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Cultivating resilience: South Africa's citrus industry amidst global challenges

The 2021 demand for South Africa's wine in China may be coming to an end as Australia returns!

South Africa's agricultural trade in a Trump Era: Uncertainty and global shifts

agriculture, land reform & rural development
Department:
Agriculture, Land Reform and Rural Development
REPUBLIC OF SOUTH AFRICA

NAMC
Promoting market access for South African agriculture

FOREWORD

Welcome to the ninety-nineth (99th) issue of the Trade Probe publication coordinated by the Trade Research Unit under the Markets and Economic Research Centre (MERC) of the National Agricultural Marketing Council (NAMC). The Trade Probe publication is co-produced by the NAMC and the Department of Agriculture, Land Reform, and Rural Development (DALRRD).

The aim of this issue is to explore the dynamic challenges and opportunities in international trade, specifically for the agricultural sector, considering global shifts such as climate change policies, trade restrictions, and market access challenges. Authors outlined how South Africa can strategically position its agricultural sectors' trade performance for resilience and growth amid evolving factors. Moreover, authors identified specific agricultural commodities and analysed their export performance over the years. Authors explored strategies and arrangements to expand trade of South Africa's agricultural products.

Guided by the mandate of the NAMC expressed in Section-2 of the Marketing of Agricultural Products Act; the current issue of the Trade Probe seeks to inform policymakers, producers, traders, and other stakeholders about potential risks and opportunities brought about by global shifts in international trade. Moreover, the issue aims to advise how South Africa's agricultural sector can strategically position itself globally and take advantage of these changes.

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THE FUTURE OF SOUTH AFRICA'S AGRICULTURAL EXPORTS TO THE EU AMID NEW REGULATIONS: A CASE OF THE EU GREEN DEAL

By Bhekani Zondo

Globally, the phenomenon of climate change is increasingly threatening food systems and their resilience. The increasing temperatures, variable rainfall patterns, and other extreme weather events such as droughts, floods, heatwaves, and cyclones, are contributing to the reduction in agricultural yields, disrupting food supply chains, and displacing communities (Swinnen et al., 2022). The severity of climate change is expected to worsen and expose millions of people at risk of extreme levels of hunger, poverty, and malnutrition by 2050. To combat climate change and environmental degradation, as well as, to strive towards climate change mitigation and sustainability, the 27 member States of the European Union (EU) colluded to enact the EU Green Deal in December 2019. The EU Green Deal is an ambitious plan aimed at achieving climate neutrality and sustainable economic growth in Europe by 2050.

To achieve the environmental and ecological targets by 2030, the Green Deal encompasses the Farm to Fork (F2F) and Biodiversity strategies. The F2F strategy addresses the entire inherent challenges of sustainable food systems while also recognizing the complex interlinkages between healthy humans, societies, and a healthy planet (Shukadarova, 2022). Whereas the EU Biodiversity strategy for 2030 is a long-term comprehensive plan that is aimed at protecting nature and the environment as well as reversing ecosystem degradation (European Commission, 2020b). Through the F2F and Biodiversity strategies, the Green Deal aims to achieve the following set goals and targets by 2030. These are: reduce the overall use and risk of chemical pesticides by 50% and the use of more hazardous pesticides by 50%, at least 50% reduction in nutrient losses and reduce the use of fertilizers by at least 20%, increase the EU's agricultural land under organic farming by at least 25%, and at least 10% of agricultural area under high-diversity landscape features (Beckman et al., 2020; Jongeneel et al., 2021; Shukadarova, 2022; European Commission, 2020a).

Due to the mirror clauses associated with the EU Green Deal climate policies, several countries willing to trade with the EU need to align with the set of policies applicable to the EU producers. This essentially means that countries like South Africa are compelled to adhere to new regulations to continue to access its lucrative market. Consequently, given that the EU is one of South Africa's biggest trading partners in terms of agricultural trade, South African exporters to the EU will need to adapt to this change, to ensure their long-term competitiveness in this changing market.
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South Africa's agricultural exports to the EU has been exhibiting an increasing trend over the past decade. This has also resulted in a rather increasing trade balance, although South Africa has also been increasing its agricultural imports from this region. In 2023, South Africa exported about US$2.5 billion worth of agricultural products to the EU while imports were valued at US$2.19 billion. Export recorded a 51% growth rate while imports grew by 34% during this period under consideration. Notably, since the enactment of the Southern African Development Community-European Union Economic-Partnership Agreement (SADC-EU-EPA) in 2016, both South Africa's exports and imports of agricultural products grew by 57% and 48%, respectively. This is due to fact that as part of the SADC-EU-EPA, the EU eliminates custom duties on approximately 98.7% of imports from South Africa, while members of the Southern African Customs Union (including South Africa) also removes custom duties on about 86% of imports from the EU (European Commission, 2024).

Table 1 below illustrates the leading agricultural products traded between South Africa and EU in 2023. Wheat and meslin was the leading agricultural product imported by South Africa from the EU with a share of 18% in value of the overall agricultural imports, followed by crude sunflower-seed (6%), food preparations (6%), roasted malt (5%), and distilled grape wine/spirits (4%), among others. Conversely, the leading agricultural products exported by South Africa to the EU are grapes (12%), oranges (11%), mandarins (7%), lemons (6%), wine (5%), raw sugarcane (5%), and avocados (5%), among others.

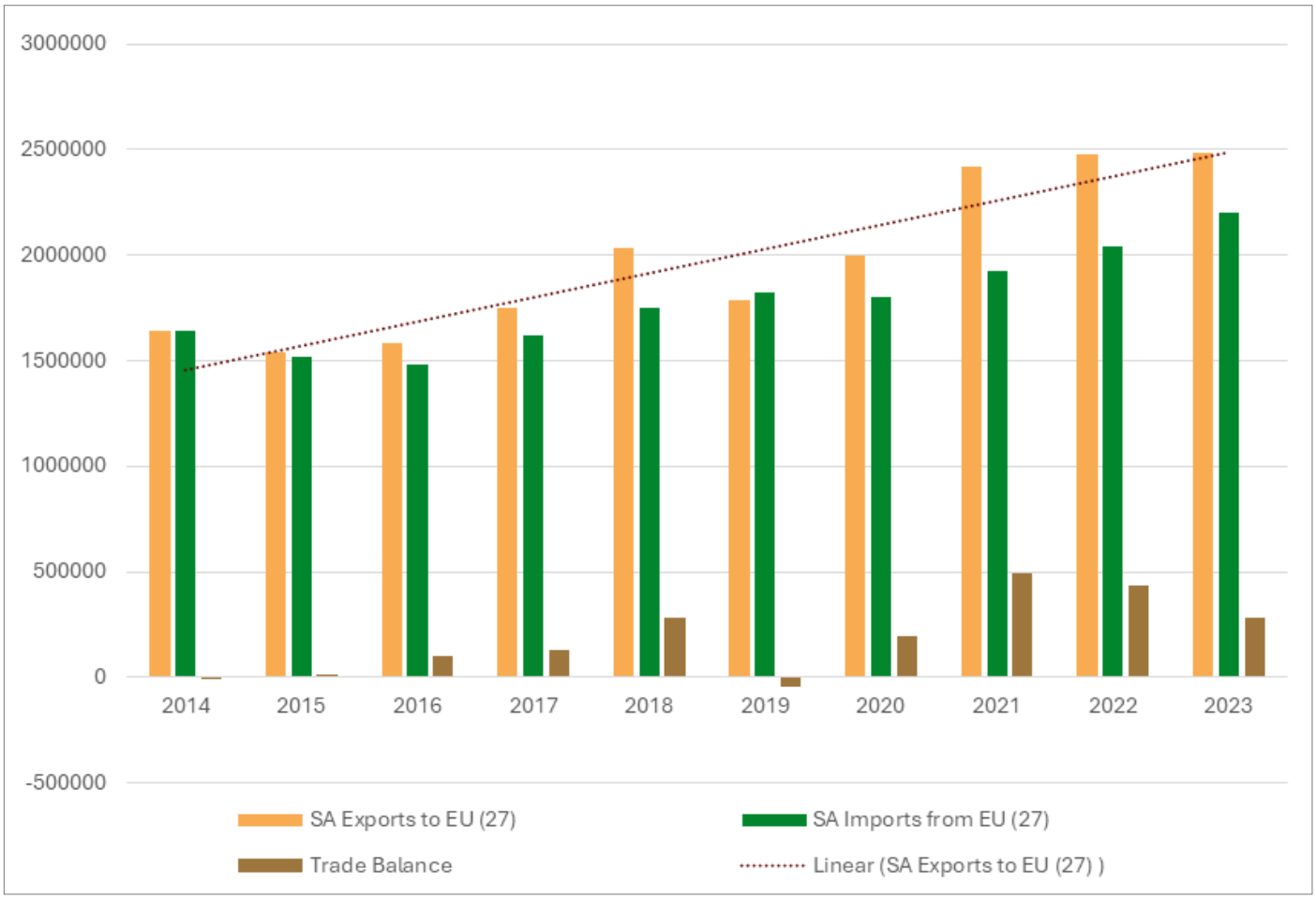

Figure 1 above depicts South Africa's agricultural trade with the EU over the past decade.

Table 1: Main agricultural products traded between South Africa and EU in 2023

Commodity	Imports In US$'000	% Share	Commodity	Exports In US$'000	% Share
Wheat and meslin	392 638	18%	Fresh grapes	308 785	12%
Crude sunflower-seed	131 263	6%	Oranges	264 649	11%
Food preparations	122 242	6%	Mandarins	176 576	7%
Roasted malt	101 201	5%	Lemons	155 901	6%
Distilled grape wine/spirits	95 892	4%	Wine	127 892	5%
Coffee extracts	85 257	4%	Raw sugarcane	116 615	5%
Beer made from malt	67 357	3%	Avocados	114 736	5%
Flavored water	56 934	3%	Fresh berries	83 616	3%
Frozen/prepared Potatoes	56 049	3%	Greasy wool	66 532	3%
Whiskies	48 897	2%	Dried grapes	62 927	3%
Animal feed preparations	48 132	2%	Wine	56 286	2%
Dog or cat food	47 816	2%	Grapefruit and pomelos	52 258	2%

In conclusion, South Africa's agricultural export dynamics to the EU are poised to undergo significant shifts due to the stringent environmental and sustainability requirements under the EU Green Deal. While the EU remains a vital trading partner, accounting for substantial export growth, compliance with the Green Deal's mirror clauses is imperative for maintaining access to this market. Adapting to these policies offers both challenges and opportunities for South Africa's agricultural sector. Exporters must innovate and align with sustainability standards to ensure long-term competitiveness. Strategic responses to these regulations will determine the future resilience and growth of South Africa's agricultural trade with the EU.

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CULTIVATING RESILIENCE: SOUTH AFRICA'S CITRUS INDUSTRY AMIDST GLOBAL CHALLENGES

By Nokuthula Khulu

South Africa's citrus industry, a cornerstone of the agricultural sector, is among the major contributors to the economy, and the world's second-largest exporter of citrus fruits. For decades the industry has driven economic growth, supported rural livelihoods, and solidified the country's reputation as a reliable global supplier. On the contrary, recent stricter market regulations, shifts in trade dynamics, and climate related challenges are disrupting this trajectory. Moreover, due to issues such as port congestion, strict European Union (EU) regulations, and climate-related setbacks in 2023, the citrus exports declined by 11,2% from 2,6 million tons in 2022 to 2,3 million tons (Meintjes, 2024). This article explores these challenges and strategies for adapting to global market conditions while safeguarding the future of South Africa's citrus trade.

A dispute has been initiated by South Africa with the EU at the World Trade Organization (WTO) to challenge phytosanitary measures concerning prevalence of Citrus Black Spot (CBS) and False Codling Moth (FCM). These regulations, considered by South Africa as "unscientific and discriminatory," cost the citrus sector approximately R2 billion annually and threaten market access for over one-third of its exports (CGA, 2024). Although these measures do not constitute a ban, they impose a heavy financial burden on South Africa, which relies heavily on the EU market. Initiation of the WTO dispute process aims to secure fairer trade practices and protect the livelihoods of over 140,000 individuals in the sector (DTIC, 2024).

Compounding these challenges are significant logistical inefficiencies, including port congestion and unreliable rail networks, which delay shipments and hinder exporters' ability to meet global demand. With export targets projected to reach 200 million cartons within the next four years, addressing these bottlenecks is critical (Meintjes, 2024). The CGA strongly believes that urgent public-private partnerships are essential for improving port efficiency. Although the partnership between Transnet and International Container Terminal Services Inc. (ICTSI) on Durban's Pier 2 has faced delays due to legal matters, there is a pressing need to enhance container terminals to unlock the economic potential of South Africa's ports (CGA, 2024).

