

Co-operation between the government and farmers over the wool ban is a template for other issues

The good news of the past week in South Africa's agricultural sector was the resumption of wool exports to China after nearly four months of suspension. China had cited the foot-and-mouth disease outbreak as a reason to suspend South Africa's wool imports. The suspension happened despite the existence of a unique protocol to handle the wool shipments and avoid any contamination during a foot-and-mouth disease outbreak in South Africa.

South Africa and China agreed on this protocol following the 2019 outbreak, which weighed on exports. China may have faced capacity constraints during the covid-19-related lockdowns in recent months, possibly leading to delays in activating the protocol. Notably, the foot-and-mouth disease outbreak has been specific to cattle farms, not sheep farming. Hence, industry role players were appropriately dismayed when China suspended wool imports from South Africa, citing this reason.

Credit for assisting in the reopening of this critical trade channel for wool must go to the practical and quiet cooperation between the Department of Agriculture, Land Reform and Rural Development, the wool industry and Agbiz, amongst others, over the past few months. The reopening of exports comes at an opportune time as the wool season has recently started. As we stated previously, China is South Africa's primary wool export market, accounting for an average of 70% of exports. Other South African wool industry markets are the Czech Republic, Italy, India, Bulgaria, Germany, the US, Malaysia, Japan, and Mexico. But these are relatively small and thus could not absorb the volume usually destined for China over the past couple of months.

Importantly, wool will likely remain a significant contributor to South Africa's agricultural export revenue and not fall off the top exportable products list as we initially feared. In the first five months of this year, wool was the eighth largest exportable agricultural product, accounting for 3% (or US\$152 million) of the US\$5,1 billion in total agricultural exports during this period. Germany and Italy's share in exports increased from April as the Chinese exports declined notably. In fact, Germany and Italy accounted for a larger market share than China in May. The hope is that the European market could remain vibrant as the Chinese market also opens up to South African wool.

The wool industry is also amongst the agricultural subsectors with a large share of new entrant black farmers, whom we feared would experience financial pressures if the ban had continued for longer. For example, the National Agricultural Marketing Council estimates suggest that black farmers account for 18%, 13% and 34% of wool, mohair, and cattle production, respectively.

The cooperation between government, industry and organised agriculture during the wool ban challenges is yet another example of the approach that should be used to deal with challenges facing the sector. For example, foot-and-mouth disease, which continues to affect the livestock industry, needs industry and regulators' view on assembling a plan for the sector. On 16 August 2022, the Department of Agriculture, Land Reform and Rural Development aptly decided to restrict the movement of cattle for 21 days, reviewable weekly.

