Areas where little progress was achieved are in the advancement of black agribusiness enterprises, research, information and transformation of the composition and direction of trade.

World developments such as globalisation, regional and multilateral integration and power shifts in the value chains have brought about opportunities and challenges for the South African agricultural sector. However, the sector has been unable to exploit these opportunities fully and also it has been threatened by some of the challenges brought about by these changes. Some of the reasons for the sector being unable to react to the opportunities and challenges are the following:

- The absence of a clearly defined agricultural marketing policy and strategy
- Uncoordinated domestic and international policy issues
- Faster liberalisation of the domestic markets vis-à-vis international ones
- Insufficient research into agricultural marketing issues, particularly in areas such as infrastructural deficiencies, access, cooperation between smallholder farmers such as in construction of roads for common use, market intelligence and agricultural marketing finance. This should be done without neglecting marketing research serving commercial smallholder farmers and the effect of trade policy and trade policy arrangements.

South Africa deregulated and liberalised faster than was required by the World Trade Organization (WTO) commitments. Probably the hope was that other countries would follow suit and refrain from intervening in the markets to support their farmers. This resulted in South African farmers having to face unfair competition in both domestic and international markets. The provisions for farmer support and tariff protection in the Southern African Customs Union (SACU) are very limited in scope while OECD

countries are spending in excess of US\$350 billion a year to support their farmers while tariff escalation and non-tariff barriers further protect these markets.

Furthermore, smallholder farmers and SMMEs (including small cooperatives) involved in the marketing of agricultural produce often find it difficult, if not impossible, to operate because of a lack of finance. Because of their lack of collateral, financial institutions do not readily supply credit finance to such smallholder farmers and SMMEs. This problem will have to be approached in cooperation with financial institutions.

Smallholder farmers are currently constrained by “market access” issues. Market access is the extent to which and the conditions under which a country permits imports. In terms of exports, it can cover a wide range of issues, but any exporter intending to enter a market needs to begin by understanding two things:

- What tariffs exist, that is to say, what tax is imposed on commodity imports by a foreign government to protect its domestic producers
- What other requirements (non-tariff measures) exist and need to be satisfied before goods can be allowed into a foreign country, for example, labelling and food and safety regulations

A wide range of technical barriers to trade (TBTs) and tariff and non-tariff barriers (NTBs) can be used to limit the entry of foreign products. However, there is more that the producer needs to know about these two categories before a decision can be made about whether or not to export a specific product. The exact nature of the tariffs must be understood. For example, are they *ad valorem*, specific or compound? Moreover, it will be important to be familiar with all the associated documentation required to export an agricultural product while on the other hand the product they export must be competitive. Similarly the exact nature of the local market constraints must be known. They include amongst others agricultural marketing infrastructure, agricultural marketing information, product quality, transport/logistics and institutional support.

International experience has shown that an agricultural marketing policy without backing support systems is useless. This statement is true for South Africa in so far as agricultural marketing is concerned.

The imbalances in market participation and access to other opportunities are still large and these shortcomings necessitate that policy and legislation governing agriculture marketing be reviewed so that a comprehensive policy can be developed with the necessary instruments to enable the sector to respond and adjust according to market forces.

## 5. Motivation

The greater integration of rural economies into the world economy underscores the need for South African agriculture to change and to be globally competitive. Failure to do so will lead to failure of government programmes of agrarian reform and to marginalisation of the rural economies. This imperative necessitates policies favouring greater competition, support for SMMEs broadly, less government intervention to promote an export orientation and better resource allocation, but effective market intelligence to improve the working of the market, legal protection, effective institutions, improved intellectual property rights and protection for indigenous knowledge systems, identity preservation and brand promotion, SPS and other technical standards support systems.

The uniqueness of the agricultural sector provides sufficient reason for targeted policy intervention to achieve the goals of government with respect to growth and sustainable development, job creation, landreform and black economic empowerment. The main reasons for this policy intervention are these:

- (a) Agriculture has double the labour multiplying factor (low-skilled labour) that other industries have.

