



agriculture,  
forestry & fisheries

Department:  
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National Agricultural  
Marketing Council  
Promoting market access for South African agriculture

# Markets and Economic Research Centre



## TRADEPROBE

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This issue of *TradeProbe* covers the following topics:

- Trade profile of pecan nuts- HS code (080290)
- Trade profile of coffee (HS 0901)
- Trade profile of soya beans (HS 120100)
- Trade profile of sweet potato
- Trade profile of frozen mixed vegetables (HS 071090)
- Market Profile – Peru Market
- Market Profile - AGOA agreement: SA agricultural sector
- Market Profile: Trade between South Africa - Brazil, Russia, India, and China as members of BRICS
- Terms of trade in agricultural trade
- South Africa's agricultural export competitiveness in the Brazil, Russia, India and China (BRIC) market (selected products)

### 1. TRADE PROFILE OF PECAN NUTS- (HS CODE 080290)<sup>1</sup>

Pecan nut, (*Carya illinoensis*), is a member of the *Juglandaceae* plant family, which includes walnuts and hickories. Pecan nut is a horticultural crop that has high nutritional value and is rich in proteins, vitamins, carbohydrates and nut oil. The typical characteristic of pecan nut fruit is that it grows on large trees which can rise to about 30m and which can adapt to various subtropical areas.

The United States (USA) is the largest producer of pecans nuts and is estimated to have produced about 151 400 tons in 2012, a 12% increase from 2011 (USDA, 2013). Although the exact number of global production is not known, it is estimated that the USA produces approximately 75 % of total world production, followed by the Mexico, with an estimated 20%. Pecan nut production also occurs in countries such as Australia, Israel, South Africa and Peru.

#### World trade of Pecan nuts

Table 1 gives an overview of leading pecan nut importers over a period of three years from 2010 to 2012. During this period, it is clear that the USA was ranked as the largest importer of pecan nuts, constituting about 23% share of global imports and this is attributed to the fact that it is a leading producer of the product. The global demand growth of pecan nuts has shown a positive growth trend in the reviewed period, largely attributed to expanding consumption in the US, Hong Kong, Vietnamese & Chinese markets between 2010 and 2012 (see table 1).

Table 1: Leading importers of pecan nuts

Rank	importers	Value in million Rand			Growth value (%)
		2010	2011	2012	2010-2012
World imports		10003	12046	23248	32
1	USA	2226	2549	3039	36
2	HK, China	1018	1333	1744	71
3	Viet Nam	0.6	0.4	1135	185
4	China	220	307	777	253
5	Germany	724	672	769	6
6	Italy	821	761	715	-13

Source: ITC, 2013

On the exports side, Figure 1 highlights the leading global exporters of pecan nuts between 2010 and 2012. It is important to note that the USA was ranked as the largest exporter of pecan nuts over the period under review. China, Hong Kong, South Africa and Bangladesh have shown an export growth accounting for global shares of 14.5%, 7.4%, 5% and 4.4%, respectively, in 2012. Indonesia's share of world exports (expressed in values) has shown a large drop of 70% between 2010 and 2012 (see figure 1).

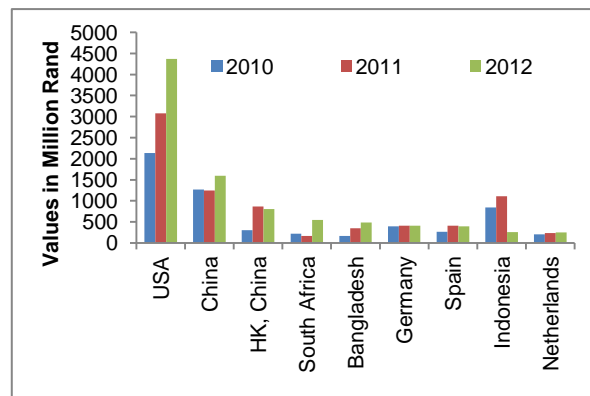


Figure 1: Leading exporters of pecan nuts

Source: ITC, 2013

Since South Africa ranks amongst the world leading exporters of pecan nuts, a close look at its trade in important.

#### South African Trade of Pecan Nuts

Figure 2 shows that South Africa is a net exporter of pecan nuts. Nuts exports showed a general positive growth trend between 2008 and 2012, with the exception of 2009 and 2011 where export growth showed a slight decline.

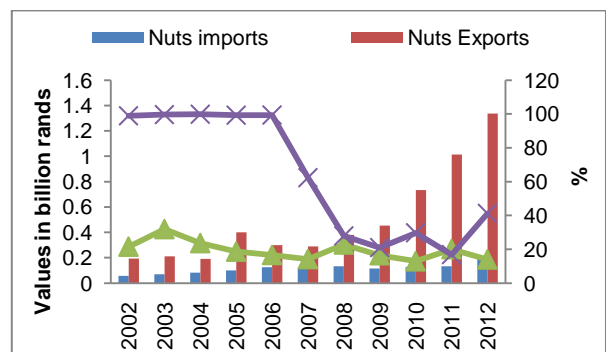


Figure 2: South African pecan nuts trade

Source: Global Trade Analysis, 2013

<sup>1</sup> This article was compiled by Ms Yolanda Potelwa of the NAMC

In 2012<sup>2</sup>, the USA remained the leading exporter of pecan nuts imported by South Africa, constituting 32% of total imports of this product. The USA, India, Zimbabwe, and the Netherlands have all shown increases in supply destined for the South African market, whereas China, Australia, Malaysia and Pakistan have shown a decline in exports to South Africa (see Figure 3).

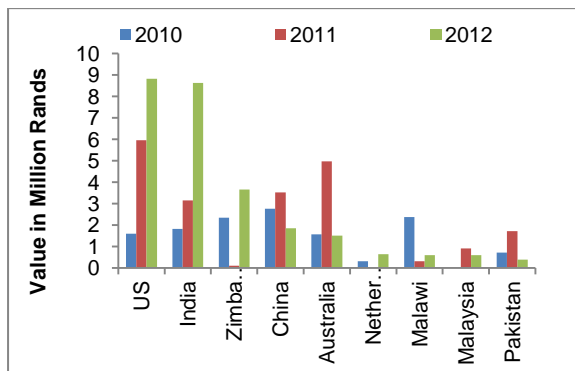


Figure 3: Main Supplying markets of SA Pecan nut imports  
Source: Global Trade Analysis, 2013

Table 2 shows that Hong Kong and the USA are the two main destinations for pecan nuts exported by South African, expressed in value terms.

Table 2: Main destination for SA exports of Pecan Nuts

World exports	Values in million rand			Growth value (%)
	2010	2011	2012	
	218	170	551	152
HK, China	121	106	297	145
US	14	9	79	463
Netherlands	21	11	27	25
UK	20	22	25	23
Spain	2	0	24	1246
Germany	3	1	23	758
Switzerland	0.4	0.0	11.0	2588

Source: Global Trade Analysis, (2013)

## 2. PRODUCT PROFILE OF COFFEE (HS 0901)<sup>3</sup>

The origin of the coffee plantation can be traced back to Ethiopia where coffee was first discovered. Its cultivation then spread to various regions of the world, including large plantations in Yemen. It then reached Turkey where it was first roasted and the method of roasting coffee was a secret that the Turkish guarded.

This changed around the 1700s when the Dutch introduced it to several countries, which lead to a spread of coffee houses in Europe. As stated by Kuit et al. (2004), more than 20 million people are employed in the coffee industry, and this single product is ranked second in worldwide trade after petroleum<sup>4</sup>.

The world's leading producer of coffee is Brazil. As shown in Figure 4, Brazil had a global production

share of 33%, producing 56 million 60 kg bags in 2012. Coffee was first planted in Brazil in 1727, which was producing 97% of the world's coffee in the 1900s (DAFF, 2012). Vietnam is the second leading producer of coffee, according to Kuit et. al. (2004): in the late 1990s, Vietnam had achieved a high production of coffee and this was attributed to the allocation of land to farmers and the hiking of coffee prices in 1994 and 1996-1998. Ethiopia is Africa's leading producer of coffee.

Coffee was first planted in South Africa (Kwa-Zulu Natal) in the 1880s (DAFF, 2012). Currently, there are 200 ha under coffee production in South Africa, and these are largely split between Kwa-Zulu Natal and Mpumalanga (DAFF, 2012). South Africa produced a total of 28 300 tons in 2011, while in the last decade it has produced an average yield of 2 000 bags of 60 kg<sup>5</sup>.

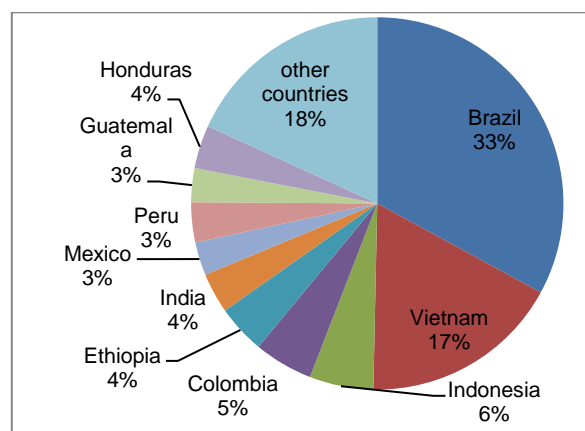


Figure 4: Leading global producers of coffee  
Source: USDA, 2013

Of the top five leading coffee exporters, Brazil accounted for 17%, followed by Vietnam with 10% share of world exports in 2012. This is not surprising as these two countries are the leading coffee producers.

The USA is a leading importer of coffee, importing a value of R55 billion in 2012. Of the listed importing countries, France's coffee imports grew the fastest by 71% between 2008 and 2012, although from a low base.

Table 3: Leading global importers and exporters of coffee

Exporters	billion Rand		Importers	billion Rand	
	2008	2012		2008	2012
<b>World</b>	<b>178</b>	<b>273</b>	<b>World</b>	<b>178</b>	<b>270</b>
Brazil	34	47	USA	35	55
Viet Nam	17	29	Germany	27	38
Germany	14	21	France	11	19
Colombia	16	16	Italy	11	15
Switzerland	6	15	Japan	10	14

Source: ITC, Trade Map, 2013

Figure 5 highlights the markets supplying coffee to South Africa between 2008 and 2012. For the period under review, Vietnam was a leading exporter of coffee to South Africa, although between 2011 and 2012 Vietnam lost 4% of its market share. Indonesia

<sup>2</sup> Market share of South African pecan imports

<sup>3</sup> This article was compiled by Ms Masego Moobi of the NAMC

<sup>4</sup> Kuit, M., Jansen, D. and Thiet, N. (2004). Manual for Arabica cultivation. Coffee Handbook. Quang Tri

<sup>5</sup> DAFF (2012). Product guideline, coffee spp. Pretoria

declined in market share from 29% in 2008 to 9.6% in 2012. In contrast, these markets are reducing their share while South Africa's overall import share from the world is increasing.

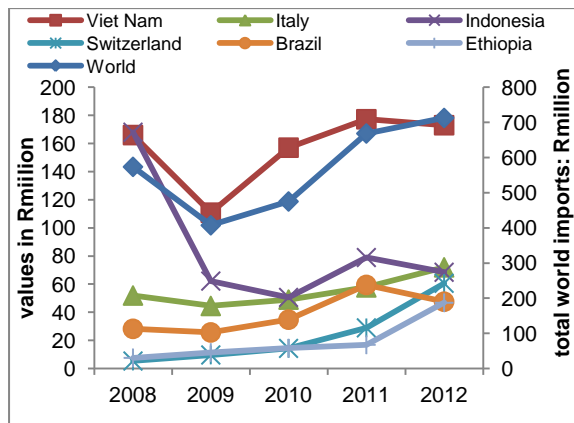


Figure 5: Leading supplying markets for coffee imported by South Africa  
Source: Global Trade Atlas, 2013

The most imported coffee type in 2012 was unroasted coffee (HS 090111), commanding a value imports share of 70% for all coffee types (see figure 6). South Africa exports relatively low values of coffee, the most exported coffee product in 2012 was roasted coffee, not decaffeinated (HS 090121). South Africa is a net importer of coffee. This is attributed to low production volume of coffee relative to global production.

