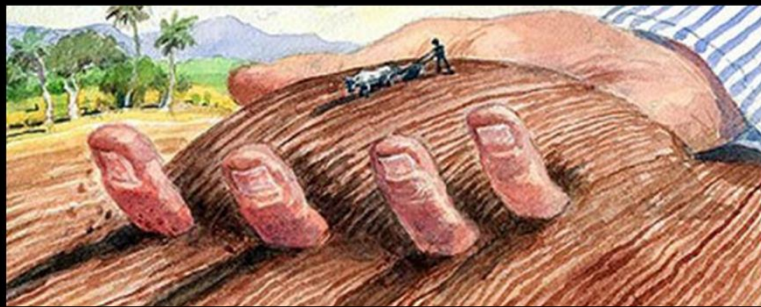


**A constricted agricultural system:
cartels, collusion and corporate farming**

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Nothing happens in a vacuum...

- Colonisation, apartheid and globalisation.
- South Africa, an outlier on the African continent.
- Agriculture nested in a modernity narrative.
- Implications for the future.
- Increasingly constricted agricultural system.



A constricted agricultural system: cartels, collusion and corporate farming

Nothing happens in a vacuum, let alone an agricultural system. South Africa's has been shaped by very particular historical forces: colonisation, apartheid and globalisation. This very particular framework has made it an outlier on the African continent. STATS

The region was initially colonised as a settler community as opposed to an enclave community meaning that food production was of primary importance for the domestic market. There was a focus on servicing both the domestic and export market – for the passing ships. In short the emphasis was on commercial food production. During the apartheid era (1948-1994), the country was largely isolated from global trade, which influenced policy decisions around agriculture, among other industries. From the 1950s onwards, the state adopted the “green revolution” philosophy of farming and aggressively pursued this approach, including the use of high-yielding hybrid seed varieties that responded well to irrigation, the heavy application of synthetic fertilisers and pesticides and crops that could be densely planted and easily harvested by machine. State machinery to support and regulate this model included agricultural market boards, which provided essential farm inputs, as well as information and marketing advice. The result was a dualistic farming system: a well-supported commercial farming sector that meets national food requirements and a relatively underdeveloped, unsupported smallholder and subsistence sector that only contributes 20% towards overall production. Additional effects of this mode of farming include increased soil salinisation and resistance to chemicals among pest populations. Traditional crops were also sidelined in favour of those with commercial potential.

Following the implementation of democratic rule in 1994, the country's economy was suddenly exposed to international trends and influences, the most pertinent being globalised trade. During the transition period leading up to 1994, local companies began looking to expand into Africa and the international market. South Africa liberalised their economic policies, privatised many previously state-controlled entities and opened itself up to compete in a globalised trading market. Local companies were eager to explore the new opportunities offered for capital accumulation in neighbouring states, as the South African market was constrained, oversupplied and offered limited profit margins. Globalisation has transformed the localised food systems of the world into “an integrated and linear world system based on the principles of comparative advantage, standardization, geographical division of labour and control by a few corporations and trade agreements” – with food and food products now sourced globally and mainly from industrialised farms. The modern food system of the developed world is dominated by off-farm actors with farmers having little input into pricing or policy-making and it is driven by processors, traders and increasingly retailers. Control of the system now relies on “controlling the means of co-ordination rather than the means of production”.

The structure of any agricultural system is not determined by a neutral process, but rather reflects a dominant political, economic and social narrative. South Africa's has been shaped by colonisation, apartheid and democracy, it is influenced by globalisation and benefits a particular group of stakeholders.

A culture of consolidation: Seeds

- Seeds are big business – global seed market – US\$45 billion; SA's share – US\$428 million.
- Consolidated ownership in Monsanto and Pioneer/Pannar.
- Implications for seed costs, lowering innovation and control of staple food germplasm.

A culture of consolidation: Seeds

Seeds are big business for many reasons. There is a captive market – the world's farmers and everyone needs to eat! They have also become platforms for selling proprietary knowledge – in other words, the patented technology within the seed is what is being sold. Hybrid seeds generally do not breed true so have to be bought again each year and genetically modified seeds are protected by intellectual property rights and so farmers technically must pay a licence each year to replant.

