



Scan for Capital Harvest

May 2016

This is a monthly environmental scanning document with extracts from a range of press articles deemed to be of possible strategic importance to Capital Harvest. The articles are arranged according to a framework of topics. For each article its title, author (where available) and source are stated.

Editorial

Agriculture

Farm prices in England have declined the most since 2008 in the first quarter of this year, primarily due to weak commodity prices and uncertainty regarding the vote on leaving the EU. Between 2008 and this year, agricultural land was one of the best performing categories of real estate in the country. The average English farm price is now under \$11 600 an acre, and significantly fewer farms are being put up for sale than usual. Further declines may follow if commodity prices remain low.

Agricultural loans in Australia total A\$65 billion, against which one observer estimates that a bad debt provision of A\$10 billion will be necessary this year. National Australia Bank holds a 30% share of this market, and says it sees dairy farmers seeking short-term credit to assist them amid drought in the east and a 20% decline in milk prices. Many dairy farmers are refinancing existing loans and taking on short-term debt, but the bank is confident that most will survive the crisis. The Australian government has announced a A\$600 million support package for dairy farmers, as well as an extra household allowance and counselling support. A weakening Australian dollar and falling interest rates are also helping farmers.

Dongfang Modern Agriculture is the fastest-growing food company listed on the Australian stock exchange –its market value has more than doubled to A\$900 million in the seven months since listing. The holding company houses a large agricultural business in China, which is presently China's largest citrus grower. There is a growing trend among Chinese and Hong Kong agricultural businesses to list in Australia. One reason for this is that an Australian listing gives consumers a higher level of confidence in the safety of a company's food products, another reason is that it is more difficult to list at home. In the case of Dongfang Modern, the company also plans to use Australian processes to grow more citrus, and it is considering buying Australian agricultural businesses. China hasn't levied an income tax on some agricultural businesses since 2008 in an attempt to increase production and

yields. Dongfang Modern derives about 40% of its annual profits from government incentives. These have helped Dongfang Modern stay debt free, despite its impressive growth.

The world's biggest agricultural equipment manufacturer, Illinois-based Deere, is suffering financially and seeing inventory pile up amid low commodity prices. Agricultural equipment sales in the US and Canada are expected to decline by 20% this year, and net farm income is expected to reach its lowest level since 2002. The company has already decreased both jobs and production in an attempt to cut costs. Deere remains confident, however, that the sector is set for a rebound in the near future.

The US is facing a critical shortage of agricultural scientists. Nearly 60 000 agricultural jobs that require high skills levels are opening up in the US every year, but there are only around 35 000 graduates available to fill them. Minnesota is trying to address this gap by holding an agricultural science competition, called 4-H, for teenagers in the state. Some of the ambitious projects entered this year are GPS ear tags that can track cattle, drones that can protect livestock from predators, and a rechargeable portable warmer that prevents vaccines from freezing when dairy producers inoculate herds in the winter. The competition is now in its second year, and the state believes that it is successful at getting young people to think about agricultural careers.

PwC says the global market for commercial applications of drones will reach \$127 billion by 2020. The cost of drone technology is decreasing so quickly that a number of everyday applications are becoming cost-efficient. Presently, in most countries, the main barrier to the use of drones is insufficient legislation. Poland was the world's first country to draft legislation regarding the commercial use of drones, followed by South Africa and Singapore.

Companies manufacturing pesticides, seeds and fertiliser are forced to re-engineer their business models as farmers increasingly adopt digital farming practices. Digital farming services offer specialist technology that maximise harvests while reducing the use of crop chemicals, and it is beginning to have a significant impact on the sale of inputs. A number of agricultural chemicals companies, including Bayer, Monsanto, DuPont and Syngenta, have already invested heavily in digital farming services companies themselves – an attempt to offset the decline in the sales of chemicals. Many start-up businesses in the US are creating digital solutions for farmers: "precision agriculture" start-ups raised \$661 million in venture capital 2015, which is a 140% increase over 2014. Most digital farming companies focus on the use of drones, field robots, decision support software and smart irrigation systems to boost yields. In the mid- to longer-term, this will likely result in a 30% to 40% decline in the use of inputs.

Two new studies show that US honeybee populations continue to decline. Beekeepers in the country had to replace 44% of hives last year to maintain their pollination capabilities. The costs are passed on to farmers, who now pay more to rent bees for pollination. Environmental groups have expressed alarm over the 90% decline during the past two decades in the population of pollinators, from wild bees to Monarch butterflies. Some point to a class of pesticides called neonicotinoids as a possible cause, but this is disputed by agricultural chemicals manufacturers. The US Environmental Protection Agency is reviewing neonicotinoids.

All parties agree that understanding the multitude of factors that contribute to the decline in the bee population, and the impact that they have on each other, is complex.

In the US the organic food industry is pushing for clearer rules on what constitutes an organic egg, and it is facing an uphill battle due to political processes. Eggs labelled 'organic' are very profitable. From 2014 to 2015, when total US egg sales declined by 1.1%, organic egg sales increased by 120%. According to present laws, hens laying organic eggs have to be fed certified feeds and may not receive antibiotics. They also have to have access to the outdoors, but this is the most contentious

point. Some big agricultural companies cashing in on the organic trend only provide a screened-in porch for hens, often on pavement. 95% of organic egg producers follow the spirit of the law and provide proper outdoor areas, but they complain that 25% of all organic eggs in the US come from the 5% of companies that interpret the rules in a questionable manner.

After decades of selective breeding, producers in the US are able to grow chickens to twice the size of the average chicken 50 years ago, in about half the time. This allows them to earn higher revenue in a shorter time and feed the growing world population. Faster-growing birds also require less feed and water, produce less waste, and are bred to have better cardiovascular and skeletal strength. But companies such as Whole Foods and Starbucks believe that some customers will be willing to pay more for chickens raised outdoors at a slower pace, which is regarded as more humane, more natural and resulting in better tasting meat. The cost to consumers of such chicken meat can be anywhere from 20% to 300% more. Whole Foods estimates it will take eight years to stock only slow-growing birds, due to limited supply. Presently less than 3% of the world's chickens are considered 'slow-growing', which means they grow at no more than approximately 50 grams per day. French genetics company Hubbard is the world's leading breeder of slow-growing chickens by sales. It says French poultry farmers have always tended to choose breeds based on factors like taste and tradition, rather than quick growth. The company has seen strong sales in recent years, following animal welfare battles waged by consumers in the Netherlands and UK.

The Punjab provincial government in Pakistan has rolled out a pilot project worth \$67 million which provides biogas equipment to farmers at a subsidised rate. This enables farmers to use dung from their own cattle to produce gas, which they can then use to power everything from irrigation pumps to household appliances. Small-scale farmers taking part in the project are saving up to 12 US dollars per day in diesel costs, allowing them to expand their farming operations. Slurry left over from the biogas production process is also used to replace chemical fertiliser, saving further costs and protecting water sources from contamination. The reduction in the use of diesel and chemical fertiliser as a result of the biogas project, will shrink the carbon footprint of Punjab's farming sector by more than 5%. With 32 million cattle and buffalo, which produce 117 million tons of dung annually, the Punjab province has the potential to produce 6 billion cubic metres of biogas per year.

The newly published State of the World's Plants report by the Royal Botanic Gardens was compiled by 80 scientists and shows that 20% of the world's 391 000 known plant species is threatened with extinction – mainly from disease, habitat destruction, climate change and poor farming practices. Bananas, sweetcorn, kidney beans and coffee are among the crops at risk of being in shorter supply. These crops will have to be replaced by tougher root vegetables such as yams and drought-resistant grains such as millet. Modern farming tends to prioritise high-yield species, which has led to a dramatic reduction in the number of ancient varieties of fruits, vegetables and cereals in existence. The number of varieties of common crops declined by 93% in the first 80 years of the 20th century.

Tomato prices in Nigeria have been steadily climbing for months, which has a major impact in a country that relies on tomatoes for many of its favourite dishes. Unrest in the country's northern and central states where tomatoes are grown, has affected farmers' ability to plant and harvest. Further price increases have resulted from higher fuel prices, a foreign exchange shortage that curbs tomato imports, and an invasion of Tuta Absoluta moths. Local farmers call the moths 'tomato Ebola', as they have destroyed over 80% of tomato crops in Nigeria's northern state of Kanduna. A new tomato processing plant that opened in March is not operating because it requires 1 200 tonnes of tomatoes per day, which it cannot source.

Zanzibar is the world's third-biggest producer of spinosum seaweed, which is one of the island's key exports and is grown by over 23 000 farmers. It is used in food, cosmetics, lotions, toothpaste and medicines. Lately Zanzibar has had to decrease prices because Indonesia and the Philippines are

producing cheaper seaweed. To make matters worse, Zanzibar's production has also decreased because water temperatures have risen to above 31°C, while the ideal water temperature for seaweed is 25 to 30°C. Marine scientists and environmentalists are encouraging seaweed farmers to grow their crop in deeper, cooler waters to ensure optimal growth and fewer infections. But farming in deeper water is much more difficult. Zanzibar's local government hopes that farmers will keep up production despite the challenging conditions, and wants to invest in processing so that value will be added to raw seaweed.

In 2015 *Landbouweekblad* published four possible scenarios for this year's maize harvest. It now looks likely that the least favourable of these scenarios – a maize harvest of only 7.1 million tons – will be the reality. The Western Cape says its farmers have lost the revenue on 200 000 tons of wheat due to the drought so far, and heat destroyed 230 hectares of potatoes in the Sandveld. In addition, 40 hectares of potatoes and onions were not planted in Ceres due to a lack of water, and the fruit industry lost R720 million because of smaller fruits. Exported table grapes had a shorter shelf life due to high temperatures, and some arrived overseas with significant quality problems. Some Northern Cape farmers resorted to flying out their table grapes. Fortunately the El Niño weather pattern is officially over, and it is possible that good rains may fall in the second half of 2016. But lingering effects of the drought will likely continue to affect most of SA's agricultural sector until November. In the Western Cape the strategic focus will be on conservation agriculture practices to deal with future water shortages.

The Western Cape's wine industry produced 6.7% fewer grapes this year and suffered a R525 million loss due to the drought. Warm, dry conditions produced two positive outcomes for the wine industry: good quality (which may result in high prices that make up for low volume) and fewer pests and diseases. On an area-by-area basis, performance was as follows: Breedekloof delivered a slightly smaller but still above-average harvest of good quality.; the Little Karoo had a large and healthy harvest; the Swartland saw a much smaller crop harvested in a short timeframe; the Olifants River Valley had a small harvest with good quality; in the Orange River area the harvest was slightly smaller with significant yield differences between producers; Paarl had a very small harvest with cultivars ripening in short succession and early; Robertson had an ideal season with large yields and good quality; Stellenbosch had a significantly smaller harvest due to drought, sunburn in January and fire; Worcester managed to deliver a large crop despite experiencing the same problems as Stellenbosch.

SA wine exports to China increased by 30% in 2015, and the Western Cape hopes to double sales by 2025. The Chinese market is particularly appealing because SA sells estate-labelled bottles there, gaining the full benefits of value-adding inside SA and strengthening the brands. All the wine bottles produced by Babylonstoren have their labels printed in Mandarin – the estate's main focus is to establish a visible presence in Beijing city and in the wider state. In March, Babylonstoren sold its largest consignment of wines to China to date: a 20-foot container of around 13 000 bottles. La Motte sold 3 million bottles to China in 2015.

Seeff and Pam Golding have expressed concern that the government's proposed ban on foreign land ownership will disproportionately affect the wine industry. Wine estates, game farms and lifestyle estates are the main objects of interest among foreigners seeking to buy real estate. Seeff estimates that foreign nationals may own 25% to 30% of agricultural land around Stellenbosch, Franschhoek, Wellington and Paarl. The estate agencies are concerned that both local jobs and foreign exchange revenues from wine sales will be lost if foreign ownership were to be banned. They do not believe that foreigners have significantly driven up prices in the area, but if they are forced to sell this may have a negative impact on agricultural land prices. Meanwhile Seeff reports that – in keeping with rising farm prices – it is presently marketing a piece of agricultural land next to the Orange River which may fetch up to R400 million. The land is near Hopetown and covers 1 119 hectares of which

65% is irrigated. The land is unusual because it is divided into ten parts, which could also be sold separately.

A table grape farmer from the Hex River Valley, Jacques Beukes of Modderdrift, was named this year's Western Cape Young Farmer of the Year. He is director of the valley's table grape association and acknowledges that the industry faces many challenges. The Financial Mail has listed the most important updated statistics for the table grape industry, some of which are: 11 000 full-time and 42 000 seasonal jobs in the Western Cape; R950 million paid to workers every year in SA; 65% of SA's volume generated in the Western Cape; R3 billion contributed to GDP annually; 660 black beneficiaries involved in 32 farming enterprises.

As a signatory to the International Plant Protection Convention, SA has committed to reducing the risk of infecting other countries with pests through its exports. Each signatory to the convention has a National Plant Protection Organisation (NPPO). But SA's NPPO is accused of slow turnaround times and poor communication. Trade in table grapes and deciduous fruit with Thailand was halted eight years ago after the NPPO failed to meet deadlines to apply for trade in specific fruits. It is estimated that R150 million in trade per year was lost as a result. After tireless negotiations, the first boxes of table grapes finally entered Thailand in January this year. Other deciduous fruit trade with Thailand is still being negotiated. Hortgro says there have been some oversights and slow responses, but the organisation is working with government to resolve the issues. Citrus fruit exports to Vietnam were halted after it emerged that there had been a problem around the use of the term 'citrus' instead of listing the individual fruits, an issue which the Citrus Growers Association says could probably have been avoided through better communication. Business Day reports that delays in responses to queries by the Philippines may also have resulted in SA citrus exports, estimated at R63 million in revenue per year, being halted. Negotiations are currently under way to re-open trade with the Philippines, which may later include other fruits. Delays have also been experienced in finalising issues of trade with South Korea, exporting lemons to China and in managing the citrus black spot issue with the EU. While the Asian markets do not yet represent large markets for SA fruit exporters, they are desirable for expansion and diversification. Issues of capacity constraints at the NPPO have been raised with the minister and director-general of the agriculture department.

SA's citrus exports to the EU are better received of late. The EU still allows only five interceptions of black spot contaminated shipments per year before closing off trade, but last year Citrus Research International assisted SA in convincing five individual countries to test the fungus for viability before officially registering the event as an interception. The countries that agreed are France, the Netherlands, the UK, Germany and Italy. This means that when black spot is found in a shipment to one of these countries, the supplier still loses the revenue but the incident does not count towards the limit of five interceptions, unless the black spot fungus is found to be viable.

On 1 July a new requirement of the International Maritime Organisation comes into effect. Containers housing exports will need a verified weight in order to be loaded onto a ship. The Citrus Growers Association complained in May that it needed at least another 18 months to prepare for the new regulations. There are well over 400 fruit pack houses and about 200 local shippers of fruit that will require an audit to receive accreditation, but there are only a handful of people who can conduct these audits. This is particularly problematic because the regulations include severe penalties for the misdeclaration of information. Complicating matters further, fruit is prone to moisture loss which affects the weight: a citrus pallet, for example, can lose 5% of its weight in a week.

Tru-Cape and its parent Two-a-Day have invested in a Greefa 10-lane sorter and iFA light technology at the Grabouw plant. The technology allows workers to look inside apples and pears to test

elements such as sugar content, sunburn and internal browning. It is hoped that millions will be saved in improved productivity and quality.

The SA Poultry Association says many farmers have recently exited the industry. Medium-sized, family-owned enterprises in particular, are struggling due to high input costs, for which the drought is partly to blame. The association predicts an increase in the price of eggs as a result of the production shortage.

The Western Cape government is rolling out a project to provide farm workers with direct access to electricity, rather than via land owners. It has partnered with Eskom, the Hex River Table Grape Association, the agri-workers association and the Breede Valley Municipality to launch the project. Farm workers will purchase prepaid electricity directly from vending stations or by the electronic e-pay system. The aim is to no longer have electricity charges deducted from workers' wages and to give them independence regarding electricity usage. Implementation is planned for around mid-2016.

At a Nampo presentation on the topic of empowerment, Van Loveren said its first empowerment project was launched in 2004, when it empowered 166 workers by buying 138 hectares of vineyards with workers having a 52% share. The Witsenberg Partners in Agri Land Solutions (PALS) used the same forum to explain that their key to empowerment success is to have no central point where all decisions about projects are made. PALS has acquired 4 200 hectares of land and has 55 projects running on it. PALS requires individuals with potential to undergo psychometric tests and receive mentorship from commercial farmers.

In 2008 Bosman Family Vineyards in Wellington entered into the biggest BEE deal in the wine industry to date, giving co-ownership of 430 hectares to workers through a trust. Last year, the estate was the overall winner of the Fairtrade Award at the International Wine Challenge. In the same year the estate was also runner-up for Ethical Company of the Year in The Drinks Business Green Awards. Apart from establishing co-ownership, there are other social initiatives such as transport for workers, a community centre, a preschool and a bursary scheme.

SA's poultry industry is highly automated – according to the SA Poultry Association (SAPA) only Brazil's broiler production section is regarded as more competitive. Automation means that the barriers to entry are high and emerging farmers struggle to gain a foothold. In addition, many new entrants lack skills and market access. The problem is compounded by the fact that they have to compete with international poultry imports. SAPA says a small-scale broiler producer must have at least 5 000 chickens to survive. The association is working to move small-scale farmers from selling live birds – which has limited potential – to supplying government institutions. SAPA has set transformation goals for the entire value chain, not only for primary production. The industry hopes to establish co-ops to improve economies of scale for new entrants, and wants to establish a mentorship programme.

