

How do we ensure that record agricultural exports translate to stronger agricultural GDP?



By [John Hudson](#)

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Agriculture is an exciting and complex sector, and while it is volatile, it also offers immense opportunity. The past two years, for example, have been challenging, with 2023 having recorded a contraction of just under 5% and 2024 expected to deliver a similar contraction, although final numbers for the full year are still to be released.



Source: [Freepik](#)

Yet, on average, the sector has outperformed South Africa's total gross domestic product (GDP) growth over the past 20 years. And, while having experienced a tough 2 years, agriculture has delivered record exports. This is an interesting contradiction, and it's worth exploring the dynamic behind it.

Export-driven revenue versus local market constraints

In a nutshell, we generate a substantial share of agricultural revenue from exports, with more than half of our agricultural produce by value exported. A key driver of export earnings over the past few years

has been horticulture products, which have performed exceptionally well, hence the boost in export values. However, for many sectors – meat, for example – the bulk of production is sold domestically.

An environment where consumers are under pressure – as we have seen in South Africa for several years – negatively influences prices and, therefore, revenue. Also, exports simply take US dollar revenue into account, while sector performance is impacted by both revenue and costs.

For instance, port inefficiencies cost the pome fruit industry R1bn through additional costs in the supply chain and quality claims, and electricity and labour costs rose, as did feed costs with the smaller summer crop due to drought. All these factors negatively influenced the GDP contribution from agriculture but not the revenue from exports.

To grow the sector, we need both local consumption and exports to grow. Local consumption is subdued, but the prospects for economic growth are encouraging. The importance of export markets to the South African agriculture sector cannot be denied, and with the extreme volatility being experienced on the global stage, it brings into sharp focus the need to grow and diversify market access.

The impact of AGOA uncertainty on agriculture

One such example of global volatility is the controversy around whether the benefits of the African Growth and Opportunity Act (AGOA) will be renewed or not. While the US market is relatively small for the agriculture sector (accounting for just 6% of our agricultural exports), losing these benefits will impact certain sectors more severely.

One of these is the citrus industry in the Western Cape, which exports 9% of its produce to the US, the value having almost doubled since 2017. The sector risks losing over R1 billion in export revenue together with the 35,000 local jobs and 20,000 jobs in the US that depend on these exports.

South Africa must prioritise looking beyond AGOA and embrace bilateral and multilateral trade diversification. Diversifying export markets through sub-Saharan African opportunities like the African Continental Free Trade Area (AfCFTA) and agreements such as the EU–South African Trade, Development and Cooperation Agreement can help maintain trade momentum while reducing overreliance on US markets.

However, deepening economic integration and trade among BRICS+ countries presents one of the greatest opportunities. The original BRICS countries import, on average, close to US\$300bn worth of agricultural products per year, with China and India accounting for the lion's share of these imports. Many of these products – such as beef, pork, maize, wheat, cotton, berries, apricots and peaches – are produced at scale by other BRICS countries. However, imports to other BRICS countries typically originate from suppliers outside the grouping.

Higher tariffs as well as ambiguous and prohibitive phytosanitary regulations have proven to be a barrier to agricultural trade within BRICS. Various BRICS countries have more favourable trading terms

with countries outside of BRICS, resulting in lower intra-BRICS trade.

However, as Brics+ matures beyond a political member collective, expanding economic integration and trade, particularly in agriculture, is the most logical step. Another vital benefit of advancing agricultural trade is ensuring food security within Brics.

Overcoming trade barriers in Brics+

Developing a comprehensive free-trade agreement between the BRICS+ member states would be a protracted process, but for the near term, some form of preferential trade area (PTA) that establishes preferential market access to agricultural products, lowers import tariffs, and reforms phytosanitary regulations should be a priority.

Brazil, South Africa and Russia usually produce surplus products that India and China, among others, import from the world market. Negotiating reduced import tariffs and various non-tariff barriers on a reciprocal trade basis would benefit all Brics countries, as China and India would, in turn, receive preferential market access for various products they produce, which South Africa, Brazil, and Russia, among other members, import in large volumes.

Of course, developing new markets alone is not enough to boost the global competitiveness of South Africa's excellent agricultural produce.

Infrastructure constraints continue to present a significant challenge, and we need to invest urgently in creating more efficient port and rail systems and logistics networks to support increasing trading volumes and boost economic growth. Biosecurity also remains a hindrance, and an intense focus on addressing and curtailing both animal and plant health is critical.

The hurdles that must be overcome to ensure the long-term competitiveness and sustainability of the agricultural sector are complex – it will take a strategic approach and substantial investment to overcome them. But our primary producers, secondary agribusinesses and sector organisations have shown time and again that they are committed to the task. Now, it's time for policymakers to follow suit.

Special thanks to Wandile Sihlobo, chief economist at Agricultural Business Chamber of South Africa (Agbiz), and Tracy Davids, executive director and manager: commodity markets and foresight at the Bureau for Food and Agriculture Policy (BFAP), for their input in this article.

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