

# Food security: Financing and related challenges

*Land Reform and Food Security, 19-20 Junie 2014  
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Agri SA



# Key messages

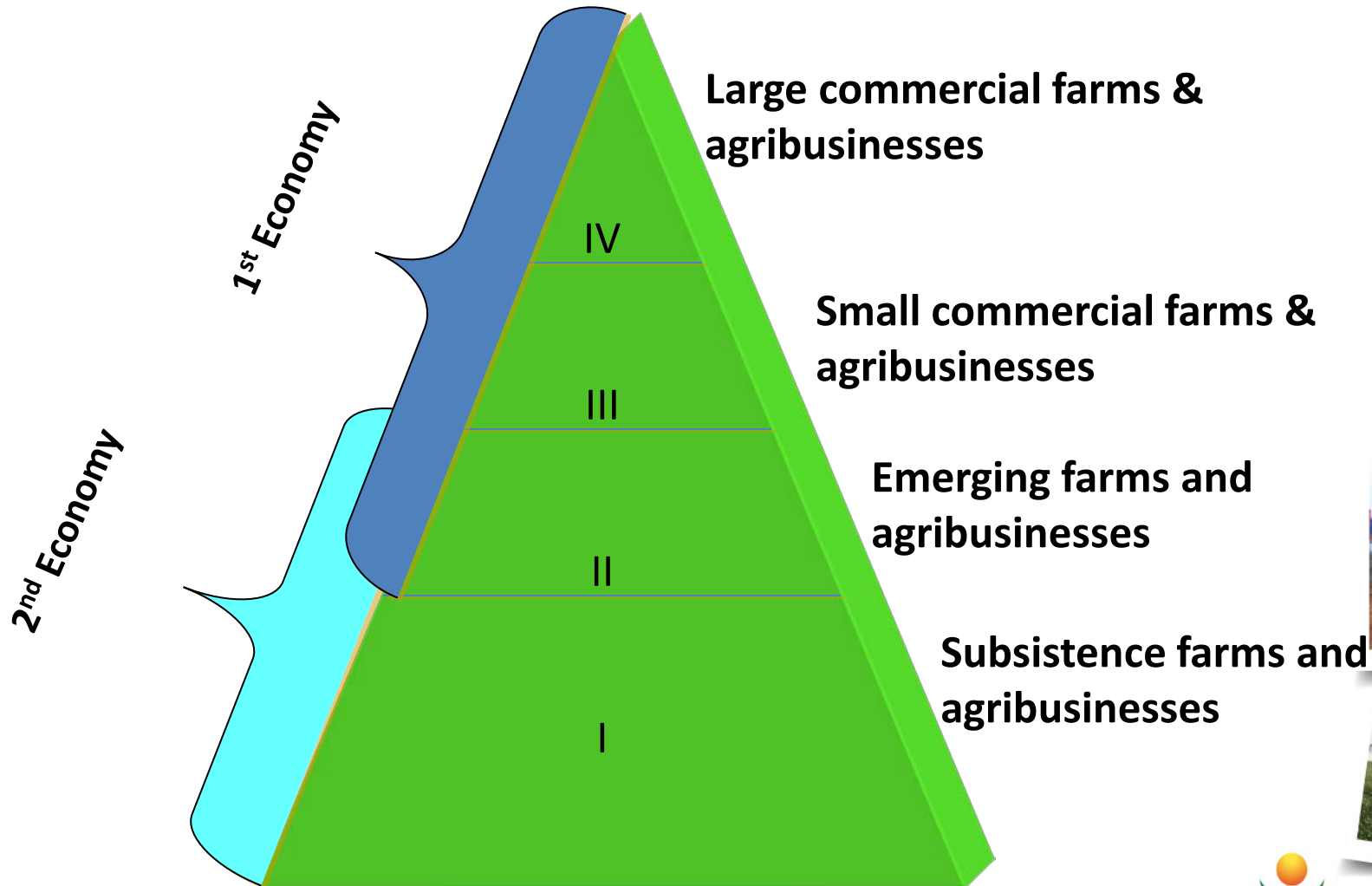
- There are many perspectives to look at food security, financing agriculture and related challenges
- Critical to address food security comprehensively and in an integrated way
- Critical to match sources and conditions of financing
- Myths about financing for food security can be dispelled by developing viable options
- We can make finance work for food security!



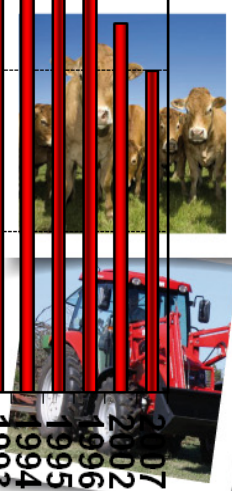
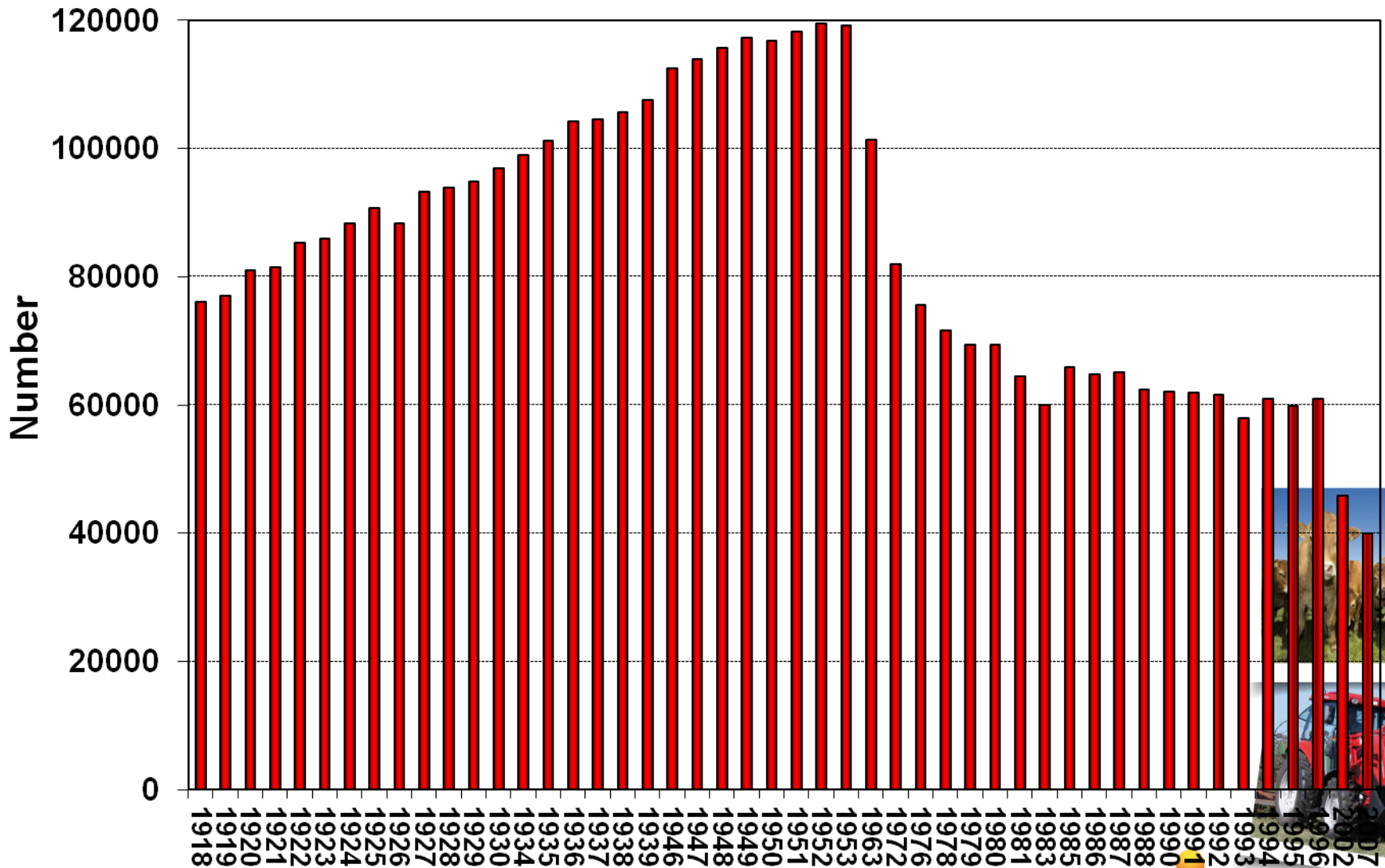
# Economic facts about agriculture in South Africa



