

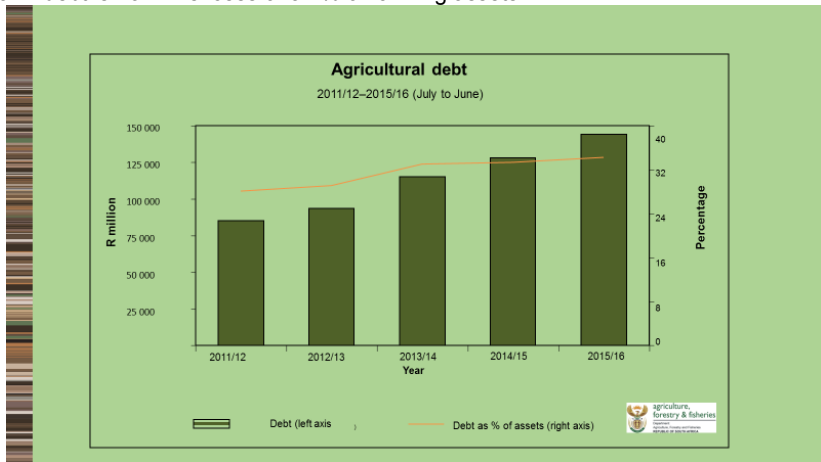
CHAIRPERSON'S REPORT 2016/2017:

AFTER EFFECTS OF THE WORST DROUGHT IN 25 YEARS

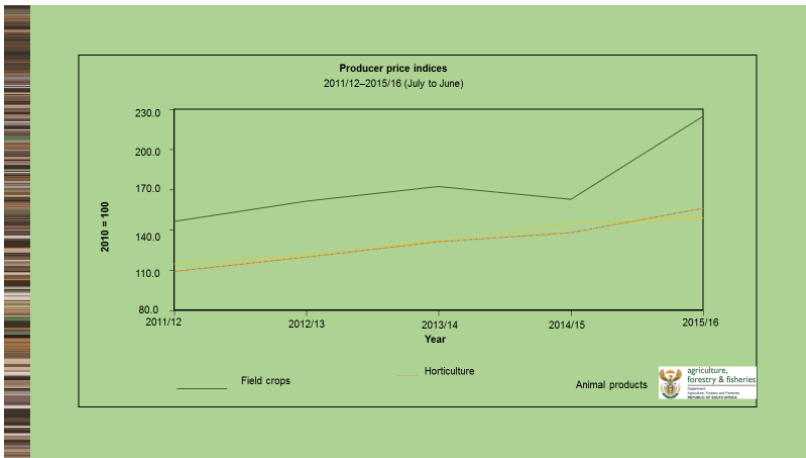
The main player in the agricultural scene during the previous season was the climate. Adverse conditions had a major effect on crop production throughout the region and the resultant economic conditions of the agricultural sector. The average annual rainfall for 2015 was the lowest ever recorded. Fortunately, late during 2016, this situation started changing with above average rainfall occurring in most parts of the country, changing the scene completely, however the economic impact will still be with many farmers for some time to come.

CONDITIONS ON FARMS

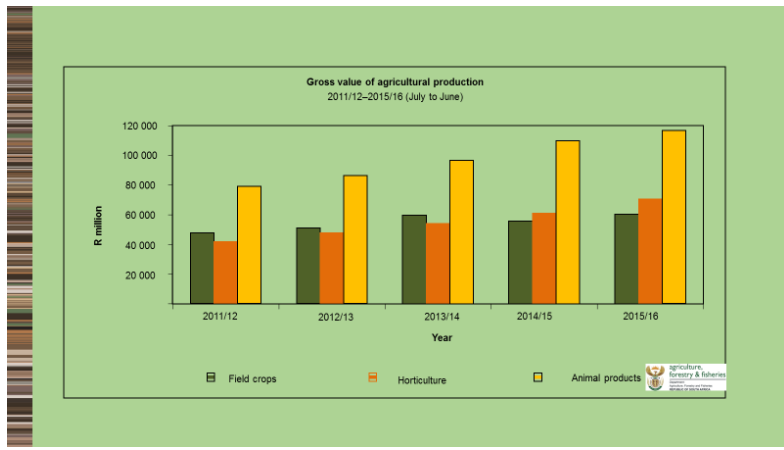
FARM DEBT: According to DAFF, accumulated farm debt increased to R140billion from levels of around R110billion in 2014, being a 27% increase. This means that farm debt is now in excess of 32 % of farming assets.



