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CONFERENCE REVIEW

AGRICULTURAL OUTLOOK CONFERENCE, 11 SEPT 2002, MOUNT AMANZI, HARTEBEEESPOORT

TI Fényes¹

This very successful and informative conference, presented by AgriMarket Trends (AMT) and Standard Bank, slowly but surely fills the gap that was created by the discontinuation of AGROCON in 1998.

Dr JP Botha (senior economist of Standard Bank) presented a comprehensive paper on the Economic Outlook in South Africa. According to him, global conditions are expected to remain unfavourable, mainly because economic growth in the world's largest economies has faltered, and consumer confidence remains fragile.

Nevertheless, the South African economy is showing increasing resilience, reinforced by structural changes, especially the growth of the tertiary sector, rising potential output, fixed capital and multi-factor productivity. Furthermore, South Africa's export diversification is paying off and has resulted in a declining dependence on commodity exports and a waning balance of payments constraint. Macroeconomic stability and solid fiscal conditions are in place, the budget deficit has been substantially reduced and efficiency gains in revenue collection have allowed expenditure to increase. International experience suggests that the current upswing of inflation is short-term and will unwind in due course. It is not uncommon for the Production Price Index (PPI) to accelerate more rapidly than the Consumer Price Index (CPI). On the negative side, petrol price increases pose an upside risk of increased inflation and the recent increases in food prices lifts CPI further. On the positive side, deepening democracy and social stability can be regarded as contributing factors to rising economic resilience.

André Jooste (CIAMD, University of the Free State) presented a detailed account of international agricultural economic trends. He outlined the evolution of the global environment with special reference to the political

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economy, markets, enterprises and strategies for globalisation. Statistics were presented on SA exports, imports and the changing composition of trade. According to him there are two significant enablers for change in how we do business:

- The first is trade liberalisation; and
- The second is global communications.

The paper also discussed changes in manufacturing, distribution, retailing, trade agreements and their impact on South Africa.

The title of the presentation by J van Rooyen, T Doyer and D Esterhuizen (Agricultural Business Chamber and UP) was 'The new agricultural business economy'. In their presentation they focused on trends in:

- Consumer preferences;
- Product differentiations vs. commodity; and
- Supply chain management.

They concluded that competitiveness and social values are the key forces for growth.

Herman Hanekom (Consultant: Africa Institute of South Africa) discussed '*The Impact of the African Union (AU) on South African Agriculture*'. In his view, it is probably better to concentrate on NEPAD, an initiative of the AU. South African agriculture should seriously consider the opportunities that arise from NEPAD, including production, sales of inputs, and participation in technical aid programmes by sharing our knowledge with the continent, etc.

H van Schalkwyk and P Taljaard (Free State University) addressed the issue of farming for profit. According to them the changing agricultural environment includes fierce global competition often from subsidised sectors, low commodity margins, advanced technologies, volatile prices and high consumer power. To compete profitably in this environment it is necessary to develop strategies to utilise economies of size and become a low-cost producer and concentrate on differentiated products focussed on customer needs. In their view, proper risk management will play an increasingly important role in the future. Agribusiness of farming will adapt to meet farmers' changing needs. Improved information flows, minimal investment in hard physical assets through partnerships, the use of financing for market development and supply chain relationships and the

development of a better understanding of market movements and the relationship between development and management will receive increased attention.

Nico Loock (Standard Bank) investigated the changing approach to agricultural finance. According to his analysis, since deregulation the risk profile of farmers changed due to:

- An increase in production costs relative to farm land values;
- Instability in producer prices; and
- Greater fluctuation in profitability.

The implication of these changes was that the structure of the farmers' balance sheets has changed, and there has been a 20% decline in the number of commercial farmers. The resulting change in the approach to finance entails the creation of a pro-active risk management framework to lessen yield and price risk exposure. Risk management tools include:

- Long term yield and breakeven analysis;
- Price hedging via Safex;
- Forward contracting with reputable buyers;
- Input cost insurance – insurers/re-insurers;
- Crop budgeting; and
- Continuous price management.

The overall aim of this new approach is to play toward markets' needs, sustain profitability, ensure that farmers will be able to absorb a total crop failure and will be in business over the next ten years.

Johan van den Berg and Cecil Manley (Enviro Vision) outlined the expected climate and agricultural conditions for the 2002/2003 season. They expect favourable conditions to continue until Nov 2002. They predict a maize crop between 8,2 and 9,9 million tons and domestic consumption of about 7,5 million tons.

Konrad Keyser (Brisen Commodities) provided a comprehensive analysis of price trends of grains and oilseed. Commodities included were maize, wheat, soya beans and sunflower. International and local price trends and supply and demand conditions were compared.

In conclusion, J Vorster (ZZ2 farming, Letsitele) gave a lecture on vegetable price trends. According to him, the vegetable industry is probably the only agricultural sector in SA where a producer may be a millionaire in one day and a beggar on the next. His analysis concentrated on the production, costs, price trends and price forecasts of the three major vegetables, potatoes, tomatoes and onions.

This was a very well attended and organised conference and demonstrated a textbook case of government failure and market success. Congratulations are due to the organisers, presenters and participants.