



Scan for Capital Harvest

March 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

Sales of fizzy drinks are declining in favour of healthier alternatives. To address the problem, Coke has partnered with a dairy cooperative to market Fairlife, a rather expensive high-protein, low-sugar, lactose-free designer milk. But milk itself is a declining market: in the US per capita milk consumption decreased to 19 gallons per year in 2013, down from 42 gallons in 1945. This is mostly due to decreased consumption of cereal and loss of market share to soy and almond milk. As previously reported, some dairy producers are now cashing in on the international trend towards more expensive milk products that have certain nutritional qualities or that are free of elements such as lactose, hormones and antibiotics. In its first year Fairlife recorded close to \$90 million in sales. Fairlife uses a cold filtration system to separate the five parts of milk—water, vitamins and minerals, lactose, protein and fat—and recombine them in different recipes, changing the final product's nutritional makeup. In addition to playing into the designer milk trend, Fairlife focusses on the quality of life of its cows and on converting manure into methane to power dairies.

Even after the announcement that the US citrus greening problem is under control, farmers and officials in Florida remain vigilant. The government has trained ten dogs to sniff out the bacteria in orchards by detecting the chemicals that infected trees emit. The dogs are 99.7% accurate, which is higher than the accuracy of DNA sampling of the trees. The disease can still not be cured, but a number of treatments including steaming of the trees, applying nutrients to the leaves and the use of pesticides have achieved some success. The dogs have been particularly useful in detecting the presence of the disease early, and most of them will be deployed to California, Arizona and Texas to prevent large-scale infections there.

CHS, the largest agricultural co-op in the US, says the country's agricultural economy is likely to suffer further. Net income is still falling at a steeper rate than cash receipts, meaning fixed costs such as

land and equipment are too high. The US government confirms that net farm-income will likely decline for a third consecutive year in 2016, mainly due to excess inventory. The wider agricultural sector is affected. Monsanto, the manufacturer of Roundup, is concerned about its long-term profit targets because farmers have cut spending on its products.

A growing number of struggling US farmers are leasing parts of their land to solar and wind power companies to supplement their income. In the Southeast, tobacco is the only commonly grown crop of which the price has not decreased significantly in recent years. In North Carolina solar companies offer contracts of 15 to 20 years and pay annual rents of \$300 to \$700 an acre – more than triple the average rent for crop and pasture land in the state, which ranges from \$27 to \$102 an acre. Solar panels have been installed on about 7 000 acres of North Carolina farmland since 2013. The amount of electricity generated depends on weather patterns, panel size and the contours of the land. In rare cases, farmers have leased their entire property to solar companies. Renewable energy leases provide a steady income stream to farmers that is not dependent on the weather or commodity prices. But in the UK there has been significant resistance to energy projects on farms, because they make for an ugly landscape and limit local food production. US farmers who lease their land for energy projects say that they also regularly receive complaints about the damage done to the scenic beauty of the rural environment.

In some US states there is a new breed of legal cannabis farmers who do not face the same problems as conventional farmers. In 2012 Colorado became one of the first two US states to legalise marijuana, and in 2015 the state collected \$135 million in state taxes and fees from the cannabis industry. Los Suenos Farms, situated in rural Colorado, is the largest outdoor cannabis farm in the US. It is a high-tech operation with GPS-controlled tractors tending to 2 675 plants, and it is widely credited with uplifting the surrounding community by purchasing supplies locally. While the cannabis boom has returned some struggling Colorado towns to prosperity, the legalisation of the drug comes at a significant cost to public services. Marijuana-related traffic deaths in the state have doubled, state hospitals have been overwhelmed by the number of drug-tourists who need emergency treatment, and neighbouring states where the drug is still illegal have complained of a steep increase in marijuana possession. Of the \$29 million in marijuana taxes and fees collected in 2015 in Denver – the state's largest city – \$11 million has been set aside to pay for cannabis regulation, enforcement and drug prevention. The city placed a moratorium on new retail cannabis outlets until May, because the market it saturated and the city police force is struggling to cope.

The plight of some US farmers is worsened by the decline in demand for ethanol. Many ethanol factories in the Midwest – often financed and built by groups of local farmers – have gone bankrupt in recent years, but ethanol production capacity in the country continues to exceed demand. Even with lower prices for corn, ethanol plants are losing about \$0.01 per gallon – the worst returns in four years – compared with a profit of \$0.94 per gallon in 2014. In February Republican presidential candidate Ted Cruz won the party's caucus in Iowa, the country's main maize-growing state, despite his opposition to ethanol subsidies. In previous elections, any anti-ethanol policies would almost certainly have cost him the election. Despite ethanol's problems, better technology and improved production efficiency may rescue it. Four new ethanol plants will start operating in the US in 2016 that are able to convert not only maize kernels, but the entire plant into ethanol. In the longer term this improved efficiency could potentially cause ethanol to be so reasonably priced that the US government may no longer need to mandate its use in fuel.

In Brazil, the price of ethanol is at record levels. Brazil's ethanol, made from sugar cane, costs around 70% of the price of petrol, but also generates about 30% less energy per litre. Despite the record price, most Brazilian drivers continue to choose ethanol over petrol.

Farmers in Canada and the US these days often choose to plant peas and lentils rather than grains and oilseeds, due to strong demand for vegetable protein from Asia's vegetarians. Canada will likely

plant 33% more peas and lentils in 2016 compared with 2015. In the US lentil plantings increased 75% over the 2015 plantings, the highest in five years. India is the world's biggest buyer of lentils. Food manufacturers are increasingly adding high-protein legumes to a wide range of products, from breakfast cereals to snacks. In the US prices for peas have almost quadrupled in the past five years, and pea farmers are able to get the same yields as wheat farmers, but with lower fertilizer costs. North American supplies of lentils and yellow peas are likely to be limited until the harvest in July/August. Because of the increased popularity, farmers have been battling to find enough seeds for additional plantings.

Italy has drafted legislation that will make it easier for supermarkets, wholesalers and farmers to distribute unsold food to charities. Six million Italians depend on charities for food, and the new legislation aims to double the amount of food available to them. Italy's draft legislation follows a law passed in France in February, which imposes steep penalties on French supermarkets that throw away useable food.

Researchers in Florida hope to popularise another source of renewable energy. They say that the state's tomatoes that are too oddly-shaped, damaged or rotten to be sold, can potentially be used to generate enough energy to power an entire business district such as Disney World. The unwanted tomatoes are traditionally dumped into landfills and waterways, causing environmental problems. Tomatoes are well-suited to produce electricity because they have a bright red carotene pigment that is an excellent catalyst for electrical charges.

Research published in March in *Nature Climate Change* concludes that global warming since around 1980 has changed the way wine grapes grow. Grapes no longer need to rely on late-season heat and drought, because temperatures are generally high, and there has been a net increase in wine quality. But the researchers warn that although heat is good for grapes, extremely hot years do not translate into good wine. A further analysis of historical data shows that wetness usually slows down the harvest, but much more weakly than heat advances it.

The price of vanilla beans has tripled over the last year. Demand for natural flavours is on the increase, and developing countries in particular have a growing demand for vanilla. Madagascar is the world's main supplier, and almost half of beans originate from there. Vanilla is a labour-intensive crop: the flowers only bloom for a one day per season and workers have to search for the blossoms. Madagascar is competitive because it pays workers only \$1.50 per day compared with \$10 in many other countries. When vanilla prices were low in recent years, some farmers in other countries switched to other crops, leaving Madagascar perfectly positioned to take advantage of the latest price increase. But Madagascar farmers have been rushing beans to the market, taking shortcuts that result in poor flavour. Low-quality beans are easily sold to syndicates that deal in Madagascar's illegal rosewood trade. They launder money by buying the immature, vacuum-packed beans from farmers, thereby inadvertently encouraging farmers to compromise the quality of the product. For Madagascar to keep its market share, farmers will have to leave the beans unharvested until the full flavour has developed, and they will have to properly cure, dry and package the beans. Because of the scarcity of quality beans, prices have surged and many dairies and bakeries are switching to synthetic vanilla flavours. Madagascar recently agreed to block exports of immature green vanilla and imposed a ban on vacuum-packed pods.

Cameroon plans to triple its maize harvest this year and become a net exporter for the first time since 1974. The country's maize is produced by more than 3 million subsistence and small-scale farmers, many of whom turned to cocoa and coffee for decades in order to take advantage of higher prices. The government recently boosted maize production by distributing 900 000 tons of free, drought-resistant, non-GM seeds to farmers, and it embarked on a programme to ensure that the

nation is self-sufficient in maize seed production. In Cameroon 13% of land is arable, but only 3.3% of land was used for crops by 2011. Forests cover 42% of the country.

Drought in Morocco has wiped out half of this year's wheat harvest. Moroccan farmers planted 3.2 million hectares of grains by early February, about 40% less than usual. Morocco is Africa's second biggest wheat grower, but only 15% of crops are irrigated. The government plans to strengthen agriculture by subsidising irrigation.

Australia is expecting a strong 2016/2017 output season as the effects of El Nino fade. Australian farmers are expected to sow a near record amount of wheat in the next few months, and cotton, milk, canola and sugar production are also set to increase. Beef is the only notable product that will likely see a decline in output, after many animals were slaughtered during the drought. It may take several years for the size of the cattle herd to rebound. There is presently a 50% chance that a La Nina may follow El Nino. If this happens, increased rainfall on Australia's east coast could further boost agricultural output.

In March a private company conducted an aerial survey of the extent of the drought in SA by taking photographs of parts of the Free State and North West. The plane flew from Parys to Vredefort, Viljoenskroon, Kroonstad, Welkom, Odendaalsrus, Hoopstad, Somerville, Bultfontein, Wesselsbron, Hoopstad, Bloemhof, Schweizer-Reneke, Wolmaransstad, Leeudoringstad, Bothaville and back to Parys. After passing Welkom, the remainder of the areas to the south and west were observed to be so severely affected that they looked like a desert. Very few crops had been sown, and those that could be observed – mostly late-sown sunflowers – were in poor condition. Some irrigated maize crops were also dying – possibly due to groundwater scarcity – and the observers predict maize yields at even lower than the officially expected levels. It was clear that the entire flight path was in urgent need of rain.

With more people studying the longer-term effects of SA's drought, fear is mounting that some rural towns may not survive economically. With farmers able to spend much less money in rural towns, agricultural businesses will be affected first. In most areas of the Free State one out of eight businesses (excluding farms) are directly linked to agriculture and therefore directly threatened. In the high-risk Free State towns of Bothaville, Viljoenskroon, Hoopstad, Bultfontein, Clocolan, Reddersburg, Petrusburg and Hertzogville, 18% or more of the economy is directly threatened in this way. And these businesses are crucial to the local economy – a 2014 study found that in the Free State agricultural businesses and processing enterprises generally have a substantially higher average turnover than the average business in the province. In the Eastern Cape the towns where direct agricultural businesses (excluding farms) make up 18% or more of the economy are Somerset East, Middelburg, Aberdeen, Hofmeyr, Steynsburg and Jansenville. The knock-on effect of primary agricultural businesses no longer able to spend significantly, means that all economic sectors of rural towns will contract. In turn, municipal revenue will decline. Many rural municipalities were already struggling before the drought and cannot absorb the decrease in revenue. The drought may result in the mass-urbanisation people who likely face a bleak future in informal housing structures in cities across SA.

The Department of Water and Sanitation is investigating the alleged large-scale water theft by white commercial farmers. The Department believes water is stolen from the Vaal River, the Gariiep Dam and water sources in the Humansdorp area, among others. Some farmers are said to connect their irrigation systems to these sources without paying for the water. If found guilty, farmers can be imprisoned or fined up to R500 000. However a Humansdorp lawyer who specialises in water rights, says he is not aware of a case ever being proven against any farmer. Instead, farmers are usually given the opportunity to apply for legal water rights. A major frustration is that such applications usually take at least a year to be finalised.

The Department of Agriculture says SA's drought has lessened since January because of better rainfall, and a disaster will not be declared. The Department's R1 billion allocated for drought relief prioritises emerging farmers, as they are hardest hit. The amount includes R528 million for smallholder farmers and at least R130 million for indebted commercial farmers supplied by the Land Bank and IDC. The IDC has committed R500 million in soft loans and Treasury may soon stand surety for indebted farmers who need funds for next season's plantings. In the longer term the department plans to build more dams. Drought-related food inflation is expected to take full effect from August 2016.

Agri Western Cape has praised the province's agriculture department for utilising its available funds optimally, and says the R23 million in drought relief will go a long way to support both commercial and emerging farmers in the province.

Predictions are that the Swartland area may receive rainfall in 2016 that is close to normal levels, and certainly more than that of 2015. The frequency of rainfall in the area will likely also increase over that of 2015.

SA's oranges are smaller and more difficult to sell this year, due to the drought. There will be reduced export volumes, because export markets prefer large fruits. The application process to allow citrus exports to the US from all provinces – not just the Northern and Western Cape – is still ongoing.

Potato yields in SA have been significantly reduced by the drought, and as a result prices have more than doubled to record levels – a 10kg pocket of medium-sized potatoes cost R63.30 in March 2016 compared with R28.45 a year earlier (when prices were under pressure due to surplus conditions). A record price for potatoes of excellent quality was recorded at the Durban market in March, when a consignment from Christiana fetched R150 per 10kg bag of Sifra potatoes. Potato prices have been on the increase since November 2015. SA's main potato-producing provinces are Limpopo, the Free State and the North West. In 2015 average yields were 46 metric tons per hectare for both irrigated and rain-fed fields, and farmers in the eastern Free State (who depend solely on rain) harvested 30 tons per hectare. This year, Free State farmers are not even harvesting 10 tons per hectare. Potatoes stop growing when the temperature reaches 28°C, even under irrigation. The long-term ROC for potato producers is around 7%. Potato prices are very vulnerable to supply and demand relationships, and the crop is labour-intensive and expensive to produce. While maize costs R20 000 to R25 000 per irrigated hectare and R4 000 to R7 000 per dryland hectare, potatoes cost around R200 000 per irrigated hectare and R60 000 to R80 000 per dryland hectare. Potatoes are, however, crucial to the economy. Not only as a source of food security, but also in that the labour-intensive industry employs 10% of farm workers on less than 1% of agricultural land.

Onions have thus far not achieved the same impressive prices as potatoes. Heat rather than drought has impacted negatively on quality. The average price is R47 per 10kg bag, while high-quality onions are trading at between R60 and R70 per bag. Because many onions are of poor quality and therefore have a limited shelf life, farmers are sending them to market sooner. By winter there may be a shortage of onions and prices will likely increase.

Demand for cauliflower in SA, especially in suburban supermarkets, has increased following the popularity of the banting diet. Cauliflower is commonly used by banters to replace carbohydrate-rich ingredients in foods such as rice and pizza bases. But data shows that a classic supply-and-demand relationship, rather than banting, is responsible for the recent increase in the price of cauliflower. Fresh produce items with a limited shelf life generally tend to follow straightforward supply-and-demand pricing more closely, because sellers and buyers have limited time to work out a price.

This year's macadamia nut crop in SA is slightly smaller due to the drought. Macadamia nuts are significantly more obscure than almonds world-wide, and 80% of all macadamias are sold as snacks.

Only 20% of macadamias are processed into other foods such as cookies and ice cream. But the industry is seeking to increase the use of the nuts in other products, because macadamias will fetch a higher and more stable price if they are processed into other foods. In contrast, the snack market easily stops buying a particular type of nut when their price is considered too high. Walnuts and pecans face the same marketing problems as macadamias.

The Western Cape is hoping to grow a viable honeybush tea industry in the province. The honeybush is indigenous, but commercial seeds were only released in 2013 after twenty years of research by the Agricultural Research Council. The province has now committed a further R1 million to conduct research on the plant.

Nampak expects to double the number of wine bottles manufactured this year. This is due to the increase expected in the sale of bottled wines to the EU, fuelled by a weakening in the rand. Nampak's glass division receives the bulk of its revenue from bottling spirits, food and soft drinks, but wine bottling earns higher per-bottle margins.

A US company says it has created a bottle that can keep uncorked wine fresh for up to a month. The bottle has an intricate valve system that prevents oxygen from coming into contact with the wine. The bottle retails for \$179 and is aimed at those consumers who like to sample wine without finishing a whole bottle.

In parliament the SA Poultry Association has accused the US and the EU of dumping sub-standard chicken on the SA market. The association contends that bone-in chicken pieces arriving from the US are old and dry, and were intended for consumption in the US by the poor and by pets. After feeding these two groups, the leftovers are then dumped on SA. The association acknowledges that the imported US chicken pieces are not unsafe to eat, but says that the pieces are old and tasteless.

Dairy cow herds in Gauteng and the North West are significantly smaller due to the drought, and in the Free State farmers have reduced dairy herds by more than half. Dairy farmers will battle to turn a profit in 2016 due to high feed costs, excess stock from last year and dairy imports. The dairy industry wants to focus on exploring export opportunities to boost profitability.

The Western Cape is working to assist its dairy industry with exports to the EU. The province has budgeted R9 million to establish a testing facility that is needed to meet the EU requirements for dairy exports. The province aims to increase its sustainable agriculture industry as a whole by 10% by 2025, with a focus on agro-processing.

Farmers using irrigation and cold chains will likely be most affected by the higher cost of electricity. Hortgro says the 9.4% electricity increase will add R16.4 million to the production costs of stone fruits alone. The industry will pay about R6 million more than it would have under an inflation-linked electricity increase. Given that there is also the problem of drought, producers will have to explore alternative energy sources.

On the international front, institutional investors such as pension funds are buying up farms. Canada's Saskatchewan province – acting on pressure from the province's farmers – recently passed legislation to block pension funds from buying up more farmland. Institutional investors already own farmland in many countries across the world. Asset managers, pension plans and sovereign wealth funds have invested an estimated \$42 billion to \$45 billion in farmland globally, and their investment is increasing. There is concern in local communities that such investors are merely speculating in land prices. Institutional investors say that they encounter the same resistance across the world, as farmland is usually an emotionally-charged issue that people tend to get nationalist and patriotic about.

Around Ceres in SA, individual investors are eager to buy lifestyle estates. The trend is also seen around nearby Tulbagh, Wolseley, Op-die-Berg and Prince Alfred Hamlet. Lifestyle estates in the area are usually priced from R3 million to R6 million. In this market, prices are usually not calculated per hectare, but rather per estate. Good views, Internet access, privacy, security, an attractive house and rivers or mountains are the main things that buyers are looking for. Most of the buyers are individuals who move from cities to permanently relocate to the area.

The Western Cape has set a target of a 70% success rate for land claims projects. In the past financial year 1 572 emerging farmers were supported by the province, with the aim to support a further 4 195 over the next three years.

Mohammad Karaan says the recent decline in the value of the rand is primarily due to global capital flows, rather than local politics. Several other emerging economies experienced a similar – or larger – decline, and in the case of the rand the situation was merely made worse by local politics. He also believes that land reform is not entirely to blame for an unfavourable investment climate. He would like to see reform more focussed on people rather than on land – land should be transferred to those who are able to farm productively. The focus should therefore be on equipping younger people with the necessary farming skills.

Two-a-Day hosts an annual market day, during which staff members are encouraged to sell food, clothes, plants and similar items. The company focusses on fruit marketing and has therefore created the day to allow all of its employees to understand the real process of selling the right product in the right place at the right time, and at the right price.

Tiger Brands says it has paid R25 million to farmers in the past seven years across all nine provinces by purchasing their agricultural produce. The most-sourced products are vegetables and fruit (about 23 000 tons per year in tomatoes, white beans, figs and butternuts) and pork. Presently 80 emerging farmers are supported by the company in this way.

The new AgriBEE codes do not apply to operations with a turnover of less than R10 million per year. Such operations are classified as level 1, 2 or 4, depending on the BEE ownership percentage. Black-owned enterprises are level 1 BEE contributors, 51% black-owned businesses are level 2, and white-owned businesses are level 4. The new codes list three priority elements: ownership, skills development and enterprise supplier development. A minimum target of 40% of the total score of an element must be achieved to prevent a level penalty being incurred. The two remaining elements are management control, with very onerous targets, and socio-economic development (which is relatively easy to comply with). Ownership and procurement targets may be the most difficult to comply with. Family farms should consider expanding their operations in partnership with loyal farm workers in order to reach targets. Those implementing BEE should first establish exactly where the operation fits into the sector charter by analysing the size of the business and existing compliance. Then, easily achievable targets should be chosen. Farmers who ignore BEE: may not be able to do business with government; could face licensing restrictions such as water rights; may pay more for everyday expenses such as increased interest rates from the Land Bank; may be penalised by major buyers; and may not benefit from incentives such as discounts. The ultimate impact of the new codes on agriculture, will depend largely on how government sets targets for compliance with regard to import and export licences and investment incentives. Large retailers will also set minimum requirements for suppliers as soon as the final codes are published.

Tax experts are concerned that commercial farmers are specifically negatively impacted by the increase in property-related taxes such as capital gains tax and transfer duties, as budgeted by government. Agbiz says higher tax rates on trusts, and amendments dealing with trusts, will affect

farmers in particular as many farms are trust-owned. Previously one could sell assets to a trust in exchange for an interest-free loan. Now the sold assets should form part of the seller's estate, and interest-free loans are regarded as donations. Agbiz is concerned that such measures will further discourage investment in commercial agriculture.

Banking & Capital Markets

The Land bank has raised R400 million from the IDC, which it is now making available to drought-stricken farmers in the form of concessional loans. Farmers in provinces that have been declared disaster areas – KZN, Mpumalanga, North West, Limpopo and the Free State – can apply for the loans immediately. The loans can be used for working capital, to carry over debt, and to repair and replace weather damaged property and equipment. The loans are priced at three percentage points below prime, and can be repaid over an extended period of up to ten years. Some farmers may be eligible for a capital repayment holiday of up to two years. The loans may not exceed R20 million per lender, or R5 million per lender with a wholesale finance facility. GrainSA has welcomed the assistance, but says the amount is well below the R12 billion needed to help farmers. As previously reported, the Land Bank also operates a scheme that provides tax relief to drought-stricken farmers who deposit proceeds from the sale of livestock at the Land Bank. By the end of January, R375 million worth of deposits had been received under this scheme.

Absa says while agricultural production has declined by about 30%, there has been a more than 50% increase in the price of agricultural goods. The prices therefore make up for the lost production, but this does not apply to individuals who have nothing left to sell. Many small-scale farmers in particular fall within this category and can benefit from the Land Bank's soft loans. The Land Bank wants to advance a further R15 billion in the next three years towards financing growth and transformation in the agricultural sector.

The Land Bank says it has worked with the Department of Agriculture to develop a concept document regarding the subsidising of insurance premiums for farmers. The document has been discussed with National Treasury, but the bank warns that slow progress is expected. The proposal is that a public/private partnership will be used to help farmers pay their insurance premiums. Presently, fewer clients are insured due to financial hardship caused by the drought.

