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REVIEW AND COMMENT: AGRICULTURAL SUMMIT MEETING, 24TH AUGUST, 1990 IN PRETORIA¹

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Abstract

A summit meeting between the SAAU and the government revealed important differences between these two with respect to economic, social and agricultural policy. The SAAU appears to favour retention of existing marketing and policy structures in agriculture and does not regard present international developments to warrant much change in domestic agricultural policy. It favours preferential treatment of farmers with respect to interest rates and subsidies, exemption of agriculture from labour laws and cooperatives from monopoly legislation. The government aims at deregulation, a bigger share for private initiative, economic growth, and less inflation. It favours reduction of preferential treatment of all favoured groups, including commercial agriculture. It wants to move to freer, more open markets and to removal of discriminatory laws. Both groups favour private property rights; the government wants to expand these. In the light of its wider range of interest and responsibilities and also external developments, the government approach appears to be more realistic than that of the SAAU. Future negotiations should involve more parties.

Samevatting

Landbouspitsberaad, 24 Augustus 1990, te Pretoria

'n Spitsberaad tussen die SALU en die regering het belangrike verskille tussen die twee blootgelê met betrekking tot ekonomiese, sosiale en landboubeleid. Die SALU blyk die behoud van bestaande bemarkings- en beleidstrukture in die landbou voor te staan en meen nie dat huidige internasionale ontwikkelings veel verandering in binnelandse landboubeleid verg nie. Dit verkies voorkeurbehandeling van boere ten opsigte van rentekoerse en subsidies, uitsluiting van die landbou van arbeidswette en van koperasies van monopoliewette. Die regering mik na deregulering, 'n groter aandeel vir privaatinisiatief, ekonomiese groei en minder inflasie. Dit is ten gunste van vermindering in voorkeurbehandeling van alle bevoorregte groepe, insluitende kommersiële landbou. Dit wil beweeg na vryer, oper marke en die afskaf van diskriminerende wette. Albei groepe is ten gunste van privaat eiendomsbesitreg; die regering wil dit uitbrei. In die lig van sy breër belang- en verantwoordelikeheidspektrum asook eksterne ontwikkelings, skyn die regering benadering meer realisties as die van SALU te wees. Toekomstige onderhandelings moet meer partye betrek.

1. Introduction

An agricultural summit meeting was held in Pretoria between the State and Organized Agriculture as personified by the South African Agricultural Union and its affiliates. Speakers on government side included State President de Klerk and various cabinet ministers, while Mr Nico Kotze, President of the SAAU and various other personalities within SAAU structures put forward viewpoints on behalf of Organized Agriculture. Attendance of the summit was restricted to invited members and personnel of the SAAU, government members, state officials and the media. The meeting represented an effort to discuss various agricultural policy matters, thereby identifying points of agreement and differences between the government and the SAAU.

The addresses covered a wide array of subject areas and limited discussion from the floor was allowed. The spectrum of addresses, the time needed for those, the limited time and hence, the strict time limits on discussion precluded in depth mutual responses with the result that not much occurred in the way of a search for common ground on aspects in which opinions and/or approaches differed.

This review represents an effort to report on the main points which were raised and a comment on the contents.

2. The position of SAAU

2.1 The speech of the SAAU President

Mr N.J. Kotze, President of the SAAU, opened the case for the SAAU by pointing at the problem of declining profit margins. He stated that to alleviate this, problems of unfavourable input/output price ratios, interest rates and poor debt ratios should be handled simultaneously. The Economic Advisory Council had previously (1986) identified continuing high inflation, exchange rate changes, surtax and a high degree of industrial protection as external factors harming farmers' cash flow and debt ratios. The debt burden has since increased from R11,1 billion in 1985 to R14,7 billion 1989, while the debt ratio remained fairly constant (over 23 per cent). There has been no fundamental improvement in the financial position of the average agricultural producer.

