How South African Agriculture Can Navigate Trump's Tariffs

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Introduction

Many analysts and observers that have been following global politics have come to a consensus around a few sets of facts:

(a) the Trump Administration is seeking to re-set the global trading landscape through trade policy interventions that could fundamentally re-shape investments, trade patterns, and the global economy at large.

(b) A consequent retreat of the US from its wider global geo-economic contribution effectively diminishes its role from a global to a regional superpower. It effectively underscores the shift from a unipolar to a multipolar world.

From a South African perspective, the upheaval of the global geo-economic and political landscape creates heightened uncertainty, which demands a set of interventions that can effectively reduce risk, preserve economic interests, and continue to grow the country's economy through its export-led strategy. In that sense, the "need for export expansion to new markets" is necessary.

To the careful observer, export diversification is not a new conversation but a discussion that began well before the anticipated higher tariffs in the US market. The motivation for export expansion was premised on the projected growth of South Africa's agricultural output, particularly in fruits, red meat, wine and grain production, which will require markets that can absorb expanding exports. Strategically, diversifying exports across different markets helps the sector to reduce the risk of over-reliance on a few dominant markets. The question is, how can South Africa ride the wave of global uncertainty in a multipolar world?

In this article, we provide a few thoughts on how South Africa can begin to navigate the Trump tariffs while ensuring that it enhances its prospects for growth through export diversification. The article starts with a background of the structure of South African agricultural exports from an export destination perspective. Section 2 outlines the new US trade policy and how it creates conditions for a rapid response to export market diversification. Sections 3 and 4 outline the short-term and long-term strategic considerations in achieving export market diversification as the agricultural sector's anchor for the country's export-led strategy. Section 5 concludes by presenting a way forward.

Background

This export diversification builds on an environment in which South Africa has made significant progress and is now among the key agricultural exporters in the world. In 2024, the country was ranked 32nd with exports totalling US13,7 billion, up 3% from the previous year, according to data from Trade Map. South Africa also imports various agricultural products. In 2024, South Africa's agricultural imports amounted to US$7.6 billion, making South Africa an exception in Africa as a net exporter of agricultural products, with a surplus that is ever expanding.

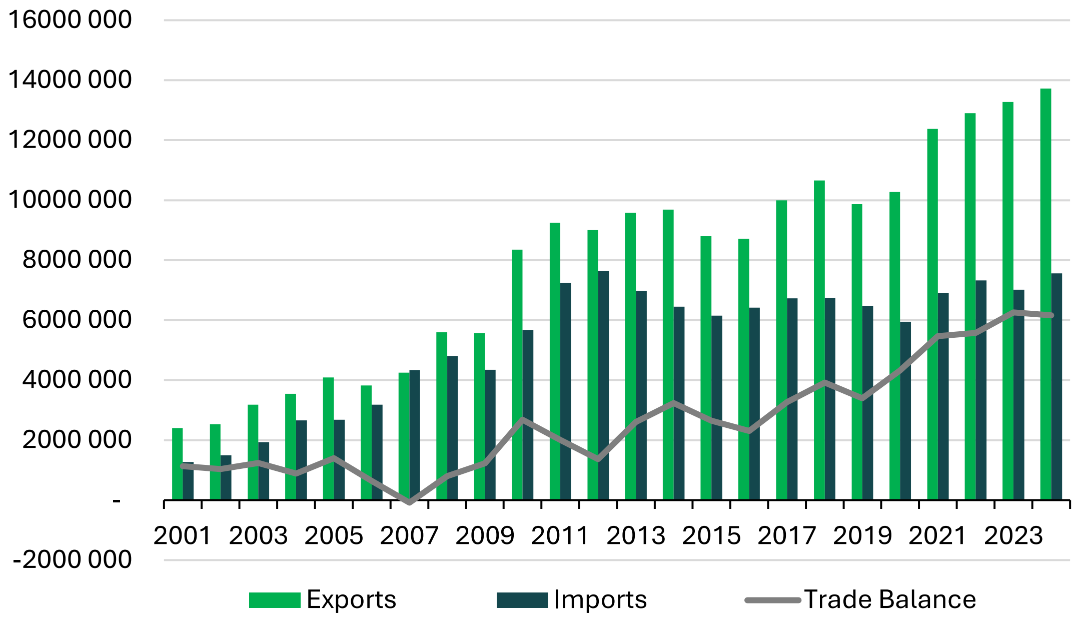

Exhibit 1: South Africa's agricultural trade

USD thousands

Source: Trade Map and Agbiz Research

From a regional perspective, the African continent maintained the lion's share of South Africa's agricultural exports in 2024, accounting for 44% of the total value. The products leading the exports list in the African continent were maize, maize meal, wheat, sugar, apples and pears, fruit juices, wine, soybean oil, sunflower oil, oilcake, and rice, amongst other products.

