



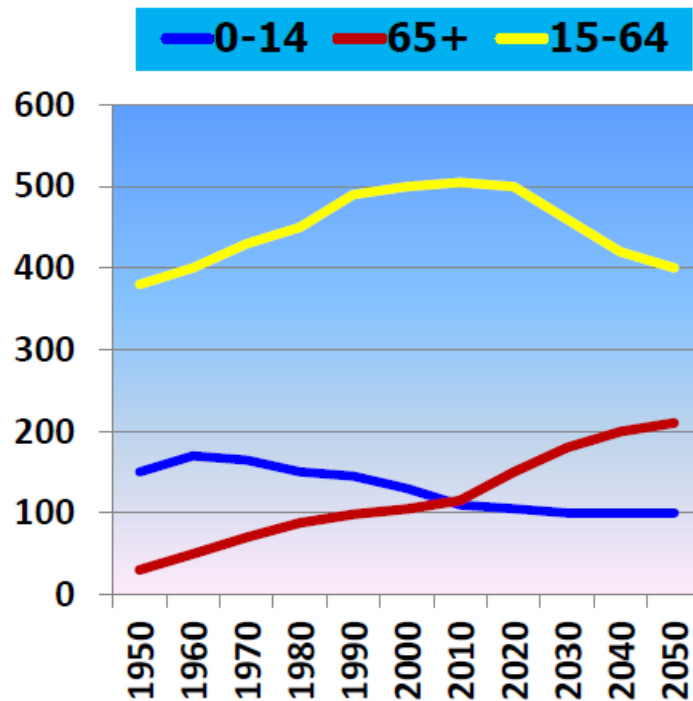
ABSA Maluma Day

# Mega trend

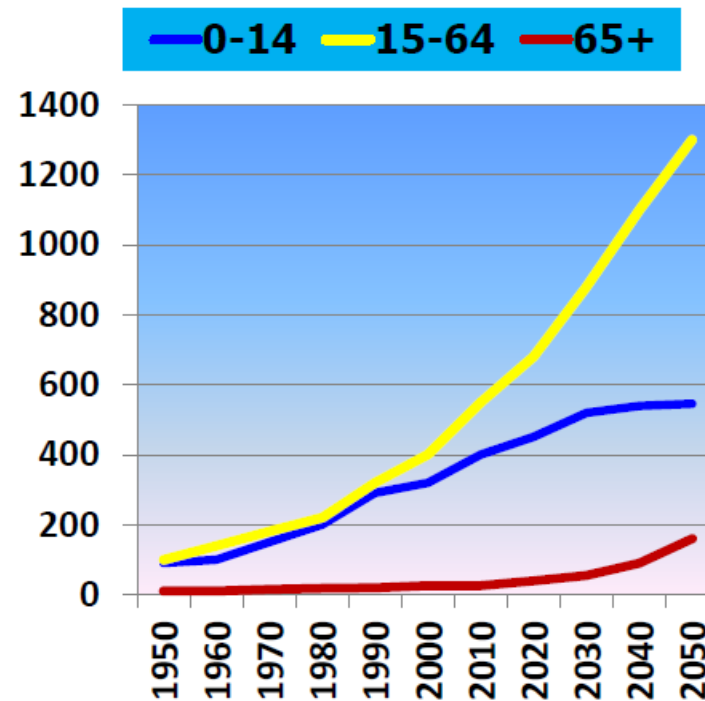
1. **Social risk** to reshape Companies and Countries
2. **Technology** to reshape Companies
  - Companies to deliver value to individuals (personalization)
  - Marketing to move to one to one
  - Information is power – security challenges
  - Changing companies to become proactive
  - Work skill competition to increase (Expansion of Middle Class in rest of world 3,5 billion in 2050 )
  - Education gap to shrink (cheaper & best in class)
3. **Growing world population**
  - Demand shift from West to East
  - Global growth 70m = (France)
4. **Aging West**
  - Less innovative Slower growth
  - Entitlement, Social security and Medicare (1950 16 worker/retiree, 2050 below 2:1)
  - Savings to decline - impacting capital markets
  - Increasing pressure on Government to cut discretionary spend
  - 2015 China sold more adult
5. **Moving**
  - Urbanization having a major impact on Agricultural land
6. **Getting more prosperous**
  - Buying power is increasing

