CHAIRMAN'S REPORT

J G NORTON, Triomf Fertilizer (Pty) Ltd

Mr Pretorius, distinguished guests, ladies and gentlemen, it gives me great pleasure to present the Chairman's Report of the activities of the Industry for the year to a public audience. This is an ideal opportunity of being able to present facts and certain figures to members of the public who are not necessarily involved in the day to day activities of the Fertilizer Industry.

The Chairman of our Society invariably reports that it has been an unsettled year with many varied problems. I venture to change that and say that it has been a very succesful year although unsettled and with many varied problems.

We are grateful to have experienced a climatically favourable year with rainfall being recorded in most areas of South Africa.

There was a growth in fertilizer consumption of 5,1 per cent for the year 1977 with total physical tonne sales of 2 800 000 t. Nitrogen consumption was up by 7,9 per cent to 342 000 t N. Phosphorus consumption was up by 3,6 per cent to 170 000 t P and potassium consumption up 1 per cent to 112 000 t K. Total 642 000 tonnes of plantfood. Agricultural lime sales amounted to ± 1,2 Mt in 1977. The consumer in the RSA paid R304 million for fertilizers during 1977. Agricultural production increased at the rate of 13 per cent with field crops of maize, grain sorghum, groundnuts, sunflower, wheat, sugar and tobacco jointly representing a 25 per cent growth with reduced production of certain fruits and vegetables. Maize which consumes 55 per cent of all fertilizer yielded 9,35 million tonnes which is the second highest in history and wheat 2,4 million tonnes which is an all time record. Two million tonnes of sugar is being produced annually now. Gross income of farmers increased by 24 per cent to R3 389 million.

We have touched on the good news but it is to be noted that the inflationary increase in production costs as being experienced presently exceeded increased producer prices and increased yields. A combined index is as yet not available but we are all aware of increased prices of fuel, implements, transport 12 per cent and fertilizer 10,5 per cent which exceeded the 6,6 per cent price increase of field crops.

It is a well-known fact that our farmers are being caught up in a spiralling "Cost of Production" versus "Producer Price" network. Investment in agriculture is escalating phenominally and such investment is now considered high risk. Agricultural debt stands at a shattering figure of ± R1 400 million and is growing steadily — this despite favourable growing seasons being experienced.

The larger the investment in agriculture the more cautious the producer and the financier become and the easiest expense item to reduce on is fertilizer and this is where agriculture suffers. It is so much easier to reduce the fertilizer bill by 20 per cent than it is to reduce fuel or seed or implements by 20 per cent.

The organisations financing agricultural production consider fertilizer a high risk factor and certain institutions are already placing Rand value limits on the amount of fertilizer that a producer may purchase per hectare. This is false economy and must be considered a dangerous attitude.

The Fertilizer Industry wishes to appeal to institutions (Landbank, Co-ops and private Commercial Banks) who finance agricultural production to assess each investment economically as fertilizer is the largest primary supporting factor to higher production which can assist in making average production units viable and successful production units more profitable.

Our agriculture must survive as it is a known fact that our population will double by the turn of the century and we will have to ensure food from the available agricultural land at our disposal through improved and scientific farming methods assisted by the very necessary agricultural economist. Here I consider that bursaries must be made available for more people to study agricultural economics.

The local South African fertilizer market is sensitive to the present economic climate in agriculture and we are all aware that we have not nearly reached the potential of our arable land and that there can be a healthy growth in the consumption of fertilizers over a number of years.

I regret to state that in practice the current situation is not encouraging as is borne out by the fact that in the first three months of this year the Industry fertilizer sales are down by 25 per cent. This is indicative of the tight financial position and although we do not anticipate a reduction in fertilizer consumption this year it will be putting pressure on the Industry as our season will peak unrealistically and our factories may not be able to despatch the demand in time to meet the consumers requirements.

I must emphasise that co-operatives and farmers should please realise that factories can only produce and despatch certain volumes each month and unless the Industry can despatch large quantities during May and June we will have a crisis on our hands.

