

Nanaga Farming Trust

A Consolidation example

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NFT

- Pasture based farming in Eastern Cape
- Amalgamation of four dairy operations
- Established 2009
- Our mission is to continually **grow** our business in a **sustainable** manner, by utilizing international best practice and **economies of scale**, being an **employer of choice** and by forming strategic long-term **partnerships**. We strive to produce high quality milk with the lowest possible impact on the **environment**, whilst having a positive impact on the surrounding **communities**.

Background

- Regulated industry
- Production systems not suited to environment
- Cost dilution via growth
- Farm growth ceiling reached/exceeded (over-stocked)
- Introduction of new costs
- Increased risk
- Lack of clear long term planning
- Everyone does exactly the same everyday
- Same capital expenditure

Driver for change

- Some common ground
 - Equipment pool
 - Resource pooling
- Lots of talk
- **Drought 2007 – 2010**
- Financial survival
- Need for a different plan

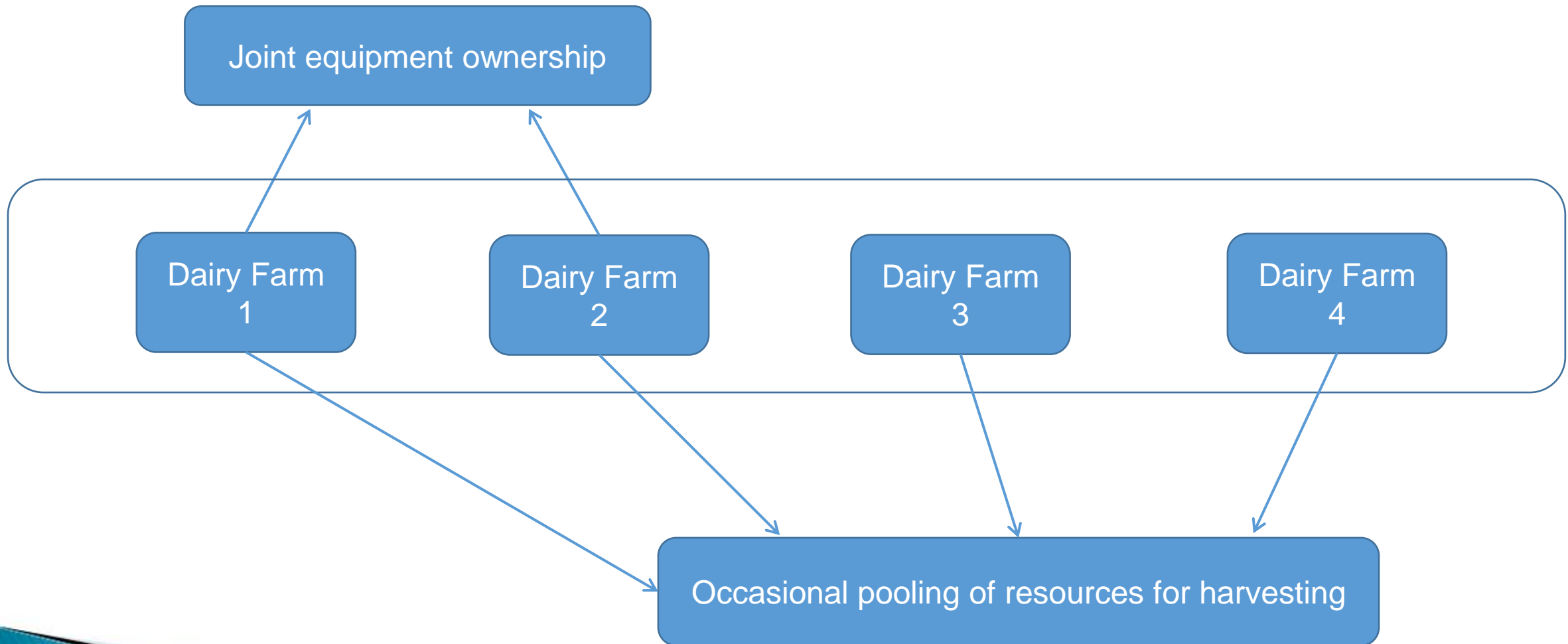
New direction

- Have we got a future?
- How did we get in this mess?
- How do we change this?
- Long-term objectives, short-term actions
- Do it together

