

## **PRESS STATEMENT**

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### **The decision by S&P to downgrade South Africa's sovereign debt to junk status is bad news for agribusiness and especially for consumers**

"The dramatic political developments of the past week, and the consequential and expected downgrading of South Africa's investment grade to so-called junk status by the rating agency Standard and Poor's (S&P), is seriously bad news for the agricultural and agribusiness sectors of our country's economy, and for food security," Dr John Purchase, CEO of Agbiz, said today.

"The immediate nature of the downgrade following an emergency meeting of the rating agency indicates the serious concern that S&P has with the changes at especially National Treasury, and the resulting impact on the economic and fiscal situation of the country".

Clearly, the resulting higher cost of capital and a depreciating exchange rate will impact negatively on investor confidence and growth prospects of the country in the medium to longer term. The timing of these developments is most unfortunate as there were already clear signs of improved growth prospects in both the agro-food sector and the economy of the country as a whole.

"Consumers must realize that the consequences of these irresponsible political developments will in time manifest themselves in higher food prices, and severely compromise the good food security status of our country. It is especially the poorest of the consumers that will suffer the most," Dr Purchase said.

Agribusinesses will have to analyse the concomitant risks associated with such a downgrade very carefully and develop strategies to adapt to and to survive in a business environment that is in all probability not going to be favourable.

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#### **ENQUIRIES:**

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