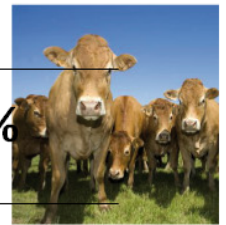
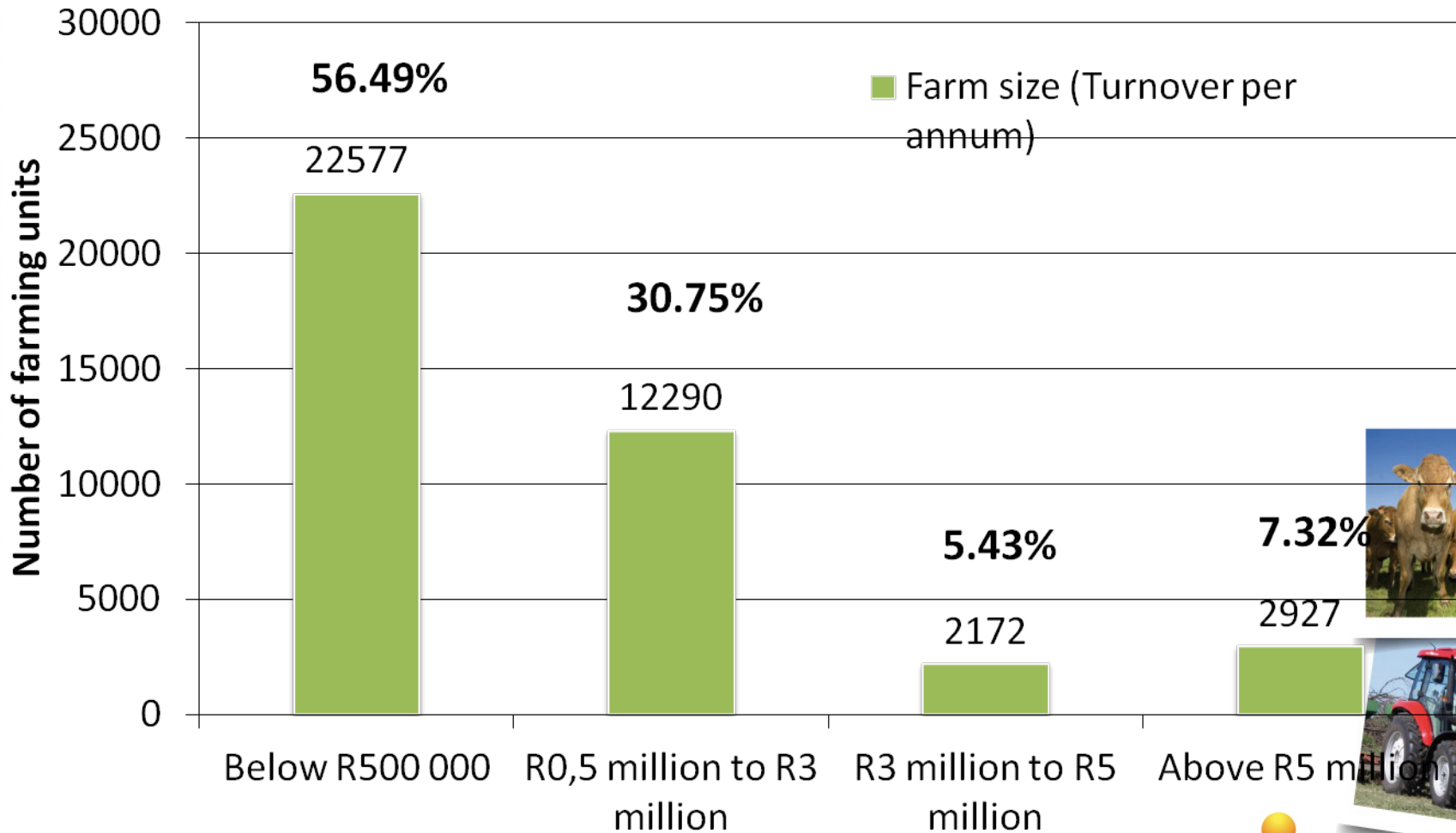
# Farming and Agribusiness Profiles



