

PULA IMVULA

GROWING FOOD • PEOPLE • PROSPERITY



Soil tests come in handy for next crop's fertilising plan

SUNFLOWER AND SOYBEAN LANDS HAVE BEEN HARVESTED IN PARTS OF THE EASTERN FREE STATE PRODUCTION AREA. SUNFLOWERS AND SOYBEANS ON LARGE LANDS YIELDED 2 T/HA AND 2,1 T/HA RESPECTIVELY.

The maize planted later than normal is showing a moisture content in the cobs of 18,5% at the time of writing. Test harvesting loads show a slightly higher yield than the preliminary crop estimates of 6,4 t/ha done at about 25% seed moisture content.

These yields on the three crops mentioned above are considerably higher than the long-term averages of 4,5 t/ha to 5 t/ha or less of dryland maize yields realised, in recent production seasons, that have been con-

Written by a retired farmer



sidered being at the top potential of these soil types which are medium to deep Westleigh forms. Higher yielding cultivars for all crops have steadily increased the norms depending on cultivation practices, soil moisture at planting and subsequently the rainfall patterns.

The above yields were realised with a semi-till system keeping previous crop plant residues on the surface, ripping soils in late winter and grazing of some residues before the ripping operation. Weed control was well done with an effective chemical control spraying programme at and after plant emergence.



A WORD FROM...

Johan Kriel

WINTER IS ALWAYS A TIME OF REFLECTION FOR ME. THIS WINTER COMES AT A VERY SCARY TIME IN OUR WORLD. LET ME START AT THE BEGINNING OF MY THOUGHT PROCESS.

The 2019/2020 production season started tough. The rain did not come. The planters remained in the sheds. The severe conditions taught me one thing. I have to change my lifestyle. I have to live my life upward. We as food producers in this country have to live upward. We have to make sure that we live according to Gods way. We have to make sure that wherever we go, whatever we do, it has to be in a Godly manner when our customers, the consumers of our product see us and eat our produce, they have to say: 'This food is excellent. I am sure a child of God produced this.'

Then the rain started. We could at least start to prepare our lands and some regions could plant. Given the small profit margins that crop farming has, this fact leads to a no profit situation for the new farmers. This made me realise that farmers also have to live inward. Even in the most difficult conditions, you have to be at peace with yourself. You have to keep yourself, your family, your workforce and your livestock in a healthy condition. Make sure that you do not make the same mistakes repeatedly. Have faith and inner strength in your abilities. Keep on trying.

During late January, February and March and even into April a lot of rain fell in the grain producing areas of our country. The tractors were stuck in the mud, but the crops flourished. Then the Coronavirus struck our country and our world changed overnight. This made me realise that farmers have to live outward. We have to give a helping hand to those who are less fortunate and vulnerable. We have to look at each other with love, empathy and understanding.

My question to you the farmer of South Africa is this. Can we have a united agricultural sector in this country? Can we help each other and not be so self-centred that we forget to live upward, inward and outward?

May you have a prosperous 2019/2020 season and may 2020/2021 be even better. I pray that God will bless and keep the food producers of this country. ■

Soil tests come in handy...



Know your soil.



Always keep your feet in the lands and your hands in the soil.

It is good farming practice to take soil tests at least every three seasons to have an idea of the possible changes to your fertility levels. It would also be ideal to do soil tests between July and October this year after a bumper crop has been harvested. The yields realised can be compared to previous soil tests, actual fertilisation and targeted yields to determine the coming seasons fertiliser programme.

Do I compensate for an above average yield, new cultivar potential or do I fertilise as normal using the quantity targeted for certain assumptions? The crop rotation system followed, for example, using a combination of soybeans, maize and sunflowers will also influence your decision on the appropriate fertiliser type and quantity to use.

An example of an adapted ARC soil test report.