By end-2012, the global commercial seed market was estimated to be worth US\$45 billion with South Africa's market share at US\$428 million of that. On a global level, the top 10 commercial seed companies control close to 75% of the market, in contrast to 50% in 2005 (Barker 2007). The two biggest are Monsanto and Du Pont.

In the 1990s, South Africa's formal seed industry consolidated around six companies (Pannar, Sensako, Asgrow, Ciba Geigy, Saffola and Cargill) who went onto to merge or acquire each other. Pannar (acquired in 2012 by US-based Pioneer Hi-bred, a DuPont subsidiary) is the largest in the country and Monsanto is the second. This seed duopoly controls about 90% of the commercial seed market giving them power to a large degree to determine seed access, type and cost in the country.

The history of the seed system in South Africa has since the mid-1600s been commercial in nature serving a particular group of participants – colonists, white farmers during the Apartheid era, and private businesses (predominantly multinational companies) in the period post-1994 when the country entered a globalised agricultural market.

Seed, as an input cost, has risen by 12% between 2011 and 2012 to make up 3.5% of total costs of farming. Seed prices have been rising at an average of almost 18% a year for the last decade – close to triple the average consumer inflation rate for the period. When combined with the rising operational costs discussed earlier, this presents a challenge to the viability of farming operations.

As an aside on Fertiliser costs, another vital input, these have risen dramatically – a 200% increase between 2006 and 2008. Costs are subject to availability (South Africa imports the bulk of its fertiliser) and fluctuating exchange rates. Besides the concerns around two companies wanting to recoup the cost of their investment in proprietary hybrid and genetically modified seed, a further concern is that two US-based companies – Monsanto and Pioneer (which is a fully owned subsidiary of Du Pont) own nearly the entire germplasm pool of South Africa's staple food supply.

An area that needs to be explored further in research on South Africa's agricultural sector is the practice of saving seed by commercial farmers. Although smallholder seed exchange systems have pretty much been obliterated in the country, wheat and soya farmers are re-using hybrid and genetically modified seed to save costs. I was told that wheat seed would need to come down in cost by 35% to make it viable for wheat farmers to buy. This is an interesting scenario as commercial farmers are responsible for South Africa's national food security. What would the consequences of criminalising this group, predominantly white male farmers, be given the political climate of the country.

A culture of consolidation: Farming

- 5% of SA's 40 000-odd commercial farms produce 70% of the food.
- 20% of these farms make most of the money.
- Corporate farming feeds into corporate retail chains – phytosanitary requirements, scale, etc.
- Farmers increasingly taking strain.

A culture of consolidation: Farming

We have just under 40 000 commercial farms (a decline from 61 000 commercial farms in 1996) – we are not losing farmland, but farms are being merged to create bigger production areas. Increasingly they are owned by corporations and they use “Green Revolution” technologies. Of these 40 000-odd farms, 5% produce 70% of food in South Africa and 20% of them are responsible for total gross commercial farm income. In contrast, there are roughly 200 000 smallholders in the country and about 2.7 million households practicing subsistence agriculture.

South Africa's farming sector, of course, has been shaped by apartheid. White commercial farmers controlled 86% of the country's arable land while apartheid policies confining black farmers to 'bantustans' with limited access to markets, let alone arable land, and devastating the African farming base and stripped households from agricultural and rural capital. The sector reflects the fragmented allocation of benefits and burdens to different race groups, genders and geographical areas during apartheid – in particular access to arable, land, water, education, subsidies and credit.

Even through economic liberalisation removed subsidies for white commercial farmers, they still enjoy the entrenched benefits of support, along with access to quality infrastructure and markets and accumulated commercial knowledge. The removal of subsidies also affected emerging farmers and many of the RDP small-scale farms are failing or struggling to compete as they do not have access to capital.

Beyond that, economic liberalisation has impacted on farm profitability. For example, in recent years, small farms operating in the poultry sector are closing down as they can't compete against cheap imports. These farms are being acquired by dominant companies such as Rainbow and Astral, that can afford to weather the storm. Even our sugar giants, Illovo and Tongaat Hulett, are taking strain because of cheap sugar imports.

