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## **PRESS RELEASE**

### **NWK exits corporate crop and stock farming**

**The NWK agricultural group has decided to cease its direct involvement in crop and stock farming through the subsidiaries of NWK Boerdery and Kalahari Beef, as this corporate business model could not succeed in ensuring sustainable results.**

At the recommendation of the boards of NWK Boerdery and Kalahari Beef the board of NWK Limited decided that the crop and stock farming activities should be terminated as soon as possible. Alternative financing options will be offered to qualifying contracted crop farmers and contracts with the associated stock farmers will be managed out in the best way possible for both parties.

‘As an agricultural business NWK is very much aware of the volatility of agriculture, and unfavourable climatic conditions and price management are therefore acceptable variables. However, according to NWK Boerdery’s current corporate farming model the liability towards contractor producers in a below-average year is not sustainable, as the financial losses that accumulate in such years cannot be made up in the years when average and above-average yields are obtained,’ said Danie Marais, managing director.

NWK entered the field of corporate crop farming in May 2012 in order to remain a relevant role player and particularly to ensure the grain volumes received from its traditional area of operation. The hectares contracted by NWK Boerdery mostly fell in this area, which is a risky crop production area in South Africa. Since 2012 this area has experienced unfavourable agricultural years.

Although similar farming models were presented by more than one input supplier in the market to producers at the time, NWK was the only supplier who eventually offered this within a specific geographic area and risk profile. NWK Boerdery’s current model was negatively leveraged. Because of the geographic concentration of NWK Boerdery, four out of five agricultural years with average to above-average crops and grain prices have to be realised to realise a sustainable profit.

Diversification by way of a stock farming model was introduced by January 2013 through the acquisition of the company Kalahari Beef, which involved a slaughtering agency and cattle production on a contract basis with producers. However, it did not succeed in mitigating the exposure and impact of climate risk on the crop farming, and NWK Boerdery’s projections with respect to the slaughtering agency also did not realise in practice.

**ENDS.**

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