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GRAIN SA
GRAAN SA

SEPTEMBER 2018

Grain SA magazine for developing farmers

AM I MAKING A PROFIT?

Read inside:

In our modern and continuous changing environment, especially in agriculture, it is very important for our modern-day farmer, big or small, to be financially literate. Therefore, in our next couple of articles we will focus on financial literacy.

To kick of the discussion, we will commence with the focus on an Income Statement or now known as the Statement of Financial Performance. We have numerous times stated in the articles that is it important to farm profitable in a sustainable manner. That is the main objective of any business. When you are making a profit, your financial performance is positive. The only way to determine accurately whether you are making a profit is to compile a Statement of Financial Performance.

But remember, when you have money in the bank, it does not necessarily mean you are making a sustainable profit. Secondly, do not depend on a bookkeeper to compile this

Nkgono Jane says...

This is the last month of our financial year – it is amazing to realise that we are about to start planting our summer crops again.

We have often mentioned that farming is about producing food for own use and for the market. However, planting a crop costs money – the seed, fertiliser and chemicals have to be bought every year. There are also other costs that differ from farm to farm, from farmer to farmer. If you are a very small farmer who does all the work by hand, you could say that there is no cost to that. However, if you are a larger farmer, you will have to employ people, buy diesel for the tractors, or pay a contractor. However, you are doing it, it is important to make sure that what you get back at the end of the season is more than you put in.

In recent years, the price of maize has been low because a lot of maize is being produced in South Africa – recently we were trying to assist some farmers near Welkom to plan their farming. They were going to make a loss growing maize due to the fact that they have to hire the land and pay a contractor to do the work. This would make no sense at all. It is really important to look at the costs of production and make sure that it is worth the effort. You might need to look at growing a higher value crop so as to make your efforts worth the while.

Farming is complex and there are people who think that you are a farmer if you have land; or you are a farmer if you have an agricultural degree. Farming involves a number of different things which include land, knowledge and skills, experience, inputs, machinery and money. It is necessary to have all these aspects if you are to be a successful farmer. Recently I heard a 'farmer' saying that he does not need training – he is just starting out as a farmer. This person is doomed to fail because it would seem that he does not even know how much there is to learn. Please make use of every opportunity to learn and acquire experience and knowledge – there is no end to learning and you will never stop learning if you are a good farmer. There are always new methods, new inputs, new mechanisation, new market opportunities – investigate and learn and you will have a good chance of becoming a true farmer.

Am I making a profit?

statement. Bookkeepers compile a statement in view of complying with tax requirements, which is a different matter. Thirdly, to compile the statement accurately, you need accurate information. And lastly, you must keep your personal expenses separate from your business. See yourself as an employer of the business and pay yourself a salary from the business. If possible, it is highly advisable to even have two separate bank accounts.

A few notes

- You will now understand to compile the statement, information is needed – source documents – such as invoices, bank statements, marketing statements, a stock register, own records for consumption, and so forth.
- You will also note a few non-cash (there were no flow of actual cash) items are included – credit sales, consumption figures and depreciation.
- Note that the value of production cost must be the actual value used and not what was purchased. For instance, you have bought 100 bags of fertiliser but have only used 90 bags. Only the actual cost of the 90 bags used must be reflected in the statement and not the purchase price of the 100 bags.
- The costs mentioned are only examples, there are many more costs and will differ from farm to farm.
- Accurate information will assist in compiling an accurate statement which will provide you with information to manage your business properly.
- You can only use a cost as a production cost as if you are able to allocate the cost directly to a specific enterprise, such as the examples used. Any cost that cannot be allocated directly to an enterprise must rather be regarded as an overhead cost. Such as telephone costs – are you able to specify that a call you made to the supplier of inputs was only regarding maize?

Let's concentrate on the important terms reflected in the statement. First – **Gross Production Value (A)**. This term reflects an accurate figure of everything produced on your farm because it includes the value of all products marketed and used on the farm. Secondly **Gross Margin (B)** – a very important term. Note that the statement is designed in such a way that the gross margin for each enterprise on the farm is determined. If the gross margin of say the sunflower is negative (all production and marketing costs are not covered) you have information to manage the position. You must consider why is it negative (there was a hailstorm which is beyond your control) or was your production methods not up to standard? Then you can decide in a logical way should you continue producing sunflower by improving your production methods or consider a different crop. Furthermore, should the gross margin of an enterprise be negative it means the sunflower crop does not make any contribution to covering all the other overhead costs. This means the other enterprises are subsidising the sunflower crop. Is this a viable situation?

A very important term is **C – the Net Farm Income**. When reflecting to our previous article 'How to apply for a loan?' – this is a figure a financial institution will also consider when considering a loan application. You will realise if this figure is positive they will consider your application positively and vice versa, if it is negative your application will be considered very cautiously.

Should you be able to pay all foreign factor costs, then only it can be stated that your farming business is making a real profit, or you have a positive financial performance. This is then reflected as **D – Farm Profit**.

In conclusion, a farmer of today must be financially literate. If not, get help or attend a course. You must be able to interpret the information included in a statement of financial performance to make sound management decisions if you wish to continue farming in this modern era.