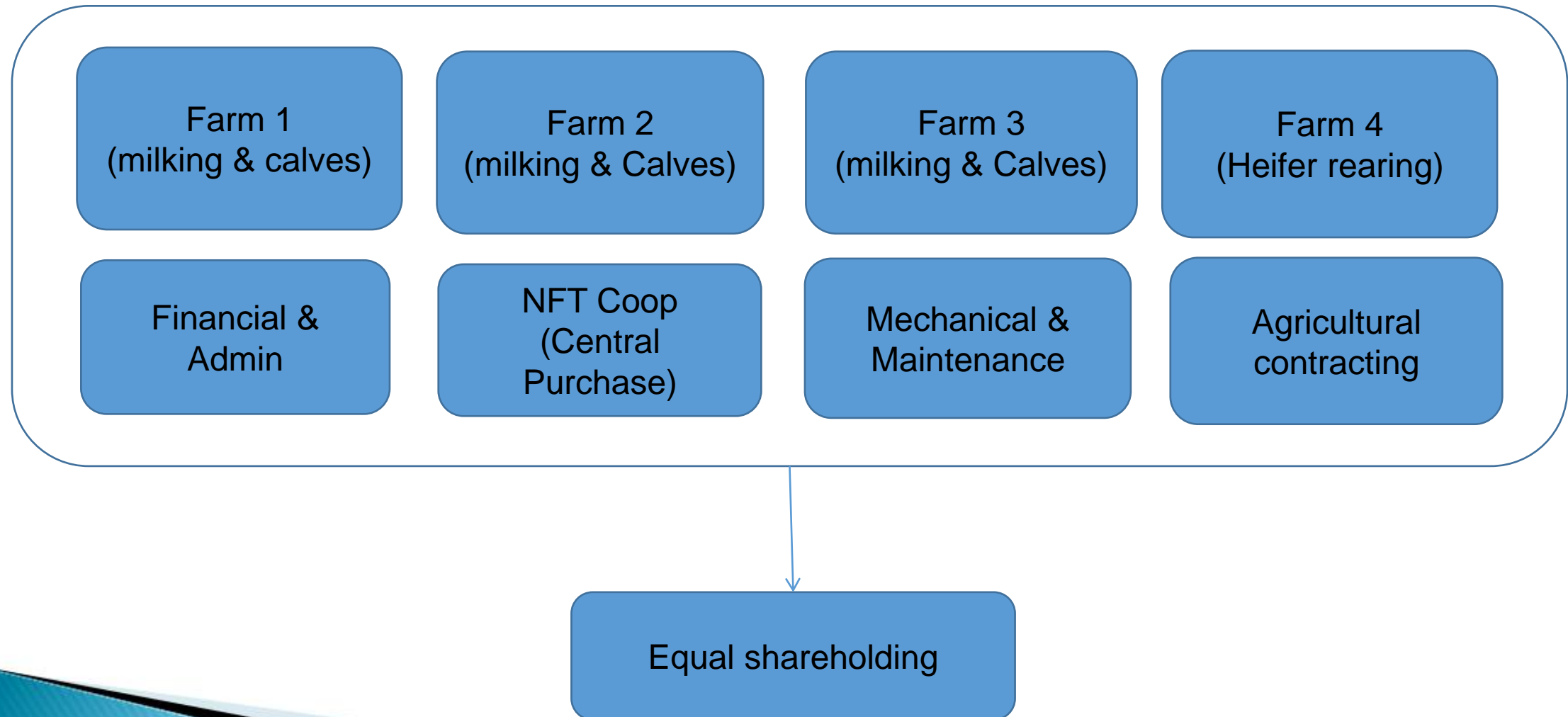
Objectives

- Survival
- Cut cost
- Simplify
- Lasting long-term strategy
- Strict financial control
- Under your control – increase efficiency, reduce cost
- Not under your control - manage risk
 - Production system must fit environment
- 5 year plan
 - Survive, re-build, grow

Pre-amalgamation



Amalgamation



Benefits

- Cut / reduce cost permanently
 - Liquidate unneeded capital
 - Less duplication of activities
- Simplify operations
 - Consolidate enterprises
 - Manage less activities
- Increase efficiency
 - Differentiate responsibility, maximise talent
 - Reallocation of resources
 - Employer of choice
 - Employ / retain right people
 - Transfer skills, train
 - Better utilization of capital

