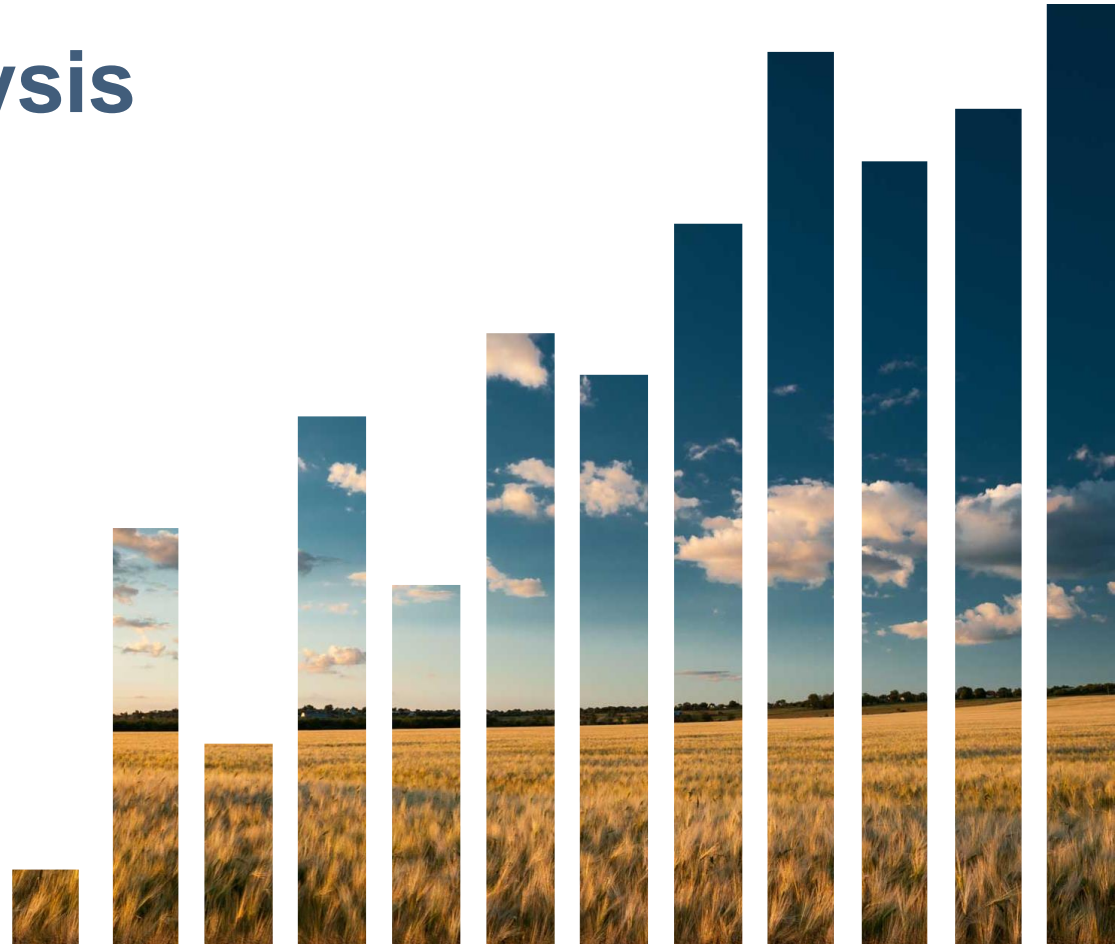


Potatoes SA

25 April 2018

Farm-level Analysis

Prepared by



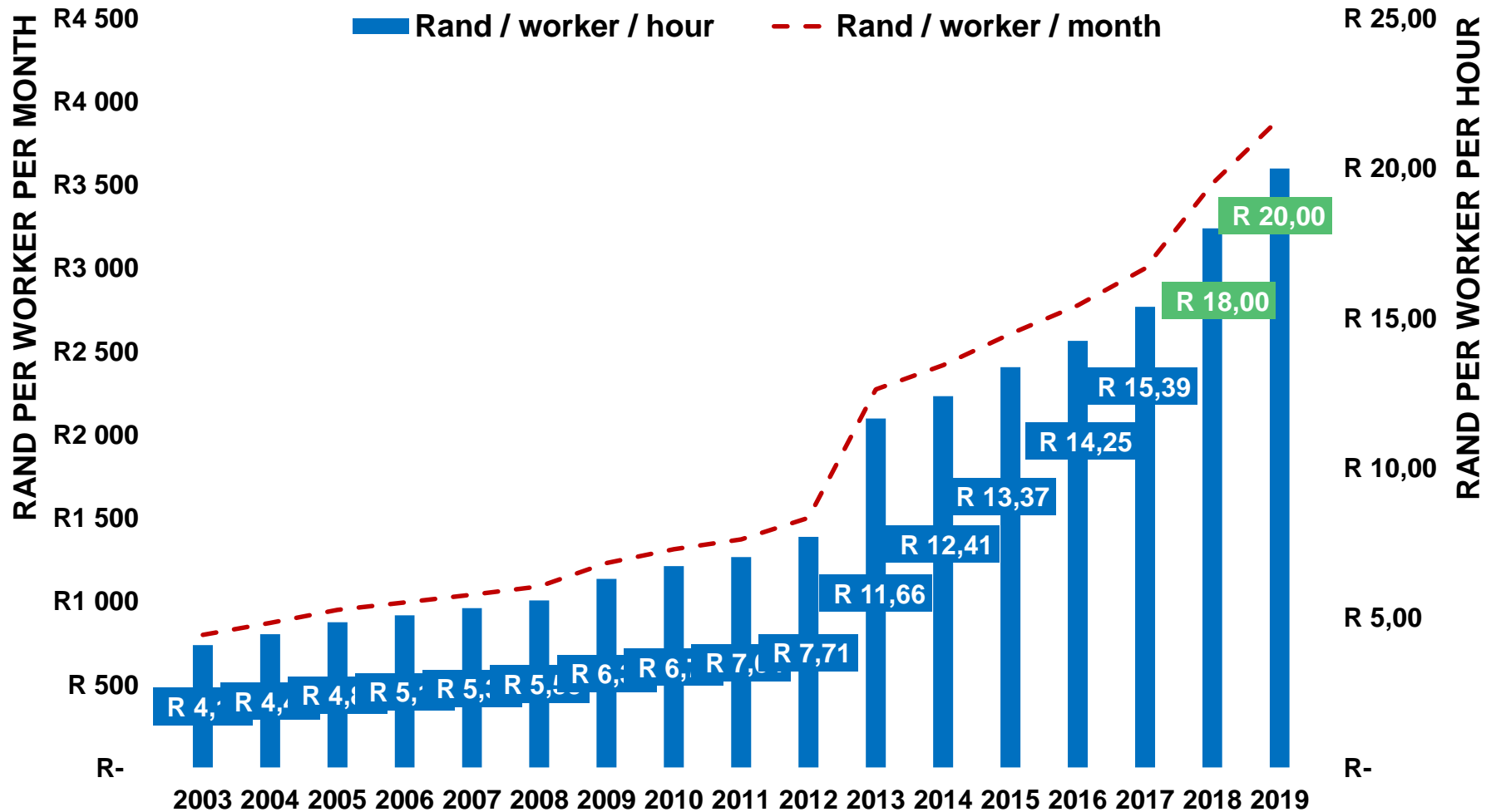
Farm-level Scenarios: Limpopo & Sandveld regions

Implication of electricity tariff increase, national minimum wage, plant protection cost inflation + reduced area in the Sandveld region because of the drought