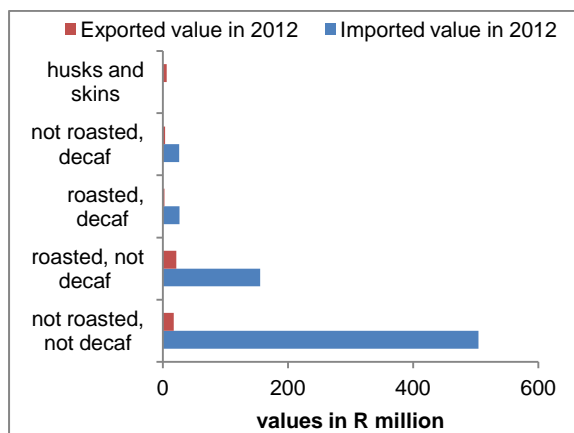


Figure 6: South Africa's coffee imports and exports: 2012  
Source: ITC, Trade Map, 2013

### 3. TRADE PROFILE OF SOYA BEANS (HS 120100)<sup>6</sup>

The soya bean is a species of legume that originates from East Asia. It is widely grown for its edible bean which has numerous uses. The plant is classified as an oilseed rather than a pulse by the United Nations of Food and Agricultural Organization (FAO).

Temperature plays an important role in determining the rate at which soya beans grow. Both higher and below-optimum temperatures delay growth. Yields are adversely affected as temperatures rise above 30°C, while temperatures below 13 °C for long periods during flowering stage inhibit flower and seed

formation. Although 25 °C can be considered the overall optimum temperature for all growth stages, the sensitivity and response of soya bean differs at various growth stages. At planting time, soil temperatures must preferably be in the region of 15 °C in order to stimulate germination. Young seedlings are easily damaged by excessively hot weather conditions.

Soya bean production in South Africa currently ranges from 450 000 to 500 000 tons per annum at an average yield of 2.5 to 3 tons/hectare under dry-land conditions. Out of all the provinces, Mpumalanga produces the largest amount (quantities) of soya beans (about 42% of country's total). The Free State produces 22% of the total harvest, while KwaZulu-Natal produces 15%, Limpopo 8%, the North West 5% and Gauteng 2%.

Table 4 lists the world's largest exporters of soya beans in 2012, expressed in value terms. The United States of America accounted for 46.5% share of world exports, while Brazil as the second largest exporter accounted for 32.4%, with Argentina as the third largest exporter, standing at 6% share of world exports. Noteworthy, the top three exporters collectively commanded a share of 84.9% for world exports. Although South Africa has an insignificant share of world exports, soya beans have a potential for expansion in South Africa.

Exporters	Exported value (USD thousand)	Quantity exported in tons	Share in world exports (%)
<b>World</b>	<b>53 213 000</b>	<b>96 533 638</b>	<b>100</b>
US	24 741 578	43 513 364	47
Brazil	17 248 319	32 468 026	32
Argentina	3 191 609	6 158 407	6
Canada	2 170 776	3 607 878	4
Paraguay	1 576 649	3 160 191	3
Uruguay	1 459 060	2 723 003	3
Netherlands	971 008	1 587 712	2
Ukraine	701 904	1 480 937	1
China	279 240	320 187	1
<b>SA</b>	<b>92 360</b>	<b>183 958</b>	<b>0.2</b>

Table 4: Leading world exporters of soya beans 2012  
Source: ITC Trade Map, 2013

Table 5 lists the top ten leading world importers of soya beans in 2012, expressed in value terms. The top three leading importers were China (60.9%), Spain (3.3%) and Germany (3.3%), accounting for 67.5% of world imports collectively. World imports are concentrated in China, as there is a huge gap between China and other markets.

Table 5: Leading world importers of soya beans in 2012

<sup>6</sup> This article was compiled by Ms Asanda Languza from directorate of International Trade (DAFF)

Importers	Imported value (in USD thousand)	Quantity imported in tons	Share in world imports (%)
<b>World</b>	<b>57 343 425</b>	<b>95 902 218</b>	<b>100</b>
China	34 941 724	58 380 934	60.9
Spain	1 908 531	3 312 424	3.3
Germany	1 876 754	3 266 439	3.3
Japan	1 810 802	2 727 400	3.2
Chinese Taipei	1 461 980	2 349 450	2.5
Netherlands	1 426 885	2 538 457	2.5
Thailand	1 282 024	2 119 941	2.2
Indonesia	1 211 230	1 921 207	2.1
Egypt	1 088 333	1 922 854	1.9
Mexico	973 348	1 550 805	1.7
<b>South Africa</b>	<b>910</b>	<b>976</b>	

Source: ITC Trade Map, 2013

Table 6 shows the leading markets for South Africa soya beans exports in 2012. The top three leading markets for South Africa were Malaysia, Indonesia and Mozambique, accounting for 77.7%, 15.9% and 3.9% shares respectively.

Table 6: SA leading export markets for soya beans in 2012

Importers	Exported value (in USD thousand)	Share in South Africa's exports (%)
<b>World</b>	<b>92 360</b>	<b>100</b>
Malaysia	71 790	77.7
Indonesia	14 699	15.9
Mozambique	3 647	3.9
China	1 749	1.9
Zimbabwe	228	0.2
Zambia	197	0.2

Source: ITC Trade Map, 2013

Table 7 shows that the value of soya beans imported by South Africa is less than the value of soya beans exported by South Africa, therefore South Africa is a net exporter of soya beans. The top three leading countries that South Africa imported soya beans from were the USA, Uganda and Argentina, accounting for 48.9%, 15.7% and 11.6% shares, respectively.

Table 7: SA leading import markets for soya beans in 2012

Exporters	Imported value (in USD thousand)	Share in South Africa's imports (%)
<b>World</b>	<b>910</b>	<b>100</b>
USA	445	48.9
Uganda	143	15.7
Argentina	106	11.6
UK	94	10.3
Kenya	46	5.1
Brazil	34	3.7
China	22	2.4
Netherlands	15	1.6

Source: ITC Trade Map 2013

Figure 7 (see appendix B) shows the annual growth in value for soya beans imports. This annual growth rate shows the growth of demand for this product in the top ten importing countries. Indonesia and Egypt had the highest annual growth of 20% each, and China had the annual growth rate of 15%.

In conclusion, the production of soya beans in South Africa has a potential for expansion and it can also be processed locally.

#### 4. TRADE PROFILE OF SWEET POTATO (HS - 071420)<sup>7</sup>

Sweet potato is a dicotyledonous plant that belongs to the family *convolvulaceae*. It is large, starchy and sweet tasting. The young leaves and shoots of a sweet potato are sometimes eaten as greens. Of the approximately 50 genera and more than 1000 species of *convolvulaceae*, the sweet potato is the only crop plant of major importance, although some others are used locally, but many are actually poisonous. In certain parts of the world, sweet potatoes are known by other names, including: *camote*, *kamote*, *goguma*, *man thet*, *ubi jalar*, *ubi keledak*, *shakarkand*, *Satsuma imo*, and *batata or el boniato*. Sweet potatoes are a highly nutritious vegetable.

According to the Food and Agriculture Organization (FAO) statistics, the majority of sweet potato production comes from China, followed by Uganda. In China sweet potato is the fourth major crop after rice, wheat and maize. Sweet potato is cultivated in tropical and sub-tropical regions. It is known as a highly tolerant crop as it withstands high temperatures, poor soils, and floods, not forgetting its resistance to disease and pests. In South Africa the main producing areas for sweet potato are Northern Cape, Western Cape, Limpopo, Free State, Eastern Cape and Gauteng.

Table 8 indicates that South Africa exports most of its locally produced sweet potatoes. South Africa is a net exporter of sweet potatoes. The main destination markets include Australia, the Netherlands and the United Kingdom.

Table 8: South Africa's export markets of sweet potatoes

Importers	Exported Value 2012 (thousand USD)	Exported Quantity 2012 (thousand tons)
Australia	385	239
Netherlands	244	800
UK	201	337
France	61	162
Zimbabwe	42	57

Source: ITC Trade Map, 2012

#### World exports of sweet potato

Figure 8 illustrates the world's leading exporters of sweet potato and their exported values. The USA exported 80 000 USD of sweet potatoes to the globe in 2012, followed by Spain at 25 000 USD, and the least being exported by China at 15 000 USD. Though China is known to be the largest exporter of sweet potatoes over the past few years, the production of sweet potatoes has been declining. In China only 15% of sweet potato production was consumed directly as food. Moreover, the utilization of sweet potatoes has changed from being primarily a food crop to a feed crop. Another reason for the reduction in the production of sweet potatoes in China could be due to

<sup>7</sup> This article was compiled by Ms Pamela Hoyi and Ms Singita Maswanganye from the Directorate of International Trade (DAFF).

the reduction in the area planted and slow rate of yield improvement.

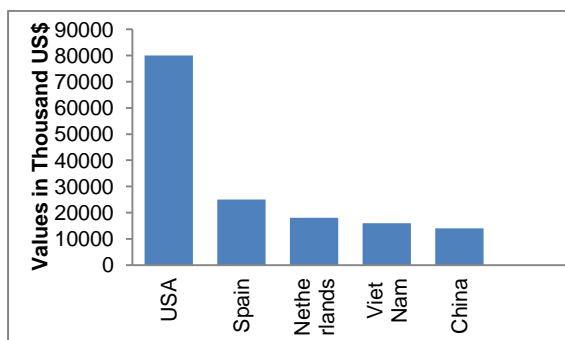


Figure 8: World's leading exporters of sweet potato in 2012  
Source: ITC Trade Map, 2012

Figure 9 indicates that in 2012 the USA exported the highest share of sweet potatoes to the world, at 54%, followed by Spain at 18% and Netherlands at 12%. China and Vietnam are the lowest exporters of sweet potatoes amongst the five countries, at 9% and 7% respectively.

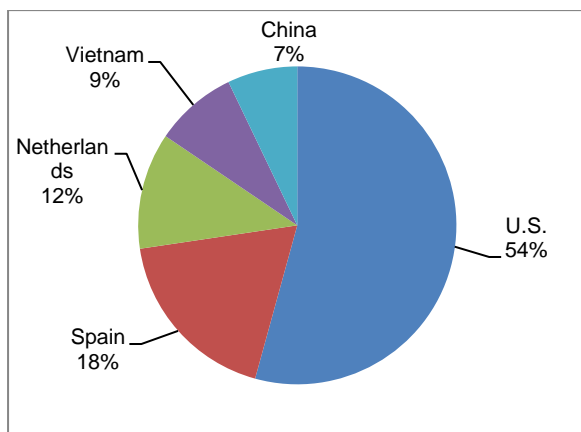


Figure 9: World market shares of the top 5 producers of sweet potatoes  
Source: ITC Trade Map, 2012

Table 9 reveals that between 2011 and 2012, Spain, the USA and Vietnam had positive export growth values, where Spain's export growth in value was significantly high at 170%. China and the Netherlands export growth values of sweet potatoes declined by 16% and 3% respectively

Table 9: Annual export growth of sweet potatoes in value between 2011- 2012

Country	Export Growth value (2011-2012)
U.S.	6%
Spain	170%
Netherlands	-3%
Vietnam	22%
China	-16%

Source: ITC Trade Map

#### World Importers of Sweet Potatoes

Figure 10 below illustrates the world's leading importers of sweet potatoes and their imported values. The UK imported 42 000 USD of sweet potatoes from the world market in 2012, followed by Canada at 38 000 USD and the lowest importer is revealed to be France, at approximately 12 000 USD. The UK

remains a significant market for sweet potatoes and the international demand for fresh US sweet potatoes remains strong.

