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POLICY BRIEF

The 2026 Medium-Term Budget Policy Statement (MTBPS):

Implications for the implementation of the Agriculture and Agro-processing Master Plan (AAMP) Implementation



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Executive **summary**

The Minister of Finance, Honourable Godongwana, delivered the 2026 Medium-Term Budget Policy Statement (MTBPS) on 21 October 2026, which provides for interventions to mitigate high agricultural production costs, biosecurity lapses such as foot-and-mouth disease (FMD), El Niño-induced drought preparedness, and effective extension services, among others.

These measures align with the Agriculture and Agro-processing Master Plan (AAMP), which seeks to improve competitiveness, inclusive growth, employment creation, and market participation for all.

Although some interventions are not solely specific to the agricultural sector, fiscal measures include: (i) a temporary fuel levy reduction, (ii) reprioritisation and roll-over of funds earmarked for FMD, (iii) ringfencing the R10 billion contingency reserve funds intended for El Niño and other variable climate risks, (iv) securing the R1.5 billion for employment of additional extension officers, and (iv) the R10 billion Land Bank guarantee.

The key task for AAMP implementation is to coordinate these measures so they translate into measurable benefits and dividends for the agriculture and agro-processing sectors, while promoting institutional accountability, inclusive delivery, and outcome monitoring rather than focusing on expenditure alone.



1. Policy **context**



Agriculture contributes to food security, rural livelihoods, exports and agro-processing, but remains exposed to high input costs, biosecurity lapses, infrastructure deterioration and collapse, climate variability and intermittent access to finance. These constraints are particularly acute for farmers with limited working capital, archaic irrigation systems, inability to insure their products due to unaffordable insurance premiums, and limited access to formal markets.

The AAMP provides a platform to coordinate social partners including government, industry, farmer associations, and other partners across commodity-specific Value Chain Round Tables (VCRTs). The AAMP also provides a cross-cutting governance structure under the stewardship of the Executive Oversight Committee (EOC) that is chaired by the Minister of Agriculture. The governance structure of AAMP is being operationalised. The MTBPS should therefore be assessed not only as a fiscal statement but also as a set of potential implementation guidelines and opportunities for the AAMP.

2. Key MTBPS **measures**

Fuel levy relief:

Pillar 3 of the AAMP expresses the importance of adequate and effective farmer support services. Fuel is an important production input across the value chains. Adding to the diesel rebate, the Minister of Finance announced a temporary reduction of R3 per litre for diesel and R1.50 per litre for petrol that will take effect from 4 November to 1 December 2026, followed by R1.50 per litre for diesel and R1 per litre for petrol until 5 January 2027. The extent of relief received by farmers will depend on fuel use, diesel refund entitlements and pass-through by contractors and transporters.

FMD response:

Consistent with Pillar-5 of the AAMP, maintenance and diversification of export markets are dependent on compliance with sanitary and phytosanitary (SPS) requirements. The Minister of Finance reported that a financial package comprising R423.4 million will be reprioritized within the Department of Agriculture, and R183 million will be rolled over for vaccine procurement and dissemination through the FMD vaccination strategy. These amounts should be distinguished from entirely new appropriations.

Climate response:

Mitigation of adverse economic effects of climate variability requires proactive strategies and preparedness. The contingency reserve was increased to R10 billion to respond to El Niño-related pressures and associated risks. Separately, R6.2 billion is provided in 2026/27 for unforeseeable and unavoidable expenditure, mostly disaster relief and rehabilitation. Conditions for access, timing, and agricultural allocations will be clarified after the budget speech in February 2027.

Land Bank:

In terms of the AAMP, specifically Pillar 3, affordable access to finance is a critical requirement for farmer development and support. A R10 billion government guarantee is intended to support the institution's financing position and sustainable lending. Profiling of farmers is critical as funding requirements must be bespoke.

Infrastructure:

AAMP, specifically Pillar 2, indicates the importance of creating enabling infrastructure. The Minister reported a budget of R242 million for flood-damaged agricultural infrastructure and R1.46 billion for affected national and provincial roads. The potential implications are an increase in production and market connectivity.



3. Implications for agricultural development and the **AAMP**



3.1 Fuel levy relief and production competitiveness

Diesel is central to mechanisation, irrigation, harvesting and logistics. Temporary levy reductions may ease operating costs during the summer crop season and reduce some costs of moving inputs and produce. However, the effect on food prices and farm profitability will depend on the wider cost structure and market conditions. Smallholder farmers often purchase mechanisation and transport services rather than fuel directly. Consequently, relief may be uneven unless service charges adjust, which is not likely to be the case in the short term.

3.2 FMD: Linking the MTBPS to existing national coordination structures

The 2026 MTBPS provides for R423.4 million to be reprioritised within the Department of Agriculture and R183 million rolled over for FMD vaccine rollout. These resources should reinforce the existing national FMD response package, which includes implementation of a livestock identification and traceability system, restriction on animal movement, expansion of domestic vaccine manufacturing, and increasing animal health technicians. Such responses are anchored and organised around complementarity of roles by social partners as envisioned in the AAMP, i.e. the Department of Agriculture provides policy direction, regulatory oversight and resources whilst the Technical and Scientific Task Team provides scientific advisory services, veterinary and epidemiological guidance; and the FMD Industry Coordination Council (ICC) consolidates industry input and supports operational readiness, communication, traceability, vaccine distribution logistics and implementation monitoring.

The national control measures approved in June 2026 introduced more risk-based pathways for quarantine, livestock movement and recovery, including provisions recognising communal and peri-urban livestock systems. This is relevant to protecting market access and limiting unnecessary economic losses while maintaining effective biosecurity systems. For smallholder and communal livestock farmers, priorities include equitable vaccination coverage, accessible veterinary services, practical traceability and timely communication about movement requirements. The Livestock VCRT complements the ICC and Technical and Scientific Task Team by identifying value-chain implementation gaps, channelling producer feedback and monitoring consequences for market participation and transformation. These national FMD measures align with wider AAMP priorities, including economic inclusion, a responsive biosecurity system, enhanced livestock competitiveness, and maintenance and expansion of export catalogue.

4. Priority **recommendations**

a. Monitor FMD vaccination, surveillance, communal-farmer coverage and restoration of market access through the Livestock VCRT.
b. Operationalise the AAMP Cross-cutting Governance structure to advance engagement on drought preparedness, potential water scarcity and smallholder farmer support and development, including clarity on access to contingency funding.
c. In addition to the diesel rebate system, assessment to determine the effectiveness of whether temporary fuel relief reduces mechanisation and transport costs for smallholders' farmers and whether cost savings are passed through.
d. Engage the Land Bank and relevant partners on affordable and inclusive agricultural funding instruments and practical instruments for emerging producers.
e. Align priority agricultural infrastructure needs with funded government programmes (e.g. the Budget Facility for Infrastructure and provincial extension service programmes) and track improvements in rural connectivity and logistics.



5. **Conclusion**

The MTBPS presents potential short-term relief and longer-term opportunities to improve agricultural resilience, effectiveness of the biosecurity system, provision of affordable finance and market access. Yet announcements alone do not guarantee development outcomes. Effective implementation requires coordination, clarity on fiscal instruments and explicit mechanisms for smallholder inclusion. The AAMP provides an existing institutional framework to translate these measures into targeted action. The immediate task for the AAMP Project Management Unit and VCRTs is to align commitments with sector priorities, identify delivery gaps and report measurable progress.

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