# CHAIRMAN'S REPORT

J J ADRIAANSE

It gives me great pleasure to submit to you my Chairman's report on the occasion of the 25th Anniversary of the FSSA. I am also most grateful that I could be directly involved in the industry and therefore indirectly in the activities of the Society over this period. I pay tribute to those before me who contributed towards making the Society what it is today and towards building an industry vital to farming as well as to the entire South African economy.

Fertilizer consumption in South Africa dropped to 2 200 000 physical tons during 1983, reflecting a further decline of 23% over 1982 or 32% over 981. When we look at the growth curve over the period 1953 — 1983 it becomes obvious that also the fertilizer industry is right now experiencing its biggest dilemma in history. A recent market survey done by the FSSA is pointing towards a further decline of ± 12% for 1984 over 1983 which would put sales volumes back to approximately ± 500 000 tons of plant food or 2 000 000 physical tons. These were the levels we operated at 10 years back during 1974/1975. When we analyse the decline of 23,3% for 1983 over 1982 on a regional basis, we find that we suffered a major setback in the Central Area where sales dropped by 26,9% against 16,4% in the Cape and 15,4% in Natal. The decrease in fertilizer sales in the Cape is however, somewhat misleading insofar as most of the normal December purchases for the planting of wheat were spread over the months January to March when farmers learned that there would be no significant rise in the 1984 fertilizer prices.

Comparing a demand of 2 200 000 tons with production capacity of 4,7 million tons and considering the bleak prospects for 1984, some sort of rationalisation within the industry seems unavoidable. Rationalisation however should not be associated with takeovers and mergers alone, production and marketing functions could for instance be analysed to achieve better results. Another example is the split between Triomf and AECI, where both Companies are now confident that the bottom line will be improved considerably. I have great faith in management within the industry and I firmly believe that experience and logic assisted by better economic and climatic conditions will bring the industry out of the red within the not so distant future.

I would now like to touch on a few aspects that are of great concern to the industry.

**(1) Capital employed**

As on 31st December 1983 total fixed capital employed came to ± R2 000 million and working capital in the vicinity of R300 million. Approximately 7 000 people were employed, and local fertilizer sales were close on R700 000 000. The export market contributed only a further ± 100 million towards turnover. Most Companies operated at a loss, and prospects for 1984 are at present still not very promising. From these figures the importance to survive becomes obvious in the interest of shareholders, investors as well as farmers.

**(2) Abolition of price control**

After more than 40 years price control was removed on 1st January 1984. Under price control — only maximum prices were fixed but on account of severe competition these prices were seldom charged so that the changeover as such posed no major problem. As is the case in other countries, market leaders emerged and announced price increases of between four and six per cent as from 1st January 1984. Most Companies followed soon afterwards. In my opinion such a small increase is proof of the efficiency, credibility and responsibility within the industry. It must however be borne in mind that farmers and co-operatives can no longer rely on a fixed price for any full calendar year but that prices can be changed at short intervals when rising costs force suppliers into such an unpopular move. A further rise in the price of fertilizer towards June seems unavoidable especially in the light of a continuous rise in the price of raw material, the value of the Rand and the expected increase in railage rates towards April this year. If import parity remains the only yardstick then present calculations are pointing towards increases of up to 15% before the end of June 1984. Farmers and co-operatives are at present exploiting an absolute buyers market, but these conditions cannot continue indefinitely and I believe prices will stabilise towards June or nearer to the maize planting season.

**(3) Import control and tariff protection**

Government announced early in 1984 that import control would gradually be phased out, taking into account the levels of stocks and surplus production capacity. Soon afterwards tariffs on all imported material, except ammonia were gazetted. These tariffs were

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| Urea and mixtures | 30% |
| MAP and DAP | 20% |
| LAN | 15% |

We are not against moving towards a more open economy but as already indicated by prominent business leaders such a policy could have serious adverse affects if not implemented with responsibility and discretion. In our case inadequate protection may create convenient dumping grounds for overseas suppliers and may also seriously jeopardise future investments. With no protection against imports, nobody would for instance invest in ammonia production in South Africa.

