

CHAIRMAN'S REPORT

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Dr Hartzenberg, distinguished guests, ladies and gentlemen, the purpose of this Chairman's Report to the Annual General Meeting of the Society is to present to a public audience, attracted by the promise of other things, a summary of the previous year's activities, and to highlight some aspects of the major problems, setbacks and successes of the fertilizer industry and the agricultural section which it serves.

It has, once again, been an uneven, rather unsettled year for our industry, perhaps reflecting similar unsettledness nationally and climatically.

In fertilizer consumption, the calendar year 1975 showed

- Nitrogen consumption up by 16,8 per cent to 295 880 tonnes
- Phosphorus consumption up by 1,9 per cent to 159 749 tonnes
- Potassium consumption up by 0,6 per cent to 113 719 tonnes.

This plantfood was contained in 2,7 m physical tonnes of material with an average concentration of almost 21 per cent, and had a value of some R230 million. The very low growth in P consumption was in considerable part caused by sporadic shortfalls in supply, while the static potassium situation was clearly attributable to resistance to sharp price increases. All our potassium is, of course imported.

It is also regrettable to report that usage of agricultural lime decreased by some 16 per cent (200 000 t) and in 1975 stood at 1,05 million tonnes. The reduction was almost entirely in dolomitic lime. The reason for the low lime usage is mainly one of difficulties in transport and the high transportation and distribution costs.

On the price side, following the two increases in 1974, a further 38 per cent increase was granted by Government in February 1975. Of this increase, 87 per cent arose from raw material and transport cost increases alone, over which the industry had no control. A fall in imported raw material costs occurred very shortly afterwards and the Minister then enforced an eight per cent average reduction in prices to prevent, in his opinion, excessive profits being made. With hindsight, it would have been far better to have left prices unchanged and to have handled the distribution of any benefits differently, for a further price *increase* averaging six per cent had to be sanctioned in February 1976 even despite a reduction in allowed profit margins. Price fluctuations of this kind in any season give rise to considerable problems and inequities and should be avoided unless absolutely necessary.

While fully supporting the need to contain inflation, I must again state in the strongest possible terms that the

present profit margins allowed to the industry under price control are completely inadequate for a technically-based, capital-intensive industry such as ours now is.

Inadequate to accommodate increases such as those recently imposed in transport and electricity, etc, unless these can fortuitously be offset against falling raw material costs.

Inadequate to make it attractive for capital to be borrowed to finance future expansion or replace obsolete plant and equipment at present costs.

Inadequate to allow manufacturers to withstand short-term fluctuations in demand which might arise from such factors as drought.

Inadequate to sustain a proper level of research and development effort.

In a paper delivered to a joint meeting of the agricultural caucuses of main political parties in Cape Town recently, we calculate that with the population expected to double in twenty-five years, the demand for food could increase by 250 per cent in this period. And that while research, better cultivation, better crop chemicals and farming practice would all contribute to higher crop yields, sufficient fertilization was the main key. In round numbers this could mean capital investment in new plant of R800—R1 000 million in the next twenty-five years, of which R500 million would be required in the next ten years. This money must be raised in competition with other sectors of the chemical industry, and it will only be possible to do this if there is a more enlightened price control system. The present formula based on a 16 per cent return on the industry's depreciated capital and with no account taken of new investment until it is 80 per cent utilised, has become even more unattractive with the new company tax rates and is equivalent to less than 10 per cent after tax. If the industry is to be pinned back in good years then too it must get relief in bad years when the farmers can least afford it.

Money is to be made in fertilizers, but not by the basic manufacturer unless he only has old plant in comparison with the others; only by mixers and distributors who serve special areas and have access to basic materials from others. Hence the apparent anomaly of having new companies waiting to enter the industry while those in, are crying 'help'. This has led Government to believe we are crying 'wolf' instead.

Our domestic fertilizer prices bear most favourable comparison with those of other countries, and despite the

recent increases forced on us, average prices have only increased by 57,9 per cent since 1958/61, the four-year base period used by the Department of Agricultural Economics and Marketing. This compares with increases of 102 per cent for tractors, 83,3 per cent for dips, 115 per cent for fuel, and an increase of 108,7 per cent in the producer price for all agricultural products.

Obviously there comes a point where high fertilizer prices meet consumer resistance and high application rates become uneconomic. This has happened in Europe where demand has dropped by some 25 per cent in 1974/75 as a result of the combined effect of OPEC and the Moroccans. However we are far from such a situation here and even grassland fertilization can be shown to be highly attractive under present fertilizer/meat/milk prices. Nor can we look to exports to subsidise the domestic market. Firstly, there is little surplus capacity until next year when the Triomf/Fedmis phosphoric acid plants are ready, and secondly, world trading prices (as opposed to domestic prices) are currently low because of over-capacity.

On the research side of the Society's activities, unexpected staff changes forced us to curtail the number of experiments or trials from the planned level of 76 to 61, (in 1974/75 there were 69). As in the past we have devoted the bulk of our research effort to maize but we now feel that realistic and effective guidelines have been laid down and tested by our own staff culminating in the maize calculator and the manual for maize production, of which 1 800 copies have so far been issued. So that while the maize guidelines still require some refinement, we are also working towards developing similar guidelines for other crops like sunflowers, bloubuffelsgrass, grain sorghums and groundnuts, which have particular importance as more profitable alternatives to maize on low-potential soils.