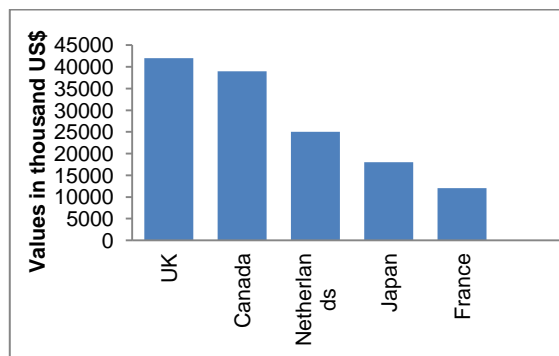


Figure 10: World's leading importers of sweet potato in 2012  
Source: ITC Trade Map, 2012

#### Tariffs

Importing markets for sweet potatoes from South Africa are Australia, the Netherlands, France, the UK, and Zimbabwe. Zimbabwe's market is highly protected by a 40% applied tariff. The European Union market applies an average 3% ad valorem tariff to sweet potatoes originating from South Africa. It is therefore relatively less expensive for South Africa to export sweet potatoes to Australia, the Netherlands, the United Kingdom and France, than to Zimbabwe. After the collapse of the Zimbabwe dollar, the Zimbabwean government imposed tariff barriers to protect producers from external competition.

Table 10: Tariffs of sweet potato from South Africa applied by various markets

Country	Trade Regime	Applied Tariff	Total ad valorem equivalent tariff
Australia	MFN duties (Applied)	5%	2,5%
Netherlands	MFN duties (Applied)	3%	3%
UK	MFN duties (Applied)	3%	3%
France	MFN duties (Applied)	3%	3%
Zimbabwe	MFN duties (Applied)	40%	40%

Source: Market Access Map, 2013

#### Conclusion

In conclusion, South Africa is not amongst the largest producers of sweet potatoes and it is also not a leading importer. The sweet potato is a popular household food security and traditional crop in subtropical areas of South Africa. To encourage the cultivation of sweet potato in South Africa, rural development and working conditions for women and farmers must be supported. The sweet potato industry in South Africa is relatively small, therefore sweet potatoes can be grown successfully in nearly all provinces if supplementary irrigation is provided.

Sweet potato has the potential to combat increasing food shortages because it is one of the most efficient food crops in terms of energy per land area, while also supplying substantial vitamins and minerals.

Furthermore, sweet potato is a crop that has relatively low demands on soil nutrition and is more drought-tolerant than many other vegetables and accordingly it is less costly to produce. South African producers of sweet potatoes have the potential to compete with global producers, mostly because there is (in South Africa) a competitive advantage when it comes to land and labour abundance and warm weather climates.

### 5. TRADE PROFILE OF FROZEN MIXED VEGETABLES (HS 071090)<sup>8</sup>

A wide range of frozen vegetables is sold in supermarkets, sometimes packaged in rectangular boxes or plastic bags. Examples of frozen vegetables which can be found in South African supermarkets include spinach, broccoli, cauliflower, peas and corn.

In recent years there has been a considerable increase in demand for frozen vegetables and the important factors contributing to this competitive success include their user-friendliness, their reputation of being high-quality and healthy food, and their long storage time. Frozen mixed vegetables find their way to the catering sector, the retail sector and the food industry. These three large markets each represent roughly equal shares in sales. The catering and food sectors offer the highest growth potential, whereas the sales of frozen vegetables in the retail sector (for domestic use) is characterized by an increase in the own brands of the supermarket chains.

The ability to preserve the food has enabled the producer to make its product available to consumers in other parts of the world. Added to this is the advantage of convenience, which has become very relevant in today's world as people are leading busier lives. With more and more women working, the amount of time spent in the kitchen is reducing. As a result, the frozen food category is expanding.

#### Frozen mixed vegetable Trade

Figure 11 shows export and imports trends globally. There has been increasing quantities of imports of mixed vegetables, showing an increase in demand, while conversely exports declined from 2010 to 2012.

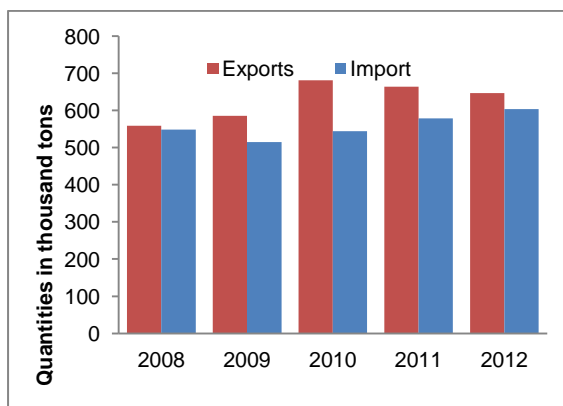


Figure 11: Global export and import 2011-2012  
Source: ITC, Trade Map, 2013

Tables 11 and 12 show that South Africa is a net exporter of frozen mixed vegetables, having higher export values than import values. South Africa is a leading exporter of frozen mixed vegetables to Africa, supplying most part of the continent, with its major importers being Angola, Mozambique and Zimbabwe.

Table 11: Leading Exporters of World Frozen Vegetables 2012

Country	Quantity: Tons	Value in million Rand	Share in SA exports, %
Belgium	261401	2348.5	37
China	46688	430.1	6.8
Poland	38883	267.8	4.2
Mexico	35962	392.5	6.2
Egypt	34122	351.9	5.5
Spain	31796	347.1	5.5
Pakistan	22578	83.4	1.3
New Zealand	21934	254.7	4
USA	21888	279.4	4.4
Canada	19082	225.2	3.5
<b>South Africa</b>	<b>1280</b>	<b>191.9</b>	<b>0.3</b>

Source: ITC, Trade Map, 2013

Table 12 shows leading importers of frozen mixed vegetables between 2011 and 2012. Germany was ranked number one in terms of both value (Rand) and quantities (tons) in 2012, with imports of mixed vegetables, frozen and unfrozen, followed by France and then the USA, measured by quantities per ton exported.

It is worth noting that in 2012, Germany still had the largest market share of world imports, which was a 14.7% share of world imports and equivalent to R948 Million, followed by the USA, with share of 13%, and France with 12.2%. The difference in ranking is attributed to exchange rates and markets supplying per country. South Africa only imported mixed vegetables worth R6.8 million, with a 0.9% market share of world imports in 2012.

Tables 12: Leading importers of World Frozen Vegetables 2012

Country	Quantity: (Tons)	Value (Rand)	Share in value in world's imports, % in 2012
Germany	93 297	948 492 000	14.7
France	75 044	783 634 000	12.2
USA	74 437	837 114 000	13
UK	29 243	324 637 000	5
Japan	27 114	449 207 000	7
Australia	24 051	334 304 000	5.2
Russia	20 212	135 341 000	2.1
Afghanistan	20 191	70 746 000	1.1
Belgium	18 535	219 623 000	3.4
Netherlands	15 267	184 438 000	2.9
<b>South Africa</b>	<b>7 245</b>	<b>6 835 000</b>	<b>0.9</b>

Source: ITC, Trade Map, 2013

South Africa is the 5<sup>th</sup> leading exporter of frozen mixed vegetables in Africa, supplying most parts of the continent, with its major importers being Angola, Mozambique and Zimbabwe. The UAE is the leading importer of South African mixed vegetables, with a market share of 38 %, representing R7.6 Million. On the regional level, Angola is the leading importer, with

<sup>8</sup> This article was compile by Mr Mokoena July from Market Access Linkages (Western Cape Department of Agriculture)

a value of R2.9 Million, followed by Mozambique and Zimbabwe (see figure 12).

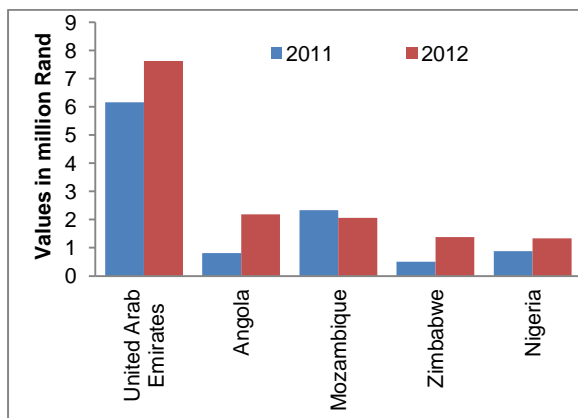


Figure 12: Market for South African mixed vegetables  
Source: ITC, Trade Map, 2013

Figure 13 presents the competitors for South Africa's frozen mixed vegetables in the African market in 2011 and 2012. Egypt dominates the African frozen mixed vegetables market, with a percentage share 28.3%. Belgium, which is the world biggest supplier of frozen mixed vegetables, is the only outside competitor, with a share of 26%. South Africa, which ranks 5<sup>th</sup> in the world, dominates the SADC region, and attributes to the dominance of South Africa in the SADC region might include SADC treaty of SADC community, proximity and high production volumes.

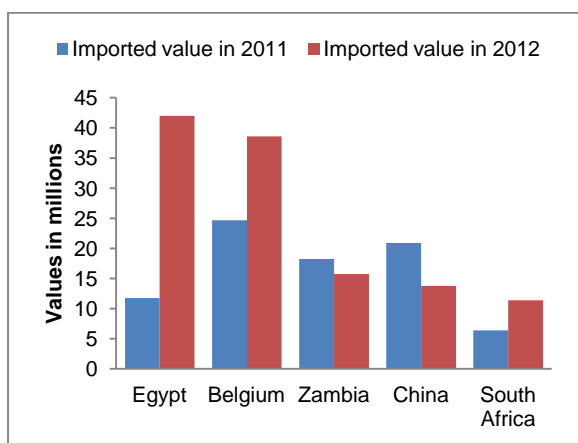


Figure 13: South Africa's Competitors in African Market for Frozen Mixed Vegetables  
Source: ITC, Trade Map, 2013

References

Wim van Haverbeke, Jan Larosse and Wouter Winnen, 2008, The Flemish frozen-vegetable industry as an example of cluster analysis.

6. PERUVIAN MARKET PROFILE<sup>9</sup>

Peru is one of the Latin America countries, bordered by the South Pacific, between Chile and Ecuador. It is the third largest country in South America, covering an area of 1.2 million km<sup>2</sup>. It is situated in the coastal region with arid and semi-arid, cold temperatures and warm temperatures in the jungles. It has an estimated population of 30 million, with relatively 53.3% poverty rate in rural areas. Peru is dominant with natural minerals that include copper, silver, gold, and iron ore.

Agriculture is the important sector in the country's economy because the majority of the population depend directly and indirectly on agriculture.

Historically, lack of infrastructure in Peru has discouraged trade and investment. This, along with domestic unrest, resulted in an inconsistent economic performance in the early 1990s, 1980s and 1970s. However, Peru's economy is now considered one of the most vibrant in Latin America. The economy grew by more than 4% per year between 2002 and 2005, although this was a result of revised macroeconomic policies of the current administration. Foreign direct investment (FDI) in the Peruvian economy has increased considerably, which resulted to be a better investor for their economy.

