



# INTERNATIONAL TradeProbe

No. 35, September 2011

The *TradeProbe* is a joint initiative by the NAMC and the Department of Agriculture, Forestry and Fisheries, Directorate International Trade. The aim of this initiative is to create knowledge of trade-related topics by discussing/reporting trade statistics, to invite perspectives from people working in related sectors, and to report on trade-related research and stimulate debate.

## THIS ISSUE OF THE TRADEPROBE COVERS THE FOLLOWING TOPICS:

- Flower bulbs trade profile (HS-0601)
- Cut flowers trade profile (HS-0603)
- Chicken meat trade profile (HS-020711-14)
- Fig market and trade profile (HS-080420)
- Plum fruit trade profile (HS-080940)
- Vietnam market study: Exciting food market, Asia
- Analysis of new export potential to the Iranian market
- Agriculture, Forestry and Fisheries Trade between South Africa and Australia

### 1. FLOWER BULBS TRADE PROFILE (HS-0601)<sup>1</sup>

Figure 1 illustrates South Africa's trade balance for flower bulbs from 2000 to 2010. Over the depicted period, the bulb trade balance for South Africa has been positive (i.e. the value of exports exceeds the value of imports). The value of imports increased by 7 % (this is a Compounded Annual Growth Rate, or CAGR), while exports increased by 5 % during the same period.

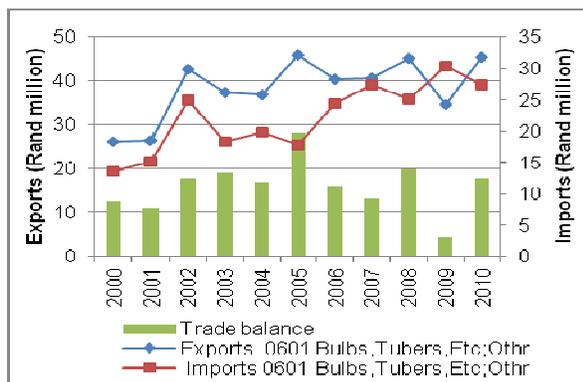


Figure 1: South African trade balance for flower bulbs, tubers, etc. (0601), 2000-2010  
Source: World Trade Atlas, 2011

Figure 2 presents the top five leading sources of South Africa's imports of bulbs and tubers from 2000

to 2010. Over the past ten years, the Netherlands has been the largest source of bulbs and tubers imported by South Africa. Imports from the Netherlands grew by 7 % CAGR during this period. Other countries accounted for a small share; these include Taiwan, New Zealand, Ghana and Nigeria.

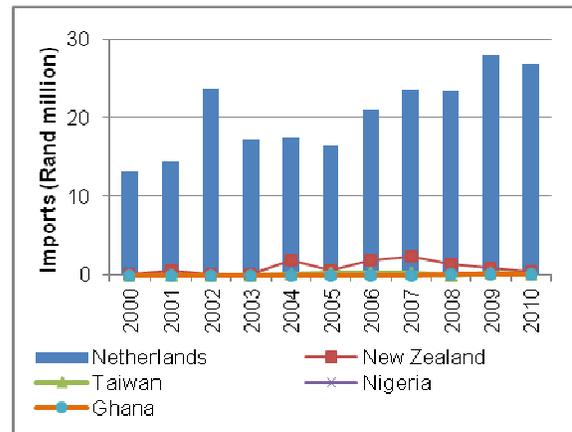


Figure 2: Top five suppliers of bulbs (0601) to South Africa, 2000-2010  
Source: World Trade Atlas, 2011

Figure 3 presents the percentage contribution of the top five sources of bulbs and tubers imported by South Africa in 2010. The Netherlands represents 98 %, followed by New Zealand, with only 2 %.

