

# *Financial survival in uncertain and volatile times*

2025 Sheep Farmer of the Year  
Farmers day  
26 May 2026



Dawie Maree  
FNB Agriculture

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I'M ONLY  
RESPONSIBLE  
FOR WHAT I SAY

NOT FOR WHAT YOU UNDERSTAND



**Required finance = Own Capital +  
Credit + Government contribution**



**0**



# Required finance

- **Typical use of funds**
  - **Annual operational costs** - *paid in advance vs seasonal income*
    - Inputs
    - Labour
    - Overheads, etc.
  - **Capital investment** - *long term, high replacement cost*
    - Tractors, implements etc
    - Livestock
  - **Working capital**
    - Absorb price volatility



# Factors that influence the required finance

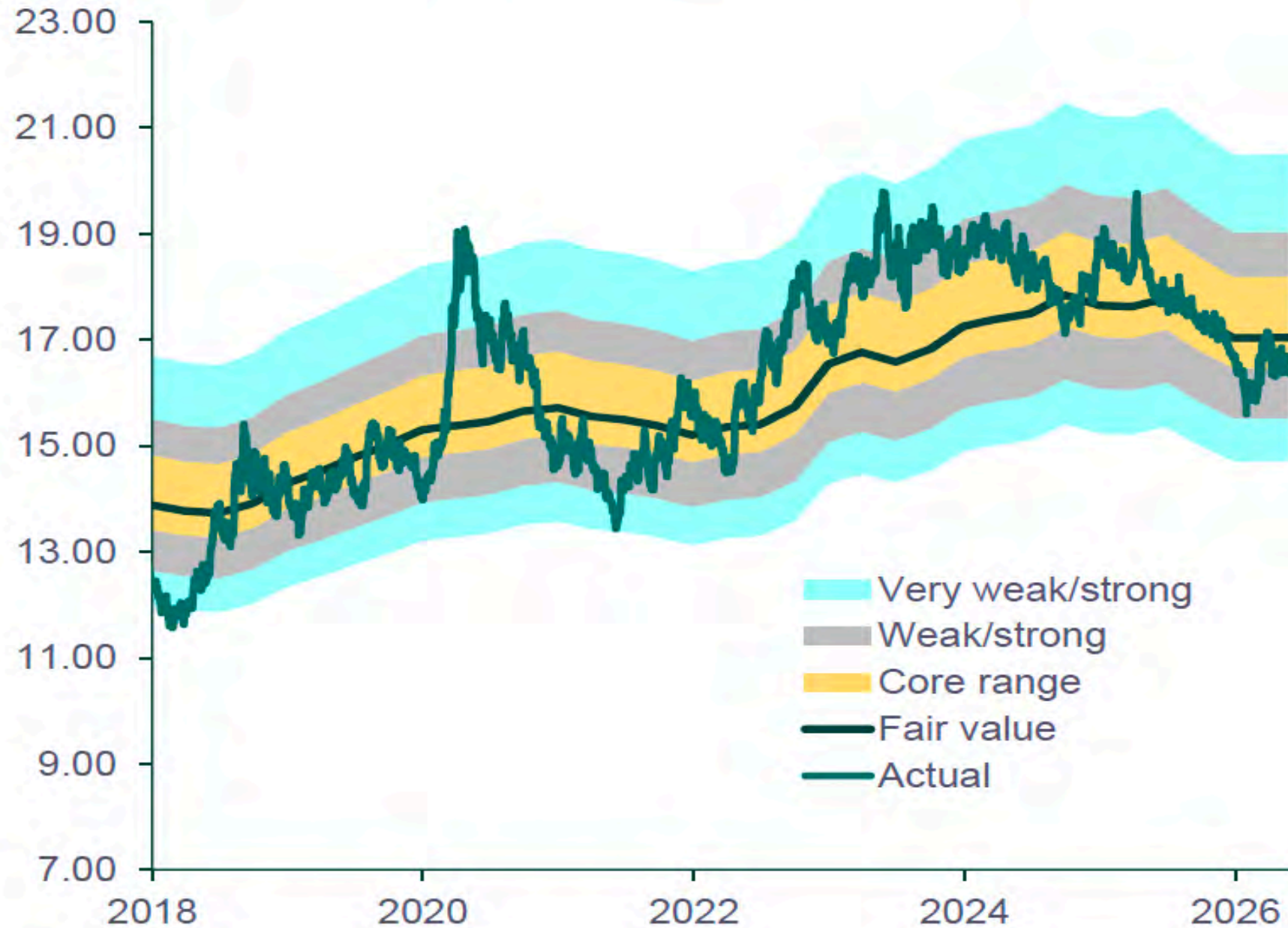
- Input costs
  - R/\$
  - Oil -> Diesel



