

How to do it

You will need to meet with one of our financial consultants, who will follow the process below:

- A financial needs analysis will be conducted to determine the next steps. This may also identify other issues that may need attention to assist in the optimum running of your business.
- A cash flow analysis will be prepared to calculate whether an ILRO would be profitable to your business. There are circumstances in which it may not be the preferred structure for you.
- If an ILRO does present advantages for you, the loan agreement will be drawn up to cater for this structure.
- Once that has been done, the ILRO would come into operation, and your business would then enjoy the benefits of a tailored funding structure.

Conclusion

An ILRO is beneficial because it uses tax opportunities. The structure can maintain a reduction in your annual taxable income because your liability remains high during the loan term. If you are looking to maximise the effectiveness of your MTL, an ILRO may be very valuable.

For more information visit your nearest branch or call our agricultural department on 011 636 6162.



SA Biofarm Institute brings you the following events during 2008:

The National Biological Forum 2008 Profitable and Sustainable Biological Farming Bloemfontein 11 – 12 March 2008. Worcester 19 – 20 March 2008.

Most farmers discover that by harnessing Nature's energy they can maintain high levels of production at considerably reduced costs and risks. FORUM 2008 has been designed to facilitate the pooling of knowledge on all aspects of biological farming. The keynote speakers at this forum will be South African farmers and consultants who are demonstrating the immense advantage of biological farming. They will lay the foundation for in-depth debate that will undoubtedly bring valuable knowledge on the science and practical application of biological farming to light.

Whether you are a beginner or advanced biological farmer, FORUM 2008 will most certainly enrich and motivate you.

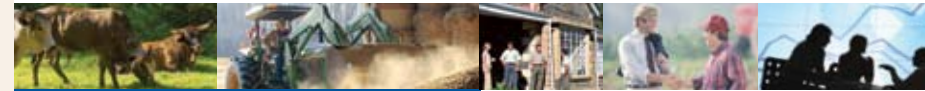
Potato Workshop with International consultant Alan Perry Bloemfontein 13 – 14 March 2008. Sandveld 17 – 18 March 2008.

Potato farmers can achieve large input cost reductions and produce higher quality potatoes by applying biological farming practices. The potato workshop is aimed at how to implement these practices. Alan Perry, an international consultant on biological potato production, from the USA, will be making valuable contributions through the workshop.

We are also hosting the following events during the year:

- Introductory Course on Soil Fertility, Neal Kinsey, 17 – 19 June 2008.
- Certificate on Biological Farming, 22 – 25 July 2008. This will cover all aspects of biological farming including soil fertility, tillage practices, fertilizer management, plant management, pest and disease control.

To register for these events visit www.sabiofarm.co.za or phone Tel: 012 333 4 222 email: info@sabiofarm.co.za



Agri review

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Livestock identity tags

Consumerism requires a paradigm shift in conventional animal production techniques.

Traceability

Modern society places a lot of importance on health, safety and visibility when it comes to food products. Consumers are becoming progressively more concerned about the origin, quality and handling process of the food they eat. In recent years many standards and regulations have been introduced to protect consumers from irregular and harmful practices. Providing the assurances demanded by consumers is a challenge, which can easily be addressed through reliable traceability.

“Traceability is the ability to trace the history, application or location of an entity by means of recorded identifications”. (Hurburgh, 2004). In terms of agriculture the purpose is to manage production

(quality and safety assurance), logistics and whether there is compliance with legislation.

Contamination problems are visible all over the globe. From salmonella infected meat in Australia to Asian bird flu in Canada. There have been numerous reports of mad cow disease in the US, foot and mouth disease in the UK and fertiliser contamination of pineapples in South Africa; this is all exaggerated by global trade. As global trade increases and products move easily across borders, it is of utmost importance to have measures in place protecting end consumers from unsafe or contaminated products.

