

Petrol and diesel price decrease brings relief to farmers

By  Paul Makube

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The latest drop in the fuel and diesel prices of 19c and 55c a litre, respectively, as a result of lower oil prices on the back off the coronavirus, will provide relief for farmers.



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The cumulative decrease in petrol and diesel so far this year will help limit the impact of the expected fuel levy increase of 25c per litre by April 2020.

This will likely contribute to positive cash flow, lower cost of production and improved profitability as petrol and diesel make up a significant amount of farm input costs.

The drop comes at a critical time as farmers start stocking up on diesel ahead of the harvesting period. Moreover, farmers are increasingly using petrol and diesel for backup generators in light of the current power supply challenges.

Fuel and diesel are also commonly used for tillage, machinery and transportation, making them a critical component for

both small-scale and commercial farmers, as well as the entire agricultural value chain.

Given that 70% of South Africa's food is transported by road, the decrease in the petrol and diesel price is likely to have a positive impact on food inflation, easing pressure on consumers who are already struggling to make ends meet.

This may possibly lead to further interest rate cuts later on in the year, given the improved inflation expectations.

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