



OVERCOME THE CHALLENGES OF RUNNING AN AGRIBUSINESS

Keeping an agribusiness in business is not easy. Although inherent passion must be the driving force that keeps farmers motivated, they also need a good business strategy to mitigate challenges prevalent in the agricultural sector. This strategy must include pillars adopted from commercial business practices, leveraging off the advancements made in technology, forecasting unforeseen climatic conditions and caring for the environment.

In this research report we expand on the challenges farmers are faced with and provide useful insight into how to plan ahead and stay relevant. Farmers must position themselves to not only survive, but to thrive.



The fight for posterity

The desire to leave a legacy for generations to come is the cornerstone for farmers who want to grow their agribusinesses. It is one of the main reasons for farmers getting into business with their offspring – to ensure the protection of future generations. As idyllic as this may sound, running a business with family can often be overwhelming.

Possible challenges



Adaptation:
With business practices always evolving, commercial farmers will get left behind if they do not constantly change their business strategies.



Lack of focus:
Family-managed businesses can lack structure when emotional attachments run rampant. In an effort to please everyone, processes and procedures may not be enforced. Learning how to separate business roles from family relationships is pivotal.

Possible solutions



Hiring external employees to bring expertise into the business and manage overflow.



Making use of social as well as conventional media, and identifying alternative resources to grow their agribusinesses without relying solely on tried-and-tested farming methods.

Building climate resilience

Climate change is fundamentally altering the way agriculture is practiced in South Africa. Farmers are left vulnerable to the effects of climate change through variable weather patterns and extremities, and as a result the food that we consume daily is under threat.

Developing a resistance to adverse climatic conditions is essential for any agribusiness to ensure its security. Farmers have to empower themselves with information and methodologies to better withstand and adapt to changing climatic conditions without it affecting their livelihood.



This can be done in the following ways:



Effective planning:

The use of comprehensive tools that provide data on weather patterns keeps farmers aware and up-to-date on weather changes. This allows farmers to plan ahead and make contingency arrangements for extreme weather conditions.



Conservation of natural water resources:

Agriculture is the largest consumer of the world's freshwater resources and, as such, the demand is endless. In South Africa particularly, water resources are stressed because of climatic conditions and human settlement patterns, and pressure on the water supply is compounded by the country's low annual rainfall. One way to conserve water would be to plant trees along rivers to prevent contamination from crop runoff.



The role of technology in agribusiness



Farmers understand the role technology plays in running a successful agribusiness. Crop-monitoring technology has become extremely useful and informative mobile apps help farmers with precision agriculture. Farmers who embrace innovative technology in their agribusinesses have learnt the power of mitigating certain challenges.

This is evident from the use of Aerobotics, a company that collects valuable data for farmers that can be converted into insights to help farmers counter the challenges they

face. For example, the Aerobotics app helps farmers identify early signs of pests and diseases that will affect the quality of their produce.

For the agricultural sector to grow, it has to remain relevant. In this regard South Africa is experiencing a promising trend towards digitisation and, in particular, farming as a business, with technology making farming once again exciting for young people.

Access to finance

It is predicted that, by the year 2050, the demand for food will have increased by 70%. Production input costs will therefore increase exponentially and it is no secret that one needs money to create money. Farmers need access to finance for seed, fertiliser and technology. Farmers also need money to market their produce, and many farmers do not always have instant access to cash.

Agribusiness involves a significant investment, but conventional financing models for the agricultural sector make it challenging to obtain loans. Government policy has shifted from granting title to beneficiaries, which means

that collateral no longer exists. Therefore, where credit applications demand a reliance on agricultural land as collateral, farmers struggle with access to credit. Financiers also require offtake agreements, which may not be available to farmers.

Financial assistance should aim to make farmers self-sufficient. Farmers are not inherently risky – the environment where they operate is risky. There is untapped potential for agri-growth within Africa, and with the right financial support, it can be unlocked.

The following must be considered:

- 1** Support of investment companies or the government is essential for farmers – without it farmers are restricted. Not only does this have an impact on the sustainability of the farming enterprise, but it also affects local communities and the bigger economy. When it comes to finance, a holistic approach must be adopted – one cannot look at agriculture in isolation, but must consider rural development as a whole;
- 2** Farmers must look beyond retailers for offtake agreements and explore the potential that lies within informal markets;
- 3** Conventional financing institutions must relook their stringent requirements for credit applications, and find resourceful ways to help farmers; and
- 4** Collaborative solutions, where banks work with other institutions who step in as equity partners, can also be considered.

Market information

With agriculture being the heart of the economy, farmers need access to information that will help them:

- make decisions about when to buy input or when to sell their yields;
- plan around weather changes; and
- identify diseases and pests in time.

Mobile-based technologies will bridge the gap in market information and provide information that is reliable to enhance farming efficiencies. Technology is a ready source that can:

- give relevant information to farmers;
- increase outreach to smallholder farmers; and
- give farmers direct access to market players and financial service providers at a relatively low cost.

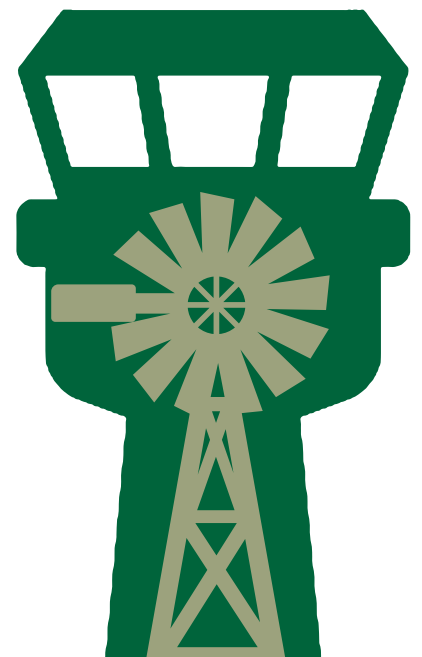
Nedbank Agribusiness support

The business of agriculture demands an enabling environment where the farmer's efforts can come to fruition. This necessitates high-quality support that farmers can rely upon.

To speak to a designated agribusiness banker call 0860 555 333 or email business@nedbank.co.za.

Resources:

- Agri facts and trends 2015 (supplied by Nedbank)



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