



A new approach to fund resource poor farmers

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GM: Development

Context

Department of Agriculture

- Ensuring access to sufficient, safe and nutritious food;
- Eliminating skewed participation and inequity in the sector;
- Maximizing growth, empowerment and income in the agricultural sector;
- Enhancing the sustainable management of natural agricultural resources and ecological systems;
- Ensuring efficient and effective governance;
- Ensuring Knowledge and information management.

Department of Land Affairs

- Redistribution of 30% of white-owned agricultural land by 2014 for sustainable agricultural development;
- Provision of tenure security that creates socio-economic opportunities for people living and working on farms and communal areas;
- Settlement of all outstanding land claims by 2008 and implement restitution awards;
- Provision of land for sustainable human settlement, industrial and economic development;
- Provision of efficient land use and land administration services.

Land Bank Objectives

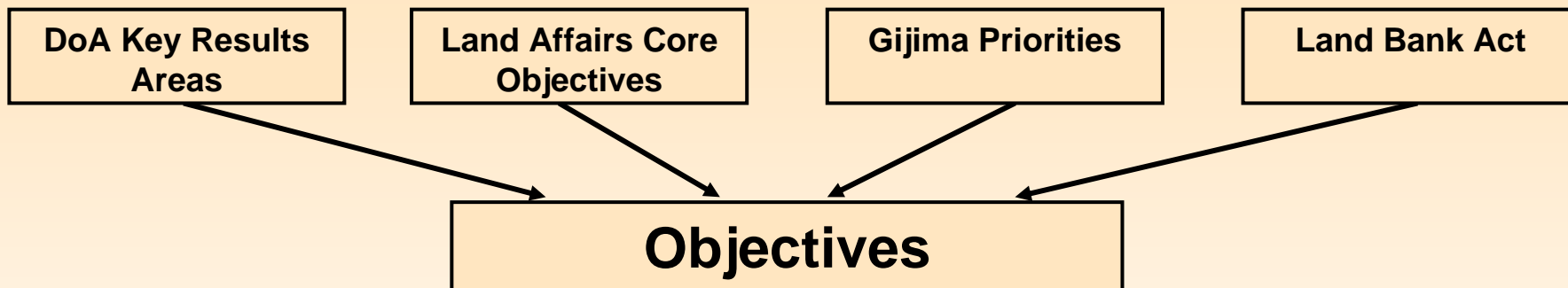
- The objects of the Bank are the promotion, facilitation and support of ownership of agricultural land by historically disadvantaged persons;
- Agrarian reform, land redistribution or development programmes aimed at historically disadvantaged persons or groups of such persons for the development of farming enterprises and agricultural purposes;
- Land access for agricultural purposes;
- Agricultural entrepreneurship;
- The removal of the legacy of past racial and gender discrimination in the agricultural sector;
- The enhancement of productivity, profitability, investment and innovation in the agricultural and rural financial systems;

Land Bank Objectives (cntd)

- Programmes designed to stimulate the growth of the agricultural sector and the better use of the land;
- Programmes designed to promote and develop the environmental sustainability of land and related natural resources;
- Programmes that contribute to agricultural aspects of rural development and job creation;
- Commercial agriculture; and
- Food security.

Gijima Priorities (Ministerial Priorities)