The N7 Meat Company is a livestock farm in Malmesbury. Part of the farm was used for crops, but this area was abandoned due to unprofitability. In 2014 the farmer met five Zimbabwean men who came to buy an ox. They enquired about the cropland and the farmer said they could farm the land for free for a year. He allowed them to use his equipment and to only pay for electricity. The five men are highly educated: one is a language teacher, one has a doctorate in agriculture and the others have degrees in physics, science and engineering. They planted three hectares with tomatoes, cauliflower, broccoli, spinach and maize. Neighbours gave advice and introduced them to the Epping Market. After their initial success, the farm owner offered them the land at a rental of R1 200 per hectare. They now farm 15 hectares and have also started growing a leaf vegetable called tsunga.

They call themselves N7 Farmers and work the farm on weekends. During the week they tend to their fulltime jobs and take turns to farm after work. The enterprise has six employees and hires 20 part-time workers on Saturdays. N7 Farmers were winners in the small business of the year award category at the Cape Town Zimbabwe Excellence Gala Dinner Awards Ceremony of 2016.

Despite the drought, Kaap Agri's half-year results to the end of March 2016 showed an improved gross margin of 15.75% and an operating margin of 6.7%. With earnings 18% higher and cash profit 24% higher, it is predicted that questions about a possible JSE listing may again emerge. But Financial Mail predicts that a listing may be delayed by the fact that the company has no shortage of capital, and the fact that Zeder wants to increase its stake.

Agrico has agreed to sell most of its mechanisation division, which includes John Deere retailers, to Afgri Equipment as a going concern. Afgri Equipment is a division of Afgri and the deal is awaiting regulatory approval. The John Deere retailers that form part of the deal include those in Bellville, Caledon, Ceres, Malmesbury, Moorreesburg, Piketberg, Rawsonville and Vredendal. Afgri says this will allow it to better serve customers in the Western Cape.

Zeder's wholly owned subsidiary Zaad has acquired a 49% stake in Farm-Ag. Zaad markets and distributes seed, while Farm-Ag formulates and distributes crop protection chemicals. The deal is effective 1 May 2016.

Banking & Capital Markets

The Land Bank has proposed a crop insurance subsidy programme to government. The plan is to form a partnership between the government and different insurance companies. Some crops, such as maize which is of strategic importance, will be more heavily subsidised. The bank has, however, warned that government may not accept the proposal, and that it will take a long time to implement if it is accepted. SA is presently the only BRICS member that does not subsidise farming.

In May the ANC announced plans to move the Land Bank away from Treasury to the Department of Agriculture. The party says the bank was originally transferred to Treasury to stabilise governance and finance, which has been achieved.

The Sunday Independent says the PIC's declared interest in Barclays Africa shows that it is acting in line with former CEO Elias Masilela's pledge in 2012 that the PIC would diversify its investments geographically across Africa. The paper credits the PIC's leadership at the time with assuming a pro-Africa stance and investing up to 10% of its assets in equities.

In May both *Financial Mail* and *Business Day* questioned the PIC's transparency. *Financial Mail* says in a briefing to parliament, the PIC failed to explain the R4 billion government pensioners lost due to the PIC's investment in African Bank. The publication regards it as ironic that the PIC says the losses are because of poor quality information from African Bank, while simultaneously providing insufficient information itself about the PIC's losses due to its investment in the very same bank. Furthermore, *Financial Mail* wonders about the PIC's "black box" of unlisted and offshore investments, of which no details were provided. These investments make up 30% of the portfolio, and the DA has pushed for detail to be released. As the manager of the defined benefit pensions of government staff, any shortfall in the PIC's performance is to be made up by taxpayers. *Financial Mail* says the attempt to reveal as little as possible is at odds with the PIC's commitment to transparency. Even if the names of the "black box" investments were to be given, the publication fears that this will be insufficient to establish whether, for example, there were investments with links to the Guptas. The PIC's most recent annual report contained no reference to its R888 million investment in the Independent News Group. *Business Day* says the PIC has performed reasonably

well in a decade of international financial instability. A 2012 analysis by economists rated SA's public pension institutions close to the top of the global pack in terms of governance and transparency. But *Business Day* is concerned that since then, widely respected CEO Elias Masilela left, and patronage politicians may have developed an appetite for the R4-trillion in retirement funds. The finance minister appoints the GEPF's board of trustees and co-determines its investment strategy, while the deputy finance minister chairs the PIC. The removal of a finance minister, therefore, can impact on the prudent management of public sector pensions. In February the UDM complained to the Public Protector that PIC funds were used to pay ANC staff and expenses.

The DTI and Industry plans to empower the National Credit Regulator (NCR) to fine lenders who provide credit recklessly. Presently only the National Consumer Tribunal can impose fines, but it has a backlog of unheard cases dating back to 2013. It is also accused of imposing fines that seem too small – the highest admission of guilt fine imposed so far, was R12 500. Not a single case has been referred to court for prosecution. In addition to allowing the NCR to impose fines, it is also proposed that the NCR should be able to conduct proactive investigations and implement a debt-relief programme for heavily indebted retrenched workers.

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Banking & Capital Markets

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Agriculture

English farm prices fall most since 2008 on Brexit, commodities

English agricultural-land values fell the most since 2008 in the first quarter as weakening commodity prices and concern that the U.K. might vote to exit the European Union damped demand.

Prices dropped 3 percent from the previous quarter to less than 8,000 pounds (\$11,600) an acre, broker Knight Frank LLP said in a report on Friday. About 25 percent fewer acres of farmland were advertised for sale in the period, the report shows.

Wheat fell to a near six-year low in the U.K. and farm incomes tumbled 29 percent last year as prices for meat and dairy products also declined. A vote to leave the EU would create uncertainty about subsidies and trade treaties, Knight Frank's head of farms and estates Clive Hopkins wrote in the report. In Britain, more than half of farmers' income comes from the EU.

Land values may fall further because of weak commodity prices, even if the U.K. remains part of the political bloc, Hopkins wrote. However, "we will see more land coming to the market and deals being done," he said.

Farmland prices fell 5 percent in the three months through December 2008 as the financial crisis hurt values. Since then, it has been one of the best performing real estate sectors, even beating luxury homes in central London.

Neil Callanan, *Bloomberg*, 20 May 2016

National Australia sees farmers seeking loans amid crisis

National Australia Bank Ltd., the nation's largest lender to farmers, is expecting its dairy clients to seek short-term credit to assist them as slumping milk prices have thrown the industry into a crisis.

Drought in the country's east and a 20 percent fall in milk futures globally have farmers thinking of ways to tie them over during the crisis, by refinancing existing loans and taking on short-term debt, said Khan Horne, the Melbourne-based lender's general manager for agribusiness. Such demand is expected to help maintain agriculture and dairy loan growth at 3 percent to 4 percent this year, he said by phone on Thursday.

"There will be a lot of carry on finance requested for dairy, as people try and look for funding for the short term," Horne said. "There will certainly be demand for extra credit. It's too early to predict how big the demand can be."

While expressing confidence in farmers to weather the crisis -- just as they overcame weaker prices, a cattle-export ban and a cyclone in the last four years -- Horne said the lender would work with its agricultural customers on a "case-by-case basis" for their financing needs. National Australia has a 30 percent share of the sector's loan market, with 550 bankers offering services from 112 locations around the country.

The Australian government this week said the dairy industry was facing a "crisis" as it announced an almost A\$600 million (\$432 million) support package for dairy farmers whose contract prices have been cut by milk firms Murray Goulburn Co-Operative Co. and Fonterra Co-operative Group Ltd. Farmers will also get an extra household allowance and counseling support, Deputy Prime Minister Barnaby Joyce said Wednesday.

National Australia's gross loans to the agriculture and health industries stood at A\$29 billion as of March 31, the third-largest exposure at its business bank, according to filings from the bank.

Farm debt amounts to about A\$65 billion across the country and banks may need to provision for as much as A\$10 billion to cover soured loans, according to Mark McGovern, a senior lecturer at the Queensland University of Technology Business School. That's double the level seen in 2012, he said.

"It's up to the banks and farmers to work together sensibly with government to restructure and recapitalize the industry," he said. "Such an extensive sectoral imbalance will not correct by itself."

A weakening Australian dollar and falling interest rates are providing a cushion to farmers, Horne said. The central bank has slashed its benchmark rate to a record low, while the currency has declined 5 percent this month.

"We've seen various cycles of both commodity prices and weather before," Horne said. "This cycle, we are absolutely dealing with it case by case. We have a lot of faith in the Australian agriculture industry."

Narayanan Somasundaram, *Bloomberg*, 26 May 2016

Australia's fastest-growing food company sells all its fruit in China

Australia's fastest-growing food company -- whose market value has more than doubled to about A\$900 million (\$650 million) in the seven months since listing -- grows and sells all its fruit in Southeastern China.

Dongfang Modern Agriculture Holding Group Ltd. was incorporated in Australia last year to hold an existing agricultural business in China's Jiangxi Province. It now ranks as the biggest citrus grower in China by sales and has almost overtaken Ravenhall, Victoria-based Costa Group Holdings Ltd. as the largest publicly traded horticulture company in Australia.

Its move to go public in Australia, an agricultural giant that ranks among the world's top five exporters of beef, chick peas, almonds, barley, sugar and wheat, is part of a growing move by Chinese and Hong Kong entities seeking to tap a more mature financial market. The other advantage, Sydney-based Dongfang Modern's executives say, is adding an Australian seal to the business.

"It should give Chinese consumers a higher level of confidence in our products," Chairman Hongwei Cai, 29, who owns 80 percent of the company's shares, said in an interview last week. "China still faces food safety problems."

Such concerns have fueled imports of food and cosmetics made by companies including Bellamy's Australia Ltd. and Blackmores Ltd., turning them into proxies for betting on the rising middle class in China. Dongfang Modern plans to use Australian processes to grow more tangerines, oranges, pomelos and camellias. It's also considering buying Australian businesses.

"Perception is everything," said Jason Chesters, a Perth-based analyst with Patersons Securities Ltd. "I don't know if that stamp of approval will be there just yet" because the operating unit has been in business since the last decade, he said.

Chesters, who said he visited Dongfang Modern's orchards in late April, published his first report on the company on May 16 with a hold rating.

China hasn't levied an income tax on some agricultural businesses since 2008 in an attempt to increase production and yields. Dongfang Modern derives about 40 percent of its annual profits from government incentives, Chief Financial Officer Edward Yuen said.

"It's close to impossible" that the policy will be changed, Cai said. China will end up importing food if farmers aren't given tax handouts, he said.

The laws have helped Dongfang Modern stay debt free even as it bought plantations, increasing its cultivation area by 15 percent since 2013 to about 8,600 hectares (21,000 acres). Production rose 19 percent to 240,000 metric tons for the year ended March 31, leading to sales of A\$199 million. Profit, excluding some items, rose 30 percent to A\$90 million.

Those results placed Dongfang Modern ahead of Asian Citrus Holdings Ltd., which recorded 2015 sales of 765.5 million yuan (A\$162 million). Demand for fruit will continue to increase as rising disposable incomes in China make consumers more health conscious, Chief Executive Officer Chiu "Charles" So said. That's why even more plantation purchases are on the cards, he said.

In Australia, Dongfang Modern wants to buy an Australian olive-oil producer, So said. It plans to use the intellectual property acquired to process camellia oil, a popular cooking oil in China.

A camellia oil business wouldn't be eligible for tax incentives in China, Patersons' Chesters said. The company would also have to raise money for any Australian purchases by selling more shares, he predicts.

That may attract institutional shareholders to a stock that's not very liquid because of Cai's large stake. Australian financial institutions typically are circumspect of investing in companies that have all their operations in China and are controlled by a large, single holder, Chesters said.

"The issue is there's no research out there," said Barry Dawes, whose Paradigm Securities led Dongfang Modern's IPO.

The shares rose 7 percent to A\$2.45 today as of 2:07 p.m. Sydney time, the biggest gain in more than a month. Chesters projected the shares will drop to A\$2.08 in a year. Investment risks include the company expanding into new businesses and regions as well as "fluid" tax legislation in China that could change rules governing income taxes and dividends paid by the operating unit in China, Chesters said.

This year, six Chinese and Hong Kong companies, including China Dairy Corp., have followed Dongfang's path to Australia as of April 8, according to ASX Ltd. data, driven partly by a moratorium on IPOs in China last year.

"I'm seeing a range of them," Paradigm's Dawes said. He said he's working with Living Cities Development Group Ltd., which is listed on the ASX and is planning to build a mall in Sichuan province.

"It's still difficult to list in Shanghai, in Shenzhen," Sydney-based Dawes said. "Here there's greater transparency."

Vivek Shankar, *Bloomberg*, 25 May 2016

Oh Deere, glut of unsold machinery applies brakes

Deere, the world's biggest agricultural equipment manufacturer, cut its fiscal full-year earnings outlook, as lower commodity prices hurt farmers' income and a glut of unsold machinery continues to pile up at dealerships.

Full-year net profit will be about \$1.2bn in the year until October, Illinois-based Deere said in a statement on Friday, compared with the \$1.3bn it forecast in February. The shares fell as much as 4.3%.

Industrywide sales of agricultural equipment in the US and Canada would drop as much as 20% this year, Deere said. It described market conditions as "challenging" and added that it saw further weakness in the construction industry, a sector that Deere also serves. The company has battled the downturn by eliminating jobs and cutting production, and said it was still looking at ways to cut more costs.

Corn and soybean prices have fallen for the past three years, and the US Department of Agriculture predicts farm net income sliding this year to the lowest level since 2002. However, a rebound in those commodities may give some farmers the confidence to start buying machinery again as this year's US growing season starts. Soybean futures traded in Chicago entered a bull market in April as heavy rains flooded fields in Argentina, among the top exporters.

There was some slightly more positive news in Deere's earnings: full-year equipment sales are now projected to decline about 9%, instead of an earlier forecast for a drop of about 10%. The company also posted better-than-expected second-quarter earnings.

"If people are comfortable with the thesis that we're nearing a bottom, I don't think there's anything here to dissuade them," Stephen Volkmann, a New York-based analyst at Jefferies Group, said of Deere's report. "There's a little something here for everybody."

Profit excluding one-time items was \$1.56 a share in the three months until April, beating the \$1.47 average of 19 estimates compiled by *Bloomberg*.

Equipment revenue dropped to \$7.11bn, from \$7.4bn a year earlier. Deere said it expected third-quarter machinery sales to be about 12% lower than in the same period a year ago.

The shares fell 5.5% to close at \$77.74 in New York.

Deere expects soybeans to average \$9.10 a bushel for the 2016-2017 marketing year, up about 2.8% from its estimate for the year before, the company explained in slides on its website.

"With agricultural commodity pricing at these levels, I could see that giving them some light," Kwame Webb, an analyst at Morningstar in Chicago, said by phone on Thursday. "Most of the (agricultural) commodities have taken a step up. Everyone wants to know what that means for order boards in North America."

Mario Parker, *Business Day*, 23 May 2016

4-H programme hopes to encourage students

One team is developing GPS ear tags so cattle farmers can track herds from afar. Another thinks drones can protect livestock from predators. Yet another is developing a rechargeable portable warmer to prevent vaccines from freezing when dairy producers inoculate their herds in the winter.

These aren't corporate or university researchers, but teenagers in Minnesota's 4-H Science of Agriculture Challenge, which aims to nurture the next generation of agricultural scientists for a country facing a critical shortage. A study last year by the US Department of Agriculture and Purdue University found that nearly 60 000 high-skilled agriculture-related jobs open up annually, but there are only about 35 000 college graduates available to fill them.

University of Minnesota Extension is developing the challenge, which is now in its second year and already attracting interest from other 4-H programmes, such as Michigan's. Extension specialist Josh Rice says his team will present a workshop for national 4-H officials in October and recently gave a presentation to youth development officials in Bangladesh.

"This programme is going to have an extremely positive impact on getting young people to think about agricultural careers," Rice said.

In preparation for the finals on June 21-23, teams from across the state have spent months with coaches and mentors. Recently, judges helped them refine their presentations.

The ear tags are the property of the Meeker County Ag Squad. Members Abbey and Bailee Schiefelbein, 16 and 13, said their family members were in church last year when their phones started ringing - the cows were loose. But the pasture was about a four-hour drive from their home in Kimball in central Minnesota.

So, the team of five girls and boys devised a system that farmers could use to track their livestock from far away, speaking with researchers who track moose with GPS radio collars. While the \$2 500 collars were "a little expensive for a cowboy," they learned about a small transmitter in a \$70 tracking collar for hunting dogs and attached them to ear tags that cattle wear.

The South St Louis County team from northeastern Minnesota wanted to find out whether drones could protect livestock from predators such as coyotes, wolves and bears. The three girls live in the transition area between farmland and forests and they've all had predators threaten the animals they show for 4-H.

They visited the drone programme at the University of North Dakota for advice and then developed a concept using fixed-wing drones that would fly on autopilot for long periods to detect predators. Once found, electric helicopter drones would chase the predators away.

"There are some challenges we have to overcome. But we know with time and effort we can make it happen," said Ilsa Johnson, 14, of Duluth.

The judges were excited by the commercial potential in the vaccine warmer and urged the Hot Shots from Dakota County in southeastern Minnesota to protect their commercial rights.

Vaccines can lose effectiveness and even become toxic if they get too cold while the milk production booster rBST thickens up, the four boys from Egan and Northfield said. That can make shots more painful for the cow and harder for the farmer to push through the syringe, especially when giving 100 or more in quick succession.

They showed off a prototype battery-powered shoulder bag with a thermal reflective layer that keeps medications at the optimal temperature. All the hardware is off-the-shelf for about \$86 and farmers get the outer bags free from a veterinary drug company. They said it should be possible to produce them at a price farmers will pay.