The nature of retail in South Africa – 70% of food is purchased in supermarkets – also denies access to smallholder farmers, who cannot produce in the volume required or often cannot comply with phytosanitary requirements.

Farmers cite rising inputs as a constraint to business – inputs range from fertilisers, water to seeds, which in South Africa is also a consolidated market. In addition between 2011 and 2012, fuel prices rose 12.9%, water costs by 29.2% and electricity costs by 43.8%. Increased costs for farming contribute to higher food costs with dire implications for South Africa's most vulnerable and food insecure.

A culture of consolidation: Milling

- The former co-ops Senwes, NWK and AFGRI (former co-operatives) control 74% of the maize handling and storage capacity.
- Tiger Brands, Premier Foods and Pioneer Foods – control the milling of white maize (about 60%) and wheat (about 90%), along with Foodcorp.
- Tiger Brands, Premier Foods and Pioneer own most of the maize meal and bread brands in the country.

A culture of consolidation: Milling

The work that the African Centre for Biosafety has done around consolidation of the maize and wheat industries points to a constricted system in which a few companies control storage, milling and distribution of the country's staple foods.

The former co-ops Senwes, NWK and AFGRI (former co-operatives) control 74% of the maize handling and storage capacity in South Africa. Three companies – Tiger Brands, Premier Foods and Pioneer Foods – control the milling of white maize (about 60%) and wheat (about 90%), along with Foodcorp.

After liberalisation of the economy in the 1990s, it was assumed that margins in the milling industry would drop and lead to lower food prices. This did not happen and retail margins actually rose by 20-40% in this sector. An investigation at the time indicated that despite lower prices on the international market, this group continued to sell at higher prices.

One of the consequences of having a large-scale and consolidated milling industry, besides the fact that it shuts out opportunities for smaller millers, is that the process removes much of the nutrients from the maize and wheat. Hence, South Africa's fortification programme which mandates the addition of much-needed micronutrients back into staple foods.

Despite government support for a small-scale milling industry, these millers report that they battle with high transport and maize costs, inadequate storage facilities and consumer preference for branded products. Tiger Brands, Premier Foods and Pioneer Foods own 70% of maize meal brands in South Africa.

They also own 70% of local bread brands, in conjunction with Foodcorp. The bread industry, as with most agricultural industries, was heavily regulated in South Africa up until 1991. It operated under a quota system and product specifications were mandated around weight, height and width of the loaf and prices were fixed, as were volumes and distribution areas for each producer. There were about 370 bakeries operating in the country in 1991. This number has steadily decreased and by 2010, four bakeries held a market share of between 50-60% of the domestic bread market.

These companies are Premier Foods (Blue Ribbon) – 14%; Tiger Consumer Brands (Albany) – 25% market share; Pioneer Foods (Sasko and Duens) – 27%; and Foodcorp (Sunbake). The remainder is taken up by in-store bakeries (Pick n Pay, Shoprite and Woolworths), industrial users and small bakeries.

This brings us to collusion. In 2009, the Competition Commission investigated the so-called "maize cartel" (including Tiger Brands, Pioneer and Premier Foods) around allegations of price-fixing. A cartel comprises companies that have agreed not to compete against one another.

The Commission found that these companies had held regular meetings between 1999 and 2007 and agreed to fix the price of wheat and white maize products. Pioneer Foods was fined R1 billion and Tiger Brands R98 million. However, since 2009 the miller to retail margin has actually increased.

A spokesman from a Cartel seminar hosted in Cape Town recently by the African Centre for Biosafety indicated that the overcharges to independent bakeries ranged from 7-42% during this period and that extensive damage was done to consumers during this period through increased cost of maize and wheat products.

In addition, the commission also found that Pioneer had aggressively used its market share to drive smaller bakeries out of business. It threatened smaller bakeries in the Western Cape with price wars if they did not increase their prices for bread. Despite Pioneer being fined R500 million, these smaller operators no longer exist. The company was forced to lower the prices of bread for six months; all of the others followed suit, but as soon as the six months was over, the price of bread increased markedly so that they could recoup their loss of profit.