- (b) Agriculture has a higher capital multiplier than the average for the economy.
- (c) Accelerated urbanisation ahead of industrialisation leads to growing levels of urban unemployment, poverty, and other socio-economic problems. As such, one way to achieve rural development is to accelerate development in rural towns and thereby slow down rural-urban migration by having policies in place that slow migration and promote agricultural investment and that link rural communities to the global opportunities and increase the productivity of agriculture.
- (d) The stable production of raw material provides a competitive and stable supply chain from which other competitive agro-processing industries can emerge.
- (e) Development and growth over a large geographical area provides a more stable and consistent way for long-term growth than urban and industry-only growth and as such agricultural marketing infrastructure development has to support rural development.
- (f) The ownership of land and equity for smallholder farmers is a sensitive issue. The settlement of smallholder farmers on small farms lends itself to failure, which could pose a threat to national food security and to sustainable national growth. For land reform to succeed, a balanced application of agricultural marketing policy interventions will be required for a transitional period and, furthermore, support to land reform beneficiaries must ideally come in a package.

## 6. Policy principles

### Guiding principles on government intervention in agricultural marketing

*Principle 1: Government intervention in agricultural marketing should be limited to the correction of market imperfections and socially unacceptable effects.*

The government accepts that intervention in agricultural marketing should be confined to those actions which are considered essential and which are largely aimed at addressing shortcomings in the service structure, market environment and market mechanisms.

For this purpose the Marketing of Agricultural Products Act, which currently provides for many such interventions, should at its outset clearly state its goals and objectives in order to explicitly set parameters within which intervention in the marketing of agricultural products may take place. The National Agricultural Marketing Council (NAMC) will have to play an important role in assessing the merit and support of affected parties for measures aimed at correcting market imperfections or unacceptable social effects.

The net effect of this approach towards statutory marketing arrangements will be a rationalised policy framework promoting comparative and competitive advantages in the allocation of resources, and limiting interventions to cases where they serve the general needs of the community.

*Principle 2: Government intervention in agricultural marketing should prioritise targeted non-market mechanisms over correction of socially unacceptable conditions.*

The intention with intervention measures may be to correct a market imperfection which is a socially unacceptable consequence of market performance. By addressing the market imperfection or socially unacceptable consequence with a measure that offsets the negative effects, the cost for society will be minimised. For example, if the market of an export-oriented industry collapses within a short period, smallholder farmers and certain rural communities may be adversely affected by the reduced income and expenditure. It will be wrong for the government to support the prices of the product or commodity in question as this will reflect wrong price signals. It would be more appropriate to use structural adjustment programmes and targeted assistance to address the consequences.

*Principle 3 : Government intervention in agricultural marketing should allow for export marketing arrangements which enhance the welfare of the nation as a whole.*

International trade in agricultural products and commodities is characterised by severe competition and distortions because of subsidies and other unfair trade practices used by other countries. The WTO has made these interventions in international agricultural trade more transparent and has condoned certain measures that may be applied by exporting countries. Measures such as export assistance and single-channel or single-desk export arrangements can therefore still be used without counter-measures being imposed against a country applying these measures.

A country's comparative advantage in the production and marketing of an agricultural product or commodity greatly benefits that country if exports can be maximised through the multiplier and linkage effects of agriculture. Contrary to the trend of liberalising agricultural marketing within a country, many countries therefore still use statutory measures and export subsidies to enhance their agricultural export performance. For this purpose, collective marketing and promotional arrangements may become necessary provided it has the support of producers.

The Department of Agriculture, Forestry and Fisheries will establish agricultural marketing support measures to provide sufficient trade and marketing support. For success, such services have to be sufficiently funded, commercially based and appropriate for business needs, and there should be enough flexibility to deliver these services effectively. To this effect the government will:

- promote an export orientation in the agricultural sector and continue to provide support and leadership through business forums and private public partnerships;
- grow the exporter base through specialised sector-specific actions that develop the ability of new entrants to export their products;
- apply onshore support programs and creative models, collective marketing and cooperative types of facilitation and support to bring farmers and land reform beneficiaries on a large scale into the main stream of the global economy;
- continue to facilitate offshore assistance to promote an export-oriented agricultural sector on a large scale and provide services such as market access support for economic operators;
- continue to encourage the use of trade and market analysis databases, market intelligence and advice;
- continue to facilitate the increase in the number of new entrants to agricultural exports;
- encourage greater participation in agricultural marketing by small and medium-sized enterprises and previously disadvantaged individuals through preferential trade licences and human resource development and by encouraging suitable niche export products;
- promote a market focus, including the development of new profitable agricultural export industries, in the research agenda of the NAMC or other relevant institutions;
- enhance growth in the development of profitable marketing of value-added agricultural products; and
- Commit itself to encourage and facilitate public-private partnerships in the creation of agricultural markets.

