AfriForum

Introduction

South Africa is on the verge of a humanitarian crisis. Compared to previous years, farmers have not been able to either grow sufficient crops or produce sufficient red meat as a result of the ongoing drought. It also seems as if South Africa's government lacks the will and competency to declare the drought a national crisis situation. Moreover, Government has provided little to no help to South African farmers – black and white.

AfriForum

AfriForum is a civil rights organisation that focuses on minority rights in South Africa, mainly those of Afrikaners, who comprise approximately 9% of the total South African population. The organisation believes in mutual respect and recognition between all racial groups in South Africa. It has a membership base of more than 180 000 country-wide members. Many of these are commercial farmers, who contribute to the national economy and provide food security for South Africa and work to thousands of South Africans.

United Nations

A report by the United Nation's Office for the Coordination of Humanitarian Affairs (OCHA) [1], the traditional rainy season (October 2015 to March 2016) was devastated by an El Niño-induced drought that crippled agricultural production that depends solely on rain. Moreover, the subsequent April 2016 harvest proved insufficient, with a regional maize production shortfall of 9,3 million tonnes. This was the region's second consecutive poor rainfall season – exacerbating a vulnerable situation already worsened by major economic decline. Moreover, the International Monetary Fund recently downgraded its 2016 growth forecast for South Africa, the region's economic ballast, to just 0,1 %[2]. As a result, the governments of Botswana, Lesotho, Malawi, Namibia, Swaziland and Zimbabwe have declared national emergencies, as have most provinces in South Africa.

---

[1] OCHA(2016). *El Niño in Southern Africa*. Available from http://www.unocha.org/el-nino-southern-africa. (Attached as Annexure A.)
[2] Ibid.

The drought

Since 2012, South Africa has received less rainfall than the average annual rainfall, which is just over 600 mm. Figure 1 shows why 2015 can now officially be declared the driest year in South Africa since the recording of the annual total rainfall began in 1904:

