

PRESIDENTIAL ADDRESS

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Geagte meneer die Voorsitter, eregaste en lede van die Misstofvereniging. Dit is vir my besonder aangenaam om u by hierdie twaalfde Algemene Jaarvergadering van ons vereniging, weereens te kan toespreek.

By 'n soortgelyke geleentheid verlede jaar in Kaapstad, is die opbrengs van die Landbou in Suid-Afrika verduidelik, onder andere aan die hand van die beperktheid van beskikbare bewerkbare grond, naamlik slegs 13 persent van die totale oppervlakte.

Onwillekeurig dwaal die gedagtes nou na die oorblywende 87 persent. Met die besef dat weiveld verreweg die grootste deel daarvan beslaan, tree die dierefaktor sterk op die voorgrond. Hierdie ekonomiese hulpbron, dws ruvoerproduksie, is uit 'n bemestingsoogpunt gesien, in ons land feitlik nog totaal onontwikkel. Daarenteen word die langtermyn potensiaal van weidingsbemesting veral na aanleiding van oorsese tendense hoog geskat. Daar ontstaan dus 'n plig om die toepassing te ontwikkel en in daardie lig gesien, moet die Misstofvereniging met die keuse van die konferensietema 'Misstowwe en Dierereproduksie' geluk gewens word.

I shall refer to the possible functioning of the fertilizer industry vis-a-vis animal production at a later stage in my speech.

The efficiency as well as the long-term strategy of the fertilizer industry in relation to animal production, is dependent on the extent to which the industry would be prepared to accept and adopt rationalisation. This concept has been quite a popular topic over the years, but since 1970, more serious thought has been given to the actual meaning of rationalisation. The term is often still used in a comparatively uncompromising sense, depending on the angle of approach. It would appear that unanimity on this subject is still obscure and might ultimately require the wisdom of a Solomon to establish. However, I do not profess to possess such wisdom, but this is an attempt, rather to pinpoint the factors which appear to be the motivating forces towards rationalisation within the industry and to comment generally thereon.

Viewed in retrospect, it is clear that only in recent years has the fertilizer industry become well established in the Republic. However, a sudden and indeed profound change in the structure of the industry resulted from the exploitation of a local source of phosphate and a growing demand in the market place for more concentrated forms of phosphatic products, as also the increasing demand for nitrogenous fertilizers.

The availability of raw materials improved rapidly during the last decade. As recently as fourteen years ago this industry imported no less than 80 per cent of its raw material requirements. At present the figure is less than 20 per cent. A notable exception however, is South Africa's dependence on imports of potassium salts, gauged by the fact that during 1969 nearly 166 000 tonnes of these materials valued at R1,5 million, were imported.

The industry is highly capitalised with an investment in plant and machinery estimated at R180 million. The present annual consumption amounts to about 1,9 million tonnes valued at approximately R95 million.

Hierdie saaklike oorsig van die kunsmisbedryf weerspieël

'n lewenskragtige nywerheidssektor wat die landseksie tot voordeel strek. Daar moet veral van die dinamiese bydrae melding gemaak word wat dié nywerheid tot mielieverbouing in Suid-Afrika gemaak het. Behalwe met die moontlike uitsondering van bastersaad, het die kunsmisbedryf myns insiens die grootste enkele bydrae tot die hoë groeiakoers van mielieproduksie gedurende die sestiger jare, gemaak.

Die hoogste moontlike groeiakoers is vir die kunsmisbedryf van wesentlike belang. Ek wil beweer dat die verhouding tussen vaste koste en omset, 'n oorheersende ekonomiese faktor is en derhalwe is dit vir die bedryf van primêre belang om landbouproduksie maksimaal te stimuleer. In teenstelling met die landseksie wat vanweë die gevaar van inflasie en die uitwerking van dempende hulpbronne by die mannekragtekort, tot beperkte groei verplig is, moet 'n veel hoër groeiakoers vir die misstofbedryf as mikpunt gestel word. Gedurende die periode 1958-68 is hieraan voldoen, want 'n jaarlikse gemiddelde groei van 8,5 persent vergeleke met die 5,5 persent toename in die Bruto Binnelandse Produk, vertoon redelik goed. Soos reeds aangetoon, het argumente ten gunste van maksimale groei hul oorsprong in die kapitaalstruktuur aan die een kant en die grootte van die mark aan die ander kant. Ek verduidelik albei voorts.

The industry is regarded as providing a classical example of capital intensive production and economies of scale.

Capital employed and some other fixed costs, do not increase proportionately with the size of the plant. A larger plant would therefore produce at lower unit costs than smaller plants.

It should also be noted that the capital outlay of a plant of given size would be considerably lower if the plant were initially constructed to an economic size rather than having been constructed on a smaller scale and later enlarged as required. This explains why plants are often designed to operate at the lowest cost over the life of the plant, but resulting of course in a time lag in the proper utilisation rate and consequently a low return on capital employed.

It now follows that in view of the effects of fixed and semi-fixed costs on the cost structure of the fertilizer industry, a high degree of plant utilisation is of the utmost importance to profitable operation.

The Board of Trade and Industries Report No 1347, on the Basic Chemical Industry, draws special attention to the significance of the high price structure of locally-produced fertilizers, compared with overseas products; notwithstanding local products being subject to price control.

There can be little doubt that by world standards, the cost structure of the industry is at its present stage of development, in fact high. This phenomenon resulted from the establishment of uneconomically-sized units, though in the Republic, high transport costs also have a significant contributory effect in this regard.