# Population aging trends

## W Europe



## Africa



UN, 2009

# World population trend – Ideal Composition

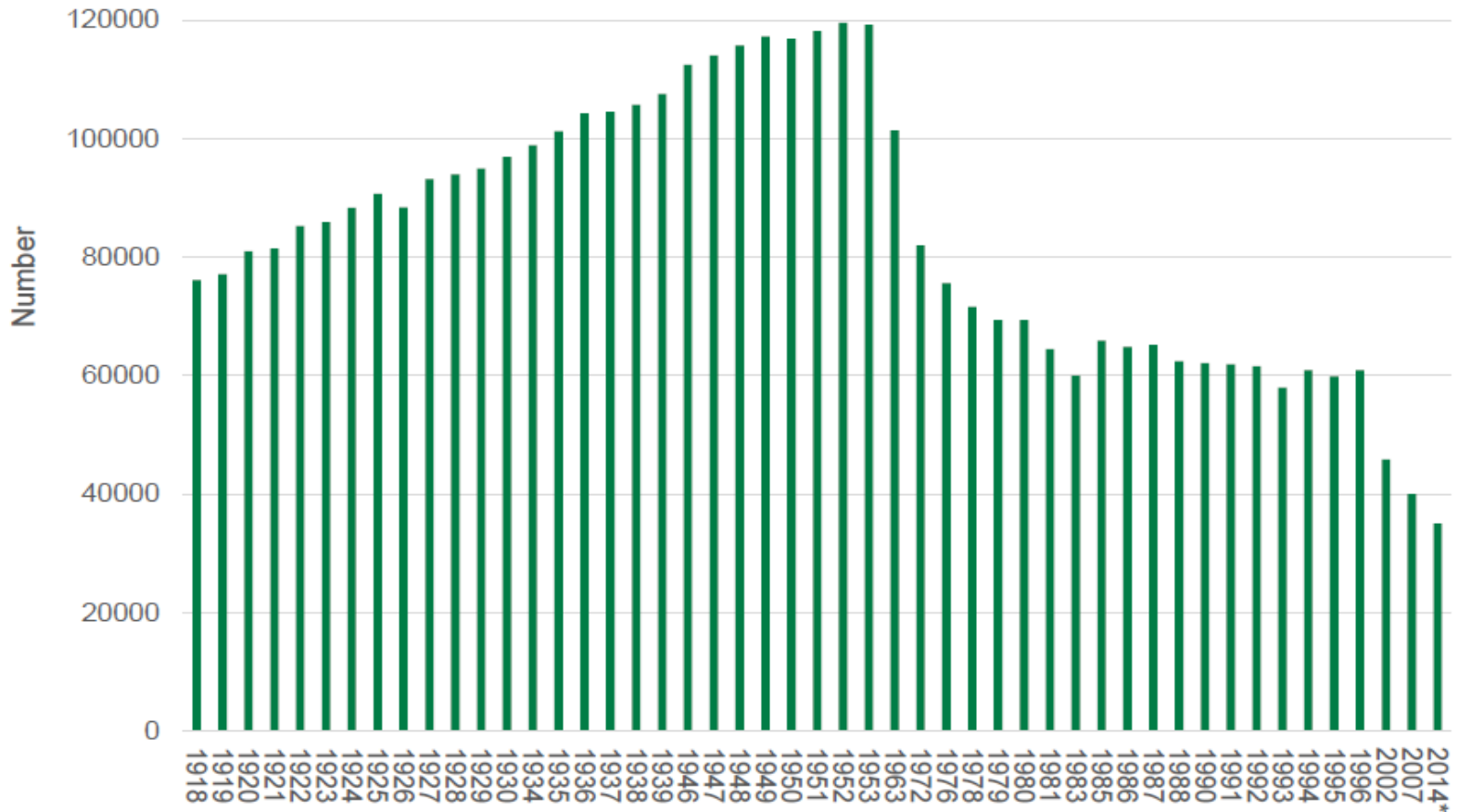
The years in which the proportion of children (0-14) in total population is less than 30% and proportion of seniors (65+) is less than 15%

Country/ Region	Median Age 2010	Median Age 2030	Demographic window of opportunity
Brazil	29	35	2000- 2030
India	26	32	2015-2050
China	35	43	1990-2025
Russia	39	44	1950-2015
Japan	45	52	1965-1995
Germany	44	49	pre-1950-1990
UK	40	42	pre-1950-1980
USA	37	39	1970-2015
SA	23.3	29.8	2010-2050
Africa	19.7	22.7	2050-?

