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National Agricultural  
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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:**

- Product Profile: Black tea – fermented & partly fermented tea in packages not exceeding 3 kg (HS- 090230)
- Product Profile: Potatoes – (HS 0701)
- Market Profile: Zimbabwean agricultural trade
- Market Profile: Review of trade relationship between South Africa and the European Union (EU 28)

## 1. PRODUCT PROFILE: BLACK TEA – FERMENTED & PARTLY FERMENTED TEA IN PACKAGES NOT EXCEEDING 3 KG (HS- 090230)<sup>1</sup>

Tea is the second-most consumed liquid in the world after water. The tea industry in South Africa is divided into four sub-industries, namely black tea, green tea, herbal tea, and instant tea. Black tea accounts for the largest local market share of approximately 74 % (WESGRO, 2012). Hence, this article examines the trade performance of black tea.

**Table 1** shows the top ten global exporters of black tea in 2012, expressed in value terms (US\$ thousands). The total value of world exports of black tea was US\$ 1.6 billion in 2012. The leading (top ten) exporters collectively accounted for 81 % of the total value of exports. Sri Lanka was the largest exporter of black tea in 2012, accounting for 38.3 %, followed by the United Kingdom at 8.7 % and Poland at 8 % of total world exports. Other countries making the list of top ten world exporters were China (US\$ 78 million), the Russian Federation (US\$ 70 million) and Germany (US\$ 69 million).

**Table 1:** World's leading exporters of black tea in 2012

Exporters	Value exported in 2012, in US\$ thousands	Share in world exports (%)
<b>World</b>	<b>1 643 193</b>	<b>100</b>
Sri Lanka	629 693	38.3
UK	143 771	8.7
Poland	131 605	8
China	78 671	4.8
Russian Federation	70 469	4.3
Germany	68 932	4.2
Belgium	56 235	3.4
UAE	52 135	3.2
India	49 391	3
USA	44 556	2.7

Source: Trade Map (2014)

**Table 2** lists the top ten leading importers of black tea in 2012, expressed in value terms. The world value of imports amounted to US\$ 1.7 billion in 2012, led by the Russian Federation, Canada and the USA, accounting for 7.2 %, 6.2 % and 6.1 % respectively of the world's import share. Other countries making up the list of top ten leading importers of black tea included Iraq (US\$ 87 457 000), Australia (US\$ 87 155 000), France (US\$ 82 035 000) and others.

**Table 2:** World's leading importers of black tea in 2012

Importers	Value imported in 2012, in US\$ thousands	Share in world imports, %
<b>World</b>	<b>1 757 719</b>	<b>100</b>
Russian Federation	126 514	7.2
Canada	109 839	6.2
USA	107 099	6.1
Iraq	87 457	5
Australia	87 155	5
France	82 035	4.7
Afghanistan	69 064	3.9
Japan	55 246	3.1
Netherlands	52 753	3
Ukraine	52 235	3

Source: Trade Map (2014)

**Table 3** lists the top ten leading export destinations markets for South African black tea in 2012, expressed in value terms and measured in US\$ thousands. The first observation is that black tea from South Africa was mainly exported to other African countries, with Mozambique commanding the largest market share (71 %), followed by Zambia (15 %) and Zimbabwe (3.1 %). Other countries amongst the top ten export destinations for South African black tea included the Democratic Republic of Congo (DRC), the Netherlands, New Zealand and Angola, presenting a market share of 3.1 %, 2.3 %, 1.8 % and 1.6 % respectively.

**Table 3:** Top ten destination markets for South African black tea exports in 2012

Importers	Imported value (US\$ thousands)	Share in SA's imports (%)
<b>World</b>	<b>4 947</b>	<b>100</b>
Mozambique	3 514	71
Zambia	746	15.1
Zimbabwe	154	3.1
DRC	113	2.3
Netherlands	88	1.8
New Zealand	79	1.6
Angola	75	1.5
Nigeria	31	0.6
Australia	28	0.6
UK	26	0.5

Source: Trade Map (2014)

Table 4 provides the main supplying countries of black tea into South Africa. The bulk of South Africa's black tea originates from the Netherlands and the UK.

