

# Land Bank Group

## Land and Agricultural Development Bank of South Africa

### Land Bank Insurance Companies



# A brief look at the history

Established in 1912

## The Land and Agricultural Bank Act is passed

In 1912, the Land and Agricultural Bank Act was passed to form the Land Bank by combining the colonial land banks. The Land Bank started from a moderate base when it opened in Pretoria in 1912, taking over the assets and liabilities of the colonial land banks. The colonial (provincial) land banks' staff was also assimilated into the Land Bank. It was a going concern with a total staff complement of 64 operating from leased premises in Pretoria.

**1912-1928** The business of the Bank, as specified in section 18 of the Land Bank Act, was to:

- Lend money to farmers on mortgage of land within the Union.
- Lend money to cooperative societies or companies and guarantee the performance of contracts with these entities.
- Lend money to farmers holding land under agreement of sale from the state.

*1914-1922: World War I, the 1921 recession, drought and the South African Reserve Bank formed*

*1925-1928: Agri-industry stabilises, Land Bank opens London branch, Agricultural Credit Act passed*

*1929-1947  
The Great Depression, the Marketing Act, World War II*

*1948-1969  
The formation of the homelands and the Agricultural Credit Board*

*1970-1993  
Sanctions, droughts and the scrapping of the Land Act*

*1994-2008  
Democracy in South Africa - land reform begins*

*2002: Land Bank Act revised, Development Project Unit replaces Development Fund*

*In 2006/07, South African Mortgage Insurance Company was renamed as the Land Bank Insurance Company.*

**In 2015**, National Treasury requested the Land Bank to conduct an organisational review. Main objectives and outcome:

- Optimising operational efficiencies and reducing costs;
- Developing an appropriate funding model for the Bank as an agricultural development finance institution; and
- Ensuring that the Bank achieves its development mandate

## Mandate

- **Equitable ownership** of agricultural land, in particular increasing ownership of agricultural land by HDI's
- **Agrarian reform**, land redistribution or development programmes aimed at HDI persons
- **Land access** for agricultural purposes
- **Agricultural entrepreneurship**
- Removal of the legacy of **racial and gender discrimination** in agriculture
- **Enhancing productivity**, profitability, investment and innovation
- **Growth** of the agricultural sector and better use of land
- **Environmental sustainability** of land and related natural resources
- **Rural development** and **job creation**
- Commercial agriculture
- **Food security**



**NATIONAL  
DEVELOPMENT  
PLAN  
2030**

“Better land use in communal areas has the potential to improve the livelihoods<sup>1</sup> of at least 370 000 people.”

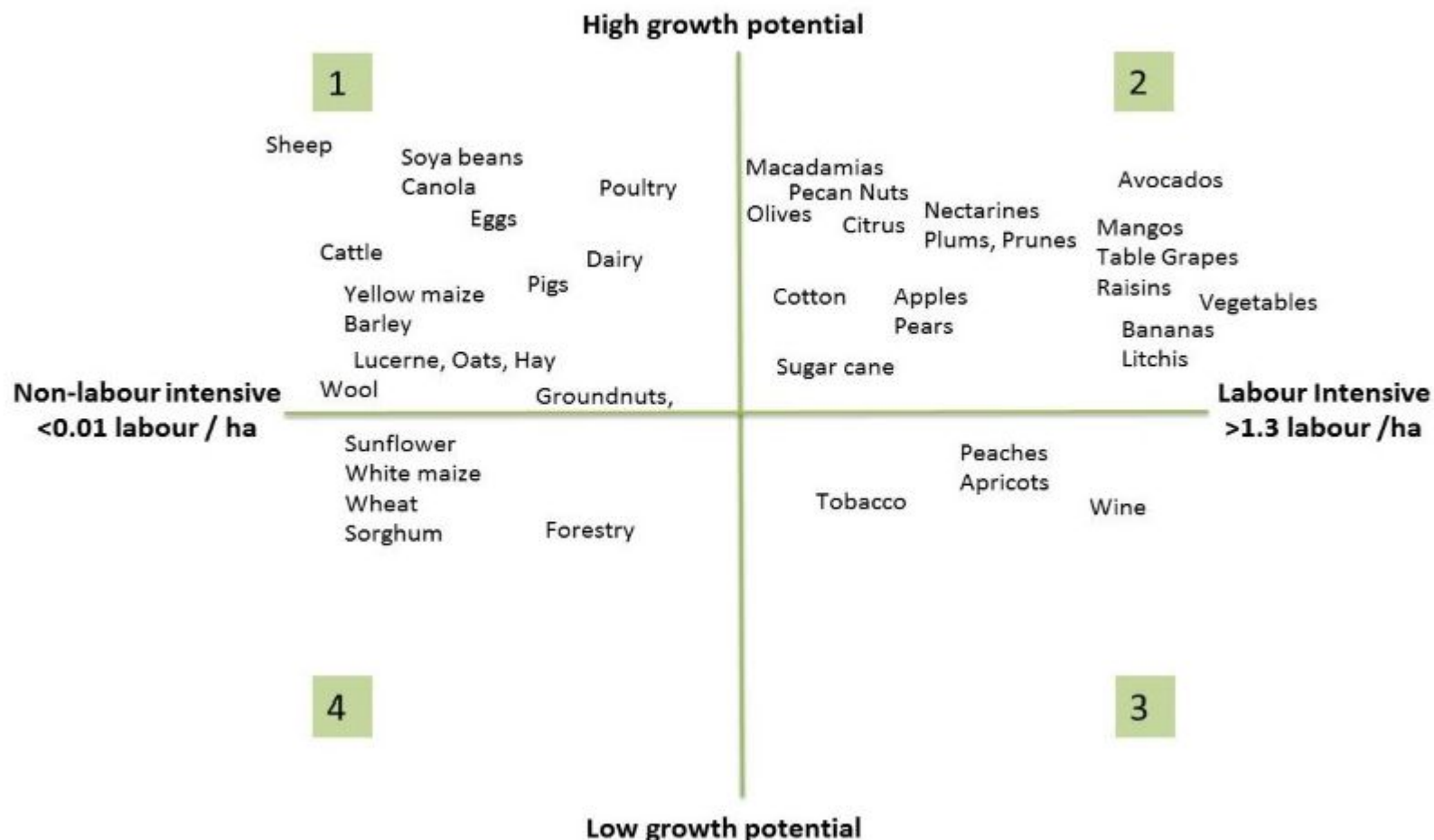
"A further **70 000 livelihood opportunities** are created if land reform beneficiaries are properly supported."