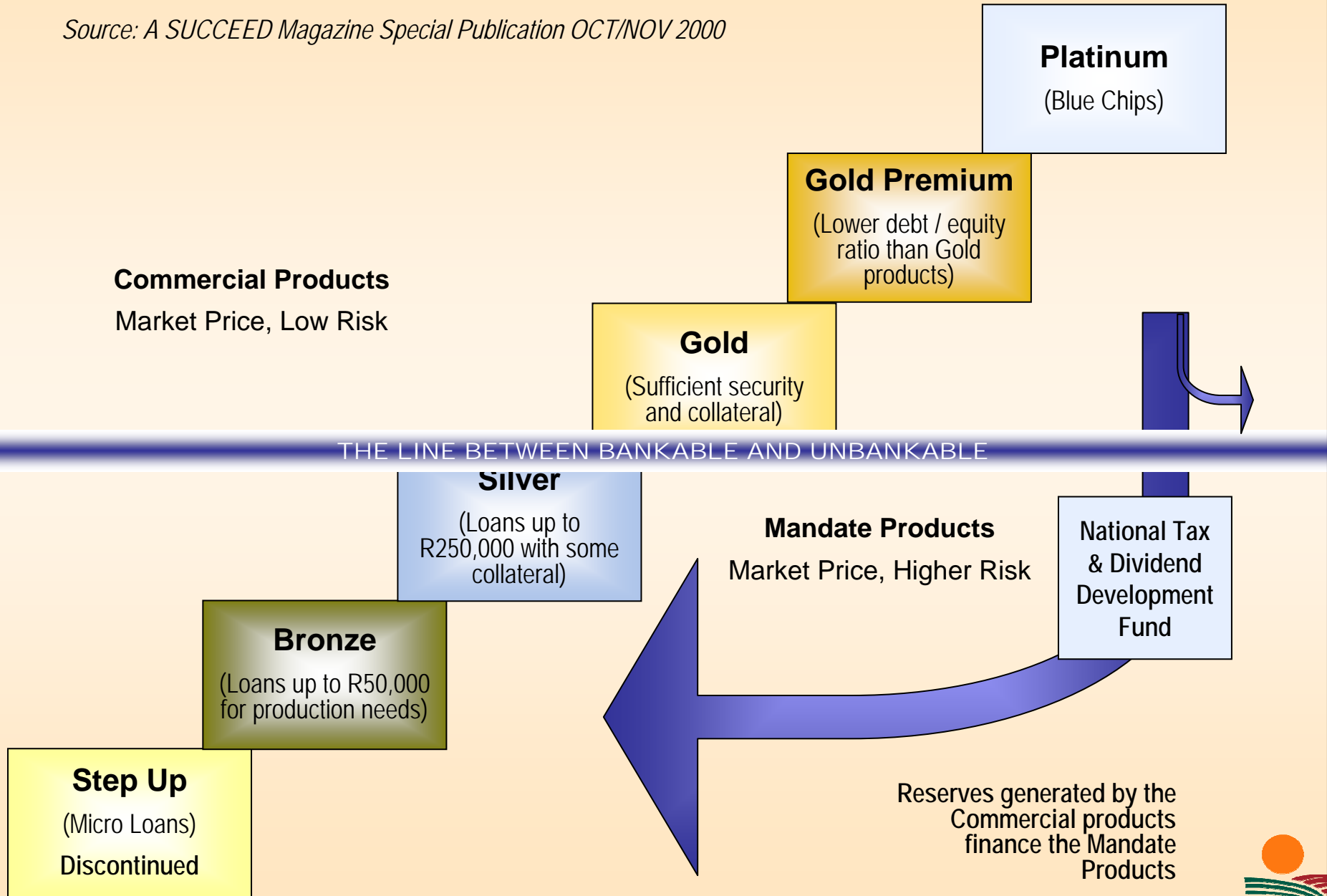
- Implementation of Land Summit resolution
- Black economic empowerment
- Land redistribution
- Restitution
- Security and tenure
- Land ownership by foreigners
- Deeds office
- Sustainable use of agricultural land
- Management and disposal of state-owned land
- Fast-tracking and improving delivery



OBJECTIVE	
1. Facilitation and support of equitable ownership of agricultural land, in particular the increase of ownership of agricultural land by HDIs.	
2. The removal of the legacy of past racial and gender discrimination in the agricultural sector.	
3. Development programmes aimed at HDIs for the development of farming enterprises and agricultural purposes.	
4. Agricultural entrepreneurship.	
5. Land for human settlement, industrial and economic purposes	

Land Bank: Staircase of Products

Source: A SUCCEED Magazine Special Publication OCT/NOV 2000



The One Stop Shop

- CASP (Comprehensive Agriculture Support Programme)
 - Grant Funding-located in the Provinces
- LRAD (Land Redistribution for Agricultural Development)
 - Grant Funding in the Provinces
- Agri BEE Fund
 - Grant Funding managed by the Land Bank
- MAFISA
 - 8% simple interest per annum, managed by the Land Bank
- Land Bank Staircase of Products
 - Average 12.5%

