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<p style="text-align: center;">F R TOMLINSON GEDENKLESING F.R. TOMLINSON MEMORIAL LECTURE</p>

Die 1997 F.R. Tomlinson Gedenklesing is gelewer op 7 November 1997 te Universiteit van Pretoria

The 1997 F.R. Tomlinson Memorial Lecture was delivered on 7th November 1997 at the University of Pretoria. The author, Dr A. Louw, chose the subject: The role of the agricultural economist in the finance sector - a challenge for the profession

DIE ROL VAN DIE LANDBOU-EKONOOM IN DIE FINANSIËLE SEKTOR - 'N UITNODIGING VIR DIE BEROEP

A. Louw
Absa Bank

1. INLEIDING

Baie dankie vir die besondere voorreg om vanaand hierdie gedenklesing, ter nagedagtenis van 'n persoon wat 'n besondere bydrae tot die landseksonomie en landbou-ekonomie gelewer het, te kan lewer. Sy kundigheid, sy nederigheid en sy innemende persoonlikheid maak dit eintlik vir 'n persoon soos myself 'n nog groter voorreg om hierdie gedenklesing te kan lewer.

Die onderwerp van vanaand se aanbieding glo ek sal in 'n baie groot mate vir Prof. Tomlinson ook op 'n manier aangeraak het, gegewe sy wye vlak van kundigheid en toeganklikheid tot andersoortige denke. Die onderwerp van my gesprek vanaand met u gaan ook in besonder oor die "Rol van die Landbou-ekoonoom in die Bankbedryf" en meer in besonder oor dit wat die uitdagings vorentoe in hierdie verband kan wees.

Prof. Groenewald het in sy aanloop na 'n paar aspekte van my loopbaan verwys. Dit is vir my nogtans baie belangrik om te kan meld dat hierdie loopbaan in 'n baie groot mate ook aan sy, asook 'n persoon soos Prof. Kassier se manier van denke, te danke is dat dit daarom ook vir my 'n voorreg is om dan ook vanaand in 'n groot mate aan beide hierdie persone op te dra.

Wat myself betref is dit so dat enige persoon se loopbaan sy hoogtepunte en sy laagtepunte beleef. Waarskynlik is van my swakpunte waarskynlik die feit

dat ek nie weet wanneer om te gaan lê nie, my uitgesprokenheid ten opsigte van sekere gebiede, en ook soms 'n mate van ontaktvolheid. Aan die ander kant is my lewe tot dusvêr gekenmerk deur vasberadenheid en deursettingsvermoë en die wil om dit waarmee ek besig is deur te druk.

Dalk het die volgende aanhaling iets daarmee te doen: "Success is never final and failure never fatal. It's courage that counts". Tydens my loopbaan by Departement van Landbou, by die Universiteit van Pretoria, Unisa en Santambank kon ek altyd baie sterk bou. By Volkskas en by ABSA kon ek nog verder bou, maar was die oorlewingstryd soms net soveel groter. Ek kon sowat ses herstruktureringsoorleef, en twee-en-twintig base in dertien jaar, 'n proses waardeur daar dikwels redelike mate van spanning was oor hoe om landbou-ekonome suksesvol binne die bank aan te wend - ons kon dit egter almal oorleef en in die proses nog steeds uitbrei en sterker word.

2. HOEKOM IS LANDBOU-EKONOMIE SO BELANGRIK IN 'N FINANSIËLE INSTELLING?

Dit is waarskynlik redelik eenvoudig om hierdie vraag te beantwoord. Die belangrike aspek is dat landbou aan sy eie besondere risiko's blootgestel is en dat ons daardie risiko's moet kan verstaan, en kan vertaal in praktiese bankterme. Die vraag is egter dikwels wat behoort landbou-ekonome te doen binne die bank en wat doen hulle tans. Dit is 'n aspek waarna ek vanaand trouens redelik indringend aandag wil gee. Daarom gaan ek ook spesifiek kyk na die prestasies, mislukkings en lesse tot dusvêr wat betref landbou-ekonome binne die groter bankopset van Suid-Afrika.

Tans is daar sowat 120 persone wat in 'n landbou hoedanigheid binne die kommersiële banke in Suid-Afrika aangestel is. Dit is interessant dat meeste van hierdie persone 'n landbou-ekonomie graad het, maar dat meer as die helfte van hierdie persone 'n nagraadse kwalifikasie en selfs MBA's het. Dit maak egter die situasie weer eintlik besonder interessant in terme daarvan dat uit die drie groter banke op hierdie stadium twee banke sowat 90% van die 120 posisies aangestel het terwyl een bank op hierdie stadium in 'n groot mate sy posisie hersien ten opsigte van die landbou. Wat belangrik raak is die posisionering van die landbou-ekonome binne die handelsbanke. Verder het die ontwikkelingsinstellings soos die NOK, Ontwikkelingsbank en Landbank ook heelwat landbou-ekonome wat op verskillende terreine aangewend word.

