NAMC

Promoting market access for South African agriculture

POLICY BRIEF

August **2026**

ASSESSMENT OF THE EFFECTS OF **ESCALATING ENERGY TARIFFS** TO THE COMPETITIVENESS OF **AGRICULTURAL EXPORTS** IN THE REPUBLIC OF SOUTH AFRICA

The National Agricultural Marketing Council (NAMC) has quantified the effects of escalating electricity tariffs on the agricultural sector. Whilst the agricultural sector has developed immensely, as evidenced by the Gross Value Added (GVA) increasing from R20.5 billion in 1994 to R207 billion in 2024 (Quantec, 2006). Farmers are adopting advanced agricultural practices, equipment, and machinery that are reliant on electricity to operate. Farming operations such as irrigation systems to downstream activities such as grain storage silos and abattoirs are reliant on electricity.

During the 2025/26 financial year, the National Energy Regulator of South Africa (NERSA) approved a 12.74% increase in electricity tariffs. As from the 1st of July 2026, electricity tariffs increased by 8.76%, exerting more strain on various sectors in the economy. Rising electricity tariffs are becoming one of the most significant cost pressures facing the agricultural sector. Electricity is not a discretionary expense for farmers, grain handlers, millers and silo operators. It powers irrigation systems, drying machinery, aeration-ventilation systems, conveying belt systems, grading equipment, lighting, security systems and administration infrastructure. The cost of moving grain from the farm gate into safe storage and eventually to processors and consumers increases across the value chain as tariffs rise above general inflation.

Irrigated horticultural exports depend on reliable and affordable electricity. The additional burden of agricultural exports already facing pressure from higher trade tariffs, non-tariff measures, and uncertain geopolitical environment and erosion of the multilateral trade system is immense (Dube, 2026). As electricity-intensive production systems become more common, energy policy is increasingly affecting agricultural trade performance (Langarita et al., 2017; Raihan & Tuspekova, 2022; Torriti, 2026).

The Republic of South Africa consumes between 180 and 205 billion kilowatt-hours (kWh) of electricity per annum. According to Statistics South Africa (2026), the total electricity generated in 2024 amounted to 214 562 gigawatt-hours (GWh), representing a 1.7% decrease compared to the electricity generated in the 2021 survey (225 833 GWh). Coal remained the main contributor to total electricity generation, accounting for 82.7% (177 334 GWh), indicating that South Africa's electricity supply continues to rely heavily on fossil fuels.

Although coal-generated electricity declined from 212 761 GWh in 2016 to 177 334 GWh in 2024 (Africa, 2026), reflecting a gradual shift in the energy mix, whilst coal continues to dominate electricity generation. Renewable energy sources contributed 9.0% (19 408 GWh), followed by nuclear energy at 3.8% (8 226 GWh). Between 2016 and 2024, coal recorded the largest decline in generation share (-7.1 percentage points), decreasing from 89.8% to 82.7%, while renewable energy recorded the largest increase (+6.9 percentage points), rising from 2.1% to 9.0%.

In 2024, electricity worth at least R368 billion was distributed. The decline in coal generated electricity should be fast tracked to comply with European Union (EU) green deal targets to reduce the net greenhouse gas emissions by at-least 55% by 2020 compared to 1990 levels. The EU is the 2nd largest export destination at 31% of the $15.1 billion of agricultural products.

Below is Figure 1 that illustrates South Africa's continued reliance on coal-based electricity alongside steadily rising demand from the agricultural sector. Among the major electricity-consuming sectors, agriculture is one of the few that has recorded sustained growth in electricity consumption over time. This trend is likely to continue as irrigation, mechanisation and cold-chain infrastructure expands. Consequently, recent NERSA tariff increases, as highlighted by AgriSA (2026), are likely to have implications for agricultural exports, particularly because South Africa's export basket is increasingly concentrated in electricity-intensive horticultural products.