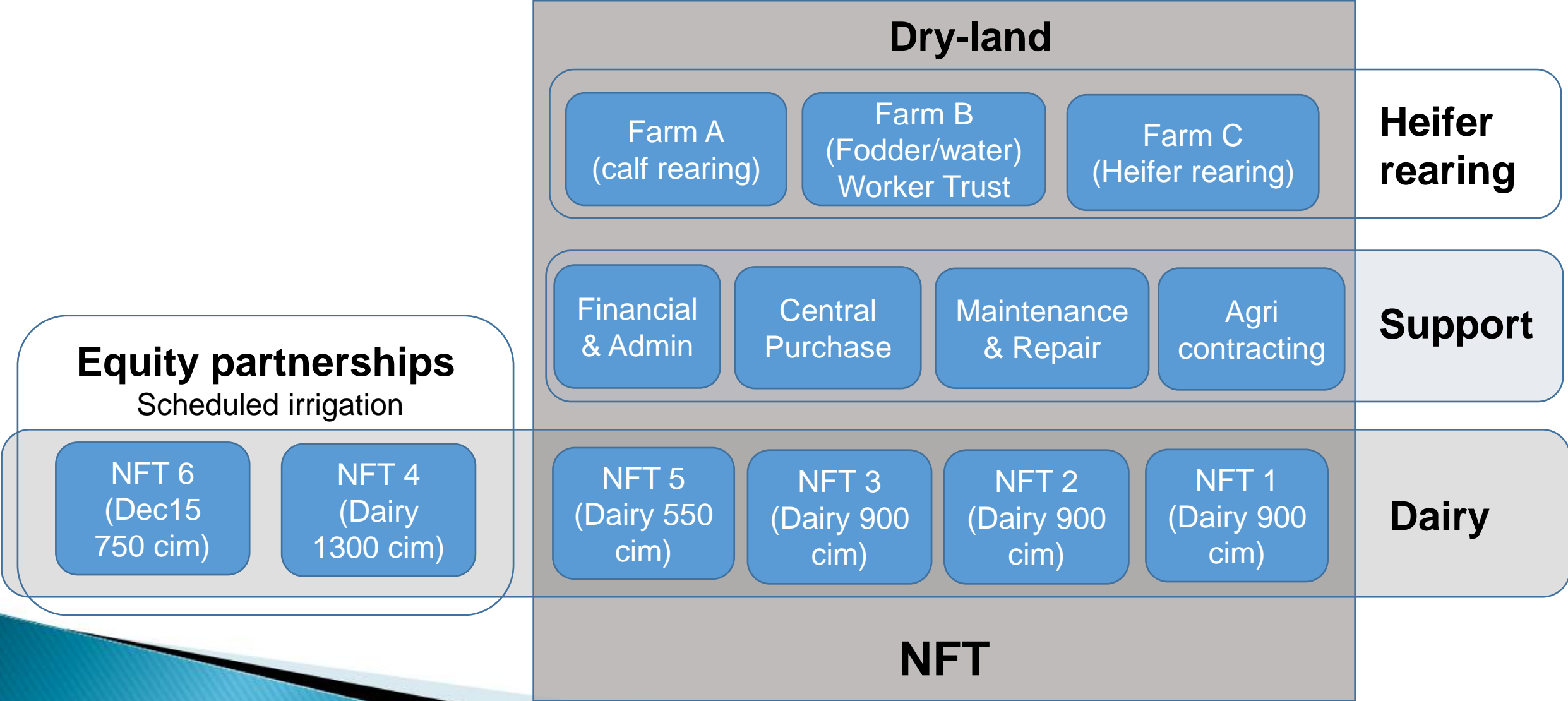
Benefits

- Improve economy of scale
 - Buying/bargaining power
- Financial discipline
 - Budget
 - Monthly reporting
 - Joint decision making
- Reduce risk
 - Low cost production (grass only)
 - Correct cows
 - Fodder-bank (drought proof)
 - Irrigation
 - Business not reliant on individual

Benefits

- Flexibility
- Capital efficiency
- Re-focus
- Decisive decision making
- New career opportunities / succession
- Accelerate growth
- Establish real KPI's
- BEE