Mr Kotze stressed the importance of agriculture in the South African economy. The SAAU Strategic Plan of 1988 has as its purpose a situation in which South African commercial farmers will be able to be economically and financially independent through profitable production within a market directed system; an agricultural service package is needed. Mr Kotze stated that farmers want to stand on their own legs - to be independent.

But he immediately also criticized the view that aid programmes and supports are not justifiable anymore and should be phased out. He requested that "no hindrances should be placed in the road of cooperatives" and for solution of problems with their capital formation. He expressed concern about deregulation and value-added tax, and the effects thereof on the administrative burden of farmers; according to him, most farmers cannot handle the necessary administration.

Mr Kotze summarized his speech as a plea for a level, equal playing field - a phrase which was repeatedly used later in the day.

2.2 Other SAAU spokesmen

Other SAAU spokesmen, including Mr Izak Cronje of the Orange Free State, also emphasized the importance of agriculture. Mr Cronje referred to agriculture's contributions in the economic stream (contributions to GDP and foreign trade; backward and forward linkages), employment, deconcentration of economic activities, and the social function. In the latter sense he mentioned living space for 5 to 6 million people, housing, farm schools and also retirement, medical and funeral schemes. It was argued that in order to continue its vital role, agriculture needs the necessary markets, inputs, finance and infrastructure. In this sense, Mr Cronje argued that elimination of all cross subsidization and a rigid policy of "the consumer pays fully" may render some infrastructural services not affordable to agriculture. This can simultaneously retard improvement in farm workers' living standards. Direct financial assistance is needed for training and occupation of remote areas. Mr Chris du Toit (Western Cape) asked for financial assistance regarding social services to workers.

Based on the assumption that the present Uruguay Round of trade negotiations in the GATT will not yield any dramatic results, spokesmen argued that there was not much need for drastic changes in agricultural support policies. The SAAU is concerned about possibilities for larger price fluctuations and pleas were made to retain farmers' bargaining power through the Marketing Act and Cooperative Societies Act. The SAAU specifically requests the following:

- (i) Adequate protection of local agriculture by means of quantitative restriction and import tariffs; some speakers (e.g. Dr J. Lombard) prefer the latter.
- (ii) That South Africa should not play a leading role in liberalizing agricultural trade within the rules of the GATT.
- (iii) That protection of South African agriculture from exports of neighbouring African countries should be part and parcel of trade negotiations with such countries.
- (iv) Government finance for strategic grain stocks or of grain exports.

Mr J.J. (Boet) Fourie, Vice President of the SAAU, mentioned poor financial and administrative management on the part of many farmers and a paucity of financial information to farmers. In his view, this is an area in which State funds can fruitfully be used in the form of adult training, extension and dissemination of information.

Other spokesmen severely criticized reductions in export promotion and the exclusion of maize, wool and mohair from this scheme. Although some SAAU spokesmen paid lip service to market relatedness, they balked at many aspects of deregulation. They also accused the government of following a cheap food policy to the detriment of agricultural producers. No SAAU spokesman came out in favour of any deregulation or liberalization in the local marketing of farm products, and there

were some laments regarding uncoordinated actions of control boards. Mr C.J. Claassen of NAMPO, for example, criticized the Wheat Board for not adequately considering the interests of maize producers in its pricing policy, and entered a plea for "market oriented fixing of prices." Some speakers requested the government to contribute to marketing costs or alternatively, to determine the extent to which marketing infrastructural costs can be transferred to consumers.

Since the cost-price squeeze has contributed substantially to present farming problems, SAAU spokesmen expressed themselves in favour of reductions in industrial protection of industries supplying agricultural inputs. The profits of some firms were also criticised.