**Table 4:** Top ten supplying countries of Black tea into South Africa in: 2012

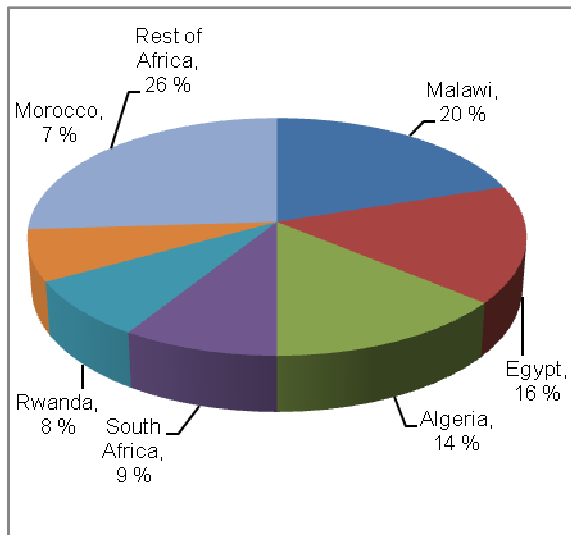
Exporters	Exported value (in US\$ thousands)	Share in SA's exports, %
<b>World</b>	<b>1 464</b>	<b>100</b>
Netherlands	447	30.5
UK	292	19.9
Sri Lanka	248	16.9
Poland	159	10.9
India	103	7
China	48	3.3
Zimbabwe	44	3
Singapore	29	2
UAE	25	1.7
Germany	18	1.2

Source: World Trade Atlas, 2010

<sup>1</sup> This article was compiled by Mr Lindikaya Myeki of the NAMC.

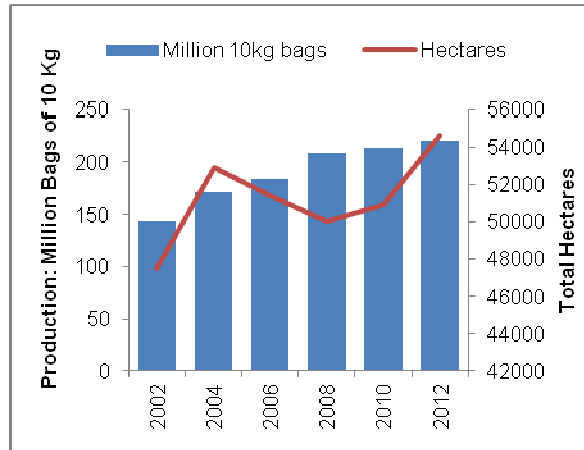
**2. PRODUCT PROFILE: POTATOES - HS 0701<sup>2</sup>**

Potatoes are grown in all nine provinces of South Africa, constituting a key staple food product in the country. South Africa is among the leading producers of potatoes on the African continent, holding a 9 % share of the total 23.4 million tonnes of potatoes produced annually in Africa. **Figure 1** indicates the production share held by the top six potato producers on the continent.



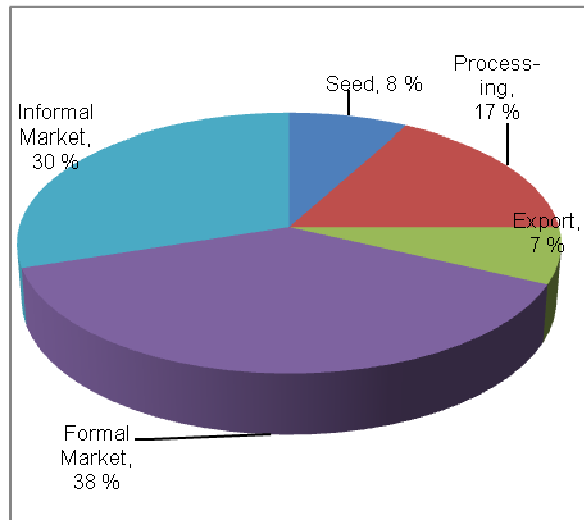
**Figure 1:** Top six potato-producing countries in Africa  
Source: Potato SA

**Figure 2** represents South African potato production trends over the past 12 years. During this period, potato production in the country increased at an average rate of 9 % annually, growing from 143 million tons in 2002 to 221 million tons in 2012. Various factors contributed to this growth, including but not limited to (i) expanding access and better market conditions in the SADC market; (ii) improved research and high production yields in comparison to other African countries; and (iii) growing domestic demand triggered by population growth. During the same period, the hectares planted with potatoes fluctuated significantly, but in an upward swing (see **Figure 2**).