## 7. Policy objectives

- (a) To promote competitiveness in agricultural markets
- (b) To create a strong linkage between primary producers and markets

- (c) To foster participation and success of smallholder farmers in the agricultural economy
- (d) To promote marketing in value-added agricultural products
- (e) To provide a common understanding and directives within government and its institutions and the agricultural industry with regard to agricultural marketing policy and the application and implementation of various policy instruments
- (f) To provide strategic policy direction that can form part of government's plans of action and that can be reviewed and monitored to measure progress
- (g) To provide broad direction on how agricultural marketing can contribute to the growth objectives of the government

## 8. Policy interventions and instruments

### 8.1 Competition and pricing policy

The SA economy in general can be described as highly concentrated, both horizontally and vertically, particularly at those points of agricultural commodity chains that interface with control boards and their marketing arrangements.

As the marketing arrangements for various commodities become less regulated, there is a danger that the potential benefits of deregulation may be counteracted by market concentrations that were nurtured by the control board system.

- The government will promote competition and competitive pricing policy in agriculture and will therefore monitor the impact of market concentration on the efficient performance of deregulated agricultural markets. Where problems are identified, the government will utilise competition legislation to minimise anti-competitive behaviour.

Input and output prices are now, and will continue to be, determined by market forces and the government will not intervene directly to influence them. Producers, processors and consumers are expected to take their own measures to manage price risk.

The exception may be where the government uses tariffs to provide a reasonable level of protection for domestic producers. The government may also take action when this is necessary to ensure price competition in a situation where market players are abusing a monopoly situation.

- The Department of Agriculture, Forestry and Fisheries together with the NAMC shall establish and maintain a permanent system of review and monitoring of food and input prices and food processing costs to ensure transparency of pricing.

### 8.2 Agricultural tariff policy

On both international and local markets, South African farmers have to compete not only with farmers in other countries, but in many cases with those farmers plus their governments, who use various forms of market distorting interventions to protect their agricultural sectors.

Tariffs will be applied as an important component of specific strategies for enhancing competitiveness and creating jobs through trade-based mechanisms such as liberalisation. Three strategic objectives of the agricultural tariff policy relate to the following:

- (a) The use of tariff protection for long-term sustainable development linked to a strategic plan and overall structural adjustment support
- (b) Tariffs to promote predictability, stability and transparency in the food value chain
- (c) Advantage from an export orientation

It is not government policy to use customs tariffs as a means of generating revenue. However, various policy instruments will be applied to achieve these objectives.

- In terms of “ordinary competition”, ordinary duties shall be applied. Ordinary duties are limited by negotiated agreements and obligations enshrined in the WTO. The tariff equivalents set through the process of complying with the WTO commitments represent the maximum level of tariff that can be levied, and these are bound against an increase. WTO rules also require that the bound tariff levels must be reduced by specified percentages over the periods indicated in the agreements.
- As a matter of policy, ordinary duties will be constantly reviewed in collaboration with the private sector to ensure that tariff levels applied are consistent with the stated policy objectives of making agriculture efficient and competitive.

The margins existing between bound and applied are useful if ordinary duties are to be used to influence the restructuring process. Tariffs will be kept under review to ensure that they are both in line with policy and simpler to administer.

Tariff quotas are used mostly in trade agreements and are therefore country- and product-specific. However, because of the Most Favored Nation (MFN) rule, it is becoming progressively difficult to use them. The only General Agreement on Tariffs and Trade (GATT) legal tariff quotas are the market access quotas.

Protection against unfair external competition is a major concern of both the government and the farming sector. The GATT Agreement of 1994, in Article VI, makes provision for countries to eliminate injury to local industries that are demonstrably arising from dumping or subsidies, by imposing anti-dumping and countervailing duties, respectively. Three factors need to be established before such duties are levied:

- That dumping has occurred and to what extent (this means the dumping margin must be established)
- That as a result, an industry suffers material injury
- That the injury above is a result of the dumping

Through the Special Safeguard Provision in the *WTO Agreement on agriculture*, provision is made for governments to impose additional tariffs on products over and above the bound levels, to deal with a surge in imports as a result of a drop in prices in the event of the following:

- An industry finds itself threatened by imports and cannot withstand competition from the imported product using its own resources.
- Ordinary duties, anti-dumping and countervailing duties are not justified.
- The duty will eliminate the injury or will allow the industry to cease production of the product in such a way as to cause the least disruption, thereby affording the opportunity for alternative employment of resources, especially labour.