Standard Bank says farmers must look beyond the drought and regard agriculture as a long-term investment vehicle. Farmers need to act as entrepreneurs who invest in themselves and in the future. They can make use of banks' ancillary agricultural services to gain competitive advantage and to mitigate risks. Standard Bank says there is more room for borrowing within agriculture, but it will have to be done responsibly. It is presently very difficult to predict the prices of primary goods.

Capitec has reported a 25.78% increase in full-year headline earnings to R3.2 billion and its highest ever annual client growth in terms of active banking customers. It now has 7.3 million customers. In March UK-based Lafferty Group named Capitec the best bank in the world, despite operating in tough economic conditions. Capitec's profit remained strong despite a 33% increase in its provision for doubtful debts due to the economic climate.

Sasfin's venture into transactional banking has been off to a tough start. However, the bank says transactional banking remains critical to the bank's long-term strategy. The product will now be marketed to small-, medium- and micro-sized enterprises. Sasfin also sees some opportunities in business lending, because big banks are less aggressive under the present economic conditions. For the six months ended December 2015, Sasfin's ROE strengthened to 17%.

Zimbabwe's banks import bank notes from the US and SA, while the British pound, euro and yuan are also legal tender. In March some Zimbabwean banks struggled to provide cash, and limited the

amounts of withdrawals. At three different Harare banks, *Reuters* observed customers being told to wait until enough deposits had been received before being allowed to draw money. Several ATMs were not dispensing cash. Upon enquiry the country's central bank denied that there was a shortage of cash, and said it was simply a distribution problem.

A Deloitte survey of 7 000 companies has found that only 38% of companies still considered themselves 'functionally organised'. Among larger companies with at least 50 000 employees, only 24% remain functionally organised. People are increasingly working in less-defined jobs and laterally moving from project to project. Businesses prefer to operate as networks of teams, and the hierarchical structure is no longer in fashion. The general thinking is that top-down management is slow and painful. Studies have found that hierarchy leads to conflict in teams, which is how most work is done these days. More organisations are naturally shifting to teams in a less formal way – groups of teams shift and move to adapt to the needs of the business.

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Agriculture

Coke thinks designer milk could be a billion-dollar brand

In its quest to slake the world's thirst, Coca-Cola is intent on making milk a billion-dollar brand. But not just any kind of milk. Coke has joined forces with a dairy cooperative to create Fairlife, which produces a filtered, high-protein, low-sugar, lactose-free designer milk also called Fairlife. It costs about \$4 for a 52-ounce bottle—more than organic milk and about double what the conventional stuff sells for. In its first year on shelves, Fairlife reached about \$90 million in sales, giving a sizable boost to the specialty milk category, which includes milk with more calcium or no lactose.

Coke is part-owner of Fairlife through its Venturing and Emerging Brands group, which has backed Zico coconut water, Honest Tea, and Fuze juice drink. Fairlife Chief Executive Officer Steve Jones worked at Coke as chief marketing officer from 2000 to 2003. While there, he played a role in moving the beverage company beyond its Minute Maid frozen orange juice business to higher-margin products, such as Simply juice, a billion-dollar brand that's challenged market leader Tropicana—owned by rival PepsiCo—with its clear bottles. "It proved to me you can take a commodity and transform it into a dynamic high-growth category," Jones says of Simply. "We can do the same to milk."

Milk is only one of the latest attempts by Coke to offset declining soda consumption with healthier products. "We look at milk, honestly, as one of nature's superfoods," says Melanie Kahn, vice president for marketing at Fairlife.

Jones isn't the only branding executive with Coke on his résumé peddling milk. Dean Foods, the largest dairy processor in the U.S., has put Greg Schwarz, a former brand manager for Coke's Hi-C fruit drink business, in charge of its marketing.

Dean has co-branded its regional milks under one umbrella called DairyPure. The drinks are hormone- and antibiotic-free. The company is releasing a lactose-free variety this year. Dean has 60 milk-processing plants around the country. "We can do local better than anybody," Schwarz says.

Consumers, especially millennials, want animals and workers treated well without compromising taste, convenience, or quality, says Fairlife co-founder Mike McCloskey, a veterinarian turned farmer. He's long been fixated on the comfort of cows and sustainable farming methods, such as converting manure into methane to power dairies.

The dairy industry has been striking out for decades in its efforts to get people excited about milk, as cereal consumption has slowed and soy and almond milk have cut into sales. Per capita milk consumption in the U.S. fell to about 19 gallons a year in 2013, according to the U.S. Department of Agriculture. At milk's peak, in 1945, the average American consumed about 42 gallons. Clever advertising and marketing—including the legendary Got Milk? campaign, begun in the 1990s—did little to spur growth.

Since 2011, Dean has targeted kids and adults with its TruMoo milk, which comes in such flavors as cookies and cream and chocolate marshmallow. Parents like it because the milk contains no high-fructose corn syrup. DairyPure, on the market for about 10 months, appears to be building on TruMoo's momentum. For the 12 weeks ended on Jan. 23, volume sales of Dean's branded milk rose 1.6%, compared with a 7.3% decline over the previous year, according to Sanford C. Bernstein analyst Alexia Howard. Specialty milk sales jumped 21% in 2015, up from 9% growth in 2014, largely thanks to "the launch of Coca-Cola's high-protein Fairlife brand," Howard says.

Some say Coke's drive for dairy will be an uphill climb, given Fairlife's premium pricing. "Somehow you've got to build a value-added case that there's more to this," says Ian Shackleton, an analyst at Nomura International.

Coke, which holds a minority stake in Fairlife, believes its efforts will pay off. The product relies on a cold filtration system to separate the five parts of milk—water, vitamins and minerals, lactose,

protein and fat—and recombine them in different recipes, changing the final product’s nutritional makeup.

Jones was semiretired when he connected with McCloskey and his wife, Sue, in 2010. He urged them to team up with Coke, which has a vast distribution network and access to hundreds of thousands of supermarket shelves across the country. Two years later, Jones helped broker the joint venture. “We needed the marketing,” McCloskey says. “We had everything except the structure to get it to consumers in every corner of the country.”

Fairlife can also tap Coke for guidance on research and development, chemistry, and marketing. Its board is split between members from Coke and farmers from the cooperative.

The soda giant takes a hands-off approach to the partnership, says Scott Uzzell, president and general manager for Coke’s Venturing and Emerging Brands group. “They know dairy better than anybody,” Uzzell says. “We know consumers.”

Shruti Singh & Jennifer Kaplan, *Bloomberg*, 18 March 2016

Meet the canines sniffing out trouble in Florida's orange groves

Mira’s nose is so sensitive that she can smell sick citrus trees, and U.S. orange growers are hoping her super sniffer will help combat one of the biggest threats ever to their crop.

The government has trained 10 dogs including Mira -- a 32-month-old German Shepherd-Belgian Malinois mix -- to identify a bacteria that has been killing citrus trees for a decade in Florida, the biggest domestic producer. Similar to canine teams that sniff out bombs, drugs and even bed bugs, this one is on the hunt for a disease known as citrus greening. There’s no cure, but growers hope the animals will give them more time to find one by slowing the contagion.

Florida’s orange harvest is forecast to reach a 52-year low this season, down 71 percent since 2004 as tiny bugs called Asian citrus psyllids spread the bacteria. It cost the citrus industry \$7.8 billion and 7,500 jobs since 2006. Dogs, with 50 times more scent receptors in their noses than humans, sense chemicals that trees emit when infected. They’re accurate 99.7 percent of the time -- better than laboratory tests -- and identify diseased trees before symptoms appear.

“They’re pretty much the forefront of early detection for us right now,” said Yindra Dixon, a public affairs specialist for the Animal and Plant Health Inspection Service, a unit of the U.S. Department of Agriculture.

While researchers have failed to find a cure for the disease, also known by the scientific name Huanglongbing, they devised ways to slow its spread. One technique requires farmers to encase trees in steam to overheat the bacteria without killing the plant. Some apply nutrients directly on the leaves to keep trees productive even as they’re dying. Others use more pesticides to kill the psyllids, but the downside is the bugs developed resistance to some chemicals and too much can burn the fruit. Penicillin has been shown to suppress the bacteria, but concerns over antibiotic resistance have limited wider use.

Citrus greening blocks the passage of nutrients through the tree’s vascular system, causing the plant to thin and yellow. Trees can take years to die, but their fruit production declines and eventually is too small to justify the expense of treating the symptoms.

Florida is expected to harvest 69 million boxes of oranges this season, or 56 percent of domestic production, and the state is the top grower of grapefruit, USDA data show. Each box weighs 90 pounds. California will supply 52.5 million boxes of oranges, and is the dominant supplier of tangerines and lemons. Texas ranks second in grapefruit.

Since 2005, when the disease was first found in the U.S. in Miami-Dade County, 15 states or territories have been placed under full or partial quarantine for the presence of the Asian citrus psyllid.

The bugs, which transmit the bacteria, reproduce rapidly and can fly a mile without pause, making them especially difficult to contain or kill. Researchers are still trying to understand how psyllid populations reduced by pesticides still manage to recover and spread the disease, said Robert Shatters, research molecular biologist for the USDA Horticultural Research Laboratory in Fort Pierce, Florida. While the disease exists in other countries like Brazil, the world's biggest orange grower, the flat landscape and close proximity of farms in Florida make it particularly susceptible to contamination.

"This is a disease where your neighbor is your worst enemy," said Thomas Spreen, professor emeritus of food and resource economics at University of Florida in Gainesville.

Already, about 75 percent of Florida's groves are infected. The USDA is planning to dispatch most of the new canine unit to California, Arizona and Texas, where the disease is less widespread and early detection could be used more broadly, Dixon said.

"There is such a grave concern in areas where this disease does not exist that people want to know if it is there," said Tim Gottwald, research leader and plant pathologist at the USDA.

Training dogs to detect citrus greening was funded by the Huanglongbing Multi-Agency Coordination Group, an emergency response team created by the USDA in 2013 to figure out how to eradicate the disease. The MAC invested \$1.8 million of its \$20 million research budget for 2014 and 2015.

Tests show the wet noses of the dogs are more accurate than DNA sampling techniques, which can require several hours or days to complete and are subject to lab-related and sampling errors, Gottwald said. The animals also have detected the disease in trees that didn't show symptoms until days or weeks later, he said.

Once trained, Mira and the other dogs have shown they are both eager and accurate, said Jerry Bishop, the training director at Coast to Coast K9 Teams, the company working with the USDA to coordinate grove inspections by the animals.

"As soon as she comes out of the kennel, she likes to chest bump you," Bishop said of Mira. "She's like, 'Let's go to work. I'm ready.'"

Spreen, the emeritus professor, says the dogs offer a potential cheap and efficient bit of hope for growers faced with devastating losses.

Even if the dogs aren't 100 percent accurate, "you could probably suppress the infection enough in your grove to really make a big difference," said Spreen, who owns 19 acres of citrus groves. "The dogs could potentially be a godsend."

Melissa Mittelma, *Bloomberg*, 4 March 2016

The biggest U.S. farm co-op sees more pain ahead for growers

Don't be fooled by the recent rally for crop prices, as there's still more pain ahead for the U.S. farm economy.

That's the view of CHS Inc., the country's largest agricultural cooperative. U.S. farm net-income is falling at a steeper rate than cash receipts, showing that fixed costs, such as land and equipment, are too high, said chief executive officer Carl Casale.

Farmland rents are demonstrating "stickiness" and aren't dropping much, if at all, he said Tuesday during the National Grain and Feed Association convention in San Diego. The U.S. farm economy is "not at bottom," he said.

The U.S. Department of Agriculture estimates that domestic growers will see net farm-income fall for a third straight year to \$54.8 billion in 2016, as excess supplies of crop and livestock products depress prices. While prices for wheat, corn and soybeans have recovered this month, the commodities are still trading near multi-year lows.

CHS is planning cut expenses this year and will freeze costs during the next two years to help avoid trimming its workforce. While it can't make guarantees, the company is "hugely committed" to weathering the farm economy downturn without massive layoffs, Casale said.

Shruti Singh, *Bloomberg*, 15 March 2016

Monsanto says farm slump threatens its long-term profit target

Monsanto Co. Chief Executive Officer Hugh Grant said the seed and crop chemicals giant may have to push back its long-term target for earnings per share to early in the next decade amid pressures from weak agricultural markets.

Grant spoke Wednesday in a telephone interview after the St. Louis-based company cut its profit forecast for the full fiscal year. Monsanto's long-term target has been to double earnings per share from 2014 through 2019. The stock slid 7.8 percent to \$85.30 in New York, the biggest drop in more than five years.

Weaker currencies are hurting Monsanto's revenues in foreign markets while the decline in agricultural commodities such as corn and soybeans has reduced profits for farmers, spurring them to cut spending. The company also cited "additional headwinds" from a delay in the U.S. Environmental Protection Agency's approval of dicamba herbicide for use on crops as part of Monsanto's Roundup Ready Xtend system.

A recovery in prices of Chinese glyphosate weedkiller hasn't materialized, which has put pressure on Monsanto's product, Roundup, Grant said. Meanwhile, the company has lowered prices for its seeds amid "aggressive" discounts for U.S. farmers by its main competitor, DuPont Co., said Chief Technology Officer Robert Fraley.

The overall agriculture economy is set to turn around, Fraley added. Corn and soybean demand is increasing, and farmer incomes will be better than projected as they save on crop and fuel inputs this year and land rents ease. He said Monsanto is looking at buying smaller companies.

"Despite vagaries in the market, our growth story is still intact," Grant said. There could be "a slingshot effect" in 2017 as new products enter the market, he said.

The company said earlier on Wednesday it now sees profit excluding one-time items of \$4.40 to \$5.10 a share in the fiscal year through November, compared with a January prediction of \$5.10 to \$5.60.

For the fiscal second quarter, Monsanto now expects earnings per share of \$2.35 to \$2.45, excluding one-time items. The average of 19 analysts' estimates compiled by *Bloomberg* was for \$2.84.

For the revised forecast, 25 cents to 30 cents a share is accounted for by currency, Monsanto said. Another 30 cents is from "macro factors" weighing on the seeds and genomics business, the company's largest by revenue.

The company cut its full-year free cash flow projection to \$1.4 billion to \$1.6 billion from \$1.6 billion to \$1.8 billion.

It now sees "relatively flat" full-year gross profit growth from seeds and genomics. Its agricultural productivity business's gross profit will now be closer to the mid-point of the range of \$900 million to \$1.1 billion.

Full-year operating expenses, excluding costs related to restructuring and environmental and litigation settlements, are seen down slightly.

Lydia Mulvany, *Bloomberg*, 2 March 2016

Harvesting sunshine more lucrative than crops at some U.S. Farms

For more than a century, Dawson Singletary's family has grown tobacco, peanuts and cotton on a 530-acre farm amid the coastal flatlands of North Carolina. Now he's making money from a different crop: solar panels.

Singletary has leased 34 acres of his Bladen County farm to Strata Solar LLC for a 7-megawatt array, part of a growing wave of solar deals that are transforming U.S. farmland and boosting income for farmers.

Farmland has become fertile territory for clean energy, as solar and wind developers in North America, Europe and Asia seek more flat, treeless expanses to build. That's also been a boon for struggling U.S. family farms that must contend with floundering commodity prices.

"There is not a single crop that we could have grown on that land that would generate the income that we get from the solar farm," said Singletary, 65.

The rise in solar comes as the value of crops in the Southeast -- with the exception of tobacco -- has dropped. Cotton prices have fallen 71 percent in the last five years. Soybeans are down 33 percent and peanuts have slipped 16 percent.

Solar companies, meanwhile, are paying top dollar, offering annual rents of \$300 to \$700 an acre, according to the NC Sustainable Energy Association. That's more than triple the average rent for crop and pasture land in the state, which ranges from \$27 to \$102 an acre, according to the U.S. Agriculture Department.

The economic incentives spurring solar will be discussed at a *Bloomberg* New Energy Finance conference in New York starting April 4.

"Solar developers want to find the cheapest land near substations where they can connect," said Brion Fitzpatrick, director of project development for Inman Solar Inc. of Atlanta. "That's often farmland."

Developers have installed solar panels on about 7,000 acres of North Carolina pasture and cropland since 2013, adding almost a gigawatt of generating capacity, according to the NC Sustainable Energy Association. Georgia has added 200 megawatts on fields and cleared forests over the same period, much of it farmland, according to the Southface Energy Institute of Atlanta.

The number of megawatts developers can generate per acre of farmland varies, based on weather patterns, size of the panels and contours of the land. On Singletary's farm, Strata Solar installed 21,600 panels, each about 6 feet by 3 feet (1.8 meters by 914 centimeters). Combined, they can power as many as 5,000 local homes.

Farmers typically lease a portion of their land, signing 15- to 20-year contracts with developers who install the panels and sell the power to local utilities. In rare cases, farmers have leased their entire property to solar companies.

Singletary signed a 15-year lease in 2013, with two 10-year extension options, and Chapel Hill, North Carolina-based Strata sells the power to Duke Energy Corp. He declined to disclose financial terms.

Government incentives have played a key role in the spread of solar farms built on real farms. North Carolina granted developers tax credits equal to 35 percent of their projects' costs though a program that expired at the end of 2015, helping make the state the third-biggest U.S. solar market. In Georgia, the Public Service Commission passed a bill in 2013 requiring the state's largest utility, Southern Co.'s Georgia Power, to buy 525 megawatts of solar by 2016. Both policies sent companies scouring for open space to build.

Solar panels have buoyed tax bases in impoverished rural counties, said Tim Echols, a member of the Georgia Public Service Commission. They also let farmers diversify their income with revenue that's not subject to markets or unpredictable weather patterns.

"Solar and wind farms have become a new stable income stream for farmers -- and they don't fluctuate with commodity prices," said Andy Olsen, who promotes clean energy projects in rural areas for the Chicago-based Environmental Law & Policy Center.

Not everyone is happy to see solar panels or wind turbines becoming more common on farmland. In the U.K. lawmakers have pushed to limit large clean energy projects on farms, saying they blight the landscape and squeeze out local food production. Similar criticisms have surfaced in the U.S., where local officials have pushed for zoning changes to restrict solar developments to industrial properties. "I get a lot of complaints from neighbors" said Tim Sheppard, who don't like the looks of the 1-megawatt solar system that takes up about 5 acres of his 135-acre cattle farm in Brasstown, North Carolina.

Despite the recent flurry of building in North Carolina, solar panels cover less than 1/10th of 1 percent of all farmland in the state, said Maggie Clark director of government affairs for the NC Sustainable Energy Association.

Singletary, the Bladen County farmer, said the solar panels will let him retire without selling his family land.

"It gives me way to keep the farm," he said. "I'd like to pass it to my grandchildren someday."

Joe Ryan, *Bloomberg*, 30 March 2016

Colorado's \$1 billion pot industry saves towns as it sows mayhem

Taxes generated by Colorado's \$1 billion marijuana industry are keeping some struggling towns solvent even as growing numbers of high-schoolers are getting stoned at lunch, police are coping with a doubling of cannabis-related traffic deaths and doped-up tourists flock to emergency rooms.

About 938 dispensaries, which outnumber Starbucks in Colorado, in 2015 yielded \$135 million in state taxes and fees, 44 percent more than a year earlier. Yet as the market enters its third year after voters legalized retail sales in 2012, officials question whether the newfound income outweighs the escalating social costs.

"People here don't really care for marijuana, but the sales tax from pot is helping us stay afloat," said Richard Sprague, a town trustee in Empire, 42 miles (67 kilometers) west of Denver, where two dispensaries are replacing revenue lost after antique and convenience stores closed in 2015.

Colorado isn't alone in making money off pot as it emerges from prohibition. In Washington, where advocates sold voters on legalization as a way to decrease local-government expenses, dispensaries generated \$65 million in state taxes in fiscal 2015, about \$6 million of which was shared with cities. California may legalize retail sales this year in a ballot initiative that could generate as much as \$1 billion in new state and local levies.

Colorado's legal pot is hard to contain. Sheriffs in neighboring states are overwhelmed by an influx of marijuana, according to a September report by a consortium of federal, state and local drug-enforcement agencies. The U.S. Supreme Court is reviewing a case filed by the attorneys general of Nebraska and Oklahoma against Colorado that argues drugs are spilling across state lines, burdening law-enforcement agencies.

At home, the money flows. Denver, home to 85 percent of Colorado's pot stores, collected about \$29 million in marijuana taxes and fees in 2015, with \$11 million budgeted to pay for regulation, enforcement and drug prevention. The rest went into the city's general fund. Yet local officials placed a moratorium on new outlets until May after an economist found the market saturated, and police said the industry is stretching already-strained resources.

A driver who told police he was under the influence of cannabis and alcohol caused a fiery six-vehicle accident in Denver in August, killing one and injuring several others. In Colorado, about 20 percent of 2014 traffic fatalities involved drivers who tested positive for cannabis, according to the report. And emergency-room visits at one Aurora hospital by high out-of-state residents doubled that year, according the *New England Journal of Medicine*.

"In practice it's been very difficult, if not impossible, to get our arms around what the impact is in Colorado," said Marco Vasquez, chair of the marijuana issues subcommittee for the Colorado

Association of Chiefs of Police. “I don’t know that the revenue gained will ever outweigh what the social costs are.”

School counselors told researchers who compiled the law-enforcement report that so many kids are high it’s impossible to apprehend all but the most impaired. In one instance, a counselor reported that a father allowed two brothers to “smoke a bowl” before school. Others noticed an increase in number of parents showing up to school stoned.

At Monfort Elementary School, four 10-year-olds were caught buying and selling edible candy bars they stole from their grandparents in April 2014, shocking John Gates, the director of safety and security for Greeley-Evans School District 6.

“I’ve often said I’ve seen it all and clearly I haven’t,” said Gates, a former police officer.

The money is welcome relief. Some cities and counties are counting cannabis-tax revenue as a windfall, using it to avoid borrowing for infrastructure upgrades and to prop up economies hammered by downturns in the oil and gas markets.

Denver budgeted \$3 million for construction of a recreation center that had been 10 years in the making. Next door in Aurora, officials designated \$2 million for debt service on a sports facility, \$3.8 million for transportation projects and \$1.5 million to address homelessness.

In Trinidad, a former mining town 11 miles north of the New Mexico border, officials used a portion of \$850,000 in weed revenue to dig up 140-year-old brick streets and replace clay and wooden water lines so old they didn’t appear on maps. The taxes make up 10 percent of the city’s budget and are replacing revenue lost to declining property taxes after railroad and mining operations and a PepsiCo Inc. distributor closed.

Eighty-five miles north, on Pueblo County’s dusty sun-baked plains, a 5 percent excise tax will apply to sales of up to 20 tons of marijuana grown at Los Suenos Farms, the nation’s largest legal outdoor cannabis facility. That’s expected to help generate \$1.7 million in college scholarships the county will award to students. An additional \$1.7 million collected from the farm and the county’s 88 other licensed cultivators will fund sidewalks on rural roads and other projects.