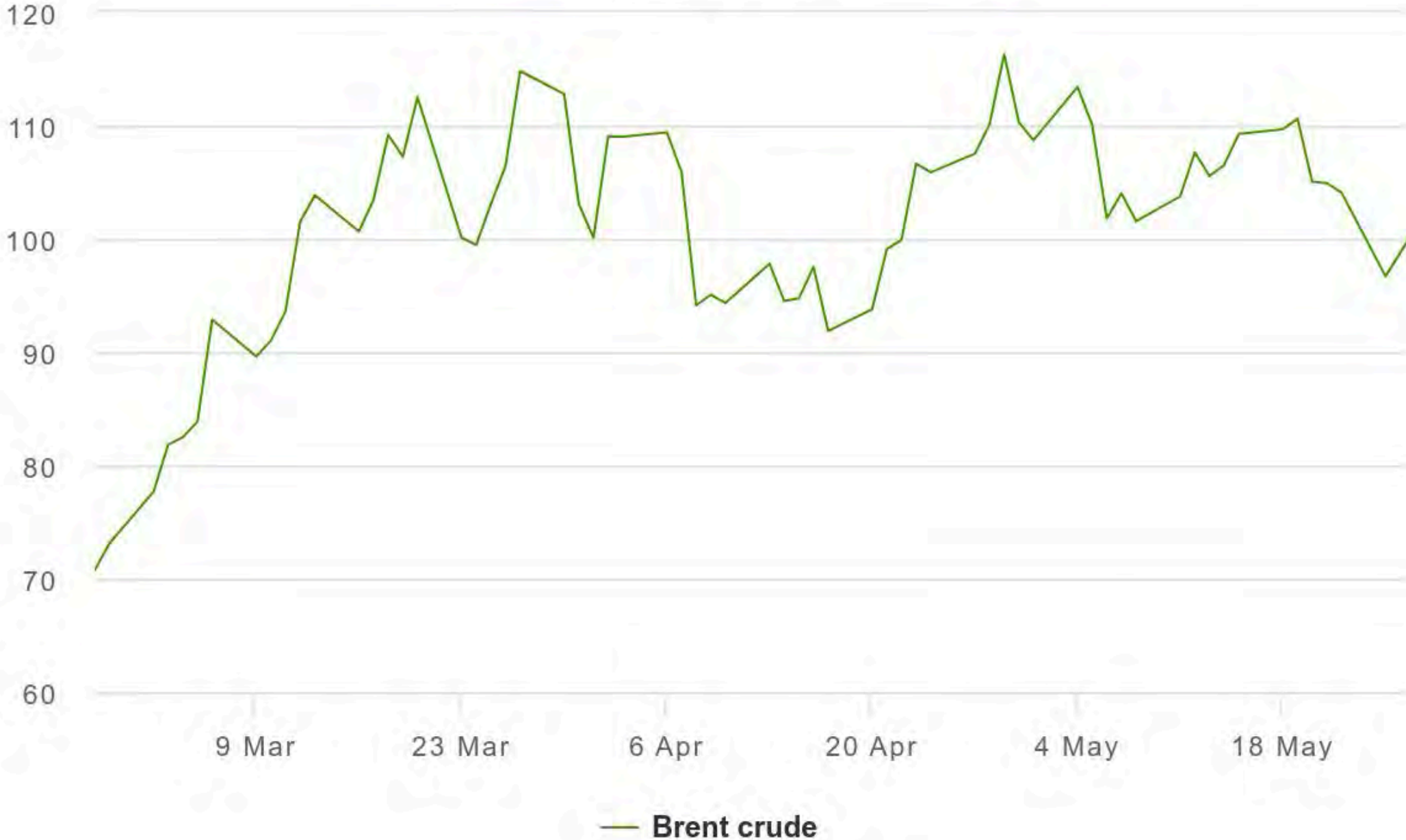
# USD / ZAR



# USD/ZAR: Fair value and trading bands



# Brent crude



— Brent crude

# Factors that influence the required finance

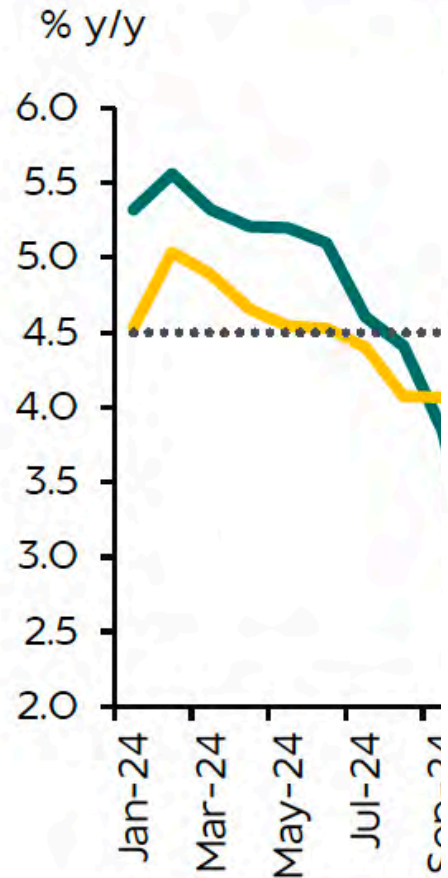
- Input costs
  - R/\$
  - Oil -> Diesel
- Capital investment
  - Interest rates
  - Business confidence



