

# CHAIRMAN'S REPORT VOORSITTERSREDE

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Honourable guests, ladies and gentlemen, it gives me great pleasure to address you on the occasion of our Society's 30th Ordinary General Meeting.

The Fertilizer Society of South Africa held its inaugural meeting at Durban on Friday, 19th June 1959. It is therefore appropriate that this meeting is also held in Natal. Two of the FSSA members here today were co-founder committee members on that historic day. They are AECL and Kynoch Limited. Traces of the other co-founders, namely, Atlantic Organic Fertilizers, Capex, Fisons, Netherlands Fertilisers, SAFCO and Windmill Fertilizers can be found in an evolutionary pathway down to some present members. The first chairman of the Society elected on that day, was Mr D R Scorer of AECL. I want to pay tribute to him and all his successors for the part they played in the affairs of the Fertilizer Society of South Africa over the years.

Today I would like to touch on important events that took place in the fertilizer industry over the past year and deal also with related aspects such as competitiveness in the industry, trends in fertilizer consumption and prices. At the same time I shall also report on activities of the Society during the past year.

The outstanding event on the 1988 calendar was the rationalisation that took place in the industry through which Fedmis' assets were acquired by Sasol, AECL and Omnia. Considering the fact that the fertilizer market was heavily over-traded, this major move towards rationalisation was not totally unexpected. Because of under-utilisation of plant capacity profitability in the industry has been unsatisfactory. This meant too that in the industry as a whole relatively little was being spent on research and development, and little new technology has been introduced in the last 5 years. In the long run such a situation would obviously have had a very adverse effect on the competitiveness and profitability of the industry. The rationalisation has changed all this. The industry's annual capacity has as a result been reduced from 4 million to approximately 2,5 million tons. Apart from bringing the demand and supply into closer balance, the industry is now in a much stronger position to meet the demands of the future. The rationalisation should result in somewhat better margins for the remaining competitors, mainly as a result of reduced unit cost of production.

It is nevertheless sad to see a major supplier like Fedmis leave the scene. Fedmis had cut itself a niche in the agricultural community by setting high standards on product quality and customer service. However, the remaining members of the industry are fortunate to have retained the services of many ex-Fedmis staff members, which will no doubt result in productive cross-pollination of ideas.

In a recent press statement by the South African Agricultural Union, concern was expressed over unfair price increases of some (unspecified) agricultural inputs, and a call was made for a more stringent plan of action to counter such increases. Where do fertilizer price increases fit into the picture? Part of the answer is given in Table 1.

*TABLE 1: Comparisons between 'gross' and nett fertilizer prices and the PPI for the period 1981-1988*

| YEAR | GROSS<br>(1) | NETT<br>(2) | PPI |
|------|--------------|-------------|-----|
|      |              |             |     |
| 1981 | 201          | 200         | 200 |
| 1982 | 219          | 215         | 228 |
| 1983 | 248          | 242         | 252 |
| 1984 | 292          | 242         | 273 |
| 1985 | 350          | 304         | 319 |
| 1986 | 407          | 332         | 381 |
| 1987 | 378          | 375         | 435 |
| 1988 | 462          | 403         | 490 |

(1) List price indicator

(2) Weighted average of fertilizer producers' nett revenue : physical tons sold over the calendar year.

The gross fertilizer price in Table 1 refers to the so-called list price while the nett price reflects the nett income earned by fertilizer producers, ie after trade discounts. Nett prices are derived by dividing nett turnover from fertilizer sales by physical tons sold. These figures, which are monitored by the Society on a quarterly basis, represent the weighted average industry price of a ton of fertilizer containing 27 per cent plant food in the ratio of approximately 3,3 N : 1,2 P : 1,0 K. PPI adjusted price is a theoretical price had fertilizer prices gone up by the same rate as the PPI. Table 1 shows that fertilizer price increases were on par with PPI up to 1983. From 1984, however, the weighted nett fertilizer prices increased at a considerably slower rate than the PPI. In 1988 the nett weighted fertilizer price increase over the corresponding 1987 figure was only 7,5 per cent, which is well below the PPI and CPI of 12,6 and 12,8 per cent, respectively. Table 1 also shows that in 1988 the difference between gross and nett prices amounted to 12,7 per cent, which is roughly equivalent to the average trade discounts given for that year. The fact that the industry has sold fertilizer well below PPI levels, is indicative of the strong competition in the industry.