Various governments have put programmes in place to track individual products through the value chain, from production



Traceability puts control back in the agricultural industry's hands.



through to distribution and consumption. If these can be monitored accurately and give reliable information, traceability could alleviate the disastrous effects of disease spreading and lost consumer confidence.

Livestock industry

Gross income from animal products grew by about 22% from 2005 to 2006, and income attributable to animal production accounted for almost 50% of the total gross income generated by agriculture during the first two quarters of 2007. Looking at the importance of stock farming, especially in South Africa, coupled with increased global trade, South African producers need to look at more reliable systems of record keeping. To gain confidence internationally and strengthen our trading relationships, integrated data capturing and record keeping is essential.

In the past, various practices have been used to mark animals, examples being hot-iron branding, ear notching and tattoos. But increased consumer demands require that you look at a holistic solution that will benefit your business on various levels. Previous marking methods were time-consuming, "short-term" solutions and not always reliable. A more sophisticated solution is vital, especially with the increased emphasis on safety and quality assurance, visibility in the supply chain and numerous legislative standards to adhere to.

New technology has been developed for the identification of livestock. Electronic identification of animals is not a new concept to the European Union or Canada where sophisticated tracking methods are used. The European Council of Ministers adopted a law in late 2003, requiring the individual electronic tagging of sheep and goats using Radio Frequency Identification (RFID) technology throughout Europe. The US also started looking at a National Animal Identification System (NAIS) where an animal's movements could be tracked on a national database. Most of these

developments have been voluntarily implemented with the intention of becoming compulsory at a future date.

A new solution

A first in South Africa is a new product distributed by Intervet, a good management protocol system supported by ear tags. This is a centralised system accessible by state veterinary departments, law enforcement departments, auctioneers, feedlots, abattoirs, meat processing plants and the retail meat sector. Laser marked Allflex, animal ear tags have a unique ID number issued from a central database, hosted by Unisys, which is simultaneously machine readable and visible to the human eye.

Currently, the ID Tags (GMPTAGS) are available in three sizes. Since the tags are non-reusable and cannot be duplicated they are referred to as "unique tamper evident tags", with a very long lifespan. By using the tags in conjunction with the freely downloadable GMPBasicTM software, all the animals' details can be recorded, including brand identification details, weight, pregnancy status, species, breed, gender, medical history, notifiable (for example, blue ear) and erosion disease test results as well as information about new and previous owners, and movement control.

This could facilitate improving stock theft control as ownership can easily be confirmed with the ID tag number linked to the DNA of the animal, other identification, including RFID and brand registration number. Various reports can be generated to help the producer to better manage his/her herd. Animals managed under a herd health concept can easily be identified and may even sell for a premium.

"Quality-approved" South African meat (such as the "Certified Natural Lamb" from Shoprite Checkers), can now be differentiated from imported meat which has no traceability from "farm to fork". This traceability solution is an affordable alternative to the more expensive technology used internationally which is not seen as economical for the average

South African livestock owner.

For the data to be useful it has to be interpreted and used to benefit the business. Frequently the term "traceability" is synonymous with increased effort, negative cost implications and compulsory regulations. It is, however, beneficial to change one's mindset from "cost" to "value". Keeping accurate records and transforming the available data into information that can benefit your business on various levels will add value to stock.

Traceability puts the control back in the agricultural industry's hands by aiding in managing risks and addressing future issues, enabling you to locate, supply and recall products when needed. This will assist in protecting your business' reputation and increasing productivity. It will equip involved individuals with knowledge regarding the product's production, where it is coming from and where it is going. It improves transparency throughout the chain to all stakeholders. It also provides a support structure for validating claims concerning the quality, safety and attributes of a specific product.

