



Drought: planning and recommendations

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Context

Basic facts about South Africa Agriculture

Only 12% of South Africa's landmass is considered arable and only 3% "truly fertile"

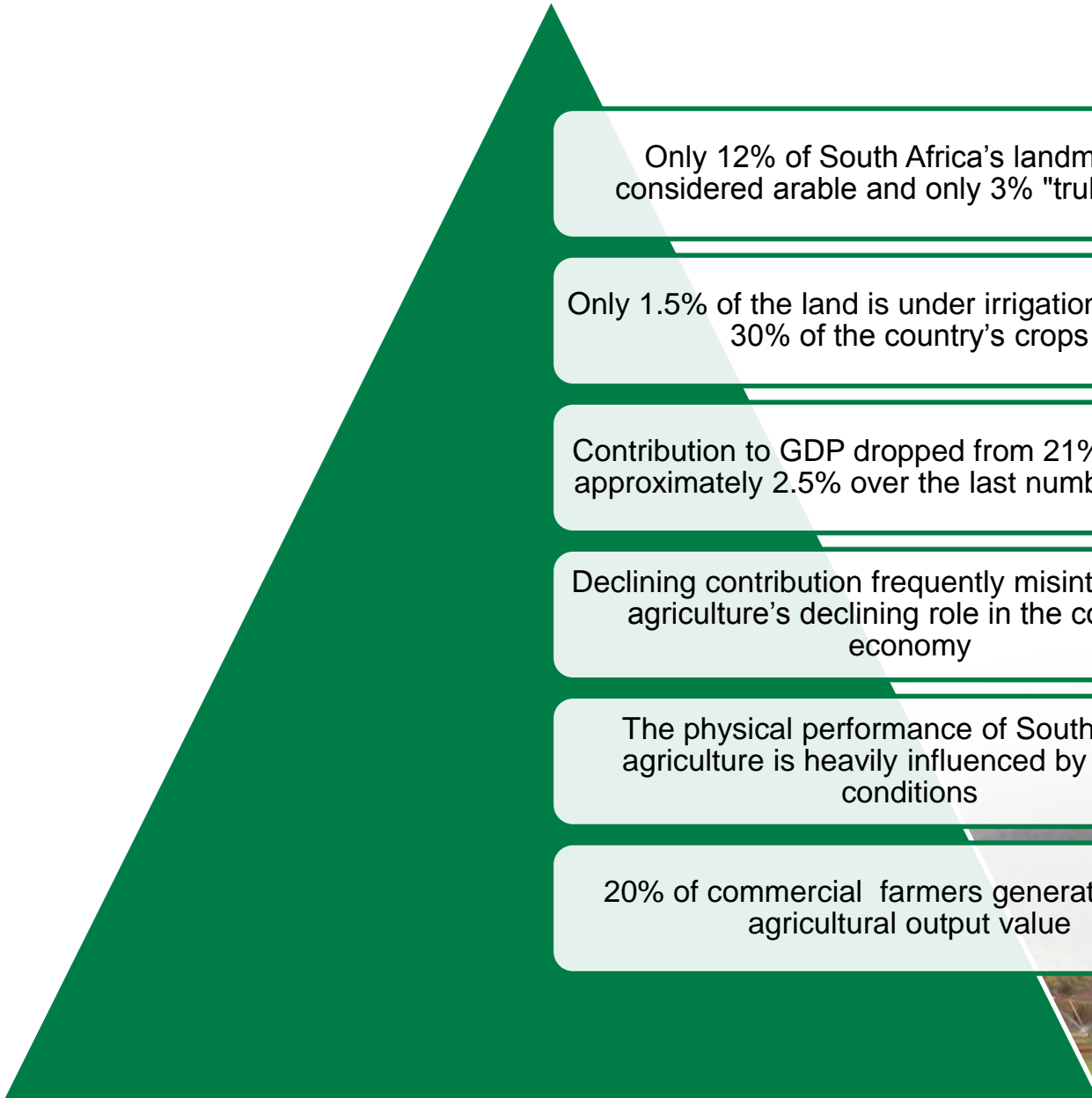
Only 1.5% of the land is under irrigation, producing 30% of the country's crops

Contribution to GDP dropped from 21% in 1910 to approximately 2.5% over the last number of years

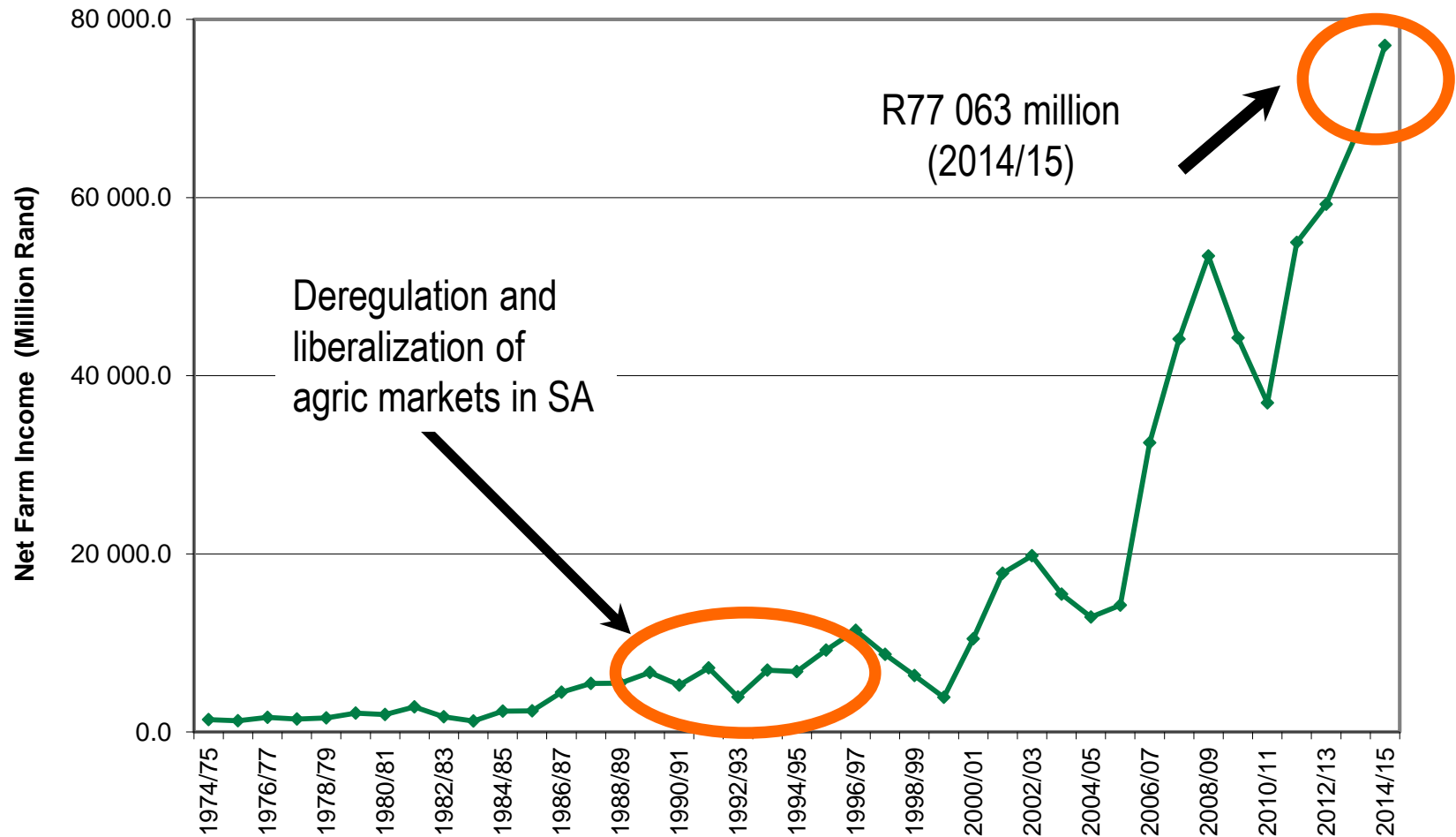
Declining contribution frequently misinterpreted as agriculture's declining role in the country's economy

