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FUTURE DIRECTIONS IN AGRICULTURE: POLICY MANAGEMENT*

by S.S. BRAND**

Within the scope of a paper such as this it would be too ambitious to seek to evaluate the management of agricultural policy in South Africa in detail and attempt to propose ways in which present practice can be improved. For a grandstand player, in any case, this would be presumptuous. This paper will therefore limit itself to the identification of certain general conditions with which policy management should comply. These principles will then be applied to South African agricultural policy solely by way of certain questions arising out of a comparison between current practice, as observed by the writer, and the proposed principles.

GENERAL CONDITIONS FOR POLICY MANAGEMENT

Among the most important conditions to be complied with in ensuring effective policy management is that management should have a clear understanding of the *environment* within which the policy has to be carried out. That environment, with its physical, economic, social, political and other aspects, offers certain possibilities for the development of the policy, but it also imposes certain restrictions on it. Amongst others, it determines the extent to which various policy aims can support each other, are reconcilable with each other, or conflict with each other and must therefore be traded off against each other. It also determines what instruments or measures are available for and can be applied to the execution of the policy.

Secondly, for effective policy management it is essential that the *objectives* towards which the policy is aimed be clearly and unambiguously understood. Although this seems reasonably obvious, it cannot always be accepted in practice that this condition is complied with, even at the leadership level. It is not unusual, but rather the norm, in organisations that even at the leadership level certain individuals have divergent understandings about the organisation's policy objectives. It is, moreover, not enough for clarity on policy objectives to exist at the leadership level, since divergent understandings on the policy at the middle and lower levels, where to a large extent the policy is executed, can lead to results which differ drastically from the objectives set at the leadership level.

Thirdly, effective policy management calls for clear identification of the *instruments* available to the management, or the measures which it can bring to bear, to promote the objectives of the policy within the policy environment. This includes a clear understanding of the relationship between the instruments and the objectives, i.e. the extent to which the application of a given policy instrument will promote or hamper the realisation of specific policy objectives. Both the choice of policy tools and the intensity and competence with which they are used will have an important influence on the success or otherwise of the management of the policy.

In the fourth and last place, effective policy management demands appropriate *structures or institutions* for the formulation of the policy objectives, the analysis of the policy environment, the handling of the policy instruments and continuous evaluation of the execution of the accepted policy.

The various conditions for successful policy management will now be briefly examined from the perspective of agricultural policy in South Africa. It is clearly no easy task to meet all these conditions for successful policy management, even in respect of relatively specialised organisations such as business undertakings. The task is all the more complex when applied to the management of a policy in respect of a whole economic sector such as agriculture.

THE POLICY ENVIRONMENT

Agriculture in South Africa is practised in a natural environment which includes only a relatively small proportion of high-quality farming resources, and relatively unstable climatic conditions. Socially and economically, it operates partly in a traditional, subsistence-orientated environment and partly in a commercialised, functionally specialised Western environment.

The economic system within which the commercialised part of the agricultural sector operates is composed of a mixture of Government involvement and intervention, private initiative and market forces and concentrations of private economic power. In recent years, however, there has been a purposeful effort to reduce the element of public involvement and intervention in the economy, and to increase the scope of private initiative and competitive market forces. The organisation of agricultural activity as such is, similarly, based on a mixture of public and market influences.

The South African economy is, furthermore, intensively involved in the international economy

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through trade (in which agriculture plays an important role) and financial relations. It is also characterised by a strong geographical concentration of economic activities, an uneven distribution of income, a chronic shortage of skills and high rates of unemployment and underemployment of unskilled workers which continually threaten to rise further because of the high rate of population increase.

Political power, including the jurisdiction over agricultural policy, is decentralised between a number of political institutions within an evolving constitutional pattern. The country is subject to a variety of external pressures aimed at upsetting the existing domestic political arrangements, including across-the-border paramilitary incursions and economic sanctions.

AGRICULTURAL POLICY AIMS

In discussions on agricultural policy in South Africa, a number of aims are frequently mentioned. Amongst these are aims related to agricultural output, such as self-sufficiency in food production for the country as a whole; to incomes, such as the maintenance of acceptable income levels for farmers in general, for particular groups of farmers, or for farmers in particular regions; to prices, such as price stability or price parity; to the conservation of agricultural resources and so on. Clearly, it is not sufficient for sound policy management simply to list all these objectives - it is also essential to ascertain how they relate to each other, what weights they should be assigned relative to each other and how they relate to policy objectives beyond the agricultural field as such.

To begin with it seems clear that not all these aims are aims in their own right - price stability or price parity, for example, can as such hardly be considered to be valid policy aims, but are significant only to the extent that they contribute to aims such as self-sufficiency (by encouraging production) or the maintenance of specified income levels for farmers.

Secondly, the various policy aims in the list do not necessarily complement each other, but can in some instances come into conflict - higher food production with a view to achieving self-sufficiency may, for example, not necessarily ensure acceptable net farm incomes if it can only be brought about by production methods that increase costs more than they raise incomes, or if it requires replacing more profitable crops with less profitable ones.