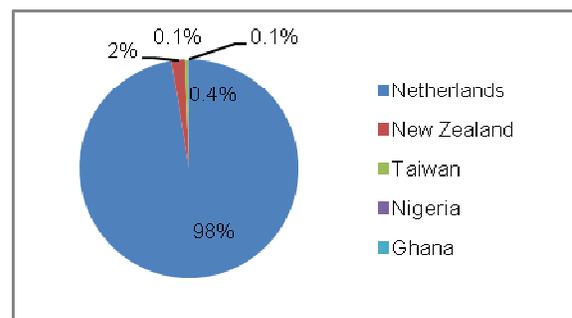
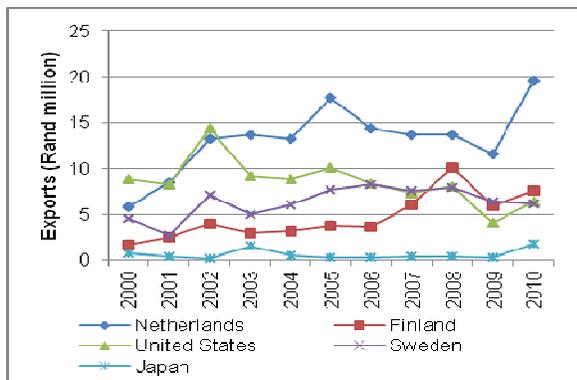


Figure 3: Top five suppliers of bulbs, tubers to South Africa (0601) in 2010  
Source: World Trade Atlas, 2011

Figure 4 presents the top five destinations of bulbs and tubers exported by South Africa, in 2010 ex-

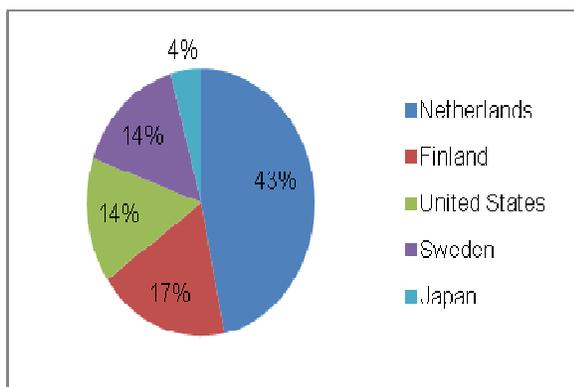
<sup>1</sup> This article was compiled by Ms Heidi Phahlane (of the NAMC)

pressed in value terms. The Netherlands was the top importer of bulb and tubers from South Africa. Imports of South African bulbs and tubers to these five leading destinations have increased by 12 % over the past ten years. Worth noting is the significant increase in imports from Finland, while imports by the United States have dropped significantly.



**Figure 4:** Top five destinations of bulbs and tubers exported by South Africa (0601), 2000 - 2011  
Source: World Trade Atlas, 2011

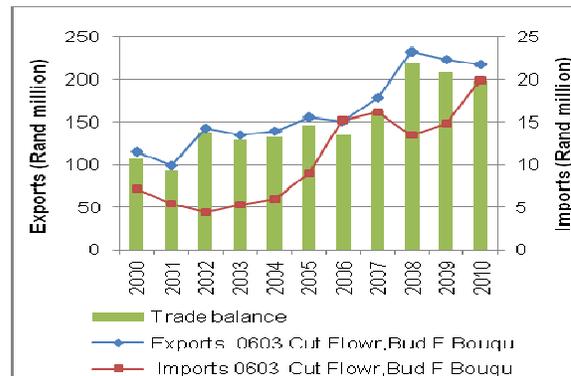
**Figure 5** presents the top five importers of bulbs and tubers exported by South Africa in 2010. The Netherlands represent 43 % of South Africa's total exports of this product, followed by Finland with 17 %.



**Figure 5:** Top five destinations of bulbs and tubers exported by South Africa (0601) in 2010  
Source: World Trade Atlas, 2011

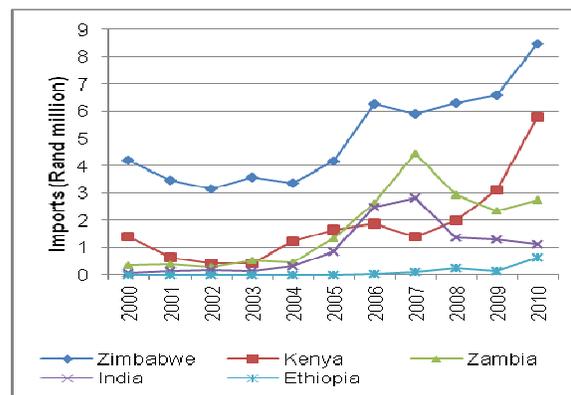
## 2. CUT FLOWERS TRADE PROFILE (HS – 0603)<sup>2</sup>

**Figure 6** presents South Africa's trade balance of cut flowers from 2000 to 2010, expressed in value terms. The trade balance has been positive for the past ten years. Imports however grew by 10 % while exports grew by 6 % (CAGR) during this period.



