



agriculture & rural development

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Agricultural business confidence slipping

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THE Agbiz Agribusiness Confidence Index (ACI) eased to 54 in the second quarter from 58 in the first quarter, and remained above the neutral 50 level.

“The uncertainty regarding land reform policy, particularly expropriation without compensation, remains a key risk that could potentially undermine investment in the agricultural sector. At this point, farmers are somewhat in a wait-and-see mode. We have not seen a notable dent on investments in the sector yet,” said Wandile Sihlobo, the head of agribusiness research at Agbiz – the Agricultural Business Chamber - South Africa – a voluntary, dynamic and influential association of agribusinesses operating in South and southern Africa.

The survey was conducted between June 4 and 15.

The ACI reflects the perceptions of decision-makers on the 10 most important aspects influencing a business in the agricultural sector, namely turnover, net operating income, market share, employment, capital investment, export volumes, economic growth, general agricultural conditions,

debtor provision for bad debt and financing cost.

Following a 10-index point increase to 78 in the first quarter of 2018, confidence regarding the turnover sub-index deteriorated to 64 points in the second quarter of this year.

Employment

Confidence regarding employment in the agricultural sector fell 19 points to 56 – the lowest level since the first quarter of 2017.

The capital investments confidence sub-index declined by 4 points in the second quarter to 64. The uncertainty regarding land reform policy was cited by respondents as one key factor behind the deterioration in confidence.

The export volumes sub-index deteriorated by 17 index points in the second quarter to 39. This was largely due to a decline in horticultural products output, and regulatory issues in livestock products such as ostrich meat (fresh and pre-cooked), which has been restricted to accessing the EU market since March 1.

The perception regarding economic conditions sub-index weakened 18 points in the second quarter to 50.