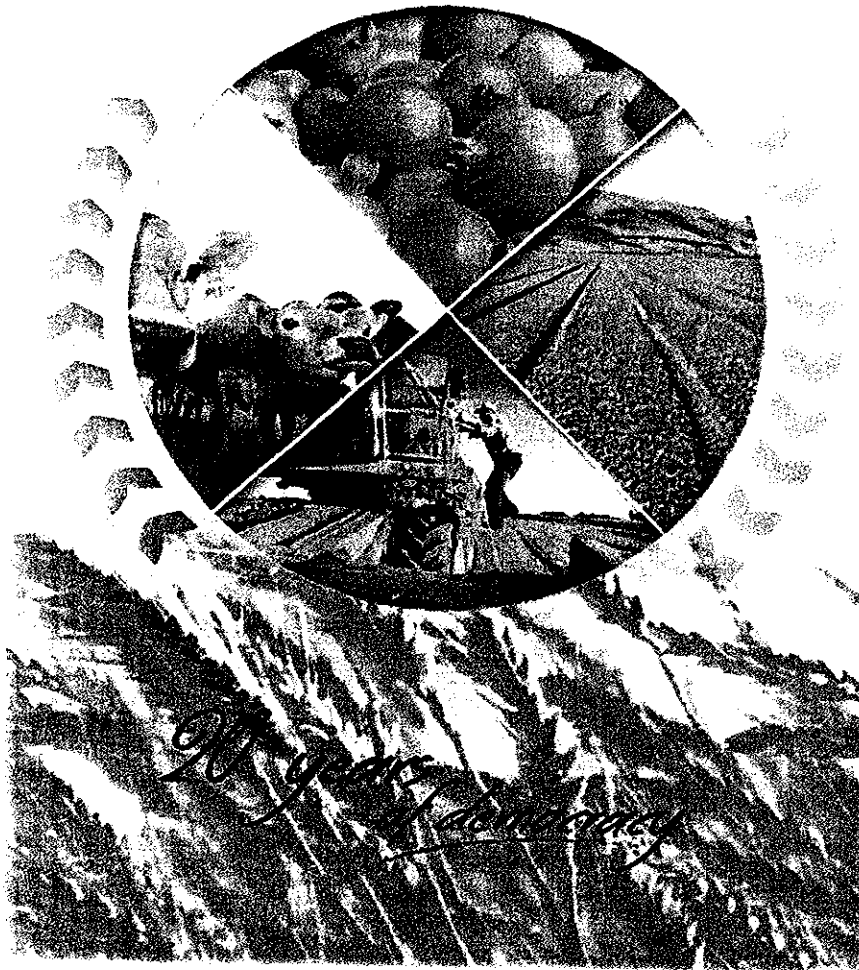




**PRESENTATION
TO THE
PORTFOLIO
COMMITTEE ON
AGRICULTURE,
FORESTRY AND
FISHERIES**

04 November
2014

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CONTENTS



1. MAFISA
2. AGRI-BEE
3. RETAIL EMERGING MARKETS (REM)



MAFISA

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MAFISA BACKGROUND INFORMATION



- The purpose of MAFISA is to provide loans to previously disadvantaged black farmers, at a nominal interest rate.
- On-lending is done through intermediaries identified by DAFF.
- An agreement to manage the funds was signed in 2006 to provide custody and management of the funds and make payments to intermediaries on the instruction of DAFF.
- In 2008, due to challenges experienced by the Bank in the administration of MAFISA, new management revised the agreement.

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MAFISA BACKGROUND INFORMATION



- In November 2013, R 136 280 031 was repatriated to the National Revenue Fund, on the instruction of National Treasury after the request by DAFF to utilise the funds was not approved (see Annexure A).
- The current balance in the MAFISA account, as at 30/09/2014 is R 2 593 270 (see Annexures B1 & B2).
- Payments are still being received on the account as intermediaries repay loans into the account.
- A review is currently underway with National Treasury, DAFF and Land bank to enhance efficiencies.

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Agri-BEE



AGRI-BEE BACKGROUND INFORMATION



- The purpose of Agri-BEE is to facilitate broad-based economic empowerment in the agricultural sector through the provision of grants to black South Africans.
- The initial purpose of the fund was for the provision of grants for the acquisition of equity in existing commercial agricultural enterprises by the Previously Disadvantaged Persons (PDPs) in South Africa.
- The initial agreement that was concluded around 2006 was revised due to poor controls.
- In 2008, a new agreement was signed.
- In April 2011 MoA was reviewed and signed to broaden scope and it is currently being reviewed to enhance efficiencies.

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ROLE OF DAFF



- Transfer funds to Land Bank.
- Receive applications from the Provincial Departments.
- Screen the applications and make recommendations.
- Forward to Land Bank for due diligence.
- Final approval after due diligence by Land Bank.

