VOORSITTERSVERSLAG / CHAIRMAN'S REPORT

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Ladies and gentlemen, dames en here

Some fourteen months have passed since 1 February 1990 when the State President, Mr F W de Klerk, announced the policy changes that changed the face of South Africa dramatically. In this time political change accelerated at such a pace that most of us could not keep up with the extent to which these changes influenced our lives and our perceptions for the future. It is therefore most appropriate that one year on, we should evaluate our own industry in a critical way and identify bottle-necks as well as opportunities.

At present, the single largest constraint in our industry is the sustained decline in domestic fertilizer usage. After a decline of 2% in 1989 this downward trend was continued in 1990 with a further decline of 7%. Domestic sales by the members of the FSSA amounted to 550 293 tonnes plant food, the same level as that achieved in 1975. Sharp declines of 13, 11 and 21% respectively in the summer crop producing areas of the Western Transvaal, North-Western Orange Free State and Northern Cape were mainly responsible for the country wide average decline. The South-Western Cape also had a bad season with a decline of just below 8%. Other regions of the country showed little change; certain regions like Natal and the Eastern Cape actually showed moderate increases on the 1989 sales figures. The most important reason for the sharp decline in plant food usage in the summer rainfall areas is obvious; the early summer drought resulted in only 3 million hectares being planted to maize of which a significant portion was only planted in the period late December to the middle of January. In some districts quite a large portion of fields remained unprepared for summer crops. Unfortunately reliable figures on this are not available and it can be expected that such fields will be planted to winter wheat or winter pastures. Because of the late plantings, topdressing was also applied later than usual resulting in the reflection of those sales only in the 1991 sales figures. However, this will only partially compensate for the overall decline in sales to which I referred earlier.

'n Daling van 7% in misstofverbruik te midde van 'n dalende verbruikstendens vir die grootste gedeelte van die afgelope dekade, is 'n traumatiese gebeurtenis vir die bedryf. Dit belemmer nie alleen beleggingsvertroue in die bedryfstak nie, maar dit plaas ook groter druk op die bedryf om sy uitvoervermoë uit te brei en waar dit nie moontlik is nie, om verder te rasionaliseer. Ter wille van 'n breër perspektief, wil ek graag u aandag op misstofverbruiktendense wêreldwyd vestig. Die jongste beskikbare statistiek van IFA toon dat wêreldmisstofverbruik in 1989/90 met een persentasiepunt gedaal het vergeleke met die vorige jaar. Die daling is hoofsaaklik toe te skryf aan 'n daling van 10% in die Sowjet-Unie wat met geweldige sosio-ekonomiese probleme te kampe het. In teenstelling met die Sowjet-Unie, het misstofverbruik in die VSA in dieselfde jaar met bykans 7% gestyg. Na raming sal wêreldmisstofverbruik oor die volgende vyf jaar teen 'n koers van 1% per jaar groei.

Die dalende neiging van die binnelandse kunsmismark hou natuurlik verband met die landsekonomie in die algemeen, maar in besonder met die ekonomiese welsyn van die graanbedrywe. Dit is dié bedrywe wat tradisioneel die kunsmisbedryf se grootste klant is. Die Bruto Binnelandse Produk (BBP) het in 1990 'n negatiewe groeikoers van 0,9% teenoor 1989 getoon. Hierdie negatiewe koers was deels te wyte aan 'n skerp daling in akkerbouproduksie in 1990. Graanboere se ekonomiese posisie het gevolglik verder verswak en dit het noodwendig gemanifesteer in dalende reële besteding van korttermyninsette. Hierdie scenario is vir meeste van ons ou nuus, derhalwe sal ek nie verder daarop uitbrei nie. Die onwillekeurige vraag wat hieruit voortvloei is egter wel van belang, naamlik wat moet gebeur om die tendens van steeds dalende reële insetaankope en verbruik te stuit? Want as dit nie gebeur nie, loop ons gevaar om uiteindelik in 'n moeras van ondoeltreffende landbouproduksie te verval. Die antwoord op die vraag is kompleks en oplossings sal moontlik vandag deur ander sprekers wat beter as ek toegerus is, aan die hand gedoen word. Ek wil my egter verstout om te sê dat alvorens ons nie die ekonomiese wiele van die land aan die rol kan kry nie, ons 'n verlore stryd voer. Ons moet geld in die hande van mense kry wat tans aan 'n voedselgebrek ly - en dit sluit 45 - 50% van ons totale bevolking in. Groter welvaart moet geskep word deur werkskepping en nie noodwendig deur goedkoper voedselproduksie of deur die herverdeling van inkomste nie.