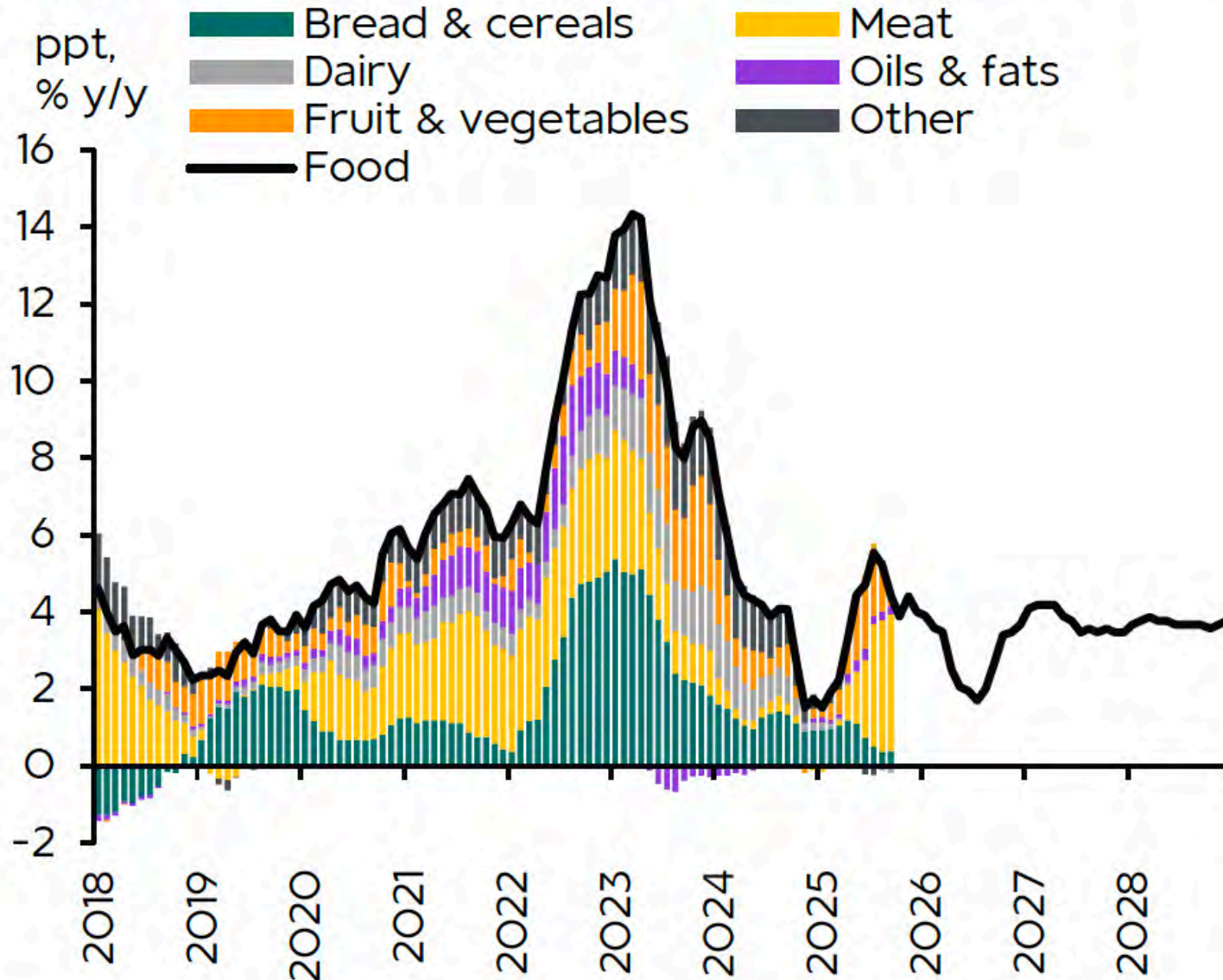
# SA Eco

Figure 33: There are signs that food inflation may be rolling over sooner than we previously expected

