

# CONTEXTUALIZING THE **AFRICAN GROWTH OPPORTUNITY ACT (AGOA)** FOR SOUTH AFRICA'S AGRICULTURAL SECTOR



## Trade Research Unit

South Africa will host the 2023 African Growth and Opportunity Act (AGOA) summit from 02 - 04 November 2023 and it remains the biggest exporter of agricultural products under the AGOA followed by Ghana, Madagascar, Ethiopia, Kenya, Uganda, as well as Mauritius.

AGOA is a United States of America trade Act that was passed as Public Law 106 of the 200<sup>th</sup> Congress on May 18, 2000, and it has been renewed several times throughout the years and will expire in 2025.

Through duty-free quota access to United States of America (USA) markets, AGOA has significantly boosted South Africa's agricultural trade and growth, as well as that of the broader Sub-Saharan Africa region. Certain South African exports benefit from preferential access to US markets under the AGOA with no reciprocal trade agreement between the parties.

Apart from some congress members objecting to South Africa hosting the summit, South Africa's relationship with Russia was a highlight made worse when Lady-R, a Russian ship docked in South Africa in December 2022 and accused of transporting weapons from South Africa to Russia amid the war in Ukraine. Following these events, President Cyril Ramaphosa was forced to act and later sent an envoy to clear out the "misunderstanding" surrounding South Africa's stance related to the conflict in Ukraine and Lady R.

South Africa's trade growth has been remarkable under AGOA with agricultural exports to the US increasing by 394% between 2003 and 2022 from, US\$135.1 million (R1.0 billion) to US\$532.0 million (R8.7 billion).

Based on International Trade Centre Trade Map data, South Africa's agricultural exports to the United States contributed for approximately 5% to 6% of a total agricultural export of US\$12.8 billion (R211.0 billion) in 2022.

## Provincial exports to United States of America

**Figure 1** presents South Africa's agricultural exports by province to the USA from 2018 to 2022 in value terms (US\$). South Africa's top agricultural exports to the US are fresh fruit, almonds or nuts, processed fruit, wine, alcohol, dairy products, sugar and fruit and vegetable juice. Talks between the two countries have proceeded towards the export of avocados, with the possibility of other agricultural products in the future.

### *Western Cape*

The Western Cape is by far the most benefiting province in South Africa as a result of AGOA trade. Between 2018 and 2022, the Western Cape accounted for 49% of South Africa's overall agricultural exports to the US in terms of value. Agricultural products exported from the Western Cape province to the US totalled R4.70 billion in 2022, accounting for 54% of South Africa's total agricultural exports to the US. Mandarins, oranges, beverages, spirits, processed vegetables, pears, peaches, apples, apricots, grapefruit, fruit and vegetable juice, nuts, coffee and tea, sugar and sugar confectionery, and fertilisers were the top agricultural exports to the US.

### *Mpumalanga*

Mpumalanga's agricultural sector is the AGOA's second largest beneficiary after Western Cape, accounting for at least 15% of South Africa's total agricultural exports in 2022. Mpumalanga's agricultural exports to the US in 2022 totalled R1.27 billion. The top agricultural products exported were almonds, cotton, sausages, cherries, apricots, pineapples, fruit and vegetable juice, and malt beer. Mpumalanga accounted for at least 16% of all South African agricultural exports to the US on average between 2018 and 2022.

### *Gauteng*

Gauteng is the third largest province in terms of value of exports by South Africa to the US. Its agricultural exports

to the US totalled R894 million in 2022, accounting for 10% of South Africa's total agricultural exports to this market. On average, Gauteng contributed for 16% of South Africa's agricultural exports to the US between 2018 and 2022. Top exportable products included alcohol, nuts, vegetable seeds, pineapples, mushrooms, sugar confectionery, tobacco, strawberries, black tea, juice mixtures, and mandarins, among others.