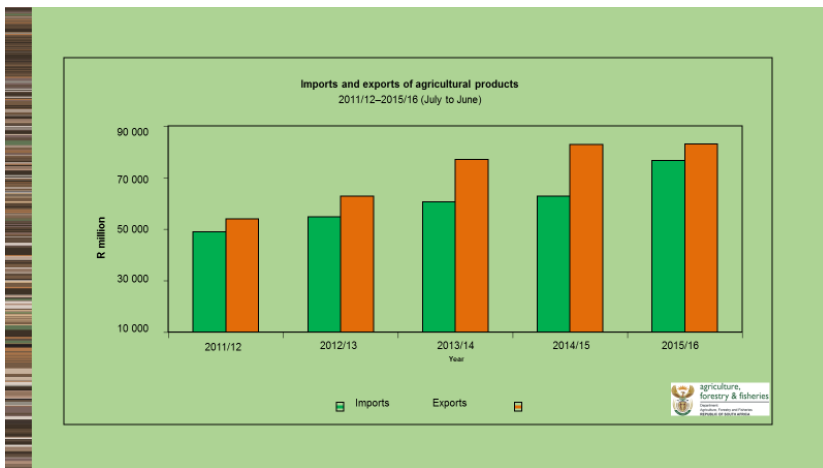
PRODUCER PRICE INDEX FOR FIELD CROPS: Increased to almost 230 from the previous year's 170 or 35%



THE GROSS VALUE OF FIELD CROP PRODUCTION: Stagnated whilst gross value for horticulture and animal products increased slightly. The increase in the price of crops due to prices moving from export parity to import parity compensated for lower crop.



Imports of agricultural products increased by roughly R17bn as the shortfall in production in mainly maize was replaced with imported products.



The latest crop estimates committee report indicates a 6% increase in the total summer crop area planted in 2016 however a significant 35% increase in maize plantings with a reduction in planting of all other crops.

SUMMER CROPS – AREA PLANTED AND THIRD PRODUCTION FORECAST: 2017

SOMERGEWASSE – OPPERVLAKTE- EN DERDE PRODUKSIESKATTING: 2017

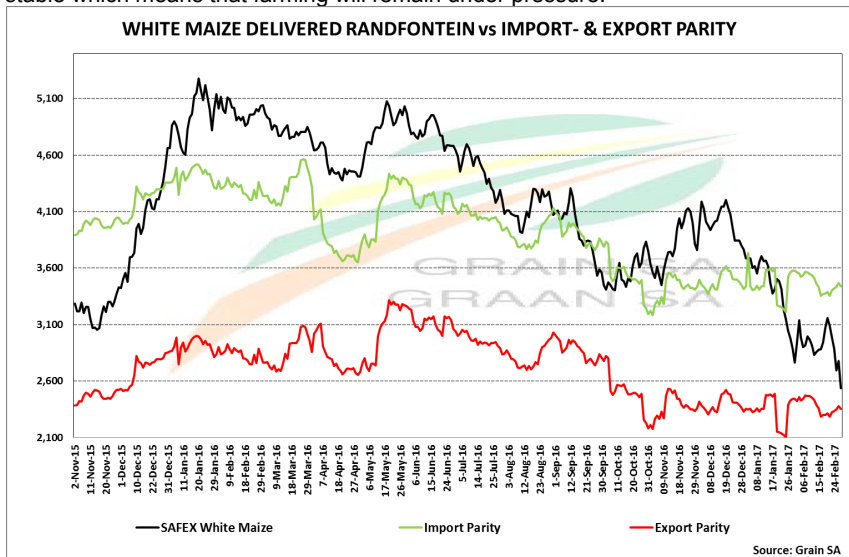
CROP/GEWAS	Area planted/ Opp beplant	3 rd forecast/ 3 ^{de} skatting	2 nd forecast/ 2 ^{de} skatting	Area planted/ Opp beplant	Final crop/ Finale oes	Change/ Verandering
	2017 Ha (A)	2017 Tons (B)	2017 Tons (C)	2016 Ha (D)	2016 Tons (E)	% (B) ÷ (C)
Commercial/Kommersieel:						
White maize/Witmielies	1 643 100	8 618 400	8 513 200	1 014 750	3 408 500	+1,24
Yellow maize/Geelmielies	985 500	5 917 300	5 810 300	932 000	4 370 000	+1,84
Total Maize/Totale Mielies	2 628 600	14 535 700	14 323 500	1 946 750	7 778 500	+1,48
Sunflower seed/Sonneblomsaad	635 750	853 470	896 060	718 500	755 000	-4,75
Soybeans/Sojabone	573 950	1 233 130	1 162 425	502 800	742 000	+6,08
Groundnuts/Grondbone	56 000	86 600	86 600	22 600	17 680	-
Sorghum	42 350	153 480	153 480	48 500	70 500	-
Dry beans/Droëbone	45 050	67 150	65 275	34 400	35 445	+2,87
TOTAL/TOTAAL	3 981 700	16 929 530	16 687 340	3 273 550	9 399 125	+1,45

