South Africa remains a net exporter of aggregate food but increasingly loosing competitiveness on strategic tariff lines

South Africa's agriculture, forestry and fisheries achieved a positive trade balance of R44.3 billion in 2017, largely driven by 1.9 percent growth in aggregate exports as compared to the previous year. Europe and Africa continued to be the largest destination markets for agricultural exports, collectively absorbing 70.5 percent of total exports in 2017, measured in value terms. During the same time, imports slowed by 3.9 percent due to a 24.7 percent decline in imports originating from American countries.

- South Africa's agricultural exports amounted to R146.78 billion in 2017, and 42.5 percent of this value was generated from Africa; 23 percent from Asia and 27.9 percent from European markets. The sector's export growth was led by relatively competitive industries such as fruits, dairy, maize, wood and oilseeds, whereas imports were dominated by live-animals, meat, sugar, fertilizers and prepared foods.
- The country is generally a net exporter of food, but it is increasingly becoming a net importer of critical food products. For an example, the growing imports of wheat, sugar, fish and meat products combined with stagnating exports of beverages and vegetables could weaken the sector's ability to sustain a positive growth and job creation. Moreover, the persistent dryness in the Western Cape province and other parts of the country will likely affect the traditionally export-strong industries like fruits and wine in the coming export season.
- Looking at the performance of tariff lines covering agricultural products in the tariff book, South Africa is now a net importer on 60 percent of all agricultural tariff lines up from 49 percent observed in 2010 when assessed at HS 2 level[1]. This suggests that the agricultural sector has been slowly losing competitiveness in many industries, and concerted efforts are needed to address factors that enhance import growth and the deterioration in production conditions.
- The chart below describes a trade performance of different agriculture, forestry and fishery products over the past seven years at HS 2 level. The horizontal scale indicates the share size of each product in total agricultural trade, whereas the vertical scale shows the average net trade of each product as share of total agricultural trade.
- From the chart, it is evident that fruits and nuts contribute the largest share in total agricultural trade in value terms, followed by beverages and grains. More interesting is that the majority of products have a negative net trade, although their shares in total agricultural trade are relatively low. For an example, meat accounts for 5.7 percent share in total agricultural trade and it has recorded a negative net trade averaging to 64 shares of total trade over the last

[1] The Harmonized System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes

seven years. In other words, the meat industry has witnessed a negative trade balance averaging to 426 thousand tons over the last seven years. A similar picture is observed in fertilizers, grains (driven by increasing wheat and rice imports), sugar, fats and fish products where total trade is increasingly tilting towards imports thus putting pressure on domestic products to compete with relatively low-cost imported products.

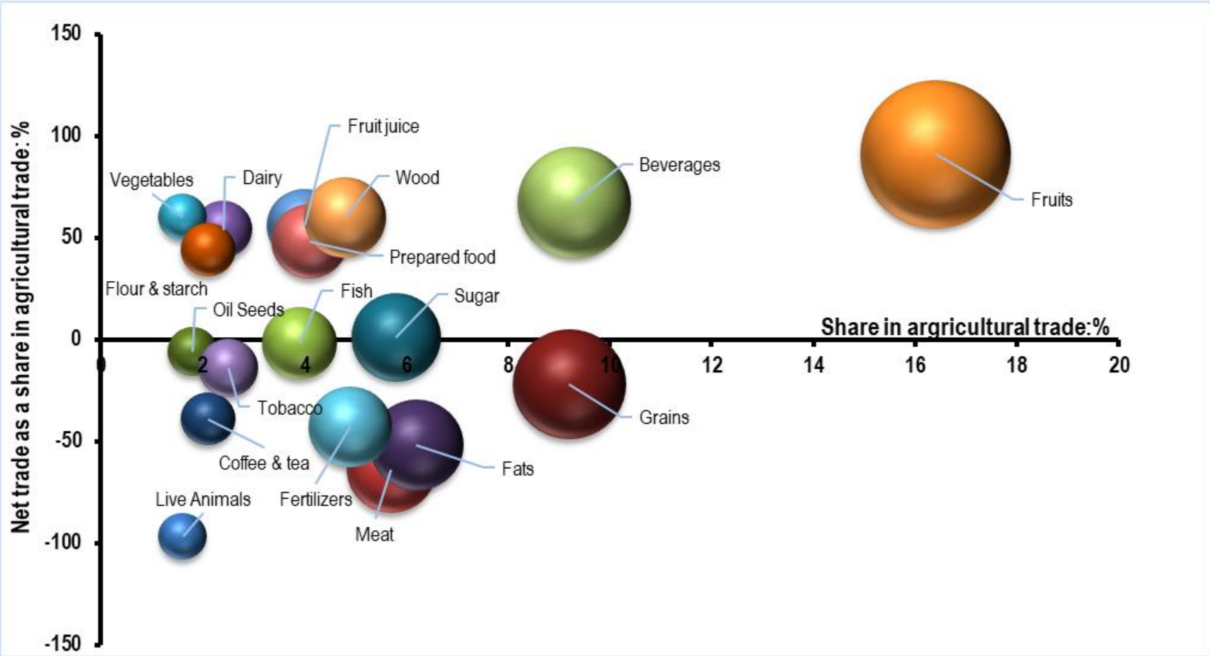

Chart: Trade performance of agriculture, forestry and fishery products between 2010 and 2017
Note: Agriculture, Forestry and Fisheries product tariff lines are Chapter 1-24 plus 31, 41, 43 & 44
Source: SARS and Agbiz Research

- From a policy perspective, this analysis suggests that imports are not only outpacing exports growth rate but are also expanding and replacing local production even to industries that were relatively competitive such as sugar, meat and beverages. The growing reliance on imported food is increasing the country's vulnerability exposure to foreign markets. A growing dependence on imported food could cause volatility in food prices because imports costs are closely linked with the exchange rate and other trade factors.

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