

Message from the Deputy Minister of Finance

The Acting CEO of the Land Bank, Ms Lindiwe Mdlalose
Members of the Board and the Executive Management of the Land Bank
Ladies and Gentlemen

South Africa's agricultural sector has undergone a number of changes since the advent of democracy in 1994. Government introduced land reform programmes to correct race-based land ownership, and the agricultural economy was deregulated to promote international trade. Over the past twenty years, efforts to improve efficiencies amongst commercial farmers have resulted in South African agriculture becoming gradually more consolidated. Cooperative structures and agribusinesses have increasingly acquired other businesses to remain viable and sustainable. At the same time, however, rural poverty and inequality in many parts of the country and the slow pace of transformation of the sector remain unrelenting challenges in South Africa's pressing development agenda.

Since 1994, the Land Bank has adopted several turnaround strategies to adjust its business offering to meet these changing conditions and to fulfil its developmental mandate. Today, we are proud to demonstrate that the Land Bank is on a steady and solid growth path. This is the result of sound internal governance and risk management, skilled staff, a strong client base. On 23 January 2014, this achievement was confirmed and acknowledged by the Fitch ratings agency when they upgraded the Bank's long-term rating from AA to AA+. The short-term rating remained unchanged at F1+. This is a positive development given the prevailing negative economic environment, which has led to downgrades for most financial services institutions.

While there is still much to be achieved, particularly in driving growth in black farming, innovative partnerships between the Land Bank, commercial agriculture, Government and land reform beneficiaries are enhancing access to credit, input supplies, expertise, equipment and markets for small and emerging farmers.

A note of caution: while South Africa's agricultural sector output and demand remains relatively stable through the current sluggish economic growth conditions, a number of factors place significant pressure on both large and small farm producers. These include volatile and sharp increases in input costs, water constraints, strained labour relations and extreme weather linked to climate change. The Land Bank is deeply cognisant of the impact of these factors on our clients and the country. We have therefore established an Environmental and Social Sustainability programme seeking, with all our stakeholders, to find lasting environmental and social solutions to these persistent challenges.

Despite a range of challenges in the sector, the agricultural sector's performance showed positive improvement for the period up to December 2013, as compared to the previous year. The gross value of agricultural production, which is the total production valued at average prices, for 2013 is estimated at R187 678 million. This was an increase of 8,5% on the previous year's R172 974 million. This proves that the agriculture sector is resilient and its diversified nature enables it to withstand the adverse effects of nature and globalisation.

It is a pleasure to note that the Bank has made commendable progress in promoting its development mandate through the Retail Emerging Markets division, established in 2010/11. Total development loans disbursed during 2013/14 amounted to R919.3 million, bringing the total development book to R2.7 billion at the end of the reporting period. The Retail Emerging Markets contributed R189 million in disbursements. The Land Bank will continue to pursue its development mandate in a sustainable manner.

In line with its mandate, the Land Bank has put development at the heart of its business strategy. Following the success of its turnaround strategy, the Bank is working to ensure a sustainable business model and improved impact in the development sector.

The National Development Plan (NDP), adopted by Government in 2012, identifies agriculture as having the potential to create 1 million new jobs by 2030 through a focus on sustainable irrigated production, conversion of under-used land in communal areas, collaboration between existing farmers and land reform beneficiaries, and support to upstream and downstream industries. The Land Bank is now well-placed to support this vision, particularly by integrating value chains between large-scale agro industry and emerging farmers, and by targeting Land Bank support to agricultural regions and sectors with high potential for growth and employment.

The challenges ahead for the Land Bank are to scale up lending in a financially sustainable manner; to play a leading role in the transformation of the South African agricultural sector as targeted in the NDP; and to promote innovative solutions for social and environmental sustainability in agriculture. In addressing these challenges, the Land Bank will need to remain mindful of balancing its dual mandate; to achieve financial viability while plotting a clear developmental path. Its sustainability and development trajectories will thus be scrutinised, refined, and adjusted as necessary.

The relationship between the Land Bank and the Ministry of Finance, the Department of Agriculture, Forestry and Fisheries, and the Department of Rural Development and Land Reform is a vital enabler in the Land Bank's quest to deliver on this developmental mandate. The Bank is committed to enhance and maintain the positive collaboration which exists between these strategic stakeholders. I would to encourage management to continue nurturing these relationships. In the same breath, I will be ensuring that the Bank continues to be availed of the invaluable support from all relevant spheres of government, especially the Ministry of Finance.

In December 2013, we bade farewell to the Land Bank's CEO of the last five years, whose contract came to an end. Mr Phakamani Hadebe led the Land Bank out of a period of decline into the stable growth position it is in today. The Ministry conveys its sincere appreciation to Mr Hadebe for his strategic vision, executive management, unwavering commitment and hard work during his years at the helm of the Land Bank. The Board and I wish him well in his future endeavours.

I thank the Board, the Executive team and all the staff of the Land Bank for their dedication and performance during the year. I extend my thanks to the Acting CEO, Ms Lindiwe Mdlalose and management, for ensuring that the Bank continues to deliver on its objectives.

Mcebisi Jonas (MP)
Honourable Deputy Minister of Finance