Need to continually mix product offering to achieve project success for resource poor farmers

Clarifying Performance and Opportunity Gaps

Expectations

1. Redistribution of 30% of agricultural land to HDIs at a value of R30bn
2. Fund land for sustainable human settlement, industrial & economic development to the value of R1bn p/a
3. Fund BEE transactions in the agricultural value chain to the value of R5bn over the next 5 years

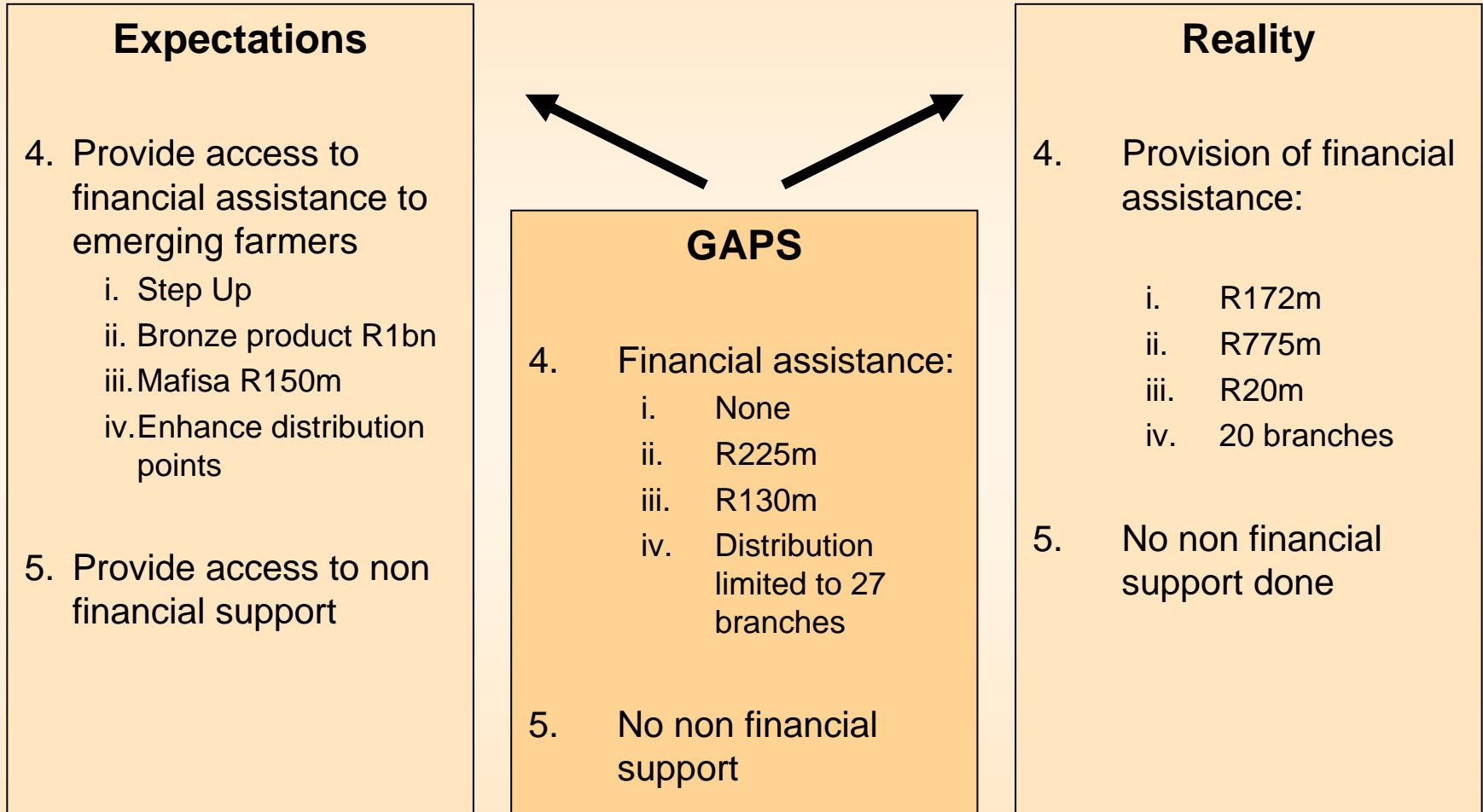
GAPS

1. R28bn to 2014
2. No gap
3. R2.6bn

Reality

1. Redistribution of land to the value of R1.6bn = 4% of the 30%
2. Funded land for development to date = R750m
3. Funded BEE transactions to the value of R2.4bn

Clarifying Performance and Opportunity Gaps (cntd)



Analysis of Root Causes

Expectation	Gap	Root Causes
Land redistribution	R28bn	Leadership
BEE transaction in the value chain	R2.6bn	Leadership Formal organisation Strategy
Non financial products to the emerging farmer	No mechanism	Culture Leadership
Financial products to the emerging farmer	R355m	Leadership Culture
Non financial product for emerging farmers	Non financial support	Leadership Culture Formal organisation

Planning for Action

Retail Development Book

Description	Term	Value – R'm
Long Term	Up to 20 Years	530
Medium Term	Up to 12 Years	182
Short Term	Up to 6 Years	81
Value		793

- 15,298 accounts
- 6,500 individual enterprise beneficiaries
- R290m of long term loans consist of special mortgage bonds for land acquisition by PDIs

Corporate Finance Unit (CFU) Development Book

- Mainly BEE transactions, funding for Black Consortia to acquire equity stakes in established white-owned enterprises
- Transformation of the sector
- 42 individual transactions done with various entities
- Total value of transactions R2.5bn
- Using and IDC, DBSA and Std Bank formula, every R1m of investment creates 5 employment opportunities