The physical performance of South African agriculture is heavily influenced by climatic conditions

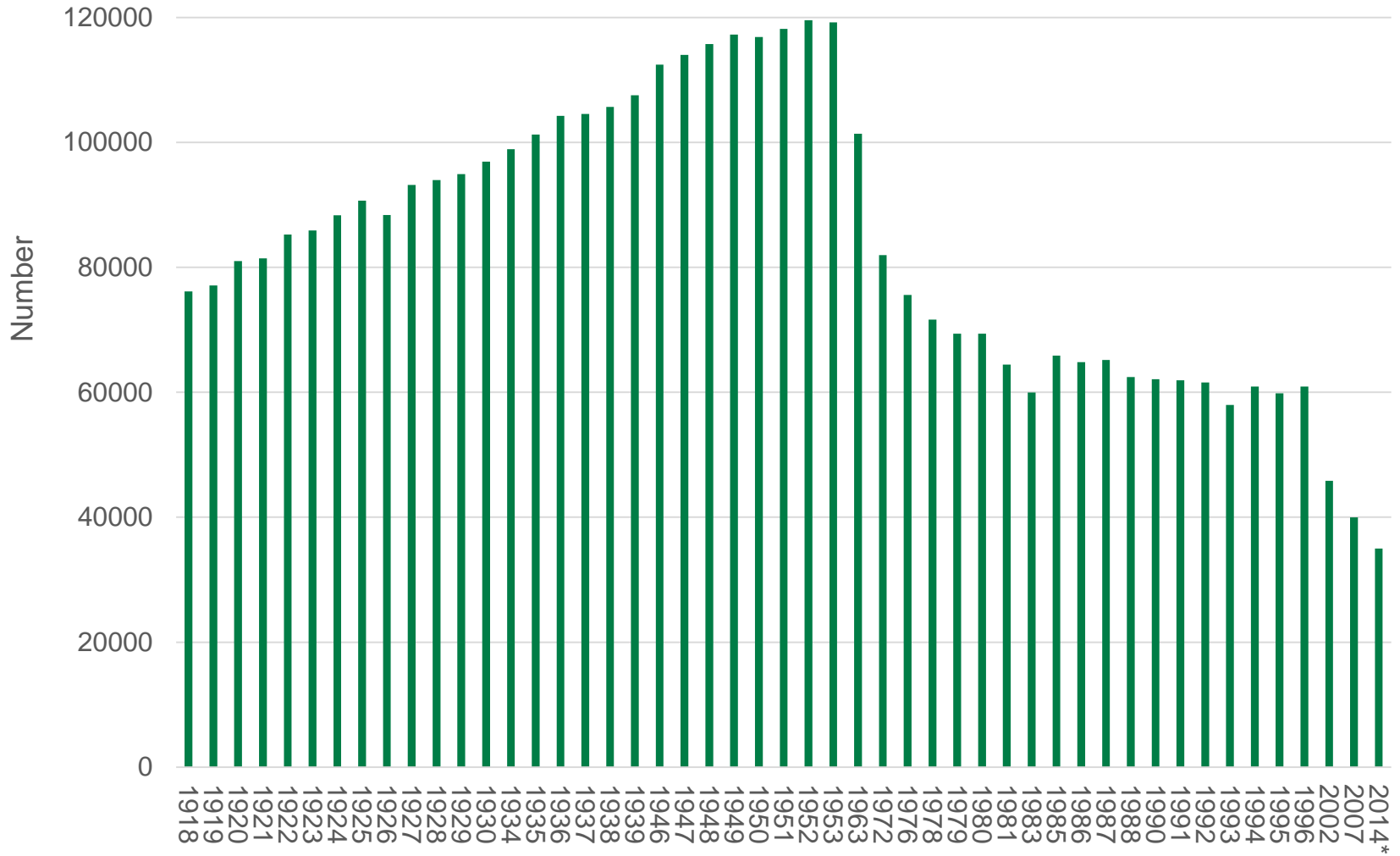
20% of commercial farmers generate 80% of agricultural output value