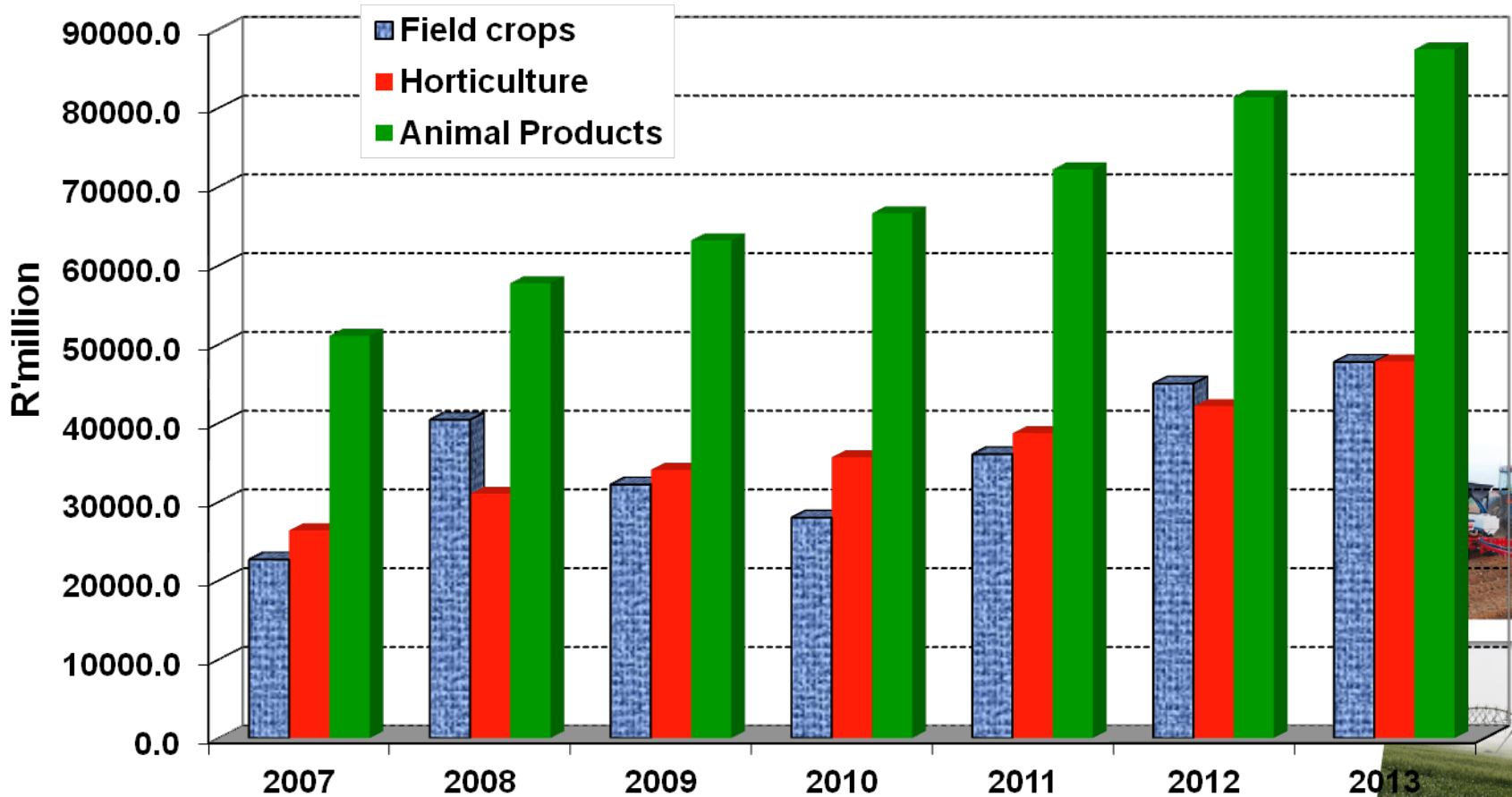
# Number of farming units



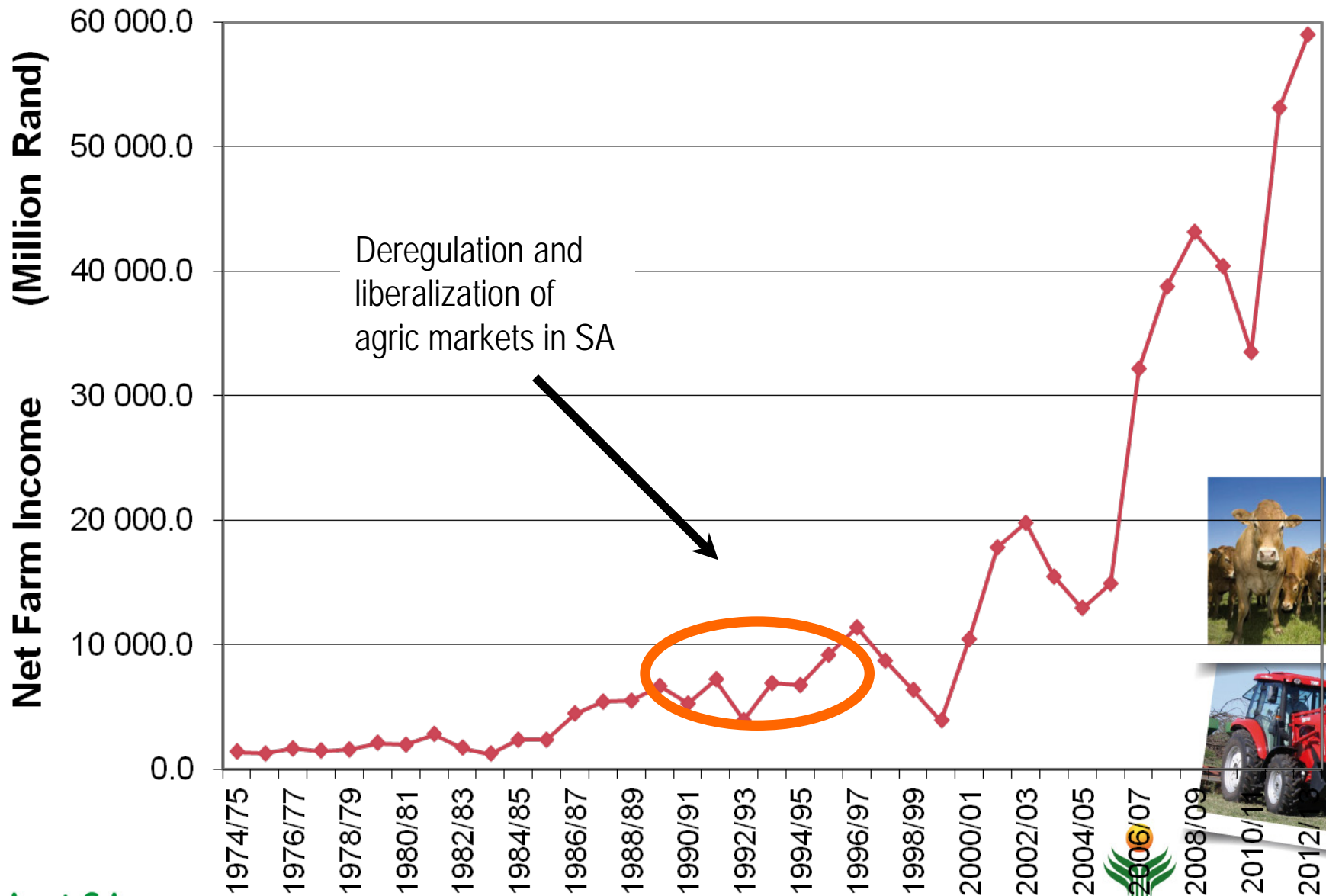
# South African Farm Structure



# Gross income from agricultural products

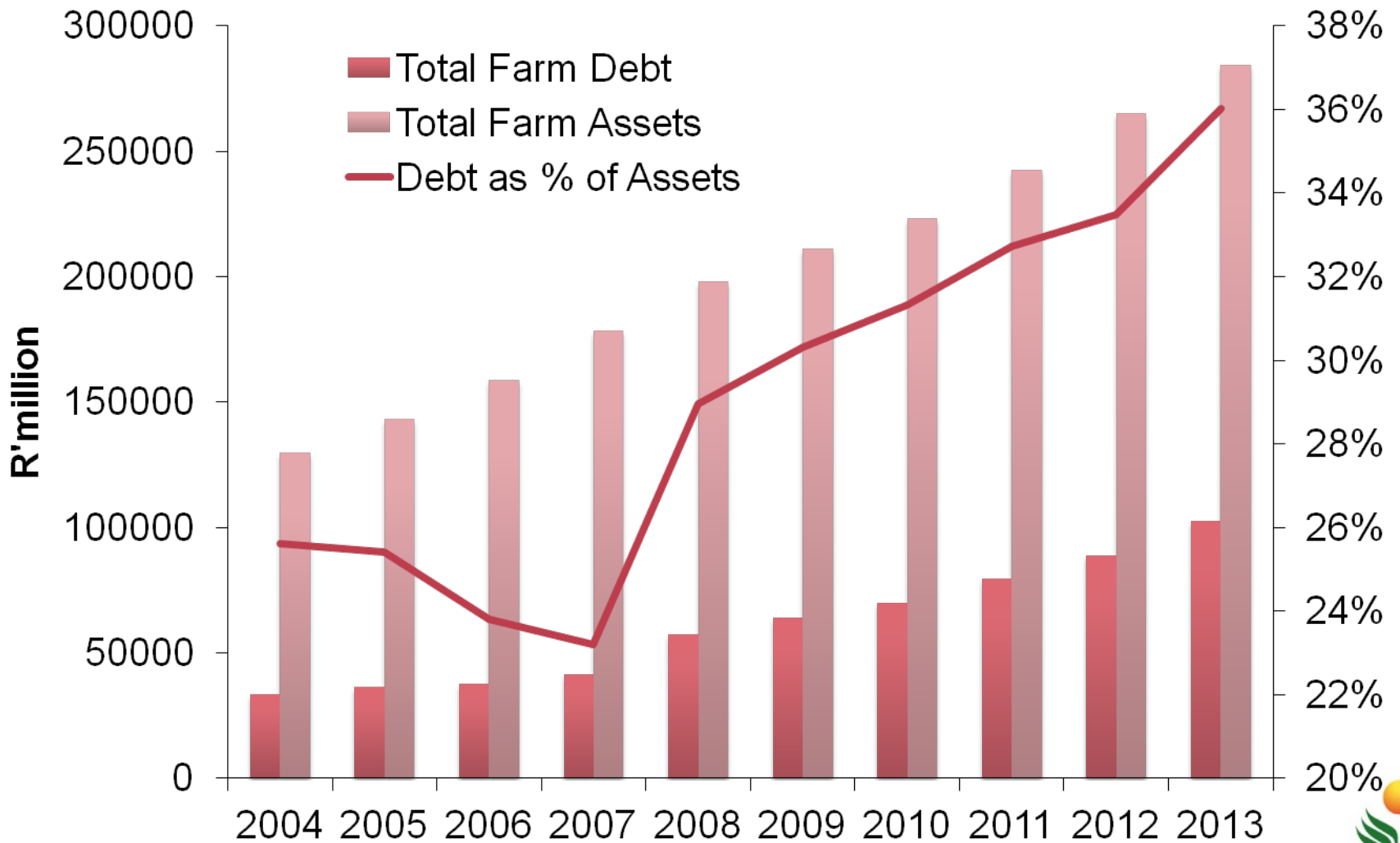


# NET FARM INCOME 1974/75-2012/13



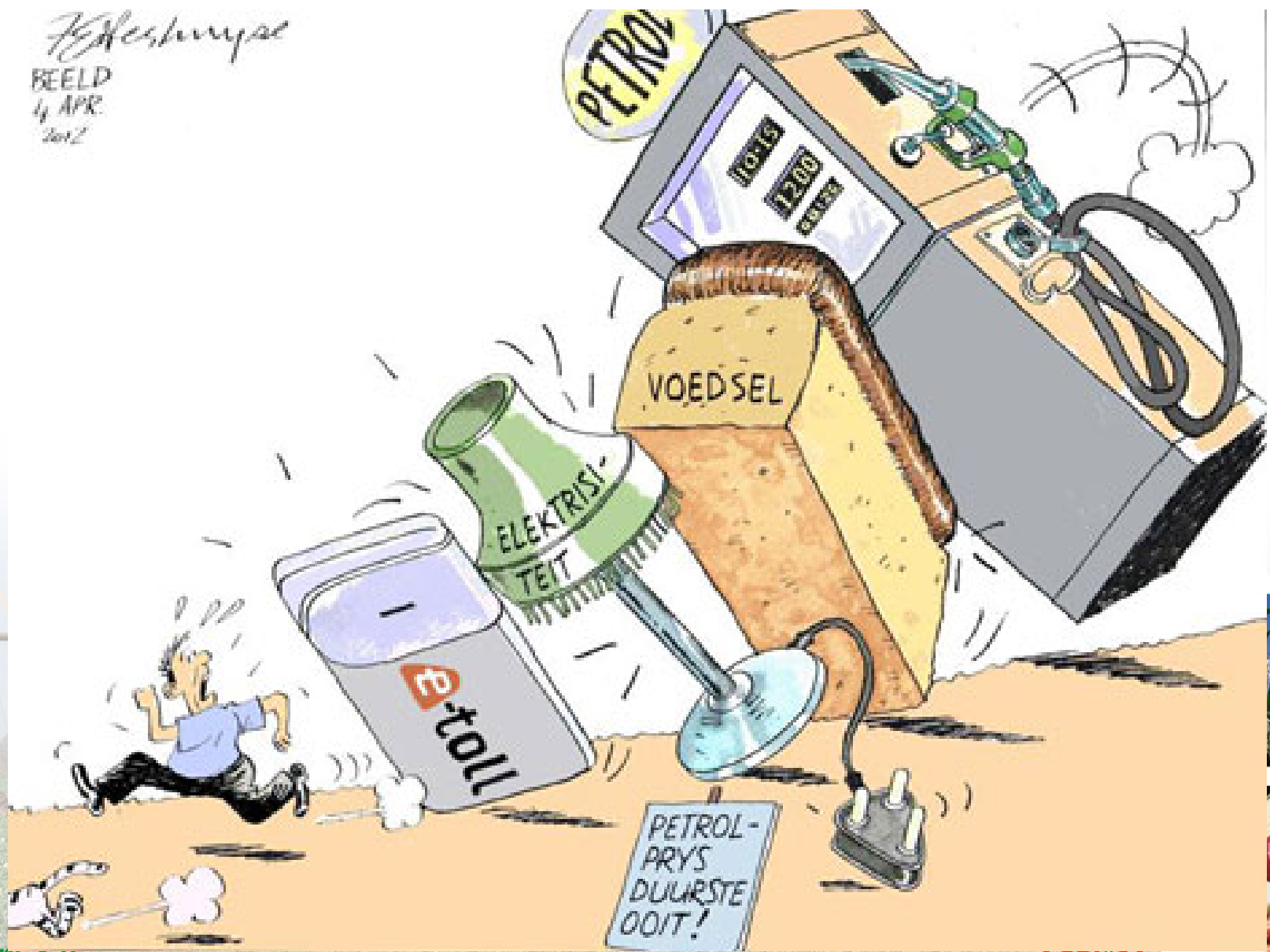


# Agricultural Debt, Farm Assets and Debt as % of Assets

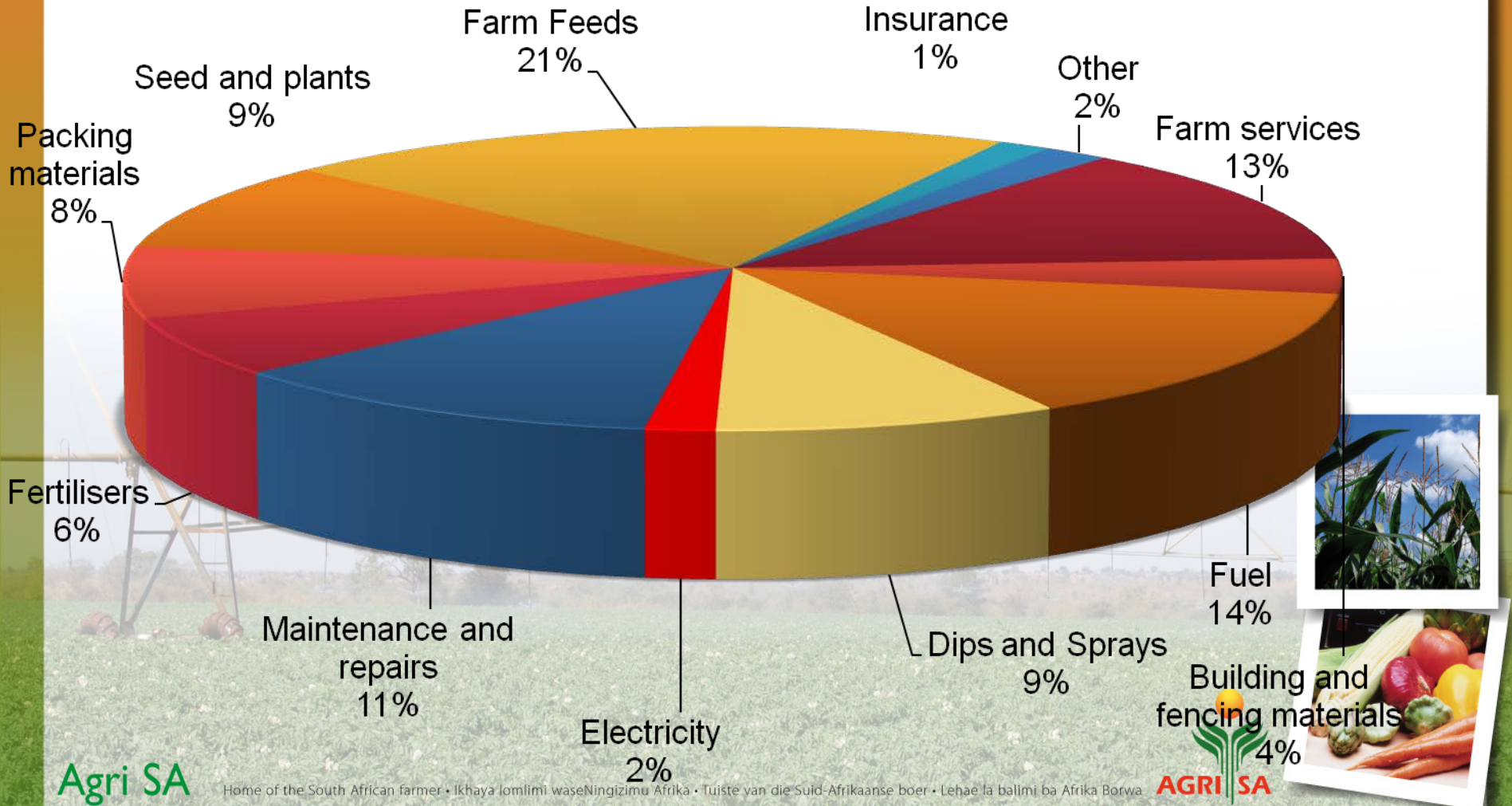


F. Keshunjee

BEELD  
14 APR.  
2012