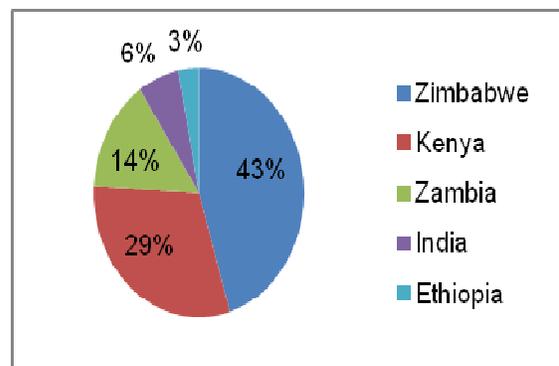
**Figure 6:** South African trade balance of cut flowers (0603), 2000-2010  
Source: World Trade Atlas (2011).

**Figure 7** presents the top five suppliers of cut flowers imported by South Africa. Interesting is that Zimbabwe remained the top supplier of cut flowers to South Africa for the past ten years. Imports from Zimbabwe have grown by 7 % CAGR over the depicted period.



**Figure 7:** Top five suppliers of cut flowers (0603) to South Africa, 2000 to 2011  
Source: World Trade Atlas, 2011

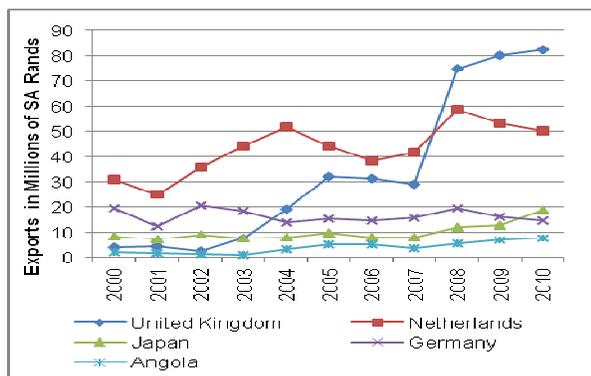
**Figure 8** presents the top five import sources of cut flowers to South Africa in 2010. Zimbabwe represented a 43 % share of South Africa's total imports of this product, followed by Kenya, accounting for 29 %.



**Figure 8:** Top five suppliers of cut flowers (0603) to South Africa in 2010  
Source: World Trade Atlas, 2011

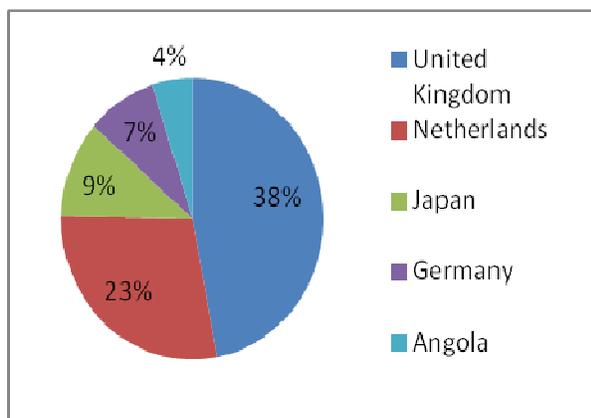
**Figure 9** presents the top five leading countries to which South Africa exports cut flowers. For a period of

eight years, Netherlands was the top importer of cut flowers, but the pattern changed from 2007 onward, when the United Kingdom became the top importer of cut flowers from South Africa.



**Figure 9:** Top five importers of cut flowers (0603) exported by South Africa, 2000 to 2010  
Source: World Trade Atlas, 2011

**Figure 10** presents the top five importers of South African cut flowers in 2010. The United Kingdom had a 38 % share of cut flowers exported by South Africa, followed by the Netherlands with 23 %.