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Climate change poses a significant threat to the citrus sector, with unseasonal flooding disrupting production in the Western Cape during the 2023 growing season. These environmental shocks underscore the need for sustainable agricultural practices to mitigate risks and maintain competitiveness in global markets. Additionally, South Africa is diversifying its export markets to reduce reliance on traditional partners like the EU. Recent discussions at the BRICS summit in Russia highlighted efforts to reduce trade tariffs among BRICS nations and strengthen agricultural ties with new members such as Egypt, Saudi Arabia, and the United Arab Emirates (UAE). These initiatives align with South Africa's broader strategy to tap into growing demand in Asia and the Middle East, providing alternative markets for agricultural exports, including citrus fruits.

Figure 2 below illustrates the SA citrus exports to the top five importing countries for the period under consideration, measured in tons (classified under HS Code 0805). The analysis shows a steady growth trajectory, demonstrating the industry's resilience and sustained growth despite facing significant challenges.

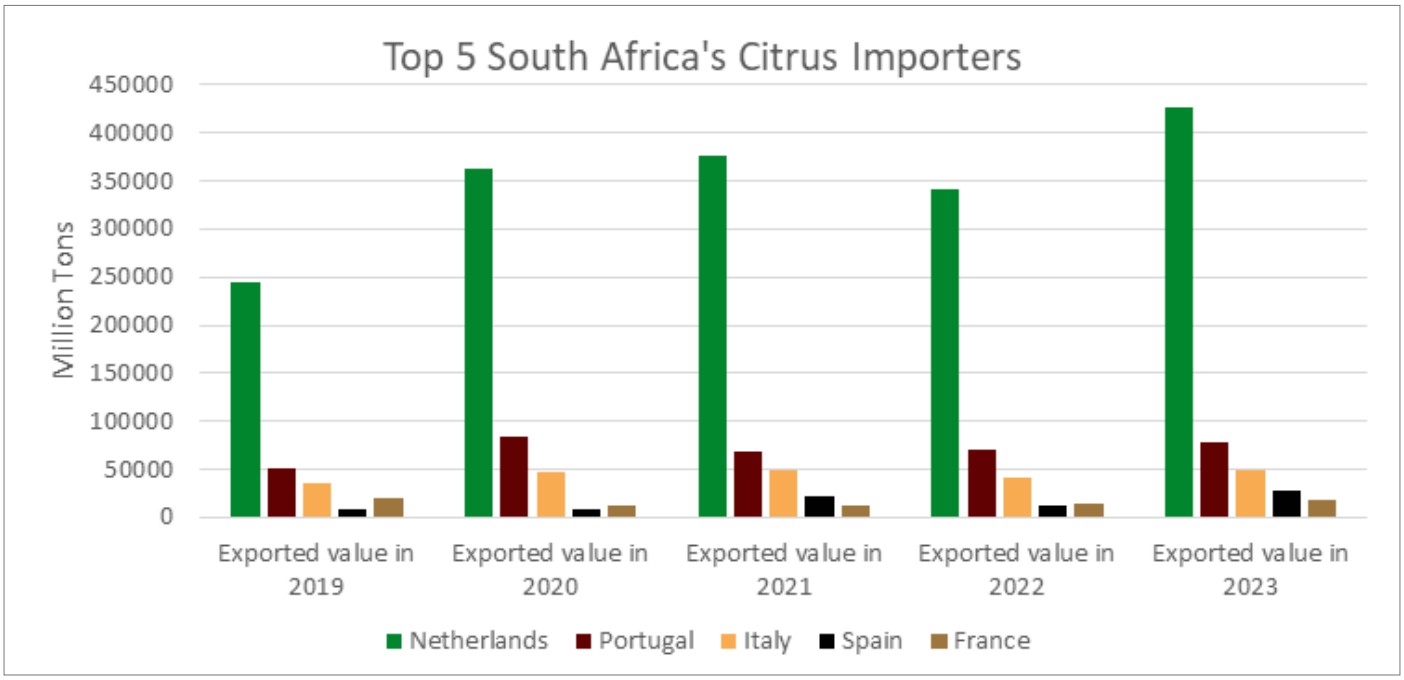
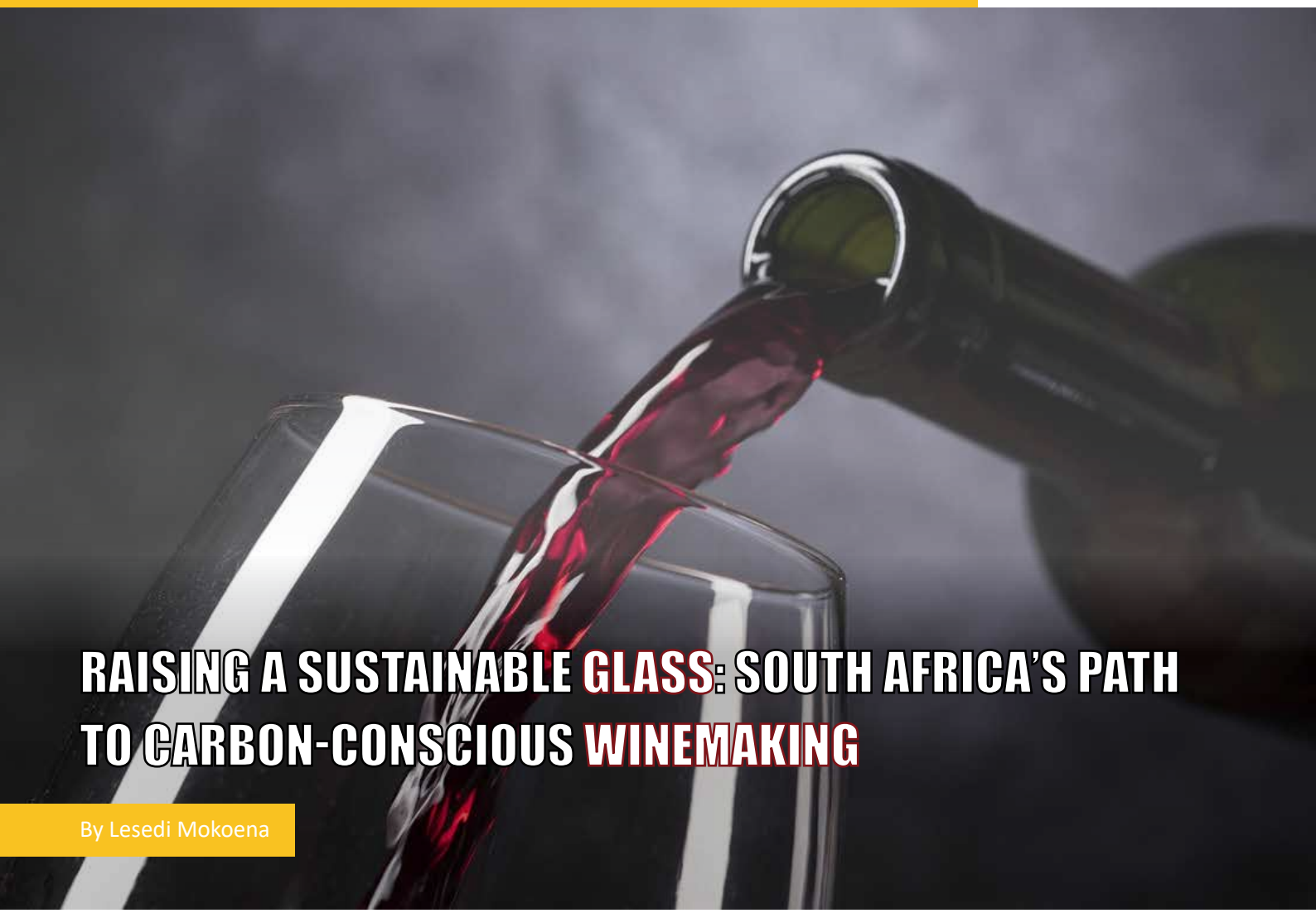


Figure 2: SA Exports to EU (27)
Source: Trade Map (2024)

Despite progress in South Africa's historic cases against EU measures at the WTO, which are set to advance to the next phase in mid-December, the sector continues to grapple with both logistical and regulatory challenges. Resolving these issues will require a combination of infrastructural reform, climate resilience, and robust trade advocacy to secure the industry's future.

In conclusion, South Africa's citrus industry needs to modernize its transport infrastructure, expand trade relationships with other countries, and integrate technology into agricultural operations to improve productivity and compliance with international standards. Over reliance on the EU market makes the industry vulnerable to regulatory and geopolitical risks. Collaborations between Transnet and private stakeholders can address port congestion and improve rail network reliability, while technology can improve compliance, pest management, and supply chain efficiency. The AAMP emphasizes public-private partnerships and focuses on enabling infrastructure, farmer support, and expanded market access, which acts as a directional model for addressing these challenges. Explicitly, the AAMP promotes investments in logistics, irrigation, and port efficiency to boost exports. With proper interventions and collaboration, the industry can continue to drive economic growth, create jobs, and solidify its position as a global leader in citrus exports.



RAISING A SUSTAINABLE GLASS: SOUTH AFRICA'S PATH TO CARBON-CONSCIOUS WINEMAKING

By Lesedi Mokoena

INTRODUCTION

Wine, with its intricate tapestry of flavours, aromas, and cultural significance, transcends its role as a mere beverage. To enthusiasts, it is an experience, a bridge to history, terroir, and craftsmanship. Globally, the wine industry plays a pivotal economic and cultural role, supporting local communities, fostering international trade, and symbolizes the agricultural prowess of nations. In a world increasingly focused on Environmental, Social, and Governance (ESG) sustainability, this ancient craft faces an unprecedented challenge as the carbon footprint of wine production is under scrutiny. South African producers must adapt to maintain access to key export markets as markets demand lower emissions and sustainable practices.

South Africa's inclusion in the top 10 major exporting countries globally, highlights its growing influence in global wine trade. As the seventh-largest wine exporter, South Africa holds a middle ground reflecting its ability to compete with countries such as Spain (20%), Italy (14%), France (10%) which are highly competitive.

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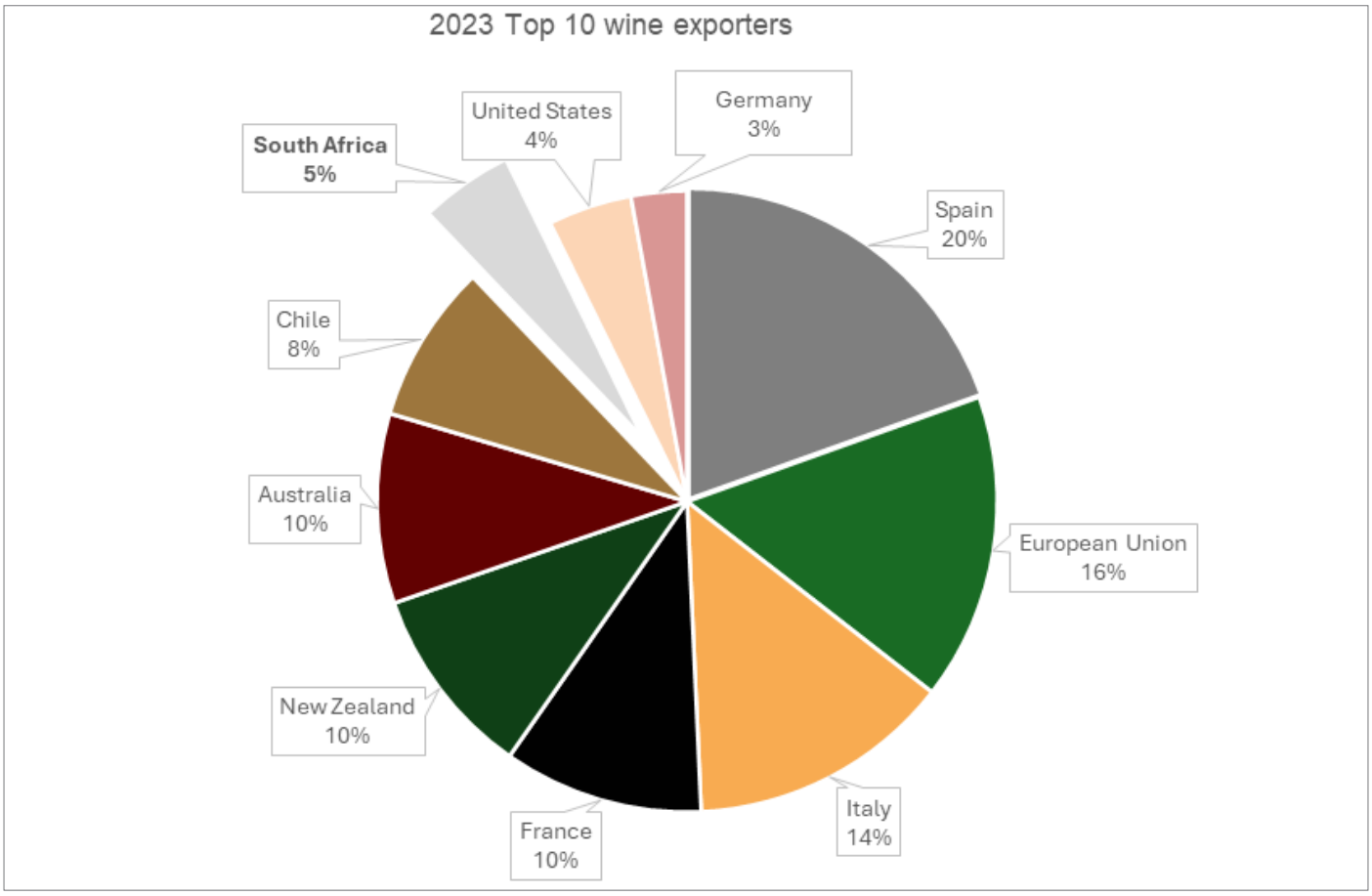

