

IDC

Agro-Processing & Agriculture

***Drought in South Africa
8 March 2016***



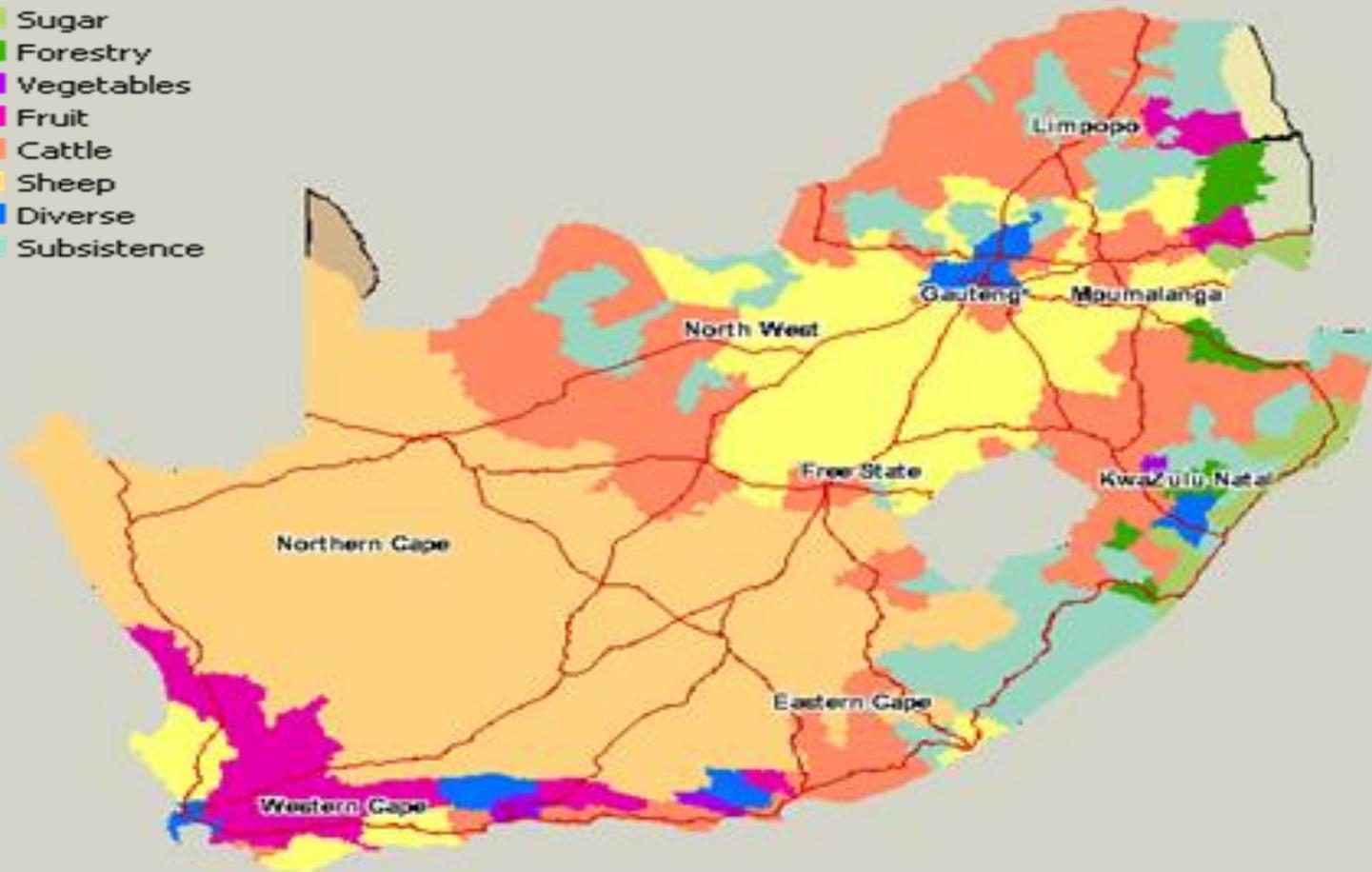
- ❑ Provinces of Free State, North West, Kwa-Zulu /Natal, Mpumalanga, Limpopo, Gauteng, Northern Cape are under severe drought stress;
- ❑ Many farmers have to date received only about 60% of their annual rainfall;
- ❑ Last year's maize crop at 9,8m tons, which is down from 14,3m tons in 2013/14;
- ❑ Major El Nino phenomenon – bringing drought conditions
- ❑ Food price effect could be astronomical – food protests a risk?



South African Agricultural Regions

Agricultural regions

- Grains
- Sugar
- Forestry
- Vegetables
- Fruit
- Cattle
- Sheep
- Diverse
- Subsistence



IDC INTERVENTIONS

- ❑ To date, the IDC has provided the following disaster relief facilities which has saved a considerable amount of jobs in total:
 - ❖ Landbank (R100 million) – 1 582 jobs saved (including seasonal jobs)
 - ❖ GWK Ltd (R150 million) – 2 500 jobs saved (including seasonal jobs)
 - ❖ Gledhow (R22 million) – 2 300 jobs saved (including seasonal jobs)

- ❑ The above facilities have been fully drawn, and the account status is considered good.