# Expenditure on intermediate goods and services (2013)



# Expenditure on intermediary goods and services, interest, labour and investment in vehicles, machinery and implements

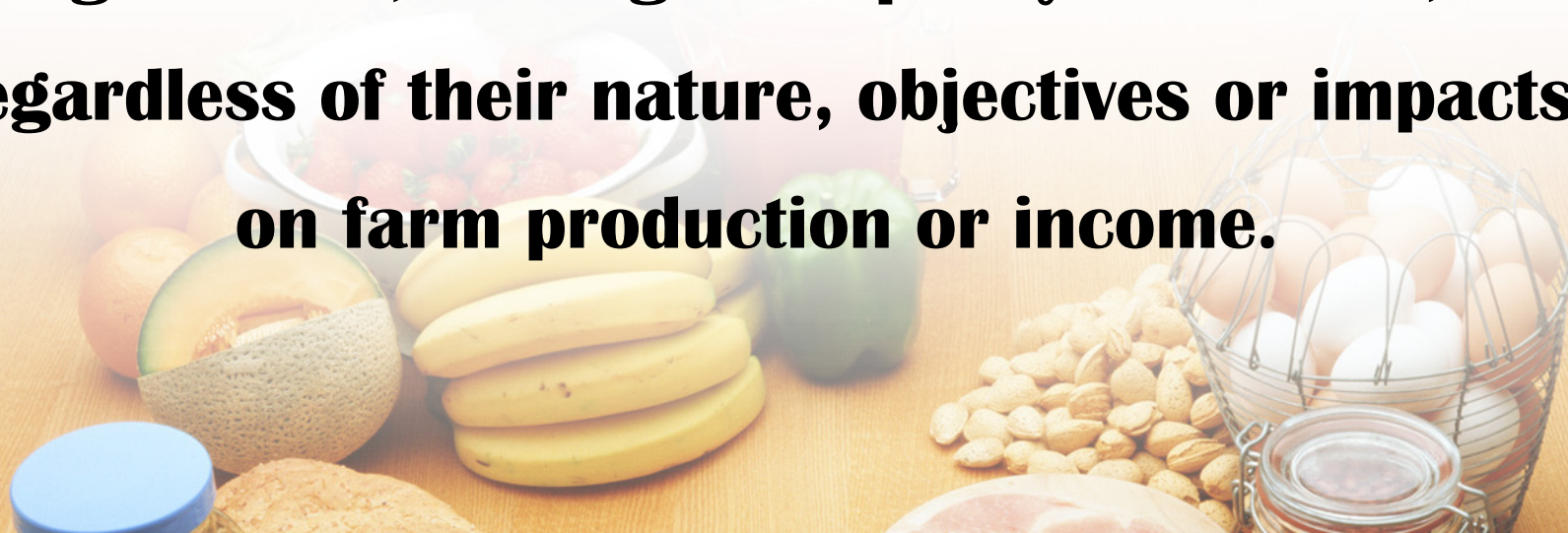


	2012 R'million	2013 R'million	% Change
Farming services	12 583.4	13 436.6	6.8
Building and fencing materials	3 562.3	3 885.2	9.1
Fuel	13 691.7	14 697.2	7.3
Dips and sprays	8 218.7	8 958.4	9.0
Electricity	1 643.0	1 823.7	11.0
Insurance	1 393.3	1 560.5	12.0
Maintenance and repairs	10 555.3	11 795.0	11.7
Fertiliser	6 132.8	6 505.2	6.1