Ever since the structural reforms in the late 1990s and early 2000s, average GDP, inflation and growth of private investment have increased by 6.4%, 2.8% & 11.6%, respectively, between 2002 and 2012. Peru is a main primary exporter of the following products: gold, copper, fishmeal, zinc, silver, tin and lead. The commercial and manufacturing sector has a larger contribution of 30% towards GDP, with agriculture at a 8% contribution<sup>10</sup>.

Agricultural trade

After openness and integration with the world, Peru's agricultural trade grew by 306% between 2002 and 2012. They have also diversified their exports markets, which are the EU, Asia and North America.

Imports

Table 13 indicates the growth trends of main agricultural products that were imported by Peru between 2002 and 2012. The total agricultural imports amounted to 4.7 billion US dollars (\$) in 2012. Peru is the largest importer of maize, sourcing maize from neighbouring countries: Argentina, Paraguay, Brazil & Bolivia, with shares of 67%, 17.1%, 13.4% & 2.2%, respectively, in 2012. Maize is followed by soya-bean oilcake, with an average share of 11.23% in 2012, and 90% of the soya-bean oilcake was supplied by countries located within South America. Wheat is the third largest imported product, with 49.6% being sourced from neighbouring countries (Argentina & Paraguay), followed by North American countries (USA and Canada) with a share of 41.1%, and lastly Russia with a share of 9.3% in 2012.

Table 13: Main agricultural imports in Peru

Hs code	Product Label	Imports		
		Values million US dollar		Growth value (%)
		2002	2012	2002-2012
<b>World Imports</b>		<b>1095</b>	<b>4655</b>	<b>324.9</b>
100590	Maize	108	553	414.3
230400	Soya-bean oil-cake	113	532	372.2
100199	Wheat	0	506	
150710	Soya-bean oil	90	413	357.8
100630	Rice	9	165	1593.3
170199	Sugar	33	164	388.4

Source: Trade Map, 2013

<sup>9</sup> This article was compiled by Ms Yolanda Potelwa of the NAMC

<sup>10</sup> Benavides. I. 2013. Connecting Small Holders to Market channels. IFAMA presentation. Atlanta, US



During 2012, the total agricultural exports in Peru showed a decline of 2.1% between 2011 and 2012, valued at \$6.7 billion in 2012. **Table 14** highlights the major agricultural products that Peru exports to the global market. The USA was the largest market destination for Peru, although Peruvian exports to the USA showed a decline of 9.7% in 2012. Peru supplied the US market with coffee, grapes and mixed vegetables. China was the second largest market destination, with a market share of 15.9%, and the main products supplied to China include flour, grapes and fish fats oils. Germany, the Netherlands and Spain were also among the top 5 market destinations for agricultural exports, with shares of 10%, 6.2% and 4.6%, respectively, in 2012.

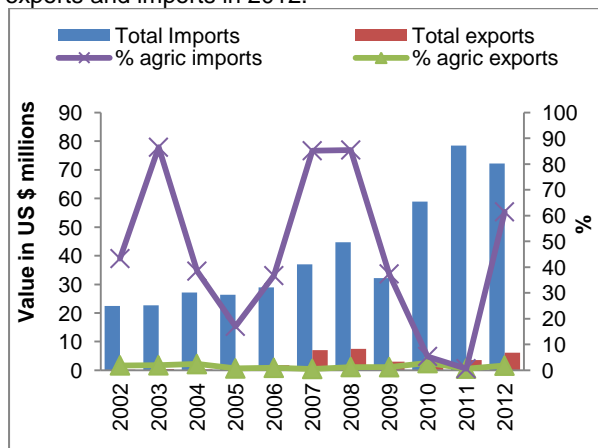
**Table 14:** Main agricultural exports in Peru

Exports				
HS code	Product Label	Values million US dollar		Growth value (%) 2002-2012
		2002	2012	
<b>World Exports</b>		<b>1746</b>	<b>6729</b>	<b>285.4</b>
230120	Flour	824	1793	117.5
090111	Coffee	188	1008	436.6
150420	Fish fats & oils	69	526	659.8
080610	Grapes, fresh	18	353	1862.2
070920	Asparagus	83	339	309.7
200599	Mixed Vegetables	0	208	

Source: Trade Map (2013)

**Bilateral Trade between South Africa and Peru**

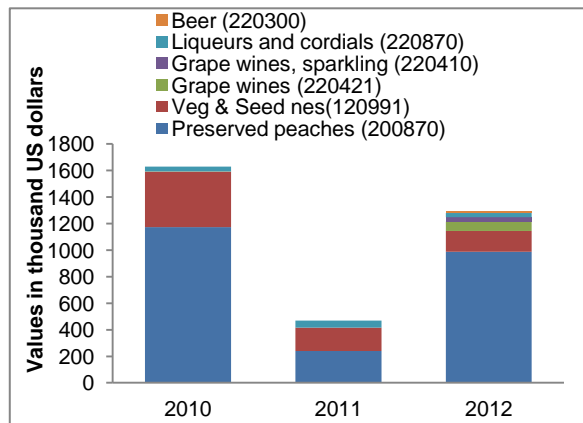
Both countries are located in the southern hemisphere and have similar climate conditions. **Figure 14** illustrates the trade trends between South Africa and Peru over a period of 10 years. Agricultural products that were imported and exported by Peru to South Africa were valued at \$1.3 million and \$3.6 million in 2012. This indicates that Peru exports more products than it imports from South Africa. Although both agricultural imports and exports trends have not been stable over the years, agricultural exports and imports contributed 60% and 2%, respectively, of the total exports and imports in 2012.



**Figure 14:** Total trade between SA & Peru  
Source: Trade Map, 2013

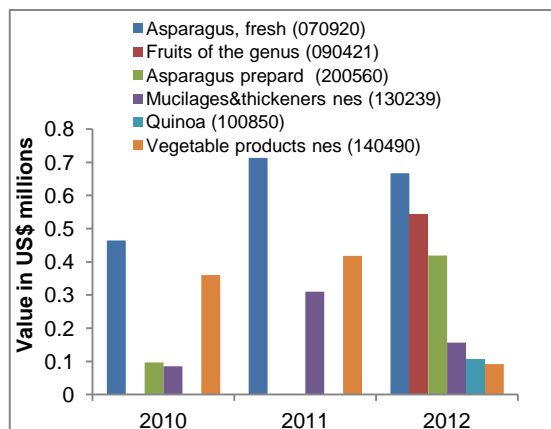
**Figure 15** illustrates the top 5 imported agricultural products from South Africa. Preserved peach was the largest imported product, with a market share of 75.5%, followed by vegetable and seed nes and grape wine, with shares of 11.4% and 5.4%, respectively, in

2012. It will be seen that Peru is sourcing processed products from South Africa.



**Figure 15:** Peruvian imports from South Africa  
Source: Trade Map, 2013

ITC (2013) has indicated that Peruvian exports to the South Africa market increased from \$98 000 in 2002 to \$2.4 million in 2012. Fresh asparagus, fruit of the genes, and prepared asparagus are the top three agricultural products, with shares of 27%, 22% & 17%, respectively, of exported agricultural products supplied to the South African market in 2012 (see **figure 16**).

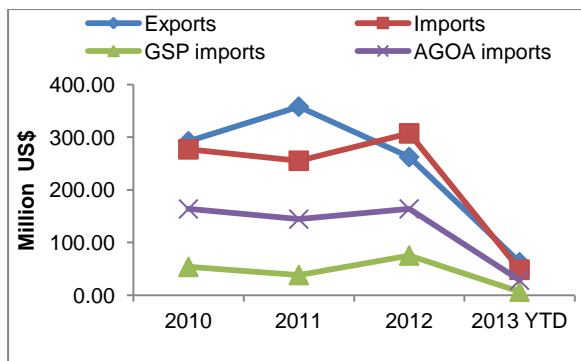


**Figure 16:** Peruvian exports to South Africa  
Source: Trade Map, 2013.

**7. AGOA AGREEMENT: SA AGRICULTURAL SECTOR<sup>11</sup>**

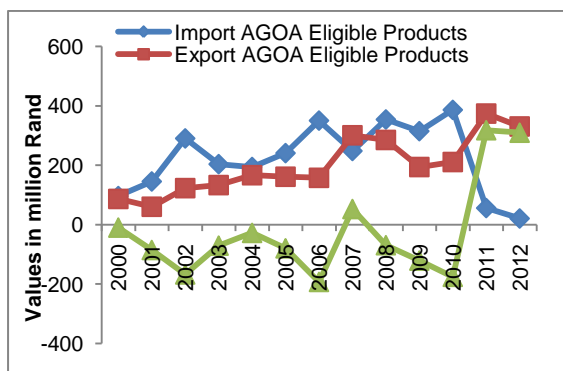
AGOA has afforded SSA countries an opportunity to obtain liberal market access to the USA, without any free trade agreement. AGOA covers over 7 000 products, plus another 1 500, of which about 800 are agricultural. In 2009, DAFF reported that over the years South Africa had exported 150 to 180 tariff lines of agricultural products out of the possible 800 tariff lines provided under AGOA. The question that needs to be answered is how far has the agricultural sector exploited the 800 tariff lines provided, given the fact that AGOA is set to expire in 2015. **Figure 17** shows the bilateral trade between South Africa and USA in agricultural products over the past three years.

<sup>11</sup> This article was compiled by Ms Heidi Phahlane of the NAMC



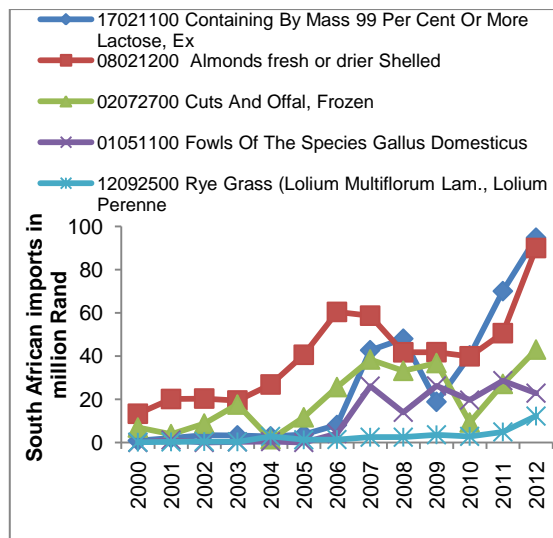
**Figure 17:** Bilateral trade of Agricultural sector  
**Source:** AGOA, 2013, YTD- year to date (Jan- Jun)

South African trade with the USA has increased steadily over recent years, with South Africa holding a trade surplus since 1999. There is a consistently positive trade balance in favour of South Africa, caused by the large exports of minerals. In agriculture, the 2013 balance of trade is in favour of the USA. **Figure 18** shows the trade balance of South African AGOA eligible products since the period of inception.



