**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**QUESTION 4176/ NW5052E**

**MINISTER OF AGRICULTURE, FORESTRY AND FISHERIES:**

**Ms A Steyn (DA) to ask the Minister of Agriculture, Forestry and Fisheries:**

**QUESTION**

Whether any plans will be put in place by the Land Bank to assist farmers with soft loans in order to help with funding for the next season; if not, why not; if so, what are the criteria to qualify for the specified soft loans?                  NW5052E

**The Land Bank reports to the Minister of Finance. The Department of Agriculture, Forestry and Fisheries has referred the questions to the Land Bank and their response is below.**

**REPLY**

As a Development Finance Institution, we certainly share the view that the farmers are in a difficult position. The prevailing drought has aggravated this season’s conditions following an equally challenging 2014 season.

The Land Bank has been closely monitoring the distress signals of our farmers in an attempt to proactively intervene and support. We are of the view that as the prevailing weather conditions continue, it is likely that more farmers will show early signs of distress.

Farmers genuinely need more state support right now. Land Bank has been proactive in preparing itself to be in a position to assist it clients by reviewing the loans of affected clients through Drought Relief intervention initiatives.

The above is targeted to all droughts declared areas and other affected areas will be confirmed by Land Bank Agricultural Economist Specialists (AES) report and supported by evidence of losses.

**PURPOSE OF DROUGH RELIEF INTERVENTION**

* Carry-over  of debt to next session
* Restructuring, of existing facility
* Deferring of payment
* Payment holiday, where applicable
* Interest write-back for Retail Emerging Markets,

**ELIGIBLE CLIENTS**

* Existing Land Bank client’s drought relief loans intervention will be based on own merits.
* New clients will be assessed according to the existing credit criteria as set out in the Retail Emerging Markets and Retail Commercial Banking Credit Policies.
* Distressed accounts due to other reasons other than drought are excluded from this initiative, but may apply on the normal criteria.

**CREDIT CRITERIA**

All loans must comply with current Land Bank loan guidelines with respect to repayment ability, security and approved Credit Policy, exceptions will be considered on own merit.

**INTEREST RATE**

Interest rate or pricing will be based on client’s risk grade or determined by the appropriate approving committee.

**RECOMMENDED OPTIONS AT THE DESCRETION OF THE LENDING COMMITTEE**

Implementation of drought relief initiative will consider options as follows on a case by case:

1. To advance 2nd season production loans without full settlements of the previous season production facility.
2. Extend repayment period for the remaining term of the mortgage and medium term loan.
3. Granting repayment holiday to a maximum of 24 months depending on commodity and cash flow projections.
4. Interest accrued write back for Retail Emerging Markets clients with inputs for the 2014/2015 production season that did not plant.
5. Adjust loan to value from 60% to 75% (fully collateralized) where business cash supports increased borrowing.
6. Subordination of existing loan where applicable to prevent reckless lending and over-indebtedness.
7. Evaluation for assistance will be based on client’s business case merit.
8. All applications approved under this initiative will require progress reporting every 6 months.

We hope that the above comprehensive account of the Land Bank Drought Relief intervention initiative responds fully to the requirements of the question