Conclusion

Globally, supply chain management and integration is becoming increasingly important. South Africa has to adapt to international standards and procedures to remain on the playing field. Being pro-active in this respect could save a lot of time and effort. Looking back at the foot and mouth disease outbreak in August 2006, the UK was able to locate the infected animals successfully and sent daily reports to trading partners on the progress being made. The UK was able to contain the disease and reassured trading partners which enabled them to continue trade. Why wait for regulations and forced compliance, would it not be to South Africa's advantage to "upgrade" our current practises, eventually leading to increased competitiveness.

Sources: Intervet
Landbou Weekblad
Pork Magazine – Industry Insight
National Department of Agriculture



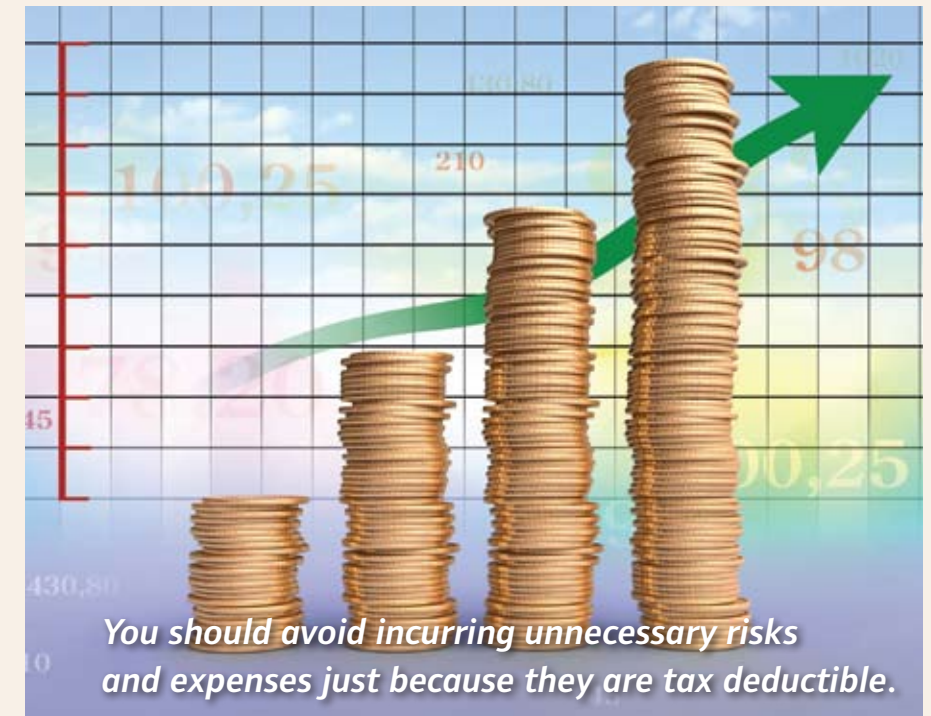
Financial effectiveness in repaying a farming loan

Repaying your loan does not have to leave your finances in shambles.

It takes capital to own and run a business. Often, some of the capital is yours (equity capital) and some is borrowed:

- Equity capital – this is the capital injected into the business by its owners or founders, and could be share capital (if it is a company) or other forms of direct investment that would give the owners control of the business and participation in the profits.
- Borrowed capital – could be a loan from a bank or finance company, or an individual.

A farm business is no exception, and most farming operations need to borrow money from a bank or other institution, particularly when it is planning to expand. Borrowed capital enables the business to take advantage of profit opportunities, but it should be used productively. It can leverage equity capital in a way that is beneficial to the investor by increasing the return on equity beyond the return on total assets. Borrowed capital should only be used in the farm business if it can increase the farm profit. The farm net income per R100 capital employed should exceed the average cost of the loan capital as a percentage. This results in a positive financial leverage indicating that the borrowed funds have been used in a lucrative manner in the business.



Borrowed capital can also be detrimental for the business if own capital (equity) is used to subsidise the interest of the loan. This would indicate a negative financial leverage which may result in the equity of the business being eroded.

