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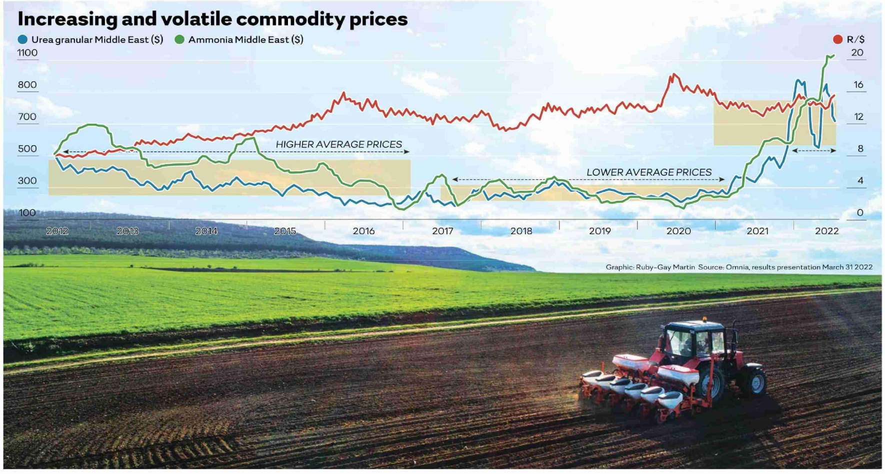
Business News

InNumbers

R1bn

What Omnia spent on buying fertiliser stock in advance



Graphic: Ruby-Gay Martin Source: Omnia, results presentation March 31 2022

Omnia assures farmers amid fertiliser squeeze

Chemicals company also stepping up green alternatives, CEO says

By **THABISO MOCHIKO**

● Diversified chemicals group Omnia, which is growing its organic business, said it has enough supply of traditional fertilisers to help farmers who may be running short after spending R1bn to secure stockpiles.

Fertiliser prices soared during the Covid pandemic and have surged further as a result of the war in Ukraine that has disrupted supply chains.

Omnia CEO Seelan Gobalsamy said this week that fertiliser supplies were depleted last year and Omnia had been able to fill the gap. Now, though, Gobalsamy said: "I am concerned about farmers and mining companies waiting and assuming that supply will be there and it's not. We have certainly prepared for our customers."

Omnia also makes explosives for the mining industry and chemicals used in industries such as consumer care, agriculture, manufacturing, food and pharmaceuticals.

Bloomberg reported last week that the fertiliser shortage which had upended the agricultural sector and pushed food costs higher globally may be fading.

Russia, the world's biggest exporter of fertilisers, is under sanctions for invading Ukraine. It is also a major producer of fertiliser ingredients, including nitrogen, phosphate and potash. Crops across the world are dependent on those nutrients and the invasion of Ukraine four months ago roiled markets for the crucial chemicals.

Ultimately, prices soared to the extent that farmers were unable to buy, but now the market has flipped. Fertiliser supplies are piling up from Florida to South America. Ships are waiting to unload and companies are struggling to reduce stocks in ports and warehouses, Bloomberg reported, citing people familiar with the matter.

Gobalsamy said expected supply disruptions weren't the result of there not being enough fertiliser, but because there wasn't enough capacity to transport stocks.

"We are concerned that due to logistical issues we will have certain customers who will be affected by this," he said.

He said Omnia has an agile supply chain. The company owns trains and also brings in stock by sea. "So for us we try to control [supply chain and logistics] as much as possible. We have done an exceptional job in doing that with a lot of different disruptions taking place."

Gobalsamy said that fertiliser prices have risen by as much as sixfold in some areas in the past 18 months, raising global concerns about food security.

"We are working with our customers and supply chain ... and by putting an additional R1bn into stock so that farmers and the mining sector can have supply [of fertiliser and explosives] early to avoid the expected disruptions," he said.

Omnia, which generated R2.4bn in cash for the year to March, up from R1.8bn in the same period a year earlier. It operates in 25 countries, including Indonesia, Canada, Brazil and Australia. Besides SA, its African operations include Zambia, Lesotho, Swaziland, Mozambique and Botswana.