ARC-SMALL GRAIN INSTITUTE		Tel:	058 307 3501		Name:	Farm:	Test reference:	2020-G-52		
Soil Analyses Laboratory					Address:	Fax No.:	Date received:	05/07/2020		
Private Bag X29						Tel No.:	Date completed:	07/07/2020		
Bethlehem						Cell No.:	Agent reference:			
9700										
Sample number					506	507	508	509	510	511
Sample reference					L1	L2	L3	L4	L5	L6
NORMS										
Description	Extremely Acid	Very Strongly Acid	Strongly Acid	Acid	Medium Acid	Slightly Acid				
% SV	> 60	50 - 60	40 - 50	30 - 40	20 - 30	10 - 20	7,40	6,20	5,70	5,50
pH (KCl)	< 3.5	3.6 - 3.8	3.9 - 4.0	4.1 - 4.3	4.4 - 4.5	4.6 - 5.0			5,90	5,80
Description	Slightly Acid	Slightly Acid	Neutral	Slightly Alkaline	Alkaline	Medium Alkaline				
pH (KCl)	5.1 - 5.5	5.6 - 5.9	6	6.1 - 6.4	6.5 - 7.0	7.1 - 7.5				
N										
	Result as % of CEC	Low	Medium / Ideal	Medium-High	High					
Na										
P	mg/kg	< 15	15 - 25	25 - 35	> 35	10,30	8,90	11,00	33,20	9,50
Ca	mg/kg	55 - 75	< 200	200 - 400	400 - 800	> 800	1.175,00	343,00	638,00	516,00
Ca - CEC %										
Mg	mg/kg	20 - 30	< 40	40 - 80	80 - 120	> 120	100,00	105,20	191,10	118,10
Mg - CEC %										
K	mg/kg	6 - 12	< 60	60 - 80	80 - 120	> 120	73,50	286,90	48,50	41,30
K - CEC %										
Na	mg/kg	< 5	< 10	10 - 30	30 - 50	> 50	7,30	3,50	14,50	13,40
Na - CEC %										
US							0,00	0,00	0,00	0,00
SV	%									
Ca/Mg							7,16	1,99	2,04	2,66
(Ca + Mg)/K							35,63	3,51	38,37	33,61
KUK / CEC							6,91	3,32	4,94	3,71
Clay / Kiei	%						7,00%	5,00%	9,00%	7,00%
Zn	(HCl)	< 1,5	1,5 - 2,0	2,0 - 4,0	> 4,0					
C	%									

Maize fertilisation guidelines.

Chart created by Agrimetrix											
Maize fertilisation guidelines – based on FSSA guidelines											
NPK – removal by maize per 1 ton of marketable product – replacement maintenance											
Grain only	N	P	K	S							
Stalks and cobs	12	1.5	16.5	4							
Total	27	4.5	20								
Yield target	2	3	4	5	6	7	8	9	10	10+	Comments
Recommended kg N/ha	20	45	70	95	120	145	170	195	220	20 + 20/10	
Recommended kg P/ha											
Bray 1											
0 - 4	0 - 2	20	42	65	88	109	130	130	130	130 +	
5 - 7	3 - 5	17	31	47	63	76	90	93	95	97	Suboptimal - P - P - Build up + Maintenance
8 - 14	6 - 10	13	19	30	42	50	59	64	67	68	
15 - 20	11 - 15	10	13	21	29	36	42	47	50	53	
21 - 27	16 - 20	7	10	15	19	26	31	34	38	41	Optimal soil - P
28 - 34	21 - 25	6	9	12	15	18	21	24	27	30	Above optimal soil - P
Recommended kg K/ha											
Soils with 25% Clay or more											
NH ₄ OAc	Isel										
< 40	30	16	30	44	58	72	86	100	114	128	128 +
40	35	5	16	27	38	49	60	71	81	93	93 +
60	53	0	9	19	30	40	49	59	67	78	78 +
80	70	0	5	13	22	31	40	49	57	67	67 +
100	88	0	0	9	17	24	33	41	48	57	57 +
120	105	0	0	6	13	20	27	34	41	48	48 +
140	123	0	0	5	11	17	23	29	35	41	41 +
160	140	0	0	5	10	15	20	25	30	35	35 +
Soils with < 25% Clay content											
NH ₄ OAc	Isel										
10	9	10	19	28	37	46	55	64	73	82	82 +
20	18	0	11	20	29	38	47	56	64	73	74 +
40	35	0	5	13	22	30	39	47	56	64	64 +
60	53	0	0	8	16	24	32	40	48	56	56 +
80	70	0	0	5	12	20	27	35	42	50	50 +
100	88	0	0	0	10	17	24	31	38	45	45 +
120	105	0	0	0	8	15	21	28	34	41	41 +

PREVIOUS SOIL TESTS

Please see **Table 1** as an example of the results of a soil test shown in colour coded blocks so that the comparison of your soil can be visually compared to an ideal or norm that is ideal. As can be realised there is much data for an inexperienced farmer to look at to be able to recommend a suggested fertilisation programme.

