

Agri Outlook conference
2018

Drivers of profitability for
Namibian agriculture

by
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The farmer is the only
man in our economy who
buys everything at retail,
sells everything at
wholesale, and pays the
freight both ways.

~John F. Kennedy

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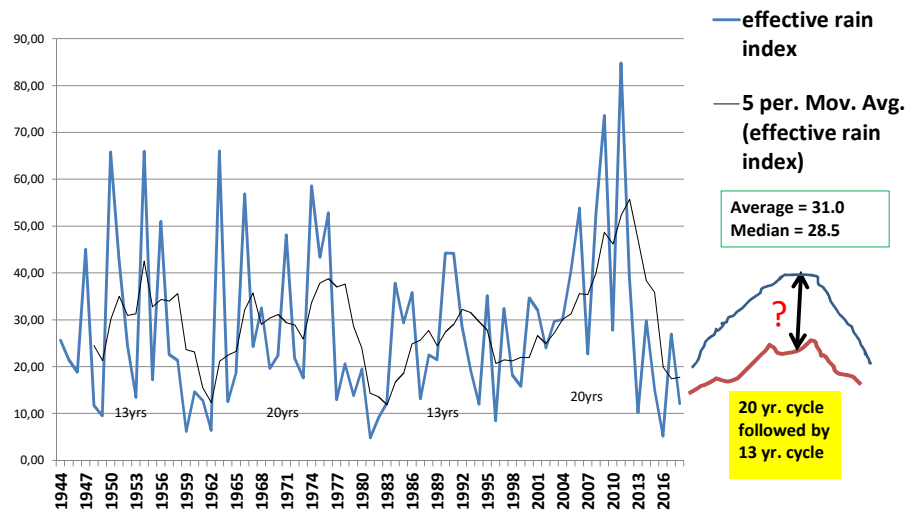
- Introduction
- Namibian agricultural sectors in perspective
- Guidelines towards profitability
 - Drivers of profitability
- Recommendation



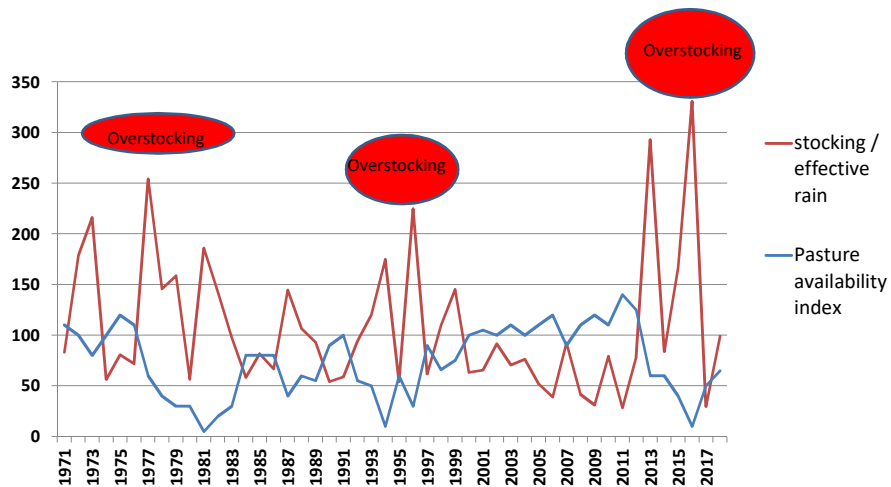
Point of departure

Financial profit drivers	Non-financial profit drivers
<ul style="list-style-type: none"> . price . fixed costs . variable costs . sales volume . inventory . cost of debt 	<ul style="list-style-type: none"> . client satisfaction . market share . productivity . business culture and values . product and process innovation . quality of the product or service . training of employees . employee safety . employee satisfaction (morale)

Historical perspective: Individual case



Individual example: time for adjustment of practice?



Our farming corridor

- Farming circumstances changed
- Government switched focus by reduced support to agriculture.
- Economic prosperity hinges on agriculture
- Producers called to find ways to improve
- Farmers' adjustments responded too late
- Agricultural spiral of decay
- Situation beyond the norm, called
- How to reverse our farmer's financial conditions
 - Rejuvenate the importance of the Namibian agricultural sector
 - Require agile farmers with a growth mindset



Namibian agriculture

Agric Sector	Revenue 2017	Revenue 2009	Nominal ratio	Production 2017	Production 2009	Prices 2017	Prices 2009	
Cattle	3 400mil	1 330mil	2.50			?		?
Sheep	705mil	485mil	1.45			?		?
Goats	130mil	45mil	2.88			?		?
Pigs	124mil	33mil	3.75			?		?
Poultry	850mil	59mil	16.34			?		?
Dairy	142mil	87mil	1.63			?		?
Trophy hunting	540mil	133mil	5.45			?		?
Agronomy	408mil	178mil	2.29			?		?
Grapes	818mil	201mil	4.07			?		?
Fresh produce	210mil	124mil	1.69			?		?
Charcoal	184mil	135mil	1.26			?		?