**Figure 10:** Top five importers of cut flowers (0603) exported by South Africa in 2010  
Source: World Trade Atlas, 2011

### 3. CHICKEN MEAT PROFILE (HS - 020711-14)<sup>3</sup>

**Table 1** shows the top exporters of chicken meat globally in 2010. The leading ten exporters accounted for 87.4 % of the quantity of world chicken meat exports. Brazil, the United States and the Netherlands were the three top exporters in 2010, respectively accounting for 31 %, 30 % and 9 % of the quantity of world exports. South Africa was the 33<sup>rd</sup> largest exporter, exporting only 16 thousand tons of chicken meat in 2010.

**Table 1:** Leading exporters of chicken meat, 2010

Exporters	Exported quantity, 000' ton	Share in world exports, %
<b>World exporters</b>	<b>11 075.1</b>	<b>100 %</b>
Brazil	3 460.8	31.2 %
USA	3 297.3	29.8 %
Netherlands	943.3	8.5 %
Belgium	406.1	3.7 %
France	355.6	3.2 %
Germany	293.2	2.6 %
Poland	287.4	2.6 %
Argentina	248.1	2.2 %
United Kingdom	232.2	2.1 %
China	164.7	1.5 %
South Africa (33)	16.0	0.1 %

Source: ITC-Trade Map, 2010

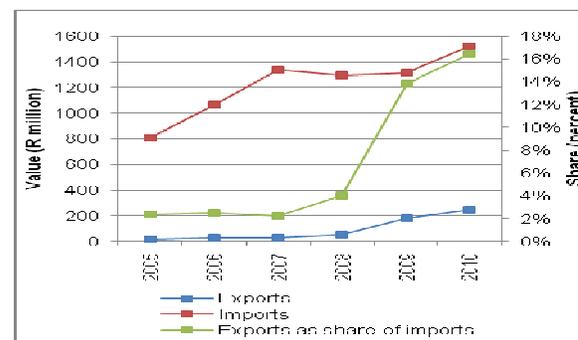
Presented in **Table 2** are the top global importers of chicken meat in 2010. The top ten importers accounted for 50.1 % of the quantity of world chicken meat imports. Hong Kong, Saudi Arabia and the Russian Federation were the three top importers in 2010, respectively accounting for 11 %, 7 % and 6 % of the quantity of world imports. South Africa was the world's 13<sup>th</sup> largest importer, accounting for 239.5 thousand tons of chicken meat during 2010.

**Table 2:** Leading importers of chicken meat, 2010

Importers	Imported quantity, 000' ton	Share in World imports, %
<b>World importers</b>	<b>10 269.8</b>	<b>100 %</b>
Hong Kong, China	1 102.7	10.7 %
Saudi Arabia	670.1	6.5 %
Russian Federation	607.6	5.9 %
Mexico	535.7	5.2 %
China	515.5	5.0 %
Japan	420.3	4.1 %
Netherlands	368.7	3.6 %
United Kingdom	340.4	3.3 %
Germany	303.8	3.0 %
France	291.3	2.8 %
South Africa (13)	239.5	2.3 %

Source: ITC-Trade Map, 2011

**Figure 11** illustrates South Africa's trade in chicken meat between 2005 and 2010. The value of both imports and exports reached a high in 2010, reaching R 1.52 billion and R 250 million respectively. Since 2009, South Africa's exports of chicken meat have increased dramatically relative to imports, changing from 4 % during 2008 to 16.4 % in 2010.



**Figure 11:** South African chicken meat trade, 2005-2010.  
Source: Global Trade Atlas, 2011

<sup>3</sup> This article was compiled by Mr Nico Scheltema (of the NAMC)

**Table 3** lists the ten leading sources of South Africa's imports of chicken meat in 2010 representing 99.3 % of the value of imports. Brazil, Argentina and Canada were the top three sources, respectively accounting for 75 %, 10 % and 7 % of the value of South Africa's chicken meat imports. No African countries were amongst the leading sources.