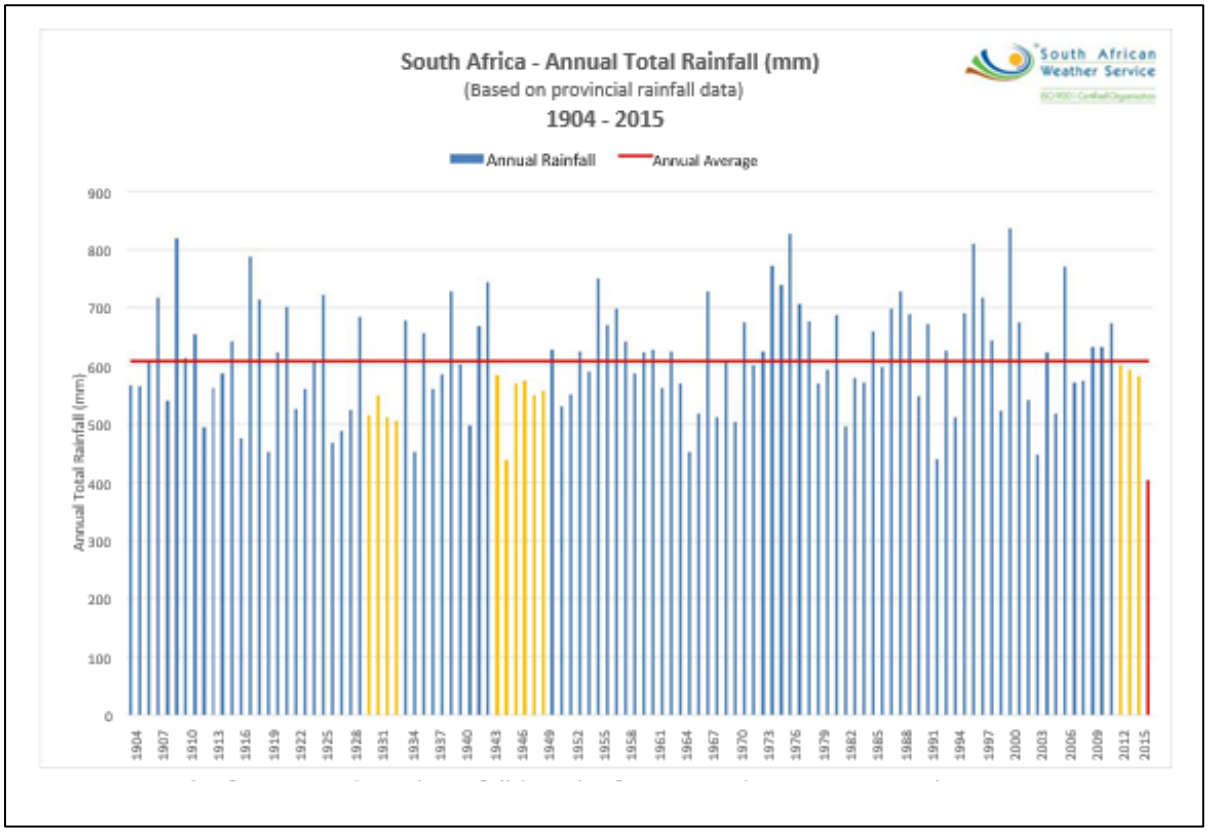


Figure 1: The total annual rainfall for South Africa, 1904–2015

(Source: South African Weather Service, 2015)

The information in Figure 1 is mirrored by the Standard Precipitation Index (SPI), which shows deviations from average long-term rainfall patterns. The Bureau for Food and Agricultural Policy (BFAP) explains that the index observes under-average rainfall patterns on a monthly basis and indicates the severity of a drought[3]. Figure 2 below shows the SPI for South Africa for October, November and December 2015:

[3] Bureau for Food and Agricultural Policy. (2016). *Policy Brief on the 2015/2016 Drought*. Available at http://www.bfap.co.za/documents/research%20reports/BFAP_Drought%20Policy%20Brief_5%20February%202016.pdf.

