THE FARMER: FROM BARGAINER TO BEGGAR IN 10 YEARS
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The South African farmer comes from a background of control boards where he could focus mainly on production while the boards sold his produce. This situation took a dramatic and about turn when the Marketing of Agricultural Products Act was introduced on the 1st of January 1997. The reforms, which were completed in 1998, represented a wide-ranging move away from statutory intervention and were geared towards promoting market efficiency and competitiveness in the sector.

It was expected that under de-regulated conditions of free competition prices would, on average, be lower and that firms would be more efficient as competitive rivalry spurred them to cut costs. It was anticipated that deregulation would mean greater volatility although it was suggested that the use of hedging and derivative instruments would create opportunities for farmers to more than offset the financial risks of their production process.

There was also the assumption that the outcomes of the new marketing act would not be influenced by the exertion of market power either by dominant firms and/or through collusive conduct. This assumption soon disappeared like a puff of dust as companies with a superior market position quickly start playing a dominant role in the market. In particular, high levels of concentration at the processing level, and vertical integration of many of these firms, has meant that firms have been in a position to exert market power on consumers as well as producers.

The strong position of a few big food processors make it easy for them to keep farmers hostage with low international prices while local production cost played no part in determining prices. This created a situation where farmers become price takers for their produce because they had no collective bargaining power under the new marketing system.

The same situation developed at the input side of farming. Silo capacity and fertiliser are examples of inputs that are concentrated in the hands of only a few big companies. While statutory minimum wages does not even allow the farmer to control his own labour cost any more. The farmer is therefore also a price taker with regards to a significant portion of his production cost while he is not in a position to add additional cost to the price of his produce. In short: he begs for an acceptable input price and he begs for an acceptable price for his produce.

In such a vicious circle prices within international economic cycles stays low just long enough until the debt repayment capacity of farmers reach a point where the critical debt burden of most farming enterprises are exceeded. The survival of the farmer then depends on banks and agri-businesses and their future are no longer in their own hands. By way of contract growing programs they are reduced to simple suppliers of raw materials to a few large food processors.

This intolerable squeezing boundaries result in agricultural land gradually being applied for other uses like game lodges and golf estates because commercial farming is not attractive any more. Agriculture in South Africa, and the accompanying food security, is a ship heading for an iceberg.

The Competition Commission recently investigated a number of agricultural related matters where irregular practices within the scope of the Competition Act was investigated:

- Premier Foods and Tiger Brands was already fined with millions of rands for there participation in bread cartels;
- In the dairy industry there the market power of milk processors and the negative impact on the producer price of milk are under investigation. The tribunal will probably soon give a verdict on the case;
- Regarding fertiliser, Sasol very recently was fined R250 million for acknowledging his participation in price fixing while the case against his co-accused, Omnia and Yara, are still continuing;
- Senwes was find guilty of transgressing the Competition Act regarding grain storage;
- In the poultry business it was found that Astral had abused its dominant position, especially in the breeding market, by engaging in conduct, which was anti-competitive.

It is clear that neither the producer nor the consumer had benefited from the new marketing act. The dominant market powers just took the previously statutory control in their own hands and start manipulating the market for their own benefit. The American Indians had a very simple but clear vision for agriculture: ñFeed the village, everyone in the village, and do so in a manner that disturbed nature as little as possible.ò The new marketing system surely didnôt achieve this over the past ten years.

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