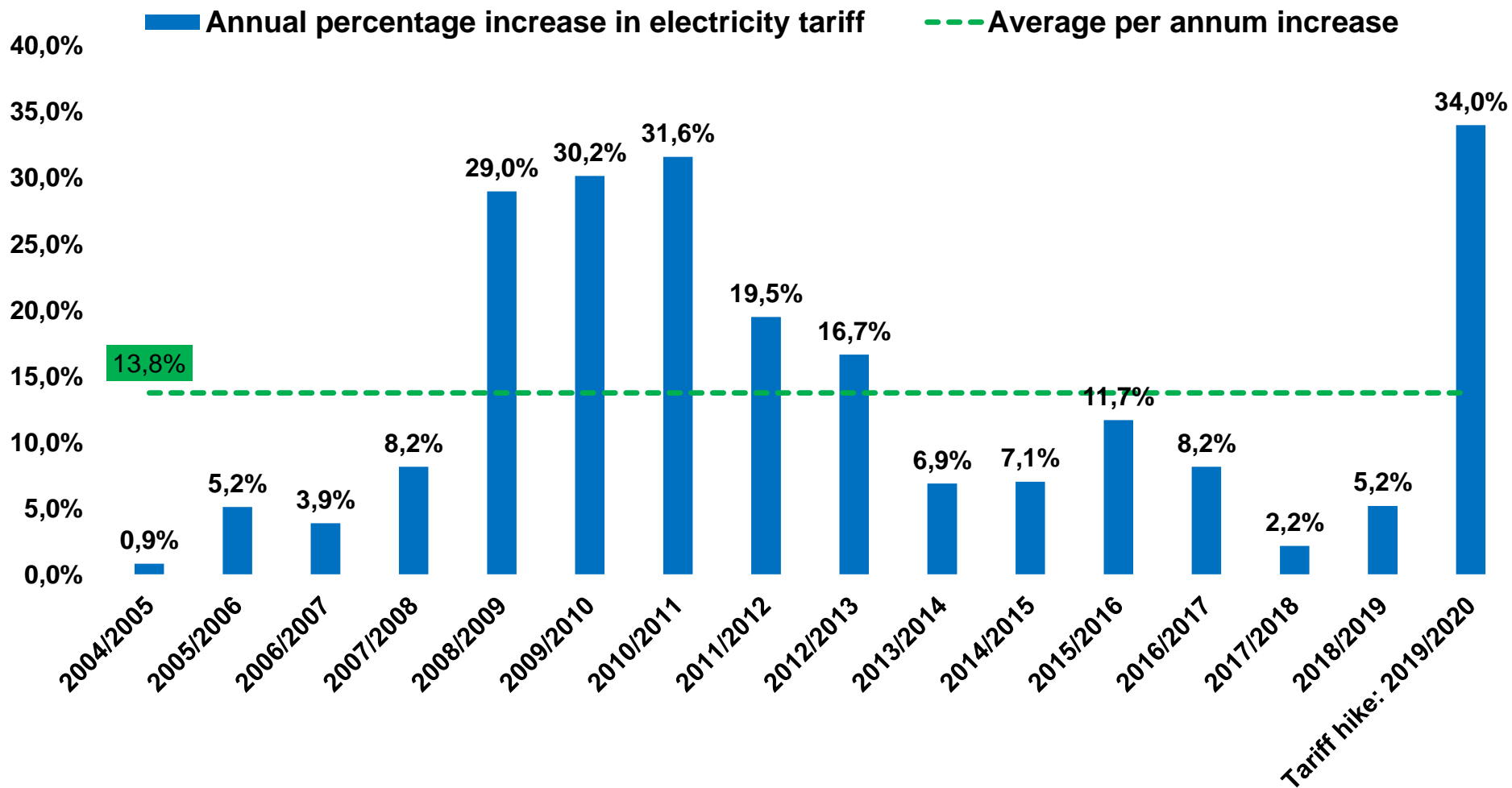
Impact of the NMW

Nominal farm wages



Electricity tariff trend

Annual percentage change in electricity tariff



Model Assumptions: Typical potato farms in the Limpopo & Sandveld regions

Scenario compared to Baseline

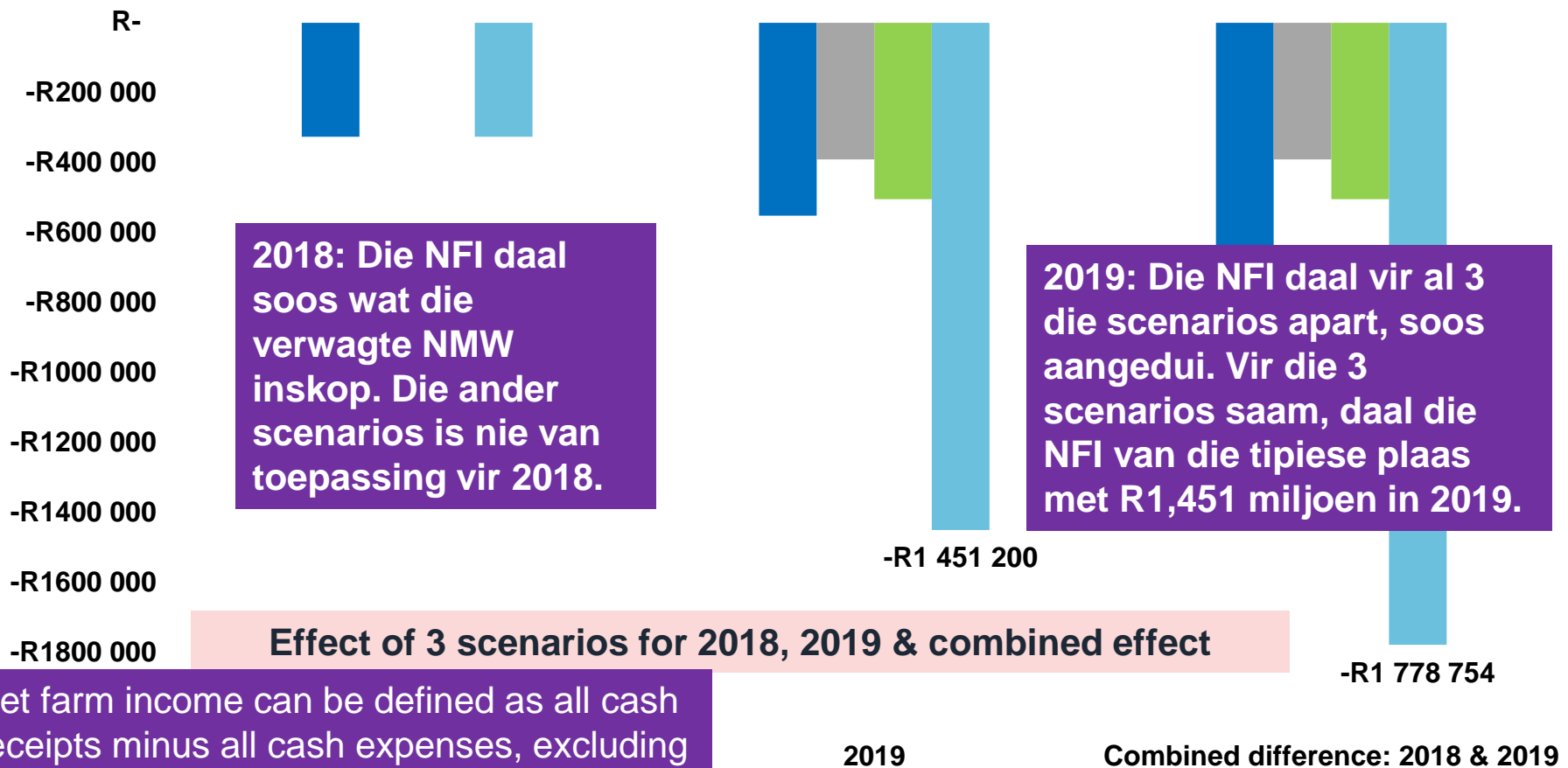
Scenarios	Limpopo	Sandveld
1) Implementation & phasing in of the <u>national minimum wage</u> for agriculture which assumes an increase of 16.9% in 2018 and 11.1% in 2019	X	X
2) <u>Electricity</u> tariff increases by 34% (2019).	X	X
3) Increase in the cost of <u>plant protection</u> chemicals as a result of recent developments regarding regulations in China. Assumption = Plant protection increases by 30%.	X	X
4) As a result of the persistent <u>drought</u> in the Western Cape, water restrictions may lead to less area under production for the Sandveld region. The scenario assumes that area is reduced by 60%.		X

Jack: ons toets 3 scenarios op ons “tipiese” plaas in Limpopo en 4 scenarios vir ons “tipiese” plaas in die Sandveld (Wes-Kaap).

Implication of scenarios on a Limpopo farm

Absolute difference from Baseline for 2018 & 2019: Net farm income

■ Minimum wage ■ Electricity tariff scenario ■ Increase in plant protection ■ Combined: Wage, electricity & chemicals



2018: Die NFI daal soos wat die verwagte NMW inskop. Die ander scenarios is nie van toepassing vir 2018.

2019: Die NFI daal vir al 3 die scenarios apart, soos aangedui. Vir die 3 scenarios saam, daal die NFI van die tipiese plaas met R1,451 miljoen in 2019.