**Figure 2:** South Africa's potato production trends  
Source: Potato SA

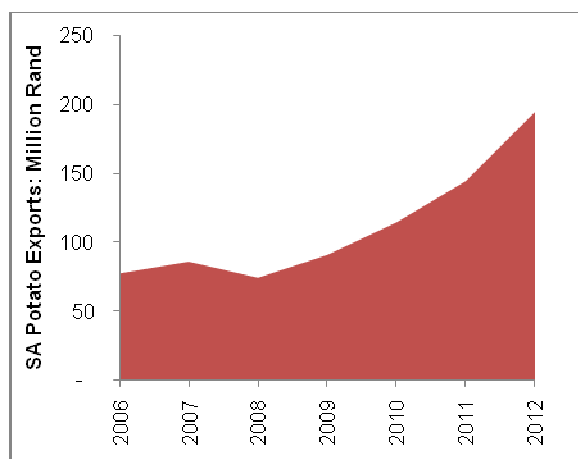
**Figure 3** shows the country's potato crop distribution. Of the total crop harvested in 2011, approximately 8 % was retained for seeding purposes. Processing and export stream accounted for 17 % and 7 % respectively in the 2011 season. It is worth noting that the bulk of South Africa's potato crop is destined for the local market, through either formal or informal channels. The domestic market absorbs 68 % of total production, making it a key component in the country's potato value chain.



**Figure 3:** South Africa's potato crop distribution  
Source: Potato SA

**Figure 4** shows the country's potato export trends. It is clear that potato exports have followed a linear increasing trend in terms of production. Over the past seven years, South African potato exports have grown at an average rate of 18 % per annum, with the strongest growth observed between 2009 and 2012, when total export value reached R 195 million.

<sup>2</sup> This article was compiled by Mr Sifiso Ntombela of the NAMC.



**Figure 4:** South African potato export trends  
Source: WTA (2013)

**Table 5** shows the top five export destinations for South African potatoes. Angola remains the largest export market, with a 50 % share in 2012. The remaining four markets collectively constituted a 47 % share of the country's total exports. Table 5 further shows that South Africa's potato exports are concentrated into five markets, which collectively hold a 97 % share of total exports.

**Table 5:** South Africa's top five destination markets for potatoes

Destination Markets	2006: Export Value – Million Rand	2012: Export Value – Million Rand	Market Share in 2012 (%)	Growth in Value: 2006-2012 (%)
<b>World</b>	<b>78</b>	<b>195</b>	<b>100</b>	<b>151</b>
Angola	50	98	50	98
Mozambique	16	66	34	303
Zambia	4	17	9	340
Zimbabwe	0	5	3	914
DRC	0	2	1	738

Source: WTA (2013)

In conclusion, the prospects for the potato industry in South Africa remain positive, as both export and production trends are on the rise. The high concentration of export markets holds some risk associated with the industry's export stream. Although export stream absorbs only 7 % of total production, market diversification is necessary to mitigate export market risk.

### 3. MARKET PROFILE: ZIMBABWEAN AGRICULTURAL TRADE<sup>3</sup>

Zimbabwe is a land-locked country in Southern Africa, consisting of 36 600 million hectares of land and a population of about 14 million<sup>4</sup>. Agriculture is extremely important for the country's economy and, according to Anseeuw, Kapuya and Saruchera (2012), the sector contributes approximately 20 % to the

national GDP. Approximately 70 % of the population relies on the agricultural sector for their livelihoods.

Over the past decade, Zimbabwe's significant land reform process has seen the agricultural sector change from being comprised mostly of commercial farmers (private landowners) to its current composition of mostly small-scale and resettled farmers (non-titled landowners) (Anseeuw *et al.*, 2012).

Over the years, the country has faced major economic challenges, with the demand for food (and other goods) exceeding the supply (i.e. more money chasing fewer goods). The scarcity of food continues to threaten the food security status of the Zimbabwean population. The national GDP saw a sharp decline of 71 % between 2000 and 2008<sup>5</sup>, which, according to Anseeuw *et al.* (2012), led to a simultaneous decline in the productivity of the agricultural sector, aggravated by factors such as drought, rising input prices, as well as shortfalls in foreign currency and inputs.

As a member country of the SADC and COMESA, Zimbabwe enjoys the benefits associated with certain trade treaty agreements, e.g. tariff phase-down. According to Mudzonga and Chingwada (2009) regional trade provides Zimbabwe with access to food and raw materials and is thus important in the national development process.

