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Monthly ESO National Top User: Vonani S. Mabunda

AVOIDING CASH FLOW PROBLEMS

Xolile Dlhamini

Cash flow is money flowing in and out of a business. Most often, **Extension Officers** have to rejuvenate projects or give advice to farmers with cash flow problems in their farming activities.

Research shows that about 80% of small businesses in South Africa do not survive for longer than three years. This is certainly not positive news. One of the reasons for businesses failing is poor cash flow management. Cash flow is money flowing in and out of a business. Most often, **Extension Officers** have to rejuvenate projects or give advice to farmers with cash flow problems in their farming activities. For example, farmers may lack cash for financing variable costs of production due to buying too much assets, inability to sell stock on time and allowing too much credit to customers. This article briefly discusses some strategies that extension officers may use in advising farmers about the causes of negative cash flow and ways of avoiding cash flow problems in a farming business.

High losses and low profits will lead to cash flow problems. Continuous losses in an agribusiness may result in the business closing down. The best method of improving cash flow is to *cut costs* by reducing or identifying non-essential costs and cutting overhead costs that negatively influence cash flow. By using **components of the enterprise budgets in ESO**, **Extension Officers** can reduce costs to identify non-essential items and cutting costs such as marketing agent's commission, fully utilizing permanent labour for various enterprises or hiring casual labour during peak seasons as well as culling non-productive livestock. Components of the enterprise budget on ESO can be accessed for both the Animal production and Plant production modules by clicking on the "**Economics**" Information Option Item in the sidebar within the respective modules. "**Explanatory notes**" and a "**Gross margin budget**" is available from this Enterprise Budget Item.

Over investment in assets causes cash flow problems. Cash is wasted if a business buys too many assets that are not frequently used in production. Take care when *buying assets* that

are used in the production process. Hire less important assets only when needed. **Buying and holding too much stock** tie up cash. If stock cannot be sold, the risk of tying up cash for longer than necessary increases. *Cut stocks* by buying stock that sells within a short time and offer discounts to customers for stocks that have been held for a long time.

Too much credit offered to customers also causes cash flow problems. Although credit sales is a good way to build revenue, delayed payments or slow paying customers will cause cash flow problems. *Reduce credit period offered to customers* by asking them to settle their accounts within a short time. Customers may not agree to these terms but may respond when given discounts for early payments. **Overtrading** may pressurise cash flow especially when a business is expanding too quickly before it makes enough profit to sustain itself. *Cut back or delay expansion plans*, allow the existing business to generate profit and sustain itself before expanding or opening a new business.

It is always said that cash is king. Surplus cash flow lubricates growth of a business and it is thus impossible to successfully grow a business unless it is profitable and generates surplus cash flow on a sustainable basis.



Xolile Dlhamini

ESO WALLPAPERS

DOWNLOAD YOUR FREE
DESKTOP WALLPAPER TODAY!

Liven up your computer's desktop with an ESO wallpaper. Download wallpapers directly from the ESO newsletter e-mail or on the ESO media website: media.esuite.co.za



Tips and tools for advisors

Jeanne-Louise Bekker with acknowledgement to **Sabelo Ngqeleni** (O.R Tambo Region – Eastern Cape)

An upward and downward approach to communication

Communication is a 2-way process - feedback is just as important as the message being conveyed:

- Communicators should always reach out to their target audience and encourage feedback.
- The target audience or stakeholders should be encouraged to communicate upwards to facilitators to confirm accurate reception of intended message.
- Create the right atmosphere to encourage participation from target audience.
- Environment is very important and allows for a two-way "culture free and culture fair" communication. The right environment will allow the audience to relax in their surroundings, encouraging active participation.

ESO NATIONAL TOP USER: AUGUST 2014

The monthly ESO National Top User will receive the following prizes: First time ESO National User 2014: **4 Gig USB memory stick**, second time ESO National User 2014: **Digital Camera**, third time ESO National User 2014: **Nokia Lumia 520**, fourth time ESO National User 2014: **Samsung Galaxy Tab**.



Congratulations to **Ms Vonani Stella Mabunda (Limpopo Department of Agriculture)**, who is the ESO National Top User for August 2014.

GET TO KNOW YOUR FELLOW ESO USERS *Mr Sifiso Mthabela*

To inform our readers and those interested in South Africa's top performing Extension Practitioners; it was decided to expand our introduction to provincial top users of Extension Suite Online. This month we would like you to meet the Provincial Top User from KwaZulu Natal Department of Agriculture and Rural Development, Mr Sifiso Mthabela. With a utilisation rating of 6,578 points he serves as an example and inspiration to other Practitioners.