**Figure 18:** Trade balance South African AGOA Eligible product  
**Source:** Global Trade Atlas, 2013.

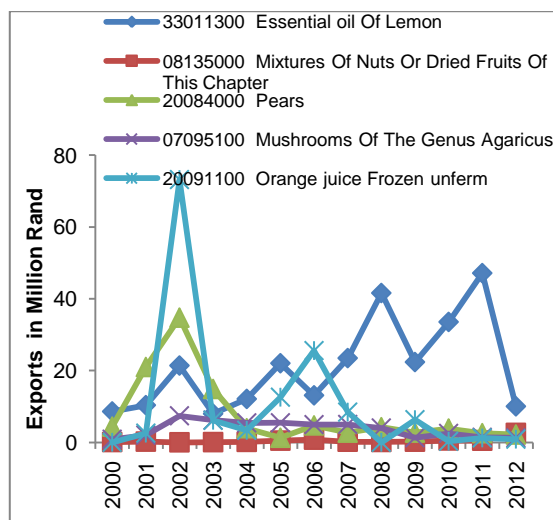
South African imports of AGOA eligible products currently amount to 111 tariff lines. In terms of the agriculture sector, the total value of agricultural products amounted to R330 600 818 in 2012, decreasing from R374 119 809 in the previous year. Bilateral agricultural trade between the USA and South Africa has also increased. **Figure 19** shows that the top five South African agricultural imported products under AGOA in 2012 were sugar-lactose, almonds fresh and dried, cuts and offal, fowls and rye grass.



**Figure 19:** Top five products South African agricultural imports under AGOA in 2012  
**Source:** Global trade Atlas, 2013.

According to the Global Trade Atlas (2012), South African exports in AGOA eligible products currently amount to 60 tariff lines. In terms of the agriculture sector, the total value of agricultural products amounted to R20 881 576 in 2012, decreasing from R56 073 347 in the previous year. **Figure 20** shows that the top five traded products in 2012 were essential oil of lemon, mixtures of nuts, pears, mushrooms and frozen orange juice.

Citrus products have proved to be the most successful products under AGOA, and have promise for the highest potential for growth. Agricultural products not eligible for market access under AGOA were sugar, groundnuts and certain alcoholic beverages, but looking at the current year, mixtures of nuts is the second most-exported products. However, agricultural exports are generally constrained by the USA's SPS requirements on primary and fresh produce.



**Figure 20:** Top five products South African agricultural exports under AGOA in 2012  
**Source:** Global trade Atlas, 2013.

## 8. TRADE BETWEEN SOUTH AFRICA - BRAZIL, RUSSIA, INDIA, and China AS MEMBERS OF BRICS<sup>12</sup>

### Introduction

The purpose of this article is to assess trade relationships between South Africa and other BRICS member states. BRICS is an association of national economies, namely Brazil, Russia, India, China and South Africa. With the exception of Russia, the BRICS members are all developing countries. There are currently no trade agreements between South Africa and BRIC<sup>13</sup> as an association: trade is guided by trilateral or bilateral agreements, and for other countries it is guided by Memorandum of Understanding (MoU) agreements between individual member states.

BRICS member countries are home to about 43% of the world's population.<sup>14</sup> **Table 15** (Appendix A) shows that the Combined Gross Domestic Products (GDP) of BRICS is at \$22 912 bn (PPP).<sup>15</sup> During 2012, China, Brazil, and Russia had trade surpluses from their total trade, while South Africa and India had trade deficits. The USA has remained the largest national market for BRICS exports. However, the US share declined from 17.2% of the total in 2001 to 13.7% in 2012. Japan, the Netherlands and the Republic of Korea (South Korea) are also leading destinations for BRICS exports.<sup>16</sup>

### Trade relations within BRICS countries

Trade relationships exist between BRICS countries outside of the BRICS association. Preferential trade agreements that aim to promote regional and intra-regional trade through the exchange of mutually agreed concessions by member countries exist between:

- Brazil (as member of MERCOSUR) and India;
- India and China are members of the Asia Pacific Trade Agreement,
- India, Brazil and South Africa have signed a South-South trilateral corporation forum called IBSA.
- South Africa (as member of SACU) and Brazil (as member of MERCOSUR) have a signed a Preferential Trade agreement (although inactive).
- Diplomatic relations between South Africa and China are renewed constantly in order to promote cooperation between the two countries, which also covers cooperation in trade.

### Overview of the Agriculture, Forestry and Fisheries (AFF) sectors

Average South Africa's AFF<sup>17</sup> exports to BRIC between 2007 and 2012 was R4,179 bn, constituting 7.4% of total SA AFF exports (R52,309 bn).<sup>18</sup> China

(4%), followed by Russia (1.87%), India (1.3%), and Brazil (0.23%) have the largest average shares of South Africa's AFF Exports. **Table 16** (see appendix A) shows that top products exported to these countries during this period include fresh fruits, wine, chemical wood pulp, wool and flour meal.

### South Africa's Imports of AFF Products from BRIC countries

Between 2007 and 2012, South Africa's Average AFF imports from BRIC countries were R8,209 bn, constituting 17.43% of the total South African AFF imports from the world (R38,894 bn). Brazil (7.28%), followed by China (6.94%), India (3%), and Russia (0.21%), have the largest average shares of South Africa's AFF Imports from BRIC countries. **Table 17** (see appendix A) shows that South Africa's top imported products from BRIC countries during the above period were: rice, tobacco, roasted chicory, wheat, sunflower seeds, mucilage, kidney beans, animal products and fruit juices.

### Agricultural sector

South Africa's average agricultural exports to BRIC were R2.798 billion, accounting for 6.19% of total South African agricultural exports to the world (R42.419 billion). On the other hand, the average total agricultural imports from BRIC were R6.126 billion, constituting 15.79% of total South African agricultural imports, **table 18** (see appendix A). South African agricultural imports from BRIC are 149.5% more than South African exports to BRIC.

China, ranked the 6<sup>th</sup> South African agricultural export destination, is followed by Russia, India, and Brazil, at the 13<sup>th</sup>, 30<sup>th</sup> and 53<sup>rd</sup> rankings, respectively<sup>19</sup>. South Africa's main export competitor to BRIC countries is the USA. Conversely, China, followed by Brazil 3<sup>rd</sup>, India 10<sup>th</sup> and Russia 71<sup>st</sup>, is ranked the 2<sup>nd</sup> South African agricultural supplier. Their main competitors for the South African market are mainly the USA, Argentina and Brazil.

### Forestry sector

**Table 19** (see appendix A) shows that South Africa's average total forestry exports to BRIC were R1,322 bn, which constitutes 14.62% of total South African exports to the world (R7,724 billion). China, followed by India 6<sup>th</sup>, Brazil 31<sup>st</sup> and Russia 95<sup>th</sup>, is ranked 2<sup>nd</sup> as South Africa's export destination for forestry products. South Africa's top competitors in the BRIC forestry market include the USA and China.

South Africa's average total forestry imports from BRIC were R1.058 billion, which constitutes 15.45% of total South African forestry imports from the world (R5.797 billion). China, ranked 1<sup>st</sup> as South Africa's supplier of forestry products, is followed by Brazil, India and Russia, ranked 11<sup>th</sup>, 19<sup>th</sup> and 59<sup>th</sup>, respectively<sup>20</sup>. These countries face competition in the South African market from mainly from the USA and Germany.

<sup>12</sup> This article was compiled by Mr Alfred Mohapi from DAFF, Directorate of International Trade

<sup>13</sup> BRIC refers to Brazil, Russia, India, and China

<sup>14</sup> Source: Trade Report: BRICS Trade Performance focusing on SA, IDC

<sup>15</sup> Source: CIA World Fact Book, 2013

<sup>16</sup> Source: Trade Report: BRICS Trade Performance focusing on SA, IDC

<sup>18</sup> Rankings based on 2012 figures

<sup>19</sup> Rankings based on 2012 trade statistics, Global Trade Atlas 2013

<sup>20</sup> Rankings based on 2012 trade statistics, Global Trade Atlas 2013

**Fisheries Sector**

Table 20 (see Appendix A) shows South Africa's imports and exports of fisheries to and from BRIC. Average total fisheries exports to the BRIC countries amounts to R58.76 million, which constitutes a share of 2.64% of total exports to the world (R2.168 billion). China, Russia, India and Brazil are ranked 8<sup>th</sup>, 81<sup>st</sup>, 110<sup>th</sup> and 125<sup>th</sup>, respectively, in terms of South Africa's fisheries exports destinations in the world<sup>21</sup>. South Africa's main competitors in the BRIC's fisheries markets are mainly the USA and Japan. Average total South African fisheries imports from BRIC countries were R16 935m, which constitutes 12.12% of total exports to the world (R1,284 billion). China, India, Russia and Brazil are ranked 2<sup>nd</sup>, 15<sup>th</sup>, 26<sup>th</sup> and 67<sup>th</sup>, in South Africa's import sources of fisheries products from the World. Their main competitors for the South African market are Norway and the USA. South Africa is a net exporter of forestry products and a net importer of fisheries products.

**SA-BRIC AFF Trade Analysis**

Figure 21 below shows that South Africa's total exports to BRIC increased each year from 2007 to 2012. A slight decline in total trade was experienced in the year 2010. During the period under review, South Africa's total AFF imports exceeded South Africa's AFF exports. South Africa's AFF trade balance with BRIC for the years under review depict negative growth in values and a decline in the trade balance.

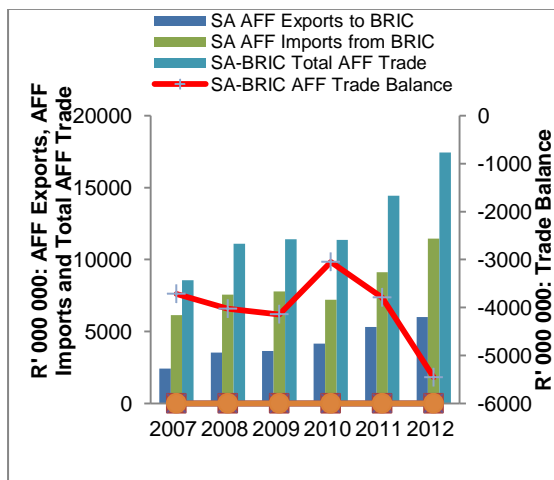


Figure 21: SA-BRIC AFF Trade Analysis  
Source: ITC, 2013

**Concluding remarks**

Trade statistics show that, with the entry of South Africa into BRIC in 2010, total trade between BRICS member countries increased by 53.57% from R 11,360 bn in 2010 to R17,446 bn in 2012. Increase in imports over 2010 – 2012 exceeded increases in exports, resulting in the trade balance reaching its record low of -R5,456m in 2012. With almost 40% of the world's population<sup>22</sup>, there is potential for trade growth amongst the BRICS countries. BRIC countries offer an opportunity for South African AFF exports,

although the USA poses stiff competition, both as an importer and exporter. Competition for BRIC countries markets is affected by, considering all other factors, seasonal dynamics, geographical location and trade agreements between BRICS member states and other countries considered competitors. China, Russia and India form part of South Africa's biggest trade partners for agriculture, forestry and fisheries products. It is, therefore, essential that strategies to facilitate trade between South Africa and BRICS countries be explored in order to ensure that all countries benefit from the cooperation.

**9. TERMS OF TRADE IN AGRICULTURAL TRADE<sup>23</sup>**

South Africa has been a net exporter of agricultural products, but in recent years the gap has been decreasing, favouring imports. South African agricultural trade become more integrated in the global market after the reformation of agricultural trade in the late 1990s which followed the political reforms<sup>24</sup>. However, agricultural trade has always been important to the South African economy.

Historically, trade balance has been positive, with values of R25 billion and R16.7 billion of exports and imports in 2005 (Daya, 2006). Figure 22 illustrates South African agricultural trade performance over a period of 12 years. Noteworthy, agricultural exports and imports have been showing significant increases in terms of values, following the global crisis which occurred in 2008. In 2012, South Africa's agricultural trade had shown a trade balance of R1.5 billion, with a significant decline of 73.97% comparing with the gradually increase of the previous year. Of the total exports and imports, agricultural exports and imports contributed 7% and 6%, respectively, in 2012.