In effect, these companies significantly raised the prices of staple foods for years and threatened the livelihoods of South Africa's most vulnerable by eroding their already limited purchasing power. In addition, they raised barriers to entry for smaller players.

The spokesperson for the commission noted that through Pioneer's cooperation to lower the amount of the fine, cartels were also discovered in the egg and animal feed industry.

It is worth noting that 90% of maize in South Africa is genetically modified and the African Centre for Biosafety's recent tests on major bread brands indicate that most of the soya used in the bread is genetically modified. The Centre has been pushing for accurate labelling of these products for years in accordance with the Consumer Protection Act.

This consolidated processing industry feeds into an equally concentrated retail market, dominated by Shoprite, Pick n Pay, Woolworths, Spar and Massmart.

A culture of consolidation: Retail

- 70% of food sold in South Africa is sold through supermarkets.
- This sector is dominated by Shoprite, Pick n Pay, Woolworths, Spar and Massmart.
- Supermarkets increasingly control the type of food we eat and the price we pay for it.

A culture of consolidation: Retail

70% of food sold in South Africa is sold through supermarkets. This sector is dominated by just a few companies that aggressively compete for market share. I am going to pick on Shoprite to illustrate, as the company is South Africa's largest food retailer – it is also the biggest on the African continent – with 34% share of Africa's supermarket sector.

Supermarkets have become increasingly powerful in the agricultural value chain. Shoprite admits that in rural Africa, "Shoprite store may be the only store, resulting in a binary dependency by communities". Expansion of the "mega" into new markets tends to displace the small and varied farmers and suppliers traditionally operating in that space. For example, by 2002 the formal sector in South Africa had overtaken the informal sector (vendors, small stands and spazas) and although holding less than 2% of all food retail outlets, their share of total food retail in South Africa was close on 60% and by 2007 was 94.5% of the retail food market. The 1 700-odd supermarkets at that time had replaced an equivalent of 350 000 "spaza"-type shops. They also impact negatively on those making their money from food vending. Supermarkets have the ability to "...raise selling prices and depress input prices, to deter entry, to redistribute profit to oneself, from other firms and more importantly to sustain these benefits over time". In addition, as the link between consumers and suppliers, the retailer is in a powerful position to influence what gets consumed and the price of that consumption.

As Africa urbanises and millions go through the nutrition transition moving from staple foods such as sorghum, millet and maize to an energy-dense, high-fat and low-fibre Western-style diet, the type of processed food they eat has health implications. "Cheap" and ready-made food in the supermarkets, while contributing to calorific intake, often contains more unhealthy fats, salt and sugar as well as lower amounts of fibre, which can contribute to chronic conditions such as obesity, heart disease and strokes. These are not conditions that the urban poor are in any condition to tackle from a retroactive perspective. Health has been positioned as an individual choice, however marketing, misinformation and the myth of a "Western" lifestyle combine to shape individual food preferences and nowhere is this more apparent than in a modern supermarket.

The supermarket is also in a position to determine prices paid to producers and prices paid by consumers. It sets quality and quantity standards that require producers to scale up to meet the demands of an extended distribution network and this is often not possible for smaller players.

SA Agribusiness in Africa

- South Africa dominates the African agribusiness market. Ten of top 20 African agribusinesses operating on the continent are South African. These companies are Tiger Foods, Pioneer Foods Group, Tongaat-Hulett, Astral Foods, AFGRI, Illova Sugar, Anglovaal Industries (now AVI Ltd), Rainbow Chicken (now RCL Foods), Clover Holdings and Oceano Group.
- South African-owned Shoprite Holdings is the biggest supermarket chain on the continent and the country's banks have extensive footprints in African countries, led by Standard Bank and then Absa, First Rand and Nedbank.