- Impacted on 15,000 jobs

Issues

- High levels of non performing loans (NPLs)
- Lack of market access
- Limited skills base
- No guarantee “take off” agreements
- Sustainable and growth limited
- Co-ordination with Provincial Department of Agriculture

Therefore:

New Approach

- Franchise model
- BEE procurement
- Asgisa Initiatives
- Bio-fuels

Black Economic Empowerment Procurement

Top 100 Land Bank customers analysis

- Procures various agricultural products and services to the value of R18bn
- It is estimated that there is a 30% BEE opportunity which is worth R4.8bn

Initial target would be the three big agri-businesses
(Senwes, Afgri and Cape Agri)

1. Strong capital base and successful
2. State of readiness to facilitate BEE transaction
3. Submissions to the Land Bank of the projects that need to be funded.
4. Willingness to facilitate BEE deals with suppliers (Understanding of the benefits of initiative)

	New	Existing	Revitalise	TOTAL
Senwes	R27m	R30m	R13m	R70m
Afgri	R45m	R18m	R27m	R90m
Cape Agri	R49m	R15m	R16m	R80m
TOTAL	R119m	R63m	R56m	R240m

Black Economic Empowerment Procurement (cntd)

Impact Analysis

- New enterprises – brand new jobs
- Existing enterprises – transformation – BEE
- Revitalise – salvage lost jobs
- R240 million investment – 1 440 jobs
- Enterprise development

Asgisa

Asgisa Project to be undertaken on syndication with other DFIs (IDC, DBSA, NEF & IDT)

PROJECT	PROVINCE	IMPACT
Goat project	Northern Cape	2000 direct jobs
Makhatini Cassava	KZN	1800 direct jobs 3000 seasonal jobs
Livestock Project	North West	1200 direct jobs
Dairy Products	Eastern Cape	1000 direct jobs for women
Hayani Tea Product	Limpopo	800 direct jobs for women

Total initial investment requirement for these projects is in the region of R380 million and 25% contribution by Land Bank would require R90 million.