### Imports

**Table 6** highlights Zimbabwean agricultural trade for the years 2008 and 2012. Imports increased at a rate of 183 % between 2008 and 2012, with South Africa as a leading exporter. African and Asian countries are the leading exporters of agricultural products to Zimbabwe, with the UK as the only European country. Asian countries have shown the fastest growth in exports to Zimbabwe.

**Table 6:** Top ten exporters of agricultural products to Zimbabwe

Rank	World	Value in R million		% growth
		2008	2012	2008-2012
		<b>4 061</b>	<b>11 501</b>	<b>191</b>
1	South Africa	2 924	5 235	79
2	Zambia	351	3 657	941
3	Mozambique	21	347	1591
4	Malawi	184	281	53
5	Pakistan	3	258	8304
6	India	10	189	1837
7	Russian	0	153	
8	China	26	136	428
9	UK	68	135	100
10	UAE	11	115	5958

Source: ITC, Trade Map (2012)

**Table 7** highlights the products for which there is the highest import demand in Zimbabwe. Maize dominated imports in both 2008 and 2012, with soybeans and cane/beet sugar showing the highest growth rate of all the imported products listed.

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

<sup>4</sup> Mudzonga, E. & Chigwada, T. 2009. A case study of Zimbabwe's food security. *Agriculture: Future Scenarios of Southern Africa*. Winnipeg: IIISD.

<sup>5</sup> Anseeuw, W.; Kapuya, T. & Saruchera, D. 2012. Zimbabwe's agricultural reconstruction: Present state, ongoing projects and prospects for reinvestment. *Development Planning Division Working Paper Series No. 32*. Midrand: DBSA.

**Table 7:** Imports of agricultural products into Zimbabwe

HS Code	Agricultural Products	Value in R million		% growth
		2008	2012	2008-2012
	Total imports	4 061	11 501	191
1005	Maize	1 378	2 198	59
2401	Tobacco unman	271	1 307	382
1512	Safflower oil & fractions	269	888	229
1006	Rice	92	839	814
1001	Wheat	0	708	
1507	Soybean oil	19	637	3254
1101	Wheat flour	62	537	770
1701	Cane/beet sugar	26	518	1862
2106	Food preparations	47	325	591
2309	Animal feed prep	35	229	547

Source: ITC, Trade Map (2012)

**Exports:** South Africa is a leading export destination for Zimbabwean agricultural products, followed by Mozambique and Zambia, with the main reason being Zimbabwe's close proximity to these countries. Zimbabwe counts six African countries amongst its leading export destinations, thus playing a vital role in promoting intraregional trade. It is noteworthy that despite a decline in exports to seven countries, most notably the Netherlands, Zambia and China (see **Table 8**), Zimbabwe's total exports increased by 104 % between 2008 and 2012. This may suggest that the country has seen an increase in exports to other markets that do not rank amongst the top 10 leading export destinations.

**Table 8:** Leading export destinations for Zimbabwean agricultural products

Rank	World	Value in R million		% growth
		2008	2012	2008-2012
		5 065	10 310	104
1	South Africa	746	8 425	1 029
2	Mozambique	206	1 542	650
3	Zambia	98	196	99
4	Botswana	563	56	-90
5	Malawi	110	32	-71
6	Singapore	242	12	-95
7	Portugal	13	7	-43
8	China	198	6	-97
9	Netherlands	1359	5	-100
10	Lesotho	9	4.9	-47

Source: ITC, Trade Map (2012)

Tobacco is Zimbabwe's leading export product, commanding a 61 % share of agricultural exports in 2012, compared to cotton with 17 % and cane sugar with 8 %. Cotton yarn showed a decline in export growth, while tobacco reported the highest growth in terms of exports (see **Table 9**).

**Table 9:** Agricultural product exports by Zimbabwe

HS Code	Product label	2008	2012	% growth
agriculture		5 065	10 310	104
2401	Tobacco	810	6362	685
5201	Cotton	714	1760	146
1701	Cane sugar	319	840	163
2402	Cigars	202	311	54
0902	Tea	26	145	464
2306	Oilcake	73	131	81
5205	Cotton yarn	433	93	-79
2403	Pipe tobaccos	21	87	317
2207	Ethyl alcohol	13	4	274
1404	Veg products	18	41	128

Source: ITC, Trade Map (2012)

Zimbabwe's participation in agricultural trade showed a marked increase between 2008 and 2012. Trade is an important driver of development, with imports supplying the importing country with the following:

- Goods that are more expensive to produce locally;
- Goods that are impossible to produce locally; and
- Raw materials for the processing industry.