Tiger Brands and Shoprite seem intent on pursuing consolidation of their interests on the continent. Tiger Brands controls 50% of the South African maize and wheat milling and processing market, along with 25% of the bread market. With its controlling shares in Dangote Flour Mills in Nigeria, it has substantial market share in an already consolidated flour milling industry – Dangote held 18% of market share in 2008, Flour Mills of Nigeria 38% and Ideal Group with 14% with the balance taken up by much smaller players. In addition, Tiger Brands has controlling shares in companies operating in Cameroon, Kenya, Zimbabwe and Ethiopia. The group's distribution network in Africa spans 22 countries. It also has a controlling share in Oceana – another agribusiness "giant" on the continent, whose aims is to be "the leading empowered fishing and commercial cold storage company in Africa".

Consolidation of power in agribusiness can lead directly to economic loss for both suppliers and consumers who show calculable loss of income when agribusiness is in a position to undermine its competition and increase its own profits at the expense of either group. By exercising "buyer power", corporate agribusiness can impose "vertical restraints" on suppliers such as forcing them not to sell to competitors or not to sell at lower prices. When control of the food system shifts to those who control supply and distribution, as opposed to production, a small number of buyers can control a larger number of sellers (oligopsony) minimising their risk and maximising their profit. In short, increasing consolidation of the African agribusiness market by corporate capital is likely to shut out smaller players, decrease employment opportunities and determine the structure of any future system.

South African processing giants are making inroads into the African market. Tiger Brands has controlling shares in Haco in Kenya, the Chocolaterie Consiferie Camerounaise in Cameroon, Dangote Flour Mills and UAC Foods in Nigeria, National Food Holdings in Zimbabwe and East African Tiger Brands in Ethiopia and full control of Deli Foods in Nigeria. Its majority stake (63.35%) stake in Dangote Flour Mills gives it substantial market share in the consolidated Nigerian flour milling industry where just three producers control 80% of the market. Tiger Brands also exports its products throughout the continent. The group has a distribution network that spans more than 22 African countries. Besides that, it has a substantial shareholding (41.92%) in another South African "giant" – the Oceano Group.

Oceano Group is South Africa's largest fishing company with substantial cold storage facilities in the country and Namibia (110 000 refrigerating pallet positions for fish and fruit), where it also has a large stake in the industry. The group's stated purpose is to "be Africa's most efficient converter of fishing rights into value". Although it currently only has facilities in South Africa and Namibia, the group sells its products through 23 operating subsidiaries into the African market. Three million of its Lucky Star meals and about 1.4 million meals of its horse mackerel are consumed each day in Africa. Horse mackerel is sold into the Angolan, Cameroon, Democratic Republic of Congo, Mozambique, Angolan, Namibian, Zambian and Zimbabwean markets. Oceano is on an acquisition path to buy up fishing rights and in mid-2014 acquired the conditional approval from South Africa's Competition Tribunal to buy Foodcorp's fishing business. Foodcorp, South Africa's third largest food producer, is itself a wholly-owned subsidiary of New Food Holdings (Pty) Ltd, which is controlled by Capita Investment Management Limited, which is controlled by RCL Foods.

RCL Foods encompasses Rainbow Chicken, TSB (one of South Africa's largest sugar producers with a 32% interest in the Royal Swaziland Sugar Corporation) and Vector Logistics Solutions. It owns a 25% share in Unilever, a multinational consumer good company with over 400 brands. Rainbow Chicken is South Africa's largest processor and marketer of chicken; it breeds and rears its own livestock and owns five feed mills, six processing plants, distribution and marketing channels. Over four million chicken pieces are sold in South Africa every week. RCL has entered into joint ventures on the continent to expand its markets. These ventures include those with Zambia's Zambef's beef and chicken operations. Zambef also has operations in Ghana and Nigeria and it operates Shoprite's in-house butcheries in Zambia, Ghana and Nigeria. RCL Foods will invest in a new rearing, laying and hatching operation in Zambia over the next few years. In 2014, RCL Foods acquired a 49% stake in Botswana's biggest cold chain distribution firm, Senn Food Logistics for close on R80 million. This in combination with Vector Logistics' long-term plans for expansion into other African countries ensures reliable distribution channels for RCL Foods, as well as capturing the logistics, sales and distribution market opportunities in those countries. Rainbow is, however, not the only South African poultry company interested in new African markets.

