**Land Bank sees little loan book stress despite drought**

**Source: Business Report**

**27 July 2016**

Johannesburg - Land and Agricultural Development Bank of South Africa sees little stress in its loan book despite the worst drought in memory damaging harvests, with the dry weather raising prices of crops in the continent’s biggest maize producer, its chief executive said.

“The interesting thing is that even though the grain-producing provinces have been affected, we have not seen any significant distresses in our loan book,” Tshokolo Nchocho said in an interview in Johannesburg.

“Where farmers are unable to pay and we reschedule loans, we might adjust provisions upwards. Our provisions are still within the tolerance levels of the new accounting standards.”

About 70 percent of the bank’s loans are to farmers in areas such as the Free State, which produced 40 percent of last year’s maize crop, and Mpumalanga, which accounted for 25 percent. Growth in the gross loan book of the state-owned lender to farmers was “marginal” in the year that ended in March from 12 months earlier, Nchocho said. That is because growers planted crops on an area that was 28 percent smaller than in fiscal 2015, owing to the drought, Nchocho said. Despite this, farm income is “surprisingly” likely to go up due to the higher prices, he said.

South Africa last year had the least rainfall since records started in 1904, damaging crops and herds and raising food prices. Its farmers would need as much as R16.6 billion in the year to March to subsidise feed purchases, provide grants and interest-rate subsidies to aid commercial growers in financial distress and help operators pay workers, a study by the Agri SA lobby group and others showed.

The Land Bank’s gross loan book was at R37.8bn on March 31, 2015. The results for the 12 months to March would be presented to lawmakers later this year.

(Ends)