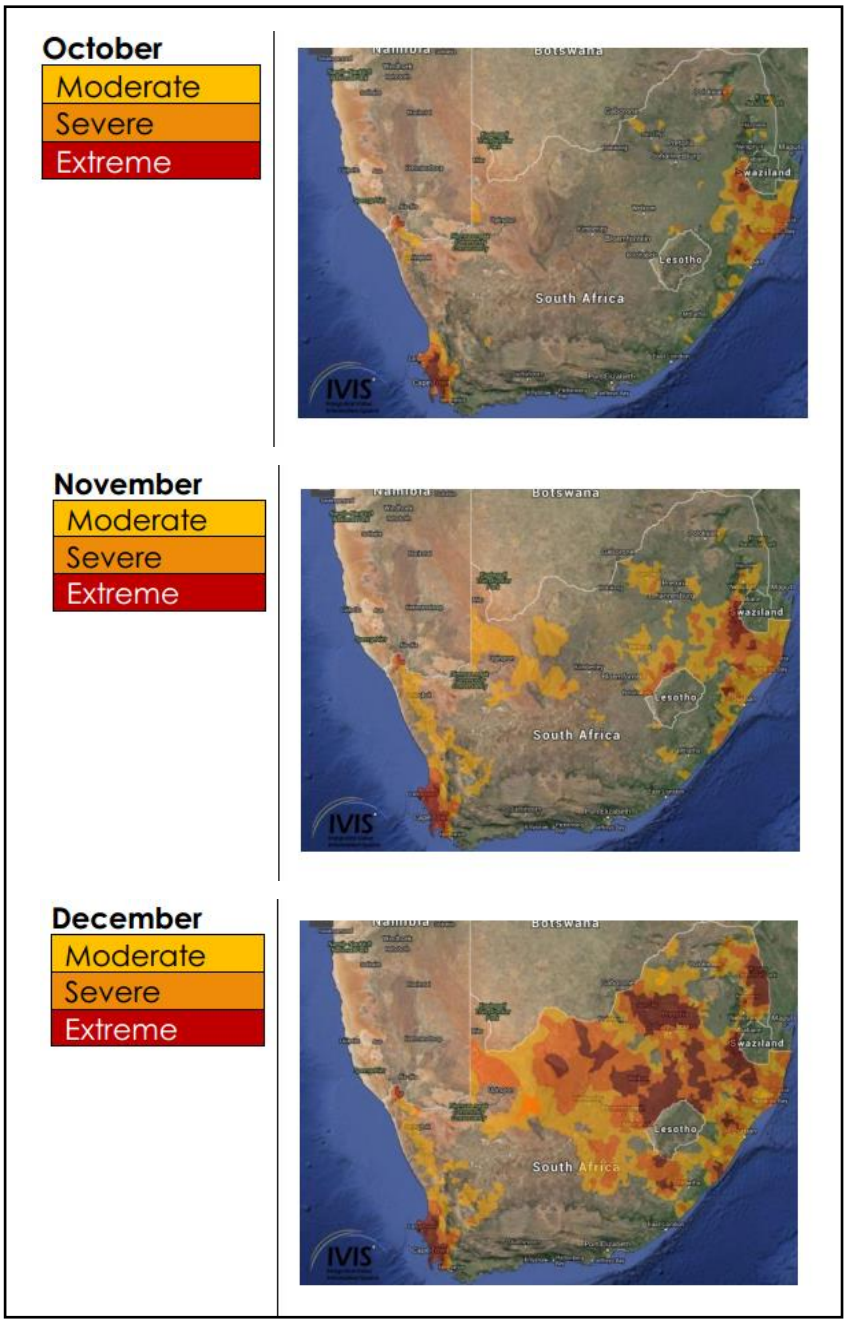


Figure 2: SPI for Southern Africa, October–December 2015

(Source: BFAP, 2016)

It is evident from Figure 2 that the drought first impacted on the coastal regions, especially the Western Cape, who had just emerged from a drier-than-usual winter, and KwaZulu-Natal. The drought then intensified in November and December 2015. As these months herald in the end of the planting season, it goes without saying that the drought impacted heavily on key crop production areas (December 2015). As a result

of the drought, five provinces were declared disaster areas in 2015. Although the agricultural sector's contribution to GDP in 2014 amounted to only 2,5%[4], its influence on food security – in terms of availability as well as affordability – must never be underestimated.

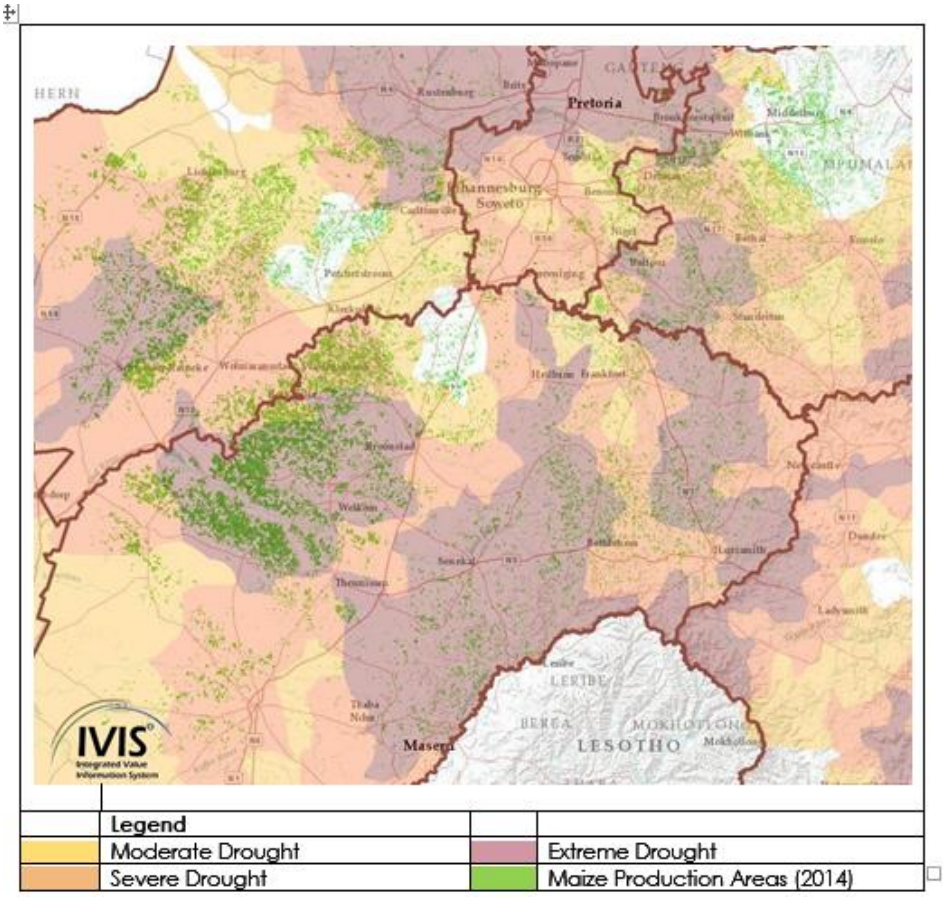


Figure 3 – December SPI and dryland maize production areas.

