

■ OPINION

WANDILE SIHLOBO: SA must focus on China and the Middle East for agricultural trade and investments

Four key actions the government can take to advance agricultural exports to these regions

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by WANDILE SIHLOBO



Picture: SUPPLIED

Now that President Cyril Ramaphosa has concluded his state visit to China, a country with much promise for deepening agricultural trade, the next stop should be the Middle East.

But before we transition to the Middle East let's briefly examine China's agricultural trade. Trade data provides SA with some signposts of what to do next: aggressively drive exports to the Chinese market. This is a market of more than \$200bn of agricultural imports a year, and SA remains a small player at just 0.4% of that market.

From now on the focus should be on nudging China to lower import tariffs on various agricultural products and address the phytosanitary barriers that exist for some products. This effort will build on the success of the existing export market possibilities for SA beef, avocados and wool, among other products.

Importantly, as the focus shifts to the technical experts of the various departments to facilitate the agreements reached during the state visit, the political leadership of the departments of agriculture; trade, industry & competition and international relations & co-operation should also start looking towards the Middle East.

At the start of the year we argued that there was a need for a new SA agricultural trade and investment strategy for the Middle East. We believe this should now be a priority of the government of national unity (GNU).

There is a strong investment case to be made for the eastern regions of SA and former homelands, which could benefit from Middle East and Chinese capital. These areas are typically on the periphery of agricultural progress because of poor land governance and weak infrastructure, which isolates them from the formal value chains of the food, fibre and beverage sectors.

In some areas the transaction costs of moving agricultural produce to consumption points are excessive because of the lack of road, rail and storage infrastructure. In the regions that were historically part of the commercial farming sector deteriorating network infrastructure is also increasingly a significant cost driver for businesses. These include roads, rail, water pipelines, dams, grain storage facilities and on-farm infrastructure.

Beyond China, it is worthwhile assessing whether Middle East countries are better placed to form commercially viable joint business ventures that respond to the above challenges. Some investments could form part of the ties SA agribusinesses and farming enterprises have made with the aim of accessing capital to expand their operations.

Most large funds in these Middle Eastern countries have some form of government involvement. The SA government, particularly the departments of trade, industry & competition and agriculture, should formulate an SA-Middle East agricultural trade and investment

strategy. This would require active political leadership to support SA businesses that want to partner with them foreign entities.

Crucially, SA will need to act urgently to simplify its investment regime and create a more predictable environment for foreign investment, which it sorely needs. University of Columbia professor Karl Sauvant recently made a compelling case for SA to work on strategies to improve its investment climate.

The Middle East region is increasingly important in SA agricultural trade, in addition to China. For example, in 2023 Asia and the Middle East accounted for 28% of SA's agricultural exports (total exports were valued at \$13.2bn in 2023), the second-largest region.

However, if one focuses on the key economies in the Middle East SA plays a peripheral role in agricultural markets. For example, according to Trade Map data Saudi Arabia imported \$29.5bn of agricultural products in 2022. SA was one of the smallest exporters to Saudi Arabia, accounting for a mere 1% of its imports and ranked 31st in the agricultural imports list.

The United Arab Emirates is also is a large agricultural market that imported \$23.3bn of agricultural products in 2022. SA had a 2% share and was the 16th largest supplier. Qatar imported \$3.9bn of agricultural products in 2022, with SA ranked 10th on the list of suppliers with a 2% market share.

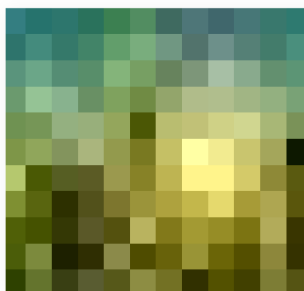
The countries that have the largest market share in these Middle Eastern countries are India, Brazil, Australia, the US, Canada, New Zealand, the UK, Denmark, the Netherlands, Italy, Spain, Argentina, Russia, France and Turkey.

The Middle East primarily imports various meat products, grains, oilseeds and fruits. Given that SA has some of these products in surplus, the country is well set to benefit from increasing its market share if there is targeted promotion and marketing of products, along with government support to nudge the Middle Eastern countries to address any remaining phytosanitary barriers blocking SA products from these countries.

Key actions on the path forward:

- The department of trade, industry & competition, working with department of agriculture, should formulate an SA-Middle East agricultural trade and investment strategy. This would help rank the priority list of products for investments and identify barriers that should be addressed using official government channels, with timelines. The document would also outline possible investment paths aligned with industries highlighted in the Agriculture & Agroprocessing Master Plan. A similar document is required for China.
 - The department of agriculture should appoint capable attachés in the Middle East region to communicate and lobby for SA agricultural products. These officials could also help maintain constant communication with SA farming businesses that are interested in the Middle East.
 - The departments of trade, industry & competition and international relations & co-operation should actively promote SA's agriculture and agroprocessing sectors as an investment destination. There should be constant communication with the private sector and organised agriculture groupings to source insights and facilitate relationships for the good of SA Inc.
 - Importantly, these efforts should happen while SA government officials and businesses maintain a warm relationship with existing trading partners in Europe, the Americas, Africa, Asia and other regions of the world. China and the Middle East should be an additional focus, not replacing existing commercial interests.
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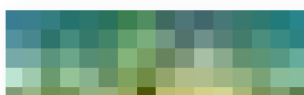
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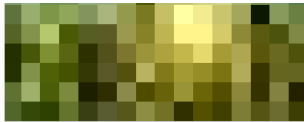
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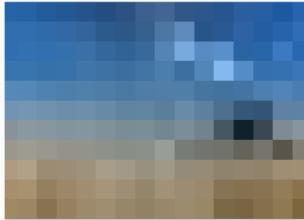


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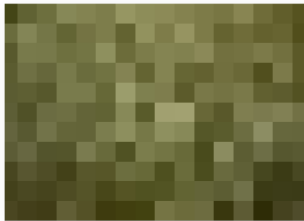
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