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US tariffs present a challenge for South Africa's agriculture

- We are yet to receive full details of how the tariffs US President Donald Trump announced last night will apply. It is perhaps more prudent to work on the assumption that the duty-free access South Africa enjoyed through AGOA is probably over or, at best, will be limited.

- We know now that a baseline tariff of 10% will apply to imports from all countries. It remains unclear if there are differences in the remaining 20% (that makes up the rest of the 30%) duties levied against South Africa. We suspect there may be some differences product by product, but that will be clear as soon as the US authorities release more information. We know that the reciprocal tariffs will generally range from 10% to 50% (and to 30% in the case of South Africa). The exact levy will be based on what the White House Council of Economic Advisers thinks is the sum of tariffs and non-tariff barriers on US goods to a specific country.

- We also believe the 60% tariffs the US authorities argue South Africa imposes on the world are not based on sound trade calculations. South Africa's average tariffs — at the Most Favoured Nations rate — average 7.4%, far lower than the 60% the US argued South Africa levies. Therefore, we believe the US considered trade deficit and other aspects in their calculations, not mainly tariffs South Africa and other nations impose on the US.

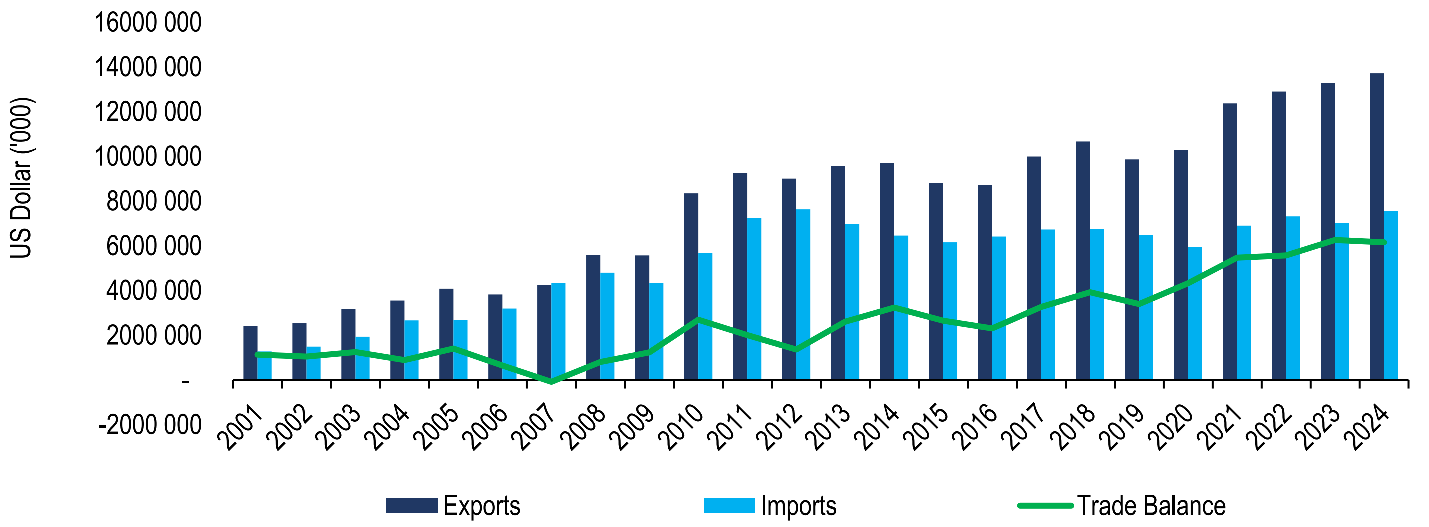
- Indeed, some products face higher tariffs in the South African market, but there are rebates through the International Administration Commission of South Africa (ITAC) to assist any country that requires relief. South Africa is arguably amongst the countries with the lowest tariffs, which some local stakeholders have previously argued was a policy mistake at the onset of South Africa rejoining the global economy after 1994, following years of isolation.

- As we have always emphasised, the US accounts for 4% of South Africa's agricultural exports, totalling US$13,7 billion in 2024. We achieved this 4% through duty-free access. In the current uncertain environment, we will face a price "competitiveness" challenge against competitors such as Chile, Australia, and Brazil, which have tariffs of just 10%. This will weigh on South African citrus, wine, grapes, fruit juices and nuts, amongst others.

- From a domestic policy response, we remain convinced that South Africa should seek a Free Trade Agreement with the US when the dust settles. A reliable, long-standing trade arrangement would serve the South African industries well. We see Kenya as an example, and they currently are in discussions about a Free Trade Agreement with the US and have been levied far lower tariffs of 10%. We also believe the retaliation approach may not be ideal. The best approach would still be to seek better relations with the US and attempt to understand their misgivings about South Africa's trade matters that landed the country on the current path of higher tariffs.

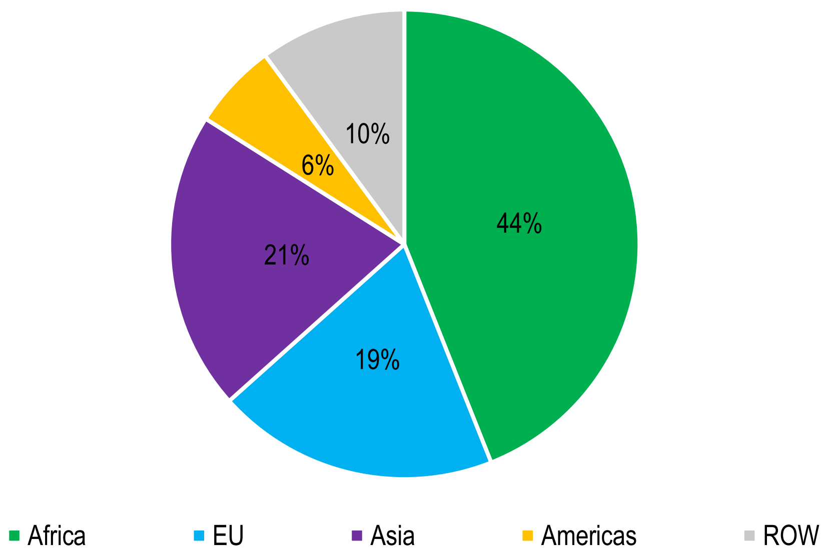
- For businesses, the uncertainty will linger until there is clarity about product-specific tariffs, which will help plan the new environment. Again, the US authorities have yet to communicate the path forward for AGOA. We base our view on what we learned from "Liberation Day" tariffs.

Exhibit 1: South Africa's agricultural trade



Source: Trade Map and Agbiz Research

Exhibit 2: South Africa's agricultural exports by region in 2024



Source: Trade Map and Agbiz Research