**"Agriculture has the potential to create close to 1 million new jobs by 2030, a significant contribution to the overall employment target."**

National Development Plan; Vision 2030



Growth Strategy focused on High Growth potential and Labour Intensive commodities:

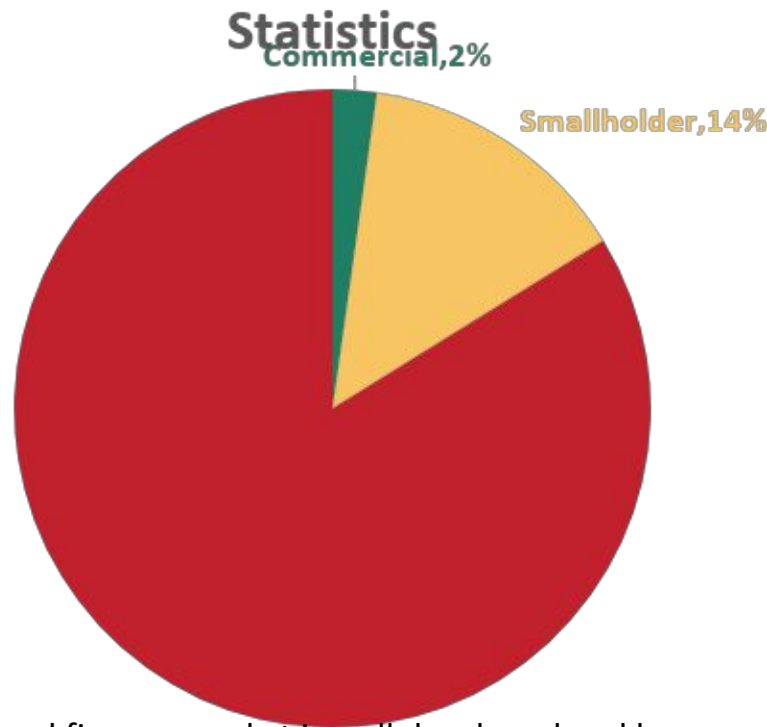


# Problem Statement

“Smallholder farmers are severely underfunded”  
But:

**There is a case for investing in Smallholder Farmers and Agribusiness Startups**

**Duality of the agricultural landscape:**



**Access to finance:**

Smallholders – 12%

Subsistence – less  
than 1% (informal)

**Access to Insurance:**

Less than 1%

South Africa's commercial agricultural finance market is well developed and has grown significantly in recent years as the appetites of commercial financiers (banks and agribusinesses) for agricultural debt have steadily increased.

