

Breaking new ground in global agriculture post-Covid

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As the coronavirus continues to spread around the world, governments have intensified efforts to contain the pandemic by limiting the movement of people and temporarily shutting down parts of the economy. Though the full extent of the economic fallout remains unknown, the effects of the pandemic will probably be felt for years.

Within this malaise, the agricultural sector and food manufacturing value chain seem likely to be among those least affected, due to supportive consumer demand. But this doesn't mean there won't be long-lasting structural changes in the sector.

The potential changes will not emerge from SA but from Europe and the US. However, over time they will filter into the local agricultural sector.

In particular, the pandemic has exposed the dependence of countries including Germany, Italy, France and the Netherlands on foreign agricultural labour. As borders have been closed to contain the spread of the virus, these countries have been faced with a shortage of farmworkers.

It's a challenge that extends to the US, where parts of the agricultural sector are reliant on seasonal labourers, mostly from Mexico. In fact, US farmers had already raised concerns about labour shortages prior to the Covid-19 shock. At that point, the US was running the risk of losing about 10% of its crop due to challenges in processing the so-called H-2A visa for temporary farmworkers from neighbouring countries. The pandemic will only aggravate the problem.

Farmers across the US and Europe worry that their crops may rot in their fields, a situation that would weigh on their finances and on food security.

The impact is not limited to primary agriculture. The US, Brazil and Canada — which accounted for nearly a third of global meat and edible offal exports in 2019 — have closed some of their meat processing plants in response to the spread of Covid-19. The closures have led to speculation about potential global meat shortages — resulting in US President Donald Trump ordering US meat processors to reopen, despite the health risks.

Though such challenges have financial consequence for the farming sectors in Europe and the US, they raise broader questions about the need for automation in the agricultural and agro-processing sectors.

Admittedly, automation will not necessarily be an easy step across all agricultural subsectors (horticulture, for example, is likely to remain labour-intensive). But where possible, and where there is capital available, technological diffusion is likely to accelerate.

Such a transition would start in the developed world. But it is set to pose a challenge for policymakers across Sub-Saharan Africa and other emerging markets, where agriculture is a large part of the economy or a potential driver of large-scale job creation.

Consider SA, for instance. The country's overarching developmental policy framework, the National Development Plan, outlines a broad policy objective to increase employment in the agriculture and agro-processing sectors by roughly 1-million by 2030.

This is underpinned by the prospect of increasing the level of investment in the sector (including in irrigation), boosting agricultural productivity, expanding export markets, promoting labour-intensive agriculture subsectors, and, where feasible, increasing the area of land being farmed.

Fortunately SA hasn't faced a scarcity of farmworkers since the Covid-19 pandemic started to intensify. On the contrary, it is in the unique (and, in another sense, difficult) position of having a labour market with a large pool of unskilled and often unemployed workers. So agriculture is well placed to provide livelihoods to those struggling to enter the workforce.

This doesn't mean that a permanent shift towards automation in parts of Europe and the US after the pandemic won't spill over into SA. The domestic agricultural sector is well integrated into the global market, which means any changes in the world's leading agricultural countries will, over time, be transferred to our market.

When the time comes for the post-Covid-19 recovery phase, SA policymakers and industry — and those in other developing countries — will have to pay close attention to the gravitation toward automation. They will have to assemble policies that ensure each country's agriculture sector remains competitive by keeping up with technological changes. At the same time, they'll need to ensure that the sector continues contributing to rural economic growth, which is vital for some of society's most vulnerable.

Policymakers will need to ensure farmworkers are upskilled, and better prepared to complement any structural labour market changes that may arise in the agricultural sector.

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