> *"The only way to determine accurately whether you are making a profit is to compile a Statement of Financial Performance.*

Article submitted by Marius Greyling, Pula Imvula contributor. For more information, send an email to mariusg@mcgacc.co.za.

Table 1: A brief outline of a Statement of Financial Performance.

No	Description		Maize	Sunflower	Cattle	Other farm income	Total
1	Sales	Cash					
2		Credit					
3	**Total sales = 1 + 2**						
4	Consumption	Household					
5		Employees					
6		Internal					
7	**Total consumption = 4 + 5 + 6**						
8	**Stock adjustment**	Closing stock					
9		Less: Opening stock					
10		Less: Purchases					
11		Plus: Sales					
12	**Total stock adjustment = 8 - 9 - 10 + 11**						
13	**A: TOTAL GROSS PRODUCTION VALUE = 3 + 7 + 12**						
14	**Less: Production and marketing costs (Also known as direct allocatable costs)**						
15	Seed						
16	Feed						
17	Licks						
18	Fertiliser						
19	Chemicals						
20	Medicines						
21	Inoculants						
22	Crop insurance						
23	Marketing costs						
24	**Total production and marketing costs**						
25	**B: GROSS MARGIN = 13 - 24**						
26	**Less: Un-allocatable costs or overhead costs**						
27	***Employee costs***						
28	Salaries						
29	Farm products consumed						
30	***Depreciation***						
31	Fixed improvements						
32	Machinery and equipment						
33	***Repairs and maintenance***						
34	Fixed improvements						
35	Machinery and equipment						
36	***Other costs***						
37	Licenses and insurance						
38	Electricity						
39	Water						
40	Phone costs						
41	**Total production and other costs: = Plus 27 - 40**						
42	**C: NET FARM INCOME 25 - 41**						
43	**Less: Foreign factor costs**						
44	Interest loans						
45	Interest bank account						
46	Salary manager (or yourself)						
47	**Total: Foreign factor costs**						
48	**D: FARM PROFIT = 42 - 47 (If positive the financial performance was positive)**						

EXPERTS IN ANYTHING... were once beginners

Grain SA Internship Programme in partnership with DRDAR

It was the old American President, Benjamin Franklin, who wrote, *'Tell me and I forget. Teach me and I remember. Involve me and I learn.'*

Early on in his life Franklin discovered that imitating other people was a sure way to self-improvement and success. He would deliberately set out to discover the experts in the field he was interested in and acquire knowledge or skills and examine their work closely. He learned as much as possible about their style, attitudes, habits and strategies.

The key is that Franklin was open to learning and he believed in getting involved in improving himself. He would continuously imitate recognised experts until he had grown in confidence and skill.

> *The greatest leader is not necessarily the one who does the greatest things. He is the one that gets the people to do the greatest things.* ***– Ronald Reagan***

Farmer Development Programme

As Grain SA's Farmer Development team we are proud of the fact that the success of our programme is reflected in the relationships we have built with the farmers and broader agricultural sector. The successes and growth we have seen in the farmers we work with encourage us every day to reach out to more people to take our hands on this development journey.

True to our characters, we are always eager to partner with other stakeholders in internship programmes. We believe there are many knowledgeable graduates from colleges who still can be further empowered to make a significant difference in the sector if they are given the opportunity to become involved in the field, to learn first-hand from experts and gain practical experience which both build confidence and increase insight and knowledge.

The goal is not to be successful, though; the goal is to be valuable. Once you are valuable, instead of chasing success, it will attract itself to you.

In November 2016, Grain SA Farmer Development team members approached the Provincial Department of Agriculture for their assistance with more mechanisation support for the farmers who are mentored by them. We were delighted when during this discussion the idea of an internship programme was born.

Our goal is that 19 graduates in agriculture will be employed and become members of the Grain SA Farmer Development team as interns. This programme will then run in conjunction with the mechanisation support contributed to the programme by the department. The interns' objective is to gain practical experience with the primary focus on grain production and farmer development.

The exposure includes practical experience, where the interns will receive hands-on experience by doing the following themselves and then teaching other farmers to do it:

- Planter calibrations;
- Boom sprayer calibrations;
- Mapping of land, using GPS;
- Farm equipment maintenance; and
- Crop yield estimates.

The interns will also participate in training and assist with Grain SA farmer training courses in grain production. These are invaluable courses which have a good balance between theory and the practical application thereof.

Other learning opportunities and skills development activities will be acquired during the Grain SA social facilitation tasks, which

include study group meetings, farmers days and advanced farmer encounters.

All Grain SA's farmer development work is done responsibly with a view of encouraging accurate record keeping, log book maintenance and detailed accountability so we can report to all our partners. In this regard interns will be allowed to participate in administrative and reporting activities and will benefit from computer training and skills development.

The roaring lion kills no prey

We need to change perceptions that college graduates only have 'head knowledge', but are not able to assist with practical solutions in the field. It is true that one of the challenges Grain SA Farmer Development has, is finding competent mentors for the ever-expanding programme – especially those willing to work in deep rural areas where the need is greatest.