To achieve sound policy management it is therefore necessary to be clear, in the first place, about what the ultimate aims of agricultural policy are and secondly, about which of the aims should receive priority in those instances where a trade-off must necessarily be made.

In this last connection, the weights that are assigned to various competitive policy aims depend rather crucially on the point of view from which they are considered. To take prices as an example once again, farming interests, which consider prices to be an instrument (or intermediate objective) by which to achieve their income aims, are likely to assign a

much heavier weight to parity prices than consumers, who would tend to see parity prices as one way in which a high inflation rate is perpetuated.

It is the difficult task of agricultural policy-makers and managers to identify valid policy aims and to assign proper weights to those aims, not from the narrow viewpoint of any particular interest group, but from the viewpoint of a broader, overriding national interest - or in technical economic terms, on the basis of a social welfare function.

To specify this national interest, or social welfare function, in exact terms and to derive valid agricultural policy aims from it, is of course no simple task. An attempt can, however, be made by at least starting off not with a list of agricultural policy aims, but with a list of national policy aims about which a fair degree of consensus can be said to exist and then seeing what agricultural policy aims can possibly be derived from such a list.

Against the background of the environmental features set out earlier, it would appear to be reasonable to assume that fairly wide agreement can be reached in South Africa on such general economic policy aims as the raising of incomes, a more even distribution of incomes, employment generation, a more even regional distribution of economic activity, an adequate degree of protection of the economy against measures aimed at it from abroad, a more stable general level of prices and minimum acceptable level of provision of public services. By an appropriate derivation of agricultural policy aims, agricultural policy can be orientated towards supporting such a set of national economic policy aims.

Thus agricultural policies aimed at maintaining and raising farming incomes can contribute towards the raising of incomes generally, as long as they do not detract from activities in other sectors of the economy that might have made possible even larger increases in incomes. (It may, however, not be possible while meeting this last condition, also to maintain the number of farming units at a constant level.) To the extent that such income-raising agricultural policies can be directed specifically towards improving the utilisation of agricultural resources in the at present less commercialised parts of the country, for example in the Black national states, they can also help bring about a more even distribution of incomes, a more balanced pattern of regional development and the generation of more jobs.

Self-sufficiency in food production may similarly contribute towards the national economic aim of better equipping the economy to withstand external pressures, but this may, as for other economic sectors, involve a trade-off against contributing towards a lower inflation rate by keeping agricultural price increases in check.

It cannot be attempted in this paper to deduce an exhaustive set of agricultural policy aims that would support national economic objectives. It is rather the intention simply to illustrate the point that effective agricultural policy management requires clear identification of agricultural policy aims and a

clear understanding of the trade-offs between them, and a testing of the validity of such agricultural policy aims by relating them to accepted national policy aims. The extent to which these requirements of sound agricultural policy management are at present actually met in South Africa can be left open as a subject for discussion.

AGRICULTURAL POLICY INSTRUMENTS

When the objectives of the agricultural policy have been identified and the appropriate weights attached to them, the next requirement for successful policy management is that the appropriate instruments be selected and that they be applied with the appropriate intensity to realise the desired set of objectives. To achieve this requires of management a clear insight into the relationship between given agricultural policy aims and instruments and a fine feeling for the acceptability of various policy instruments in the policy environment.

In South Africa a variety of agricultural policy instruments are used which may be divided into measures for the promotion of production, financing measures and marketing measures. Apart from the achievement of agricultural policy measures as such, the application of these measures also has an effect on other national objectives and measures which in the first place are applied towards the achievement of objectives outside the narrower agricultural context also frequently influence the realisation or otherwise of agricultural policy objectives.

Of late, for example, there have been frequent pleas for measures to contain increases in the cost of agricultural inputs and thereby encourage production, maintain agricultural incomes and counter increases in the prices of agricultural products. The first question which should be posed here is whether such measures would indeed promote the achievement of the proposed objectives. If it is accepted that this would be the case, it should be asked what effect the measures concerned would have on other valid objectives of agricultural policy. If the cost of the inputs concerned is kept artificially low, for example through the payment of direct subsidies on them or through direct price control, the use of those types of inputs could be excessively promoted. This might not only lead to excessive dependence on those types of inputs and the subsidies on them, but also adversely affect the achievement of other agricultural objectives.

For example, the question can be asked whether the artificially low interest rates on certain sources of agricultural financing maintained through Government intervention down the years, along with tax concessions which have also reduced the effective cost of capital goods, have not promoted the excessive mechanisation of agricultural processes and thereby limited the capacity of agriculture to provide employment. Also, it has become increasingly apparent in the past few years that the special measures taken to shield agriculture partially against the general trend in the cost of financing at times seriously hampered the effective execution of an

appropriate monetary policy and thereby frustrated efforts to control inflation.

