Impact of the drought on the agricultural sector
The crisis in rural South Africa

November 2019

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The importance of agriculture

• Most food secure country in Africa.
• Best vehicle to address poverty and revive rural economies.
• % GDP contribution: 2% (10-15%)
• Employment in agriculture: ± 850 000
Drier conditions across Africa

Temperature trends in Africa

- In the Eastern and Southern African region, more than 35.1 million people (50% were children) need humanitarian assistance.
- Much of Africa has experienced higher levels of temperature increases than the global average.
- Prolonged dry spells during the second half of the 2018/2019 rainy season resulted in reduced seasonal production, food deficits, price increases and increased food insecurity in many parts of southern Africa including southern Angola, Namibia, southern Zambia, and parts of Lesotho, Botswana and Zimbabwe.
- Namibia was declared a drought emergency.
The drought-affected settlements in South Africa as a Spatial Precipitation Index (SPI) map
Impact of the drought on the agricultural sector

Volume index of agricultural production in RSA

![Graph showing the volume index of agricultural production in RSA, highlighting the impact of drought on field crops.](image-url)
**Horticulture**

**Production – Tons – Stone Fruit – Bearing Hectares (4Yrs+)**

<table>
<thead>
<tr>
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<td>10</td>
</tr>
</tbody>
</table>

*Source: Hortgro*
Impacts of the drought on the agricultural sector

Horticulture

Rainfall vs Production

Production vs Water Availability

Source: Hortgro
### Impact of the drought on the agricultural sector

<table>
<thead>
<tr>
<th>Grain Crops</th>
<th>North (Summer crops: maize, soybeans, sunflower, sorghum, peanuts)</th>
<th>South (Winter crops: Wheat, Barley and Canola)</th>
</tr>
</thead>
</table>
| Mpumalanga, KwaZulu Natal, Eastern Cape, and Eastern Free State | - Not enough rain for large scale plant | - Dry August and September months  
- Quality problems  
- Third dry year out of four years |
| West Free State, North West and irrigation Northern Cape and Limpopo | - Inputs are ready but some farmers could not get financing  
- Too much debt |  

**Southern Cape**  
- Dry August and September  
- Yield less than average  
- Third dry year out of four years  
- Experience quality problems  
- 40% of Barley produce won’t meet quality standard of AB Inbev  
- Outstanding debt in Swellendam huge problem
**Impact of the drought on the agricultural sector**

### Livestock

#### Cattle feeding system (Free State)

<table>
<thead>
<tr>
<th>NUMER OF CATTLE</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tr>
<td>Cow calf extensive on natural grazing</td>
<td>2010</td>
<td>860</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Cow calf extensive on natural grazing with licks</td>
<td>4414</td>
<td>4458</td>
<td>705</td>
<td>1665</td>
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<tr>
<td>Cow calf extensive on natural grazing with licks and additional feed</td>
<td>6231</td>
<td>4979</td>
<td>370</td>
<td>180</td>
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<tr>
<td>Cow calf extensively full feeding system due to drought</td>
<td>0</td>
<td>1065</td>
<td>0</td>
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</tbody>
</table>

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Livestock

Sheep feeding systems (North West)

Average number of sheep

- Ewe-lamb extensive on natural grazing
- Ewe-lamb extensive on natural grazing with licks
- Ewe-lamb extensive on natural grazing with licks and additional feed
- Ewe-lamb intensively full feeding system
- Ewe-lamb extensively full feeding system due to drought

Years: 2015, 2016, 2017, 2018
Financial Constraints in Drought-Affected Settlements