The industry has constantly to improve its productivity and reduce its margins in a highly competitive environment. In this way it has made, at considerable cost to its own economic viability, a significant contribution in combating rising farm input costs. For the past number of years, especially since 1984, fertilizer was traded in a strong buyers market and special discounts of up to 25 per cent was often the rule rather than the exception. It is to be expected that the industry rationalisation will result in more responsible pricing and therefore some improvement in margins for the industry as a whole. Since the beginning of 1989 so-called list prices went up on average by 15 to 16 per cent when compared with 1988 list prices. The level of discounts have also been reduced in a more stable market environment. This means that the effective increase in fertilizer prices since December 1988 to the end-user is of the order of 20 to 22 per cent. Although the effects of such price increases on the farming community is fully appreciated, it has to be remembered that fertilizer price increases up to the end of 1988 were kept well below the PPI for reasons already mentioned. It is believed that prices have now reached more realistic levels in which the industry can survive.

Although it is difficult to make meaningful comparisons between retail fertilizer prices between countries, the Society has attempted to make such comparisons, on a purchasing power basis, for a number of countries including South Africa. Table 2 shows the purchasing power of maize for urea and superphosphate for a number of countries.

From the table it can be seen that the purchasing power of maize for urea and superphosphate for the RSA compare favourably with the USA and Canada but unfavourably with Austria and extremely so with Greece.

The latter two countries represent extreme situations in the EEC and reflect varying degrees of farm support in the EEC. The very favourable position of maize in Greece reflects heavily subsidised support prices for maize and/or heavy subsidies on fertilizers. These and other data not shown here also show that the South African maize farmer is more or less in the same boat as his counterparts in a number of other countries as far as purchasing power for fertilizers is concerned. The data does show a disconcerting trend, however, in that in the RSA the purchasing power of agriculture (taking maize, urea and superphosphate as indicators) has steadily declined since 1985. It has also declined at a faster rate than in some other countries. We, as an industry, are very concerned about this trend. In the final analysis we also stand to lose as a result of the declining purchasing power of the farmer's rand. Inflation is of course at the root of the problem. Until it is checked, or better, reduced, agriculture in this country will remain under severe pressure and so will many industries serving agriculture.

Ek wil vervolgens kommentaar lewer op onlangse misstofverbruiktendense. Na 'n styging in netto boerderyinkome in 1987 en 1988 het misstofverbruik 'n verrassende positiewe wending geneem. In die RSA as geheel het NPK-verbruik met 12,9 persent bo die ooreenstemmende 1987 syfer toegeneem, met toenames vir stikstof, fosfor en kalium van 12, 14 en 14 persent onderskeidelik. Die grootste toename het in die sentrale bemarkingsgebied, wat die Transvaal, Vrystaat en Noord-Natal insluit, voorgekom. Hier het verkope van stikstof met 11 persent, fosfor met 19 persent en kalium met 18 persent gestyg. In die Kaapprovinsie en Natal het verbruik ook toegeneem, oftewel teen 'n laer peil as in die Transvaal en OVS. Dit is ook insiggewend dat die grootste deel van die herstel juis in die deel van

TABLE 2: Purchasing power of maize for urea and superphosphate

| Year | kg urea purchasable per ton maize (farm level prices) |         |        |        |     |
|------|---|---------|--------|--------|-----|
|      | USA   | Austria | Canada | Greece | RSA |
| 1985 | 385   | 558     | 448    | 1545   | 485 |
| 1986 | 332   | 428     | 463    | 1684   | 429 |
| 1987 | 388   | 508     | 415    | 1586   | 471 |
| 1988 | 352   | na      | na     | na     | 435 |

  

| Year | kg superphosphate purchasable per ton maize (farm level prices) |         |        |        |     |
|------|---|---------|--------|--------|-----|
|      | USA   | Austria | Canada | Greece | RSA |
| 1985 | 403   | 1146    | 229    | 1389   | 573 |
| 1986 | 290   | 982     | 191    | 1514   | 456 |
| 1987 | 299   | 1091    | 137    | 1423   | 421 |
| 1988 | 300   | na      | na     | na     | 378 |

Sources: Agricultural Statistics Board, Nass, USDA (1988)  
 Abstract of Agricultural Statistics 1988  
 Etude Annuelle des prix (EG/FAO) No 37, 1988  
 FSSA Statistical Division, 1988  
 United Nations, New York, 1988. Prix des produits agricoles et de certains moyens de production en Europe et en Amerique du Nord 1986/87.