In this regard I would like to concur with Minister Jacob de Villiers who said earlier that "The challenge to increase the living standard of the population was seated primarily in the per capita increase of the nutritional and clothing level of the population. That is the challenge which agriculture must meet in the nineties". The other side of the coin is a stagnating economy, rising unemployment and a declining market for agricultural products in the face of an increasing population, with the unavoidable detrimental consequences for industries which are closely connected with agriculture.

The current slackness in the economy will probably continue until the end of the year. The USA is still in the grip of a recession and overseas investment will not gain momentum until such time as a politically acceptable disposition has been reached in the RSA. Delays in the negotiating process will also adversely affect the prospects of economic recovery in the short to medium term.

Uit voorgaande kan reeds afgelei word dat die vooruitsigte vir die kunsmisbedryf in die binnelandse mark nie juis rooskleurig is nie. Die moontlikheid van 'n korttermynopswaai is egter nie uitgesluit nie. Die onderinvestering aan kunsmis in die somergraanbedrywe oor die afgelope aantal jare was die afgelope seisoen duidelik sigbaar in stikstofgebreksimptome op mielies oor 'n baie wye front in die somersaaistreke. Baie boere besef ook dat hulle nie langer in dieselfde mate as in die verlede op reserwe voeding in die grond kan staatmaak nie. Trouens, daar is verlede seisoen reeds kommer in verantwoordelike kringe uitgespreek oor die lae proteïngehalte van ons mielies en koring; vanjaar was die sigbare tekens daar vir almal om te sien. Dit is ongelukkig ook so dat die lae insetsindroom wat deels van die Verenigde State oorgewaai het, en deels plaaslik gestalte gevind het, 'n valse gevoel van sekuriteit by sommige van ons boere laat posvat het.

Given the constraints under which the industry had to operate over the past 5 to 6 years, large scale rationalisation and personal retrenchments have taken place. This is an ongoing process. Recently Sasol Fertilizers announced the closure of its Sasolburg granulating plant by the end of 1991, while Kynoch already closed down their Chloorkop plant during 1990. Both these plants were quite old and their closure makes economic sense, albeit with a touch of sadness. These steps will ensure the more efficient utilisation of the remaining plants and will in no way jeopardize the supply of fertilizer for the local market. Rationalisation of the industry and keen competition in the field has led to a modest aggregate fertilizer price increase of 7% in 1990, compared with 1989. With inflation running at more than 14% it is of course impossible to recover full cost increases in the selling price. In the final analysis, fertilizer prices are determined by market forces, and in a depressed economy with diminishing demand this relates to margins that are insufficient to attract capital investment. Nevertheless, although our industry has had a difficult time adjusting to a free market pricing system, the return to a system of administered prices under whatever political system that may ensue, could be disastrous to the industry. This is evident from what is currently happening in Zimbabwe where price increases are at least in part determined by political motivation. This has resulted in prices which are wholly inadequate to sustain a viable industry and the Zimbabwean industry is at present being run on the proverbial shoe string.

However, everything is not gloom and doom in the industry, and I would like to touch on some positive developments. Having said that significant real economic growth is a primary requisite for the economic recovery for the agricultural sector and the long term viability of the fertilizer industry, it is no use sitting back and waiting for the event to happen. As individuals we will have to work harder and increase our productivity. As an industry we have to explore every possible avenue to increase our export potential.

In 1991 our industry expects to export close on 700 000 tons of intermediates and final products (Foskor's exports excluded from this figure). Approximately half of this quantity will find its way into Africa, while the remainder is destined for off-shore exports. The export of more than 400 000 tons finished NPK product constitutes approximately 15% of total downstream capacity and total exports are expected to generate around R400 million in foreign exchange. This is a significant improvement in our export capability when compared with the situation only 2 years ago.

For many years South Africa has taken a back seat in international trade and politics. We were either excluded from many potentially lucrative markets such as India, or we had to trade covertly with others. Sanctions also placed limitations on 'normal' trade with our long established trading partners in Europe and North America. While the changing political scene has brought its own quota of domestic problems, there are however positive signs that markets are opening up and we have to be ready to exploit them when the time comes.