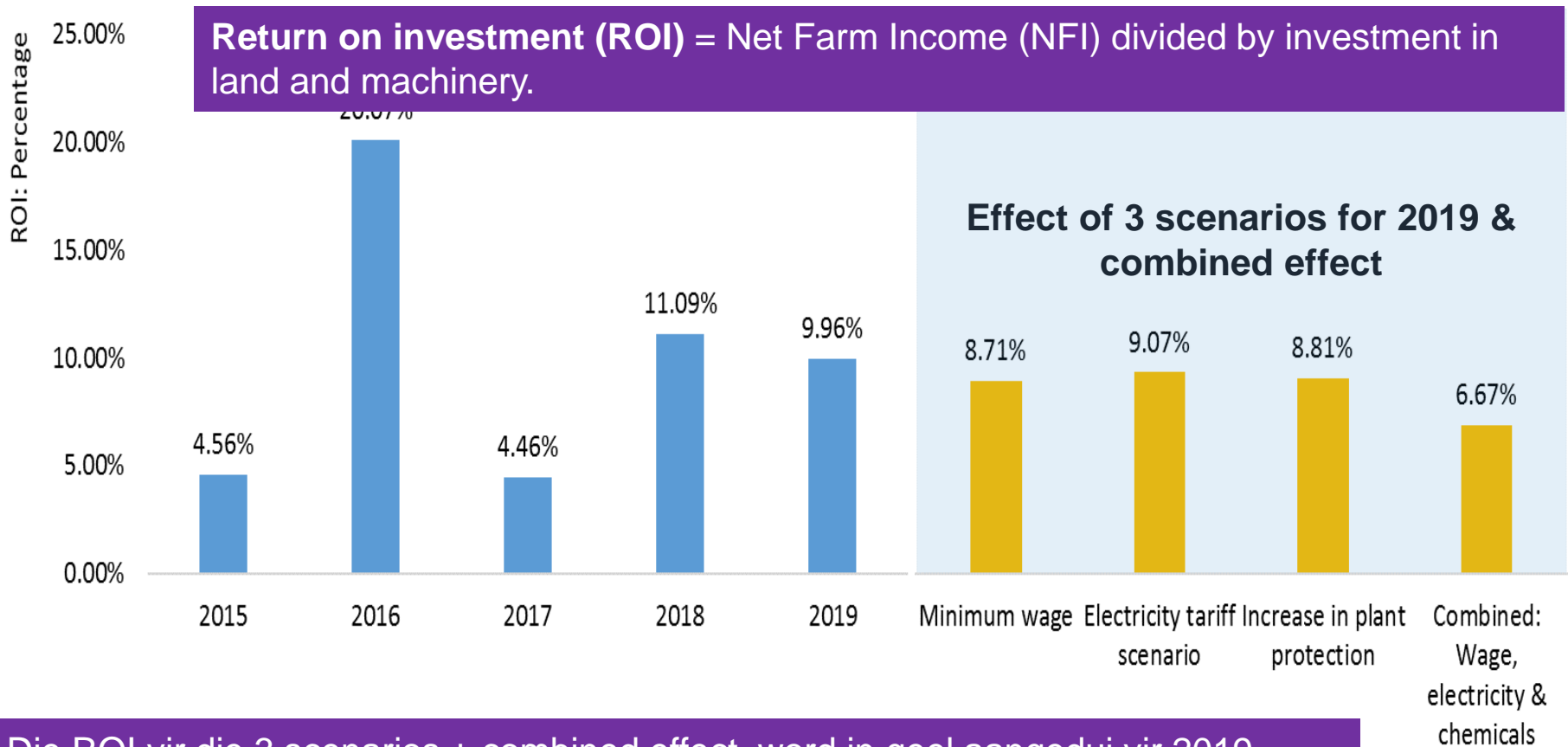
Effect of 3 scenarios for 2018, 2019 & combined effect

Net farm income can be defined as all cash receipts minus all cash expenses, excluding family living costs, principal debt payments and income and land taxes

Implication of scenarios on a Limpopo farm

Implication on return on investment (ROI)

