African countries' agricultural reforms will ensure free trade deal benefits SA too

By Wandile Sihlobo

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Over the past two decades, South Africa's agricultural output growth and rise in trade surpluses have been inspiring, and these successes give me much enthusiasm and optimism. In 2020 alone, amidst a pandemic, South Africa exported US$10,2bn worth of agricultural products, the second largest on record. One market that has consistently been important to South Africa is the African continent, which on average, accounts for 40% of South Africa's agricultural exports.

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These deepening continental trade relations give me confidence that the African Free Continental Trade Area should be favourable for South Africa's agriculture. The export domination that South Africa has had over the past couple of decades has mostly been concentrated within the SADC region, a free-trade area comprised of 16 countries, for decades. South Africa will now progressively have access to the broader continental markets at relatively lower tariffs.

In an article I co-authored with agricultural economists Tshepo Morokong and Louw Pienaar on Econ3x3 last month, we analysed the essential agricultural products that the African continent mainly imports. These included grains, animal and vegetable fats, sugar, dairy, beverages, prepared food, cotton, fish, and meat.

South Africa is already an exporter of some of these products to the continent and it should increase the volumes in the coming years as logistics and administrative procedures become well established. We argue that such a conducive environment will only manifest when African countries "Harmonise trading systems and promote inter-continental trade through the elimination of tariffs and other nontariff barriers, which will stimulate the investment needed to aid smooth trading on the continent."

But the success story needs to be mutually beneficial. South Africa is also a significant importer of agricultural products. In 2020, the country spent US$5,9 billion on imports of agricultural products. The top agricultural products South Africa typically imports are rice, wheat, palm oil, poultry meat, sunflower oil, beer from malt, soybean oil and chocolate, amongst other products. Thailand, Brazil, China, Argentina, Indonesia, India, the Netherlands and the US are amongst the countries supplying these products to South Africa.

Yet, there is significant scope to import some of these products from African countries. An analysis of productivity potential across 44 sub-Saharan African countries showed that nine countries make up 60% of the total potential, with three countries—Ethiopia, Nigeria, and Tanzania—accounting for half of it.

Some African countries are trying aggregate smallholder-farmer activity to achieve economies of scale. This includes efforts include farmer aggregation through cooperatives, such as the Githunguri Dairy in Kenya, which serves approximately 40,000 farmers in East Africa and "outgrower schemes," such as for barley in beer production in Ethiopia.

For countries in Africa to benefit from the continental agreement, they must increase their productivity at the local level.

The predicament of low crop yields still maintains in many African countries, and on average, yields are four to five times lower than what you find in South African commercial farms. This is not caused by variations in climate, rather by policy challenges and levels of investment.

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Michael Aliber and Wandile Sihlobo 15 Dec 2020

I wrote in The Conversation in 2020 about the need for governments to extend land rights and be open to biotechnology that could boost output, as has been the case in South Africa.

It is quite encouraging that we are now seeing encouraging steps, albeit, still limited to the adoption of mechanical technology. A recent article by agricultural economist Tinashe Kapuya, in the Farmers Weekly magazine, outlines the Ethiopian government's efforts to "exempt import levies and charges on specific agriculture inputs, which had an immediate impact on lowering the cost of equipment purchased by agribusinesses and farmers."

In Ghana, we also see reforms in seed and fertiliser policies, which have increased private sector involvement and prospects of investment in higher-yielding varieties.

Such interventions should boost Africa's agricultural output and ensure that the African Free Continental Trade Area is beneficial for many countries that will have products to trade. These potential benefits can drive economic empowerment as the agricultural sector is the mainstay of the economies.

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