Much attention was bestowed on interest rates and the effects thereof on farm profits. Commercial banks came in for some criticism, notably for the capitalization of overdue interest. A sensible plea was made for visibility and regular notification to borrowers of interest rates applicable to them. SAAU speakers pleaded for expansions in the financing ability of specialized agricultural credit institutions, uniform norms among all credit institutions and the cushioning of agricultural interest rates (eg. Mr A.A.B. Bruwer and Mr W.N. Beukes). Although speakers expressed an awareness of the necessity to curb inflation, some (eg. Mr Bruwer) were very critical of the use of monetary policy for this purpose.

Concern was expressed about the quality and price of some rural infrastructural services (eg. electricity and communications) and the effects of privatization/ deregulation/ desubsidization there-on.

SAAU spokesman stressed the importance of private ownership of land and expressed concern about labour developments. There was a clear implication that the exemption of agriculture from the Labour Relations Act and the Basic Service Conditions Act should be retained.

3. The State President's address

According to President de Klerk, the government regards the agricultural sector as a vital cog in the South African economy and society, with special reference to its contributions to provisioning of a livelihood to farmers and farm workers, its market contributions (providing raw materials to other sectors and being a market for intermediate inputs), its contributions to foreign exchange earnings, its role in decentralization of activities and its social contributions - including housing and education. There is a challenge to improve quality of life for millions of rural people and to improve the viability of agriculture. The President welcomed the summit as an effort to contribute to reform in agricultural policy, which must be part of a more general restructuring of the South African economy.

With respect to this general restructuring, the government has accepted a supply side program, aimed at improvement in the economy's growth, employment creation potential, economic advantages to all people and the availability of scarce resources, particularly capital.

Recent developments in Eastern Europe have clearly indicated that there is no substitute for private initiative and no alternative for an efficient price and marketing system; prices must be a true reflection of scarcity values. The government therefore aims to promote private initiative and to eliminate factors hampering effective markets; public supply of goods and services should also meet these criteria.

The government regards private land ownership as a cornerstone of a private economy. For the sake of sound future relationships, private ownership must be protected and broadened to allow all South Africans the opportunities to be land owners.

The government is concerned about agricultural malpractices and the resultant deterioration of natural resources; future generations are entitled to an acceptable environment, and this is a task for the present generation. Agricultural policy will have to address this matter.

The position of the farmer as an employer is now in the spotlight. South African farmers have a social responsibility toward their workers and should modernize their employment practices. Existing labour legislation will have to be adapted and applied to farming.

The President concluded with a call not to use conflict as a tool to handle differences; South Africa has a high potential for conflict, and those who already have freedom, must do everything to defuse conflict. Every leader has the task to enhance stability and not to add fuel to fires. This also applies to agriculture.

4. Agriculture and the economy

In his address, the Minister of Finance, Mr Barend du Plessis, stressed the necessity for holistic economic policies. People need incomes to buy farm products. The expansion of local markets will therefore depend on the rate and nature of economic growth.

Agriculture is not an island in the South African economy, and neither is South Africa an island in the world economy. All sectors, including agriculture, must contribute to social and economic growth and stability. Agriculture, like all other sectors, will reap the fruits which may be good or bad.

It will be dangerous to single out agriculture for low interest rates and, by implication, other concessions which do not apply to other economic sectors. The State has limited funds and state expenditure must be curbed to combat inflation. Interest rates have to be kept at positive real levels for the same purpose. If interest rates to agriculture are reduced, those to others will have to be increased. The same principle appears to apply with respect to the leveling of interest on interest in arrears. If more state funds are used for agricultural subsidies, expenditure on other public activities, such as education and health services, has to be curtailed.

According to Mr Du Plessis, it has always been accepted that special aid can be made available to agriculture in the event of natural catastrophes such as severe drought or floods. Although he cannot bind the government to future agricultural aid in general, it will be evaluated on merit should catastrophes occur. All aid programs will in future have to meet three criteria:

- (i) The cost to the State must be quantifiable in advance;
- (ii) aid programs must be cost effective to keep deserving farmers on the land; and
- (iii) farmers must utilize sound farming and financial principles to hedge against risk and handle these, as far as possible, without the aid of the State.