Consolidation



Functioning

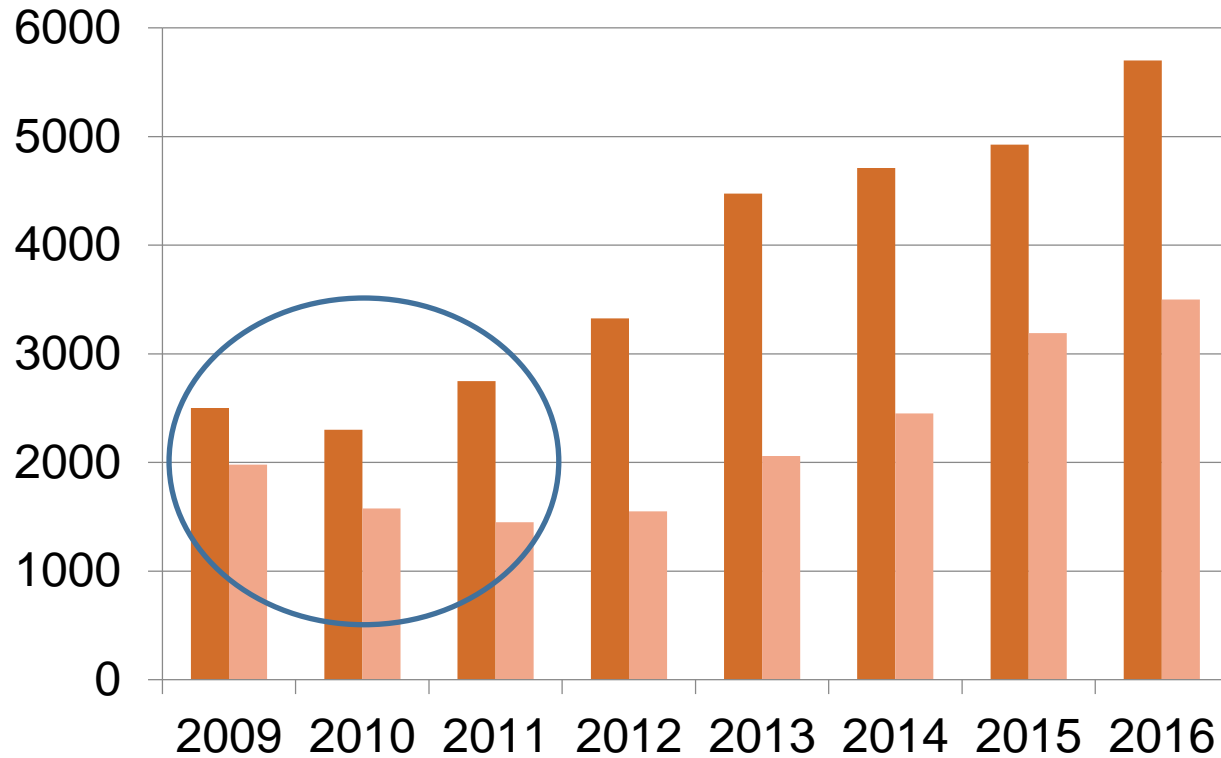
- Trust
- Four family trusts as equal beneficiaries
 - Internal interest bearing loan accounts
 - Standard values for land and cattle
- 4 Trustees + 1 independent
- Lease land and cattle
- Bought other movables
- Yearly activity based budget
 - Including capital expenditure
- Monthly reporting: Financial, KPI's

