



Media release

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2019 National Budget: No lifeline for farmers

Agri SA is disappointed in the Minister of Finance, Tito Mboweni's maiden budget speech. Minister Mboweni's 2019 Budget Speech referred to agriculture through metaphors, such as "it is time for us to sow the seed of renewal and growth". Sadly, outside of land reform, agriculture received relatively limited attention in the speech.

"No mention was made of the continuous drought and the devastating impact it has on farmers and farming communities," said Dr Requier Wait, Agri SA Head of Centre of Excellence: Economics and Trade.

Macro view

The budget highlights how South Africa's lack of economic growth is impeding tax revenue. In the current economic environment, there is limited scope to increase taxes, as higher taxes will start to be counter-productive for raising further tax revenue.

Personal income tax brackets remain unchanged, which gives no compensation for bracket creep, therefore, inflation adjustments to salaries will push consumers into a higher tax bracket.

State-owned enterprises (SOEs) remain a serious risk to the fiscal framework. A provisional allocation of R69 billion, spread over the next three years, was made for reconfiguring Eskom. Whilst Eskom is critical to the economy, the national government is not taking on Eskom's debt, this is a signal to Eskom to get the business back on track.

Taxes affecting agriculture

Increased excise duties could have an adverse impact on the wine and tobacco industries. The higher excise duties on cigarettes could have the unintended consequence of further incentivising the trade in illicit cigarettes and counteracting the work of SARS' relatively new Illicit Economy Unit, tasked with fighting the trade in illicit cigarettes.

The increased sugar tax will directly affect the local sugar industry, which is already under pressure. Fuel levies will increase by 30 cents per litre for diesel. The 30 cents include a carbon tax of 10 cent per litre.

Unfortunately, carbon taxes are not earmarked for environmental causes or to combat climate change. These taxes will simply flow straight to the government coffers. Given the reality of climate change, these taxes should rather be used to mitigate the causes and consequences of climate change. For example, a portion of these taxes could be used to fund drought relief and mitigation for agriculture.

Some good news for agriculture is that the diesel refund will increase from R3.22 per litre to R3.33 per litre on 80% of eligible use. The proposed new standalone diesel refund administration system will be outlined in draft rules and notes that will be published for public comment later in 2019. We hope that this new system will solve the processing and payment delays experienced with the current system.

Agricultural development

Support for agriculture

Agriculture has shown that it is a proven sector that, with assistance from government, can build the economy and increase fiscal stability. The NDP overwhelmingly recognises the agricultural sector as a sector of growth and its potential to create job opportunities for rural communities.

Whilst the fiscus is under severe strain, we hoped to see more support towards agriculture. Spending on agriculture, rural development and land reform remains marginal. Agriculture needs support to realise the potential identified in the NDP. Two example areas include:

- **Drought support:** Effective and speedy direct assistance to drought-affected farmers.
- **Bio-security:** Funding to support and enhance South Africa's bio-security measures.

Agri SA has maintained that the agriculture sector is the key to unlocking economic growth in South Africa. We hope that within the next year Minister Mboweni will come to realise the potential of the agriculture and give the sector and the agricultural community, the government support it needs and deserves.