Interest rates must reflect the scarcity value of money and positive real interest rates are an essential prerequisite for saving. Since capital is a substitute for labour, the price of capital relative to that of labour must also reflect their relative scarcities. The government has resolved to stabilize interest rates. This will simplify everybody's financial management.

Dr W.J. de Villiers' remarks supplemented those above. The South African market for farm products should expand with improved economic growth and more equitable distributions.

Equal opportunity has become a must, also in terms of expanding agricultural markets. Unemployment, distortions in prices of products and factors of production and limitations (horizontal van vertical) to the mobility of production factors have become untenable. Improve economic growth and reduced inflation are dependent upon reduced government spending, more and better competition, reduced regulation and privatization of some functions.

Mr Kent Durr pointed out that South Africa has moved into a multipolar world, which is subject to rapid change, for example:

- (i) The prospects of Europe 1992;
- (ii) increases in interregional trade;
- (iii) prospects for changes in GATT rules; and
- (iv) new developments in Eastern Europe.

Some of these developments, including GATT negotiations, may force many countries - including South Africa - to move towards freer trade. This forces South Africa to rethink much of her economic policies. Industrial, agricultural, monetary and fiscal policy should logically form part of the same package. The government has irrevocably committed itself to the market mechanism and therefore strives to limit government intervention to the minimum. This implies substantial deregulation and giving to the market the function to allocate resources. In terms of a more outward approach to the South African economy, the previous emphasis on self-sufficiency and import replacement now shifts to export promotion. Import replacement should be limited to industries with a potential for internationally competitive production. Existing industries should broaden their horizons and strive to compete in international markets. This is the way to create better employment opportunities, better economic growth, better equitability and higher living standards. Some disruptive international trade practices do however force South Africa to employ effective anti-dumping practices. The main emphasis in South African economic policy - including agricultural policy - should be on competitiveness.

5. Agricultural policy

In his capacity as chairman of the summit meeting, the Minister of Agricultural Economics and Marketing, Mr Jacob de Villiers, was not in a position to make serious policy statements. This was both a gesture to conventional procedure and a pity; unconventional situations merit a break from conventional etiquette. However, in the formal situation prevailing at the summit meeting, Mr de Villiers hardly had any other appropriate rule of behaviour - more the pity.

Dr A.I. (Kraai) van Niekerk referred to the difficult decade suffered by commercial farmers. This was caused by adverse climate and developments on commodity and input markets. These, together with high interest rates, increased indebtedness and debt burdens of farmers. It is, however, dangerous to generalize; situations vary among farming types, regions and individual cases. A strategy for improvement of the viability of agriculture should, over the short run, concern itself with improvement in farmers' indebtedness and, over the long run, with necessary adaptations in the structure of production. Current production structures are unsatisfactory, and the division among farmers is skew.

Reconstruction of agriculture has thus far been of the fire-fighting variety - on an *ad hoc* basis. A clear, directed reconstruction program is indicated. The main emphasis has been the creation of breathing space in anticipation of "better days".

The production structure problem is partially due to producers' failure to plan production with due recognition of marketing signals and realism as well as their failure to make risk-reducing decisions regarding input levels.

Dr van Niekerk expressed the opinion that the envisaged Agricultural Research Council and planned decentralized agricultural development centres will improve services in respect of research, advisory services and extension. New developments will accentuate the need for managerial skills and personnel management on the part of farmers. The provisioning of agricultural credit should likewise be based on farmers' proven managerial aptitudes. The use of agricultural finance for purposes other than sound production finance distorts agricultural structures, is counter productive, and must be discontinued. Farming debts can be redeemed only by surplus farm revenues, and improvements in profit opportunities must occupy the centre stage. Only farmers who perform satisfactorily should qualify for any emergency aid.

Dr van Niekerk also stressed the movement towards freer markets and the importance of private land ownership.

