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## South Africa's agricultural trade surplus up 20% y/y in Q1, 2024

- The collaboration between Transnet, organized business and agriculture sector stakeholders to improve efficiency at South African ports must continue. Efficient logistics are the lifeblood of South African agriculture and other exporting sectors of the economy. Admittedly, the deciduous fruit industry faced numerous challenges at the port of Cape Town at the start of this year related to delays that proved costly to farming businesses.
- Still, continuous collaboration to ensure improvements is the only viable path forward. We are already seeing the benefits of the improvements in the agricultural sector through the rise in the value of exports. For example, in the first quarter of 2024, South Africa's agricultural exports increased by 6% year-on-year, reaching US\$3,1 billion, according to data from Trade Map. This increase results from a relatively higher volume and price of exported products. The products leading the export list were grapes, apples and pears, maize, wine, apricots, sugar, wool, fruit juices, peaches and apricots, amongst other products.
- From a regional perspective, the African continent maintained the lion's share of South Africa's agricultural exports, accounting for 42%. The products leading the exports list in the African continent were maize, cereal meals and pellets, sugar, prepared foods, apples and pears, fruit juices, wheat, ciders and other fermented beverages, and soybean oil, amongst other products. The EU regained its position as South Africa's second-largest agricultural market, overtaking Asia with a share of 22%. Grapes, apricots, peaches, cherries, plums, wine, apples and pears, dates, figs, avocados, guavas, mangos, wool and fruit juices were the primary products that South Africa exported to the EU in the first quarter of this year.
- As a collective, Asia and the Middle East were the third largest agricultural markets in South Africa, accounting for 19% of the share. The exports to this region were mainly apples and pears, grapes, wool, sugar, beef, citrus, apricots, cherries and peaches, mutton and lamb, and soybeans. The Americas region accounted for 6% of South Africa's agricultural exports in the year's first quarter. The main exported products include grapes, wine, fruit juices, apples and pears, nuts, apricots and cherries. The rest of the world, including the United Kingdom, accounted for the remaining 10% of the exports.
- However, South Africa doesn't engage in one-way trade – the country imports various agricultural products. In the first quarter of the year, South Africa's agricultural imports amounted to US\$1,6 billion, down 4% year-on-year, according to data from Trade Map. The decline resulted from slightly lower volume and prices of major products that South Africa imports, like wheat and rice, whose prices cooled

off at the start of this year from the rally we saw last year. The major products South Africa imported in the first quarter are similar to what the country imports yearly. These are wheat, rice, palm oil, poultry products, and whiskies, amongst other products.