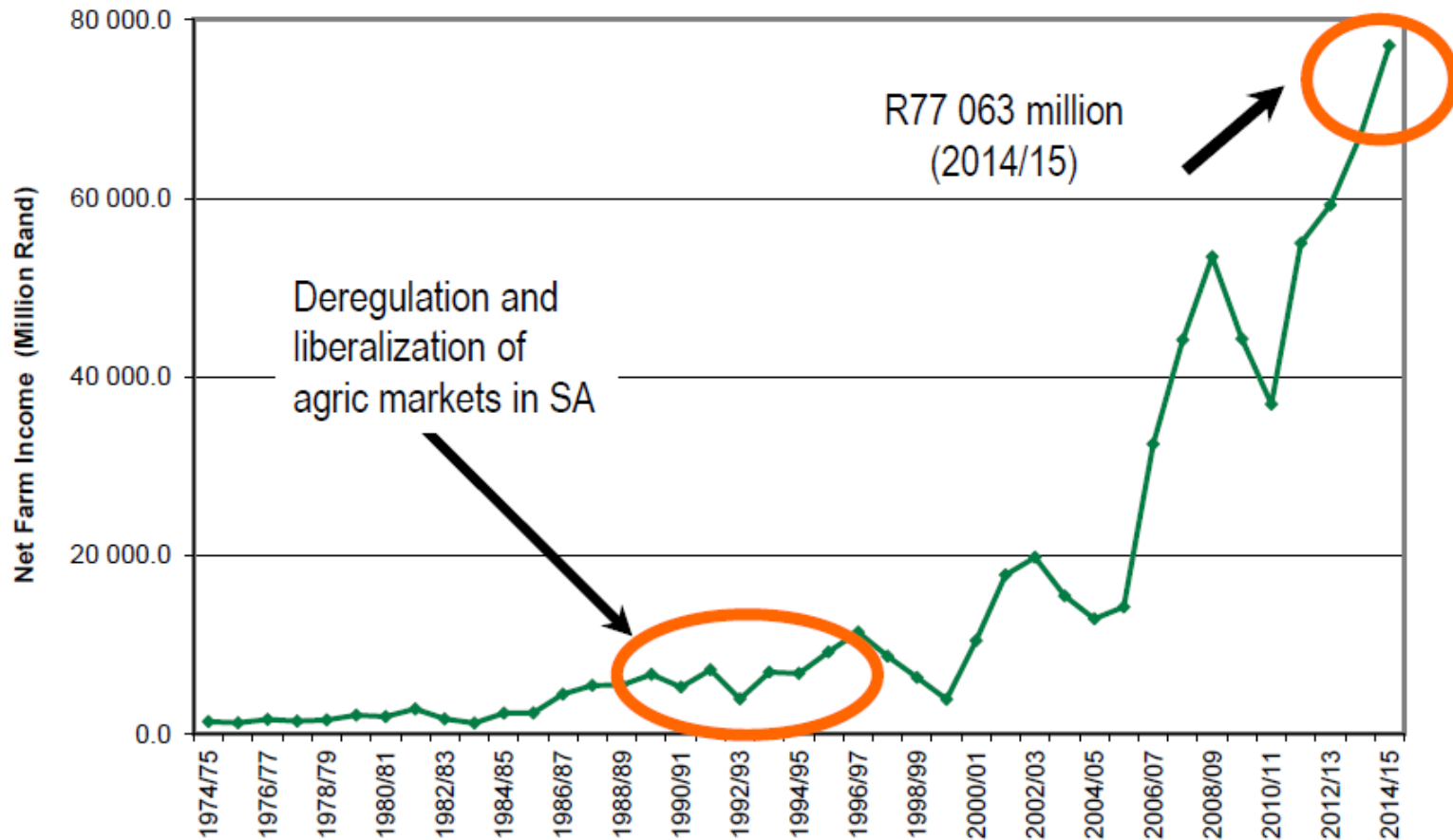
*NIC 2013, NFR Prof A Roux*

# Current Situation in South Africa

Number of commercial farming Units Reduce

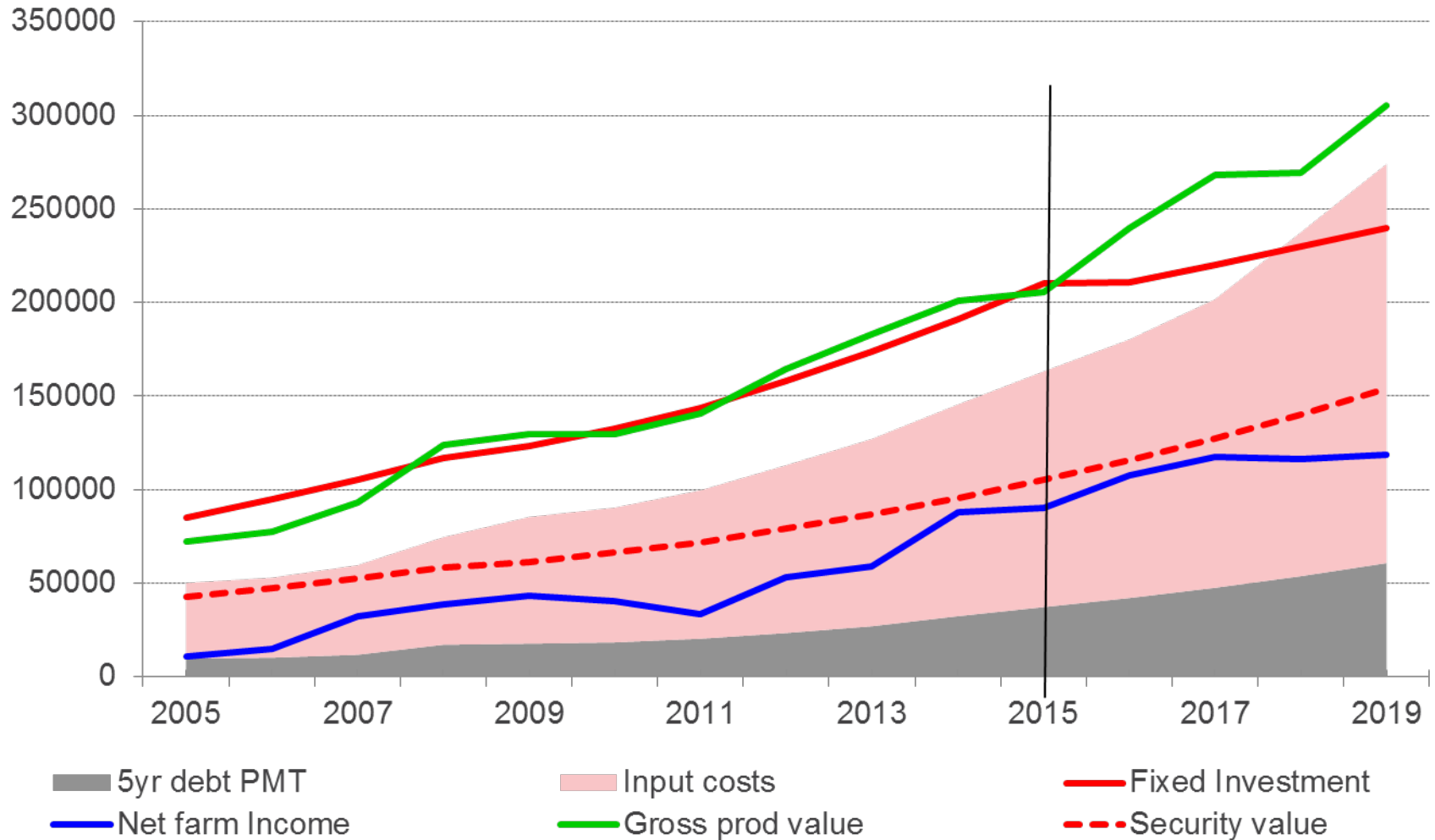


# Net Farm Income

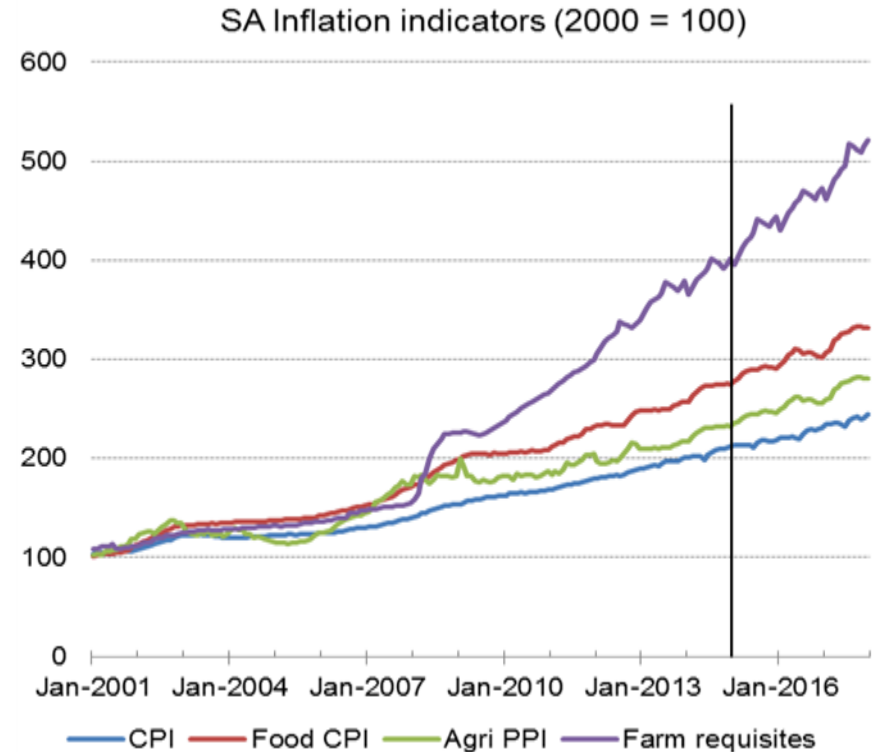
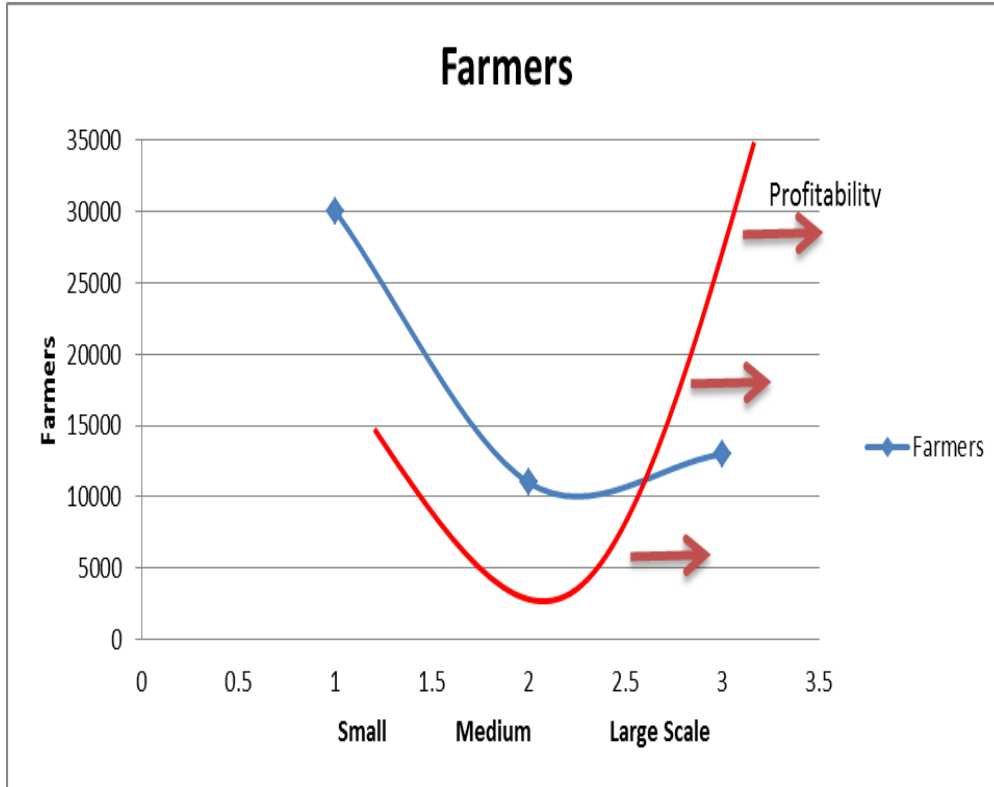


# Given all challenges and opportunities farming remain profitable

## Capital flows and fixed investment in agriculture (Rm)



# Reality of Economy of Scale and profitability



To stay ahead you have to

- Increase effectiveness YoY
- Increase economy of scale
- Growth of inflation plus

# Productivity

Productivity

=

$$\left[ \frac{(\text{Price} \times \text{Volume}) - \text{Production cost}}{\text{Unit}} \right]$$

## 1. Price

- Agriculture is price takers – Not much influence on prices
- Expand into the value chain