Figure 3: Distribution of global wine exports in 2023
Source: WITS (2024)

Considering the increased advocacy for sustainability and green transition in accordance with efforts towards climate adaptation and mitigation, several countries around across the world have adopted policies such as carbon taxes. A carbon tax is a levy imposed to combat climate change by assigning a financial cost on carbon emissions. It is designed to incentivize reductions in greenhouse gas (GHG) emissions by making carbon-intensive processes economically unattractive. South Africa introduced its carbon tax in June 2019, as part of the broader climate policy framework to meet commitments under the Paris Agreement. The tax was implemented under the Carbon tax Act no. 15 of 2019, initially setting a levy of R120 per ton of carbon dioxide-equivalent emissions, with provisions for rebates and allowances to cushion industry transitions (South African Government, 2019). Agriculture, including wine production was initially exempt during the first phase (2019-2022), but eventually experienced the indirect effects through increased energy and transport costs. In 2023, the government expanded its application to indirect agricultural emissions, such as fertilizer use and energy-intensive production processes, integrating agriculture into its climate policy goals.

CARBON EMISSION IN THE WINEMAKING INDUSTRY

Wine production is inherently tied to several carbon-intensive activities across its value chain from cultivation to distribution. The 2024 Confronting Climate Change (CCC) industry benchmark report built on 2022-2023 datasets to provide on sector-specific GHG equivalent benchmarks (SA Wine, 2024).

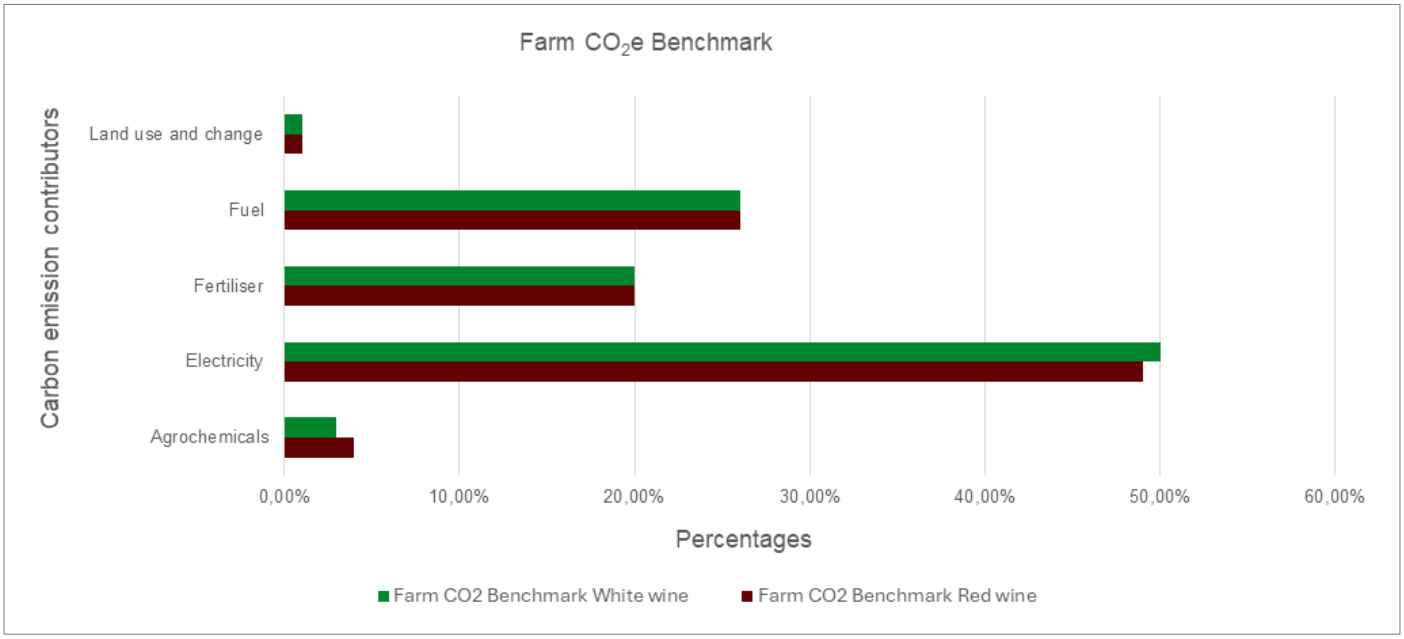

Figure 4: Farming activities contributing to carbon emissions in wine production
Source: SA Wine (2024)

Figure 4 indicates that electricity accounts for the highest proportion of farm-level emissions for both red and white wine, contributing approximately 50% of total emissions, this highlights the reliance on energy-intensive processes such as irrigation, cooling, and other mechanized farming techniques. The heavy reliance on electricity also underscores the vulnerability of wine producers to carbon taxes on energy-intensive practices. Fuel utilization emerges as the second-largest contributor to emissions which is primarily linked to machinery for vineyard maintenance such as tractors for ploughing, spraying. Moreover, fertilizers represent a significant portion of about 20%, with agrochemicals contributing a smaller fraction. Fertilizer use contributes to nitrous oxide emissions, which are considerably stronger than carbon dioxide.

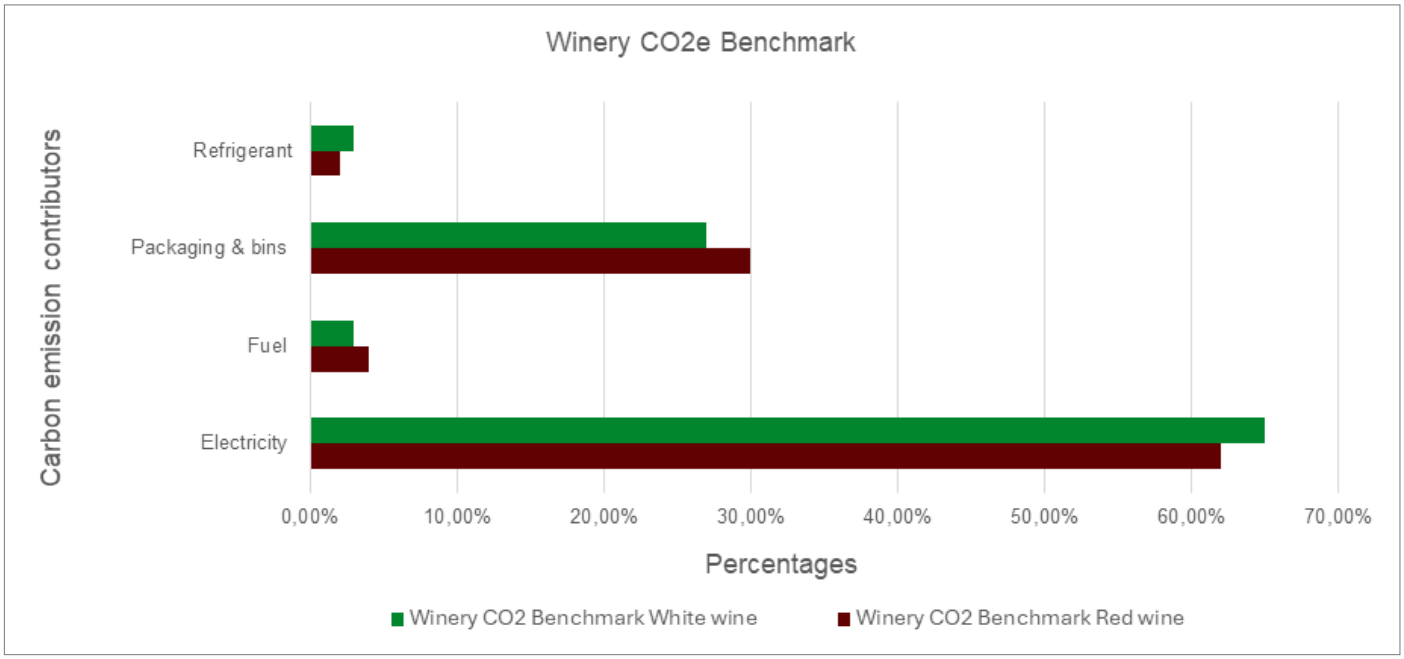

Figure 5: key contributors to carbon emissions in SA Winery Operations
Source: SA Wine (2024)

Similarly, **Figure 5** illustrates that electricity usage is the largest contributor to Carbon emissions for both red and white wine production, accounting for roughly 60-65% of total winey emissions. This reflects the energy-intensive process required in winemaking, such as cool, heating, and pumping during fermentation, and storage; red wine demonstrates slightly lower emissions from electricity compared to white wine. This is due to differences in processing techniques such as temperature management during fermentation. Packaging and bins contribute a considerable portion to carbon emissions, emphasizing the significant environmental impact of glass bottles, which are energy-intensive to produce and transport.

The dominance of electricity, fuel, and packaging in emissions suggests that South African producers face dual pressure, already bearing significant indirect costs under the national carbon tax. These pressures, combined with increasing production costs, strain small-scale producers lacking economies of scale, thus reducing profitability and competitiveness (USDA, 2024).

POTENTIAL IMPACT OF GLOBAL CARBON EMISSION REGULATIONS ON SOUTH AFRICA'S WINE TRADE

Global export markets increasingly prioritize low-carbon products; the European Union (EU) – a key export destination for South African wine, plans to implement the Carbon Border Adjustment Mechanism (CBAM) in 2026 applying to certain products with high risk of carbon leakage including aluminium, cement, electricity, fertilizer, hydrogen, iron/steel (European Comission, 2023). This could impose additional trade barriers on high-carbon goods entering the bloc, affecting South African wine exports unless emissions are reduced or offset. Similarly, environmentally conscious consumers, particularly in North America and Europe, favour wines marketed as sustainable or carbon-neutral, necessitating shifts toward greener practices.

Despite the hurdles of carbon taxes and increasing production costs. South Africa's wine industry has made significant strides toward sustainability. Wines of South Africa recognized 35 top wine farms as "Carbon Heroes", for their pioneering efforts in adopting innovative strategies to minimize carbon emissions. These farms have established a new standard for the industry, demonstrating leadership in environmental responsibility. According to Wines of SA (2024) report, notable wineries include:

- Robertson Winery: known for its broad portfolio and export strength, has integrated solar energy into its operations, significantly reducing electricity-related emissions (Wines South Africa, 2024).
- Spier 1692: a pioneer in sustainability, has long championed renewable energy, biodiversity preservation, and ethical farming practices. Spier's wine packaging incorporates recycled materials, and its carbon-neutral certifications make it's a favourite among eco-conscious international buyers (Wines South Africa, 2024).
- Wellington Wines: has transitioned to lightweight glass & eco-friendly transportation methods, reducing emissions across its supply chain. The winery has also invested in carbon monitoring systems to track and reduce emissions proactively (Wines South Africa, 2024).

CONCLUSION

The South African wine industry is not merely weathering the storm of carbon taxes; it is transforming the challenge into an opportunity for growth and leadership. The recognition of "Carbon Heroes" and the consistent performance in export markets underscore the sector's resilience and ability to adapt. As the global demand for sustainability intensifies, South Africa's wine producers are well-positioned to leverage their eco-friendly credentials, setting a benchmark for the agro-food sector worldwide. South Africa's wine industry offers a compelling story of how to navigate global shifts with purpose and vision. The future holds a promise of even greater strides, where the journey toward greener vineyards continues to blend with the timeless art of winemaking.

SOUTH AFRICAN AGRICULTURAL TRADE IN A TRUMP ERA: UNCERTAINTY AND GLOBAL SHIFTS

By Bernard Manganyi and Thulani Ningi

INTRODUCTION

What can South Africa expect from United States (US) foreign policy under the Donald Trump administration? Looking at the past three administrations, each had a distinct approach to foreign trade policy, reflecting distinct priorities and strategies for global engagement. Barack Obama championed multilateralism, fostering worldwide cooperation and building long-term alliances. Donald Trump, in contrast, pursued protectionism, focusing on immediate economic gains for the US. Joe Biden adopted a hybrid approach, blending domestic economic revitalization with selective international engagement to balance competitiveness with sustainability. The world, including South Africa, faces potential global trade policy disruptions that have long shaped the country's agricultural export landscape. Historically, the US. Administrations have significantly influenced international trade dynamics, directly affecting global markets and trade flows. **Figure 6** presents South African agricultural exports and imports with the United States. The trend shows consistent growth in South Africa's agricultural exports to the US, especially after 2015, while imports have fluctuated, leading to an increasing trade surplus in agricultural products.