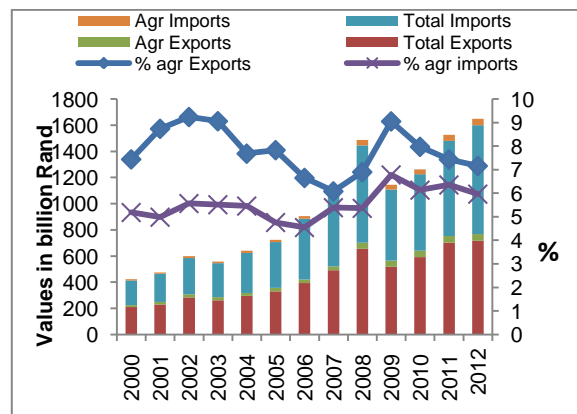


Figure 22: South Africa agricultural trade  
Source: Global trade Analysis, 2013

The EU is the largest supplier of South African agricultural imports, with a share of 30.9% in 2012. Mercosur, Asean and African markets followed the EU market, with shares of 21%, 14.1% and 6.3%,

<sup>21</sup> Rankings based on 2012 trade statistics, Global Trade Atlas 2013

<sup>22</sup> Global Trade Atlas rankings, as per 2012 values

<sup>23</sup> This article was compiled by Mthembu Sibongimpilo from the Directorate: International Trade. Department of Agriculture, Forestry and Fisheries

<sup>23</sup> This article was compiled by Ms Yolanda Potelwa of the NAMC. The author wishes to acknowledge Prof Ron Sandrey from Tralac and Ms Tshimagandzo Mogobi from DAFF for their contribution on this article.

<sup>24</sup> Daya, Y. 2006. South African Agricultural Exports: Trend, Composition, Direction and Potential. Available online: <http://www.daff.gov.za/docs/research/P/SAagricExp.pdf> [Accessed 21/10/13]

respectively, in 2012 (see table 21). South African main agricultural imports products are rice (HS-100630), wheat (HS-100199)<sup>25</sup>, palm oil (HS-151190), soya-bean oilcake (HS-230400), and chicken cuts (HS-020714), with a total share of 32% in 2012<sup>26</sup>. Between 2011 and 2012, the growth of imports products has shown a decline, except for the average share increase of rice and chicken cut imports (GTA, 2013).

Table 21: Main suppliers of South Africa agricultural imports

Total share	Values in %					
	2007	2008	2009	2010	2011	2012
	72.1	74.7	74.3	73.1	71.2	70.0
EU	22.6	22.4	26.6	28.8	28.5	28.6
Mercosur	29.6	27.1	24.0	19.9	20.2	21.0
ASEAN	13.5	19.9	17.8	18.0	16.5	14.1
Africa	6.4	5.4	5.9	6.4	6.0	6.3

Source: GTA data, 2013

Table 22 indicates exports trends for main agricultural products and Africa is the largest market for South African agricultural exports. The EU and Africa showed an average share of 61.9% collectively in 2012, moving down from 67.1% in 2007. Noteworthy, the EU market has been declining over the period under review, with Africa picking up the 2.7% average share between 2010 and 2012. The top exported agricultural products include oranges, oranges (HS-080510), wine (HS-220421), grapes (HS-080610), maize (HS-100590) and apples (HS-080810), with a total share of 30.8% in 2012 (GTA, 2013).

Table 22: Main destination of South African agricultural exports

Total share	Values in %					
	2007	2008	2009	2010	2011	2012
	67.1	70.3	67.7	65.5	60.7	61.9
Africa	21.7	32.3	33.3	30.7	29.2	31.9
EU	45.4	38.0	34.4	34.8	31.5	30.0

Source: GTA data, tralac analysis, 2013

### Terms of trade

Agricultural exports and imports prices have not been stable, attributable to a number of factors, such as exchange rates, production costs, weather conditions and export and import policies<sup>27</sup>. However, the content of this article focuses on assessing agricultural export and imports prices, which have not changed after the period of global commodity crisis. The top five imported and exported agricultural products were reviewed to assess the price changes of agricultural imports and exports between 2007-2012.

A Paasche index and a Laspeyres index were used to calculate the weighted price index. These indices are based on the initial year 2007, and were expected to give different results for the following years. The Paasche index is also called a "current weighted index" whereas the Laspeyres index is also called a "base weighted index" (OECD, 2008). The difference between these indices is that the Paasche index focuses on average of price relative that uses the

<sup>25</sup> NB tariff line of wheat was 100190 previous

<sup>26</sup> DAFF. 2012. Sector Trade performance review during 2012. & Global Trade Analysis (2013).

<sup>27</sup> Trostle, R. 2008. Global Agricultural supply and Demand: Factors contributing to the recent increase in food Commodity prices. USDA report. [www.ers.usda.gov](http://www.ers.usda.gov)

actual expenditures shares in the later period  $t$  as weights, whereas the Laspeyres index is a weighted average that uses the weights of the previous period<sup>28</sup>.

The next issue under discussion is index prices and the value of traded agricultural products to the world (see table 23 & 24 in appendix A). All the products under review have been showing an increase in value exports for the past two years, except for tobacco (HS-240120) for the last few years. Noted in table 23 & 24 (see appendix A) are indexed imports and export prices of all products under review, which have been showing increases for the period between 2008 and 2012.

Table 25 indicates that prices of agricultural exports and imports have been increasing ever since 2008, except for the decline in 2009. Agricultural import and export prices showed a significant increase in 2011 and it is noted that agricultural exports prices have risen more than import prices.

Table 25: Weighted average price Index for South African agricultural exports and imports

Year	2007	2008	2009	2010	2011	2012
Exports	100	146.8	134.9	159.2	166.4	192.3
Imports	100	167.1	148.4	138.7	158.9	179.2

Source: GTA data, own calculation, 2013

The reviewed top five agricultural exports are oranges, wine, grapes, maize and apples. All the products mentioned had shown an increase in average prices of export, starting from 2010. Interestingly, prices were rising although quantities exported did not find stability. Noteworthy, wine exports in terms of quantity showed a decline and resulted in price increases of wine exports. The price increase is not necessarily determined by the quantity exported, although this can have a significant impact on export prices (see figure 23).

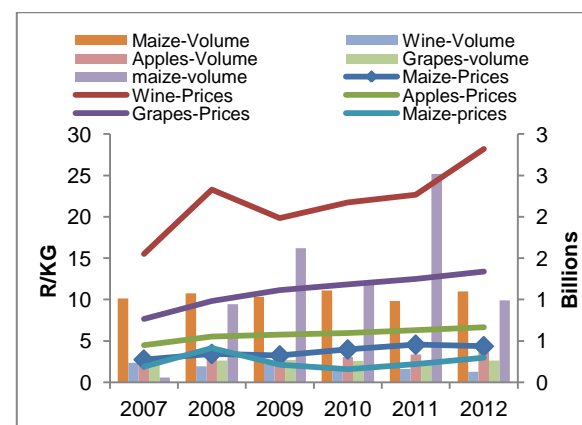


Figure 23: Selected agricultural product exports  
Source: Global Trade Atlas, 2013

Figure 24 highlights the average price change of the top five agricultural imports in terms of values over the last few years. The top five imports products are rice, wheat, palm oil, soya-bean oilcake and chicken cuts. All the products under review showed a decline in 2009 after the global recession in 2008. Between 2010

<sup>28</sup> STATSA. 2013. Note on Laspeyres, Paasche and Fisher indices

and 2012, agricultural import prices showed a substantial increase.

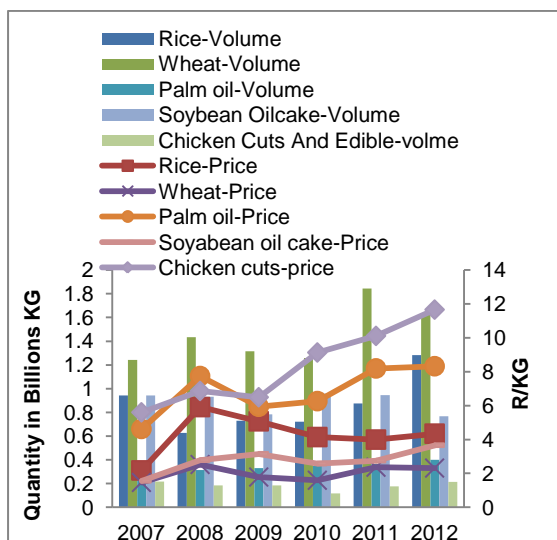


Figure 24: Selected agricultural product imports  
Source: Global Trade Atlas, 2013

South African agriculture trade was compared with the Brazilian market, reviewing the same selected agricultural products. The motivation for comparing the two markets is that both markets are located in the southern hemisphere. Also, Brazil is currently a net exporter of agricultural products, with a trade balance amounting to R518.6 billion in 2012. Brazil is known as the largest producer of grain products, coffee products, fruit products and meat products. South Africa has been sourcing its chicken meat portions from the Brazilian market. Brazilian agricultural commodity prices showed an increase between 2007 and 2012 and their prices were higher than South African agricultural prices. Confirming with the price index comparison, both markets' prices of exports and imports are increasing at the same rate, following the 2008 global food crisis. (See table 26).

Table 26: Brazilian and South African export price index comparison

Export index	2007	2008	2009	2010	2011	2012
Brazil	100	152.4	143.9	145.7	185.6	203.7
SA	100	146.8	134.9	159.2	166.4	192.3

Source: GTA, tralac calculations, 2013

### 10. SOUTH AFRICA'S AGRICULTURAL EXPORT COMPETITIVENESS IN THE BRAZIL, RUSSIA, INDIAN AND CHINA MARKET (SELECTED PRODUCTS)<sup>29 30</sup>

South Africa became part of the BRICS bloc in 2010. According to Besada (2013)<sup>31</sup> the inclusion of South Africa in the bloc presents an opportunity for increased trade and investment ventures. South Africa has over the years increased its export share in the BRIC region and thus the aim of this article is to calculate

<sup>29</sup> This article is compiled by Ms Masego Moobi of the NAMC

<sup>30</sup> Acknowledgement goes to Mmatlou Kalaba of the University of Pretoria for his contribution in this article

<sup>31</sup> Besada, H., Tok, E. and Winters, K (2013). South Africa in the BRICS: opportunities, challenges and prospects. Africa Institute of South Africa. Africa insight 42:4

the competitiveness of South African agricultural exports to that market for selected products.

According to the OECD glossary, competitiveness is defined as "a measure of a country's advantage and disadvantage in selling its product in the international market"<sup>32</sup>. Esterhuizen and van Rooyen (2006)<sup>33</sup>, have defined competitiveness as "the ability (of a sector, industry or firm) to trade successfully to achieve sustainable growth within the global environment while earning the least opportunity cost of returns on resources employed".

Competitiveness and comparative advantage are two concepts that are similar but do not necessarily hold the same meaning. An illustration given by Dunmore (1986)<sup>34</sup> highlights the fact that a country can have comparative advantage, yet lose its competitive advantage, and the inverse also being true (losing competitive advantage yet maintaining its comparative advantage). According to NWU (2013)<sup>35</sup>, competitiveness essentially has to do with two facets, productivity and the ability or the responsiveness of a country to a constant change of the market environment.

### South African relations with BRIC

The EU is South Africa's traditional export market. However, South African agricultural exports<sup>36</sup> share (by value) to the EU27 declined from 39% to 30% between 2002 and 2012. Agricultural exports to BRIC increased by 753%<sup>37</sup> between 2002 and 2012 (growing by 25% year on year), while Africa and the EU27 grew by 66% and 113% respectively. Of the BRIC countries, China is South Africa's leading export destination and exports to this country grew the fastest, followed by Russia, over the period under review (See Figure 25).