The Fertilizer Industry is severely price controlled and being capital intensive the returns allowed are inadequate.

Certain costs were not allowed by Price Control and in price determination for 1978, where the Industry is theoretically permitted a return of 15 per cent on depreciated capital invested, before tax, we will probably get a return of 10,65 per cent. This low return is insufficient to attract additional capital to maintain and expand our facilities and we must once again appeal to the authorities to please recognise our problems.

Our local market is presently also being subjected to imported fertilizer from overseas being marketed in South Africa by one of our neighbouring states. The South African industry welcomes competition in the free enterprise system but being restricted by severe price control and not importing any fertilizers when world market prices are depressed, we consider it grossly unreasonable that a neighbouring state be permitted to market low cost imported fertilizers in South Africa at South African prices. South Africa is adequately supplied by local production which consists almost entirely of local raw materials except for imported potash.

It is disappointing that certain farmers and co-operatives are presently purchasing from this source. We appeal to them to consider the amount of valuable exchange that is leaving our country in times when there is sufficient local production capacity to supply the demand.

Kunsmispryse moes ongelukkig weer gedurende die verslagjaar opwaarts aangepas word en op 1 Januarie 1978 is die nuwe kunsmispryse aangekondig. Die effek van die verhoogde pryse was dat die koste van kunsmis vir die boer met sowat 14,3 persent gestyg het. 'n Verlaging van die Staatsubsidie aan die boer met 40 persent was egter vir drie persent van die kostestyging verantwoordelik sodat die nywerheid slegs 'n verhoging van 11,3 persent gekry het. 'n Verdere ontleding van die verhoging toon dat in werklikheid die nywerheid slegs 1,6 persent verhoging geniet het vir vervaardigings-, administrasie- en bemarkingskoste aangesien die res van die verhoging toe te skryf was aan kostes waaroor die bedryf geen beheer het nie soos verhoogde kostes van vervoer, elektrisiteit en grondstowwe.

Die prys van stikstof het gestyg met 'n gemiddeld van 14,9 persent (14% in 1977) terwyl die prys van fosfor met 10,0 persent (14% in 1977) en die prys van kalium met 3,6 persent (−10% in 1977) gestyg het (na subsidie).

Die volgende vergelykings van kostestygings is uiters insiggewend en toon duidelik watter probleme die Kunsmisnywerheid mee te kampe het en plaas prysstygings van kunsmis in perspektief.

	Persentasie %
Verhoging in kunsmisprys sedert 1973	103
Verhoging in die belangrikste koste-items oor dieselfde periode:	
– Spoortariewe op kunsmis en grondstowwe	120
– Elektriese krag	169
– Brandstof vir stikstofvervaardiging	280
– Lone vir swart werknemers	188

Daar is al meermale uitgewys en moet weer beklemtoon word dat die prysstyging van kunsmis laer is as feitlik enige ander kommoditeit in die landbousektor synde insette of landbouprodukte – 'n feit wat so dikwels nie genoegsaam in aanmerking geneem of waardeer word nie.

Voorheen is genoem dat die landbouer tans toenemend vasgevang word in die vernouende knyptang van produksiekoste en produsentpryse.

Die probleme het al 'n geruime tyd die aandag van die MVSA geniet en dit het noodsaaklik geword dat die aspek van ekonomiese doeltreffendheid en kostevoordeel meer aandag moet geniet in die aanwending van kunsmis as produksiemiddel en dat voordele in ekonomiese terme uitgedruk moet word. Dit is veral noodsaaklik gesien teen die toenemende koste van landbouproduksie en die ekonomiese probleme van die boer.

Vir die rede is besluit dat die aktiwiteite van die MVSA die ekonomiese interpretasie van sy navorsingsresultate moet insluit sodat die winsvoordeel vir die boer duideliker na vore sal kom en beklemtoon word. Verder was ook die tema van die 1977 Algemene Jaarvergadering op die ekonomiese aspekte van die bedryf en van die landbou toegespits.