Note: Estimate is for calendar year, e.g. production season 2016/17 = 2017

Nota: Skatting is vir kalenderjaar, bv. produksie-seisoen 2016/17 = 2017

The increase in the price of maize which was mainly driven by the shortage of local production which resulted in prices moving to import parity, together with a further weakening of the rand. This clearly stimulated increased maize plantings. As a result of the increased plantings and improved weather conditions, the 2017 crop is reforecast at 14.5 million tonnes which is 85% higher than the 2016 crop of 7.8 million tonnes. The large crop quickly resulted in local prices dropping back to export parity. This resulted in prices reducing from levels of around R5000 in the case of white maize to R2200 and even lower today. A doubling in the size of the

crop translated to the maize price halving, resulting in farming income remaining stable which means that farming will remain under pressure.



Looking at the bigger picture, international agriculture commodity prices continued their downward trend in 2016 with international grain prices now about half its early-2008 peak. Global production of wheat is expected to reach a new record for the 2016/17 season, at 753 million tonnes, with conditions for the global wheat crop favorable in most key producing and exporting areas. As a result of the favorable crop conditions, the global wheat stock-to-use ratio is anticipated to reach a 16 year high of 36%. Maize production is also projected to increase by 8% in 2016/17, resulting in the expected stock-to-use ratio for maize at the end of the season to be marginally higher at 22%, compared to 2015/16 at 21%.

Weather is not the only problem facing the industry.

Another major crisis in the South African agriculture industry has been caused by a tenfold increase in chicken imports since 2009 from approximately 3 500 to 30 000 tonnes per month. This unchecked influx arises from the North American and European markets' preference for white meat, resulting in brown meat cuts being dumped into South Africa, often at prices that undercut local producers. This has had a devastating effect on the local poultry industry.

If this growing flood of imports remains unchecked, it will result in the collapse of the local poultry industry. Due to the interdependence of various industries, such a collapse will be more severe than what is obvious at first glance.

For every 700kg of chicken on the shelf one ton of maize is needed to feed the chicken.

The demise of the poultry industry will therefore severely impact industries such as the grain production and handling, banking, insurance, agrochemical, fertilizer, packaging, logistics and processing industries. As demand for products and services decrease rationalisation will take place within these industries, resulting in significant

job losses.

Think of the long term impact of this situation on food security and unemployment.

Once local production capacity is destroyed it will take years to recover. During that time, South Africa will become dependent on imported food. This leaves us vulnerable to price increases from mobile exporters who will go where they can achieve the highest net-backs. This is why local production of food is such an important aspect of our country's food security.

Strong political and industry leadership is now of utmost importance to introduce sustainable measures to protect our local industries, our economy and our people. This is not just a simple case of protecting the poultry industry, but it has far reaching implications on the greater agricultural economy and job opportunities. Time is however of the essence as the situation is unravelling rapidly and can only be remedied by rapid, decisive action.

The political situation around land distribution and the impact of the uncertainty created thereby together with the unsupportive environment in which farmers operate, remains a challenge. The amount of unproductive land as a result of unsuccessful land redistribution projects and the inability of government to support these farmers continues to impact the industry and remains a challenge.