In 2012 South Africa exported a value of R4.2 billion to BRIC, of which China and Russia received shares of 54% and 33%, respectively. With regard to trade in agricultural products between South Africa and BRIC, South Africa is a net importer. Net Trade balance (negative) increased from R2 billion in 2003 to R9 billion in 2012 (ITC, Trade Map, 2013).

<sup>32</sup> OECD Glossary of statistical terms. <http://stats.oecd.org/glossary/detail.asp?ID=399>, accessed 1 November 2012

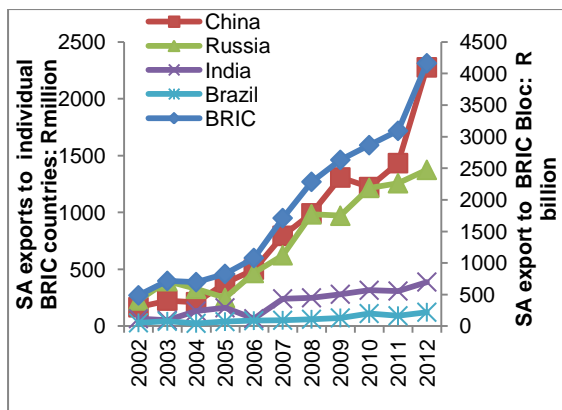
<sup>33</sup> Esterhuizen, D. and van Rooyen, C.J (2006). An inquiry into factors impacting on the competitiveness of the South African wine industry. *Agrekon* 45:4, (467-485)

<sup>34</sup> Dunmore, J. (1986). Competitiveness and comparative advantage of US agriculture. USDA

<sup>35</sup> North West University, Trade Research Niche Area (2013). South Africa's Agricultural Trade competitiveness, desktop diagnostics. Potchefstroom

<sup>36</sup> Agricultural products referred to in this article are products between HS01 - HS24, HS 42; HS 43; HS 52 and HS53. However, fisheries (HS03) and forestry (HS44) products are excluded.

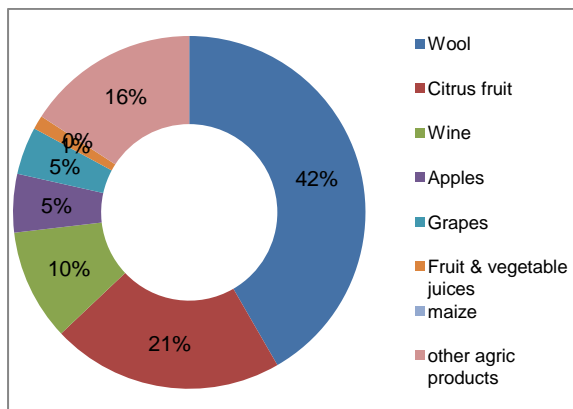
<sup>37</sup> ITC, Trade Map (2013) and author's calculations



**Figure 25:** South African Agricultural exports to BRIC countries

Source: ITC, Trade Map 2013

Of the seven leading products exported by South Africa to the world (which accounted for 51% of total South African agricultural exports), wool was the most exported product to the BRIC region, followed by citrus and wine, in 2012 (See Figure 26).



**Figure 26:** SA agricultural products exported to BRIC countries

Source: ITC, Trade Map, 2013

### South Africa's export competitiveness in BRIC

To measure South Africa's export competitiveness, seven agricultural products were chosen, which accounted for 51% of South Africa agricultural exports in 2012:

- citrus (13.1%);
- wine (10.5%),
- grapes (7.2%),
- apples (6.9%),
- maize (5.8%),
- wool (4.2%) and
- fruits & vegetable juice (3.3%).

Balassa's Revealed Comparative Advantage<sup>38</sup> method was employed to measure competitiveness for the selected products. This method is a common measure of competitiveness that has been applied by several authors. Balassa's Competitiveness index explains

<sup>38</sup>  $(X_{ij}/X_{ik})/(X_{nj}/X_{nk}) = RCA$   
 X=Exports  
 K=all commodities other than j  
 n= other countries than i

that Revealed Competitive Advantage less than 1 shows that a product exported by a country to BRIC is not competitive, while an index greater than 1 indicates that a country is competitive in the export of a selected product.

**Table 27** highlights the RCA index for South African exports to BRIC countries. The South African RCA is also measured against southern hemisphere competitors, namely Argentina and New Zealand, i.e. those whose exports are greater than South African exports. It is only in the case of oranges that Turkey was used, as there was no southern hemisphere country that exported more oranges to the region than that which South Africa exports.

As shown in **figure 26**, wool is a leading exported product to BRIC by South Africa. South Africa is BRIC's third leading exporter of this product, while New Zealand is the second leading exporter of the product to BRIC. Of the South African analysed products, wool's RCA grew the fastest. Wool's RCA grew by 96% year on year, as export values increased significantly over the period under review. New Zealand is, however, more competitive than South Africa regarding this product.

Oranges are the second most-exported product to BRIC by South Africa and this product has a high RCA index which shows that South Africa has competitive advantage in the export of oranges to the BRIC countries. Notably, competitiveness of this product has declined significantly over the years, from 26% in 2002 to 12.06% in 2012. This is mainly due to declining exports growth rates during the periods 2003-2005 (19%) and 2011-2012 (1.7%).

South Africa is the 3<sup>rd</sup> largest exporter of oranges to the BRIC region, while Turkey ranks 1<sup>st</sup> and this rival country has sustained a positive competitive advantage over the years, even though the RCA has declined over the years. It is noteworthy that South Africa, however, exported oranges to Russia, China and India, while Turkey only exported high values to Russia.

### Table 27(Also see Appendix A for detailed results)

also indicates that South African wine is competitive in the BRIC region, increasing its RCA by 200% over the years. Argentina is more competitive in the exports of wine than South Africa, while South Africa's RCA growth rate outpaced that of Argentina (Argentina growing by 9.4% year on year). It noteworthy that South Africa was not competitive in the export of wine to BRIC in 2001.

**Table 27** highlights the fact that South African apple exports were more competitive than New Zealand's exports in 2003 and 2004. South Africa is well known for its good quality grapes and this is the 3<sup>rd</sup> most exported agricultural product to the world. South Africa's export competitiveness in BRIC countries increased from 2.87% in 2002 to 3.6% in 2012. Argentina, as a rival southern hemisphere country, was more competitive than South Africa, except in 2004.

South African fruit and vegetable juices are competitive in the BRIC bloc, with South Africa's RCA outpacing that of Argentina in 2003. It is noteworthy that South Africa lost its competitiveness in 2009, although it regained a positive RCA going forward. South African maize has lost its competitiveness in the BRIC region, while its competing country was competitive until 2011. This is mainly attributed to low value exports by both these countries to the BRIC bloc.

It is evident that South Africa has export competitiveness in relation to the world regarding the analysed products going into BRIC, except for maize (but not in 2005) and fruit & vegetable juices (lost competitiveness only on 2009). Rival countries are relatively more competitive than South Africa across all the products and the main lead to this is reflected in higher export volumes by rival countries. Notwithstanding this, South Africa has gained competitiveness higher than that of rival countries for some products and for some periods. Even when RCA was lower than that of rival countries, its growth rate outpaced that of rival countries for wine and wool.

As the global market arena goes through changes influenced by economic meltdown, increased population sizes, changes in demands informed by changes in consumer preferences and incomes (and other economic phenomena), it is essential that South Africa maintains and improves its export competitiveness. For competitiveness to increase and remain on a positive trend, or to go from a negative to a positive, strategies should be put in place on a firm (micro) level to enable increased export competitiveness in the BRIC region (market intelligence).

According to **Esterhuizen and van Rooyen (2006)**, supporting institutions and domestic policies play a significant role in a country's competitiveness. **Ortmann (2005)**<sup>39</sup> has highlighted the point that the promotion of agricultural R&D and the adoption of new technologies are important in enhancing trade and a country's competitiveness. These factors have a direct link to increased production yield, while utilising the same available quantity of resources, thus enhancing competitiveness (**Ortmann, 2005**).

With South Africa being part of the BRICS bloc, this should to some extent give South Africa a boost in its level of export competitiveness, compared to competing countries. On a broader level, this article reveals that on a macro-level, South Africa is able to cope with changes in the global market to continually supply BRIC with the exported products (except for the case of maize).

Wine (2204)	Argentina <b>SA</b>	1.96 1.11	3.97 3.32
Apples (0808)	New Zealand <b>SA</b>	4.28 3.61	6.34 2.82
Grapes (0806)	Argentina <b>SA</b>	5.81 2.87	7.83 3.62
Fruit & veg juices (2009)	Argentina <b>SA</b>	0.68 1.72	2.36 1.56
Maize (1005)	Argentina <b>SA</b>	6.85 0.58	0.61 0.00

Source: ITC, Trade Map, 2013

**Table 27:** Competitiveness of agricultural products exported to BRIC by South (see appendix A for RCA 2002 until 2012)

Product	Country	2002	2012
Wool (5101)	New Zealand <b>SA</b>	58.80 1.17	49.53 13.48
Citrus (0805)	Turkey <b>SA</b>	75.76 26.35	38.84 12.06

<sup>39</sup> Ortmann, G.F. (2005). Promoting the competitiveness of South African agriculture in a dynamic economic and political environment. *Agrekon* 44: 3 (286-320)



Appendix A

Table 15: Economic Indicators of BRICS member states

Economic indicators	Brazil	Russia	India	China	South Africa
Population(million)	201,009	142,500	1 220,800	1 349,586	48,601
Real GDP (at PPP <sup>40</sup> , US \$bn)	2 394	2 555	4 761	12 610	592
Real GDP growth rates (%)	0.9	3.4	6.5	7.8	2.5
Agriculture as % Share of GDP	5.2	3.9	17.4	10.1	2.6

Source: Central Intelligence Agency, 2013

Table 16: Top 5 SA AFF export products to Individual BRIC countries (2007 to 2012)

Brazil	<b>Commodity</b>	<b>Description</b>	<b>% Market</b>	<b>Share</b>
	• 220870	Liqueurs And Cordials	23.69	
	• 481910	Cartons, Boxes & Cases Corrugated Paper	19.25	
	• 220421	Wine	14.25	
	• 470200	Chemical Woodpulp, Dissolving Grades	9.87	
	• 080620	Grapes, Dried	7.48	
Russia	<b>Commodity</b>	<b>Description</b>	<b>% Market</b>	<b>Share</b>
	• 080510	Oranges, Fresh	41.08	
	• 080610	Grapes, Fresh	8.93	
	• 080820	Pears And Quinces, Fresh	7.85	
	• 080540	Grapefruit, Fresh Or Dried	7.23	
	• 080550	Lemons And Limes, Fresh Or Dried	6.66	
India	<b>Commodity</b>	<b>Description</b>	<b>% Market</b>	<b>Share</b>
	• 470200	Chemical Woodpulp, Dissolving Grades	55.28	
	• 510111	Wool, Not Carded Or Combed	25.61	
	• 170111	Cane Sugar, Raw	4.54	
	• 080510	Oranges, Fresh	1.75	
	• 080820	Pears And Quinces, Fresh	1.46	
China	<b>Commodity</b>	<b>Description</b>	<b>% Market</b>	<b>Share</b>
	• 510111	Wool	34.04	
	• 470200	Chemical Woodpulp, Dissolving Grades	22.39	
	• 470329	Chem Woodpulp, Soda	11.10	
	• 230120	Flour Meal & Pellet Of Fish Crustaceans	6.34	
	• 220421	Wine	3.89	

Source: Global Trade Atlas, 2013

<sup>40</sup> Purchasing Power Parity

Table 17: Top 5 SA's AFF imports products from Individual BRIC countries (2007 to 2012)