The Science of Agriculture Challenge is the brainchild of Dorothy Freeman, Minnesota's 4-H director, who said it helps young people to identify problems and create solutions, while developing entrepreneurship, teamwork and presentation skills.

Associated Press, 30 May 2016

World drone market seen nearing \$127 billion in 2020, PwC says

Drones will soon be boosting crop yields, verifying insurance claims, and assisting in future Hollywood blockbusters in a business that's due to boom by more than 6,000 percent by the end of the decade.

The global market for commercial applications of drone technology, currently estimated at about \$2 billion, will balloon to as much as \$127 billion by 2020, consulting group PricewaterhouseCoopers LLP said in a report published on Monday.

With Poland leading the way in drafting laws for the commercial use of unmanned aerial vehicles, non-military applications are already being designed that may revolutionize thousands of industries. One project envisions drones flying over wheat fields to detect areas where crops are failing and then calling in reinforcements to tackle affected zones by spraying pesticide or nutrients.

"The cost of drone technology is falling so quickly that a number of everyday applications are becoming cost-efficient," Piotr Romanowski, a PwC partner and Business Advisory Leader for central and eastern Europe, told reporters.

The new technology is allowing drones to accurately create three-dimensional maps and observe how they change over time, which could prove useful for infrastructure projects, verifying insurance claims and also for security applications, PwC said.

The transport industry may also be revolutionized by drones starting to provide "last mile services," as already seen in tests in Switzerland, where flying vehicles have replaced postal carriers in tough-to-reach mountain regions. Drone-based applications are also helping the movie industry generate special effects and they can be used for marketing and photography and movies, the report said.

"The key barrier is actually the lack of legislation regarding the use of drones," said Michal Mazur, head of Drone Powered Solutions at PwC in the region.

Poland was the world's first country to draft legislation regarding the commercial use of drones, including required training for pilots, rules for BVLOS (beyond visible line of sight) flights and insurance regulations, followed by South Africa and Singapore, PwC said. The consultancy is setting up a team of as many as 40 people in Warsaw focused on the use of drone technology and data analytics in business.

Wojciech Moskwa, *Bloomberg*, 9 May 2016

Digital farming could spell shake-up for crop chemicals sector

Global pesticides, seeds and fertiliser companies may be forced to re-engineer their business models as farmers adopt specialist technology that helps maximise harvests while reducing the use of crop chemicals.

New businesses are springing up that promise to tell farmers how and when to till, sow, spray, fertilise or pick crops based on algorithms using data from their own fields.

Their emphasis on reducing the use of chemicals and minerals known as farming inputs is a further challenge for an industry already struggling with weak agricultural markets worldwide.

"If our only goal is to sell as much inputs as possible by the litres of chemicals, I think we would have a real problem going forward," said Liam Condon, head of Crop Science at Bayer, the world's second-largest pesticides supplier.

Bayer bought proPlant, a developer of software for plant health diagnostics, earlier this year. Rivals are also investing in digital farming with the aim of generating service revenues that could offset any future drop in chemicals volumes.

"If you only spray half of the field that's much less inputs," Condon added. "The knowledge to get to the fact that you only spray that part of the field -- that, you can sell."

After an aborted takeover move for Syngenta, U.S. seeds giant Monsanto says data science and services are the "glue that holds the pieces together" of its strategy for future growth.

Monsanto's \$1 billion purchase in 2013 of the Climate Corporation, which analyses weather conditions, was the digital farming sector's biggest deal to date.

DuPont is investing in digital farm management services under its Encirca brand, which it said in March had customers representing more than 1 million acres of farmland.

Monsanto's failed swoop on Syngenta triggered a bout of M&A activity that has left the global seeds and pesticides industry in turmoil. The sector has annual sales of more than \$100 billion, while fertilisers are worth around \$175 billion.

Dow Chemical and DuPont are set to merge in the second half of this year while state-owned ChemChina agreed a takeover of Syngenta in February.

At the 970-hectare farm in Bavaria where Juergen Schwarzensteiner rotates corn, potatoes and grains, satellite maps and software supplied three years ago by a unit of farming goods distributor BayWa have prompted many changes.

These include reducing the overuse of nitrogen fertiliser -- a risk to drinking water quality and the environment -- and cutting down on other fertilisers.

"This plot has had top yields consistently over the years, where I used to just say, that's great," says the farmer, eyeing a red and green patterned computer map showing big discrepancies in how well plants are growing just half a mile apart.

"Then we got the digital maps and differences became apparent that were not clear to the eye before."

Schwarzensteiner's experiences using the technology have secured him a side job advising a farm in Siberia that is about 100 times the size of the one he manages at Irlbach, near the river Danube in Germany.

As well as BayWa's FarmFacts, farm management software startups include Iowa-based Farmers Business Network Inc, backed by Alphabet Inc and investor Kleiner Perkins, and Missouri-based FarmLink LLC.

All aim to provide farmers with individualised prescriptions on how to work each field down to a fraction of an acre, using data they have collected on soil and weather conditions, the use of crop chemicals and crop yields. Feedback from the farmers they have advised in turn allows the companies to fine-tune their computer models of plant growth.

According to market research firm AgFunder, venture capital investments in food and agriculture technology nearly doubled to \$4.6 billion last year, with "precision agriculture" startups raising \$661 million in 2015, up 140 percent from 2014.

Syngenta bought seven agricultural technology firms last year alone, AgFunder said.

For now, the main aim of these companies is to help farmers using their drones, field robots, decision support software and smart irrigation systems to boost yields, said Carsten Gerhardt, a chemicals industry specialist at advisors A.T. Kearney.

"But in the mid- to longer-term, I also expect there to be a reduction in the use of input factors by about 30 to 40 percent," he added.

"There's a risk for established players if digital services providers can convince farmers that they can settle for the second-best herbicide and show what really counts is a more precise way of using it."

Eric Bartels, a partner at McKinsey who focuses on the agricultural industry, said developing new pesticides would help companies hedge against any drop in sales, however, because farmers will pay a premium to keep their fields pest-free.

Another question is whether today's chemicals and farm nutrients giants can capture the farm management software market for themselves. Gerhardt said digital startups would struggle to catch up with established players' knowledge of plant biology and the farm business, and to build a global sales network.

But Rabobank's farm sector analyst Harry Smit says crop chemicals and seed players diversifying into such services will struggle to be seen as providers of impartial advice.

That was one of the reasons why German grain and sugar beet seed maker KWS Saat, among the world's top five seed makers, decided not to invest in digital farming platforms.

"Farmers want independence," KWS finance chief Eva Kienle said. "They don't want to get the impression they are being recommended a product just because the supplier is earning a profit on it."

Ludwig Burger, *Reuters*, 4 May 2016

U.S. bee colonies continue to decline as pests, chemicals blamed

U.S. honeybee numbers continue to drop, according to two new studies, with scientists blaming mite infestations while the pace of the phenomenon known as colony collapse disorder accelerated in the first quarter.

The number of commercial U.S. honeybee colonies declined 8.1 percent to 2.59 million in 2015, according to the U.S. Department of Agriculture's first-ever honeybee health survey released Thursday. Beekeepers needed to replace 44 percent of all their hives last year to maintain insects pollinating almonds, apples and other key crops, according to a separate study published May 10 by a group of researchers.

Honeybees pollinate about \$15 billion worth of crops annually, according to the USDA. Environmental groups have expressed alarm over the 90 percent decline during the past two decades in the population of pollinators, from wild bees to Monarch butterflies. Some point to a class of pesticides called neonicotinoids as a possible cause, a link rejected by Bayer AG and other manufacturers.

"There's no question that exposure to agrochemicals is a risk factor for honeybees, but there are a lot of very complicated issues in science," said Robert Sears, president of the Eastern Missouri Beekeepers Association in St. Louis. "That needs to be all worked out."

In the USDA study, beekeepers who owned at least five colonies, or hives, reported the most losses from the varroa mite, a parasite that lives only in beehives and survives by sucking insect blood. The scourge, present in the U.S. since 1987, was reported in 43 percent of commercial hives between April and June last year, according to the USDA.

Losses due to colony collapse disorder -- a malady first isolated amid a spike in bee death rates a decade ago -- increased over the past year, the USDA also said. About 114,000 colonies were lost in the first three months of this year, compared with more than 92,000 in the same period in 2013.

The May 10 study released by the Bee Informed Partnership -- a collaboration between the USDA, the University of Maryland and other research and beekeeper groups -- showed bee mortality during one year at 44 percent, the second-highest level ever and almost triple the normal rate seen until roughly a decade ago. Such losses increase what farmers pay to rent bees to pollinate their crops.

For a second straight year, summer-month losses were nearly equal to winter deaths in the Bee Informed survey, a trend that diverges from traditional patterns. That could indicate weaknesses attributable to pesticides, said Tiffany Finck-Haynes, a food activist with Friends of the Earth, a Washington-based advocate for reduced chemicals use.

The U.S. Environmental Protection Agency is reviewing neonicotinoids. In January, it found that one variety, imidacloprid, may pose a risk to hives when it comes into contact with some crops that attract pollinators.

The agency has proposed bans on spraying neonicotinoids and several dozen other pesticides in fields where bees have been brought in to pollinate a crop. A White House-appointed task force called for more research on pesticide effects and meanwhile focused on improving pollinator habitats.

Bayer, the world's biggest maker of neonics, has warned of the increased presence of varroa, which predates the introduction of its chemicals and is the biggest factor behind the increased losses, the company said in a May 10 statement. The German company is working with beekeepers to improve habitats and combat mites, it said.

The mystery of pollinator losses continues to perplex, said Dennis vanEngelsdorp, the University of Maryland entomologist who spearheads the annual Bee Informed study. Both scourges and solutions evolve, he said.

"The varroa mite we have now is not the same varroa we had 20 years ago," he said. Also, the role of pesticides may be more complex than previously thought, perhaps by increasing the concentration of mites in hives they have already weakened, he said.

Still, the increasing amount of data and research is helping beekeepers, companies, governments and researchers better understand what actions to take, according to vanEngelsdorp.

"I think we starting to see some synergies and beginning to test new theories," he said.

Alan Bjerga, *Bloomberg*, 13 May 2016

Egg comes first in fight over what it means to be organic

A decade-plus effort by organic farmers, animal welfare advocates, and consumer groups to guarantee humane treatment of farm animals in the burgeoning organic food industry could be derailed this week by a one-page rider slipped into a congressional appropriations bill.

The law would eliminate all funding for a stricter new regulation proposed by the Obama administration intended to guarantee that the organic-in-every-respect egg is, in fact, as advertised.

Even though it still makes up just a tiny fraction of the overall egg market, the growth in organic egg sales has been nothing short of explosive. From 2014 to 2015, when total egg sales in the U.S. were down 1.1 percent, organic egg sales increased an astonishing 119.8 percent, according to data from Euromonitor, proving that consumers will indeed pay a premium for what they think is a better product.

Big Agriculture noticed long ago that a lot of money could be made with the organic label and dived right in. What makes organic eggs any different than, say, "cage-free"? Right now, because of vague regulations, the only real difference is generally that organic hens are raised with USDA-certified feed and no antibiotics. While current laws require that these hens have access to the outdoors, and consumers often believe that they do, many never step foot outside. That's because some organic egg producers provide access only to a screened-in porch, often on pavement, a practice taken up by

large-scale industrial farming operations producing a disproportionate amount of the organic eggs on the market.

If you thought all those organic eggs in the supermarket cooler are the product of happy chickens running around idyllic family farms in Vermont, think again.

The new rules by the U.S. Department of Agriculture would clarify the old ones, specifying that outdoor access must include soil (as opposed to asphalt), open air without a roof, and no more than 2.25 pounds of bird for every square foot of outdoor space. Ninety-five percent of organic egg producers are already following the proposed rules, said Nate Lewis, senior crop and livestock specialist at the Organic Trade Association.

But the 5 percent who haven't followed the USDA's lead just happen to sell one in four organic eggs on the market while, of course, benefiting from the price premium that comes with the organic seal, even if their practices circumvent the organic spirit.

"We wrote 'access to outdoors,' but somehow the words we tried weren't clear enough," said George Siemon, chief executive of Organic Valley, the largest U.S. cooperative of organic farmers, with more than 1,800 members producing dairy, eggs, and produce and a key advocate of the 1990 Organic Food Production Act. "We've had a bunch of people start up egg houses that have a little screened porch," he said. "We had nothing like that in mind."

Opposition to the new standards isn't just about eggs. The proposed update includes stricter requirements for the production of poultry, beef, pork, and dairy as well. But it's the impact on the egg industry that has drawn the loudest complaints. Industrial organic egg production, an ironic phrasing if ever there was one, has been well documented by organic watchdog Cornucopia Institute, which released the second edition of its report, *Scrambled Eggs*, in December. It points to such producers as Herbruck's Poultry Ranch as an example of inadequate outdoor access. (Cornucopia also maintains a regularly updated Organic Egg Scorecard to help consumers find what it said are the best options.)

Greg Herbruck, executive vice president of the company, stands by his housing system. "A porch is an approved method, approved by the USDA and National Organic Program," he said. "We have been certified every year." His company's Green Meadow site in Saranac, Mich., will eventually house 2 million hens in 18 houses and currently holds about 1.7 million to 1.8 million hens.

Herbruck also disputes the OTA's numbers, saying his company alone has at one point or another produced almost 20 percent of all organic eggs sold in the U.S. His company is no longer represented by the OTA, he said. "We were members, and we were always told they were neutral on porches, but that's not where they are today." (OTA said it first took a position on porches in 2011, and it opposed them.)

The USDA's proposed rules have been a long time coming. In 2002, the National Organic Standards Board, a committee that includes farmers, processors, retailers, and environmentalists, overwhelmingly approved recommendations to clarify the 2000 rules, specifically stating that "bare surfaces other than soil (e.g. metal, concrete, wood) do not meet the intent of the National Organic Standards."

But that wasn't binding—it had the legal effect of a suggestion. So in 2011, after years of debate and input from stakeholders, the board put out more specific recommendations that would guarantee the hens a minimum of 2 square feet each, both inside and outside, and access to soil.

Many large egg producers, including Herbruck's, balked.

Writing to the NOSB in November 2011, Herbruck stated, "We fear these changes will limit consumer access to organic products rather than encourage growth of the organic market." The requirements for soil-based, uncovered living areas, he said, both "assaults hen health" and "greatly increase[s] the risk to public health." Similar concerns had been raised in 2010 by a group of commercial-size egg farms, including Herbruck's, as well as Cal-Maine Foods, Kreher's Farm Fresh Eggs, and Oakdell Egg Farms. An industry group, United Egg Producers, declined to comment on the proposed welfare guidelines.

All these points are disputed by proponents of the new rules. "If any producers choose not to update their production practices to fall in line with the proposed Organic Livestock and Poultry Practices, there are numerous farmers eager to fill any gap in supply that may occur with some producers exiting the organic market," Lewis said.

Animal welfare groups also see the new rule as an improvement. Farm Forward, the ASPCA, and the Animal Welfare Institute, for example, have all expressed their support. "No system is perfect," said Suzanne McMillan, content director of ASPCA's farm animal welfare campaign. "[But] the rules are a significant leap forward for animal welfare."

As for the risk to public health, Lewis points out that the Animal and Plant Health Inspection Service has reviewed the proposed rule and concluded that there wouldn't be a negative impact on biosecurity related to avian flu or other poultry diseases. Herbruck said the veterinarians he has spoken with disagree.

After considering all these concerns, the USDA presented the rule to the public for comment on April 7, 2016. The opportunity to weigh in is set to close on June 13.

But some groups, including the National Cattleman's Beef Association and the National Pork Producers Council, have filed requests for more time.

"We have not been a part of this process in the past and have requested additional time to review the standards being put forward," an NCBA spokesperson said. (The NPPC didn't respond to a request for comment.)

"If this proposed rule has implications for an industry and that industry's trade association is learning about it for the very first time in a notice for proposed rulemaking, that industry better get a new set of representatives because they're not doing their job," said Cary Coglianese, a law professor at the University of Pennsylvania and director of the Penn Program on Regulation.

The rule's supporters see this as an election-year attempt to get it kicked down the road to the new administration, which may be less friendly to organic farmers. While the proposed regulation would have a direct impact on organic beef and pork farmers, that's not what these concerns are about, said Andrew deCoriolis of Farm Forward. "They're less worried about the small percent of organic operators they represent," he said. "They are more concerned with having [animal welfare] standards be part of a federal program."

The attempt to delay the publication of the rule, though, won't be necessary if the rider passes. It said funding can't be used "to write, prepare, or publish" the final rule on organic animal welfare, or "to implement or enforce the proposed rule" pending an independent economic assessment. (A copy was provided by the rider's opponents. The spokesperson for the Senate Appropriations Committee declined to comment.) If it passes the committee, and then the House and Senate, and is signed into law by the president, any progress would be effectively stopped, said Coglianese. "This sort of rider is not that uncommon with rulemaking," he added.

The USDA, for its part, is standing by its embattled proposal. "Strengthening standards for organic livestock and poultry will ensure that we meet consumers' demand for transparency and integrity," the agency said in a statement. "The proposed rule meets the recommendations of the National Organic Standards Board and USDA's own Inspector General, setting needed standards for organic animals ... and establishing a level playing field for all producers."

Deena Shanker, *Bloomberg*, 19 May 2016

Breeders stew over how to slow pace of chicken growth

The US chicken industry has spent decades figuring out how to grow its birds fast. Now, some of its customers are looking for producers willing to slow things down.

A typical commercial chicken has been bred to grow to twice the size of birds from 50 years ago, in around half the time. The faster pace has meant big savings and fatter profits for the meatpackers that raise them.

But companies such as Whole Foods Market and Starbucks now are betting their customers are willing to pay more for chicken raised at a more leisurely rate.