When you decide to use borrowed capital in your business you must first identify what you need the funds for and talk to a financial consultant to ensure that you choose the appropriate bank product. Another consideration is to ensure that your borrowing solution is tax efficient. If your farming business is in a tax paying situation (all accumulated tax deficits have been settled) interest payments of the loan would be deducted from the taxable income, reducing the tax liability of the business.

The Medium Term Loan (MTL) is one of our widely used products. MTL is suitable for purchasing long-term fixed assets as

the capital repayments can be structured to meet your cash flow projections. An MTL provides you with a sense of security because it is generally bound in a contract that prescribes the term and conditions of the loan.

An Investment-Linked Repayment Option

Standard Bank's Investment-Linked Repayment Option (ILRO) can be structured to match cash flow requirements, profitability models, or even both of these in combination.

Simply put, the MTL is restructured such that the full amount of capital becomes repayable only at the end of the term of the loan. It is therefore an "interest-only" loan, because the capital that would be paid on the loan is being paid into the investment.

disproportionately with city size.” (Urbanisation and Migration in the Third World, reproduced from economic review, University of South Hampton).

Over-urbanisation can become a huge headache when diseconomies of scale emerge and social costs incurred from migrants such as noise, pollution, and congestion is placed on other individuals. With rapid urbanisation, available resources come under strain. Development and planning not only plays a pivotal role in supporting urban residents but also in alleviating pressures in cities caused by the inflow of migrants.

Even the livelihoods of people living in metropolitan areas differ significantly. Privileged individuals live in modern houses, with adequate supply of water, electricity and other essentials. While some people live in poverty in small houses or shacks, squatters do not have the luxury of municipal services and insufficient waste management often leads to health hazards. One of the consequences of urbanisation is the escalating formation of slums. This in turn leads to problems such as poverty, exaggerated population growth (which may have been appropriate in the rural areas, but not in the city) and declining living conditions.

Increased populations living in innercity slums and informal settlements exploit other sources of ground water supplies when access to clean water is not available. This exacerbates contamination through storm water drainage presently caused by municipal, agricultural, mining and industrial developments. Water is one of South Africa’s scarcest resources and is vital for sustainable agriculture and food security. The results of increased contamination of groundwater could be devastating. Another negative consequence is the use of high-potential arable land for expanding urban developments. “It has always been a problem, but has during the last 10 years escalated due to the fast expansion of informal settlements – often onto prime agricultural land.” MC Laker, 2005. According to Sustainable Settlement SA

(CSIR), every year 20 000 to 40 000km² of arable land is lost as a direct consequence of urbanisation.

Footprint of globalisation

Globalisation is the trend in economic activity to expand to a world arena in terms of trade, investment, and movements of skills and culture. International trade, capital mobility, market integration and migration are the determinants of globalisation, migration is even seen as one of the measurements of economic globalisation. South Africa has become a player in the global playing field and has seen many benefits in economic growth since the deregulation of markets but it has taken its toll in terms of urbanisation. This is of concern, especially if you think of decreasing world food supply, escalating food inflation and a growing world population.

Conclusion

Agriculture plays a big role in halting momentum of rural-urban migration. It serves as the foundation of economic activities in rural areas, attracting people and services necessary for a society to function. Support and dedication from government is however pivotal. A strategic partnership between government and the private sector will ensure that these goals, as set out in the Strategic Plan for Agriculture

2001, will be accomplished. One of the strategic goals is the Integrated and Sustainable Rural Development Strategy (ISRDS), which iterate the importance of transforming rural areas into a “economically viable, socially stable and harmonious sector that makes a significant contribution to the nation’s GDP”. Maybe if basic human needs are met, workers will be more hesitant to head for the big city lights.

Source: University of the Western Cape, Enviro Facts

Urbanisation and Migration in the third world (reproduced from Economic Review, 14(2), November 1996, University of South Hampton.)

Going for Broke: The Fate of Farm Workers in Arid SA, Doreen Atkinson.