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ROLE OF LAND BANK



- Administer and manage the funds
- Perform due diligence on recommended applications from DAFF.
- Make recommendations to DAFF on applications.
- Disburse the funds in terms of applicable conditions and instructions from DAFF.

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AGRI-BEE STATUS AND APPLICATIONS



- In November 2013, R 228 577 377 was repatriated to the National Revenue Fund, on the instruction of National Treasury.
- Post transfer of funds to National Revenue Fund:
 - 1 application of R2.5 million (Tropical Mushrooms) was paid out.
 - Additional 5 applications have been received (see Annexure C).
 - DAFF transferred R35million to Land Bank for new applications (see Annexure D).
- The balance in the Agri-BEE fund as at 30/09/2014 is R 37 298 526 (see Annexure E).

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REM

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REM BACKGROUND INFORMATION

REM division was created as a response to challenges of market failure regarding black emerging farmers:
Onerous collateral and security requirements

- High cost of funding based on risk resulting in high interest rates
- High rates of defaults resulting from little or no support to the farmers
- Little or no integration of the agricultural value chain for emerging farmers
- A lack of dedicated focus to emerging farmers

The solution was the implementation of the REM model which includes the following unique value proposition

- Cash flow lending based approach
- Concessionary funding and interest rates
- Non financial support (end to end on farm support)
- Two approaches were identified to Market REM

Wholesale Finance Facility

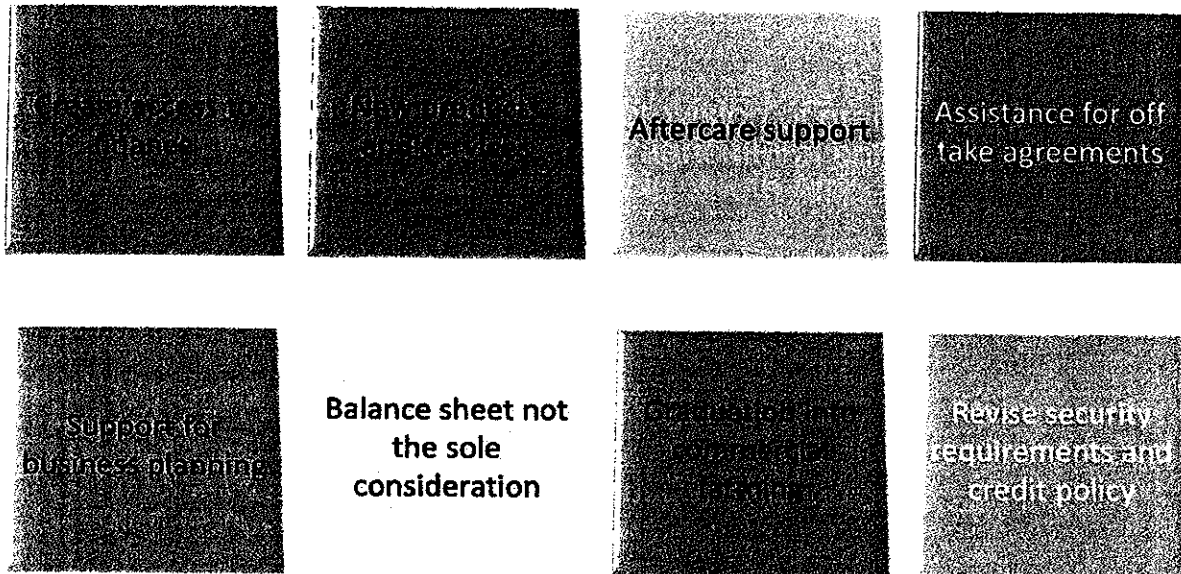
- intermediaries to act as on lenders of the bank and provide on field support while maintaining stringent criteria