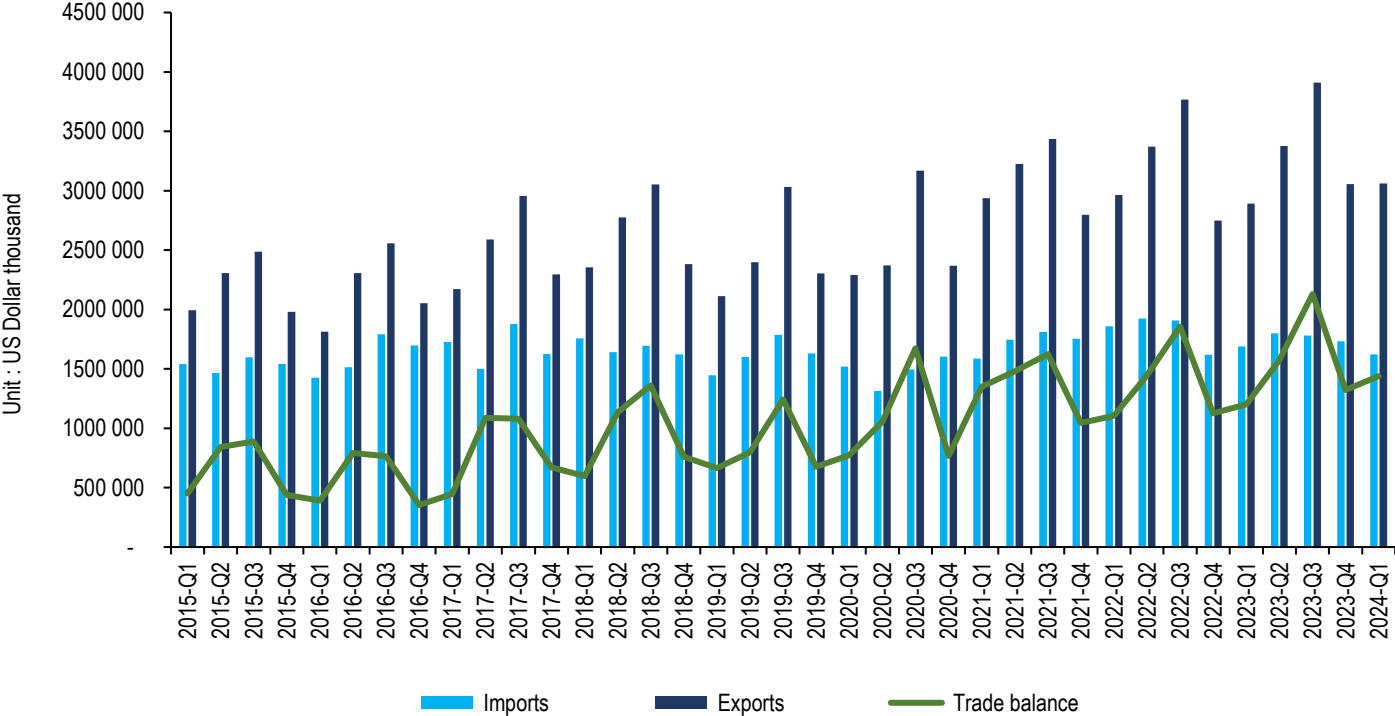
- South Africa lacks favourable climatic conditions to grow rice and palm oil and thus relies on imports of these products. In the case of wheat, South Africa imports nearly half of the annual consumption because of unfavourable climatic conditions to expand domestic wheat production beyond the regions that South Africa already cultivates for winter wheat. In the Free State province, which used to be amongst the major wheat-growing regions of the country, production has declined notably over time because of the unfavourable weather conditions and profitability challenges of wheat relative to other crops. Meanwhile, imports are around 20% of the annual domestic consumption of poultry.
- Subsequently, when we account for the exports and the imports, South Africa's agriculture recorded a trade surplus of US\$1,4 Billion. This is up by 20% from the first quarter of 2023. The sharp increase resulted from the decline in imports, while the exports lifted slightly.

## Policy considerations

- These first quarter exports are encouraging. Still, the subsequent quarters may show a mild performance due to a decline in grain exports, a major part of the exports in the first quarter and much of last year. The grain and oilseed production suffered from the mid-summer drought in South Africa, which resulted in major yield losses. Beyond the quarterly activities, there are some policy considerations for South African policymakers to support this sector continuously.
  - South Africa should stay focused on improving the logistical infrastructure efficiency and on the export market expansion mission for the agricultural sector. There is a need for increased investment in port and rail infrastructure and improving roads in the farming towns that continue to constrain the sector's growth.
  - South Africa must work hard to retain the existing markets in the EU, the African continent, Asia, the Middle East, and the Americas. Importantly, in an increasingly divided and fragile world, South Africa must walk a careful path so that its foreign policy approach does not result in a negative trade policy response from its traditional trading partners. This is fundamental for South Africa's agricultural growth, sustainability, and job creation.
  - Moreover, South Africa should expand market access to some of the key BRICS+ countries, such as China, India, and Saudi Arabia. Other strategic export markets for South Africa's agricultural sector include South Korea, Japan, Vietnam, Taiwan, Mexico, the Philippines and Bangladesh. The private sector and the South African government share this ambition for export market expansion.
  - The Department of Trade, Industry and Competition and the Department of Agriculture, Land Reform and Rural Development should lead the way for export expansion in these agricultural strategic markets. The outcome of the 15th BRICS conference in agriculture also focused on deepening trade within the BRICS+ countries while retaining other markets outside this grouping.

This was anchored on the emphasis for BRICS members to lower import tariffs and address SPS barriers hindering deeper trade within this grouping.

**Exhibit I: South Africa's agricultural exports**



Source: Trade Map and Agbiz Research