**Table 3:** Leading sources of South African imported chicken meat, 2010

Exporter	Value (Rand million)	Share in SA imports, %
<b>South Africa's total imports</b>	<b>1 520.9</b>	<b>100.0 %</b>
Brazil	1 145.1	75.3 %
Argentina	145.1	9.5 %
Canada	106.4	7.0 %
UK	38.9	2.6 %
USA	24.2	1.6 %
Australia	20.1	1.3 %
Belgium	12.5	0.8 %
Ireland	8.3	0.5 %
France	7.2	0.5 %
Netherlands	3.1	0.2 %

Source: World Trade Atlas, 2011

**Table 4** lists the leading destinations for chicken meat exported by South Africa's in 2010. The top ten destinations constituted 99.6 % of the value of South Africa's exports. Zimbabwe and Mozambique were the most important destinations, respectively accounting for 55.8 % and 36.3 % of the value of South Africa's chicken meat exports.

**Table 4:** Leading importers of South African chicken meat, 2010

Importer	Value (Rand million)	Share in SA exports, %
<b>South Africa's total exports</b>	<b>250</b>	<b>100.0 %</b>
Zimbabwe	139.6	55.8 %
Mozambique	90.8	36.3 %
Congo, Dem. Rep.	5.0	2.0 %
Ships & Aircraft Stores	4.5	1.8 %
Angola	3.2	1.3 %
Ghana	1.9	0.8 %
United Arab Emirates	1.8	0.7 %
St. Helena	1.1	0.4 %
Zambia	0.8	0.3 %
Equatorial Guinea	0.5	0.2 %

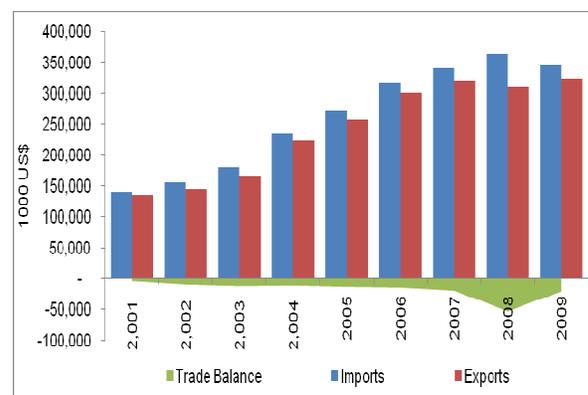
Source: World Trade Atlas, 2011

#### 4. FIG MARKET AND TRADE PROFILE (HS-080420)<sup>4</sup>

Figs are a deciduous fruit, belonging to the *Ficus carica* species under the genus *Ficus*. In South Africa, fig production is very small and the country has only started producing figs for commercial sale in the last eight to ten years. The bulk of South Africa's fig production occurs in the Western Cape and the most commonly planted cultivars are Bourjasotte Noire, Col

de Damme Noire and Noire de Caromb. These cultivars were imported from Europe and introduced into South Africa within the last eight years.

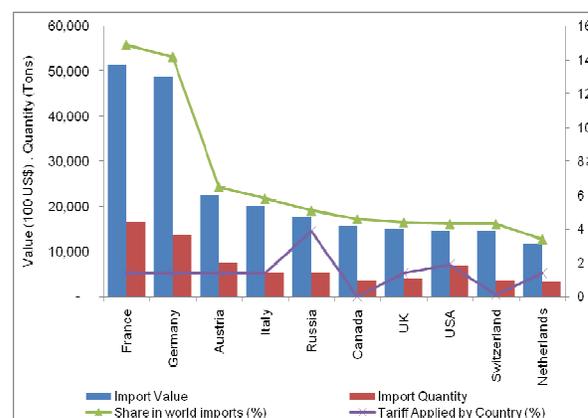
Global trade in figs is increasing parallel to growing global production. Between 2001 and 2009, world fig imports increased by an average rate of 14 % per annum, while world exports increased by 12 %, measured in value terms. The large growth rate of imports led to a negative trade balance, growing from US\$ 4.8 million in 2001 to US\$ 21.2 million in 2009 (see **Figure 12**).