An example of such a positive development took place last month in Harare where a joint regional conference of the Food and Agriculture Organisation of the UN (FAO) and the International Fertilizer Association (IFA) for countries of Sub-Saharan Africa was held. I was present at the conference which was well attended by FAO, fertilizer industry and government representatives from African countries, Europe, North America and Japan. What made this a noteworthy meeting, is the fact that South African industry representatives not only attended the meeting, but also presented three papers, one of which during the plenary session. South African participation in such a conference would have been unthinkable a mere 18 months ago. Opportunities such as these are opening doors for an increased South African involvement in the development of agriculture in Sub-Saharan Africa and our share of the fertilizer market in this part of the world can - and will - increase substantially over time.

Opportunities for increased trade with our African neighbours have recently also come about in other ways. The World Bank has for the first time officially included South Africa in studies involving agricultural development and fertilizer industry cooperation in Southern Africa. This exercise is being coordinated by the Fertilizer Society. The possible development of the Pande gas field in Mozambique and South Africa's overt - rather than covert - role as a fertilizer supplier of the Region is presently being investigated by World Bank experts.

At present South Africa is still excluded from the lucrative fertilizer markets of India and China. These countries are the world's largest net importers of raw materials and fertilizers. Logistically we are well situated to serve the Indian market with some of the products they require. Trade with these countries, as well as with other countries in South East Asia, may become a reality in the near future, depending upon the success of constitutional negotiations.

Expanding export opportunities also imply that we as an industry will have to work harder to maintain and improve our competitive ability. Active cooperation of interested parties in a broader "RSA Inc" context can help to bring this about. Such cooperation which involves raw material suppliers, manufacturers and transporters (Transnet) has already been initiated and put to practise but considerable scope for improved cooperation still exists.

Die Vereniging het, soos in die verlede, die belange van sy lede verteenwoordig en gekoördineer in sake waar dit nodig geag was. Waardevolle kontak en samesprekings is voortgesit met die owerheidsektor op 'n verskeidenheid terreine. Enkele voorbeelde hiervan is gekoördineerde bemestingsadviesaangeleenthede met die Departement van Landbou-ontwikkeling, misstofregulasies met die Registrateur van Misstowwe, tariefbeskermingsaangeleenthede met die Raad van Handel en Nywerheid (RHN) en vervoeraangeleenthede met Transnet. Skakeling met verskeie internasionale organisasies soos die Wêreldbank, International Fertilizer Development Centre en Phosphate and Potash Institute (PPI) is gevestig. Samewerking met andere soos International Fertilizer Association (IFA) en British Fertilizer Manufacturers Association (FMA) is voortgesit.

In my verslag verlede jaar het ek melding gemaak van die aksies wat in samewerking met die Departement van Landbou-ontwikkeling geneem is om bemestingsnavorsingsresultate op mielies te evalueer met die doel om uiteindelik 'n basis te skep waarop mieliebemestingsriglyne geëvalueer en sinvol gekoördineer kan word. Intussen het die Departement ook 'n koördinerende liggaam vir grondontledings en bemestingsadvies in die lewe geroep met wye verteenwoordiging uit die privaatsektor, georganiseerde landbou, universiteite en die Departement van Landbou-ontwikkeling. Die voorsitter van die Misstofvereniging het sitting op die Beleidskomitee; die direkteur op die advieskomitee, terwyl kundiges in die bedryf op verskeie streekskomitees sal dien. Hierdie verwikkeling word verwelkom en dit behoort baie by te dra om bemestingsadvies- en ontledingsdienste op die wetenskaplik verantwoordbare basis te struktureer.

Die Vereniging het ook as fasiliteerder opgetree in die reël van forums waarop gesprekvorming kan plaasvind met koöperasies en landboubelangegroepe. Hierdie aktiwiteite word voortgesit.

Ten slotte wil ek graag my opregte dank en waardering betuig teenoor die direkteur van die Vereniging, Hilmar Venter, en sy personeel John Ranwell, Trevor Botha, Leonè Vosloo en Edna Strydom vir die bekwame wyse waarop hulle die afgelope jaar die sake van die Vereniging behartig het, en die beeld van die kunsmisbedryf bevorder het.