

# Preparing for the next drought



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## Challenges and Opportunities in the Agricultural Sector...

### GLOBAL

- **Growing Populations:** Growing Global Demand; Change in Consumption Mix
- **Massive Price Swings:** Volatility in inputs & outputs
- **Productivity Imperative** given the constraints
- **Big Data:** Increased access



### DOMESTIC

- **Junk Status:** Weakening exchange rate; declining oil prices etc.
- **Rising Interest Rate cycle**
- **Tighter Macro-Economic conditions:** Slow growth
- **Climate Change:** Changing climate patterns



## *The South African Agricultural Sector: A Snapshot*

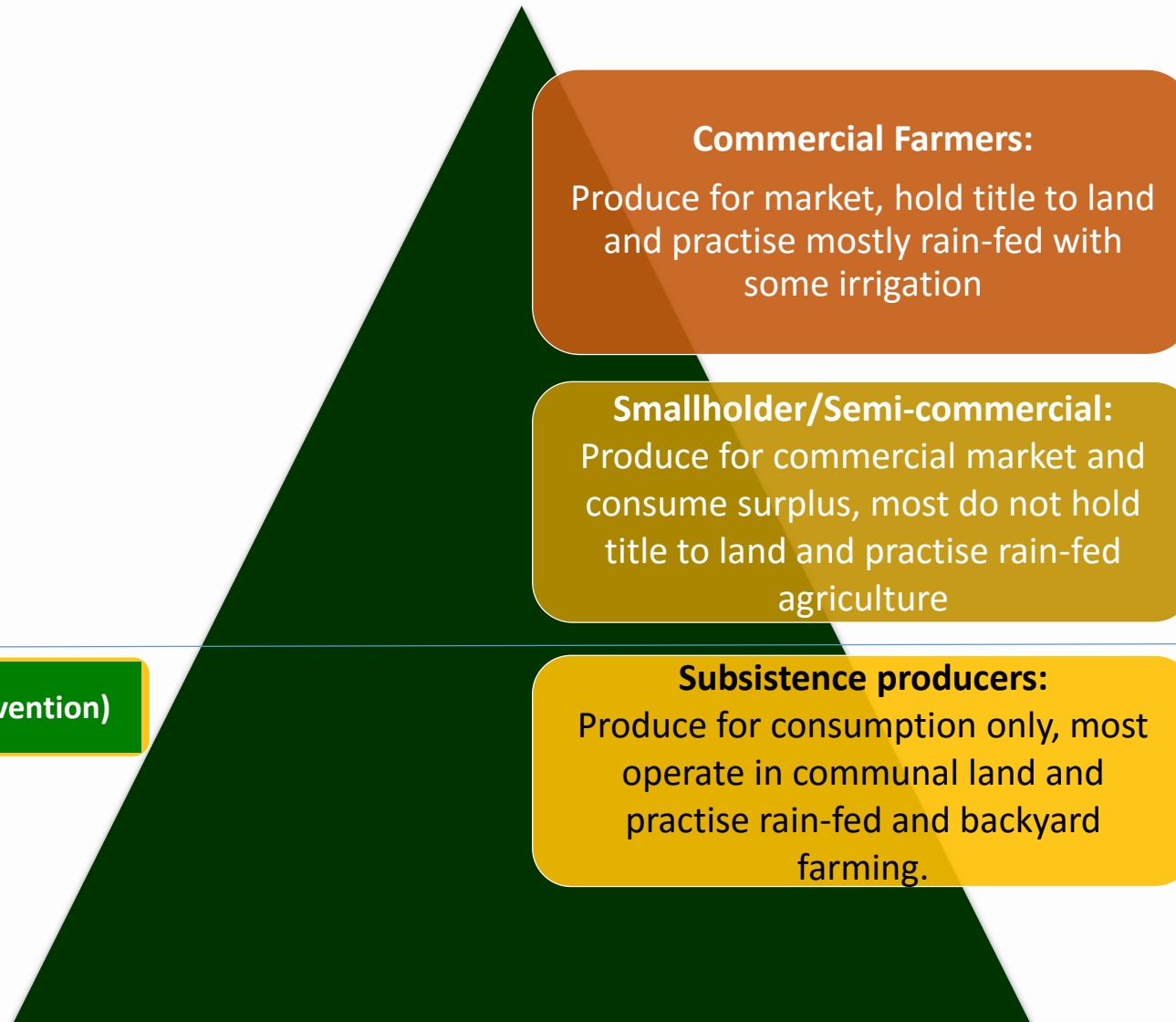
Total Land (Millions ha)	122.32	Source: Stats SA - Census 2011 Agric Households
Agriculture	100.67	82.30% of Total Land
Natural Grazing	83.93	83.37% of Agricultural Land
Arable Land	16.74	16.63% of Agricultural Land
Under Irrigation	1.29	7.71% of Arable Land
MPCI	1	6% of Arable Land



**39,966 Commercial Farmers  
providing 90% of SA's Food**

*\*DAFF Statistics (2007)*

- Expanding production will require innovation and value addition
- Given competing uses, limited land available for new farmers
- Inclusivity a challenge
- Evolving policy uncertainties



- Land Bank is South Africa's only specialist agricultural bank – 105 years old
- Mandate to facilitate **DEVELOPMENT** in the agricultural sector by driving transformation, inclusivity, job creation and food security.
- Land Bank Insurance Company SOC Ltd (LBIC) and Land Bank Life Insurance Company SOC Ltd (LBLIC) are wholly owned subsidiaries of Land Bank mandated to provide insurance and risk management solutions respectively regarding crop, asset and life insurance to the agricultural community.
- LBIC and LBLIC align themselves with the objectives of Land Bank to be sustainable specialist insurers of agricultural risks, in support of the objectives of the Land Bank.