Agriculture should partake of the economic game on a level (or equal) playing field with other economic sectors. The correct options will bring along success, and the consequences of erroneous decisions must be borne by decision makers themselves. Farmers' training and the availability of relevant information will become increasingly important.

Mr Hernus Kriel also emphasized the development needs and the potential of black farmers. He stated that given correct methods and adequate training, black farmers can contribute significantly to socio-economic development in their own areas. Adjustment in land tenure systems is a prerequisite. The expected repeal of legislation that limits land ownership by Black people outside the homelands and the entry of non-white farmers in "white" areas can play an important role in this regard. He urged Organized Agriculture to contribute positively in this regard, and also in improvement of the living and working conditions of farm workers.

6. Evaluation

The summit meeting has brought to the fore some agreement and certainly much disagreement between the government and the SAAU. At the conclusion Mr Kotze stated that the SAAU was not satisfied with all answers given by government spokesmen.

The government and SAAU appear to be in full agreement that agriculture is vital to the South African economy and society, and that agriculture, to play its appropriate role, should have efficient markets for its products, inputs (including finance) and that an effective infrastructure is indispensable. Both are concerned about the financial situation of farmers, and agree that the cost-price squeeze, interest and high inflation are important contributing problems. There is agreement that inflation and the cost-price squeeze must be curbed, and that import protection of input providing industries should be reduced and ideally, phased out.

Mr Hernus Kriel expressed the opinion that agriculture does not have much capacity to increase its employment. Urbanization and pressure on peri-urban agricultural land are inevitable. Timely provision of well located land and suitable amenities will be vitally necessary.

Both SAAU and government spokesmen emphasized the need for agriculture and all players in the economic game to compete on a level field. But it was apparent that the SAAU and the government spokesmen have different perceptions on what such a level playing field will entail.

The SAAU simultaneously desires to have a well, smoothly performing economy with little or no inflation, flourishing markets and sound foreign trade on the one hand and special support and protection for the existing commercial agricultural sector on the other. If industrial competition will decrease prices of inputs, the SAAU would favour it. It also favours reduction of protection to input suppliers. The SAAU does, on the other side of the coin, want to retain the powers (obviously including exemption from the Monopolies Act) of cooperatives, which have a strong representation on the SAAU. It also wants to retain the structures of the Marketing Act; during this summit meeting, no single demand was made on the part of SAAU to reduce powers of any control board. The SAAU stance really amounts to a return to the agricultural policies of the 1960's and 1970's.

The SAAU insistence on a level playing field therefore seems to depend on an interpretation of the word "level" which will probably differ from dictionary descriptions. It is a sentiment very reminiscent of a situation incomparably described by Joseph Heller (1962) in his novel "Catch 22": "He was an outspoken champion of economy in Government, provided it did not interfere with the sacred duty of Government to pay farmers as much as they could get for all the alfalfa they produced that no one else wanted or for not producing any alfalfa at all".

The SAAU, being a lobby for present commercial agriculture and deriving much of its finance from levies collected on marketed products by control boards, naturally wants to retain its power base. It represents capitalist white landowning full-time family farmers who have produced for a market protected by measures of a socialistic nature. It wants to perpetuate a cushioning effect that has largely isolated agriculture from forces of freer markets. It prefers to remain exempted from types of legislation applicable to other economic sectors, such as labour and competition laws. It does not seem to regard increased competition in agricultural markets as a vehicle to progress. The SAAU also wants exclusion from the painful medicine of monetary policy to combat inflation. Neither has the SAAU during the summit expressed any real concern for the development of black farmers, most of whom are still subsistence producers.

