

A whopping 75-basis points rate hike ahead of the new summer crop season

A combination of runaway inflation, tightening policy cycle by major global central banks, and uncertainty over the Russia-Ukraine war with its ramifications for commodity prices and economic growth forced the SARB's hand to hike rates. Effective from 22 July, the repurchase rate increases by 75 basis points to 5.5% per year.

 By [Paul Makube](#) 22 Jul 2022



Source: antbphotos via Fotolia

For the agriculture sector, this comes at the onset of the new summer crop season for 2022/23 which is just two months away and potentially another excellent season given the La Nina weather pattern in the forecasts.

Traditionally, farmers respond positively to these favourable conditions by expanding their operations. However, the situation this time is that input costs have risen exponentially meaning more funds are required for both the new and the same hectares planted in the previous year.

The higher interest rate means the farmer faces higher debt servicing costs which may force marginal farmers to reduce their operations and those that have already been in a dire financial situation to quit.

The unrelenting input cost pressures are unlikely to dissipate given the uncertainty on the global market, thus a potential squeeze on producer margins in the near term.

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