We are therefore eager to cultivate young mentors who share the same passion for land transformation and sustainable farmer development through an internship programme like this. We see the benefit as being twofold:

- The interns obtain relevant experience, which builds their confidence and empowers them, so they are equipped and positioned to apply for good jobs.
- Grain SA Farmer Development is given the opportunity to train the calibre of mentors that we need in the field for future farmer development.
- The key role played by the Department of Agriculture and Agrarian Reform (DRDAR) is to:
  - Fund the mechanisation support made available to Grain SA Farmer Development for the farmers.
  - Contribute to the stipend received by the graduates who are appointed as interns with Grain SA.

The key role of Grain SA Farmer Development is to:

- Conduct overall supervision and monitoring of interns through Grain SA's development managers in the province.
- Enable interns by assigning them to accompany experienced mentors in conducting their daily tasks.
- Give specific tasks to and monitor and coach interns.
- Enable mentors to continue carrying out their duties with one or two interns assigned to them.
- Submit reports to the provincial co-ordinator for assessment every Friday.

Together we are making a difference

We are pleased to report that the DRDAR and Grain SA Farmer Development Programme have already signed a five-year Memorandum of Understanding (MOU) which commenced in the 2017/2018 season – so we are already about to embark on year two of this inspiring project.

Involvement of youth in agriculture

We have had such positive feedback from the project so far that both partners have been convinced that through this joint approach we could unlock job creation, commercialise rural farmers quicker and ensure engaged youth in the agricultural sector. We are convinced that for the agricultural sector to grow and thrive we need to involve the youth of the country. Too often this is easier said than done.

The average farmer in South Africa is 65+ years old. The average age of farmers involved in the current Jobs Fund Project – a partnership between ourselves and the Jobs Fund, making a huge impact on small farmer development – is 50+ years.

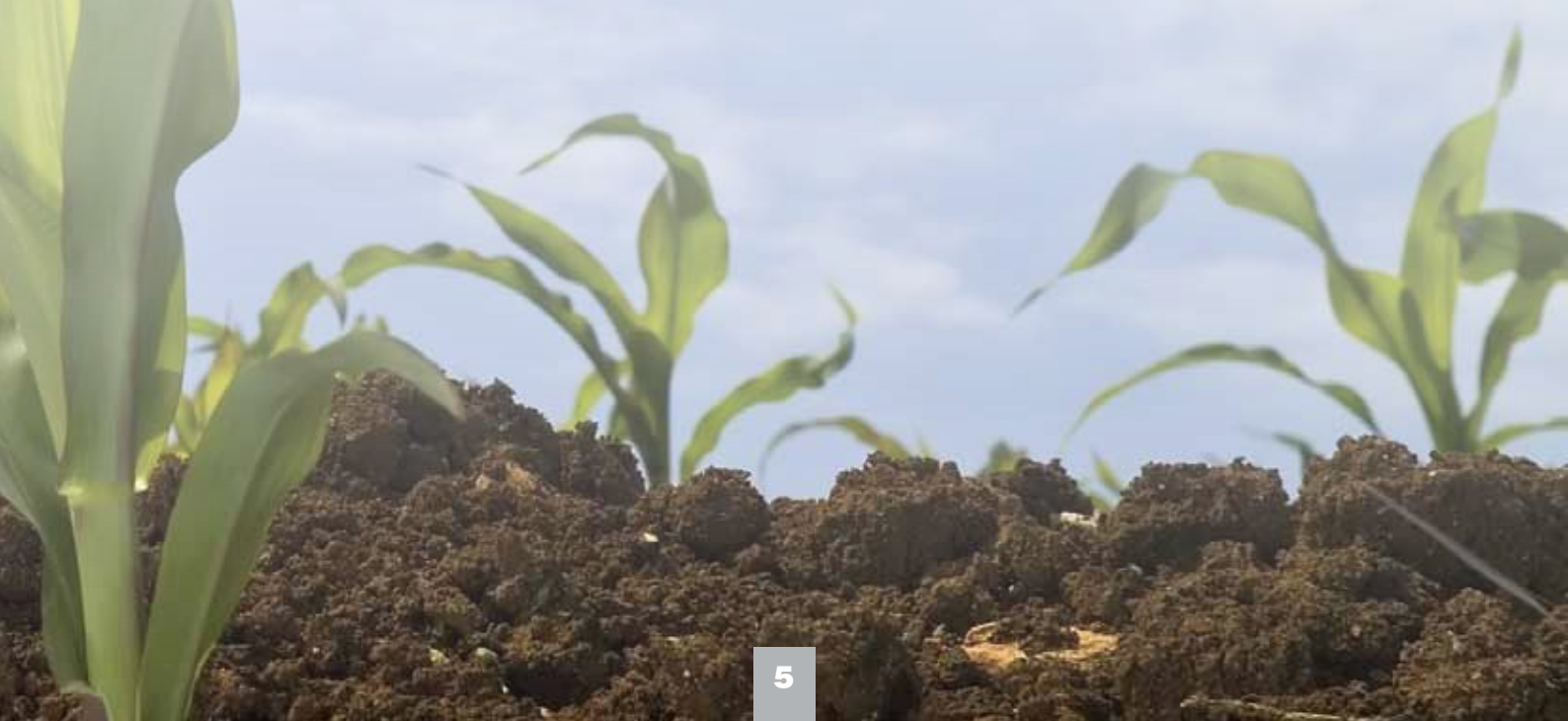
INTERNSHIP – the position of a student or trainee who works in an organisation, sometimes without pay, in order to gain work experience or satisfy requirements for a qualification.