Each soil test laboratory will have a different reporting format depending on the test requested by the farmer, consultant or fertiliser agent. It is advisable to use one laboratory over many years so that the soil tests, fertiliser recommendations and yield results can be consistently and reliably compared to make the right decisions. It is always advisable to use experienced agents who can consult their agronomist for absolute clarity on why a certain regime is recommended.

If you have limed some lands or part of a farm it will be essential to see how the pH and thus availability of the various soil nutrients has improved, and the fertiliser programme adjusted accordingly. The pH in the samples given can be seen to be almost ideal for crop production resulting from a long-term liming programme. Liming should only be carried out after the financial cost implications are considered as the benefits will occur only

over three seasons. If working capital is constrained, then rather use the recommended programme as usual. Correct liming on high potential soils can really increase yields by a few tons per hectare.

Table 1 should encourage you to ask your agent or agronomist about any factors that you should be addressing so that you can improve your own soil fertility and yield potential.

It is recommended that soil samples should be taken during July and August so that the laboratory can complete your tests before the huge rush later.

FERTILISER RECOMMENDATIONS

In answer to the question asked in the introduction it seems that the consensus amongst fertiliser agents and consultants is that if you have for example achieved a 6 t/ha average maize crop, to fertilise for this target again. If there is another good rainfall year you can then achieve a similar yield in the current year.

Please look at **Table 2** for the various nutrients required to produce various yield targets per hectare.

It is important to know what method your laboratory used to measure the various components and other aspects of your soil. The recommendation is based on replacing the nutrients that will be taken out of the soil and removed by the seed harvested. Look at the section showing removal of nutrients by seed only or seed and stalks and cobs. If you are going to make silage or bale all the plant residues, then the fertilisation should be adjusted upwards so that the soil is not over mined. This will be evident in subsequent crops if a deficiency of any nutrient occurs. The numbers shown indicate the kilograms of nutrient removed per ton of maize seed yielded.

Table 2 would be based in broad terms on a Bray 1 method soil test showing 26 parts per million (ppm) for phosphate (P), 80 ppm for potassium (K), and less than 25% clay content. Yield target is 6 t/ha for dryland maize.

The fertiliser regime for a target of 6 tons would require a minimum of 120 kg of nitrogen (N), 26 kg of phosphate (P), and 20 kg of potassium (K) per hectare. It would not be recommended to plant more than 50 kg of nitrogen at planting to avoid seedling burn and damage. The maize crop could be planted with a fertiliser mixture having 50 kg N, 26 kg P and 20 kg K per hectare. Usually it would contain zinc as a rule and other trace elements if recommended. The 70 kg of N that is still required would be side placed in the row when the plants are from about 10 cm in height and between the 8 to 14 leaf stage but before they exceed knee height. This will avoid the loss of critical N through leaching if long periods of soil saturation are experienced. Much of the N can be lost with only a week of saturated soil conditions.

As can be seen the 'forgotten' nutrient sulphur (S) is removed or required at a rate of 4 kg/ha. Some companies sell a nutrient mix containing sulphur, but it is highly recommended to side dress with a mixture of quickly available nitrogen as well as sulphur.

Consult your fertiliser agent or consultant for the various options available. Some farmers apply all the nutrients at planting these days but run the risk of losing nitrogen. On the other hand, as happened this last season, farmers couldn't get into the lands, due to high rainfall conditions, to side dress the necessary N. This shows up in second or third cobs that have no pips in the top third or more of the dry cobs harvested. The ideal practices for the application of granular or liquid fertilisation should be identified.

The methods discussed above can be used for all the other crops planted.

CONCLUSION

Understand your soil tests so that you can fertilise at optimum levels for the next crop. ■

Covid-19 impact on input prices differs

THE GLOBAL COMMUNITY IS CURRENTLY FIGHTING THE COVID-19 PANDEMIC, AND WHILE THE FOCUS IS ON HEALTH, THE ECONOMIC AND SOCIAL IMPLICATIONS ARE FAR-REACHING. THIS COMES AT A TIME WHERE THE GLOBAL ECONOMY WAS ALREADY SLUGGISH.