Exports, on the other hand, allow a country to earn foreign currency, and as such, trade is a vital component in Zimbabwe's economic reform.

Mudzonga and Chigwana (2009) recommended that in order to ensure a continuous supply of food and non-food items (thus curbing the challenge of demand exceeding supply), Zimbabwe must negotiate to secure long-term supply agreements and thus favourable prices. Zimbabwe's ability to be self-sufficient depends on the institution of domestic policies that will lead to increased production and consequently extend its export base.

#### 4. MARKET PROFILE: REVIEW OF TRADE RELATIONSHIP BETWEEN SOUTH AFRICA AND THE EUROPEAN UNION (EU 28)<sup>6</sup>

The purpose of this article is to review trade relations between South Africa and the European Union. More than a decade has passed since South Africa concluded its Trade, Development and Co-operation Agreement (TDCA) with the EU, aimed at strengthening dialogue between the two bodies while supporting South Africa's economic and social transition, regional co-operation, and economic integration. In terms of trade, the TDCA serves as a preferential trade agreement through the progressive introduction of FTAs, aimed at allowing South Africa to access the EU market and associated trade investments. The agreement allows for the liberalisation of 95 % of the EU's imports from South Africa within 10 years, and 86 % of South Africa's imports from the EU within 12 years. In order to protect the vulnerable sectors of both parties, certain products are excluded from the FTAs, while others have been only partially liberalised.

<sup>6</sup> This article was compiled by Ms Yolanda Potelwa of the NAMC.

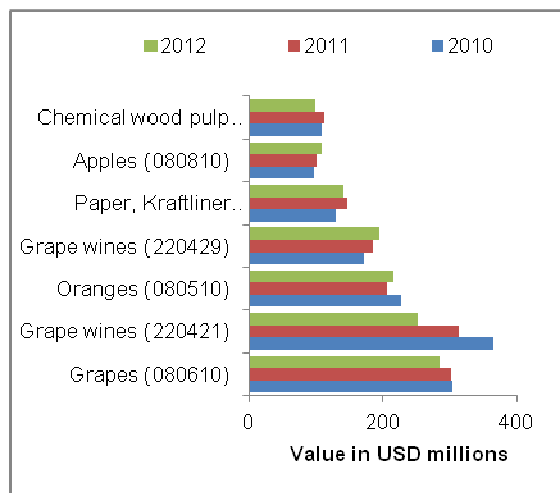


The EU market consists of the 28 member countries with a population of 503 million people. The EU's GDP stood at US\$ 12 057.7 billion in 2012, taking into account the obstacles created by the current economic crisis in the EU market<sup>7</sup>. In 2012, the European Commission showed a trade deficit of US\$ 48 billion. At country level, Germany and the Netherlands showed a trade surplus of US\$ 242 billion and US\$ 59 billion respectively in 2012, while other well-known EU member countries such as Spain and the UK showed a trade deficit in that year.

## OVERVIEW OF TRADE BETWEEN THE EU AND SA – AGRICULTURE, FORESTRY AND FISHERY (AFF) PRODUCTS

In total, South African AFF exports amounted to US\$2.5 billion and imports to US\$ 2.7 billion in 2012, which indicates that South Africa's exports to the EU market exceeded its imports. EU markets accounted for approximately 28.6 % of South African exports in 2012, followed by African countries with 31 %. At product level, grapes (HS-080610), grape wine (HS-220421) and oranges (HS-080510) topped the list of products imported by the EU from South Africa in 2012, whilst whiskies (220830), soybeans (150790) and fowls dominated AFF exports from the EU into South Africa.