(Source: BFAP, 2016)

As can be seen in Figure 3, the Free State (42%), Mpumalanga (30,7%) and North West (19,4%) provinces typically produce 92,1% of the total South African maize production[5]. (This area is also known as the Maize Triangle, which stretches roughly between the towns of Mahikeng (North West), Zastron (Free State) and Machadodorp

[4] Bureau for Food and Agricultural Policy. (2016). *Policy Brief on the 2015/2016 Drought*. Available at http://www.bfap.co.za/documents/research%20reports/BFAP_Drought%20Policy%20Brief_5%20February%202016.pdf.

[5] Ibid.

(Mpumalanga). The crisis is caused by the fact that the total monthly rainfall in the Triangle was only a fraction of the usual rainfall.

Although farmers in Mpumalanga received more rain during optimum planting seasons (compared to other regions), they generally planted later than usual. This of course exposes them to higher risk in terms of crop yields. However, many farmers, especially in the North West and the Free State, were forced to refrain from planting at all as a result of the drought[6]. The South African drought conditions (Figure 4) are mirrored farther north in the continent, and initial production forecasts across Southern Africa were subsequently lowered, as Graph 1 on the next page illustrates.

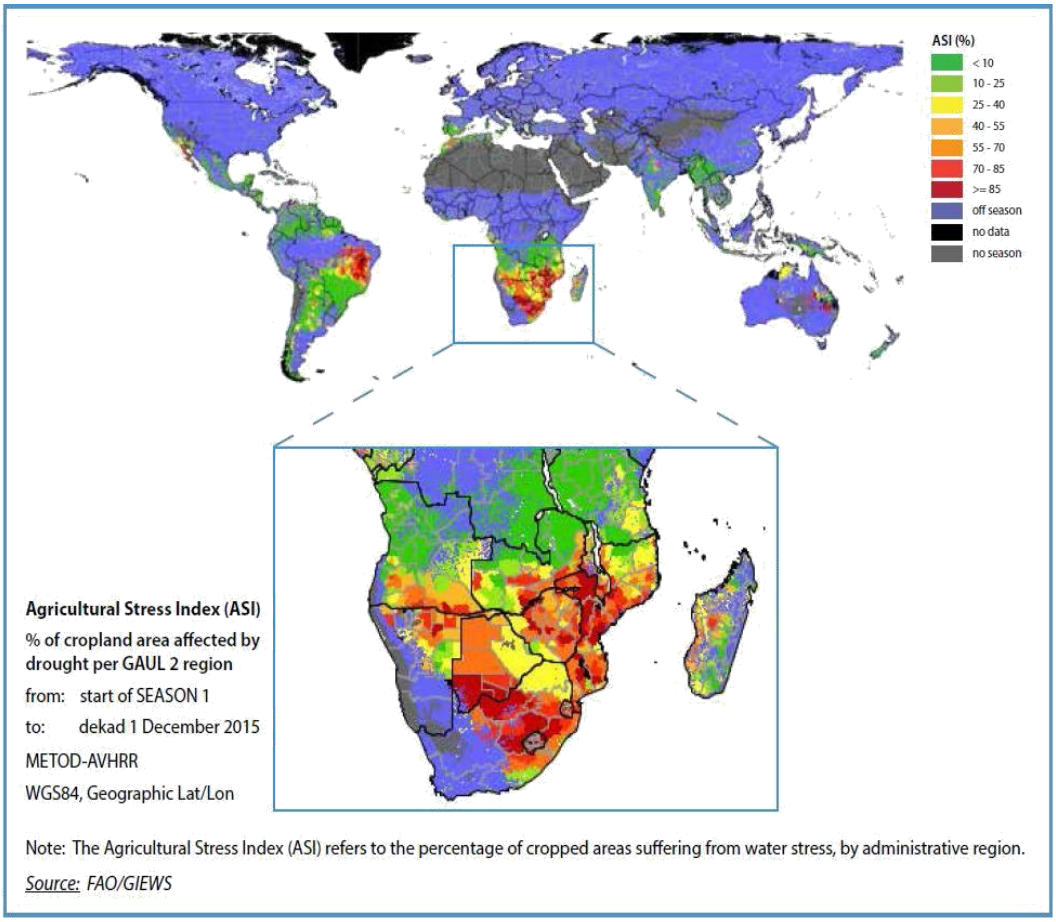
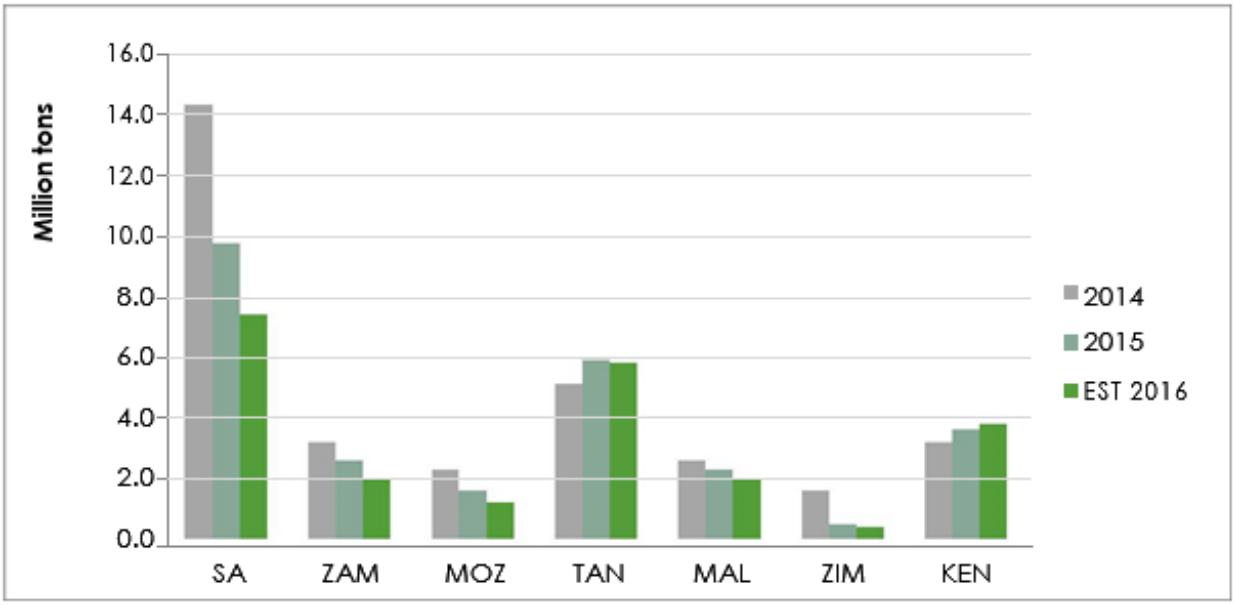