Ikageng Maluleke, Agricultural Economist, Grain SA. Send an email to Ikageng@grainsa.co.za



Since March 2020 when the pandemic hit South African shores, the rand took a nosedive. In addition, we have observed the collapse in crude oil exacerbated by global lockdowns. These have a great impact on imports of chemical and fertiliser prices.

Crude oil plays a major role in input prices. Even before Covid-19, we saw an oversupply in the crude oil market. Then, OPEC and non-OPEC allies failed to reach an agreement as Russia refused to back even a moderate cut. Between March and April 2020, there was exponential growth in Covid cases, forcing global lockdowns, which led to the destruction of oil demand on a scale never seen before. This forced OPEC countries to meet again in April when they decided to cut supplies further. The implications are noted by stronger crude oil prices since early May 2020. The rand depreciated by 25,6%, from May 2019 to May 2020, the impact of the depreciation can be seen in the increase of chemical and fertiliser prices in rand terms.

INSECTICIDE PRICE TRENDS

Looking at insecticide prices from May 2019 to May 2020, there have been significant decreases in most of the insecticides in dollar terms; with Lambda-cyhalothrin (42,6%), Imidacloprid (29,6%), Cypermethrin (28,2%) and Acetamiprid (26%) showing some of the highest decreases. Looking at the same inputs in rand terms, the following shows a similar decreasing trend, Lambda-cyhalothrin (27,9%), Imidacloprid (11,5%), Cypermethrin (9,9%) and Acetamiprid (7%). The rest show an opposite trend, we see an increase of up to 17,1% for Chlorpyrifos, and this is mainly attributed to a weaker rand.

HERBICIDE PRICE TRENDS

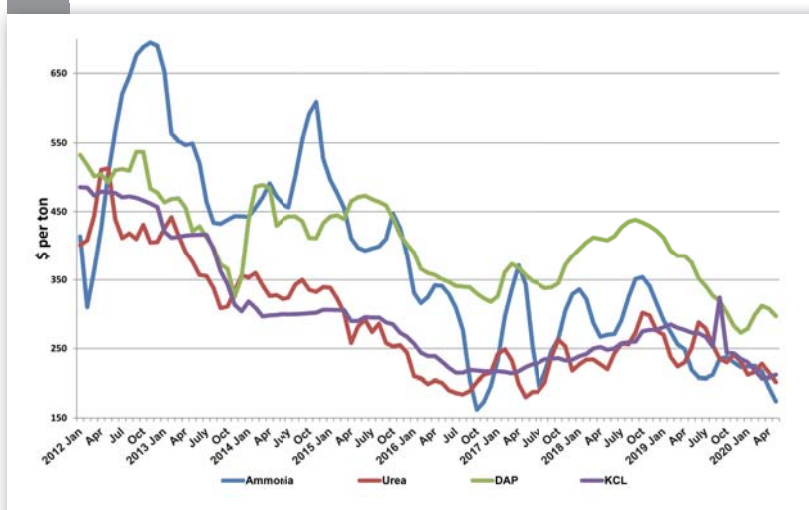
Yearly herbicide prices from May 2019 to May 2020 also show a general decrease in the prices of most active ingredients except Glyphosate and Trifluralin that shows an increase in dollar terms. In rand terms, we see the opposite; prices show increases of about 3% to 45% over the same period, except for Atrazine, which shows a decrease. These increases in rand terms can be attributed to the weaker rand.

FERTILISER PRICE TRENDS

International fertiliser prices in dollar terms from May 2019 to May April 2020 show a general downward trend; KCL prices decreased

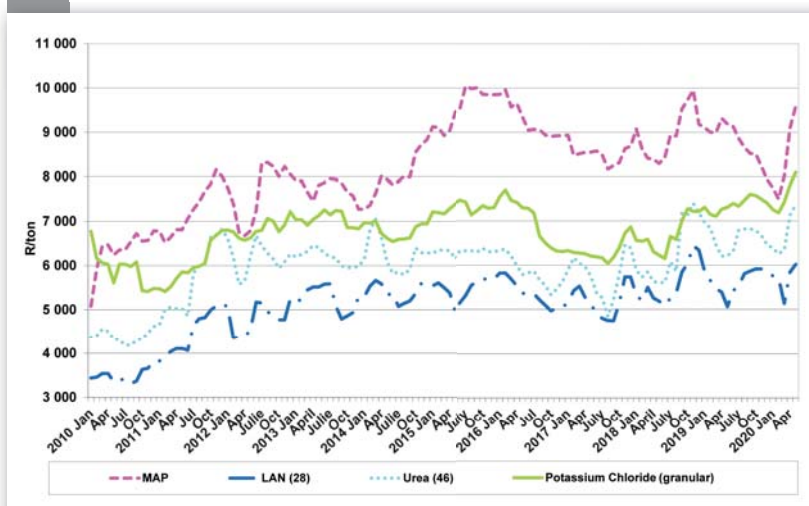
1

International fertiliser prices.