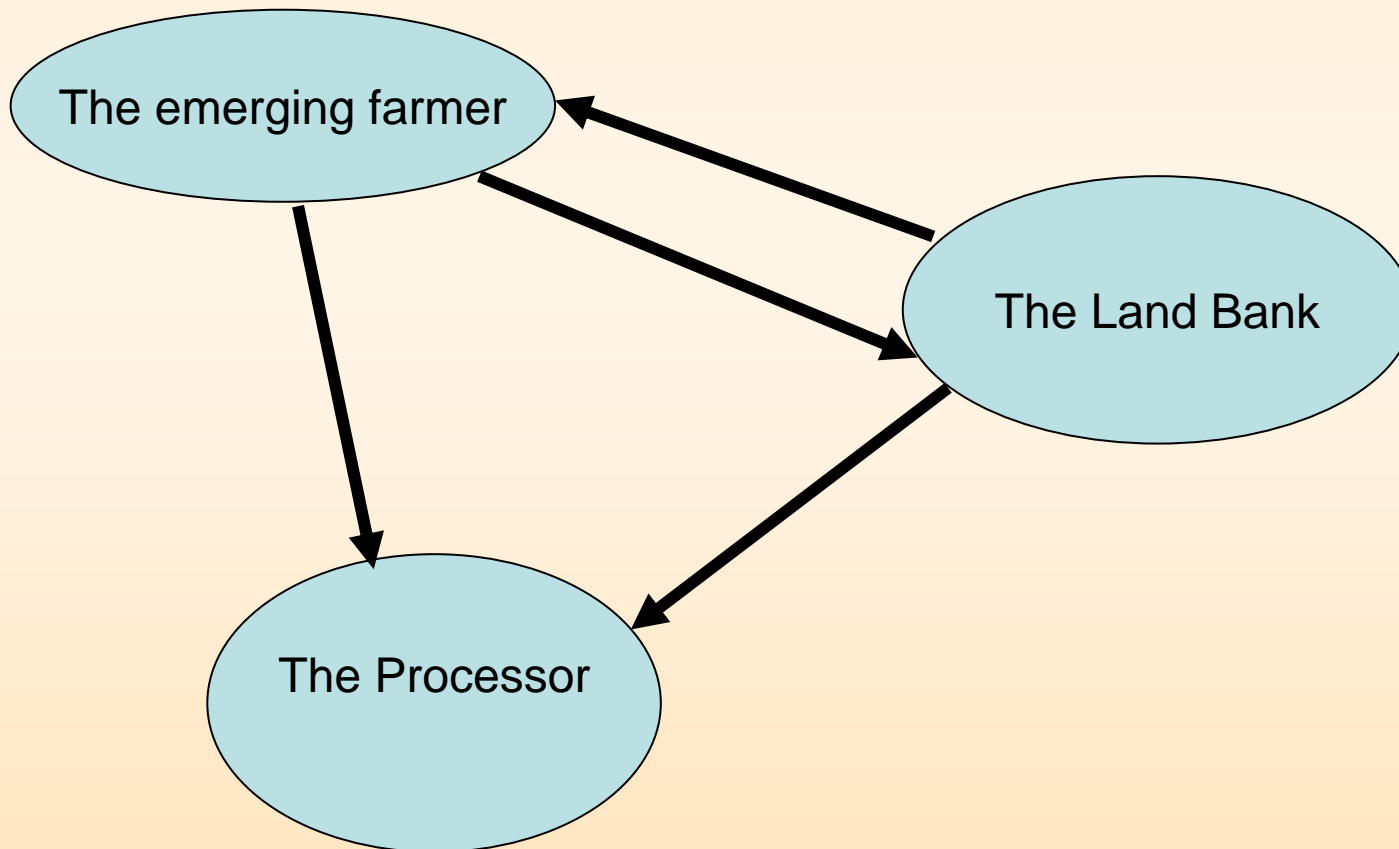
Bio Fuels

- Estimated to create 500 000 direct jobs and 700 000 indirect jobs by 2020
- It provides an opportunity to support black farmers and enterprises to take advantage of the opportunity presented
- Land Bank in discussion with NOPI (National Organic Production Initiative)
- NOPI signed an MOA with the Department of Agriculture to roll out the preliminary phases of Biofuels
- Land Bank also in discussion with other similar initiatives
- ***Land Bank to emphasise support at primary level***