Growing demand for meat from animals raised more slowly reflects a broader shift in consumer tastes for food and farm practices regarded as more humane and natural. The debate over how food should be raised has powered a flood of changes by meat companies that for decades have worked to drive down costs and scale-up production.

"This is a decision about animal welfare and about the flavour profile" of chicken, said Theo Weening, meat buyer for Whole Foods, adding that he envisions a marketing programme similar to the Label Rouge quality assurance stamp used in France. The cost of meat from slow-growing birds, which are often raised outdoors, can range from 20% to three times more than the price of conventional chicken, according to agricultural economists.

"The majority of people aren't willing to shell out that kind of money to put chicken on their table," said

Jerry Moye, head of breeding company Cobb-Vantress, which is owned by Tyson Foods.

Three breeding companies — Aviagen, Cobb-Vantress and Hubbard, a unit of France's Groupe Grimaud La Corbière — provide genetics for most of the world's chicken supply, and say they have emphasised traits like rapid weight gain to reduce production costs and make meat more affordable. Poultry breeders say those qualities are paired with traits such as cardiovascular and skeletal strength to ensure better health of the birds, in response to problems in the past with heart attacks and leg deformities.

The breeding companies add that the modern chicken's feed efficiency — its ability to pack on more pounds with less feed than pigs or cattle — makes poultry ideally suited to feed a growing global population that is incorporating more protein in their diet. Global chicken production this year is expected to surge to a record 89.7-million tons, according to the US Department of Agriculture.

Companies such as Nestlé and Compass Group-owned Bon Appétit Management are pushing suppliers to eschew recent genetic progress, countering that decades of selective breeding have led to painful ailments and muscle conditions, and have stripped the meat of flavour.

They are turning to breeds such as "JA57" crossbreeds that are raised for a minimum of 81 days in some markets, according to Hubbard, which owns those varieties. Others, like the brown Rowan Ranger chickens, owned by Aviagen, are fully grown in roughly 56 days, two-and-a-half-weeks later than the time it takes the company's conventional breeds to reach the same weight.

Whole Foods expects its transition to selling slower-growing breeds exclusively in its fresh poultry aisle will take roughly eight years. It will involve repopulating farms with chickens that grow about 23% slower than the industry standard or at roughly 50g a day, according to the Global Animal Partnership, which certifies the retailer's meat suppliers.

That is partly because the current supply of slow-growing birds is paltry, with estimates ranging from a fraction of 1% to 3% of commercial chicken genetics globally.

Bon Appétit Management, which uses around 11-million pounds of chicken annually at the corporate cafeterias and other sites it operates, says the company is working with producers to gauge if it can raise its purchase of slower-growing breeds.

The timeline is practical because there "isn't an immediate supply we can switch to," said Maisie Ganzler, the company's chief of strategy, adding that she expects more food companies to make similar announcements in the years ahead. Genetics company Hubbard is the number one breeder of slow-growing birds by sales, according to the company, in part because the origins of the movement to preserve qualities of traditional chicken farming began in France.

French chicken producers purchase breeding stock "based on cuisine factors, like taste and tradition," said Paul van Boekholt, director of Hubbard's business in Northern Europe, adding that the company has preserved a gene pool of slow-growing birds for more than 50 years. The company

has seen strong growth in recent years, following animal welfare battles waged by consumers in the Netherlands and UK, said Mr van Boekholt.

Other breeding companies, which dominate the business for varieties used by meatpackers such as Tyson and Perdue Farms, see a less rosy future for slow-growing chicken, which could raise prices for consumers and use up more resources. "Feed efficiency is not simply a cost consideration but has serious implications for our environment," said Derek Emmerson, vice president of research and development at Huntsville, Alabama-based Aviagen, explaining that faster-growing birds require less feed and water, and produce less waste.

Regardless, the trio of chicken breeders say they are prepared with the genetic resources if customers choose to make the switch. "If you tell me what you want a bird to look like, I'm glad to talk about how to get it there," said Mr Moye.

Kelsey Gee, *The Wall Street Journal*, 5 May 2016

How poo-powered pumps help Pakistan's farmers

For farmer Mujahid Abbasi, switching the power source for his irrigation pump from diesel to biogas has brought economic and health gains.

The 43-year-old from Fateh Jhang village, about 40km from Pakistan's capital city Islamabad, has benefited from a pilot project led by the Punjab provincial government to provide biogas equipment at a subsidised rate.

Abbasi uses dung from his 30 buffalo to produce nearly 40 cubic metres of gas per day, which powers his irrigation pump for six hours and his family's cooking stove.

The father of five says cutting out diesel has saved him around \$10-\$12 daily over the past 13 months.

He has used the money to plant seasonal vegetables on five additional hectares that had lain fallow for several years due to a lack of funds.

Turning a lever to start his groundwater pump, Abbasi recalls how the 20-horsepower engine used to consume around 13 litres of diesel each day. But he has not bought diesel since he installed the biogas-run pump in March 2015.

"This is a brilliant saving," he said. "This means additional income of \$1 150 for me annually. It has helped improve our family's economic well-being."

Close to 20 other farmers in his area have followed suit and are also running their irrigation pumps on biogas, thanks to the government-backed project.

Vegetable farmer Naeem Raza Shah uses slurry left over from the biogas production process to fertilise his 19 hectares, cutting out chemical fertiliser which previously cost him around \$850 per year.

"The organic fertiliser from the biogas plant is an economic blessing for me," he told the *Thomson Reuters Foundation*.

Abbasi and Raza are among nearly 17 000 beneficiaries of the \$67 million programme that aims to convert 100 000 irrigation pumps from diesel to biogas by the end of 2017 across Punjab province.

According to Punjab Agriculture Minister Farrukh Javed, the initiative aims to reduce dependence on diesel and boost farm productivity by improving access to irrigation water and promoting the use of bio-fertiliser, while fighting groundwater contamination from chemical inputs.

The government is paying half of the conversion cost for diesel-powered pumps, which ranges from 200 000 to 400 000 rupees (\$1 912-\$3 824) per tube well.

The subsidies are weighted in favour of farmers with less land, who usually have lower incomes and would struggle to afford the pump conversion without additional financial support.

The programme is expected to avoid the use of 288 million litres of diesel, worth 30 billion rupees each year.

It will help cut the diesel import bill and boost farmers' profits, while reducing environmental pollution. It is expected to shrink the sector's carbon footprint by more than 5 percent.

Agriculture accounts for nearly 39 percent of Pakistan's annual carbon emissions, which are increasing at a rate of 6 percent per year.

According to a 2010 census by the Pakistan Bureau of Statistics, farmers operate 1.1 million irrigation pumps across the country to exploit groundwater, more than 70 percent of them in Punjab. Of these, 900 000 are run on diesel.

Meanwhile, in Punjab alone, there are 32 million cattle and buffalo, which produce 117 million tons of dung annually - enough to produce around 6 billion cubic metres of biogas.

"The government should encourage the private sector to join its efforts to capitalise on the untapped opportunity the biogas sector offers in view of the millions of tons of unused dung from 180 million head of cattle across the country," said Arif Allauddin, former head of Pakistan's Alternative Energy Development Board.

Saleem Shaikh & Sugra Tunio, *Thomson Reuters Foundation*, 22 May 2016

Could the world soon be out of coffee?

Bananas, sweetcorn and kidney beans all risk being in shorter supply because of the impact of climate change and intensive farming, scientists have warned.

Up to a third of the land used to grow bananas and maize in Africa and two-thirds of land for beans will be "unviable" by the year 2100, they claim.

As early as 2025, these crops will need to be replaced by tougher root vegetables such as yams and drought-resistant grains such as millet. Coffee production is also likely to be "drastically affected", a report published by the Royal Botanic Gardens, Kew, says.

The *State of the World's Plants* report was compiled by 80 scientists to give the first global insight into issues affecting plants today. It revealed that more than one in five of the 391 000 known plant species were threatened with extinction, mainly from disease, habitat destruction, climate change or poor farming practices.

Many species would be "on borrowed time" by 2050, it said, and plants would either become extinct, migrate to different habitats or be forced to alter their properties to adapt to rising temperatures and changing rainfall patterns.

Some plants were already in "extinction debt" – where they had been hit by global warming but the impact was not yet known, the report suggested.

Research by the International Center for Tropical Agriculture modelled how nine common crops from sub-Saharan Africa would fare over the coming decades and warned some would need to be replaced with hardier roots and grains to maintain food supplies.

Professor Kathy Willis, of the Royal Botanic Gardens, said "Having proof that root crops like cassava and yams are among the climate-smart crops of the future for sub-Saharan Africa is vital for informing policy and planning today."

Coffee production in Ethiopia was also highly likely to be hit by climate change, another study in the report showed, but this could be counteracted with new areas for plantations.

About 2 000 species of plants are discovered every year. Last year alone, new finds included an insect-eating sundew found through Facebook, five types of onion and a close relative of the sweet potato. Invasive plants such as Japanese knotweed and cheatgrass were a global problem with nearly 5 000 species identified. These alien plants cost the UK £1.7-billion a year.

Modern farming tends to prioritise species with the highest yield which has led to a dramatic reduction in the number of ancient varieties of fruits, vegetables and cereals in existence.

A US study of 66 common crops found the number of varieties shrank by 93 percent in the first 80 years of the 20th century.

Nigeria facing 'tomato Armageddon' over crop infestation

Rose Edet never thought buying tomatoes for her busy Lagos restaurant would be an issue. But the rising cost is causing her a headache and affecting her customers' favourite Nigerian dishes.

"We are facing tomato Armageddon," she told *AFP* in the Ikoyi district of the city. "I have never seen this situation before in my 36 years in existence."

Tomato prices in Nigeria have been steadily climbing for months, caused by unrest in northern and central states where the crop is grown and this has affected farmers' ability to plant and harvest.

Fuel price increases and a fall in imports due to a foreign exchange shortage have contributed to the scarcity and now a major crop infestation has worsened the already bleak tomato outlook.

The Tuta absoluta moth, dubbed "tomato Ebola" by local farmers, has destroyed more than 80 percent of tomato farms in the northern state of Kaduna, its agriculture commissioner Manzo Daniel said Tuesday.

More than 200 tomato farmers have incurred losses of more than one billion naira, with fears the moth could wreak havoc across the wider north.

A wholesale basket containing hundreds of tomatoes now sells for 42,000 naira (\$212, 186 euros), up from 300 to 1,500 naira before the outbreak, he added.

In neighbouring Kano, a new tomato processing plant set up by Africa's richest man Aliko Dangote to reduce Nigeria's reliance on imports and boost domestic production has been forced to shut.

The factory, which only opened in March, requires 1,200 tonnes of the fruit every day but is not getting enough, said managing director Abdulkareem Kaita.

Tomatoes are an essential ingredient for many Nigerian dishes, from fiery pepper soups and stews, and even to garnish suya, the popular spicy grilled meat sold at roadside stalls across Nigeria.

The effect of price rises and shortages are adding further hardship to Nigerians already struggling with a lack of fuel for cars and generators, power outages, and spiralling inflation.

Edet and others say they have been forced to switch to imported tinned tomato paste but prices of puree have also shot up.

"A pack of tomato puree that sold at 40 naira has now risen to 55 naira," said Kano housewife Zainab Abdullahi.

Many Nigerians have taken to Twitter to complain, with some re-posting photographs of the Tomatina festival in Spain, which every year hosts what is dubbed the world's biggest food fight.

One user wrote of the pictures of revellers hurling tomatoes at one another and splashing in the fruit's juice and pulp: "If only these guys know the price of tomatoes in Nigeria today."

Another commented that tomatoes were "like gold now in Nigeria" while a third said three tomatoes she bought for 200 naira were more than expensive than a litre of fuel at 145 naira.

"Tomatoes is the new oil in Nigeria," wrote a fourth.

Nigeria's President Muhammadu Buhari marks a year in office on Sunday, with focus on his record tackling Boko Haram's Islamist insurgency in the northeast, endemic corruption and the economy.

Few would have predicted that the fall-out of a tomato crop infestation would be an issue as the anniversary approaches.

Kaduna's government has sent a team to Kenya to find a remedy against the moth, which lays eggs on tomato plants and develops into a hungry caterpillar that feeds on leaves, stems and fruit.

Meanwhile rumblings of discontent are getting louder, particularly over the effect on the beloved national dish, jollof rice.

Lagos trader Fatimo Olubunmi said it was her three children's favourite food but the tomato scarcity has forced her to switch to using tinned tomatoes and dry pepper.

"This is not the original taste. My children don't feel happy with the current situation. Mo rogo (I'm in trouble)," she said in Yoruba.

At Kamson Catering Service in Lagos' Obalende district, customers have been complaining, said Faith, a cashier.

"They don't feel good but we explain to them that tomatoes are the issue. They love jollof rice but because of tomatoes now, we are now increasing our prices," she said.

"I can only hope that things will get better," added Edet. "Otherwise this scarcity will get to a crisis stage."

Aderogba Obisesan & Aminu Abubakar, *Yahoo News*, 25 May 2016

Zanzibar's seaweed farmers in hot water

Waist deep in sparkling blue water off the white beaches of the Indian Ocean spice island of Zanzibar, seaweed farmer Mtumwa Vuai Ameir gently ties seedlings to wood poles.

Seaweed farmed on the Tanzanian archipelago is one of Zanzibar's key exports - used for food, cosmetics and medicines in Asia, Europe and North America - but now the vital industry is struggling with warmer waters killing the crops.

"We are desperate, and some farmers have been discouraged and abandoned the work," said Ameir, who has been a seaweed farmer for over 20 years.

She works alongside her daughter and husband in the small village of Muungoni, some 42km southwest of Zanzibar town.

As crop yields decline, cheaper production and transport costs in Asia are also challenging Zanzibar's position as the world's third-biggest producer of spinosum seaweed.

Over 23 000 farmers grow and harvest the seaweed - around 80% of them women - according to government statistics.

But tens of thousands more depend indirectly on an industry that provides a key income for families with few other means to earn a living.

Seaweed from Zanzibar is exported to China, Korea, Vietnam, Denmark, Spain, France and the US. It is used as an ingredient base for cosmetics, lotions and toothpaste, as well as in medicines. It is also eaten as a vegetable.

Farmers say that reduction in demand from abroad and subsequent falling prices has made turning a profit a challenge.

"Seaweed is now cheaper in Asia, compared to our price, therefore we must drop prices to maintain our buyers," said Arif Mazrui, who runs Zanque Aqua Farms, a seaweed business, blaming price fluctuation in the world market.

"We have no control over the price, we have to adjust our prices to keep our buyers. It is unfortunate that while we adjust our prices to compete with Indonesia and the Philippines, the farmers are the great losers."

In recent years, Zanzibar has exported some 16 000 tonnes of seaweed a year, according to government statistics.

But levels are declining - in the first three months of 2016, levels were less than half the amount produced during the same period a year earlier.

Prices too are falling: the price of spinosum seaweed was previously around \$0.31 per kilogramme, but is now less than half, selling for 300 shillings.

The price for cottonii, another type, has tumbled from around 1100 shillings to 700 shillings.

But the plants also face a threat from disease as well as poor weather, which have both caused production levels to drop in Zanzibar.

Warmer waters - due to climate change or other causes - is a major factor in the decline in seaweed growth.

Narriman Jidawi, from the Institute of Marine Sciences at the University of Dar es Salaam, said research into the production decline was under way.

"When it is too hot... seaweed (does) not grow very well, so a lot of women have stopped actually cultivating," Jidawi said.

The university's marine scientists and environmentalists are encouraging seaweed farmers to try and grow their crop in deeper, cooler waters in a bid to minimise infection, after tests showed the seaweed fared better there.

Farming in deeper water, however, is harder to do.

Seaweed grows best in water temperatures of around 25 to 30 Celsius, but temperatures are now rising above 31 C, which is unfavourable for seaweed growth.

"The seaweed business is now a challenge - both farmers and exporters are frustrated," Mazrui said.

"But we are encouraging them to continue production with hope that the price will rise again in the near future."

The government is worried, and trying to find solutions.

Zanzibar's President Ali Mohamed Shein - who won a second term in office in March after a controversial re-run of elections the opposition claimed it had won - used his inaugural speech to parliament to address the seaweed issue.

Improving seaweed production was among his priorities, he said, promising to improve equipment for farmers and to work to boost the market.

Hashim Moumin, head of aquaculture at the ministry of livestock and fisheries, said they were promoting "seaweed processing light industries" as an alternative to relying on exports of raw material.

"We invite investors to establish industries that will use seaweed as material," Moumin said.

For the farmers, they must struggle on with little choice.

"Despite low prices and poor production, I am still reluctant to quit this hard job, because I need to earn money," said Ameir.

AFP, 1 May 2016

Slegste mielie-scenario waar?

Mnr. Wessel Lemmer van Absa het in Desember verlede jaar gewaarsku dat 'n mielieoes van 7,1 miljoen nie buite rekening gelaat moet word in boere se beplanning nie.

‘n Mielieoes van 7,1 miljoen ton – die slegste van vier scenario’s wat verlede jaar in ‘n rubriek in *Landbouweekblad* verskyn het – blyk na alle waarskynlikheid waar te word.

Die Oesskattingskomitee het in sy vyfde skatting op 26 Mei die mielieoes sedert sy vorige skatting met 1,5% opwaarts aangepas tot 7 160 925 ton.

Mnr. Wessel Lemmer, senior ekonoom by Absa, het destyds voorspel die kans is 20% dat ‘n mielieoes van 7,1 miljoen ton sou realiseer. Wat hy ook voorspel het (maar wat weens te min plek nie geplaas is nie) was dat die mielieprys vir lewering in Maart met dié scenario gemiddeld R3 300 tot R3 400/ton sou wees. Tans is die prys R3 337/ton.