Figure 34: We expect



Source: StatsSA, RMB Glob  
Note: Dashed lines show fo



Source: StatsSA, RMB Global Markets Research

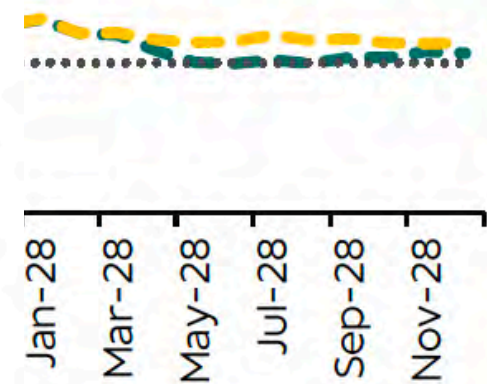
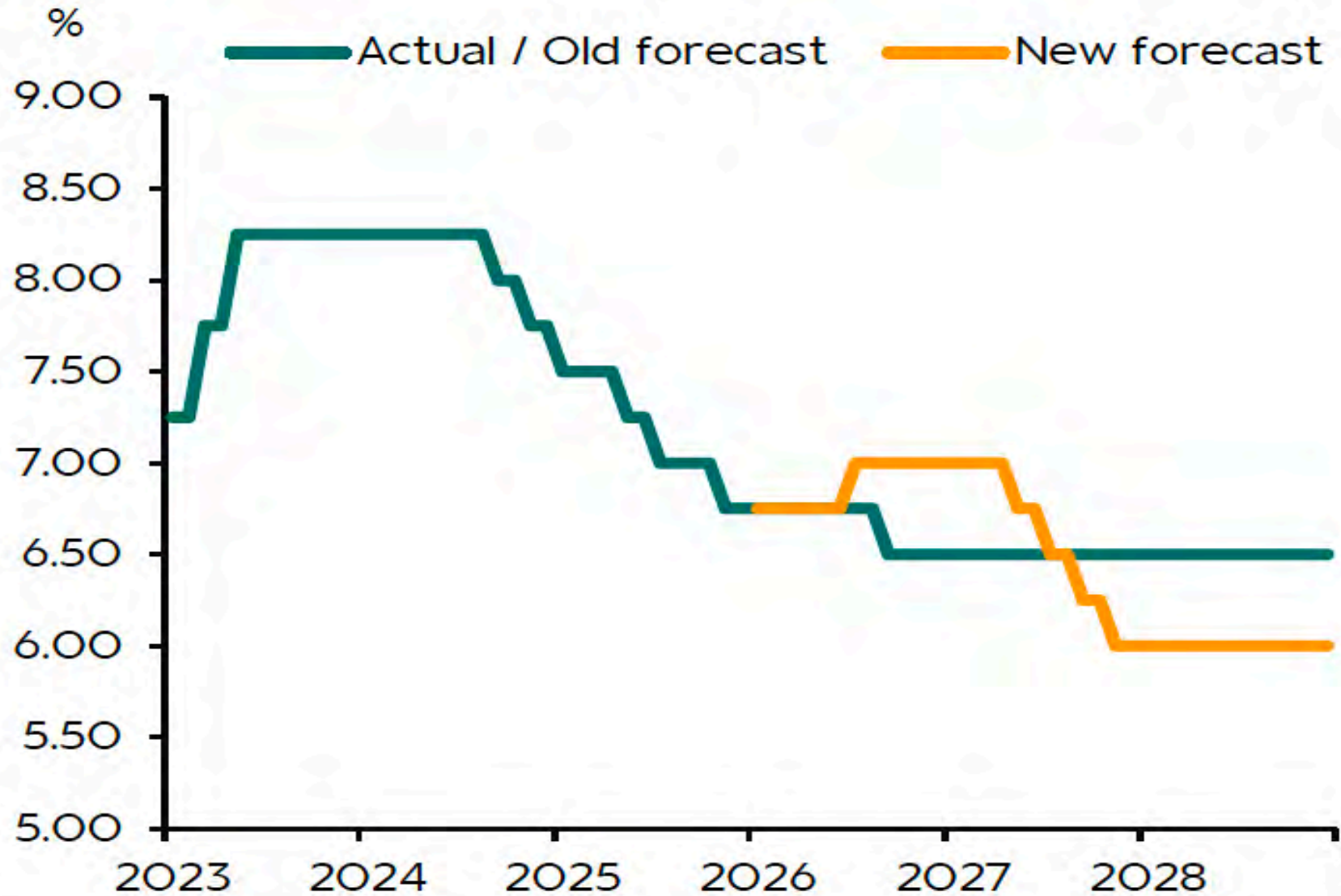



Figure 37: We now forecast 25bp of rate hikes in 2026



# Agbiz/IDC - ABC

Index





**The economy depends about as  
much on economists as the weather  
does on weather forecasters.**

Jean-Paul Kauffmann



**Required finance = Own Capital +  
Credit + Government contribution**



**0**



# Factors affecting Credit

- **Collateral / Security**

- Finance in SA still collateral based
- Rule of thumb LTV < 60%

Loan to value

btw - Total Agric debt > R 205 billion.  
Debt:Asset ratio = 35%



# Factors affecting Credit

- **Collateral / Security**
  - Finance in SA still collateral based
  - Rule of thumb LTV < 60%
- **Interest rates**
- **External risks**
  - Climatic conditions
  - Geo-politics
- **Regulatory environment**



# Example (simple, but realistic)

## Requirement:

- Annual production costs: R12 million
- Capital replacement and maintenance: R3 million
- **Total requirement: R15 million**

## Funding mix:

- Own contribution (cash + reserves): R6 million
- Commercial debt (seasonal & term): R9 million

## Thus:

- NFI should service interest and capital (and living expenses)
- Equity ratio should stay healthy ( $\geq 50\text{--}60\%$ )

A drought or other shock that will reduce income by 30% will break the equation, although the farm is still solvent.



