



agriculture, land reform
& rural development

Department:
Agriculture, Land Reform and Rural Development
REPUBLIC OF SOUTH AFRICA



National Agricultural
Marketing Council

Promoting market access for South African agriculture

Impact of the ongoing load shedding on South Africa's Agricultural Sector

Agriculture Energy Summit
Western Cape Dept of Agriculture
22-23 June 2023

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Background

- The duality and diversity of the South African agricultural sector implies that external shocks affects individual agricultural industries differently.
- However, the impact of load shedding was negative across all industries but with heavy impact on energy intensive and perishable products.
- Poultry, pigs, fruits and wine are amongst the most affected commodities, including the key export value chain nodes like ports.
- The impact of electricity constrain is also uniform across small, medium and large scale farmers – risking the private-public efforts to drive an inclusive and competitive agricultural sector.
- As known, agriculture contributes on average 2.8% to GDP and this increases to 7% when taking into account food manufacturing and up-and-down streams linkages with other sectors. Moreover, the sector generates an average of 845 000 jobs. This indicates the importance of the sector to food security and the general costs of living in the country.



Background.....

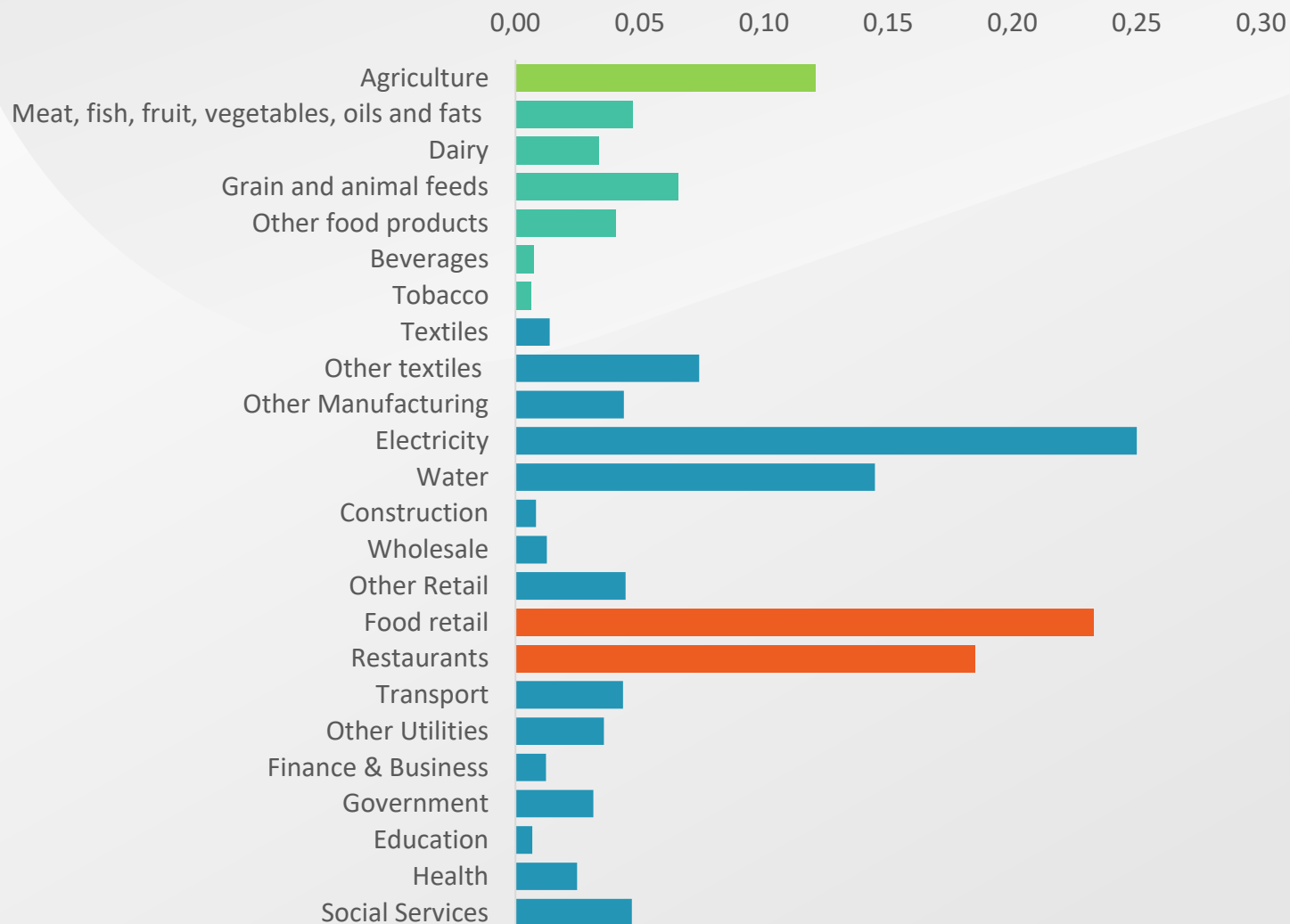
- Despite the importance of the sector, it continues to face several challenges; i.e. high input costs; loadshedding, etc.
- In 2022, loadshedding reached an all time high of 1 054 hours (or 47.7% of the time). In Q3 → 2.1% decline in GDP.
- Several farmers are adopting more advanced agricultural practices and machines which require electricity to operate.
- About 16% of maize, soybean (15%), sugarcane (35%), and wheat production (35%) are under irrigation.
- Persistent load shedding has also increased input costs as some businesses seek different energy sources that require additional capital.
- Our presentation, shares the work of the Ministerial task team that was established to assess the impact of load shedding on agriculture and design solutions to mitigate the impact on the sector.
- It elevates the assessment to the national agriculture level.