The most important factor generally affecting the industry, is the relatively small domestic market, precluding the initial construction of economically-sized plants.

The future development of the industry must therefore be viewed against the background of a limited market, a

relatively high price structure, the economies of scale and the existing surplus capacity.

In these circumstances it is difficult to visualize further development of the industry, unless extensions were to be planned and executed on a selective basis. In order to utilize available resources, the optimum market demand would act as a significant pointer. The country can ill afford further fragmentation of the market through establishment of competing units prior to adequate stimulation of the demand.

Dit is derhalwe ten opsigte van die produksie-aspek dat die misstofbedryf in belang van Suid-Afrika, rasionalisasie moet onderskryf. Maksimale benutting van bestaande fasiliteite en ordelike toekomsbeplanning gebaseer op groot aanlegte en markgrootte, sal die laagste moontlike prys vir die boer verseker. Ek is dus vanweë ekonomiese oorwegings in belang van die boerderybedryf en derhalwe in die landsbelang, verplig om rasionalisasie ten opsigte van produksie, in beginsel te onderskryf. In hierdie verband kan ek ook nie die geleentheid laat verbygaan nie, om die Koöperasiewese en Georganiseerde Landbou, geluk te wens en my dank uit te spreek vir die inisiatief wat deur hulle in die rigting van rasionalisasie gedurende 1970 geneem is. Dit sal oteenseglik op die langtermyn die mees bevredigende produksiekostestruktuur vir die boerderybedryf verseker.

Ten opsigte van bemarking en die deurvoering van rasionalisasie, beskou ek dit my plig om tot versigtigheid te maan. Die suksesvolle moderne ekonomieë in die Westerse wêreld is sonder uitsondering op bemarkingsoriëntasie gebaseer. In kort kom dit op 'n massa-ekonomie neer, met 'n gevolglike lae vaste kostestruktuur wat op maksimale vraagskeping ingestel is.

Apart from the importance of creating maximum demand, there should always be an element of market discipline to keep local producers abreast of the latest developments and to provide incentives for continuous improvement of efficiency.

Stimulation of demand will not only result in a lower general price structure for fertilizers, but will inevitably add a worthwhile contribution towards the general economic growth of the country.

At the same time, rationalisation in the context of facilitating orderly marketing, should be considered an essential element. For example, applying price policy as a short-term marketing factor, is in effect disorderly and disruptive to the market and the industry. Companies should stimulate demand on the basis of special product attributes and refrain from using price as a decisive marketing tool. However, it follows that if rationalisation were accepted whole-heartedly in the production sphere, it would have a profound influence on the extent to which firms would be willing to co-operate in the market-place.

Bemarking bestaan nie slegs daarin om vraag te skep nie, maar dit baan die weg vir diversifikasie en marksegmentering. 'n Marksegment wat, byvoorbeeld, groot uit-

dagings bied, is die bemesting van natuurlike weiveld. Dit bepaard met verdere ontwikkelings ten opsigte van die bemesting van aangeplante weidings, sal 'n verreikende invloed op diereproduksie in Suid-Afrika hê.

Die Misstofbedryf moet die uitdaging aanvaar om deur middel van dinamiese bemarking, hierdie segment in die kortste moontlike tyd te ontgin. Daar is aanduidings dat die natuurlike veld se drakrag gemiddeld driehonderd persent kan verbeter deur bemesting. As daar verder in aanmerking geneem word dat in die hoë reënvalgebiede, ongeveer 75 kilogram stikstof per hektaar nodig is op *Eragrostis*-tipe weidings, ontstaan daar meteens 'n potensiële binnelandse afset van honderde duisende ton. Hierdie verhoogde afset bied die terugwerkende kumulatiewe voordelige effek, om vanweë laer vaste koste deur hoër omset, die kunsmispryse vir die boer te verminder met gelyktydige vermindering van die boer se produksiekoste.

To recapitulate, it would appear that the interaction of forces, namely the high capital structure of the fertilizer industry, the economies of scale and the limited market, are posing the most important problems for the fertilizer industry. The remedy appears to be centred in rationalisation of production, coupled with dynamic marketing as a factor towards improving the growth rate over its normal tendency. Growth in this context stands in inverse ratio to fixed costs, which points to the fact that marketing expenditure is a highly productive investment working in favour of the farmer, the industry and the community.

The concept of marketing orientation is aimed at maximum profitability in the long term; but that in turn presupposes that the farmer's interests would be the prime consideration.

The success or otherwise of rationalisation of the production sector, would depend largely on the interdependency of, and the relationship between, the competitors in the market. Some of the companies have, during the last two years entered into multilateral agreements on marketing co-operation, resulting in what could be termed an oligopolistic market structure. It would appear therefore that the time is due now, more than ever before, for efforts towards a stable and orderly long-term plan by way of negotiation and moral persuasion, and in this regard the Fertilizer Society could once more provide a suitable forum for negotiation and deliberation. In the light of the recognition already gained by the Society and the confidence which it is enjoying from its members, it would appear to be in possession of those faculties which could be instrumental in the preparation of the required atmosphere for mutual understanding.

Ten slotte word die wens uitgespreek dat die Misstofvereniging van Suid-Afrika verder suksesvol sal ontwikkel, en dat onpartydige identiteit altyd eie daaraan sal wees. Dat dit die funksie sal dien om die gaping tussen instansies en belanghebbende partye te oorbrug en dus ook om uiteenlopende standpunte te help versoen tot voordeel van die bedryf.