Figure 4: Agricultural Stress Index – December 2015

(Source: BFAP, 2016)

[6] Bureau for Food and Agricultural Policy. (2016). *Policy Brief on the 2015/2016 Drought*. Available at http://www.bfap.co.za/documents/research%20reports/BFAP_Drought%20Policy%20Brief_5%20February%202016.pdf.



Graph 1: Maize production estimates across Eastern and Southern Africa

(Source: BFAP, 2016)

To calculate the maximum price that a farmer can pay for a weaned calf, maize is the most important determining price factor used by feedlots. The summer rains only arrived in January 2016, which was too late for most of the maize-producing regions in South Africa, as planting late increases a farmer's risk for frost damage early in the winter. In case of regions that were able to plant later in the season, yields will most probably be lower than what would have been the case if planting started in the optimal window[7].

Table 1 provides a brief summary of the 2015 maize crop yield (total tonnes harvested) and expected yield (total tonnes harvested) for 2016. Maize imports for 2015 stood at a mere 980 000 tonnes; however, this may increase substantially to 6 million tonnes (depending on white maize availability) for 2016/17[8]. Should this quantity of maize be imported, harbour and rail/road infrastructure will be subject to extreme pressure. In fact, there is reasonable doubt that South Africa will be able to

[7] Maré, F. & Willemse, J. (2016). *Expected implications of the 2015 drought on the red meat industry*. Available at http://rpofs.co.za/images/nuus/2016/Expected-implications-of-the-2015-drought-on-the-red-meat-industry.pdf.

[8] Ibid.

move such a record quantity of grain inland in light of the current poor railway and road infrastructure and logistics.