There is seemingly very little interest from the youth. We believe that a lack of experience and practical skills development are contributory factors. Too often our young agricultural graduates don't have the relevant experience to farm or apply for a job in extension services. They lack the practical knowledge to start farming and lack confidence to chase after ideal jobs in agriculture.

We believe this programme, although currently only operating on a very small scale, has great potential to alleviate these issues and could become a significant part of future farmer development if it were to spread its net ever wider across the provinces.

#TogetherWeMakeADifference. We are not shy to say we are very excited to take part in increasing the number of youth in the agricultural sector.

Article submitted by Sinelizwi Fakade and Luke Collier, Farmer Development Co-ordinators, Grain SA. For more information, send an email to sinelizwifakade@grainsa.co.za or goshenfarming@gmail.com.



ABC OF WHEAT QUALITY

Wheat quality means different things to different people, depending on whose hands it's passing through from harvesting until being consumed as bread.

Farmers expect a high yield, millers expect a good milling quality and bakers expect flour suitable for the end-product they wish to produce. Consumers rely on their senses – what they see, feel, smell and taste. Therefore, quality regarding bread wheat means the specific characteristics that the wheat possesses to make it suitable for the final product – bread production.

Wheat breeders can manipulate the genetic make-up of a cultivar and they aim to combine all the traits in a cultivar as required by the industry, but the environmental effect makes it difficult. Wheat quality traits of importance to farmers are:

- Hectoliter mass (test weight);
- Falling number; and
- Protein content.

What is hectoliter mass and why is it important?

Hectoliter mass indicates the density of wheat kernels and denser kernels yield more flour, therefore denser kernels are more profitable for millers.

What influences hectoliter mass?

Denser kernels mean kernels are plump and well-filled. Stress-factors occurring during the grain-filling period of the wheat plant result in lower hectoliter mass. These factors include drought, excessive soil moisture, a shortage of nutrients, too little sunlight, too low or too high temperatures, insect damage and weather damage like frost and hail. The reaction that the kernels will have toward these environmental conditions though is under genetic control.

Kernel shape, which can be genetically manipulated, also influences hectoliter mass – kernels that are rounder and having smaller grooves are preferable.

> *"Wheat quality analyses confirms that South African cultivars adhere to acceptable standards set and that they perform well under different production practices and they are well adapted to different environments.*

Photo 1: A loaf of bread made from unsprouted wheat (back), where the structure, crust colour and texture are acceptable, compared to a loaf of bread made from sprouted wheat (front) where it could not be cut mechanically, due to a poor structure and coarse texture. Also, note the darker crust colour caused by the excessive sugar in sprouted wheat (front).

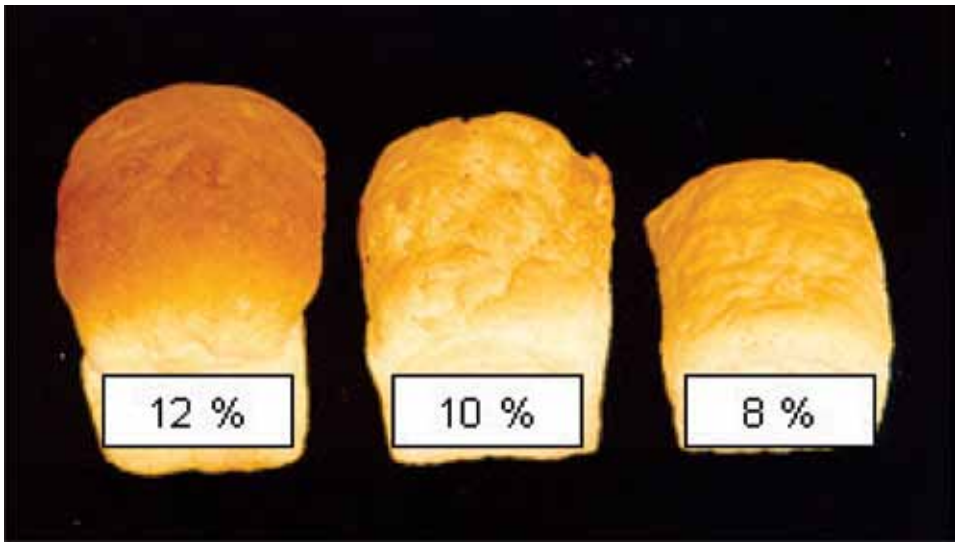


Photo 2: Higher loaf volumes obtained from flour having higher protein contents.

What is falling number and why is it important?

Wheat flour exists mainly of protein and starch. Starch plays the largest role in bread structure and if it rains on ripe wheat and favourable weather conditions follow, pre-harvest sprouting can occur.