- 37.44% settlements in South Africa are affected by drought.
- Real agricultural output was 9.2% lower in the first half of 2019 than in the corresponding period of 2018.
- The drought conditions of 2013, 2015, 2016 and 2019 has left many maize producers in the North West and parts of the Free State in a very challenging environment.
- Financial strain is increasing, carry-over debt is rising and many are looking to alternatives in urban areas.
- In these years, produces not only suffered substantial yield losses, but several producers could also not plant their intended maize area.
- Late plantings and patchy rainfall are expected to negatively affect grains, while herds recover following the outbreak of foot-and-mouth disease.
- In the livestock sector, several factors have combined to strain producer margins in 2019 such as rising feed prices resulting from the dry planting season, as well as the FMD outbreak in Q1 of 2019.
- With domestic consumer spending under pressure, the diversion of products that might otherwise have been exported into the domestic market caused prices to decline sharply, despite constrained supply amid a cycle of herd rebuilding.
Agriculture debt, farm assets and debt as a % of assets

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Conditions in the Northern Cape has reached crisis level

- Since April 2019 to November 2019 the number of farms affected increased from 10 000 farms to 15 500 covering more than 20 million hectares. This relates to 613 447 LSU’s (livestock units).
- The total area affected by the potential disaster drought in the Province is 27 million ha with a carrying capacity of more than 1 million LSU’s (livestock units).
- It is estimated that the value of production during a normal situation in the affected area, would amount to R 2.53 billion per annum.
- The Northern Cape government has granted R30 million to drought relief. (Excluded wildlife ranchers from support).
- Agri Northern Cape estimates that current relief required amounts to R425 – R612 million.
- The province is yet to be declared a disaster area.
- Directly dependent employees: 33 000
  - Decline 22.5% year on year
Drought conditions persist in Western Cape

- This is the third season out of five production years that did not go well due to climatic conditions.

- The Western Cape drought has had a big effect on total production, with export volume down 25%, on average, comparing the 5 years running from 2008/9 to 2012/13 to the 5 years from 2013/14 to 2017/18.

- Directly dependent employees: 215 000

- According to the 3rd crop estimate, wheat production declined from 1.86 million tonnes in 2018 to 1.69 million tonnes in 2019.

- Although more hectares were planted in the Western Cape, year-on-year production decreased by 208 000 tons.
Eastern Cape has been declared a disaster area

- Province with the highest concentration of poverty, but also has the highest potential for agricultural development.

- Underutilised arable land with its agricultural potential decline to escalating drought conditions.

- Directly dependent employees: 96 000
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National Poverty Map
Section 7 Committee Recommendations

National Drought Management Commission
The establishment of such a commission should focus on providing the government with an effective and systematic means of assessing drought conditions.

Disaster Fund
It is proposed to establish drought and disaster fund. Management of such a fund would have to be decided through an agreement among the sector stakeholders

Public-private partnerships (PPPs)
These partnerships could be geared towards, for example, establishing forums to establish supportive financing terms, including subsidised interest rates and extensions to the capital repayment periods, etc.

Multiperil agricultural insurance
It could be used to support existing insurance options to which government can contribute in the form of insurance subsidies which could be used towards lowering the cost of insurance premiums as well as covering a portion of the excess not covered by insurers.

Early Warning System (EWS) in disaster risk reduction
An EWS is a system where people receive relevant and timely information in a systematic way prior to disaster in order to make informed decisions and take action for Disaster Risk Reduction (DRR) elements.
Recommendations

1. Emergency measures with regards to water and food relief
2. Drought insurance
3. Support towards the retention of farm workers and labour wage bill
4. Interest subsidy on production loans
5. Interest subsidy on production debt
6. Bridging finance for affected farmers to manage down in the repayment of agriculture debt
7. Interest subsidy on loans for replanting
8. Tax breaks for farmers in need
9. Financial assistance to buy fodder
10. Support to remove invasive species
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Agri SA Drought Disaster Fund

The Agri SA Drought Disaster Fund ensures that farms remain in production and that jobs and food security are protected.

Agri SA  |  Bank: ABSA  |  Account Type: Cheque
Account Number: 40-6854-0775  |  Branch Code: 632 005  |  Reference: RAMP