## 2. Volume

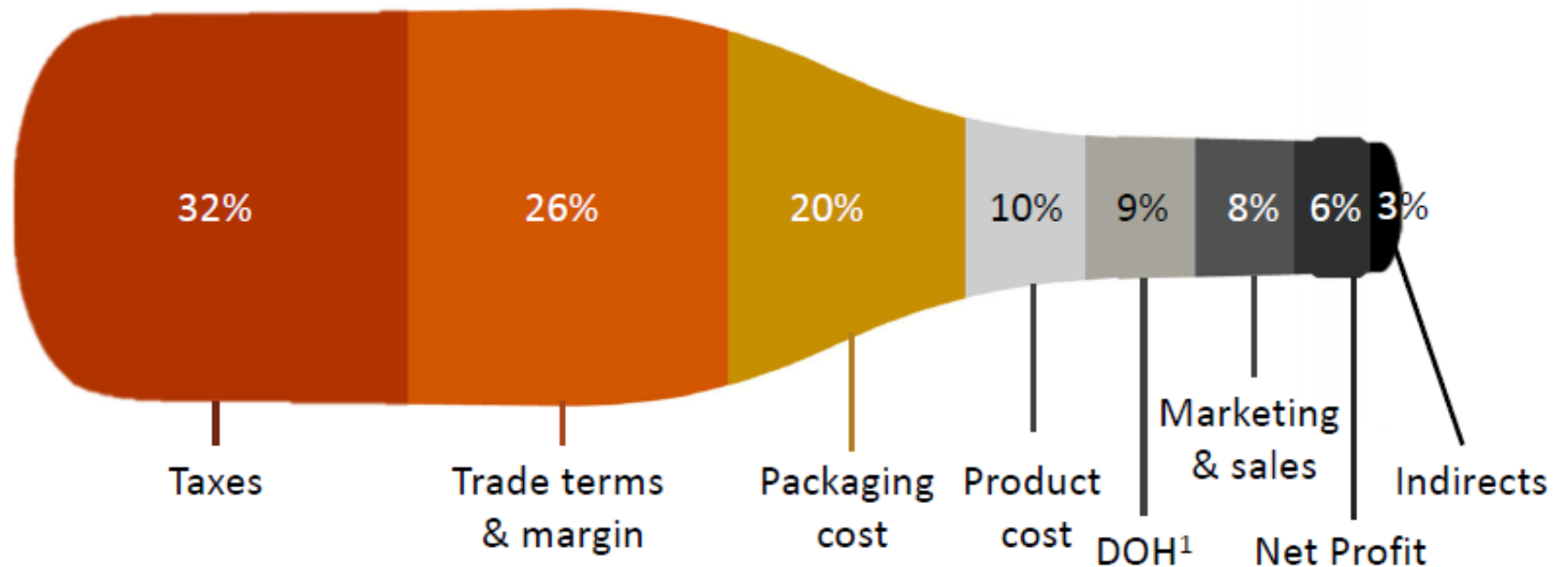
- Economy of scale play major role / collaborate with other producers
- Optimum production per ha

## 3. Production cost

- Constant analyze cost structures
- Collaborate with other producers to reach economy of scale/ bulk buying

# Know your margins.

*P&L breakdown for the average wine bottle  
(e.g. for a R50 bottle of wine, producer keeps R3)*



***Extracting greater value from the trade and innovation are crucial to the industry's future sustainability.***

Source: Wine industry focus interviews. 1. DOH – Distribution and overheads.