“We tend to be one of the poorer counties in the state with a lower per-capita income and a higher unemployment rate,” said Sal Pace, a county commissioner, adding that two-thirds of construction under way in unincorporated areas is cannabis-related. “We want to use this revenue to turn it around.”

Investors in the 36-acre Los Suenos Farms are spending locally, buying GPS-controlled tractors and dozens of other agricultural products from nearby stores, said Michael “Caddy” Cadwell, the director of sales.

“The scholarships are something that couldn’t have happened before,” he said as 2,675 plants, including some tagged “Golden Skunk,” swayed underneath a fan in a massive greenhouse. Some 88,000 deaths a year are alcohol related, he said. “I don’t see the alcohol industry paying for scholarships.”

About 325 miles away on the state’s struggling Western Slope, declining oil and gas tax revenue threatened DeBeque with bankruptcy. Residents two years ago approved several dispensaries and grow operations “more or less out of desperation,” said Lance Stewart, the town administrator.

“The community can, for once, start replacing streets, curbs and gutters and reline settling ponds for sewers,” he said.

Jennifer Oldham, *Bloomberg*, 9 March 2016

Ethanol bust adds to U.S. fuel glut and losses across corn belt

The 400-or-so residents of Waltonville, Illinois, have been waiting almost a decade to cash in on the U.S. ethanol boom. Now, that day may never come as a prolonged fuel glut alters the economics of corn for communities across the Midwest.

Waltonville had set aside 169 acres -- a fifth of the town's land area -- for a distillery to make 132 million gallons a year of the corn-based fuel additive. At the time, government mandates were expanding use of ethanol in gasoline, and the project promised a boost to the local economy, including a new road. Plant builder Ethanex Energy Inc. planned to buy grain from nearby farms and ship ethanol via rail lines running between the Post Office and two churches.

But the property remains idle. Ethanex went bankrupt in 2008, along with many others across the Midwest -- like Verasun Energy Corp. -- that bet the wrong way on higher corn costs just as the recession sent fuel prices into a nosedive. Survivors kept expanding, boosting output to repay loans, and now there's more capacity than demand. While the industry caught a break with record U.S. harvests in 2013 and 2014, that only compounded the ethanol surplus while a surge in domestic oil supplies sent gasoline prices to a seven-year low.

"We overbuilt," said Ronald H. Miller, who was the chief executive officer of Pekin, Illinois-based Aventine Renewable Energy Inc. when it went bankrupt in 2009 and is co-founder of the industry's biggest trade group, the Renewable Fuels Association. "We just went nuts. Plants were coming off the assembly line almost every week. We just built so rapidly."

Production capacity has expanded threefold since 2007, and the number of plants almost doubled, many of them financed and built by groups of local farmers and investors, according to data from the Washington-based Renewable Fuels Association.

On Nov. 30, the Environmental Protection Agency took the unprecedented step of trimming the federal renewable-fuels mandate, a law that sparked the industry's expansion as the U.S. sought to ease its dependence on imported oil. Congress has been holding hearings in recent weeks to determine whether the requirement is obsolete, given how cheap and abundant oil has become.

Even with lower prices for corn, ethanol plants are losing about a penny on every gallon -- the worst returns in four years -- compared with a profit of 94 cents in 2014, according to AgTraderTalk LLC, a Johnston, Iowa-based consultant.

Prospects are so bad, even Archer-Daniels-Midland Co., the biggest ethanol producer, says its looking to scale back operations. Green Plains Inc., Valero Energy Corp., Pacific Ethanol Inc. and Southwest Iowa Renewable Energy LLC also are slowing output, according to company regulatory filings. Abengoa SA, the Spain-based renewable-energy company trying to avoid bankruptcy, said it idled plants in Portales, New Mexico, and Colwich, Kansas, because of lousy profit margins.

Back in 2007, when crude oil was headed toward a record \$147.27 a barrel, ethanol was being touted as a cheap alternative from abundant domestic resources. The U.S. is the world's biggest corn grower and exporter. Then-President George W. Bush signed the Energy Independence and Security Act, which forced refiners like Exxon Mobil Corp. and Chevron Corp. to blend escalating amounts of biofuel, including ethanol, in gasoline. At the time, policy makers envisioned an almost insatiable thirst for transportation fuels.

But that was before the shale boom unlocked oil deposits that sent domestic output to the highest since the 1930s and prices plunging to a 12-year low of \$26 a barrel. Gasoline demand stalled, hamstrung by the worst recession since the Great Depression and improved vehicle mileage. Drivers will consume 141 billion gallons this year, less than the 142 billion in 2007, Energy Department data show. Average U.S. pump prices fell to \$1.696 a gallon last month, the lowest since January 2009, according to data from AAA, the largest U.S. motoring club.

Ethanol producers expanded from 81 plants and 3.9 billion gallons of annual capacity in 2005 to 214 distilleries today that can produce 15.7 billion gallons, industry data show. When the government cut its minimum-use mandate to 14.5 billion gallons a year from 15 billion, that left 1.2 billion gallons of surplus capacity.

Increased exports have helped keep some plants from closing, said Tom Buis, the CEO of Growth Energy, a Washington-based ethanol industry group. But domestic stockpiles of the biofuel have surged to a record 979 million gallons, DOE data show. Earlier this month, Kinder Morgan Inc., the largest U.S. pipeline operator, said it had to reroute truck deliveries.

Compounding the industry's woes was the government's decision to phase out credits, starting this year, for so-called flex-fuel vehicles, which run on 85 percent ethanol. Most conventional engines use 10 percent, and there's no agreement on whether that level should be increased. The American Petroleum Institute, which represents major oil refiners, wants to end the mandates, while ethanol producers seek additional government help to revive growth.

"The fundamentals of the statute, we believe, are outdated," Jack N. Gerard, the API's president and CEO, said Tuesday in an interview in New York. "It has outlived its useful life. It's time to get the government out of that business and let the marketplace determine the most efficient, most-environmentally protective forms of energy."

Last month, Republican presidential candidate Ted Cruz won the party's caucus in Iowa, the largest corn-growing state, despite his opposition to ethanol subsidies and a campaign by the industry -- including Governor Terry Branstad -- to defeat him. In previous elections, any anti-ethanol policies were considered a vote-killer.

Back in Waltonville, where nearby farmers will soon begin planting tens of thousands of acres with this year's corn crop, almost \$4 million of state and federal grants for a new ethanol plant remain untapped. The town's mayor, Randy Dees, says he's been unable to find a buyer for the vacant land. "It would have been a tremendous asset," Dees said. "It's available. We just can't get it sold."

Mario Parker, *Bloomberg*, 23 March 2016

Etanol voor deurbraak in Amerika

Die volgende groot deurbraak vir die etanolbedryf in Amerika is net om die draai, sê 'n navorser.

Die Amerikaanse regering het die gebruik van etanol saam met petrol in 2006 verpligtend gemaak. Altesaam 98% van dié etanol word uit mielies gemaak. Wat het die afgelope 10 jaar met die etanol- en die mieliebedryf in Amerika gebeur en wat is die omvang daarvan?

Hoe verander mielies in etanol? In beginsel is dit dieselfde as om witblits of mampoer te stook. Die mielies word gefermenteer, wat die mielie-stysel eers na suiker en dan na alkohol omskep. Daarna word die alkohol van die mielies afgekook (alkohol het 'n laer kookpunt as die waterige mengsel waarvan dit deel is).

Dit is op die oog af 'n sinnelose proses, want een tipe brandstof (gewoonlik aardgas) word gebruik om 'n ander tipe brandstof te maak. 'n Baie vereenvoudigde antwoord is dat die hoeveelheid energie in 'n hoeveelheid etanol meer is as die hoeveelheid energie van die aardgas is wat gebruik word om daardie hoeveelheid etanol te produseer.

Een ton mielies kan tans in 413 liter etanol én 295 kg dierevoer omskep word. In 2014 is ongeveer 54 miljard liter etanol (14 265 290 827 gallon) in Amerika geproduseer. In perspektief gesien, dit is 10% van die petrol wat in 2014 Amerika gebruik is.

Volgens die SA Petroleum Industry Association (Saipa) is in 2014 24,5 miljard liter petrol en diesel in Suid-Afrika verbruik. Etanol-produksie in Amerika was dus meer as dubbel die verbruik van petrol en diesel saam in Suid-Afrika in dieselfde tyd.

Hoe het die bedryf oor 10 jaar verander? In 2006 is 18,5 miljard liter in Amerika vervaardig. In 2014 het dit tot 54 miljard liter gegroei.

Die doeltreffendheid van die bedryf het ook baie toegeneem (syfers van 1985 tot 2015). Die hoeveelheid etanol wat uit 'n ton mielies gemaak word, het met 12% verbeter. Die hoeveelheid aardgas wat gebruik word om 'n liter etanol te vervaardig, het met 36% verminder. Indien verhogings in opbrengs per hektaar bygewerk word, word nou 65% meer etanol per hektaar mielies vervaardig as in 1985.

Mieliepryse het vinnig gestyg ná die verpligte inmengingsperk, van VSA\$2 per skepel tot ongeveer VSA\$3 per skepel. In die daaropvolgende jare het die pryse tot meer as VSA\$8 per skepel gestyg (nie net as gevolg van etanol nie, maar ook vanweë droogtes) en daarna geleidelik gedaal tot heelwat

onder die huidige vlak van VSA\$4 tans. 'n Verdere effek was dat die hoeveelheid geld wat die Amerikaanse regering aan mielie-subsidies betaal het, dramaties verminder het.

Die volgende groot deurbraak vir die etanolbedryf in Amerika is net om die draai. Vier nuwe kommersiële-skaal etanolfabrieke gaan gedurende 2016 in bedryf kom wat nie net mieliepitte nie, maar plante in die geheel na etanol omskep. Dit kan die doeltreffendheid hierbo genoem met baie veelvoudige verbeter.

Dit wat 'n paar jaar gelede na 'n doodloopstraat gelyk het, het met veral die hulp van tegnologie verander in 'n suksesverhaal. As hierdie neigings voortduur, sal dit in die volgende paar jaar onnodig vir die staat wees om etanolverbruik verpligtend te maak, die prys teenoor ander mededingers sal dit 'n ekonomiese keuse maak.

Wat van etanol uit mielies in Suid-Afrika? Seker die belangrikste verskil tussen die mieliebedryf daar en hier is dat Amerika altyd 'n oorskot, m.a.w. teen uitvoerpariteit, produseer. Dit is net die grootte van die oorskot wat wissel. Hier wissel mielieproduksie tussen oorskot en tekort (in- en uitvoerpariteit).

Wat sou vanjaar met 'n etanol-uit-mielies-bedryf gebeur het? Sou so 'n bedryf tot stilstand gekom het? Die 2015/'16- seisoen maak 'n mens amper dankbaar dat daar nog nie so 'n bedryf hier is nie. Die ander kant is dat uitvoermielies in 'n vorige jare plaaslik verwerk kon word en sodoende werkgeleenthede skep en buitelandse valuta spaar.

Miskien lê die antwoord in 'n industrie waar etanol uit plante, soos sorghum, gemaak kan word.

Johann Strauss, *Landbou.com*, 8 Maart 2016

Sugar-cane fuel wins in Brazil as cheap ethanol beats gasoline

Brazil's economic and political crises are proving to be a boon to one of the nation's most embattled sectors: ethanol producers.

Drivers, who used to switch between ethanol and gas depending on the price gap, are now just going for the cheaper, less-efficient ethanol as they try to cut short-term spending amid a battle with inflation as high as 10.7 percent, rising unemployment and an economy contracting at the fastest pace in a century. That's helping keep ethanol prices at a record high for more than three months.

"The idea that consumers would migrate back to gas just isn't happening," said Martinho Ono, chief executive officer at ethanol broker SCA Etanol do Brasil. "It's the same thinking as the person who goes to the supermarket and picks the cheaper brand. In a difficult situation like the one we're in today, that perception of the economy ends up trumping rational thinking."

Traditionally, drivers choose ethanol to fuel their cars when it's below 70 percent of the price of gasoline, as the biofuel extracted from sugar cane yields about 30 percent less energy per liter. Now, the difference at the pump -- it costs about 1 real (\$0.25) less per liter to fuel with ethanol at current prices -- is prevailing. Ethanol was consistently sold at 72 to 75 percent of the price of gasoline from November to January, up from 66 percent a year earlier, data from the National Oil Agency show.

"Ethanol continues to get consumers' preference," Mirian Bacchi and Ivelise Bragato, analysts at University of Sao Paulo's Cepea, an agriculture research center, said in a report on Feb. 22. While the income restriction is an explanation, it's also possible that part of drivers "considers that the biofuel is still competitive above the 70 percent mark," they said.

Sales of hydrous ethanol by fuel distributors in the last three months rose 10 percent from a year earlier, while sales of gasoline shrank 9.3 percent. Over the past 12 months, ethanol sales climbed 36 percent to a record 17.8 billion liters as the biofuel became a more attractive option following a rise in gasoline taxes a year ago. Ethanol fell to as low as 60 percent of the gasoline price during the production peak in August, a move that led consumers to wipe out the nation's inventories.

Plinio Nastari, the president of consulting firm Datagro, expects hydrous ethanol inventories at the end of the current 2015-16 crop year will be about 300 million liters, down from 1.2 billion liters a year earlier, as consumption remains "surprisingly resilient."

The record demand has been helping sugar and ethanol producers recover from years of poor results. With an 85 percent increase in ethanol sales, Biosev SA, Louis Dreyfus Commodities Holdings's sugar unit and Brazil's second-largest producer, posted a net profit in the three months ended in December after eight consecutive quarterly losses. Biofuel sales from competitor Sao Martinho SA more than doubled in the same quarter, boosting net income to a record for the period. That has helped push Sao Martinho's shares up 36 percent over the past year, compared to a 16 percent drop in Brazil's benchmark stock gauge. Analysts surveyed by *Bloomberg* are expecting net adjusted income to rise by 48 percent next fiscal year following a 13 percent increase in the year ending March 31. Biosev is up 16 percent, with analysts expecting the company to get its first annual profit since 2011 next year.

Transport fuel demand is likely to decline with the consensus lowering of Brazil's 2016 GDP outlook, but analysts say they expect the sugar and ethanol industry to outperform all other sectors.

Hydrous ethanol output is projected to increase 4.5 percent to 17.6 billion liters in the season starting in April amid higher sugar-cane supplies, and sugar mills are expecting crushing to start in March in order to take advantage of record prices before production peaks, says Bruno Lima, an analyst at INTL FCStone in Campinas. While current demand levels are a positive sign, the persistent slowdown in the Brazilian economy may eventually curb biofuel consumption, he said.

"The question mark is if consumers will continue to demand more ethanol instead of the more expensive gasoline or if the crisis will lead to a general drop in fuel consumption," Lima said.

Gerson Freitas Jr., *Bloomberg*, 1 March 2016

Asia's insatiable lentil lust means farms switch to pulses

The humble pea is taking over.

With vegetarians in Asia hungry for lentils, chickpeas and other sources of protein, North American farmers are swapping out wheat in favor of pulses -- plants harvested for their dry seeds, such as legumes. AGT Food and Ingredients Inc., the world's largest exporter of peas and lentils, says farmers in Canada are poised to seed record acres of the crops this year.

"We have to recognize that the demand for vegetable protein in the emerging markets and in Asia is continuing to rise," Chief Executive Officer Murad Al-Katib said in an interview Tuesday after a fourth-quarter earnings call.

Plantings of peas and lentils in Canada will rise 33 percent in 2016 to 10 million acres, Al-Katib said. As demand grows, pulse crops are still fetching higher returns than grains or oilseeds, prices for which have fallen amid oversupply, he said.

"Every pulse is at historically high prices right now -- cereal grains are not; oilseeds are not," Al-Katib said on the call. "Farmers are planting more here, and I think demand is going to be strong enough to absorb it all."

Canada's lentil shipments to India, the world's top buyer, more than doubled from a year earlier to 252,600 metric tons from August through February, government data show. Consumption is also growing for high-protein legumes as food companies add them to everything from breakfast cereals to snacks.

Shares of Regina, Saskatchewan-based AGT gained 14 percent this year. On Tuesday, the stock reached the highest since the data begins in 2005. On Wednesday, Raymond James equity analyst Steven Hansen raised his rating on the stock to "outperform" from "market perform."

Export demand for peas will stay robust if harvests in India are smaller than expected, Canada's agriculture agency said in a report last week. AGT spent almost C\$80 million (\$61 million) to

purchase rail lines in 2015 to help speed up grain deliveries and could ramp up its bulk-handling facilities to handle an additional 1.5 million metric tons of capacity as Canadian production increases, Al-Katib said.

Output is also increasing in the U.S., where lentil sowings reached 493,000 acres in 2015, 75 percent higher than the prior season and the largest in five years, according to government data. Production climbed more than 50 percent from the prior year.

"Pulse acres are going to go up this year, because that's the big money crop," Norm Hall, the president of the Agricultural Producers Association of Saskatchewan, said in a March 16 telephone interview from Wynyard.

Prices for peas have almost quadrupled in the past five years, and farmers are able to get the same yields as wheat with lower fertilizer costs, said Hall, who has planted pulses on his Saskatchewan farm for the past 30 years. By contrast, wheat, corn and soybean futures traded in Chicago have posted three straight annual declines.

Growers are fetching record prices for green lentils, according to Brian Clancey, the president and senior market analyst at Vancouver-based Stat Communications Ltd. Farmers are getting bids of as much as 80 Canadian cents per pound of No. 1 large-green lentils, he said. That's up from 45 Canadian cents this time last year.

U.S. lentil and yellow pea acres will probably gain this year, with plantings for each crop topping 500,000 acres, said Pete Klaiber, the vice president of marketing for the Moscow, Idaho-based USA Dry Pea & Lentil Council. Supplies of lentils and yellow peas are tight and will be "very tight" before the harvest begins in July and August, he said.

"There's going to be a sigh of relief when the new crop comes in," Klaiber said. "It is a crop that's making money for farmers. Because of the increased popularity and increased desire to put it in the ground, people have been scrambling to find enough seed for additional acres."

Jen Skerritt & Megan Durisin, *Bloomberg*, 22 March 2016

Italy adopts food waste law

Italian deputies on Thursday approved a new law aimed at curbing food waste which will make it easier for supermarkets, wholesalers and farmers to pass unsold products on to charities.

The draft legislation, which is expected to be definitively approved soon after examination by the Senate, reforms complicated tax rules which previously acted as a barrier to food donations to groups working with the needy.

It also relaxes some food safety regulations to enable distribution of products in the window between their "sell by" and "use by" deadlines.

The move follows the adoption of similar measures in France in February. Italy throws away food worth an estimated €12bn every year with just over half that total accounted for by private households.

Restaurants account for 21%, shops 15% and agriculture around eight percent, according to food producers' organisation Coldiretti.

"The situation remains serious: each Italian throws away around 76kg of food every year," the organisation said in a statement.

Some six million Italians currently depend on supplies from charities who distribute some 550 000 tons of food aid every year.

The new law aims to double the amount handed out.

AFP, 17 March 2016

Ugly tomatoes could be green miracle

Tomatoes considered so ugly that they are not fit for shop shelves could be turned into a major source of green energy, according to scientists.

Researchers working on a groundbreaking pilot project in the tomato-growing capital of Florida, believe the new "tomato battery" has so much potential that it could eventually generate enough energy from the state's tomato waste to power Disney World's 43 square mile complex of hotels, theme parks, golf courses and shopping centres for three months of the year.

Turning oddly-shaped, damaged or rotten fruit into electricity could also help tackle Florida's tomato waste problem, with 396,000 tons dumped into landfills and waterways each year, causing significant problems for the environment.

The scientists are using bacteria to break down and oxidise "defective" tomato waste - a chemical reaction which releases electrons that can be captured in a fuel cell and be a source of electricity.

Tomatoes are particularly well suited to the job because they contain a bright red carotene pigment which the researchers have found to be an excellent catalyst for generating electrical charges.

"Spoiled and damaged tomatoes left over from harvest can be a particularly powerful source of energy," said Namita Shrestha, a PhD student at the South Dakota School of Mines & Technology, who is working on the project.

Team leader Professor Venkataramana Gadhamshetty said: "We wanted to find a way to treat this waste that, when dumped in landfills, can produce methane - a powerful greenhouse gas - and when dumped in water bodies, can create major water treatment problems."

He acknowledges that the amount of electricity they are generating from tomato waste is relatively small, but says with more research and development the energy output can be increased many times over.

He plans to improve the cell by determining which of its parts - electrode, bacteria or wiring - are slowing the flow of electricity and will seek to adapt or replace that part.

The findings from the pilot project were presented at the 251st National Meeting and Exposition of the American Chemical Society in San Diego this week. The team also includes researchers from Princeton University and Florida Gulf Coast University.

The tomato battery pilot is the latest in a series of renewable energy technology innovations as the world scrambles to limit global warming to 2°C - and to 1.5°C if possible.

Scientists say that to have any chance of doing that, the world needs to completely phase out fossil fuel power in the next few decades and to generate all electricity from low-carbon sources.

The Independent, 17 March 2016

France is changing the way it makes wine, whether it wants to or not

Unprecedented heat has pushed global average temperatures into alien territory, and scientists have long established humanity as the dominant cause.

Now, even the grapes are talking, and new research makes it easy to view the rising thermometer through a rosé-colored glass.

Wine grapes are very sensitive to their climate. Vintners historically produce top wines when an early wet season soaks the plants and a drought succeeds it, allowing the fruit to ripen. Two scientists affiliated with NASA, Columbia's Earth sciences center, and Harvard have assembled records of grape harvests for the past 400 years to show trends produced by changes in temperature and precipitation.

The research, published today in *Nature Climate Change*, concludes that warming since about 1980 has changed the way wine grapes grow. They no longer need to rely on late-season heat and drought, because temperatures are pumped up already. This chart from the paper shows the

departure from average, toward early harvests, since 1980. The scientists looked at historical documents, tree-ring studies of temperature, precipitation, and soil moisture.

The good news is that there's probably been a net increase in wine quality. The bad news: It's not likely to last as warming continues.

Europe received a taste of its hotter future in 2003, when an August heat wave, unprecedented in some 500 years, killed at least 20,000 people. If the extreme heat was a net benefit for vintners, it didn't show up in bottles.

"There may be an upper limit" to the heat's positive effect on wines, said Benjamin Cook, the study's lead author. "For example, 2003 was the earliest harvest in our record (about a month early), but quality ratings were middling for this year."

The grape harvest date and summer temperature charts are not exact opposites. The grape-harvest chart, while mostly a function of temperature, also reflects precipitation trends and growing practices. Wetness can slow the harvest, though much more weakly than heat advances it. But comparing the two shows an inverse relationship. Summer temperatures in Europe, pushed up over time by emissions of carbon dioxide, take off at about the same time that grape harvest dates start to peel back.