# Why does the equation still work for commercial farmers?

- **Commercial farmers survive because of:**

- Strong balance sheets
- Diversified income streams
- Insurance and risk management
- Economies of scale & efficiencies
- Reliable markets

- **But it also explains:**

- Consolidations
- Vertical integration
- Cautions capital investments
- Preference for self-financing



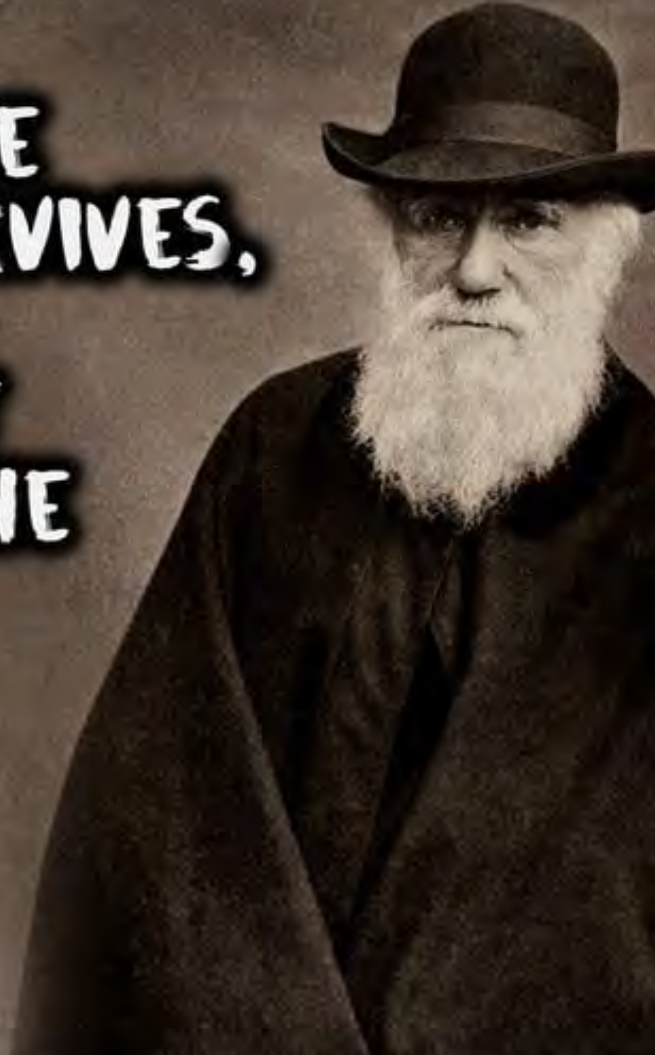
# Halftime speech...

- 80% of farmers that lose their farms, lose it as result of poor financial management and decisions and not as result of a poor production year.....
- The South African farmer know how to farm and manage in a difficult year. The good year is another story
- Your financial decisions in “good” years will determine your fate in the difficult years