# Volume Improvement

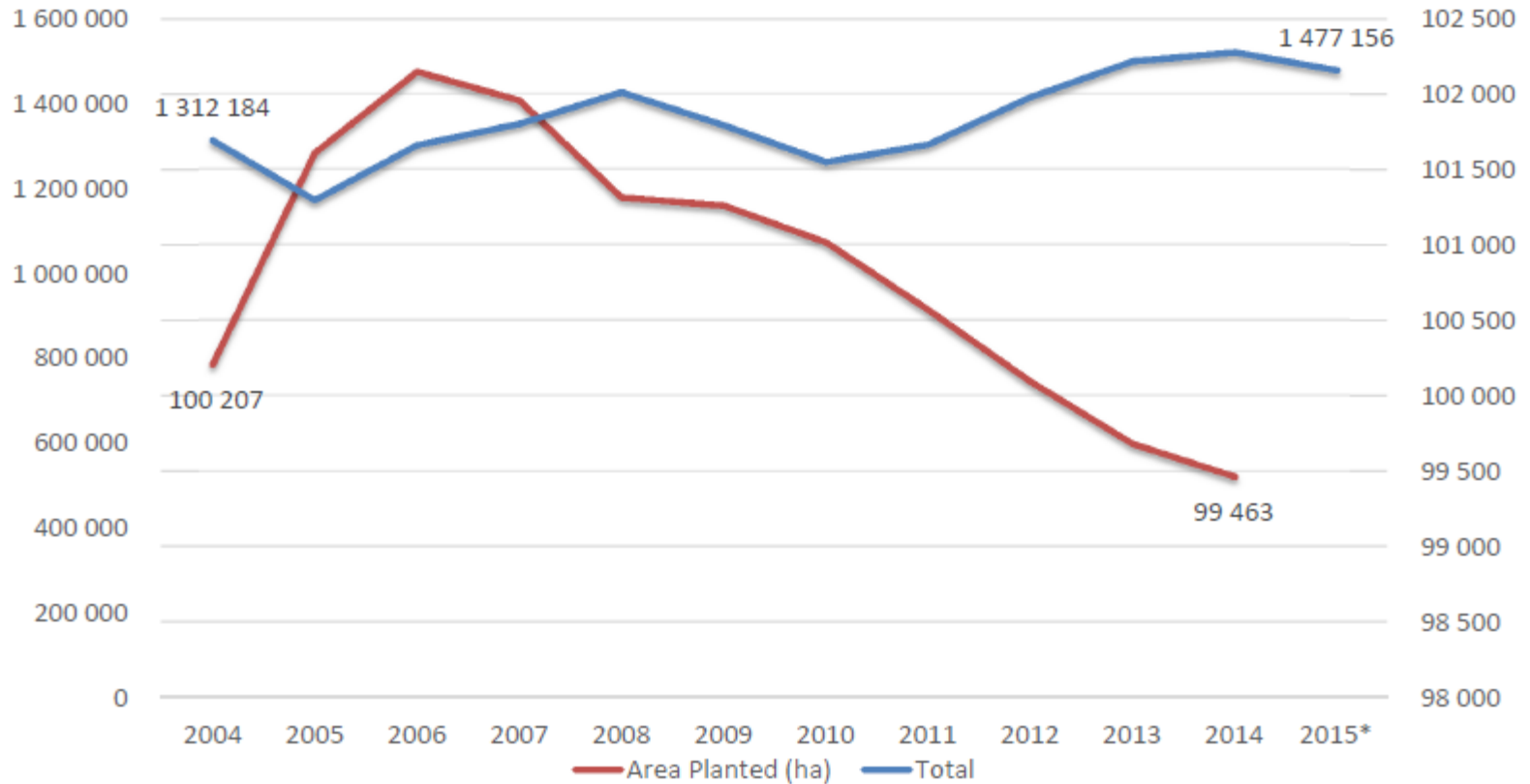
1. How do your orchards compare with industry average?
  - Current average in industry 9.8t/ha on avocados
  - New cultivars average 18-20t/ha
2. How long for your orchards to break even?
  - New methods of land preparation/cultivars/ planting density – 2 -3 years
3. What DNA analyses and selection have been done on avos
4. Are you collaborating with other producers on negotiations with exporters / off takers?