**Figure 12:** Global trade in figs: 2001–2009

Source: ITC-Trade Map, 2011

**Figure 13** shows the leading importers of figs in the 2009 season. These countries import about 70 % of world imports. France is the largest importer in terms of both value and quantity. In 2009, France had a 15 % share in world fig imports, measured in value, and was followed by Germany with a 14 % share. Most fig exports are destined for European Union markets, followed by the USA and Canada.



**Figure 13:** World imports for figs in 2009

Source: ITC-Trade Map, 2011

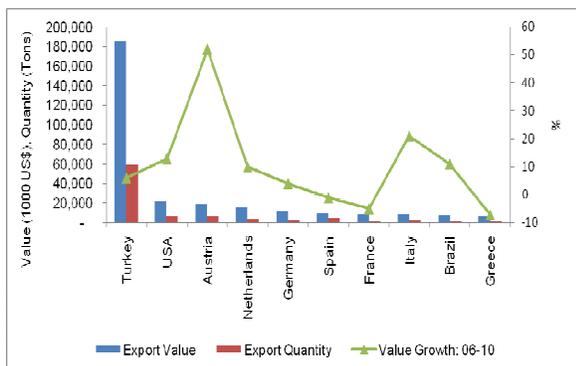
**Figure 13** also shows that tariffs applied by importing countries were generally low, ranging from 0 % tariff rates in Canada and Switzerland to 1.4 % in EU member countries. Russia was the only country with a high tariff rate of 3.9 %.

**Figure 14** shows the leading suppliers of figs to the world. Roughly 90 % of world fig exports originate from these ten countries, led by Turkey and the USA.

<sup>4</sup> This article was compiled by Mr. Sifiso Ntombela (of the NAMC)

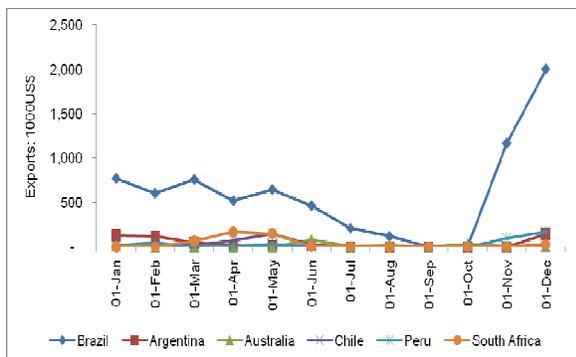
Turkey is responsible for 57 % of world fig exports and the USA holds a 7 % share in global fig exports. Australia, the Netherlands and Germany conclude the top five list of leading exporters in the world. The top five exporters collectively hold 78 % of the global export share in value terms.

Fig exports are mainly concentrated in the EU. Brazil was the only country from the Southern Hemisphere that made the top ten list of leading exporters, with a 2 % share in global fig exports in the 2010 season.



**Figure 14:** World exports for figs in 2010  
Source: ITC-Trade Map, 2011

Fig exports from Southern Hemisphere countries run from October to July every year. Brazil is the largest exporter, followed by Argentina and South Africa (see **Figure 15**).



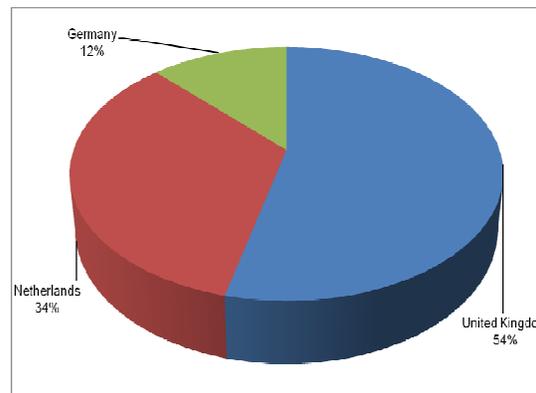
**Figure 15:** Seasonality of fig exports from Southern Hemisphere countries in 2010  
Source: ITC-Trade Map, 2011

Fig production in South Africa is very new and most of the planting occurs in the Western Cape because of its favourable climate. South African fig production is aimed at producing fresh quality fruits for the export markets. Insignificant quantities of figs are also found at local retailers during the season.