Astral, with 22% share of the South African poultry market is close on the heels of Rainbow with 23%, is an integrated poultry producer manufacturing animal feeds, involved in broiler genetics and the production and sale of day-old chicks. The company has been operating a poultry feed business in Zambia for a few years now and in June 2010, it opened TigerChicks, a new state-of-the-art broiler breeding farm and hatchery there. Astral also supplies chicks and hatching eggs to independent operations in Swaziland, Botswana and Mozambique. In 2012, the company opened a hatchery in Mozambique, a country that imports most of its poultry requirements, and is considering expanding the operation to include broiler production and slaughtering facilities. Earlier in 2014, Astral entered into a long-term supply agreement with Quantum Foods for about 550 000 broilers a week. Quantum falls within the Pioneer Food Group.

Pioneer Foods has prioritised Africa for growth, flagging the continent as "a significant opportunity for the group in the medium term". Pioneer's African operations span Botswana, Namibia, Zambia and Uganda. In mid-2014, Brait announced it was looking for opportunities for its Premier Foods to expand in the fast-moving consumer goods market in the rest of Africa while beer-brewing giant, South African Breweries, has been operating in Africa for years. It has business operations in 15 African countries and a stake in 21 other countries through an alliance with Castel, a French-owned firm. Home-brewers and bootleggers still supply two-thirds of all alcohol consumed in Africa. The company is spending time trying to capture the lower-income end of the beer market through making imitations of local beers that are not preserved – the Nigerian brand is called Shake-Shake as the carton has to be shaken before drinking to mix up the sediment – this brand is now sold in 11 countries. SAB Miller's expansion has expanded opportunities for local cassava and sorghum farmers that supply to the company for its economy-brand lagers.

AFGRI has an extensive footprint both geographically and across the agribusiness spectrum. It has John Deere dealerships and equipment outlets in Zambia, Congo Brazzaville and Ghana, grain procurement and storage facilities in Zimbabwe, financial service centres in Zimbabwe and Uganda and 51% ownership of Bnot Harel in Nigeria, an agricultural pharmaceutical company that also deals in animal feeds and day-old chick hatchery supplies.

While companies like Pioneer Foods benefit from cheap imports of substances like sugar into South Africa noting that an increase in sugar prices will mean reducing sugar content or switching to artificial sweeteners in its products, South Africa's sugar giants are taking strain and looking to African operations to provide higher returns on investment.

Push and pull factors for expansion

- Fierce local market competition – increasing consolidation in the local market due to cheap imports
- Depressed consumer spending
- Labour issues
- Rising input costs
- Access to arable land and water and concerns around land redistribution
- Volatility of the rand
- According to the Agbiz/IDC confidence index for the third quarter of 2013, only half of agribusiness decision-makers and executives are positive about the local agribusiness environment. While PriceWaterhouseCoopers' 2014 Agribusiness Insights Survey indicates that 70% of surveyed chief executive officers want to expand into Africa and 90% of those that already had expected their revenue from their African operations to expand during 2014.
- A gigantic untapped market and the potential to make a lot of profit!

Shoprite sold more bottles of JC le Roux sparkling wine in its 19 Angolan stores than its South African stores and more cans of Red Bull in just five Angolan stores than in South Africa's entire group in the last six months of 2013.

Shoprite chief executive officer, Whitey Basson claims that Africa is where the really profitable action is. By end 2012, the turnover from Shoprite's African stores represented 11.1% of the group total and by 2014 turnover was 12% higher than in South African stores. Sales in Shoprite's African stores rose 28.1% in the last six months of 2013 providing a 45% return on investment – this despite slow growth for the group overall. In 2003 already, Massmart acknowledged that "business beyond South Africa's borders earns far higher margins, the average store outside of South Africa is earning twice as much in bottom-line terms as stores within South Africa". Massmart, acquired by the world's largest retailer Walmart in 2011 in deal that required competition approval in six African countries – South Africa, Swaziland, Zambia, Namibia, Tanzania and Malawi, is planning to enter Angola by 2015 and have four stores in the country by 2017 and to build its first store in Kenya. Agroprocessors such as Oceana are generating 19% of their sales revenue (2013) from African countries, other than South Africa and Namibia, which generated the most, and only 10% from Europe and the Far East. At end 2013, Woolworths closed its pilot stores in Nigeria on the basis of poor profits and the challenging business environment; Shoprite, however, continues to do well in the same locations indicating that the price point for goods is important.