Impact of Plant cultivars, planting density and pruning on yields of other industries

Pear Industry: High density cultivars 4000 – 8000trees per ha improve production from 45t – 70t/ha

Apples Industry: Improved production from 50t – 70t/ha

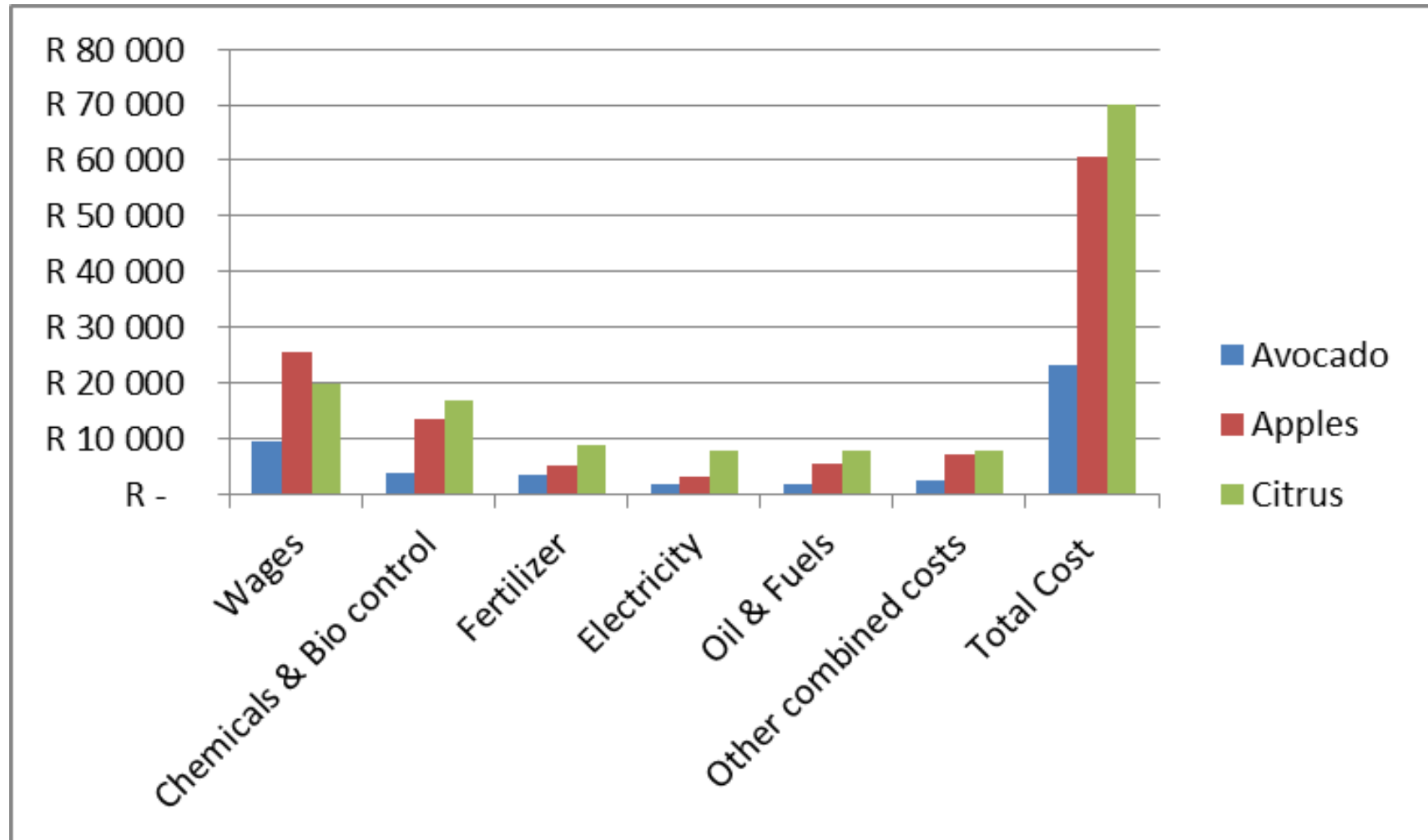
# SA Wine Grape Production



Productivity Factors	Concepts of improvement
Land preparation	Ridges/ Organic Matter/ soil rectification
Trees	DNA (Cultivar) resistance against phytophthora/cercospera/ bearing fruit within tree
	Tree density per ha
Production	Pollination/Bees in orchard
	Growth regulators / IPM
Harvesting	Mechanization- cherry pickers, “krokodille”
Labor	Education
Irrigation	Optimization of system – integrated system / drip/ micro
Marketing	Integrating value chain, spend on marketing
Management	Operational / Financial/ Admin

# Optimizing cost management

## 1. Know your cost structure: Avocado production at farm gate



# Banking sector's role in ensuring sustainability in Agriculture

- 1- Enhancing Specialization – Knowing the clients industry
- 2- Develop new client solutions, develop new products
- 3- Build new credit capabilities, ensuring quicker reaction
- 4- Drive value based pricing, therefore adding value
- 5- Improve digital and big-data capabilities,

*Boston Consultants Group, 2015, 'What the Winning Corporate Bank Will Look Like in 2020'*

# Agrista - Absa's digital model

The screenshot displays the Agrista web application interface. The top navigation bar includes 'Agri Portal', a search bar, and the title 'Absa Hertzogville Zone 12 Maize 2015'. A left sidebar lists various navigation options under 'FAVOURITES', 'APPS', and 'ADMINISTRATION'. The main content area features a 'Filter enterprise' search box and a list of enterprises. The selected enterprise, 'Absa Hertzogville Zone 12 Maize 2015', is shown with details: 'Updated: Feb 2, 2016', 'Type: Field Crop', 'Enterprise: Maize (Yellow)', 'Schedule Start: January', and 'Status: unpublished'. Below this, the 'Assumptions' section shows 'Production area: 1 Hectare' and 'GMO: No'. The 'Region' section contains a map of the area around Kimberley, with a blue-shaded region of interest. The 'Gross Margin' is displayed as 'R 0.00'. A top-right 'Options' menu is open, showing 'Benchmark', 'Edit Details', and 'Publish'.

**Agri Portal** | **Enterpri...** | **Absa Hertzogville Zone 12 Maize 2015** | Options

FAVOURITES

- Home
- Messages
- Customers
- Documents
- Tasks

APPS

- Enterprise Budgets
- Task Manager
- Farm Valuations
- Market Assumptions
- Valuation Guidelines
- Reports
- Wall Map
- Group Analytics
- Farmland Value
- Market Analysis
- Contacts

ADMINISTRATION

11:33 Collin Caluza

Filter enterprise

- Absa Hertzogville Zone 12 Maize (Yellow)
- Ermelo Maize Sample ... Maize (Yellow)
- Absa Witrivie... **published** Pear
- MWR Maize... **published** Maize (Yellow)

**Absa Hertzogville Zone 12 Maize 2015**

Updated: Feb 2, 2016  
Type: Field Crop  
Enterprise: Maize (Yellow)  
Schedule Start: January  
Status: **unpublished**

Overview | **Scheduling** | Costs

Benchmark  
**Edit Details**  
Publish

Assumptions

Production area	1 Hectare
GMO	No

Region

Gross Margin **R 0.00**

Thank you for the opportunity to share a few ideas

# Any Questions

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**Disclaimer:** Although everything has been done to ensure the accuracy of the information, the Bank takes no responsibility for actions or losses that might occur due to the usage of this information.