When this happens, the starch is broken down by an enzyme, alpha-amylase, and excessive sugars form (low falling numbers occur). The excessive sugars lead to 'sticky', runny dough and this dough is difficult to handle mechanically. Bread will also have a dark crust, a coarse texture and a poor structure and this results in bread that cannot be cut mechanically.

What influences falling number?

Environmental factors like wet weather and day temperatures have a large effect on pre-harvest sprouting. Wheat tends also to be more susceptible to pre-harvest sprouting during the kernel-hardening growth-stage. This trait is mostly genetically determined and breeding lines that exhibit no resistance to pre-harvest sprouting are discarded during the early breeding phases.

The environmental impact on this trait is large in South Africa, because only little genetic resistance to pre-harvest sprouting is currently available in the South African market.

The effect of normal wheat versus pre-harvest sprouted wheat on the end-product can be seen in **Photo 1**.

MADE POSSIBLE BY THE WINTER CEREAL TRUST

> *Environmental factors like fertilising and moisture availability, as well as the genetic background of a cultivar, can influence the balance between the different protein fractions.*

What is protein content and why is it important?

Protein content refers to the amount of protein in a wheat sample. The unique proteins of wheat, namely gluten, make it suitable to be utilised for bread, pasta or biscuit production. A direct relationship exists between the specific type (composition) of protein and the end-product it should be able to produce.

Gluten can be divided into a glutenin and a gliadin fraction, where glutenin confers stability to dough and gliadin confers elasticity to dough. A balance between these two fractions is important, because it will determine the quality of the end-product. Dough should be elastic to stretch during the fermentation process and it should be strong enough not to tear while it stretches – it must therefore trap the gas and allow the dough to rise and result in an attractive end-product.

What influences protein content?

Environmental factors like fertilising and moisture availability, as well as the genetic background of a cultivar, can influence the balance between the different protein fractions. It is important to know that different cultivars will exhibit different loaf volumes at the same protein content levels, due to the genetic background.

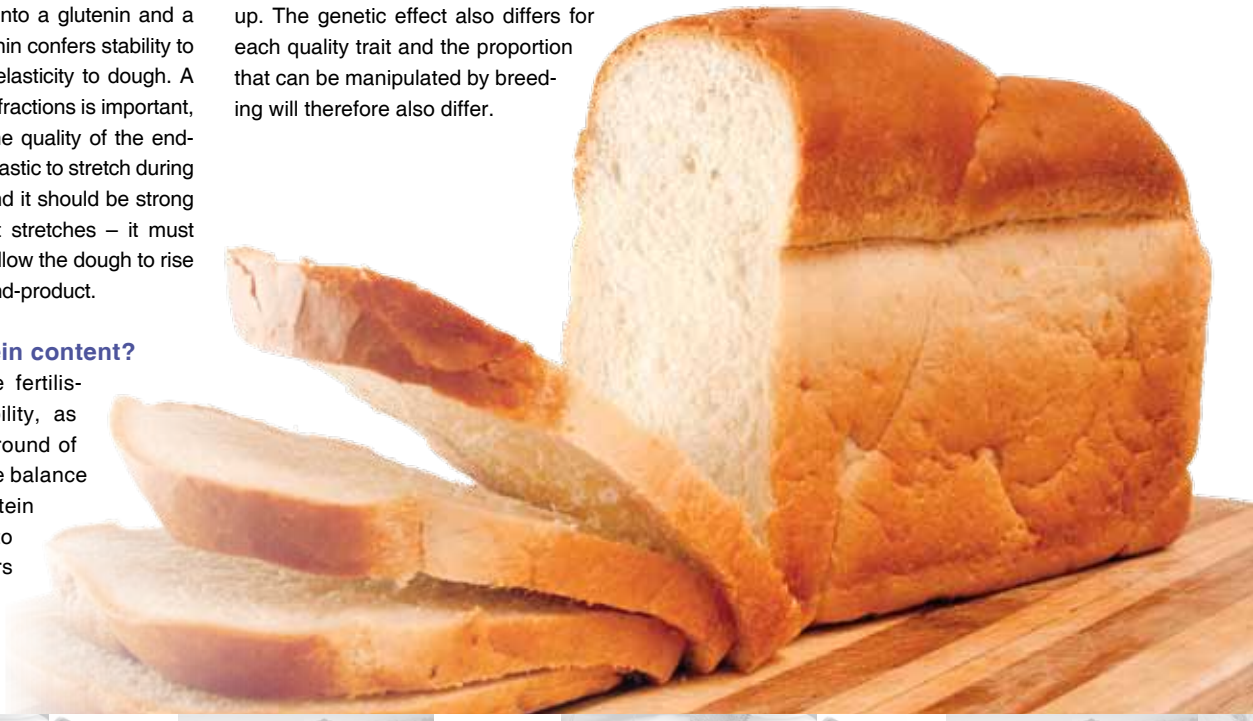
Nitrogen fertiliser leads to higher protein content – an increase in nitrogen availability leads to an increase in the gliadin fraction and this results in more dough elasticity. Moisture stress also leads to an increase in protein content, because less starch is formed. Usually, higher protein contents (within a normal range of 10% - 14%), will result in higher loaf volumes (**Photo 2**), therefore more profit for the bakers. It is important to remember that protein quantity (content), as well as protein quality (composition), determines the success of the end-product.