The abolition of import control will however force South African producers towards more world related prices and this should be welcomed by the farming community. However, as mentioned in last year's Chairman's report, South African farmers would have paid an additional R700 000 000 for their fertilizer if total requirements were imported during the period 1973 to 1983. Import parity alone can, therefore, never be the only factor on which to determine local prices. Exceptionally strong competitive conditions amongst suppliers, as is the case at present will also to a large extent avoid import parity to be the only basis on which to fix prices.

(4) **Fertilizer recommendations**

During last year the fertilizer industry was repeatedly accused of influencing farmers towards using excessive amounts of fertilizer. For the purpose of this report I find it appropriate to comment as follows:

(a) It is top priority in the constitution of the FSSA to promote the economical use of fertilizer.

(b) All our members base recommendations on the best available scientific data and guidelines.

(c) We believe our integrity is beyond any doubt but would welcome constructive criticism and open dialogue in the interest of scientists, farmers and our industry.

(5) **Marketing of fertilizer**

It was with great interest that we learned from a recent T.V. programme that some co-operatives are still interested in becoming the sole distributors and marketers of fertilizer. We have the greatest appreciation and respect for the functions performed by co-operatives, but at the same time very much doubt the desirability of such a move. Marketing costs represent only approximately three per cent of the price of fertilizer and any savings that could be achieved would be insignificant and could also jeopardise the entire marketing effort.

A guaranteed monthly offtake as well as a reasonable annual growth would also be prerequisites for such a deal and I very much doubt whether co-operatives can afford to also give such undertakings in a country where adverse weather conditions are the biggest risk to farming in general.

(6) **Innovations**

The industry is proud of what had been achieved as far as quality of product, product range, packaging and liquid fertilizer etc. are concerned, but innovations to favourably affect yield per hectare is now very necessary. I am pleased to report that bulk and semi-bulk handling, bulkblending, prescription blending and clear solutions are now receiving urgent attention and some exciting announcements may follow soon. We thank farmers and co-operatives for their assistance with new developments.

Ek wil vervolgens graag meer spesifiek oor die aktiwiteite van die vereniging rapporteer.

Praktykgerigte navorsing is en bly steeds een van die belangrikste prioriteite van die MVSA. Die klem het tot nou hoofsaaklik op NPK-kalibrasie vir mielies op hoëveldse gronde geval, maar veranderde omstandighede in die landbou genoodsaak ons ook om meer aandag aan besproeiingsgebiede, probleemgronde en alternatiewe gewasse vir mielies te gee. Die wenslikheid om optimale produksiepraktyke behoorlik te toets en in werking te stel, word ook al meer belangriker. Sisteme, stelsels en kennis moet saamgesnoer word ten einde aan die boer die mees winsgewende pakket bekend te stel wat daarop gemik is om sy winste te maksimeer en sy finansiële las te verlig.

Gedurende die afgelope jaar is die volgende proewe gedoen of begin

(1) In Transvaal en Vrystaat — 6 op koring, 16 op mielies, 1 op aartappels en 1 op sonneblom. Hierdie was oorwegend bemestingsproewe waar plantbevolking en spasiëring ook spesiale aandag geniet.

(2) In die Kaap — 13 proewe op kleingraan veral koring — wat daartoe mag lei dat nuwe bemestingsriglyne in samewerking met Universiteite en die Departement van Landbou binnekort gepubliseer mag word.

Die MVSA het verder die leiding geneem in die oorskakeling na die meerdoelige gemodifiseerde ISFEI-metode om grond te ekstraheer. Teneinde resultate sinvol te implimenteer by aanbevelings is verskeie samesprekings tussen alle betrokke instansies gereël en daar sal voortgegaan word om alle verwarring by die interpretasie van ontledingsresultate uit die weg te ruim.