According to industry experts, there are about 35 producers of figs in the country, all allocating a small number of hectares to fig production. Currently, about 150 tons of figs are produced annually of which a significant amount is exported.

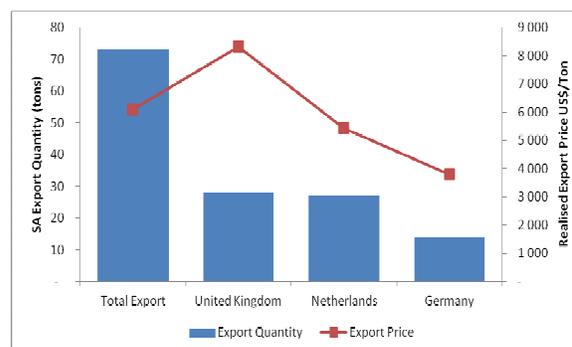
Given the rapidly growing demand for figs globally, South African production is expected to expand in the coming years.

**Figure 16** shows the main destination markets for South African fig exports. The United Kingdom is the biggest market, with an export share of 54 %, followed by the Netherlands with a 34 % share of South African exports.



**Figure 16:** Main destinations for South African fig exports in 2010  
Source: ITC-Trade Map, 2011

**Figure 17** shows the total quantity of figs exported from South Africa in 2010. Around 73 tons were exported to all markets, i.e. about 94 % of total production is exported. The United Kingdom was the premium market for South African exports and received US\$ 8 321 per ton. Exports to the Netherlands received US\$ 5 444 per ton. The high prices received demonstrate that figs are a niche product with high premiums. Special attention should be given to ensuring premium quality, thereby attracting premium prices.



**Figure 17:** South Africa export quantities and realised export price per market  
Source: ITC-Trade Map, 2011

Fig production is growing rapidly across the world, particularly in Southern Hemisphere countries such as Brazil, Chile, Peru and Argentina. The product presents new opportunities to fruit growers that are aiming to diversify their product range. Figs are a premium product with high potential for growth. For Southern Hemisphere producers, it offers an opportunity to supply Northern Hemisphere markets with a new healthy product.

For South African producers, taking a proactive approach in understanding the morphology and adaptability of the different cultivars in the South African soil can prove valuable. For exporters,

understanding the market trends and required packaging specs can encourage export growth from South Africa.

## 5. PLUM FRUIT TRADE PROFILE (HS-080940)<sup>5</sup>

Global trade in plums has gained momentum in the last decade. Global plum exports increased from US\$ 350 million in 2001 to US\$ 607 million in 2010, thus a 73 % growth in ten years. A similar trend is observed in global plum imports. Global imports grew from US\$ 402 million in 2001 to over US\$ 734 million in 2010.

**Table 5** shows the top five leading exporters of plum fruit to the world. The top five exporters collectively accounted for 63.5 % of global plum exports in 2010, indicating a high concentration of plum exports. Export growth in both value and quantity increased by an annual average of 3 % between 2006 and 2010. South Africa is ranked the fifth largest exporter of plums in the world and second largest exporter from the Southern Hemisphere.

**Table 5:** Leading exporters of plums to the world: 2010

Countries	Export Value: 1000 US\$	Export Quantity: Tons	Share in world exports (%)
Spain	114 062	85 982	18.8
USA	79 261	59 969	13.0
Chile	74 973	83 138	12.3
Italy	60 678	59 597	10.0
South Africa	56 935	46 409	9.4

Source: ITC Trade Map, 2011

**Table 6** shows the top five largest importers of plum fruit in the world. The top five importers were responsible for 48.1 % of global imports in 2010. Both the value and quantity of imports increased annually by an average of 3 % and 1 % respectively between 2006 and 2010.