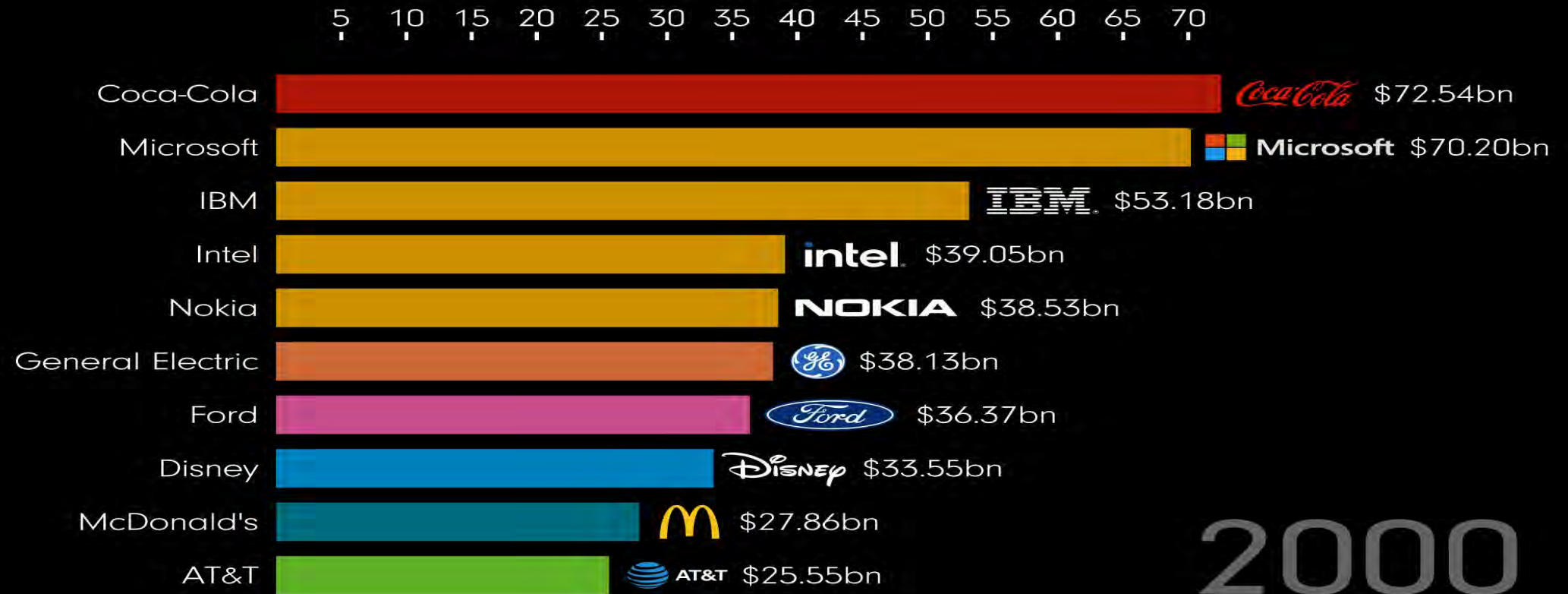
"IT IS NOT THE STRONGEST OF THE SPECIES THAT SURVIVES, NOR THE MOST INTELLIGENT THAT SURVIVES. IT IS THE ONE THAT IS THE MOST ADAPTABLE TO CHANGE."

CHARLES DARWIN  
- [WEALTHYGORILLA.COM](http://WEALTHYGORILLA.COM)



# Most valuable brands this millenium

Brand value, US\$ billions



2000

- Consumer
- Media
- Tech
- Telecom
- Tobacco
- Beverages
- Auto
- Energy
- Restaurants

Source: Interbrands



# Adapt or die

- Who do you want to be?
  - Nokia?
  - Apple?
  - Microsoft?
- Stay relevant
  - Products
  - Technology
  - Service delivery
- Adapt to stay in the market
- Be informed
  - Know what **your** customer wants



# Summary - BLIKSEM

- **B**alansstaat (*Balance sheet*)
- **L**ikiditeit (*Liquidity*)
- **I**nkomstestaat (*Income statement*)
- **K**ontantvloei (*Cashflow*) -
- **S**ekuriteit (*Security*)
- **E**ie bydrae (*Own contribution*)
- **M**ens (*Person*) - “Banking the jockey”

*Office of Richard Armstrong*  
*14 Oct 2025*

**TURNOVER IS VANITY**  
**PROFIT IS SANITY**

**Keep**

**your focus**



**FNB Agric**



FNB is proud to be invested in agriculture and will continue to do so, within the normal credit criteria and regulatory framework.

**Thank you**