Watching the world warm through wine production is vital to vintners, their local economies, and wine aficionados. In the scheme of things, it's not the global economy's biggest problem.

The global economy's biggest problem is that humanity is adding carbon dioxide, the most important heat-trapping gas, to the atmosphere faster than at any time since the dinosaurs were wiped out. A study in *Nature Geoscience*, published simultaneously with the wine study, concludes that carbon is being injected into the atmosphere at rates unseen since a major heating event about 56 million years ago.

There is no analogue to human-made warming, the scientists say. The rate of climate change "is too fast for many species to adapt, which is likely to result in widespread future extinctions in marine and terrestrial environments that will substantially exceed" any episode in the Cenozoic Era, going back 66 million years.

Bad years ahead for Merlot.

Eric Roston, *Bloomberg*, 21 March 2016

Why booming demand is making vanilla taste worse

There's nothing plain about the vanilla market.

The price of the bean used to flavor everything from ice cream and chocolate to cola and pastries more than tripled in the past year as output slipped and quality suffered. That should have been a boon for top producer Madagascar, the island nation off Africa's southeast coast. Instead, the government is imposing measures to improve supply and quality to protect its market share.

At a time when Nestle SA and Whole Foods Market Inc. are using more natural flavors in food products, vanilla demand is growing, particularly in developing countries. But a prolonged price slump led to smaller global harvests. And in Madagascar, which supplies half the world's beans, farmers took short-cuts in the process used to create the aromatic qualities prized by consumers.

"The branding of Madagascar vanilla in the international market is threatened," Commerce Minister Henri Rabesahala said in a telephone interview from the capital, Antannaarivo.

In recent years, after a decade of low vanilla prices, production declined in places like China, Indonesia and Uganda as farmers switched to other crops and inventories shrank, data from the United Nations Food & Agriculture Organization show. Madagascar remained a low-cost supplier because the labor-intensive harvesting and curing of vanilla remained mostly profitable with workers paid \$1.50 a day, compared with \$10 elsewhere, according to Cook Flavoring Co., a US processor that buys from several countries.

As prices improved, growers in Madagascar started harvesting more pods sooner than normal and packaging them in vacuum-sealed containers rather than curing and drying them. This was partly to avoid theft, but also to capitalize on the rally. The packaging gave wholesalers the flexibility to wait for higher prices as global supply shrank. But because the beans were so immature, they hadn't fully developed the compound — vanillin — responsible for all the flavor and aroma. It was almost like picking wine grapes before their time.

Compounding the problem was money laundering linked to illegal exports of rosewood, according to the government. The red-hued timber is prized by manufacturers of luxury furniture and musical instruments, mostly in China. Since the government banned unlicensed logging in 2010, traffickers have used their illegal proceeds to buy green vanilla from local farmers that can be sold legally to generate dollar income, according to Rabesahala. Most didn't care that they were buying immature, vacuum-packed beans.

With a smaller Madagascar crop last year and fewer good-quality beans, prices surged in the US, the world's biggest buyer, where vanilla ice cream remains the most-popular flavor. Higher-end vanilla fetches \$250 a kilogram — if you can find it — compared with \$80 a year earlier and \$20 as recently as 2012, according to Cook Flavoring, which gets 80 percent of its supply from Madagascar. Even lower-grade beans sell for \$210, up from \$60 a year earlier.

Dairies and bakeries are balking at the increases, and some are switching from pure-vanilla extracts and powders to cheaper alternatives, like synthetics, and products blended with lower-grade beans or those made with natural ingredients that mimic the flavor of vanillin, said Josephine Lochhead, president of Cook Flavoring, which her grandfather founded in 1918.

"There's a limit to what people will pay for natural vanilla and we're nearing that point," Lochhead said by telephone from Paso Robles, California.

Higher prices also pose a risk for Madagascar, which got \$280 million in foreign-exchange earnings from vanilla in 2014, second only to nickel mining, which generated \$1.47 billion, according to central bank data. Competing growers like Indonesia, China and Uganda may expand output and gain market share.

"In India, for example, the last couple of years, they've been planting like crazy," said David van der Walde, director of Montreal, Canada-based vanilla distributor Aust & Hachmann (Canada) Ltd.

To discourage lower-grade beans, Madagascar agreed this month to block exports of immature green vanilla, imposed a ban on vacuum-packed pods and increased the power of local security organizations to act against transgressors. In recent weeks, the government burned hundreds of kilograms of seized green vanilla, Rabesahala said.

Vanilla didn't originate in Madagascar. The Aztecs were the first to cultivate it in what is now Mexico, where vanilla was mixed with cocoa to make chocolate eaten mostly by aristocrats. Early Spanish explorers initially thought it was a perfume — a use that continues today — and began exporting it to Europe. The plant would only grow in Mexico because its pollination was dependent on a type of bee unique to the country.

That changed in the 19th century when a manual pollinating technique was developed for the vine-like orchid. But it remained labor intensive because the flowers only bloom for a one day per season, requiring workers to tramp through the jungle looking for blossoms.

High prices may not last. With the rally in its fourth year, more production is on the way, and Madagascar will harvest a bigger crop this year than last, in keeping with the plant's biennial cycle, said Lochhead at the Cook Flavoring. In 2002, prices fell from more than \$500 to \$15 in just a few months, once it became clear supplies were increasing, she said.

This year's harvest in Madagascar, which begins in July, probably will rise to about 2,000 tons from about 1,200 to 1,600 tons in 2015, according to Rabesahala, the commerce minister.

The country's National Vanilla Platform, a government and industry body created in December, is preparing an inventory of an estimated 100,000 growers, as well as collectors and exporters, as it prepares to ensure the quality of the crop when it reaches the world market later this year.

“We are very serious about this,” Rabesahala said. “We’re not joking. We don’t want to to jeopardize the next campaign.”

Paul Richardson & Fanja Razafimahatratra, *Bloomberg*, 29 March 2016

Cameroon seeks to export corn for the first time since 1974

Cameroon plans to triple its corn harvest this year and become a net exporter of the grain for the first time since 1974.

Corn is the central African nation’s most-consumed staple after plantains and cassava. Cameroon was a net shipper of the grain until 42 years ago when higher cocoa and coffee prices lured farmers to plant those crops. The nation supplements the corn harvest produced by more than 3 million subsistence and small-scale farmers with imports from Malawi, Argentina, China, South Africa and Brazil to meet local demand for about 2 million metric tons annually, data from the Citizens’ Association for the Defense of Collective Interests and Agriculture Ministry show.

“The corn revolution is under way,” Alphonse Nti Belinga, coordinator of the government-run support program for the industry, said in a March 4 interview in the capital, Yaounde. “Our target this year is to triple harvests from 1.8 million to 5.4 million tons and as a result, cushion production deficits and become a net exporter again.”

Should Cameroon reach these output levels, it would rank among the top four producers in sub-Saharan Africa, according to U.S. Department of Agriculture data. The additional tons would help ease food deficits in countries throughout the region that are suffering poor harvests because of drought caused by the El Nino weather pattern. An estimated 14 million people in southern Africa alone face hunger this year after low rainfall caused poor harvests in 2015, the United Nations World Food Programme said in January.

Production by central Africa’s biggest economy will increase after the ministry distributed 900,000 tons of free, drought-resistant seeds to farmers nationwide, Sixtus Loutsas, the seed fund manager at the ministry, said in a March 4 interview. About 150 accredited seed producers bred the varieties in 2013 and 2014, and the ministry is paying them 1.6 billion central African francs (\$3 million) for the work, he said. The country no longer needs to import seeds except for those used by brewers because the nation lacks the required variety.

The non-genetically modified seeds that have been developed will improve yields to a range of 6 tons and 9 tons a hectare, up from 2 to 3 tons, Julbert Konango, a spokesman of the Chamber of Agriculture, Fisheries and Forests, said in Yaounde on March 4.

Yellow corn, which Cameroonians eat roasted, comprises about 30 percent of the nation’s output while the rest is white and mainly ground into flour and boiled to make a porridge known locally as fufu. Corn, whose main production season runs from March to October, was Cameroon’s biggest crop after sugar cane in 2013, data on the UN Food and Agricultural Organization’s website show.

The improvements in the corn industry started with the 2003 inception of a World Bank-backed state-run project for which the lender provided 50 billion francs of funding.

“Our goal is to lift growers from subsistence to market-oriented farming,” Thomas Ngué Bissa, the program’s national coordinator, said in an interview in Yaounde. “We provide funding for seed production, as well as financial and technical support for output, processing and marketing. We are urging farmers to group up in cooperatives so they can sell at optimal rates to the big buyers.”

Only 3.3 percent of Cameroon’s land was used for permanent crops in 2011, FAO data show. Thirteen percent of land is arable, while 42 percent is covered by forests, it said. Corn traded in Chicago has dropped 7 percent in the past 12 months.

Divine Ntaryike Jr., *Bloomberg*, 11 March 2016

Morocco prays to save wheat fields after catastrophic drought

Morocco's drought has probably wiped out half of its wheat harvest -- devastating a country where even the King has called on the nation to pray for rain.

The driest start to winter in two decades in the center of the country has decimated crops in Africa's second-biggest wheat grower, where just 15 percent of fields are irrigated. Imports may double to a record next season to account for the reduced harvest, a *Bloomberg* survey of six analysts showed.

Moroccans consume more than three times as much wheat as the global average, eating it in everything from thick soups to filo-dough pastry. The grain is a staple in North Africa, where higher food costs and shortages in the past six years helped trigger unrest that led to the toppling of governments in Egypt, Libya and Tunisia. The drought evoked King Mohammed VI to lead rare national rain prayers after normal Friday worship for a second time in January.

"The harvest is going to be catastrophic," said Abdelaziz Oumarrou, a 31-year-old farmer whose 5 hectares (12 acres) near the city of Midelt support his family of four. "This kind of agriculture has no future. We have to change and start doing things such as irrigating."

Dry weather will slow economic growth to 1.2 percent from 3.8 percent last year, researcher Centre Marocain de Conjoncture said last month. Agriculture's contribution to the economy ranges from 12 percent to 17 percent because harvests are so rain reliant. The government wants to boost farming, partly though subsidizing seeds and irrigation equipment.

The most rain since September fell in wheat-growing central regions in the 10-days to Feb. 20. Still, the drought has been so bad that total precipitation this season has been 77 percent below normal, data from the U.S. Department of Agriculture's Foreign Agricultural Service show.

The country may harvest 3.72 million metric tons of wheat this year, 54 percent below 2015's record and the lowest in four years, the average estimate in the *Bloomberg* survey showed. To meet demand for its 34 million people, the country may almost double imports to 4.76 million tons in the 2016-17 season.

More imports may benefit growers particularly in France, researcher Agritel said. French farmers have been among the hardest hit by a global surplus that's swelling world grain stockpiles to a three-decade high and has pushed wheat prices to a five-year low.

"If you have to import a lot, the market is favorable," said Caroline Bitton, an analyst at Paris-based Agritel. "We've seen the Moroccans buying very actively since January to cover immediate needs but also to build some stocks."

Moroccan farmers had planted 3.2 million hectares of grains by early February for this year's harvest, about 40 percent less than usual, the national federation of grain traders said. Satellite data show plant strength similar to the poor crop harvest in 2007, said Bob Ellison, a spokesman for the USDA's FAS. Wheat output that year fell to 1.58 million tons.

Oumarrou, who has been farming since he was a teenager, said this is one of the worst years in memory and the recent rains probably won't save his crops.

"Rain is welcome, but it might be too late to reverse the impact," said Monika Tothova, an economist at the United Nations' Food & Agriculture Organization.

Rudy Ruitenberg & Celeste Hicks, *Bloomberg*, 3 March 2016

Australia sees agriculture output boost as El Nino fades

Australia's agriculture production is set to rebound as the strongest El Nino in nearly 20 years that wilted crops and triggered bush fires subsides, the country's official commodity forecaster said on Tuesday.

Production of staples such as wheat, cotton and milk are all expected to rise during the 2016/17 season, according to the Australian Bureau of Agriculture, Resource Economics and Rural Sciences (ABARES), although beef output in the world's third-largest exporter is set to fall due to low supplies. Australian farmers are expected to sow a near record amount of wheat in the next few months, the bureau said, with global production set to remain at high levels despite benchmark prices falling to a more than 5-1/2 year low last week.

Increased plantings and an expected improvement in seasonal conditions are forecast to produce a crop of 24.5 million tonnes, which would be a three-year high. Australia, the world's fourth-largest wheat exporter, produced 24.2 million tonnes in 2015/16.

"Farmers in Australia have been insulated by the fall in [Australian] dollar, while the depreciation of South American currencies will also incentivise farmers to boost production," said Phin Ziebell, agribusiness economist, National Australia Bank.

The bureau said Australia's wheat crop could top its forecasts if the recent El Nino is followed by a La Nina weather event, bringing higher rainfall to the country's east coast and boosting yields. The Australian Bureau of Meteorology estimates a 50 percent chance of a La Nina materializing.

Elsewhere, Australian canola production is set to rise 11 percent to 3.27 million tonnes in the 2016/17 season, ABARES said.

The increased production will meet firmer European demand, the bureau said, which comes as China is pushing for tougher standards on canola imports from Australia that could curb shipments to that country.

Australian cotton production is set to rise 50 percent to 816,000 tonnes in 2016/17, up from 546,000 tonnes a year earlier when drought deprived farmers of much needed irrigation.

Sugar production is also set to benefit from the improved weather. ABARES pegged output in the world's third largest raw sugar exporter at 5.08 million tonnes in 2016/17, up 6 percent.

Milk production will rise to 9.82 million liters, ABARES said, up from 9.6 million liters in 2015/16.

However, Australian beef production is set to fall to a three-year low as farmers rebuild stocks after the size of national herd fell to at least a two-decade low.

Output surged in the last two years as farmers sent stock for slaughter after drought wilted pasture and dried out dams.

ABARES put beef production at 2.16 million tonnes in 2016/17, down 10 percent from the previous year, heralding what it said could be a prolonged pull-back in supply.

"Assuming seasonal conditions will improve next financial year and beyond, we can expect there will be herd rebuilding activities for the beef cattle industry," said Jammie Penm, the bureau's chief commodity analyst. "It may take several years for the size of cattle herd to increase."

Colin Packham & Cecile Lefort, *Reuters*, 1 March 2016

Vlieg-opname oor somersaigebied skok

Die land se vernaamste somerproduksiegebied in die sentrale en noordwestelike gebiede lyk soos dele van 'n woestyn wat waarskynlik nie aan vanjaar se oesverwagting gaan voldoen nie.

Dit is die gevolgtrekking van 'n span van Dalevest wat hulself van die droogteskade, onder meer in die spoggebied Somerville by Bultfontein vergewis het.

Mnr. Andries D'Alebout, uitvoerende hoof van Dalevest op Potchefstroom, het op 23 Februarie 2016 'n vliegtuig-oestoer oor gedeeltes van die Vrystaat en Noord-Wes onderneem. Die roete het die volgende dorpe ingesluit: Parys, Vredefort, Viljoenskroon, Kroonstad, Welkom, Odendaalsrus, Hoopstad, Somerville, Bultfontein, Wesselsbron, Hoopstad, Bloemhof, Schweizer-Reneke, Wolmaransstad, Leeudoringstad, Bothaville en Parys. (Sien die PDF-aanhangsel hieronder om na Dalevest se foto's te kyk.)

“Oral waar ons gevlieg het, het dringend reën gekort,” sê hy. “Die toestand van die gesaaides het verder suid en wes soos ons gevlieg het, vererger. Van Welkom af het dit uit die lug soos woestyn begin lyk.”

Die Bloemhofdam, wat tans sowat 17% vol is, lyk vir groot dele soos ’n pan met net plek-plek ’n bietjie water.

Volgens hom is die toestand van Bultfontein tot Sweizer-Reneke baie sleg met baie min gewasse aangeplant. “En waar daar iets geplant is, lyk dit baie sleg van bo,” sê hy. “Selfs van die besproeiingsmielies wat van die hitte en droogte vrek, was te sien.”

Die span dié bepaalde roete gevlieg, ná aanduidings dat die grootste droogteskade in die gebied aangerig is. Volgens D’Alebout was laat geplante sonneblomme op die meeste van die landerye wat hulle teëgekrom het. “Die toestand van die gewasse het net suid van Viljoenskroon af begin verbeter.”

Die lugopname het onder meer getoon:

- Mielies lyk oor die algemeen baie sleg en kort dringend reën. Verskeie slegte kolle is te sien en die opbrengste lyk laag.
- Kroonstad-Noord: Gedeeltes lyk goed, maar baie mielies het reeds verdroog.
- Kroonstad tot Welkom: Weiding lyk baie sleg en bied geen voer vir diere nie. Slegs gedeeltes van die mielies wat billik lyk. Reën is dringend benodig.
- Bultfontein-Noord: Die gebied lyk soos ’n woestyn in dele van die weste. Die voorkoms van reën wat weer eens net in strepe geval het, is te sien.
- Somerville: Sonneblomme en mielies se oesverwachting lyk oor die algemeen lyk baie sleg. Mielies wat in die saad kom, asook laat sonneblom kort binnekort reën.
- Bloemhof-dam (17,2% vol)
- Schweizer-Reneke: Die gesaaides se stand is uiters yl en daar is beslis nie sprake van ’n volle oes nie.
- Tussen Schweizer-Reneke en Bothaville: Dieselfde toestand.

Dalevest is ’n gemagtigde finansiële diensverskaffer met sy hoofkantoor op Potchefstroom wat met behulp van ’n rekenaartoepassing (toep) regstreekse markinligting aan produsente bied ter bemarking van hulle graan en vleis. Dié toep bied ook regstreekse reëndata van die maatskappy se elektroniese reënmeters wat landwyd versprei is.

Johan Norval, *Landbou.com*, 1 Maart 2016

Drought’s R16bn tsunami – small, medium towns at risk

The absence of oil well rigs confirmed we were not flying over Libya... Flying to Bloemfontein last weekend the scorched desert-scape below reminded me of the words of a German exchange student who stayed with us in Bloemfontein in 1996 when asked what impression of the Free State she would remember: “The vast stretches of brown with the green patchwork of crops”. This time the red or ash grey extended over vast fields without cultivation broken in isolated places by semi-green irrigation circles clearly showing the ground water is also under threat.

Agri SA and Grain SA have repeatedly asked for the declaration of a State of Emergency and the release of funding to assist commercial and emerging farmers to ride out the drought storm. Warnings have been streaming in from several sides: Food security is under threat.

It is over simplification to equate food security with food self-sufficiency. Singapore has food security but is far from producing within its borders all or most of the food its citizens consume. If South Africa can import food to meet shortfalls in local food production, food security is in place. Rand weakness is a risk for food affordability. Food insecurity is not caused by drought or crop failure: it is caused by bad politics.

Back to the parched earth: no-one seems to realise the systemic implications of the drought on our society. Culling decimated herds and seeing commercial farmers losing their farms and livelihood are but one (tragic) facet of this crisis. The drought has the potential to cause a tsunami of:

- Collapsing employment in the commercial agriculture sector
- An implosion of the economies of small and medium sized towns in drought stricken areas, especially in the Free State, North West, Eastern Cape and Northern Cape with far reaching implications for businesses in these towns, rising unemployment in the non-agricultural sector, as well as municipal income.
- Massive migration to the cities and major towns resulting in shanty town sprawl.

Government interventions to drill boreholes and other emergency propping up of water supply to towns as well as well-intentioned efforts by private sector to get fodder to farmers amount to wall-papering the cracks. There is a failure to understand the economy is a system and that this crisis requires systemic interventions. Elastoplast approaches will fail.

As pulling a loose thread on one side of a large wall-mounted tapestry will cause distortion and even an unravelling of the tapestry on the other side, the impact of the drought on our economy will not necessarily be the worst on the farms with lost harvests, the shrinking of livestock herds, the bankruptcy of farmers and the shedding of farm labour as everyone is focusing on: The livelihoods of numerous towns (and municipalities) are about to unravel with enormous implications for employment, investment and demands on public expenditure.

The intense and long drought poses three concurrent threats to our small and medium towns:

The declining expenditure patterns on businesses in small and medium towns due to lower farming income and farmers and farm workers losing their livelihoods, will be immense. Surviving farmers will also experience cash flow restrictions. The general enterprise offer in towns will decline because of lower expenditure patterns.

- EOSA's database of 17 283 formal businesses in the Free State Province (covering Bloemfontein and all towns but excluding formal farming enterprises) indicate enterprises that serve commercial agriculture (e.g. fertilizer suppliers, aerial crop dusting, commercial harvesting services, veterinary surgeons, irrigation consultants, marketing agents) form in several municipalities 1 out of 8 formal businesses. EOSA classify those businesses in a sector as "Agricultural products and services" (APS). A decline in commercial agriculture directly threatens the existence of these enterprises. Local municipalities in the Free State that are extremely exposed to this decimation of enterprises (% of APS enterprises in brackets) include Nala LM (17.2%), Nketoane LM (13.6%), Kopanong LM (12.8%), Masilonyana LM (12.7%), Letsemeng LM (12.6%) and Mafube LM (12.4%).
- In addition to enterprises of the APS category, substantial businesses are built on processing locally produced agricultural products (e.g. dairies, milling, production of animal feeds, etc.) The "processors" do not depend on local consumers (the local farmers) but adds value to transform locally produced agricultural commodities into an advanced intermediate or final products, e.g. sundried tomatoes, canned asparagus, chorizo sausages. These enterprises therefore improve the flow of money from outside into these localities.

All those businesses will not only shed labour through closure or down-scaling, their declining expenditure on IT services, stationery, fuel, rates and service payments in the towns will hurt private sector and further threaten the already bleak income streams of several municipalities.

Through a clustering process EOSA can identify the specific towns where the impact of the drought on the enterprise offer in towns has the highest risk. In the case of the Free State towns in Cluster 3 enterprises in the APS sector form 18% or more of the enterprise offer in that town. The towns in that cluster are Bothaville, Viljoenskroon, Hoopstad, Bultfontein, Clocolan, Reddersburg, Petrusburg and Hertzogville.

Towns in the Eastern Cape where APS sector enterprises form more than 18% of the total local enterprise offer in the towns are Somerset East, Middelburg, Aberdeen, Hofmeyr, Steynsburg and Jansenville.

A 2014 Monitor Survey of 720 firms in the Free State also indicated that both the APS and Processor enterprises had substantially higher average turnover per firm than the sample average. The next Figure shows that in the case of the APS sector just over 40% of firms had an annual turnover exceeding R20million with Processors having 12.1% of firms in that turnover category. For the whole sample comprising firms of all 19 sectors only 9.5% of firms had an annual turnover exceeding R20 million.

The negative financial impact on the towns will therefore be immense.

