

A favourable ratio

of crop to fertiliser prices for 2016

The current ratio of crop to fertiliser prices is favourable compared to the previous season and should support fertiliser demand in the 2016/17 planting season. Adriaan de Lange, chairman of the Fertiliser Association of Southern Africa (Fertasa), released his report at the 56th Annual Fertasa Congress 2016 held in Johannesburg. De Lange is the managing director of Omnia Fertilisers.

According to the report, the market for fertiliser products in 2016 will depend heavily on adequate rainfall. This will encourage farmers to be optimistic about farming and bodes well for the fertiliser industry. The average rainfall in 2015 measured only 403mm, compared to 544mm during the period from 2012 to 2014.

As a result of the El Niño impact in 2015, the fields of summer crops planted reduced from 4,1 million hectares in 2014 to 3,2 million in 2015, down by 22%. The amount of hectares planted with maize reduced by 27%. However, sunflower plantings increased by 20%, from 560 000 to 718 000ha. The average yield for all summer crops is predicted at 2,63t/ha, compared to 2,89t/ha in 2014 and 4,15t/ha during 2013.

Record-high maize prices

This, together with regional food production shortages, has driven the rand prices of maize to record highs. White maize, which is currently at R4 710/ton, is roughly R1 600 above the theoretical import parity price. Yellow maize is trading at import parity at roughly R1 084/



ton. These prices have reflected a 124% increase for white maize and 62% for yellow maize since January 2015. White maize is currently trading above the wheat price of R4 540/ton.

International fertiliser prices, according to De Lange, are weak due to overcapacity. Urea and potash prices have dropped by 39% since January 2015. The weakening of the rand has buffered the local market against the significant reduction in international prices. The global nitrogen price during 2016 will depend heavily on Chinese producers, where significant inventory levels are accumulating, as well as on the price of gas in the Ukraine.

Registration of products

De Lange once again emphasised the importance of the Fertasa code of conduct compliance system. "The purpose of the code is to create and monitor an ethical culture of compliance in the fertiliser industry, including manufacturing, packing, warehousing, distribution and retail. Products manufactured by producers certified by Fertasa's code of conduct comply with all legal requirements and are quality assured, promoting a culture of integrity and trust within the fertiliser industry."

The principles on which the proposed *Fertilisers and Feeds Bill* [B41-2012] will

be based have been submitted to the registrar. One of the main deviations from the original proposals was the need to continue with the registration of final fertiliser products. Only registered raw materials will be allowed in the formulation of final products. All imported products, including raw materials, intermediate and final products, should be subjected to inspection.

Fertasa proposed 20 corrections to the 2012 fertiliser regulations which were accepted by the registrar. Changes included regulations related to municipal compost, sewage sludge and farm manure destined for the garden and household market. The sale of these products will now be allowed in bulk if registered.

There is a backlog of eight to nine months in the registrar's office for the registration of products. However, the registrar has accepted an offer of assistance by Fertasa to overcome the technicalities. It should take approximately four months to deal with the backlog.

Monitoring scheme

Good progress has been made with the establishment of the Fertiliser Monitoring Scheme, which came to a standstill two years ago due to a lack of funds. With financial support from Sasol Agri Trust and the Department of Forestry and Fisheries

(DAFF) and inspector services from the registrar, agreement is expected to be reached in the near future. Omnia has also offered to perform the analyses at cost.

Fertasa awarded honorary membership to Prof Robin Barnard, who has been involved with the University of Pretoria for 40 years. He has also been appointed as technical adviser to Fertasa. Hans Lombard, of Hans Lombard Public Relations in Johannesburg, was awarded a gold medal for his contribution to agriculture over more than 40 years.

Henri Minnaar, director of agribusiness of the African Fertiliser and Agribusiness Partnership (AFAP), said the organisation collaborates with private business to establish more competitive and sustainable fertiliser markets in Africa, contributing to the Africa Green Revolution. In this programme, entrepreneurs and business leaders are introduced to organisations that have proven track records in enabling African smallholder farmers to source and utilise fertiliser.