Lemmer het die scenario’s gebaseer op die voorkoms van ‘n El Niño-verskynsel en die moontlike impak daarvan op vanjaar se mielie-oes.

In Desember het die weerpatroon in Suid-Afrika heelwat ooreengestem met die weerstoestande van 1987-'88 en 1997-'98 toe produksietoestande droog in die lente was, terwyl goeie reën in die laat somer geval het.

Die El Niño-weerverskynsel is nou amptelik verby. Die waarskynlikheid vir reën in die tweede deel van die produksietyd is dus goed.

Adele Engelbrecht, *Landbou.com*, 28 May 2016

Agriculture crisis looms

The Western Cape is facing an agricultural crisis unless a cash injection of more than R59 million or much-needed winter rainfall can alleviate the effect of the drought in parts of the province.

The Department of Agriculture painted a grim picture of losses suffered by farmers, during a briefing of the provincial standing committee of Economic Opportunities, on Wednesday.

Director of sustainable resource management in the department, André Roux, said the effect of the drought on the agricultural sector included:

- 200 000 ton of wheat lost as a result of the lack of rainfall.
- 230 hectares of potato crops destroyed by heat waves in Sandveld.
- 40ha of potato and onion crops not planted in Ceres because of lack of water resources.
- Loss of R720m in the fruit industry because of smaller sizes of fruit which affected exports.
- A R525m loss in the wine industry.

Roux said drought has prevailed on the West Coast and Central Karoo, and in Prins Albert, Oudtshoorn and Witzenberg.

He said preliminary estimates indicated about R59m was needed to sustain 8 385 livestock for the next five months, but there was a shortfall of R27m.

“Our biggest concern remains whether the province will be getting enough rain or not. This is out of our hands and we can do nothing about it,” he added.

Roux said farmers needed to buy fodder because, with the lack of rainfall, grazing was limited.

He said a preliminary assessment indicated that 4 085 livestock on the West Coast and 4 300 livestock in Central Karoo needed support.

Roux said grain crop losses of between 50 and 100 percent occurred on the West Coast.

“The drought has already affected the agricultural sector and will continue to do so until the next grain harvesting period in November.

A similar impact is expected in animal, grapes and fruit production. Two-thirds of livestock units will not be fed through the department’s interventions.”

Roux said climate models were also not helpful, with some indicating 50 percent less rainfall, others predicting 50 percent more rain.

Committee members wanted clarity on why only a third of farmers were being supported and why there were no long-term strategies and solutions to combat the drought and plans to improve the management of water resources.

Committee chairwoman Beverley Schäfer said the long-term sustainability of farms was at risk if the government did not assist in alleviating the damage caused by the drought.

Schäfer said the Western Cape had not received drought relief resources promised by the national government.

“The delay from the national government could result in a situation where it will no longer be possible to keep livestock alive,” she added.

She said the initial drought relief of R88m which they called for had been recalculated based on the prices of maize, and it has gone down to R59m.

“That money is absolutely essential because we are running at a shortfall. The provincial department is actually taking over the mandate national government should be doing.”

Schäfer said they did not want a situation where emerging and smaller farmers were at risk of having their businesses collapse.

“We can’t wait too long for the funds for national before our whole agricultural sector is at risk.”

Some drought-hit farmers in Western Cape to be 'left in the lurch'

Not all farmers in the drought-stricken West Coast and Central Karoo districts could be assisted with feeding their livestock, the provincial standing committee on economic opportunities, tourism and agriculture heard on Wednesday.

A preliminary estimate of around R59m was needed, but only R32m in funding was available, said provincial agriculture department official Andre Roux.

This figure was based on a preliminary assessment of the costs of supporting around 8 300 livestock for the next five months.

Roux, who is director of sustainable resource management, said farmers needed to buy fodder because there was not much for animals to graze.

"The agricultural output and employment is likely to drop and, consequently, more people are to be exposed to food insecurity."

He also enlightened the committee on the impact of the drought on other sectors.

A total of 200 000 tons of wheat were lost due to lack of rain, while 230 hectares of potatoes were destroyed by heat waves in the Sandveld area.

The fruit industry had lost R720m in smaller fruit.

High temperatures shortened the shelf life of table grapes that were exported, incurring huge losses because they could not be used for anything else.

"When they arrived there, there was a big problem with quality," he explained.

To maintain the cold chain and pack the fruit in optimal conditions, some farmers in the Northern Cape were flying out their grapes, said the department's chief research and technology director, Dr Ilse Trautmann.

Committee member Matlhodi Maseko asked what could be done to prepare for global warming.

Roux said they had released a strategy document this week.

"We can mitigate water loss, but there is unfortunately not much we can do with temperature."

Committee chairperson Beverley Schäfer praised the department for a transparent and extensive briefing.

"The important part is to put pressure on national government to give us the money we need to find the shortfall we are looking for," she said. She said the provincial agricultural department operated almost like a "social grant system" in supporting emerging farmers and taking over some of national government's mandate.

It concerned her that a large majority of the province's farmers would be "left in the lurch", without support.

Jenna Etheridge, *News24*, 18 May 2016

Drought hits wine hard

In a blow to the wine industry underpinning the Western Cape economy, the drought has caused an estimated 6.7 percent drop in the annual grape crop.

The 2016 wine grape crop is estimated at 1 378 596 tons, according to the latest figures from South African Wine Industry Information and Systems.

However, the quality of some of the wines are expected to be higher.

Francois Viljoen, of VinPro, the representative organisation for close to 3 500 South African wine producers and cellars, said while challenging conditions led to a reduced wine grape crop, grapes were healthy and concentrated flavours promised good wines.

"Although the crop is smaller, the industry still managed to reach higher productions than initially expected following a season characterised by abnormal heat and water shortages," Viljoen said.

Water supplies had a great impact, he said, especially in vineyards not buffered against the heat.

Regions such as Robertson and the Klein Karoo, which received sufficient winter rainfall, had higher productions, while Worcester, although experiencing unusual heat and veld fires, also obtained a bigger harvest. Stellenbosch had a significantly smaller crop due to dry, warm weather conditions and veld fires.

Paarl also experienced an abnormally small crop of which the cultivars all ripened early and simultaneously. Malmesbury and Swartland had a significantly smaller crop taken in early and over a short period.

There was also burn damage from the sun from the middle to the end of January, hitting Stellenbosch and Worcester hardest. The extent of the damage will be determined in the months to follow, VinPro said.

While most other regions produced smaller crops, diseases and pests were limited due to the dry season.

Agri Western Cape chief executive Carl Opperman said many of the province's agricultural commodities were hit by the drought and extremely warm temperatures this season, and the wine grape industry was no exception. They also suffered losses due to fires.

However, the industry has the expertise to manage challenging seasons, to continue to contribute to the growth of the agricultural sector of the Western Cape, Opperman said.

Economic Opportunities MEC Alan Winde said: "The drought is predicted to affect us for a few more years, and it is imperative that residents continue to save water."

Winde said the department had assisted several farmers to adopt conservation agriculture practices. "The outcomes have been especially good in the small grain, potato and rooibos industries. We will continue to support this initiative with focused research and technology transfers."

Winde said while indications suggest that the grape crop is smaller than last year, it is also of a very high quality, enabling producers to sell at higher prices.

"Through Project Khulisa, a provincial growth and jobs strategy, emphasis has been placed on growing our wine exports.

"We have put aggressive marketing campaigns together, in conjunction with Wesgro, targeted at specific markets with high potential. We are also working with a broad range of government departments, locally and nationally, to grow the water capacity of the Brandvlei Dam to ensure more land comes under irrigation.

"Through this project we are aiming to significantly grow employment in the region."

Lisa Isaacs, *Cape Times*, 13 May 2016

Kleiner wyndruif-oes ná taai seisoen

Die totale wyndruif-oes sal na verwagting 6,7% kleiner as in 2015 wees.

Uitdagende toestande het daartoe gelei dat Suid-Afrikaanse produsente 'n kleiner wyndruif-oes behaal het, maar druiwe was gesond en gekonsentreerde geure hou die belofte vir mooi wyne in.

Dit is volgens die wingerdkonsultante van VinPro, die verteenwoordigende organisasie vir nagenoeg 3500 Suid-Afrikaanse wynprodusente en kelders. Die totale wyndruifoes sal na verwagting 6,7% ligter as in 2015 wees.

"Hoewel die oes kleiner is, is dit steeds groter as wat aanvanklik verwag is na 'n seisoen gekenmerk deur abnormale hitte en watertekorte," sê mnr. Francois Viljoen, bestuurder van VinPro se wingerdboukundige konsultasiediens.

Watervoorraad het 'n groot invloed op die oes gehad, veral waar wingerde nie teen uitermatige hitte gebuffer kon word nie. Die Robertson- en Klein Karoo-streke wat baie goeie winterreëns ontvang het, het hoër produksies behaal, terwyl Worcester ook 'n groter oes ingeneem het. Die meeste ander streke het kleiner oeste gerealiseer, maar Stellenbosch en die twee droëlandstreke, Paarl en Swartland, se oeste was heelwat kleiner as in 2015.

Baie warm weer is veral van einde Oktober tot einde Januarie ondervind, wat groei belemmer het en tot laer trosmassas en kleiner korrels aanleiding gegee het. Die droë toestand het egter daartoe gelei dat wingerde en duiwe oor die algemeen baie gesond was.

Aan die positiewe kant lei kleiner korrels tot meer gekonsentreerde kleur en geur, en kan goeie wyne uit die 2016-oes verwag word.

Die 2016-wyndruifoes word op 1 378 596 ton geraam volgens die jongste skatting (30 April 2016) van die Suid-Afrikaanse Wynbedryf Inligting en -Stelsels (Sawis). Dit is 6,7% laer as die 2015-oes.

Na verwagting sal die 2016-wynoes – sap en konsentraat vir nie-alkoholiese doeleindes, wyn vir brandewyn en distilleerwyn ingesluit – 1 070,8 miljoen liter beloop, bereken teen 'n gemiddelde verhaling van 777 liter per ton duiwe.

Oorsig van die streke:

- Breedekloof: 'n Effens kleiner oes as in 2015, maar steeds bogemiddeld groot en van goeie gehalte.
- Klein Karoo: 'n Koue, nat winter en warm, droë somer bring 'n groot en gesonde oes.
- Malmesbury/Swartland: 'n Aansienlik kleiner oes is vroeg en oor 'n kort tydperk afgehaal.
- Olifantsrivier: Ondanks 'n uitdagende klimaat en kleiner oes, word goeie gehalte wyne verwag.
- Oranjerivier: 'n Ietwat kleiner oes met groot variasies in opbrengste tussen produsente.
- Paarl: 'n Abnormaal klein oes waarvan kultivars vroeg en op mekaar ryp geword het.
- Robertson: Ideale seisoenstoestand lei tot 'n groter oes en belowende wyne.
- Stellenbosch: 'n Heelwat kleiner oes weens besondere droë, warm weer en veldbrandskade.
- Worcester: 'n Groter oes, ondanks beperkte water, ongewone hitte en veldbrande.

Jan Bezuidenhout, *Landbou.com*, 11 May 2016

SA winemakers keen to conquer China

South African tycoon Koos Bekker sells wine from his vineyard all over the world, but a small detail offers a clue as to where his priorities may lie - all the bottles are labelled in Mandarin.

Other producers along the Stellenbosch wine route where his Babylonstoren farm is located are doing the same, looking to tap into soaring demand in China led by a growing professional class as Asia's economic powerhouse in turn ramps up its investments in South Africa.

"Babylonstoren's export strategy to China is to be visible in Beijing, not only the city, but also the province," said Naspers chairman Bekker's cellar master Charl Coetzee.

"We only want to conquer Beijing and if we conquer Beijing we will be happy," he said as a young Asian couple sampled his produce in a tasting room overlooking rows of young vines.

South African wine exports to China rose almost 30 percent in 2015 alone, according to statistics from South African Wine Industry Information and Systems (SAWIS).

Alan Winde, minister for economic opportunities in the Western Cape region, says the aim is to double them by 2025.

During his time as chief executive, Bekker helped turn Naspers into one of the world's top e-commerce and media companies and established links with China via a stake in Internet service portal Tencent.

Now he is joining a race to supply the world's most populous nation that also features producers from France - which controls around 50 percent of the wine export market to China - and "new world" rivals Australia, Chile and New Zealand.

China's retail wine market was worth around \$15 billion in 2015 compared to \$10.3 billion in 2010, with imports accounting for just over half, according to wine data analytics firm IWSR.

It forecast consumption of about 13.5 million hectolitres in 2020, up from 11.3 million in 2010.

Tapping into a national wine tradition dating back hundreds of years, Babylonstoren grows 13 different grape varieties and its bottles retail between R80 for a chenin blanc and R500 (\$32) for a champagne-style sparkling white.

In Coetzee's experience, Chinese drinkers tend to prefer red, though they also go for stronger whites, including a chardonnay the farm matures in French oak for 12 months.

In March, Babylonstoren sold its largest consignment of wines to China, a 20-foot container with around 13 000 bottles.

"We want one day to be exporting a container a month," Coetzee told *Reuters*.

La Motte wine farm, one of dozens in the verdant hills outside Cape Town, sold around 3 million bottles to China last year, double the amount shipped three years ago.

"The past 12 months there was big growth of South African wine to China," its chief executive Hein Koegelenberg told *Reuters* from a wine cellar in the Franschoek Valley, where Huguenots from France first planted vines in 1695.

"South Africa has not unlocked the potential of that market yet."

La Motte, which has partnered with China's second largest online direct sales network, Perfect China, to buy wines under the brand name L'Huguenot, says its pinotage red ranks among its best sellers in China.

South Africa's wine industry is worth around R26.5 billion (\$1.8 billion) a year and employs 300 000 people. China has grown to become its sixth largest export market.

"The nice thing is that China takes wine in (own-label) bottles and not in bulk, so we get jobs down the value chain," minister Winde said.

Demand is being driven by a booming number of young Chinese professionals who prefer buying over the Internet, rather than in stores. The rand's 30-percent fall against the dollar in the last year has also helped.

But the industry faces stiff competition if it is to take full advantage of new consumers in places like China.

"We realise that the challenge is to keep getting trade and consumers to trial South African wines and more importantly to retain customers to ensure repeat sales," said Michaela Stander, Asia marketing manager for Wines of South Africa.

"If Chinese consumers are not well informed and not ready to accept our wines, the imports may soon die down again."

Wendell Roelf, *Reuters*, 25 May 2016

Verbod op grondbesit kan wynbedryf raak

Die Regering se beoogde verbod op buitelandse besit van landbougrond sal na verwagting veral in die wynbedryf 'n invloed hê.

Verteenwoordigers van die eiendomsagentskappe Seeff en Pam Golding sê die buitelandse kopers waarmee hulle te doen kry, stel hoofsaaklik in wynlandgoedere en wild- en leefstylplase belang.

Dr. Andrew Golding, uitvoerende hoof van die Pam Golding-eiendomsgroep, sê luidens 'n onlangse *Moneyweb*-artikel besit buitelanders tot 2007 minder as 5% van landbougrond.

Mnr. André Malan, Seeff-agent vir landbougrond in die Wynland en Boland, raam buitelanders besit tussen 25% en 30% van wynlandgoedere in omgewing van Stellenbosch, Franschoek en Wellington-Paarl.

Hulle neig volgens hom om eerder wynlandgoedere as wyndruifplase te koop. "Die opbrengs is beter en hulle voer 'n groot deel van die wyn na hul tuislande uit.

"Só verdien hulle vir Suid-Afrika waardevolle buitelandse valuta en word werkgeleenthede vir halfgeskoolde en geskoolde mense behou.

“Oor die algemeen speel buitelandse beleggers ’n belangrike rol in die maak en bemarking van plaaslike wyn, wat deesdae ’n aansienlike buitelandse valutaverdiener vir die Kaapse ekonomie is,” sê hy.

Volgens mnr. Samuel Seeff, voorsitter van Seeff, het buitelanders kapitaalbeleggings na die Wynland gebring en was, saam met plaaslike korporatiewe ondernemings, die hoofdrywers van die ontwikkeling en restourasie van wynplase, die verjonging en groei van die bedryf, en die skep van gesogte internasionale wyn en toerismehandelsmerke.

Malan sê buitelanders beïnvloed nie noodwendig die prys van landbougrond nie. Dit word deur normale markkragte van vraag en aanbod bepaal. Sou hulle egter oteien of gedwing word om te verkoop, kan dit ’n nadelige invloed hê.

Carien Kruger, *Landbou.com*, 30 May 2016

Skaars grond by Oranjerivier te koop

’n Ongewone stuk landbougrond aan die Oranjerivier kan na raming vir so veel as R400 miljoen verkoop word.

Dié eiendom naby Hopetown is 1 119 ha groot, waarvan sowat 65% onder besproeiing is. Mnr. Thinus en me. Estie Schutte, die Seeff-agente wat die eiendom bemark, sê die grond bied ’n uitstekende beleggingsgeleenheid en is geskik vir korporatiewe beleggers of moontlik ’n trust of maatskappy met ’n aantal beleggers.

Die eiendom bestaan uit 10 dele wat ook afsonderlik gekoop sou kon word. Daar is reeds landboubedrywighede op die plaas, ingesluit beeste ter waarde van sowat R1 miljoen. Die grootste deel van die 795 ha bewerkbare grond, naamlik 734,53 ha, is onder besproeiing. Die res van die grond bestaan uit veld.

Die eiendom het waterregte uit die Oranjerivier, wat volgens die Schuttes een van die gesogte waterbronne in die land is. Thinus Schutte sê die eiendom is aan Oraniaweg geleë, sowat 10 km van Hopetown, waar daar skole en ’n vliegveld is. Hopetown is op die rand van die Groot Karoo en is ’n uur se ry vanaf Kimberley.

