

The greater priority in efficiency, the greater food security

Agriculture was the one sector that maintained momentum last year, providing essential support to the overall economy during some difficult times. Now with the drop in fuel prices, constructive labour relations in agriculture and favourable climatic conditions resulting in good yields to date, farmers need to prioritise improving efficiencies more so this year.

This is according to Standard Bank's Head of Agribusiness, Nico Groenewald who says, "The industry was proactive in working with government and other stakeholders to resolve issues around labour, which resulted in the labour unrest of 2013 not repeating itself. The industry also demonstrated its willingness to help find a sustainable way forward for land ownership. Keeping a steady head on two such fundamental influences on agricultural viability helped boost productivity and, therefore, the industry's competitiveness."



Nico Groenewald, Head of Agribusiness Standard Bank.

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"However, we must ensure this year that we jointly reach some definitive conclusions that will enable the industry to grow strongly and, thereby, become an employer and a career of choice. Taken together, these factors will give South Africa greater food security."

"Achieving this will mean taking a holistic view of agriculture rather than seeing it as a collection of different industries, each with its own interests. It will also mean that agriculture must continue its trend towards being highly organised so as to more effectively protect and promote the interests of its members."

Groenewald cites the example of Grain SA, which has been proactive in establishing new markets and facilitating the affordability of inputs and the profitability of product sales on behalf of farmers.

For Groenewald, examples like these reinforce the need for efficiency at all levels of agriculture, not just on the farm.

Water usage

"One of the urgent efficiency issues we need to address, as an organised and progressive sector, is water usage. There is much more we can do, as the country's largest consumer of water, to ensure that we use only the amount that is essential for production."



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To this end, Groenewald believes that farmers will need to adopt precision technologies.

"In fact, technology in general is a significant factor not just in efficient farming but also in greener farming. For instance, as precision application of water for crops has shown, benefits to the environment don't arise simply as a result of reduced water usage. They're also triggered by a reduction in the use of overall resources. Pumping water on a precision basis means using less energy. This results in lower costs and,

therefore, increased margins."

Even the current lower fuel price is a reason for tightening operational efficiency. Recognising that most farmers don't have the means to stockpile fuel, Groenewald nonetheless advises that, wherever possible, farmers adjust production schedules to take advantage of the lower price. "Even when that is not possible, if you remain vigilant about fuel usage along with all your other efficiencies, the lower fuel price can deliver some savings for you."

"At the very least, astute fuel usage makes your operation greener. This will be attractive to banks like ours, which are putting in place finance options based on the fact that there is usually an initial capital outlay needed to become greener but that environmentally beneficial operations do generate significant return on investment over time."

2015 will be no different from other years, in terms of the impact on the local industry of dynamic factors such as the international price of food and inputs, fluctuations in the exchange rate, and unpredictable weather patterns.

"Farming is a long-term venture," says Groenewald. "There are no quick wins. Therefore, regardless of the current trends, the best way to stay viable remains the same. Manage the farm as though it is a business. Understand your costs and your markets. Plan ahead in detail. Make provision, through your own investment or insurance, for risks. And hedge at least one third of your product prices so that you are confident of that income while remaining free to capitalise on end-of-season price increases.

"With these basics in place there is no reason why 2015 should not be a good year."

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