2

Local fertiliser prices.



the most at 22,3%, followed by DAP 20,8%, while Ammonia and Urea decreased by 20,5% and 19,5% respectively. In rand terms, the same chemicals followed the international trend and show a decrease for KCL, DAP and Ammonia while Urea shows a minor increase mainly due to a depreciation in the rand.

1 Yearly insecticide prices: International in dollar and rand value.

	International insecticide prices – year to year change (\$/t)			International insecticide prices – year to year change (R/t)		
	May 2019	May 2020	% change	May 2019	May 2020	% change
	USD/t	USD/t	%	R/t	R/t	%
Imidacloprid (95%)	23 262	16 383	-29,6	335 440	296 698	-11,5
Lambda-cyhalothrin (95%)	48 822	28 017	-42,6	704 009	507 385	-27,9
Carbofuran (99%)	16 331	14 732	-9,8	235 489	266 802	+13,3
Deltamethrin (98%)	89 688	79 770	-11,1	1 293 303	1 444 629	+11,7
Acetamiprid (95%)	23 984	17 759	-26,0	345 851	321 612	-7,0
Chlorpyrifos (95%)	6 800	6 341	-6,8	98 056	114 828	+17,1
Cypermethrin (94%)	17 775	12 756	-28,2	256 312	231 019	-9,9
R/\$	14,42	18,11	25,6			

Source: Grain SA

2 Yearly herbicide prices: International in dollar and rand value.

	International herbicide prices – year to year change (\$/t)			International herbicide prices – year to year change (R/t)		
	May 2019	May 2020	% change	May 2019	May 2020	% change
	USD/t	USD/t	%	R/t	R/t	%
Glyphosate (95%)	4 014	3 299	-17,8	57 878	59 743	+3,2
Acetochlor (92%)	3 190	3 314	+3,9	45 998	60 017	+30,5
Atrazine (97%)	3 378	2 406	-28,8	48 705	43 570	-10,5
Metolachlor (97%)	3 551	3 287	-7,4	51 204	59 519	+16,2
Trifluralin (95%)	5 645	6 520	+15,5	81 398	118 069	+45,1
R/\$	14,42	18,11	25,6			

Source: Grain SA
*Data as at May 2020

Average domestic fertiliser prices in rand terms for June 2019 to June 2020, show an opposite trend to international prices and shows an increase in local fertiliser prices for the period; Urea (10,2%), LAN (5,8%), and KCL (1,1%), while MAP is the only one showing minor decreases of about 1,3%.

CONCLUSION

It is unknown as to when or how things will end with this global pandemic, however, we can already see that the global economy remains

under pressure. This brings a lot of uncertainty in the market. Global prices for both chemicals and fertiliser are low due to uncertainties related to planting as well as the oversupply of some inputs; the only redeeming feature for South Africa would be a stronger rand, which would give reprieve to farmers. Brent crude prices, which also have an impact on international input prices, could keep added pressure on prices. The key for the summer production season would be the trend in the exchange rate. ■



A dream does not become reality through magic;
it takes sweat, determination, and hard work.

~ COLIN POWELL, FORMER US DEFENSE SECRETARY



Watch your cash and survive

AT THE TIME OF WRITING THIS ARTICLE IT IS ALREADY CLEAR THAT ECONOMICALLY SOUTH AFRICA IS IN FOR ANOTHER ROUGH RIDE DURING 2020 WHICH WILL HAVE ITS EFFECT ON OUR FARMERS, ESPECIALLY OUR SMALLER FARMERS.

Many farmers are still experiencing financial difficulties caused by the drought and the negative economic environment of last year. Fortunately, the expectations in most areas are of good crops and an income which will relieve the pressure on the cashflow of our farmers.

