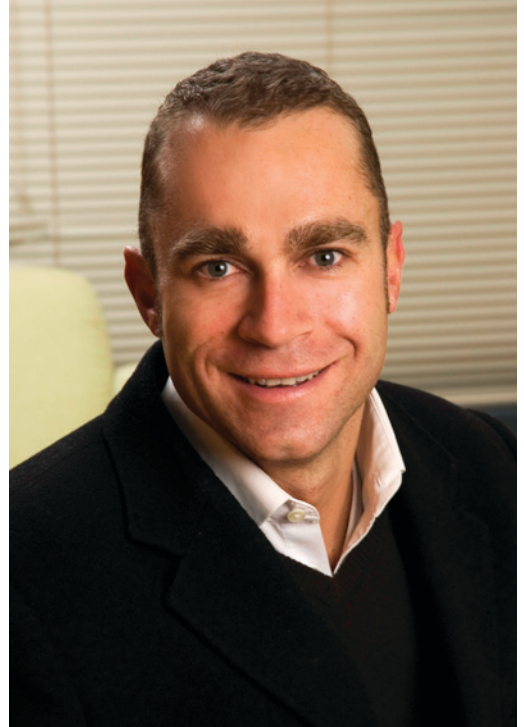


The Structuring of  
Agribusinesses in  
South Africa  
Key challenges  
and opportunities





# Introduction



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The South African Agricultural Industry is changing at a rapid rate as is its operating environment

Consolidation is fast becoming the norm and for businesses to remain competitive it has to juggle a number of key drivers and differentiators to ensure financial progress and sustainability.

Many Agribusinesses remain fairly stagnant in their operating and Go-to-Market (GTM) models, this creates certain challenges in the growth and development of these entities.

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I share some of my views throughout this piece...



# Strategy and vision – How well is your current strategy working?



South Africa – relative to the African market – has a mature Agriculture business base with growth trajectories tapering off. Alternative strategies around acquisitions, market gains through differentiation and geographic expansion and innovation is necessary to remain competitive and turn dividends to owners.

Many Agribusinesses in South Africa and beyond still operate on traditional models that will become obsolete in the future.

Smart-agriculture – and strategic planning and execution is essential to future survival and growth for South African companies