In addition, expansion is supported by business synergies. For example, Shoprite's presence on the continent (it has stores in 1 525 corporate and 377 franchise outlets in 16 African countries) facilitates the expansion of other businesses, such as Clover that notes that dairy exports into sub-Saharan Africa benefit from the aggressive expansion of South African supermarkets into the region. There are also connections between the subsidiaries of South African companies in Africa. For example, Shoprite appointed Zambeef in Zambia to operate the company's in-store butcheries in its Zambian, Ghana and Nigerian stores. Zambeef is in a joint venture partnership with South Africa's RCL Foods. Other multinational companies will piggyback on the expansion of South Africa's agribusinesses, for example, Chicken Licken when trying to expand into the Nigerian market was constrained by inconsistent chicken supplies and states it will follow in the footsteps of Rainbow Chicken to guarantee quantity and quality of chickens.

Processing giants Illovo, TSB and Tongaat Hulett all produce sugar in Botswana, Mozambique, Namibia, South Africa, Swaziland and Zimbabwe through ownership of previously state-owned estates, outgrower schemes linked to core estates and mills, and contract farmers. Tongaat-Hulett, which produces refined carbohydrate products from sugar and maize – including animal feed, is also Africa's biggest producer of starch and glucose. The company has an extensive footprint over more than 300 000 hectares of land and it works in 27 locations in South Africa, Botswana, Namibia, Swaziland, Mozambique and Zimbabwe. Its prime sugar estates are in Zimbabwe, Mozambique and Swaziland with packing and distribution operations in Botswana and Namibia.

Illovo Sugar is Africa's biggest sugar producer operating from six African countries producing more than 2 million tons of sugar annually. It also produces a range of downstream products, including high-quality alcohol for distilling purposes. The company operates in Zambia, Zimbabwe, Tanzania, Malawi, Swaziland, South Africa and Mozambique, although it must be noted that it has sold off most of its estates in South Africa in 1996 due to the threat of land reform. It began acquiring majority shareholdings from 1996 onwards in Illovo Sugar Malawi – the only sugar producer in the country (76%), Zambia Sugar – the leading sugar producer in the country (82%), Kilombero Tanzania (55%), Ubombo Swaziland (60%) and Maragra Mozambique (90%). Besides the market opportunities offered by sugar-importing African countries – Africa's sugar demand is growing at 3.6% annually – these companies are well-poised to take advantage of the growing demand for ethanol and renewable electricity in the Southern African Development Community region.

Tongaat-Hulett identifies ethanol production as increasingly important to its business and plans to construct large-scale electricity plants at its South African mills in 2014/15 and one large-scale bio-ethanol plant at another. At its Mozambiquan, South African and Zimbabwean plants, the sugar mills are already generating electricity and the plant in Zimbabwe produces ethanol. Illovo began making ethanol from molasses in Tanzania in 2013 investing in production facilities and is considering starting fuel and potable ethanol production in Zambia and Malawi. The sugar mill in Swaziland produces electricity from bagasse co-generation and sells it into the national power grid. The company already produces 91% of its own energy requirements from renewable resources and is looking at the potential of co-generating electricity to be sold into the South African national grid.

The African market

- By 2020, its middle class will arguably exceed India's in numbers and the number of African households with incomes exceeding US\$5 000 will increase from 85 million to 128 million. They will spend US\$174 billion on food and beverages.
- By 2030, its top 18 cities will have a combined spending power of US\$1.3 trillion and its workforce will be 800 million strong.
- By 2040, it will be home to one in five of the planet's young people.
- Investment flows into African agribusiness have risen to more than US\$5 billion with over 25 investment funds focused on this sector.