NET FARM INCOME 1974/75-2014/15

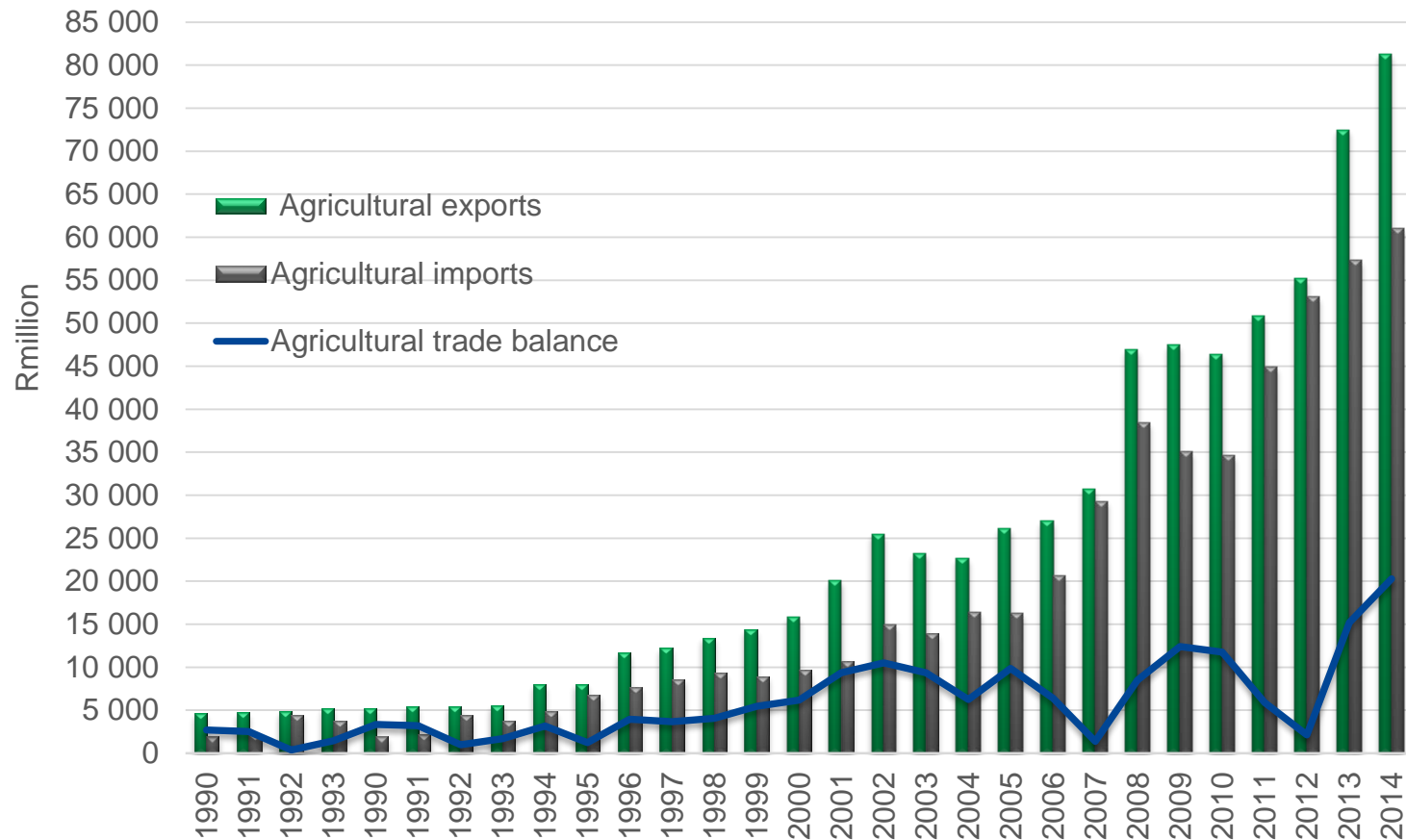


Number of farming units



* Preliminary

South African Agricultural exports and imports, 1990-2014



Process followed

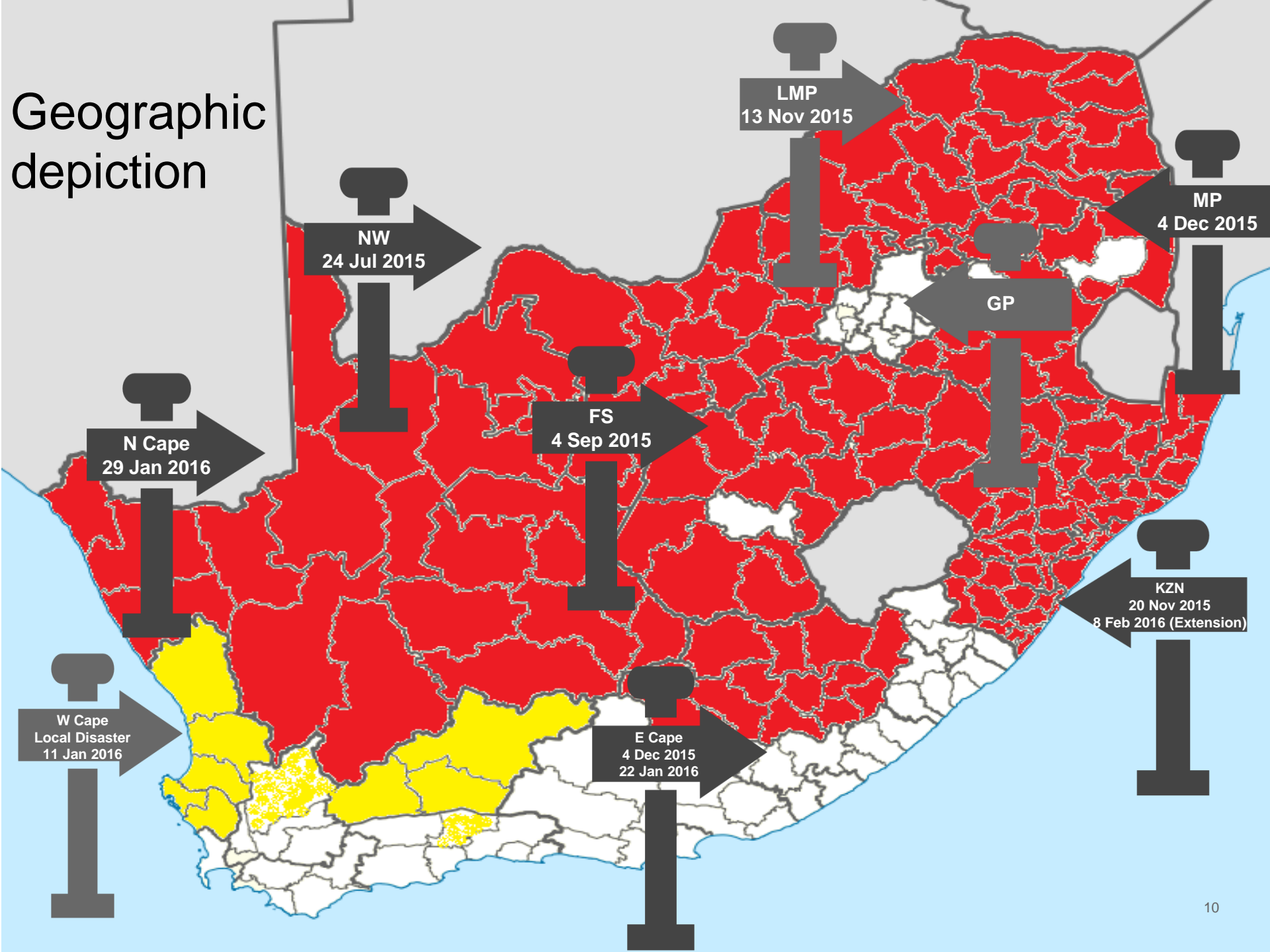
Participants in the DTT

Qualitative & quantitative



Current drought

Geographic depiction



Snapshot of commodity status

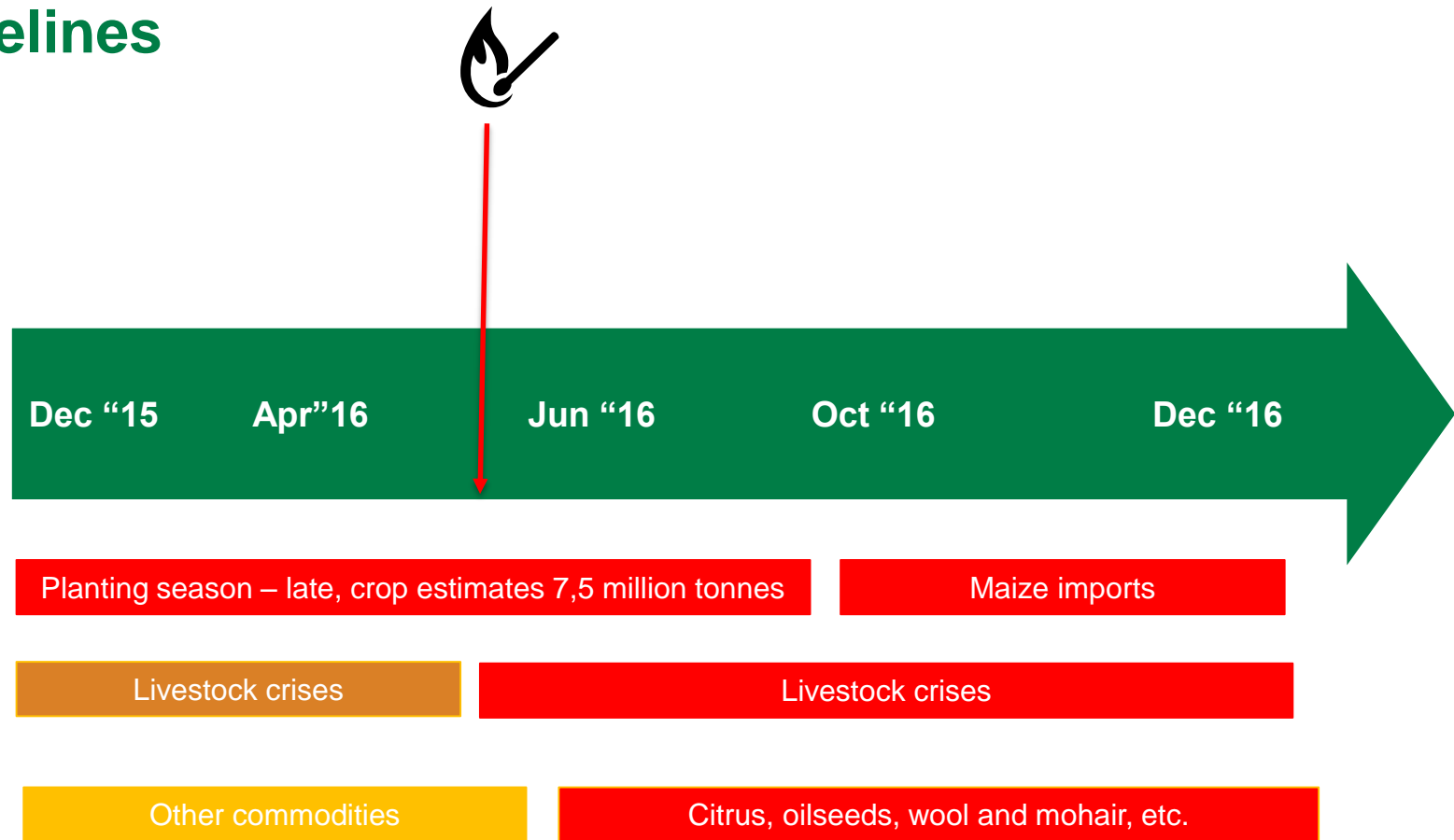
Commodity	Severe	Moderate	Minimal effect
Maize	Severe		
Wheat	Severe		
Oil seeds		Moderate	
- Sunflower		Moderate	
- Soybeans		Moderate	
- Groundnuts		Moderate	
Beef & Sheep	Severe		
Poultry		Moderate	
Pork		Moderate	
Game			Minimal effect
Ostrich			Minimal effect
Wool and mohair		Moderate	
Cotton		Moderate	
Dairy			Minimal effect
Fruit			Minimal effect
Citrus		Moderate	
Table grapes			Minimal effect
Wine		Moderate	
Vegetables		Moderate	
Potato		Moderate	
Sugar	Severe		
Forestry			Minimal effect
Tobacco		Moderate	