AFAP seeks to provide, among others, the following:

- Guarantees for fertiliser distributors' credit.
- Financing assistance for importers and blenders.
- Financing assistance for fertiliser storage and distribution.

Its mission is to enhance crop production and rural incomes by increasing the access of smallholder farmers to less costly quality fertilisers, through the creation of medium-scale fertiliser and agribusiness enterprises as an alternative to traditional subsidy programmes. One of the main objectives is to remove regulatory barriers to trade and investment, in order to boost investor confidence in the African fertiliser and agribusiness industry.

Zambian fertiliser market

According to Jan Vermaak, MD of Omnia Fertilisers Africa, the domestic production of fertiliser in Zambia is limited. All fertiliser raw material and products are imported. Nitrogen Chemicals of Zambia (NCZ) produces all the Compound D for the Farmer Input Supply Programme (FISP).

During the 2015/16 cropping season,

roughly 220 000 tons of Compound D and urea were distributed among one million smallholder farmers. Fertiliser for the FISP is produced through a tender process from private traders and wholesalers. The private sector's role in Zambia involves the international procurement of fertiliser raw materials and final products. This includes co-ordination of import logistics, as well as the local sale and distribution of fertilisers. There exists limited local blending. Some companies, such as Omnia, provide technical and agronomic services.

The agricultural sector in Zambia accounts for approximately 20% of the gross domestic product (GDP). Employment is provided to more than 60% of the labour force, mainly smallholder farmers. Some 95% of smallholder farmers cultivate less than 5ha, predominantly for subsistence maize production.

Soil sustainability

Professor Martin Fey, extraordinary professor at the University of Pretoria, discussed soil sustainability and the market in Southern Africa. The rating of soil abundance in Southern Africa is reasonable. However, it is a far cry from the breadbasket regions of North and South America or the Ukraine, for instance. The dominant soils are generally shallow, often located on steeper slopes. Choice soils occur in limited areas, mostly in the eastern summer rainfall regions. Once properly fertilised and limed, this soil type performs well and are resilient.

Sustainable soil use and management do not simply refer to soil quality. There is a wider social engineering agenda involved. When proposing new projects, issues such as soil health, ecosystem services, food security and environmental resilience have to be considered.

He pointed out that in taking stock of soil resources as the fertiliser industry positions itself for future growth, the best options may be dismissed by planners who fail to address other measures of sustainability. If ecologically-sound land management and social equity are made prerequisites for development, it may lead to yet another tragic nightmare of

Soviet- or Chinese-style central planning.

The greatest limitation of agriculture is land tenure, more so seen in the Democratic Republic of the Congo (DRC). Zambia has implemented certain incentives to be offered for commercial farming. The country's climate, soils and other resources should eventually make it one of the most profitable farming regions globally.

Fertiliser markets in Africa

Dr Augustine Langyintuo of the World Bank Group discussed fertiliser markets in Africa. He noted that decreased yields are largely attributable to the minimal use of improved technologies such as fertilisers. Mineral fertiliser is a key component in integrated soil fertility management, for increased and sustainable crop productivity. The application of fertiliser on the continent remains as low as 11kg/ha, falling short of the suggested 50kg/ha of the Maputo Declaration on Agriculture and Food Security.

This figure is at 96kg/ha in South East Asia, 101kg/ha in South Asia and exceeds 145kg/ha in the developed world. The fertiliser market development in Africa is limited by, among others, lack of finance to produce fertiliser competitively. Commercial bank lending to agriculture merely averages 3% on the continent. Consequently, over 45% of rural farmers are excluded and are unable to purchase fertiliser.

Fertiliser production in Africa accounts for 3% of the global total, compelling entrepreneurs to import nearly all their fertiliser requirements at high cost. A ton of fertiliser can be shipped from the United States to Mombasa, Kenya, for about US\$50. Transporting this ton of fertiliser across a distance of 1 000km from Mombasa to Kampala in Uganda, costs between US\$80 and 90.

As a result of the low performance of agriculture, African governments spend between US\$30 billion and US\$50 billion annually to import food, thereby depriving the continent of its much-needed funds for infrastructure, social and economic development.

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