	2015 Crop	2016 Crop*	2015 Imports	2016 Imports*
Yellow maize (tonnes)	5 238 000	4 000 000	900 000	>2 500 000
White maize (tonnes)	4 702 000	1 800 000	80 000	>3 500 000**
Total (tonnes)	**9 940 000**	**5 800 000**	**980 000**	**>6 000 000**

*Estimates for 2016 made by Unit in Livestock Economics, Department of Agricultural Economics, University of the Free State Expected implications of the 2015 drought on the red meat industry.

**White maize imports depends on international availability

Table 1: South Africa's maize yield vs. maize imports, 2015–2016

(Source: Maré & Willemse, 2016)

This may in turn cause bottlenecks in supplies from time to time, as well as food shortages. The continuous depreciation of the South African rand against major foreign currencies results in more expensive grain imports[9].

Maré and Willemse[10] also state that the domestic shortages of maize led to fundamental increases in yellow as well as white maize prices: The price of white maize for delivery in July 2016 had increased to levels above R5 000/tonne, while the price of yellow maize had increased with more than 75% on a year-to-year basis.

They further predict[11] that the South African feedlot industry's variable cost may increase sharply as a result of the steep increase of maize prices as well as the prices of other grains and oilseeds. Unable to sustain their losses, some of the smaller feedlots will be forced to withdraw from the market. The larger feedlots will probably also limit their operations in a bid to keep potential losses as low as possible. In turn, this will lead to a decrease in the weaned calves and lambs demand, which is an important factor to keep in mind for future weaner price expectations. Feedlots that

[9] Maré, F. & Willemse, J. (2016). *Expected implications of the 2015 drought on the red meat industry*. Available at http://rpofs.co.za/images/nuus/2016/Expected-implications-of-the-2015-drought-on-the-red-meat-industry.pdf.

[10] Ibid.

[11] Ibid.

are more integrated in the value chain will be in the best position to survive the low demand for weaners, expensive fodder and slow demand, and will be better able to absorb expected financial losses during 2016/17, which will mainly be the result of very expensive and/or scarce fodder.

A livestock farmer's first response to the start of a drought is to supply animals with additional feed/fodder in a bid to save the herd, while hoping that the rain will soon come. As soon as the farmer learns that the drought may be long term, he will usually dispose of all the "additional" live stock on the farm in an attempt to save the core breeding herd, protect the remaining natural grazing and postpone the possibility of applying a full feed ration to animals for as long as possible[12].

The slaughtering of these "additional" animals usually creates a short-term over-supply of meat during which the consumer will notice a price decrease – or a lower-than-expected price increase – of red meat. The market may also see exports to markets where a better price can be realised[13].

A price increase in red meat can be expected only six months to a year after the drought has been broken. After sufficient rains, farmers will start rebuilding their herds and little to no animals will be slaughtered during this period. Herd rebuilding may take up to 7 years to complete, as was proven in the United States where the price of cows reached record high levels in 2014-2015[14].

With the natural grazing in South Africa that has been depleted, very little grazing capacity is left. Although farmers struggle to keep core breeding herds alive, fodder is limited and extremely expensive due to the past three years' drought conditions. Willemse, Strydom and Venter[15] report that thousands of cattle and sheep have died,

---

[12] Maré, F. & Willemse, J. (2016). *Expected implications of the 2015 drought on the red meat industry*. Available at http://rpofs.co.za/images/nuus/2016/Expected-implications-of-the-2015-drought-on-the-red-meat-industry.pdf.
[13] Ibid.
[14] Willemse, J., Strydom, D. & Venter, M. (2015). *Implications of 2015 drought on economy, agri markets and consumers*. Available at http://www.growinggreatness.co.za/implications-of-lingering-2015-drought-on-economy-agricultural-markets-food-processors-input-suppliers-and-consumers/.
[15] Ibid.

mainly in KwaZulu-Natal, due to malnutrition caused by the drought, and the rate is increasing rapidly. Although large parts of the country received rains the last few weeks, the veld takes some time to recover; there exists a real possibility that grazing will not be sufficient in the coming months. The decrease in the planting of new summer crop plantings will also lead to reduced fodder supply and subsequent high fodder prices[16].

Although there are currently sufficient meat supplies available at affordable prices, when the drought is broken, famers will have to start rebuilding their herds. This period will see prices rise (due to shortages). Unfortunately, due to limited sellable livestock these high prices will have a limited benefit for producers[17]. Food inflation is expected to increase, while lower-income consumers will be hit hardest by this higher inflation as basic food prices will increase sharply and household income will decline dramatically[18]. Many of these consumers spend 60% of their income on food for their families.