Functioning

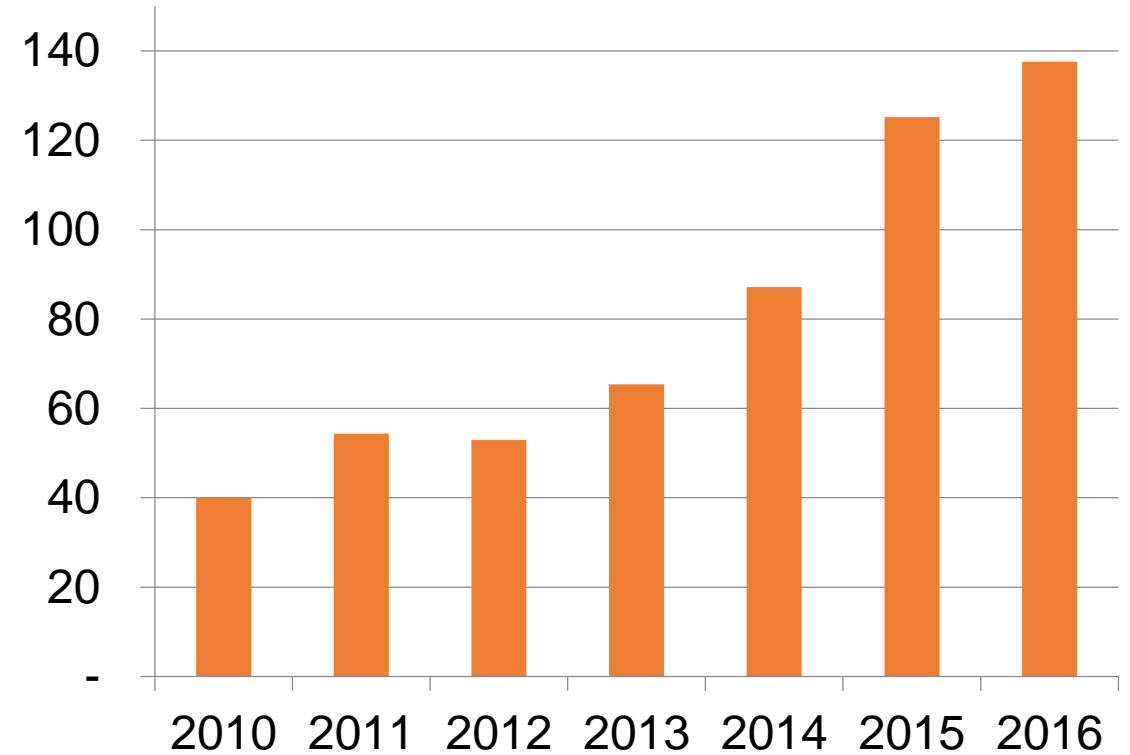
- Farm development: Best for business as whole
- Consensus decision making
 - Four heads better than one
- Individual freedom: Budget is guide
- No overlap in responsibilities
- Solve issues
- Celebrate success