Mr Sifiso Mthabela

Sifiso currently works in the Nquthu Municipal area, mainly in crop production and has the following to say about Extension Suite Online and how it improves his work performance:

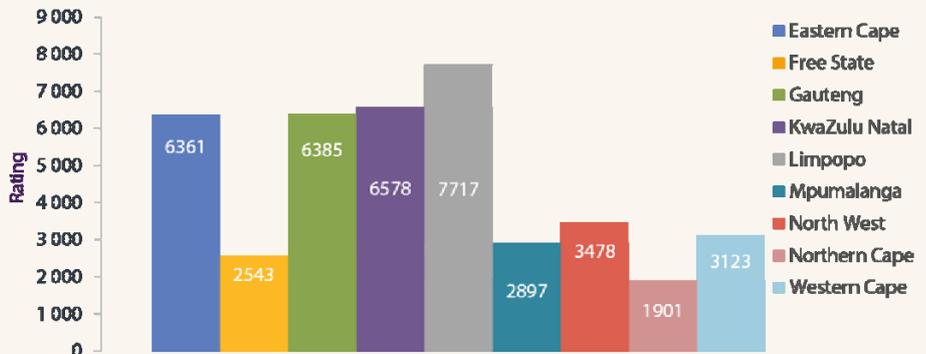
"I am a qualified agricultural economist but my job requires me to provide advice on crop production to farmers. Extension Suite Online has provided me with extensive knowledge on crop production as I had limited knowledge of the subject, and therefore I always rely on Extension Suite Online to improve my knowledge. Currently I am assisting farmers on a potato production project, and I use material from ESO to conduct demonstrations, develop training materials and provide advice on the production of potatoes.

Extension Suite Online is an excellent information tool, and provides me with a wide range of relevant information on the spot and whenever needed. When farmers ask specific production related questions, I am able to find the information quickly on ESO and give them immediate and relevant answers. Through Extension Suite Online I have managed to bring solutions to most challenges faced by the farmers that I serve."

ESO UTILISATION: AUGUST 2014

ESO utilisation is determined through monitoring user utilisation in the nine provinces and by attaching values to Visits, Pages Visited and Duration of Visits; a rating is calculated to establish the ESO National Top User of the Month.

ESO PROVINCIAL TOP USER GRAPH



ESO PROVINCIAL TOP USERS

PROVINCE	NAME
Eastern Cape	Sondlo Nokwanda
Free State	Seobi Pulumo
Gauteng	Maritz Maisela Mahlangu
KwaZulu Natal	Sifiso Mthabela
Limpopo	Vonani Stella Mabunda
Mpumalanga	Promise Maile
North West	Tlou Harrison
Northern Cape	Ogodiseng Alfred
Western Cape	Alicia Thomas

PARASITE TALK: FEATURED PARASITE

Further information on all featured parasites can be found on ESO.

Scientific Name: *Haemonchus contortus*

Popular Name: Wire worms

Wire worms are thin and can grow to a length of 25mm. Male worms are light red, while females have red and white spiral stripes. Wireworms are active blood suckers that live in the abomasum of the host. Eggs are passed in the droppings and are ingested by the grazing animals. Anaemia develops, causing paleness of the membranes of the eyes and jaw. The animal's blood becomes thin and swellings often develop below the jaw.



Wire worm

Send your pest or disease related questions to newsletter@esuite.co.za with your name, province and the question and we will answer you via ESO's Question and Answer module or in the newsletter.

ESO TIPS:

Reader contributions to the ESO newsletter

Jeanne-Louise Bekker

The ESO newsletter is sent out on a monthly basis and strives to inform ESO users and non-users alike of new developments surrounding ESO and general interesting news relating to extension and agriculture in South Africa.

But, the ESO newsletter is not just a one-way information channel to subscribers. It is also important that readers contribute to the Newsletter by sending us interesting articles and news that they would like to share with fellow workers and others interested in agriculture. We would therefore like to

invite and encourage each and every reader to send any relevant articles to contributions@esuite.co.za. We would love to hear from you, and to make you part of the ESO newsletter editorial team. If you have missed out on any of the previous month's newsletters, all the newsletters from 2010 to date are available on the ESO newsletter website, as downloadable PDF documents, under "Newsletter Archives", (www.newsletter.esuite.co.za/Archive.aspx).

If you have a colleague that would like to receive the ESO newsletter, encourage them to register at www.newsletter.esuite.co.za by supplying us with a valid email address, name and their province and they will receive it free of charge at the provided email address on a monthly basis.

Do you have any technology related questions? Send them to newsletter@esuite.co.za, with your name, province and the question and we will answer them in a following newsletter edition.



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