Op hierdie stadium word landbou-ekonome in 'n baie groot mate gebruik in 'n adviserende hoedanigheid, in 'n krediet- sowel as 'n besigheidsontwikkelingsrol. Dit blyk dat hul vordering in 'n uitvoerende

hoedanigheid op hierdie stadium in 'n groot mate beperk is vanweë verskillende redes, iets waarna ons indringend aandag gegee sal moet word. Vir die landbou-ekonoom is die bankomgewing in 'n groot mate vreemd en word hy as 'n spesialis posisioneer en nie as 'n bankier nie. Dit is in hierdie opsig dat die landbou-ekonoom vorentoe 'n baie groot uitdaging moet aanvaar.

3. DIE UITDAGINGS EN POSISIONERING

Die landbou-ekonoom, soos reeds gestel word in 'n groot mate geposisioneer as 'n adviseur en in 'n ondersteunende rol. My beskeie mening is egter dat daar op die opleidingsvlak in 'n groot mate gekyk moet word dat die regte opleiding uiteindelik by Universiteite gegee word om 'n landbou-ekonoom nie net vir die landbou (primêre landbou) op te lei nie, maar ten opsigte van die besigheidswêreld. Hier verwys ons veral na agronywerhede, handelsbanke, koöperasies, NOK ens. Trouens, tans bestaan daar 'n redelike gaping tussen dit wat die banke wil hê en dit wat die universiteite en spesifiek die landboufakulteite kan aanbied. Op hierdie stadium word in 'n groter mate aandag aan hierdie probleem gegee word en daar is inisiatiewe in hierdie verband aan die gang.

Wanneer ons juis kyk na die uitdagings vorentoe is een van die groot uitdagings dat die landbou-ekonoom homself vorentoe in die uitvoerende hoedanigheid van banke bevind en daarom is die regte mondering in 'n groot mate krities. Die vermoë om "a complete business man" te wees, om die nodige kundigheid op rekeningkundige en bedryfsekonomiese vlak te kan hê raak al hoe meer krities. Die vlakke van intaakopleiding deur gevalle studies, fasette rondom korporatiewe finansiering, investeringfinansiering en 'n multi-dissiplinêre, multi opgeleide en multi toepassing vlak van kundigheid raak toenemend belangrik. Dit is duidelik dat dit nie reeds op voorgraadse vlak gegee kan word nie, maar dat daar veral op nagraadse vlak baie spesifiek aandag gegee sal moet word om die landbou-ekonoom van vandag in die bank vir môre op die uitvoerende vlak te kan posisioneer.

Landbou-ekonome op bankvlak word anders aangewend as landbou-ekonome op koöperasievlak. Terselfdertyd moet daarop gelet word dat koöperasies in 'n groter mate betrokke raak by landboutegnies/ekonomiese verwante aspekte terwyl die bank 'n sterker finansiële aanslag vereis.

'n Faset waarin die landbou-ekonoom hom vandag veral spesifiek binne die bankterrein bevind is die vermoë om effektief te kan onderhandel, te kan bemark, te kan "lobby" en hom self binne die bankterrein aanvaarbaar te kan

maak.

4. HUIDIGE PROBLEEMAREAS IN DIE RSA T.O.V. LANDBOU-FINANSIERING

1. The agriculturist in the banking environment is involved in a very competitive environment where new competitors are increasingly playing a major role. In this regard the Land Bank has challenged the Commercial banks with regard to the degree of competitiveness with lower pricing and specifically they are presently exploiting the unequal playing fields. The challenge therefore for the bank's is to either cooperate, confront or compete with the Land Bank. To form joint ventures seems a possibility. It is however important that the Land Bank is presently increasing their market share and in the process also impacting heavily on areas as such as monetary policies as well as increasing land prices. The aspect of keeping credit expansion under control is definitely not assisted by the present policy of the Land Bank.
2. The agricultural economist within the agricultural financing arena has increasingly become involved in the process of the political vs business agenda. The political agenda is one where there is increasing demands on the agricultural economist and the commercial banks to get involved in sub-optimal endeavours and projects regarding developing agriculture which clash with the business agenda of the banks. On the other hand the banks still have to go through a significant learning curve in the process of establishing developing farmers successfully in this hostile environment where the Land Bank at present, is ironically targeting the market of the commercial banks. According to the recommendations of RFC, the Land Bank should have a specific involvement with commercial banks acting as an agent.
3. Whilst commercial banks want to expand or at least retain their respective market shares in this competitive environment, it is becoming extremely difficult where business confidence is presently impacted upon negatively by changing Government legislation. Legislation with regard to land reform, deregulation of marketing, detarification, labour, water, land tax, capital transfer tax, etc. all eventually impact on the degree to which farmers can survive and perform in this risky environment. Banks on the other hand have actually, during the past few years been able to assist farmers, gaining first-hand experience in coping with this type of environment. The problem is that it impacts negatively on the creditworthiness of the

farmer, on land prices, on his security as well as his ability to repay.