Although Stats SA estimates agriculture's direct contribution to GDP to be between 3% and 4% per year, various studies have shown that the indirect effect of agriculture is closer to 25% when forward and backward linkages are included[19].

The agricultural sector already finds itself in a deep recession: The annualised percentage change in the seasonally-adjusted quarterly value added shows a decline of 18% in the first quarter, 19,7% in the second quarter and a further 12,6% in the third quarter[20]. Agricultural economists are concerned that the situation will worsen significantly during the 2016/2017 season. These negative knock-on effects will not only have an impact on farmers, but also on input suppliers and the rest of the economy for a number of years to come[21].

---

[16] Willemse, J., Strydom, D. & Venter, M. (2015). *Implications of 2015 drought on economy, agri markets and consumers*. Available at http://www.growinggreatness.co.za/implications-of-lingering-2015-drought-on-economy-agricultural-markets-food-processors-input-suppliers-and-consumers/.
[17] Ibid.
[18] Ibid.
[19] Ibid.
[20] Ibid.
[21] Ibid.

At the core of the problem is the fact that South African farmers have no safety net. Consequently, farmers have no other option during drought years but to apply their own reserves or capital to accommodate and facilitate borrowing capacity, which will help them to continue absorbing the losses of the current and previous years. This of course depletes the farmers' own capital and capital reserves, forcing them to use credit to finance the next year's production costs[22]. It is important to note that very few farmers receive monthly salaries, but only an income after harvesting crops or selling livestock, which may vary from year to year and is not inflation-adjusted like a salary[23]. Moreover, livestock farmers are compelled to utilise cash savings to buy fodder in a bid to increase their animals' condition to be able to sell them. However, fodder prices have skyrocketed because availability plummeted as a result of the drought. It is a vicious circle: farmers are subsequently forced to either sell or slaughter their animals, which leads to an oversupply of red meat and the subsequent drop in red meat prices[24]. Also, when farmers have to sell or slaughter their complete herds, or even the majority of herds, genetic built-up of many years is lost. According to Willemse, Strydom and Venter, this may take at least seven years to correct[25].

It is also important to take cognisance of the fact that most farmers employ on average six workers on their farms, while each workers has a family of five, on average. Simple maths show that, on average, 30 people depend on the farmer and his farm.

However, it is not only commercial agriculture that is affected by the lack of clear leadership and business enhancing policies by the South African government. Also vulnerable – in fact, even more vulnerable – are the emerging farmers who, according to Government policy, have no ownership or title deeds to land. This means that emerging farmers do not have land to use as security to raise credit. As is the case with commercial farmers, emerging farmers are forced to use their savings (if they

---

[22] Willemse, J., Strydom, D. & Venter, M. (2015). *Implications of 2015 drought on economy, agri markets and consumers*. Available at http://www.growinggreatness.co.za/implications-of-lingering-2015-drought-on-economy-agricultural-markets-food-processors-input-suppliers-and-consumers/.
[23] Ibid.
[24] Ibid.
[25] Ibid.

have any) to acquire fodder for their livestock. Later on, they are compelled to slaughter animals at lower prices – of course only in cases where livestock has not yet died of hunger. The dying of animals has taken on unprecedented levels in remote and rural areas – in some cases even wiping out some emerging farmers' herds and finances. Although Government implemented drought assistance programmes in KwaZulu-Natal worth R114 million, these funds were depleted within only two days in December 2015[26].

The South African government announced in November 2016 that financial drought assistance will be provided to the several provinces that have been classified as disaster areas: the Eastern, Western and Northern Cape, the Free State, KwaZulu-Natal, Limpopo and Mpumalanga. The total amount allocated was R212 million[27]. Considering that R114 million only lasted two days in one province, the question begs how long this drought assistance will help farmers from seven provinces. The amount is simply too low stabilise agriculture and affordable food supply.

The economic situation in any country will to a great extent determine how the country will absorb the implications of a drought. The impact of rising food prices as a result of the drought will be much easier to absorb if unemployment is low and the people are fairly rich, for example. However, the situation in South Africa is not promising: Unemployment is at a record high and still increasing; economic growth is slowing down; and interest rates will most probably increase during 2017. It goes without saying that the South African economy and consumers are already under a lot of pressure[28].

