The impact of Covid-19 on small scale farmers

By Pertunia Setumo

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It is now inevitable that Covid-19 will lead to global recession and the local economy will not be spared. The true extent of its impact is not yet measurable however we are looking at negative GDP growth for the year and potential job losses with the South African Reserve Bank estimating GDP contraction of more than 6%.

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The overall impact will exert further pressure on small scale farmers who were already struggling with amongst others rising input costs, limited market access, limited pricing power, critical agriculture and business skills and the list goes on. In this context, we are looking at the profile of farmers targeted by the recently announced R1.2bn from the Department of Agriculture and Land Reform. Those are the farmers earning between R20,000 to a R1m per annum through their agricultural activities. The Covid-19 pandemic may worsen the pre-existing challenges but also open new opportunities.

Looking at what could potentially be worsened:

1. Due to restrictions on local sales of alcoholic beverages, cashflows for small scale wine and spirit producers as well as beer brewers will take a knock. In addition, the restrictions on travelling and gatherings limits extra incomes from social events such as beer festivals, wine tasting events and Agri-tourism.

2. Market access and low demand on informal trading platforms– Market access is one of the pressing issues for smaller

producers. Now with movement restrictions on consumers and companies closing off, informal traders keep below normal stocks. Most small growers sell their produce on informal markets and therefore reduced activity on these markets does pose a challenge on stocks on hand.

3. Fresh produce has limited shelve life and needs proper functioning cold storage to retain marketable quality which is another challenge for small producers. Looking at the livestock, demand for meat may come under pressure given that some consumers are not getting their full salaries with others getting no salaries at all.

4. The poultry market is of concern as keeping birds on farms for longer than eight weeks starts to eat into the producer's profits and may lead to further burden on margins. Other livestock keepers may experience difficulties in marketing their stocks or even have proper access to feed and supplements given possible disruptions along the value chain.

5. Labour availability - smaller producers may not have the capacity to transport their labour, therefore some may see themselves having to either cut working hours or operating on limited capacity.

6. Farmers depend on events gatherings such as farmer's days to access information, and with the restrictions on the number of people per gathering, this tool is limited. Network reception issues in rural areas adds to the difficulty in information access.

Some opportunities presented by the pandemic:

Fuel price decline - this cannot have come at a better time, it is the harvesting season and some farmers are preparing for their fields for planting of winter crops. This will help reduce input costs to operate tractors and other equipment's. It also reduces transport cost to markets.

Input cost - input costs such as fertilizers, pesticides and herbicides may ease given that they are by-products of crude oil, helping to relieve some production cost pressure. However, Rand volatility does pose a risk to the upside on prices of these commodities.

Interest rate cut – this will relieve those farmers who are highly indebted and those wishing to acquire more credit. The current prime lending rate of 7.75% per annum essentially makes credit facilities cheaper. Of course, credit applications will be evaluated using prudent financial measures.

Higher demand for staple food items - for those producers who have access to markets, they may enjoy benefits of high demand for staple food items such as white maize by-products and some staple vegetables and fruits. However, some commodities have seen a decline in demand due to closure of hotels and limited operation for fast foods and restaurants.

Government support - The Department of Agriculture, Land Reform and Rural Development (DALRRD) has set aside R1.2bn to assist small scale farmers (turnover of between R20,000 and R1m). These funds will be released in a form of vouchers for mainly inputs. Priority will be given to critical industries such as horticulture, poultry and farmers should take advantage of this fund to help relieve some of the cost push pressures.

With some of the restrictions eased, we will see a slow return to normality as economic activity resume.

ABOUT THE AUTHOR

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