As a collective, Asia and the Middle East were the second-largest agricultural markets, accounting for 21% of the share of overall farm exports in 2024. The exports to this region were mainly citrus, nuts, apples and pears, wool, berries, sugar, beef, mutton, wool, wine, fruit juices, maize, apricots and peaches.

The European Union (EU) was South Africa's third-largest agricultural market, with a share of 19%. Citrus, grapes, wines, dates, avocados, pineapples, fruit juices, apples and pears, berries, apricots and cherries, nuts, and wool were amongst the top agricultural products South Africa exported to the EU in 2024. The Americas region accounted for 6% of South Africa's agricultural exports in 2024. The main exported products include citrus, grapes, wine, fruit juices, and nuts. The rest of the world, including the United Kingdom, accounted for 10% of the exports.

Complications caused by the Trump tariffs

Over the past two and a half decades, South Africa has enjoyed duty-free quota-free market access into the United States (US) under the African Growth Opportunity Act (AGOA) preference programme. However, the Trump tariffs abruptly ended AGOA by introducing tariffs that will likely have some profound and long-term implications for South Africa and other markets globally.

The new tariffs, previously set at 31%, but now temporarily set at 10% for 90 days, present greater urgency to the need for export diversification. This sentiment has resonated with the South African government as the private sector and US importers get to grips with the US decision to increase tariffs on its trading partners.

The reliance on global trade has been pivotal for South Africa's agricultural sector, which draws much of its growth from an export-led strategy. Agricultural exports are roughly half of the production in value terms. In South Africa's agricultural exports of US$13.7 billion in 2024, the US accounted for 4% of South Africa's agricultural exports. The biggest agricultural exports to the US are citrus, wine, grapes and nuts. These typically entered the US market duty-free and now fall under the tariff level of 10% and 31%, which Washington has levied on South Africa. However, the latest 90-day tariff pause announced by President Trump, barring the 10% baseline that remains in place, provides a temporary reprieve and room for deeper trade negotiations.

The ministers of International Relations and Cooperation and Trade, Industry and Competition said in a statement after Washington's move:[1]

> *Efforts will intensify to diversify export destinations, targeting markets across Africa, as well as in Asia, Europe, the Middle East, and the Americas. Moreover, where deemed appropriate, such efforts will also involve bilateral arrangements that allow for the pursuance of our national interest.*

As a medium to longer-term strategy, this makes sense in the context of the trade friction with the US and the overall growth of South Africa's agricultural sector. However, export diversification will take time to achieve. New markets take time to open up and develop because negotiations with countries, especially in agricultural products, are complex. For example, it took 16 years for South Africa to reopen Thailand for apple exports.

Moreover, reciprocal trade agreements typically take at least five years to conclude.[2] This means that, in the short term, the South African government will urgently be seeking to engage with Washington to maintain critical access to the US market, to avoid supply chain disruptions. In their joint statement, the two departments managing the fallout said they would be seeking "additional exemptions and favourable quota agreements".

Immediate steps to resolving US issues

Given that establishing a reciprocal trade arrangement is likely to take time, it will be important to establish interim processes and procedures that can resolve immediate challenges.

First, the broader agricultural industry stakeholders – private sector, civil society, labour - can play a constructive role in supporting government's efforts to engage the US government and its own constituencies by providing data and information that can provide the scope and scale of the impact of the increased US tariff on their exports. Sectors such as citrus, grapes, wine, and nuts, among other products, will be critical in providing the impact on incomes, jobs and supply chains, in South Africa, as well as the US. Providing both South African and US perspectives to the problem will bring awareness to the Trump Administration on the implications of the tariffs on their own jobs, food prices, and consumer welfare.

Second, the government needs to negotiate in earnest, the existing tariff and technical barriers, and how these can be resolved in expediently, in order to establish parity and access to market for US products in South Africa. It will be important to also clarify issues, where misconceptions exist, to ensure that the US government understands that existing technical regulations are not meant as barriers, but as food health protocols that need to be met to ensure that access is unlocked. Moreover, assessing the reasons why existing market arrangements may be viewed as insufficient is also important. For example, South Africa currently allows US exporters to supply over 70,000 tonnes of poultry products into the country without any tariff.[3] However, US poultry producers have not been able to meet this quota, with suppliers only using less than 60% of this quota. One reason is the low-quality products that have not met the South African specifications – and it will be important to create awareness on how US suppliers can meet quality specifications to enhance their utilization of the tariff rebate quota.

