Course Name	National Diploma: Animal Production NQF 5 (240 Credits) SAQA ID: 49011
Module Name	Module 2: Farm Business Management Learner Guide
Unit Standards	116425; 116327
NQF Level	5
Credits	17

MODULE 2

LEARNER GUIDE

FARM BUSINESS MANAGEMENT

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LETTER TO LEARNER

Dear Learner

This Learner Guide contains all the information to acquire all the knowledge and skills leading to the unit standard:

Unit standard ID:	Unit standard title:
116426	Develop a production and strategic plan for the agricultural business
116327	The optimisation of agri / ecotourism strengths and opportunities and negation of threats and weaknesses

You will be assessed during the course of your study. This is called formative assessment. You will also be assessed on completion of this unit standard. This is called summative assessment. Before your assessment, your assessor will discuss the unit standard with you.

It is your responsibility to complete all the exercises in the PoE workbook. The facilitator will explain the requirements of each exercise with you. You will also be expected to sign a learner contract in your assessor guide. This contract explains responsibility and accountability by both parties.

On the document "Alignment to NQF", you will find information on which qualification this unit standard is linked to if you would like to build towards more credits against this qualification.

Please contact our offices if you would like information with regards to career advising and mentoring services.

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KEY TO ICONS

	Individual **Formative** Assessment: These activities have to be completed individually in the PoE workbook.
	Summative Assessment: This icon indicates that the learner must complete the summative exercise in the PoE workbook.
	Important Information: These notes highlight key pointers

ALIGNMENT TO NQF

Element of programme	
1. Name of programme	Farm Business Management
2. Purpose of the programme	Form part of the qualification to equip learners in Livestock Production
3. Duration of the programme	4 days of formal facilitation; 170 notional hours
4. NQF level	5
5. NQF credits	17
6. Specific outcomes	See Unit Standard Guide
7. Assessment criteria	See Unit Standard Guide
8. Critical cross-field outcomes	See Unit Standard Guide
9. Learning assumed to be in place	See Unit Standard Guide
10. Essential embedded knowledge	See Unit Standard Guide
11. Range statement	See Unit Standard Guide
12. Recognition of Prior Learning (RPL)	RPL can be applied in two instances: ✓ Assessment of persons who wish to be accredited with the learning achievements ✓ Assessment of learners to establish their potential to enter onto the learning programme.
13. Learning Materials	Learner Guide, Assessor Guide with Model Answers, Facilitator Guide, PoE Workbook, Unit Standard Guide.

14. Links of the programme to registered unit standards, skills programmes, or qualifications.	Registered qualification: Title: National Diploma: Animal Production ID: 49011 NQF: Level 5 Credits: 240

LEARNING UNIT 1: THE AGRI-INDUSTRY VALUE CHAIN

Unit Standard	
116426	**Develop a production and strategic plan for the agricultural business**
Specific Outcomes	
SO1: Gather intelligence, information and data related to production processes, technology and markets in agriculture. SO2: Evaluate the influence that market trends have on the production processes in the agricultural business environment. SO3: Evaluate the influence that technology has on the production processes in the agricultural business environment.	
Learning Outcomes	
• Understand the agri-value chain and how it works. • Understand the agri-value chain marketing system • Understand the role of producers and producer organisations in the value chain. • Understand the implication of the value chain for farmers. • Understand the creation of sustainable competitive advantage in the value chain.	
CCFO'S	
Identifying Working Organise	

WHAT IS THE AGRI-VALUE CHAIN?

Definition: A value chain can be described as the interlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage. The chain of activities gives the products more added value than the sum of added values of all activities.

A value chain typically consists of:

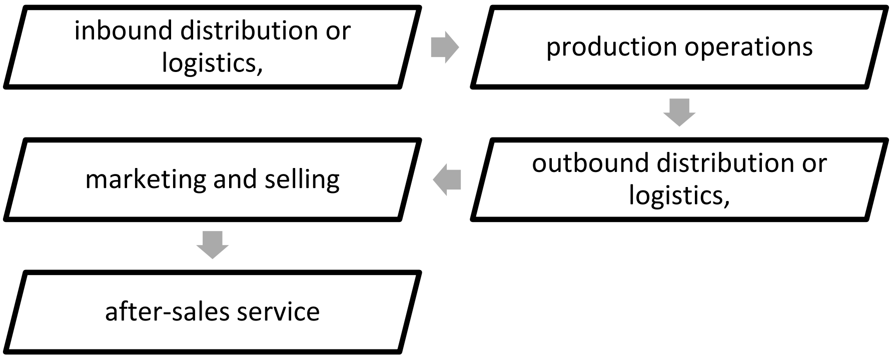


Figure1.1: Components of a value chain

These activities are supported by:

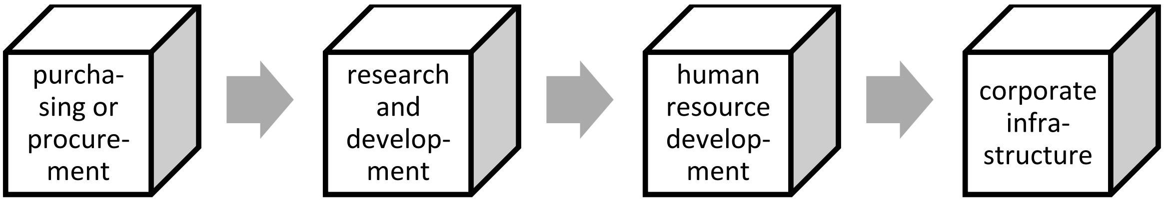


Figure 1.2: Supporting activities to the value chain

The value chain concept provides a way of understanding relationships between businesses, methods for increasing efficiency, and ways to enable businesses to increase productivity and add value. Value-chain approaches in the agriculture sector are a vehicle for linking small businesses to markets, and are essential for improving South Africa's economy and reducing poverty.

In order to understand your value chain, you could draw a simple diagram that shows the key processes and inputs that contribute to your final product. In general, the value chain of most agribusinesses looks like this:

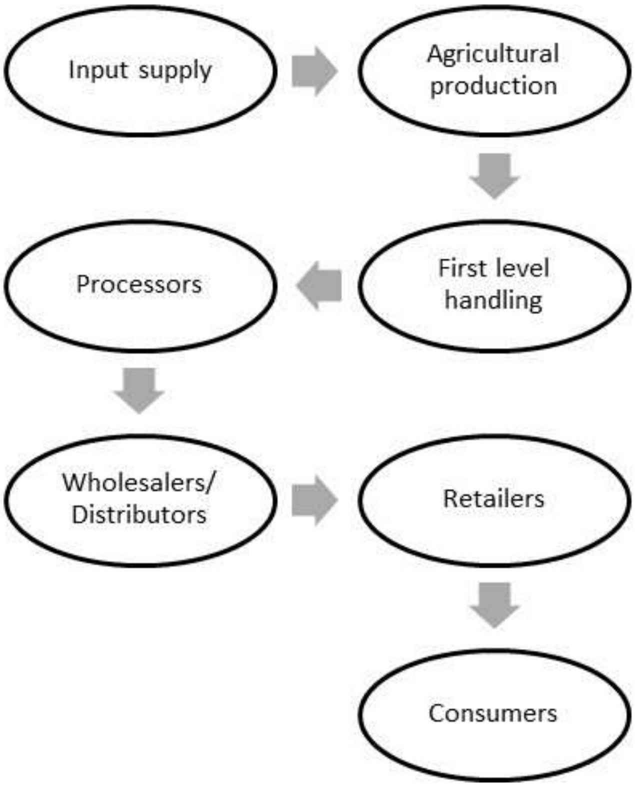


Figure 1.3: Typical agribusiness value chain

HOW DOES THE VALUE CHAIN WORK?

At its simplest, a value chain is an activity path through an organisation. It tells you what the organisation does and the order in which it does it. It should also tell you something about how it does it.

Capturing the value generated along the chain is the new approach taken by many management strategists. For example, a fruit farm that needs its products to be packed will require its pack house to be located nearby its farm. This will maintain the quality of the product and minimise the cost of transportation.

A value chain can be a very helpful tool for understanding the difference between two organisations that appear to be functioning in similar ways in the same sector. This is because organisations can construct their value chains in very different ways. A different design of the value chain, by which we mean a different activity path through the organisation, might simply indicate a different way of doing things, or it might generate notable competitive advantage.

The Value Chain Marketing System

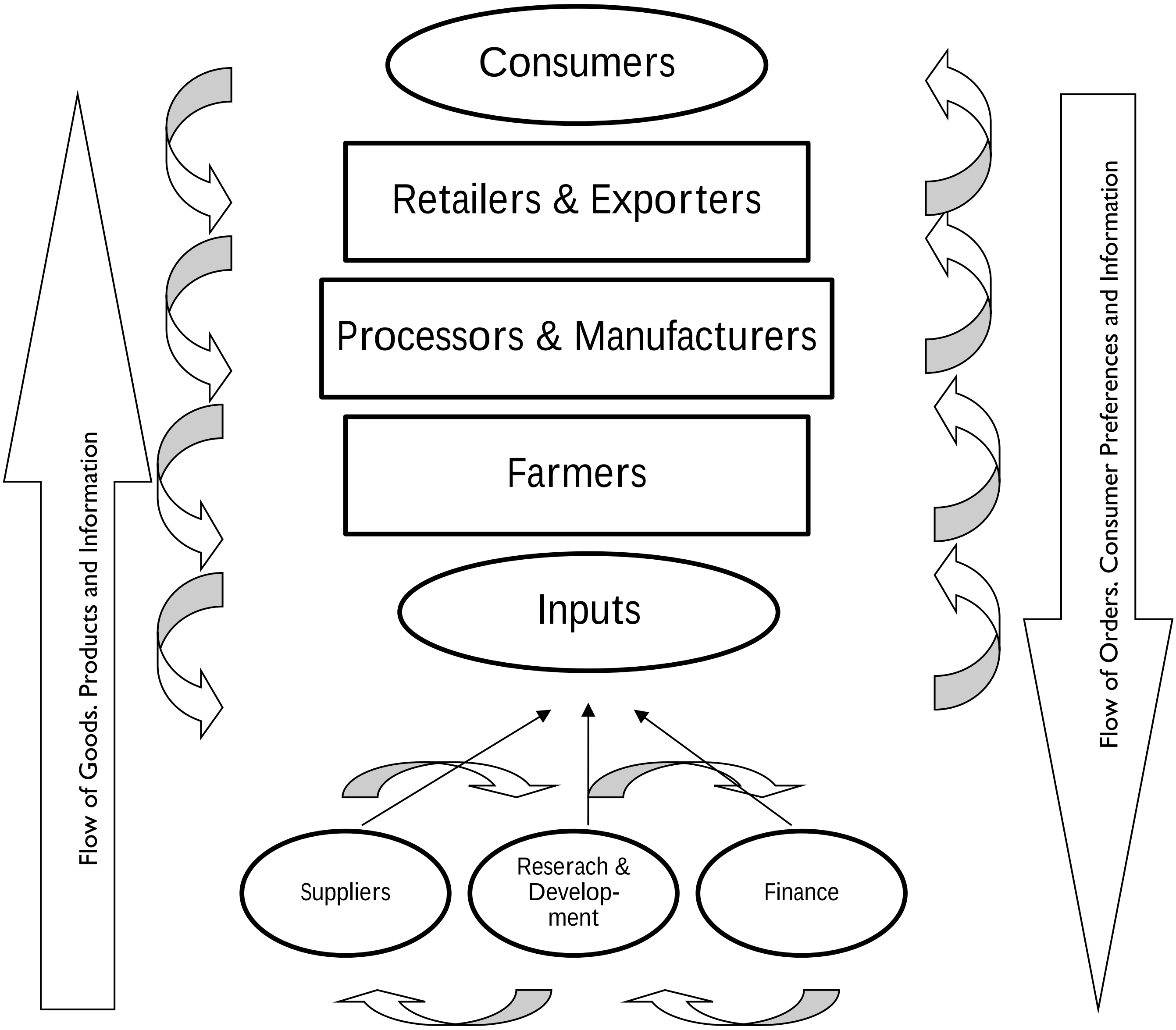


Figure 1.4: The value chain marketing system

In a Value Chain marketing system, farmers are linked to the needs of consumers, working closely with suppliers and processors to produce the specific goods required by consumers. Using this approach, and through continuous innovation and feedback between different stages along the value chain, the farmer's market power and profitability can be enhanced. Rather than focusing profits on one or two links, players at all levels of the value chain can benefit. Well-functioning value chains are said to be more efficient in bringing products to consumers and therefore all actors, including small-scale producers and poor consumers, should benefit from value chain development.