---

[26] Willemse, J., Strydom, D. & Venter, M. (2015). *Implications of 2015 drought on economy, agri markets and consumers*. Available at http://www.growinggreatness.co.za/implications-of-lingering-2015-drought-on-economy-agricultural-markets-food-processors-input-suppliers-and-consumers/.

[27] Kruger, C. (2016). *Staat gee nog R212 milj. vir droogtehulp.* [Government gives another R212 million for drought relief]. Available at http://landbou.com/nuus/staat-gee-nog-r212-milj-vir-droogtehulp/.

[28] Maré, F. & Willemse, J. (2016). *Expected implications of the 2015 drought on the red meat industry*. Available at http://rpofs.co.za/images/nuus/2016/Expected-implications-of-the-2015-drought-on-the-red-meat-industry.pdf.

If the current economic circumstances in South Africa do not look too good, future prospects do not seem any better. Economic growth (GDP) on a year-to-year basis is in a downward spiral, while the quarter-to-quarter figures indicate that the country barely succeeds in keeping head above water with the possibility of an economic recession not so farfetched. These low economic growth figures influenced the employment rate negatively – unemployment is currently at one of its highest levels in history. The rand devaluated further against the USA dollar in the past 12 months, which significantly increases food import costs. South Africa is a net importer of many food products and will have to import more food as a result of the drought – which will be much more expensive than a year ago. And although interest rates increase in a bid to support the rand and reduce inflation, higher interest rates put more pressure on consumers who have debt[29].

History taught us through many examples that people can survive many disasters for long periods of time as long as they have access to food and water. However, hunger does not listen to reason and as soon as food becomes unaffordable, consumers start to take a stand against it.

The impact of the above-mentioned scenario can be summarised as follows[30]:

- Although unemployment will increase throughout the country, the rural areas will be hit hardest. The socio-economic impact can be enormous.
- Economic activity will be reduced severely, especially in rural areas. People who cannot absorb price inflation will resort to crime, and hunger and crime will increase drastically. We can expect another large migration to cities of up to 2 million people. The outlook is negative, while human misery will surely increase.
- The next year will most probably see an increase in food inflation, and basic

[29] Maré, F. & Willemse, J. (2016). *Expected implications of the 2015 drought on the red meat industry*. Available at http://rpofs.co.za/images/nuus/2016/Expected-implications-of-the-2015-drought-on-the-red-meat-industry.pdf.
[30] Willemse, J., Strydom, D. & Venter, M. (2015). *Implications of 2015 drought on economy, agri markets and consumers*. Available at http://www.growinggreatness.co.za/implications-of-lingering-2015-drought-on-economy-agricultural-markets-food-processors-input-suppliers-and-consumers/.

staples such as maize meal have already been subject to shelf price increases of between 30% and 40%. As the purchasing power of consumers is reduced, they will have less money to buy even less food. And as poverty and malnutrition will increase, that foundations for social unrest are laid.

- Economic multipliers show that a 1% drop in output in the agricultural sphere will cause a 1,5% drop in output in the larger economy. This multiplier is closer to 4 in rural areas. What follows is that severe economic hardship in rural areas and depopulation of these areas will be on the horizon.
- Whereas the South African economy labour multiplier is calculated at 8, the agriculture's labour multiplier is calculated at 24,1 – much higher than the other sectors of the economy. From this follows that a decrease in agricultural output will lead to more unemployment compared to the rest of the economy. This is already reflected in existing figures: By November 2016, 23 000 people would have lost their jobs due to the ongoing drought.

Some would say that this is an over-dramatization or an overstatement of the current situation – I assure you that it is not. The impact of the drought will have severe consequences in rural areas and on farms; however, this will very quickly spread to the rest of the economy and influence the consumer directly. Without substantial support to enable farmers to qualify for production loans or to supply sufficient fodder for livestock by the end of 2016, more dire consequences will follow and escalate into 2017 and 2018.

The risks to social instability are at an elevated level. Coupled to a government with dismal policy skills and economic insight, we can expect 2017 to be characterised by more protests and unrests.

If this problem is not addressed in time, South Africa will stare a humanitarian crisis in the face. Most South Africans will be unable to afford basic food products and poverty, malnourishment and hunger will be at an unprecedented level.

I thank you for your time.

Henk Maree

National Spokesperson

Tel: 012 644 3923

Cell: 083 280 2470

Email: henk@afriforum.co.za

Fax: 012 664 1281