The declining income and prospects in such towns will fuel a next wave of urbanisation increasing the pressure on the larger towns and cities. With a large number of new entrants into the cities and large towns unskilled for the modern sector, the prospects of these incumbents landing more than the occasional piece job are grim.

The drought in all likelihood will yield a bumper harvest of growing informal settlements, a substantial increase in demand for social grants and undermine the economic livelihood of a large range of towns and municipalities.

Johannes Wessels, *Fin24*, 11 March 2016

Waterwese sê 'boere steel water'

"Waterdiefstal deur wit kommersiële boere het algemeen geword," sê die voorsitter van die parlementêre komitee vir water en sanitasie.

Mnr. Mlungisi Johnson, voorsitter van die parlementêre komitee vir water en sanitasie, het by 'n geleentheid in Kempton Park waar verslae oor munisipale waterdienste bekend gestel is, wit boere daarvan beskuldig dat hulle water steel.

Johnson sê sulke sake word deur die Departement van Water en Sanitasie se Blou Skerpioene ondersoek, maar hy kon nie meer besonderhede gee nie. Die departement het nie teen publikasietyd op vroeë gereageer oor hoeveel boere al aangekla en vervolgt is nie.

Volgens Johnson is daar baie voorbeelde van sulke diefstal deur boere, byvoorbeeld uit die Vaalrivier en Gariëpdam en ook uit bronne in die Humansdorp-omgewing.

"Hulle (die boere) leef groot, hulle betaal niks vir water nie." Johnson het ná die tyd aan *Landbouweekblad* gesê boere verbind hul besproeiingsinfrastruktuur met riviere en staatsdamme en gebruik dan die water sonder om daarvoor te betaal. Dit terwyl sowat 60% van die land se water reeds deur die landbousektor gebruik word.

Mnr. Nigel Adams, voormalige hoof van die Blou Skerpioene wat in Desember verlede jaar aan kanker dood is, het in Desember 2014 in 'n verklaring gesê onwettige gebruik van water by nywerhede en op plase neem toe en dat die eenheid meer gereeld sou optree.

Die eenheid het toe juis 'n Limpopo-boer aangekla omdat hy na bewering onwettig water uit die Phalaladam vir die besproeiing van sy gewasse onttrek het. Adams het gesê mense wat hieraan skuldig bevind word, kan met tot R500 000 beboet word en/of tronkstraf kry.

Mnr. Adriaan Groenewald, 'n prokureur van Groenewalds Prokureurs in Humansdorp wat in waterreg spesialiseer, het by navraag aan *Landbouweekblad* gesê hy werk landwyd met waterregte in die landboubedryf, maar sover sy kennis strek was daar nog nie 'n boer wat aan waterdiefstal skuldig bevind is nie.

Boere kry gewoonlik die geleentheid om aansoek te doen om hul gebruik te wettig. Groenewald sê sulke aansoeke word op streeklak ingedien maar op nasionale vlak goedgekeur. Die verwerking daarvan het gewoonlik minstens een jaar geneem, maar die staat wend nou blykbaar daadwerklike pogings aan om dit in die toekoms vinniger af te handel.

Groenewald sê boere in die algemeen wil die wet probeer nakom en die regte prosedures volg om waterlisensies te kry.

Farmers who are 'hardest hit' will be prioritised

The Minister of Agriculture, Forestry and Fisheries, Senzeni Zokwana, said although the department will provide drought relief for commercial farmers, it will prioritise emerging farmers who were hardest hit by the drought.

Zokwana was addressing the media in Thaba Nchu on Monday (29/02) following site visits to farming communities around the area.

The minister, accompanied by the Free State MEC for Agriculture, Oupa Khoabane, visited Rietfontein and Gladstone Trusts, where fodder was distributed to emerging farmers.

Zokwana said the R1 billion allocated for drought relief will be distributed to provinces, especially those hardest hit by the drought.

The minister explained that although departments will prioritise emerging farmers based on need, commercial farmers will also get support from government after being assessed.

"Emerging farmers cannot afford fodder and water sources such as boreholes," he said.

Zokwana said the January rains have brought slight relief to farmers.

However, he added that the government was deeply concerned with grazing land during the coming winter season.

"We are concerned about grazing land during June and July, because it is a dry season," said Zokwana.

"We do not know whether there will be enough grazing land," he added.

The department plans to build more dams as a long term measure.

The looming food crisis, related in no small part to food inflation, expected to hit hard from August 2016, is another concern raised by the department.

Zokwana admitted that possible food hikes will propel the department to work with the Department of Social Development to provide relief to those who cannot afford food.

According to Zokwana, South Africa needs to import six to seven million tons of mielies this year to feed its citizens.

However, he said, this figure has dropped after the January rains.

"The figure has dropped to three million tons," he said.

The minister said he does not yet know how the department will deal with the food hikes, but said his department will not run away from assisting farmers.

Khoabane said the province will provide the drought relief budget following the provincial budget speech.

The Free State head of Rural Development and Land Reform, Pule Sekawana, said his department has allocated R84 million for drought relief.

This amount was allocated for the next two financial years.

The department donated 600 bags of fodder to emerging farmers in Thaba Nchu, Botshabelo and Bloemfontein.

"The minister explained that although departments will prioritise emerging farmers based on need, commercial farmers will also get support from government after being assessed.

Zokwana says rain since January has improved situation for farmers

The drought had caused losses of R16bn to the agricultural sector but the situation had improved since January because of better rainfall, Agriculture Forestry and Fisheries Minister Senzeni Zokwana said on Tuesday.

The R16bn figure, he told a media briefing about the work of the economics cluster of ministers, had been calculated by stakeholders.

The minister said the government's response to the drought crisis now amounted to more than R1bn, including an allocation of R528m to smallholder farmers and at least R130m to support indebted commercial farmers by the Industrial Development Corporation (IDC) and Land Bank.

The IDC had committed R500m in soft loans to farmers and Mr Zokwana said talks were under way for the Treasury to stand surety for indebted farmers who needed funds for the next season's plantings.

"As the drought has a direct impact on the country's food security, we will import an estimated four million tons of maize to meet domestic needs," the minister said. This would include 1.2-million tonnes of white maize for human consumption and 2.7-million tonnes of yellow maize.

Mr Zokwana said this year's crop was now estimated at 7.2-million tonnes. Maize stocks would last until April.

He rejected the need for government to declare the situation a national disaster given the improvement in provinces hit by drought. Calling a national disaster would result in banks reducing their exposure to the sector in future. "I don't think calling a national disaster would assist."

The media statement released by the cluster said the government was negotiating with a Chinese consortium to invest \$3.9bn in metallurgical technology, processing, steel plant, mining construction and energy in Musina's special economic zone.

Linda Ensor, *Business Day*, 8 March 2016

Agri Western Cape thanks dept for extra R23m in drought relief

Agri Western Cape welcomed an additional R23m in drought relief announced by Agriculture MEC Alan Winde on Thursday.

In a statement, Agri Western Cape Chief Executive Officer Carl Opperman commended the department, saying it was doing "an excellent job at utilising available funds optimally".

"The Western Cape receives no drought assistance from the national government, despite the fact that the West Coast region and Central Karoo had been declared drought disaster areas. The additional money will go a long way in supporting both emerging and commercial farmers in the province," Opperman said.

He also called on the national government to have the Western Cape declared a drought disaster area.

Opperman said that despite donations made by Agri Western Cape, fodder was still the immediate need.

"Thanks to generous donations to Agri Western Cape's Drought Relief Fund, feed is still being distributed to areas where grazing has already dried up in November last year. Available feed and transport are expensive and [we] thank all individuals and companies that made contributions to date.

"Although large parts of the province received some rain over the past few days, the vigour of grazing land has suffered and it is critical to get feed to those areas. Producers of winter grains also need more rain in order to start planting by the middle of April."

Opperman said the department's Smart Agri plan to manage climate change - an initiative that Agri Western Cape is part of - would benefit agriculture in the Western Cape.

"Although Western Cape producers [experienced] a period of extreme heat and drought, they are grateful for the rain of the past few days and remain positive about the production season," he said.

Kaveel Singh, *News24*, 31 March 2016

Swartland kan beter reënjaar verwag

Dit lyk asof die Swartland vanjaar reënval kan verwag wat na "normaal neig", het mnr. Giel Hugo, weervoorspeller, by die Skog-voorsaaidag op Moorreesburg gesê.

"Die verwagting in die stadium is dat die Swartland definitief meer reën gaan kry as verlede jaar, maar ek kan nie sê hoeveel meer nie."

Op 'n vraag van mnr. Kiep van Niekerk van Malmesbury oor wanneer die reën gaan kom en hoeveel daar gaan wees, het Hugo gesê dis onmoontlik om te kan sê hóéveel dit gaan reën, maar wel dat dit beter as 2015 gaan wees. "Alle tekens is daar, ook in die volksweerkunde, dat dit nié 'n slegte jaar gaan wees nie. Selfs al kry julle minder as normale reën, gaan die frekwensie van die reën help."

Volgens Hugo lyk dit nie of "mini-droogtes" gaan voorkom, soos verlede jaar nie. "As ons moet glo wat nou op die kaarte is, kry ons 'n voorsmakie van wat ons in die winter kan verwag."

Hugo sê daar is drie faktore wat reënval beïnvloed, naamlik die breedtegraad wat 'n meganiese proses is en waaraan nie verander kan word nie, die lengtegraad wat 'n termiese proses is, en straalstrome (jet streams), wat dikwels misreken word, maar wat 'n uitwerking op temperatuurverskille tussen die pole en die ewenaar het.

Daar was die afgelope dekades 'n geleidelike afname in die temperatuurverskille. Die uitwerking daarvan is onder andere 'n soort "aanhoudendheid" in die weer, met ander woorde die weer verander nie juis nie. Hy sê wat 'n mens eintlik wil sien, is 'n koue front wat deurbeweeg met 'n hoogdrukstelsel wat agter hom kom, en dan nog 'n koue front met 'n hoogdrukstelsel, "nie 20 koue fronte wat verbykom nie".

Die jongste straalstroomkaart van 13 Maart 2016 wys egter dat die strome meer na normaal neig, en Januarie tot Maart is volgens hom 'n goeie tyd om te sien wat met koue fronte gebeur. "Ons sien alle frontjies wat tot dusver ongestoord sonder atmosferiese blokkasies kon deurkom, is fronte wat wes van die land piek. As dit so gaan gebeur in die winter, is 'n front wat wes van die land piek die punt waar die stelsel op sy sterkste ontwikkel is en die grootste potensiaal het om water te gee. As dit wes van die land piek, beteken dit ons begin noordwestewind by Moorreesburg, wat reën bring."

Maart en April is groot reënmaande, veral in die Boland in die Suid-Kaap, maar die stelsels wat daardie reën bring, is nog nie op die kaarte sigbaar nie. "Dit lyk nie ons gaan die hupstoot van 'n klomp reën in Maart en April kry nie. Wat wel gaan gebeur is dat die hoogdrukband geleidelik noord gaan skuif. Dit beteken dat ons frontjies kry wat al hoe nader inkom tot ons groot reën in Junie-Julie of in die laat somer kry."

Hugo het vroeg verlede jaar op die webwerf, www.overbergagri.co.za, geskryf dat dit lyk of die koue fronte in 2015 verder oos by die land gaan uitkom. Daarvolgens sou die Overberg meer reën as normaal kry en die Swartland droër wees, soos dit die geval was.

Amelia Genis, *Landbou.com*, 17 Maart 2016

Worst South Africa drought to cut citrus export volumes in 2016

South Africa's worst drought in a century will reduce the citrus harvest this year and result in smaller-sized oranges which are harder to sell, according to an industry body.

Production of navel oranges and soft citrus fruits from Western Cape province is forecast to record a “slight reduction,” Justin Chadwick, chief executive officer of the Citrus Growers’ Association, said in an interview in Johannesburg on Thursday.

“We anticipate a reduction in our export volumes because of the drought conditions and extreme heat,” Chadwick said. “The big concern now is we have small amounts of small fruit and a lot of markets don’t like small fruit. They like big fruit.”

South Africa is the world’s largest citrus shipper after Spain and the industry employs an estimated 100,000 people. Exports account for 80% of the industry’s R9.4 billion (\$611 million) in annual revenue. The nation last year suffered its lowest rainfall since records began in 1904, cutting output of crops such as grains, wine grapes and peanuts.

The country exported 1.77 million metric tons of citrus fruits last year. Chadwick didn’t give a specific forecast of sales or production for this year.

South Africa has applied to the US Department of Agriculture to allow the sale of citrus products from all regions, not just the Northern and Western Cape provinces currently, according to Chadwick. The process has been pending for the past 10 months, said Chadwick.

“We have an application in for access for the rest of South Africa,” he said. “Because of the impasse of AGOA, that application has stalled,” referring to the African Growth and Opportunity Act, an American program to help African exporters.

South Africa has been under pressure to reach an agreement with the US to open its market to American meat in order to retain tariff-free access under AGOA.

Tshepiso Mokhema, *Bloomberg*, 10 March 2016

Drought doubles potato prices to record high

South African potato prices have more than doubled in 2016 from a year earlier as the worst drought in more than a century cuts yields in growing regions, an industry body said.

The national average price for a 10-kilogram (22-pound) pocket of medium potatoes jumped to R63.30 (\$4) in the week ended March 11 from last year’s average of R28.45, Pieter van Zyl, an agricultural economist at Potatoes South Africa, said by phone on March 15.

“This is the highest on record,” Van Zyl said. “I don’t think it will go higher than what we see.”

The nation last year suffered its lowest rainfall since records began in 1904, cutting output of crops such as grains, wine grapes and peanuts. Farmers in potato-producing provinces such as Limpopo, which has the biggest output, the Free State and the North West need rain to fill boreholes and dams.

“There are no exceptions — all the regions have experienced a dry spell, not much rain or no rain at all and excessive heat conditions,” he said. “That’s the reason prices are very high currently.”

In 2015, the country’s potato farmers produced an average of 46 metric tons per hectare for both irrigated and rain-fed fields. For growers in the eastern Free State, who depend solely on rain, the lack thereof means yields will be two thirds lower than last year, when they produced 30 tons per hectare.

Farmers in the Free State are currently “not even doing 10 tons per hectare — these guys are really struggling,” said Van Zyl.

The optimum planting time for farmers in Limpopo is from January to July, while those in the eastern Free State need to sow from August to November, Van Zyl said. In the first 10 days of March, Limpopo province received a total of 313 millimeters (12.3 inches) of rain while 577 millimeters fell in towns of the Free State region, data on the South African Weather Service show.

Tshepiso Mokhema, *Bloomberg*, 18 March 2016

Rekordprys vir aartappels weer verbeter

'n Palet Sifra-aartappels van mnr. Johan Greyling van Christiana het weer die rekordboeke herskryf nadat hy op 14 Maart R150 vir 10kg-sakkies op die Durban Varsproduktemark gekry het.

Die vorige rekordprys was R110 per 10 kg-sakkie vir Sifra-aartappels op die Johannesburgse Varsproduktemark.

Volgens mnr. Johan Botes, die verteenwoordiger van RSA Markagente in Durban, is dié hoë prys hoofsaaklik te danke aan 'n tekort aan aartappels met 'n mooi voorkoms en ook vanweë die droogte. Die tydperk vir die oes van aartappels in die suide van die land het onlangs geëindig met boere in die noorde wat nou eers begin oes.

“Baie ander aartappels is beskikbaar, maar verbruikers hou daarvan om met die oog te koop, en hierdie aartappels was besonder mooi.”

Die palet met 110 sakkies van die Aqua Boerdery in die Christiana-omgewing is vir R16 500 verkoop. Dit is die hoogste prys tot nog toe vir 'n 10kg-sakkie aartappels op Suid-Afrikaanse varsproduktemarkte.

Botes sê hy voorspel 'n daling in pryse aangesien boere uit die Christiana-omgewing nou die mark gaan vul met aartappels van dieselfde gehalte.

Die Sifra-aartappelkultivar is veral gewild vir losverkope in supermarkte weens sy spierwit en blink voorkoms.

Fredalette Uys, *Landbou.com*, 16 Maart 2016

Potato producers see growth in exports

Moneyweb, who is responsible for *RSG Geldsake*, is currently hosting a series of interviews concerning current affairs in the agricultural industry. Excerpts of these talks are broadcasted on *RSG Geldsake*, while the complete interviews are available as podcasts on *Moneyweb's* website, www.moneyweb.co.za. Today's focus is on abnormal market circumstances and new growth opportunities within the South African potato industry. We're speaking to Potatoes SA CEO, André Jooste.

ANDRIES VAN ZYL: Good day André.

ANDRÉ JOOSTE: Hello Andries.

ANDRIES VAN ZYL: André, the prolonged drought shook a couple of agricultural markets. What's the potato market's position in terms of issues like price movements, supply, demand and quality?

ANDRÉ JOOSTE: Andries, we've already started to see the impact of the drought last year, around October/November. Extensive heat and drought conditions had an impact on the amount of potatoes entering the market, and also very important was the quality of the potatoes. This resulted in a decline in potatoes entering the market and the quality of some of those potatoes weren't great, so the good quality potatoes that did enter the market increased the prices from November through the whole of December. So now we're seeing these record prices for potatoes, because the areas that use to deliver are out of the market, and the potatoes of those areas that had to deliver at the beginning of the year, suffered some damage – especially our Eastern Free State production area, which is also a dry land area. Those farmers already started to plant August/September/October, and the drought really damaged those early plantations from the Eastern Free State, which meant they couldn't enter the market during the earlier part of the year. Luckily, the plantations that were planted a bit later benefited from the January/February rains. The impact, if we only consider January on December 2015, was 1.9 million bags less that entered the market, and in February around 1 million bags less that entered the fresh produce market. The potato industry is a supply and demand industry, and this situation pushed up the prices quite significantly.

ANDRIES VAN ZYL: Give us an indication of the price movements you've seen.

ANDRÉ JOOSTE: If we look at last year's average price for potatoes, it was around R25 per 10kg bag. This is around R5 – R6 below the break-even point to produce a 10kg bag of potatoes. Last year the guys really suffered across the industry, due to a potato surplus in the market. Today, the movement of that R25 – if we look at March's average prices – is R60.10 a 10kg bag. This is a significant increase in price due to the drought and potato shortage.

ANDRIES VAN ZYL: What does this mean for the potato producers, those who have potatoes and the 80% with irrigation land?

ANDRÉ JOOSTE: We have to keep in mind that with the high temperatures we're getting, a potato stops growing if the temperature goes over 28°C, even under irrigation. Even with irrigation you wouldn't be able to keep the plant cool. We've seen damage in the irrigation areas in terms of its returns. It will depend of the different areas where the guys have planted, but the producer who can deliver high quality potatoes, and if the weather conditions were perfect, will be in a better financial position than last year.

ANDRIES VAN ZYL: Lately, we've seen widespread rain. How does the potato industry benefit from this rain?

ANDRÉ JOOSTE: Look, we welcome the rain, but for many areas it's already too late. The Eastern Free State's early plantation, as I've mentioned, won't benefit from this rain. A later plantation will benefit from the recent rains, but it will still have an effect on the harvest. Areas like Limpopo, with the more recent plantations will benefit, but the drought will still have an impact on the harvest. There are areas in Limpopo where the rainfall was exceptionally good, but again some areas didn't receive rain and we need more. The rain needs to run off into the rivers for the dams to fill up again, and this is the big issue.

ANDRIES VAN ZYL: What are your projections? I know it's difficult with the weather, but roughly, when would the industry be able to normalise again and move closer to the normal prices?

ANDRÉ JOOSTE: If we look at the production areas coming into production, mainly the Eastern Free State, although their harvests are down – this means they'll enter the market a bit later. The Western Free State is mainly irrigation, so we should see more stock closer to the winter. So this should place a downward pressure on the prices. The Limpopo area is also busy planting and when they enter the market we should also be able to see prices moving in a downward direction.

ANDRIES VAN ZYL: If we look past the season's drought and unpleasant weather conditions at the wider South African potato industry, how profitable is this industry?

ANDRÉ JOOSTE: Potatoes are a supply and demand industry, so one has to see it in context. Last year we've had very low prices because there was a surplus of potatoes in the market, the average price was around R25 per 10kg bag, considering that we must get at least R30 per 10kg bag per gross margin, and then there were still other things that had to be deducted, so the guys experienced significant losses last year. This year things will be different for the producers who has product available. Given this, if we look at the return on capital within the potato industry in the longterm, then we're talking about plus minus 7%

ANDRIES VAN ZYL: What are the biggest obstacles, besides price, the industry is struggling with at the moment?

ANDRÉ JOOSTE: Potatoes are very expensive to produce. For instance, potato production in the Limpopo province is easily R200 000 per hectare. If we look at the Eastern Free State, which is dryland production, then it's anything between R60 000 – R80 000 per hectare. Just to place this in context, irrigation maize is anything between R20 000 – R25 000 per hectare, and dryland anything between R4 000 – R7 000 per hectare. The potato industry is incredibly capital intensive in terms of cash flow needed to be able to plant. Within a rising input cost environment, real input costs keep on rising in South Africa, pushing and increasing these large amounts needed to plant potatoes as real prices are heading south. This cost-price squeeze is one of the biggest issues within the potato industry. Within this context, electricity, its precariousness and the access to electricity, doesn't only influence the irrigation of potatoes, but also the warehouses on the farms. If we look at labour costs, the potato industry is very labour intensive, if we look at permanent and seasonal labourers, almost

10% of people employed within primary agriculture are employed within this industry, so increases in labour costs have a massive impact. Access to water and water quality is another a big problem, so everything that plays a part in the production of potatoes, given that it's so expensive and that the risks are high, makes these issues especially important.

ANDRIES VAN ZYL: André, what's the local growth potential for the potato industry?

ANDRÉ JOOSTE: I think there's definitely growth potential for the potato industry. The annual growth at the moment is between 2% – 3%, our population growth is 1.2% and our per capita income is around 4.1%, and our aim is to reach that 4.1% in terms of consumption and this means the production must also adapt. So there are opportunities, and we have opportunities to stimulate demand towards our neighbouring countries, which is very good for the potato industry. I think within the wider context of the agricultural economy, and this excludes live stock, potatoes are ranking fifth in terms of its contribution towards the gross value of agricultural production. We're employing almost 10% of labour who works within the primary labour, and what's important is that we're only using 1% of agricultural land to do it, over and above the fact that potatoes are an important crop within the context of food security.

ANDRIES VAN ZYL: You've mentioned the neighbouring countries who are consumers of South African potatoes, but what are the foreign market opportunities? This includes neighbouring countries and international opportunities for the South African potato industry.