Schutte sê die grond is in ’n gebied waar daar nie grondeise verwag word nie. Volgens hom is besproeiingsplase, veral dié aan die Oranjerivier, baie gesog en kom selde in die mark. Hy sê ook die pryse van plase in gesogte gebiede, soos dié wat besproeiing en voordelige waterbronne bied, het die laaste drie jaar verdubbel en hy verwag dat pryse nog verder sal groei.

Die infrastruktuur op die plaas sluit vier huise, twee woonstelle, ’n vissershuisie aan die rivier, verblyf vir werkers, twee silo’s, ’n gerief om saad in te berg, weegbrug, beeskraal en skuur vir ’n ligte vliegtuig in. Die spilpunte en plaasimplimente word by die verkoop van die plaas ingesluit.

Carien Kruger, *Landbou.com*, 20 May 2016

Agri Wes-Kaap se Jongboer van die Jaar

Jong boere bring baie nuwe idees en energie na die ekonomie: Hulle hou van nuwe uitdagings, sê Agri Wes-Kaap en Santam Landbou se Jongboer vir 2016.

’n Tafeldruiwe-producent van De Doorns in die Hexriviervallei is aangewys as Agri Wes-Kaap en Santam Landbou se Jongboer vir 2016.

Mnr. Jacques Beukes (35) dring nou deur na die nasionale Jongboer van die Jaar-kompetisie wat in Oktober deur Agri SA en Toyota SA aangebied word.

Mnr. Kosie Loubser, voorsitter van Agri Wes-Kaap se Jongboerkomitee, sê die kompetisie was vanjaar taaier as ooit. "Ons moes 'n wenner uit ses briljante jong boere aanwys. Dit wat hulle het om te bied is ongelooflik," het hy gesê.

Beukes boer die afgelope 10 jaar op die plaas Modderdrift. Hy is Agri Wes-Kaap se streekvertegenwoordiger, 'n direkteur van die Hexvallei Tafeldruiwe Assosiasie en die voorsitter van die Breedevallei Munisipaliteit se produsenteforum.

Beukes wat 'n B.Com-graad in logistiek aan die Universiteit van Stellenbosch behaal het, sê jong boere is die land se toekoms. "Jong boere bring baie nuwe idees en energie na die ekonomie. Hulle hou van nuwe ontwikkelings en uitdagings. Die verskil begin by jou," sê hy.

Hy baie lief vir die tafeldruiwbedryf. "Ek gaan aanhou belê in hierdie wonderlike bedryf. Daar is elke dag baie uitdagings, maar jy moet dit in geleentheid omskep. Deur hoër standaarde na te streef, plaas jy druk op jou mede-boere om hulle standaarde ook te lig. Só dra jy by tot 'n beter Suid-Afrikaanse landboubedryf," sê hy.

* Mnr. Cornie Swart, voorsitter van Agri Wes-Kaap, het gesê boere nou moet fokus op dit wat hulle goed doen in hierdie tyd van negatieweiteit. "Hier is baie geleentheid in die landbou," het hy gesê. Swart het boere se wederhelftes aangemoedig om hul eggenotes te ondersteun, want die landbou het 'n baie goeie toekoms.

Jan Bezuidenhout, *Landbou.com*, 26 May 2016

In Numbers: Table grape industry

- 11,000 full-time and 42,000 seasonal jobs are provided by the Western Cape table grape industry each year.
- R950m is paid to workers in wages by the industry each year nationally.
- 65% of the industry's production volume is generated in the Western Cape.
- R3.2bn in production income is generated by the table grape industry each year for other downstream product input providers.
- R3bn is how much the industry contributes towards the national GDP annually.
- 70% is the Western Cape province's targeted success rate for land-reform projects.
- 4,195 new farmers will receive government support under this programme over three years.
- R183m in income was generated on farms with black ownership in 2014/2015.
- 4,000 additional hectares, including those under table grapes, will be irrigated in the Breede and Langeberg municipalities thanks to a new Brandvlei Dam project.
- Up to 8,000 new jobs are expected to be created as a result of this project, which involves numerous government departments.
- 660 black beneficiaries are involved in 32 farming enterprises.

Claire Bisseker, *Financial Mail*, 5 May 2016

Errors by unit in agriculture department costs SA's fruit export industry millions

A unit inside the Department of Agriculture, Forestry and Fisheries stands accused of costing the country millions in agricultural exports because of poor communication and administrative errors. Now exporters are concerned as the department's alleged ineptitude causes even greater hardship in an industry already suffering drought and other hardships.

As a signatory to the International Plant Protection Convention, SA has committed to reducing the risk of infecting other countries with pests through its exports. Each signatory to the convention has a National Plant Protection Organisation (NPPO).

This contact point, whose role it is to ensure that SA meets each country's plant health regulations, is seen as "the most important office for fresh produce".

But poorly resourced and underfunded, the NPPO's slow turnaround times and poor communication have caused exporters to lose a foothold, especially in the growing Asian markets.

Trade for table grapes and deciduous fruit with Thailand was halted after the NPPO failed to meet deadlines to apply for trade in specific fruits. Eight years of negotiations ensued and the first boxes of table grapes entered Thailand in January. Other deciduous fruit trade is still being negotiated.

The Bureau for Food and Agricultural Policy estimated that R150m in trade was lost a year as a result. South African Table Grape Industry CEO Willem Bestbier said the Thailand issue predated his term but said the Thai market could grow to three-million cartons of the industry's 60-million carton annual production.

While he could not comment specifically on the Thai issue, he said issues of capacity constraints at the NPPO had been raised with the minister and director-general of the agriculture department.

Departmental spokesperson Bomikazi Malopo confirmed that some industry complaints had been received but said these were receiving attention. And while she said the department was engaging with the Treasury to secure better resources for the unit, it was widely acknowledged as "one of the most capacitated in Africa" with well-qualified personnel who had received international training.

She said while the views of industry on losses were "respected", the department was using its resources to open new markets, among them the export of maize to China, litchis and persimmons to the US and citrus to Korea.

Anton Rabe, CEO of Hortgro, said there had been some oversights and slow responses, which "have had some negative financial impact on our industry", but said no individuals or specific units were solely to blame.

He said the industry was holding regular meetings with the government in a bid to work together to solve mutual issues.

Citrus fruit exports to Vietnam were halted after it emerged that there had been a problem around the use of the term citrus instead of listing the individual fruits.

Justin Chadwick, CEO of the Citrus Growers Association, said while no party was specifically to blame, the issue could probably have been avoided had there been proper communication. Chadwick said SA could still export to the country under a separate permit, but should Vietnam decide to revoke this permit (it recently revoked an Australian permit), the market would be lost.

Some industry insiders said delays in responses to queries by the Philippines also resulted in South African citrus exports, estimated at an annual R63m, being halted.

Negotiations are currently under way to re-open trade, which would pave the way for talks to start about other South African fruits. Negotiations are at an advanced stage but could be affected by the election of a new president in the Philippines following their elections held earlier this month.

However, Malopo said all fruit exports were stopped after SA indicated in a 2014 meeting that it had been exporting grapes and citrus on an open phytosanitary certificate. The Philippines immediately halted trade and indicated a pest risk analysis be completed first.

While these markets do not represent large markets for South African fruit exporters, they are desirable for exporters looking to expand and diversify.

Delays have also been experienced in finalising issues of trade with South Korea, exporting lemons to China and in managing the citrus black spot issue with the European Union, SA's biggest market for fruit.

Chadwick said the NPPO contact point needed to respond to queries and demands "timeously" and South Africa's failure to do so meant other countries "presume the worst and add more measures and requirements".

SA citrus meer welkom in EU

Suid-Afrika se sitrus word al beter in die Europese Unie ontvang.

'n Proeflopie in sommige Europese Unie (EU)-lidlande verlede jaar baan die weg vir meer regverdigde monitering van swartvlek op Suid-Afrikaanse sitrus vir die Europese mark.

Mnr. Deon Joubert, die Suid-Afrikaanse Sitruskwekersvereniging se gesant in Europa, sê die huidige toetsstelsel vir swartvlek bevestig bloot dat uitvoerders die swam doeltreffend gedood het.

Hoewel 'n paneel van kundiges wat deur die Internasionale Plantbeskermingsorganisasie (IPPC) aangestel is bevind het dat swartvlek op sitrusvrugte geen gevaar vir Europese boorde inhoud nie, het die EU se staande komitee vir plantgesondheid teen 'n voorstel gestem dat die swam, wanneer dit op sitrus waargeneem word, vir lewensvatbaarheid getoets word alvorens die besending as 'n onderskepping tel. Die EU laat Suid-Afrika slegs vyf onderskeppings toe voor die handelsgebied se grense vir Suid-Afrikaanse sitrus gesluit word.

Met die bystand van Citrus Research International (CRI) het Suid-Afrika egter verlede jaar daarin geslaag om individuele uitvoerbestemmings te oortuig om vir die lewensvatbaarheid van die swartvlekswam te toets voordat daar 'n onderskepping geregistreer word.

Suid-Afrikaanse uitvoerders het wel ooreengekom om besendings waarin vrugte met swartvleksimptome uitgeken word, te verwyder uit die markte waarvoor dit bestem is. Plaaslike produsente verloor dus steeds die verkope, maar dit kos Suid-Afrika nie 'n onderskepping alvorens die lewensvatbaarheid van die swam positief toets nie. Frankryk, Nederland, die Verenigde Koninkryk, Duitsland en Italië het ingestem.

Suid-Afrika voer jaarliks omtrent 700 000 ton sitrus na die Europese Unie uit.

Jasper Raats, *Landbou.com*, 17 May 2016

SA fruit industry not ready for new international container weight regulations

South African fruit exporters have just over a month left to prepare themselves for a new international requirement concerning the weighing of shipping containers.

The requirement, which would come into effect on 1 July 2016, was created at the beginning of 2015 after the International Maritime Organisation (IMO) amended the Safety of Life at Sea Convention (SOLAS). Containers would now need a verified weight in order to be loaded onto a ship for exports. According to the amendment, it would be the shipper's responsibility to verify the weight of the container, and containers not meeting these requirements would not be allowed to be loaded onto a ship, or offloaded at a port.

According to Mitchell Brooke, logistics development manager at the Citrus Growers' Association, the fruit industry needed at least another 18 months to prepare for the new regulations.

"The first official notice was only circulated in South Africa in June last year, while we only saw the official guidelines towards the end of January this year. We need these guidelines to ascertain the scope of the requirements and criteria specific to weighing equipment and the certification process," Brooke said.

According to the amendments, there were two methods shippers could use to determine container weight. The first method involved the container being weighed after it had been packed, and would entail trucks being weighed on weighbridges both with and without the containers.

It had been proposed that trucks could be weighed at port terminals, but there were also concerns that this could exacerbate port congestion problems.

The second method would involve all the cargo and contents being weighed separately and added together, to give the total weight of the container. Brooke said this was problematic because the majority of fruit packhouses and container packing facilities did not have the required weighing equipment.

They would have to order and install this equipment, which then would have to be calibrated and certified by an accredited laboratory. Each weigh point and shipper would also need to undergo an audit to verify the weighing process.

"There are well over 400 fruit packhouses and about 200 local shippers of fruit that would require an audit to receive accreditation as part of the new requirements, and at the moment there are only a handful of people who can conduct these audits," Brooke said.

The industry was also concerned because SOLAS did not factor in any measure for mass tolerance, and severe penalties had been stipulated for the misdeclaration of information.

This was concerning because moisture loss affected the weight of fruit; one study, for example, found that the mass of a citrus pallet could change by 5% within a week, according to Brooke.

Glennis Kriel, *Farmer's Weekly*, 26 May 2016

'X-rays' for fruit could mean never again biting into a rotten apple

The largest distributor of South African apples and pears, Tru-Cape Fruit Marketing, along with its parent packhouse, Two-a-Day, have invested in new technologies to improve their final product and reduce quality-related claims, which cost the two companies millions of rand.

The new technologies will make it possible to look inside the fruit to test elements such as the amount of sugar in the product and check for defects including internal browning, which could not — until now — be determined without cutting into each piece of fruit. The company did not disclose the amount of money it had invested in the new technology.

Tru-Cape marketing director Conrad Fick said on Thursday the newly installed Greefa 10-lane sorter can process eight pieces of fruit per second per lane at Two-a-Day in Grabouw, and was the largest in the southern Hemisphere.

"Combined with the new iFA light technology that 'sees' into the heart of each apple or pear that is processed, we can now deliver a better final product with fewer issues," he said.

"Our packhouses have had camera-scanning equipment — which increased productivity by 25% (and) sorted faster and more accurately than before — for a while now, and the 1GB Digital GigE camera, which captures a full, high-definition image of 1900 x 1024 pixels to make correct colour selection more efficient, while no longer new, remains current."

Fick said that as consumer tastes and demands become ever-more exacting, Tru-Cape's packhouses' ability to add algorithms that sort to ever-higher colour and blemish-free standards becomes essential.

He said the investment will save millions of rand as Tru-Cape will be improving productivity and returning maximum value to growers by not delivering fruit that might be rejected on arrival because of not meeting the packing specification, or of showing signs of internal damage.

Two-a-Day's quality manager, Johan Saayman, explained that the iFA technology shines a high-intensity light through the fruit, and the software — programmed for differing conditions — measures the variance in the intensity of the light produced by the lamps and the light received underneath each piece of fruit, to determine any internal irregularities.

"In basic terms this is a fruit-friendly way of taking an 'x-ray' of each fruit without harming it in any way," he said.

Saayman added: "Not only can the system measure sunburn on apples as well as tell the difference between hail marks and other blemishes, but it can also track fruit bruising better than any comparable system and now also flags for core rot, internal browning and even low fruit pressures."

Bekezela Phakathi, *Business Day*, 19 May 2016

Eierboere pak op, tekort aan die broei

Talle boere het die eierbedryf verlaat, sê die SA Pluimveevereniging.

Die mark vir eiers ervaar tekorte omdat die meestal mediumgrootte ondernemings in die eierbedryf sukkel om die hoër koste van produksiemiddele weens onder meer die droogte te absorbeer.

Dit het talle boere die bedryf laat verlaat en vroeër hul bedrywighede laat staak, sê dr. Charlotte Nkuna, 'n senior uitvoerende beampte van die SA Pluimveevereniging (SAPV).

Sy sê in 'n verklaring die SAPV weet van gevalle waar boere groot bestellings vir jong lêhenne gekanselleer het, wat 'n surplus aan jong lêhenne veroorsaak.

Die daling in die nasionale getal lêhenne beteken die verbruikersprys van eiers gaan waarskynlik styg. Dit sal volgens haar strook met prysneigings in ander bedrywe wat swaarkry weens buitensporige verhogings in graanprys en gepaardgaande dierevoere.

Volgens die SAPV se inligting het die eierbedryf die laaste twee maande 'n skielike skuif van 'n ooraanbod na 'n tekort ervaar.

"Sommige produsente rapporteer 'n gebalanseerde omgewing, terwyl die meeste 'n tekort aan eiers rapporteer."

Nkuna sê anders as die braaikuikenbedryf, wat oorwegend geïntegreerde grootskaalse produksiestelsels het, bestaan die eierbedryf meestal uit mediumgrootte produsente wat hoofsaaklik in familiebesit is.

Die SAPV verwag op kort termyn 'n styging in die aanbod in die mark vir lêhenne wat die einde van hul produktiewe lewens bereik het.

Dit sal egter gevolg word deur 'n tekort, omdat boere hul lêhenne langer sal hou om te vergoed vir die tekort aan eiers.

Carien Kruger, *Landbou.com*, 17 May 2016

Electrification project aimed at improving lives of Cape's farm workers

The Western Cape provincial government is rolling out a project to provide rural agricultural workers living on farms with direct access to electricity, rather than via land owners or other third parties.

The living conditions of farm workers have been under the spotlight following the often violent farm worker protests in the Western Cape in 2012 and the subsequent revision of the sectoral determination.

Most workers on farms are paid low wages and are provided with poor housing facilities. In some cases farmers make wage deductions where electricity and other basic services are provided.

The provincial government said on Thursday the agri-worker electrification pilot project was a collaborative effort between the department of local government in the Western Cape, Eskom, the Hex River Table Grape association, the agri-workers association and the Breede Valley Municipality.

Western Cape local government, environmental affairs and development planning MEC Anton Bredell said: "Currently the majority of agri-workers receive their electricity via the land owners. One of the main goals of this new project is to allow Eskom to supply electricity directly to the end-users, which means agri-workers will no longer be under the producer's jurisdiction and will now have the freedom to manage their own affairs with regards to electricity supply."

The agri-workers will be able to purchase prepaid electricity from vending stations in their area or by the electronic e-pay system.

Mr Bredell said implementation of the pilot project was expected to start by the middle of 2016, and a comprehensive awareness campaign would precede the implementation phase.

The department is aiming to roll out the initiative across the entire province.

The farm worker population in the Western Cape makes up the highest number of workers in SA in the fruit and wine industry. Many permanent workers live on the farms on which they work, frequently in poor living conditions.

Bekezela Phakathi, *Business Day*, 5 May 2016

Successfully building the emerging farmer sector

Speaking at Nampo's Nation in Conversation about successful empowerment projects, Phillip Retief, CEO of Van Loveren wines said initiators of projects must become involved because they want to be involved, not because they have to be involved.

Van Loveren launched its first empowerment project in 2004.

"The first project was seen as far-fetched, but we worked with the Land Redistribution for Agricultural Development (LRAD) government project and received subsidies for labourers who wanted to become involved. We empowered 166 workers and bought 138ha vineyards with workers having a 52% share," said Retief.

