CHAPTER 7

THE ROLE OF AGRICULTURAL ECONOMISTS IN STATE-OWNED ENTITIES[44]

Aart-Jan Verschoor[45]

WHAT AGRICULTURAL ECONOMISTS IN STATE –OWNED ENTITIES DO:

- Advise in financing, marketing, production, development, technology impact, research and policy
- Use mathematical models to make predictions and analyse data
- Undertake research and report findings to decision-makers

INTRODUCTION

A parastatal or state-owned entity (SOE) as referred to in South Africa, denotes semi-government institutions meant to assist in addressing challenges of market failures (failures of private provisioning) and government bottlenecks (failures of government processes). According to the Government Communication and Information System (GCIS) of South Africa (www.gcis.gov.za), there are 135 national parastatals or SOEs in South Africa. Their legal status varies, but in most cases SOEs have public policy objectives. They are not a part of core government organisations in that they often have a specific mandate, more freedom in management decisions and a shorter process span (less operational bureaucracy) than government. The majority of SOEs deal with transport, defence, telecommunication, energy, development finance, water, and mining. A relatively small number deal with the agricultural industry to an extent and these include the Industrial Development Corporation (IDC), the Development Bank of Southern Africa (DBSA), the Perishable Product Export Control Board (PPECB), the National Agricultural Marketing Council (NAMC), the Water Research Commission (WRC), Land Bank and the Agricultural Research Council (ARC).

Agricultural economists working in SOEs advise on issues such as financing, marketing, production, development, technology impact, research and policy. They use mathematical models to make predictions, analyse data, do research, and then report their findings to decision-makers. This chapter specifically looks at the role that contemporary agricultural economists play in South Africa SOEs and what AEASA contributes to their empowerment and contributions, as well as options for the future.

[44] The author gratefully acknowledges the contributions made by Gerhard Backeberg (Water Research Commission), Andre Jooste (Potatoes SA), Christo Joubert (NAMC), Litha Magingxa (ARC), Bonani Nyhodo (NAMC) and Jeannette le Roux (IDC).

[45] Senior Manager: Strategic Information Management Agricultural Research Council (ARC)

THE ROLE OF AGRICULTURAL ECONOMISTS AT STATE-OWNED ENTITIES

SOEs that employ agricultural economists and use agricultural economic expertise to a significant extent are the Land Bank, the National Agricultural Marketing Council and the Agricultural Research Council. These institutions are the SOEs that are highly involved in the Agricultural Economics Association of South Africa (AEASA), although agricultural economists working at the WRC and IDC for instance, also grace AEASA events. The role of Agricultural Economics at these institutions is further explored in the rest of this chapter.

The Land and Agricultural Bank of Southern Africa (the Land Bank)

The Land Bank provides financial solutions to promote, facilitate and support agricultural development. This is done by mobilising funds and lending them to farmers and the agricultural sector across the value chain. The bank provides production loans, installs finance, including mortgage finance as well as cash credit accounts, to emerging and commercial farmers and agribusinesses. The bank makes use of 27 Agricultural Finance Centre (AFCs) networks across the country.

Agricultural economists at the Land Bank bring their critical knowledge and understanding of the agricultural sector, the nature of its markets and its value chains to the business of financing agricultural activity. They deal with business and policy assessment, providing insights into policy, the macro-economy, industry, markets and agribusiness development and provide advice for credit assessments and decisions. They also develop valuation norms and standards and conduct security valuation for agricultural assets and production potential. The Land Bank's agricultural economists also provide a view on the business environment within which the enterprise operates. Hence, the economists contribute to improved (credit) risk management through analysis of industry developments exposure. The Land Bank currently employs about 20 agricultural economists that provide business support and analysis. There is no immediate expectation for an expansion of the agricultural economic expertise. Another important function of agricultural economists at the bank is to participate, promote and monitor research activities, especially those that it support research chairs at various institutions of higher learning.

Agricultural Economists at the Land Bank

Dr Moraka Makhura, the past AEASA president, is pivotal in leading the initiative. He has worked with the (late) Dr Japie Jacobs and Piet Marais to guide and lead the agricultural economic service in the Bank. The service also benefited from the contributions of agricultural economists such as Mike De Klerk, Dr Phil Mohlahlana, Andrew Makenete, Motlatjo Moholwa, Dr Litha Magingxa, Robert Matsila, Keneilwe Nailana as well as Dr Mampiti Matete. Some agricultural economists such as Phil Molato, Mathedza Ramonedi and Saki May were involved in operations and risk functions of the Bank. Many are also based at the agricultural finance centres as agricultural evaluation specialists (AES).

