OPINION PIECE:

Should SA boost its agricultural exports to China?

By Wandile Sihlobo, Business Day, 16 January 2020

If you are an agribusiness or farmer in SA, it is almost impossible not to think about the possibility of expanding the footprint of your product to a big and growing market such as China. After all, the success of SA's agricultural sector is, in part, linked to trade. SA exports nearly half its agricultural products a year in value terms, mainly throughout Africa and the EU.

More recently, Asia and the Far East (particularly China) have become a key growth frontier that present SA with new opportunities to expand its agricultural exports. Overall, Asia has accounted for a quarter of SA's agricultural exports, with indications that SA can potentially increase its market presence substantially in the future.

China is particularly interesting because of the size of its population and economy. The country is significant enough to warrant more attention, especially given that there is currently no preferential market access for SA's agricultural sector there. SA is having to compete with the likes of Australia and Chile, who have secured trade agreements that have afforded them a significant competitive advantage.

How big a player in China is agricultural trade, and what is SA's share there?

China's agricultural imports increased from $70.7bn in 2009 to $129.7bn in 2018, and SA is low on the list of the supplying countries, at number 32. SA's agricultural exports accounted for a mere 0.5% in China's agricultural imports in 2018, according to data from Trade Map.

The key agricultural products that China imports include soybeans, cotton, malt, beef, palm oil, wool, wine, strawberries, pork, citrus and barley. SA's presence within the Chinese market is mainly wool, citrus, nuts, sugar, wine, beef and grapes. But within these products, SA's share remains negligible, with the exception of wool.

What constrains SA from growing its share within the Chinese agriculture market?

What has constrained SA's growth in the Chinese market over the past few years is not only that the products in demand are not produced in SA, but rather trade barriers. In part, this is because of the way China facilitates agricultural trade agreements — mainly focusing on one product line at a time — which ultimately slows trade.

A strategic approach to increase SA's agricultural exports to China

If China is to be an area of focus for SA's export-led growth in agriculture, then a new way of engagement will be essential to softening the current barriers to trade. Most important, both SA and China are members of Brics — a platform that should help improve economic activity across its member countries.

SA should also encourage foreign direct investment in agriculture, specifically for potentially new production areas such as the Eastern Cape, KwaZulu-Natal and

Limpopo, which still have large tracts of under-utilised land. Having Chinese nationals as partners to agricultural development might be one of the ways of easing trade and a way of doing business with the country.

A number of instruments can be devised, but one thing for certain is that China should be key to SA's agricultural sector as a place for export-led growth. The growing population and income provide a good base for the demand of higher value agricultural products, which SA intends to focus on in its development agenda.

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