Direct lending

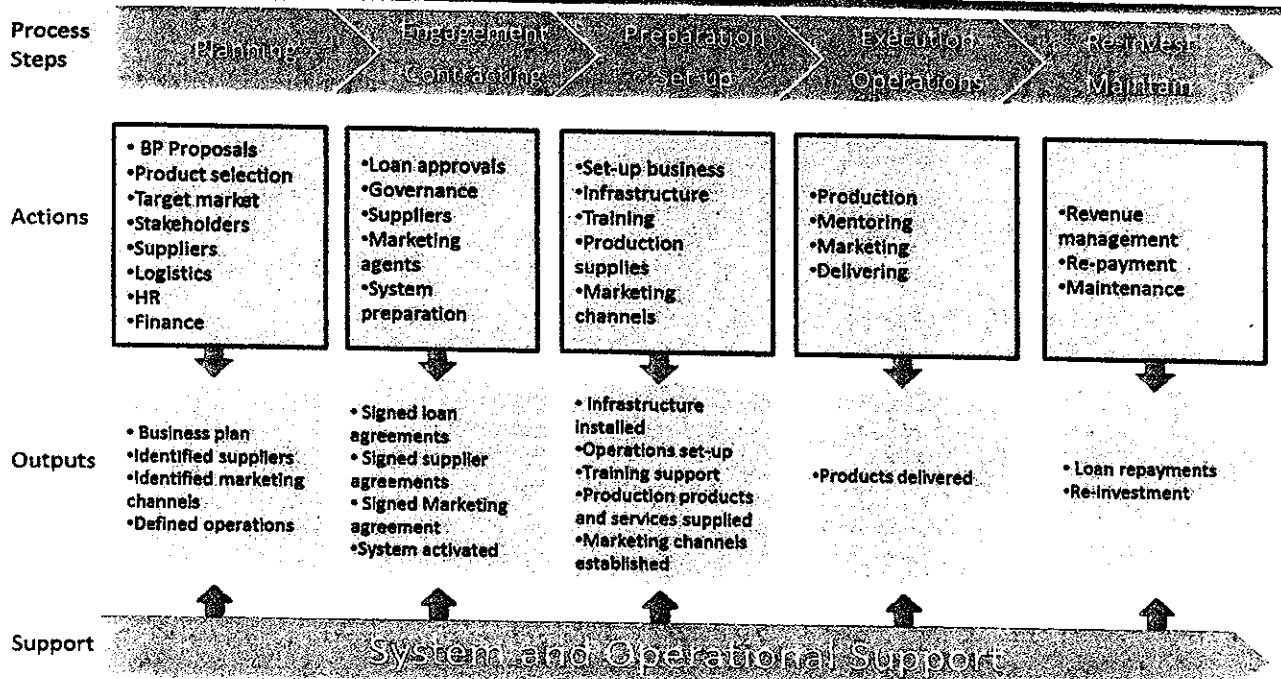
- Through Bank's AFC network



REM OBJECTIVES

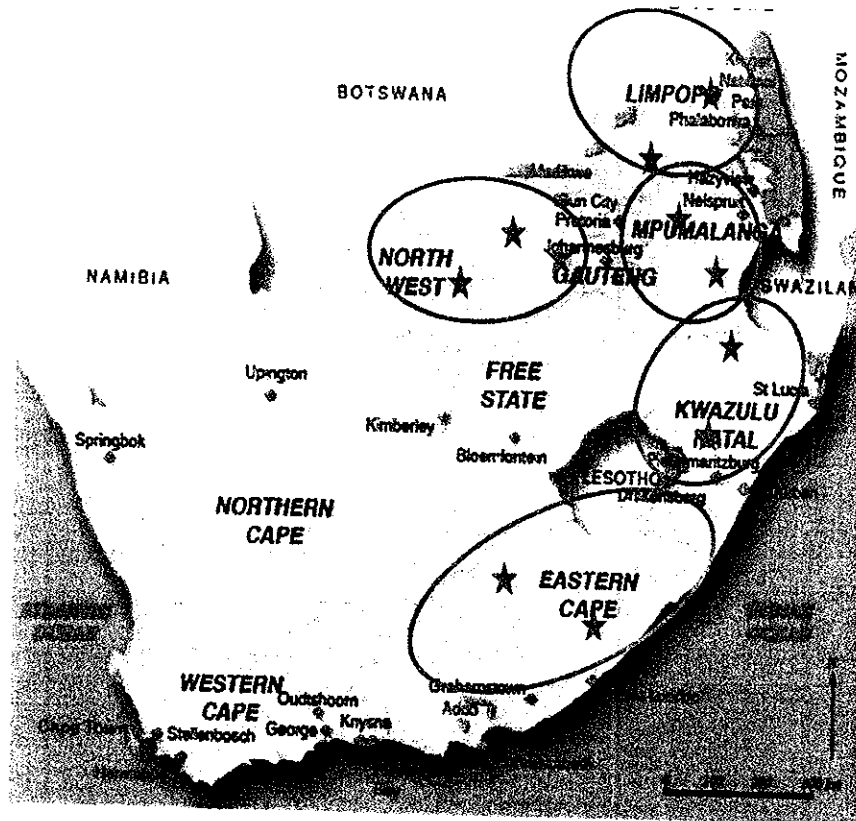


REM PROCESS





REM PRIORITY AREAS



R.E.M

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REM EXPOSURE



- Loan book as at 30 September 2014
– R 391,153,132.96
- Pipeline as at 30 September 2014
– R 723,000,000.00



REM IMPACT



Farmers financed	365
Permanent employees	4,986
Seasonal/temporary employees	793
Beneficiaries impacted	51,786
Hectares farmed (owned)	13,158
Leased/communal hectares farmed	139,211
Farmers receiving mentorship	415
Farmers attended training programs	1,498
Value of assets increased by	R213,000,000.00
Turnover of the farms increased by	R100,000,000.00

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Thank you

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