The Land Bank also maintain a strong link with some universities through the Land Bank University Agricultural Chairs Programme (Land Bank Chairs) that provides funding for the establishment and maintenance of the chair in an agricultural faculty. The aim is to collaborate in building capacity of researchers (faculty and post-graduate students) in agriculture, create innovation in agriculture, and provide farmer support through universities. Universities involved include University of Limpopo, University of Fort Hare, University of Venda and University of North-West.

In the past, University of Zululand, University of Free State and University of Pretoria were involved. Most of the chairs were held by agricultural economists, with students in Agricultural Economics also benefiting.

The Water Research Commission (WRC)

The WRC facilitates research in relation to water use undertaken in collaboration with universities, science councils, government departments and private organisations and subsequently to disseminate research-based knowledge through development work. The focus is on increasing efficiency and productivity of water use for increasing the wealth of people dependent on water-based agriculture, and ensuring sustainable water resource use. Traditionally contributions are made by scientists in applied disciplines or focus areas of soils, crops, engineering, climatology, economics and sociology. Increasingly, however, the complexity of the information needs of water users requires a multidisciplinary or interdisciplinary research effort, including that of agricultural economists. At the time of writing this book, the WRC had no lower or middle management agricultural economists in its establishment, save for one qualified Economist serving in a senior management capacity, as its research work is primarily subcontracted. Dr Gerhard Backeberg, one of the past AEASA presidents in practicia, has been leading the research work in the Commission for some years up to the present.

Agricultural Research Council (ARC)

The Agricultural Research Council (ARC) was established through the Agricultural Research Act, in a process finalised in 1992, which involved integrating all agricultural research divisions and units within the public service. Whereas two disciplines were initially excluded – Agricultural Engineering and Agricultural Economics- the former was later incorporated. The organisation has developed into one of the most critical agricultural research institutions in South Africa. It has become an important science institution that focuses on conducting fundamental and applied research in collaboration with other partners that seek to generate new knowledge, develop human capital and foster innovation in agriculture through technology development and dissemination. An Economic Impact Assesment (IA) unit was established in 1992 to create agricultural economic expertise. Its economists contributed to research planning and introduced R&D planning techniques. ARC has also delivered project and macro level impact studies in addition to some policy analysis.

Due to lack of a culture of capacity development, the small group of agricultural economists dwindled. However, throgh restructuring, an Economic Services unit was estabished in 2009. The unit remains small (four economists and a manager), but through a professional development programme (PDP), is annually providing postgraduate scholarships related to the impact of research, in collaboration with certainuniversities. Economists at the ARC facilitate decision-making by highlighting the economic realities in the global and national economy, as these pertain to agricultural commodities. The unit assists management in determining the R&D focus and in establishing the impact of the ARC on the industry and the South African economy. The group also conducts agricultural policy analysis and provides internal and external consultancy services. It increases its reach and capacity through collaboration with local and international stakeholders in the public and private sector. It is envisaged that more agricultural economists will be employed in due course.

Agricultural Economists at the ARC

An economic capacity was established at the ARC under the guidance of Johan Carstens in the early 1990s. Quite a number of economists learned their trade in the economic analysis unit, but have moved on since – with for instance Dr Frikkie Liebenberg now plying his trade at the University of Pretoria. After a hiatus, an economic capacity was again established under Aart-Jan Verschoor in 2009, again with a major focus on evaluating the impact of the ARC's innovations on the sector. Apart from a team of four economists, the unit also took in a number of professional development programme post-graduate students in the last few years, of which four recently finalised their Master's degrees, and started with their PhDs. Recently Petronella Chaminuka took over the unit, still with four economists, whilst the post-graduate team has grown to 13, also assisted by a post-doctoral student.

The National Agricultural Marketing Council (NAMC)

In 1996, the South African parliament passed the Marketing of Agricultural Products Act which replaced the Marketing Act of 1968 and resulted in deregulation of the industry. In order to implement the provisions of the Act, the NAMC was established in January 1997 with the aim of increasing market access; promoting efficiency in marketing agricultural products; optimising export earnings from agricultural products and enhancing the viability of the agricultural sector. The NAMC advises the Minister of Agriculture as well as affected groups, thereby influencing decision-making. Agricultural economists employed by the NAMC focus primarily on statutory measures; information and knowledge management; analysis of markets (food chains, internationally traded commodities) and facilitation of market access and support to smallholders. The statutory measures division works directly with industry bodies such as Potato SA or Cotton SA, which are financed through levies. The NAMC also plays an oversight role by ensuring that the levies collected and managed by an industry trust, are properly coordinated.

The NAMC also has an economic research division that ensures provision of accurate advice based on facts and as the advisory body to the Minister of Agriculture. Much of the economic research by the NAMC is done for industry organisations. Its economists also investigate agribusiness development in support of smallholder agriculture and related small enterprises.