Limpopo: ROI: Baseline vs Scenario

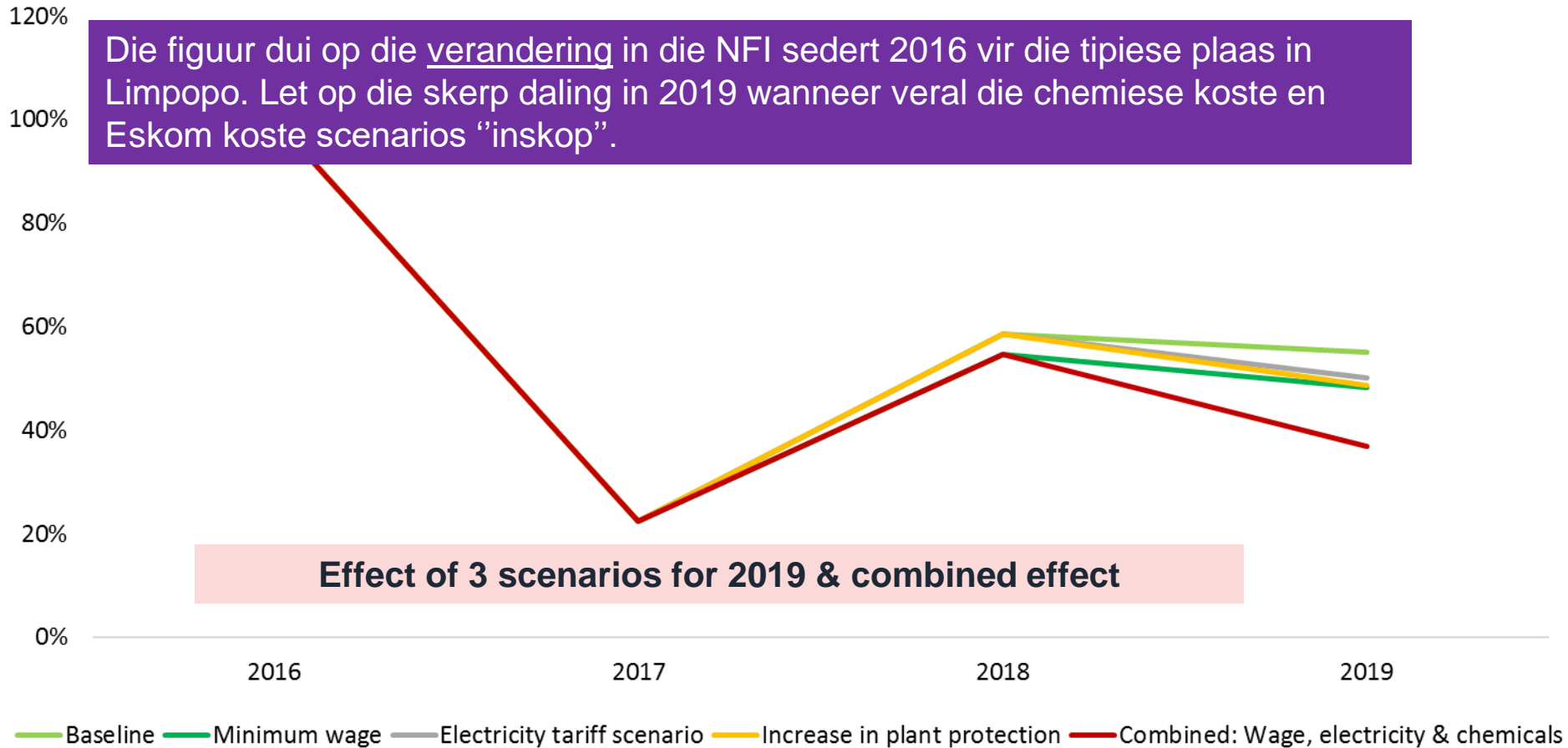


Die ROI vir die 3 scenarios + combined effect, word in geel aangedui vir 2019. Indien geen van die scenarios van toepassing is nie, met ander woorde alles is "normaal", is die ROI = 9,96% vir 2019. Dit word 6,67% vir 2019 = combined effect van al 3 scenarios.