Packing material	7 219.2	7 927.0	9.8
Seed and plant material	8 887.6	9 954.1	12.0
Farm feed	20 123.4	21 765.5	8.2
<b>Total: Intermediary goods and services</b>	<b>95 765.2</b>	<b>104 260.0</b>	<b>8.9</b>
<b>Labour costs</b>	<b>13 241.5</b>	<b>14 017.2</b>	<b>5.9</b>
<b>Interest</b>	<b>5 674.1</b>	<b>6 174.4</b>	<b>8.8</b>
<b>Gross Investment: Vehicles, machinery, implements</b>	<b>9 176.6</b>	<b>9 799.0</b>	<b>6.8</b>

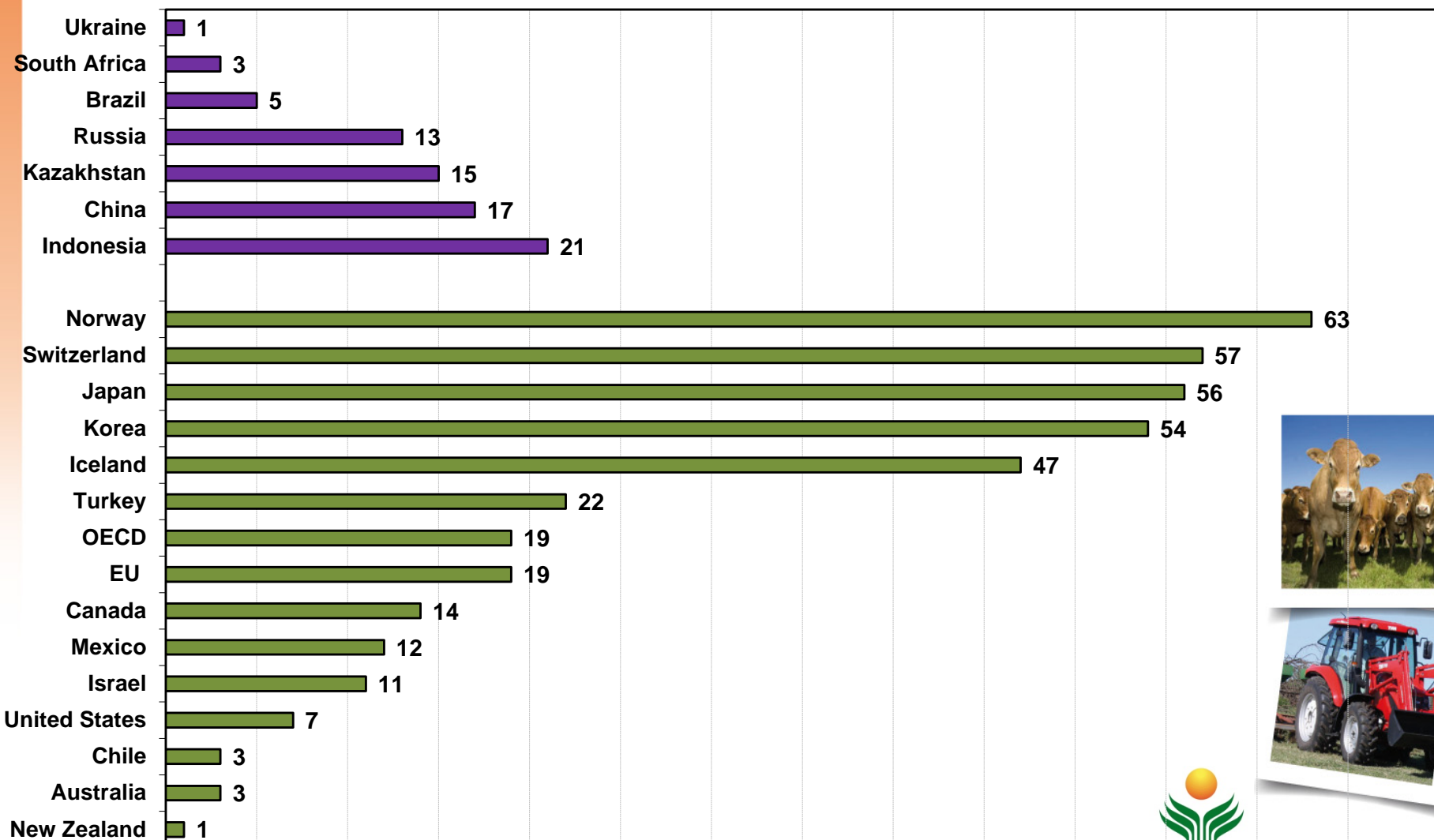
# Contribution to SA's GDP(%)