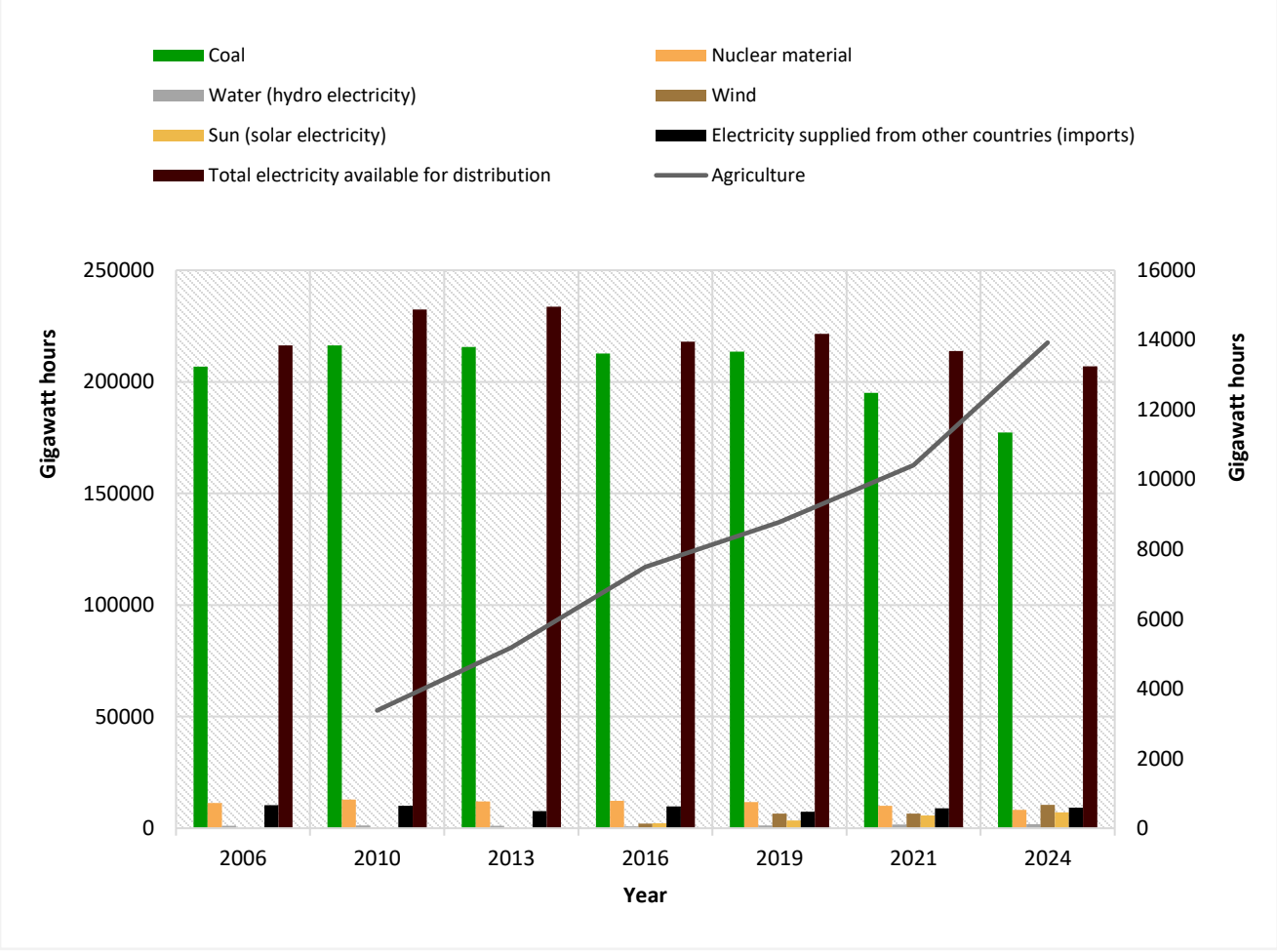

Figure 1: South Africa's electricity dynamics
Source: Statistics South Africa (2026)

Concerns of unreasonable escalating electricity tariffs and electricity as a cost driver to competitive performance raised by AgriSA (2026) are confirmed by the South Africa's export profile. **Figure 2** below depicts that agricultural exports are dominated by oranges ($1.16 billion), fresh grapes ($927.7 million), mandarins ($808.5 million), maize ($721.8 million), and fresh apples ($648.6 million) (Trademap, 2026). Apart from maize, these high-value export industries heavily depend on irrigation, refrigeration and cold-chain logistics. Inherently, reliable and affordable electricity are central to maintaining competitive performance of exports (Feliciano et al., 2025; Lanari et al., 2024). Higher electricity tariffs therefore have implications not only for farm production costs but also for the competitiveness of South African exports in international markets (Zaki & Hamdy, 2022).