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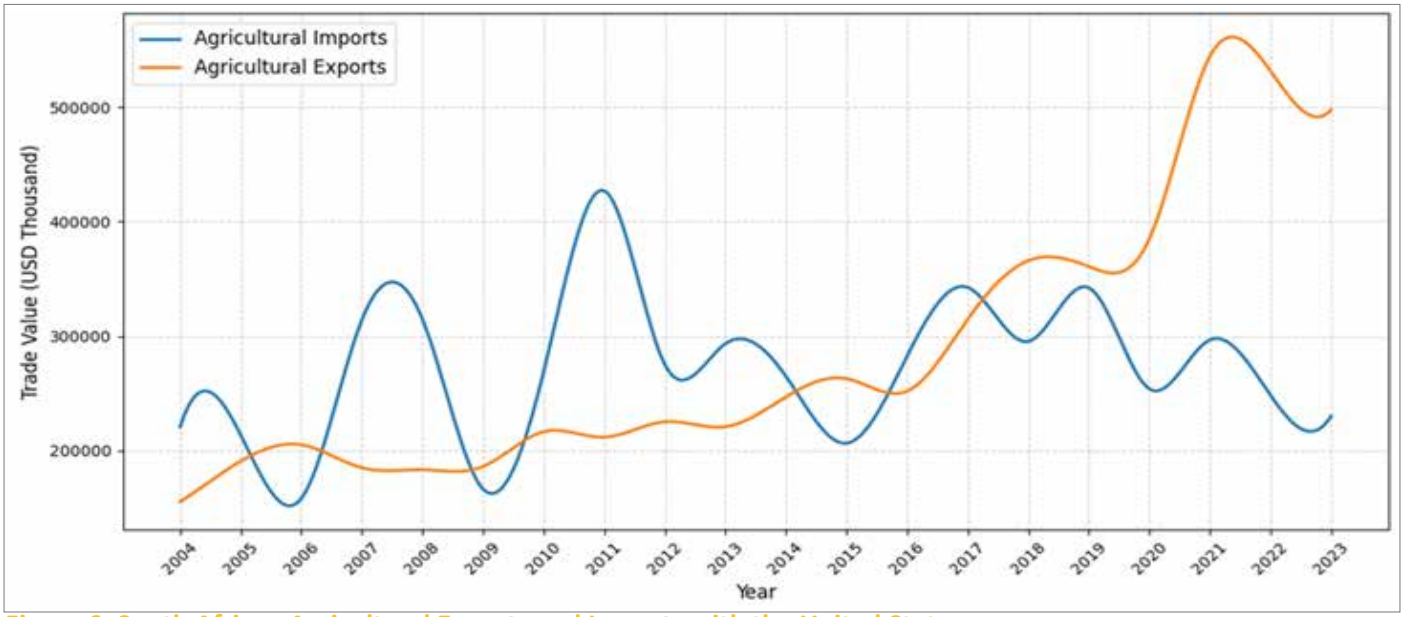

Figure 6: South African Agricultural Exports and Imports with the United States
Source: Trade Map (2024)

Under each US administration, trade between the US and South Africa has experienced varying growth rates. **Table 2** illustrates the changing patterns in South Africa's agricultural trade with the United States throughout three administrations. During President Obama's administration, South African exports grew at an average rate of 5.34%, outpacing imports, which grew at 3.21%. Under President Trump, exports surged to 7.12%, while imports grew at 2.87%. The Biden administration saw the most significant growth, with exports rising at 10.76%, while imports grew at the lowest rate of 1.45%.

Table 2: Average Import and Export Growth Rates by US Administration.

Administration	Av Imports Growth Rate (%)	Av Export Growth Rate (%)
Barack Obama (2009-2017)	6.16	4.27
Donald Trump (2017-2021)	-0.62	11.62
Joe Biden (2021-2024)	-2.27	10.88

This growth in South Africa's exports to the US has been driven by its qualification for preferential trade benefits under the African Growth and Opportunity Act (AGOA) and the US Generalized System of Preferences (GSP), which provide duty-free access to US markets, benefiting key sectors such as agriculture and manufacturing. Furthermore, both governments have consistently engaged in dialogue to enhance bilateral trade and investment and improve the business environment. The amended Trade and Investment Framework Agreement (TIFA) and the Trade, Investment, and Development Cooperative Agreement (TIDCA) between the US and the Southern African Customs Union have also significantly strengthened economic ties, further supporting the growth of South Africa's exports. As a result, South Africa can expect continued access to US markets for agricultural exports under the preferential frameworks of AGOA and GSP during the Trump administration.

TRADE AND GEOPOLITICAL IMPLICATIONS

A policy shift is anticipated under President Trump's strong nationalist and transactional trade strategy. This approach is expected to emphasize tariffs to narrow the US trade deficit, particularly with major trading partners such as China and the European Union (EU). **Figure 7** shows the imports and exports of US agricultural products to the world. The US agricultural trade had a surplus until

2018, while trade deficit emerged in 2019. This widening gap shows the importance of addressing the growing trade imbalance. More aggressive policies, including targeted tariffs, aim to reduce reliance on foreign agricultural products while promoting domestic export to restore trade balance.

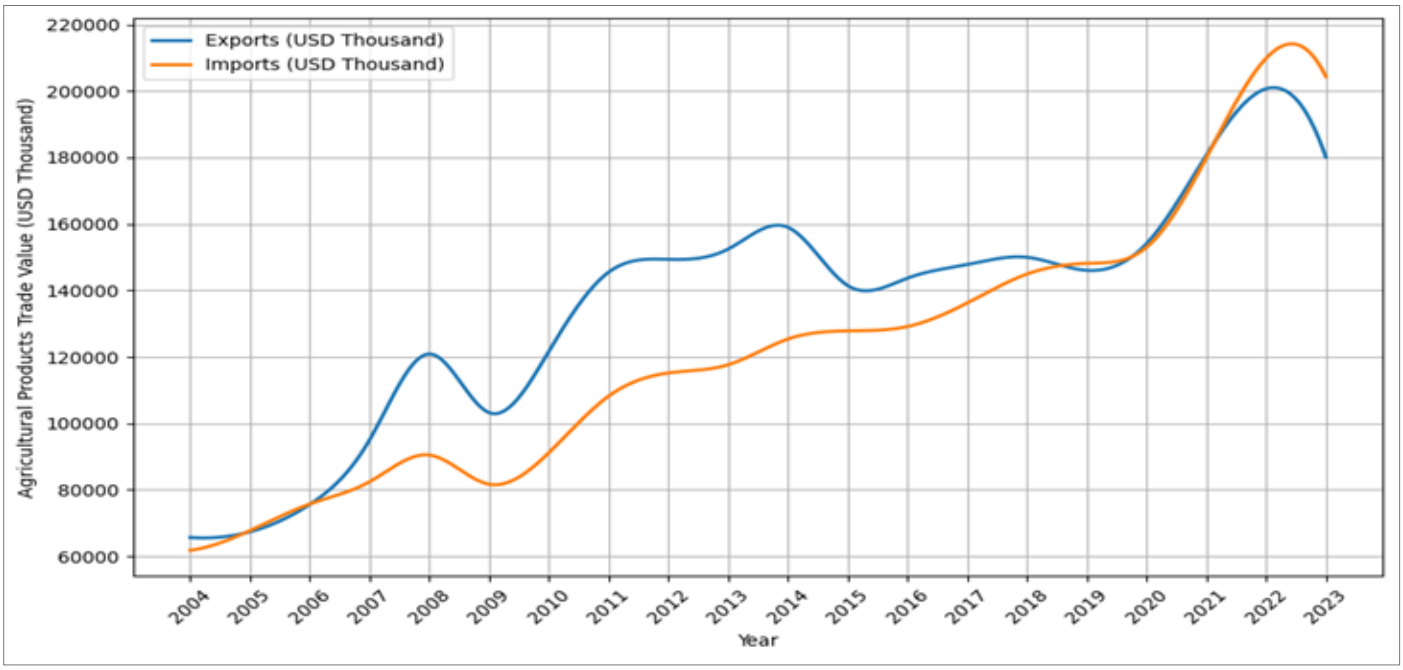

Figure 7: Imports and exports of US agricultural products to the world
Source: Trade Map (2024)

President Trump's first term was characterized by an aggressive trade stance, emphasizing tariffs to address trade imbalances, particularly with China and the EU. His administration's focus on bilateral agreements, including potential reforms to the AGOA, posed risks for South Africa, as stricter conditions could impact trade benefits. His aggressive approach towards China could further heighten the US-China tensions. Forcing South Africa to navigate a delicate balance between these global powers in an evolving geopolitical landscape. The Russia-Ukraine conflict exacerbates geopolitical instability, disrupting global trade routes and supply chains. A potential reduction in US support for Ukraine could embolden Russia and China, increasing global volatility. As a BRICS member, South Africa faces the challenge of maintaining balanced relations with Russia and China while fostering partnerships with Western trade partners. Furthermore, President Trump's critical stance on the North Atlantic Treaty Organization (NATO), urging European nations to shoulder more responsibility, risks weakening the alliance and creating a less predictable global security environment, complicating South Africa's trade and diplomatic positioning.

CONCLUSION

South Africa's agricultural trade during the Trump administration is expected to face both opportunities and challenges. While the preferential trade benefits under AGOA and GSP continue to provide South African exports with duty-free access to US markets. President Trump's protectionist policies and focus on bilateral agreements may bring uncertainty and potential risks to existing trade arrangements. The emphasis on tariffs and narrowing the US trade deficit could alter the dynamics of international trade, affecting global stability and impacting South Africa's trade relations. Furthermore, geopolitical tensions, particularly with China, Russia, and the ongoing Russia-Ukraine conflict, add complexity to South Africa's diplomatic and trade strategies, requiring careful navigation in a shifting global landscape.

THE 2021 DEMAND FOR SOUTH AFRICA'S WINE IN CHINA MAY BE COMING TO AN END AS AUSTRALIA RETURNS

By Thabile Nkunjana

China hit Australia with tariffs of up to 218.4% for a minimum of five years and a number of additional trade restrictions on Australian commodities after Canberra called for an investigation into the origins of COVID-19 in 2021. As a result, Australia had to find new markets for some of its most valuable agricultural exports such as wine. Australia's trade, particularly in wine, was inevitably going to suffer as a result. At least 39% of China's wine shipments came from Australia in 2020, a few months before the Chinese raised their tariffs. The world wine market was rocked by China's levies on Australian wine exports. Wine exporters sought a piece of the Chinese market because they saw an opportunity there. One of the countries aiming to boost wine exports to the Chinese market was South Africa. Due to the absence of tariffs in countries like Australia, France, Chile, and Italy, South Africa generally confronts fierce competition for the Chinese market.

Despite this, South Africa benefited somewhat from the tariffs imposed on Australian wine exports. Exports from nations like Argentina, Germany, New Zealand, the United States of America (USA), and France are rising noticeably. China's leading wine suppliers are shown in Figure 8, with South Africa included for comparison. After the tariffs were put in place in 2021, Australia's wine exports to China fell by 92%, from USD 712.7 million in 2020 to just USD 55.2 million. In contrast, South Africa's wine exports to China grew from USD 15.2 million in 2020 to USD 34.3 million in 2021, a 125% rise. This was a boom South Africa craves so much given the size of the Chinese market and the rising middle class.