The critical issue for policy is the use of trade remedies where local industries suffer an injury owing to unfair practices. The use of these remedies must, however, be within strict WTO disciplines, which makes them complex mechanisms. Nevertheless, it is policy to strengthen the use of these remedies and reduce reliance on ordinary duties to deal with unfair trade practices.



- The Department of Agriculture, Forestry and Fisheries shall work with the Department of Trade and Industry (DTI) to design agriculturally defined guidelines on the use of anti-dumping, safeguards and countervailing duties. Such systems will not be burdensome, but predictable and able to respond swiftly to problems that arise.

### 8.3 Agricultural market access facilitation

The importance of export growth to South Africa's development strategy cannot be overemphasised. While an enabling trade-policy environment is a critical element of an export-led growth strategy, the increased level of competition in the global economy demands that governments design measures to improve the competitive edge of their own producers. Vital elements of a competitive sector include the transmission of information on subjects ranging from market locations to packaging, labelling and meeting certain technical requirements, the provision of quality control services, and the development of infrastructure. The main constraints faced by exporters are the ability to meet SPS requirements and standards, volume requirements, a lack of information and skills, inadequate access to financing, and poor infrastructure. Some of these fall in the "public good" category, and government efforts to assist the private sector in dealing with these problems will improve the competitiveness of the sector.

- The government will, in consultation with the private sector, therefore use non-trade-distorting mechanisms to assist in providing an environment conducive to export growth. This will include better use of "green box" measures in agriculture.

### 8.4 Agricultural marketing information

The government recognises that either one of the legacies of apartheid policies is missing or there are incomplete markets in areas where smallholder farmers are located. This results from, among other things, unequal access to market information. Furthermore, international experience, obtained particularly from structural adjustment lessons, shows that adherence to the market, without paying attention to the constraints that smallholder farmers face, can cause these farmers to be further marginalised and income disparities to be accentuated. Government policies are addressing the marketing information problem for smallholder farmers in a number of ways.

- More specifically, the government will ensure that appropriate institutional arrangements and systems are established and maintained for collecting, analysing and disseminating agricultural marketing information to smallholder farmers.

The focus will be on information enabling smallholder farmers to make better decisions regarding what to produce, when to harvest and sell and where to sell. This will include information on:

- Product requirements, quantity, quality and presentation
- Market size
- Input and producer prices and trends
- Supply and demand trends
- Marketing costs, including transport costs

### 8.5 Agricultural marketing infrastructure and agro-logistics

Transaction costs are often high for smallholder farmers in most rural areas of South Africa where there are no feeder roads. The roads are not tarred and some smallholder farmers do not own transport. Some of these rural areas are deficit areas (they buy and consume more than they produce), but the accessibility of inputs is a major constraint.

- The government will therefore develop a transport infrastructure that will permit low-cost and reliable movement of freight. Additionally, the Department of Agriculture, Forestry and Fisheries shall lobby the existing transport infrastructure set-up to accommodate the needs of the agricultural sector.

One of the main reasons for promoting greater flexibility and diversity in the marketing system is that it will become better able to provide the types of market services needed by new entrants into agriculture. The government is confident that over time this will prove to be the case, especially to the extent that rural areas will be well served by transport infrastructure that will permit the low-cost and reliable movement of freight. In some parts of the country, such infrastructure will be one of the main determinants of the adequacy of market facilities.

Agricultural marketing infrastructure is generally defined as any facility or tool that can be used by small-holder farmers and traders to facilitate trade (an exchange of agricultural inputs and outputs for money), transformation of raw agricultural products into value-added products through processing and packaging, the storage of agricultural products to smooth out supply and fulfil demand, transporting agricultural products to satisfy demand, and collecting, collating, synthesising and disseminating agricultural market-related information. Provision of agricultural marketing infrastructure will take cognisance of all problematic issues along the value chain.

It stands to reason that different root causes of market access and profitability problems may justify different responses by the government.

- The government shall facilitate the development of alternative institutions that will break down barriers to participation. It may also reduce transaction costs through the provision of infrastructure, information, training and research.

Problems may be specific to a location, a commodity and/or a group of producers and the problem should therefore be handled in a disaggregated manner. Distributions of infrastructure and services have come under pressure in South Africa. Agricultural exports rely strongly on port facilities, the cold chain, airfreight and rail transport.