Agricultural Economists at the NAMC

The Markets and Economic Research Centre (MERC) has a number of agricultural economists that play a key role in decision support, investigating trade, linking farmers to markets including analysis and reporting on agro-food chains. Based on their research, policy and agribusiness development decisions can be made. NAMC has roughly 20 agricultural economists in its employment, which is not envisaged to increase substantially in the immediate future. The MERC benefited from the guidance of Prof Andre Jooste and Dr Simphiwe Ngqangweni, who both also served in the Management Committee of AEASA for some time. Most interestingly, NAMC has largely been led by agricultural economists, including Ronald Ramabulana, who is also one of the past AEASA presidents in practicia.

The Independent Development Corporation (IDC)

The IDC does not employ agricultural economists for the function of providing agricultural economic expertise, as the organisation has an industrial focus, in which agriculture plays a minor role. There are a few agricultural economists at the IDC, but they form part of teams that evaluate financing options for industrial projects. The agricultural economists at the IDC are members of the AEASA and as such, find the association valuable. The IDC does not foresee a major role for agricultural economists in its organisation and there are no specific vacancies for these professionals.

TRAINING OF AGRICULTURAL ECONOMISTS AT STATE-OWNED ENTITIES

Qualifications of Agricultural Economists at state-owned entities

The universities of Venda, Limpopo, North West, Pretoria, KwaZulu-Natal, Free State, Stellenbosch and Fort Hare provide specific agricultural economic training and most of the agricultural economists employed by the SOEs qualified at one or more of these institutions. However, a number of other universities have broader economic departments, and people educated at Rhodes, UCT or Wits, with BCom training for example, are employed from time to time as agricultural economists. Depending on which SOE the economist is working for, the minimum qualification is typically a BSc (Agric) degree or a BCom (Agricultural Economics) degree. Often Agricultural Economics degrees or business degrees are required, whilst postgraduate research or MBA qualifications related to Agricultural Economics are often needed to progress in the profession. The Land Bank employs agricultural economists from a bachelor's degree (BSc) to doctoral (PhD) level, depending on the level of economic analysis required for a particular post. NAMC employs staff with a BSc Agric or even a B Agric if the focus of the position is not in dealing with research. The NAMC's main recruitment strategy includes a process where interns are drafted and gradually employed after evaluation. The ARC's strategy is to take in PhD-level scientists or post-graduate MSc students and allow them to analyse an agricultural economic issue relevant to the organisation.

Additional Training

Whilst many agricultural economists working for SOEs come directly from the university to the workplace, additional training and coaching is deemed important at all the SOEs. Experiential learning, orientation or preparation is deemed to be of value to assist young, newly qualified agricultural economists to be better prepared for the roles that they will play. The critical role played by senior personnel in mentoring young economists cannot be underestimated. This particular model is often used, albeit not officially. Whilst structured further training programmes are missing from the SOEs mentioned, it is agreed that gradually building experience and using further opportunities for training are important. To progress in the organisation, experience is important, as is the publication of research and interaction with industry stakeholders. Skills in written and oral communication, Econometrics, and a broad field of expertise, etc. are important.

[46] *Most of these universities mentioned here also cater for BCom and higher degrees. In certain cases (eg University of Stellenbosch) Agricultural Economics was a choice as one of the main subjects.*

STATE-OWNED ENTITIES AND AEASA

AEASA's Contribution

The AEASA does contribute significantly to the development of agricultural economists in SOEs. The activities of the AEASA and specifically the annual conferences, provide its members with an important broader perspective, exposing agricultural economists to other fields of economic analysis and research, methods, enterprises, possibilities and roles that they could play in the economy and its analysis. AEASA provides a platform where different agricultural economic experts interact, dealing with practical issues and analysis of real situations. At these events, agricultural economists benefit significantly through learning about the latest research results and development initiatives, which have an impact on the business and research environment. It also provides an opportunity to test experiences and results among peers. Much of the impact of AEASA on agricultural economists is indirect. It entails exposing less and more experienced economists to networks, points of view, publications, alternative positions, etc., which are all important for stimulating creativity and innovation. Apart from these very important opportunities, AEASA also encourages further learning opportunities. This is achieved through facilitating access to bursaries and broadening access to many other sources of information that contribute to the closing of the information gap, thereby culminating in agricultural economists being able to adjust their views where necessary. Importantly, the conference also provides agricultural economists with alternative employment opportunities. Quite a number of career prospecting discussions on 'the greener grass on the other side of the fence' take place during tea time sessions in conferences.

How should AEASA support Agricultural Economists in state-owned entities?

