

## OPINION PIECE:

### **African free-trade pact gives reason for hope in agriculture**

*By Wandile Sihlobo, [Business Day](#), 22 August 2019*

The African Continental Free Trade Agreement (AfCFTA) was recently ratified. Although it is well understood that a reduction of tariffs in isolation won't necessarily encourage trade, it is still an important development from an agricultural perspective. This is because there is still a lot of work to be done across the continent to address the lack of infrastructure, costly and prohibitive border processes, corruption and weak institutions.

The growth that South Africa's agricultural sector has enjoyed over the past few decades was largely export-driven, and the African continent has been a key market. Hence, the prospects for South Africa's agriculture can only be bolstered by trading under the AfCFTA, which is scheduled to start on 1 July 2020. Over the past 10 years, the African continent accounted for an average of 44% of South Africa's agricultural exports, which equals to US\$3.9 billion, up from an average of less than 30% in the prior decade. The top ten markets for South Africa's agricultural exports were Botswana, Namibia, Mozambique, Lesotho, Eswatini, Zambia, Zimbabwe, Angola, Mauritius and Nigeria.

The growing middle class and more spending power has partly been the catalyst for the growth of South Africa's exports to the African continent. This means that the economic trajectory of the aforementioned countries is important for South Africa's agricultural prospects as it influences the domestic demand of the importing countries.

Also, worth noting is that aside from Nigeria, the remaining nine of the aforementioned countries are part of the Southern African Development Community (SADC), and currently account for 82% of South Africa's agricultural exports to the African continent (meanwhile, the overall SADC region accounts for 88% of South Africa's agricultural exports to the African continent).

This means that, what has really been an underpinning driver of South Africa's agricultural exports to the African continent, has in fact been the SADC region and not so much the overall continent. The main explanation is that SADC is a tariff-free zone for South Africa and existing infrastructure facilitates trade with the neighboring countries.

The products exported to the continent are diversified, ranging from sugar, beverages, spirits, to grains (mainly maize, wheat and sorghum), cotton, beef, and vegetable oils, amongst other products. With the exception of grains (especially maize), the share of agricultural products to the continent has grown over the past decade. The decline in grain exports is mainly due to the development of domestic grain production in a number of countries in the continent. Meanwhile, horticultural products, beverages and spirits production in the continent remains limited. The profile of agricultural exports has also been influenced by changing consumer taste with high-protein foods being more preferable.

The role of maize is by no means diminishing, as the livestock sector, which I believe will grow in the coming years in the continent, will require it as feed. Also, the decline

of South Africa's share of the continent's maize exports has not caused disruption in domestic production since the maize industry has active markets in the Far-East region.

In response to the opportunity presented by the AfCFTA, South Africa will invariably need to expand its agricultural production in areas that still have underutilised land. In the past, I have argued for market development in Asia and the Middle-East, however, the African continent remains an important market which shouldn't be ignored.

With South Africa's agricultural exports within the African continent concentrated within the SADC region, the African Continental Free Trade Agreement offers hope for potential trade expansion. As set out in these pages in July in an essay co-authored with Michael Ade and Tinashe Kapuya<sup>1</sup>, the newly launched trade agreement is expected to make 90% of trade within the continent duty-free by July 2020, and this is set to increase to 97% over the next decade as more duties on an additional number of products are phased down.

With such developments, the continent needs to address the lack of infrastructure and un conducive business environments that make trade across borders particularly costly and nearly prohibitive. It is only through the adoption of such a multifaceted approach that the African continent will fully benefit from the numerous opportunities that AfCFTA presents for its agricultural sector.

- *Sihlobo is chief economist of the Agricultural Business Chamber of SA (Agbiz).*

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<sup>1</sup> Ade, M., Kapuya, T., and Sihlobo, W. 2019. *African free-trade area could offset weakening global growth*. Business Day. Available at: <https://www.businesslive.co.za/bd/opinion/2019-07-11-african-free-trade-area-could-offset-weakening-global-growth/>