The agricultural sector is particularly concerned about the availability and cost of rail transport and port facilities. Government should take into account that the increasing concentration of the distribution chains necessitates a different approach to the type of investment and supply-side consolidation (e.g. clusters) required to have a balance of power between supply and demand structures.

## 8.6 Commodity groups and agricultural marketing cooperatives

Since deregulation, various agricultural industries (commercial farmers in particular) have successfully organised themselves into commodity associations that are servicing their members. The core task of these commodity organisations is to inform, train and empower producers while in some instances making market information available. In some cases, this information is expensive and can only be afforded by certain agricultural participants.

- On realising this gap among smallholder farmers and the importance of commodity associations, the government shall support the formation of fully representative commodity associations among these smallholder farmers and then support the development of an integration model with the existing commodity associations for the future so that these smallholder farmers can also benefit from the services offered by these associations in terms of new developments and opportunities. This shall also include encouraging and supporting smallholder farmers to participate in the activities of the existing mainstream commodity organisations.

The department also recognises the important role that agricultural marketing cooperatives can play as they allow smallholder farmers to accomplish collective functions that they could not achieve on their own if they were to function as individuals.

- The government will promote and encourage group marketing systems or collective actions by smallholder farmers because of the limited quantities of produce that they market since this will assist in transportation (through consolidation of small units of produce) and group bargaining.

Most agricultural producers have relatively little power or influence with large agribusinesses or food companies that purchase their products. Joining other smallholder farmers in a marketing cooperative can therefore give them greater power in the marketplace. Additionally, marketing cooperatives can give smallholder farmers more control over their products as they make their way to consumers by allowing them to bypass the middlemen in the marketing chain.

Furthermore, the main goal of agricultural marketing cooperatives should be to transform raw agricultural products into value-added products. However, the government will not promote cooperatives as a “one size fits all” solution to agricultural marketing constraints.

- The department will support the formation and strengthening of commodity groups/associations and agricultural marketing cooperatives where these are able to achieve the above goals.

### 8.7 Agricultural marketing skills and capacity building

One of the critical requirements in moving smallholder farmers towards the desired level of commercial activity is access to agricultural marketing skills and capacity building programmes. In general, traders, new farmers and smallholder farmers want to be equipped with the know-how and skills which will help them realise more profits or do the same jobs with fewer resources and less effort.

Smallholder farmers want advice on product planning regarding careful selection of crops or products to be produced according to marketability, on how to secure markets for their products, and on good marketing practices such as improved harvesting methods, grading and standardisation, packaging, handling and storage methods.

- The Department of Agriculture, Forestry and Fisheries shall therefore implement an agricultural marketing skills and capacity building programme in partnership with the private sector and other role players, to help smallholder farmers and entrepreneurs to plan their production and marketing activities more effectively in accordance with market requirements, as well as to participate actively and effectively in the mainstream markets.

### 8.8 Agricultural marketing finance

Currently the commercial agriculture sector usually has access to finance through commercial banks, but finance has not been easily available to new and smallholder farmers. This lack of finance places the burden on smallholder farmers who are not well-equipped to finance their operations.

Trust funds are now held by the various agricultural industry trusts. The objective of the establishment of trusts was to ensure that, at the time of the discontinuance of control boards, assets of such boards which administer the schemes can still be utilised to serve the interests of the entire industry concerned. The funds of the boards have been built up over a number of years.

The purpose of establishing trusts was to look after the interests of the broad industry in the long term and to ensure that a mechanism is in place to support, among others, the collection and dissemination

of information and the financing of research and development. At that time the formation of trusts also supported the government's objective of privatisation.

- The Minister of Agriculture, Forestry and Fisheries shall have powers in influencing how the trust funds are used to meet other objectives, such as financing and nurturing marketing skills, financing promotion and mechanisms for increasing agricultural market access for all participants, and promoting efficiency in the marketing of agricultural products.