Rain needed otherwise movement will go to red

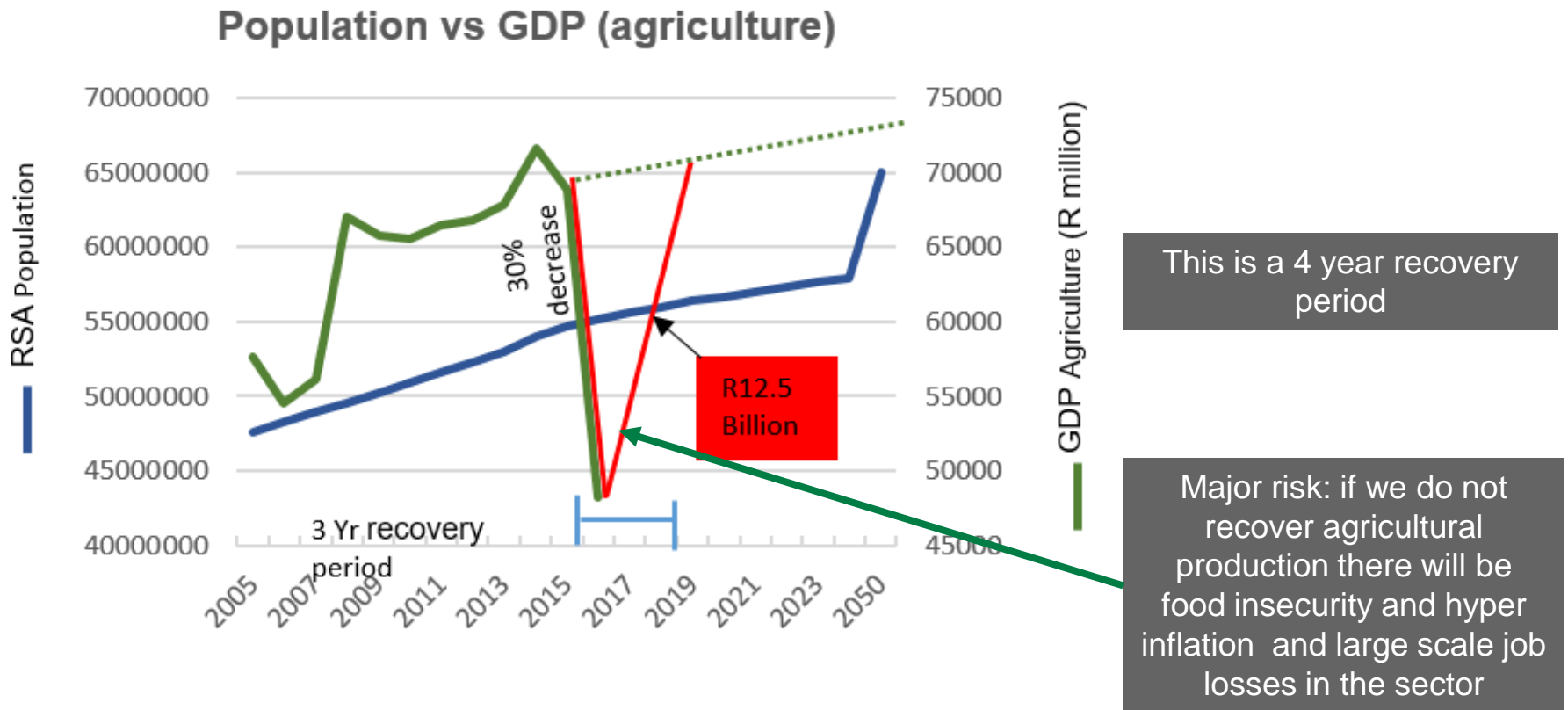
Certain areas – Limpopo rain needed to avert long term damage

