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U.S. Tariffs, Export Diversification, and China's Trade Offer

- The primary focus for South Africa's agriculture this week is likely to be on U.S. trade policy, as the cutoff date for the 90-day pause of the higher Liberation Day tariffs approaches. Worryingly, the government has not communicated a systematic strategy for dealing with the U.S. tariff fallout. The meeting in Washington that took place in May 2025 was a step in the right direction, but there is a need to roll up one's sleeves and act in a business-unusual manner. Technically, we are still where we were before the Washington discussions between the South African government, accompanied by a business delegation, and the U.S. government. Yet, uncertainty may compound as the U.S.'s unilateral pause comes to an end this week. It is not that there are no clear strategies; rather, it is in implementation where the government has been sluggish.

- Various business groupings and organised agriculture, including us at Agbiz, have contributed to the South African government's mapping of the trade offer for the U.S. However, this is an evolving matter, and it remains unclear whether South Africa will continue to benefit from the 10% discounted offer or face the original higher tariffs of 31%. After meeting with the U.S. authorities in Angola at the end of June, building on the White House visit in May, the South African government has signalled an optimistic view stating that; "South Africa is also seeking, through the Framework Deal to have some of the key export products exempted from the Sections 232 duties, including autos and auto parts, and steel and aluminum through tariff rate quotas. South Africa is also seeking the maximum tariff application of 10%, as a worst-case situation."[1]

- While this is an encouraging message from the South African government, we believe that there remains profound uncertainty about the path ahead regarding U.S.-South Africa trade matters, as well as South Africa's broader global trade strategy, which has yet to be established. We may likely know whether the U.S. accepts South Africa's proposals at the last minute, as is often the case with other countries. This adds uncertainty and costs to exporting businesses, as whole planning schedules have been interrupted since the announcement of the Liberation Tariffs. The citrus, nuts, table grapes, wine, and ostrich products are amongst the key agricultural products that South Africa exports to the U.S., which remain at risk due to these tariffs. Continued engagement with U.S. authorities, as they attempt to address their wishes and concerns as the matter evolves, remains an important step.

- Another aspect that the South African government had signalled was the need for export diversification, as a way to spread the risk, given that trade fragmentation remains a persistent global theme. This is where the South African government should be directing most of its energies. There are risks associated with being overconcentrated in a few markets, as disruption in those markets could have significant

[1] The full statement from the DTIC is here: https://www.thedtic.gov.za/media-statement-on-the-south-africa-united-states-of-america-engagement/

effects on growth and employment. South Africa must diversify its exports from the U.S. Diversification is not the same as replacement; instead, it should be viewed as building upon or expanding into another market. While accounting for just 4% of South Africa's agricultural exports of US$13.7 billion as of 2024, the U.S. remains vital and concentrated in a few critical industries, including citrus, nuts, table grapes, wine, and ostrich products, among others.

- Importantly, the export diversification will take time to materialise. The Department of Trade, Industry, and Competition (DTIC), which leads the effort to expand exports, will need to initiate this process while simultaneously engaging with the U.S. to maintain better access for South African goods. It is unavoidable today that if you want to gain a market advantage vis-à-vis your competitors, you must negotiate bilateral trade agreements. Bilateral trade agreements create better market access opportunities while also exposing your sectors to international competition, thereby forcing them to be competitive.

- Countries build better when they can uncover their comparative advantage and create a competitive edge, something that is only possible through competition and essential government support. This pivot will require increased human capital at the DTIC, a shift in incentives to allocate resources towards market development and export promotion initiatives, and a change in the template from ideologically driven frameworks to more pragmatic approaches to trade in a changing global landscape.

- With clarity of strategy, the industry can also rise to the occasion and provide support. Although the South African government stated its intention to work on export diversification in May, there has been minimal progress so far, as the energy has primarily been devoted to U.S. matters. We need to start laying the foundations for South Africa's long-term resilience, and diversification is a key instrument in achieving this end.

- When the export diversification process finally gains momentum, China, India, and the broader Middle East are among the key markets that South Africa's agriculture would benefit from in terms of deepening trade. China has recently signalled its willingness to lower tariffs for goods imported from African countries. However, this statement remains symbolic mainly, as China has not provided any specific timelines or a negotiation template.

- Moreover, China's decision to exclude Eswatini from potential trade benefits also complicates South Africa's standing, as the country can negotiate trade matters as part of the Southern African Customs Union (SACU), which involves Eswatini. This ultimately means that the Chinese pronouncement cannot be viewed as an immediate potential avenue for South Africa's agricultural exports.

- Ultimately, this remains a period of profound uncertainty about the trading path with the U.S. However, South Africa must also enhance its human capital in trade matters and expedite its efforts on export diversification, while consistently engaging with the U.S. Trade is crucial to the country's long-term agricultural growth and broader economic development.

WEEKLY HIGHLIGHT

It's time for the BRICS countries to deepen agricultural trade

- In the current world of trade fragmentation, one area the BRICS countries should consider focusing on more in their deliberations this year is deepening intra-BRICS trade. For South Africa's agriculture, this has been a central input in various discussions for some time, reflecting our desire to expand export markets to the BRICS countries, as well as the potential that lies in this region.