The government has a larger, more diverse constituency; it is responsible for the interests of the whole population and economy. On the political front, it is busy with efforts to accommodate the aspirations of all. This will naturally have to encompass not only political, but also economic and social progress. The government places, in this regard, increased emphasis on economic growth, reduced inflation and more equitable access to resources, product markets and social amenities. It places its faith in reducing the role of government and increasing the role of private initiative in the economy and hence also a process of deregulation and privatization. It regards increased competitiveness as a cornerstone of its future economic, industrial and agricultural policies. Due to an increased emphasis on an outward approach, the government strives to adhere more closely to international norms; the country's scarcity of capital sources and its dependence on international trade forces it to take proper cognisance of IMF and GATT rules.

The government has shown itself, through Mr Hernus Kriel, to attach much importance to social upliftment of farm workers' families. Less interest seems to prevail in Organized Agriculture, although Mr Chris du Toit lauded the progress of the Rural Foundation, whose membership has grown to 3324 farmers on 3877 farms, involving 81 257 farm workers and their families. This, however, involves only approximately 6 percent of all farms and farm workers.

As is the case with the SAAU, the government is firmly committed to private ownership of resources, including land. But in apparent contrast to some groups within the SAAU, the government appears to be determined to expand the freedom to own assets to the whole population.

Another point of agreement involves the necessity to improve farmers' management skills and working skills of workers by training and extension.

It is also vitally interested in the development of non-white, mostly African agriculture. In its future economic policy, the Government appears to be determined to curb its own role and expenditure and not to make undue exceptions for the sake of a particular sector or economic group. All economic protection seems to be deemed for reduction or eventually phasing out; exceptions will be considered only in the event of emergencies, and then strictly subject to financial discipline. Although labour legislation needs adjustment for application in agriculture, this type of exemption seems destined to disappear. The same may eventually be the case with other exemptions, eg. the exemptions of control boards and cooperatives from monopoly legislation.

7. Comment

The stances adopted at the meeting should be evaluated in terms of the present national and international agricultural and economic milieu.

South Africa has some serious economic problems of which some may be ascribed to errors of the past, including some foolish economic and agricultural policies. The parity of South African farm products has been shown to have deteriorated faster than in most other countries (Groenewald, 1982). This has partially been the result of reduced competition in factor markets and particularly the effect of industrial import-replacing protection (Groenewald, 1986). This protection, together with increasing regulation, increased state or statutory shares in the economy and together with a lack of financial discipline, this fueled inflation and contributed to the country's debt problems which reached a crisis point in September 1985. South Africa also has to contend with serious poverty in a large part of the population.

South Africa has, like many other countries of the world, undergone more than a half century of ever-increasing government intervention and regulation. It has in the process shielded agriculture and some other sectors and also interfered heavily in markets and trade.

It became evident early in the eighties that protection, including agricultural support, had become too expensive for governments (eg. the USA and EEC) to bear. This is part of the background of the Uruguay Round of negotiations of the GATT. The discussions have been polarized into two groups: The USA and the so-called Cairns Group (some 14 agricultural exporting nations) favour virtual complete trade liberalization in agriculture and eventually the prohibition of domestic subsidies that distort trade. Another group (mainly Japan, the EC, the Nordic countries and Switzerland) advocate restraint: Continuation of national policies with reduced levels of protection and support. Although the possibility of no agreement in agriculture seems to be real, such an event may harm the credibility of the GATT seriously, leading to regional trading blocks and dire consequences for all world trade and international capital flows (Kelly and Worth, 1990). It is unlikely that any of the larger economic powers will be willing to take this risk; therefore the least that can be expected as an outcome, is agreement on large reductions in protection and market-affecting subsidies. To South Africa this will present opportunities, but also a necessity to change the structure of facets of agricultural policy such as policies followed by some control

boards and subsidies, including those on exports and interest rates. Barriers to agricultural imports from neighbouring countries will likewise become intolerable.

