

Will tides of change affect agri-investment?

Confidence levels in the agricultural business sector increased in the fourth quarter of 2012, and has been on an overall upward trend since hitting an all-time low in 2009. This was according to the Agribusiness Confidence Index, compiled by the Agricultural Business Chamber (Agbiz) and the Industrial Development Corporation (IDC).

Stanlib chief economist Kevin Lings said the latest gross domestic product (GDP) figures from Stats SA explained the positive

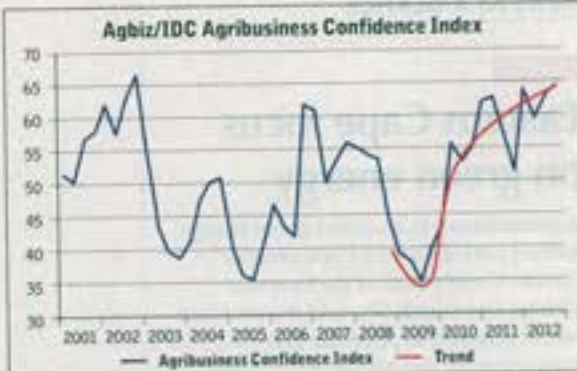
business sentiment.

"The fourth quarter GDP estimate shows 2012 was the best year the sector has had in five years, growing 10% in the fourth quarter and 2,3% overall. Agriculture had a good year in terms of output, production and prices."

What remained to be seen was whether or not current events will suppress the investment appetite of agribusiness decision makers in 2013.

Lindie Stroebel, Agbiz manager of Economic Intelligence and Finance,

ABOVE RIGHT: The Agribusiness Confidence Index has observed an upward trend in agribusiness confidence since 2009. SOURCE: AGBIZ / IDC AGRIBUSINESS CONFIDENCE INDEX



said: "A number of mainly politically-driven events have created huge uncertainties within the broader primary sector, namely the labour unrests, social imbalances, increase in minimum wages, the reopening of the land restitution process and changes in the land reform programme.

The underlying question was whether or not the current times would bring an end to the ongoing upward trend, Stroebel said.

Lings identified the three main negative factors influencing investment as labour unrest and violence associated with it, the re-opening of land claims and the ratcheting up of fuel, water, labour and electricity costs.

"These are causing concerns about conditions in the sector. SA is becoming less self-sufficient in food. We can see more and more food being imported. The re-opening of land claims will create anxiety about how claims will be settled and (about) food production. Uncertainty surrounding the land issue has a tendency to restrict people moving into agriculture," Lings said.

On the positive side, agriculture has been identified by the National Development Plan (NDP) as playing a long-term strategic role in development. "In the NDP, government has clearly articulated its strategy to build up farming and downstream manufacturing of farm produce. That would encourage development and new jobs. Government sees agriculture as important on a number of levels but factors that impact development have to be managed appropriately," Lings said. — Robyn Joubert

WOOL

Wool buyers complain about high prices

Wool prices dropped at the last sale in an apparent downward correction following the sharp increases of the past number of months, and the Merino indicator shed 2,8% to close at R110,70/kg (clean).

"This is still up almost 22% on the opening level and 9% higher than the same sale last season, but traders reported orders as patchy and there were complaints from some quarters about the current high price levels," said Ona Viljoen of Cape Wools.

A total of 7 500 bales were offered. Finer long fleeces posted the biggest declines.

CMW's James de Jager noted that the offering was considerably smaller than usual.

He expected the next auction, the first of the new tax year, to be bigger.

De Jager said the demand remained upbeat, considering that the percentages sold were well above 90%. "The demand from especially China, India and certain European countries is

still good and should maintain towards the end of the season," he said. The highest price by a CMW client was R92,50/kg, achieved by DE de Klerk from Cradock for a BH Cape Merino lot of 179 microns, to Modiano.

The average clean prices for the different categories good top-making (MF5), long fleeces were as follows: 18 microns were down 5,9% at R119,27/kg, 18,5 microns shed 3,1% to R121,33/kg, 19 microns were 4,3% cheaper at R117,94/kg,

19,5 microns dropped 4% to R111,49/kg, 20 microns were down by 2,8% at R111,47/kg, 20,5 microns decreased by 3,8% to R109,15/kg, 21 microns weakened 2,3% to R109,45/kg, 21,5 microns were 1,8% cheaper at R109,32/kg, and 22 microns shed 2,1% to close at R109,33/kg.

Major buyers were Lempriere SA (2 214 bales), Standard Wool (1 726 bales), Modiano SA (1 502 bales) and Stucken & Co (1 092 bales). — Roxief Bezuidenhout

Wool prices dipped at the recent sale with buyers reluctant to pay the higher prices achieved earlier. ROXIEF BEZUIDENHOUT