The market is based on integrated transactions and information. Consumers purchase products that are produced according to their preferences. The farmer becomes the core link in producing the products that the consumers desire.

Research and development, whilst including techniques targeted at increased production, is also focused on consumer needs, and attempts to take account of all of the links, and dependencies in the value chain, e.g. processing, environmental and social costs or considerations, as well factors such as health impacts, education and learning.

Communication is in both directions. It is important that both consumers and processors are made aware of factors limiting production, just as much as farmers and other producers are made aware of consumer requirements.

The value chain can help answer questions regarding:

- How the products you produce, reach the final consumer
- The economic relationships between players in the chain
- How this structure is likely to change over time
- The key threats to the entire value chain
- The key determinants of your share of the profits created by the chain.

Value chains can be used to identify sources of increased efficiency and also to facilitate 'benchmarking' of how competitors create value and how their activities compare with yours. Value chain analysis has four underlying elements:

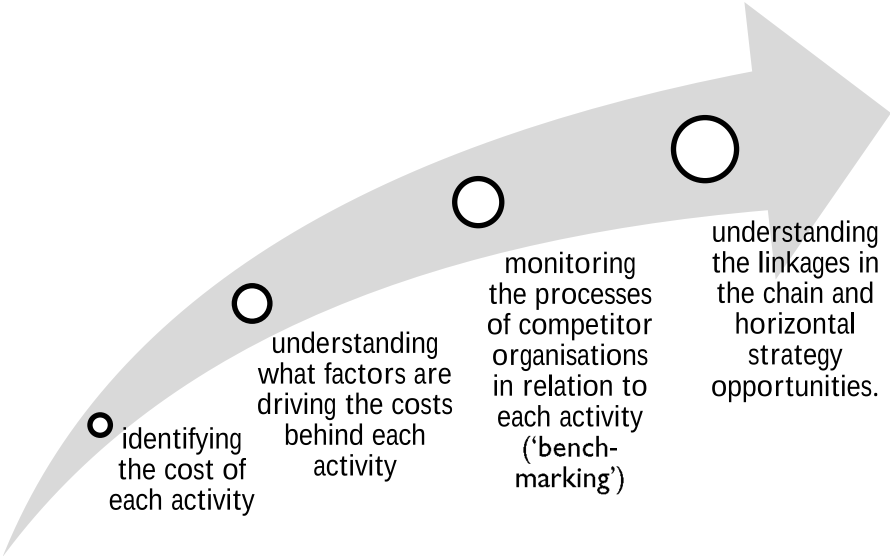


Figure 1.5: Underlying elements of value chain analysis

You may find that even a very simple overview of an organisation's value chain gives a great deal of insight into its relative strengths and weaknesses. It is also the case that imaginative approaches to reconstructing ('reconfiguring') the value chain can release new ways of clustering resources and therefore new types of capability within organisations.

Analysis of the value chain enables us to identify where an organisation's distinctive capabilities are based. They may arise from clear advantages in particular functions (e.g. R& D, manufacture), or from the integration of individual functional capabilities. These distinctive capabilities give rise to core competencies, which are what make the organisation what it is. They are the key to the continued success of the institution, and effective strategies need to recognise and build on them.

Value chain analysis, together with an understanding of an organisation's key capabilities, can provide a basis for decisions about whether to integrate all stages of the value chain within the same organisation or to enter into partnerships with other organisations better equipped to deliver some of those stages. Equally, value chain analysis may allow an organisation to make decisions about whether to extend its activities up or down the value chain. Certain activities on any value chain might add a high proportion of financial value to the finished product or service: these are known as high value-added activities. Examples are:

- Diversify enterprises
- Market outside the commodity supply chains
- Emphasise direct marketing and premium specialty markets
- Consider forming a cooperative with other farmers

- Add value through on-farm processing

The structure of the value chain will have a direct impact on you and your direct competitors' profitability.

To a large extent, the amount of profit that can be obtained by you is dependent upon the final value that your entire value chain delivers to the consumer. It is also important to realise that your value chain also competes against other value chains that may be delivering products and services to the same customers that your chain delivers to. Agricultural businesses that focus only on the firms nearest to them in the value chain are not likely to anticipate major structural changes that can dramatically impact their profitability.

Principles in establishing a strong value chain:

- Start small and grow naturally
- Make decisions based on good records
- Create a high-quality product
- Follow demand-driven production
- Get everyone involved
- Keep informed
- Plan for the future
- Evaluate continuously
- Preserve
- Capitalise adequately
- Focus

The Role of Producers in the Value Chain

The producer is a pivotal part of the value chain. They convert inputs into outputs (e.g. fruit, wheat, milk, etc.) thereby adding value to the final product. The decisions they make regarding how to use resources (land, seed, cattle, labour, technology, soil, fertiliser, chemicals, equipment etc.) and farming techniques, skills and processes will determine the value that is added at this stage in the value chain. Therefore, they should always seek to farm efficiently and effectively so as to maximise value.

Value will be maximised if the farmer produces high quality and volumes of product at the lowest possible input cost

Apart from focusing on the final product, value can be added by using and selling by-products from the production process. For example, peach pips can be sold to landscapers to use in gardens or inferior grade fruit can be juiced or dried for resale.

Each part of the supply chain adds value in a similar manner by using their resources, skills, techniques, etc. to add maximum value to the value chain. Value can be added by producing something, such as cheese, or by offering a service that enhances the overall value of the outputs from the values chain, e.g. marketing.

Activity 1 – Brainstorm

Think of at least 5 alternative ways you can re-use or sell by-products from your farm to add value to your business.

Role of Producer Organisations in the Value Chain

Producer organisations (POs) (e.g. Milk Producers Organisation of South Africa, National Emergent Red Meat Producers Organisation, South African Sugar Association, South African Table Grape Producers' Association, and so on) go hand in hand with the increasing attention placed on the value chains (or supply chains) that connect farmers with consumers. Such value chains demonstrate the interrelatedness of the production, transportation, processing and marketing of farm products. Improving the coordination of activities of different actors (such as firms) in the chain can reduce transaction costs, help guarantee product quality and safety, and enhance the design of marketing strategies. Producer organisations are considered instrumental in increasing the value generated throughout the chain, such as by ensuring that the quality of products is in line with the standard demanded. They can also mobilise support from other stakeholders and can help farmers negotiate a fair share of the total profit generated.

Major changes are taking place in the markets for agricultural products. The liberalisation of markets in many developing countries, including the dismantling of state-controlled marketing boards, has led to increased competition. The rise of international specialty value chains, such as those for organic and fair trade products, has provided an impetus for the formation of new PO's. Fair trade arrangements result in a premium price only for farmers who are organised. The growth of supermarkets as major outlets for food products has led to the restructuring of supply chains, because supermarkets tend to work with preferred suppliers that can offer them products of high volume and consistent quality. As individual producers are hardly ever large enough to supply all the stores in a supermarket chain, there is a need for organisations to collect, sort, grade and perform quality control of products from different producers.

The World Development Report, Agriculture for Development (WDR 2008) makes the case for producer organisations as key actors in agricultural development. The report argues that they are a major part of institutional reconstruction, one that uses collective action to strengthen the position of smallholders in the markets for farm inputs and outputs. By reducing transaction costs, strengthening bargaining power and giving smallholders a voice in the policy process, POs are a fundamental building block of the agriculture for development agenda.

Enhanced product quality is key for getting market access in modern chains. POs can help their members achieve this in various ways.

- They can provide information to farmers about customers' quality requirements. Particularly with international chains, this includes assessing the many options for international certification schemes.
- PO's can implement quality control systems.
- They can organise and facilitate innovation processes targeted at reaching higher product quality by, for instance, providing technical assistance to improve on-farm production methods.
- Finally, PO's can go beyond facilitating the production and marketing process and take on the processing and marketing functions themselves.

Producer organisations can take many forms, ranging from formal institutions, such as cooperatives, to informal producer groups and village associations. A number of typologies have been developed that distinguish POs on the basis of their legal status, function, geographical scope and size.

Organisations that provide economic services include cooperatives that process and/or market the products of their member farmers. A typical example is the dairy cooperative, which processes the raw milk supplied by farmers into less perishable dairy products. POs can give smallholders a political voice, enabling them to hold policy makers and implementing agencies accountable by participating in agricultural policy making, monitoring budgets and engaging in policy implementation. Such advocacy organisations, or farmer unions, may lobby local, regional or national policy makers on behalf of their members. Multipurpose organisations, particularly those at the community level, often combine economic, political and social functions. They provide farm inputs and credit to their members, process and/or market their products, offer community services and carry out advocacy activities.

POs exist at the village, regional, national and even international level. Both commodity-specific organisations and advocacy organisations often have both local and regional/national branches.

Multilayer POs are structured as federations, with the lower-level organisations being members of the higher-level organisation.

All POs are characterised by two principles: utility and identity. The utility principle ensures that PO's are useful to members and that members are actively committed to achieving jointly agreed upon objectives. The identity principle refers to the fact that members usually share a history and a geographical space, that they have agreed upon a set of rules that govern internal relations among members, and external relations with the outside world, and that they have a common vision of the future, both for themselves and for the group. This shared identity is a strong social mechanism that supports continued interactions among the members of the organisation.

Value Added to Raw Product

Value added agriculture is a process of increasing the economic value and consumer appeal of an agricultural commodity. It is an alternative production and marketing strategy that requires a better understanding of the rapidly changing food industry and food safety issues, consumer preferences, business savvy, and teamwork.

The more value you add to your raw product, the more appealing it will be to customers and the more they will pay for it. As farmers struggle to find ways to increase farm income, interest in "adding value" to raw agricultural products has grown tremendously. The value of farm products can be increased in endless ways:

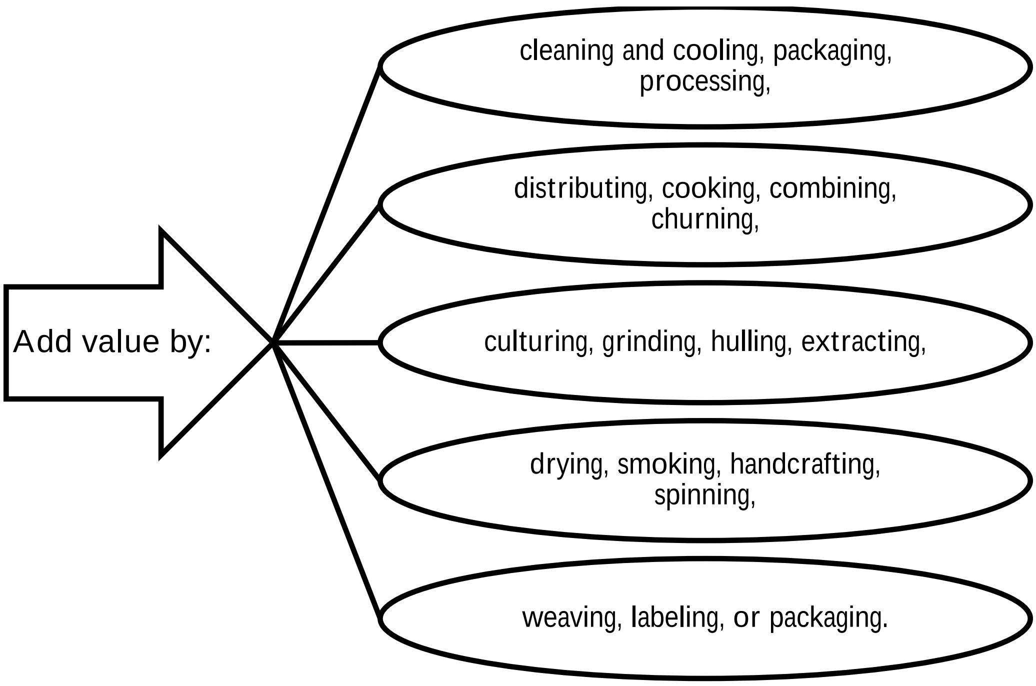


Figure 1.6: Value adding activities to raw agricultural products

Today, more than ever, adding value means “selling the sizzle, not the steak.” The “sizzle” comes from information, education, entertainment, image, and other intangible attributes. Because of the many regulations involved with food processing, some people may choose to add value in other ways. On a larger scale, producer-controlled processing for energy, fibre, and other non-food uses are options. On a smaller scale, items such as flower arrangements, garlic braids, grapevine wreaths, willow baskets, wheat straw weavings, sheep and goat milk soaps, and wool mulch are a few examples. In addition, ideas for providing entertainment, information, and other services associated with direct marketing are abundant.