The major commodities are under severe strain

Timelines



We need to recover agricultural production

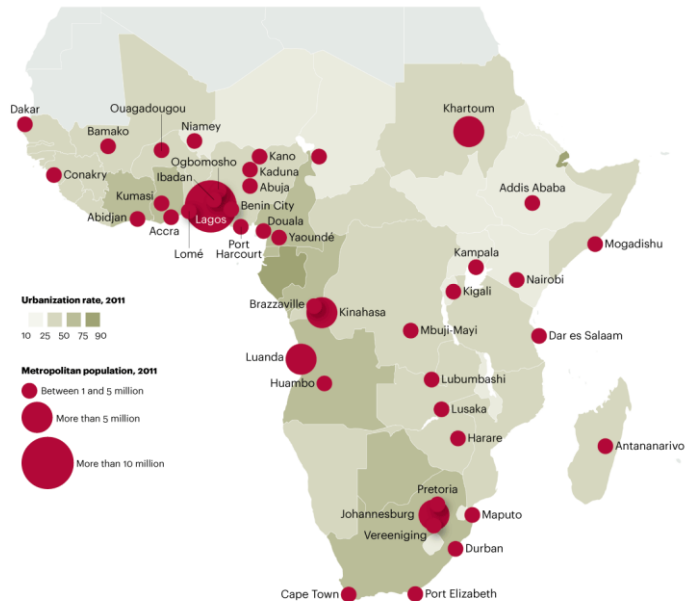


Consequences of drought



Figure 2

Sub-Saharan Africa's most populous cities



Note: United Nations, *World Urbanization Prospects, the 2011 Revision*

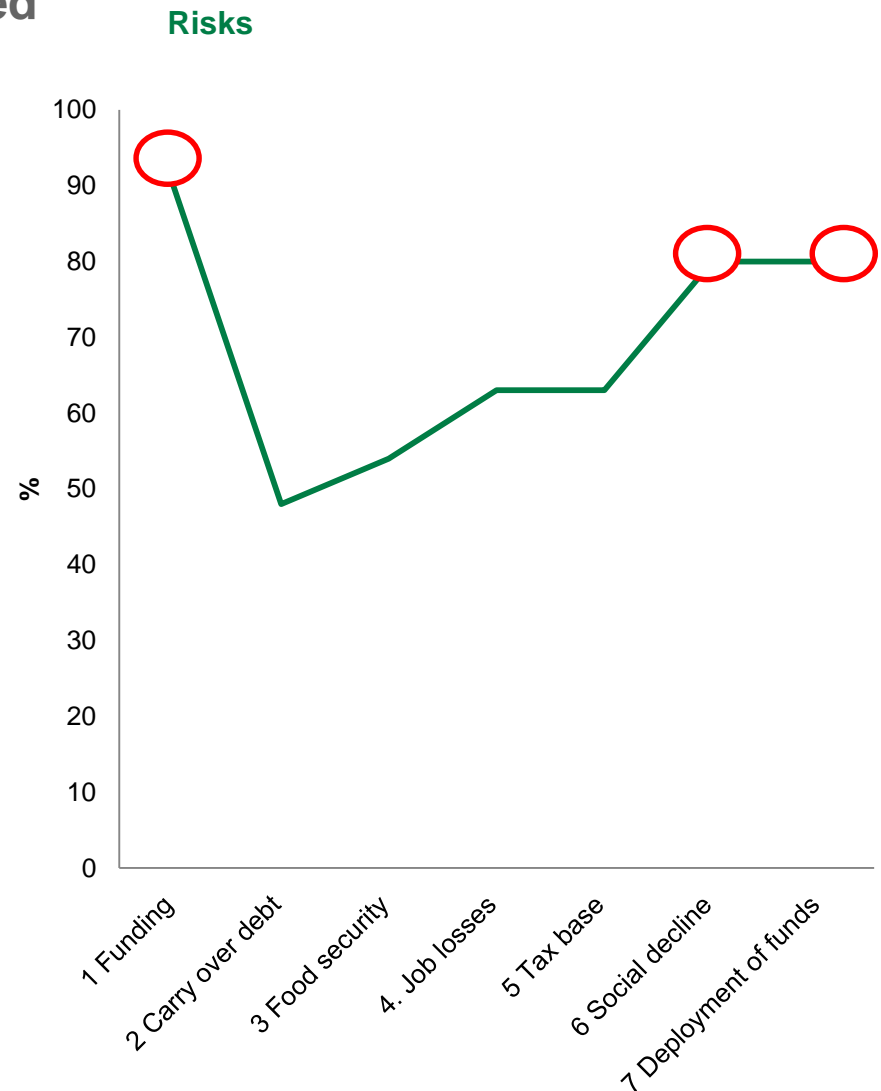


Risk analysis

The following major risks were identified

1. Government provides insufficient funds *
2. Carry over debt problem not solved
3. Food security risk
4. Job losses
5. Erosion of tax base (losing farmers)
6. Socio economic decline in rural areas *
7. Government has insufficient infrastructure to deploy funding *

* Major risks



National disaster implications

Disaster Management Act

Section 27

- Minister designated by Cabinet to deal with disasters;
- **May** by publication in the Government Gazette;
- Declare a National Disaster if:
 - Contingency arrangements do not deal effectively with the disaster;
 - Other exceptional circumstances warrant the declaration.



Disaster Management Act

Following declaration:

- Minister **may** make regulations regarding the release of resources from the national government, including;
 - Stores;
 - Equipment;
 - Vehicles;
 - Facilities.
- S 56: National organs of state **May** financially contribute to
 - Response efforts; and
 - Post disaster recovery;
- But no obligation on the organs of state to do so.

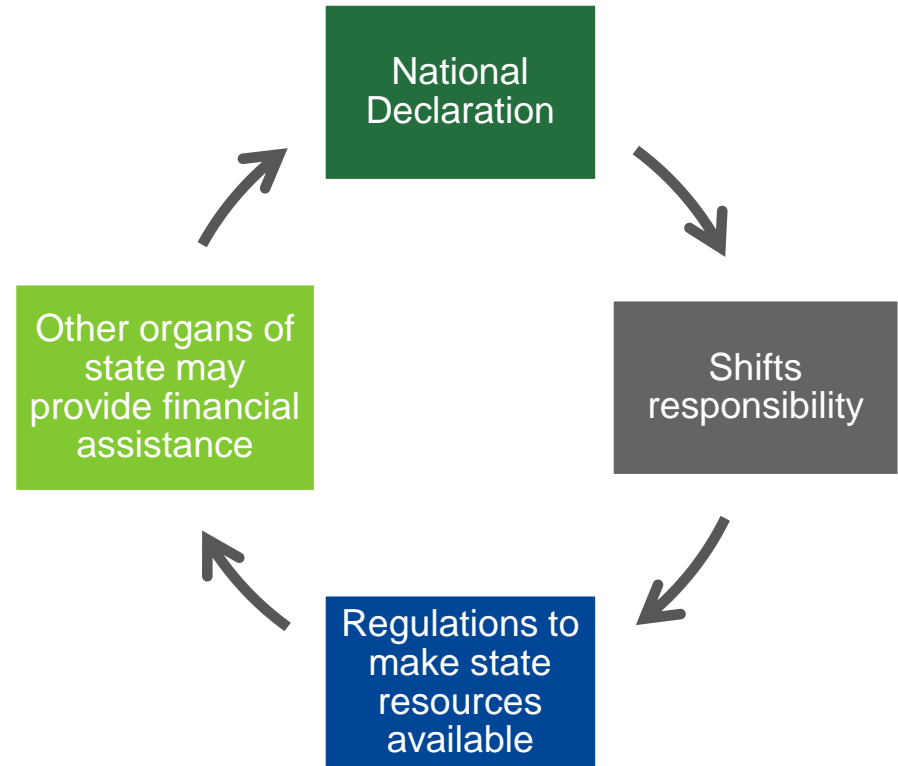


Disaster Management Act

Legal significance of national classification

- Only means by which primary responsibility for coordination and management of the disaster can be shifted to one sphere of government to another.
- Section 27 also gives quite wide powers to the relevant Minister to:

“take other steps that may be necessary to prevent an escalation of the disaster and contain and minimize the effects of the disaster...”



Interventions could include some of the following:

- Consolidating fiscal priorities for disaster relief
- Preferential rates and lending criteria from the IDC and Land Bank
- Tax relief for farmers
- Emergency measures with regards to water and food relief
- Lifting import restrictions for a term to ensure food security
- Getting the SANDF to assist in case of humanitarian crisis
- Emergency procurement procedures
- the facilitation of response and post-disaster recovery and rehabilitation
- steps to facilitate international assistance
- assisting and protecting the public

Financial contribution

Drought interventions

- Slow onset and creeping disaster
- Affects much larger number of people than other types of disasters
- Affects social and economic activities resulting in loss of assets

Why assist agriculture?

- Food security – consumer sufficient food supply
- This is not just a farmer problem – it affects all South Africans
- Economic realities
- Future growth
- Protect tax assets

Interventions for now:

- DAFF approached the Industrial Development Corporation (IDC) and the Land Bank for possible assistance (soft loans, etc)
- Private sector assistance – various
- Commercial agriculture approach commercial banks, insurance companies for assistance
- Sowing areas – guarantee system
- Livestock – credit system to obtain fodder (partially subsidised by DAFF)

Funding allocation

Objective 1: Assisting farmers in severe financial distress to survive current drought conditions

Intervention 1.1
State guarantees for outstanding and overdue farmer debt

Intervention 1.2
Subsidising the purchase of feed and fodder for a period of 6 months for farmers currently hard hit by the drought

Intervention 1.3
Helping farmers in severe financial distress for 6 months to retain farmworkers by means of a wages cash grant

Objective 2: Facilitating drought recovery for other distressed farmers in disaster-declared areas.

