FNB AGRI DIVISION
LPO Congress 10 October 2013

Presented by:
Christo Viljoen: Head of FNB Agri

Agenda

1. Overview of Namibian Agriculture
2. Importance of Agriculture in Namibia
3. Challenges for Agriculture in Namibia
4. How can we help you?
5. Questions

1. Overview of Namibian Agriculture

Value of Land and Improvements vs. Farming debt vs. Production of Agri

In 10 years:
- Total value of land and fixed improvements grew from N$7.8bn to N$12.6bn (+62%)
- Agricultural production grew from N$1.9bn to N$5.4bn (+184%)
- Total Farming debt grew from N$1.5bn to N$4.1bn (+173%)
- Land and Fixed Improvements = 3 x Total debt
- Agri production = 1.3 x Total debt

1. Overview of Namibian Agriculture (cont.)

Agri debt in Namibia

In 10 years:
- Total Farming debt grew from N$1.5bn to N$4.1bn (+173%)
- Agribank grew from N$1bn to N$1.7bn (+70%)
- Commercial Banks grew from N$0.5bn to N$2.4bn (+380%)
### 2. Importance of Agriculture in Namibia

- Contribute 5.1% to GDP (4.7% - 2011)
- Wholesale and retail contribute 11.7%
- Manufacturing and Mining each 11.3%
- The Agricultural sector grew by 11.8% in 2012 compared to 15.5% in 2011
- Livestock contributed 68% of total Agricultural output in 2012
- Largest employer - 27% of national workforce (about 173k of 630k)

### 3. Challenges for Namibia Agriculture

- Lack of proper industry information
- Communal farmers limited access to financing and capital
- Cost/Income under pressure
- Bush Encroachment – results in decreasing number of animals slaughtered
- Low rainfall in some areas – this resulted in low producer prices due to emergency marketing

### 4.1 Stud Animal Auctions in perspective

- Total turnover of stud animal auctions across Namibia is estimated on N$45-50m (2013/2014)
- This is much lower than previous years
- Expected to increase substantially in normal rainy seasons
- +/-30% of that is financed by way of a loan (N$13-15m)
- Can increase if proper and correct financial support is provided

### 4.1 Investing in superior genetics makes economic sense

- Based on the following assumptions, one can clearly see the benefits of investing in quality genetic material:
  - **Income for average quality animals:**
    - 50 animals slaughtered x 170kg/animal x N$22/kg = N$187 000
  - **Income for good quality animals (only bulls bought):**
    - 50 animals slaughtered x 200kg/animal x N$25/kg = N$250 000
    - +34%
  - **Income for superior quality animals (bulls & cows bought):**
    - 50 animals slaughtered x 220kg/animal x N$27/kg = N$297 000
    - +19%
  - Total improvement +59%

### 4.1 How can we help you?

- Offer finance over **60months** (5years) to purchase stud animals
- The ultimate goal and objective is to:
  - Make sure that our clients continuously invest in genetic material even with the low rainfall season we had
  - Create an opportunity for them to buy even better genetic material than what they would have been able to afford without finance (N$50 000 vs. N$30 000)
  - Giving them a much better repayment schedule to improve their cash flow (Loan vs. Overdraft facility)
  - Support both commercial - and stud farmers
4.1 Challenges

- Currently this product/initiative is only offered to FNB clients
- We will have to develop something that will address the need from the non-FNB clients
- Determine our cost/benefit ratio with different loan amounts
- Keep track if our capacity in the branches and Agri Managers

4.2 Bush Encroachment in perspective (cont.)

- +/-26m ha bush encroached in Namibia
- 80% of this 26m ha have between 2,000 and 4,000 bushes/ha
- There was a decline of 64% in cattle numbers since 1958
- Estimated loss in meat production is +/- N$1.4bn per annum
- Invader bush leads to water loss of 12 million cubic meter on 5,000ha farm

4.2 Bush Encroachment in perspective (cont.)

- Rangelands in poor condition needs 3-4 times more water – Artificial droughts
- Estimated cost of bush clearing
  - Chemical – N$300/ha to N$600/ha
  - Manual – N$750/ha to N$1,200/ha
- Total cost of clearing 5,000ha farm is between N$3m and N$4.5m (assuming 3,000 bushes/ha)

4.2 How can we help you?

- From the research that we have done, we realized that:
  - It takes up to 3 years for the veld that was cleared to be fully utilized again
  - There is a cash flow delay that needs to be bridged from the time clearing was done to where a higher profitability is obtained

4.2 How can we help you? (cont.)

<table>
<thead>
<tr>
<th>BUSH ENCROACHMENT LOAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>100,000</td>
</tr>
<tr>
<td>200,000</td>
</tr>
<tr>
<td>300,000</td>
</tr>
<tr>
<td>500,000</td>
</tr>
<tr>
<td>700,000</td>
</tr>
<tr>
<td>1,000,000</td>
</tr>
<tr>
<td>2,000,000</td>
</tr>
<tr>
<td>3,000,000</td>
</tr>
</tbody>
</table>
4.2 How can we help you? (cont.)

<table>
<thead>
<tr>
<th>LIVESTOCK LOAN</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount (R)</td>
<td>Cap &amp; Int (years)</td>
</tr>
<tr>
<td>250,000</td>
<td>64.691</td>
</tr>
<tr>
<td>500,000</td>
<td>129.381</td>
</tr>
<tr>
<td>750,000</td>
<td>194.072</td>
</tr>
</tbody>
</table>

4.2 When applying

• Indication of size and location of target area to be treated and reason why this area was chosen
• Long term rainfall on this area
• Estimated number of targeted species on the land specified
• Method of bush clearing with estimated cost/ha and total cost

4.2 When applying (cont.)

• Confirmation that chemicals used are environmentally friendly
• Estimated benefit through increase in carrying capacity
• Indication of how these benefits will be used and resources needed to optimize the increase in carrying capacity
• Description of what aftercare program to be implemented

5. Questions

Kom ons gesels!

Conclusion