

Responses to the report: addressing challenges of financing emerging farmers

Thank you Programme director
Distinguished guests,
Ladies and gentlemen, good morning

It is an honour to be standing here before you this morning, responding to the excellent research work conducted by the Land Bank on challenges facing the developing farmers. Please note that I'm referring to this category of farmers as developing and not emerging. The DAFF has moved away from the term emerging and has classified farmers into subsistence, smallholder and commercial. So the category referred to in the report is the smallholder farmers.

Based on the new government's outcome approach, there are clear measures and targets that must be achieved within these categories of farmers and this research is already providing critical information and recommendations that will assist government to succeed in ensuring the productivity and sustainability of these farmers, but more importantly, assist South Africa to feed its people.

When I was reading the report I realized **nothing new** was discovered, all the factors affecting developing farmers' financial performance and their sustainability are known to us; our challenge is in **doing that which we know should be done, the right way and with speed!**

Supporting smallholder farmers is a core objective of public policy and an urgent economic necessity. The closure of the Agriculture Credit Board in 1998, the deregulation and liberalization that followed as well as lack of

government support for agriculture resulted in the funding gap for smallholder farmers who couldn't access loans from commercial banks including the Land Bank. DAFF in 2004 tried to respond to the Strauss commission's recommendations (sunrise packages and that state shouldn't be involved in granting credit) and developed a comprehensive agricultural support programme (CASP). This programme is based on six pillars and these are:

1. Information and knowledge management
2. Technical and advisory services
3. Training and capacity building
4. On-Off Farm infrastructure
5. Marketing and business development
6. Financial services

Funding was then sourced from National Treasury and was made available through the Division of Revenue Act (DORA). This meant administered by provinces. The CASP concept was good and the challenge became the implementation thereof, i.e.

- Every pillar was assigned a different manager,
- Each manager focused only on their deliverables and missed the need for a comprehensive, coordinated approach to farm planning and timely support,
- This resulted in the pillars competing with each other instead of complementing each other,
- Poor marketing of the programme, and those who knew how to access the system, engaged in double dipping,
- This led in the attraction of wrong people in agriculture who were dependant on state grants and not focused on running successful enterprises.
- The available funds were also not adequate; the problem was bigger and the state missed the opportunity to leverage on partnerships and get more done with the money it had:

With the appointment of Minister Tina-Joemat Pettersson in 2009, the move of Agriculture to an economic cluster and the expectation that Agriculture must create 300 000 jobs by 2014, there was now an urgent need to review the funding model for agriculture, realizing the opportunity that exist if smallholder farmers are properly supported and funding is packaged in a manner that will ensure profitability and sustainability of these farmers. (i.e cheap and accessible).

It is against this backdrop that DAFF, DRDLR and the Land Bank formed a task team and proposed a value-chain financing model which was adopted by Cabinet in November 2010. This model caters for collateral guarantee fund, supplementary Capital, Technical support and risk and market analysis. The model also caters for wholesale finance facility using the Mafisa model and partnering with Intermediaries to provide support to farmers. The support provided will include farm planning, technical support and market access. **The grants will be used for on-off farm infrastructure and if it has to be on-farm, partners must be sought to ensure the success of the enterprise.**

This is the future of financing Agriculture, Forestry and Fisheries space. Partnerships are critical for the success of smallholder farmers and there are already great models that have been tested which can easily be rolled out throughout the country.

Together we can do more, knowing that the sum of the total can indeed be greater than the sum of the individual parts. Well done to this comprehensive research work and I'm happy to say some of the recommendations have already been put into action.

I thank you.