It is clear that these three characteristics of importance to wheat producers are influenced by the environment, as well as by production practices and that their reaction towards these two factors is also influenced by their genetic make-up. The genetic effect also differs for each quality trait and the proportion that can be manipulated by breeding will therefore also differ.

Wheat quality analyses confirms that South African cultivars adhere to acceptable standards set and that they perform well under different production practices and they are well adapted to different environments.

This research was made possible by the Agricultural Research Council and the Winter Cereal Trust.

Article submitted by Chrissie Miles, ARC-Small Grain, Bethlehem. For more information, send an email to milesc@arc.agric.za.



Pula Imvula's Quote of the Month

We're gracious and we're humble, and we play the game a certain way, whether we win or lose.

~ Megan Rapinoe

MALTING BARLEY production in perspective

The price of barley is linked to the Safex price of B1 grade wheat and is calculated at 97% of this price as a guideline.

Wheat futures are about R3,808/ton which implies a barley price of about R3,694 for a malting barley.

The many barley grading regulations are quite stringent to be able to pass as an acceptable malting grade. It is important that your production of barley must take into consideration any of the crop management factors which make this crop quite 'tricky' to produce to achieve a high grade of seed. The crop can be quite easily downgraded to 'feed' grade.

The production of barley compared to wheat must take into consideration the yield targets obtainable whether in dryland or irrigated production as well as the complexities or ease of managing the crop husbandry required with each crop.

Yields of barley vary from 3,2 t/ha to 4,0 t/ha for dryland production within a crop rotation cycle and 6,5 t/ha to 7,0 t/ha for production under centre pivot irrigation. Irrigated wheat can yield up to 10,0 t/ha. The extra fertilisation, seed and other costs for wheat production must be considered when deciding which grain is the most profitable to produce. On an equal yield basis, barley production costs are about 80% of wheat production costs. You will know the possible yields achievable for these crops in your area under various production conditions.

Critical factors and considerations for successful barley production

The management of barley production under dryland or irrigated conditions is very similar to that of wheat. Some differences and factors to consider in malting barley production are highlighted below.

Fungal and bacterial diseases

Barley is not susceptible to fusarium head blight and so can be used as an alternative crop to wheat where this disease has become a problem in your lands. Barley can thus be used within a planned crop rotation programme to great advantage.

Application of nitrogen and the lodging problem

If the vegetative growth of stems is promoted with too many applications of nitrogen the tendency for tall barley plants to lodge or blow over in windy condition when the seed heads are mature is

A young barley field in Genadeshoop, Western Cape.

increased. Too much nitrogen applied during the growth stages can result in the nitrogen content of the seed test being over the stipulated amounts and will thus influence the final grading and thus the price received for the crop.

Barley cultivars, under irrigation, used in the past were fertilised with only 30 kg/ha to 40 kg/ha of nitrogen compared to the 250 kg/ha for wheat applied in 4 - 5 tranches in the growing period. More modern cultivars and current management experience shows that 130 kg/ha to 140 kg/ha could be required.

Top dressing is usually done 65 days after emergence to prevent too high a nitrogen content in the seed test. As a farmer your own experience and local production knowledge will help you decide what level of application is best under your circumstances. Dryland producers might apply 80 kg of nitrogen as a top dressing using urea as the nutrient agent.

Lodging can reduce the final yield in a land from a possible 7 t/ha by 2 to 3 tons. This is a huge loss of income. Nitrogen applications must be very carefully planned and executed.

Application of water in irrigated production

As in wheat production the soil profile must be at field capacity at planting and continuous controlled applications of water must be applied. One cannot afford any problem with pumping, pivot nozzles or electrical connections or failure during the short growth cycle.

In areas where strong winds can blow over plants with heavy wet heads after irrigation the pivots should be switched off whether in the day or the night.

Harvesting

It is essential to have your harvesting equipment ready so that the crop can be reaped to ensure the best seed quality. The barley growth period from planting to harvesting is usually about two weeks faster than wheat and must be carefully monitored.

In dryland production the crop must be swathed just before final maturity to prevent seed loss and then the windrows combined at the optimum stage thereafter. Swathing takes place when the seed heads have lost the colour and are below 30% moisture content.

The downgrading of the crop to feed grade must be avoided at all costs.

The South African Barley Breeding Institute

It is highly recommended that any barley producer downloads or read all the technical resources and latest information on the correct cultivars to use from the SABB website. The best production methods to ensure the best quality of seed possible for malting are described in depth and detail. Yields can vary by a ton or more per hectare. Cultivar choice is very important.

All the parameters governing the assessment of seed for quality can be found by accessing the SABB and South African breweries websites.

Each farmer should also join the SAB's 'Better Barley Better Beer' initiative to be aware of every production factor that can be monitored and controlled to ensure that the best possible seed for malting is harvested.

Article submitted by a retired farmer.

Specialised method of processing malted barley.

