



**SPEECH BY THE DIRECTOR GENERAL OF THE
DEPARTMENT OF AGRICULTURE**

**ANNUAL GENERAL MEETING OF
CHAMBER OF MILLING**

March 2009

Program Director

The Chairperson and Chief Executive of the Chamber

Distinguished guests and delegates from allied institutions

Ladies and Gentlemen

Good morning

Program Director; please allow me to convey my sincere gratitude on behalf of the Department of Agriculture to be given this moment to address the National Chamber of Milling Annual General meeting. This meeting is taking place at a time when the global economy is a bad state of health and the consequences of which are manifested in job losses, negative economic growth rates, mounting household debts, high food prices; endemic poverty, and other socioeconomic effects that generally threaten livelihoods of many households. It is also taking place at a time when government, through the Inter-Ministerial Committee on food prices has just had a national discourse with farmers and their respective unions, agro-processors, inputs suppliers, labour and consumer unions and retailers to come up with a set of actions required to mitigate the impact of high food prices on the poor. It is during hard times like this that the consumers need government protection and support in order to survive. A need for the rescue package for the poor is evident.

Ladies and gentlemen, we have further noted with concern that as the economic crisis deepens, millions of hard-pressed poor consumers who spend a larger portion of their income on food slip into the poverty trap at a much faster pace than ever experienced before. As the economic wheels of misfortune turns, government is also anxious about the fact that food price inflation has for some time been the key driver of the overall Consumer Price Inflation (CPI) in South Africa. The high food price phenomenon is unfortunately unfolding in an environment where food is **AVAILABLE** but

not **AFFORDABLE** to the majority, implying that for most households, access to food is no longer a necessity, but a luxury. Government, consumers and the media have over a period of time, and consistently so expressed a concern that the falling commodity prices such as crude oil and grains do not seem to translate into declining prices for consumer goods at retail level and this issue was comprehensively debated during the food price symposium that we just had last week. Yourselves as the millers of the basic food security foodstuffs, operating somewhere in the middle of the chain between farmers and consumers need to help us to unravel the question of who makes the price in the chain as farmers and retailers claim to be price takers. I do not need a response now but just raise this matter as one of the critical questions posed during the symposium.

I have noted with pride that the National Chamber of Milling, the custodian of South Africa's food security is an effective mouthpiece for the agronomic processing industry in South Africa. The industry's contribution to the total gross value of agricultural production is a further indication of your strength and value to the South African economy at large. Ladies and gentlemen, it will be an awful omission from my side if I fail to mention the positive contribution of your project on improving the nutritional value of maize meal and bread as your strategic input towards fighting malnutrition. I hope that the fortification program is on course and think that you deserve an applause on this one.....

We are all aware that maize and wheat are the most important and strategic grain crops in South Africa due their position as food security grains for the majority of the South African population and major ingredients in the animal feeds. Therefore, milling occupies a strategic position on the grains value chain and we must endeavor to protect and maintain the value that you generate. Program director, ladies and

gentlemen, I have further noted that the competitiveness of the milling sector has multiplier effects on the success and sustainability of other industries such as animal feed manufacturers that further create a platform for the development of the red meat, pork, poultry and dairy industries.

The Department has observed over a number of years the key challenges faced by the grain industry value-chain and in response to the issues that were observed over time, facilitated a partnership driven process that led to the development of a grain strategy of which the milling industry is an integral part. The strategy has identified key areas of interventions by all parties ranging from improving agro-logistics, formulating an optimal tariff dispensation for grains and grain based products with a view to promoting domestic production and improving overall competitiveness of the grains value chains. Program Director, let me take this moment to indicate that the discussions on the implementation of the logistics strategy are ongoing with active participation by the industry, departments of Agriculture, Public Enterprises and Transport as well as Transnet Freight Rail (TFR). For your information, please note that the participants in the agro-logistics project have in the process identified the following proposed interventions to enhance the efficiency and service delivery within the grain industry:

- A detailed grain specific costing needs to be done for both infrastructure and rolling stock;
- A need to identify Consolidation Points or Hubs to be serviced by block trains rather than siding to siding needs to be identified and implemented in this regard e.g. road-rail collaboration,
- A need was identified to reduce the turn-around times from the average of 19 days to below 10 days as a way to improve efficiencies;

- A need for fixed schedule to handle capacity constraints, notwithstanding the need for a flexible schedule when the need arises;
- Development of alternative pricing and contracting models for moving grains;
- Develop a recapitalization strategy for the grain fleet;
- Investigate possibility of a Public-Private-Partnership model, where potential customers can own wagons;
- Develop an infrastructure investment strategy for the industry in order to enable more investments on loading and off-loading facilities, and
- Appoint service providers to develop both recapitalization and infrastructure investment strategies for the grain industry.

It is critically important to note that we will need each other in the process of designing actions and programs to address the issues that I have just listed.

On agricultural tariffs, please note that the tariff dispensation has been finalized and is in the final stages of discussions with the Department of Trade and Industry. An update on progress made on this matter will be made at the CEO Forum and the Agricultural Trade Forum. Ladies and gentlemen, let me also take this opportunity to announce to you that Mr. Billy Morokolo's nomination for a position of a part-time Commissioner at the International Trade and administration Commission (ITAC) has been approved by cabinet with effect from 1 March 2009. This major step means that a platform through which agricultural trade and tariffs matter will be channeled to ITAC has now been created and I hope that you will actively engage him on related matters.

While we note the good standing of the milling industry in South Africa, we should spend a bit of time to reflect on the weak spots of the industry and craft strategies to correct them. One such issue is the high level of concentration in the industry that has been reported on in a number of reports. In addition, I urge the milling sector to address the unintended consequences of the observed degree of vertical and horizontal integration that seem to be a permanent character of the industry. As you deal with these difficult issues, the industry must also be mindful of the need for transforming the industry through creating opportunities for participation by black entrepreneurs in the milling business. I therefore challenge the NCM to be an agent of change in this journey by effecting the required changes in the milling sector. Lately, the Competition Commission has also zoomed into the grain value chain and uncovered some anti-competitive practices. I hope the milling sector will emerge out of the investigations with a clean bill of health.

I know that my department is engaging some of your stakeholders in the process leading to the review of the Sector Plan for the South African Agriculture. While I may have not covered all common issues between the department and your industry, the partnership that we have established in reviewing the sector plan will eventually provide an opportunity to engage broadly on other issues. In summary, the Department is committed to work closely with the NCM on a number of issues including the review of the sector plan; finalization and implementation of the agro-logistics strategy; closer collaboration on trade and tariff matters, fast-track transformation and empowerment in the industry and finally promote food security for all

I therefore wish you a fruitful AGM with an understanding that we all need each other to win the war against food insecurity, poverty and malnutrition.

I thank you