

# What does it take for agri sector transformation to be successful?

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Farmers and agribusinesses face a myriad of challenges in their 'normal', everyday working lives. These challenges include climate change, fluctuations in international prices, interest rates and exchange rates, political fallout, economic variances, and natural disasters.



Source: [123RF](#)

But adding irregular circumstances such as failing infrastructure, blackouts, water shortages, Transnet strikes and unprecedented events like Covid-19 can create a huge storm and severe impact. South Africa is expected to feel the brunt of El Niño towards the end of this year, which will create further difficulties, and applying 'normal' thinking may not be sufficient.

Contingency plans must be put in place, as we cannot allow the agricultural sector to fail. This is especially true for new transformation transactions and small-scale farmers who may not have the experience or resources to weather these unusually volatile conditions. Our overriding goal should be to help grow this sector of the agricultural economy, with a clear focus on resolving inequality and driving diversity through equal access to financing and support.

## Change agents are critical enablers

It takes hard work, dedication, a clear vision and a solid 10-year plan for any agricultural enterprise to succeed – and this is no less true for transformation enterprises. However, equally important in the transformation space are the critical enablers: the frontline 'change agents' who bolster transformation initiatives with training and mentorship and provide access to markets, legal structuring and the support to obtain relevant financial backing.

Fortunately, these change agents exist in the South African agricultural system and work in tandem to support and help these farmers thrive.

Nedbank Commercial Banking, for example, created an innovative transformation financing solution to meet the needs of and accelerate transformation efforts in the sector. Developed along a financial and non-financial construct, our model combines a blended finance model with training and mentorship support from proven transformation organisations complemented by the company's innovative funding solutions, including enterprise development solutions.

In addition, non-financial partners assist with sourcing and identifying the right partners, legal support, shareholder and directorship training, access to markets, and engagement with government.

## **Partnerships are equally key to success**

The lending opportunities under the transformation agenda are significant, but we rely on partnerships to unlock this potential.

These include reliance on government for the blended finance scheme that injects equity into deals to help reduce the financial risk of the transactions, and guarantee schemes, which protect the bank from the risk of default given the high-risk nature of the sector, as well as partnering with developers of new technology that guards against biosecurity hazards, which potentially threaten the viability of operations, and the likes of Partners in Agri Land Solutions (PALS) to avoid funding risky operations that lack sound partnerships, training and mentorship.

We confirmed our participation in the blended finance scheme and await confirmation from government to proceed.

The Department of Agriculture's blended finance scheme can unlock many opportunities in agriculture and alleviate the risk of the current challenges in South Africa.

The irregular circumstances rocking South Africa are negatively impacting agriculture. Not only is the agricultural sector bearing the brunt of these circumstances, but they also put transformation initiatives under significant pressure.

Transformation and growing the sector are key to changing the dynamics of agriculture and encouraging further job creation alongside skills development and land ownership. But the success of any agricultural transformation relies on how effectively farmers are supported through financial and non-financial means.

As stakeholders in agriculture, we need to form more and stronger partnerships, including with government, to secure the future of the sector.

## **ABOUT THE AUTHOR**

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