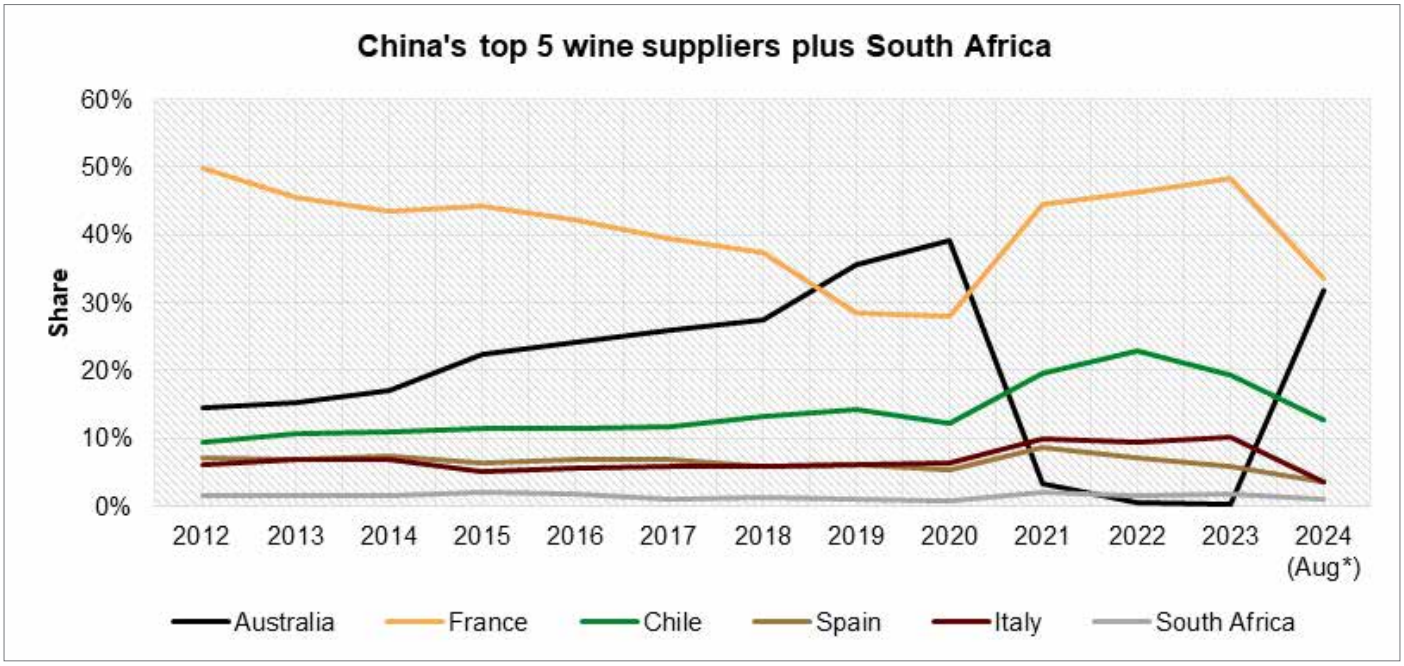

Figure 8: China's wine imports from its top wine suppliers with South Africa included from 2012 to August 2024
Source: Trade Map (2024)

By percentage share, France accounted for 45% of all China wine imports globally in 2021, up from 28% the previous year, while Australia only made up 3%. France crossed the 40% share threshold for the first time since 2016. While Spain's and Italy's wine supplies to China increased from 5% to 9% and 6% to 10%, respectively, between 2020 and 2021, when Australia's wine share declined. Chile also raised its wine exports to China from 12% to 20%.

CONCLUSION

The Chinese Ministry of Commerce declared in early 2024 that it will remove tariffs on Australian wine after a minimum of three years and a few months as opposed to the five years initially stated. Australian wine exporters, whose industry was devastated by the tariff hikes, undoubtedly cheered these news. This will probably have an impact on South Africa's wine exports for 2024, as the country continues to seek free or lower tariffs for entry to the Chinese market.

After tariff hikes in 2021, Australia made a huge recovery, lagging only marginally behind France as of August 2024. Australia had a 32% share, just 1% less than France, but France leads with a 33% share of the USD 1.0 billion worth of wine imported by China as of August 2024. In contrast, South Africa's wine exports were valued at USD 9.7 million, a substantial decrease from the USD 21.4 million recorded in 2023. This emphasizes how improbable it is that South Africa will be able to compete with the existing wine supplies to China because of tariffs. Despite the decline in exports, South Africa's white wines witnessed a slight uptick in the Chinese market in 2023. However, until it has a level playing field, South Africa will see little to no growth in the Chinese market. This is because countries like Australia and Chile are able to access the Chinese market at 0% preferential tariffs, while South African wine producers must pay up to 14% in import tariffs.

Given that Australia, New Zealand, and Chile have bilateral agreements with China, their dominance as key suppliers of wine to China makes sense. South Africa's participation in BRICS—a political organization rather than a trading bloc—should present a chance to advocate for reduced tariffs on South Africa's wine and other agricultural products.

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UNLOCKING GLOBAL POTENTIAL: STRENGTHENING SOUTH AFRICA'S SOYBEAN EXPORT MARKET IN A DYNAMIC AGRICULTURAL ENVIRONMENT!

By Thandeka Ntshangase and Buhlebemvelo Dube

BACKGROUND

Agricultural trade is important to the overall economy of South Africa given that the sector is export orientated and thus generates substantial revenue and foreign exchange for the country, boosts Gross Domestic Product (GDP), and contributes to job creation. International trade of agriculture products is subject to the rules of the multilateral trading system and has always been dynamic and is constantly evolving, thus necessitating adaptability. There is an urgent need for the sector to strategically position itself towards being more export competitive, identify lucrative market access opportunities as well as being able to support domestic industries. Soybeans is reported to be the most exported agricultural commodity in the world with an export value of $97 billion (Trade Map, 2024).

SOUTH AFRICAN SOYBEAN PRODUCTION

Soybean offers vast advantages in sustainable cropping systems (Devi et al, 2013), including the ability to fix atmospheric nitrogen (N2), hence, alleviate the need to apply immense amounts of nitrogen fertilizer (Sinclair, et al, 2014). This especially, is an important advantage in crop production in South Africa where producers input costs are part of the major economic limitations. In addition, the seed of soybean is high in protein and oil content; hence, it is mostly used for human consumption, animal feed, and the production of industrial products. The reason for observed expansion in the area under soybean production in South Africa is largely attributed to yields expansion supported by new cultivars developed after the introduction of the breeding technology levy. This can be seen by the increase of South African soybean area during the past few events of the El Nino and La Nina years, especially in the Free State and North West provinces (**Figure 9**).

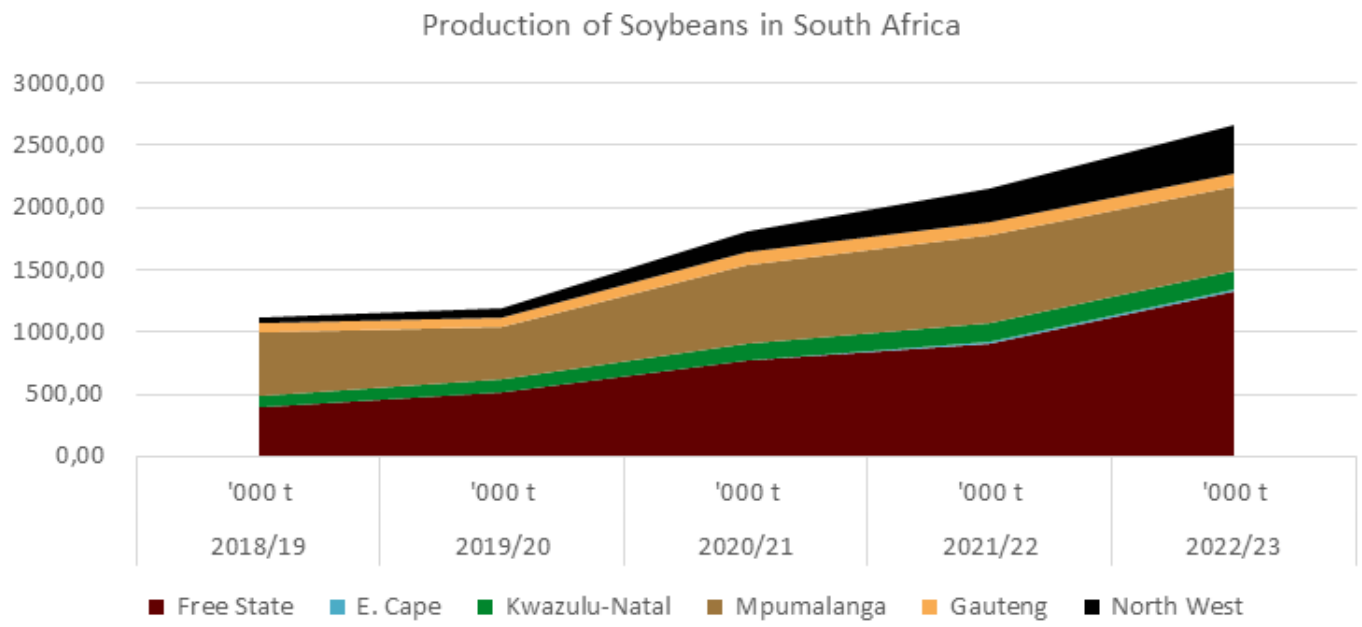

Figure 9: South African soybean area under production by region.
Source: Crop Estimate Committee (2024)

SOUTH AFRICAN SOYBEANS EXPORT PERFORMANCE

Figure 10 depicts South African soybean exports between 2019 and 2023. South Africa is a net exporter of soybeans and has an export value of approximately R6.3 billion. The annual growth in export value for the past five years has been a noteworthy 326% per annum. Furthermore, the annual growth in export value between 2022 and 2023 was 107% per annum. This growth has been underpinned by a sharp increase in production coupled with global demand. **Figure 11** below depicts the trend in South African soybean crop estimates. Moreover, South African exports have also increased in quantities in the past five years, from 5 119 000 tonnes in 2019 to 614 794 000 tonnes in 2023 (Trade Map, 2024). The annual growth in export quantities for the past five years was 315% per annum. The upward trend in exports value and quantities is a positive indicator of opportunities and a strong demand for soybeans globally. To ensure sustainability, there is a need to address tariff barriers as well as non-tariff measures such as quantitative restrictions. Easing of such barriers will enable the industry to export a higher volume of soybeans due to reduced costs of trade, unnecessary delays due to bureaucratic red tapes.

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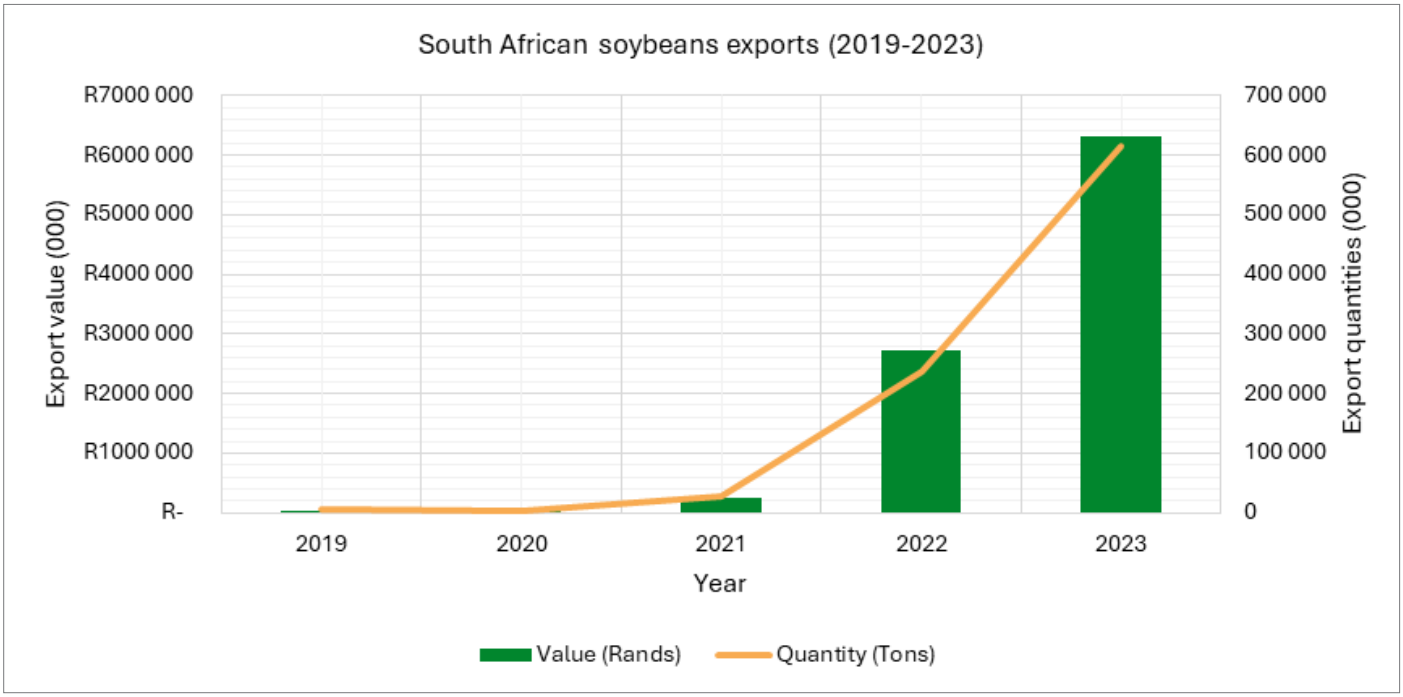

Figure 10: South African Soybeans exports for the past five years
Source: Trade Map (2024)