Third, and in the long term, the government, together with its Southern African Customs Union (SACU) and Southern African Development Community (SADC) partners, now need to urgently lay out a framework for a reciprocal trade agreement with the United States. It seems, for all practical intent and purpose, that this round of tariffs by the Trump Administration signals the end to the US Preference Programmes – including Generalised Scheme of Partners (GSP) and AGOA. South Africa and the rest of the African continent now need to engage the US on a long-term reciprocal trade agreement, which may take years to negotiate but creates the level of certainty that will attract investments in trade.

A reciprocal trade agreement with the US is no easy feat – unlike any other free trade agreement, an agreement with the US will require hard choices and broad reforms that create free markets, and in some cases, a re-think and departure from the thinking around how we structure industrial incentives and inclusive policies. This is an opportunity for the country to start re-imagining the next phase of agro-industrialization, and how we create broad-based competitiveness in ways that will push the boundaries of conventional wisdom.

Long-term trade approach

The approach to resolving the US tariffs imposed on South Africa and the consequent need for reciprocal trade agreements to retain market access to the US necessitates a much broader discussion around what and how South Africa should approach strategic market diversification. There are three key considerations that ought to frame these discussions, and these include (a) social partnership dialogues and public-private partnerships (PPP) engagements, (b) Identifying and prioritizing key markets for expansion, including China, Middle and Far East, and the US, and (d) consolidating and strengthening negotiation for market access through regional blocs, in particular, the Southern African Customs Union.

Social partnership dialogues and public-private partnerships (PPP) engagements

In previous policy discussions, we have argued for PPPs to ensure the implementation of the Agriculture and Agro-processing Masterplan (AAMP). Export diversification happens to be one of the AAMP's focus areas, and it is therefore critical to extend the PPP approach to export market diversification. As a social compact, the AAMP calls on government, private sector and labour to not only foster collaborative interventions and solutions to drive market access as a means to expand the growth of the agricultural sector, but also to develop better ways of working together. Platforms such as Value Chain Roundtables (VCRT), where key tariff and non-tariff barriers are unpacked, and interventions are designed, implemented and tracked are one such example of a PPP approach. This will help ensure business relationships are cultivated in the countries that the government is engaging and that there's alignment between the commercial and political interests of the country.

Identifying and prioritizing key markets for expansion

As a matter of urgency, South African trade authorities should put resources into understanding the opportunities in dynamic markets in the Gulf and Asia. Saudi Arabia, the United Arab Emirates and Qatar are some of the key markets in the Gulf. In Asia, China, India and Vietnam should remain priorities.[4]

The Middle East[5] has more potential for expansion, as it is not as saturated as the EU, and there are no competing domestic farmer interests in this region. While a big share of SA's agricultural products are already exported to the Middle East, the presence of SA agriculture in this region is arguably still peripheral. For example, according to Trade Map data, Saudi Arabia imports about $25 billion in agricultural products annually. SA is one of the smaller exporters, accounting for 1% of that country's imports, ranking 31st in its agricultural imports list.

Moreover, the United Arab Emirates is a large agricultural market that imports roughly $22bn of agricultural products annually. SA has a 2% share and is the 16th largest supplier. Qatar imports about $4bn of agricultural products a year. But here, SA also plays a minor role, ranking 10th in the list of suppliers and having a 2% market share in Qatar's agricultural imports.

Given South Africa's peripheral participation and the possibility of increasing the country's agricultural production in the coming years, there is room for greater participation in the Middle East market. There is a need for targeted promotion and marketing of products, along with government support, to nudge the Middle Eastern countries to address any remaining phytosanitary barriers and tariffs on SA products.

Meanwhile, China is the biggest opportunity, largely because of its population and economic size. China, the world's second-largest economy after the US, must feed 1.4 billion people. To do this, China is a huge importer, resulting in an agricultural trade deficit with the rest of the world of about US$117 billion. This suggests there's a gap for countries with good agricultural offerings.

