

Facing the realities of agricultural business

By [Frank Winder](#)

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Agriculture is one of the critical South African business sectors that has an impact on every South African's life in terms of such basic elements as nutrition. It also has a massive impact on the economy, directly and indirectly, as it is a major employer, as well as having a direct effect on exports and import and the effect that this has on foreign exchange and the currency.



Frank Winder

The prominent South African economist, Azar Jardim, mentioned on the TV programme, 'Judge for Yourself' on 23 December 2016, that the agricultural sector and the drought of 2016 had affected the country's GDP negatively by 1.5 - which is very significant when we see that minimum GDP growth requirements are in the region of 5 or 6% and that current expectations are 0.5%.

Successive droughts has limited the financial capacity of many farmers

We all talk in hushed tones of the 2016 drought as being the worst in recorded South African history, but what is not often highlighted is that in some of the grain production areas there has been a poor (drought-related) harvest for four years.

This needs to be viewed from the perspective that grain farming is the primary area of South African agricultural production and the reality is that successive droughts have limited the financial capacity of many farmers to plant, as successive poor production has eroded their credit worthiness in applying for the production loans necessary (in many

cases) to afford the basic inputs such as seed, fertiliser, agricultural chemicals and diesel.

We estimate that during September 2016, by which time in 'normal' years, production loans by agricultural cooperatives would have been approved, maybe 80% of the grain farmers in the primary maize production areas had not had their production loans approved yet, as previous loans were having to be refinanced. In truth, we have seen several farmers planting with no fertiliser this year because they cannot afford it.

The rains have also been late, and there can be little doubt that the Global Warming phenomenon is having its effect here in South Africa on traditional forms of agriculture. We seem to be experiencing later summer seasons in the grain production areas and trends are not easy to forecast accurately.

Understanding the different natures of agricultural business

Immediately after the first reasonable rains, the corporate financial director of one of our suppliers asked us to justify, why, when the 'drought had been broken', there was still a limited sale of agricultural inputs (including the products that his company supplies).

This is understandable to anyone knowing how corporate business works, but this approach does not underpin the realities of agricultural business, especially when it is under stress - such as it is in the present.



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The truth is that agriculture is critical to South Africa and, in these circumstances, a better understanding of the different natures of agricultural business will need to be acquired by formal business structures as well as government in terms of the models used to interact with agriculture. Those in the agricultural sector must find better ways of addressing the risk component of the sector, which is clearly becoming a more influential.

Addressing risk through better resource management

Possible ways of doing this include better ways of conserving and utilising water (water management), the inclusion of better and more efficient farming methods and the investigation of more drought resistant genetics in crops being currently planted as well as the evaluation of more appropriate crops for dry conditions.

This process also includes better soil management techniques including a focus on the improvement of the soil organic component, soil elemental balance - including improvement in the availability of reactive calcium in the soil. The other important area of improvement in the soil is the area of 'soil physics' and 'tilth'. These are assisted by the improvement of biologically active soil organic material as well as the application of the right products.

ABOUT THE AUTHOR

Frank Winder, Director at Advanced Agri

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