

■ OPINION

THABILE NKUNJANA: Aggressive search for alternate markets amid declining EU uptake

06 NOVEMBER 2023 - 05:00

by THABILE NKUNJANA



Data over the past two decades shows that the EU market for SA products is decreasing. Picture: SUPPLIED

Given the tremendous expansion of SA's agricultural sector and the unpredictable twists and turns of global trade, it is becoming even more important for the country to maintain safe access to existing markets while exploring new markets.

The unexpected bans by Botswana and Namibia against vegetables imported from SA in 2022, the sudden change by the EU to its market requirements for citrus products from SA, and various import bans on wool originating from SA in recent years are examples of trade challenges the SA agricultural sector must constantly deal with.

The EU is the top importer of SA fruit and nuts, and this is SA's leading exportable agricultural product category in value terms. Analysis of these products therefore provides insight into what is happening to the EU's market share compared with other regions.

Fruit and nuts include pome fruit such as apples and pears, citrus such as oranges and lemons, and a variety of nuts such as almonds. In 2022 SA's fruit and nut exports amounted to \$4.45bn, an increase of

0.7% on the previous year. The EU accounted for 45% of this, followed by Asia (34%), the Americas (9%) and Africa (7%).

However, despite a minor increase in SA's fruit and nut exports to the global market in 2022, data over the past two decades shows that the EU market for SA products is decreasing. This is a result of a combination of disease outbreaks, sanitary and phytosanitary (SPS) restrictions, high tariffs and protectionism.

SA is thus aggressively seeking alternate markets, with more fruits and nuts recently being exported to Asia and the Americas. From 2003-2022 SA's fruit and nut exports to Asia increased 758%, from \$175.4m to \$1.5bn, while exports to the EU increased 262%, from \$547.5m to \$1.9bn, and to the Americas by 475%, from \$70.4m to \$404.8m.

Exports to Africa and all other regions increased 469% and 463% respectively. However, in value terms these remain far lower than those to the EU, Asia and the Americas.

Diversifying exports

While diversifying SA's exports is critical, it is equally important to look at the changes to these markets and monitor them on their merits and risks. For example, it took 14 years for fruit and nuts exported to Asia to reach \$1bn, and half that for the EU to reach \$1bn.

SA's exports to the EU are traded within a trade agreement, whereas we lack a trade deal with Asia. However, multiple bilateral trade agreements have been signed in recent times, the most recent being during SA's 2023 Brics summit to export avocados to China.

But SA's agricultural exports to countries such as China are still subject to high duties, which makes it difficult to compete for market share, whereas the free-trade agreement between European Free-Trade Association (EFTA) states and Southern African Customs Union (Sacu) states, and the African Growth & Opportunity Act (Agoa) allow SA to export many products duty free.

Trade relationships between countries or regions have their ups and downs, but this does not mean things are beyond fixing or discussion. For example, when the US introduced its Food Safety Modernisation Act to improve its ability to prevent and respond to food safety

problems Mexican exporters had to adapt. About 63% of vegetable imports and 46% of fruit and nut imports into the US in 2021 were from Mexico, so the stakes were high. But adapt they did; Mexico remains a leading horticultural supplier to the US market.

Tariff disadvantage

Similarly, SA cannot afford to sit back and complain when the EU pulls phytosanitary stunts. Exporters must adapt or die. Australia, a major exporter of products such as beef, wool, wheat and wine, has been negotiating a trade agreement with the EU since 2018. If this deal goes through the already-competitive EU market will become even more competitive.

Australia is already a significant competitor for several agricultural products in the Asian market, and if SA is to expand its export footprint there it will have to compete with it despite being at a disadvantage regarding tariffs.

With plans in place to bring more producers into commercial farming, particularly black farmers, through the agriculture agro-processing master plan, SA cannot afford to simply give in to market disputes, because they will always exist.

Our existing markets are crucial for already commercialised producers, but new markets should be targeted by new entrants, otherwise the new generation of commercial farmers will struggle to break into the export market.

Letting go of existing established markets also has the potential of undermining some of the programmes government is pursuing to transform the agricultural sector in the long run.

• Nkunjana is a senior economist in the markets & economic research division of the National Agricultural Marketing Council. He writes in his personal capacity.