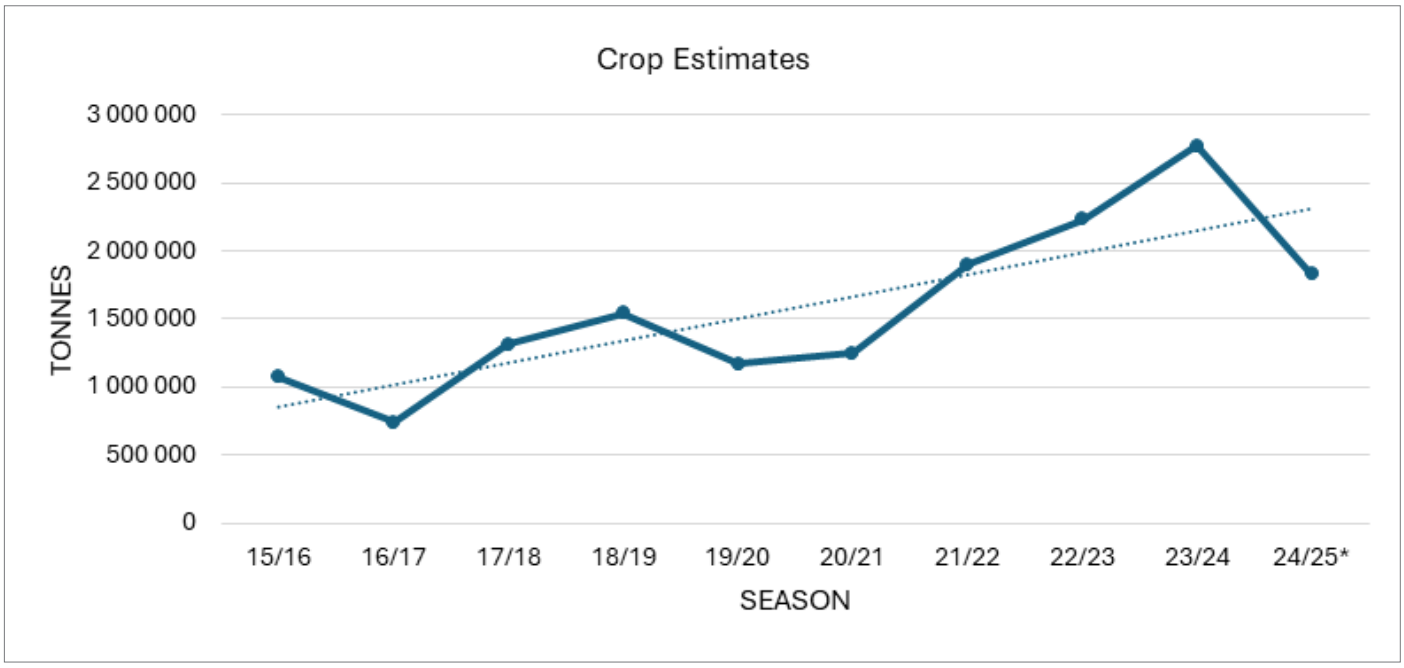

Figure 11: South African soybean crop estimates
Source: Trade Map (2024)

Figure 12 illustrates the major export destinations for South African soybeans. Bangladesh, Malaysia, Thailand, Vietnam, Portugal, Mozambique, Zimbabwe, Chinese (Taipei), Namibia as well as Lesotho are respectively the major export destinations for South African soybeans. South African market access in these markets is relatively promising. Most of the key markets have zero Most favourable Nation Tariffs (MFN) with the exception of Mozambique (10%) and Zimbabwe (5%). Fortunately, these are not applied to South Africa and we have zero applied tariffs thus having a conducive trade markets (ITC, 2024), with the exception of Thailand which still has high tariffs applied. Vietnam, Portugal, and Mozambique, respectively have 63, 47, and 25 Non-Tariff Measures to control soybean imports to their markets. Regionally the markets with high export potential for South African soybeans are East Asia, EU and West Europe and Southern Africa. China, Germany and Zimbabwe are markets with the greatest potential, especially because China has a strong demand potential.

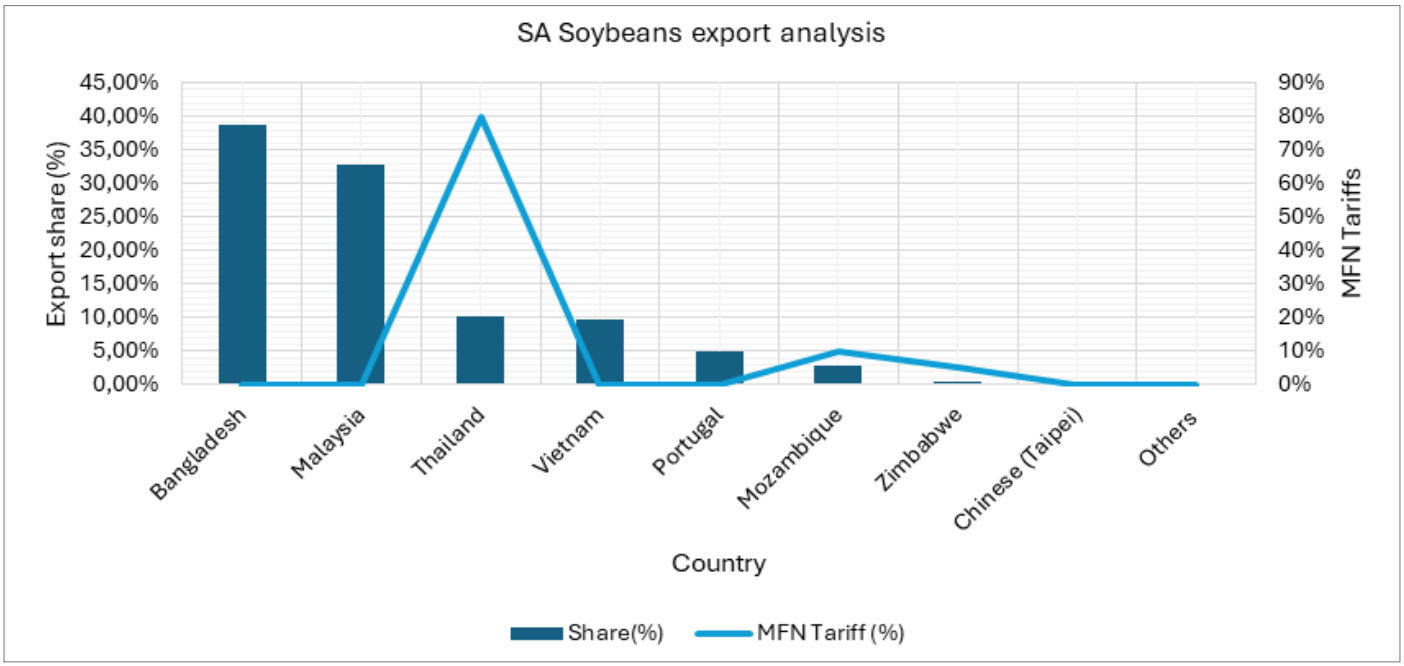

Figure 12: South African exports analysis
Source: Trade Map (2024)

CONCLUSION

South Africa's soybean industry holds immense potential to enhance its contribution to the country's economic growth and export market. With its resilience to climate variability, sustainable production practices, and versatility across multiple value chains, soybeans are well-positioned to drive agricultural development. The robust growth in both export value and volume over the past five years underscores the increasing demand for South African soybeans in key international markets. To sustain this upward trajectory, it is crucial to address trade barriers, streamline export processes, and foster stronger partnerships with traditional and emerging markets.

GLOBAL DEMAND TRENDS FOR TAPIOCA STARCH AND STRATEGIC ADAPTATION FOR SOUTH AFRICAN EXPORTS

By Lwazi Dladla

INTRODUCTION

The global demand for tapioca starch is on the rise, driven by its unique properties and applications across various industries. South Africa, with its recent initiatives to cultivate cassava, has the potential to adapt strategically to this growing market. The global starch market is expanding, with tapioca starch gaining traction due to its clean-label appeal and functional properties, particularly in refrigerated and frozen foods (Hsieh et al., 2019). Developing countries, including South Africa, have a comparative advantage in cassava production, which is essential for tapioca starch (Omojola, 2013).

Global trade policies and market access dynamics present several challenges for South Africa. Stricter climate change policies, such as carbon footprint labeling and sustainability certifications, demand compliance to access premium markets. Trade barriers, including tariffs and non-tariff measures in high-demand regions, inflate export costs and undermine competitiveness. Furthermore, shifting consumer preferences for traceable and ethically produced products require South Africa to innovate and adhere to difficult international standards. These challenges highlight the growing complexity of navigating global trade environments. **Figure 13** below illustrates the dominance of Asian countries, including Chinese Taipei, Thailand, China, and India, in tapioca exports, showcasing how market leaders adapt to evolving global trade demands.

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Despite these hurdles, the challenges also present opportunities for South Africa to thrive. By aligning with global trends such as sustainability and health consciousness, South Africa can innovate and position tapioca starch to meet premium market demands. Investments in sustainability certifications, traceability systems, and ethical production practices can differentiate South African tapioca starch, making it more attractive to global consumers. This strategic adaptation can enable South Africa to access lucrative markets and enhance their competitiveness in the international trade landscape.

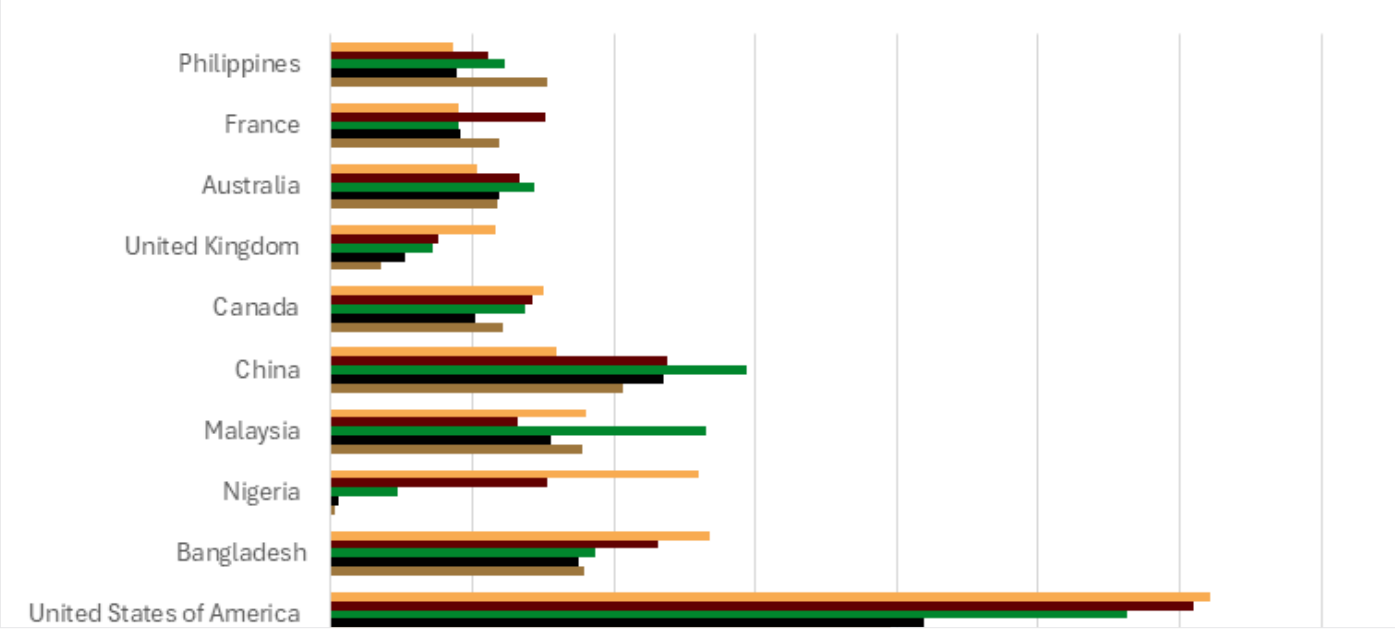

Figure 13: Global tapioca starch top exporters (HS code:1903)
Source: Trade Map (2024)

STRATEGIC POSITIONING FOR EXPORT GROWTH

Despite its potential, South Africa remains a minor player in this market importing over 66,000 tons of starch annually, with cassava starch comprising 33% (Amelework et al., 2021). This heavy reliance on imports presents an opportunity to develop local cassava production and processing capacity, beginning with import substitution. While South Africa's climatic conditions in regions like Limpopo, KwaZulu-Natal, and Mpumalanga are favorable for cassava cultivation, current challenges include limited commercial-scale farming, insufficient access to high-yielding and disease-resistant cassava varieties, and underdeveloped processing infrastructure. Addressing these barriers will require investment in farmer training, seed systems, modern starch processing technology, and improved supply chain logistics.