Besides offering a higher return, value-added products can open new markets, create recognition for a farm, expand the market season, and make a positive contribution to the community. However, adding value is not a panacea for all the problems rural South Africa is facing. It is a long-term approach, not a “quick fix.” It requires the willingness and ability to take on risk, as well as adequate capital, management skills, and personal skills—such as the ability to interact with the public— to succeed.

There is a difference between a strategy to capture value and a strategy to create value. This distinction is important to understand, because each strategy offers specific opportunities and risks that influence the success or failure of the value-added venture.

For producers, capturing value usually means capturing some of the value added by processing and marketing. More and more, producers are attempting to increase their share of income from food production by engaging in activities such as direct marketing to consumers, turning farm products into food products, and joining producer alliances and cooperatives that invest in facilities to process their farm products on a larger scale.

Producers do stand to benefit from diversifying into a value-added business related to the producer’s product, when the product is characterised by volatile prices at the farm-gate level but relatively steady prices at the wholesale or retail level.

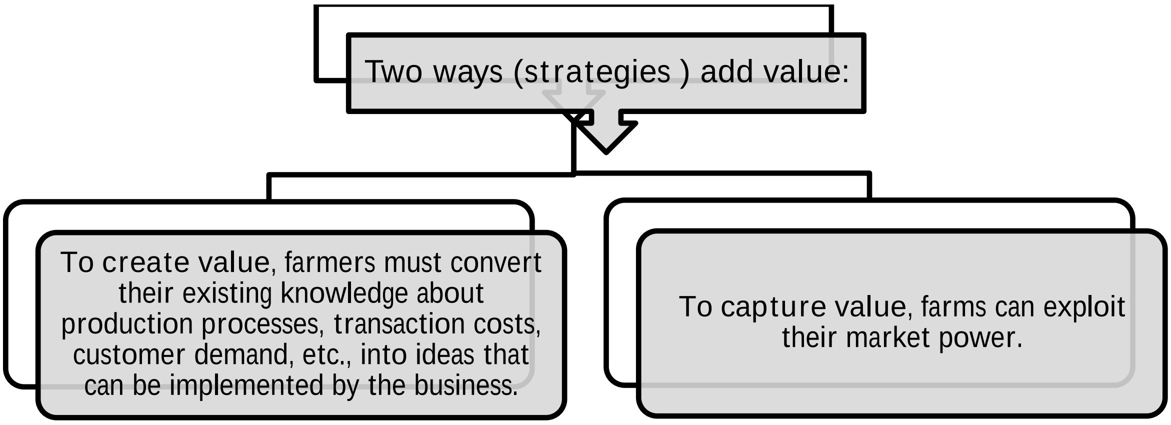


Figure 1.7: Main ways to add value

With a captured-value strategy, producers may face lower production risks, because production processes are well known and often linked to traditional agricultural production. Even when producers themselves are not familiar with processing, expertise in those areas can be hired. Captured-value ventures face an extremely competitive marketing environment, where demand is high, cost and efficiency considerations are paramount, and high volumes of products must be processed in order to gain efficiencies of scale. These ventures are often turning commodities into different commodities and, while value is added, it may not actually be captured by the producer.

A created-value strategy, on the other hand, relies on products or services that are unique or different from the mainstream equivalent. These often include a real or perceived quality attribute such as organic certification, a brand image, identification with a specific geographic region and/or producer, identity preservation, environmental stewardship, and so on. Creating value can pose higher production risks than capturing value. It usually requires learning new production and marketing skills, dealing with food safety, labelling, and other regulations, and coping with liability issues and insurance. Demand for the innovative product or service must usually be created through advertising, promotion, and consumer education, and this is a lengthy, expensive process. Marketing risks may be lower with a created-value strategy, for if this demand can be established, there is potential for higher, stable prices and little direct competition.

On-farm events and activities offer a unique setting that cannot be copied by other producers. However, producers will need to learn new marketing skills, carefully assess feasibility, and develop marketing plans for created-value products or services without established marketing channels.

The amount of value that can be added is affected by whether the enterprise is capturing or creating value. For example, product and market development and compliance with food safety and packaging laws all require time and money, which may be out of reach for the small producer. However, for the small-volume producer who cannot compete with the large-volume producers on price, targeting niche markets with a created-value strategy offers the highest likelihood of success.

Many producers combine aspects of both capturing and creating value in their ventures. A producer may create an unusual food product, such as local specialty bread, and sell it at the farmers' market, capturing more of the food marketing Rand. Food processors may use organic or unusual ingredients, and so on.

Whichever way you choose to add value to your raw products your ultimate goal is to charge a higher price so as to increase your revenue. Some argue that if you don't have a percentage of people walking away from you at market, you're selling too cheap. Setting a price is one of the more challenging tasks faced by all business, particularly the direct marketer. But how does one know how much a kilo of tomatoes or a head of lettuce is worth? On what information are these pricing decisions based?

Implications of the Value Chain for the Farmer

The amount of detail that you include in your value chain depends in part upon the final product that you most identify with. For many producers, this is a difficult question. Just identifying where the product goes after it leaves your business is an important first step. Ask yourself, how and in which ways your production finally reaches the consumer. This question can have very different answers depending where you are located in the value chain. Grain producers will likely have many different ways in which the product reaches the final consumer and may have little control over where or how their product reaches the consumer. For these producers, it is key to identify the major channels or classes of products that reach the consumer. For instance, grains are often converted to manufactured cereal products, feed and feed products, etc. On the other hand, fresh fruit or vegetable growers may have a great deal of control over how their product reaches the consumer. These growers will likely want to be much more explicit with respect to the final product that they produce, i.e., fresh apples sold at roadside stand, apples picked by consumers in the orchard, apples put in storage and sold in a retail outlet, and apples processed for juice. The key is to identify the various ways in which your product reaches the consumer.

The amount of detail that you use in constructing the value chain will depend in large part upon the degree of **differentiation** that exists between you and your competitors. By simply considering the alternative ways in which your product reaches the final consumer, you can begin looking for ways to differentiate yourself from your direct competitors and making your product more attractive to members of certain value chains. For instance, look for ways to add value not only to the businesses you directly supply but to their customers as well. Also, you may begin to see opportunities for end markets that play to your strengths.

A very elementary way of **differentiating** one's product is to take it directly to the consumer. It is relatively easy for a direct marketer to promote a product as farm-fresh and different from the one sold at the mass retail store. Other ways to differentiate your product are by producing it earlier in the season, marketing it as low-spray or organic or naturally raised, and by adding value to it in some other way. Cut flowers arranged into bouquets, garlic turned into decorative braids or wreaths, prewashed and bagged vegetables, bunched fresh herbs—these are a few simple ways to add value to products.

The next key factor to consider is the **economic relationship** between the various parties in your value chain. The **number and size** of the competitors at a particular stage of the value chain can have important consequences for other members of the chain. A dominant player at one stage in the chain can place many demands on smaller players with many competitors. Often, stages near the dominant player will react by trying to match the dominators size and influence. Sometimes this involves consolidation or forming cooperatives.

Another factor to look for at any stage is the importance of **economies of scale**. These are typically important in the processing stages. Economies of scale can dictate how processors want to interact with other players. Often, they will want to insure that product continues to flow through their plants. Food safety and contamination risk are even more important when a player has large economies of scale. A contamination can be very costly for any player, but one with large economies of scale and thus volume is especially at risk. Look for these firms to be very sensitive to the quality and origin of the product coming into their plants.

Biological production risk and perishability are frequently important characteristics of agricultural value chains. Biological production uncertainty can have important implications for the consistency of supply to supply chain members. This is especially important when there are economies of scale present. Perishability can have important impacts on the logistics and handling of food products. It will also influence the responsiveness of supply and will limit the amount of substitution that can take place when a weather event reduces production.

You will often want to examine the **economic relationships that govern the transactions** taking place at each stage of the value chain. These factors can be especially important because they can make price discovery difficult and can limit access to a value chain. For instance, many retailers and branded product manufacturers are moving toward networks of preferred suppliers. These networks do not operate like traditional agricultural markets which are open to everyone. In order to participate, the supplier must typically qualify or meet certain production standards. In many cases, the manufacturers and retailers are looking to reduce rather than expand their supplier networks.

Finally, you want to be aware of key **consumer trends and key technological advances**. In agriculture, the development of biotechnology has the potential to dramatically change value chains because the technology has important implications at both ends of the value chain. Consumer attitudes toward biotechnology will create new niche markets for value chains which either do or do not use biotechnology. Likewise, new products will be developed and potentially create new value chains. Further, biotechnology will impact the role of food processors in the food system as food products are refined at the genetic rather than the plant level.

Understanding these factors will enable you to understand where the pressures that are likely to influence your profitability will likely come from. It will also allow you to understand how you can add additional value to your specific value chain. Ask yourself, what chain are you most suited to participate in, how can you deliver the most value to that chain, what relationships are necessary to successfully compete in your chosen value chain, what key factors can destabilise or adversely affect the value chain.

Creating a Sustainable Competitive Advantage in the Value Chain

A Competitive advantage can be defined as an advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retain more customers than its competition. There can be many types of competitive advantages including the firm's cost structure, product offerings, distribution network and customer support.

Most farmers are not in the position to find advantage in the first two ways. Most farmers can change their production and marketing systems and increasing numbers of farmers are producing new crops and new products and experimenting with alternative marketing methods.

A competitive advantage is almost always short-lived. The nature of the market is such that only the innovators, the first ones to take the risks, are going to profit. As others learn how to produce that new crop or enter that new market, competition will drive prices down and profits will disappear.

Niche marketing—selecting a specific group of consumers and targeting them in your marketing effort—is a system that farmers are hearing about more and more. We discuss niche marketing in greater detail below. For many farmers, the niche approach has paid off. But, just as we see organics going from niche to mainstream, any profits from a niche will gradually be competed away as others notice it. Unless you are fortunate enough—very unlikely!—to be the only one who can fill that niche, your profits will decline. The process of finding and filling niches is ongoing, not a one-time event.

Success in the short run requires producing a high-quality product or service, working to increase sales and cut costs, diversifying to reduce risk, and finding niche markets where the added value of your product can be realised in higher prices.

Success in the long run requires all of the above, plus the added advantage that comes from whatever it is about your operation that cannot be copied or can only be copied with great difficulty or expense. For example, focusing on your location will attract buyers who want to "buy local." Tell the story of your farm—no one else will have quite the same story.

However, there is a growing need for farmers to become market oriented. In other words: find out first what the market most likely wants and try to produce according to market specifications/demands. Reasons are that consumers have specific demands on quality, food safety and the social conditions under which the products are grown. After they have gained this knowledge, they will decide to whom and how to sell their product. If they do so, there is a better chance that they will get a better price for the product.

In principle the prices in the market, and so the gross income from crop production, is variable and fluctuates from year to year and within the season. The following factors bring about fluctuation:

The weather in a particular geographic region can affect crop quality and volumes.	Differences in production level within and across regions	Seasonl influences
The maturity of the market	Market logistics	Market outlets
Storage facilities	Ability to produce early or late crops	Access to local, regional and foreign markets
Access and availability of crop inputs	Ability to produce quality and quantity	Ability to deliver on time
Ability to track and trace product	Proximity to markets	Transport

Figure 1.8: Factors that brings about market fluctuation

It is the task of the farmer to combine and consider all these influences and to try to get the best price. However, the factors that influence price can be divided into factors which can be influenced and factors which cannot be influenced.

Factors which can be directly influenced relate to quality, quantity, timely production, packaging and grading etc. You best influence these factors to your benefit if you know what the market demands in respect of them. Therefore, it is important that farmers should identify the possible markets before they start a crop and find out what the requirements are in terms of quality, quantity, timing and presentation. They have to be sure to grow the right variety for the particular customer. For example, tomatoes can be produced for direct consumption, for processing or for markets with different demands on colour, size, ripeness, etc.

LEARNING UNIT 2: DEVELOPING A FARM BUSINESS PLAN

Unit Standard	
116426	Develop a production and strategic plan for the agricultural business
116327	The optimisation of agri/ecotourism strengths and opportunities and negation of threats and weaknesses

Specific Outcomes

116426

SO4: Develop a production plan

SO5: Develop and implement a strategic plan

116327

SO1: Collate strategic inputs from all relevant information sources into an integrated strategic/business plan.

SO2: Disseminate action plans to operational level of the agri/ecotourism business

SO3: Implement the action plans.