Agric Sector	Production 2017	Production 2009	ratio
Cattle	296 524	272 000	1.09
Sheep	555 200	1 071 700	0.51
Goats	191 200	173 100	1.10
Pigs	30 819	28 678	1.07
Poultry	38 630	5 510	7.00
Dairy	23 000	20 070	1.15
Trophy hunting	16 000	6 900	2.32
Agronomy	79 800	65 166	1.22
Grapes	50 850	14 847	3.42
Fresh produce	28 600	60 251	0.47
Charcoal	107 000	157 000	0.70

Agric Sector	Prices 2017	Prices 2009	ratio
Cattle	8 080	4 580	1.66
Sheep	1 270	450	2.82
Goats	680	260	2.62
Pigs	4 025	1 138	3.54
Poultry	22	10	2.03
Dairy	6	4.3	1.39
Trophy hunting	33 750	19 280	1.75
Agronomy	1 025	2 739	0.37
Grapes	16 086	13 540	1.19
Fresh produce	7 350	2 058	3.57
Charcoal	1 700	860	1.98

Positioning of these agricultural sectors

Agric Sector	Revenue	Nominal ratio	Production ratio	Prices	Real term ratio
Cattle					
Sheep					
Goats					
Pigs					
Poultry					
Dairy					
Trophy hunting					
Agronomy					
Grapes					
Fresh produce					
Charcoal					

∴ Benchmarking

Average is the best of the worst, or the worst of the best; either way it's not where we want to be.

If you benchmark yourself against the average you'll be out of business in 5 years.

Question	<input type="checkbox"/>	<input type="checkbox"/>
Do you know your total cost of production?	Yes	No
Total	?	?

Question	<input type="checkbox"/>	<input type="checkbox"/>
Do you know your cost of production by enterprise?	Yes	No
Total	?	?

Question	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Do you have modest family living expenses?	Yes	No
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Total	?	?

Question	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Did you eliminate unnecessary assets?	Yes	No
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
Total	?	?

Question		
Do you have a written improvement plan?	Yes	No
Total	?	?

Question		
Do you practice the 4 corners of business success? Plan, strategize, execute, and monitor	Yes	No
Total	?	?

Question		
Do you execute a marketing plan?	Yes	No
Total	?	?

Question		
Do you have a handle on record keeping?	Yes	No
Total	?	?

Question		
Do you pay attention to detailed plans?	Yes	No
Total	?	?

Question		
Are you preparing for the next generation?	Yes	No
Total	?	?

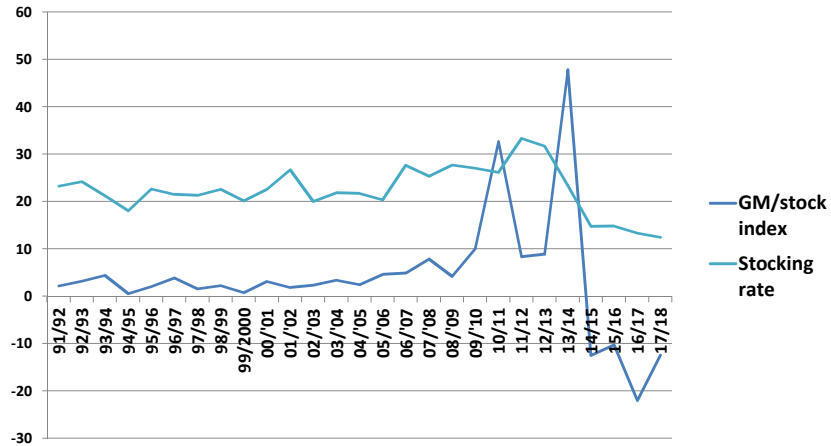
	Yes	No
Do you know your total cost of production?		
Do you know your cost of production by enterprise?		
Do you have modest family living expenses?		
Did you eliminate unnecessary assets?		
Do you have a written improvement plan?		
Do you practice the 4 corners of business success? Plan, strategize, execute, and monitor		
Do you execute a marketing plan?		
Do you have a handle on record keeping?		
Do you pay attention to detailed plans?		
Are you preparing for the next generation?		
Total	?	?