Progress

■ Cows ■ Heifers

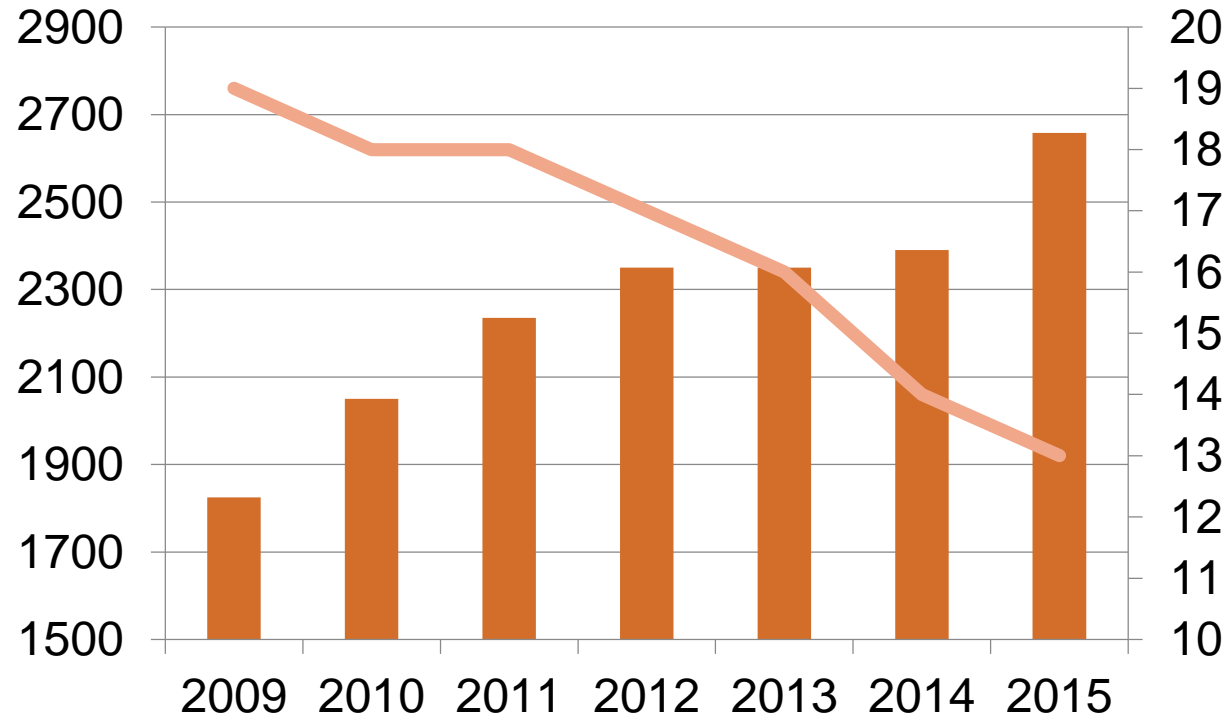


Revenue

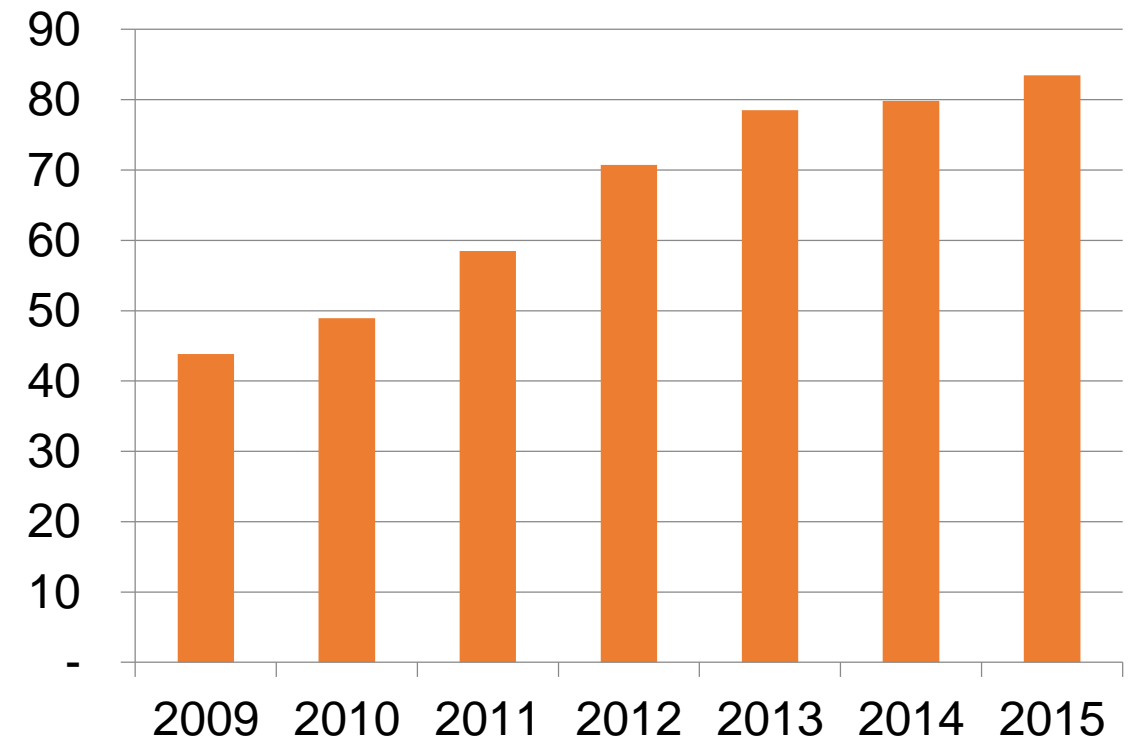


Progress

Pasture (Ha) Tractors



Cows/Labour



Future

- Detailed 10 year plan:
 - Bigger, better, simpler
 - Each enterprise
- Growth, cost reduction, further consolidation
- Export market part of growth
- Partner existing and new land owners
 - Empower own labour force
- Incorporate inefficient entities
- Play meaningful role in local communities
- Offer long-term careers with retirement potential

Biggest achievements

- Still friends
- Strong partnerships with input providers
- Average y-o-y salary increase: 12.8%
- Staff turnover < 1% per year
- CSR project help support 285 underprivileged people
- First daughter of staff member in University

“I like friends who have independent minds because they tend to make you see problems from all angles.”

Nelson Mandela