Sector	1946	1976	1996	2005	2013
Agriculture, forestry and fishing	10.5	6.1	3.6	2.7	2.4
Mining and quarrying	10.5	10.1	5.9	6.4	9.2
Manufacturing	15.1	20.7	17.2	16.2	11.6
Electricity, gas and water	1.7	2.3	2.8	2.0	3.0
Construction (Contractors)	1.9	4.3	2.7	2.1	3.7
Wholesale and retail trade, catering and accommodation	15.5	11.7	12.0	12.1	16.6
Transport, storage and communication	8.7	8.3	7.8	8.4	8.9
Finance, insurance, real-estate and business services	8.9	11.4	14.2	18.6	21.5
Community, social and personal services	17.3	15.1	19.2	18.6	23.1
General government services	9.9	9.9	14.5	13.3	17.1

**The Producer Support Estimate (PSE)**  
**is an indicator of the annual monetary value of**  
**gross transfers from consumers and taxpayers to**  
**support agricultural producers, measured at farm**  
**gate level, arising from policy measures,**  
**regardless of their nature, objectives or impacts**  
**on farm production or income.**



# Estimates of support to agriculture (PSE) in selected non-OECD and OECD countries (2012\*)



Source: OECD, Agricultural Policy Monitoring and Evaluation, 2013

\* Provisional

Home of the South African farmer • Uya lomlimi • eNingizim Afrika • Tuist on die Suid-Afrikaanse boer • Lehae la boeri ba Afrika • Uwa



# Food security

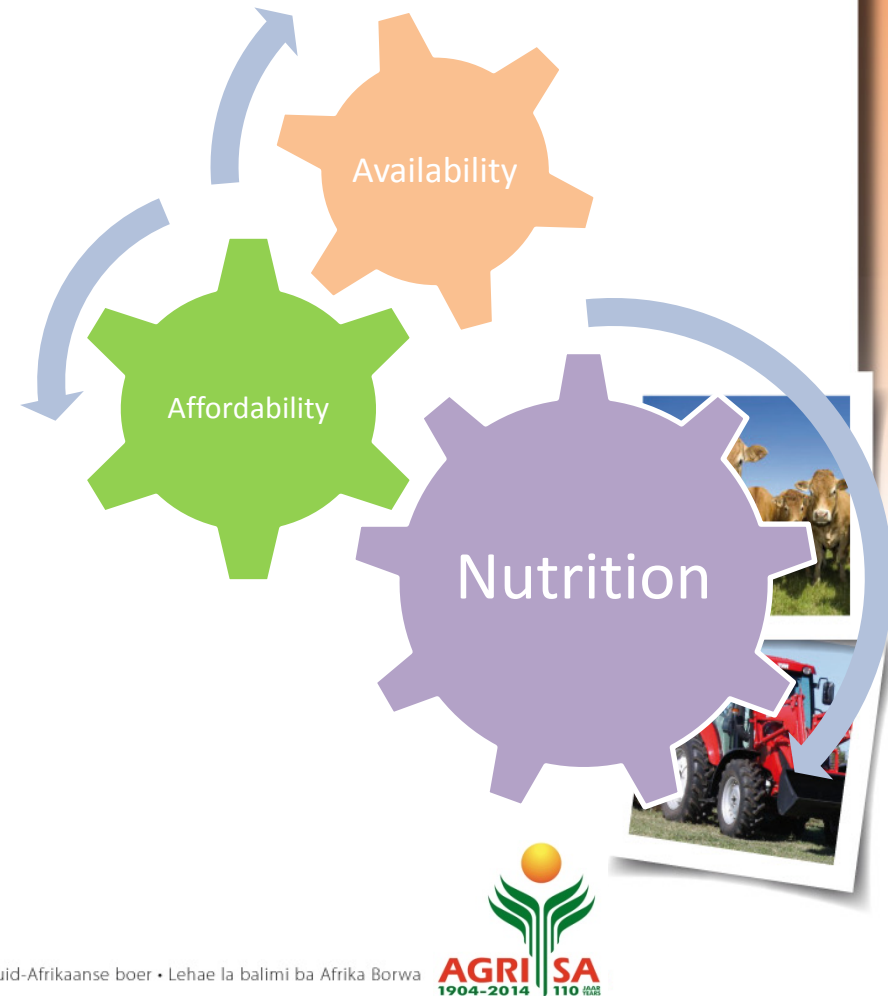




# Food security defined

## What is food security?

- “all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life” (FAO)



# Egypt: The Ahmed family of Cairo

## Food expenditure for one week: \$68.53



Source: Peter Menzel [www.menzelphoto.com](http://www.menzelphoto.com)

Hungry Planet

AGRI SA  
Home of the World Eats

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1904-2014 110

# Foto: „So isst der Mensch“ . Familie in Ecuador



# The Mendozas Central America



# Sub-Sahara Africa



# Chad: The Aboubakar family of Breidjing Camp

## Food expenditure for one week: \$1.23



Source: Peter Menzel [www.menzelphoto.com](http://www.menzelphoto.com)

Hungry Planet: What the World Eats

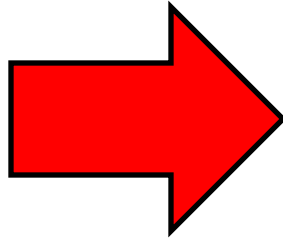
Agri SA

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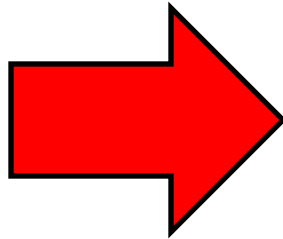
  
**AGRI SA**  
1904-2014 110 years

# Agriculture feeds the nation

35 000 Farming units (2013 Estimate)



1 Farming unit provides enough food for approximately 1500 people



 = 10 000 farming units

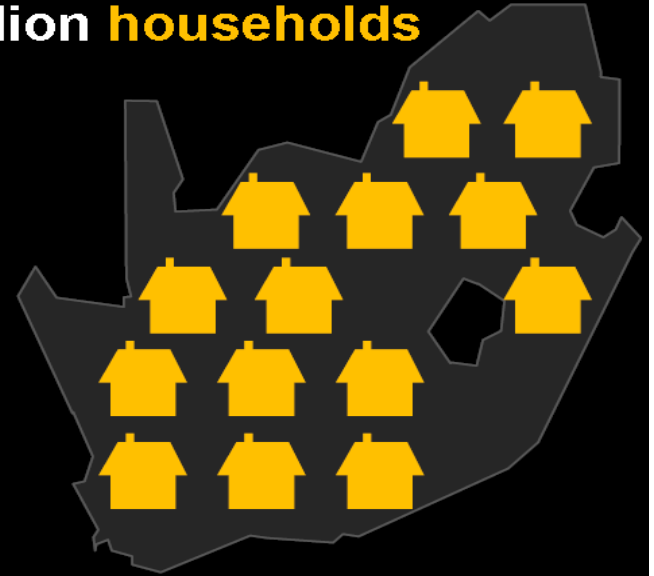
Home of the South African farmer • Ikhaya lomlimi waseNingizimu Afrika • Tuiste van