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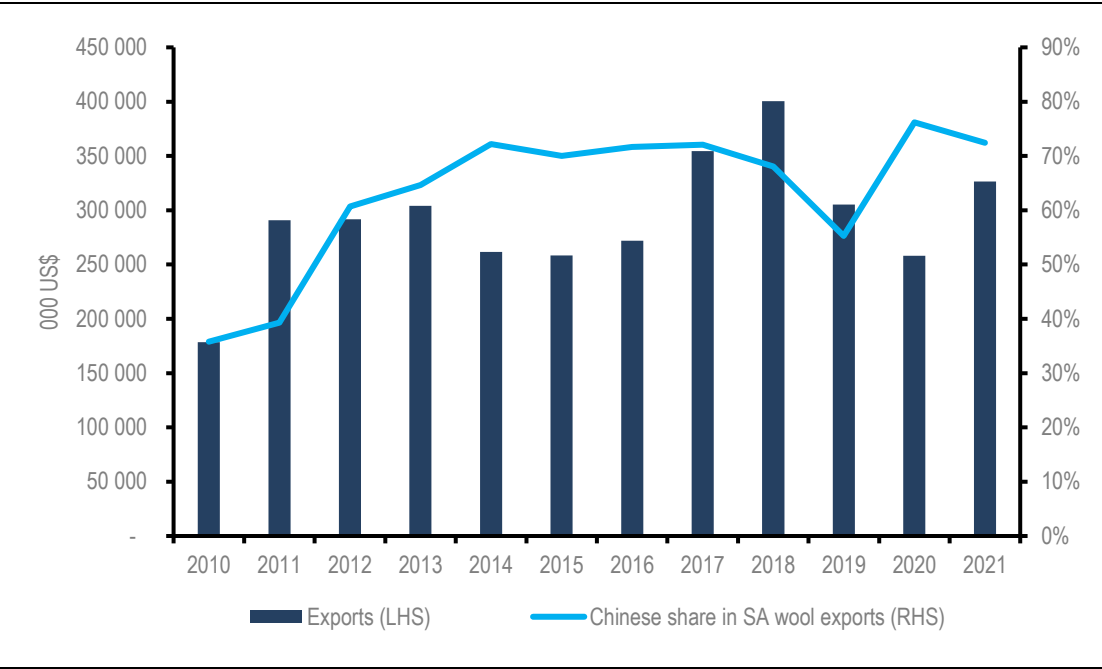
The path forward at the end of this period requires the input and support of the cattle industry players while leaving sufficient room or flexibility for the regulators. The industry inputs will help enrich the government's understanding of the financial impact of their decisions on the industry but, importantly, collaborate on the scientific knowledge of helping to curb the spread of this disease. The industry role players might have various ideas, such as the need to issue cattle movement permits rather than a complete ban on movement or vaccination options. These are the kinds of discussion and much richer scientific insights that specialists in the field could exchange for the good of the South African cattle and, indeed, the broader livestock subsector. In the process, the wool industry should be consulted. The wool industry tends to be affected by the cattle industry developments, as has been the case with the China export ban.

Moreover, the "South Africa Inc" or collective approach between the industry and government is vital in the broader international trade terrain. Difficulties remain for long-term access in the EU for the South African citrus industry. The changes in the plant safety regulations for citrus purport to protect the EU from a quarantine organism, "false codling moth", by introducing stringent new cold treatment requirements, particularly on citrus imports from Africa, mainly impacting South Africa, Zimbabwe and the Kingdom of Eswatini. As stated before, South Africa has put rigorous measures to control false codling moth, which the EU uses as a pretext to restrict citrus imports from Africa. This is a cover to protect the EU's citrus-growing countries like Spain and will increase costs to the Southern African citrus growers. Resolving this challenge requires effective collaboration from South Africa in the engagements with the EU. This means that industry will primarily play a supporting role, and the government should take a firm and visible leadership role in engagements with their EU equals.

The same approach should apply within the Southern African region where the vegetable industry is experiencing losing access to its key markets, such as Botswana and Namibia. These countries combined account for roughly 30% of South Africa's annual vegetable exports of an average US\$200 million. The majority of these vegetable products are potatoes, onions and tomatoes. The vegetable farmers in the northern regions of South Africa, and indeed, South African food businesses in these countries, generally rely on these high-quality vegetable product exports, which are now at risk. However, the approach to resolving this challenge should again not be an aggressive approach between industry and government, but a collective "South Africa Inc" approach with our neighbouring countries.

Overall, South Africa's export-oriented agricultural sector faces numerous challenges in the export markets. Still, the success of the reopening of the wool exports and the effective collaboration between government industry and organised agribusiness offers a broad approach to the nature of engagements we should have, especially when dealing with foreign stakeholders and other domestic challenges. As we continue to struggle with foot-and-mouth disease, citrus exports in the EU, and vegetable exports challenges in the region, the collaborative approach will be key to finding a productive path for the good of South Africa's agriculture. In this process, government colleagues should take the lead and be more open to exchanging ideas with the industry, and the industry should reciprocate.

Exhibit 1: South Africa's wool exports



Source: Trade Map and Agbiz Research