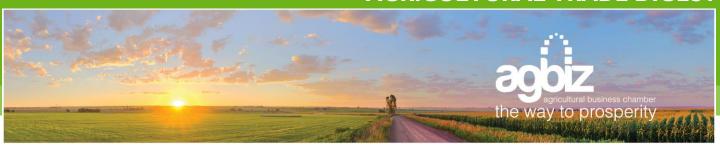
AGRICULTURAL TRADE DIGEST



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13 November 2024

What would President Trump's trade policy mean for agriculture?

- Geopolitical tensions and restrictive trade policies constitute a significant risk factor in global agriculture. Trade tensions have escalated since 2018, when the US introduced import tariffs on Chinese products, and China retaliated with import tariffs on agricultural products. In the years after, trade disruptions intensified with Russia invading Ukraine. The recent escalation of tensions in the Middle East has made for an even more geopolitically fragmented world. These events have created an environment where more and more countries are looking inward in terms of trade policies, and others prefer "friend-shoring", which relies more on countries they have geopolitical alliances with or in the same trade bloc.
- With President Donald Trump's return to office and his statement regarding import tariffs to a range of countries, and more specifically on China, we believe that trade fragmentation may be a big theme in the next few years. Amid all the uncertainty, agriculture trade is at risk. In 2018, when President Donald Trump imposed tariffs on China, US soybean and maize farmers and pork producers were amongst the most negatively affected. China switched some orders to Brazil and Argentina, which became some of the significant soybean suppliers in China.
- President Trump has indicated in his campaign trail that the US may impose up to 20% tariff on all imports and 60% on goods from China. We don't know how China would react to such tariffs. However, if China retaliates as it did the last time, the US soybean and maize farmers and pork producers would again be negatively affected. We could see this through disruptions in global grains and oilseed prices. The US is a significant producer, and when its grain market activity is disrupted, the impact tends to be felt globally. Moreover, US farmers could also start exploring other export markets they have not been as present to hedge against China's risks.
- Still, avoiding China on any global agricultural product will be hard. China is a dominant player in the export and import of agricultural products. In 2023, China was a leading agricultural importer, accounting for 11% of global agricultural imports. The US, Germany, Netherlands, the UK, France and Japan were trailing China. According to Trade Map data, China spends just over US\$200 billion a year on the imports of agricultural products. The US is the second largest agricultural supplier to China after Brazil. Other suppliers include Thailand, Australia, New Zealand, Indonesia, Canada, Vietnam, France, Russia, Argentina, Chile, Ukraine, the Netherlands, and Malaysia. Indeed, if one looks at China's agricultural imports, the top products include oilseeds, meat, grains, fruits and nuts, cotton, beverages and spirits, sugar, wool, and vegetables. The US has significant exposure to oilseeds and meat.

• Similarly, China is a major exporter of agricultural products, and it was the fifth-largest agricultural exporter in the world in 2023. The leading countries ahead of China were the US, Brazil, Netherlands, and Germany.

Implications

- This means that global agricultural trade has one additional factor that increases uncertainty. South African farmers must closely follow the formal trade policy developments in the US beyond President Trump's campaign promises. If he follows through with the promises of high import tariffs on China, and China retaliates, then there will be volatility in the global oilseeds and grain prices. US farmers will likely feel more pressure than other regions. The South American farmers stand to benefit as an alternative source for China to procure soybeans.
- South Africa is a small player in global grains and has undoubtedly not been a participant in the US grains and oilseed markets. The only risk is when the US farmers divert their products to South Africa's traditional markets in the Far East, further recreating more competition and downward price pressures. This, too, is something we will have to monitor closely.
- We remain convinced that there is a minimal direct impact on South Africa. Whether the US imposes
 any other import tariffs that could directly affect the South African farming community remains to be
 seen. At the moment, we are inclined to believe the risks may still be minimal.
- Beyond the US, the trade fragmentation further solidifies the view we have previously shared that South Africa must work to diversify its agricultural export markets. In a fragmented world like today, an export-oriented sector should spend more time and resources on broadening export markets and diversifying the risk. South Africa's agriculture growth hinges on the country's success in creating as many export markets as possible. In addition to retaining the existing export markets, BRICS remain one such avenue.