However, we must learn from the difficulties caused by the above-mentioned circumstance from last year and which some farmers are still experiencing. South Africa is a dry country and will remain as such. The long-term average rainfall for South Africa is plus minus 464 mm per year. Compare this to the long-term global average of about 860 mm. Climate change could well affect these figures and all expectations are that South Africa will become hotter and drier with more severe storms and more regular and intense periods of droughts.

CASHFLOW MANAGEMENT

Thus, what must I as farmer do to survive? Up your management of your cashflow, as one of the areas of financial management to manage. This will be part of the challenge to our farmers – see it as an exciting and fulfilling challenge.

Cashflow budget

To manage your cashflow you must compile a cashflow budget for the next/new financial year. Without this statement it is just impossible to manage your cashflow. As the name indicates it is a cashflow statement, therefore only when cash is received or paid into your bank account and only when cash is spent or paid out from your bank account the transactions must be recorded. In practical terms, if you are uncertain or have never compiled a cashflow statement start compiling one now by recording your present cash-inflows and cash-outflows. This actual statement will then assist a great deal to compile a cashflow budget for your next financial year. There is no prescribed formal way to compile a cashflow statement, an example of a cashflow statement was provided in a previous article. The accounting period is divided into individual months to reflect your cashflow on a monthly basis.



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Because cashflow is an important consideration when it comes to financing your farm business, the monthly bank balance is an important element of the cashflow statement. When incorporating the correct bank balance, it results in a side-line benefit, it forces you to check (control) your bank statements on a regular basis.

The cashflow budget facilitates the planning and control of the cash of your business. The purpose being to identify future cash shortages and cash surpluses, thus providing you with information to manage your cashflow – remember if you do not measure you cannot manage. The cashflow budget therefore serves as a basis to determine the cash needs of your business and indicates when you will need additional cash or bridging finance as it is also referred to.

Cashflow statement

A cashflow statement also provides useful information and explanations of sources of income you receive and when it is received in a cash form. Useful information and explanations regarding expenditures is also available from the statement. It answers the utmost important question about whether there will be enough cash to cover expenses when they are due.

When cash shortages are projected you will have to plan how to overcome these shortages. Certain expenses must legally be paid when they are due such as salaries. You might have seen or heard news reports during the last few months of companies such as Denel who could not pay their employees at the end of a month. Did you note the uproar it caused? You surely do not want something like this to happen with your business. It was also extensively reported that the root cause of the problems of for instance Eskom and SAA is cashflow problems – shortages of cash to be exact.

CONCLUSION

Just a reminder – should you claim your business to be successful, it must be successful in three areas. The financial position as shown in a balance sheet must be positive, indicating that you have at least twice as much assets than liabilities. Secondly you must make a profit – income must be more than expenditures as calculated per income statement. Thirdly you must have enough cash available as shown by your cashflow statement with a cashflow ratio of 120%.

Cashflow has always been important but has been neglected by many managers. The many changes in the agricultural environment such as climate change, mechanisation, digital advancements, the pressure from consumers for healthy food produced safely, and other changes will eventually force our farm managers to manage their cashflow properly. Do not be fool-hardy. Heed the lessons regarding cash management and start applying it immediately.

Watch your cash and manage your cash according to your cashflow budget if you wish to survive as a farmer. ■



'Render unto Caesar the things that are Caesar's' – so, what about registering for VAT?

WHETHER TO REGISTER AS A VAT VENDOR OR NOT IS A DIFFICULT DECISION FOR START UPS AND SMALLER BUSINESSES. THERE ARE MANY COMPLICATED RULES AND REGULATIONS AROUND VAT WHICH MAKES IT TRICKY TO MANAGE ON YOUR OWN. IT IS REALLY A GOOD IDEA TO TALK TO YOUR BOOKKEEPER ABOUT THE IMPLICATIONS OF REGISTERING YOUR BUSINESS FOR VAT OR NOT.

WHAT IS VAT?

Value Added Tax (VAT) is a consumption tax. This is a fee levied on the supply of goods and services by vendors who are registered as VAT vendors. Actually, when you register as a VAT vendor you essentially become a tax collection agent for the South African Revenue Services (SARS). You collect VAT for SARS which you then pay over to them. Since 1 April 2018 all goods and services have been levied at 15%.