Initially, efforts should focus on meeting domestic demand by building a robust local supply chain and establishing processing facilities that adhere to international quality standards. Once this foundation is in place, South Africa can explore export opportunities, particularly in high-value markets in Europe and North America, where demand for clean-label, non-GMO ingredients is growing. By offering traceable, environmentally compliant products and leveraging global trends such as sustainability and innovation, South Africa can transition from import substitution to becoming a competitive player in the international tapioca starch market.

Establishing robust value chains and investing in research and development are crucial for integrating cassava into the starch market (Amelework et al., 2021). Adding value to tapioca starch through processing innovations can enhance its competitiveness. Products such as organic tapioca starch or variants tailored for specific industrial applications can command premium prices. Acquiring certifications like Global GAP and Fair Trade can boost credibility and align products with international buyers' preferences.

South Africa's participation in trade agreements such as the African Continental Free Trade Area (AfCFTA) can improve access to regional markets. Negotiating bilateral agreements with key trading partners in Europe, Asia, and North America can further reduce tariffs and facilitate market entry. Insights from **Figure 14** below, highlighting the top importing markets for tapioca starch, underline the potential of targeting high-demand regions such as the European Union and the United States. These markets are particularly attractive due to their increasing demand for sustainable and non-GMO ingredients, aligning well with South Africa's capacity for environmentally compliant production.

To address climate-related trade barriers, South African producers must embrace sustainable practices, including reduced water usage, renewable energy adoption, and eco-friendly farming techniques. These measures enhance marketability and ensure compliance with stringent climate policies. Investments in infrastructure and logistics are crucial for enhancing export efficiency. Streamlined supply chains, reduced transportation costs, and efficient port operations will improve South Africa's competitiveness in the tapioca starch trade.

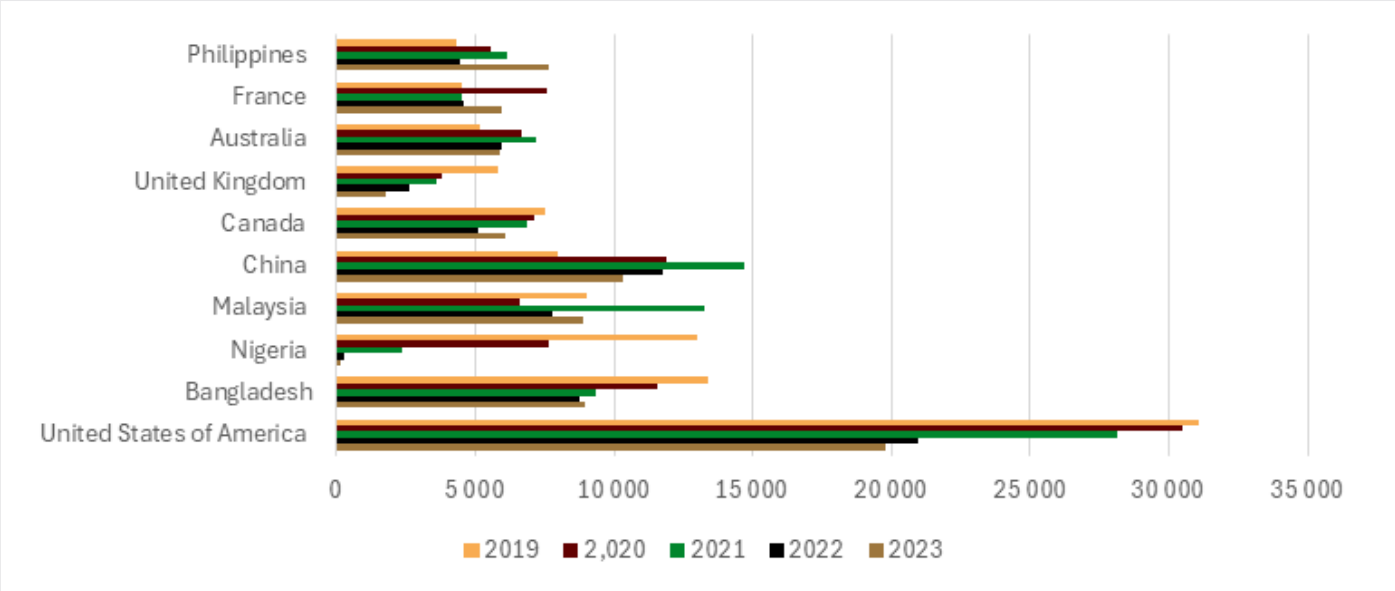

Figure 14: Global tapioca starch top importers (HS code:1903)
Source: Trade Map (2024)

POLICY SUPPORT AND STRATEGIC PARTNERSHIPS

The government and industry stakeholders must work together to support the tapioca starch market. Policy interventions, such as subsidies for sustainable farming and incentives for certification, can enhance competitiveness. Additionally, forming strategic partnerships with international buyers and research institutions can foster innovation, improve production efficiency, and facilitate market access. Collaboration with local trade organizations and export councils can also help identify market opportunities and provide platforms for South African producers to showcase on a global stage.

CONCLUSION

South Africa's tapioca starch holds significant potential for growth, but it requires a strategic approach to address the current gap between domestic production and consumption. With the country importing a substantial portion of its starch needs, the immediate focus should be on replacing imports by scaling up cassava cultivation and starch processing capabilities. This will require targeted investments in infrastructure, research, and technology to overcome challenges such as limited lack of disease-resistant cassava varieties, and underdeveloped processing systems.

In the long run, once domestic demand is met, South Africa can leverage its comparative advantages, such as favorable climatic conditions, commitment to sustainable practices and the growing global demand for tapioca starch. By aligning with international trends for clean-label and non-GMO products and enhancing trade efficiencies through agreements like AfCFTA and bilateral partnerships, the country can position itself competitively in high-value markets such as Europe and North America. Building robust value chains, obtaining relevant certifications, and investing in market research will be critical for navigating global shifts and unlocking South Africa's potential in the tapioca starch trade. Through this dual strategy of import substitution and export market expansion, South Africa can achieve resilience and growth in this dynamic food sector.

SOUTH AFRICA'S WOOL INDUSTRY ADAPTATION TO GLOBAL SHIFTS TOWARDS SUSTAINABILITY: LEVERAGING ON UNTAPPED WOOL MARKET POTENTIAL

By Maremo Mphahlele

INTRODUCTION

The South African wool industry is characterized by high spatial distribution, highlighting regional disparities in production. The Eastern Cape is leading with wool production accounting for 25% of the national production, followed by the Western Cape and Free State, each contributing 20%. Provinces like Gauteng, North West, and Limpopo contribute less than 1%, indicating minimal participation in wool farming, likely due to less suitable climatic conditions (Cape Wools SA, 2024).

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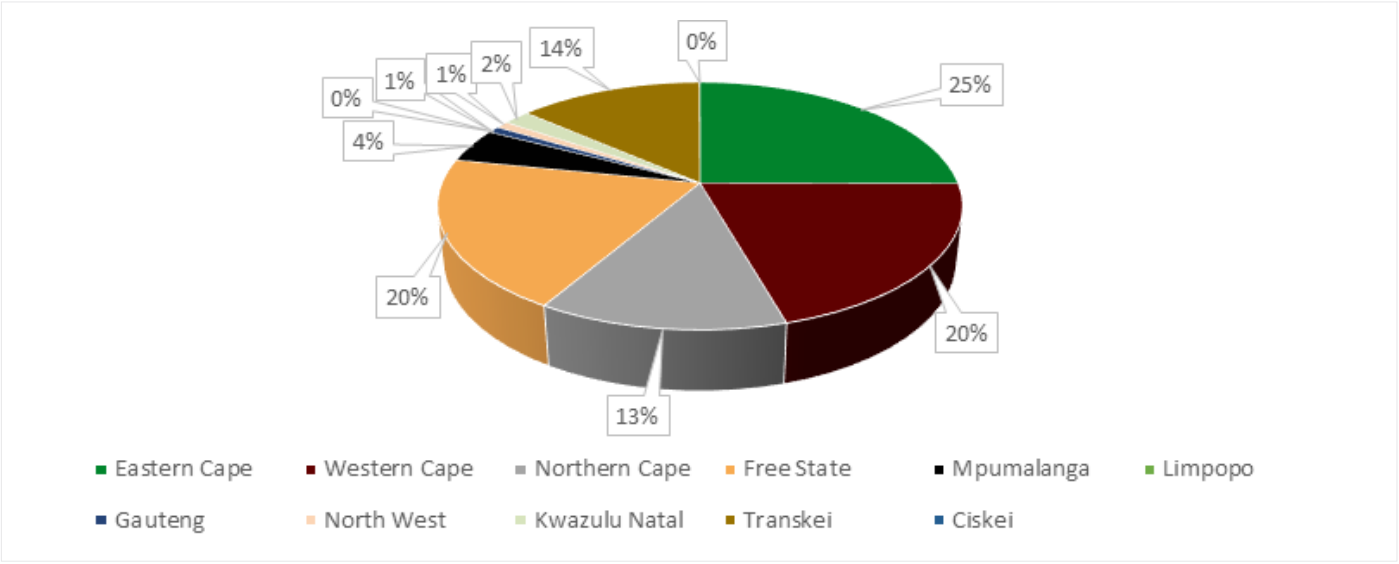

Figure 15: Distribution of wool production by region in South Africa.
Source: Cape Wools SA (2024)

The industry is also largely export driven. In the season 2022/2023, the industry produced above 46 million kg of wool and exported just above 44 million (Cape Wools, 2024). This means roughly 2 million was consumed locally. According to the Export Market Finder (2024), based on the Trade Advisory Decision Support Model (DSM) using historical data dating from 2018 to 2022, a huge export potential to China, Italy and Czech Republic is realized. South Africa exports most of its wool produce to China (83%), Italy (6%), Czech Republic (3%) and exports just above 8% to the rest of the world. This shows that there is still large untapped potential as South Africa only account for 9%, 53% and 14% of China, Italy and Czech Republic wool imports, respectively.

It is also important to note that, the Trade Advisory DSM model uses historical data to identify realistic export opportunities for South Africa's products. The data from Trade Map (2024) show that South Africa accounted for 8% of China wool imports on average from quarter 3 (Q3) of 2023 to Q2 of 2024, followed by Italy (18%), and Czech Republic (39%). The South Africa's wool industry, while competing with other countries in the international markets, is increasingly influenced by evolving global trends such as compliance with sustainability, animal welfare and environmental standards. The demand for certified sustainably produced wool is still on the rise from the buyers and consumer side (Saayman, 2022).

SOUTH AFRICA'S WOOL INDUSTRY ADAPTABILITY TO CHANGING INTERNATIONAL STANDARDS

Organizations such as the International Wool Textile Organization (IWTO) have produced international wool standards that place a strong emphasis on animal care, sustainability, and traceability (IWTO, 2020). The freedom from hunger, discomfort, suffering, fear, and the capacity to exhibit one's natural behaviours are the foundation of these guidelines, which promote ethical wool production and guarantee the humane care for sheep. By outlawing destructive activities like mulesing and promoting environmentally friendly farming and processing techniques, they also encourage environmental care. Additionally, traceability solutions guarantee openness across the wool supply chain, which is essential for satisfying the requirements of international markets.

These global standards are substantially in line with South Africa's Sustainable Cape Wool Standard (SCWS) (Cape Wools SA, 2022). The standard upholds the values of sustainability and environmental responsibility, encourages best practices in animal welfare, and forbids mulesing completely. The standard also places a strong emphasis on traceability, requiring appropriate documentation and proof of conformity to draw in international customers and aid in the promotion of wool that is produced responsibly.

OPPORTUNITIES FOR GROWTH IN THE SA'S WOOL INDUSTRY

The South African wool industry has a growth potential in the worldwide market, notably by aligning with global sustainability trends and growing its presence in important markets such as Italy, and the Czech Republic from 2023 Q3 to 2024 Q2. While China is the major importer of South African wool, accounting for 83% of South African wool exports, there is still potential for expansion, as South African wool exports account for 8% of China's overall wool imports.

By utilizing standards such as the Sustainable Cape Wool Standard (SCWS) and adhering to international standards established by the International Wool Textile Organisation (IWTO), the wool industry can position itself as a leader in sustainable wool production. Exploring new markets outside of the top three importers and diversifying product offerings could also boost the sector's worldwide competitiveness.

CONCLUSION

South Africa's wool industry is well-positioned to succeed in the international market, capitalizing on its reputation for high-quality wool while also strengthening its commitment to sustainability and traceability. While export quantities remain strong, unrealized potential in major countries and rising worldwide demand for ethically produced wool make a compelling case for more investment in certification and compliance with international standards. By strengthening its value chain, increasing market access, and promoting sustainable practices, the industry can cement its position as a competitive and responsible global player in the wool market, ensuring long-term growth and resilience in the face of changing consumer demands for responsibly sourced wool.