Implication of scenarios on a Limpopo farm

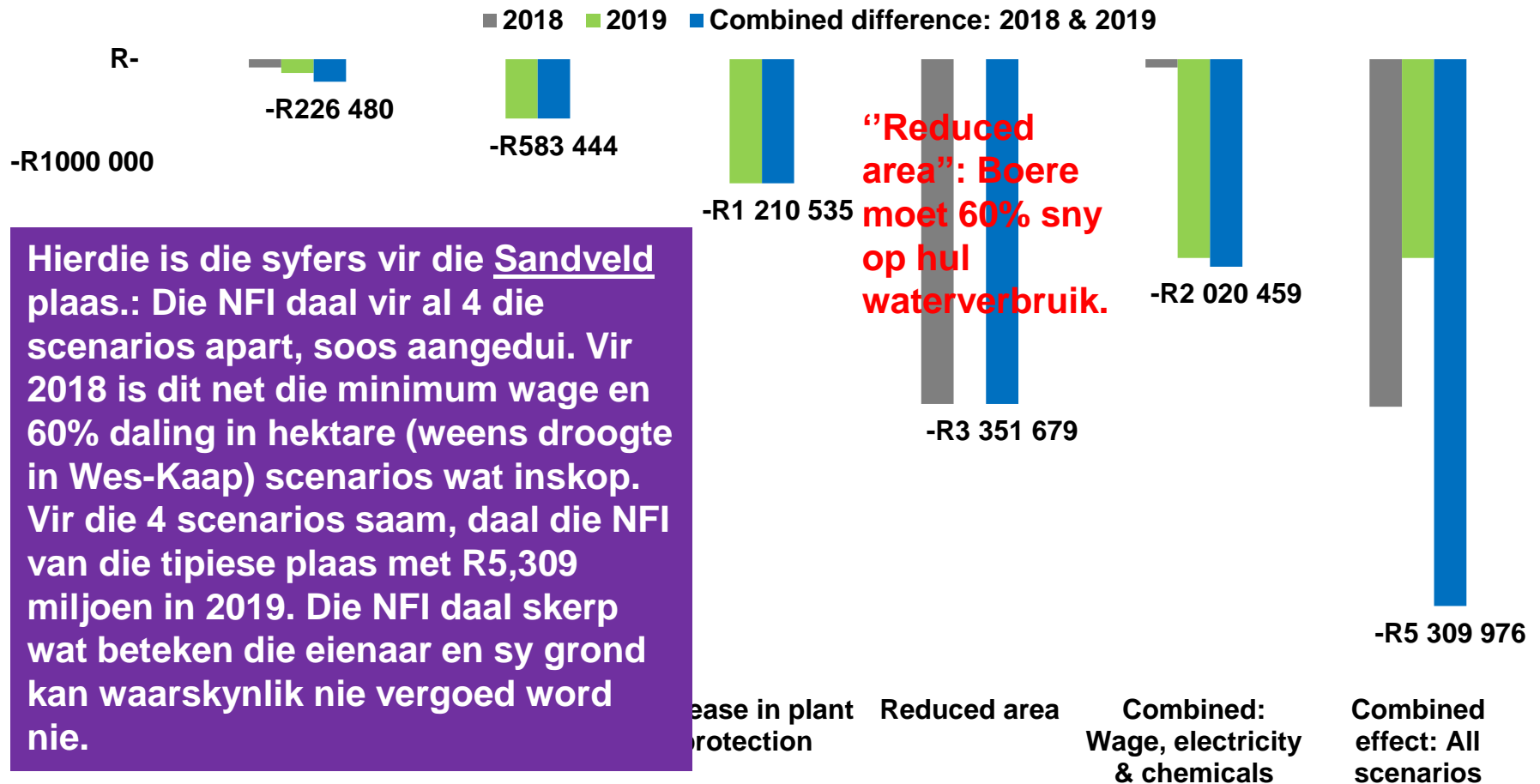
Implication on net farm income presented in an index where 2016 = 100%