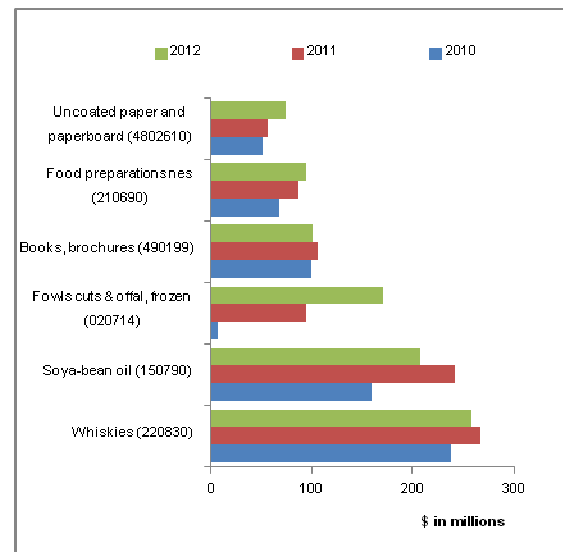
**Figure 5** represents South African AFF exports to the EU market. The bulk of South Africa's horticultural product exports are destined for the EU market, with the total share of 47.6 % in 2012. All the AFF products under review have shown an increasing trend, with the exception of grape wines and table grapes, which showed a decline between 2010 and 2012.



**Figure 5: Main exports of AFF products to the EU market**  
Source: Trade Map (2014)

**Figure 6** shows the main AFF product imports into South Africa from the EU market. It is worth noting that South Africa primarily exports AFF products to the EU, and mainly imports meat products and secondary

agricultural products from the EU market. Topping the list of imported products in 2012 were whiskies, soybean oil and fowls cuts & offal frozen, with a value of US\$ 635 million in 2012.



**Figure 6: South African imports of agricultural products from EU markets**

Source: Trade Map (2014)

## Agricultural trade between SA and the EU market

**Table 10** represents the main EU exporters of agricultural products to South Africa. South Africa's imports of agricultural products from the EU market amounted to US\$ 1.9 billion in 2012, with an average increase of 78.25 % between 2008 and 2012. The UK and the Netherlands topped the list of EU member countries exporting agricultural products to South Africa, with a collective market share of 10.5 % in 2012.

**Table 10: Main exporters of agricultural products to South Africa**

Exporters	Values in US\$ Millions				
	2008	2009	2010	2011	2012
<b>World</b>	4883	4396	5039	6470	6869
<b>EU (28)</b>	1065	1135	1394	1804	1899
UK	247.2	213.5	291.8	353.9	380.3
Netherlands	166.3	200.0	189.2	252.0	343.5
Germany	174.2	253.2	340.1	369.6	263.1
Spain	40.8	37.1	83.0	198.5	199.9
France	138.1	128.7	120.0	150.8	173.4
Italy	99.0	90.4	101.2	131.9	149.3
Ireland	35.9	50.5	70.7	97.6	97.6
Belgium	44.4	43.1	73.5	86.1	90.4

Source: Trade Map (2014)

**Table 11** represents the main EU export markets for South African agricultural products. Note that in terms of South African agricultural product imports as well as exports, the UK and the Netherlands topped the list, with an estimated 60.2 % share of the EU import market. The main agricultural products exported by South Africa to EU countries in 2012 were table grapes, oranges and grape wine.

<sup>7</sup> OECD (Organisation for Economic Co-operation and Development). 2012. *Economic survey of the European Union, 2012*. Paris: OECD.

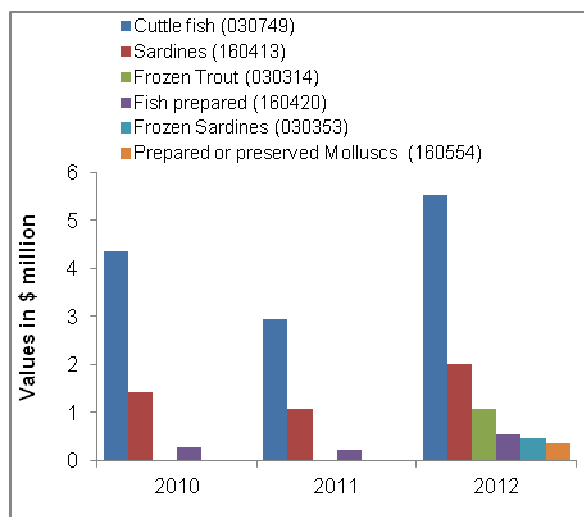
**Table 11: Main export destinations for South African agricultural products**