He said those who start projects must realise that the needs of all who become involved are different, often because of age, and should be respected.

"The project must be based on sound business principles and be able to make it commercially in the long-term," he added.

Retief said Van Loveren does not always get the recognition from government it would want, but use its projects as a foot in the door for more projects.

He said government on provincial and national level did not always communicate about what happened on ground level.

He gave the example of a producer who just wanted to get going, while government had various requirements that involved dealing with different departments. One needed patience with government bureaucracy, while financial institutions wanted to show a profit.

Lennox Plaatjies, from the Witsenberg Partners in Agri land Solutions (PALS) project, which in conjunction with commercial farmers in the Western Cape acquired 4 200ha land, with 55 projects running on it, said one of the reasons for their success was establishing a central point where all decisions about the projects were made.

The Witsenberg project only looked at individuals with potential, who then underwent psychometric tests, and thereafter were developed under mentorship from commercial farmers. "Despite political differences on all levels all stakeholders work together towards the same goal," said Plaatjies.

Solomon Masango, New Era Commercial Farmer of the Year, said that for him owning land was still an issue. "I leased land, but when the lessor saw I was successful they ended the contract before it expired," he said.

Gerhard Uys, *Farmer's Weekly*, 17 May 2016

Bosman Vineyards reaps empowerment rewards

As one drives through the gates of Bosman Family Vineyards in Wellington, it is hard not to be struck by a sense of history. However, like many farms in this Cape winelands area, the estate, which has stayed in Bosman hands for eight generations, has its sights set on the future when it comes to sustainability and development.

In 2008, the farm entered into the biggest black economic empowerment (BEE) deal in the wine industry to date, with eligible workers receiving co-ownership of 430ha of prime farming land through the Adama Workers Trust.

Last year, the estate was overall winner of the Fairtrade Award at the International Wine Challenge. Presented in London, the accolade goes to the highest-quality wine with a Fairtrade certification, an international ethical programme whose main aim is to promote more equality and sustainability in the farming sector.

Jannie Bosman Sr chairs the farm's executive committee. He has close to four decades' experience and all four of his children are involved in the business.

Rita Andreas, former chairwoman of the Adama Worker's Trust, says the 2008 empowerment deal is an example of the "hard changes" that need to be made in the name of transformation in SA.

"The farmers were used to making their own decisions, like if they want to buy a truck. Now, they have to share that decision-making.

That is a little bit strange (for them).... For the workers, (there was) a lot of training. It was a new thing. Some of them couldn't believe it," says the former trust chair.

Andreas was born and grew up on the farm, and says the Bosmans have always been progressive. The trust has added to its estate holdings, owning 50% each of the farms De Rust and De Bos.

The deal has allowed the workers to establish several community projects, and means they feel they can immediately tackle issues as equals with the Bosman family, says Andreas. "It's not, I am boss, you are worker," she says.

Petrus Bosman's interest in wine began when he accompanied his grandfather on his daily routine around the estate.

"What I enjoy the most is the environment we work in. It's not only the magnificently beautiful countryside, but also that you get to work with wonderful people and grow wonderful relationships together," he says.

The emphasis on growing relationships is one Jannie Sr believes in too. Over the years, he has been responsible for implementing structures such as a workers' committee that serves as a communication platform, and several social initiatives.

Jannie Sr now devotes much of his time to special expansions and projects related to the vine nursery and wine business.

"The oldest vines are on our farm Optenhorst, where we have a single bush vine vineyard that was planted in 1952," says Jannie Jr, the estate's vine nursery manager, of what is also the oldest vineyard in the Wellington, Franschhoek and Paarl regions. "The skill of grafting is passed on from one generation to the next. A large component of our staff (of about 300) have been working here for as long as five generations and own a 26% share in the business today."

The 2008 empowerment deal is one of the reasons Bosman Family Vineyards was recognised at The Drinks Business Green Awards, the world's largest programme to raise awareness of green issues in the drinks trade and reward those who are leading the way in sustainability and environmental performance. The estate was 2015 runner-up for Ethical Company of the Year, an award given to "a company or product whose foundations are firmly based in, and dedicated to, the community and/or environment where they are based".

"As a team, we understand we exist in a continuum; our present is connected to our past, and to those who will come after us," says Petrus Bosman. "Our aim is to continuously improve on social and environmental sustainability. This inherently brings better quality, and leads to growth and prosperity for everyone on the farm."

"In the past five years, there has been an overall growth in the quality of Fairtrade-certified wines, and Bosman Family Vineyards is the cherry on the cake," says Arianna Baldo, the executive director of Fairtrade Label SA.

"It demonstrates again and again how quality and sustainability are not mutually exclusive, and how their marriage is a win-win-win situation: for the business, consumers, and farm workers."

The recognition was for De Bos Walker Bay Sauvignon Blanc 2014, and followed in the footsteps of Taste the Difference Chenin Blanc 2011, which received the award in 2012, and is part of UK retailer Sainsbury's Premium Fairtrade range. The sales of the wine, whose name refers to the Hemel-en-

Aarde valley vineyards owned by the Bosman family and the Adama Appollo Workers Trust, allows for the creation and expansion of many social projects.

This includes the acquisition of two small buses used to transport school children and the elderly who live on the Bosman estates, the renovation of a community centre that houses a preschool for about 100 children, and a bursary scheme for those who want to play roles in the business.

"I believe in youthful, energetic, and skilful people," says Jannie Sr.

"They have great ideas and initiative, and I try to help them harness and develop their positive energy into real potential, with a tangible outcome ... I don't want them to say that they work for me. They work for themselves, their families, and their future."

Lelienfontein is open for tastings on Saturdays from 10am-3pm.

It includes a tour of the 250-year old cellar, where you will see original tools and barrels used eight generations ago, learn about how the Bosman family has been grafting vines since 1888, and hear about the social-upliftment programme. Cost includes the tour and the tasting of five wines.

Eugene Yiga, *Business Day*, 20 May 2016

Transformation plans for the poultry industry

South Africa's quest for global competitiveness has widened the gap between established poultry producers and new entrants. It is imperative to come up with new transformation models. Dr Charlotte Nkuna, head of transformation at the SA Poultry Association, spoke to Jacques Claassen about possible scenarios.

Despite a challenging trading environment, large-scale South African poultry meat production remains internationally competitive. This competitive advantage can be ascribed to the industry's significant investment in automation and technology – an attempt to reduce costs to ensure the industry's survival.

According to Dr Charlotte Nkuna, head of transformation at the SA Poultry Association (SAPA), only Brazil's broiler production sector is regarded as more competitive than that of South Africa. Unfortunately, this has come at a cost: the local industry's quest for global competitiveness has made the gap between large-scale established producers and new entrants to the industry wider than ever.

"Billions of rands have been invested in establishing black farmers in the poultry industry without any significant returns. Because small-scale producers have to compete with large companies on the open market, barriers to entry are very high. Moreover, small-scale producers have to compete with broiler imports from the EU, US and Brazil," Nkuna says.

According to her, a small-scale broiler producer requires a flock of at least 5 000 birds to ensure financial sustainability. One of the main challenges faced by black farmers when entering the poultry industry is access to markets, says Nkuna. "Most of the farmers rely on the live bird market. This is sporadic and limits their expansion due to difficulties associated with selling large quantities of live birds on the market."

By contrast, some small-scale producers, like Jake Mokwena (see box), supply poultry processing companies as contract growers. In this case, a single additional contract can allow for considerable expansion.

Nkuna points out that there are two broad markets that black entrants to the industry can target: government institutions and retailers.

"The designation of product [in the public sector procurement system] will provide [producers with] access to government institutions," she says.

SAPA's engagements with the Department of Trade and Industry (DTI) will continue to ensure that such a process is finalised.

“Retailers, on the other hand, have shown interest in procuring products from black producers. However, the issue of getting the right quantity of the right quality at the right time has always been a challenge.”

Nkuna stresses that the portrayal of poultry farming as an easy way to make money has not helped to promote the transformation process. “Most of the beneficiaries enter the industry with very little knowledge and experience. If this trend continues, meaningful transformation will never be achieved.”

According to SAPA, it is of paramount importance that the industry develops new models to support South Africa’s transformation agenda.

Nkuna points out that until now, government has been at the forefront of integrating developing farmers into the poultry industry. However, there has been little coordination between the various role players, and without the right support, most of the initiatives have collapsed after very short trading periods.

“The models used to initiate the projects, despite good intentions, weren’t well thought through, hence the slow progress. Finding the right models to set up the projects has been very challenging, and even in instances where transformation has been attempted through equity transfer, success has been very limited,” she says.

Two years ago, because of the challenging business environment faced by the local poultry industry, sector role players and the DTI committed to developing initiatives that would assist in keeping the industry profitable. The result was the Broiler Industry Development Plan, which focused on three priorities: trade, industry transformation and job security, and sanitary and phytosanitary (SPS) measures.

Several initiatives have been launched during the past two years, and although advances have been made with trade matters, progress in transformation and SPS has been very slow.

SAPA has therefore set an objective to achieve broader participation of previously disadvantaged individuals across the value chain. In fact, according to Nkuna, SAPA wants to champion the transformation agenda.

“Transformation is an industry responsibility. The role of government is to create an enabling environment. This should be done through appropriate legislation and instituting protection measures – both tariff and non-tariff measures.

Because SAPA believes the local industry is internationally competitive, it is not opposed to imports as long as the terms of trade is fair. With the support of government, and without the pressure of unfair competition from abroad, the industry could transform and play its role in mentoring new farmers, providing technical and any other support necessary, Nkuna says.

As part of the new strategy, the Developing Poultry Farmer’s Organisation (DPFO) was dissolved and its members integrated into SAPA’s broiler and egg organisations. Mokwena was the chairperson of the DPFO from 2008 to 2014. SAPA has formed a committee to drive the new agenda.

According to Nkuna, the industry has set transformation goals for the entire value chain and not only for primary production of broilers and eggs. Two main points are being considered:

Transformation of the current commercial industry, which will require public and private buy-in and participation;

Bringing new role players on board in a sustainable way, which will require involvement from government and financial institutions. “My approach is not to chase numbers. I’d like to focus on depth and then replicate that over time. We’re looking at long-term transformation and to roll out our initiatives step-by-step.

“Establishing clusters or co-ops for black farmers entering the poultry industry will be essential to provide economies of scale to succeed in a competitive environment.”

As part of the Gauteng abattoir initiative, started two years ago by SAPA and the Gauteng Department of Agriculture and Rural Development (GDARD), SAPA will continue to push for the construction of an abattoir in the Ga-Rankuwa area.

“SAPA and GDARD will formalise engagements with identified farmers who will become suppliers to the abattoir. These farmers collectively produce up to 1,28 million broilers per cycle, which is approximately 175 000 broilers per week. Farmers in North West, within a reasonable distance from the abattoir, would also be able to use the facility.

“Ideally, [building] an abattoir to serve North West farmers will also be investigated and this process has already been initiated” says Nkuna.

According to her, most of South Africa’s large poultry producers already undertake empowerment initiatives in their areas, and SAPA aims to consolidate these to create a bigger impact. She points out that achieving transformation should not only focus on establishing new primary producers and handing over equity. The seven pillars of the BEE scorecard offer a number of transformation opportunities for skills and enterprise development, as well as preferential procurement with regard to poultry house maintenance and undertaking vaccination programmes.

“The poultry industry should identify empowerment opportunities, but will need to have the will and full engagement of new entrants to ensure their success. Moreover, these initiatives will never be successful if there isn’t close collaboration between government and the industry. Large producers will also need to conform and meet the requirements of the new DTI sector codes,” Nkuna says.

SAPA will also establish a farmer mentorship programme in which large producers would support a new farmer or group of farmers in an area with biosecurity procedures, farm audits, technical support, and securing favourable prices for farming inputs.

“When it comes to an issue like transformation, history has taught us that speed is not always what wins the race, but almost always perfect execution does,” Nkuna says.

Jacques Claassen, *Farmer’s Weekly*, 3 May 2016

Zim men create thriving farm on 'useless' land in Malmesbury

Five Zimbabwean men have been successfully growing crops on land abandoned as unprofitable in Malmesbury. The landowner, N7 Meat, gave up farming crops on the land, claiming losses of over R1m, *GroundUp* reports.

Albert Zinhanga and four friends met the landowner when buying an ox for slaughter at N7 Meat in 2014. Noticing fallow land, they asked why it was unutilised. The farmer said it was unprofitable and if the Zimbabweans refused to believe him, he said they could try and farm it for free for a year. They could use his farming equipment and only pay for electricity.

He bet them they could not make a go of it.

According to Zinhanga, a teacher of African languages at Cravenby High School in Parow, the farmer was told it would cost R300 000 to correct the pH of the soil. He didn’t want to invest further and continued concentrating on rearing sheep, cattle and pigs elsewhere on his farm.

Zinhanga has four partners; one has a doctorate in agriculture, the others have degrees in physics, science and engineering.

“We never dreamt or even thought that one day we will be farmers,” said Zinhanga. “We were just a group of academics driving around buying farm products.”

The five men tested the soil and the water and it seemed good to them, albeit sandy. To counter this, they say they watered continuously before planting any crops. They planted three hectares in all, with tomatoes, cauliflower, broccoli, spinach and maize.

Neighbouring farmers, watching the developments, came to them and gave advice. They also introduced the men to Cape Town Epping Market to sell their produce.

When the maize crop ripened, the surrounding farmers were stunned. They said they had never seen such big stalks, says Zinhanga.

The Zimbabweans say the secret is to use cow dung and not to rely solely on fertiliser.

After the initial success, the farm owner offered them the land at a rental of R1 200 per hectare.

They now farm 15 hectares and have also started growing a leaf vegetable called tsunga. They call themselves the N7 Farmers, but as they all have full time jobs, they work the farm on Saturdays and Sundays and during the week take turns after work.

They have six employees. The farm manager is Malawian. Four general workers are South Africans and there is one Zimbabwean. During planting and harvesting time, they hire 20 part-time workers on Saturdays.

Zinhanga and his team were announced winners in the small business of the year award category on 2 April at the Cape Town Zimbabwe Excellence Gala Dinner Awards Ceremony 2016 at Kelvin Grove, Newlands.

Tariro Washinyira, *News24*, 6 May 2016

Kaap Agri: Heaps stored in the shed

Prolonged drought conditions could not shrivel the margins of Kaap Agri, the perennially profitable unlisted retail group focused mainly on farming areas.

Results for the half-year to end March showed Kaap Agri's gross margin fattening to 15.75% (from 14.6% previously) and the operating margin widening to an enviable 6.7% (from 5.7% previously).

Kaap Agri retails through its Agrimark stores, but has diversified into liquor and convenience stores as well as DIY outlets and fuel sales in recent years. The company has also expanded from the Western Cape to the rest of SA and Namibia.

Earnings came in 18% higher at 185c/share and cash profit from operations was 24% better at R213m.

Though it seems Kaap Agri is on track to beat 2015's full year earnings of 259c/share, directors stuck to a highly conservative dividend policy. The interim payout was lifted just 10% to 26.5c/share, covered almost seven times by earnings, despite light gearing with interest cover from operations at eight times.

The profit performance will again raise questions about a listing. But its comfortable capital position and major shareholder Zeder's desire to increase its stake may delay that.

Marc Hasenfuss, *Financial Mail*, 26 May 2016

Afgri wil deel van Agrico koop

Agrico wil sy meganisasie-afdeling, John Deere-handelaars ingesluit, verkoop.

Agrico het ingestem om die grootste deel van sy meganisasie-afdeling as 'n lopende saak aan Afgri Equipment, 'n afdeling van Afgri, te verkoop, hangende regulatoriese goedkeuring.

Die res van die afdeling sal aan ander masjineriehandelaars verkoop word. Die verkryging sluit Agrico se John Deere-handelaars in Belville, Caledon, Ceres, Malmesbury, Moorreesburg, Piketberg, Rawsonville and Vredendal in.

Afgri sal deur dié transaksie beter diens aan boere in die Wes-Kaap lewer, sê mnr. Chris Venter, hoof uitvoerende beampte van Afgri. Daar sal geen afleggings weens die verkryging plaasvind nie.

Agrico beoog om sy fokus op waterverwante bedrywighede te rig en verder in Afrika suid van die Sahara te uit te brei.

Liezl Vercueil, *Landbou.com*, 9 May 2016

Farm-Ag and Zaad join forces

Zaad Holdings Limited (“Zaad”), a wholly owned subsidiary of Zeder, serves as its focused platform for operationally complimentary investments in the strategic agri-inputs sector. Through investments made to date it has established itself as a leading producer, marketer and distributor of a wide variety of agricultural seeds across several countries in Africa and abroad under established names like Agricol, Bakker Brothers and Klein Karoo Seed Marketing.

Norman Celliers, CEO of Zeder, stated that “Zeder remains focused on its strategy of growing the companies within their existing portfolio by leveraging the strong platforms they have established across the broad agribusiness industry”.

Shareholders are advised that with effect from 1 May 2016, Zaad has acquired a 49% stake in the Farm-Ag Group (“Farm-Ag”). Farm-Ag has in recent years established itself as one of the largest South African owned formulators and distributors of crop protection chemicals, selling both locally and internationally.

“We see Zaad as being a perfect fit for Farm-Ag” said Robert Maingard, Chairman of Farm-Ag, “and we are very much aligned in terms of our expansion vision both in South Africa and the rest of Africa at large. The potential for synergies is enormous.”

Antonie Jacobs, CEO of Zaad, stated that he is very pleased with their 49% stake in Farm-Ag and that it falls very much in line with the Zaad’s overall focus on strategic agri-inputs.

