

**Absa AgriBusiness**

**SACAU**

**Policy Conference**

**Agricultural Finance and Land  
Issues**

**29<sup>th</sup> March 2010**

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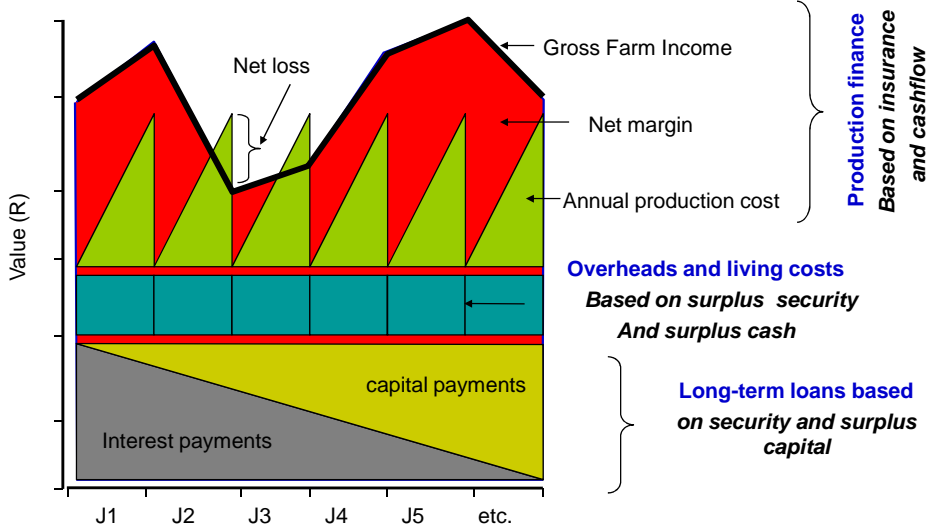
  
**ABSA**  
*Today, tomorrow, together.*

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## Typical Financing Needs of a Farmer

Capital requirements for a farming venture



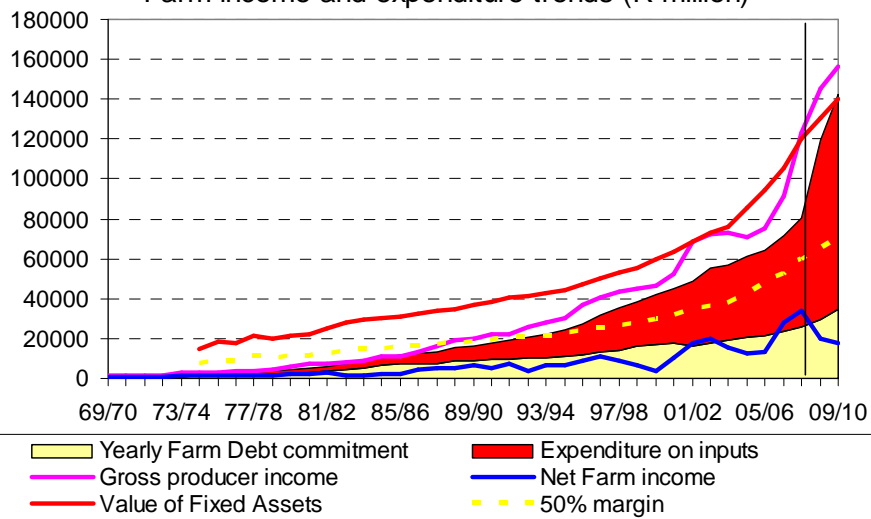
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## Trend in Farm Finances and Collateral Value

Farm income and expenditure trends (R million)



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## How Important is Land in Agricultural Finance?