Banks are generally reluctant to lend money to new and smallholder farmers in domestic food production. This seems to be for the following reasons:

- These smallholder farmers are mainly within the informal sector, often keep no written records, have limited resources and have little contact with the banking system.
- Lending to smallholder farmers involves significant risks because of the difficulties of accurately forecasting price movements and because of the deterioration of the produce due to lack of proper storage facilities.
- Much of the policy environment surrounding banks appears to encourage conservatism and discourage the development of new lending instruments. Liquidity controls, imposed as a result of structural adjustment and the high level of interest which banks can obtain on treasury bonds, diminish their interest in finding new private sector clientele. Apart from this, banks often entertain lingering uncertainty about government policies towards private traders in staple commodities, even after markets have been liberalised. For most of the post-independence period, traders have been stigmatised as exploiters, and on occasion have been subject to price controls and even seizures. Bankers may wonder whether the new policies will be rigorously upheld, particularly in times of food crisis.
- The government will design a suitable financing programme that will strive to support smallholder farmers and land and agrarian reform beneficiaries in their marketing needs and requirements. The programme will strive to increase access to and improve the quality of agricultural support services provided for targeted beneficiaries (i.e. marketing infrastructure, agricultural marketing information, marketing skills development and capacity building). The government shall also utilise financing programmes from various development finance institutions (DFIs) to achieve these goals.

## 9. POLICY IMPLEMENTATION AND GOVERNANCE

Partnerships will be established with various government departments and other institutions to support the promotion of the objectives of this policy.

The Department of Agriculture, Forestry and Fisheries shall take a lead in ensuring regular and effective coordination, consultation and transparency, e.g. in partnership with the DTI, the NAMC, industry organisations as well as the private sector, in implementing policies and strategies that deal with the agricultural marketing environment.

Government departments will use a multidisciplinary and holistic approach to design strategies and interventions to promote agricultural marketing and development for South Africa.

- The customised sector plans (CSPs) for agro-processing and commodity strategies should merge to include the entire value chain.
- Various government strategies and interventions from the DTI (the export strategy and investment strategy) and policies and strategies from the Department of Agriculture, Forestry and Fisheries (South African agricultural sector plan) should have no major conflicts but rather be complementary in design.

- The Agricultural Marketing Strategy shall be used as an implementation framework for this policy. The aim will be to design strategies and interventions to reform agricultural marketing in South Africa.
- The agro-logistics strategy shall be used by the department to address the logistics and marketing infrastructure challenges faced by the agricultural sector.

## 10. MONITORING AND EVALUATION

Government departments that are mostly affected by this policy will include these policy directives in their annual departmental strategic plans and the key performance areas (KPAs) of the responsible officials.

Annual progress reports will be made to the Agricultural Trade Forum (ATF), the Agricultural Economics Standing Committee (AESC), the Sector Plan Implementation Committee and Cabinet in terms of progress on this policy. Some measurables include the following:

### 10.1 Competition and pricing policy

- Monitoring of the impact of market concentration on the efficiency of performance of agricultural markets
- Applying the competition legislation under the DTI/through the Competition Commission to address any problem that may arise
- The use of tariff measures to protect the local industry where necessary
- The measures that the government can take when it is necessary to ensure that there is price competition

### 10.2 Agricultural tariff policy

- Progress on the reform of the agricultural tariff policy implementation and annual monitoring of the outcomes and recommendations
- Annual monitoring of the tariff structure, the average agricultural tariffs (HS 1-24) versus non-agricultural tariffs and implications for upstream and downstream industries
- Increased performance by the ITAC on speed of investigations and reactions

### 10.3 Agricultural market access facilitation

- Growth in the number of exporters, monitored by exporter database, as well as the assistance provided
- Growth in value-added exports and reasons for variations
- Growth in export value (Rand and US\$ terms) and reasons for variations
- Growth in export destinations

### 10.4 Agricultural marketing information

- Progress report on the AMIS expansion and outreach
- Quantifiable impact analysis and monitoring on the usefulness of the information disseminated to smallholder farmers

### 10.5 Agricultural marketing infrastructure and logistics

- Monitoring increased spending on agricultural marketing infrastructure and logistics

- Developing a database to monitor growth and development of agricultural logistics components such as port facilities, the cold chain, air freight and rail and road transport
- Accessibility of rural areas to input and output markets and broader logistics

#### **10.6 Commodity groups and marketing cooperatives**

- Monitoring the number of commodity groups and marketing cooperatives supported and their effectiveness since the approval of the policy
- The success of public-private sector initiatives
- The number of new farmers belonging to commodity organisations and marketing cooperatives

#### **10.7 Agricultural marketing skills development**

- The effectiveness and usefulness of the agricultural marketing skills development programme implemented by the department
- The extent of participation of smallholder farmers in mainstream agricultural markets

#### **10.8 Agricultural marketing finance**

- The utilisation of trust funds to support agricultural marketing support measures for new and smallholder farmers
- Developments in the design of an agricultural marketing finance programme
- Extent of utilisation of other sources of finance to support the implementation of this policy



