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## Chairman's report

### Schalk Pienaar

Agbiz Chairman and Managing Director at S Pienaar Consultants

Two years ago the Agbiz biennial report reflected on the achievements, challenges and dynamics of the South African economy in general, and the agribusiness sector in particular, during the first twenty years of democracy. There were certainly major successes that the country and our members could celebrate, although there were worrying flags that were warning of tougher times to come.

How quickly the landscape has changed from fairly optimistic and in some cases even a bullish outlook to a resurgence of economic growth following the 2008/09 international economic meltdown, to economic stagnation and a damaging slow-down in growth, massive unemployment and a concomitant increasing burden on the state in terms of welfare costs. In fact, South Africa is teetering on the brink of a recession. There is a plethora of other symptoms to underline the dire situation in which the country finds itself. In addition, foreign direct investment in ventures of a capital nature that could alleviate the rising unemployment, has virtually dried up. Much of what we experience at present is also a knock-on effect of a lacklustre international economy.

In this regard the slump in international commodity prices (iron ore, coal, platinum, etc.) has been particularly bad news for South Africa. The world finds itself in a very worrying and uncomfortable space. Locally, policy uncertainty regarding such cornerstone matters as ownership of land, expropriation and unfriendly employment policies, as well as very risky and dangerous political rhetoric, continues to adversely affect confidence and a willingness to really take bold and imaginative steps to convert all the negatives into positive and meaningful growth and investment decisions.

This reality is borne out by negative confidence indices based on research amongst businesses in the country. It is deeply concerning that it would appear as if Government

is unable to distinguish between what the role of the State (government) is and what the role of a governing majority political party is. The massive drain on the fiscus by state-owned enterprises is ample evidence of this. Despite sterling efforts to stop the rot, unchecked corruption and looting of public assets has become an embarrassing characteristic of South Africa – and is massively detrimental to those who need support and upliftment the most, namely the poorest of the poor.

Regrettably the adverse climatic conditions currently being experienced are contributing to the woes of South Africa and southern Africa's economies. The extreme drought is now assuming record proportions and will certainly place huge demands on both Government and private sector resources. The situation regarding the drought is very serious and could expedite the region slipping into a full-blown recession.

### **The role of Agbiz**

Agbiz has a vital role to play at this time. Although the organisation is deeply conscious of the factors impairing economic growth and development – the effects of this slowdown are, in fact, part of what we have to deal with on a daily basis – our main aim is to look ahead and find the signs of the next upturn in the economic fortunes of South Africa, the region and also internationally. With this goal in mind, Agbiz continually studies the elements of macro-economic activity relevant to the business of our members. In doing so our radar constantly scans the horizon for business opportunities where members can be pointed to, whilst also interacting with industry organisations and Government in an effort to continue to build on and improve the platforms on which to build and grow the businesses of our members. This work also carries an international flavour with Agbiz actively being involved and represented in international conferences, workshops and membership.

Our point of departure is one of optimism and realism, but also the belief that the international economy does from time to time experience downturns, slowdowns and – very seldomly – economic meltdowns. The world is currently at the bottom or close to the bottom of a huge cyclical event. Southern Africa and South Africa are particularly vulnerable to these realities and it is therefore incumbent upon Agbiz not only to warn of dangers and problems, but also to look towards mechanisms for members to be shielded against the negative effects of economic recessionary conditions. In doing so, we also recognise that the global economy is migrating to new and exciting areas.

The time has come that it is no longer business as usual. There has been an over-reliance on mining and mineral extraction and beneficiation, but the needs of the world's consumers have also changed. The world has only now begun to see the fantastic opportunities for economic growth and development brought about by revolutionary technology. The ability and willingness to embrace this phenomenon will largely determine the winners and losers in the economic race. Together with this, the need to

use risk-mitigation strategies such as diversification and expanding business to foreign markets will greatly contribute towards successful business survival.

Agbiz is keenly aware of this and our intellectual capacity is continuously being geared, developed and pointed to assist our members to move ahead as leaders and not followers. It is incumbent upon our members, and also the rest of the role players in our economy, to leave no stone unturned to develop leaders for the future. In fact, Agbiz is leading by example by providing bursaries to deserving candidates who follow advanced academic programmes.

### **Membership**

Agbiz has experienced a steady growth in its membership. Large corporations involved in the agro value chain continue to join our ranks. Similarly, smaller businesses – even single owner enterprises – continue to become Agbiz members. We are grateful for this as it confirms that we are perceived to be adding value to members. There is general recognition of Agbiz as a respected representative of role players in the agro value chains. This respect goes far beyond our own ranks; Government and foreign leaders of business regularly seek our time and this is gladly and proudly grasped because they are opportunities to further the interests of our members.

To accommodate new members previously belonging to other industry bodies, an innovative step was taken to accommodate them in ring-fenced “desks”, with dedicated personnel attending to their specialised needs. In this regard, members of the grain silo industry now belong to Agbiz under the auspices of Agbiz Grain. Another new “desk” member is VinPro, who joined Agbiz during 2014 and together with SALBA, has established the WineBiz Desk at Agbiz. Vinpro represents 3 600 South African wine producers and cellars. VinPro has its roots in the “old” KWV, which was established in 1918 and is a critical role player in the wine industry. Agbiz is privileged to have these new representative members and look forward to the qualitative value that they will add to the organisation.

### **Appreciation**

First and foremost I wish to acknowledge our members whom Agbiz has had the honour to serve. Not only did members regularly attend council meetings, but they also participated and contributed to the work that we do in many meaningful ways. Briefings and workshops were attended and valuable inputs were made to vital matters of national and sectoral importance by participating in task teams and the furnishing of quality information and data when called upon to do so. The contributions of our members are truly appreciated.

The role of our Executive Committee has become more prominent during the period under review. This is due to a significant increase in the requests to Agbiz for opinions,

views, inputs, commentaries and active participation in matters related to regulations and policies that affect the business lives of our members. It has been necessary to divide our resources due to programme constraints and Exco members have also attended meetings on behalf of our CEO when he was tied up with other business commitments. The Audit Committee functions on a low-key basis and “behind the scenes”. Yet, its role is crucial for the well-being of Agbiz and it gives comfort and confidence to the organisation and its members by keeping a watchful eye on our financial affairs.

Agbiz works and interacts with various people and organisations that contribute widely to our success. These working relationships have been built up over time and are deeply treasured by Agbiz. To them my sincere gratitude and appreciation.

The staff of Agbiz, under the capable leadership of Dr John Purchase, has continued to render outstanding service. They often work behind the scenes and unobtrusively, but their contributions are visible in so many ways – also beyond the borders of South Africa. Agbiz would like to extend its appreciation to each and every one of this very special Agbiz team.

**Schalk Pienaar**

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