die mark plaasgevind het waar in die verlede die grootste dalings voorgekom het. Dit dui onder andere daarop dat 'n toename in boerderyinkome 'n sterk dryfveer in verhoogde misstofverbruik was. 'n Verdere faktor is dat talle boere besef dat hulle grond in die maer jare uitgeput geraak het, en die voedingsreserwes weer aangevul moet word sodra toestande verbeter. In vorige voorsittersverslae het ek onder andere melding gemaak van die feit dat misstofverbruik in veral die sentrale gebied tot sulke lae vlakke gedaal het, dat landbouproduksie daardeur ingeboet kon word. Alhoewel ons verwag het dat die misstofmark sou verbeter wanneer gunstiger landboutoestande intree, het die 1988 misstofverkope almal se stoutste verwagtings oortref. Dit is verder ook insiggewend dat die ommekeer ingetree het terwyl sommige kenners tot so onlangs as by die 1989 Lanvokon konferensie voorspel het dat 'n verdere ekstensifikasie in landbouproduksie gaan plaasvind en dat verbruik van intermedieë insette soos kunsmis verder sal afneem. Dié kenners is, vir die huidige altans, verkeerd bewys.

Die vraag kan natuurlik gevra word of die tendens 'n tydelike oplewing in 'n dalende mark verteenwoordig of die eerste tekens van 'n nuwe groeifase is. Ek is vol vertroue dat 'n nuwe groeifase inderdaad ingelei is. Met die daling in wêreldgraanvoorrade tot gevaarlik lae vlakke, die swak oeste in Suid-Amerika, die onseker klimaats-toestande in die VSA en Europa en ons volgehoue hoë bevolkingsgroei, is die kort- en mediumtermynvoorsigte vir die Suid-Afrikaanse graanboer beter as in jare. Die inflasiespook bly egter 'n vlieg in die self en die tyd alleen sal leer hoe hierdie probleem ons toekomsverwagtinge gaan raak.

Wanneer daar van toekomsverwagtinge gepraat word, kan ek nie nalaat om kortliks te verwys na die minimum insetsindroom wat die afgelope tyd al meer en meer sy kop begin uitsteek het nie. Ek het my al in die verlede hieroor uitgespreek en wil nie herhaal wat reeds gesê is nie. Ons is egter bekommerd oor die feit dat sommige aansprake en uitsprake oor minimum bemestingsinsette in die landbou dikwels berus op swak gedokumenteerde navorsing. Die beginsels van ekonomies optimale bemesting, met inagneming van ons hoogs veranderlike klimaat, bly egter steeds onveranderd. Die Vereniging het sy standpunte hieroor by herhaling in verskeie publikasies oor die jare gestel. Ons is besonder dankbaar om vandag 'n deskundige in die persoon van dr Farina te hê wat oor die onderwerp sal praat. Ons sien uit na wat hy daaroor te sê het.

Uitvoere van intermedieë- en finale produk maak 'n wesenlike deel van die misstofbedryf se omset uit. In rand terme het uitvoere van fosforsuur, DAP en finale produkte sowat R160 miljoen rand in 1987 beloop wat bykans 16 persent van die totale binnelandse kleinhandelomset in kunsmis verteenwoordig. Fosfaatsuitvoere is nie hierby in berekening gebring nie. Die misstofbedryf het kennis geneem van die regering se voorname om die huidige uitvoeraansporingskemas uit te faseer. Ons het ook kennis geneem van die feit dat voortgesette deelname aan een of ander vorm van owerheidsteun vir uitvoere sal berus op bewese of potensieël komparatiewe voordele op die uitvoermark. Die Misstofvereniging en lede van die bedryf wat 'n belang by uitvoere het, is in gesprek met die Raad van

Handel en Nywerheid oor hierdie baie belangrike aangeleentheid. Ek vertrou dat spoedige vordering in hierdie verband gemaak sal word. Dit sou hier nie onvanpas wees om na die prestasie van Foskor op die uitvoermark te verwys nie. Die maatskappy verdien lof en krediet vir die suksesvolle wyse waarop hy die hoogs mededingende wêreldmark betree het en 'n navolgenswaardige voorbeeld vir almal gestel het.

Gedurende die verslagjaar is rasionalisasie binne die Vereniging ook afgehandel en is nuwe kantore te Hennenpoort, Verwoerdburgstad betrek. Indian Ocean Fertilizer het op 1 Januarie 1989 'n gewone lid geword en ek wens hulle weer eens namens al die lede hartlik welkom in die Vereniging.