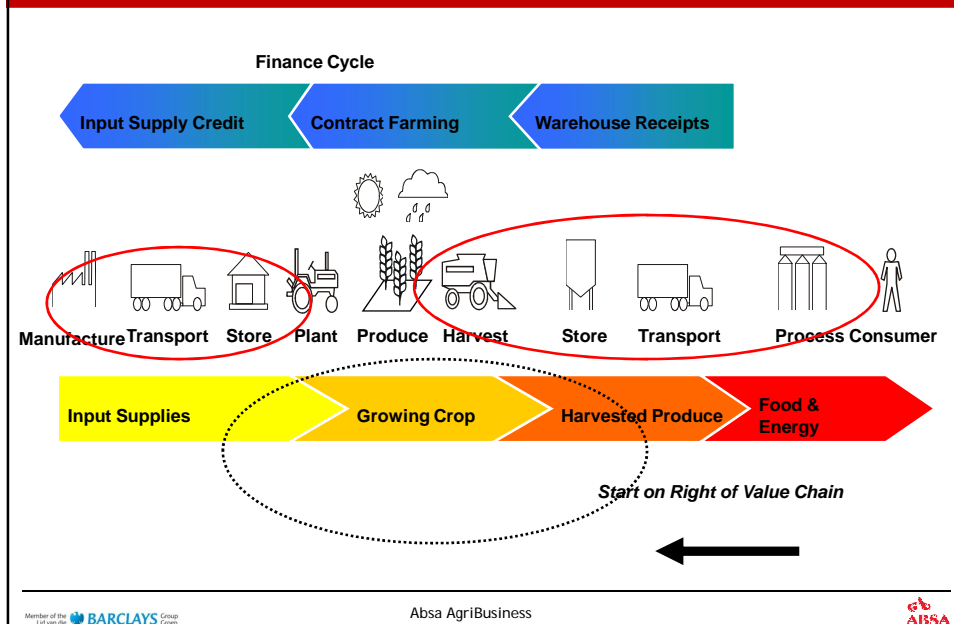
- Only as strong as the agricultural value chain.
  - Due to uniqueness of agriculture.
    - Production risk
    - Market risk
  - Adaptation of agricultural finance to agricultural systems in different regions.
    - To meet borrower needs and support loan management.
    - What measures are in place to assure the farmer of price close to price at planting during harvest.
  - What role are the State and organised Agriculture playing?
    - Marketing support.
    - Technical support.
    - Bulking of Services such as purchase of inputs, bulking of produce, etc.

## How Important is Land in Agricultural Finance?

Cont'd

- Public and Private sector partnerships to share risks.
- Government permit private sector to leverage its initiatives.
  - i.e. Private sector finances production on the back of government investment in bulk infrastructure and crop insurance guarantee.

## How Does the Value Chain Enhance the Value of Land?



## Realisation of Land Value in Southern Africa

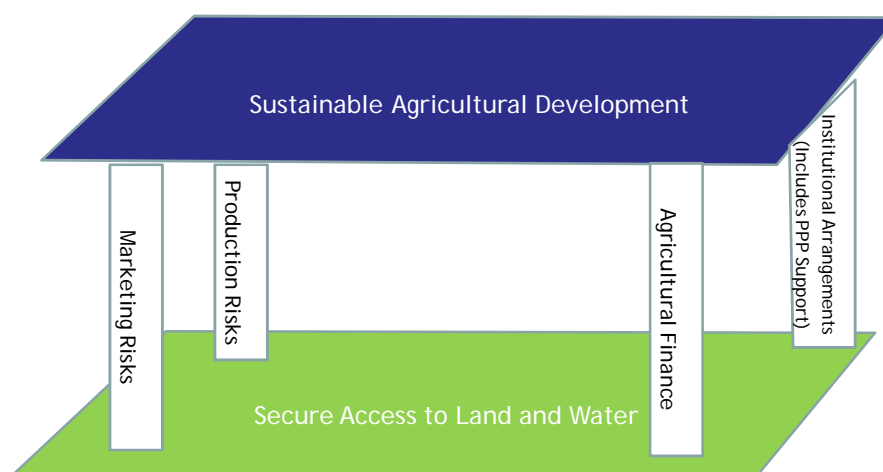
- Secure access to land and water.
  - Defined term and enforceable (Lease, freehold, Permission to Occupy).
    - Definition of various finance products i.e. term loan, production credit/crop finance.
- Production Risk Management.
  - Ensure optimal use of resources and production.
    - Good agronomic practices, irrigation, etc.
- Market Risk Management
  - Minimise price volatility.
    - Stable incentive for investment in seed and technology.
    - Cash flow management.
  - Predictable government policy environment.
    - Food sufficiency vs ability to purchase food by poor households.
    - Handling of surplus and deficit situations.

## Realisation of Land Value in Southern Africa

- Public-Private Sector Support.
  - Coordination between Public and Private sector investments.
  - Investments into the value chain by organised agriculture.
    - Very important in Southern Africa, need specific chain finance institutions or capacity.
      - Community based financial institutions.
        - » South Africa's Land Bank a good example but this could even be further improved.
        - » Between 50 and 95% of Southern Africa produce by Smallholders.
      - SMMEs/Agro dealers (Inputs, produce and credit).
        - » The need for new generation Cooperatives remains/Virtual Coops.
  - Government to creatively bridge initial investment costs or partake in sharing catastrophic loss in the case of crop insurance.
  - Creatively use disaster relief funds to prevent agricultural disasters.
    - Structure guarantee funds to support financial institutions, upstream integration i.e. rice mill development.

## Missing Link in Agricultural Development

Cont'd



## Conclusion

- Access to land and water alone will not address poor agricultural development on Southern Africa.
  - South African Land reform, a clear example.
- Access to only one of the pillars will not result in Agricultural development.
  - The following have to occur together for agricultural development:
    - Secure access to land and water.
    - Access to markets and less price volatility, coupled with organised agriculture/bulking entrepreneurs.
    - Good production management techniques/agronomic practices.
    - Risk mitigation and sharing.

## Thank you

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