Project Location	Phase 1	Phase 2	Phase 3	Phase 4	Total
Gauteng	6,400,000	4,600,000	3,000,000	3,200,000	17,200,000
Mpumalanga	6,070,000	6,070,000	6,070,000	6,070,000	24,280,000
FreeState	3,424,000	4,922,000	1,605,000	1,712,000	11,663,000
Eastern Cape	3,584,000	5,152,000	1,680,000	1,792,000	12,208,000
KwaZulu Natal	3,424,000	4,922,000	1,605,000	1,712,000	11,663,000
Limpopo	3,424,000	4,922,000	1,605,000	1,712,000	11,663,000
North West	3,360,000	4,830,000	1,575,000	1,680,000	11,445,000
Total	29,686,000	35,418,000	17,140,000	17,878,000	100,122,000

Land Bank Approach

The Model

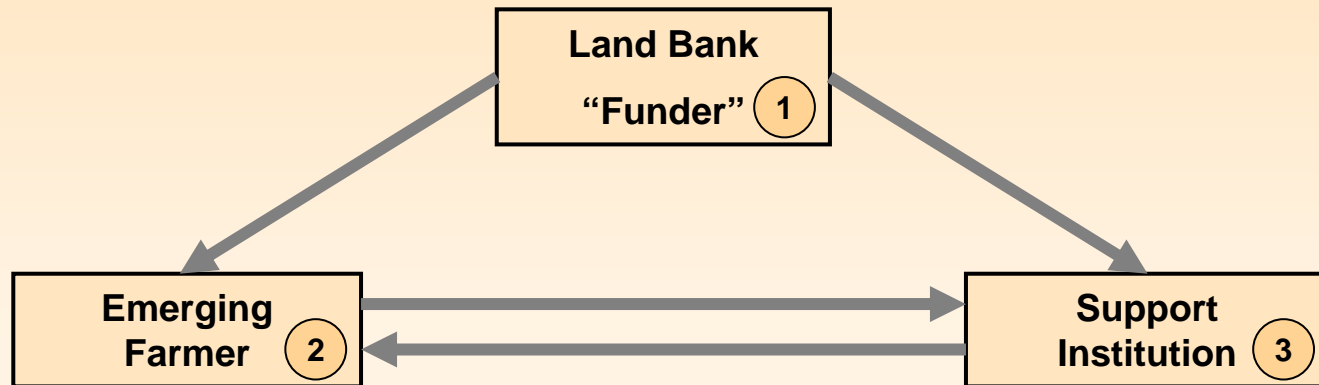


Franchising Model

New farmers to be empowered to play a constructive role in the development of agriculture, they require access to support services in areas such as:

1. Access to market and networks
2. Skills development and infrastructure support
3. Financial support
 - To achieve this an institutional framework is suggested in a Tripartite Format (The Land Bank, the emerging farmer and a support institution)
 - The support institution and the emerging farmer will be supported financially by the Land Bank

Franchise Model (Schematic Presentation)



1. Land Bank – funding institution to 2. the emerging farmer
2. Emerging farmer(s) (PDIs), appropriately identified
 - Employment creation underneath them to other PDIs
3. Support institution – Land Bank to capitalise support institution on an arms length basis.

Role:

- Negotiate and allocate guarantee off-take from potential customers
- Quality control and management
- Advice on crop mix
- Acquire local and international contracts

An Empowerdex study indicates that to capitalise such support institutions => R6.1m

Franchise Model (Benefits)

