

NATIONAL COUNCIL OF PROVINCES
QUESTIONS FOR WRITTEN REPLY
QUESTION NUMBER: 83 [CW156E]
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Lack of support to farmers

83. Mr H J Van den Berg (Northern Cape: FF Plus) to ask the Minister of Finance:

- (1) Whether the National Treasury has been informed that various legislation and the lack of support to farmers have created conditions that almost exclusively favour mega-farmers and multi-generational farmers in the agricultural sector (details furnished); if so, (a) what research has been conducted regarding such conditions and (b) what are the (i) findings of the research and (ii) implemented policies as a result of such research;
- (2) whether the National Treasury is willing to start such research; if not, why not; if so, what are the relevant details;
- (3) why even on smaller units and sometimes developed properties of agricultural zoning, a minimum deposit of 50% and in many cases higher percentage is required by local banks to purchase such land (details furnished);
- (4) whether the National Treasury (a) will and/or (b) has investigated how to lower entry barriers and running costs for all farmers in terms of (i) input costs, (ii) possible rebates on items such as diesel and labour costs, (iii) removing some rates and charges on agricultural diesel and (iv) lowering value-added tax on animal feed so that entry to the market is easier and savings are trickled down to consumers; if not, why not; if so, what are the relevant details in each case?

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REPLY:

1. The National Treasury acknowledges the importance of the agricultural sector and its potential to generate low-skilled jobs needed to address unemployment in South Africa, however, the Honourable member will acknowledge that the Department of Agriculture is mandated to regulate agricultural production, while creating opportunities for comprehensive farmer development. The department, further, fosters the development of agricultural value chains and monitors the impact of legislation and policies on the performance of the entire sector.

National Treasury would like to advise the Honourable Member to engage the Minister of Agriculture on the legislation, research and implementation of all agricultural related policies.

The fiscal support for agricultural sector is determined through the budget allocations to the Department of Agriculture, Land Reform and Rural Development, as articulated in the Estimate of National Expenditure (ENE) -Vote 29 and to provinces through the Division of Revenue Act, and this information is available in various provincial budgets.

2. The National Treasury is guided by the Department of Agriculture, as it is responsible for the development of agricultural value chains, research in the sector and monitoring of the impact of legislation and policies on the performance of the entire sector. National Treasury sees no merit in duplicating efforts of the Minister of Agriculture.
3. National Treasury is not aware of requirements by local banks for farmers to purchase land. However, with any lending practice, financial institutions are required to consider prospective borrowers on reasonable commercial grounds consistent with their risk management and underwriting practices.
4. Currently, the Value Added Tax Act (No. 89 of 1991) in section 11(1)(g) provides for VAT zero rating of supplies of certain goods that are used or consumed for agricultural, pastoral or other farming purposes. These goods are contained in Schedule 2 Part A of the Act and consist of:
 - a. **Item 1 - Animal feed**, intended or sold for the feeding of livestock, poultry, fish or wild animals (including wild birds) or any stock lick or substance which is of a kind which can be and is in fact used as a stock lick, whether or not such stock lick or substance possesses medicinal properties.
 - b. **Item 2 - Animal remedy**, i.e., goods consisting of a substance intended or offered for use in respect of livestock, poultry, fish or wild animals (including wild birds), for the diagnosis, prevention, treatment or cure of any disease, infection or other unhealthy condition, or for the maintenance or improvement of health, growth, production or working capacity.
 - c. **Item 3 - Fertilizer**, i.e., goods consisting of a substance in its final form which is intended or offered for use in order to improve or maintain the growth of plants or the productivity of the soil.
 - d. **Item 4 - Pesticide**, i.e., goods consisting of any chemical substance or biological remedy, or any mixture or combination of any such substance or remedy.
 - e. **Item 5 - Plants**, i.e., goods consisting of living trees and other plants, bulbs, roots, cuttings and similar plant products in a form used for cultivation.
 - f. **Item 6 - Seed** in a form used for cultivation.

In 2000, government implemented the diesel refund system which provides full or partial relief for the general fuel levy and the road accident fund (RAF) levy to primary producers in the farming, forestry, and mining sectors. The diesel refund system aims to protect the international competitiveness of local industries and reduce the road-related tax burden of the RAF levy, for certain non-road users. Farming qualifies for a refund of 100 per cent of the RAF levy and 40 per cent of the fuel levy in respect of 80 per cent of their eligible diesel fuel purchases.

Government also implemented a freeze on the fuel, road accident fund and customs and excise levies over the past 3 years, resulting in fuel tax relief of about R11.5 billion.