ANDRÉ JOOSTE: Our neighbouring countries presents a big opportunity for our producers. We're looking at our closest neighbouring countries like Namibia, Botswana, Zimbabwe, Mozambique, Lesotho, Swaziland, but there are also producers who's going further, and one of those markets is the Angolan market. The Angolan market is currently experiencing pressure due to the oil crisis. This is because they pay with dollars and dollars are, to a large extent, driven by the oil industry in Angola. But we're seeing growth in the producers' exports towards these markets, so it stays a definite opportunity. However, an important issue here is when these countries close their borders when their own producers start to produce potatoes. So the trade rules stays one of our biggest challenges when it comes to exporting potatoes to neighbouring countries. We haven't really looked at deep sea exporting of potatoes, due to the sensitive nature of potatoes, but there are opportunities within the processing industry should you want to consider deep sea exporting.

ANDRIES VAN ZYL: André, what role does the potato industry play in local agricultural reform?

ANDRÉ JOOSTE: There are various farmers with various projects in terms of upliftment projects within local agricultural reform, schemes with farm workers and in terms of potential potato farmers. Potatoes SA's transformation programme focusses on the development of upcoming potato farmers in various provinces, the biggest being Limpopo, Free State, KwaZulu-Natal and the Eastern Cape. We also have a programme where we teach communities to farm with potatoes. Those potatoes provide food to these communities, but it can also be sold to generate an income and that income is used to buy other products. We also have a training programme for students as well as student internships available.

ANDRIES VAN ZYL: André, thank you for talking with us. Our time is unfortunately over, but all the best for the South African potato industry.

ANDRÉ JOOSTE: Thank you.

ANDRIES VAN ZYL: That was André Jooste, Potatoes SA's CEO.

Andries van Zyl, *Moneyweb*, 16 March 2016

Uieprys bly laag ongeag lae volume

Die prys van uie is nie op dieselfde trajek na die wolke soos ander groentes nie, maar wag tot die winter, sê boere.

In 'n jaar waar meeste groentesoorte rekordpryse behaal, sukkel uieboere om dieselfde prestasies aan te teken. Volgens mnr. Charl van der Merwe, bemarkingsbestuurder van die plaas Môrester naby Ceres, speel gehalte 'n groot rol in die onderpresterende prys.

Tans, volgens Aartappel Suid-Afrika se statistiek, is die gemiddelde prys vir 10 kg uie regoor die land rondom R47, terwyl daar 'n 10 kg-sakkie aartappels onlangs op Durban se varsproduktemark by RSA Markagente vir R150 verkoop is.

“Die hitte, meer as die droogte, het gehalte van uie van regoor die land geknou. Uie se hou vermoë is net nie wat dit normaalweg is nie en baie boere is forseer om uie nou te bemark wat hulle in 'n normale jaar sou opberg. Die vraag is dalk ook effens laer as normaal weens die laer gehalte en die kombinasie van faktore en daarom skiet die prys van uie nog nie die hoogte in nie. Gelukkig verdien die goeie gehalte uie steeds tussen R60 en R70 'n sakkie,” verduidelik Van der Merwe.

Buiten die hitte, het 'n week van koue en reën aan die einde van Januarie verder skade berokken aan uie in die Noord-Kaap volgens mnr. Kolver Mülke, die Noord-Kaap Uieprodusentevereniging se voorsitter.

“Die uie het in daardie week nie kans gehad om af te droog nie en dit het gehalte en hou vermoë 'n groot knou gegee. Tans oes ons die uie wat in daardie tyd gegroei het,” verduidelik Mülke.

Volgens Aartappel Suid-Afrika se statistiek is die volume op die markte die afgelope twee weke tussen 450 000 en 500 000 10 kg-sakkies. “Solank die volumes nog onder 650 000 sakkies is, verwag ons 'n lewendige mark en dus 'n 'n beter prys as wat ons tans verdien,” verduidelik Mülke.

Van der Merwe meen egter dat die volumes op die markte laer sou wees as die gehalte beter was.

“Ek reken baie produsente stuur tans hulle uie so vinnig as kan markte toe eerder as om dit op te gaar vir die wintermaande se bemarking, juis omdat die hou vermoë nie so goed is nie. Dit is dus te verwagte dat daar 'n redelike tekort aan uie tussen Mei en Julie op die markte gaan wees. Indien die gehalte teen daardie tyd goed is, kan ons dalk vuurwerke in die uieprys sien,” verduidelik Van der Merwe.

Mnr. Louis de Kock van Wildeklawer Uie stem saam en meen R100- tot R110 vir 'n sakkie uie tussen Mei en Junie is nie te vergesog nie weens die uie wat weens die hitte nie gedurende Desember en Januarie in Limpopo geplant is nie. Hierdie uie is later geplant en word nog steeds geplant en daarom gaan die volumes van Augustus begin toeneem. Teen Oktober en November vanjaar gaan uie weer spotgoedkoop wees, wanneer die goot volume uie van die noorde bots met die begin van die Noord-kaap-oes” is die mening van de Kock.

Jeanne van der Merwe, *Landbou.com*, 17 Maart 2016

Cauliflower sales: A head for figures

Rest easy. If you are on the Banting diet, you cannot be held responsible for the perceived increase in cauliflower prices — at the wholesale level anyway — over the past few months.

Demand for cauliflower, especially in suburban supermarkets, has increased.

The Banting diet was made popular by sports health scientist Tim Noakes in his book, *The Real Meal Revolution*. Noakes has attracted admiration and criticism for his support of a low-carbohydrate and high-fat diet, which is not consistent with mainstream scientific views.

To compensate for the absence of carbohydrate-rich foods such as bread and rice, Noakes advises people to eat cauliflower.

The growing popularity of the Banting diet has caused sharp growth in demand for cauliflower-based dishes such as cauli-rice and cauliflower pizza bases.

It has also fuelled speculation that the diet is behind a rise in cauliflower prices.

But data gathered by the Code for SA Data Journalism Academy on vegetable production and pricing in Cape Town from January 2011 to December 2015 found little basis for this belief. Instead it

showed a strong correlation between supply and pricing, with available supply seemingly driving price.

For example, cauliflower sales rose by 74% year on year to 220 tons in June 2015, which was matched by a 29.45% drop in the average selling price to R4,489/t. The inverse was true for June 2014, when sales dropped 32.6% to 164t, but the average selling price shot up by 44.45%.

The correlation is so strong, it looks as though it comes straight out of an economics textbook.

Agri SA senior economist Thabi Nkosi is not surprised by the efficiency in the cauliflower market. As fresh produce expires quickly, it suits both buyers and sellers to reach a price with little delay. "When it comes to vegetables there is a short timeframe between production and consumption," she points out.

The data also shows that the volume of cauliflower available for sale had trended upwards since Noakes started punting the diet in early 2014. Average prices per ton fell over this period.

But some consumers point to a recent spike in prices. This may be explained by a seasonal trend: cauliflower production spiked in October, resulting in a fall in prices.

After that, sales fell 45% to 142t when measured y/y in December, and prices surged 88% to an average of R5,112/t for the month.

The data, however, does not tell the whole story. Once the cauliflower leaves the gates of the Cape Town Market, prices will vary from retailer to retailer.

Nkosi says she "would not say that the Banting diet has anything to do with [prices]." The rise should be seen against a background of overall food price hikes, a consequence of drought.

The SA Reserve Bank said in January that it expected food price inflation to rise to 11% y/y in the fourth quarter of 2016. This is the highest rise in five years and sharply up from the 5.9% increase recorded in December 2015.

Larry Claasen, *Financial Mail*, 10 March 2016

Groot planne vir makadamias

Makadamias verteenwoordig maar sowat 1,5% van die wêreld se boomneutmark.

Met 'n oes van omtrent 50 000 ton neutkern per jaar steek makadamias maar sleg af teen amandels, waarvan meer as 'n miljoen ton per jaar goeos en verkoop word.

'n Suid-Afrikaanse maatskappy, Green & Gold Nut Company van Witrivier in Mpumalanga, wil egter die makadamiamark uitbrei deur die neut saam met Australiese vennote te bemark as die ideale bestanddeel om waarde toe te voeg tot produkte, soos roomys, koekies en brood.

Mnr. Alex Whyte, bemarkingsbestuurder van Green & Gold Nut, sê tans word net 20% van die wêreld se makadamias as bestanddele in voedselprodukte opgeneem. Die ander 80% word as peuselhappies verkoop.

Daarteenoor word 80% van die internasionale amandelproduksie as bestanddele opgeneem en net 20% bereik die verbruiker as 'n versnapering. Dieselfde geld okkerneute en pekanneute. Whyte sê hoewel die gehalte- en voedselveiligheidsvereistes van voedselvervaardigers aansienlik strenger as dié van die mark vir peuselhappies is, sal makadamias 'n beter en bestendiger prys kan handhaaf as bestanddeel.

Hy sê dat hoë pryse makliker geabsorbeer word as die duur bestanddeel net 'n persentasie van die totale produk verteenwoordig.

"Tans is ons uitgelewer aan aankopers wat kan besluit neutte word te duur vir verbruikers. Ons dilemma is egter om produk-ontwikkelaars te oortuig dat die ekstra koste van makadamias in hul produk die waarde daarvan aansienlik kan verhoog."

Whyte sê daar word reeds heelwat makadamias in Japan as bestanddele gebruik en die Green & Gold Nut-bemarkingspan gebruik Japanse suksesse om die idee by ander markte tuis te bring. "Ons sal byvoorbeeld 'n makadamia-sjokolade van een van ons Japanse klante aan Franse produk-

ontwikkelaars voorlê en dan saam met hulle werk om iets meer geskik vir die Franse publiek se smaak te ontwikkel.”

Die masjinerie wat ingespan word om aan die internasionale voedselbedryf se gehaltevereistes te voldoen, is verskriklik duur, sê Whyte. Hy glo die belegging sal sy maatskappy en die boere wat aan die maatskappy neut lewer, verskans in moeilike tye.

“Vanjaar se oes is effe kleiner weens die droogte, maar wat gebeur as ons goeie reën kry en in 2017 ’n rekordoes lewer? Die pryse vir neutkern het reeds aan die einde van verlede seisoen met omtrent 10% verlangsaam omdat meer neute uitgedop is vir die kernmark toe China ’n stokkie voor sluikehandelroetes in neut-ein-die-dop gestee het. Ons wil daardie tipe scenario vermy deur die vraag na ons neute uit te bou,” sê Whyte.

Hy glo met goeie bemerkingstrategieë en meer navorsing oor die gesondheidsvoordele van makadamias kan hierdie neut ’n al hoe groter rol in die wêreld se neutmark speel.

Jasper Raats, *Landbou.com*, 24 Maart 2016

Celebrating the honeybush

Honeybush tea is a young, but growing industry unique to South Africa. For more than 20 years the ARC has conducted honeybush tea research, leading to the release of commercial honeybush seeds to the industry in 2013. The ARC’s research could also open the way to developing the crop to support job creation throughout its value chain.

According to Sidney le Fleur of the Ericaville community, they had limited understanding on how to farm with honeybush before the ARC’s involvement.

“We would work in trial and error. The ARC assisted with the introduction of a honeybush guidebook that helped with scientific and practical know-how,” said Le Fleur.

The ARC recently held a honeybush celebration day to honour the humbling beginnings of this growing industry. At the event, Joyene Isaacs, head of department for Western Cape agriculture, highlighted the importance honeybush to the province.

“The development of honeybush as a commercial crop is a process of many years, with many role players and interested parties. Commercialization of this product presents an opportunity to explore other indigenous crops to the benefit of big and small industries,” said Isaacs.

To show its support and commitment to the honeybush industry the Western Cape agriculture department allocated R1 million for further research on the plant.

Jeandré du Preez, *Farmer’s Weekly*, 11 March 2016

Wine gives Nampak a boost

Packaging company Nampak expects to double the number of wine bottles it manufactures for clients such, as KWV and Nederburg, this year.

The firm expects wine exports to flourish, thanks to a trade pact between SA and the European Union (EU), along with the weak rand making the country’s chenin blanc and pinotage wines more appealing to foreigners.

At present, about 20,000 tonnes are produced from the company’s Germiston glass factory in Ekurhuleni municipality.

"We expect this to increase to 40,000 tonnes this year," Nampak Glass MD Pieter van den Berg told reporters on a site visit last week.

South African exports have benefited significantly from the Economic Partnership Agreement, which came into effect in 2014 and allows for greater access of agricultural goods from the Southern African Development Community (Sadc) into the EU.

Among other things, the trade pact, which replaced the Trade Development and Co-operation Agreement, allows for about 110-million litres of wine to be exported duty-free from the Sadc region to the EU area.

SA accounts for the largest share of Sadc's trade with Europe.

"We are grateful for the intervention from government to boost bottled wine exports," Nampak CEO Andre de Ruyter says.

"This creates an opportunity for us to grow our business," he says, adding that the rand's 40% pounding against the dollar and its 37% slump against the euro will further boost such growth.

Nampak's glass division receives the bulk of its revenue from bottling spirits, food and soft drinks for clients including Diageo, Tiger Brands and Amalgamated Beverage Industries. But "wine is a high-margin business", says Rob Morris, Nampak's group executive for glass in SA and the rest of Africa.

The drought and the recent fires in the Western Cape, the main wine-growing area in SA, have not resulted in a drop in client orders, says Mr Morris.

Nampak packages a third of all glass bottle products in SA.

Larger rival Consol, which may list on the JSE next year once private equity firm Brait exits its investment in the bottling company, dominates the market with about 78%.

Last year, Nampak Glass recorded an operational loss of R76m and incurred additional finance costs of R71m, due to challenges in getting a third furnace up and going. These have since been rectified, Mr Ruyter says.

The investment made in the third glass furnace was R1.2bn.

Since the appointment of Mr van den Berg as MD of the division, the factory has not only improved injury rates, a key element for productivity, says Mr de Ruyter, but efficiencies too.

Fifi Peters, *Business Day*, 2 March 2016

New 'smart' bottle for uncorked wine

A US start-up says it has created the world's first "smart" bottle which can keep wine as fresh as the day it was uncorked for up to a month.

The Boston-based Kuvée company said in a statement that the industry "has been slow to innovate beyond the glass bottle and cork."

Kuvée's specially designed bottle with its intricate valve system "prevents oxygen from touching the wine, so wine stays fresh for up to 30 days after opening," said company founder and CEO Vijay Manwani, in a press release on Monday.

"As a result, consumers can open multiple wines and enjoy them without fear that the leftovers will spoil," Manwani said.

Pre-orders began this week for the bottle, which retails for \$179, with shipment to California and Massachusetts beginning in October, and other markets in late 2016.

Kuvée's patented valve system allows oenophiles to enjoy several different bottles of wines, one glass at a time.

The company said wines are easily switched in and out to accommodate multiple users' preferences.

Kuvée has also curated a selection of four California wines, allowing customers to sample at will, "adding a new level of choice, personalization and convenience to the at-home wine experience," Manwani said.

The price for the wines range from \$15 to \$50 per bottle.

AFP, 29 March 2016

‘VSA se ou hoenders na SA uitgevoer’

Amerika en die Europese Unie stort basies hul “eetbare gemors” op ontwikkelende lande, soos Suid-Afrika, het die Parlement se portefeuljekomitee vir landbou, bosbou en visserye, gehoor.

Dié twee ontwikkelde ekonomieë maak staat daarop dat daar arm mense in die wêreld is wat die hoenderstukke sal eet wat hulle self nie wil hê nie, het mnr. Kevin Lovell, hoof van die Suid-Afrikaanse Pluimveevereniging (SAPV), gesê.

“Dit is hulle gemors wat hulle na die ontwikkelende lande stuur. Selfs die 65 000 ton gemors wat van Amerika af kom, is goed wat hulle nie wil eet nie.” Dit was Lovell se reaksie op ’n vraag van die Parlement se portefeuljekomitee vir landbou, bosbou en visserye oor die gehalte van die Amerikaanse hoender wat die land gaan binnekom.

’n Duidelike gefrustreerde Lovell het verwys na die hoeveelheid hoenderstukke aan die been wat Suid-Afrika jaarliks sonder teenstortingstariewe moet invoer as voorwaarde dat hy nie van die vernuwing van die Amerikaanse wet op groei en geleenthede (Agoa) uitgesluit word nie. “Amerika voer net onder 20% uit van wat hy produseer, waarvan 96% hiervan die goed is wat hulle nie wil eet nie.

“Met ander woorde die ontwikkelende lande is soort van die rommel-verwyderaar vir die ontwikkelde lande se pluimveebedrywe. Daar is niks eerbaar en eties oor wat gebeur met die Amerikaners en die Europese Unie nie, want nie een van hulle is ware uitvoerders nie.”

Hy het gesê hoenderstorting deur die EU in Ghana het daartoe gelei dat daardie land se hoenderbedryf verwoes is. Brasilië, waarvan baie van die land se hoendervleis ingevoer word, word egter nie oor dieselfde kam geskeer nie. Daardie land produseer meer hoender as wat sy landsburgers kan eet, omdat hy dit elders wil verkoop. Amerika sê egter net “o my hemel wat gaan ek met my oorskot doen”, het Lovell gesê.

Hy het benadruk dat wanneer die gehalte van die Amerikaanse hoender met dié van Suid-Afrika vergelyk word, dan is dit dieselfde omdat dit dieselde hoenderras is, hulle dieselfde soort voer kry en op dieselfde manier grootword. Die verskil is egter dat “meeste van die Amerikaanse hoender oud is”.

Hy het verduidelik dat die hoender wat die Amerikaners nie wil eet nie, eers gestoor word en deur die Amerikaanse regering gekoop word om aan sy arm landsburgers te verkoop en om troeteldierkos te word. Die res word op die arm mense in wêreld gestort.

“So ons kry ou hoender wat nie so smaaklik is soos ons vars hoender nie, maar hulle ou hoender is steeds veilig om te eet,” het Lovell aangedui.

Pres. Barack Obama van Amerika het op 11 Januarie die sperdatum van 16 Maart aangekondig vir wanneer Amerikaanse hoender op Suid-Afrika se winkelrakke moet wees.

Joylene van Wyk, *Landbou.com*, 2 Maart 2016

Groot uitdagings wag vir melkboere

Melkboere se vooruitsigte vir vanjaar lyk maar skraal en ’n daling in produksie word verwag.

Drastiese stygings in voerkoste weens die droogte, ’n prysdaling weens hoër melkproduksie verlede jaar, en hoër invoer veroorsaak dat boere in 2016 gaan sukkel om melk winsgewend te produseer, het mnr. Phillip Swart, ledebestuurder van die Melkprodusenteorganisasie (MPO), tydens ’n MPO-boeredag by die Drie Susters-melkery buite Malmesbury gesê.

’n Opname onder MPO-lede toon dat die droogte en gepaardgaande voertekorte tot ’n drastiese daling in kuddegroottes in veral Gauteng, Noordwes en die Vrystaat gelei het.

In die Vrystaat alleen het boere van meer as die helfte van hul kuddediëre ontslae geraak. Met die hoër voerkoste het die melk:voerprysverhouding onder die gelykbreekvlak van 1,4:1 beweeg.

“Dié verhouding beteken ’n groot aantal boere kan nie produksiekoste dek nie, en kragvoer sal dus verminder moet word,” sê dr. Koos Coetzee, MPOekonoom. Die verhouding is tans 1,23:1, die laagste sedert 2003. Melkverwerkers het wel in Februarie en Maart boere se melkprijs verhoog, maar die verhogings is steeds nie genoeg dat boere ’n positiewe winsverhouding kan handhaaf nie, sê Coetzee.

Melkboere is ook bekommerd oor die hoë volume van invoer van suiwelprodukte verlede jaar, met ’n styging van 56% vergeleke met 2014. Coetzee voorspel egter dat kleinhandelaars invoer vanjaar meer versigtig sal moet benader, veral met die swakker rand wat invoerkoste aansienlik sal verhoog.

Ondanks die droogte is daar verder steeds ’n ooraanbod van melk in Suid-Afrika. Volgens Coetzee dui die Nielsen-steekproef dat die plaaslike verbruikersvraag na melk verlede jaar met 50 miljoen liter gestyg het.

Volgens Swart moet ’n beter uitvoerstrategie vir Suid-Afrikaanse melkprodukte in plek wees sodat dit nie net in surplustye uitgevoer word nie.

“ ’n Beter vraag sal ook by die plaaslike verbruiker geskep moet word, met die verbruiker wat beter oor die voedingswaarde van melk opgevoed moet word.” Mnr. Bertus van Heerden, van MPO se Agri Inspec-afdeling, het benadruk dat melkboere hul produkte op die internasionale markte moet kry, waar die meeste groei plaasvind.

Fredalette Uys, *Landbou.com*, 24 Maart 2016

Wes-Kaap druk vir landbougroei

Die Wes-Kaap sal voortgaan om met beleggings in die landbou vol te hou, sê mnr. Alan Winde, LUR van landbou.

Ten spyte van die begrotingsuitdagings van die fiskus, beloof die Wes-Kaapse ministerie vir landbou dat hy voortgaan met sy doelstellings om volhoubare landbouproduksie teen 2025 met 10% te verhoog.

Hierdie boodskap dat toekomstige belegging in die landbou volgehou sal word, is deur mnr. Alan Winde, Wes-Kaapse minister van landbou, in die provinsiale wetgewer oorgedra toe hy die departement se begroting van R787 miljoen ter tafel gelê het.

Winde het uitgewys dat met projek Khulisa, ’n ekonomiese ontwikkelingskema van die Wes-Kaapse regering, bykomende teikens vir landbouverwerking gestel is. Dié projek het die agri-verwerkingsektor geïdentifiseer as ’n platform vir ekonomiese groei. Die potensiaal bestaan om 100 000 werkgeleenthede te skep en om dié sektor se bruto toename in waarde van R12 miljard tot R26 miljard in die volgende vyf jaar te verhoog.

“Ons hou by hierdie doelwitte ten spyte van die uitdagings van die fiskus.”

Hy het gesê dat landboubesighede ondersteun word om die uitvoer van produkte se huidige waardetoevoeging van R16,3 miljard per jaar te versterk. Tussen 2003 en 2012 het die waarde van Suid-Afrika se uitvoer met 261% tot VSA\$6,7 miljard toeneem.

“Ons weet dat vir boere om te groei, hulle toegang tot die regte markte moet hê.”

Om dit te vermag het die departement ’n ekonomiese dienste-program om deskundige ekonomiese advies te lewer. Vir hierdie program is R23 miljoen begroot. Winde het gesê oor die afgelope jaar is saam met die private sektor gewerk en duidelike strategieë is opgestel om die doelwitte van projek Khulisa te behaal.

Die eerste stap wat onderneem gaan word, is om die plaaslike kapasiteit van landbouverwerking vir die binnelandse markte en sleutel buitelandse uitvoermarkte te verbeter.

Suid-Afrika het tans belastingvrye, kwotavrye marktoegang vir suiwelprodukte na die Europese Unie, maar weens die land se te kort aan geriewe om vir afvalstowwe te toets, beteken dit dat daar nie na daardie markte uitgevoer word nie, het Winde gesê.

