# More PPPs needed to get agriculture back on its feet

Governments, in most international markets, support farmers through subsidies or participation in MPCI (multi-peril crop insurance) programmes. According to Philip du Preez, head of agriculture at Mutual & Federal, "In the current environment, the South African government is urged to assist in promoting food security in South Africa by way of increased public-private partnerships (PPPs).”

Philip du Preez, Head of Agriculture, Mutual & Federal

While there are some PPPs in the agriculture sector, such as the Strategic Water Partners Network (SWPN), it is not nearly enough to stimulate the type of growth that is required to see the industry back on its feet. Another example of a PPP at work is the Water Efficient Maize for Africa (WEMA) programme, coordinated by the African Agricultural Technology Foundation (AATF). The aim of the WEMA programme is to develop drought-tolerant and insect-protected maize using conventional breeding, marker-assisted breeding, and biotechnology, with the goal of making these varieties available royalty-free to small farmers in South Africa, Kenya, Mozambique, and Tanzania.

## Revitalising public investment in agriculture

Du Preez notes that the Mutual & Federal Community Trust invested R3m in the Qamata community last year, more specifically in the Ilitye Labathembu Dairy Farming Co-operative. The funding was allocated by the co-op to the purchase of dairy and other farming equipment, such as tractors. “The cooperative has long-term plans to expand and diversify its farming activities, an initiative which is now enhanced by our investment,” he says.

According to an Oxfam report, government and donors should revitalise public investment in agriculture targeted at the needs of small-scale producers and women. This represents a proven policy to meet poverty and food security goals through agriculture. Initiatives should also ensure that any agricultural investment builds the climate and environmental resilience of local communities. This would include strong analysis of the opportunity cost of the use of land and water through large-scale agricultural investment initiatives.

Du Preez notes that early indications for 2017 point to a more normal planting season with better maize plantings than last season and farmers being more positive overall. However, he cautions that it will take at least two seasons for any significant improvement in the agriculture sector after the severe drought experienced over the last year. “For example, livestock farmers could take five to seven years to build up bloodlines again, after they had to cull their animals,” he says. In addition, many farmers are battling with high levels of debt following a drop in harvests realised in the last year.

The drought has had dire effects on the local agricultural industry, with a direct and large impact on production. “For example, last season’s production of maize, our staple food, was 25% - 30% down on the previous season,” he says.

## The effect of the drought on the economy

Du Preez says that while a lot depends on follow-up rain, South Africa is likely to benefit in the year ahead from increased exports of maize and fruit in particular, and sales of farming equipment are looking better. However, consumer price inflation will remain high for the next few months. “There might be some relief for consumers from September 2017 onwards following a more normal harvest,” he says.

Looking at the country’s economy, Du Preez says primary agriculture makes up 3% of GDP but when you look at the whole value chain, this contribution rises to as much as 27%. “With the return of the rains, we expect agriculture’s contribution to GDP in 2017 to improve as more land is put under cultivation, leading to higher yields and output,” he says.

## The role of the insurance industry

The insurance industry has responded to the drought in a number of ways. Firstly, Du Preez notes that risk selection as far as MPCI cover was concerned became tougher. Insurers tried to select the better risks with a proven track record. Secondly, rates on MPCI increased and thirdly pricing on hail business became more competitive. “In certain areas, MPCI cover was not available at all,” he says.