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Loadshedding is disrupting SA agriculture and agribusiness activities

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As we start the new year, there is probably no issue more urgent than the worsening energy crisis for South Africa's agriculture and agribusinesses. Farmers who rely on irrigation have all expressed concerns that persistent loadshedding negatively affects production. In crucial field crops, roughly 20% of maize, 15% of soybean, 34% of sugarcane and nearly half of the wheat production are produced under irrigation. Fruits and vegetables also heavily rely on irrigation and thus face similar challenges. In red meat, poultry, piggery, wool, and dairy production, there are also concerns that loadshedding beyond stage two makes operations and planning challenging, as these industries all require continuous power for their usual activities. Similarly, agribusinesses face similar challenges in various downstream processing activities, such as milling, bakeries, abattoirs, wine processing, packaging, and animal vaccine production. Exporting agribusinesses, especially those with products susceptible to delays, such as fruits, red meat, and wine, are also worried about the port activities, which fortunately haven't been primarily affected.

The financial impact on farmers and agribusinesses or food security is not yet clear and will be difficult to quantify. At Agbiz, we have sent out a survey to collect critical data that will help us understand the scale of the financial impact of this crisis on the sector. There are also food security concerns as the effect of loadshedding will probably show in the volumes of products to be harvested/produced later in the coming months due to the time lag in agricultural production stages. The other emerging concern is the impact on jobs if businesses are severely affected. There is a real danger that some farmers could lose their crops, which would impact the farms' financial future and likely negatively impact agricultural financiers.

Total exemption of the sector from loadshedding will be near impossible. Many food processing companies and farms are technically linked to other localities and cannot be easily insulated from loadshedding. With Eskom's challenges likely to be with us for some time, reducing reliance on Eskom will probably be a strategic business survival consideration for many businesses, although costly. Investing in alternative power sources will need to be prioritized where financial resources permit. This alternative generation may not necessarily take a business "off the grid" but ensure the continuity of crucial business activities during the cycle of loadshedding.

The financial commitments associated with this may be quite large, and businesses may also encounter regulatory hurdles. These financial or regulatory limitations should be shared with the Department of Agriculture, Land Reform and Rural Development (DALRRD) so that they can help address them within their available resources and means. One possible step DALLRD can consider is to streamline the application processes under the Subdivision of Agricultural Land Act (SALA) and Spatial Planning and Land Use Management Act (SPLUMA) to authorize land use for energy generation. Additionally, if the government could also consider subsidies for solar panels and battery storage on top of relaxing these requirements, many farmers could possibly go off grid and generate enough power for their systems.

In recent engagements with the private sector, the DALRRD clearly stated that it would explore any incentives for alternative power generation in the sector. Minister Thoko Didiza expressed deep concerns about the impact of loadshedding in agriculture, agribusinesses and the broader food, fibre and beverages sectors.

Against this backdrop, the DALRRD will set up a task team of industry players, energy experts and government officials to explore possible near-term and long-term energy solutions for the sector this week. The task team route makes sense, given that the sector is wide and diverse, and this is a specialized matter that needs swift and focused intervention from experts on energy and sectoral matters. The results of the survey Agbiz sent out will be instrumental in supplementing the team's work. The matter is urgent and needs practical solutions, not an "academic" exercise. In the near term, while various business attempt to survive this challenge, the public-private sector solution will primarily come from this collaborative effort for the sector.

Away from the ongoing concerns about the energy crisis, agricultural conditions in the country are generally favourable, having benefitted from the rains of the past few months. Provided a near-term solution for the sector's energy shortage is found, this could be another year of generally large agricultural harvests across all subsectors and possibly positive growth (from the contraction we estimate for 2022). Still, uncertainty is high given the large-scale nature of areas that depend on irrigation and some that rely on efficient ports and processing facilities. The interventions to be made by both government and private sector to the energy crisis will be a key determinant of the sector's performance for 2023. Other factors beyond our control, such as the weather, have been positive for the first part of the year. Still, the heatwave of the moment requires irrigation in various areas to sustain the crops and orchards in good condition.

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