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MEDIA RELEASE

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Agbiz launches Political Agri-Economy report

Agbiz launched its first Agbiz Political Agri-Economy report in April. The report aims to assist agribusinesses to, in future, make better and more informed decisions in an uncertain political and economic environment.

The report was presented at a media briefing in Pretoria by the political analyst and specialist from the North West University, Dr Jan Venter, and a team of experts. The team includes experts from a variety of disciplines such as agriculture, economy, politics and law. They aim to release three reports annually, and will work in close collaboration with Agbiz.

Venter pointed out that analyses of this nature are usually the opinions of individuals. “However, we bring to the table a variety of unbiased opinions from a variety of disciplines. Change creates uncertainty and uncertainty is risk. We want to mitigate this risk by providing businesses with usable scientific knowledge.”

At the briefing, Lindie Stroebe, manager: agribusiness intelligence at Agbiz, put the analysis into the context of the agri-political, policy, economic, trading and regulatory environments. She said that these are all matters that agribusinesses have to take in consideration if they want to make informed decisions.

“Opinions and perceptions drive the decision-making of agribusiness executives. With unbiased and sound analysis, Agbiz provides its members with intelligence to better inform their perceptions and ultimately guide them to make better business decisions. Agbiz attempts to make sense of why certain policy issues, impacting the sector, are being addressed. These range from land ceilings to matters such as monetary policy,” Stroebe said.

“The political environment has now, more than ever, become a determining factor for most big business decisions. Politicians tend to use agriculture as its playing ground, not always understanding the risks it impose on the people involved, or on business confidence and investments,” she explained.

Stroebe pointed out that agriculture forms the basis of many livelihoods. These include agribusiness employees, farmers, farm workers and the rural community. “Because agriculture has such an

important impact on the community, it has become inevitable for decision makers to have a better, unbiased and perhaps an unpopular view of what is really happening in the political sphere, as well as its impact on the agricultural sector,” she explained.

Stroebe highlighted the following areas of impact for agribusinesses in the first report:

Economy

Slow economic growth continues because of a lack of ideological direction. The result is low investment confidence due to conflicting policy direction. President Jacob Zuma lacks leadership and direction, while his patriarchal leadership style comes at the cost of economic growth. Cadre deployment in state-owned enterprises (SOEs) is causing a lack of service delivery. Ideological competition (for instance, the National Development Plan versus the Freedom Charter) is impacting on the cost of doing business, investment confidence and competitiveness.

As far as the electricity crisis is concerned, Stroebe believes that the government wants to keep control of Eskom through a restrictive policy. The state’s intervention and cadre deployment in state institutions has a negative effect on the economy, and the electricity crisis can be ascribed to system decay. However, it seems that the government is having a change of heart with regard to renewable energy.

She also highlighted the downgrade of South Africa’s credit rating as a negative issue. Unconvincing policy developments and a lack of democratic institutions is a problem. The state and management of SOEs also leaves much to be desired.

International trade

Government’s political alliances are often in conflict with trade opportunities. President Zuma’s relationship with Russia and Palestine, for instance, may jeopardise trade opportunities in other countries.

Foreign land ownership is a huge issue, and in direct contrast with the quest for direct foreign investment. This once again illustrates the stark contrast between political objectives and good business principals.

She also highlighted xenophobia and the lack of tangible action by the government in this regard as an issue that influence international trade negatively, while pointing out that xenophobia affects trade and development in the rest of Africa.

Policy developments

Once again contrast in policy is the important issue. President Zuma referred to the Freedom Charter in his State of the Nation Address, but the minister of finance referred to the National Development Plan (NDP) in his budget speech. It seems president Zuma changes seats depending on the audience he is addressing, Stroebe said.

Although the NDP essentially endorses a market-driven ideology it places the tripartite alliance under pressure. This also contributes to the ideological and physical split of trade unions.

The 50/50 plan with regard to land reform and the government's envisaged agri-parks are not well thought out and are often hastily announced. This points to desperate developments and demonstrates reactionary politics with an eye on the 2016 local elections, Stroebel explained.

A national minimum wage, once again pointing to reactionary politics, will complicate matters further for agriculture. Although trade unions support a national minimum wage it will seriously affect the cost of doing business in South Africa.

The recent BEE legislation is a step in the wrong direction. It again places the focus on "narrow" based ownership, Stroebel said. This more stringent legislation is ascribed to unsatisfactory transformation of the past 20 years. The ownership focus, however, encourages the fat cat syndrome and can be seen as a form of indirect cadre deployment.

Lastly, the possible MAP Act also holds serious consequences for agriculture. The group of experts agreed that this is a threat to the free market system.

*Complete report: http://www.agbiz.co.za/uploads/documents/economic-intelligence/1505_South_African_political_economic_%20reality%20FINAL.pdf

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