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Report Name: Labor Strikes Could Cripple South African Agricultural Trade

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Report Category: Agriculture in the News

Prepared By: Dirk Esterhuizen and Amy Caldwell

Approved By: Ali Abdi

Report Highlights:

The current labor disputes at Transnet, South Africa's state-owned port, rail and pipeline authority, have caused severe staff shortages at ports resulting in a significant slowdown of port operations and caused the company to declare fore majeure. This poses a major risk for South Africa's trade-orientated agricultural sector. Delays at South Africa's ports will negatively affect both agricultural import and export activities and, ultimately, profitability of producers which will limit future investments in the sector. The impact of the labor strikes on the agricultural sector will depend largely on the duration. South Africa's agricultural sector have urged labor unions and Transnet to reach a favorable outcome.

Labor Strikes Could Cripple South African Agricultural Trade

South Africa's state-owned port, rail, and pipeline authority, Transnet, has been hit by another crisis – labor strikes - after last year's civil unrest (see [Ongoing Civil Unrest in South Africa on Food and the Agricultural Sector](#)) and cyber-attack (see [Cyber-Attack Cripples Operations at the Ports](#)) that brought port operations to a standstill. Mass stay-aways at the country's major ports are causing significant vessel lineup. The backlog is worsening as wage talks to end the crippling strike at Transnet continue. The South African Transport and Allied Workers Union (Satawu) and the United National Transport Union (Untu) are demanding a wage increase of at least 10 percent and rejected a revised wage offer of five percent by Transnet.

Transnet is the largest and most crucial part of the freight logistics chain in South Africa and plays a key role in the flow of goods in and out of the country. Last week, the logistics utility declared force majeure at its port operations, citing an illegal strike. If the disruptions at the South African ports continue it will have a tremendous negative impact on the agricultural sector. This could negatively impact regional trade as trans-shipments to other markets in the region would also suffer.

After an excellent agricultural season South Africa is heading for historical high exports that could surpass 2021's record of US\$12.4 billion. By the end of August, agricultural exports were already six percent higher than a year ago at US \$8.9 billion. Corn, table grapes, citrus apples, pears, wine, nuts, and wool are the dominant agricultural products exported by South Africa. Substantial volumes of exports of agricultural products are scheduled for the coming weeks. The logistics industry is the bloodline of South Africa's export-orientated agriculture sector, especially of high-value products, and reliability is key in a highly competitive world. Therefore, any potential prolonged delays would have a negative effect on the profitability of producers which limits future investments in the sector.

As with exports, is South Africa's imports of agricultural products heading for record levels. By the end of August, agricultural imports were already 12 percent higher than a year ago at US\$5.4 billion. South Africa imports a range of important food products including wheat, palm oil, rice, and poultry meat. In the same way as with exports, continuous labor-related disruptions would cause havoc with import activities and supplies to consumers.

Attachments:

No Attachments.