2017/2018's WHEAT MARKET TRENDS

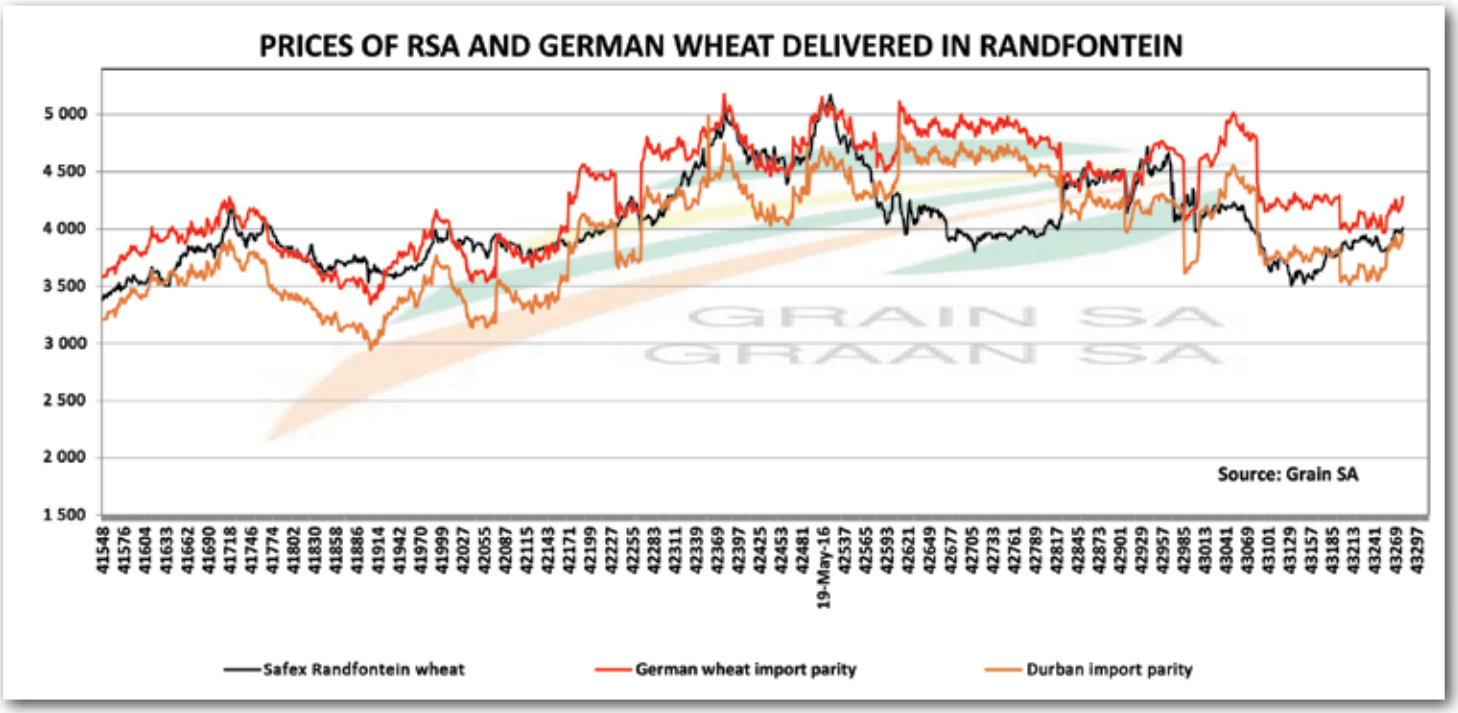
During the 2017/2018 production year (October 2017 - September 2018) South Africa planted 497 600 ha of wheat. This is significantly lower than previous years.

The declining trend in hectares is due to a decrease in profitability of the crop; hence, producers switch to more profitable crops like canola, oats, soybean and maize. This then creates a gap between production and demand, opening up the door to increased imports.

Factors that could help revive the industry include; higher yielding cultivars, changes in wheat grading regulations and end-point royalty for system to counter farm saved seeds.

Final wheat estimates released by the Crop Estimates Committee (CEC) on 27 February 2018, show that production will be 1,5 million tons, which is a 20% decrease from last year, due to extreme weather conditions in the Western Cape. Production in the Western Cape dropped by almost 50% from 1,1 million tons to 586 800 tons in the current marketing year; diminishing yield from 3,4 t/ha to 1,8 t/ha. Fortunately, production in irrigated fields of the Northern Cape increased by 17% to 311 600 tons on higher yields. Due to favourable conditions, production in the Free State increased marginally to 328 000 tons.

Graph 1: Prices of RSA and German wheat delivered in Randfontein.



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BUDGET AND PROSPER:
Know where your money is going

It is no secret that paperwork is the most daunting task for any farmer; however, it is a very important element in the farming puzzle.

Daily record keeping helps things run smoother and eventually saves the farmer time in the end. In terms of farm budgeting, it is supposed to determine a farmer's every step. Budgeting is about estimating costs and revenue and net profit on the farm. It is about the principles of managing inputs and output in relation to production. Preparing estimates of finances in advance before putting plans into effect.

