

Agriculture's tariff concerns – cautious reaction to interest rates

Today's South African Reserve Bank (SARB) interest rate decision on 31 July 2025 will be cautiously reacted to by the agricultural sector amid the looming deadline of the 30% tariff policy on all SA exports to the United States.



By Paul Makube

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While South Africa's agriculture outlook has remained positive, tariff concerns and the current battle with biosecurity are likely to dampen optimism in the agriculture sector about the business conditions in the country.

Notwithstanding the current tariff policy and biosecurity issues, the most recent interest rate decision is a welcome reprieve for farmers in terms of reduced debt servicing costs following the drought-induced agriculture contraction across key industries in 2024 that caused financial vulnerabilities eroding profit margins.

Total agriculture debt increased by 67% in the past ten years with a compound annual growth rate (CAGR) of 5.8%.

Furthermore, positive interest rate decisions have helped ease pressure on profit margins and further spurred investment recovery in the sector as output rebounds on the back of favourable production conditions.

Risks to export fruit sectors

However, this could be outweighed by the potential of severe financial losses and job cuts in the sector, especially in the Western and Northern Cape provinces, macadamia, and other export fruits, should the country not reach a favourable trade agreement with the US.

In terms of the near-term outlook, the foot and mouth disease (FMD) induced increase in meat prices, inflation, which can have an impact on inflation in general, as well as uncertainty around growth in exports, are all weighing heavily on farming margins in the next six months.

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