4. Another problem area with regard to agriculture in South Africa is one that farmers to great degree appear to have been spoilt in the past. As agricultural economists within the banking environment, we frequently have to draw up their business plans, their cash flows, budgets etc. at no cost - it still seems as though many farmers cannot cope with their financial planning function, despite years of banks insisting on improved financial management and skills acquisition.
5. Furthermore, it is interesting to note that agriculture over the past ten years, has to a great degree created a perception of being the recipients of preferential government assistance and always being portrayed the image of being the underdogs. This image is not been to the benefit of agriculture as the banks might just start believing them. The truth is, agriculture has its own peculiar risks. You have to understand them and you have to manage these risks effectively. However, it is a profitable segment if you manage the risk-reward trade-offs well.

It is interesting to note that many of the policies which double-edged the government is actually presently employing a type of sword in these policies that in the process of deregulation, globalization, water regulations are also

- impacting on the potential profitability and ability of the emerging farmers to survive. This makes it far more difficult for emerging farmers who are in the process of establishing themselves to become economically viable. Special measures need to be taken to establish these farmers, eg. guaranteed markets/prices for first two years, lower interest/sunrise clauses etc. It further
- is becoming impetitive that a rural development strategy and Green Paper be drawn up in order to focus on the role infrastructure (dams, roads, etc.), SMME's and agriculture can play in development. To focus on agriculture alone, can increase the present marginality of certain rural areas even further.

5. WHAT SHOULD THE AGRICULTURAL ECONOMIST DO?

Whenever we refer to the focus areas of agriculturalist in the banking environment, we have to position them in either of the four or a combination of the following areas:

- (i) Within the line function ie within the branch or regional profit banking environment.
- (ii) Within the credit environment.
- (iii) Within the marketing environment.
- (iv) Within the corporate and merchant banking environment.

In the case of 2 and 3 a more supportive role is required. In the line function role, a greater degree of a relationship manager is required. I presently have to focus on the following areas:

- (i) Strategy and policy from the banking point of view with regard to the commercial agriculture, secondary agriculture (agri-business), and developing agriculture.
- (ii) Maintaining and expanding market share and the quality thereof:
 - this implies marketing actions, actions to retain clients etc.
- (iii) The risk profile of the agricultural exposure. This implies new projects, risk analysis and risk grading systems (in this regarded it can be stated that Absa's risk profile has improved dramatically during the past five years due to a concerted effort to improve not only the risk profile, but also the management of the particular risks involved in agriculture).
- (iv) Greater involvement in more complex transactions and deal-making.
- (v) The positioning of the Bank in terms of image. This implies communication (e.g. various aspects with regard to networking, publications, seminars, etc.).
- (vi) In also involves the support to the agricultural economists at Provincial and branch level with regard to the appointment, training, monitoring, setting of targets, etc.

6. THE FUTURE ROLE OF THE AGRICULTURAL ECONOMIST

Presently, we in the banking sector have the problem that one of the greatest sources of agri-economists, the Directorate of Agricultural Economics has had to change its mission. An alternative source, perhaps the cooperatives, is new

being contemplated. This again emphasises the importance of relevant financial training at tertiary level.

I see the future role of the agricultural economist, as previously mentioned, as one of playing a greater role at executive level. For this purpose Agricultural economists have to be equipped and trained with a specific career path that is drawn up and implemented. I also see the agricultural economist of tomorrow in the banking environment not only being part of agriculture, but also within the line function of Credit and of Business Development as well as the corporate financing environment.

This actually requires a great degree of multi-skilled expertise, training, exposure etc. The further challenge of being involved in more complex deal structuring with regard to aspects such as merchant banking activities, capital restructuring, management buyouts etc., are aspects the agriculturalist has to understand the basics of.

Perhaps, the biggest challenge of agriculturalist, beside being multi-skilled etc. is to be able to focus and to use their skills with regard to problem analyses and business orientation to a greater degree. I further see agricultural economists aggressively re-positioning themselves - not as advisors giving support, but as aggressive deal makers, problem solvers, being solutions-driven and aggressively adding value to the bottom line. Perhaps this is an area that the Agricultural Economist in terms of training and career planning could also increasingly focus upon. A greater degree of integration with other areas within the bank will become more important, such as treasury, international, structured financing, debt financing, asset financing, asset management, which will all contribute to make them more complete businessmen.

I thus see that the Agricultural Economist has enormous challenges in the banking environment. The training and positioning of agricultural economists will be critical in utilising the opportunities that lie ahead.