A serious shortcoming of the summit meeting was the absence of serious discussion of monopolies, although Dr de Villiers and Mr Durr made some mention of competition and privatization. Agricultural marketing, many agricultural services and much of agricultural input supply have become highly monopolized. Statutory control boards, statutory corporations, cooperatives, privatized corporations and some private companies are in monopoly positions. Monopolies in the form of cooperatives and companies have generally come about because of administrative or statutory preferential treatment, licensing and/or restricted entry. The Monopolies Act, from which control boards, some statutory corporations and cooperatives are exempt, does not appear to be effective even where it is applicable. Monopoly invariably leads to less efficient and more expensive service, particularly when a firm is shielded from whatever legislation exists. The exemptions are simply not tolerable. For example, a large co-operative has recently used their credit system to destroy business of a firm which sold inputs at lower prices than themselves with the Competition Board standing by helpless. But change in the Co-operatives Act cannot be expected before 1994 (Financial Mail, 1990). International experience has convincingly shown that privatization improves efficiency only in the absence of monopoly (Kay, 1987; Kay and Thompson, 1986; Thompson, 1987).

The World Development Report (World Bank, 1990) stresses, as did Mr. du Plessis, the necessity of having rapid and efficient growth for countries with considerable poverty. This in turn calls for successful rural development and urban job creation. In South Africa this will necessitate equal access to markets for products, inputs and input services and the removal of biases - such as subsidies on capital - that both favour large producers over small ones and substitution of capital for labour. It is interesting that the World Bank (1989) ascribed much of Africa's woes at least partially to poor public sector management and inefficiencies engendered by price distortions; institutions must be restructured to use skills effectively (implying less central control) and governments should concentrate on promoting, rather than controlling development. This would entail, among other things, a bigger role for the private sector, policies which will allow prices to reflect demand and supply and improvement in land tenure systems (World Bank, 1989).

In the light thereof that past agricultural development has been inequitable to the extreme and a long list of laws, statutes and regulations affecting agriculture has been highly discriminatory (Kassier and Groenewald, 1990) some form of affirmative actions toward disadvantaged groups will also be needed. Removal of discrimination is necessary but not sufficient. Unfortunately this aspect did not receive any attention at the summit.

The late 1980's have seen the collapse and discreditation of central planning. It simply does not work, either inside or outside of agriculture. This message should be heeded by all involved in Southern (and other) African agriculture.

8. Conclusion

The summit meeting clearly showed differences in the stance of the government and that of the SAAU. This should not, at the present point of time, be surprising. Their constituencies differ too much.

The managing director of the IMF has recently made five points concerning economic reform (Camdessus, 1990a):

- (i) Attempts to find a "third way" between central planning and a market economy have not been successful;
- (ii) piece-meal approaches do not succeed; the elements of an economic system are interrelated. Therefore, prices should be freed as far as possible, and this will also involve anti-monopoly action;
- (iii) strong financial discipline is needed;
- (iv) it is not known how long it will take reforms to elicit a supply response; and
- (v) firm macro-economic policies are needed.

Thus, the government or state should not be a player in the economic game. It does, however have a crucial role - that of a referee. It should enforce the rules of the game, including also fair competition.

It is also necessary to remember that decentralized decision-making is at the core of success and that an outward-looking approach is needed; no nation can afford to look inward (Camdessus, 1990b).

Against this background, the present policy trends of the government show much more promise than those of the previous five decades, while the preference of the SAAU seems to be to stick to what has now become obsolete, irrespective of how well or how poorly those policies have served commercial farmers up to 1980.

The government and the SAAU have different objectives, with the former a more comprehensive one. One should therefore expect different "solutions".

The summit meeting can however be regarded as a promising start. But negotiations for a new deal in agriculture - as for a new constitution - should not include only two parties. Negotiations should include all interest groups - including black, coloured and Asian farmer representatives, traders other than coops, the commercial banks who have lent over R3 500 million to agriculture, white farmers groups not affiliated with the SAAU, and legitimate consumer organizations. Only then can real progress be expected, provided that the question will be "How can agriculture improve its contribution to the South African society and economy?", rather than "How can the South African economy be useful to commercial farmers?"

Note

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