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What will SA's BRICS chairpersonship bring for agribusinesses?

This year South Africa assumed the role of chair of the BRICS grouping of countries, taking over from China, which chaired in 2022. While South Africa previously chaired the grouping in 2018, each tenure is different and brings a new opportunity to influence the agenda within this economically influential grouping of countries. While the group is not a formal economic or trade block, the business communities from each country typically look for ways to deepen trade and investments with other BRICS partners. The South African BRICS Business Council is one grouping with various working groups that engage with other member states on equal footing. This year, the South African BRICS Business Council will also lead the agenda in the same form as the political principals chairing BRICS. The agriculture and agribusiness role players are appropriately represented through Agbiz, which chairs the agribusiness working group in the Business Council.

The main interests of South African agriculture and agribusiness in the grouping are advancing agricultural exports, specifically to China and India. These are countries that have relatively solid economic growth prospects and large populations (and therefore markets). Brazil tends to be a competitor with South Africa in major agricultural commodities, while Russia is an important market for South African fruit and a major supplier of wheat. Still, since Russia invaded Ukraine, advancing commerce with the country is generally risky. With that said, the posture some businesses have taken has been to follow the national policy on matters concerning the Russia-Ukraine war.

This year is another opportunity for South Africa to push for increased agricultural exports into the BRICS countries. As things stand, the BRICS countries account for a relatively small share of South Africa's agriculture exports – an average of 8% over the past 10 years in total agricultural exports of US$9,9 billion. China is the leading market, accounting for an average of 5% of South Africa's agricultural exports to the world. The top products were wool, citrus, beef, nuts and grapes. The second-largest market of South African agribusinesses within BRICSS was Russia, accounting for an average of 2% over the past decade. Citrus, apples, pears, grapes and wine were some of the top agricultural products South Africa exported to Russia during this period. India and Brazil were negligible importers of South African agricultural products.

While the BRICS countries imported an average of US$764 million of agricultural products from South Africa, a small share in the nearly US$10 billion South Africa exported over the past decade annually, the grouping imported an average of US$196 billion worth of agricultural products from the world market. This data excludes South Africa to provide a view of the size of the agricultural market that South Africa is part of within BRICS. The US$764 million the BRICS countries imported from South Africa over the past 10 years makes South Africa a small player in the agricultural trade of this grouping. China is the largest importer accounting for 67% of the total BRICS agriculture import of US$196 billion, followed by Russia (16%), India (12%), and Brazil (5%).

These realities imply that within the agribusiness stream of the BRICS Business Council and the broader political grouping, the South African representatives should continue to

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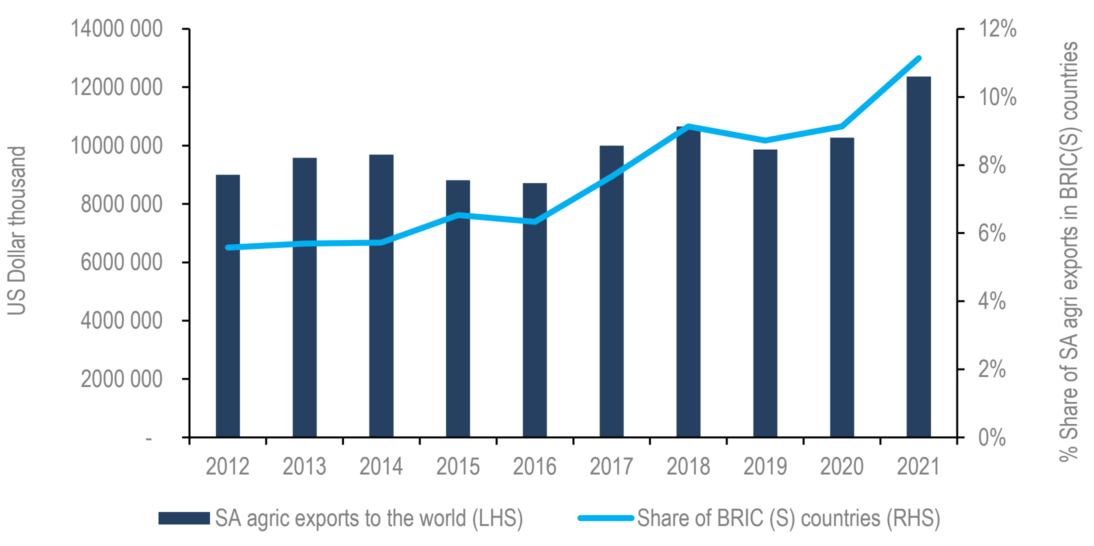
advocate for lowering import tariffs for agricultural products, specifically within India and China. At the same time, the business community will have to actively promote the "proudly South African" agriculture (and broadly food, fibre and beverages) products in this grouping of countries.

Regarding the import tariffs with BRICS, consider the case of wine trade in China. The likes of Australia and Chile access the Chinese market at 0% preferential tariffs. Meanwhile, South African producers face duties of as high as 14%. This is understandable as Australia, New Zealand, Peru, and Chile have a bilateral agreement with China. South Africa does not have such agreements and thus faces higher duties. Still, the involvement in BRICS, while a political grouping and not a trade bloc, should provide an opportunity to lobby for lower duties on food, fibre and beverages products.

Such engagements, however, will not be smooth as China and India would most likely want a reciprocal engagement with South Africa. This will put South Africa in a challenging position as the country is also pushing its localization strategy, particularly in the manufacturing space, which will likely interest China and India. This is also a challenge that industry players should consider when engaging with the local authorities about the export market aspirations to these countries. Still, South African policymakers will also need to make necessary trade-offs, weighing both our export ambitions and the localization strategy. Trade policies and sector development strategies will need to be calibrated in ways that take advantage of new market opportunities presented by South Africa's term of chairmanship in BRICS.

In addition to the aspect of deepening trade, other areas South African agribusinesses will most likely explore within BRICS Business Council are fertilizer trade and production, as well as a deepening knowledge sharing and investment in agricultural technology and finance. It is still early in the year, and the results of these engagements will be evident as the year progresses. Still, these are some of the points that, from an Agbiz perspective, we will table in this grouping on behalf of the South African agribusinesses.

Exhibit 1: South African agricultural exports and share that goes to BRIC(S) countries



Source: Trade Map and Agbiz Research