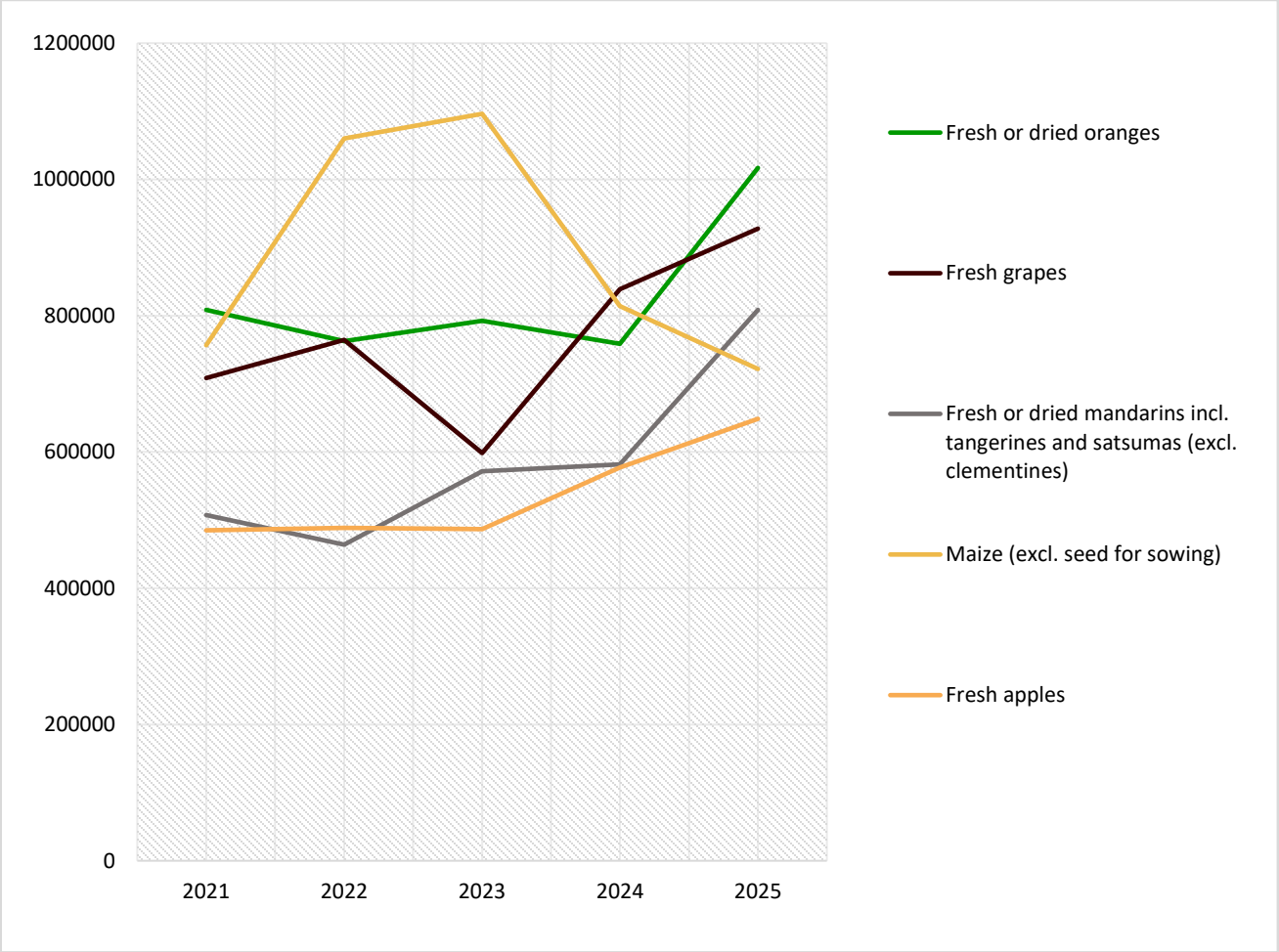

Figure 2: Top 5 agricultural exports by South Africa
Source: Trademap (2026)

The competitiveness of South African agriculture is also supported by increasing gross capital formation in terms of substantial investment in tractors, combine harvesters, irrigation systems, packhouses, cold-storage facilities and other capital-intensive infrastructure that depends on a reliable electricity supply that is affordable (AgriSA, 2026; Nick et al., 2025; Ortmann, 2005). This explain why agriculture is accounting for a growing share of electricity consumption, as shown in **Figure 3 below**. Although agriculture represents approximately 4% of electricity distributed, the sector recorded an annualised growth rate of 10.2%, highlighting the rapidly increasing demand for electricity as agricultural production becomes more technologically advanced and export-oriented (Africa, 2026).