Intervention 2.1
Providing soft loans for farmers in severe financial distress and will not be able to access production credit for 2016/17

Intervention 2.2
Providing an interest rate subsidy for herd rebuilding for livestock farmers (up to the average herd size/stocking rate for the business over the last three years)

Intervention 2.3
Providing an interest rate subsidy to assist commercial crop farmers in financial distress with the purchase of inputs for the new season

Intervention 2.4
Direct cash grant/provision of inputs to small-scale farmers in serious financial need

Best estimate of financial need over period for commercial and small holders starting in 2016/17

	Best case scenario	Medium case scenario	Worst case scenario
Intervention 1.2 Subsidising the purchase of feed and fodder for a period of six months for farmers currently hard hit by the drought	R3 733 200 000	R6 302 520 000	R 8 564 400 000
Intervention 2.4 Direct cash grant/provision of inputs to small-scale farmers in serious financial need	R2 500 000 000	R4 000 000 000	R6 000 000 000
Intervention 2.1 Providing soft loans for farmers in severe financial distress and will not be able to access production credit for 2016/17	R120 000 000	R160 000 000	R 200 000 000
Intervention 2.3 Providing an interest rate subsidy to assist commercial crop farmers in financial distress with the purchase of inputs for the new season	R127 500 000	R170 000 000	R212 500 000
Intervention 1.3 Helping farmers in severe financial distress for six months to retain farmworkers by means of a wages cash grant	R638 400 000	R957 600 000	R1 596 000 000
Total fiscal outlay required in the 2016/17 fiscal year	R7 119 100 000	R11 590 120 000	R16 572 900 000

Total fiscal outlay required in the 2017/18 and 2018 fiscal years

Intervention 2.2 Providing an interest rate subsidy for herd rebuilding for livestock farmers (up to the average herd size/stocking rate for the business over the last three years)	R653 115 400	R979 673 100	R1 299 077 600
Total fiscal outlay required in the 2016/17 fiscal year	R653 115 400	R979 673 100	R1 299 077 600

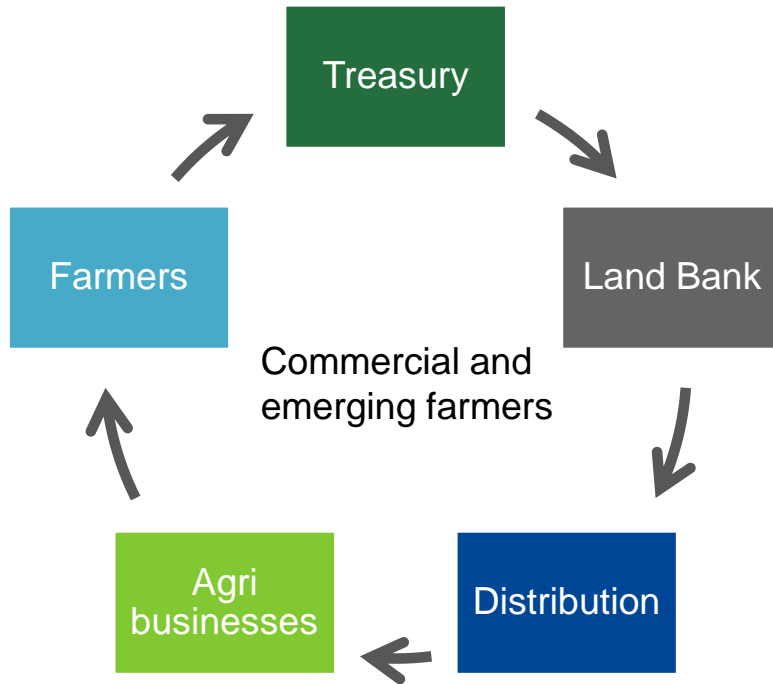
Intervention 1.1 State guarantees for outstanding and overdue farmer debt	R1 879 570 800	R2 482 452 000	R3 014 406 000
Intervention 2.1 Providing soft loans for farmers in severe financial distress and will not be able to access production credit for 2016/17 within existing Land Bank/IDC framework)	R3 000 000 000	R4 000 000 000	R5 000 000 000