It is looking at further offshore expansion for its agricultural and mining businesses. It has opened offices in the US and the Netherlands, where it will sell its biological and organic products, which are alternatives to the traditional fertiliser products and produced at the group's operations in Australia.

Omnia says its bio-stimulant products, such as hamates-based fertilisers, enhance crop production through more efficient use of water and nutrients. These products also improve the quality of soil.

"There is a strong demand for these biological products (green products), as an alternative to fertilisers," he said.

"This is the fastest-growing sector in Omnia's agriculture business. It's a nice business that Omnia owns in Australia and we are expanding and growing it throughout the world," Gobalsamy added.

> **There is a strong demand for biological and organic products, which are alternatives to the traditional fertilisers**
>
> **Seelan Gobalsamy**
> CEO of Omnia

"There is a big emphasis on sustainability throughout the world. This leads to the usage of environmentally friendly and greener materials to grow crops. Additionally, input cost rise and fertiliser use regulations in Europe and North and South America have been tightened, and farmers are having to explore ways to use less chemicals and mineral fertilisers whilst maintaining yields."

The group will look for an acquisition and a partnership in Australia to expand the explosives business. It already has partnerships in Canada and Indonesia to expand its product to the mining industry.

To maintain and expand its operations, Omnia will set aside as much as R550m.

In the full year to March, Omnia reported that profit after tax soared 80% to R1.093bn, while headline earnings per share rose 86% to 672c. Revenue was up 30% to R21.4bn.

Omnia Holdings CEO Seelan Gobalsamy. Picture: Supplied

Aslam Dalvi, a portfolio manager at Camissa Asset Management, said Omnia delivered a good set of results across all operating segments.

"Agriculture was the standout performer, benefiting from good agronomic conditions in SA and higher commodity prices," Dalvi said.

"The company saw good growth across its mining and chemical businesses, with mining in particular growing strongly in the second half of the year."

"The longer-term growth outlook remains attractive. The business has invested a large amount of capital (in manufacturing facilities and acquisitions) over the past few years, with many cost and synergy benefits still to materialise as the utilisation of its manufacturing footprint grows."

Dalvi said there were attractive growth opportunities within Omnia's international bio-agricultural and mining businesses.

Tiger Brands consortium needs time to get funds

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staff at the canning factory followed "the end of an exhaustive process" to find a buyer, but interested parties "were unable to secure the required funding to meet the business's working capital requirements".

Tiger Brands said it had engaged with the consortium for more than two years in efforts to find commercially viable options to conclude a sale. This included an offer by Tiger Brands to provide a level of vendor funding if the consortium was able to raise necessary funding to continue to operate the L&AF as a going concern.

The consortium "has still not been able to show or present to Tiger Brands any commitment of funding in support of their non-binding indicative offer so as to be able to operate the L&AF business as a going concern", Tiger Brands said, adding it remained open to engaging with interested bidders, including the Growers Consortium, if sufficient funding was secured.

"However, given the urgent need to make operational decisions, the company requires a timely commitment."

Christo van der Rheede, executive director at Agri SA, said more than 300 fruit farmers in the Klein Karoo, Ashton, Robertson, Bonnievale, Breerivier, Wolseley and Ceres areas depended on the L&AF factory to process their goods, with no other markets available for their produce.

The L&AF facility is one of only two fruit-canning factories in SA.

Van der Rheede said job losses could run into thousands more in the value chain, adding that affected farmers may have to destroy 2,500ha of orchards.

Tiger Brands announced in May 2020 that it planned to exit its deciduous fruit business to "focus on manufacturing, marketing and distributing everyday branded food and beverages".

Explaining the 2020 decision, the company said this week that the L&AF division largely serviced export markets beyond Africa and that it operated "in an industry where trade barriers impact the competitiveness of local produce.

"Fluctuations in exchange rates and global crop yields add further volatility," it added.

The L&AF division produces canned fruit and fruit purées mainly for Europe, China, Australia and Japan.

Tiger Brands said that over the past four and a half years, the L&AF division had reported mounting operating losses. In its most recent reporting period, the first half of financial year 2022, the operating loss was R54m.

It said L&AF employed 250 permanent workers with seasonal employment peaking "at about 4,300 individuals during the