OUTLOOK FOR THE CURRENT YEAR

Weather

The good rainfall starting at the end of December 2016 through to 2017 in the summer grain producing areas has changed conditions appreciably. The question is whether this marked the end of the dry spell. The South African Weather Service issues a Climate Watch in January 2017 which bodes well for the year ahead, as follows:

"Most of the local and international forecasting systems consistently indicate that South Africa's summer-rainfall areas may expect wetter conditions during the latter parts of the summer season.

The IOD (Indian Ocean Dipole) is expected to persist in a neutral phase which may enhance moisture transfer towards South Africa in the latter parts of the summer.

The SAM (Southern Annular Mode) has been showing a negative phase since November 2016. This together with the weakening of the polar vortex are often associated with colder and wetter conditions over the winter-rainfall region of South Africa through frontal activities."

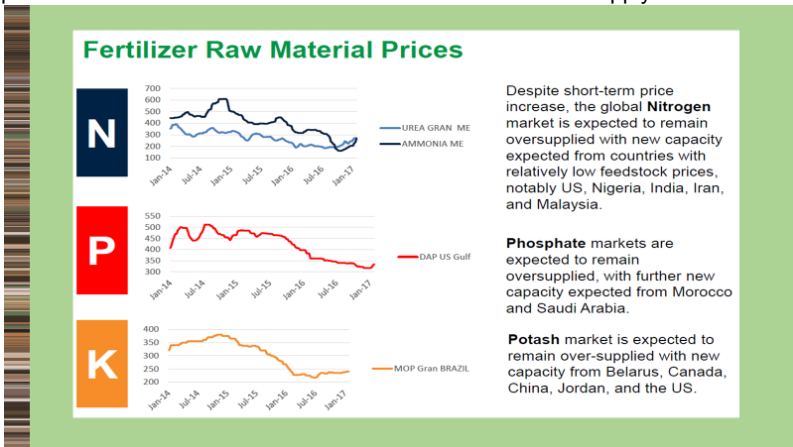
INTERNATIONAL FERTILIZER PRICES

International fertilizer prices of all commodities remains under pressure due to the continued increase in new capacity coming on line which outpace demand currently.

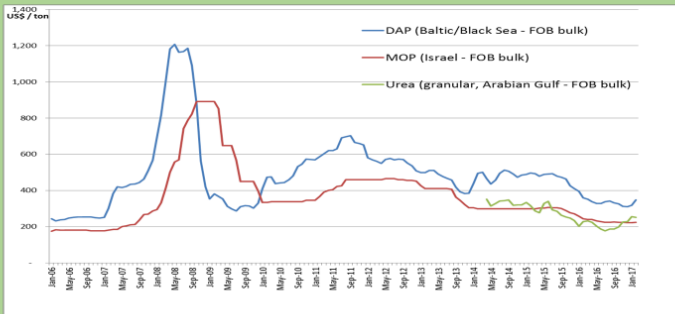
Fertilizer prices are generally determined by the production cost of the marginal cost producer which has also reduced in recent years due to the reduction in prices of energy.

Demand for fertilizer is impacted due to an increase in environmental and health consciousness with concepts such as Nutrient Use efficiency and Water use efficiency and Nutrition becoming higher on the agenda, even in developing countries such as India and China.

It is believed that international fertilizer prices will remain low for the foreseeable future as the demand grows and the industry rationalise. Prices is however expected to remain volatile due to the seasonal demand and supply situations.

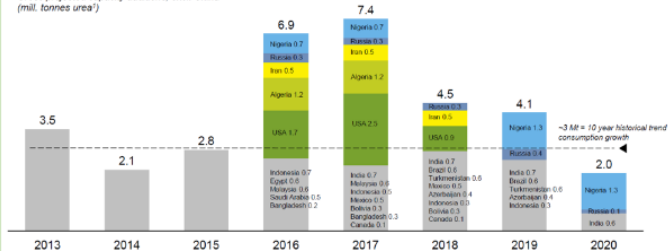


INTERNATIONAL FERTILIZER PRICES



Global urea supply additions

Gross projected capacity additions, excl. China
(mil. tonnes urea)



Source: CRU, gross capacities, September 2016

1) Assumes 30% capacity rate in new plants first year of production

•THE RAND weakened significantly against the US dollar in recent years. This resulted in reasonably stable local fertilizer pricing. The weaker Rand did however

translate to higher longer term local crop prices which bodes well for the ratio between fertilizer inputs and crop prices and should support good fertilizer use in the year to come.

