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Domestic reforms help South Africa benefit from freer agriculture trade, says OECD report

Greater liberalisation of international trade would open up market opportunities for South African agriculture, and the important reforms the country has undergone over the last 20 years have prepared it to reap the benefits. Yet further action to tackle economic and social problems is the key to raising incomes and living standards in rural areas, according to a new OECD report.

The **OECD Review of Agricultural Policies in South Africa** says because of the impressive change the country has achieved since the early 1990s, agriculture now offers opportunities to a wider range of the population and is more responsive to markets. Further reducing rural poverty and inequality will require a broad range of policies to boost economic growth and tackle such enduring problems as high unemployment, social division, illiteracy and HIV/ AIDS. But agricultural development has an important role to play, the report adds.

The OECD estimates that a 50% cut in import tariffs and export subsidies around the world, together with a 50% reduction in domestic support to agriculture in OECD countries, would benefit the South African economy – through higher incomes for consumers and producers – by some 250 million US dollars. Under the same scenario, other developing countries such as Brazil, China and India would also benefit.

South Africa's main agricultural exports – wine and fresh fruit – currently face relatively low tariffs from importing nations because of bilateral agreements. But the European Union, South African agriculture's largest export market, raises its fruit import tariffs during the harvesting season to protect its own produce, hindering South African exports.

Wide-ranging reforms to liberalise South African agriculture during the 1990s have raised the sector's competitiveness, and only low levels of subsidy to farmers remain. Policy support represented on average 5% of farm receipts between 2000 and 2003, similar to the percentages found in Australia, Brazil and China and far lower than the 20% support in the US and 34% in the European Union.

Though relatively low, most policy support to South African farmers is used to prop up prices of their produce. This is one of the most trade distorting forms of support, says the OECD. This support is also unevenly distributed among commodities. Sugar receives by far the largest share of support, through high import tariffs and a preferential pricing system for South African producers.

Although the recent performance of the South African economy has been generally positive, investment and production growth are still below the levels needed to boost jobs and reduce inequality, the report says. It adds that land reform should remain a priority but that acquisition and resettlement procedures need to be improved. For commercial farming to develop, the beneficiaries of the reform, particularly the emerging small-scale farmers, need financial support as well as training in technology, marketing and management.

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The report says that commercial agriculture has adapted well to recent liberalisation of the sector but farmers face substantial financial pressures. The ability of the sector to grow and to respond to new market opportunities will determine any gains from global trade liberalisation. Because of the constraints on land and water use, farming policies need to target quality and productivity improvements to boost international competitiveness further.

South Africa is not a member of the OECD. The study is part of a co-operation programme with a number of non-member economies. In November 2005 the OECD published reviews of agricultural policies in China and Brazil.

OECD Review of Agricultural Policies in South Africa is available to journalists from the OECD's [Media Division](#) ((tel.+ 33 1 45 24 97 00) or through the [password-protected website](#).

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