Bogenoemde behoeftes was die onderliggende redes vir die motivering vir 'n geruime tyd al vir die skepping van 'n pos van Ekonoom/Statistikus in die MVSA. Die ontwikkeling het agterweë gebly tot September 1977 toe besluit is om 'n Ekonomiese/Statistiese Afdeling tot stand te bring. Mnr C A Jurgens is op 1 September as Hoof van die afdeling aangestel en dit het spoedig geblyk dat die noodsaaklikheid van die besondere uitbreiding van die funksies van die MVSA nie alleen geregverdig was nie maar dat daar lankal reeds tot die stap oorgegaan moes geword het.

Die hoof van ons Navorsingafdeling het uit diens getree en die vakature is gevul deur mnr Hilmar Venter. Aangesien die beplanning van die 1977/1978 navorsingsprogram reeds voltooi was en die seisoen reeds op hande was, is besluit om die program met geringe wysigings te implementeer. As gevolg egter van 'n evaluasie van die program en die feit dat sekere aspekte daarvan as afgehandel beskou kon word sal ongetwyfeld indringende veranderings in die volgende fase van die program aangebring word. 'n Breedvoerige ondersoek na die resultate van die afgelope vyf jaar het ook die noodsaaklikheid van sekere aanpassings in die bestaande riglyne na vore gebring. Nieteenstaande 'n personeeltekort in die afdeling kon nogtans 56 proewe suksesvol uitgevoer word en die aktiwiteite met weinig onderbreking voortgesit word.

Die personeel van die MVSA bestaan uit ons Direkteur, dr Luitingh, en 19 werknemers.

Die finansiële begroting vir 1978 is R412 000.

As die begroting vergelyk word met 'n totale belegging van R600 miljoen in die Kunsmisnywerheid en met 'n plaaslike omset van ± R350 miljoen dan stel ek voor dat ons begroting baie billik is.

Daar word 'n sekretariële diens aan sewe verenigings gelewer wat verantwoordlik is vir 'n sekere inkomste.

Ander aktiwiteite van die MVSA is dat die 56 proewe voltooi is sonder mislukking as gevolg van droogte. Graansorghum, grondbone en sonneblom is reeds geoes en die ander sal geoes word. Publikasies en verslae word gereeld gepubliseer. Lesings word aan studiegroepe, maatskappy boeredae, MVSA boeredae, proefbesoeke, vergaderings en universiteite gelewer. Daar word nou geskakel met Departement Landbou-tegniese Dienste.

Die MVSA is reeds sedert die vroeë sestigerjare gemoeid met die bevordering van die landbou in swart tuislande en state.

Grondontledings, bemestingaanbevelings en grondopnames is gereeld gedoen en kortkursusse oor grondvrugbaarheid, plantvoeding, bemesting en gewasproduksie is op verskeie plekke gehou.

Pryse is beskikbaar gestel vir studente.

Bogenoemde word aangebied in Bophuthatswana, Ciskei, Transkei, Kwa Zulu en Lebowa.

I would like for a moment to report activities in the export market. The phosphoric acid plants of both Fedmis and Triomf are operating most satisfactorily and the entire export capacity of both plants was exported. The price of one tonne P205 was as low as $173 FOB during early 1977 but I am happy to report an upward trend and prices are now ± $205 per tonne which represents an 18,5 per cent increase. Although these prices do not yet reflect a profitable P205 Industry the trend is encouraging and indications are that international prices could become firmer in the second half of this year. The price of solid fertilizers in the export market remain depressed exaggerated by high inventory in the northern hemisphere because of an extended severe winter and surplus capacities.

In conclusion I would like to convey my sincere thanks to Dr Luitingh and his dedicated staff for their loyal support during this year and for their efforts in satisfying the requests and demands of sometimes difficult member companies. I also thank staff of member companies who serve on the many committees of our Society for their very valuable assistance and support.