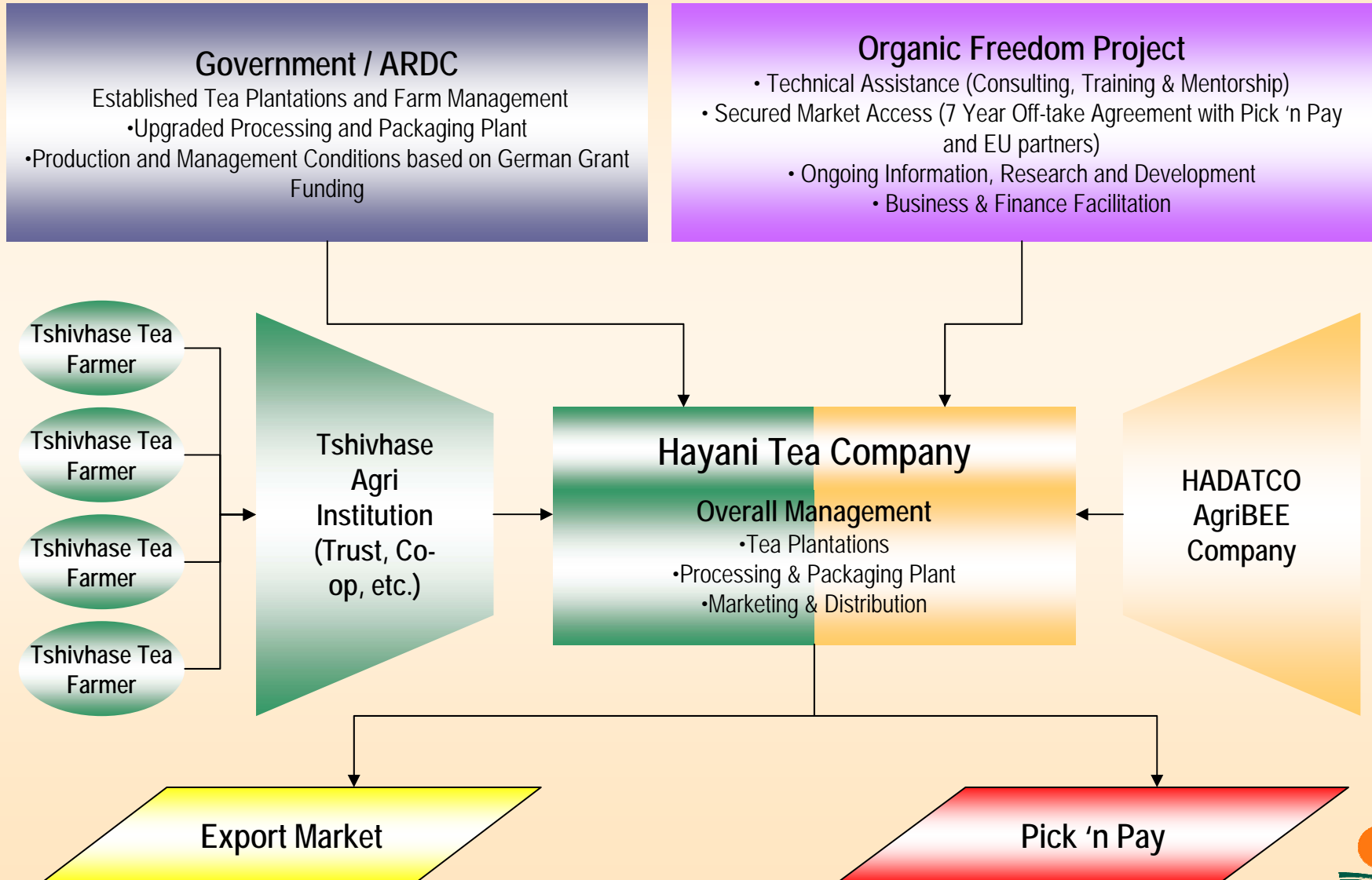
Land Bank

- Increase farming output (food security)
=> Land Bank Act
- Quality of Development book enhanced
- Full monitoring of farming operations
- Enhance competitiveness of black farmers => Land Bank Act

Emerging Farmer

- Concentrate on farming
- On the job skills transfer
- Ability to sell in the best market at the best price
- Ability to enhance revenue and escape the “price taker”

Franchising Model (Example)



Budget for the FY 2007/8 to 2008/9

• Black Economic Empowerment	R240 million
• Asgisa Initiatives	R 90 million
• Bio Fuels	R100 million
• Franchising Model	<u>R 70 million</u>
TOTAL	<u>R500million</u>



Thank You