HARNESSING OPPORTUNITIES FOR HIDES AND SKIN INDUSTRY IN SOUTH AFRICA: EXPLORING THE EXPORT MARKETS.

By Lucas Moswane and Solly Molepo

The hides and skin industry is one industry that does not dependent on the market demand because these are by-products of farming stock and wild animals that are bred and kept primarily for human consumption. Therefore, the main sources of hides and skins are the slaughter houses/abattoirs as well as livestock farms. In South Africa, approximately over 2 million cattle and 4 million sheep are slaughtered each year (DAFF, 2012). Although the Eastern Cape is the biggest producer of livestock, the leading provinces in terms of hides/skin production are Mpumalanga, Free State, Gauteng and KwaZulu-Natal because they are the have the biggest abattoirs. The leading species of leather supply in South Africa are cattle, followed by sheep skin which focused on the export market. On the other hand, the leather supply from goats is very low because they are slaughtered in outside approved and registered abattoirs.

The availability and supply of these by-products largely depend on the size of the production facility, the number of animals slaughtered as well as the size of the hide or skin that is recovered. The environment under which the livestock are kept is said to have a huge influence on the quality of the hides/ skin and the animals that are kept in the feed lots produce the hides/skin of better quality than the ones that spend most of their time in an open veld. The quality of hides/skin is categorized according to the grades which also plays a critical role in the pricing of these by-products as well as their marketing channel. The superior grade is the gold status which are hides/ skin that are produced from registered and approved abattoirs that routinely performs ante and postmortem examinations on their animals, livestock that are from controlled food and mouth disease (FMD) cannot be certified as gold status, whether they are infected or not. The second one is the silver status which is the hides/skin produced from approved registered abattoirs that perform ante and post mortem examinations on the livestock irrespective of the area they come from , lastly is the Broze status which is the hides/skins that are recovered from unregistered or unrecognized abattoirs with no veterinary certifications, these ones are considered to be inferior or less valued compared to the other ones and thus is usually sold at a lower price (DAFF, 2012).

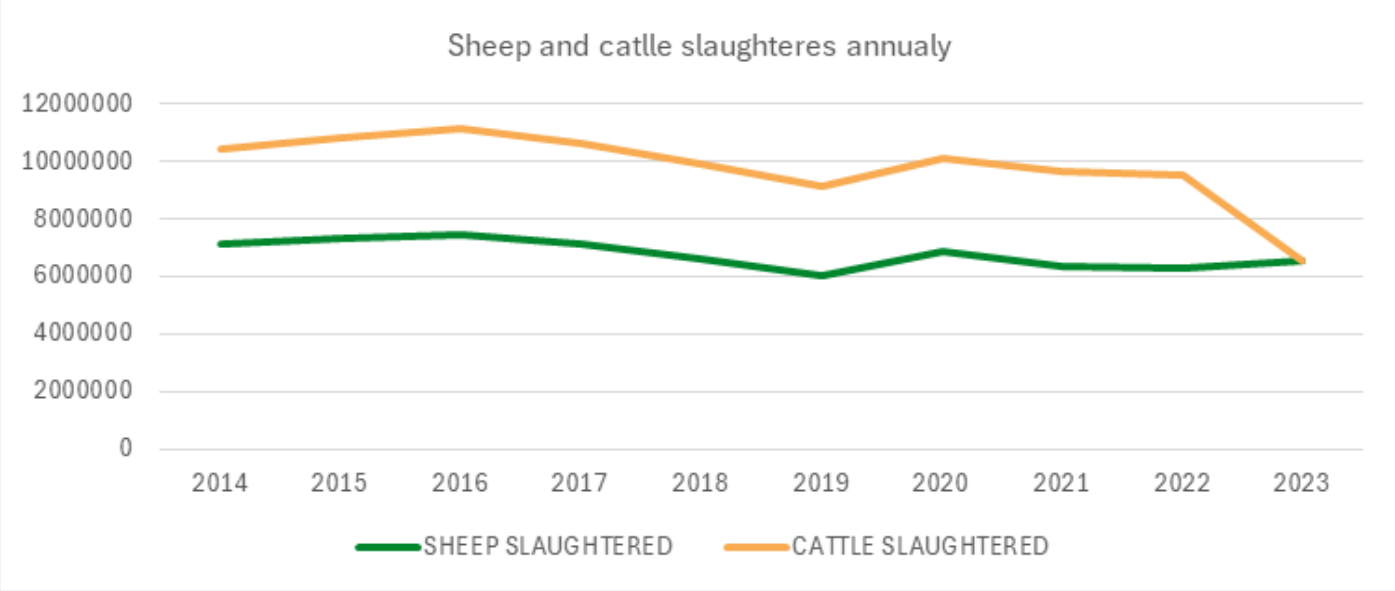

Figure 16: The quantity of sheep and cattle slaughtered annually in South Africa.
Source: DAFF (2023)

The figure above illustrates the quantities of sheep and cattle that have been slaughtered annually in South Africa for the past ten years. Goats are not included in this figure because their contribution to the hides and skin industry is limited and because they are usually slaughtered in an unregistered and approved abattoirs and their contribution is seldomly recorded. The quantity of livestock slaughtered annually is used to model the quantity of hides/skins that are produced in South Africa on a yearly basis because these hides/skins are derived from the slaughtering of these animals. Therefore, it is safe to assume that the number of animals that are slaughtered correlates with the number of the hides/skins that are recovered. The decline in the number of cattle slaughtered between 2016 and 2019 is mainly due to the decline in herd numbers attributed to drought experienced in 2019.The industry has been battling with herd rebuilding since then.

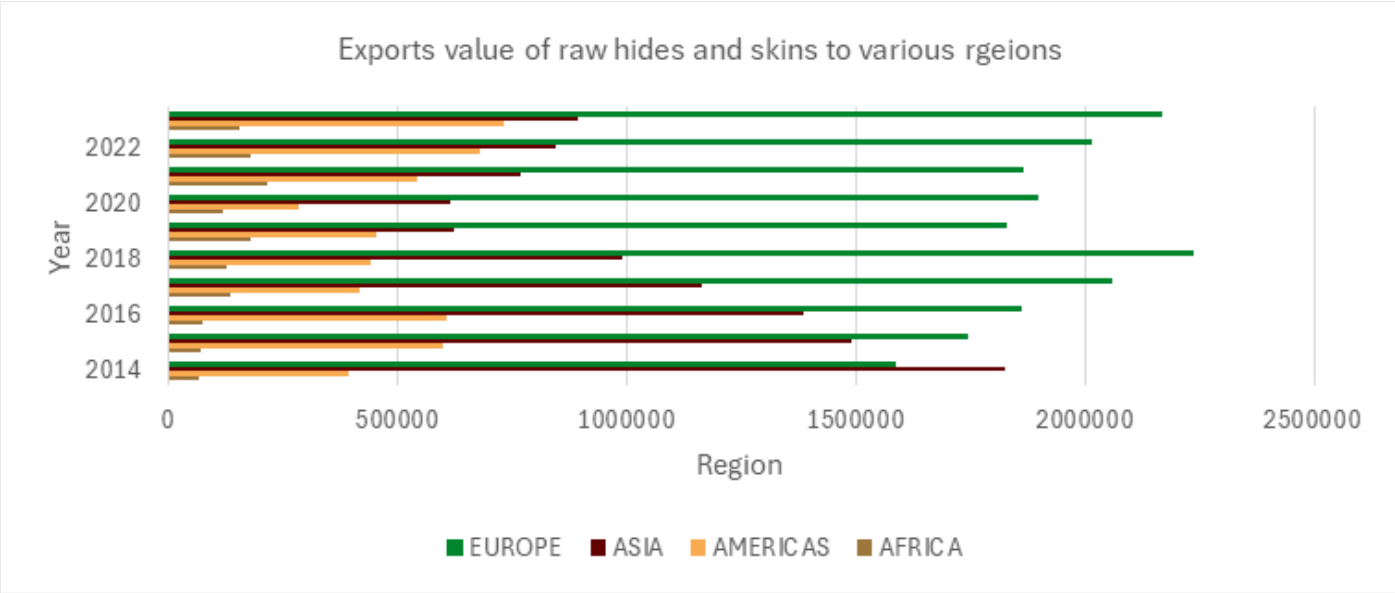

Figure 17: South Africa's export value of raw hides and skins by region from 2014 to 2023.
Source: Trade Map (2024)

The figure above shows that the value of the raw hides and skin that are exported to the African region does not exceed half a million. In 2014, Asia and Europe were the regions with the highest import value of over 1.5 million Rands, however over the years Europe took over and continued to being a leading region importing raw hides and skin from South Africa.

Table 3: Top five countries that are global leaders in terms of importing raw hides and skin

IMPORTERS	IMPORTED VALUE IN 2019	IMPORTED VALUE IN 2020	IMPORTED VALUE IN 2021	IMPORTED VALUE IN 2022	IMPORTED VALUE IN 2023
World	294408707	244816023	281949777	310782939	313674150
China	52825684	44613101	55877293	53359856	53758631
Italy	35029814	27712368	33987801	39917289	40539963
Viet Nam	24664926	21862654	24683263	28250396	29744727
France	10026632	8631149	9415496	11263863	13865228
Mexico	11180724	8843632	10822417	12138558	12341973

Source: ITC (Trade Map) 2024

The table above reflects the top five countries who have been leading importers of raw skin and hides for the past five years, with China being the country that import the largest quantities of raw skin and animal hides compared to all countries in the world and it constitutes 17.2% of the global imports. It is followed by Italy which accounts for 13% of the world's imports and at the bottom of the table is Mexico which constitutes 3.9% , however it has experienced an annual growth in value of 8% between 2019 and 2020.

CONCLUSION

The annual market for synthetic leather is projected to increase by a growth rate of 7.4% due to the continuous demand for synthetic materials that has cost effective production process. However, the industry is facing challenges and the one of the biggest threats is the outbreak of the food and mouth disease (FMD) which sometimes results in a ban of these products on the international market. Furthermore, the growth of the industry is hindered by the wastage of hides which emanates from the cattle that are slaughtered in communal farming sector.

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AGRI TRADE POISED TO BENEFIT FROM SOUTH AFRICA'S GLOBAL POSITIONING NEXT YEAR, BUT BRICS NEEDS WORK

With the 2024/25 season expected to benefit from La Niña rains, solid exports having been reported in the year-to-date, food price inflation having come down to 2.8% in October and the Agribusiness Confidence Index having increased by ten points to 58 in the fourth quarter of the year, experts are optimistic that the agriculture sector will grow meaningfully in 2025. During a media day hosted by the Agricultural Business Chamber of South Africa (Agbiz) on December 6, CEO Theo Boshoff said the sector would benefit further from political stability effected by the Government of National Unity, progress with rail reforms, improved energy security and South Africa's positioning within BRICS and in leading the Group of 20 (G20) next year.

Available at: https://www.engineeringnews.co.za/article/agri-trade-poised-to-benefit-from-south-africas-global-positioning-next-year-but-brics-needs-work-2024-12-09.

SOUTH AFRICA'S BEEF EXPORTS ARE IMPROVING EXCELLENTLY

In the first three quarters of this year, the country's cumulative beef exports were up 25% from the same period in 2023, at US$136 million. The key markets include China, Egypt, UAE, Jordan, Mozambique, Kuwait, Qatar and Saudi Arabia.

But this has not always been the case. The industry has struggled in recent years. First, I must clarify that the exports are also up in volume, not just the price gains. So, now that is out of the way, what are these struggles that I am talking about? Well, one of the challenges we have focused on this year in South Africa's agriculture is – livestock health. We had roughly three years of animal disease outbreaks across the country – foot and mouth disease in cattle, avian influenza in poultry, and African swine fever in pigs. Sure –animal disease outbreaks are not unique to South Africa and are common across the world, but South Africa's challenges have intensified in the recent past because of some biosecurity weaknesses.

Available at: https://wandilesihlobo.com/2024/12/08/south-africas-beef-exports-are-improving-excellently/.

MAIN NON-TARIFF BARRIER IN AFRICA IS INFRASTRUCTURE; POTENTIAL LIES IN NON-TRADITIONAL MARKETS

A significant non-tariff barrier (NTB) that business in Africa faces is infrastructure deficiencies, which is hampering growth, specifically for the 16 landlocked countries in Africa that are dependent on maritime-connected economies and their neighbours' infrastructure, said trade consultancy Trade Research Advisory MD Martin Cameron. There were a raft of NTBs facing companies doing business in Africa. The difficulty lay not in identifying them, but putting in place mitigation strategies to eliminate or eradicate them, said business organization Business Unity South Africa economic policy director Lunga Maloyi. Infrastructure was one of the macro issues that could foster intra-Africa trade, he added.

Available at: https://www.engineeringnews.co.za/article/main-non-tariff-barrier-in-africa-is-infrastructure-potential-lies-in-non-traditional-markets-2024-12-06.

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