Factors that may affect budgets are unforeseen circumstances like; outbreak of diseases, changes in market conditions and abnormal weather.

There are two objectives for farm budgeting; firstly, it serves as a basis for farm planning and evaluation and secondly it helps the farmer to adopt methods in which he can meet market demands, giving him higher return on investment. Budgets are valuable to a business as they can be a guide for economic gains. They are helpful in preparing statements; one is able to draw up alternative plans to improve an existing one. It is also very helpful in analysing the business.

Advantages of budgeting

There are several advantages to budgeting:

- The farmer has a starting point for evaluation of his old plan, which makes it easier to adopt a new one.
- The farmer can be careful of outflows or any wastage that might occur on the farm.
- The farmer has a point of comparison from his receipts, expenses and net earnings on the farm.
- It informs the farmer of funding requirements or cash flow requirements.
- It is a guide to efficient economic use of resources available to the farmer, which will help meet project targets.
- It helps to estimate production resources like labour, capital.
- It is a good base for future improvement of the farm and periodic assessment thereof.
- The farmer can predict profitability and check viability of his enterprise.
- The farmer can detect problems easily and sort them out timeously.

Three things are required in order to put together a budget; firstly, input and output estimates, secondly, fixed and semi fixed costs and thirdly, variable items of expenditure. These include monthly expenses, emergency expenses, any money for savings i.e. university funds, entertainment, own salary, vacation and other future expenses.

The total of all expenses, everything needed to earn in a year equals to the farm budget. People need budgets for different reasons: Starting a farm, New Year planning, minor changes in practice such as expansion of a unit or installing new machinery or drastic changes in the system.

The question now is how one goes about putting together a farm budget. The best place to start would be with previous records if available and the best time would definitely be planning for a new season. Start by looking at what would be generally spent in a year; take time to make sure that this number is accurate. If there are no records, it is advised that an estimated budget is written down, but keep records for next year, so you can adjust accordingly. Different kinds of budgets are as follows:

Cash flow budget

A cash flow budget is a summary of projected inflows and outflows over a certain period. The purpose is to estimate the amount and timing of future borrowing needs and demonstrates the farms ability to repay debts in a timely manner. A cash flow budget represents a projection of future deposits, and withdrawals to the business' checking and savings account.

Partial budgets

A partial budget is a planning and decision-making framework used to compare the costs and benefits of alternatives faced by a farm business. The focus is only on the changes in income and expenses that would result from implementing a specific alternative. A partial budget is used for the following reasons:

- Adopting new technology;
- Hiring custom work;
- Leasing instead of buying machinery;
- Modifying production practices; and
- Making capital improvements.

Whole farm budget

A whole farm budget is a summary of available resources and planned type and volume of farm production under the management of the farmer. It is constructed to include expected costs, revenue and profitability of each enterprise that makes up the overall farm business. The main purpose of this budget is to analyse a major change that has potential to affect several enterprises. A whole farm budget is typically used for taking over a new farm, adding more land to the existing farm or taking on a partner for the existing farm.

Enterprise budget

Represents estimates of income, costs and profits associated with production of specific agricultural products. This budget is constructed on a

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10 2017/2018's wheat market trends

> *Due to favourable conditions, production in the Free State increased marginally to 328 000 tons.*

Consumption and trade

South Africa's wheat consumption has increased on average by 1% per annum over the past ten years. Wheat demand during the 2017/2018 marketing year is projected at 3,27 million tons. Wheat and wheat product import forecasts for 2017/2018 is 2,0 million tons, due to the decrease in production in the Western Cape. For the current season over 1,6 million tons has been imported. South Africa acts as a conduit for imported grains and exports to nearby countries in Southern Africa, therefore wheat and wheat product exports are expected to be around 100 000 tons.

Local wheat prices

Two factors affect local wheat prices, namely the value of the rand against the dollar and international prices. The rand has been volatile over the past few months while the international prices also found some support. **Graph 1** indicates the local wheat prices relative to the German coastal and inland import parity prices. Most of the imports were recently sourced from the EU and Black Sea countries, which means that the local prices are mainly in line with the prices from these origins.

Article submitted by Ikageng Maluleke, Junior Economist, Grain SA. For more information, send an email to Ikageng@grainsa.co.za.

Budget and prosper: Know where your money is going

per-unit of production basis (e.g., maize per hectare). Each enterprise on the farm requires a budget. An enterprise budget is used for the following reasons:

- Allocation of income for an enterprise;
- Listing of inputs and production practices required by an enterprise;
- Helps evaluate efficiency of farm enterprises;
- Estimate benefits and costs for major changes in production practices;
- Provides basis for total farm plan; and
- Supports application for credit.

Farm budgets should to be adjusted every year, as expenses are likely to change. It could happen that the budget is bigger than gross income (total income before expenses). One should not despair when this happens, because a budget is your goal and it may take several years to reach.

Meeting this farm budget might require doing things differently, like taking a different approach to farming; for instance, diversifying farming activities. Farming is about financial sustainability among other things, one needs to determine what it means to them to ensure that you stay in business for a long time.

> *Budgets are valuable to a business as they can be a guide for economic gains.*

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