It is therefore expected that a stable trend for fertilizer use will be experienced in South Africa for 2017/18.

FERTASA ACTIVITIES

•FERTILIZER REGULATIONS:

A lot of effort has gone into revising the fertilizer regulations. Group 3 regulations especially are problematic and are set to be extensively revised. The strategy is to get the first products registered and to use these to develop a roadmap or protocol which can be shared with members to assist them in advancing other registrations. It is expected that the first successful is imminent – hopefully during May 2017. This is still a liquid process with much to be learned by FERTASA, the industry as well as the Registrar. This is one area where the industry will benefit from cooperation and also from the good relationship between FERTASA and the Registrar.

•REGISTRATION AID IS STILL PROVIDED BY FERTASA.

This is a paid for service provided for members and non-members. An electronic system is being developed to improve the submission of registrations as the errors in submissions are currently the leading cause for delays. This will also facilitate the documentation process and provide for a registration tracking system This system should be operational by the end of September 2017.

•FERTILIZER QUALITY INSPECTION:

This system driven by FERTASA, Grain SA and DAFF is in place and was implemented during April 2017 starting in the Cape regions and then in the northern regions. The purpose is for the industry to self-regulate and to give assurance to the

industry and especially our customers that they are receiving the quality and quantity of fertilizer that they paid for.

Funding for the system is provided by various parties including the Sasol Agri Trust, DAFF and FERTASA itself. We thank our sponsors and members who assisted financially in making this program possible.

•FERTILIZER BILL: STRONG ACTION TO FINALISE

A workshop to try and finalise Fertasa members' input to the Bill was conducted on the 30th of March 2017. The prototype Bill has been sent to all participants of the workshop for final comment. The finalised Bill will be drafted in the week of the 15th of May ready for submission.

It is planned to submit Fertasa members' suggestion to DAFF by the end of May 2017

It is important to note that members must participate in this process. Any concerns or suggestions should be raised with FERTASA's management pro-actively.

Members should also realise that the proposed Bill will not necessarily be accepted by the Minister as proposed. The more the industry work together and agrees with what is being proposed, the more successful we will be to take ownership of our own future. The engagement between FERTASA and the registrar is very good and a trust relationship is being built over time.

•MEMBERSHIP OF FERTASA HAS INCREASED IN NUMBERS

The membership of Fertasa is currently 52 compared to 46 a year ago. Continuous efforts will be made to gain more members. Members should assist the management of FERTASA to identify and attract new members. The more the industry can unite around issues which are important to the industry, the more successful we will be in achieving our goals and resolving our issues. FERTASA is an association for its members and gears itself to provide a service and solutions to the industry

•FERTILIZER HANDBOOK/ BEMESTINGSHANDLEIDING:

The revised Afrikaans version of the Bemestingshandleiding has been printed and is selling well. Over 1 000 have so far been sold. The English version is in the final stage for printing. The first issues will be available towards the end of May 2017.

FERTASA management would like to thank many people from the industry who contributed to the new handleiding. It is a publication of which the industry can be proud.

•BASOS/FACTS COURSE OPERATED SOLELY BY FERTASA:

Fertasa has taken over the operation and administration of this popular course. Frans Joubert who conducted and administered the course previously has been contracted for 10 months to carry all actions over to Fertasa. A computer system to enable electronic registration and administration via the Fertasa website is being developed.

1144 BASOS/FACTS certificates have been awarded to successful candidates up to date. Of these 194 candidates were successful in the 2016 year. To date 140 candidates have so far registered for the May examination with the September examination still ahead.

The new bemestingshandleiding forms the basis for the new course.

