



Agricultural Business Chamber Landboubesigheidskamer

STATEMENT: 29 OCTOBER 2010

ABC'S COMMENTS ON MEDIUM TERM BUDGETARY POLICY STATEMENT

The Agricultural Business Chamber (ABC) is filled with a sense of sanctuary after the Medium Term Budgetary Policy Statement by the Minister of Finance, Minister Pravin Gordhan, on 27 October 2010. The stated assessment and expectations by the Minister of Finance on both the global and domestic economic outlook was generally accepted to be fair and realistic. The ABC agrees that SA's economy finds itself in a fragile and slow recovery stage and states that the 3% growth projection throughout the remaining part of the year might be slightly over-optimistic.

The Minister's announcement of addressing the overvalued Rand is of utmost importance to the ABC. The impact thereof is positive and beneficial to our exporting agricultural industries and the ABC appreciates the relief it will bring to the exporting companies that have been under severe pressure operating under such a strong Rand. However, the ABC wants to caution on the impact the weakening of the Rand might have on food inflation, given the way our commodity prices are determined. Higher agricultural prices will support the industry, but considering high unemployment and poverty rates in the country, affordability of food for many households remains of concern.

The Minister referred to the growth path, which Cabinet has agreed upon, which sets a target of creating five million jobs in the next ten years. The ABC considers it vitally important to have action plans in place to address the 25,3% unemployment rate in the country. The growth path, however, needs to be structured in short, medium and long term plans. Unrealistic expectations will be created if sectors are not appropriately supported to grow to the extent required to employ five million people in the next ten years. The agricultural sector, together with mining and manufacturing, can provide considerable job opportunities to especially low and semi-skilled people.

Amongst the Minister of Finance's stated points of action, the acceleration of economic infrastructure was identified. Even though the ABC is pleased to see the emphasis placed on continuous investment in infrastructure, we would like to emphasise the need thereof in the rural areas, which not only enables the competitiveness of our food and agricultural industries, but also opens up the economic opportunities for the poorest of society, who predominantly resides in the rural areas.

The ABC supports BUSA's announcement in welcoming the Minister's commitment to continued fiscal discipline and believes the mini-budget has struck the right balance between fiscal consolidation and a growth friendly fiscal stance. The ABC, however, urges to see prompt implementation of the points of action identified by the Minister of Finance.

ENQUIRIES:

Lindie Stroebel

012 807 6686 / lindie@agbiz.co.za