### *Eastern Cape*

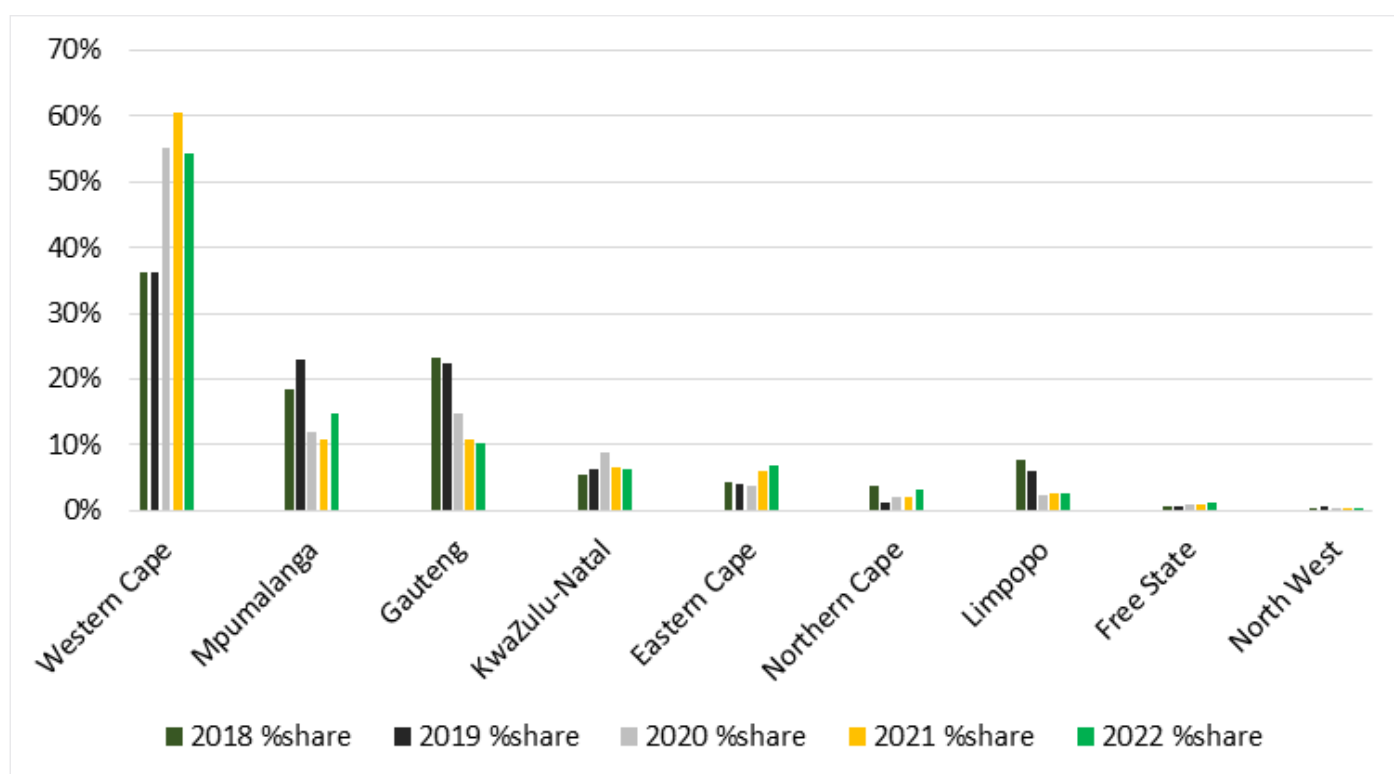
In terms of value, the Eastern Cape province is the AGOA's fourth greatest beneficiary. The province exported agricultural products worth R593 million to the US in 2022, accounting for 7% of the country's total agricultural exports to the US market. Top exports to the US were ice cream, plums, sloes, lemon, oranges, mandarins, peaches, grapefruit, green tea, malt beer, sparkling wine, fruit and vegetable juice, and roasted chicory. Eastern Cape is the major exporter of ice to the US, while fruit dominates exports. Eastern Cape agricultural exports to the US have accounted for 5% of total country agricultural exports to the US over the last five years and are increasing.

### *KwaZulu-Natal*

KwaZulu-Natal is the fifth largest beneficiary of the AGOA trade, accounting for at least 6% of South Africa's total agricultural exports to the US in 2022. Its agricultural exports amounted to R549 million in 2022. For the past five years, that is 2018 to 2022, KwaZulu-Natal accounted for 7% of South Africa's total agricultural exports, second only to the Western Cape, Mpumalanga, and Gauteng. Sugar which is unsurprising considering the province's key role in sugar production for South Africa leads KwaZulu-Natal agricultural exports followed by nuts, alcohol, sweet biscuits, beans, rusks, black tea, green tea, mushroom, and non-alcoholic beer were the major agricultural items exported by KwaZulu-Natal to the US.

### *Other provinces*

Northern Cape and Limpopo each accounted for 3% of all agricultural products exported to the US in 2022. Northern Cape exports were valued at R276 million, with grapefruit, groundnuts, oranges, raisins, meat, and grapes leading the way. Limpopo, on the other hand, exported R235 million in agricultural products to the US, with nuts, citrus fruit, beer malt, alcohol, and feathers leading the way. The Free State and North West provinces contributed the least to agricultural exports to the US than any other provinces. In 2022, Free State exports totalled R90 million, accounting for under 1% of total agricultural exports from South Africa, whereas North West exports totalled R34 million.



**Figure 1: South Africa's agricultural exports by province (%share)**

Source: quantic, 2023

South Africa's trade with the US is expanding, and the agricultural industry is benefiting greatly from this preferential agreement (AGOA). While agricultural exports to the US have increased, AGOA will expire in two years. Furthermore, South Africa's status beyond 2025 is uncertain, given recent developments and what would have transpired from the 2023 AGOA forum until beyond 2025. However, considering that the US wants to remain amongst leading world's main trading partners, it seems unlikely that the AGOA will not be extended. South Africa is the biggest importer of US products from Sub-Saharan Africa, and both countries have benefited from trade over the years. However, if South Africa is barred from participating in AGOA for any reason, it stands to lose the most given its general economic troubles, particularly now that the European Union market for some South African horticulture products is shrinking.

Regardless of the challenges between South Africa and the US, South Africa remains an integral member of AGOA given its strategic position as an alternative sea route to the Suez Canal and is a powerhouse economy in the Sub-Sahara region. Maintaining trade and diplomatic ties with the USA is vital for the South Africa's agricultural sector and the country's economy at large.

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