Strategic Plan for South African Agriculture, 2001.

South Africa’s Soil Resources and Sustainable Development

M.C. Laker, Retired Professor of Soil Science, University of Pretoria.



Business plan – marketing and production plan

Having a plan is like having a roadmap for your goals.



Before considering production of any crop you must have a marketing plan. It does not help to produce a crop only to find that you cannot dispose of it profitably. To make informed decisions you need to have an idea of your production and marketing costs, expected prices at a certain time of the year and your target market.

Marketing plan

Many farmers produce good quality crops; however, this is only part of being successful, marketing it to best advantage is another part. For your farm business to be successful and profitable, you must have a clear understanding of your customers, strengths and competition.

Anyone reading your plan should be able to see how you intend marketing your product. You must have a thorough knowledge of your target market. A marketing plan explains how you’re

going to get your customers to buy your product, therefore you must know what drives the buying decision.

To prepare a marketing plan you need to consider the current market, potential customers, competitors, your strategy to penetrate the market and your competitive advantage.

The current market

You have to start by describing the market your business will be operating in. Highlight the market conditions that will influence your business as well as opportunities and threats that exist in your business.

Identify potential customers

You should acquire a thorough knowledge of your target market. If you are launching a new product, include your market research data. If you have existing customers, provide an analysis of who they

are, their purchasing habits and buying cycle. This section of the plan is extremely important, because if there is no need or desire for your product or service you won’t have customers.

The marketing strategy

Once you have identified your market, you’ll need to explain your strategy for reaching it and distributing your product. Potential lenders will look at this section carefully to make sure there is a viable method for reaching your target market at a price level that makes sense.

Analyse your competitors’ marketing strategies to learn how they reach the market. If their strategy is working, consider adopting a similar plan and improving it to gain a competitive advantage. You must work on creating an innovative plan that will position your product or service in the minds of your potential customers. The most effective marketing plans typically integrate multiple mediums or promotional strategies to reach the market.

The competition

Understanding your competitors’ strengths and weaknesses is critical for establishing your product’s competitive advantage. If you find a competitor is struggling, you need to know why, so you do not make the same mistake. If your competitors are highly successful, you will have to identify why. You’ll also want to explain why there is room for another player in the market.

Specific areas to address in this section are

- Identify your closest competitors, their location and revenues.
- How long they have been in business.
- Define their target market and market share.
- How does your operation differ from your competitors? What do they do well? Is there room for improvement?
- In what ways is your business superior to the competition?
- Find out how their businesses are doing.

Are they growing? Are they scaling back?

- Identify areas of the business where the competition beats you, and explain how you plan to address them.

Analysing your competitors should be an ongoing practice. Knowing your competition will allow you to become more motivated to succeed and become effective in the marketplace.

Production plan

A production plan is where you explain in detail what you are going to produce and the resources that will be used for production.

Land, buildings and facilities

In this section of your business plan you have to include a detailed description of the land and the buildings that will be used for your farming business. This needs to be as specific as possible. For example, if you are going to be producing a certain crop you must explain the type and depth of the soil on your farm, clay per cent and water availability. The idea is to have a complete and detailed description of the physical resources available. If you intend leasing land, it should be included here.

Equipment

You need to include each tool that will be used in your business, for example, tractors, implements, trucks and other vehicles. Remember to list other equipment that will be used, including computers, printers, office equipment, hand tools, and irrigation equipment.

Buildings, facilities and equipment are normally depreciable assets. Having them listed in a business plan can be helpful when you have to do your tax returns.

Materials and supplies

Include all materials and supplies necessary for the daily running of your business. Feed, fertilisers, soil amendments, fuel and oil, and other consumables as well as materials necessary for maintenance and repairs. It is important to capture as many expected

expenses as possible.

Production strategies

It is important to not only identify what you will be producing, but how you are going to produce it. Include projected schedules. Will you plough or do “no till” farming? When and how will your produce be sent to market? How will your production expand over time? When will you know that you have achieved optimum size and production?