SO4: Monitor and evaluate the strategic plan for all components in successful agri/ecotourism business

Learning Outcomes

- Understand strategic management concepts, including strategic vs. operational planning models
- Understand and be able to implement strategic management stages, including:
    - Analysis of the external and internal environment
    - SWOT analysis
    - Goal setting
    - Short term objectives
    - Implementation of the plan.
- Strategic control

CCFO's		
Identifying	Communicating	Contributing
Working	Demonstrating	Science
Organise	Collecting	

INTRODUCTION

To be successful in farming, the modern farmer needs to grab both opportunities and challenges with the same enthusiasm, thereby adapting swiftly to the changes to the immediate and global environment. Success in farming includes the knowledge and awareness of where you are as well as where you are heading. Thus, the farmer needs to have clear goals and direction in order to achieve sustainable success.

"Success is the progressive realisation of a worthy ideal" says Earl Nightingale, as quoted by Nell and Napier (2006).

Two important elements emerge from this definition:

1. Success is measurable only when there is a worthy ideal – a destination, a goal.
2. Success is present when the first step is taken in the right direction; success is not determined only after the last step is completed.

The modern farmer needs to broaden his/her focus from only production to a holistic strategy, where the production focus extends to a market focus where he/she builds relationships through supply chain and consumers. The focus thus shifts from 'I am a dairy producer' to 'I am a food producer'.

Modern agriculture tells us that the farm cannot be a fragmented, isolated part of food production; it has to be an integrated system where production targets are met through relationship and team building. In order to stay competitive, farmers need to operate independently on a micro level (farm production pan); at the macro level, it is imperative to be integrated in the broader community of food producers in order to optimise the procurement as well as marketing environment.

When developing an operational plan from the farm, the management team cannot only focus on the current operational issues. They must have a broader focus on strategic issues, and then break them down to operational targets. This learning unit will therefore start with strategic planning and then move on to operational planning and the monitoring and adjusting of plans towards the next cycle of planning – a continuous process.

Conceptualising: Strategic Planning vs Operational Planning

Strategic management is the integration of all business functions of the farm, so that the total farming system is managed pro-actively and in harmony with the internal and external environment (at business and macro-level) to achieve the strategic vision to achieve the strategic vision and long-term goals of the farming business.

Strategic management is therefore the process used in identifying, selecting and implementing the 'best' strategies.

Strategic management includes the following components (Nell & Napier, 2006):

- The strategic positioning of the farming business for the future
- It is a continuous process
- The process focuses on critical factors that play a significant role in creating a sustainable, competitive advantage.
- Achievement of a strategy focussed culture in management and staff, to promote a participative management process.
- Everyone involved in the farming business is committed to the same goals and strategies.
- Operational Planning is putting your company's strategy to work, which means that company strategies should be broken down into departmental strategies, which should further be broken down into goals, objectives and action plans.

Strategic management can be seen as the umbrella term for the two sub-concepts: Strategic plan and operational plan.

Strategic Management

Strategic Plan | **Operational plan**

Definitions to distinguish between a strategic and operational plan:

A Strategic Plan is an organisation's summary of the development process and the presentation of core directions, including setting a vision, mission and strategic goals.

An Operational Plan is an annual work plan explaining how the goals of the strategic plan will be implemented and what budget and processes are required.

- Strategic planning helps you to pull back the lens, get a big picture view and consider future scenarios. It gives you the best opportunity to maintain control, avoid serious pitfalls and capture opportunities. Thinking strategically about your company involves creating a vision for where you want to be in 2, 5 or 10 years, Strategic planning is not just for big companies and has benefits no matter what your scale or goals. Your defined goals might include increasing the size of your company, sales or method of production. Goals may also include environmental and sustainability targets or to sell the business.
- Operational planning focuses tightly on the day to day operations with no more than a 12-month cycle. Depending on the company's activities, the manager might want to further break things down to daily, weekly, monthly or seasonal activity segments. Operational planning focuses on adjusting and developing controls, increasing efficiencies and reducing time and costs. The purpose of an operational plan is to effectively execute the goals identified in the strategic plan. Operational planning will determine where to focus attention and where you can take a step back. In addition to informing human resource decisions (such as hiring additional help), operational planning can identify areas where you should look at outside professional assistance (accountant, technical advisor or shared administrative assistant).
- Operational plans answer key questions such as "Who is doing what?", "What are the day to day activities?", "How will the suppliers and vendors are used?", "What are the labour requirements?" and "What are the sources of raw materials?" Specific plans can be developed for human resources, production, facilities, logistics and distribution.
- The key to developing both strategic and operational plans is for the higher-level management to step back from the daily activities, and allow business units to manage their own performance, obviously with agreed upon and controlled targets. It requires the allocation of time and a mental shift to ensure objectivity.

Figure 2.1 Strategic vs. Operational planning

THE JOURNEY OF STRATEGIC MANAGEMENT

The 11 stages of Strategic Farm Management presented in this course are based on the model developed by Nell and Napier, 2006. There are many other models of strategic management, but this one was developed by the authors as a result of seven years of lecturing strategic management to agricultural students and seems the most appropriate model for the purpose.

The model starts off with strategic planning and long-term goals. Those are then broken down to operational planning and operational goals (short term goals), implementation measurement and controls. The model then ends off with reviewing of the process through strategic control and repositioning. The model is not drawn in a circle, because ending off at the same place where we started, might imply no improvement. It is rather depicted by a spiral, which implies continuous improvement – the circular movement increases in size with every rotation.

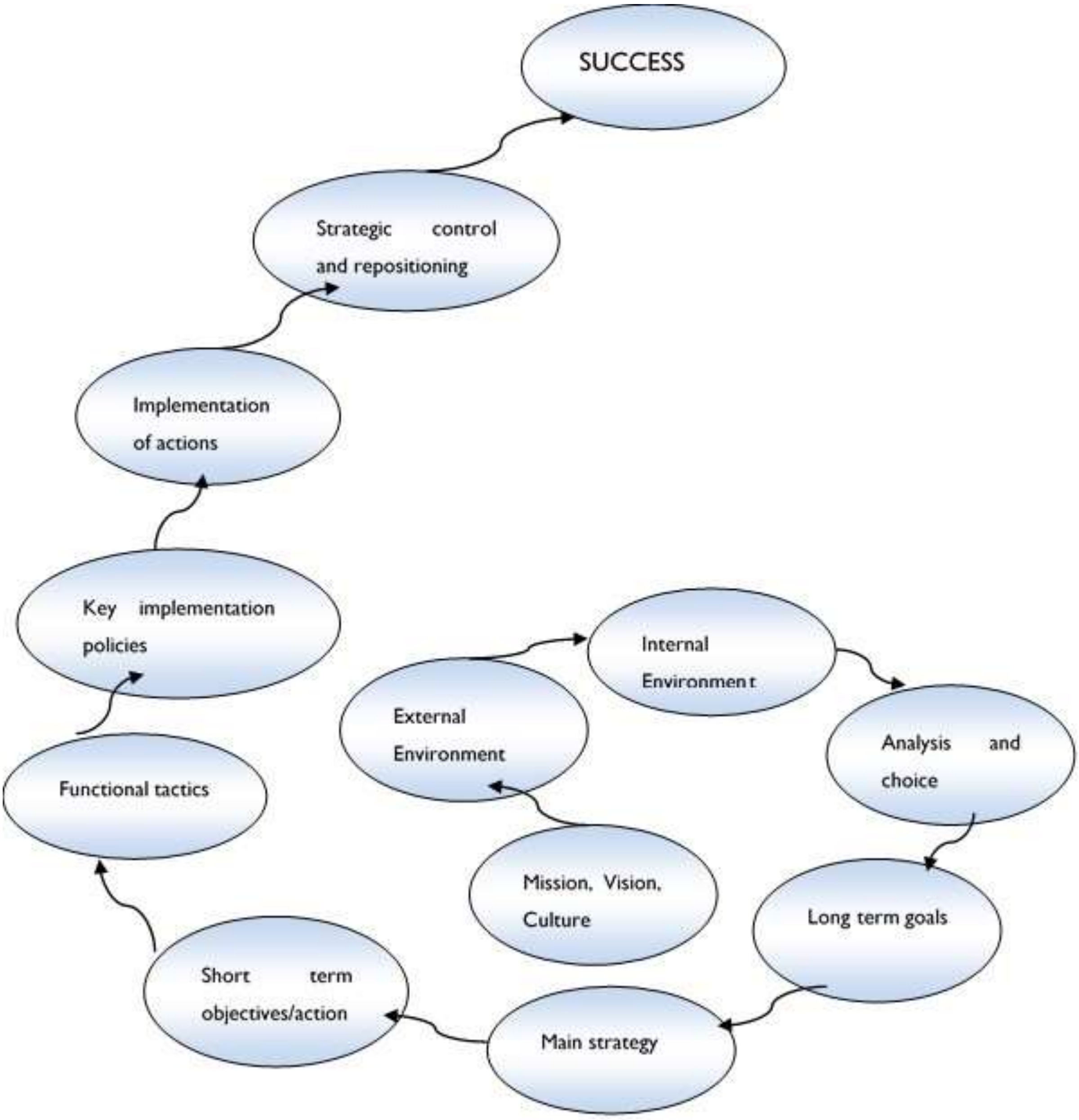


Figure 2.2: The strategic Management System (Nell & Napier, 2006)

Stage 1: Mission, Vision, Culture

The strategic planning is an ongoing, dynamic process. Although the first step of the process is determining the mission and vision, the vision can change during the process due to a number of reasons. The management team needs to keep their finger on the pulse and be sensitive for the need to change.

Figure 2.2: The strategic Management System (Nell & Napier, 2006)

MISSION:

Stage 1: Mission, Vision, Culture

The strategic planning is an ongoing, dynamic process. Although the first step of the process is determining the mission and vision, the vision can change during the process due to a number of reasons. The management team needs to keep their finger on the pulse and be sensitive for the need to change.

Mission:

Before the farmer/management team can start with any form of planning, they have to determine in which direction they want to move. The mission statement is the beginning to the journey to farming success. It is a broad description which distinguishes the farm from other farming businesses. It is a concise statement of what the farming business is doing, for whom, why and how. The mission statement must be exciting, motivating people actively involved in the farming business and drive the strategic vision.

The following criteria can be used to evaluate the mission statement:

- The mission statement must be clear and understandable to the whole workforce and outsiders
- It must be brief enough for most people to memorise – 100 words or less.
- It must clearly specify what the core business is:
    - In what needs the farming business fulfil?
    - Who are the primary customers/clients?
    - How the farm goes about its business (primary technologies)
    - How products are produced
    - Why the farming business exist – overall purpose
- It should identify the forces that drive the strategic vision – where the farming business id headed
- It should reflect the distinctive competencies of the farming business. What distinguishes the farm from other farms?
- The wording of the mission statement should serve as a source of energy.

The degree to which the above criteria are met in the mission statement will determine the impact on the farming business.

VISION:

The vision is the answer to the question: "What does your farming business intend to achieve in the next five years?" The road to farming success is a journey, it implies reaching the vision. The important points when formulating a vision are:

a. The ability to solve complicated problems in a conceptual context

b. Knowledge and awareness of management approaches that should be used.

c. Contingency planning (what if)

d. The vision of the total farming system should be holistically linked to the bigger picture.

Developing the strategic vision, the team should determine a point in the future; project the farming business from the current point to that point, mapping the optimal route to achieve farming success.

When developing the future vision, we need to find answers to the following questions:

- What will the future trends in the farming business be?
- What will the future driving forces in the farming industry be?
- Which technological developments will offer opportunities for competitive advantage?
- Which key success factors are envisaged for the future?
- What market opportunities are envisaged for the farming industry?
- Who will be the future competitors and strategic partners or linkages?
- What will the likely practical strategies be?

Why is the strategic vision such an important instrument?

- It lays down the general future direction for the farming business
- It supplies the broad outcomes of the mission statements and objectives
- It is the driving force for communication, channelling the direction of the business
- It is the foundation of handling more complicated problems or challenges
- It is necessary for the process of strategic planning
- It forces one to think ahead

- It serves as a basis for a sense of coherence and cooperation.

Culture and Values

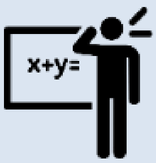
It is not enough to have a mission and a vision; the culture and values are the oil which keeps everything together. The culture is a set of assumptions the people of the organisation share with each other. A powerful culture will enforce dedication in the workforce to work towards achieving the strategic vision.

The farming business's policies, practices, traditions, philosophies and ways of doing things combined, create the distinctive culture of the farming business. The strategy is often motivated and dominated by the culture.

A farming business can 'formalise' its culture by compiling a value statement, and or set of values. This can form the basis of the 'way we do business'.