If you are registered for VAT, you have to add 15% VAT to the selling price of your goods, product or services. If you sell a chicken for R100, you need to add R15 on to the price. Your customer has to pay you R115, R100 is yours to keep, but then you in turn will have to return R15 to SARS when you do your monthly VAT return. This is called **output tax**.

When your business is registered as a VAT vendor it creates the impression that you are a serious business and conduct your business affairs in a professional manner.

You can also claim VAT back from SARS. This claim will be all the VAT amounts you paid on all the goods and services you have purchased. If you have bought a bag of laying pellets for your egg production business, you will have had to pay 15% VAT at the till. If you are registered as a VAT vendor, you may submit the relevant



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tax invoice and claim that 15% back. VAT levied on goods you purchased is called **input vat**.

To calculate the VAT that you either have to 1) pay over to SARS, or 2) claim back from SARS, you deduct input vat from output vat:

- If your output VAT is greater than the input VAT, then you must pay SARS.
- If your output VAT is less than the input VAT, you can claim back from SARS.

WHO SHOULD REGISTER FOR VAT?

For businesses with a turnover of under R1 million per year, registration for VAT is optional i.e. you don't have to register as a VAT vendor, but you may do so if you want to. If your business turnover is more than R1 million per annum, you have no option but to register as a VAT vendor.

DISADVANTAGES TO REGISTERING FOR VAT

You will have to spend a lot of time on precise filing and administration.

- VAT returns have to be submitted regularly, usually every two months.
- If you don't register as a VAT vendor, you may avoid the cashflow challenges that paying VAT can cause.
- VAT is paid per invoice. You have to ensure the details on every tax invoice provide your name, address and VAT number otherwise it is not valid to claim for VAT on that invoice.
- If you have issued a large invoice in a certain two-month period, you will have to pay the VAT that was included on that invoice to SARS – whether you have received the payment due on that invoice yet or not. This has cashflow implications and causes

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'Render unto Caesar...

problems for small businesses – and then the problem is made worse when your debtors (who owe you the money) don't pay you timeously – or at all. You may end up writing off that debt and then having to go to the trouble of trying to recover that VAT money from SARS.

- If you don't have to charge VAT on every invoice you issue, you can afford to be more competitive by setting the prices for your goods being sold a little lower than you would otherwise.



*You can only claim
VAT back on your
expenses that are
business related.*



ADVANTAGES TO REGISTERING AS A VAT VENDOR

- When your business is registered as a VAT vendor it creates the impression that you are a serious business and conduct your business affairs in a professional manner.
- If you have a capital-intensive business your cashflow can take a lot of strain if you are not a VAT vendor because you can never claim the VAT you've paid, back.
- Anything you purchase to produce goods in your business, will automatically cost you 15% more because you will never recover the VAT on that purchased product. For example, if you buy a machine for R10 000 it will cost you an additional R1 500, which is only recoverable if you are registered as a VAT vendor and can put in a claim to get that VAT paid back via SARS.

THERE ARE ALWAYS EXCEPTIONS TO THE RULES: GET ACQUAINTED

It is true that there are instances where you do not have to charge your client any VAT and in other circumstances you can't claim VAT on an expense.

VAT is divided into three different categories namely:

- Standard rate: VAT is levied at 15%.
- Zero-rate: VAT is 0%.
- VAT exempted: No VAT is levied on certain items.

You really need to get advice from experts to know which transactions are zero-rated or VAT exempt.

Some examples of zero-rated VAT items are:

- Basic food items like milk, brown bread, maize meal, samp, eggs, vegetables, fruit etc. There are currently 19 zero rated food items.
- Petrol and diesel.
- Animal feed and animal medicine.
- Fertiliser, pesticide and seeds used for cultivation.
- Paraffin.
- Sale of a going concern.
- Export goods.

Some examples of VAT exempted goods/services are:

- Rental accommodation for residential purposes.
- Public road and rail transport services.
- Educational services.
- No VAT on interest charged for financial services.

CONCLUSION

You can only claim VAT back on your expenses that are business related – if you have a supplier invoice – and not expenses incurred personally, for example, entertainment – even if you bought refreshments for staff or held a business event. Cell phone usage, travel for business, ESKOM – these claims all need to be calculated and shared between business and personal expenses in order to lodge a valid VAT claim. It is easily calculated with the help of an experienced bookkeeper. You can register for VAT on e-filing, but it really is worth finding out the best option for your business by learning more about being a VAT vendor with the guidance from an expert. ■