Temporary relief at the pump bodes well for agriculture

By Paul Makube

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Yesterday's surprise announcement of a temporary reduction of the general fuel levy by the Minister of Finance is most welcome as it helps curtail the bulging input cost pressures experienced by agriculture and other sectors of the South African economy.

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The almost two months reprieve in the fuel price entails a R1.50c per litre reduction in the general fuel levy which will see the petrol and diesel levies lowered from R3.85c to R2.35c and R3.70c to R2.20c per litre respectively for the period 6 April to 31 May 2022. These relief measures follow on earlier budgetary accommodation of no increases in the general fuel levy on petrol and diesel as well as the Road Accident Fund (RAF) levy for the 2022/23 fiscal in the 2022 Budget presentation.

Further positive development is the **proposals on relief measures** post the expiry of the two-month fuel levy reduction which include:

• A reduction in the Basic Fuel Price of 3c per litre, in line with the recommendations of the review done by the Department of Minerals and Energy (DMRE).

• The termination of the Demand Side Management Levy (DSML) of 10c per litre on 95 unleaded petrol sold inland.

• The introduction of a price cap on 93 octane petrol, following from the previous DMRE proposal and consultation. This means that retailers can sell below the regulated prices.

• The termination of the practice of publishing guidance by the DMRE on diesel prices to promote greater competition.

• The Regulatory Accounting System (including the retail margin, wholesale margin and secondary storage and distribution margins) will be reviewed to assess whether adjustments can be made to lower the margins over the medium term. Interventions will be considered by the DMRE to reduce the price pressure for illuminating paraffin over the medium term.

This comes at a time when cost pressures have already been mounting for the sector with massive increases in prices of feed, fertilizer, fuel, , pesticides, and herbicides. Debt serving costs have also increased as the inflationary pressures forced the South African Reserve Bank's (Sarb's) to continue its monetary policy normalisation with a further hike of 25 basis points, the second for 2022, which brought the repurchase rate to 4.25% effective from the 25th of March 2022.

This fuel price reduction will benefit farmers as we head into increased activity in the agriculture calendar with the onset of the winter crop plantings and the harvesting of the summer grains and oilseeds which will consume a lot of fuel.

We look forward to further proactive measures to improve competitiveness and lessening the burden on the poor from external shocks broad about the current war.

ABOUT PAUL MAKUBE

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