- ❑ The IDC has approved a facility for R400 million
 - ❖ Anticipate support to 437 clients; 2 185 jobs to be saved

- ❑ The facility will assist farmers to respond positively to the drought
 - ❖ For companies involved in primary agriculture
 - ❖ Emergency working capital to prevent further losses to current farming operations
 - ❖ Carry over debt
 - ❖ Repairs to and replacement of existing infrastructure resulting from other natural disasters
 - ❖ Utilised as a guarantee to commercial banks

- ❑ Conditions
 - ❖ Minimum 50% to primary agriculture suppliers to agro-processors
 - ❖ Minimum 50% to BEE farmers
 - ❖ Report on support to women, youth disabled

Envisaged support – per province

Provinces		Areas			Potential Clients	Potential Jobs Saved
1	Free State	Bethlehem	R	15,777,868.34	33	165
		Bloemfontein	R	58,425,136.12	40	200
		Kroonstad	R	19,352,245.77	16	80
2	Mpumalanga	Nelspruit	R	22,289,745.94	25	125
		Ermelo	R	21,056,790.66	30	150
3	Limpopo	Modimolle	R	10,660,424.48	20	100
		Polokwane	R	5,558,170.83	10	50
		Tzaneen	R	3,322,354.47	10	50
4	KZN	Pietermaritzburg	R	18,187,038.87	76	380
5	North West	Potchefstroom	R	7,778,815.62	22	110
		Rustenburg	R	5,601,442.85	35	175
		Upington	R	46,608,955.33	56	280
		Lichtenburg	R	13,957,146.50	48	240
		Vryburg	R	42,821,399.30	16	80
			R	291,397,535.09	437	2185

- ❑ Provision for bad debts will be made given the high risk profile of the transaction.

- ❑ Main end beneficiaries
 - ❖ Sugar cane
 - ❖ Livestock
 - ❖ Maize farming

- ❖ from 5 declared provinces



- ❑ Discussions with the private sector for additional support entered into
- ❑ A member of the Drought Task Team, an initiative spearheaded by Agri SA

- ❑ Southern Africa is assessing its food security situation
 - ❖ Preliminary indications that the region is experiencing a drought
 - ❖ Stocks available
 - ❖ Predictions are that we would have to import white maize by September 2016 from countries such as Mexico and the US.
 - ❖ Yellow maize will be coming from Argentina, Brazil and the countries in the Black Sea

- ❑ The main issue will be the price
- ❑ The importing of maize will hit consumers the hardest
- ❑ National Agricultural Marketing Council forecasting family spending to increase by at least 25%.

REGIONAL IMPACT AND STRATEGIES

- ❑ The 19th Southern African Regional Climate Outlook Forum (SARCOF-19), predicted that the region is expected to receive insufficient rainfall during the forthcoming agricultural season that runs from October 2015 to March 2016.

- ❑ This climate outlook for the Southern African Development Community (SADC) is not a favourable one as the region is coming from a recent challenging situation which it has not fully recovered from

- ❑ The El Niño effect has been associated with previous drought periods in Southern Africa. The phenomenon causes the sea temperature to rise significantly in the Pacific Ocean off South America, and the air becomes dry, affecting the rain-formation process.

- ❑ With the impending extreme weather conditions, the SADC region should prepare for such natural phenomena. For example, farmers could plant crops that do not take long to mature, and the region should invest more with infrastructure development, including roads, irrigation and silos.
- ❑ Improving the transport network and storage facilities will allow agricultural produce to be moved smoothly from one place with surplus to another needing additional food.
- ❑ We should invest more in irrigation, conserve dam water, and plant short season varieties.
- ❑ Most economies in SADC are largely dependent on climate conditions, and any reduction or increase in rainfall often has a negative effect on socio-economic development.

- ❑ The Zimbabwe Power Company, said water levels in Lake Kariba have dropped to 41 percent compared with 80 percent this time last year. With expected low rainfall, it is likely to take longer for water levels to be at optimal.
- ❑ As a result, the Zambezi River Authority, which manages the dam on behalf of Zambia and Zimbabwe, has reduced water allocation for power generation at the dam by Zambia Electricity Supply Corporation (ZESCO) and Zimbabwe Electricity Supply Authority (ZESA).
- ❑ The power utility noted that there is to be a reduction in power generation at Kariba Power Station from 750MW to 475MW until dam levels have risen to requisite levels.

- ❑ There is no indication of relief of the current drought conditions;
- ❑ The below normal rain is expected to continue for the rest of the summer;
- ❑ Almost the entire country has a high likelihood for warmer than normal temperatures;
- ❑ Short periods of showers will occur, but is not expected to bring any drought relief