AEASA plays an important guidance role for agricultural economists. However, some members argue for a shift from a predominantly academic platform to accommodate an integrated agribusiness and public service government environment with more practical content and exchanges that would add value. The workshops before the conferences provide practical examples and exposure to the agricultural value chain, but it is sometimes not practical for all participants to attend, in terms of the additional time and/or money required. Apart from providing a platform for the academic sharing of findings, AEASA events also act as a sounding board where the wider sharing of the experiences of agricultural economists, including also in SOEs, can be discussed. More involvement of agribusiness in contrast to a focus on government organisations and academic institutions would be valuable. The private sector needs to be further integrated and more interaction with policy-makers could also be valuable. This is particularly important as policy analysis at SOEs would be more relevant if interaction with decision-makers could be facilitated through AEASA. It is important for AEASA to be open and transparent in its decision-making and provision of opportunities. Apart from the established networks and valuable partnerships among various academic and business oriented institutions, new partnerships and views should be facilitated and encouraged.

Challenges faced by Agricultural Economists in state-owned entities

As in most public and private institutions, budgetary constraints do limit the work of agricultural economists in SOEs, especially as it pertains to attracting and retaining a critical mass of qualified skilled economists. Competition with the private sector for the relatively scarce skill set of competent and experienced agricultural economists often results in the better equipped ones leaving state-owned entities for the private sector. The fact that the SOEs operate in a market

environment, but are governed by certain legislation as such as the Public Finance Management Act, is sometimes a limiting factor. Importantly, a lack of optimal coordination between agricultural economists and specificallydifferent organisations, limits the impact of the profession. To some extent the fact that a small number of agricultural economists are spread across various organisations dilutes efficiency and critical mass in terms of expertise and coordination being achieved. Closer collaboration can improve the role and impact of agricultural economists specifically at SOEs. In fact, some sort of institutionalised collaboration should contribute to the overall performance and relevance of the Agricultural Economics profession throughout the public and private sector, including academic organisations.

CONCLUSION

Agricultural economists inevitably function in a multi-disciplinary and often inter-institutional environment. Tomlinson was of the opinion that farm-level, practical research by agricultural economists was futile if done in isolation from other disciplines. Apparently Professor Jan Groenewald (retired professor of Agricultural Economics previously attached to universities of Pretoria and the Free State) used to encourage his students to know as much about the subjects of other specialists in a multidisciplinary environment, as their own. Agricultural economists in SOEs have to have significant analytical, scientific and even mathematical skills. They should be creative and be interested in the world and how it functions. They must demonstrate understanding on how the global economy links to the local economy, what its implications are, and be interested in the environment, particularly as it relates to agriculture. Good communication and research skills are also imperative.

The work of an agricultural economists employed in SOEs in South Africa is varied and stimulating but requires detailed analysis and painstaking research, sifting through data and information. It often requires one to travel and work at different locations and thus is highly diversified. In essence, the Agricultural Economist's work entails provision of a solid foundation for strategic imperatives which inform the direction of the business over the medium to long term. Agricultural economists also guide tactical decision-making where decisions have to be made for ad hoc business processes. They provide SOEs with a solid foundation for both strategic decision-making processes which inform direction over the medium to long term as well as tactical decision-making where decisions have to be made for ad hoc business processes. Agricultural economists generally have in the past demonstrated excellent leadership acumen and high levels of versatility, which often results in them taking up leadership positions in the organisations in which they function.

The case for more coordination in the discipline is strong. Consolidating existing strengths and avoiding duplication will be important for the growth and impact of our discipline. Whilst there is significant demand for detailed analysis and econometric skills as inherent in the neo- classical approach, there is also a need for systems thinking and looking at change in a more qualitative, holistic way. Agricultural economists need to gain experience in order to be able to practice their craft effectively.

Combining, in some practical manner, the agricultural economic capacity in SOEs with the same capacity in other public institutions such as government departments and academic organisations make sense on a number of levels. Whilst the role of the AEASA in empowering

agricultural economists itself should be enhanced through, for instance, regular workshops on specific priority topics, more is required. There is a need for some form of institutional development for the Agricultural Economics profession beyond just a forum such as the AEASA. What is required is political support and commitment to the development of people and their institutions. Again Professor Groenewald is worth quoting: "Our most important resource is not land nor capital and even less the climate. Our most important resource is not the gold under the earth's crust, or the oil that might be there. Our most important resource is our human material. We must develop our human material and make full use of it."

Our profession has a simple mandate: to stimulate agricultural development and through this, economic growth. Whether through higher productivity, beneficiation or any other value adding innovation, such as technological innovation, competitiveness must be strived for. Investment in human capital is critical in this regard. The challenge for agricultural economists is to become more actively involved in policy discussions on the future direction of our beloved country. Perhaps the achievement of this goal can only become reality through developing an Agricultural Economics institute?