

Drought hits farmers, crops and food prices

The drought has sent SA scrambling to provide financial assistance to farmers. An Agri SA report in February says that as of the end of June last year the country's farming debt was R125bn.



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"With many farmers in the summer rainfall areas being unable to plant or facing severe livestock losses, it is likely that liquidity in the sector will deteriorate as a result of the drought," the report states.

Consumers will be affected as food prices go up, especially since maize meal is a staple of many households.

Drought relief

Last month, Deputy Agriculture, Forestry & Fisheries Minister Bheki Cele said: "While awaiting a financial injection from the national coffers, the department allocated R1bn towards agricultural drought relief" after it had reprioritised 20% of the comprehensive agricultural support programme (Casp) and Ilima/Letsema, a departmental grant programme aimed at increasing food production.

The department of rural, environment and agricultural development has allocated R25m towards drought relief - R19m for fodder and R6m for livestock water. Cele said R24.6m had so far been spent on assisting 13,688 farmers.

Farmers hit hard

According to the crop estimates committee, summer crops will be 25% lower in the 2016/2017 year than in 2015/2016 as a result of the drought.

Livestock farmers have also been hit hard. The Red Meat Producers Organisation estimates that farmers lost 40,000 cattle in KwaZulu-Natal alone last year. "Given the drastically reduced plantings of summer crops, it is expected that livestock farmers will remain in a tight position as fodder is likely to be in short supply in the coming winter months," the organisation says in a report.

SA is the largest maize producer in Africa and trades about 40% of its maize within the Southern African Development Community. The report says that because of the reduced planting and harvests, the amount of maize SA exports could be reduced to 630,000t, from the 1.5Mt SA has exported for the past 10 seasons.

"The direct influence of reduced maize exports on the balance of payments is estimated to be R4.7bn," the report says. This means SA could end up importing between 3Mt and 5Mt of maize, putting pressure on the balance of payments.

Restructured debt

In a presentation to the portfolio committee on agriculture, forestry & fisheries in March, the Land Bank said it had restructured R600m in distressed accounts of commercial farmers

The bank's share of the farmers' R125bn debt is R36bn. The bank plans to assist farmers through drought relief assistance, a concessionary disaster relief fund and a forced stock sale deposit.

The drought relief assistance includes allowing farmers to carry over their debt to the next seasons, giving them a two-year "repayment holiday" and extending the repayment period for the remaining term of the existing loans.

The bank also has a loan agreement with the Industrial Development Corp for R400m to be made available to assist farmers in the coming seasons. It will provide loans at prime less 3%, but the bank says it expects to lose R15m through the concessionary disaster relief fund. Of the R400m from the IDC, R250m is priced at prime less 3% because of the drought.

The forced stock sale deposit will assist by granting farmers in disaster areas an exemption from income tax for livestock sold as a result of the drought. For the next three years, the bank has budgeted R5bn/year to help farmers recover from the drought.

Support for drought disaster areas

The North West, Free State, Limpopo, Mpumalanga and KwaZulu-Natal have been declared drought disaster areas.

The Western Cape government says it will spend R23m on drought relief for farmers most in need in the region. This is in addition to R11m of emergency funds granted while the province waits for national government to consider its request for R88m in relief funds.

Bomikazi Molapo, spokesman for minister of agriculture, forestry & fisheries Senzeni Zokwana, says government loans are provided at prime (currently 10.5%) less 3%. "Furthermore, government is providing funding through the Micro Agricultural Financial Institutions of SA scheme, the AgriBEE fund, the Casp and the Ilima/Letsema food production programme. Over and above this, drought relief funds are allocated when the need arises," Molapo adds.

She says the assistance the department is providing is targeted at commercial and smallholder farmers but priority is given to the most vulnerable, who tend to be the smallholder farmers.

The department has set aside R125m for various provinces. Out of this amount the Free State will get R10m, KwaZulu-Natal R69m, Limpopo R3m and Mpumalanga R1.8m.

Source: Financial Mail

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