

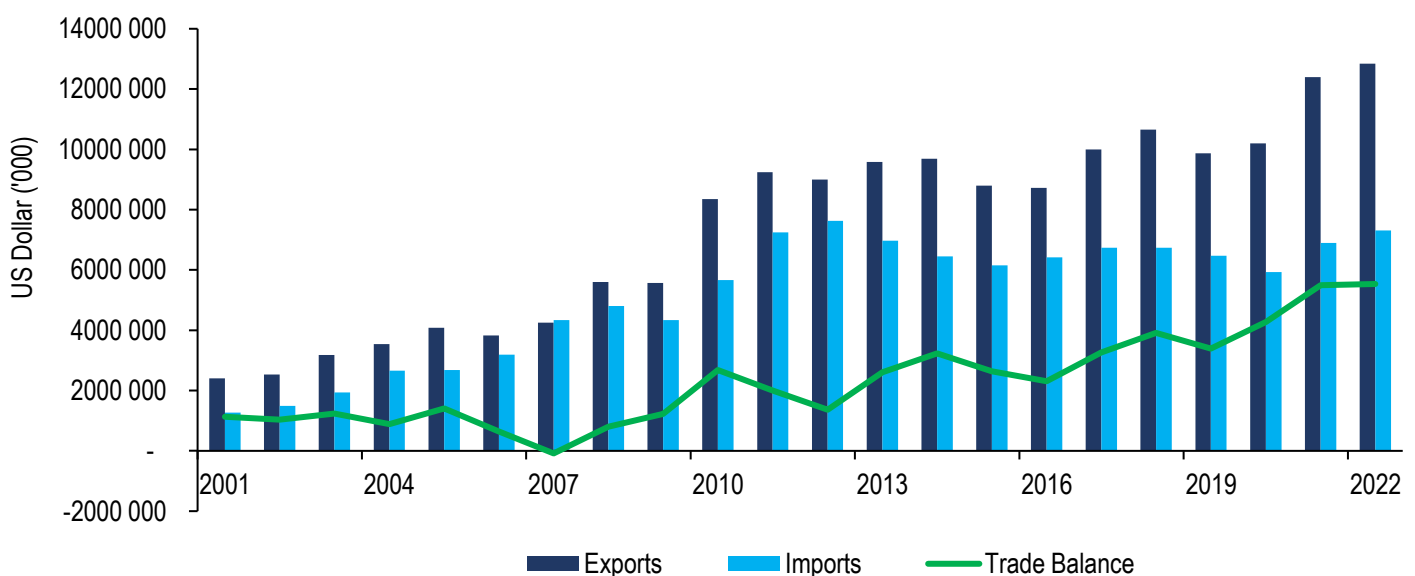
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Trade is the lifeblood of SA's agricultural growth

- International trade is at the heart of South Africa's agricultural success. For this reason, any disruptive legislative and logistical constraints to exports are set to constrain the sector's growth and, as such, a deep cause for concern. Equally, the differences in the interpretation of various export-related legislation by industry leaders versus regulators could have adverse effects on the sector or dent sentiment. Therefore, it is critical that the meaning and intent of regulation and policy be clearly articulated and communicated in a way that is commonly understood.
- A case in point was the [weekend papers](#) that misinterpreted the export legislation in the E.U. market and, thus caused panic in the sector. The regulations outlined a procedure for exports from SACU and Mozambique to the E.U. and the U.K., respectively, to take advantage of preferential Tariff Rate Quotas (TRQs) for certain agricultural and agro-processed products contained in an annexure to the agreement. However, they were reported as though they are new stringent BEE regulations for exports.
- The reality is that these requirements are not new and mirror the previous years' requirements. There is no new BEE threshold or level that an applicant must reach to be awarded an export permit.
- The critical nature of trade in South Africa's agricultural sector is evident from the fact that the sector has more than doubled since 1994, in both value and volume terms. Admittedly, trade wasn't the only catalyst for growth. The improvement in seed varieties, genetics and farming techniques have been a key role in the success of improving farm productivity. But equally important is the expansion of the export markets that enabled and sustained growth of the South African farming sector, ensuring that output derived from productivity gains has a wider reach to a range of export markets.
- As highlighted in the past, in 2022, South Africa's agricultural exports reached a record US\$12.8 billion, up 4% from the previous year. This considerable success in a year of logistical challenges is commendable. The relatively higher commodity prices, and large harvest were at the heart of the success. Maize, wine, grapes, citrus, berries, nuts, apples and pears, sugar, avocados, and wool were some of the top exportable products in 2022.
- The exports were spread across various key markets. The African continent remained a leading market, accounting for 37% of South Africa's agricultural exports in 2022. Asia was the second largest agricultural market, accounting for 27% of exports, followed by the E.U., the third largest market, accounting for 19%. The Americas region was the fourth largest, accounting for 7%, and the remaining 10% went to the rest of the world. The U.K. was one of the leading markets within the 'rest of the world' category.

- The products of exports to these markets were primarily the same, with the African continent and Asia importing a reasonably large volume and value of maize. Meanwhile, exports to other regions were mainly fruits and wine.
- Considering the share and the composition of the exports to the E.U. market, it is unsurprising that farmers and agribusinesses in the horticulture and wine industry were the ones most surprised by the talks of changes in export regulations to the E.U. But in our interpretation, there are no material changes, but rather a misinterpretation of the regulations by various sections of the media.
- Appreciating the importance of trade as a catalyst of growth in agriculture, South Africa's strategic focus should be on broadening the export markets even further in the coming years. Crucially, the broadening of the export markets should happen while simultaneously focusing on maintaining smooth relations with these critical export markets, such as the E.U., U.S., and African continent, amongst other markets. Furthermore, the drive to export markets should be in the form of "South Africa Inc" and not to the exclusion of any stakeholder.
- Provided that there is room for expansion of agricultural production in the underutilized land currently in government books and the former homelands, the export drive will become even more vital to accommodate further growth of South Africa's agricultural sector in the coming years.
- The markets ideal for expansion, which both the South African government and private sector favour, are China, South Korea, Japan, the USA, Vietnam, Taiwan, India, Saudi Arabia, Mexico, the Philippines, and Bangladesh. All have sizeable populations and large imports of agricultural products. Some of these countries are within the BRICS+ grouping, where the deepening of agricultural trade is already a priority, with the agribusiness working group and various trade and agricultural departments of BRICS+ members setting steps to realize this goal. There is political support from all member countries.

Exhibit I: South Africa's agricultural exports



Source: Trade Map and Agbiz Research