Examples of value statements:

- *We aim to exceed our client's expectations*
- *We are enthusiastic about progress.*
- *We are a team*



Individual Formative Exercise 1A

Complete Exercise 1A in your Portfolio of Evidence.

Stage 2: External Environment

Investigating the external environment outside the boundaries of the farm, i.e. the community, district and province in which the farm is situated is the second step. The farmer/management team needs to observe every opportunity or thread from the immediate as well as global environment.

Any farming business functions within a total agricultural, agribusiness or food and fibre system, which consists of a number of subsystems. Decisions are made at any level within the total system, which has an effect on the farming business to a greater or lesser extent. The effect of decisions must be known, and the management team must develop a holistic, integrated frame of mind and act accordingly, within the strategic planning and management process.

The farm is no longer a fragmented system only focussing inwardly. The management team have to continuously keep their finger on the pulse of influences in the macro environment, including:

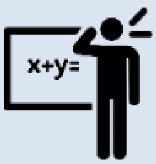
- Macro-economy which influences the farm includes business cycles, interest rates, exchange rates, input costs and taxes. To incorporate these variables, the farmer should have a good working knowledge of the economy – How, when why etc.
- The political/legal environment should also be kept in mind. These could include free-trade limitations, labour legislation, the opening of international markets.
- The ecology/climate should also be considered. Protection of natural resources, pressure to reduce the use of chemicals and growth stimulants, water conservation are only some of the environmental sensitivities farmers have to deal with. Further to that the climate changes, including lower rainfall and faster evaporation rates influences food production intensely
- Social/cultural and consumers: As social attitudes change, so wills the demand for certain products. Examples include the decrease for high cholesterol meat, the social rejection of chemical pesticides – the move towards organic products, the rejection of GMO foods.
- Technological: Latest technologies to assist farmers include e-commerce, site-specific management, biotechnology

Stage 3: Internal Environment

The purpose of this stage is to analyse the strengths, weaknesses, opportunities and threats of the farming business. During this stage, the farmer/management team returns to the farm to draw up a complete profile of the farming business at technical, physical, economic and financial levels, describing the performance, ability and resources at each level. All the internal information is analysed and used in each of the following steps of the journey.

To do a SWOT analysis (strengths, weaknesses, opportunities, threats), you need to methodically move find answers to the questions below. This will typically entail that the management team has a thinking session to draw up a SWOT for the farm:

INTERNAL TO FARMING BUSINESS	**STRENGTHS** Those characteristics which gives the farming business an important ability or advantage, such as: Good skills, specific or specialist knowledge, sound management capacity, high performance level, a better product than competitors, a sound financial position, employing new technologies, good natural resource base, sound dynamic planning Successes could be further analysed in terms of asking why at least 3 times – thus digging deeper and getting more strengths beneath the surface.	**WEAKNESSES** This is a description of things that the farming business has done poorly over the last period, or situations which has created a disadvantage for the farming business, such as: Lack of critical resources, limited management capacity, poor reproduction levels, poor marketing positions, poor human resources management. Weaknesses could also be further analysed by asking why questions at least 3 times.
EXTERNAL TO FARMING BUSINESS	**OPPORTUNITIES** Those opportunities which exist externally to the organisation. It is important to identify and optimise opportunities to the benefit of the farming business. Opportunities could be on economic, political, ecological, social/cultural or technological field.	**THREATS** Those threats which exist externally should also be identified in order to steel the organisation against them. Threats could also be in the economic, political, ecological, social/cultural or technological field.



Individual Formative Exercise 1B

Complete Exercise 1B in your Portfolio of Evidence.

Stage 4: Analysis and Choice

During this phase, the farmer/management team will choose the most important Strengths, Weaknesses, Opportunities and Threads from the lists created in step 3.

- The starting point is to identify the activities that the farming business wants to continue with or start anew.
- Knowledge of the value chain (detailed in learning unit 1 of this Learner guide) will assist greatly in this step.
- Identifying those external and internal factors impacting the most on the value chain. Then taking the decision what to do about it, in other words identify those factors which will steer the farming business towards success.
- The identification of competitive advantage is crucial during this phase, as it will become the focal point which will lead the management team to their vision – SUCCESS!
- Build on core competencies, expertise, and competitive advantages.
- Identify the weaknesses and risks which have the most potential of hurting your business. In the next stage, strategies will be worked out to deal with those identified weaknesses and risks. During this step, 'what-if' scenarios can help you identify those weaknesses and risks which with the severest impact.

Stage 5: Long term Goals

These goals must be developed in close consideration of the mission and vision of the farm. Long term goals will focus on the key performance areas of the farming business, and may include:

- Financial goals to sustain or grow wealth
- Strategic goals to keep the business competitive
- Personal goals, including wealth, work life balance etc.
- Succession planning: ensure strong family relations to ensure a next generation of farmers.
- Sustainability goals.

Long term goals must assist the farming business in achieving its strategic vision.

Stage 6: Main Strategies

This is the starting point of execution. The previous phases were thinking-phases. When we start to talk about strategies, we must think action!

When formulating strategies, we have to find answers to the following question:

- How are things going to be done?
- How are objectives going to be achieved?
- How is management going to realise the mission and vision of the farming business?
- **How will the farming business achieve its long-term goal/s? – This is the ultimate question to be answered through the main strategy phase.**

These functional strategies could include production, marketing, financial, human resources management and operational strategies.

The next two important questions are:

- How can weaknesses be converted into strengths?
- How can threats be converted into opportunities?

Stage 7: Short Term Objectives and Actions

During this phase the short-term objectives and actions needs to be set. Annual, monthly and weekly objectives and actions needs to be written down. Short term objectives need to answer: "What must be done, at which standard and when?"

The characteristics of short-term objectives are:

SMART:

Specific: What is the exact scope of the objective? What is included and what is not? What might be thought to be included but is being done by someone else? What must be done with the outputs?

Measurable: What measures will be used to know that the objective has truly been reached? When and how often will the process be measured? What measurement tools can be used to determine success? What format must the output take?

Agreed: A delegated impossibility is still impossible! If there is doubt over whether the objective is achievable, then the first part of the process should be either to test feasibility or to identify what would have to be changed in order to make the rest feasible.

Realistic: What is a realistic task for a functional expert to undertake in a week may not be realistic for a junior joiner in a month. A series of roll-out meetings might be scheduled in two weeks, but clashes with public and personal holidays could mean that a month will be required. The test for a good objective is that it always deals with the reality of how long it will take to do things, rather than how long we would like it to take if we could ignore inconvenient facts.

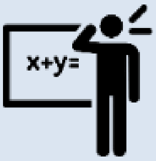
Time bound: An objective without a clear specification of its timing priority is likely to be put at the bottom of the list. It will not get done. The simplest way to ensure that an objective will be achieved is to agree on a realistic deadline, even for objectives that are not time critical for success.

Stage 8: Functional Tactics

Functional tactics entail to develop human resources, production, marketing, financial and production development tactics of the farming business. The management team needs to determine whether sufficient resources are available, and whether the projected plans formulated in stage 7 will generate the desired results.

If the desired results do not materialise during this phase, the management team needs to return to earlier stages in order to improve on long term and short-term goals.

It can be said that functional tactics reflect how each action contribute to the implementation of the farming strategy.



Individual Formative Exercise 1C

Complete Exercise 1C in your Portfolio of Evidence.

Stage 9: Key Implementation Policies

Key implementation policies will be formulated by the management team. These policies assist in the execution and implementation strategies during stage 6 and 7.

Two types of policies need to be developed:

- Policies to empower human resources: In a work environment where it is imperative to delegate tasks, policies need to assist in building in controls, promote uniform handling of issues, reduce uncertainty, and provide answers to routine problems. Good delegation always goes hand in hand with SMART objectives, a belief in the abilities of your employees and appropriate level of motivation to do the task well. To delegate work well managers must have confidence in themselves and in their employees.

- Financial and operational policies: The financial policy must fit the financial position of the company. Operational policies focus on what needs to be done and can include the technical as well as the 'people' policies.

Stage 10: Implementation of Actions

The mentioned strategies and actions will be implemented. This step refers back to the action plan in step 7. It must be ensured that the actions are done effectively and efficiently.

Stage 11: Strategic Control

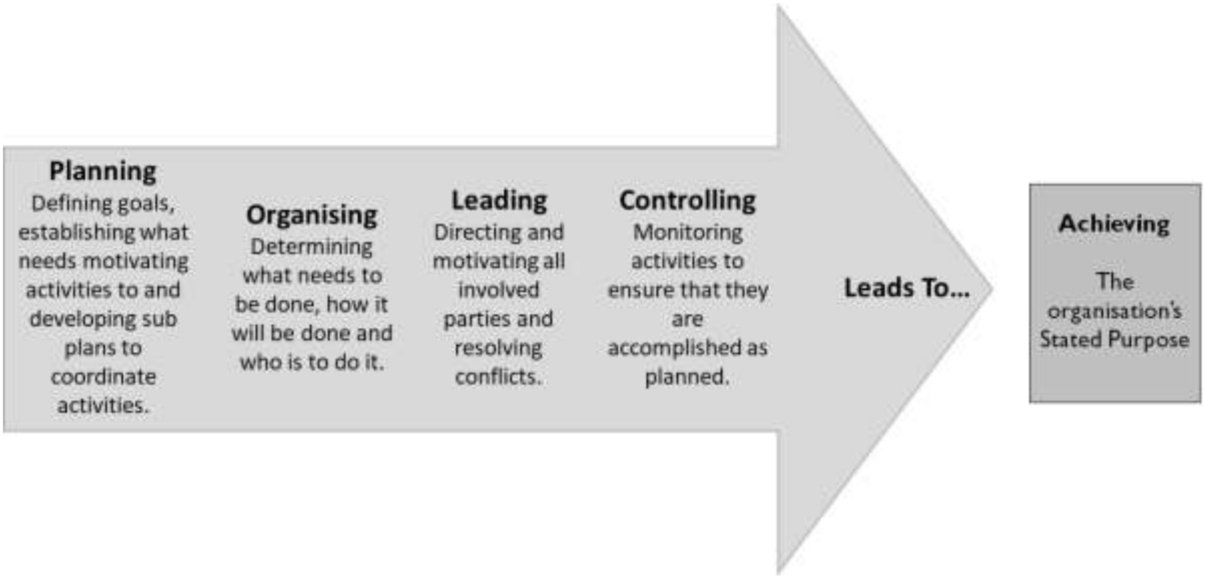
During this stage the management team needs to determine how the farming business needs to adjust, i.e. reposition or restructure to continuously improve on strategy and implementation.

Questions typically asked in this section include:

- Is the farming business moving in the right direction?
- Are the key factors in place?
- Are assumptions about the important trends and changes to the external environment accurate and still valid?
- Are critical and necessary actions being taken?
- Must the strategy be adjusted, or should it be rejected?
- What progress has been made?
- Have the short-term objectives and schedules been achieved in good time?
- Are the actual expenses, income and cash flow within the framework of the budgeted figures?
- Is it necessary to make operational or action changes?

LEARNING UNIT 3: THE GENERIC MANAGEMENT PROCESS

Introduction



A common functional description of management is the process or systematic way that a manager carries out the activities necessary to achieve organizational goals. This requires the manager to plan, organize, lead and control activities, utilizing all organizational resources within the context of his or her organization's environment (see Figure below). These functions involve the following activities:

Planning: Planning activities involve analysing the organization's current situation including the external environment, identifying and prioritizing appropriate organizational goals and determining the necessary actions required to achieve these goals.

Organizing: Organizing activities include the identification and division of the work to be undertaken to accomplish the organizational goals and the allocation and co-ordination of necessary material and human resources.

Leading: Leading activities are the ways in which managers direct and influence their subordinates to perform the tasks that are essential for achieving the organizational goals.

Controlling: Controlling activities involve monitoring and evaluating actual performance compared to set standard in order to ensure that the organizational goals are in fact being reached.

PLANNING

Increasing emphasis, in today's organisations, is being placed on pro-actively planning for a better tomorrow. Since resources are limited, they must be allocated carefully to return the maximum value for the organisation. To achieve maximum value, supervisors and team members need skills in setting realistic goals, organizing for action, developing tactical plans and reinforcing good performance.

Usually, beginning a project means thinking before doing. You would not want to build a garage, for instance, without considering the size of your car. Blueprints and essays both require a "plan".

The plan, though, can begin at several different points. People approach tasks in different ways, depending on their personalities, their purposes, and the time they must complete the task. In the ideal world, or in someone's ideal world, planning might begin by deciding on a topic and then move on to organizing the ideas before the first exercise.