Key findings

- South Africa invests in more African projects than any other country; these projects include media and telecommunications, technology, retail, consumer products and financial services, as well as property development, building grain mills, processing facilities and regional distribution centres, chicken and beef operations and sugar plantations. Standard Bank, Absa, First Rand and Nedbank – are quickly expanding their services to other African countries.
- South African agribusiness is expanding through self-funded operations, partnerships, mergers, acquisitions, particularly in the food processing and retailing sectors. Of the mergers and acquisitions occurring in the past decade on the continent, 21.7% of them have been instigated by South African companies. United States companies have been involved in 28% of mergers and acquisitions.
- Private equity investment has increased to around US\$5 billion with more than 25 international investment funds focused on the sector. These funds include the South African/United Kingdom Emergent Asset Management Ltd, which has already secured land in 15 African countries and promises a 30% return on investment from commodity farming and land speculation. Another is Agri-Vie, formed by Sanlam Private Equity and Strategy.
- The growing biofuel market also drives acquisition of land in Africa. South African sugar giants, Illovo and Tongaat Hulett have identified ethanol production as increasingly important to their future business plans.

Food for thought

- In a country where more than 50% of people do not have regular access to food, Tiger Brands and Pioneer Foods made a profit of R2.4 billion in 2013 just from their baking divisions.
- In a country where one in five children suffer from malnutrition, we still focus on mass produced hybrid and genetically modified wheat and maize, which has to be fortified after the industrial milling process.
- Seven of the ten leading agribusinesses (Tiger Foods, Premier Foods, AFGRI, Illovo Sugar, Astral Foods, Clover Group and Tongaat Hulett) are backed by the South Africa government-owned Public Investment Corporation, which is responsible for managing the substantial South African government pension and unemployment funds.
- Opening up spaces for some means closing spaces for others.
- Starting small – with ourselves – the only system we can control.
- Rethinking how we frame research.
- Unearthing and supporting other narratives.

This shift from agri-“culture” to agri-“business” in the developed world has occurred within a dominant agricultural narrative that, from the 1900s onwards, has centred on modernisation, including the use of hybrid technologies, mechanisation and external inputs. The rationale is that modernisation leads to increased production, which leads to increased incomes and higher standards of living for those involved in the agricultural value chain. The current drive to modernise agriculture and its up and down-market linkages in Africa, long the domain of subsistence and small-scale farmers, is framed within this particular narrative, which is perpetuated from the highest global levels and rests on the need to radically increase yields to feed a growing African population, estimated to be over 2 billion by 2050.

The modernity narrative ignores the fact that although modern farming methods have resulted in yield increases over the past 50 years, this has not necessarily translated into increased access to food, increased income or increased nutritional security, ecological sustainability or social justice. It also presents a one-dimensional viewpoint denoting a simplistic understanding of social, economic and ecological systems of Africa and how they interact and this narrow understanding is not adequate for dealing with the interconnected complexities of the continent’s current challenges, such as food insecurity, biodiversity loss and climate change.

Framing modernisation of African agribusiness within this narrative also masks the more probable underlying motivations for corporate agribusiness expansion, which include the desire to open up new consumer and product markets for hybrid and genetically modified seed, inorganic fertilisers, herbicides, pesticides, mechanised farming equipment and processed foods.

The South African agricultural system has developed in a particular paradigm of modernist farming, which has been skewed by colonialism, constrained by apartheid and strangled by globalism. While policy might paint a vision of a viable system that is inclusive, productive and sustainable, the on the ground reality is that of a constrained system monopolised by corporate players, particularly in the value chains of the country’s staple food crops. South African agribusinesses are also expanding onto the African continent exporting a culture of consolidation with them.

Space for smaller players and alternative paradigms and visions is exceptionally limited and becoming more so. The more concentrated a system becomes, the less likely it is to allow in new players, instead becoming increasingly regulated and catering to the needs of the “mega” players. These corporate actors have only one mandate and that is to return a profit to shareholders. This has implications for food security, social equity and environmental sustainability in South Africa.