Drivers of farming prosperity

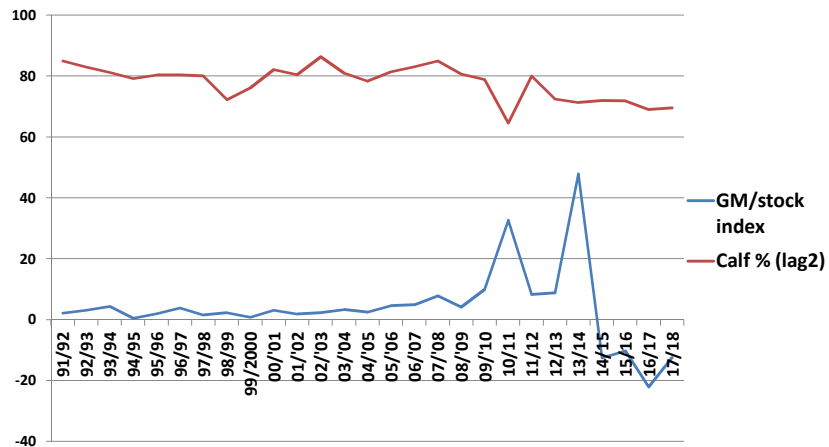
Necessary for a flexible improvement plan:

- Business resilience, diversity and reliability
- Business road map
- Understanding the capacity of the business (strength & weaknesses)
- Debt servicing

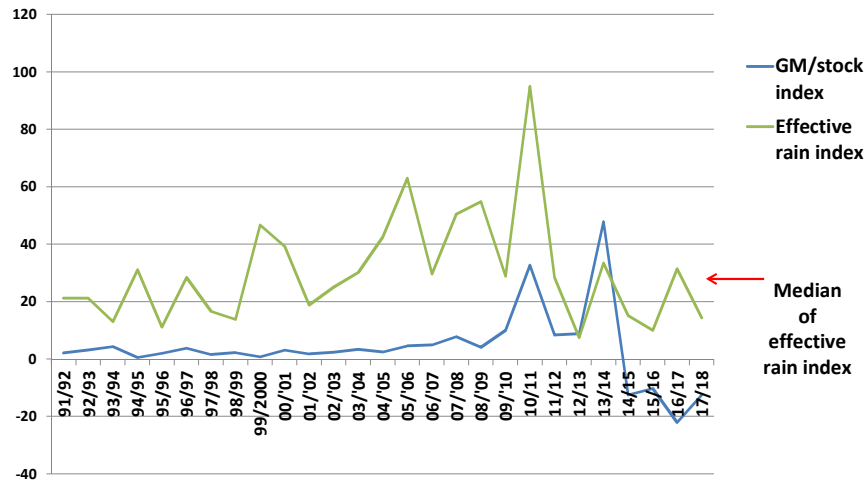
Variable assessment of drivers for: Cattle enterprise (ox production system)



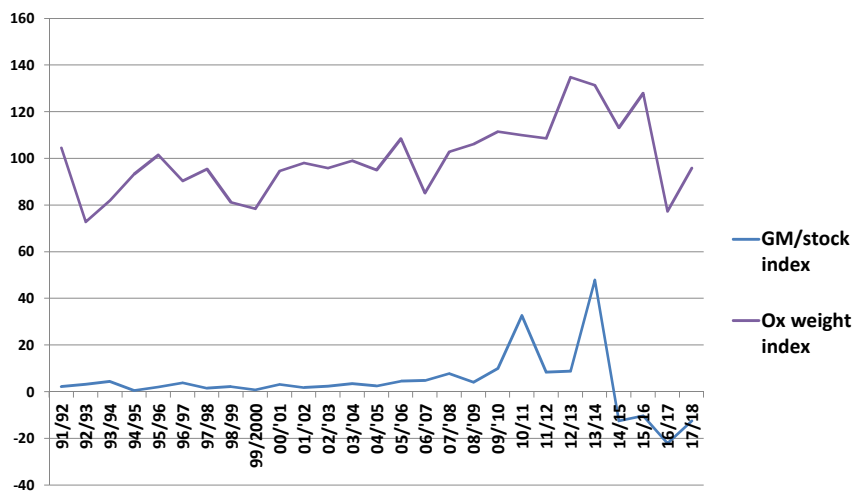
Continue: Cattle (ox production system)



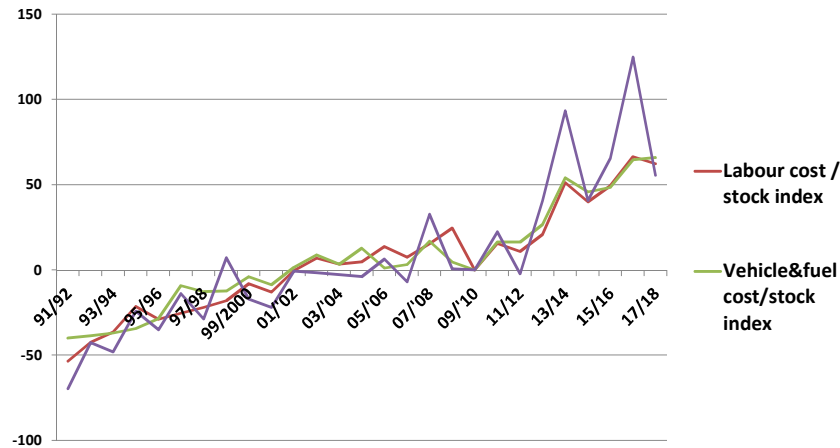
Continue: Cattle (ox production system)