Gedurende 1988 het 44, 31 en 21 laboratoriums onderskeidelik aan die ontledingsgehaltebeheerskemas vir grond, blare en kunsmis deelgeneem. Baie goeie deelname aan die skemas is getoon: meer as 75 persent deelname het gerealiseer. As gevolg van die personeelvermindering in die Vereniging moes die gehaltebeheerskemas gedurende 1988 deels op 'n uitgekonnekteerde basis funksioneer. Hoewel dit redelik goed gewerk het, is na onderhandeling besluit om die bedryf van die skemas ten volle oor te dra aan die Universiteit van Pretoria, onder beskerming van die MVSA. Die volle koste van die bedryf van die skemas word vanaf 1 Maart 1989 van deelnemende laboratoriums verhaal.

Op navorsingsterrein is 'n intensiewe herevaluering van MVSA-data gedoen met die oog op die hersiening van bemestingsriglyne vir mielies in die hoë- sowel as laerisikogebiede. Hoofsaaklik ekonomiese benaderings is gebruik en verskeie statistiese metodes is toegepas. Die bevindinge is by wyse van verslae asook referate by die P-simposium en die onlangse Gesamentlike Kongres gerapporteer. Samesprekings is met verskeie departementele instansies sowel as koöperasies in hierdie verband gevoer. Die databasisstelsel van die MVSA vir die liasering en herwinning van literatuurverwysings is uitgebrei en word effektief gebruik. Reaksiedata van 'n groot hoeveelheid proewe van die MVSA en die Kleingraansentrum is ook in bruikbare vorm op rekenaar vasgelê.

'n *Ad hoc* komitee is deur die Tegnieke Onderkomitee saamgestel om 'n ondersoek te loods na die evaluasie van verskillende P-ekstraheringstegnieke om P-misstowwe se reaktiwiteit effektief te karakteriseer. Verskeie analise prosedures is ondersoek en 'n voorstel is uiteindelik in die vorm van 'n verslag uit hierdie studie geformuleer. Die ondersoek-verslag is tans by die *ad hoc* komitee vir kommentaar. Verdere eksperimentele werk word tans onderneem ter ondersteuning van die verslag. Sodra die finale werk voltooi is sal die verslag aan die Registrateur van Misstowwe voorgelê word vir oorweging.

'n Grondontledingsposium is gedurende November 1988 gehou. Dit is aangebied onder die gesamentlike beskerming van die MVSA en die Navorsingsinstituut vir Grond en Besproeiing. Die oogmerk van die simposium was om die standaardisering van grondontledingsmetodes te bevorder. Die werksessie was 'n sukses en die handeling van die simposium sal in die loop van 1989 gepubliseer word.

'n Internasionale P-Simposium, gehou onder die beskerming van die MVSA en die Departement van Landbou en Watervoorsiening, is in September by die WNNR in Pretoria gehou met 'n bywoning van ongeveer 300. Bydraes uit die bedryf en van die Departement van Landbou en Watervoorsiening het hierdie belangrike wetenskaplike hoogtepunt moontlik gemaak. Die simposium het hoofsaaklik gehandel oor die effektiewe gebruik van fosfor in die landbou asook die beskerming van die natuurlike hulpbronne deur die voorkoming van fosfaatbesoedeling. Sewe buitelandse sprekers van internasionale faam het referate van hoë akademiese standaard gelewer. Van die beste navorsers uit Suid-Afrikaanse geleedere het verder ook insiggewende bydraes gelewer.

Die Vereniging het hom steeds beywer vir goeie skakeling met verskeie instansies soos kunsmismaatskappye, koöperasies, georganiseerde landbou, universiteite, institute en streke van die Departement van Landbou en Watervoorsiening en die Direkoraat Landbou-ekonomie en -bemarking insake

navorsingsontledingsdienste, bemestingsriglyne, misstofregulasies en ander toepaslike sake.

Twee publikasies te wete *MVSA Joernaal* en *Kunsmisoorsig* het gedurende 1988 die lig gesien. 'n Engelse vertaling en hersiene uitgawe van die baie populêre *Bemestingshandleiding* is in pers en behoort teen die einde van April beskikbaar te wees. Agt wetenskaplike artikels en referate is ook gedurende 1988 deur personeel van die MVSA opgestel wat by wetenskaplike kongresse gelewer is en in verskeie tydskrifte gepubliseer is.

Ter afsluiting wil ek graag ook ons direkteur, mnr Hilmar Venter, en die personeel van die Vereniging hartlik bedank vir hulle toewyding en uitstekende bydraes tot die welsyn van die Vereniging.

Ek wens u nou 'n aangename dag as gaste van die Vereniging toe en verklaar hierdie sessie geopen.

Ek dank u.