By Andries Theron, vice-chairperson of Grain SA

REVITALISING THE WHEAT INDUSTRY:

Problem solved or tip of the iceberg?

Winter grain producers would perhaps congratulate the editorial committee of *Oilseeds Focus* for compiling an attractive, scientifically correct and usable reference for research purposes. By addressing one of the key challenges in the grain and oilseeds industry, namely individualism or silos, the team positioned itself as a key role-player to benefit the entire value chain.

Although this publication focuses on oilseeds, I would like to focus on an industry that we all know, by discussing the rationale behind the revitalisation of the wheat industry. How is a producer affected and what solutions are offered to assist him to continue production?

Downward spiral

The South African wheat industry has been on a downward spiral for the last 15 years – from being self-sufficient and producing three million tons of wheat, to the current situation where the country has to import 1,9 million tons of wheat, with local production on 1,5 million tons.

The drivers behind this downward trend are legion – some being the impact of genetically modified (GM) maize in the northern dryland wheat-producing region, climate change and other crops such as canola and soya bean. However, the main driver has been profitability.

In a country where free market principles are applied, local producers have to compete with imported wheat from countries where production is subsidised and the quality of imported products is of a lesser value. Although this determines the price of local wheat, these influences placed the self-sustainability of wheat under pressure, and farmers have turned to canola, soya bean, barley and livestock to survive.

In order to revitalise an industry, constraints had to be identified and solutions found.

Lack of communication

A lack of communication between role-players has been the constraint that had the biggest impact on the wheat industry. The scare of the Competition Commission also had a negative impact on the industry. Value chain members were too wary to be seen together, and valuable communication to enhance production and quality ceased to be available.

Production took place without knowing the needs of product off-takers or those of the market. We used to be pleased with the quality of locally produced wheat, but substantial lowering of quality and grading standards was implemented without jeopardising product quality. The benefit of this is that with the slightly lower standards, we can increase cultivar yield with breeding and produce at a lower cost and still obtain the same grades.

Quality standards

The availability of information on quality, grade and product origin is essential to ensure the best price for what is produced. Wheat has specific quality characteristics and grades for where it was produced and stored. The more information producers can relay to clients, the better their chances of determining price.

There are still different criteria for locally produced wheat compared to imported products. We are global players who play by international rules. Producers will comply and the same rules should apply to off-takers.

Research and technology

Research and the availability of the best technology and new inventions are a must. Government-funded research is questionable and its continuation is uncertain. In order to be competitive, research focussed on production, practices and new cultivars is crucial. Time and funds are limited. Available research should be utilised to the benefit of local production. If the value chain identifies research that will add value, it will have to fund itself.

Change is essential

Change is inevitable, but creates uncertainty. However, well devised and executed change brings about sustainability, profitability and food security.

Almost two decades have lapsed since the end of the regulatory market system and the implementation of free market principals. New guidelines were developed, new trading institutions were established and the South African Futures Exchange (Safex) widened horizons. However, a reluctance exists to revisit and refine this model that has been operating for so long. During deliberations on the revitalisation of the wheat industry, it soon became clear that the systems in place are lacking. Lessons learned should have an impact on outdated guidelines and regulations.

In order to survive in this fast-paced business world, change and adaptability are essential. With an exchange rate that has deteriorated by almost 50% over the last nine months, stagnation would have a producer out of business by now. Swifter and timely adaptation to an ever-changing business environment is inevitable.

Political uncertainty

With political uncertainty in an unstable environment, a farmer has to pose relevant questions before investing in a business.

An economy of scale can present a solution or threat. It makes economic sense, but the government requires land for redistribution. Move from grain to livestock, and one has a lower income and risk. Whatever solution we plan for wheat, government involvement must be limited.

The revitalisation of the wheat industry was a wake-up call. We ought to address the challenges before food shortages force us to take drastic measures to revitalise our industry.