

GRAIN HANDLING ORGANISATION OF SOUTH AFRICA (GOSA)
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FOOD SECURITY – A PROPOSAL FOR SOUTH AFRICA

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1. INTRODUCTION

At the same speed at which the credit crunch and recession in the Developed World reached the inhabitants of the earth, the food price crisis disappeared from the radars of leaders in the Northern Hemisphere. The food price crisis does not even appear on the top ten events for 2008 in the Northern Hemisphere. In September 2008 the South African Government declared at Nedlac that *'the food price crisis is not seen as a big enough priority to bypass the normal budgetary process. Any decisions impacting on the budget will only be taken during the February 2009 budget announcement.'*

It is quite obvious from the 2009/2010 budget of South Africa that nothing that smells like a food price crisis was reflected in the presentation by Minister Trevor Manuel, our Minister of Finance.

2. DEFINITIONS

Food security is defined by the *availability* of food which is the responsibility of the free market. This will ensure enough safe food to be physically accessible to all. The second leg of food security is *affordability* which is the responsibility of Government providing a policy environment whereby competition will drive down prices, economic growth and job creation will provide the means to buy the food and a social safety network to assist those in distress. Lastly, affordability also necessitates infrastructure provision by Government to ensure a proper support system for the market.

Food self-sufficiency, however, has to do with surplus production, no imports and exports of surplus food. In South Africa the self-sufficiency index for white maize over the past ten years has been 131%. For yellow maize the self-sufficiency index for the same period was 116% but, for wheat the self-sufficiency index is only 77%.

Lastly, there is also a concept called **food sovereignty**. It is the right of people to define their own food and agricultural policies tailor made for their own unique circumstances (economically, culturally, socially and ecologically). This necessitates major Government intervention.

3. ***REACTIONS BY GOVERNMENT***

3.1 ***Panic***

The actions by Governments that panicked during the 2007/2008 food price crisis internationally were as follows:

- Price controls (fixed prices)
- Export bans
- Export tax/quotas
- Remove/lower import tariffs
- Subsidies to farmers
- Security grain stocks
- Amendment to food aid policy (cash vs. in kind)
- Promote local content (buy American)
- Army to bake bread (Bolivia)
- Ban export subsidies
- Buy up Africa (China)

3.2 ***Sensible reactions***

The following were actions by Governments that did NOT panic and acted sensibly in a crisis like we have experienced:

- Maintain the free market
- Invest heavily in infrastructure
- Direct assistance to the poor
- Quick decisions
- Use only non-food for biofuels
- Limit speculation on futures exchanges
- Improve the information to the market

We need to applaud the South African Government when analyzing the above reactions that they have stuck to their guns and did the sensible thing. This came about at a time of high distress for the poor with high food prices even more so given the upcoming election.

4. ***SOUTH AFRICA: A PROPOSAL***

In an effort to maintain food security in South Africa, I would like to propose the following as the building blocks for healthy food security in our country:

4.1 Maintain the free market

- We need to *maintain the free market* mechanism as a system to ensure the availability of food to all. Although tempting to increase the self-sufficiency indices of the various staple foods in the country, the free market system remains the most credible system to ensure enough food to the people of South Africa.

4.2 Invest in infrastructure

- However, the agricultural sector has been left with very poor infrastructure and disinvestment by the South African Government over the last ten years. If we want to avoid a similar experience than that what happened with Eskom, we need serious *investment* in especially our *rail infrastructure*. In the 1980's 85% of all grains was transported by rail and the processing sector has been developed for rail intake. The current percentage transported by rail is in the vicinity of 30% and is $\pm 20 - 30\%$ less expensive than road transportation. This inefficiency in our rail system is adding substantial cost to the price of basic food products in South Africa. The goal should be to transport 85% of grain in South Africa on rail by 2011. This will not just save consumers substantial costs in basic foodstuffs, but also a tremendous saving in the maintenance account of our road system as well as a decrease in the congestion especially around our cities. It has been reported that the road infrastructure in South Africa is built to last twenty years. Recently some data was released that 78% of the roads in South Africa are already older than twenty years. The fixing of all the main grain corridors is essential for farmers to maintain their access to the markets. Quite a number of grain silos in this country have been delisted on the JSE because of either stolen railway lines or poorly maintained rail lines.
- International information indicated that the bulk carrier ships that is been built in the world is getting bigger by the day. This necessitates a *deeper* draft in the *ports* of South Africa to ensure our participation on imports and exports of soft and hard commodities.
- Government spending on *research* and agriculture has decreased in the past ten years with the major impact of climate change we need to increase the spending in research to maintain the current levels of production. Early surveys have indicated a 3 – 5% drop in yields for every 0.56°C increase in our average temperatures.
- South Africa also has to invest more in our *water* usage and research. If the quantity of water becomes a problem and we replace all irrigated maize and wheat production with dry land yields, we will see a minimum of 12% drop in production. This will most certainly put South Africa at a deficit grain situation. We have also noted that the quality of water has deteriorated substantially because of pollution affecting food safety severely. Infrastructure spending on capacities at the local Government level to process sewerage and the enforcement of pollution legislation becomes of critical importance affecting food security.
- The *capacity* to process the *registration* of new products that enhances the productivity of our crop production as well as animal health needs to be

improved substantially. Backlogs of up to two years is preventing the agricultural sector of benefiting from new technologies that is already been used in the Developed World.

