

Ag not confident about business conditions

After hovering above the 50-points mark over the past five quarters, the *Agbiz/IDC Agribusiness Confidence Index* declined by five points to 49 in the fourth quarter of 2017. This essentially means agribusinesses are downbeat about business conditions in the country. The Index was last seen in this contractionary territory during the drought season of 2015 and earlier part of 2016.



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The fourth quarter survey was completed in the last week of November 2017. Among the ten subindices making up the Agbiz/IDC Agribusiness Confidence Index, employment, capital investment, economic conditions and general agricultural conditions sub-indices were behind the overall decline in confidence in the last quarter of the year.

Driving the sentiment in these particular sub-indices were the **unfavourable weather conditions in the Western Cape, uncertainty regarding land reform policy, and weak global demand for maize exports**, among other factors.

Meanwhile, the turnover, net operating income, volume exports, market share, debtor provision for bad debt and financing costs sub-indices showed improvement in sentiment compared to the third quarter of the year. This was partially due to the benefits of the large harvest of the 2016/17 production season. In the section, we discuss the sub-indices weighing on agribusinesses' confidence.

The optimism underpinned by the record summer crop harvest of the 2016/17 production season was short-lived, as the

Agbiz/IDC Agribusiness Confidence Index quickly returned to the contractionary territory after just five quarters of good performance.

“Although unfavourable weather conditions played a role in dwindling confidence among agribusinesses, the prevailing uncertainty regarding land reform policies remains a key issue that could potentially discourage investments and growth in the agricultural sector over the foreseeable future,” said Wandile Sihlobo, head of agribusiness research at the Agricultural Business Chamber.

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