Om hierdie probleem aan te spreek, gaan R9 miljoen in die Wes-Kaapse Department van Landbou se veeartsenylaboratorium in Helderfontein belê word om 'n toetslaboratorium op die been te bring waar vir die minimum residuvlakke van uitvoerprodukte getoets sal word.

Vir die ondersteunings- en ontwikkelingsprogram vir boere is R259 miljoen begroot; landelike ontwikkeling R21,9 miljoen; veeartsenydienste R86 miljoen; volhoubare hulpbronnebestuur R97,7 miljoen; navorsing en tegnologie R109 miljoen en R58 miljoen vir gestruktureerde onderrig en opleidingsprogramme in die landbou.

Joylene van Wyk, *Landbou.com*, 31 Maart 2016

Eskom tariff increase to add millions to stone fruit production costs

An Eskom tariff increase of 9,4% has been approved by Nersa, and could add millions to production costs for stone fruit farmers.

Eskom submitted an application last year to Nersa to recover R22,8 billion from consumers, but was only granted a R11,2 billion variance.

"Eskom has noted Nersa's decision, which yet again doesn't address the question of Eskom's continued financial sustainability. In addition, it will have operational consequences," said Eskom group chief executive Brian Molefe in a statement.

The increase will have a great impact on the production costs of farmers especially when it comes to irrigation and cold chain costs.

"The 9,4% increase will add about R16,4 million to the production costs of stone fruits," said Hortgro executive director Anton Rabe.

"The costs when coupled with 'normal' inflation of about 6% would amount to about R10,5 million – the higher-than-inflation adjustment will cost the stone fruit industry about R6 million more."

The increase, coupled with the drought, would mean that producers will have to start looking at alternative energy sources to be able to increase production and lower production costs.

"Maybe Eskom will end up with expensive electricity that no one can afford or is willing to pay for and the need will be taken up through private initiatives," said Rabe.

The increase will be in effect from 1 April.

Pieter Dempsey, *Farmer's Weekly*, 3 March 2016

Institutional investors' scramble for farmland

The Canada Pension Plan Investment Board is about as Canadian as an institution can be — except on the Saskatchewan prairie, where it has in effect been labelled an outsider.

Saskatchewan has outlawed all pension funds from buying farmland in the province. It was a move to clip the ambitions of the board, one of the world's largest pension fund managers, which had already scooped up 46,500ha, and to calm a powerful constituency of farmers in the country's agricultural heartland.

"We do not need 'Wall Street' investors speculating (sic) on our farmland," a resident wrote to the province's agriculture minister ahead of the policy change.

The wheat, canola seed and barley fields of Saskatchewan are among the many fertile regions that big money has been scouting for land — and has been encountering conflict.

Financial investors own tracts that grow maize and soya beans in Illinois and Uruguay, almonds and cattle in Australia, and sugar beets and wheat in Poland. Some are venturing into countries with potentially volatile politics, such as Ethiopia and Ukraine.

The size of investors' war chest is growing. Last year, 17 farmland or agriculture funds raised \$3.9bn, up from the \$500m raised by five funds in 2009, according to data provider Preqin.

Chris Erickson of consultancy Parsonage Lane Advisors estimates that asset managers, pension plans and sovereign wealth funds have invested \$42bn-\$45bn in farmland globally, and others see a notable uptick.

"Over the last 10 years, it has started to gain traction as a staple in an institutional real asset portfolio," says Brent Burnett, the MD of Real Asset Portfolio Management.

The asset class is attracting more attention as investors bet that people will eat richer food on a more crowded planet. As populations and incomes grow in developing regions, rising demand for meat, dairy and nuts is transforming farmland.

It has also reaped good returns: in the US, a national farmland index has routinely racked up annual gains of more than 10%.

The largest private farmland investor, TIAA, has amassed more than 650,000ha in the US, Brazil, Australia and eastern Europe in the past decade.

The US-based asset manager, which was founded to serve university lecturers, has just closed a second \$3bn farmland fund. A recent presentation touted a \$2bn pipeline of more than 100 farms.

Jose Minaya, the president of TIAA's global real assets division, says the group seeks to buy land in big agricultural-exporting countries and lease it to farmers, with plans to hold the properties for 20-30 years. He estimates less than 1% of "institutional quality" farmland is in the hands of financial investors. "You are in the very early stages of this," he adds.

Farmland is not a uniform asset class. Countless factors affect value.

Assembling fragmented parcels into one is a costly, time-consuming process. Many promising countries lack good roads, a solid rule of law, or both.

But some investors are trying. Based in New York, the \$3bn NCH Capital has accumulated about 650,000ha across more than 80 farms in Ukraine and Russia, making it one of the world's largest farm operators.

Duxton Asset Management of Singapore has more than \$300m in direct farming investments in 12 countries as diverse as Argentina, Australia, India and Tanzania, says MD Desmond Sheehy. It has operations on 520,000ha cultivated by 500 managers and more than 13,000 workers.

"We tend to invest into actually growing the product," Sheehy says. "Most investors shy away from that, because of the potential reputational risks."

Farmland investing entered the public consciousness after the 2007-08 food price crisis, when grain shortages led to panic buying, and investors piled into agricultural enterprises. A report by the Organisation for Economic Co-operation and Development and the United Nations Food and Agriculture Organisation said it had led some investors "simply to speculate on land prices".

Prices of agricultural commodities have fallen to their lowest levels in a decade amid bumper harvests and weaker government support for biofuel. Some would-be sellers have consequently clung to their land.

Some nongovernmental organisations decry large-scale acquisitions as "landgrabs".

Devlin Kuyek, a researcher with Grain, a Spain-based non-profit organisation that supports smallholders, says the term defines land ownership as a political issue.

"We don't see it just in terms of legal definitions. It has a lot to do with legitimacy and who has legitimate rights to that land, and also the model of development."

Several US states prohibit corporate ownership of farms. Investors in many parts of the world may lease, but not own land.

Brent Bechtle, the head of farm funds at Proterra Investment Partners, views farmland as "kind of an emotional sector. People get nationalist about it. They get patriotic. That's true everywhere."

Leefstylplase gewild by Ceres

Al meer kopers van leefstylplase begin grond in die Ceres-omgewing oorweeg, sê 'n eiendomsagent van die streek.

Benewens Ceres self is van die ander dorpe in die gebied Tulbagh, Wolseley, Op-die-Berg en Prince Alfred Hamlet. Me. Nelia Retief, Seeff se agent vir die Tulbagh/Witzenberg-gebied, sê leefstylplase kos oor die algemeen hier tussen R3 miljoen en R6 miljoen.

Kopers beskou dit as goeie waarde vir geld omdat Kaapstad slegs 135 km, of minder as twee ure se ry, vanaf Ceres is. Pryse vir leefstylplase word nie per hektaar bereken nie, maar op grond van bepaalde eienskappe, sê Retief.

Sy bemark byvoorbeeld 'n 4,2 ha-leefstylplaas in die omgewing van Prince Alfred Hamlet, naby Ceres, vir R4,7 miljoen, en 'n ander stuk grond van 1 200 ha in die Tankwa-Karoo, aan die voet van die Swartruggensberge, teen R6 miljoen.

“ 'n Leefstylkoper soek onder meer 'n mooi uitsig en natuurskoon, internettoegang, privaatheid, veiligheid, 'n mooi huis, en 'n rivier en/of berg-grond.”

'n Mooi huis is gewoonlik vir hulle baie belangrik. “Hulle wil nie graag bou en en breek nie.” Toegang tot elektrisiteit is nie so belangrik nie. “Baie van hulle wil juis ‘off the grid’ lewe,” sê Retief.

Die pryse en van die eienskappe van leefstylplase wat sy verlede jaar naby Tulbagh verkoop het, was:

- R4,75 miljoen vir 0,7 ha: naby die dorp, 'n mooi huis,
- R3,5 miljoen vir 57 ha: 27 ha bewerkbare grond, verder berggrond en twee werkershuise,
- R3,1 miljoen vir 19 ha: huis met 'n uitsig, en
- R800 000 vir 8 ha: geen huis, maar wel 'n dam.

Die vorige jaar het sy drie leefstylplase in die Wolseley-omgewing verkoop:

- R750 000 vir 7 ha berg-grond naby 'n hoofpad,
- R3,95 miljoen vir 46 ha teen 'n berg met 'n huis, woonstel en skuur, en
- R1,85 miljoen vir 20 ha berg-grond met 'n huis en skuur.

Retief sê die afgelope twee jaar was al haar leefstylkopers stadsjapies wat heeltyds na die plase getrek het.

Carien Kruger, *Landbou.com*, 4 March 2016

Western Cape seeks land reform results

Western Cape MEC for economic opportunities Alan Winde has visited too many failed land claims projects whose beneficiaries are struggling because of inadequate support, and has as a result set his province an ambitious target of a 70% success rate for all such initiatives.

This would apply to land claims projects in which the province had invested, Mr Winde said on Wednesday while presenting the 2016-17 budgets for his portfolios — the departments of agriculture and of economic development and tourism.

Agriculture is a key sector in the Western Cape, which produces half of SA's agricultural exports.

The provincial department has set aside R259.8m in the current financial year for its Farmer Support and Development Programme.

But Ben Cousins, the chairman of the Institute for Poverty, Land and Agrarian Studies and a senior professor at the University of the Western Cape, said he was sceptical about the land-reform programme, pointing to the dearth of black commercial farmers in the province.

Mr Winde said: "In the past financial year, we have given 1,572 emerging farmers the tools they need to grow their enterprises. Over the next three years, we will support 4,195 new farmers to take their businesses to the next level."

A total 70% of the new jobs created in the country's agriculture sector in the past year had been generated in the Western Cape, he said.

Mr Winde said the latest Statistics SA figures showed that the number of jobs in the province's agricultural sector grew more than 63% year on year compared with 16% nationally.

The data show that the province's agriculture sector added 83,000 jobs last year. There are now 214,000 people employed in the sector.

"These gains are due, in part, to the decisions we have taken as the Western Cape government, where through our Project Khulisa growth strategy, we have gone all out in sectors with the highest potential for jobs and growth. It's also due to strong positive sentiment from the private sector."

However, drought was placing strain on agriculture in the Western Cape, whose fruit and wine industries are estimated to be losing R1.2bn because of the dry spell.

"We have requested R88m from the national government in drought relief. (But) farmers have obligations that cannot wait (so) we have granted emerging farmers R11m in emergency funding to ensure that they can pay workers and losses they suffer (from) the drought will not put them out of business," said Mr Winde.

The provincial treasury has allocated R787.8m to the Western Cape department of agriculture for the 2016-17 financial year.

Prof Cousins said: "The Western Cape faces particular challenges ... There are too few black commercial farmers and it is difficult for smaller players to break into the market."

If the government wanted new and emerging farmers allocated land to succeed, it had to ensure they could access markets, he said.

Bekezela Phakathi, *Business Day*, 31 March 2016

Swakker rand nie net weens politiek

Die verswakking in die rand kan baie meer toegeskryf word aan globale vloei van kapitaal as aan plaaslike politieke onsekerhede, sê prof. Mohammad Karaan, dekaan van die fakulteit landbouwetenskappe aan die Universiteit van Stellenbosch.

Hy het by die SA Voerkraalvereniging se beesboerkonferensie buite Pretoria gesê politiek vereger dit, maar is nie die grondoorsaak nie. "Baie ander ontluikende ekonomieë se geldeenhede het ook verswak, en selfs erger as by ons."

Hy sê daar is 'n geneigdheid om in krisissomstandighede enige nuwe verwickelinge in verband te probeer bring met bestaande patrone. Nog 'n voorbeeld is dat grondhervorming die oorsaak is vir 'n negatiewe beleggingsklimaat. "Nie heeltemal waar nie. Die grondhervorming wat ons nou sien, sien ons al die afgelope 20 jaar en niks wat ons die afgelope tyd gehoor het is nuut nie. Die negatiewe beleggingsklimaat het dieperliggende grond-oorsake en dit is nie net grondhervorming se skuld nie."

Karaan sê nog 'n neiging wat mens veral baie in die sakewêreld sien is waar mense aanhou om goeie geld in swak projekte te bly belê. Hy sê grondhervorming is ook 'n goeie voorbeeld hiervan. "Dit is makliker om maar net geld daarin te stort as om te stop, alles te heroorweeg en stelselmatig geld te bestee aan projekte wat positiewe resultate lewer."

Hy pleit al vir jare dat die fokus meer op mense as net op grond moet wees. Grond moet oorgedra word aan mense wat in staat is om dit produktief te bewerk. "Ek sien nie die groot getalle mense wat in staat is om daardie grond produktief te bewerk sodat dit tot voordeel van die ekonomie kan wees nie. Ons jong mense word nie met die nodige vaardighede toegerus nie."

Nico van Burick, *Landbou.com*, 22 Maart 2016

Two-a-Day grows in-house entrepreneurs

Two-a-Day recently hosted an annual market day to encourage the entrepreneurial spirit among its staff.

According to Two-a-Day managing director Attie van Zyl, Two-a-Day believes that entrepreneurship is an important economic driver to alleviate poverty.

"We arrange market days each year to encourage the entrepreneurial spirit among our employees. They sold food, clothes and even plants in a fun-filled event," said Van Zyl.

"The market day is a way for all our employees to interact on a social and commercial level."

One of Two-a-Day's employees Wilna Wyngaard commented that the day represented an outstanding opportunity for Two-a-Day workers, from top management to ground-level staff to comfortably work together at the same level.

"Staff were keen to bring their entrepreneurial ideas and expertise to the fore," said Wyngaard.

Tru-Cape Fruit Marketing, marketer and distributor of SA apples and pears, is owned by Two-a-Day and Ceres Fruit Growers and their respective growers. Tru-Cape managing director Roelf Pienaar, agrees that entrepreneurship is a key to unlocking an empowered future for all.

"As the brand face that customers interact with in South Africa, and the marketing team responsible for marketing pome fruit into 103 countries, every piece, of the over 1.5 billion pieces of fruit sold each year, contributes to the livelihoods of more than 15 200 people and their families," he said.

"The excitement with which the Two-a-Day team embraced their entrepreneurial spirit with a market-day activity that reflected the real process of selling the right product in the right place at the right time and at the right price, which is a reflection of what we as a marketing business does, truly makes us happy."

Fin24, 31 March 2016

Tiger Brands backs 80 emerging farmers

Tiger Brands has paid a total of R25 million to small farmers in the past seven years to promote agriculture across all nine provinces in the country by purchasing their agricultural produce. The company yesterday identified the most sourced products were general vegetables and pork. Spokeswoman Nevashnee Naicker said it presently supported more than 80 emerging farmers across the country.

Naicker said the company procured about 23 000 tons of vegetables and fruit from small-scale farmers every year.

"We have spent R25m up to now and this is expected to grow in the near future as new projects are approved in order to grow the programme," Naicker said.

"The products are predominantly tomatoes, white beans, figs and butternuts. We also purchase pigs from an emerging farmer."

It said it had partnered with the government to cushion the impact of the drought, which had forced some farms to close and others to slow down production. The impact of the drought, the worst in more than two decades, has been so far-reaching and severe that industry associations such as Agbiz and GrainSA have called on the government to declare a national disaster.

"The situation is so severe and our government must declare the drought a national disaster," GrainSA chief executive David Frost said.

Agriculture, Fisheries and Forestry Minister Senzeni Zokwana said yesterday that the country had lost R16 billion so far to drought.

Zokwana said despite the loss, the government would not be declaring the drought a national disaster, insisting that in some cases the situation was improving as a result of intervention from the government and non-governmental organisations.

“What we have seen recently as we were doing estimates of crops that would tell us how much we will be able to import in terms of grains and the... estimate is we’ll be able to harvest 7.2 million tons and that would expose us to 1.8 million tons of white maize and 2.7 million tons of yellow maize imports,” Zokwana said.

Tiger Brands’ share price lost 1.45 percent to close trade at R305.49 on the JSE yesterday.

Sandile Mchunu, *Business Report*, 9 March 2016

Update on new AgriBEE codes

What are the implications of the new AgriBEE codes for farmers, small agri-businesses and large enterprises? Consultant Melcus Nel talks to Gerhard Uys about the way forward.

- *How will the codes affect farmers directly?*

If a business, including a farming operation, has an annual turnover of less than R10 million it is regarded as an exempted micro enterprise (EME). As such, many businesses, including farms, automatically qualify for either level 1, 2 or 4, depending on the operation’s BEE ownership percentage.

Black-owned enterprises are considered level 1 BEE contributors, which could be a major advantage for a supplier. A 51% black-owned business is a level 2 contributor. A white-owned business is a level 4.

Under the new codes, farmers will be expected to comply with three priority elements: ownership, skills development and enterprise supplier development (ESD). A minimum target of 40% of the total score of an element must be achieved to prevent a level penalty being incurred.

The two remaining elements are management control, with very onerous targets, and socio-economic development (SED). Although it should be relatively easy for agricultural enterprises to score maximum points for SED, it is important to note that in future beneficiaries have to be consulted beforehand to ensure complete understanding and trust.

- *Which aspects of the new codes do you think would be the most difficult to achieve?*

Without a doubt, the minimum level requirements for ownership and procurement. It will be very difficult to achieve the lowest overall compliance level if the minimum scores are not reached and a level penalty is imposed.

For the same reason, ownership would pose a challenge due to traditional white ownership of farming operations, as well as the need to procure goods and services from black-owned, and in particular, black women-owned enterprises.

The latter two supply categories make up 13 of the 25 procurement points.

- *What would be the best methods family farms could use to ensure adherence to these codes?*

All farmers are facing the same challenges in terms of ownership, procurement, and skills development. Ownership, however, is a much more emotive issue for family businesses. True empowerment is achieved when the cake gets bigger – not when it is cut into more slices. I believe that family businesses should consider expanding their operations in partnership with loyal farm workers.

- *What role does national demographics play?*

Demographic requirements apply to the management control element in the AgriBEE code and not skills development. National demographics are only applicable to national companies and provincial demographics to operations in a particular province.

- *How can black-owned enterprises contribute to AgriBEE? Are they also incentivised to expand in this regard?*

The majority of farming operations in South Africa has a turnover of less than R50 million. Black-owned businesses in this category automatically qualify for level 1 compliance. This makes a huge contribution to the scorecards of agricultural processors.

Whether or not it is fair practice will be debated at length in the foreseeable future. Larger enterprises are measured according to the same principles, irrespective of their ownership structure. There are many incentives for BEE farmers and the composition of the ESD element on the scorecard encourages processors to procure and assist BEE farmers. The challenge lies in training and mentorship.

- *What is your message for farmers with regard to the codes?*

Establish exactly where your operation fits into the sector charter by analysing the size of the business and compliance with various elements. Then, most importantly, establish the real reason for taking part in the process – commercial or emotional – and become part of the solution.

When the decision is taken, choose easily achievable targets and plan carefully before embarking on the process.

- *What will the implications be for companies or farmers that choose to ignore the codes?*

The actual issues that need to be addressed are redistribution of wealth and job creation through training and enterprise development. All enterprises should address these issues strategically.

Farmers who ignore BEE:

- may not be able to do business in any sphere of government;
 - face licensing restrictions, for example, registration of new water rights or Department of Trade and Industry investment incentives;
 - may have to pay higher costs for doing business, for example, increased interest rates from the Land Bank;
 - may be penalised by the major buyers;
 - may not benefit from incentives such as substantial discounts from large companies based on BEE status.
- *What implications do you foresee for agriculture in terms of the new codes?*

The most severe impact will depend on how government sets targets for compliance with regard to import and export licences or investment incentives. The existing minimum requirement for investment incentives is level 4 compliance, and very few agricultural enterprises will qualify in terms of the new codes. Large retail operations will also have to set minimum requirements for suppliers as soon as the final codes have been published.

- *The codes have been amended previously. Do you foresee that this will happen again in future?*

When the original codes were published in 2007, the authorities indicated that targets would be revised for certain elements after a five-year period. Revised targets for certain management levels and procurement targets came into effect in 2012, and were often mistakenly interpreted as an amendment.

I do not foresee any major changes for at least five years, provided companies demonstrate a true intention to comply. If the codes are ignored, I believe government will use the legislation at its disposal to force compliance.

- *What if a farmer is unable to find providers in his area that meet the preferential procurement requirements?*

Phasing in provisions is allowed, subject to an increase in supplier development initiatives. I believe the focus should be on developing suppliers or new farmers alongside current operators to ensure that strong mentorship relationships are developed for the various agricultural disciplines.

What impact will the new codes, as well as land reform discussions, have on the 2016 municipal election?

Land reform has always been a topic of discussion during election years, and many promises are made during election campaigns. By elevating BEE ownership to priority status, it is now receiving

increased prominence. The current political environment in the country is creating a lot of racial tension, and I believe we can expect BEE ownership to be in the spotlight to a far greater extent.

- *Where is the ANC heading with these codes?*

The objectives of the AgriBEE codes are very clear – promoting the economic transformation of black South Africans in the economy. I believe this is also the objective of the ANC government.

The issue of land reform in South Africa is a highly emotional one, and it is debatable whether the prescribed 25% + one share BEE ownership target will satisfy government, ANC members and land claimants.

- *Where do the codes fit into the new 50/50 land reform proposals?*

There are different issues to consider with regards to the 50/50 proposal. Firstly, ownership targets are achieved through a 25% + one BEE shareholding and no additional points are awarded between 25% and 50%. Secondly, a large proportion of procurement targets depend on doing business with a 51% BEE-owned company. Thirdly, enterprise and supplier development activities qualify only if the beneficiary producers are at least 50% BEE-owned.

Gerhard Uys, *Farmer's Weekly*, 16 March 2016

Nuwe belastingkoerse gaan boere knou

Welvaartbelasting gaan boere knou weens die hoë waarde van landbougrond, sê kenners.

Weens die hoë waarde van landbougrond sal die verhoging in sogenaamde eiendomsbelasting, soos kapitaalwinstbelasting (KWB) en hereregte, kommersiële boere sleg tref, sê kenners in reaksie op die Regering se begrotingsaankondigings hieroor.

Mnr. Johan Pienaar, adjunk-direkteur van Agri SA, wys daarop dat die insluitingskoers van individue vir kapitaalwinst verhoog tot 40% vanaf 33,3%, wat in eie reg 'n groot sprong is. "Dit beteken dat die Regering die skroewe verder begin aandraai op sogenaamde rykdom en uiteraard gaan plaasverhandeling ook hierdeur geraak word."

Daarmee saam styg die maksimum effektiewe belastingkoers vir individue by KWB van 13,7% tot 16,4% en vir maatskappye van 18,6% tot 22,4%. Die jaarlikse bedrag waarvandaan KWB gehef word vir individue styg van R30 000 tot R40 000. Vir trusts styg die effektiewe koers van 27,3% tot 32,8%.