Importers	Value in US\$ Millions				
	2008	2009	2010	2011	2012
<b>World</b>	5773	5701	6522	7318	7116
<b>EU (28)</b>	2341	1989	2304	2349	2164
Netherlands	733	539	689	717	700
UK	588	571	609	599	602
Germany	248	240	273	268	243
Italy	163	132	177	263	168
France	81	72	89	77	90
Sweden	94	93	100	98	81
Czech Republic	39	17	50	59	48

Source: Trade Map (2014)

### Fishery trade between SA and the EU market

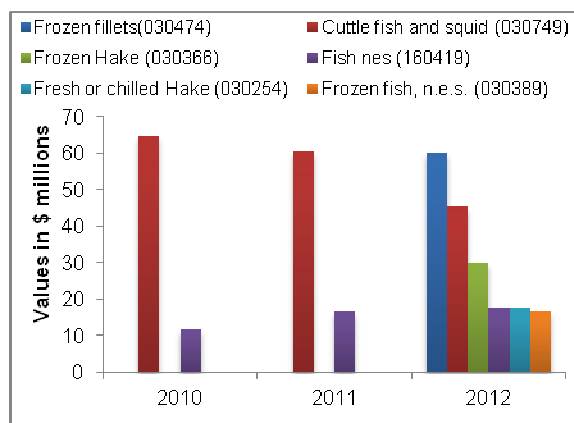
The value of South Africa's fishery imports from the EU totalled US\$ 13.8 million in 2012, accounting for 3.84 % of the world's imports. The top three fishery products imported by South Africa in 2012 were cuttlefish (HS-030749), sardines (HS-160413) and frozen trout (HS-030314), with a value of US\$ 8.6 million (see **Figure 7**). The primary suppliers of South Africa's fishery imports were Spain, the UK and Portugal, with a collective share of 86.3 % in 2012.



**Figure 7: South African fishery imports from European Union (EU 28)**

Source: Trade Map (2014)

**Figure 8** represents the main fishery product exports by South Africa to the EU market. In 2012, fishery exports amounted to US\$ 231 million, with an average decline of 14.5 % between 2011 and 2012. Frozen fillets (HS-030474), cuttlefish and squid (HS-030749) and frozen hake (030366) were among the top three fishery product exports, with a total value of US\$ 135.3 million in 2012. The main destination for South African fishery products in 2012 were Spain, Italy, Portugal and the Netherlands, with a share of 33.1 %, 29.3 %, 11.8 % and 7 % respectively.

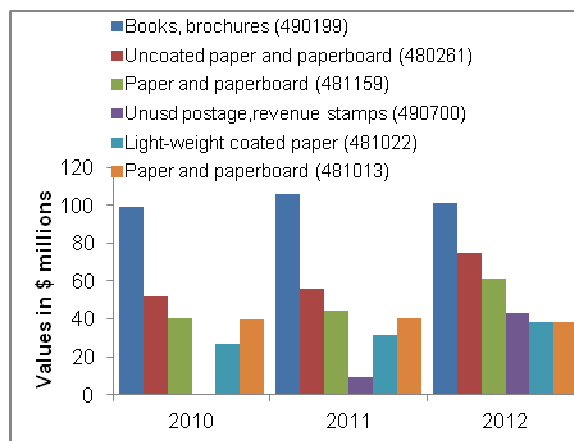


**Figure 8: South African fishery exports to the European Union (EU 28)**

Source: Trade Map (2014)

### Forestry trade between SA and the EU market

**Figure 9** represents South Africa's main forestry product imports from the EU market. In 2012, forestry imports amounted to US\$ 853 million, with an average increase of 4.5 % between 2011 and 2012. Books and brochures, uncoated paper and paperboard (HS-490199), and paper and paperboard (HS-480261) were among the most imported forestry products in 2012, with a collective share of 27.8 %. The main exporters of forestry products to South Africa in 2012 were Germany, the UK, Finland and Sweden, with a share of 26.2 %, 15.1 %, 11.4 % and 10.5 % respectively.