CENSUS 2011

14 million households



= 1 million households

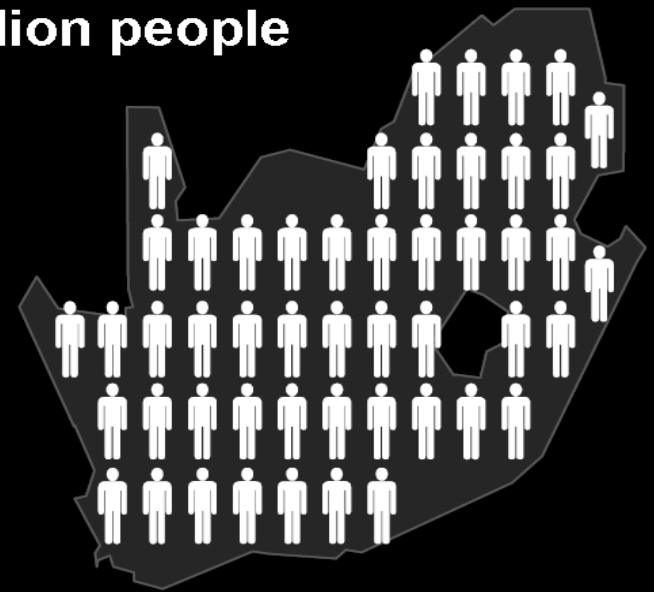


CENSUS 2011

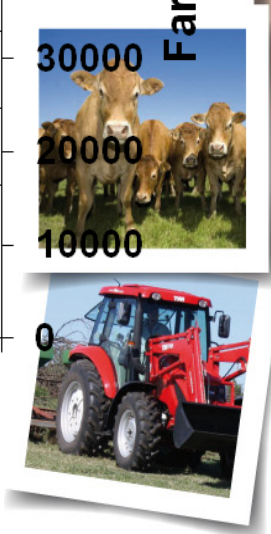
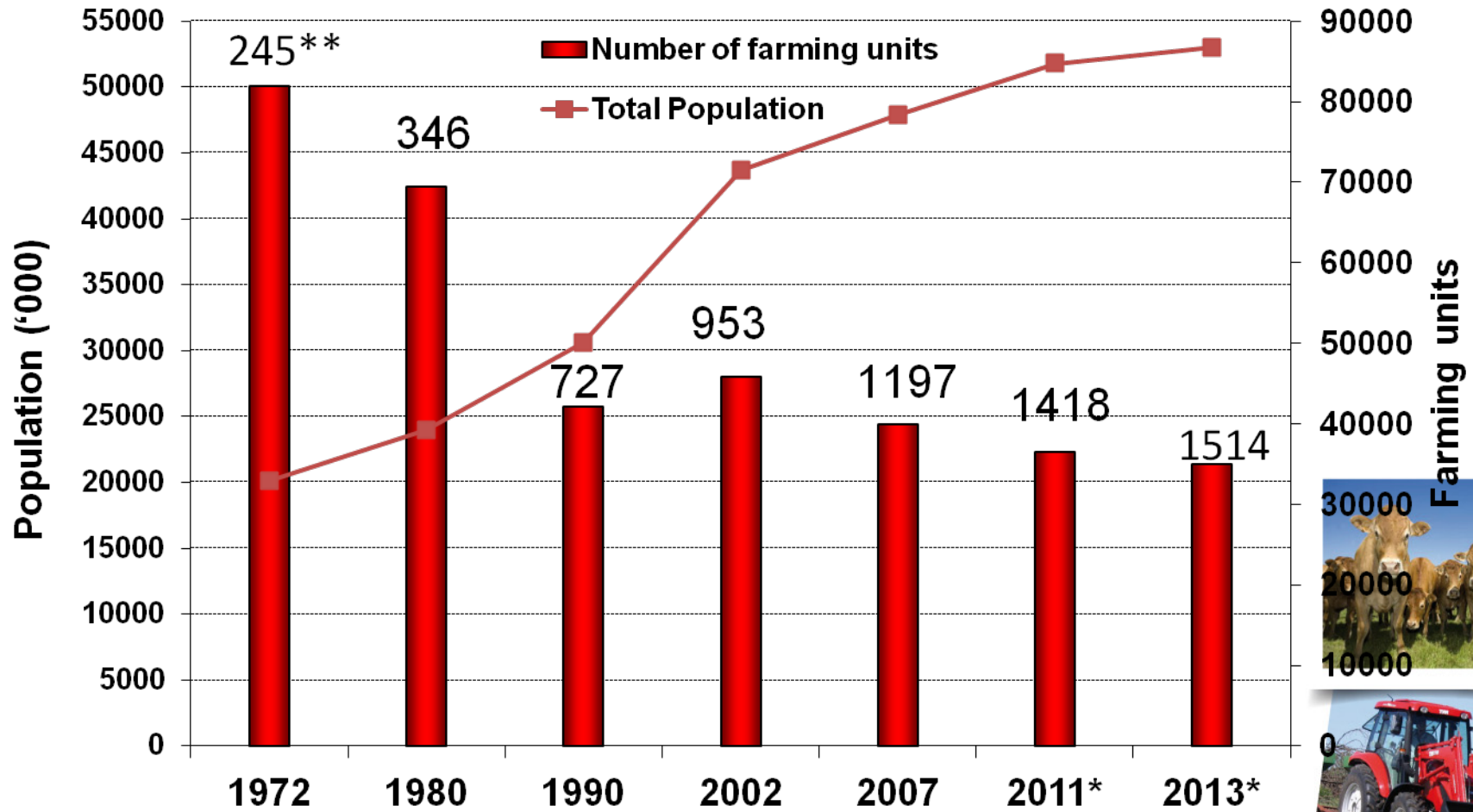
51 million people



= 1 million persons



# Farming unit/Population Ratio



Source: DAFF

\* Estimate

\*\* Farming unit/population ratio



# Financing food security (alias agriculture)



# Four (4) Rs of Finance

- **Risk**
  - The extent to which agribusiness operation can withstand shocks without being forced to liquidation
- **Returns**
  - Extent of profit generated from additional finance
- **Repayment**
  - The capacity of agribusiness to recoup investments
  - Basis: COLLATERAL & Interest
- **Rates**
  - Interest, Exchange, Inflation



# Making finance work

- Value chain finance and commodification
- Create good infrastructure to enable flow of goods and raw material
- Provision of supporting secondary industries and services
- Development of capacity and entrepreneurship



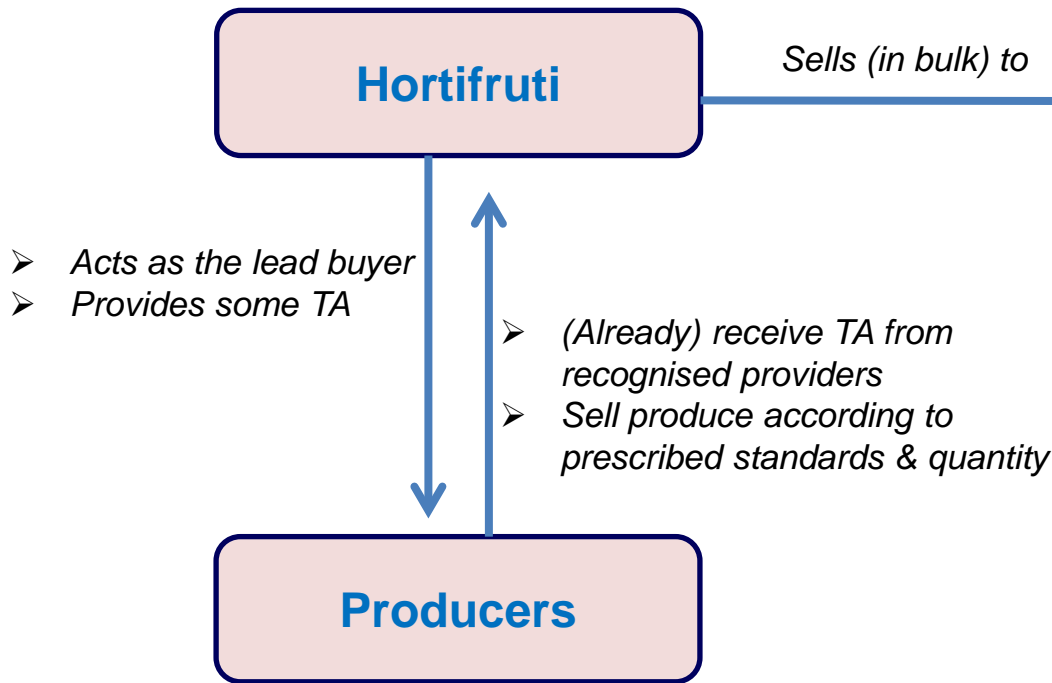
# Value chain finance (VCF)

- **Direct VCF** (or chain liquidity): where one value chain actor provides finance to another actor within the chain;
- **Indirect VCF**: where financing is provided from outside the value chain (such as by a financial institution), based on the specific borrowers' value chain activities (e.g. purchase contracts, advance contracts, promises to buy, or transaction history). This in turn can take two forms:
  - Agricultural finance - the service provided by a financial institution to an actor within a value chain (e.g. a loan by a bank to a trader); and
  - VCF narrowly defined, which is anchored on the (usually tripartite) cooperation between agents along value chains and between them and a financial institution.