Dr. John Purchase, uitvoerende direkteur van Agbiz, wys daarop dat aansienlike grondbesit en -eienaarskap in die landbou binne trusts gesetel is. "Die kwaai verhoging van die effektiewe koers van toepassing op trusts is beslis 'n tipe van welvaartbelasting wat negatief gaan impakteer op die kommersiële landbou."

Dit val saam met ander maatreëls om skuiwergate toe te stop waar trusts gebruik word om boedelbelasting en belasting op skenkings te omseil. Voorheen kom 'n skepper van 'n trust sy bates aan die trust verkoop en 'n rentevrye lening aan die trust vir betaling toestaan. Die Regering wil hê die verkoopte bates moet voortaan deel van trustskepper se boedel vorm en dat rentevrye lenings as skenkings hanteer moet word.

"Bogenoemde is 'n poging om belastingvermyding, deur bates in 'n trust belastingvry oor te dra oor geslagte, te voorkom. Dit is weereens 'n tipe van welvaartbelasting wat ongelukkig negatief op die kommersiële landbou inwerk omdat dit belegging in landbougrond deels ontmoedig," sê Purchase.

Prof. Johann Kirsten, hoof van die departement van landbou-ekonomie aan die Universiteit van Pretoria, sê die verhoging in hereregte op eiendom bo R10 miljoen is groot en omdat baie plase in hierdie kategorie val, sal groot bedrae aan hereregte betaal moet word. "Met grondwaardes wat in baie dele van die landbou dramaties oor die afgelope jare gestyg het, sal dit natuurlik aansienlike kapitaalwinste beteken wat dus nou ook groter belastinge gaan trek."

Volgens dr. Philip Theunissen, rekenmeester en landbou-ekoloog, het hierdie vier belastinge in 2014/15 gesamentlik R20 miljard tot die totale staatsinkomste van R986 miljard bygedra. Dit is

2,03% van die totaal. KWB het R11,7 miljard bygedra, hereregte R6,7 miljard, boedelbelasting R1,5 miljard en skenkingsbelasting R167 miljoen.

Hy waarsku dat goeie en tydige beplanning nodig is om die invloed van die verhogings te beperk sodat die impak daarvan nie katastrofiese gevolge tydens verkope of erfopvolging sal hê nie.

Nico van Burick, *Landbou.com*, 2 Maart 2016

Banking & Capital Markets

Land Bank bied boere blaaskans in droogte

Die Land Bank bied boere, wat in die moeilikheid weens die droogte geraak het, lenings wat tot oor 'n tydperk van tien jaar terugbetaal kan word, het mnr. Tshokolo Nchocho, uitvoerende hoof van die Land Bank, aan die Parlement se portefeuljekomitee vir landbou, bosbou en visserye, gesê.

Die bank het finansiering van R400 miljoen van die Nywerheidsontwikkelingskorporasie bekom en lenings teen 'n vergunningskoers van prima minus drie persentasiepunte word aangebied. Dié konsessielenings is reeds vir boere beskikbaar en hulle kan hiervoor by hulle naaste Land Bank-kantoor aansoek doen.

Nchocho het verduidelik dat die terme van die lenings tussen een tot tien jaar terugbetaalbaar kan wees, afhangende van die doel van die lening en die omstandighede van die kliënt.

Kliënte kan 'n "kapitale vakansie" van tot twee jaar toegestaan word, afhangende van hulle inkomste en omstandighede.

Die konsessielening sal beperk word tot 'n maksimum van R20 miljoen vir 'n enkele lener, en R5 miljoen vir leners met 'n groothandelsfinansieringsfasiliteit.

Nchocho het ook aangedui dat baie boere reeds van die bank se veedeposito-diens gebruik gemaak het. Hierdie program bied belastingvryskelding aan boere in verklaarde rampdroogtegebiede vir vee wat weens die droogte verkoop is.

"Indien 'n boer vee moet verkoop weens die droogte, kan die geld uit die verkope verkry, by die bank vir 'n minimum tydperk van ses maande inbetaal word."

Teen einde Januarie vanjaar het boere reeds R375 miljoen se deposito's gemaak.

Die skema bestaan al sedert 1983 en staan amptelik bekend as "die veeverminderingsskema weens droogte". Die Land Bank hanteer dit namens die staat. Slegs geld wat uit die verkoop van vee bekom is, mag belê word, en dit moet binne 90 dae ná die verkooptransaksie plaasvind.

Joylene van Wyk, *Landbou.com*, 9 Maart 2016

Apply for loans now, Land Bank tells farmers

The Land Bank has called on farmers in drought declared provinces to apply for concessional loans worth R400 million raised from the Industrial Development Corporation (IDC) to help ease the effects and return to viability in the long term.

Chief executive Tshokolo Nchocho said the loan would cover the anticipated shortfall in both commercial and emerging farming sectors.

Nchocho said without interventions and financial assistance, the farming community was likely to face grim prospects with none of the clouds offering a silver lining.

"The conditions in the affected provinces are unforgiving – both to the crops and livestock," Nchocho said. "In keeping with our mandate, this collaboration effort with the IDC is an offer of practical support to help farmers cope with the drought and recover when conditions improve."

The drought has hit the key agricultural provinces of KwaZulu-Natal, Mpumalanga, North West, Limpopo and Free State with poor rainfall and critical loss in production, especially of staple maize. Estimates show that maize production was set to decline considerably this season as a result of a marked reduction of some 27.1 percent in the area planted.

Nchocho said the bank was also looking to advance a further R15 billion in the next three years towards financing growth and transformation in the agricultural sector.

Absa senior agricultural economist, Ernst Janovsky, said small-scale farmers who had almost lost everything and could not take advantage of the surge in prices of agricultural products would be the biggest beneficiaries of the loan.

Janovsky said while production had declined by an average 30 percent, there had been a more than 50 percent increase in prices.

“So the prices compensate for the drop in production. But there are individuals who have nothing to sell. Those are the guys who are in trouble. These are the small-scale farmers doing subsistence farming. These are the people that government wants to bring relief to,” he said.

Grain SA economist, Wandile Sihlobo, said while the loan was an encouraging step, the available amount was well below the R12bn needed to mitigate the effects of the drought.

Siseko Njobeni, *Business Report*, 31 March 2016

Land Bank vra subsidies vir versekering

Die Land Bank en die IDC het voorleggings gedoen oor die hulp wat aan boere in rampdroogtegebiede verleen word.

’n Konsepdokument is reeds ontwikkel in ’n poging om versekeringssubsidies vir droogteskade aan boere te verleen, het die Parlement se portefeuljekomitee vir landbou, bosbou en visserye van die Land Bank gehoor.

Mnr. Tshokolo Nchocho, uitvoerende hoof van die Land Bank, het gesê Suid-Afrika is die enigste van die Brics-lande wat nie versekeringssubsidies vir sy boere bied nie.

Die bank het saam met die Departement van Landbou, Bosbou en Visserye die inisiatief geneem om ’n konsepdokument te ontwikkel oor hoe die land boerderybedrywighede kan help deur subsidies vir versekering te bied. Nchocho het gesê hierdie inisiatief is reeds met die Nasionale Tesourie bespreek. Die saak word oorweeg, maar hy het benadruk dat die ontwikkeling van die moontlike konsep maar redelik stadig vorder.

“Gegewe dat die land uit ’n perspektief van klimaatsverandering baie droog en wisselvallig is, dink ek ons moet as ’n nasie dit oorweeg om ’n soort publieke/privaat-venootskapstruktuur te hê om boere se versekeringspremies te subsidieër.” Hy het verder aangedui dat weens die droogte daar ’n afname in kliënte was wat versekering uitgeneem het.

Wanneer sy kliënte so in die moeilikheid raak dat die lenings nie terugbetaal kan word nie, het die bank ’n spesiale eenheid wat kyk hoe die probleem opgelos kan word. Dit staan bekend as die uitwerk- en hersteleenheid. Nchocho verduidelik dat ’n span spesialiste van die bank saam met die kliënt kyk wat die moontlikhede is om hom uit die penarie te help. Dit kan wees die toestaan van ’n verdere lening of die inbring van ’n derdeparty-belegger om die landbou-onderneming lewensvatbaar te maak.

“Ons gee dit die kans op oorlewing, byna soos om ’n pasiënt in die intensiewe-sorgeenheid te plaas en hom te probeer herstel.” Die realiteit egter is dat indien geen manier gevind kan word om die besigheid te red nie, is die enigste pad om dit te likwideer.

Joylene van Wyk, *Landbou.com*, 10 Maart 2016

‘View agriculture as an investment vehicle’

Standard Bank on Tuesday urged South Africa’s farmers to view agriculture as a long-term investment vehicle despite the ongoing drought that was crippling the industry.

The bank’s head of Agribusiness SA, Nico Groenewald, in a statement said although agriculture had always been the backbone of most rural economies, it can become a social and financial investment vehicle capable of driving positive change at national and regional levels.

Groenewald advised that farmers wanting to take “an investment approach” should stick to the basics of financing, as proven by banks.

Groenewald was speaking at Standard Bank’s annual road show held in Centurion on Tuesday, where he encouraged primary producers to take a long-term view rather than being caught up in the immediate crisis of the country’s worst drought in 80 years.

“This is not just a financial consideration. It also has immense social implications. It will shift agriculture into the domain of social investment, whereby people invest not only for a financial return, but also to ensure that society functions more equitably as a result of their input,” Groenewald said in the statement.

Groenewald also said that banks were in the business of creating wealth, “but they can do that only through entrepreneurs who invest in themselves and the future”.

“We believe it’s time for farmers to be such entrepreneurs,” Groenewald said.

Groenewald said banks with agricultural business units provided ancillary services that could help farmers achieve a competitive advantage and mitigate their risks.

These include; access to specialists focusing on financial viability, repayment ability and appropriate debt restructuring, agricultural market trend and information services, agricultural publications, value chain funding solutions, and tangible support of organised agriculture.

The government’s Crop Estimates Committee last month said South Africa would likely harvest 7.255 million tons of maize in 2016, 27 percent less than the 9.95 million tons reaped last year. They attributed the decline in the harvest to the drought and late plantings.

Local and foreign traders said as a result, South Africa would have to source hundreds of thousands of tons of white maize in the coming months from Mexico.

According to Grain SA, the country would need at least R20 billion to import the 5 to 6 million tons of maize needed to mitigate the effects the drought has had on crop production in the country, which had cost the agricultural sector R16 billion so far.

White maize is the staple source of calories for most South African households, but shortages are looming, driving up domestic prices and inflation.

Agriculture’s value added percentage of gross domestic product in South Africa was last measured at 2.49 percent in 2014, according to the World Bank.

Siphelele Dlodla, *African News Agency*, 15 March 2016

Banke wil boere help – Nico Groenewald

Geen bank wil sommer net boere wat weens die droogte swaar trek, se verbande oproep nie, sê mnr. Nico Groenewald van Standard Bank.

“Dit is nie die eerste droogte wat ons beleef nie, ons is al voorheen deur die siklus. Ons kyk op ’n plaas-tot-plaas-grondslag na oplossings,” sê mnr. Nico Groenewald, hoof van agribesigheid by Standard Bank.

Hy het in Centurion só op ’n vraag uit die gehoor gereageer tydens Standard Bank se agribesigheidsafdeling se jaarlikse landwye roetevergaderings.

Die vraag was wat die bank gaan doen om boere in die droogte te help. Groenewald het gesê 'n bank kan nie sommer net rente "afskakel" nie, maar kan sy kundiges inspan om te kyk na byvoorbeeld die boer se verskillende inkomstebronne en na die herstrukturering van sy skuld.

"Laat ons na jou spesifieke situasie kyk en hoe ons kan herskeduleer. Dit is die beste wat 'n bank kan doen."

Groenewald het boere gevra om in gedagte te hou dat die landbou 'n sikliese sektor is. Die weer is 'n grondliggende maar onvoorspelbare faktor, waarvoor beter strategieë voortdurend ontwikkel moet word.

Hy het primêre produsente aangemoedig om 'n langtermynsiening te hê en nie in die onmiddellike krisis van die land se ergste droogte in 80 jaar verstregtel te raak nie.

Oor landbouskuld het hy gesê Standard Bank weet die landbou maak grootliks staat op die gebruik van skuld om te kan groei. "Wat wel kritiek belangrik is, is dat 'n mens moet verstaan wat die invloed van skuld op jou onderneming is. Skuld moet jou nie langs die pad vang nie."

Groenewald meen die bedryf het nog ruimte om verdere skuld te hanteer, maar dit moet verantwoordelik gedoen word.

Dr. Herman van Schalkwyk, besturende direkteur van Aginfo en uitvoerende hoof van die Suidwes Groep, het oor die ekonomie en die landbou by die geleentheid gepraat en gesê dit is tans baie moeilik om pryse van primêre produkte (kommoditeite) te voorspel. Hy verwag onder meer dat plaaslike kunsmispryse weens die swak rand vinniger as internasionale pryse kan styg.

Die droogte sal verder stygings in vleispryse veroorsaak. Die verhouding van speenkalf-, beesvleis- en lamsvleispryse tot dié van geelmielies het met tussen 45% en 55,3% verswak.

Indien daar in die winter nie genoeg voer is nie, kan speenkalwers se pryse in die tweede helfte van vanjaar selfs meer as verwag styg.

In Januarie vanjaar is 16,4% meer beeste en 9,1% meer lammers as 'n jaar gelede geslag, het hy gesê.

Carien Kruger, *Landbou.com*, 16 Maart 2016

Capitec's headline earnings surge ahead

Capitec Bank reported a surge in headline earnings by 25.78 percent to R3.2 billion on the back of its highest annual client growth experienced in its history in terms of active banking client numbers.

The bank increased its clients by 1.03 million, to a total of 7.3 million for the year to end February 2016. Chief executive Gerrie Fourie said the results reflected the bank's investment in its staffers.

Fourie said that the brand acceptance continued to grow substantially in the market and that 26 percent growth in total retail deposits to R37.8bn was further testimony to the trust in the brand.

"We are excited about the continued growth in client numbers and in particular the higher income clients who are finding our offer the best value in the market, which is an important consideration for consumers in the current economic climate," said Fourie. Capitec share rose 1.25 percent yesterday to close at R569.29.

Early this month British based Lafferty Group chose Capitec as the best bank in the world, despite operating in tough economic conditions where South Africa's economy is predicted to grow by 0.7 percent for the year.

"We are worried by the South African economy, but we also see some big opportunities for our business. The banking and transactional division we have seen opportunities for growth as we get new clients. However, it is on the credit side of our model where we anticipate a poor third and fourth quarter because of an increase in interest rates. This will have a negative impact on business, but we have a credit model that will handle the toughest of times," Fourie said.

The bank granted 864 935 more loans in 2015 than in 2014. Gross loans and advances increased by R4.6bn to R40.9bn. Capitec has increased the number of branches by 52, to 720 overall and expanded its distribution footprint in key urban areas. It increased the number of its automatic teller

machines by 287 to 3 705 for the year and introduced cash recyclers so that smaller retailers could do cash deposits at very low cost.

“There is still a lot of opportunities in the country and we remain committed to South Africa and it is here where we want to grow first. We have no plans to spread beyond our borders just yet,” Fourie said.

Next Monday the market will see African Bank making a return in the banking sector. However, Fourie was unfazed by the competition. “We serve our clients’ needs and we will continue with our strategy that has worked well for us. We understand our client and we are not afraid of losing our market share to any other bank,” he said. Capitec’s headline earnings per share were up by 26 percent to 2 787 cents.

Brad Preston, chief investment officer at Mergence Investment Management said: “The Capitec results were very solid, with strong growth in both net interest income and net fee income. This strong performance came despite Capitec increasing their provisioning quite aggressively and growing their provision for doubtful debts by 33 percent to take into account the potential negative impact of the macro environment on their clients’ financial health.”

Capitec declared a gross dividend of 680 cents, bringing the total dividends paid for the year to 1 055c, an increase of 26 percent on the previous year.

Sandile Mchunu, *IOL*, 31 March 2016

Sasfin hires ex-Abil exec to help with transactional banking

Niche financial services company, Sasfin’s decision to enter transactional banking was a “bold move” and one taken without a lot of knowledge, admits group CEO, Roland Sassoon, who is confident that despite a slow start Sasfin will get it right over time.

Historically a trade and equipment financier with wealth management services for private clients, Sasfin’s transactional banking platform went live in January 2015, with efforts to target its existing wealth and business clients ramped up in the second half of last year.

Sasfin had 8 274 investment clients on its core banking platform at February 2016, of which roughly 1 200 had transactional accounts, according to transactional banking head, Rodger Dunn.

The transactional banking and treasury division made R4 million in profits for the six months to December 2015, down from R7.9 million in the prior period as a function of start-up losses and lower than expected revenue growth in a “very competitive space”, said group FD, Tyrone Soondarjee.

“Sometimes you’ve got to just get your feet wet, you don’t really know how it’s going to work out. We took this bold move because it just made a lot of sense and it still makes a lot of sense,” Sassoon told Moneyweb on Thursday, after son, Michael had earlier described transactional banking as “critical” to the long-term strategy of a bank at the group’s interim results presentation.

Michael is executive director and head of the wealth and capital businesses at Sasfin.

Placing transactional banking at the core of its value offering, Sasfin has hired Charles Chemel, former group executive of customer value proposition at African Bank Investments Limited (Abil), to position the offering correctly, Sassoon said.

Chemel was an Abil executive for ten years, following a 16-year stint at Standard Bank, including as director of product development.

Having initially targeted its existing clients by offering reduced fees, the group will now start to pitch the product at small-, medium- and micro-sized enterprises (SMME), Sassoon said.

“The most underserved market in transactional banking is the SME. That market requires a lot of nurturing and we want to be very responsive to it,” Sassoon said, noting that Sasfin does not intend to launch retail bank offerings.

As part of its offering to SMMEs, Sasfin plans to launch a reverse factoring product, whereby it buys the debt that clients owe suppliers.

It is also exploring fintech opportunities in, for example, robo advice, Sassoon said, which fits in with its wealth offering.

Excluding once-off gains in 2014, the wealth unit grew profits 43% to R33 million, underpinned by a 26% increase in assets under management to R112 billion.

Business banking, which accounts for some 63% of the group's profits, grew profits 81% to R86.2 million for the six months to December 2015, after accounting for the acquisition of the Fintech Group, which provides corporate asset finance solutions, and a lower net credit impairment charge.

When removing the impact of Fintech, business banking profits were up 40% to R66 million.

Sasfin would like to grow its trade finance business in Hong Kong, Sasfin Asia Limited. "It used to be much more active in African markets, up until the Lehman collapse. We then lost our credit insurance cover, because credit insurers all ran scared, and we are not prepared to deal in Africa without credit insurance. It's now starting to come up again," Sassoon said.

The group grew gross loans and advances 36% to R5.9 billion over the period, of which R663 million was in trade finance, largely attributable to the Asia business.

While more cautious on the business lending side due to the strained economic environment, Sasfin continues to see growth particularly because bigger banks are tending to be "a little bit less aggressive", Sassoon said. "We see opportunities in the engineering sector."

The bank's credit loss ratio fell to 52 basis points (December 2014: 98 bps) and will probably drift up, Sassoon said, but not above 100 bps.

Sasfin grew headline earnings 31% for the six-month period to R106.1 million. Return on equity strengthened from 15% to 17%.

The company's share price closed Thursday 4.42% higher at R54.30, as the Banks Index rallied as much as 5.38% following the Reserve Bank's decision to hike the repo rate, which has an immediate positive impact on banks' income.

Hanna Ziady, *Moneyweb*, 18 March 2016

Zimbabwe's banks face cash crunch

Some Zimbabwean banks are struggling to provide cash and are limiting amounts to individuals and companies, which the central bank blamed on the financial institutions underestimating demand and failing to improve cash distribution to branches.

Since Monday, customers from several banks have struggled to access money from automatic teller machines while daily withdrawals at banking halls have been limited to as low as \$200.

At three different banks in Harare on Wednesday, a Reuters witness saw customers being told to wait until there was enough money from deposits before being served. Several bank machines were also not dispensing cash.

"It is not a problem of the availability (of cash). It's more about distribution. Banks underestimated the demand for cash," Reserve Bank of Zimbabwe governor John Mangudya told the privately-owned NewsDay newspaper.

Mangudya was unavailable for further comment.

Last month, Mangudya capped daily withdrawals at \$10 000, saying amounts above that figure required central bank approval. He also said individuals and companies had illegally exported \$1.8 billion in 2015.

Zimbabwe does not have its own currency, which it dumped in favour of the US dollar in 2009 after hyper-inflation reached 500 billion percent, at the height of an economic crisis.

Local banks have to import bank notes, mostly from the United States and South Africa because Zimbabweans mainly use the US dollar and rand currency. The sterling pound, euro and Chinese yuan are also legal tender.

Who's the boss? Office hierarchy is dead

After predictions of its demise, the traditional office structure is crumbling.

Only 38 percent of companies in a recent survey say they are "functionally organised".

For large companies with more than 50 000 employees, that number shrinks to 24 percent.

These organisations are moving away from the top-down hierarchies, inherited from the industrial age, suggests a Deloitte survey, released last week, of more than 7 000 companies.

Traditionally, jobs were organised by function - sales people worked with sales people; marketing people with marketing - and success meant moving up the chain.

But in a modern workplace, people have less-defined jobs and move laterally from project to project, said Deloitte's Josh Bersin, who worked on the study. "We're now operating businesses as networks of teams," he said. Companies that haven't already made this shift are thinking about it - 92 percent of those surveyed cited organisational redesign as the top priority.

The general thinking is that top-down management is slow and painful. Studies have found that hierarchy leads to conflict in teams, which is how most work is done these days. "The traditional structure doesn't necessarily work in every environment," said Jeff Luttrell, the director of talent acquisition for the mid-Atlantic region at Alorica. "In this age we don't just report in to one group anymore."

Companies that stick with the hierarchy fall behind, added Bersin. "They can't innovate, they can't adapt."

So companies are adapting, ditching rigid levels and titles for something more fluid. What that something looks like depends on the organisation.

There are, of course, high-profile examples such as Zappos and Medium, which have adopted the alternative management structure called Holacracy. Or such companies as Valve, which have completely flat, leaderless organisations. But many more organisations are naturally shifting to teams in a less formal, often messier, way. Bersin calls the new structure "amoeba like", in that groups of teams shift and move to adapt to a business's needs. He likens it to the way Hollywood operates, assembling experts to tackle given projects, for a given period of time, and then dismantling and reassembling.

While the hierarchy may be heading toward extinction, the move to team-based work hasn't been entirely painless.

The same Deloitte survey from last year found that 74 percent of those surveyed rated the work environment as complex or highly complex. "Companies are struggling with it," said Bersin. "Some day in the future this will all be natural; we're not there yet. We're still thinking about, 'How do I get promoted?'"

Rebecca Greenfield, *Bloomberg*, 13 March 2016