•FERTASA ACCREDITATION CERTIFICATION WELL UP: There are 10 companies who have received certificates of compliance and 10 companies who are in the process of certification. All companies are encouraged to gain certification since that would distinguish them and show that they comply with given standards and the Fertasa Code of Conduct. The more the industry self-regulates, the more likely the registrar are to allow the industry to self-regulate which will definitely resolve many of the issues currently being experienced with the registration of products and other. Promoting the image of the industry is also important.

•ANNUAL CONGRESS

A successful congress was held at the Birchleigh Hotel in Johannesburg with 170 delegates attending. The cost of the congress was covered through the very good attendance. The theme of the conference was to focus on fertilizer business in Africa. Several speakers were used including the Deputy President of Zambia.

Delegates from Malawi, Kenya Mozambique and Zambia attended the conference. FERTASA management thank members for supporting the congress and hope that the attendance can be increased in the future. It should be a great event to invite customers to.

- **PLANT NUTRITION AND SOIL FERTILITY SYMPOSIUM.**

A very successful symposium was held in Pretoria with 260 delegates attending. Once again costs were covered quite easily. The main theme of the symposium was to communicate the revision of the 2016 Bemestingshandleiding to users.

Speakers included Dr Erik Adriaanse dealing with nitrogen fertilization guidelines, Dr Chris Schmidt dealing with new phosphate guidelines and Dr Pieter Haumann dealing with liming recommendations, subsoil acidity and the use of gypsum in agriculture.

- **SALES STATISTICS:**

The development of the model is still receiving attention and the new target for release is before the end of 2017. A basic fertilizer import and export statistics database has been developed and can be accessed by members on the FERTASA website.

- **THE ARGUS FMB Africa Fertilizer**

This event was held in Cape Town from 15 to 17 February. It was the first time that this event was held in South Africa. Over 500 companies met for 3 days to do business and identify opportunities in the Sub Saharan Africa fertilizer value chain. A number of Fertasa member companies participated.

- **IFA**

Contact was maintained with IFA and the CEO of Fertasa was included in the IFA Africa task force on Africa Strategy and Position Paper. He was also appointed as one of the two IFA ambassadors for Africa. Fertasa is kept up to date by IFA on international trends in responsible fertilizer use, conservation of the environment. And safety.

CONCLUSION

FERTASA is an association for its members. The activities and focus areas for the association are being determined by the members and are reviewed and updated regularly. Good progress has been made on these activities during the last year.

Members are invited to discuss these with FERTASA management and to make suggestions regarding future activities and focus areas.

We welcome new members and invite you to participate in our committees which are explained in our website. Many of the activities of FERTASA is conducted through these committees. Any member company is welcome to participate and contribute through these channels.

The financial position of FERTASA improved markedly during the last few years and it is a pleasure to report that the association is financially in a very strong position.

This means that the association will be able to increase its relevance and impact in the future.

My Thanks to the management and staff of Fertasa for their efforts and contributions during the year.

A lot of our current success is due to the effort of our previous CEO, Mr Adam Mostert. We thank Adam for his contribution and wish him a great

“working” retirement, for the third time I think! Our previous Communications Officer Monique le Riché is also wished success in her ventures.

I welcome the new CEO Dr Pieter Haumann and look forward to initiatives from him. I also welcome the new Communications Officer Candice van der Walt and look forward to her inputs.

Secondly, I wish to thank the board of directors for their valuable time and guidance.

Directors:

Adriaan de Lange: Chairman – Omnia Fertilizer (term ends April 2018)

Dr Erik Adriaanse: Vice chairman – Sasol Base Chemicals (term ends April 2018)

Dr Nicole Hart: - Experse Surfactant Technology (term ends January 2019)

Dr Arrie van Vuuren – Consultant (term ends April 2018)

Alternate Directors:

Henk le Roux- NWK Ltd (term ends April 2018)

Louis Strydom – Omnia Fertilizer (term ends April 2018)

Tom Mason – Metson Manufacturing CC (term ends January 2019)

Danie Roode – Sasol Base Chemicals (term ends April 2018).

I also wish to thank the chairpersons of the Fertasa committees for their valued inputs.

Technical committee: Dr Erik Adriaanse

Regulations and compliance committee: Dr Arrie van Vuuren

Quality management committee: Mr Vossie Wisnach

Publications committee: Mr Handro Swart

Training committee: Mr Frans Joubert

Adriaan de Lange

Chairman