- Currently, South African agricultural exports to the BRICS remain relatively low (at less than 10% of our agricultural exports to the world, which are US$13.7 billion as of 2024). The BRICS group is not a trade bloc, which partly explains our low agricultural penetration.

- However, this may be an opportune time to change this reality and explore a more ambitious agricultural trade arrangement that aims to address the low intra-trade challenge in agriculture within this grouping. What has proven to be a constraint in the past is not the low demand, but rather the relatively high import tariffs and some non-tariff barriers (phytosanitary barriers) within this group, which continue to distort agricultural trade.

- The BRICS countries represent a substantial agricultural market, with annual imports exceeding US$300 billion. China and India are the major importers. The key agricultural products that the BRICS grouping imports include soybeans, palm oil, beef, maize, berries, wheat, cotton, poultry, pork, apricots, peaches, sorghum, rice, and sugar. These are products that are produced at scale by some BRICS countries. Yet, the imports to other BRICS members typically originate from suppliers outside the grouping due to higher tariffs and phytosanitary barriers, among other issues.

- China and India, amongst other countries, are of particular interest to South Africa for expanding agricultural exports. This is because they account for sizable agricultural import volumes, have growing populations, stable economies, and evolving consumer tastes.

- South African policymakers' engagements with their BRICS counterparts in Brazil should include discussions on agricultural matters, with a particular emphasis on advocating for lower tariffs for specific products and addressing non-tariff barriers.

- We often highlight the U.S.'s higher tariffs, but China has some issues as well. Consider the wine trade in China – countries like Australia and Chile have accessed the Chinese market with 0% preferential tariffs. Meanwhile, South African producers face import tariffs ranging from 14% to 20%. Moreover, the South African macadamias face a 12% import tariff in China.

- Of course, the main challenge is that we do not have an agricultural trade agreement with China. Hence, competition has been challenging for the wine industry and a range of farm products. But it is for this very reason that we believe it is appropriate for BRICS countries to explore a possible agricultural trade agreement. We have singled out China here, but the same can be said about India, another major agricultural importer within BRICS.

WEEK AHEAD

What are we watching this week?

- We begin with a global focus, and today, the United States Department of Agriculture (USDA) will release its weekly U.S. **Crop Progress** report. U.S. farmers have completed planting, and the crop is in its early growing stages. As of June 29, approximately 73% of the maize crop was rated good or excellent, which is significantly higher than last year's rating at this time, which was 67%. Moreover, about 66% of the soybean crop was rated good or excellent, slightly below the 67% at the same time last year. The USDA will release its weekly **U.S. Grains and Oilseed Export Sales** data on Thursday.

- On the domestic front, on Wednesday, the South African Grain Information Services (SAGIS) will release its weekly data on South Africa's Grain and Oilseed **Producer Deliveries**. In the previous release on June 27, South African farmers delivered 1.4 tonnes of the new season maize to commercial silos. This was the ninth delivery for the new season, bringing the overall maize deliveries so far to 5.8 million tonnes. If you compare this with the overall volume delivered during the same period in the previous season, the volumes are down 24% due to the season's slow start. We are roughly a month behind schedule. South Africa's 2024-25 maize harvest is estimated at 14.8 million tonnes, a 15% increase year-on-year, primarily due to expected annual yield improvements.

- The 2025-26 marketing year for oilseeds started at the beginning of March 2025. In the first 17 weeks, the soybean producer deliveries totalled 2.5 million tonnes, out of the expected harvest of 2.6 million tonnes. In the case of sunflower seeds, the first 17 weeks of the new 2025-26 marketing year's producer deliveries totalled 576,047 tonnes, which is 150,753 tonnes less than the expected 727,800 tonnes.

- Moreover, the wheat producer deliveries for the first 39 weeks of the 2024-25 marketing year stand at 1.86 million tonnes. The final harvest is 1.93 million tonnes, down from 2.05 million tonnes in the 2023-25 season.

- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data. In the first nine weeks of the 2025-26 marketing year, which commenced in May, the total maize exports totalled 278 594 tonnes, representing 14% of the seasonal export forecast of 2.0 million tonnes. Approximately 24% of these exports went to Vietnam, 21% to Zimbabwe, 17% to South Korea, 13% to Botswana, and the remainder distributed to Sri Lanka and neighbouring Southern African countries.

- We will likely see more robust export activity later in the year once farmers have completed the harvest and there is grain in the silos for export. Given the recovery in domestic maize production, we don't anticipate imports in the new marketing year; if any are made, they will be small, mainly for the coastal regions that will take advantage of the affordable prices of some supplies.

- South Africa is a net wheat importer, and June 27 was the 39th week in the 2024-25 marketing year. The imports so far amounted to 1.2 million tonnes. The seasonal import forecast is 1.8 million tonnes, down from 1.9 million tonnes in the previous season. So far, Russia, Lithuania, Poland, Latvia, Australia, Canada and Romania are the wheat suppliers to South Africa.