# Challenges to affordable funding



- Access to affordable capital (DFI).
- Few co-operative structures under which farmers are organized.
- Lack of appropriate risk mitigation and transfer tools.
- Unresolved issues of land tenure, land reform and redistribution.
- Pre-funding support services e.g. formal records, business plans

# Social Phenomenon (Spill-over effects)

## Triple Threat

### Employment

**Labour intensive**  
**Absorbing much of the skilled and unskilled labour-force**

### Poverty

**Food secure at national level but not at household level**

### Inequality

**Gini Coefficient of 0.67**  
**Unequal society in the world**

**Importance of Smallholder farmer financing = The Equalizer**

# Strategies to address the problem

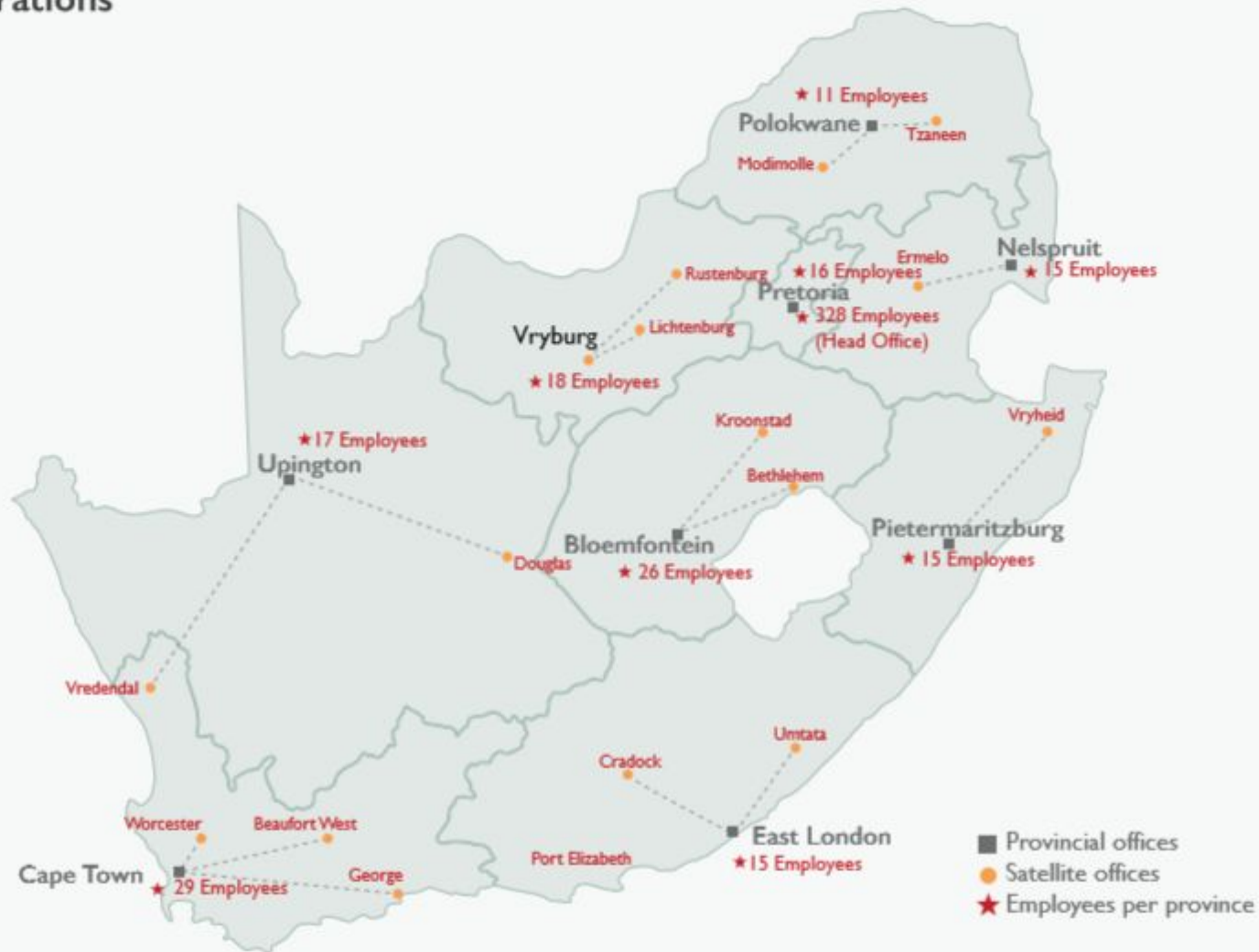
## Various interventions

Intervention	DESCRIPTION AND EXAMPLE
<b>Blended Finance</b>	Collaborative scheme with the department of Agriculture Land Reform and Rural Development
<b>Climate and Disaster Risk Insurance</b>	Introduction of index insurance solutions to cater for smallholder farmer risk transfer needs., e.g. progressive perils like drought, floods etc.
<b>Value chain integration</b>	Solution to provide access to markets, allows aggregation to meet demand together with other farmers, cut middle-man costs and provides logistics support.



# Branch Network Functions

## Our operations



# Key take away

*Patient capital to develop smallholder farmers into finance ready customers.*



# THANK YOU!

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