Defining Planning

Planning encompasses defining your departmental/team objectives or goals, establishing an overall strategy for achieving these goals and developing a comprehensive hierarchy of plans to integrate and coordinate activities. It is concerned, then, with ends (what is to be done) as well as with means

The Importance of Planning

Planning is very important if we are to develop a clear sense of what we wish to achieve and how we hope to get there. We must plan to ensure that we have the necessary resources (people, finance, time, etc.) and that they will be available when needed. Planning something thoroughly does not guarantee its success but it certainly increases the chances that it will be successful.

Some of the benefits of planning are:

Direction and Teamwork

People need clear goals and guidance on how to achieve these goals. They need to know their roles within the organisation.

Preventing Problems

A major benefit of planning is that potential problems can be anticipated, and steps taken.

Better Decision-Making

Knowing where you are going, and what you need to do to get there, will help you to make the best decision!

Efficiency

Planning establishes coordinated efforts. It reduces overlapping and wasteful activities.

Quite simply, the better you plan, the more efficient you will be.

Control

Planning establishes objectives or standards that facilitate control.

Through planning we can compare actual performance against the objectives, identifying any significant deviations and take the necessary corrective action.

It is easier to implement control measures if each step of the way has been planned beforehand.

Reduces Uncertainty

Planning reduces uncertainty by forcing managers to look ahead, anticipate change, consider the impact of change, and develop appropriate responses, It also clarifies the consequences of the actions that managers might take in response to change.

THE PLANNING PROCESS

The following 6 steps are useful in the process of planning:

Step One - Develop a Vision and Broad Goals to Achieve

Develop a personal sense of what your team/department should look and be like at some point in the future. In other words, develop a vision for your department or group of people you may be leading or supervising.

This vision should support the broader organisational goals of your section or division. In determining your vision, pay close attention to the purpose of your team. Focus on things that will have the greatest impact. After you have defined your vision, communicate this with your team so that they can participate in developing objectives, ways and means to achieve the vision.

Step Two - Setting Goals and Objectives

With the active participation of your Department or team, establish goals that are stated in measurable, focused terms.

Goals and objectives are intentions and contain descriptions of situations or conditions that are to be achieved within a specific period. They contain clear indication of what we want to achieve and how to go about it. It is important to write down our goals and objectives as well as to develop a well set-out plan, detailing how we intend realising them. This will enable us to experience a measure of accomplishment now for goals that will only be fully realised in the future. Such a process will stimulate action and will keep us motivated, leading to unbelievable results.

Ensure that GOALS are SMARTER.

If we think of this exercise as enabling us to act more decisively with a better chance of putting ideas into action, it is a process that makes us SMARTER.

A well-formulated objective statement is:

- Specific – It clearly states the desired outcome.
- Measurable – The objective must be quantified to be measurable.
- Achievable – It falls within the realm of the possible, and can, realistically, be attained.
- Results-oriented – Through taking specific actions, outcomes can be realised.
- Time-bound – It contains a clear deadline.
- Exciting – The objectives must excite participants.
- Recognised – Objectives must grow from a process of participation and must be in line with vision, motivators and purpose (individual/organisational).

Step Three - Determine the Tasks Through Which the Stated Goals will be Achieved

Tasks should be concrete, measurable actions, that must be affected at a specific, stated time.

Action plans provide a method for identifying who needs to do what and when in what order to accomplish an objective. In other words, action plans outline and sequence the steps and the resources (people, money, time, and equipment) needed to achieve the performance objective.

Action Plans

- Break complex or seemingly overwhelming objectives into manageable performance objectives.
- Help prevent delays caused by omitting important steps or failing to begin critical action steps early enough.
- Produce better estimates of how much time or money is needed to carry out a project or to attain an objective.
- Communicate and clarify the roles of people involved in meeting the objective by clearly establishing accountabilities and deadlines.
- Provide check-points to help the people monitor progress toward meeting the objective.

- Help the people to anticipate what might go wrong and to prevent potential problems from occurring.

To decide whether an action plan is needed, and how detailed the action plan should be, the manager should consider:

- How experienced, motivated, and dependable a person is.
- The difficulty and importance of the performance objective.
- How many other people are involved.
- Whether the person is new to the task or has had difficulty in performing the task in the past.
- The amount of money to be spent in achieving the performance objective.

Action plans are a valuable tool for setting up performance since they specify exactly what needs to be done by when and help both manager and employee track performance progress.

Step Four - Establish Priorities for The Required Tasks

Some tasks must be completed before others can commence, which calls for priorities that will determine the order in which tasks must be completed, as well as by what date.

Step Five - Assign Roles/Responsibilities and Set Procedure

A group's purpose and goals should be the basis for defining and assigning roles.

We define procedures as "how the group will work together". Some procedures, such as ground rules for behaviour, are more oriented to group interdependence. Other procedures, such as making decisions, are more oriented to completing activities. The following procedures can help groups get their work done.

Ground Rules for Behaviour

A set of ground rules is the most common procedure we encounter. Such rules call for individuals to respect one another, arrive on time, listen to other ideas, support group decisions; and so on.

Guidelines for Communication

The procedure sets guidelines for using voicemail, e-mail, computer file exchange, and written documents. Because information can be communicated in so many ways, setting standards helps groups to be more effective in using those available tools. Following standards contribute to productivity – people know that urgent messages are not buried in an unexpected place. They know what to expect from each other.

Making Decisions

Setting ground rules regarding the making of decisions assist groups in achieving their goals and completing the activities within the allocated time frame.

Experiencing Conflict

It is extremely helpful for groups to perceive conflicts as necessary for their health. As such, conflict is something to be managed well; it should not be unproductive, interpersonal problems. Provide procedure for resolving conflict.

Introducing a New Group Member

Many groups struggle when they need to bring in a new member. Old members often feel too busy to take the time to orient the new members, although this is necessary to help the new member and the group to be fully productive.

Step Six - Finally, It Is Necessary to Follow Up

Assess and check to determine if the group/team is doing what is required. Your involvement as leader in this process is essential in that it validates the importance of the stated goals and priorities. It is important that the leader sees the process through to its conclusion.

Why Plans Fail

Plans can fail for several reasons, including:

Badly-set Objectives

Objectives which are unclear, unrealistic or unchallenging, will likely not be met, partially met or poorly executed.

Poor Information

To base one's plans on poor information will result in bad planning and consequential failure.

Uncontrollable Circumstances

All the planning in the world cannot force co-operation from others.

Ineffective Communication

Having plans without telling those whom they affect are as bad as having no plans at all.

Drive

A supervisor may find that his employees need to be driven to reach certain planned goals. Supervisors need to ensure that their subordinates keep planning and may have to take corrective action in time.

If you had to look for the signs that little or poor planning is taking place, the kinds of things you might notice would include:

- Objectives not being met
- Numerous crises
- Poor work distribution – some people being overworked and others idle
- Lack of resources – people not being available when you need them
- Tasks being re-done

DECISION MAKING

A decision is a judgement or choice between two or more alternatives and arises in an infinite number of situations; from the resolution of a problem to the implementation of a course of action.

Individuals in organisations make decisions. That is, they make choices from among two or more alternatives. Top managers, for instance, determine their organization's goals, what products or services to offer, how best to organize corporate headquarters, or where to locate a new manufacturing plant. Middle- and lower-level managers determine production schedules, select new employees and decide how pay raises are to be allocated. Of course, making decisions is not the sole province of managers. Non-managerial employees also make decisions that affect their jobs and the organisations they work for. The more obvious of these decisions might include whether to come to work or not on any given day, how much effort to put forward once at work, and whether to comply with a request made by the boss. Individual decision-making, therefore, is an important part of organizational behaviour. But choices are largely influenced by their perceptions.

Decision-making occurs as a reaction to a problem. There is a discrepancy between some current and some desired state, requiring consideration of alternative courses of action.

Every decision requires interpretation and evaluation of information. Data is typically received from multiple sources and it needs to be screened, processed and interpreted. What data, for instance, is relevant to the decision and what data isn't? The perception of the decision maker will answer this question. Alternatives will be developed and the strengths and weaknesses of each will need to be evaluated. Again, because alternatives don't come with "red flags" identifying themselves as such, or with their strengths and weaknesses clearly marked, the individual decision-maker's perceptual process will have a large bearing on the outcome.

Group Dynamics and Team Decisions

Kurt Lewin, a social psychologist and change management expert, is credited with coining the term "group dynamics" in the early 1940s. He noted that people often take on distinct roles and behaviours when they work in a group. "Group dynamics" describes the effects of these roles and behaviours on other group members, and on the group.

A group with a positive dynamic is easy to spot. Team members trust one another, they work towards a collective decision, and they hold one another accountable for making things happen.

In a group with poor group dynamics, people's behaviour disrupts work. As a result, the group may not come to any decision, or it may make the wrong choice, because group members could not explore options effectively.

What Causes Poor Group Dynamics?

Group leaders and team members can contribute to a negative group dynamic. Let's look at some of the most common problems that can occur:

Weak Leadership

When a team lacks a strong leader, a more dominant member of the group can often take charge. This can lead to a lack of direction, infighting, or a focus on the wrong priorities.

Excessive Deference to Authority

This can happen when people want to be seen to agree with a leader, and therefore hold back from expressing their own opinions.

Blocking

This happens when team members behave in a way that disrupts the flow of information in the group. People can adopt blocking roles such as:

- The aggressor - this person often disagrees with others or is inappropriately outspoken.
- The negator - this group member is often critical of others' ideas.
- The withdrawer - this person doesn't participate in the discussion.
- The recognition seeker - this group member is boastful or dominates the session.
- The joker - this person introduces humour at inappropriate times.

"Groupthink"

This happens when people place a desire for consensus above their desire to reach the right decision. This prevents people from fully exploring alternative solutions.

Free Riding

Here, some group members take it easy, and leave their colleagues to do all the work. Free riders may work hard on their own, but limit their contributions in group situations; this is known as "social loafing".

Evaluation Apprehension

Team members' perceptions can also create a negative group dynamic. Evaluation apprehension happens when people feel that they are being judged excessively harshly by other group members, and they hold back their opinions as a result.

EFFECTIVE DELEGATING

Delegating Defined

If management can be defined as a set of skills for achieving results through people, then all levels of managers should delegate.

Delegate means trusting another person with the appropriate responsibility and authority to accomplish a specific task. It involves briefing another person to carry out a task for which the delegator holds individual responsibility, but which need to be carried out by him or her directly. The delegated task would be one that the delegate is not already paid to do, as part of his or her job.

Delegates should have positive aims, such as, for example, supporting employee development and should not simply seek to pass on unpopular tasks to others. It is important that the delegator has a clear understanding of both the purpose and process of the task that is delegated.

Delegating work, responsibility, and authority, is difficult in a company because it means letting others make decisions which involves spending the owner-manager's money. At a minimum, you should delegate enough authority to get the work done, to allow assistants to take initiative and to keep the operation moving in your absence.

Why Are We Not Delegating?

What's keeping you from delegating? Probably, it's either believing you're the only one who can do a task correctly, feeling like you need to be in control, attempting to address unmet needs, desiring the adrenaline rush of being busy or feeding your ego.

- Have you ever said, "No-one can do it as well as I can"? The truth is, there are many experienced people who can perform certain tasks as well as or even better than, you. Another statement would be more effective: "I can find someone who can do it as well as me." When you stop trying to do everything, you can focus more on your true gifts.
- Sometimes your need to be in control stops you from delegating. When you need to be in control, you're effectively giving away much of your personal power. You can reclaim this power when you let go of your need to be in control. Then you'll be able to delegate more easily. If you really want to free up some space and time, look at the areas in which you're controlling and see how you can change. You'll know if you're trying to control others if you are trying to take over, have your own personal agenda and get other people to do what you want whether it's right for them or not. You're want to control when you believe that it must be done your way and aren't open to other suggestions and possibilities. What will it take for you to let go of being in control?
- Delegating can also be difficult for people who have unmet needs, such as the need to please everyone, to keep people happy, to be liked by everyone and to do everything. You'll be able to delegate better when these needs are satisfied. When you resist delegating, ask yourself, "What is my need in this situation that's stopping me from delegating?"

  If, for instance, your answer is the need to please everyone, consider in what other ways you can meet this need and free yourself to delegate the task.

- Your ego may also be stopping you from delegating. When you expect other people to agree with you, when you stop listening to feedback, when you have disregard for people and when you need time, money and attention from others to feel fulfilled, your ego is getting in the way. You need to set aside your ego and start living from your true self. Invest in your mind, body and spirit for a healthier looking life. You'll receive what you really want in your life in a healthy way without demanding from other people. Where in your life is your ego getting in the way of delegating? What will it take for you to shift from your ego to your true self?
- Another reason you might avoid delegating is that you enjoy having lots to do and are always pushing yourself. You end up relying on adrenaline to keep going. This is unhealthy. Using

adrenaline to get through life causes lots of ups and downs. You need to shift from adrenaline to a healthier and steadier source of energy.