# Land Bank Response to the Drought



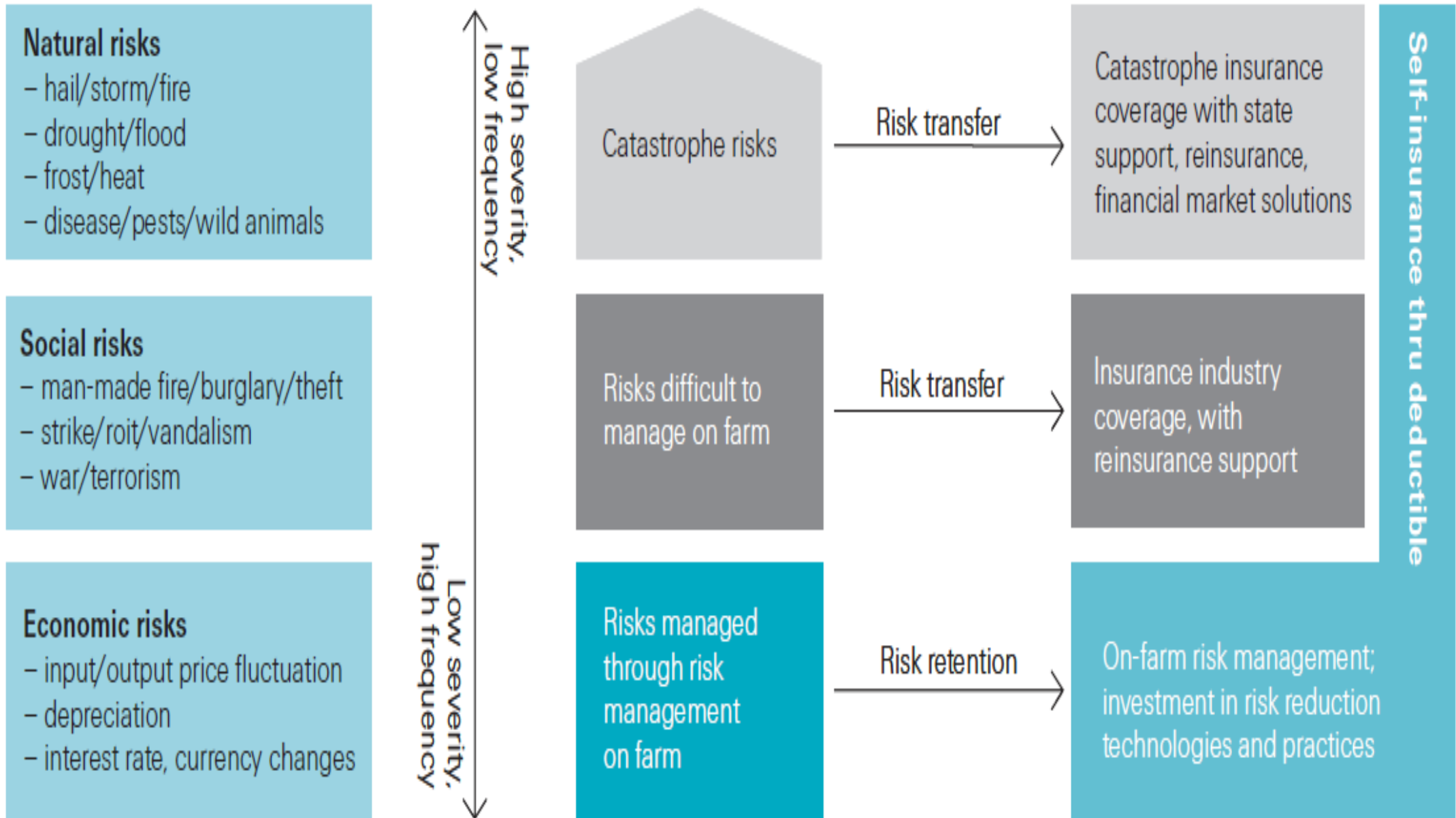
- Drought Relief Fund introduced in 2016
  - Intended for 2015/16 maize crop
- Administered in conjunction with IDC to farmers in impacted areas
- Over R100-million in loans already disbursed to-date
- Fund availability has just been extended for farmers in the Western Cape and Eastern Cape due to continued drought conditions



**We Stand By You!**



# Categorisation of Risk in SA



# Impact of Drought on Insurance Funding



- **Consolidated insurance loss results over the past 13 years**
  - 114% LR average
  - 397% in 2006
  - 256% in 2012
  - 161% in 2015
- **Market Structure: Oligopolistic**
  - less than 40% retention
  - dependent on Foreign Capacity (Limited capacity)
- **Total h.a's cover by MPCl reduced from R1m in 2010 – R531k in 2015.**
- **Current effect on funding**





## Big Question: Are we prepared for the next drought?

What are the imperative underlying questions that we need to address in order to answer this big question?

### Underlying Questions to be Asked:

- What is the future of Crop insurance & production finance?
- How will financial institutions prepare the next drought?
- How can the risk to smallholder farmers be managed?
- What possible solutions can be offered?
  - Short-term
  - Medium-term
  - Long-term

### Key Point

For a successful realisation of a sustainable crop insurance sector, what can the private sector do together with the state to address these challenges caused by drought?



***THANK YOU!***