# VCF Example: Hortifruti

- Hortifruti (Central America): the role of an institutional buyer in facilitating farmers' access to finance



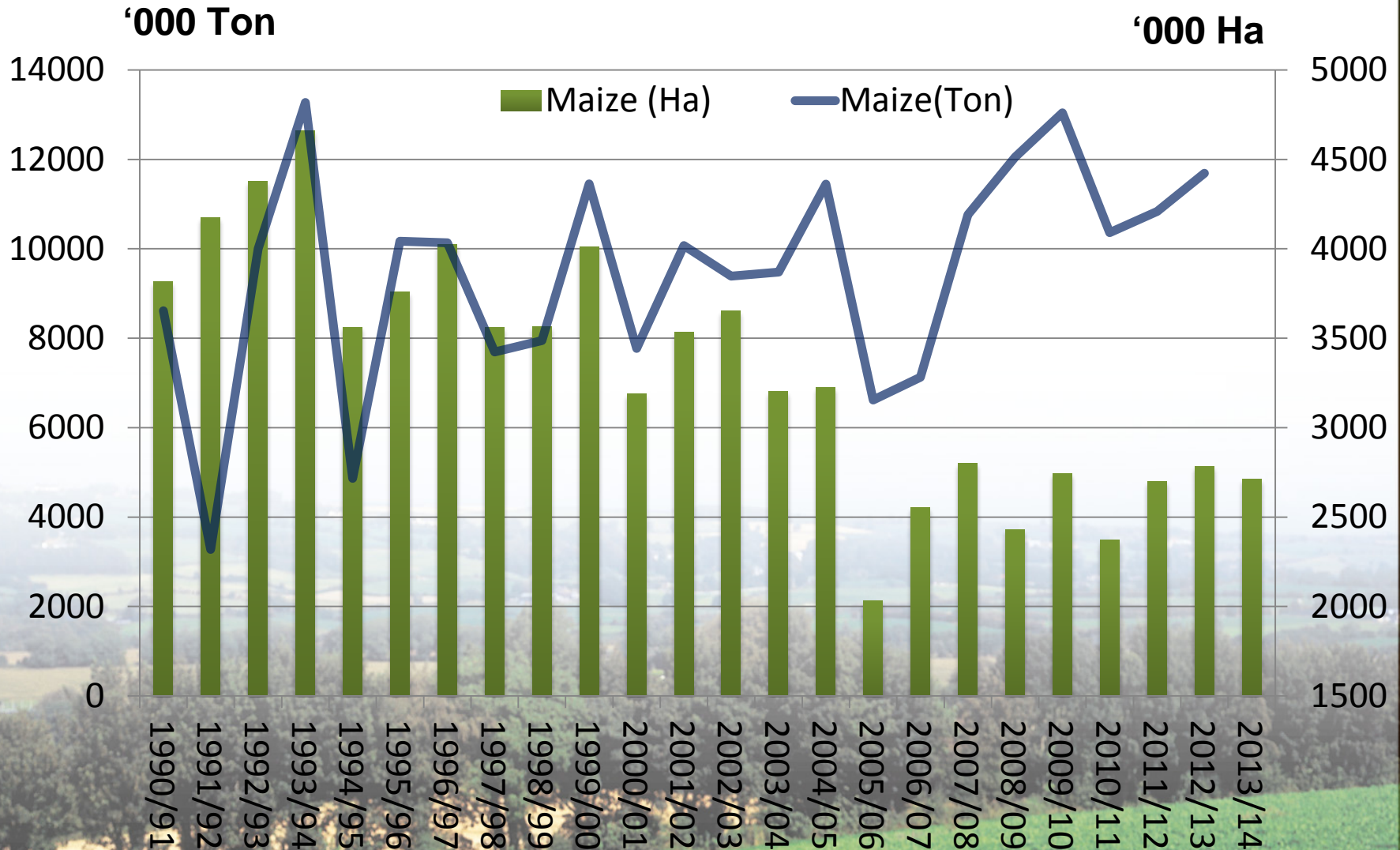
*In the early phases, finance is typically sourced by producers through informal channels. As the relationship evolves, **producers are able to use production / sales history and purchase agreements to access formal financial services.***

# Other challenges

- Technology



# RSA: MAIZE (COMMERCIAL) AREA PLANTED AND PRODUCTION



# 1985

## (16 row) – 83.398m acres planted





# 2013

**(48 row) – 200% more rows to plant 16.55% more  
acreage (97.2m acres)**



# Other challenges

- Technology
- Extension services
- Mentoring and farmer development
  - Involvement of commodity organisations
- Access to financial institutions
  - Footprint of institutions in rural areas
- Legislation and government policies



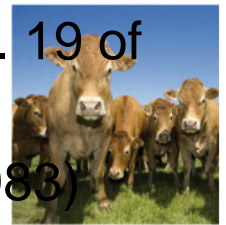
# National policy on food and nutrition security

- August 2013
- These are three reasons why a Food and Nutrition Security Policy is urgently needed in South Africa
  - need for a common definition and measures
  - Food and Nutrition Security is a complex issue characterised by inter-disciplinary approaches
  - as a member of the Southern African Development Community (SADC), South Africa contributes substantially to Regional Food and Nutrition Security and needs to play a leadership role in this regard



# Legislative mandate of the DAFF

- Performing Animals Protection Act, 1935 (Act No. 24 of 1935)
- Fertilizers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act No. 36 of 1947)
- Animals Protection Act, 1962 (Act 71 of 1962)
- Fencing Act, 1963 (Act No. 31 of 1963)
- Plant Breeder's Right Act, 1976 (Act No.15 of 1976)
- Plant Improvement Act, 1976 (Act No. 53 of 1976)
- Veterinary and Para-veterinary Professions Act, 1982 (Act No. 19 of 1982)
- Perishable Products Export Control Act, 1983 (Act No. 9 of 1983)
- Agricultural Pests Act, 1983 (Act no. 36 of 1983)
- Conservation of Agricultural Resources Act, 1983 (Act No 43 of 1983)



# Legislative mandate of the DAFF: (cont.)

- Animal Disease Act, 1984 (Act no. 35 of 1984)
- Liquor Products Act, 1989 (Act no. 60 of 1989)
- Agricultural Research Act, 1990 (Act No. 86 of 1990)
- Agricultural Products Standards Act, 1990 (Act no. 119 of 1990)
- Agricultural Produce Agents Act, 1992 (Act No. 12 of 1992)
- South African Abattoir Corporation Act, 2005 (Act No. 17 of 2005)
- Groot Constantia Trust Act, 1993 (Act No. 58 of 1993)
- Societies for the Prevention of Cruelty to Animals Act, 1993 (Act No. 169 of 1993)
- Marketing of Agricultural Products Act, 1996 (Act No. 47 of 1996)
- Agriculture Laws Extension Act, 1996 (Act No. 87 of 1996)



# Legislative mandate of the DAFF: (cont.)

- Genetically Modified Organisms Act, 1997 (Act No.15 of 1997)
- Animal Improvement Act, 1998 (Act 62 of 1998)
- Agricultural Laws Rationalisation Act, 1998 (Act No. 72 of 1998)
- Onderstepoort Biological Products Incorporation Act, 1999 (Act No. 19 of 1999)
- Meat Safety Act, 2000 (Act no. 40 of 2000)
- Agricultural Debt Management Act, 2001 (Act No. 45 of 2001)
- Animal Identification Act, 2002 (Act 6 of 2002)
- Land and Agricultural Development Bank Act, 2002 (Act No. 15 of 2002)
- KwaZulu Cane Growers' Association Act Repeal Act, 2002 (Act No. 24 of 2002)



# Conclusion

- Food security is a multi-level and multi-dimensional issues
- For long term perspective all aspects must be addressed
- To enable food security, financial options should be developed – across the value-chain.
- Commodity specific strategies and value chains to be developed and financed.
- Accounting for appropriate conditions of finance, the process can be profitable, sustainable and effective



# Thank you

*“We can no longer take  
our food supply  
for granted.”*