Medium case total 3 years R12 569 793 100

Exponential impact is possible in each scenario

The process

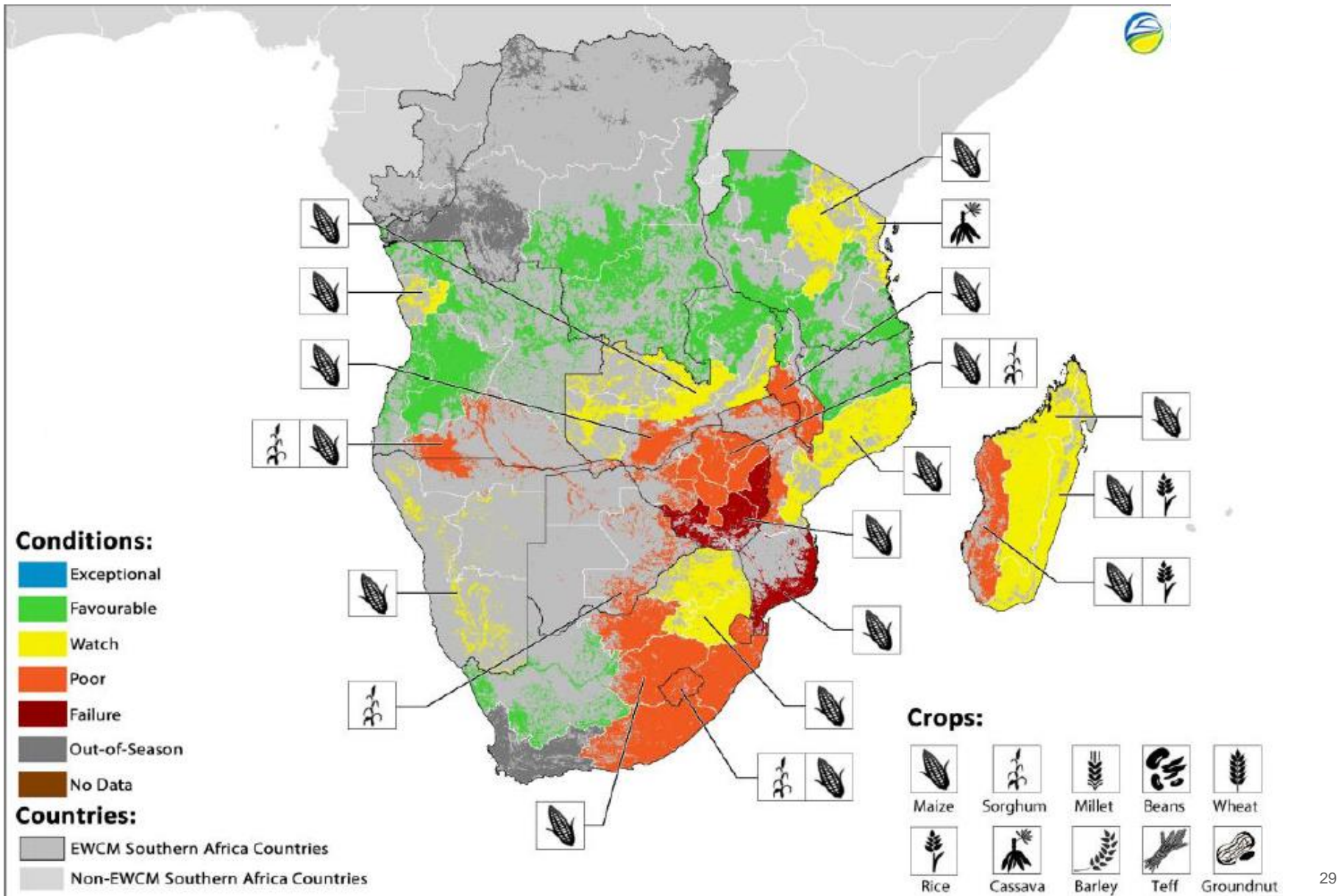
Suggested procurement process



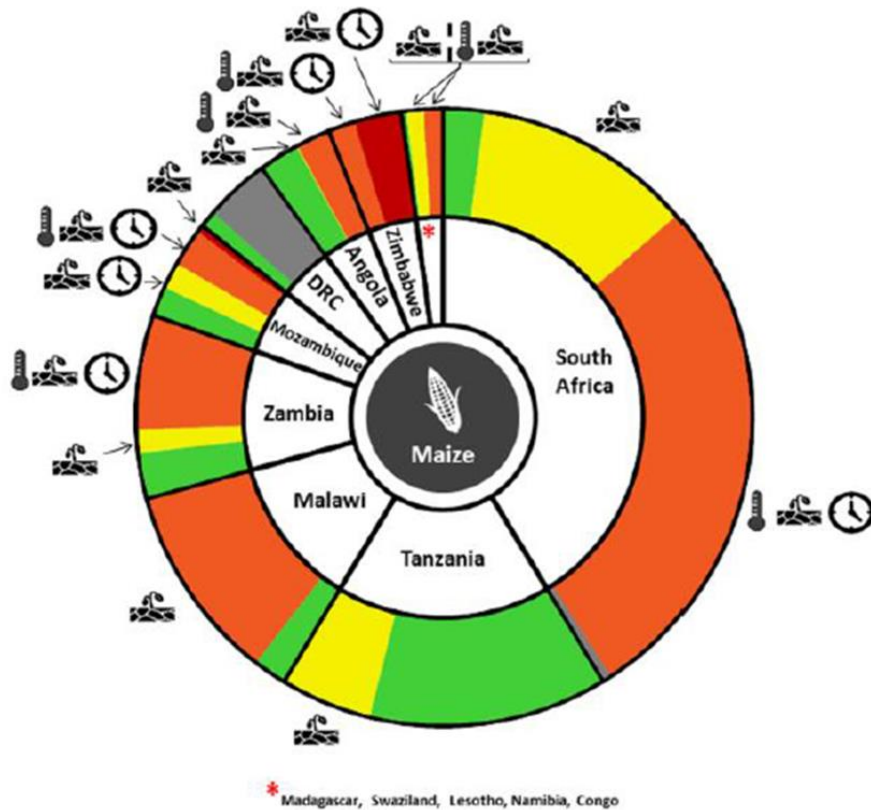
- Set up an operational team with data management unit
- Audited process (independent auditing firm)
- Funds released ASAP
- Period of 2/3 years apply – short medium and long term
- State guarantee needed and parastatal funding

The Southern African story

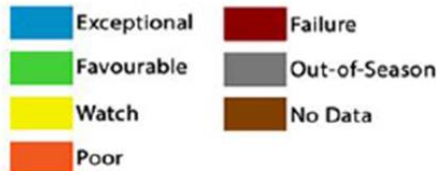
Southern African story



Status quo



Conditions:



Drivers:



- South Africa produces 61% of the food supply in the region
- In the red zone – South Africa, Malawi, Zambia, Zimbabwe (declared a national disaster), parts of Mozambique, Botswana and Namibia
- Regional food insecurity is a reality
- Further regional mobility already happening

Agri SA Drought Disaster Relief Fund Management Plan



Introduction

- Agri SA resolved in September 2015 that a task team be established to focus on the drought and to communicate the impact of the drought to all stakeholders.
- Agri SA and Senwes established the Drought Relief Fund in November 2015 and initiated an action plan in January 2016.
- Major stakeholders responsible for managing the Drought Relief Fund include Agri SA Head office, Provincial offices and local farmer associations.
- Funds raised until 25 February 2016 = R8.6 million



Purpose of the fund

- To fund the purchase and transport of fodder for livestock
- To fund the purchase and distribution of food hampers to destitute farmworkers
- To fund the distribution of water and sinking of boreholes in areas with little or no water.
- To fund trauma and debt counselling provided to distressed farmers.



Strategic and operational principles

- The public has entrusted funds to Agri SA to manage it on behalf of them and to provide it to farmers in need irrespective of them being Agri SA members or not or whether they're black or white.
- All monies paid into the Drought Relief Fund must furthermore be used for immediate relief.
- Agri SA's staff in its national office in Centurion, Pretoria are responsible for the overall management of the fund as well for sourcing donors and running the website.
- Agri SA's national and provincial task teams are responsible for the needs assessment, allocation and distribution of relief as well as application of the funds.
- A holistic assessment by the local farmer association in collaboration with the provincial leadership is required, taking into account the needs of the entire farming community.



Drought relief thus far

- Approximately **4000** farmers assisted with fodder bales, feed pellets and bags of barley.
- Approximately **10 000** bales of fodder distributed.
- **80 tons** of maize meal and **10 000 food hampers** to be delivered to farmworkers in distress.
- **10** truck loads of bottled water distributed to communities in desperate need of water.
- **500** communal farmers assisted with fodder.
- **Trauma and debt counselling** are also provided to farmers.
- **Various companies** make their trucks available free of charge.
- All **9 provincial Agri offices** are actively assisting farming communities.



“Manna vir die Boer” concert - Voortrekker Monument

- Approximately **10 000** people
- Ticket sales R1 million



Thank you ...