Brazil	<b>Commodity</b>	<b>Description</b>	<b>% Market Share</b>
	• 100630	Rice, Semi- Or Wholly Milled, Polished	25.67
	• 240120	Tobacco, Partly Or Wholly Stemmed	9.47
	• 210130	Roasted Chicory & Other Roasted Coffee Substitutes	9.22
	• 240110	Tobacco, Not Stemmed	7.81
	• 130232	Mucilages/Thicknrs From Locust Bean/Seed, Guar Seed	7.63
Russia	<b>Commodity</b>	<b>Description</b>	<b>% Market Share</b>
	• 100190	Wheat And Meslin	38.53
	• 120600	Sunflower Seeds	32.62
	• 151211	Sunflower-Seed Or Safflower Oil, Crude	13.32
	• 110900	Wheat Gluten	2.56
	• 441299	Plywood, Veneer Panels & Similar Lam Wood	2.35
India	<b>Commodity</b>	<b>Description</b>	<b>% Market Share</b>
	• 100630	Rice, Semi- Or Wholly Milled, Polished	35.68
	• 240120	Tobacco, Partly Or Wholly Stemmed	8.76
	• 210130	Roasted Chicory & Other Roasted Coffee Substitutes	3.31
	• 240110	Tobacco, Not Stemmed	3.09
	• 130232	Mucilages/Thicknrs From Locust Bean/Seed, Guar Seed	2.09
China	<b>Commodity</b>	<b>Description</b>	<b>% Market Share</b>
	• 100630	Rice	11.94
	• 071333	Kidney Beans & White Pea Beans	11.62
	• 050400	Animal (Not Fish) Guts, Bladders, Stomachs	9.90
	• 200979	Apple Juice	7.24
	• 350400	Peptones, Other Proteins	4.44

Source: Global Trade Atlas, 2013

Table 18: Average SA Agriculture products trade values with BRIC countries (2007 to 2012)

Exports ( R'000 000)				Imports (R'000 000)			
Country	Average values	Market Share (%)	Competitors	Country	Average values	Market Share (%)	Competitors
China	1 366.27	3.02	Japan, Hong Kong, USA	China	2 239.81	5.77	USA, Brazil, Argentina
Brazil	84.70	0.19	China, Netherlands, USA	Brazil	2 568.58	6.62	Argentina, Uruguay, USA
India	296.02	0.65	USA, Vietnam , Arab Emirates	India	1 229.93	3.17	Indonesia, Malaysia, Ukraine
Russia	1 051.34	2.33	Turkey, Egypt, Kazakhstan	Russia	87.90	0.23	Brazil, Germany, USA

Source: Global Trade Atlas & Trade Map, 2013

Table 19: Forestry products trade between SA and BRIC (2007 to 2012)

Exports ( R'000 000)				Imports (R'000 000)			
Country	values	Market Share (%)	Competitors	Country	Average values	Market Share (%)	Competitors
China	839.32	9.28	USA, Japan, Hong Kong	China	823.16	12.01	USA, Canada, Russia
Brazil	42.20	0.47	USA, China, Netherlands	Brazil	164.93	2.41	USA, China, Germany
India	438.56	4.85	USA, Arab Emirates, UK	India	65.69	0.96	USA, Malaysia, Myanmar
Russia	1.72	0.02	China, Kazakhstan, Uzbekistan	Russia	4.59	0.07	Germany, Ukraine, Finland

Source: Global Trade Atlas & Trade Map, 2013

**Table 20:** Fisheries products trade between South Africa and BRICS countries (2007 to 2012)

Country	Average Export values R'000 000	Market Share (%)	Competitors	Country	Average Import values R'000 000	Market Share (%)	Competitors
China	56.87	2.55	Japan, USA, Hong Kong	China	137.88	9.49	Russia, USA, Norway
Brazil	0.66	0.03	Netherlands, USA, UK	Brazil	0.27	0.02	Chile, China, Norway
India	0.45	0.02	USA, Viet Nam, Japan	India	30.70	2.11	Bangladesh, Viet Nam, USA
Russia	0.78	0.04	Korea, China, Japan	Russia	0.50	0.50	Norway, China, Belarus

Source: Global Trade Atlas, 2013 & Trade Map, 2013

**Table 23: South African agricultural imports of selected products**

Product	Index average price of imports						Imports in Rand (million)						Main suppliers 2012
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012	
Rice	100	272	234	191	184	200	2,046	3,698	3,704	2,985	3,496	5,566	Thailand (34.5%), China (32.8%)
Palm oil	100	168	128	136	177	180	1,376	2,435	1,964	2,188	2,992	3,336	Indonesia (50.2%), Malaysia (46.2%)
Soy oilcake	100	178	202	165	176	235	1,477	2,596	2,466	2,477	2,606	2,808	Argentina (100%)
chicken cuts	100	123	116	163	181	208	1,215	1,259	1,191	1,076	1,795	2,495	Brazil (29.3%), Netherlands (25.9%)
Whiskies	100	115	124	129	128	131	1,490	1,710	1,637	1,904	2,144	2,295	UK (82.1%), Ireland (8.8%)
Soybean oil	100	174	122	134	176	198	672	1,202	552	1,616	2,180	1,869	Netherlands (39.2%), Spain (35.5%)
Sunflower seed	100	174	118	132	184	188	795	407	714	749	806	1,844	Argentina (59%), Ukraine (17.3%)
Food preps	100	116	140	120	132	136	960	1,178	962	943	1,141	1,323	US (18.6%), Netherlands (12.3%)
NESOI	100	116	140	120	132	136	960	1,178	962	943	1,141	1,323	
Tobacco	100	127	189	167	152	178	483	732	1,342	1,045	1,021	929	Brazil (29.8%), Zimbabwe (26.6%)

Source: GTA (2013); ITC (2013) and own calculation

**Table 24: South African agricultural exports of selected products**

Product	Index average price of exports						Exports in Rand (million)						Main destination
	2007	2008	2009	2010	2011	2012	2007	2008	2009	2010	2011	2012	
Oranges	100	125	119	145	166	159	2,778	3,696	3,365	4,401	4,475	4,782	Netherlands (17.7%), Russia (10.6%)
Wine	100	150	128	140	146	182	3,651	4,545	4,343	4,014	3,657	3,633	UK (15.9%), Germany (11.3%)
Grapes	100	128	145	154	163	174	2,201	2,585	3,022	3,071	3,107	3,533	Netherlands (42.8%), UK (19.5%)
Maize	100	218	112	83	116	157	111	3,911	3,445	1,929	5,561	2,951	Mexico (88.3%), Mozambique (5.7%)
Apples	100	123	129	133	141	149	1,495	1,978	1,957	1,821	2,113	2,595	UK (26.8%), Malaysia (11.9%)
Wool	100	102	89	105	150	166	1,030	1,143	1,227	1,240	2,026	2,299	China (63.2%), Czech Republic (16.1%)
Wine Food preps	100	173	195	197	207	200	981	1,533	1,473	1,481	1,600	2,071	UK (25.2%), Germany (17.2%)
NESOI	100	86	93	95	92	98	491	641	699	811	1,099	1,097	Zimbabwe (20.1%), Nigeria (11.7%)
Soybean oil	100	290	178	176	215	246	4	20	52	195	558	955	Zimbabwe (94.5%), Zambia 3.35%
Cane sugar	100	66	219	242	298	309	542	716	1,059	929	719	950	Mozambique (25.7%), Zimbabwe (22.7%)

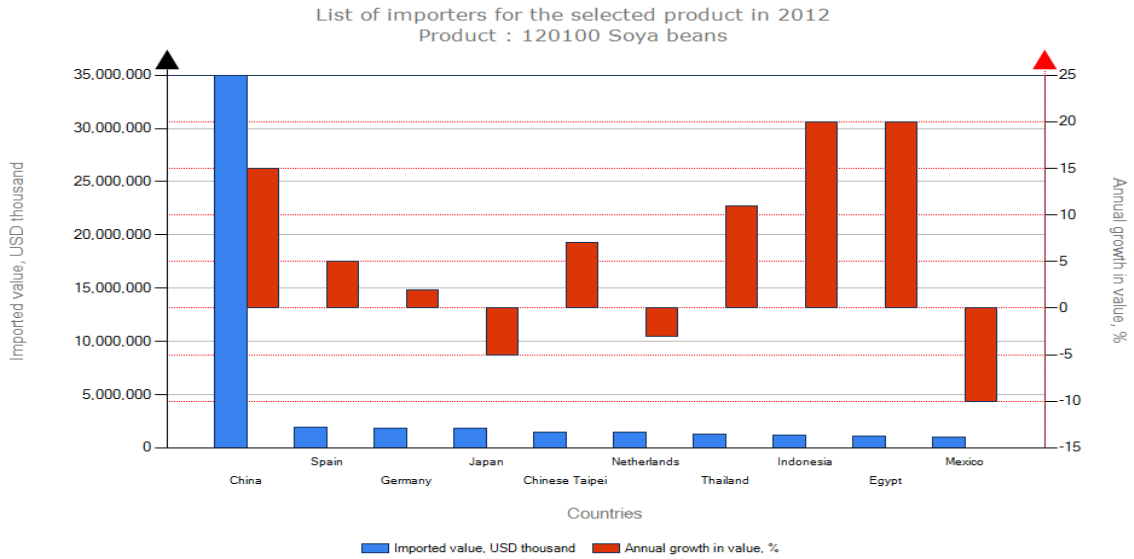
Source: GTA (2013); ITC (2013) and own calculation

**Table 27:** Competitiveness of agricultural products exported to BRIC by South

<b>Product</b>	<b>Country</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Wool (5101)	New Zealand <b>SA</b>	58.80 1.17	73.08 1.46	63.65 0.85	69.20 3.13	76.15 9.09	64.72 8.45	65.34 11.64	58.28 14.77	52.04 7.70	51.10 7.54	49.53 13.48
Citrus (0805)	Turkey <b>SA</b>	75.76 26.35	61.55 34.63	59.19 32.88	64.87 17.09	50.25 18.67	47.29 15.36	41.45 15.46	66.32 11.19	52.14 14.67	51.37 11.55	38.84 12.06
Wine (2204)	Argentina <b>SA</b>	1.96 1.11	2.85 1.28	4.18 2.34	4.52 1.98	6.27 2.91	5.37 2.25	5.89 3.61	4.47 2.21	3.90 2.17	3.73 2.00	3.97 3.32
Apples (0808)	New Zealand <b>SA</b>	4.28 3.61	5.68 5.77	2.77 7.47	2.39 2.21	3.89 3.57	4.12 2.57	6.96 5.25	4.73 3.35	3.44 2.62	4.84 2.25	6.34 2.82
Grapes (0806)	Argentina <b>SA</b>	5.81 2.87	4.35 5.44	6.35 6.77	5.64 3.60	6.03 4.09	5.61 2.25	6.96 4.98	5.22 2.49	6.67 3.22	8.63 2.20	7.83 3.62
Fruit & veg juices (2009)	Argentina <b>SA</b>	0.68 1.72	1.72 3.27	2.54 2.29	2.56 1.52	2.82 1.47	2.07 1.00	3.47 1.43	3.32 0.81	1.39 1.11	1.35 1.32	2.36 1.56
Maize (1005)	Argentina <b>SA</b>	6.85 0.58	8.14 0.00	10.58 0.91	13.29 1.27	5.64 0.03	4.08 0.00	7.01 0.33	11.84 0.00	5.08 0.00	2.31 0.05	0.61 0.00

Source: ITC, Trade Map, 2013

Appendix B



Source: ITC Trade Map, 201

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