Construction and production schedules

By now you should have a vision of your farm’s annual operations as well as an idea of what it will look like over the long term. For instance, for a crop production, you will need to plan for planting and harvesting seasons. You will need to plan for routine weeding and fertilising. Experience has shown that it is helpful to have these events scheduled.

For the longer term, it is important to have an idea of when new irrigation systems will need to be erected, and the scheduling of crop rotations. Having a plan for these will assist in controlling budgeting and costs.

Environmental assessment plan

In many areas of the country there is a growing emphasis on good stewardship of the environment. It is wise to have a plan in place for this. How will you manage run-off? What steps will need to be taken to assure water quality, including run-off from pastures and stream protection? If erosion is a concern, what steps will need to be taken to control it?

Many areas have access to the Department of Agriculture that can provide information to help with developing this part of the plan.

Political and legal aspects of production

There have been many stories of people who have acquired what they thought was the perfect piece of land, only to discover that local regulations restricted its use.

To avoid that, these issues need to be explored before investments are made.

You will also need to examine any laws that could impact production. These might include, depending on region, anything from stocking rates per hectare and land claims to irrigation rights.

Conclusion

The marketing and production plan component of your business plan establishes the framework for tracking cash flow, growth and overall profitability. In the end, it is what is produced and marketed that generates income for your farm business. You need to take time to think through the details of this part of your business plan to ensure your business’ success.



Sources: www.gateway-alcas.com
www.agf.gov.bc
Finance and Farmer, 4th edition

Urbanisation

Paradoxically, city centres are abundant with wealth but are also hubs of poverty.



The process

Urbanisation is the process where the proportion of individuals entering cities and urban areas increases in relation to the number of people living in rural areas. A country is usually considered urbanised when 50% of its population lives in urban neighbourhoods. Large cities are typically synonymous with poverty, high unemployment, crime and other social problems.

It is evident, that by default most people see urbanisation as a negative occurrence.

This is fully understandable if you look at the current state of affairs: high unemployment, sky-rocketing crime, inadequate service delivery, deteriorating infrastructure and dreadfully congested roads. According to the national transport department economic growth will be hampered if no preventive measures are taken soon. The national percentage of people owning cars increased from 30% to 45% between 1997 and 2004, and up to 55% in Gauteng (Business Day, 19 October 2007). Metropolitan areas’ capacity is being tested with increased rural to urban migration.

Public service delivery has deteriorated significantly since 2000 when rural areas were incorporated into municipalities. People living in rural areas are naturally at a disadvantage and subjected to unfairness. This intensifies already inadequate municipal service delivery.

In developed countries urbanisation is frequently linked to rural-urban migration, whereas in developing countries it is more a consequence of high population growth exaggerated by additional strain from internal migration. According to World Bank statistics, South Africa has a population of 47,4 million people, annual population growth of 1,1% and annual urbanisation growth rate of 2%. This indicates that South Africa’s urbanisation growth rate is outperforming population growth. In 1975, 48% of South Africa’s population was located in urban areas compared to 60% in 2006. This means the population of South Africa’s urban areas increased with about 16 million people from 1975.

Motives behind rural-urban migration

Better public services such as schools, clinics, electricity and hope for better future prospects are some of the many reasons behind the urbanisation phenomenon. The natural aim and motivation for development is to increase wealth, comfort, create opportunities, to better equip oneself and to acquire more. Naturally, as time passes people adjust their standard of living. In the past few years as disposable incomes increased considerably with South Africa’s economic boom so did people’s needs and preferences. Significant differences in the average incomes of rural versus urban areas also influence the motivation to move to big cities. The probability of migration seems to be highest among educated youth who seek economic gain and development.

Negative consequences

“Surveys confirm that air pollution, congestion, social disturbances, crime and similar problems increase