



MEDIA RELEASE

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LAND BANK REPORT CALL FOR OVERHAUL OF EMERGING FARMER FINANCING AND SUPPORT

The challenges facing emerging farmers can be mainly attributed to the gap in agricultural policy direction caused by rapid regulatory and market changes over the past two decades, the Land Bank said today.

In a report titled: “*Addressing Challenges of Financing Emerging Farmers*”, the Land Bank cites the impact of deregulation of the agricultural sector, as among the causes of financial distress and institutions supporting farmers to reassess their approaches to funding, marketing and support to the emerging farmers.

The study provides insights into the successes and failures of emerging farmers supported by the Land Bank over a decade, and identify the factors that influence farmers’ performance. Among others, the study reveals that 43% of emerging farmer financed by the Land Bank (based on the loan book), succeed, with the percentage rising to 57% based on a random sample of farmers.

“The study shows that those who succeed have either received agricultural training or are retired professionals with resources who used their pensions or inherited the

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business”, the Land Bank’s head of Agricultural Economic Research and Innovation Services (AERIS), Dr Moraka Makhura said.

The conclusions of the report cover the following areas:

- Emerging farmers are affected by a rather **broader environment** than just their own circumstances and institutions involved.
- The factors affecting emerging farmers are closely **intertwined**, though at **different levels**.
- The **economic environment is volatile** and not accommodative of emerging farmers.
- The **policies are not appropriate** for emerging farmers hence providing a different behaviour.
- The **agricultural industry is risky** and is therefore not so friendly to emerging farmers.
- **Institutions are not very responsive** to farmers conditions hence easily left out.
- **Farmers don’t have capacity** and tend to operate in **unviable farms**.
- Amid these circumstances some farmers succeed, while other fail.

The study makes the following recommendations:

- **Long-term management of farmer:** To select potential successful farmers and provide them with pre-settlement support services (enhance their farming skills and identify viable ventures), finance and post-settlement support.
- **Cancel Certain debts:** To consider writing off some of the debts by applying the following criteria:
 - Accounts opened from 1997 – 2003: 100% write off, because prices were low during that period. These farmers received little state support and incentives.
 - Accounts opened from 2003 – 2005: 50% written off, because they were affected by natural disasters.
 - Accounts opened from 2006 – 2007: No write offs.
- **Management and funding of write off costs:** It is assumed that when the accounts were handed over to the legal department, a debt write off provision was made. The Department of Agriculture, Forestry and Fisheries could compensate the Land Bank for the resettlement of farmers.

- **A viable farming model:** Design a workable farming model. Select the right farmer (in terms of e.g. experience, literacy, financial and other resources) and determine if they want to farm before establishing them on viable units.
- **Probation period:** The government should consider renting of farms for a few years, with an option to buy. This will accelerate the process of transferring land to black farmers.
- **Management of interest rates:** Interest rates payable to emerging farmers can be dealt with by capitalising interest on loans for a period, or be discounted with government paying the difference to the Land Bank.
- **Comprehensive support package:** Design a comprehensive support package for emerging farmers including; business planning, financial management and bookkeeping skills and systems respectively, support for farming inputs and marketing outputs, extension services and training.
- **Coordination of activities:** Establishment of coordination mechanisms for all institutions involved in agriculture and land reform including all spheres of government, to ensure efficient coordination of activities and policies.
- **Turnaround time:** The Land Bank should continuously communicate and interact with clients, and turnaround times for loan applications must be drastically reduced.
- **Review of the agricultural development plan:** The Department of Agriculture, Forestry and Fisheries should review its development plan for establishing emerging farmers, taking different industries into consideration (size of unit, gross farm income and so on).
- **Viable farm unit:** Viable farming units to be establish with government support (incentives) provided to the farmers.
- **Selection criteria:** Proper criteria must be identified to select farmer beneficiaries.

The report further calls for further exploration of all the issues around the financing and support for the emerging farmers.

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