As a result of the lessons and techniques learnt from our work on maize the number of trials required to develop the same state of knowledge should be considerably fewer.

Of our 61 trials in 1975/76	and in 1976/77 we plan
37 were still on maize	39
9 on sunflowers	6
6 on bloubuffelsgrass (<i>Cenchrus ciliaris</i>)	6
5 on grain sorghum	4
4 on groundnuts	5

The Society has also been looking at the other trends in the Republic's farming practices and has taken note of the dramatic increases in wheat production particularly in the Orange Free State and the Transvaal in recent years, and of the likelihood that the factors influencing this trend will intensify.

It is felt that the development of suitable guidelines for efficient and economic wheat cultivation in both winter and summer rainfall areas is of considerable urgency and importance and methods of doing this in the Society are be-

ing investigated and debated. There is, in difficult economic times such as the present, a need to scrutinise all expenditures very carefully, and inevitably research, to which it is always difficult to apply rigorous cost/benefit analysis, is one of the first items under the microscope. I feel strongly however that we do not do enough research under normal circumstances in South Africa, and that we would be extremely foolish not to be playing a major role in maximising wheat yields and integrating the information gained from work in this field into our fertilizer planning. The wheat harvest is already 20 per cent that of maize in terms of mass. It also takes from 5 to 15 years for the results of any research to become widely applied.

The last project that the Society sponsored, with the aid of the Department of Agricultural Technical Services, Vleissentraal, Karoovleis Beperk and member companies, namely, the grass fertilization/pasture and animal production project, is growing exceedingly lustily. We are now, after three years' work in the initial phase, able to draw some firm conclusions from the knowledge and experience gained on the 27 or so trials being carried out in the various regions in Natal, Eastern Transvaal and Orange Free State. For instance, successful grass over-sowing techniques have been developed and proved in natural veld, carrying capacity has been increased 300 to 400 per cent, and the grazing season has been extended from 200 to 300 days in the year. Barriers to full realisation of the potential for profit increase have, of course, been encountered — managerial, financial, biological and so on, and much work still remains to be done to overcome these and integrate such programmes into total farm systems. However, enough is now known, and sufficient interest generated, to make it essential to accelerate progress in Phase II, which is the implementation of the knowledge on a very much wider scale and its incorporation into normal farming practice. This can only be done now by the representatives of member companies really putting their backs into it. In order to assist them the Society is working hard to produce a handbook covering all aspects of the work so far covered. As already stated the price relationships of fertilizer, milk, meat and maize are favourable for very large scale implementation, and the consequences are of very considerable interest to the industry in terms of potential fertilizer growth rates, namely, an extra one to two per cent per annum usage over each of the next five years. It is perhaps worth recording that some 12 million hectares of natural veld in the Republic are considered suitable for intensification.

As far as our other activities are concerned, we continue to be busy. As already mentioned, we have been concerned for some time at the slow progress and lack of co-ordination of effort to improve agriculture in the Bantu homelands. In the past year, we have continued with our demonstrations, short courses, lectures, literature, etc but we hope after today to be able to see how to play a more meaningful role in this work of vital importance to the country. We have been gratified to be asked to co-

operate with state departments, the Defence Force and the South African Agricultural Union in assisting with agricultural development plans in certain strategic areas of the country. To our co-ordination work with other bodies, we can now add representation on committees of the Maize and Summer Grain Institute and of Sentra-oes. We also would like to thank the Department of Agricultural Technical Services for the helpful meetings which we enjoy with them several times a year for liaison purposes on various agricultural aspects.

One of the cornerstones of proper service to the farmer is a reliable soil analysis service. There are now a total of 14 laboratories involved in this work, seven operated by members of the industry and seven by other bodies, and the need for co-ordinating and standardising methods of analysis and reporting became obvious last year. The Society, with the co-operation of all concerned, completed the installation of a control system which, after standardisation of methods, provides control samples and standard samples to be analysed periodically by each laboratory. Central analytical laboratories for each region is another obvious method of ensuring reliable analyses, and this has recently been suggested again for the western Cape, and its feasibility is being investigated.

The head of our research division, Dr P Möhr, last year made an overseas trip in which, inter alia, he examined soil sampling techniques, analytical methods and interpretation of results in a number of areas in the United

States, Canada and Europe. His report was published in December 1975.

On matters affecting the industry, we always have ready access to officials of the Department of Industries, and I would like to thank the Secretary for Industry for his readiness to see us. This year, too, we had a very much appreciated opportunity of meeting with members of the agricultural groups of the Nationalist and United Parties in Cape Town. As a basis for our discussions, we prepared a set of three papers outlining 1) the position of the South African Fertilizer Industry in the international scene, 2) the composition of the domestic industry, its importance and some of its problems, and 3) the composition, aims and objects of the Fertilizer Society of South Africa. It is felt that these papers may be of wider interest and copies will be sent out with our annual report.

I would like to thank the staff of the Society, under the direction of Dr H C Luitingh, recently named one of the ten Men of the Year in Agriculture, for their untiring work on behalf of agriculture and their help to member companies. We are fortunate indeed in our staff and their talents and their loyalty. I would also like to express my thanks to all those staff of our member companies who serve on our committees and give of their time.

Last year, the image of the industry suffered somewhat, but the issues which now confront us are too important for us to be divided and we must all work together for the common good.