Sectoral dependence & strategies to prioritise electricity supply

Asides from the electricity industry itself, agriculture has one of the highest use to value added in the SA economy

Electricity Use to Value Added Ratio



This indicator standardise the relative intensity and use of electricity in generating economic value added.

Agriculture = 12%

Agro-Processing = 3%

(but grains & animal feed 7%)

The question then becomes how easily can industries lower their energy dependence?

Local agricultural markets heavily dependent on electricity, creating a third loop or impact on the agricultural sector in terms of the demand pull for products

Impact on the sector (Outcome of the survey)

Establishing the evidence base (Energy Task Team...)

- If food security is to be affected, vital to work from an evidence base;
- 494 respondents to the survey;
- Roughly 80% producers, 20% agribusinesses in the value chain;

Costs to the sector

- Smallholders spending on ave R10 000 per month on Diesel
- Commercial spending on ave R100 000 per month on Diesel
- Capex - All businesses channeling capital away from expansion towards installing back-up generation;

Possibility of shortages?

- Irrigated sectors (fruit, veg, annual crops) may be affected by lower yields;
- Impossible to predict what the percentage could be;
- Carry-over stocks & dryland production could buffer availability for consumer;
- Dairy & poultry highly impacted but insufficient evidence to show effect on import balance;
- Real, temporary shortages possible for;
 - Animal feeds (factories struggle to meet demand); and
 - Packaging

Consumers likely to feel impacts of increased cost more than availability

Agricultural Energy Fund: R2.5 billion in partnership with Land Bank

- ❖ Survey results indicated that farmers need to be assisted with alternative energy sources because of high costs of diesel.
- ❖ But also, other farm operations (irrigation, processing and other activities) can not be fully operated on generators that were not initial design to carry such load.
- ❖ As a result, an Agriculture Energy Fund has been announced by the Minister of Agriculture in the Budget Vote in May
 - ✓ The focus for the Agri-Energy Fund will be on energy intensive agricultural activities.
 - ✓ These will include irrigation, intensive agricultural production systems and cold chain related activities.
 - ✓ The existing criteria used for Blended Finance Scheme in the Land Bank will be utilised for the rollout of the Agri-Energy Fund.
 - ✓ As defined in the Comprehensive Producer Development Support policy, a large-scale farmer will receive 30% grant funding to be matched with 70% loan portion, where the grant amount is capped at the maximum of R1.5 million.
 - ✓ A medium scale farmer will receive 50% grant to be matched with 50% loan portion, where the grant is capped at the maximum of R1 million.
 - ✓ Smallholder farmers will be supported by a grant portion of 70% to be matched with 30% loan. For this category the maximum grant funding is capped by R500 000.
 - ✓ There will be a special recognition and application mechanism for small-scale irrigation schemes.

Concluding remarks

- ❖ The impact of loadshedding on the economy and its various sectors (Agriculture incl.) also holds implications for fiscal policy.
- ❖ Constrained GDP growth results in the constrained growth of tax revenue, which, in turn, further limits the government's spending envelope.
- ❖ Thus, an economy-wide assessment of the impact of loadshedding is essential (→ and to establish mitigating actions/strategies)
- ❖ Key industry role players still needs to find short-term interventions to reduce the severity of the crisis.
- ❖ The recently established energy fund by the DALRRD through the Land Bank presents a bit of hope for industry.