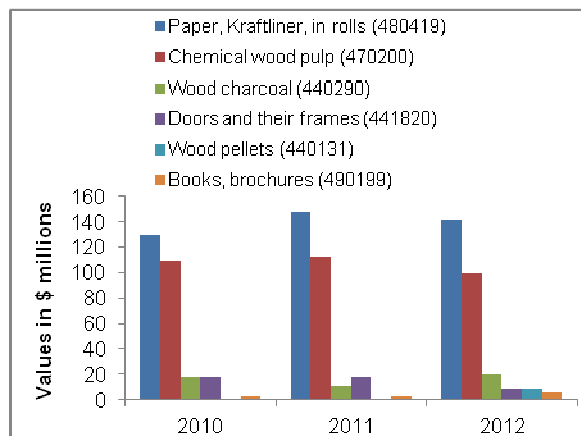


**Figure 9: South African forestry imports from the European Union (EU 28)**

Source: Trade Map (2014)

In total, South Africa's forestry exports amounted to US\$ 308 million in 2012, down from the US\$ 352 million reported in 2010. The top three forestry products exported by South Africa in 2012 included paper, Kraftliner in rolls, chemical wood pulp, and wood charcoal, with the total value of \$ 260 million. Paper, Kraftliner in rolls (HS-480419) and chemical wood pulp (HS-470200) showed a decline of 4.4 % and 11.6 % respectively, whereas wood charcoal grew by 91.2 % between 2011 and 2012 (see **Figure 10**). The primary destinations for South Africa's forestry exports in 2012 were the UK, Belgium, the

Netherlands and Germany, collectively amounting to US\$ 219 million.



**Figure 10:** South African forestry exports to the European Union (EU 28)

Source: Trade Map (2014)

### Conclusion

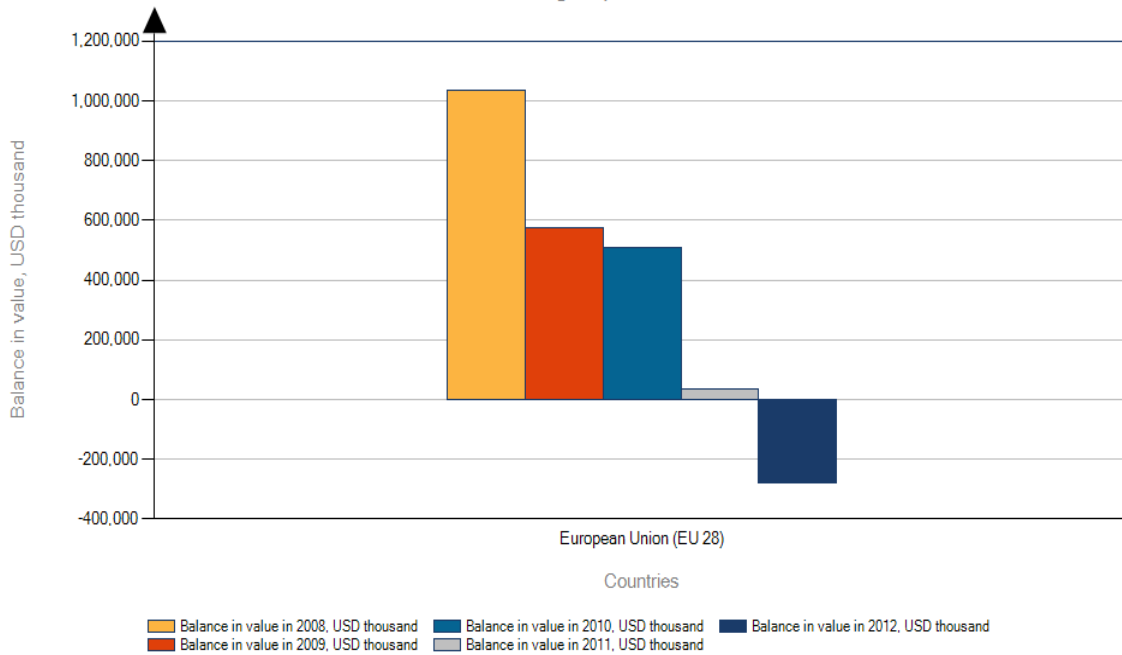
The TDCA between South Africa and EU member countries has allowed South Africa to integrate into the world market, with more than one-third of the country's agricultural production destined for export. The European market remains the traditional market for South African AFF exports; however, South Africa has been losing some of its EU market share in recent years due to the economic crisis being experienced by EU member countries. **Figure 11** (see **Appendix A**) shows the decline in the European countries' trade balance since 2008, most significantly in the period 2011 to 2012, with 715 %.



**Appendix A**

List of partners markets from European Union (EU 28) for a product group commercialized by South Africa

Product group: AFF



**Figure 11:** List of European Union (EU 28) partner markets for a product group commercialised by South Africa  
**Source:** Trade Map (2014)

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