Similar questions arise over other agricultural policy measures, such as price and marketing measures and measures to promote production. Responsible agricultural policy management expressly requires that account also be taken of the possible side-effects of such measures, apart from their direct effect on the objectives for which they were instituted. This sort of question should be posed not only when new measures are considered or the intensity with which existing measures are applied is reconsidered. Successful agricultural policy management calls for the regular critical review of all existing policy measures. In all such regular reviews, it should be asked what the objectives were for the institution of the measures concerned and whether those objectives are still valid, how effectively the proposed objectives are realised by the current measures and how that realisation of the stated objectives balances out against the direct and indirect costs of realisation. Also, the effects of the measures concerned on other agricultural policy objectives and broader national objectives should be examined. In every case it should be considered whether other measures might not on balance yield more satisfactory results. Given the background of the general desire for a more market-orientated economy, the possibility of more market-orientated agricultural policy measures should count among the alternatives deserving attention.

AGRICULTURAL POLICY STRUCTURES

The management of agricultural policy in South Africa at present takes place through a variety of institutions. In the RSA as such, agricultural policy, apart from the overall responsibility of the Cabinet, is administered by the Department of Agriculture and the National Marketing Council, other government departments such as the Department of Finance and also the Land Bank and the agricultural control boards. In the self-governing national states agricultural policy is managed by the various departments of agriculture and to date the Corporation for Economic Development and the Department of Co-operation and Development have also played important roles in the management of agricultural policy in these states. In the independent national states their own development or agricultural corporations also have a responsibility in this respect.

Given this variety of institutions concerned with the formulation and execution of agricultural policy and given the extent to which the economic system of Southern Africa forms a single integrated whole, it is clear that the successful management of agricultural policy calls for sound co-ordination between the various institutions on the choice of agricultural policy objectives and the allocation of weights to the various chosen objectives and on the choice and application of agricultural policy instruments to achieve those objectives.

However, before there can be *co-ordination*, clarity is necessary on the *responsibilities* of the various institutions in respect of agricultural policy management. As far as the management of agricultural policy in the national states is concerned, the responsibility has thus far been shared between their departments of agriculture, on the one hand, and the Corporation for Economic Development and the Department of Co-operation and Development, both institutions of the RSA central Government, on the other hand. The rationalisation scheme in respect of development functions accepted by the governments concerned in November last year includes provision for the *responsibility* for agricultural policy in all the national states to be transferred to their governments. This opened the way for the establishment of formal *co-ordination mechanisms* for the management of agricultural policy. A start has already been made on this through the acceptance at the summit meeting in November 1982 of a system of permanent, formal liaison procedures at the regional level, at the technical planning level and at cabinet level between the RSA and the four independent national states.

In the RSA as such, the successful management of agricultural policy also surely requires that regular attention be given to co-ordinating the activities of the variety of institutions involved in agricultural policy. Although this possibility cannot be excluded, such co-ordination need not necessarily imply the rearrangement of structures or institutions.

Much of the criticism levelled at the agricultural control board system implies that the control boards as such are redundant and should be abolished, or at least reduced in number. In certain cases it might well be that on balance there are advantages in combining some of the boards - as indeed has already been done. On closer examination, however, much of the criticism is not against the control board system itself, but rather against the marketing schemes operated by certain boards - not against the policy so much therefore as against the instruments or measures applied by these institutions.

Changes to these measures or schemes can therefore possibly overcome much of the criticism against the system. More active application of the co-ordinating function vested in the National

Marketing Council would possibly make an important contribution to this.

Out of this arises a last question which may be asked about the role of institutions in the good management of agricultural policy. It is the question of whether there might not be great benefit in drawing a greater distinction in agricultural policy institutions between the staff functions of policy analysis, formulation and evaluation and the line functions of applying and executing the policy. There is a general trend in the South African Government set-up to allow this distinction to become blurred, possibly because the chronic shortage of competent workers means that those who are available are fully occupied with the line functions required in the daily work of their departments. Because the staff functions are then necessarily neglected, study of the policy environment and identification of policy objectives and instruments, referred to earlier in this paper as necessary to good policy management, are not given the attention they deserve. The establishment of the Jacobs Committee is perhaps the best proof that there is a real need for such a staff function in the management of agricultural policy and the question arises whether that need should not be met on a more permanent basis.

CONCLUDING REMARKS

This paper began with a disclaimer and as it has turned out it contains no specific, firm suggestions for new directions in the management of agricultural policy in South Africa. Rather, it was the intention to make out a case for there to be a continuous effort to spell out clearly the objectives and the instruments of and the institutional division of responsibilities for agricultural policy management and to revise and adjust all these elements of policy management in the light of changes in the policy environment. To achieve this may in itself require some adjustments in the management of agricultural policy, such as giving more specific recognition to the staff functions of policy analysis, formulation and evaluation. In fact, this may be the most important new direction required not only for agricultural policy management in South Africa, but for policy management in general.