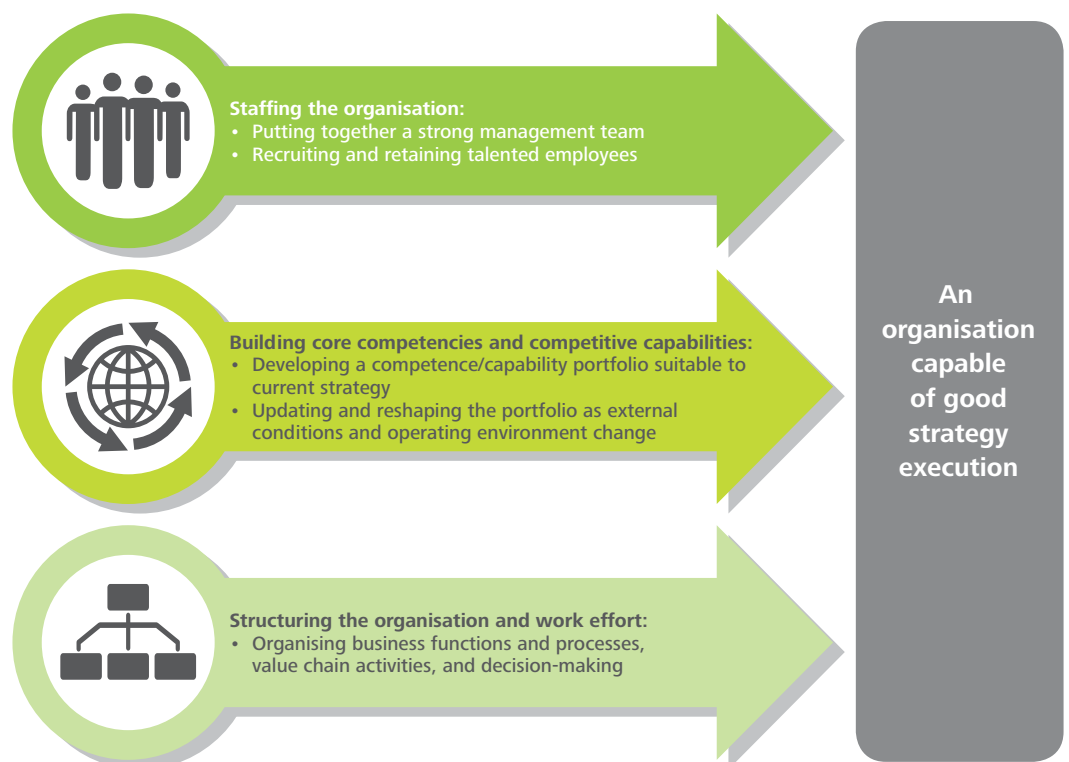


# Corporate strategies

Themes on strategy execution include:



The principles of strategy formulation is described in the figure below. This illustrates the driving forces of strategic growth:

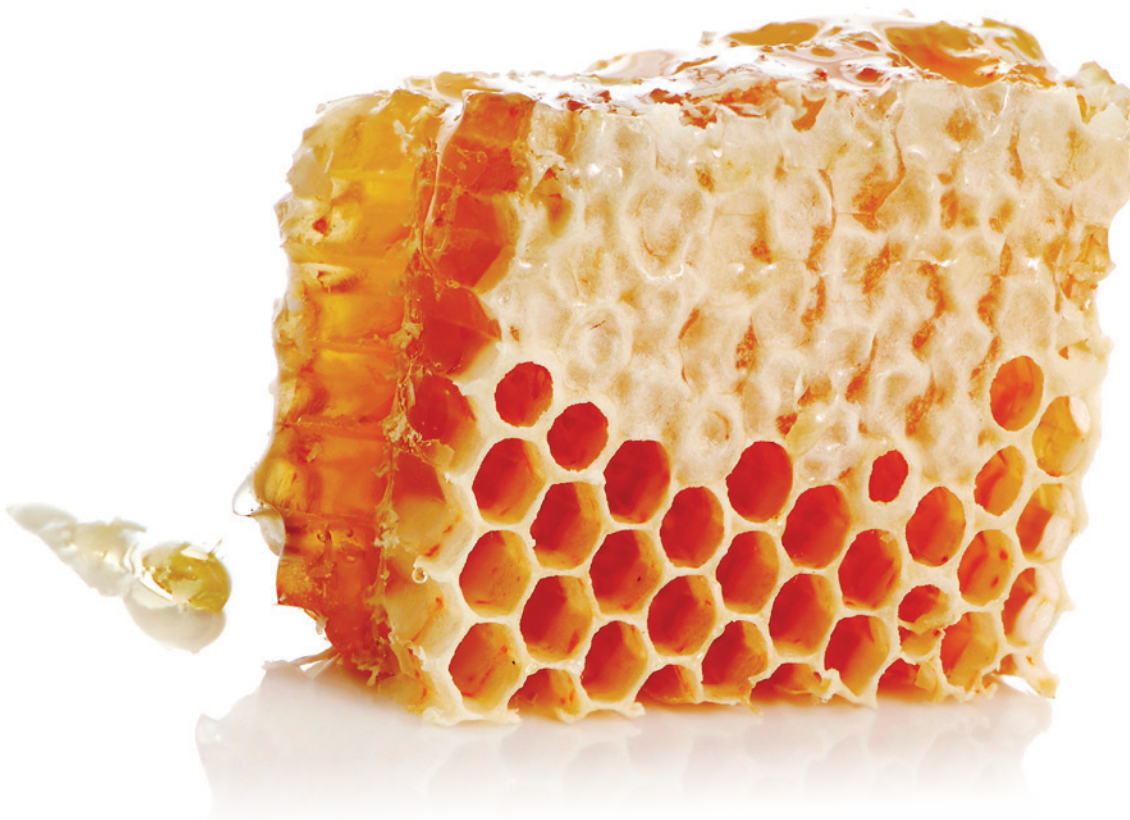
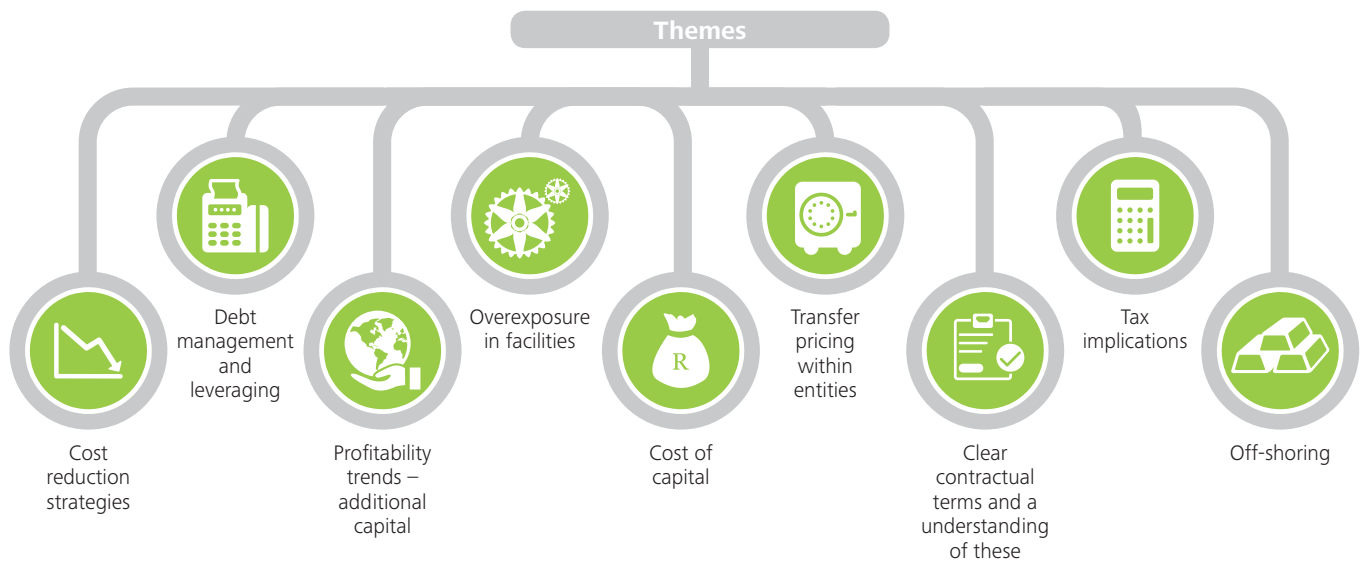


Good strategies lead to the following:

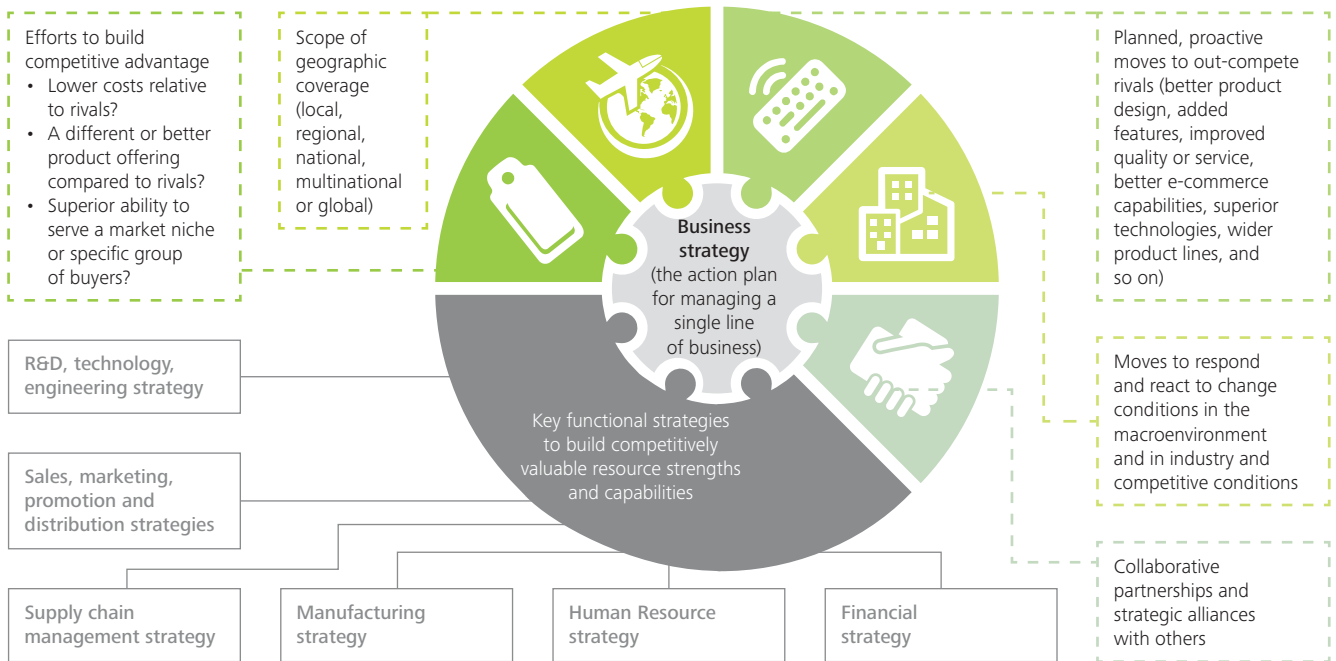
- The “Goodness to fit” test – the strategy is aligned with market realities and fits market opportunities and external realities
- “The numbers don’t lie” – know that if you are not getting the returns expected – your strategy or its execution is sub-optimal
- “Boosts company performance” – through right sizing, innovation or expansion

# Capital restructuring

Capital and cash flow is the fuel that drives the engines of all companies. In South Africa and Africa some of the following themes are extremely important:



# Organisational operating model



## Human Capital (HC)

Generally in the industry not enough attention and effort is given to the management and advancement of sound HC principles. Some of the key issues include:

- Do we have the **right people** in our business? An **ageing population** of expertise in the Agriculture Sector will create long-term sustainability challenges
- **BEE** is a key challenge that very few Agriculture Companies know how to deal with
- **Succession planning** and **concentration risks in individual leaders** remains a challenge
- **Company culture and shared values** drive performance – in a changing environment change management remains critical in the execution of strategic objectives
- **Inertia** – The world is changing fast – and we have to adapt with these changes

Building a competent execution model with the right people doing the right things remains critical

# The future



The future of Agriculture in Africa remains positive and South Africa is by a wide margin the most advanced agricultural economy in Africa

## Key factors to consider include:

- South African **political landscape** and **land challenges** remain **volatile**
- **African opportunities and risks are real** – navigate these carefully and smartly
- **Global investment prerogatives are increasing** – your own value proposition must be clear
- One-stop-shops are trending – **how do we offer more to the farmer?**
- **Precision farming** is becoming an order qualifier – without a strategy in this space you will become obsolete
- **Value chain integration** and unlocking value is key in future
- **The emerging farmer** is a reality we have to come to grips with – as a country and a continent we will **not advance without broad based participation** in the sector
- **Commercial/Agriculture expertise is sorely lacking in Africa** – this presents a real opportunity for South African Agribusinesses
- **International partnerships** will become the **norm** going forward – make sure you don't miss out on these opportunities
- **Size vs profit is key** – many Agribusinesses are too large and margins are too thin – profitability and progress will become the norm

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We need to adapt and be nimble or we will not have a future in Agriculture!