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Press release: Budget vote – action needed to implement economic reforms

In reaction to the 2025 Budget speech delivered by Finance Minister Enoch Godongwana, Mr. Sean Walsh, the Chairman of Agbiz, recognised the difficult circumstances and competing priorities: "*The South African economy has been pressurured for a very long time in the aftermath of Covid, loadshedding, redirected capex to alternative energy sources, and high interest rates. Finding the right balance between government spending that can boost economic growth, and taxing the public to do so is no easy task and intuitively counter-productive. The recent Food Security Report released by Stats SA last month illustrated the challenges we have around food security in South Africa. Despite having some of the most affordable food in the world and a secure supply, our poverty levels, according to official statistics, are such that many South Africans simply struggle to meet their basic needs while spending the majority of their income on transport and food. With such circumstances in mind, we are obviously very concerned about what the incremental increase in Value Added Tax will do to food security. That being said, a phased-in, 1% increase over two years is much more palatable than the previous rumours of a 2% increase. We also have to acknowledge that the South African economy needs capital expenditure from the government to stimulate the economy and this cannot be done through taking on additional debt. We need investments into infrastructure for South African businesses to be competitive, which will in turn stimulate economic growth, job creation, and eventually greater tax returns. Be that as it may, government spending without economic reforms, spending prudence, and reduced wastage won't be sufficient to set us onto a long-term path of economic growth. We need to seriously implement the economic reforms referred to in the past budget speeches and normalise government spending on welfare programs.*"

Agbiz CEO, Theo Boshoff, noted the following: "*Aligned to what the Chairman mentioned, implementing the recommendations from Operation Vulindlela should be priority number one. We have seen the positive impacts brought about by reforms in the energy space, but we urgently need reform in the logistics, water, and ICT space to create an enabling environment for businesses. The agribusiness sector is affected by all of these policy areas, and while we are aware of positive changes taking place in the logistics sector, many businesses still face extremely high costs of doing business due to basic service delivery challenges. We therefore need a reformed financial model for local government and this should receive a level of priority. We have heard repeated reference to the White Paper on Local Government, but little is known about what*

reforms it will propose. In the meantime, the equitable share allotted to local government has increased, so we hope that stricter controls and accountability will follow. Likewise, the infrastructure investments referred to will be positive for agriculture, but these have been alluded to for a long time. What we need now are clear timeframes and implementation. Finally, a VAT increase will always be controversial, but we are grateful that the list of zero-rated VAT products will be extended to lower-value portions for all animal proteins. Previous proposals focused on a single animal product, which could have distorted the market and created unfair competition. The proposed solution is certainly more equitable towards all animal-based commodities."

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