Factors to Consider Prior To Delegating

Now that you've got an understanding of the basic definition of delegating and the levels of responsibility, accountability and authority you need to learn how to prepare for delegating. Three key aspects should be considered:

- Appropriateness
- Timing
- Whom to delegate it to

Guidelines for Delegating

The delegation process has five phases:

1. Preparing
2. Planning
3. Discussing
4. Auditing
5. Appreciating

Phase 1: Preparing

Preparing includes establishing the objectives of the delegation, specifying the task that needs to be accomplished, determining if the timing is right and deciding who should accomplish it.

Guidelines on Preparing

- Clarify the task in your own mind. Visualize what the finished task or product should look like. Managers are often disappointed with the work their staff returns to them because they themselves weren't clear about what they wanted in the first place.
- Take the time to carefully evaluate potential job candidates, whether for part-time, freelance, full-time, or even unpaid internship or volunteer help, so you pick the right person to delegate to.
- Unless proven otherwise, trust those to whom you delegate.
- Explain why the person(s) was (were) selected for this task.
- Get commitment. Make sure that your employee has accepted the assignment.
- Delegate segments that make sense; not bits and pieces of a task but share the "big picture". People like to know how their segment will help the larger programme.

- If possible, delegate responsibility for a specific job that could be done from start to finish, not just one small task that would require your constant supervision.

Phase 2: Planning

Planning is meeting with the chosen subordinate to describe the task and to ask the subordinate to devise a plan of action. Consider the level of authority you wish to assign. Andrew Carnegie once said, "The secret of success is not in doing your own work but in recognizing the right man to do it." Trust between the supervisor and employee – that both will fulfil the commitment – is most important.

Guidelines on Planning

- Furnish context for the task. Explain why the task needs to be done, its importance in the overall scheme of things and possible complications that may arise during its performance.
- Clearly specify your preferred results. Give information on what, why, when, who, where and how. Write this information down.
- Determine standards. Agree on the standards that you will use to measure the success of a task's completion. These standards should be realistic and attainable.
- Delegate responsibility and authority – assign the task, not the method, to accomplish it. Let the subordinate complete the task in the manner they choose, if the results are what the manager specifies. Let the employee have strong input as to the completion date of the project. Note that you may not even know how to complete the task yourself – this is often the case with higher levels of management.
- Ask the employee to summarize back to you, their impressions of the project and the results you prefer. Variously called "contracts" or "psychological contracts" or "emotional contracts", these expressions describe the process of agreeing with the other person what they should do, and the expectations linked to the responsibility. It all basically means the same, whatever you call it.

The point is that people cannot be held responsible for something to which they've not agreed. The point is also that everyone is more committed to delivering a responsibility if they've been through the process agreeing to do it. This implies that they might have some feeling about the expectations attached, such as time-scale, resources, budget, etc., even purpose and method.

You must give the other person opportunity to discuss, question and suggest issues concerning expectations attached to a delegated task. This is essential to the contracting process. Proper agreement or "contract" between you and the other person. Certain general responsibilities of course are effectively agreed implicitly within people's job roles or job descriptions or employment contract, but commonly particular tasks, projects, etc., that you need to delegate are not, in which case specific discussion must take place to establish proper agreement or "contract" between you and the other person.

Phase 3: Discussing

Discussing includes reviewing the objectives of the task as well as the subordinate's plan of action, any potential obstacles and ways to avoid or deal with these obstacles. The manager should clarify and solicit feedback as to the employee's understanding. Clarifications needed for delegation include the desired results (what not how), guidelines, resources available and consequences (good and bad). Delegation is like contracting between the manager and employee regarding how and when the work will be completed. The standards and time frames are discussed and agreed upon. The employee should know exactly what is expected and how the task will be evaluated.

Guidelines on Discussing

- Discuss the task at hand. Discuss ideas; mutually set goals and objectives. Whenever possible, give those who will be responsible for carrying out a programme a voice in the decision-making. Do not lower standards; don't insult your members!
- Find out how you will know when they need help. Make sure they understand you are willing to assist but must first be told when and how you can help. Give accurate and honest feedback. People want and deserve to know how they are doing. This is both an opportunity for giving satisfaction and encouraging growth. Allow for risk-taking and mistakes.
- Support by sharing information, knowledge and plans with them. It is incredible how many errors are made simply due to a lack of information. Share their failures as well as their success.
- Allow for creativity and variations in work style. Keep your focus on the results/products, not on the details of how the job gets done. People work according to individual learning styles and preferences. When you let them work in their preferred ways, they feel ownership for the effort. While some people like to work piece-meal, some like to work through continuous effort. Some people can multi-task, and some like to work at one thing at a time. Some need more structure and supervision than others. Those on your team may not perform the task exactly as you would. If you have selected skilled, talented people, they will probably do the job better than you would have and you may be pleasantly surprised with results.

Phase 4: Audit/Monitor

Auditing is monitoring the progress of the delegation and adjusting in response to unforeseen problems.

Guidelines on Auditing

- Have definite "check points" for completion of a specific task or job and some system of on-going communication to those you delegate to.
- Set up self-monitoring systems for member progress so you don't feel the urge to look over shoulders (i.e. calendars with deadlines, weekly report forms, etc.)
- Check in periodically and ask your team about their progress. Are they on schedule? Do they have the resources they need? Have they run up against any unforeseen obstacles? Do they still understand the requirements? Monitor the work and give feedback in a positive, helpful way.
- When you check on progress, ask open-ended questions such as "How are you coming along on the brochures?" or "What are you working on now, and what have you accomplished since we last talked?" Provide sincere praise and positive reinforcement for all efforts.
- If the work is behind schedule, or the finished products are flawed, maintain a helpful, open attitude. Explore with team members how improvements could be made. Ask what additional help and resources they need. Help them brainstorm new approaches. You may want to restructure work assignments or assign a mentor to an employee who isn't learning quickly. You may need to bring in a specialist or negotiate with the customer for a later delivery date.
- If you're not satisfied with the progress, don't immediately take the project back. Continue to work with the employee and ensure they perceive the project as their responsibility.
- Evaluate the importance of evaluation. You must not overlook the need to evaluate and measure the extent to which actions conformed to plans, if the plans went well or if the original plans were appropriate and worthwhile. Use appropriate feedback techniques. One of your most important roles as a leader is to help your members to learn and grow through both their successes and their failures! Your members are your greatest resource. Let them create and turn their creativity into action!

Phase 5: Appreciating

Appreciating is accepting the completed task and acknowledging the subordinate's efforts.

Guidelines on Appreciating

- Give praise and credit to the person to whom you are delegating.
- Evaluate and reward performance. Evaluate results, not methods. Address insufficient performance and reward successes (including the manager's).
- Provide incentives and show appreciation – Let people know there is a pay-off in working for you and develop a reputation as someone who rewards good work. Pay increases, bonuses, stock options and promotions are significant incentives for getting people to go the extra mile. You can give other rewards too. Such as time-off, a letter of appreciation in the personnel file, special mention in the corporate or industry newsletter, an award, a gift or an invitation to a special corporate/industry event for insiders only. You can recognize the team or individuals at a corporate meeting or plan a special luncheon for them at project completion. Send personal notes of thanks and say, "Thank you for a job well done."

PROBLEM SOLVING

Problem Solving Model

The following problem-solving model can be used to solve problems.

Phase 1: Assessment	**Phase 3: Plan and Implementation Solution**
• Become aware of the problem • Gather information about the problem • Identify the real problem/root cause • Formulate the problem and alternative statements • Look for the obvious	• Plan for implantation • Identify potential barriers • Identify potential consequences • Implement solution • Monitor to determine effectiveness and what should be changed or corrected
Phase 2: Find Solutions	**Phase 4: Evaluate Outcome**
• Identify alternative solutions • Gather information about solutions • Choose the most effective solution	• Has the problem been solved? • Has the goal been reached? • You learn from experience – both from mistakes and successes

Phase One: Assessment

Accurate problem assessment is the most critical step in the effective problem-solving process. During assessment a manager gathers all possible information about the problem, determines the real problem or root cause and formulates alternative problem statements.

- Become aware of the problem.
- Gather information about the problem.
- Identify the real problem/root cause.
- Formulate the problem and alternative statements.
- Look for the obvious.

Separating the pieces of a problem allows you to focus your energy on those areas that most affect the initial problem – and at the same time let you see the problem.

At this point, you do not have to analyse or conclude anything.

Just jot down as many parts and pieces of the problem as you can think of.

Many problems have several related causes, some major and some minor. To be effective, you need to devote your time to the major causes that can be changed. With today's tight schedules, you simply do not have time to do everything. Therefore, fix the things that matter most by making them visible components, determining causes and results – and then assigning priorities only to the causes.

A simple way to assign priorities is to use the categories of:

- "Seriousness".
- "Urgency" and "Growth".

Rate each suspected cause as having a high (H), medium (M) or low (L) degree of (1) seriousness (2) urgency and (3) growth.

Seriousness

How serious is this cause in relation to the other causes?

How big is it?

How bad is it?

How frequently is it occurring?

Money-wise, how important is this part of the problem?

Urgency

Do I have to drop everything else and take care of this today?

Can I do it just as well next week?

Can this part of the problem wait until next month?

Growth

If I do not take care of this cause now, will it get worse?

Will it soon spread out of control?

Does it have a growing financial impact?

Phase Two: Finding Solutions

Postpone the selection of one solution until several problem-solving alternatives have been proposed. Considering multiple alternatives can significantly enhance the value of your ideal solution. Once you have decided on the "what should be" model, this target standard becomes the basis for developing a road map for investigating alternatives. Brainstorming and team problem-solving techniques are both useful tools in this stage of problem solving.

Many alternative solutions to the problem should be generated before final evaluation. A common mistake in problem solving is that alternatives are evaluated as they are proposed, so the first acceptable solution is chosen, even if it's not the best fit. If we focus on trying to get the results we want, we miss the potential for learning something new that will allow for real improvement in the problem-solving process.

Practical guidelines to consider:

- Postpone evaluating alternatives initially
- Include all involved individuals in the generating of alternatives
- Specify alternatives consistent with organizational goals
- Specify short- and long-term alternatives
- Brainstorm on others' ideas
- Seek alternatives that may solve the problem

Phase Three: Evaluate and Choose the Best Solution

Skilled problem solvers use a series of considerations when selecting the best alternative.

- Evaluate alternatives relative to a target standard
- Evaluate all alternatives without bias

- Evaluate alternatives relative to established goals
- Evaluate both proven and possible outcomes
- State the selected alternative explicitly

Phase Four: Plan and Implement the Solution

After deciding about the solution, we implement the decision by effective planning. Good planning is a step-by-step process for avoiding potential problems.

As supervisor you will have to direct others to implement the solution, "sell" the solution, or facilitate the implementation with the help of others. Involving others in the implementation is an effective way to gain buy-in and support and minimize resistance to subsequent changes.

Regardless of how the solution is rolled out, feedback channels should be built into the implementation. This allows for continuous monitoring and testing of actual events against expectations. Problem solving, and the techniques used to gain clarity, are most effective if the solution remains in place and is updated to respond to future changes.

Now that we have decided, we are ready to write a planning statement in objective form. A planning statement is simply a description of exactly what we want to accomplish. Such a statement should have the following three characteristics:

1. Quantifiable
2. Result
3. Completion date

After you have written a planning statement, you can then develop the steps you will take to achieve them. As you identify the steps in your plan, establish completion dates for each step. But do not assign a final number to your steps at this point, as you may need to add additional steps later.

As an example, I know a person – let's call her Elizabeth – whose planning statement was "to become a manager in her organization within four years". The initial steps of her plan looked something like this:

Write a Planning Statement	"To become a manager in this organization within four years."

List of steps	**Completion Dates**
a. Meet with my boss and discuss promotional goal.	Sept. 15
b. Write 10 key development objectives on my present job.	Sept. 30
c. Analyse my managerial skills; determine my strengths and areas that needed improvement.	Oct. 15
d. Take a minimum of 2 management workshops each year	Dec. 1
e. Complete my B.SC. Degree at night school within 3 years. Sign up this semester.	Jan. 15
f. Determine potential management opening that may occur during the 3rd and 4th years.	Mar. 1

Phase Five: Evaluate

Evaluation is the last step in the problem-solving process. Once implementation starts, it is critical that the manager continuously evaluate the outcomes and if necessary, adapt the plans to ensure effective implementation.