Continue: Cattle (ox production system)



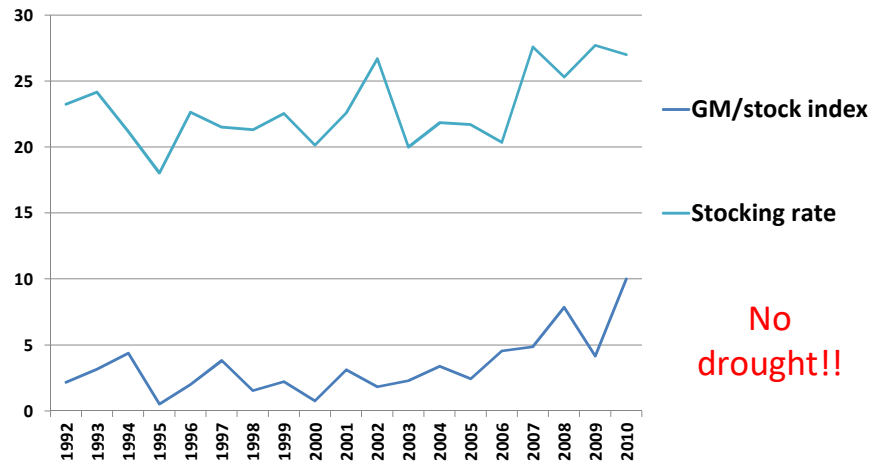
Continue: Cattle (ox production system)



T-test paired 2 samples for means

Ox production system:	GM / LSU index		
Variable	t Stat	Signif	Influence
Ox weight	-35.21	***	4.5 (1)
Calf % lag2yrs	-25.23	***	3.2 (4)
Stocking rate	- 8.38	***	1.1 (8)
Effective rain index	- 7.72	***	1.0 (2)
Vehicle&fuel cost/stock index	- 0.44	-	-
Feed cost/stock index	- 0.28	-	-
Labor cost/stock index	- 0.25	-	-

Variable	t Stat	Signif	Influence
Stocking rate	-35.10	***	4.5 (8)



Cattle (ox production system)

Effect on farm revenue		Effect on production cost	
Ox weight	1.210%	Vehicle & fuel	1.416%
Weaning %	1.091%	Lick & fodder	1.214%
Production/ha	0.564%	Salaries	1.085%
		Water	0.960%
Effective rain	0.341%	Bull replacement	0.113%
Slaughter heifer (kg)	0.206%	Vaccination	0.084%
Bull weight (kg)	0.017%	Marketing	0.057%
Number of bulls	0.010%		

Grapes

Effect on farm revenue		Effect on production cost	
Export quality	1.255%	Labour	2.292%
Micro climate variation	0.121%	Fuel	0.873%
Cultivar type	0.053%	Fertilizer	0.698%
Production system	0.020%	Supervision	0.608%
		Electricity	0.472%
		Pesticides	0.045%
		Binding material	0.002%

Charcoal

Effect on farm revenue		Effect on production cost	
Coal quality	1.440%	Labour	3.166%
Bush composition	1.323%	Supervision	1.665%
		Transport	1.605%
Harvesting practice	0.002%	Housing	1.077%
		Kiln	0.899%
		Storing	0.384%

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Cattle	1		3	2	

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Sheep	1		2	3	

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Goats	1			2	3

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Pigs		2	1	3	

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Poultry		3	1		2

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Dairy		1	2		3

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Trophy hunting		1	2		3

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Agronomy	2	1			3

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Grapes	1			3	2

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Fresh produce	1		2		3

Agricultural sector profit drivers

Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Charcoal	1			2	3

Main profit drivers

Agric Sector	Managerial effectiveness	Efficiency	Turnover / yields	Health / genetics	Accuracy / control
Cattle					
Sheep					
Goats					
Pigs					
Poultry					
Dairy					
Trophy hunting					
Agronomy					
Grapes					
Fresh produce					
Charcoal					

Recommendation

- Measure, monitor and manage.
- Apply key profit drivers into your business prosperity plan.
- Strive for efficiencies in all aspects of the business.
- Surround your business with highly skilled and trusted advisors.
- Do the basics well.
- Adjust farming system(s) to global changes.
- Find a balance between the production system and new technologies, e.g. genomics and robotics.
- Good quality staff remains a key to business success.

Thank you

Trust to see you here in 5 years!