Vervolgens, rapporteer ek graag dat verskeie opleidingskursusse geborg deur lede maatskappye, met groot sukses in ons buurstate oor grondvrugbaarheid en bemesting gehou is.

Die volgende omvattende verslae is met groot sorg opgestel en versprei:

(1) 'n Voorlegging met betrekking tot tariefbeskerming aan die Raad van Handel en Nywerheid.

(2) Kommentaar op NAMPO — voorstelle rakende die Mieliebedryf en die gevolg daarvan op die misstofbedryf.

(3) 'n Verslag oor die produksiekapasiteit vir die vervaardiging van misstowwe in die Republiek van Suid-Afrika.

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(4) Studie van verwagte misstofverbruik in die Republiek en statistiese model vir verbruikvoorspelling.

(5) Padvervoerkoste van misstowwe.

(6) Verslag oor die finansiële posisie van die boer.

(7) Verslag oor produksiekoste van kunsmis.

Ten slotte wil ek aan die hand doen dat daar in die lig van drastiese struktuur veranderinge binne die misstofbedryf sowel as die landbou weereens indringend ook na die struktuur van die MVSA gekyk word. Ons is nou weer terug in die jare sestig toe die Viljoen Kommissie bevind het dat daar teveel Maatskappye 'n te klein mark bedien en dat dit een van die oorsake van te hoë kunsmispryse is. Ek sal egter nie verbaas wees as dieselfde Kommissie nou sou bevind dat daar weer teveel Maatskappye is, maar dié keer is dit die oorsaak van te lae pryse! Nietemin is dit ooglopend dat die misstofbedryf asook die landbou nie maklik na vorige paaie sal terugkeer nie en daarom is dit net wenslik dat die Vereniging so verander word dat dit die behoeftes van 'n veranderende bedryf sal dien. Miskien moet ons 'n grondige selfondersoek doen, na beproefde oorsese strukture kyk, die klem op koördinasie van navorsing laat val, en 'n baie sterker kommersiële funksie vervul. Daar is ook soos vroeër genoem geweldige somme kapitaal in die vervaardiging van kunsmis belê en geen onderneming met sodanige beleggings kan bestaan sonder die nodige skakeling na buite om 'n eerlike en gesonde beeld te vestig. Hierdie bedryf het niks om weg te steek nie maar dan moet ons die masjienerie skep wat die feite gerieflik en gereeld aan die media beskikbaar stel.

Ek is daarvan oortuig dat die MVSA in sy huidige vorm nie die bedryf doeltreffend kan dien nie en dat 'n meer vaartbelynde struktuur, gerig deur 'n sterk bestuurspan in die huidige veranderende klimaat 'n absolute noodsaaklikheid geword het. As ons dit eens is met die tema — maksimum ekonomiese opbrengs en die ekonomie van kunsmisverbruik — en ek glo dat dit so is — dan pleit ek vanoggend by die lede van hierdie vereniging, die bestuur, en my opvolger om in belang van landbou, en in belang van hierdie bedryf nie te skroom om veranderings aan te bring teneinde hierdie vereniging in staat te stel om werklik die monstuk van die bedryf te wees. Miskien kan ons 'n blaadjie uit die boek van NAMPO neem waar dit die bevordering van die saak van 'n besondere bedryf aangaan. Ons is net soos daardie mense in 'n oorlewingsfase. Hulle saak is baie duidelik — ek glo ons kan dieselfde doen.

My innige dank aan Dr Luitingh vir wat hy vir hierdie Vereniging oor 'n periode van 16 jaar beteken het. Ons sal hom mis, maar gun hom die verandering en wens hom alle sukses toe. Ook aan Hilmar Venter wat tans as direkteur waarneem — ons opregte waardering vir die voortreflike wyse waarop hy en die personeel die dag tot dag take by die Vereniging hanteer.

Laaste, maar nie die minste nie, wil ek graag lede van die bestuur en onderkomitees bedank vir hulle volgehoue ondersteuning by die voorlegging van verslae en hulle bydrae by die neem van belangrike besluite.