Limpopo: Net farm income - Index: 2016 = Base = 100



Implication of scenarios on a Sandveld farm

Absolute difference from Baseline for 2018 & 2019: Net farm income



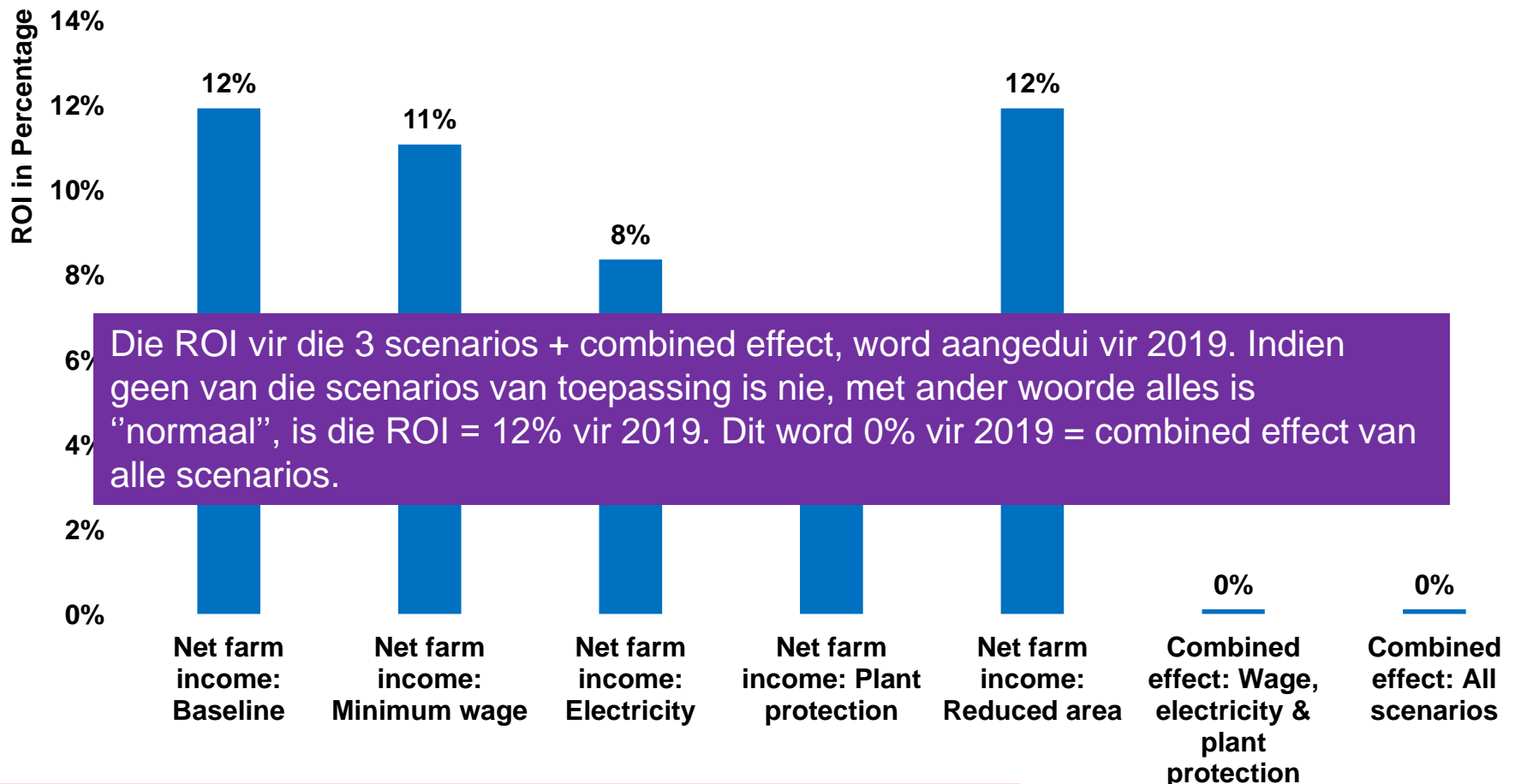
Hierdie is die syfers vir die Sandveld plaas.: Die NFI daal vir al 4 die scenarios apart, soos aangedui. Vir 2018 is dit net die minimum wage en 60% daling in hektare (weens droogte in Wes-Kaap) scenarios wat inskop. Vir die 4 scenarios saam, daal die NFI van die tipiese plaas met R5,309 miljoen in 2019. Die NFI daal skerp wat beteken die eienaar en sy grond kan waarskynlik nie vergoed word nie.

Effect of 3 scenarios for 2018 & 2019 + Reduced area because of drought & combined effect

Implication of scenarios on a Sandveld farm

Implication on return on investment (ROI)

Return on Investment for 2019



Effect of 3 scenarios for 2019 + Reduced area because of drought & combined effect