Zeder, 18 May 2016

Banking & Capital Markets

Land Bank vra Regering-subsidie vir boere

Die Land Bank ’n subsidie vir oesversekering vir boere aan die Regering voorgelê.

’n Voorstel vir ’n oesversekering-subsidieprogram is aan die Regering voorgelê, het mnr. Mpumi Tyikwe, hoof van die bank se versekeringsarm, op die Nampo-Oesdag gesê.

Die voorstel is in die vorm van ’n vennootskap tussen die openbare en private sektor, en behels ’n soort verpoeling-ooreenkoms tussen verskillende versekeringsmaatskappye.

“Dit sal ’n redelike tyd neem as die Regering sou besluit om dit te aanvaar, en dan is dit ook ’n groot as,” het hy gewaarsku. Die voorstel behels wisselende vlakke van subsidiëring vir boere van verskillende skaal, asook vir verskillende gewasse.

Gewasse soos mielies, byvoorbeeld, wat ’n groot rol in die nasionale ekonomie speel, behoort byvoorbeeld sterker gesubsidieer te word, lui die voorstel.

Tyikwe het gesê die finansiële impak van die voorgestelde program word nou deur ’n taakspan ontleed, wat die Regering hopelik teen middel September sal kan raad gee oor hoeveel so ’n program die staatskas behoort te kos.

Hy het bygevoeg dat Suid-Afrika die enigste Brics-land is wat nie een of ander regeringsprogram vir subsidiëring van die landbou het nie.

Marleen Smith, *Landbou.com*, 19 May 2016

Land Bank to move to agriculture department

The African National Congress (ANC) has resolved to move the Land Bank to the Department of Agriculture and Fisheries after it was placed under the Treasury, the party said on Tuesday.

“It is moving to agriculture, where it belongs. The bank was transferred to national Treasury to stabilise governance and finance, that has been achieved. It must be within the department it should facilitate development in the sector, there will be a special focus in rural areas and rural towns and all under serviced areas,” said ANC secretary general Gwede Mantashe.

The bank was afflicted by poor governance and corruption and was placed under the National Treasury in 2008.

Mantashe said the ANC NEC agreed that agricultural production should be given attention alongside land redistribution.

“While land reform remains the focus of our redistribution pillar, the NEC resolved that special attention be given to the production side as well. Support measures such as access to finance and markets, quality and efficient services and infrastructure were identified.”

There were continuing discussions on the role of the state’s development funding institutions in supporting development of small and medium enterprises, Mantashe said.

The National Assembly last week passed the Expropriation Bill, which sets out the legislative requirements for the State to lay claim to land for public purpose or in the public interest, at a fair price. Government had hitherto used the “willing buyer willing seller” principle to redistribute land but has said it found itself disbursing excessive sums in the process.

Gertrude Makhafola, *African News Agency*, 31 May 2016

Bank on a shake-up with PIC's foray into Africa

The PIC's announcement that it is buying 12 percent of Barclays Africa may be the kind of shaking up that had been missing before the Afrexit, writes Victor Kgomoewana.

There is something exciting about the announcement by the Public Investment Corporation (PIC) that it will be buying 12 percent of Barclays Africa.

The move upholds the pledge by its former chief executive, Elias Masilela, in 2012 to diversify the PIC's investment portfolio geographically across Africa.

Back then, it bought 19.58 percent of Ecobank for about \$250 million.

Nedbank, one of South Africa's big four banks, would wind up paying \$493.4 million for an equivalent stake of 20 percent, only two years later.

Credit must go to the political leadership of the time. It consciously assumed a pro-Africa stance and allowed the PIC to invest up to 10 percent of its assets in equities.

The PIC not only lapped this opportunity up, it decided at least half of this 10 percent would be invested in Africa, excluding South Africa. Otherwise, what was the point of South Africa hosting the Pan-African Parliament and deploying peacekeeping troops to troubled African countries, only for outsiders to cash in where it mattered most?

It is not by happenstance, therefore, that the PIC is able to claim to be "one of the largest investors in South African equities, with investments contributing towards approximately 12 percent of the market capitalisation of JSE".

Who knows, one fine day it could be able to make the same play for the entire African continent.

It will not be plain sailing, however, because of the second exciting dimension of this Afrexit by Barclays: the return of its former head honcho, American-born Bob Diamond.

After leaving the British bank under the Libor manipulation cloud, Diamond polished his act by teaming up with young Ashish Thakkar. This African gem enabled Diamond to do with banking what he probably would have managed as group chief executive officer at Barclays.

Barclays, the bank that gave the UK its first debit card and the world its first ATM in 1967, had become too set in its ways to win on the African continent.

Under the whip in a market dominated by more nimble African players, such as Access, UBA, Zenith, Ecobank, Equity Bank and Kenya Commercial Bank, Barclays Plc had no option but to quit.

Like most multinational corporations from the developed world, when the going got tough in emerging markets, it sought security in more predictable regions.

With the help of his joint venture with Thakkar, Diamond can use Atlas Mara to continue mopping up African banking assets at book value or less, to create something more akin to his last name.

The pair have gone from country to country, picking up underperforming banks. This African safari saw them stumble upon assets like BancABC in Zambia, Banque Populaire du Rwanda and the Union Bank of Nigeria.

Thanks to their record, entrepreneurial thrust and the support of such investors as the US Overseas Private Investment Corporation, which made \$200m available for acquisitions, Atlas Mara reported, for the year ending December 31, a net profit after tax of \$11.3m, compared with a pro-forma loss of \$47.8m for 2014. It grew loans and advances by 15.2 percent and deposits by 11.5 percent.

Bear in mind that this is a company that listed on the London Stock Exchange in December 2013.

Now, the PIC and Dan Matjila will be attending the same shareholders' meeting as Bob Diamond and Ashish Thakkar. Barclays Africa chief executive officer Maria Ramos can expect some shaking up.

Somehow, this may be the kind of shaking up that had been missing in Barclays family before the Afrexit.

If there is a time for everything, perhaps the time for Atlas Mara and the PIC has come. Who else will be joining this alliance to create a new Barclays Africa? There was speculation that James Mwangi's Equity Bank might be keen.

Don't dismiss this too easily; or as easily as we dismissed the possibility of Diamond making his Barclays return, when Barclays called it quits on its African business.

Let the African fun begin!

Victor Kgomoewana, *The Sunday Independent*, 8 May 2016

PIC: Big money, little information

Government pensioners lost R4bn thanks to the Public Investment Corp's ill-fated investment in African Bank, it emerged last week.

This revelation, buried in the Myburgh report into African Bank's collapse, raises new questions about the PIC's transparency since CEO Daniel Matjila avoided any reference to these losses in a briefing to parliament last week.

When he addressed parliament's standing committee on finance, he clumsily managed to steer clear of its R4bn mega-loss.

It almost seemed that SA's largest investor had sidestepped the fallout from the collapse and was now sitting with just an investment in the "good" African Bank.

"The PIC's investment is only in the good bank, we've got nothing in the bad bank," Matjila told the committee.

A short while later, he reiterated: "We have no shareholding in the bad bank, we have invested in the good bank ... we did have a shareholding in African Bank."

When Abil was put under curatorship in August 2014, that shareholding obviously vanished. Luckily for the PIC, this R4bn loss diminished in significance when seen against its entire portfolio of R1.8 trillion.

In discussing Abil's collapse, Matjila's briefing to parliament highlighted the flaws of a corporate governance model that relies on an effective board, with skilled and independent-minded directors.

“What we saw were issues around the board. We rely heavily on good governance being in place,” he said.

Even though the PIC owned 12.5% of Abil, this gave it no advantage in terms of better-quality information.

“We rely on publicly available information — reports released in terms of JSE requirements — just like everyone else,” said Matjila.

This was somewhat ironic. Matjila was, after all, defending a hefty investment loss on the basis of “poor quality information” while himself not providing in-depth information that parliamentary members feel they need to hold the PIC to account.

The key issue for parliamentarians is what lies inside the PIC’s “black box” of unlisted and offshore investments — a bug-bear, considering the near-total lack of detail.

It’s not petty cash either: it is equal to 30% of the PIC’s entire R1.85 trillion portfolio.

David Maynier of the Democratic Alliance says it is impossible to hold the PIC to account, given the blackout on what’s in its unlisted portfolio.

Parliament can’t play its oversight role without this information, he says.

Testifying to a parliamentary committee is never easy. But Matjila appeared to be having a particularly tough time.

On the one side ANC members were heckling the opposition parties for their “too vigorous” efforts to extract detailed information from the PIC; on the other, Matjila had to deal with MPs clearly displeased by the level of disclosure.

In response, Matjila cited “confidentiality clauses” – but Maynier wasn’t letting him off the hook so easily.

“Could the PIC provide us with a copy of one of those confidentiality clauses? Could the PIC explain the purpose of these clauses ... they prevent oversight,” he said.

Frustrated, Maynier turned to Abel Sithole, principal executive officer of the PIC’s biggest client, the Government Employees’ Pension Fund (GEPF), who was waiting in the wings.

“Is the GEPF comfortable with all the confidentiality clauses and the refusal to disclose details to parliament?” asked Maynier.

Sithole replied that he had no problem with disclosing the names of companies in which the PIC was invested.

Committee chairman Yunus Carrim, of the ANC, suggested government’s legal advisers should weigh in.

“We need legal advice to determine what is the role of this committee. [The PIC] are very important and parliament is required to exercise oversight but this committee is not a second PIC board,” he said.

Carrim said the PIC should provide reasons — acceptable to the legal advisers — for any investment-related documents it didn’t want to submit to the committee. But he added: “You must give us the names.”

Left unsaid was the stark reality that, as the manager of the defined benefit pensions of government staff, any shortfall in the PIC’s performance will have to be made up by taxpayers.

Eventually, PIC chairman and deputy finance minister Mcebisi Jonas gave the committee an undertaking: “We will supply the names.”

After the meeting, Maynier said he wasn’t holding out too much hope of getting a complete list.

There were numerous unsettling implications from last week’s clash in parliament.

For one thing, Matjila’s apparent determination to reveal as little as possible is at odds with the PIC’s commitment to transparency. The PIC’s documents talk about instilling a “culture of compliance and good governance”, while ensuring its affairs are “conducted with accountability, transparency, fairness and prudence”.

But even were the PIC to release a list of names of companies in which it had invested, this wouldn’t guarantee any joy for someone searching for a link to the Guptas, for example. This is perhaps why

the parliamentary committee spent so much time interrogating the exact words Matjila used to deny the PIC had invested in a Gupta-connected company.

Carrim, for one, felt the PIC's qualifier, in which it said it hadn't invested in the Guptas "to the best of our knowledge", was just too equivocal.

Real transparency would mean, for example, that parliamentarians wouldn't have to rely on the GEPF's report to discover that the PIC has an R888m exposure to the Independent News Group.

In 2013, the PIC first agreed to finance Iqbal Survé's purchase of Independent Media from its Irish owners, but the terms of the deal were never disclosed.

Even the PIC's most recent annual report contained not a single reference to the Independent investment. Instead, details of that investment were painfully extracted during last week's hearing.

Matjila said the rationale behind investing in Independent was to create a black media giant instead of generating immediate returns.

"We are less than two years into it, and maybe we will create a black Naspers," he said.

For pensioners whose money was used to finance this deal, however, this seems like a decision suspiciously more political than financial.

Of this money, 30% was a direct loan to Survé's company Sekunjalo, while the other 70% was a loan which sat on Independent's balance sheet. After five years (in 2018), the PIC will give the newspaper group two years to pay back the money.

"This could be done through a trade sale to another investor or through a listing," Koketso Mabe, the PIC's head of private equity, told the committee.

Mabe said while it was still "early", the Independent group "is performing above the J curve" — which describes the pattern of investment returns from negative in the early years to positive at later stages.

Though this is useful insight into one of its "black box" investments, it's hard to assess the risks without the quality of information that the PIC, ironically, expects from its own investments.

The stakes are high. It is not just about government employees' returns, or even the potential liability faced by taxpayers for a pet project that loses a billion here or a billion there.

It's that a R1.8 trillion kitty is an immensely tempting amount of money to have at your disposal, when there's zero oversight or accountability.

As the PIC would itself surely acknowledge, the best way to address this is through transparency.

Ann Crotty, *Financial Mail*, 19 May 2016

PIC needs to be held to higher standards

Public sector pension funds are a big deal. Inadequate planning, unaffordable defined benefits and poor governance let down vulnerable pensioners, but they also undermine public finances, generate macroeconomic instability and constrain economic growth.

The Public Investment Corporation (PIC) manages assets on behalf of the Government Employees Pension Fund (GEPF) and other social security funds. It has performed reasonably well in more than a decade of international financial instability, with assets under management growing from about R1-trillion in 2010, to almost R1.9-trillion today.

A 2012 analysis by economists Pablo Souto and Alberto Musalem rates South African public pension institutions close to the top of the global pack when it comes to governance quality and transparency. However, the PIC looks vulnerable. Widely respected CEO Elias Masilela was unceremoniously dumped in 2014. This was evidently an ANC decision. Patronage politicians have developed an appetite for the R4-trillion in SA's retirement funds.

ANC Gauteng chairman Paul Mashatile proposed last year that pension funds should "move SA towards a more just and equitable future". Enoch Godongwana, chairman of the ANC's economic

transformation committee, touted the "mobilisation" of pension funds to "address Eskom's cash flow situation".

Private pension funds are tightly regulated by the Financial Services Board. The GEPF, by contrast, is governed only by the Government Employees Pension Law, which offers far weaker protection for members' interests. The finance minister appoints the GEPF's board of trustees and co-determines its partly "developmental" investment strategy. The deputy finance minister chairs the PIC. The removal of finance ministers, therefore, creates real hazards for the prudent management of public sector pensions.

Many concerns have been raised about the objectives pursued by the PIC on behalf of the GEPF and especially about its portfolio of unlisted and offshore investments that, together, amount to more than R500bn. A major loan to finance the creation of a "black media giant" out of the dinosaur Independent Group was hidden. Other questionable calls involve near-bankrupt companies such as Lonmin and African Bank.

United Democratic Movement leader Bantu Holomisa filed a complaint in February with Public Protector Thuli Madonsela, alleging that PIC funds were used to pay ANC staff and expenses. Speaking at the Cape Town Press Club on Thursday, Holomisa claimed entities such as "consulting companies" were a smokescreen for the widespread diversion of PIC funds.

The risks of misgovernance can be minimised. Deputy Finance Minister Mcebisi Jonas has already promised that PIC funds would not be used to prop up parastatal patronage systems. Last month, he told Parliament's standing committee on finance that the PIC would exercise "enhanced due diligence" of poorly managed state entities. Workers could also put pressure on GEPF trustees to impose tighter mandates that combine prudence with quantifiable goals against which performance can be measured.

Accountability depends above all on reliable information; disclosure constrains fund managers and politicians when they are entertaining malfeasance. Such information needs to be accurate, but also timely and easy to access. At a minimum, it should include details of assets under management and the composition of the portfolio — including unlisted entities.

PIC CEO Dan Matjila, under pressure from the deputy finance minister, has promised to provide Parliament with some of the relevant information. This is a start. Effective accountability should not depend on the assumption that people of integrity will hold key public offices.

Anthony Butler, *Business Day*, 20 May 2016

Credit regulator could get new powers

The days of reckless credit providers going unpunished could be numbered, as the Department of Trade and Industry plans to empower the National Credit Regulator (NCR) to fine them.

Currently, only the National Consumer Tribunal has this power, but it has a backlog of unheard cases, dating back to 2013, and imposed inconsequentially small fines on the companies involved.

The department's acting deputy director-general MacDonald Netshitenzhe told Parliament's trade and industry committee on Friday that a proposal had been submitted to Cabinet to amend legislation to empower the NCR to impose fines, allowing it to conduct proactive investigations and implement a debt-relief programme.

The NCR supports the idea of a debt-relief programme for heavily indebted retrenched workers and has already started engaging with the banks on how they can participate voluntarily in the programme.

NCR CEO Nomsa Motshegare suggested that the surpluses of government entities could be used for the debt forgiveness.

The Unemployment Insurance Fund, for example, had an accumulated surplus of R90bn at the end of the March 2015 financial year, and the skills, education and training authorities are also sitting on a cash pile.

"We don't want credit providers to fund these losses unless it is reckless lending," Motshegare said. She said debt forgiveness programmes were common across the world. Such a programme should be once-off and targeted specifically at retrenched workers who no longer had the ability to continue paying their debts.

The DA was very critical about the lack of enforcement of the National Credit Act, which DA MP Dean Macpherson said explained why companies persisted with their illegal activities — because they knew they could get away with it and that the penalties were inconsequential.

National Consumer Tribunal's CEO Marelize Bosch noted that the tribunal faced a deluge of debt rearrangement cases that amounted to about 1,600 cases a month since February 2015, giving a total of 19,097 cases for the 2015-16 year, with 27,407 cases forecast for the current year.

"Over a three-year period, the tribunal's case load has almost quadrupled," Bosch said, but its financial and human resources had not increased commensurately. Currently, the tribunal has 11,091 matters that are not finalised.

Between 2011 and 2016, only 56 cases were reported to the police by the regulator, with the majority of them still under investigation.

All of them related to the illegal retention of consumers' bank cards, PIN numbers and identity documents, Bosch said.

The highest admission of guilt fine paid so far was R12,500 and not a single case had been referred to court for prosecution.

DA MP Geordin Hill-Lewis said vulnerable consumers were left unprotected because of the length of time it took the tribunal to deal with their cases.

Recent NCR investigations uncovered "massive mis-selling" of credit insurance and other contraventions. Lewis Stores, Finbond, Mutual Bank, JDG Trading, Shoprite, and their cell-captive insurers were referred to the tribunal.

Linda Ensor, *Business Day*, 23 May 2016



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