South Africa should also position itself among the key suppliers of agricultural products to China in addition to its current export activity. We sometimes doubt if South Africans appreciate enough how big China is in global agricultural trade; thus, we keep discussing it. China is a dominant player in the export and import of agricultural products. In 2023, China was a leading agricultural importer, accounting for 11% of global agricultural imports, which totalled over US$200 billion, as the chart above shows. The US, Germany, the Netherlands, the UK, France, and Japan trailed China.

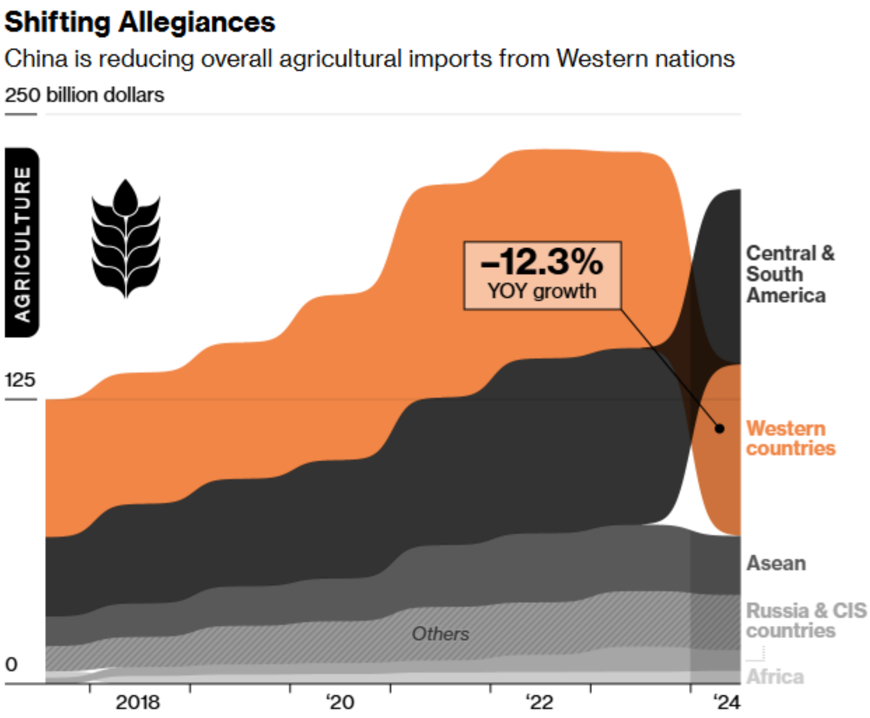

Exhibit 2: China's agricultural imports

Source: General Administration of Customs of China; Bloomberg calculations

Note: 2024 figures are annualised estimates based on Jan-Oct data. Western countries include US, Canada, Australia, New Zealand and EU.

The leading suppliers of agricultural products to China are Brazil, the US, Thailand, Australia, New Zealand, Indonesia, Canada, Vietnam, France, Russia, Argentina, Chile, Ukraine, the Netherlands, and Malaysia.

The only African country in China's top 30 agricultural suppliers is South Africa, which ranked 28 in 2023. Still, South Africa remains a negligible player in the Chinese agricultural market, accounting for a mere 0.4% (US$979 million) of China's agricultural imports of US$218 billion in 2023. Sudan and Zimbabwe are other African agricultural suppliers to China, ranked 33 and 34, respectively.

Given this reality and China's efforts to diversify its agricultural suppliers, it is key that the South African message in engagements with the Chinese authorities should be firmer and more persuasive in promoting agricultural exports.

South Africa has an agricultural surplus each year, exporting about half of its yearly production. In 2023, South Africa's agricultural exports amounted to a record US$13.2 billion. Indeed, this is nowhere close to the amount of money China spends annually importing agricultural products from the world, a staggering US$218 billion. China is already one of South Africa's major agricultural markets for various fruits, wine, red meat, nuts, maize, soybeans, and wool. However, there is room for more ambitious agricultural export efforts.

The South African agricultural sector—organized agriculture and researchers—consistently points out the need to lower import tariffs in China and remove phytosanitary constraints on various products. From now on, this should be a topic of conversation in engagements with Chinese authorities.

Lastly, South Africa is part of the African Continental Free Trade Area (AfCFTA) and has secured critical market access into parts of West and North Africa for agricultural products. The African continent is the largest trading partner for South Africa's agriculture, accounting for 44% of the total value in 2024, but there are prospects for growth despite the risk of this higher saturation from Asian and Middle Eastern competition. Retaining and growing the current export markets, such as the African continent, is critical for South Africa's agriculture.

