Fruit producers currently face many challenges. In recent years profits have dropped to unprecedented levels due to falling market prices, production cost increases and a strong rand. Priorities, activities and alignments of producers have had to change drastically.

Furthermore, certain services previously provided by industry organisations in the era before deregulation, such as planting guidelines and economic analysis, are no longer available. This gap has been partially filled by the new grower associations, export agencies and independent consultants. But when growers are confronted with long-term decisions regarding the future of their businesses, they are largely on their own.

For example, the questions, Should I plant? How much should I plant? What will it cost? Will my cash flow be able to sustain it, and when will I be profitable? remain largely unanswered. Common wisdom tells us that the first steps towards addressing these issues lie in:

- Understanding where your present circumstances are leading you,
- Knowing where you want to be, and
- Determining what you need to do to get there.

But these are just words. Growers of different sizes and variety mix, wanting to analyse their business and arrive at a set of action plans to take their business forward, may find this a daunting task. To cut through the complexity, a simple, yet robust and flexible method is needed. The method should enable the user to continuously review and adjust his plan as circumstances change.

At the recently held Citrus Research Symposium held in Port Elizabeth, fruit industry stalwarts Peter Hughes and Louis von Broembsen presented a useful tool for putting such thoughts and words into action.

They reminded delegates that most growers have short-term plans for what is a long-term business. Few growers carry out long-range projections. As a result, seasonal peaks and troughs in product volumes and long-term crop imbalances intensify. This ultimately leads to cash flow difficulties and, unless the operation is underpinned by ‘old money’ or sufficient crop diversification, ends with the grower experiencing serious financial consequences or ruin.

The authors proposed a four stage planning tool to assist growers to look after their long-term financial health. The first step is to conduct a technical and financial audit of the enterprise. This is followed by a 20-year production and financial projection based on present plantings and using a number of financial and production assumptions. Thereafter the ideal or future-desired scenario is specified. The projections based on current plantings are then compared with the desired or ideal scenario. The final step is to create a planting plan that can best achieve the desired scenario, using current plantings as the basis. The financial implications of the various planting options are evaluated.

An analysis of this kind will give the grower a 20 year production projection, a 20 year planting programme, a 5 year capital expenditure programme and a 5 year detailed financial projection. The tool used to conduct the required analyses and iterations is Excel based. This enables the grower to see the impact of any changes he makes to his financial and production assumptions.

It is our view that fruit growers in South Africa, large or small and regardless of location or fruit type should invest in appropriate forward planning. The tools for doing so are available. But as with personal financial planning, it is important to choose the right advisors to assist you with the process.

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