Once we have:

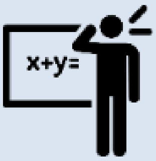
- Develop effective, relevant plans.
- Involved those people crucial to the success of the plan(s).
- Articulated appropriate, desirable goals.
- Established relevant evaluation processes.
- Focused on appropriate performance indicators.
- Covered a range of contingencies.

We will probably feel we have covered everything. Well almost; there are two important areas still to be considered – maintenance and evaluation.

Maintenance planning is often called follow-through. Developing a plan and implementing it can be a waste of time and resources if enough attention is not paid to keeping it in place. Regular monitoring, ongoing support, intermittent rewards and recognition are the important factors in keeping any newly implemented plan alive. Having these in place at the start give much greater certainty of having our plan carried through to completion.

The ramifications of new plans keep managers in work. Everything we do has consequences; some anticipated, others not: Staying alert to the formulation of new plans and developments; being prepared; anticipating results; picking up on unexpected outcomes; and being on the spot and ready to move are all prerequisites for an ongoing process of development and growth towards the desired future state.

It is important to keep our networks alive and monitor what is going on around us. "Keeping your fingers on the pulse" is vital to achieving success as a manager. This basically means that we should engage in low-level diagnosis constantly so that when a crisis arises, we could respond quickly and effectively. When less urgent problems surface or new vistas open; we will be able to deal with them or take advantage of them with a minimum of bother.



Individual Formative Exercise 1D

Complete Exercise 1D in your Portfolio of Evidence.

LEARNING UNIT 4: AGRI-RELATED LEGISLATION

Unit Standard	
116426	Develop a production and strategic plan for the agricultural business
116327	The optimisation of agri/ecotourism strengths and opportunities and negation of threats and weaknesses

Specific Outcomes
116426 SO4: Develop a production plan SO5: Develop and implement a strategic plan 116327 SO1: Collate strategic inputs from all relevant information sources into an integrated strategic/business plan. SO4: Monitor and evaluate the strategic plan for all components in successful agri/ecotourism business
Learning Outcomes
• Understand the regulatory environment for farming business in SA, including: o Labour legislation o Natural and living resources legislation o Legislation on land issues o International regulations impacting on farming in SA

CCFO'S	
Identifying Working Organise Collecting Science	Communicating Demonstrating Contributing

UNDERSTANDING THE REGULATORY ENVIRONMENT FOR A FARMING BUSINESS

For purposes of this module we will deal with the legislation in four categories:

1. Legislation related to human resources (Labour Legislation).
2. Legislation related to natural and living resources (Environmental Legislation, Livestock, Plants, Agricultural Resources).
3. Legislation related to land (Land redistribution, sub-division of Agri land) Legislation in general.

Legislation Related to Labour

What is the constitution?

The constitution is seen as a bastion against racism and any infringement of individual rights. No law or decree in South Africa may supersede the constitution. It provides for a federal state, governed by a central government and nine provincial governments. The constitution includes a bill of rights (chapter 2) that binds private persons and the state as well as addressing social issues.

The South African constitution underwent many processes of drafting and consideration, to ensure that 'the final constitution is legitimate, credible and accepted by all South Africans' as can be seen in the explanatory memorandum of the act. It therefore 'represents the collective wisdom of the South African people and has been arrived at by general agreement'.

The constitution lays out the rules and regulations which ensure human rights are safeguarded at various levels. The Bill of Rights legislates the rights of individuals. Other institutions and bodies are called into existence by the Constitution to protect human rights. A further essential part of the Constitution is how it regulates these very bodies and institutions which it has given power to. The legislation therefore also reduces the potential for further abuses in this way. The Constitution and Bill of Rights also set the scene for the protection of labour rights via the various labour relations related acts.

Labour Relations

The introduction of new labour legislation has had a profound impact on the SA labour market, notably in terms of the Labour Relations act (LRA), the Basic Conditions of Employment Act (BCEA), the Employment Equity Act (EEA) and the Skills Development Act (SDA).

The employment environment is guided mainly by eight acts:

- The Labour Relations Act, 66, of 1995 as amended
- The Basic Conditions of Employment Act, 75, of 1997 (as amended)
- The Employment Equity Act, 55, of 1998
- The Skills Development Act, 97 of 1998
- The Skills Development Levies Act, 97 of 1998
- The Protected Disclosures Act,26 of 2000
- Occupational Health and Safety Act,
- Compensation for Occupational Injuries and Diseases, 130 of 1993

As an employer of labourers/ staff it will be expected of you to align your business practices to comply with all of these, but specifically the four acts described here-under.

For purpose of this course it is only required of you to be aware of these acts – making up the holistic legislative environment – and the topics covered by these acts.

The Labour Relations Act (Act no. 66 of 1995)

The purpose of this Act is to advance economic development, social justice, labour peace and the democratisation of the workplace by fulfilling the primary objectives of the act. The main objectives of the Act are to give effect to and regulate rights conferred through section 27 of the Constitution, to ensure South Africa meets its obligations as a member state of the International Labour Organisation. To provide a framework within which employees, employers and trade unions can bargain on wages and terms and conditions of employment, in an orderly, collective manner.

The Basic Conditions of Employment Act (Act no. 75 of 1997)

The purpose of this Act is to advance economic development and social justice by fulfilling the primary objects of this Act, which are: to give effect to and regulate the fair labour practices conferred by section 23(l) of the Constitution and to give effect to obligations incurred by the republic as a member of the international labour organisation.

The Occupational Health and Safety Act (Act no. 85 0f 1993)

This Act aims to provide for the health and safety of persons at work and for the health and safety of persons in connection with the activities of persons at work and to establish an advisory council for occupational health and safety.

The Compensation for Occupational Injuries and Diseases Act (Act no. 130 of 1993) (COIDA)

This Act lays out what state-owned funds will be paid out if you are hurt or catch a disease whilst working. It also includes how much and under what conditions you are compensated. The Act states that employers must pay a certain amount of money into a central fund each month. The amount depends on how dangerous the industry is, how many workers are employed in the company and the remuneration the workers receive.

Natural and Living Resources Legislation

The DoA derives its core mandate from Section 37(ii) of the Constitution. It is currently responsible for over 30 pieces of legislation. Underpinning this definition of the scope of the mandate of the national department of agriculture is the understanding of agriculture, as being inclusive of all economic activities from the provision of farming inputs, farming and value adding.

Although more than 15 Acts would be applicable, it is worth just to be conscious of the following acts:

Environment Conservation Act, 43 of 1989.

To provide for the effective protection and controlled utilization of the environment and for matters incidental thereto.

This Act provides for the protection of the environment. It should however be noted that a sustainable farmer would not protect the environment because of the legislative requirement, but for purposes of ensuring a sustainable future for the next generation.

Agricultural Pests Act, no 36 of 1983.

To provide for measures by which agricultural pests may be prevented and combated; and for matters connected therewith.

Conservation of Agricultural Resources Act, no 43 of 1983.

To provide for control over the utilization of the natural agricultural resources of the republic in order to promote the conservation of the soil, the water sources and the vegetation and the combating of weeds and invader plants; and for matters connected therewith.

Legislation on Land Issues

These acts, policies and regulations address land distribution, restitution and tenure reform and make provision for Land Acquisition Grants to buy land for redistribution. They also address security of tenure and the transfer of land rights to communities as well as the sub-division of agricultural land. More than 25 regulatory documents exist. Of interest may be the:

Land Reform Act, no. 3 of 1996

To provide for security of tenure of labour tenants and those persons occupying or using land as a result of their association with labour tenants; to provide for the acquisition of land and rights in land by labour tenants; and to provide for matters connected therewith.

Legislation in General

Various other legislative pieces exist, related indirectly or directly to farming business. Of specific interest would be:

Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, no. 36 of 1947

To provide for the appointment of a Registrar of Fertilizers, Farm Feeds and Agricultural remedies; for the registration of fertilizers, farm feeds, agricultural remedies, stock remedies, sterilizing plants and pest control operators; to regulate or prohibit the importation, sale, acquisition, disposal or use of fertilizers, farm feeds, agricultural remedies and stock remedies; to provide for the designation of technical advisers and analysts; and to provide for matters incidental thereto.

Fencing Act, no. 31 of 1963

To consolidate the laws relating to fences and the fencing of farms and other holdings and matters incidental thereto.

National Road Traffic Act, no. 93 of 1996

To provide for road traffic matters which shall apply uniformly throughout the republic and for matters connected therewith.

Marketing of Agricultural Products act, no. 47 of 1996

The introduction of this act has changed agricultural marketing policy and practice dramatically to ensure that it occurs in a free environment.

The deregulation process was aimed at ensuring that farmers and agribusinesses position themselves as players in the globally competitive environment. The deregulation process entailed closing agricultural marketing boards, phasing out import-and export-control measures, eliminating subsidies and introducing tariffs to protect the domestic agricultural industry value chains against unfair international competition.

The Directorate: Marketing in the Department of Agriculture works closely with the National Agricultural Marketing Council (NAMC) on agricultural marketing matters. The Directorate develops, promotes and facilitates the implementation of programmes and measures aimed at supporting equitable access to competitive and profitable agricultural markets on a sustainable basis. This broad mandate is achieved through:

- administering market-access measures in the form of trade (imports and exports)
- facilitating fair, open, efficient and competitive domestic markets
- developing policies and strategies, and facilitating the implementation of programmes and measures to facilitate equitable access to mainstream the domestic market
- liaising with other government departments and relevant parties to enhance the efficiency of the agricultural marketing value chains. The directorate comprises three sub-directorates, namely marketing administration, commodity marketing, and marketing development and support.

National Agricultural Marketing Council

The National Agricultural Marketing Council (NAMC) was established by the Marketing of Agricultural Products Act, 1996 (Act 47 of 1996). The Council provides the Minister of Agriculture and Land Affairs with strategic advice on all agricultural marketing issues to improve market efficiency and access for all participants, optimise export earnings and improve the viability of the agricultural sector. Between 2004/05 and 2007/08, the NAMC transformed itself from an organisation whose functions were limited to investigating and advising on statutory measures to be the main agency for agricultural marketing.

The council has developed an economic and market research programme that tracks economic trends and provides market information that is aimed at improving South Africa’s position in future global agricultural markets.

The NAMC’s food price monitoring initiative is a continuation of the food price monitoring project, which assists government in understanding the impact of high food price inflation on the poor. The NAMC, in collaboration with the Maize Trust, the Oilseed Trust and the Winter Cereals Trust, developed the summer grains marketing scheme to support 5 000 growers from black farming communities over five years.

The farmer wishing to align his production planning with the ever-changing and increasingly demanding requirements of the major European markets, therefore may expect EurepGAP standards to suffice, only to find that this standard does not include all of the items or aspects that a particular market of his choice may require, or to the desired level.

Linked to these gap requirements would be applicable policy statements, procedures, recordkeeping systems and risk assessments. The following are examples of the kind of issues that policy statements should cover:

- conservation and the enhancement of the environment
- judicious use of natural resources
- pollution prevention
- disposal and recycling of waste
- judicious use of agrochemicals
- judicious use of non-organic fertilisers
- protection of health and safety of workers visitors and clients
- management of workers according to ethical trading principles

INTERNATIONAL REGULATIONS

Apart from local legislation, international markets demand the implementation of credible and transparent systems for the production and packaging of fresh produce. Compliance with Good Agricultural Practice (GAP) standards such as EurepGAP and Tesco's Nature's Choice is now a prerequisite for suppliers of fresh produce to markets in the United Kingdom and European Union. In addition to these GAP standards, suppliers to certain markets have to provide proof of compliance with a variety of other standards for ethical trading, environmental issues, Integrated Pest Management and the like.

Understanding the specific Good Agricultural Practices (GAP) requirements of your markets of choice can be achieved by studying EurepGAP and the specific requirements of the various major retailers. An export agent can be consulted in this regard. Also, systems such as the Integrated Crop Management System developed by the South African fruit export company,

Capespan, is particularly advanced and flexible.

The following key areas are relevant to most GAP requirements:

- General management of the integrated crop management system
- Environmental management
- Responsible agricultural practices
- Responsible use of agrochemical products
- Safe and effective handling of agrochemical products
- Social aspects
- Food safety and quality management

- Post-harvest handling and packing of product

An important strategic objective for the farm is related to compliance with the GAP requirements of the market segments being targeted. Such an objective will not only express in clear terms what the goal(s) are, but also who will be accountable for meeting them, by when, where and how performance will be measured.

Formative Exercise 1E

Complete Exercise 1E in your Portfolio of Evidence

Complete Summative 1 in your PoE

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