Consolidating and strengthening negotiations for market access through regional blocs

At a global scale, where smaller economies are confronted with formidable superpowers with large economic interests, it is important for countries in South Africa, and indeed in the rest of the continent, to negotiate as economic blocs. There is strength in numbers, and as a larger collective, Africa can use its common interests and leverage its combined size to negotiate for market access to countries like the US and China.

The AfCFTA is a natural anchor for moving regional and continental market access negotiations. However, given that the AfCFTA is heterogenous, and somewhat still finding its feet as countries seek to integrate their economies, the natural fallback for pushing market access positions abroad is SACU. However, SACU comes with its own unique set of challenges, with fractures threatening to weaken the continent's oldest Customs Union. In the recent past, some trade friction in South Africa's trade relations with the SACU partners became increasingly apparent, as Botswana banned imports of vegetables from South Africa, extended until December 2024. Meanwhile, Namibia's ban, which started around the same time as Botswana, on imports of South Africa's vegetables remains in place. Each country's rationale for banning vegetable imports was that they were building their domestic industries and required cushioning. Previously, Lesotho banned mohair exports into South Africa, and all these bans on agricultural products add uncertainty and weigh negatively on business. Moreover, they have fuelled a lingering political sentiment in some quarters that SACU needs a review.

In the wake of SACU's weakened position, it must become a priority for South Africa and the BELN (Botswana, Eswatini, Lesotho, and Namibia) partners to make deliberate efforts to strengthen and deepen trade, and consolidate the Customs Union, as a means of presenting negotiating positions as a regional bloc. The need to diversify export markets to other regions is a common unifying agenda that should bring BELN to the table, to ease risk, as part of the long-term market development strategy when looking at strategic markets such as China, US, the Middle and Far East.

In a global environment that appears likely to have more inward-looking trade policies, countries with long-standing trade relations, such as those in SACU, need to strengthen their partnerships and avoid the allure of antagonistic trade policy approaches that we see in various regions of the world. Therefore, South Africa's Department of Agriculture, Trade, Industry and Competition and the Department of International Relations and Cooperation should work collectively to strengthen trade ties with South Africa's existing partners.

The SACU relationship should also be maintained, and the focus must not be primarily on the EU, US, BRICS, and others. It is through such an approach that South Africa's agricultural sector will secure lasting export markets. The export markets are essential to South Africa's plans to grow the domestic agricultural sector, as South Africa already has an export-oriented agricultural sector.

Iphi'ndlela (where is the way?)

In essence, in the current environment of heightened geopolitical tension, South Africa's export-oriented agricultural sector must work to maintain the current export markets and broaden to new markets. The focus for both policymakers and agribusinesses and organized agriculture should be on the following aspects:

- First, South Africa should maintain its focus on improving logistical efficiency. This entails investments in the port and rail infrastructure and improving roads in farming towns.
- Second, South Africa must work hard to retain the existing markets in the EU, the African continent, Asia, the Middle East, and the Americas. This is even more important in the current climate, where US policymakers have increased tariffs.
- Lastly, South Africa's Department of Trade, Industry and Competition, the Department of International Relations and Cooperation, and the Department of Agriculture should lead the way for export expansion in the current export markets and the search for new export markets. South Africa should expand market access to some key BRICS countries, such as China, India, Saudia Arabia, and Egypt. The BRICS grouping should emphasize the need for member countries to lower the import tariffs and address artificial phytosanitary barriers hindering deeper trade within this grouping.
- Other strategic export markets for South Africa's agricultural sector include South Korea, Japan, Vietnam, Taiwan, Mexico, the Philippines and Bangladesh. The private sector and the South African government share this ambition for export market expansion. In the current fragmented world, more resources and marketing must be used for this work.

Endnotes

[1] The Statement by the Ministers is here: https://dirco.gov.za/joint-media-statement-by-the-ministers-of-international-relations-and-cooperation-and-trade-industry-and-competition/

[2] See https://www.thedtic.gov.za/sectors-and-services-2/1-4-2-trade-and-export/market-access/trade-agreements/

[3] See https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Poultry%20and%20Products%20Annual_Pretoria_South%20Africa%20-%20Republic%20of_SF2024-0021.pdf

[4] Vietnam and India also have sizeable populations. Importantly, South Africa remains a small participant in their agricultural markets. The sectors worth targeting include horticulture and wine producers. Expanding exports in these sectors have been a long-running talking point. Now, there's a need for renewed energy and urgency from the government officials' side.

[5] The Middle East primarily imports various meat products, grains, oilseeds and fruit.