

# What EU's farm-to-fork strategy will mean for SA agriculture

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The European Union's (EU) Farm-to-Fork Strategy is set to be implemented in 2022 and will come with an additional layer of regulations, which will have an impact on South Africa (SA). As background, the Southern African Customs Union (SACU) and Mozambique-EU Economic Partnership Agreement (EPA) of 2016, enhanced market access benefits for SA.



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These benefits included fully or partially removed customs duties on 98,7% of exports, and expansion of tariff-rate quotas (TRQs) on key agricultural exports. Since the implementation of the agreement in October 2016, SA's exports to the EU have increased by 25%, from US\$2,2bn in 2017 to US\$2,8bn in 2020, according to data from Trade Map. But there is cause for concern that this growth in exports could slow down as a new set of regulations, which is part of the EU Green Deal's [Farm-to-Fork Strategy1](#), is implemented.

## The Farm-to-Fork Strategy

The EU and the rest of the world are seeking to implement urgent policy measures to combat the negative effects of climate change. In its 2030 climate target plan, the EU aims to reduce greenhouse gas emissions by 55% from 1990 levels. To that end, the EU has crafted the strategy, a new approach that ensures that agriculture, fisheries, and the entire food system effectively contributes to achieving this target.

The strategy was launched in 2020 and is at the core of a broader initiative called the European Green Deal, which aims to reduce the environmental and carbon footprint in the way food is produced and consumed.

The strategy lists 27 actions covering food production, processing, retailing, and waste. The strategy has four broad pillars:

- **Consumer demand**, which focuses on nutritional labelling and creating a sustainable labelling framework that covers nutrition, climate, environment, and social aspects of food products. The labelling requirements are intended to empower consumers to make conscious decisions about health and sustainability.
- **Food production**, which sets out the fundamentals for sustainable production by setting targets to reduce the use of fertilisers and pesticides, and the revision of legislation regarding feed additives and animal welfare.
- **Industry behaviour**, which seeks concrete commitments from agribusiness and other food-system actors concerning health and sustainability. To that end, the EU will develop a code of conduct on the development of business and marketing practices and will require agri-businesses to integrate sustainability into their corporate strategies.
- **Trade policy**, which seeks commitment from third countries on the use of pesticides and animal welfare and the fight against microbial resistance. This raises the question of creating a fine balance between resilience without turning into protectionism.

With the EU seeking to compel third countries – such as SA – to adhere to new regulations to continue to access its lucrative market, questions have arisen about the capacity and potential for SA to adapt, as well as the risks and opportunities that these regulations present to future access into the EU market.

## What are the challenges?

SA producers – as well as those in the rest of SACU and Mozambique – may face several challenges. **These include:**

### Regulatory and policy uncertainty

Regulations in the Farm to Fork Strategy are not expected to be implemented until 2022.

However, it might take a bit more time for regulators and food-system actors to align their policy, regulations, and business decisions to the emerging requirements of the food system. Policy cycles and political processes can impose a lag time of anywhere between three to five years, which will lead to a transition phase of regulatory and policy uncertainty.

### High costs of compliance

Over the years, SA agribusinesses have had to conform to stringent EU regulatory standards, as well as an ever-increasing set of private standards related to traceability, authenticity, exposure to allergens, good farming practice, child labour, sustainable farming, sustainable farming practice, and various kinds of certification (e.g., Hazard Analysis Critical Control Points, Kosher, Halal, and so on). An example is the requirement for South African citrus producers to comply with the citrus black spot (CBS) measures.

With Fair Trade Certification costing over US\$1 000 for smallholder farmers, resource-poor farming households can seldom afford such high costs of adopting new regulations and certification. Without financial support, most smallholder farmers will inevitably be excluded from participating in export markets.

## What are the opportunities?

## **Shifting towards low levels of fertiliser and chemical use, and reducing soil contamination**

Some of the food produced in SA is genetically modified (GM) and produced under agricultural systems that intensively use fertilisers and chemicals. Worth noting is that the EU is currently reviewing its GM regulations concerning production and importation of GM crops.

On 29 April 2021, the European Commission released a study confirming that new genomic techniques products have the potential to contribute to sustainable agri-food systems in line with the objectives of the European Green Deal and Farm-to-Fork Strategy.

While SA has existing commercially driven export value chains that already conform to these emerging rules, it's important to point out that such food systems are still targeting niche markets in the EU. Questions remain around the economic viability of extensive, organic, and low-input farm production systems that drive these niche food systems. With the strategy ultimately seeking to make these niche markets mainstream, it is an opportunity for SA only if farmers can start producing higher volumes at a relatively competitive price.

## **High and growing food demand**

There are studies that project that global food demand will increase by as much as 60% by 2050. The assumption is that the EU will increasingly depend on food imports. Few EU member states can allocate enough land to produce and match the level of food supply that can meet this demand growth.

In SA, there are over a million hectares of additional available cropland that can be sustainably brought into production to expand and increase food output. Against this backdrop, SA can continue to expand its production to meet an increasingly significant portion of the EU's food needs, especially if local food systems adapt and align standards to meet the regulatory standards dictated in the strategy.

## **Technical change**

The EU is depending on the progressive technical change as a key driver that will reset the agro-food system. The premise is that technological innovation will drive productivity increases, reducing food prices to reasonably affordable levels. In SA, technical change will involve adoption of technologies that will not only reduce the carbon footprint of the agro-food system, but also increase yields in a sustainable way.

Part of that process will be to expand the adoption of high-yielding, drought- and pest-tolerant, genetically engineered crops that will enable farmers to produce more food with less land. This will also allow for more land to be set aside for preservation and increase the potential for carbon sequestration.

## **Business model innovation**

Many commercially driven export-oriented value chains have well-established systems of traceability and food safety, as well as allergen control reporting, with audit processes that can identify, verify, and authenticate standards. However, adapting to the demands of the strategy will involve (multinational) agri-businesses, making significant investments in smallholder production by expanding training and capacity-building programmes and corporate social responsibility (CSR) projects, which could lead to an increase in the sourcing of farm production from smallholder farmers.

Partnerships with smallholder farming communities and other environmental protection agencies and NGOs (such as African Parks) can lead to greater levels of accumulating carbon credits to increase market access into the EU.

## **What are the risks?**

## Increased inequality

Without deliberate and strategic interventions that support regulatory compliance, there is a real chance that resource-poor farmers will be left out of the new "sustainable agro-food system" due to their lack of financial and technical capacity to conform to new standards. This will only serve to deepen the inequality gap and widen the divergence between the informal and formal food systems.

The first-mover advantage for EU value-chain actors may potentially displace sub-Saharan African exporters in markets if the adoption of regulations takes more time than initially envisaged.

## Off-shoring of "bad production" to SA

Those food actors that cannot comply with the provisions of the strategy could potentially relocate parts of their value chain in SA, targeting exports to the Middle East, and the Far East, and Asia, where food standards are far less stringent. Without any pressure to comply with environmental sustainability, the types of technologies that will be implemented in SA may hurt the continent in the long run.

The four key factors that will drive the reset of the food system through the strategy will be technical change, business model innovation, growing food demand, and policy and regulation. The EU and the private sector may need to provide significant technical and financial support to facilitate SA's transition and align its regulatory environment, with the focus on health and sustainability.

In the long run, the expectation is that with the harmonisation of standards and practices, will also come structural change of the food system in such a way that value chain profits are not disproportionately accumulated at the expense of farmers. This will require higher levels of transparency across all parts and aspects of the food system.

## ABOUT THE AUTHOR

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