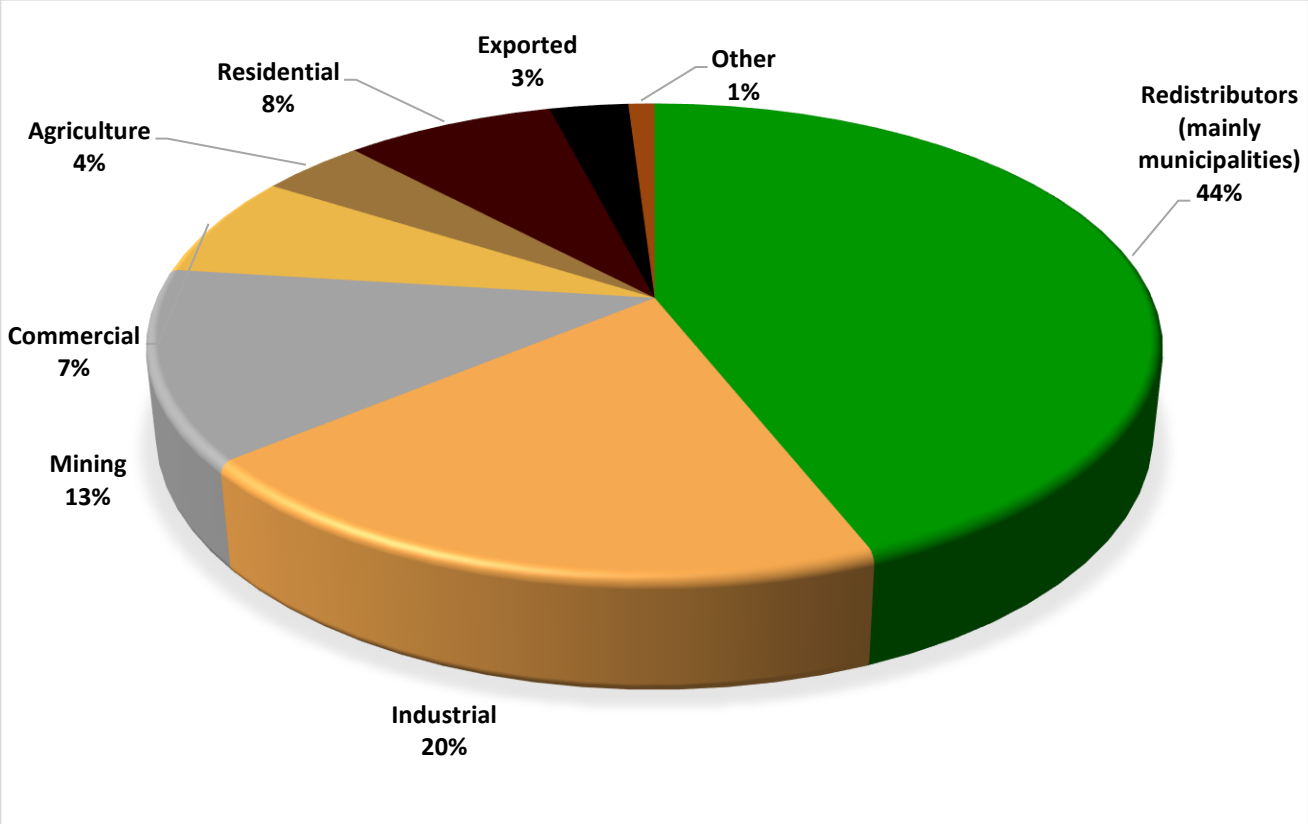

Figure 3: Electricity distributed by type of customer
Source: Statistics South Africa (2025)

Infrastructure investments have underpinned strong growth in South Africa's agricultural exports over the past decade. However, they have also increased the sector's exposure to rising electricity costs. The 12.74% NERSA-approved tariff increase (NERSA, 2025), together with continued volatility in domestic and global energy markets (Razi et al., 2025), represents a growing challenge for farm profitability, export competitiveness and, ultimately, food prices (Dube, 2026). As electricity becomes the second-largest production cost after labour for many commercial farming and agribusiness enterprises, escalating electricity tariff decisions will affect the competitiveness of South African agricultural exports (AgriSA, 2026).

Recent improvements in Eskom's operational performance are encouraging, albeit electricity prices continue to pose a significant challenge for agricultural sector. Ongoing governance reforms, including changes to the tariff structure, should be implemented in a manner that recognises the importance of agricultural exports. In particular, the unbundling and reallocation of rates under the new tariff design warrant careful consideration to ensure that future electricity tariff increases do not disproportionately affect productive sectors that depend on electricity for irrigation, storage and processing. Serious consideration should also be given to the design of capacity rates so that electricity costs more closely reflect actual consumption. Achieving a competitive, transparent and predictable electricity pricing framework will remain important for sustaining agricultural exports, investment and long-term food security.

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