- The global perception of *genetically modified organisms* is also threatening the availability of food in the world. The acceptance of GMOs in maize and the non-acceptance of GMOs in wheat are putting wheat at huge disadvantage. Farmers are planting more and more acceptable bio crops (maize and soya) as it becomes more profitable and wheat is losing substantial acreage planted. This will eventually lead to a situation where either the wheat price needs to increase substantially to maintain its profitability to farmers, or consumers will have to accept the genetically modified properties that could be used in wheat. No proven information has been published that shows any safety concerns with regard to the uses of GMOs.
- The continuous supply of *electricity* to our processing plants remains an essential part of food security. The basic rule applies – ‘*no electricity = no food*’.

4.3 Market information: Crop estimates

In analysing the white maize crop estimates in South Africa over the past fourteen seasons, it became eminent that thirteen of the past fourteen season the Department of Agriculture’s National Crop Estimates Committee has under estimated the maize crop. This leads to higher maize prices to consumers. It also influences our ability to export profitable as we are not sure about the crop. Government needs to increase the amounts available to fix the crop estimates to the extent that it will be within the 5% margin as was agreed upon between all role players.

We therefore recommend that the producer independent crop estimate system be maintained and that only scientific inputs be used to estimate the crops in South Africa. This history has proven that biased information supplied by farmers is without exception under estimating the crops in more than 90% of the instances. We have also noted that the major problem on the white maize crop estimates is in the North West Province and special attention should be paid to the yield estimates in that province.

Another area that will improve on the crop estimates is a restructuring of the Crop Estimates Committee. The Crop Estimates Committee has no legal standing and we have seen from the participants at this level that nobody takes responsibility for these estimates. This is something that needs to be seriously addressed. A lack of skilled and experienced individuals should be contracted to assist in this regard. We have also noted from the attendance in 2008 that there seems to be a lack of commitment from the current members to attend these meetings.

4.4 *Agricultural tariff system*

The Department of Agriculture has approved a new trade and tariff policy regime but it is not being implemented due to the fact that the major implementation body reports to the Department of Trade and Industry. These two Government Departments need to sit together to ensure that a tariff policy that is conducive for the agricultural sector's growth should be implemented. It was interesting to note that the average agricultural import duties are currently at 9% vs. the \pm 8.2% of non-agricultural products. The non-agricultural products are made up of industrial products, currently at 4.8% and the clothing and textile industry currently at 21.6%. It is surprisingly to note that the industrial sector's tariffs is currently only one percentage point lower than the agricultural sector whereas the non-agricultural sector has been in a free market environment for many a year. The agricultural sector's participation in a free market has just reached its twelfth year.

4.5 Sustainable transformation

In evaluating the food security in our region it is sad to note that although that most of the SADC members are better endowed with climate and agronomic conditions, yet they remain food insecure. It is just proving that it has more to do with the policy environment than with the climatic environment.

We would like to congratulate the Maize Trust for commencing with their pilot project in 2007 to assist the establishment of sustainable Black grain farmers. The project was so successful in 2007 that the National Department of Agriculture has decided to join in and contribute substantial amounts to ensure the expansion of this programme. We are looking forward to new developments in this area with the co-operation of other grains.

4.6 Other

I would also like to list a few other legs to the proposal of a food secured South Africa:

- No food should be used for the manufacturing of biofuels.
- The speculation on the JSE Securities Exchange (Safex) should be limited where it affects food.
- South Africa should strive to become a preferred food aid supplier to the World Food Programme especially in our African region.
- I believe that higher prices will be best cured by higher prices and let the market react to that.
- It is also of huge importance that the World Trade Organisation finalise its DOHA Round to improve a free and fair trade environment in agriculture internationally.

- Lastly, I would like Government to continue with their fight against collusion and to increase competition to drive prices down. This is an essential part of a healthy free market. The Competition Commission in South Africa has done us a great favour in their recent offensive action against collusion practices in South Africa. The question, however, should be asked why have they not done their work in years between 1997 and 2007?

5. CONCLUSION

In conclusion the proposal for healthy food security in South Africa is not to panic with *ad hoc* policy decisions that would have a long term detrimental impact on South Africa. The Government has done very well thus far and did the sensible thing in its reaction towards the food price crisis. We do however, need a much bigger commitment in terms of investment in agriculture to ensure the smooth supply of food at affordable prices to the people of South Africa.

Lastly, consumers in the country as well as policy makers need to be educated that food prices eventually must carry the cost to be food secured as well as to protect the environment in which the food is produced.

Thank you!