**Table 6:** Leading importers of plum fruit from the world: 2010

Countries	Import Value: 1000 US\$	Import Quantity: Tons	Share in world imports (%)
United Kingdom	87 016	54 142	5.4
Russia	78 386	79 168	3.9
Netherlands	76 776	40 447	5.4
Germany	61 178	49 088	5.4
USA	49 392	27 394	0.1

Source: ITC Trade Map, 2011

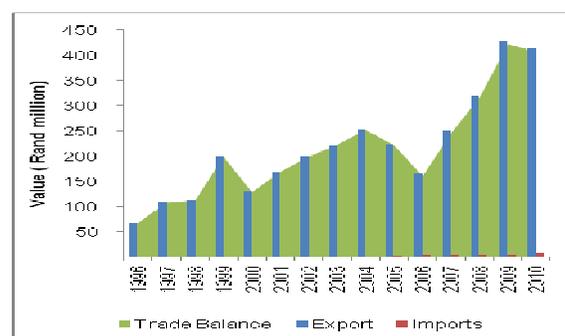
### – South African production and trade overview

From a South African perspective, plums are one of the important stone fruits produced in the country. A total of 4 502 hectares is planted with plum trees, producing roughly 54 336 tons of plums per annum. The main producing areas include Berg River, Klein Karoo, Ceres and Stellenbosch, collectively producing 81 % of the total South African plum crop.

The South African plum season runs from October to February. Generally, about 77 % of plum production is exported as fresh produce, 20 % is sold in the local

market and only 3 % is processed. The plum industry creates 6 167 on-farm jobs.

**Figure 18** shows clearly that South Africa is a net exporter of plums. Plum exports have increased at an average rate of 18 % per year from 1996 to 2010, while imports have remained insignificant, stabilising around R 5 million rand per annum during the last six years. The export of plums in 2009 increased to a record level of R 429 million on the back of consumer campaigns conducted in European markets that stimulated plum sales.



**Figure 18:** South African plum trade: 1996-2010

Source: WTA, 2011

**Table 7** presents the leading destination markets for South African plum exports. Since 2005, the Netherlands has been the largest receiver of South African plum exports, with an export share of 37 % in 2010, followed by the UK with 27 % export share. The top ten countries account for 91 % of total South African exports.

**Table 7:** Main destinations for South African plum exports: Rand million

Country	2000	2005	2010
<b>South Africa's total exports</b>	<b>129.78</b>	<b>224.25</b>	<b>415.33</b>
Netherlands	17.29	60.70	153.58
United Kingdom	47.10	60.27	110.20
United Arab Emirates	1.77	11.18	29.98
Germany	2.17	13.18	25.73
Saudi Arabia	7.73	7.17	19.41
Malaysia	0.01	1.45	11.61
Spain	6.29	4.73	10.66
Hong Kong	2.98	3.28	8.22
France	7.60	8.05	4.64
Ireland	0.00	1.43	4.54

Source: WTA, 2011

**Table 8** indicates the main suppliers of plums to South Africa during the off season period, i.e. April to August. Spain and Israel are the only two major suppliers of plums to South Africa. In 2010, Spain had an 86 % share in South Africa's total imports and Israel had a 14 % share in total imports.

**Table 8:** Main suppliers of plums to South Africa: Rand million

Country	Jan-Dec 2000	Jan-Dec 2005	Jan-Dec 2010
World	0.99	2.52	8.22
Israel	0.80	0.07	1.14
Spain	0.10	2.43	7.06

Source: WTA, 2011

<sup>5</sup> This article was compiled by Mr. Sifiso Ntombela (of the NAMC)

## 6. VIETNAM MARKET STUDY: ONE OF THE MOST EXCITING FOOD MARKETS IN ASIA<sup>6</sup>

Vietnam is one of the world's few remaining one-party communist states. The country has a population of around 90 million with a population growth rate of 1.2 % per annum. Since the late 1980s, the government of Vietnam has adopted a number of economic policies that aim to integrate the country into the international community and attract foreign investments into the country. This has proved valuable, as the country's economy growth was around 7 % between 1990 and 2003. This rate increased to over 8 % between 2004 and 2007. The International Monetary Fund (2011) further estimates an economic growth of around 7.5 % between 2010 and 2015.

Agriculture is by far the most important economic sector in Vietnam. The majority of the population earns its income from farming. In addition, agriculture is the main source of raw materials for the processing industries and a major contributor to exports. Vietnam is considered a country with plenty of water and a relatively large amount of arable land. Vietnam is largely dependent on agriculture and the principal commodities include rice, coffee, tea, cotton, sugarcane and nuts.

### - Vietnam's trading relationship with the world

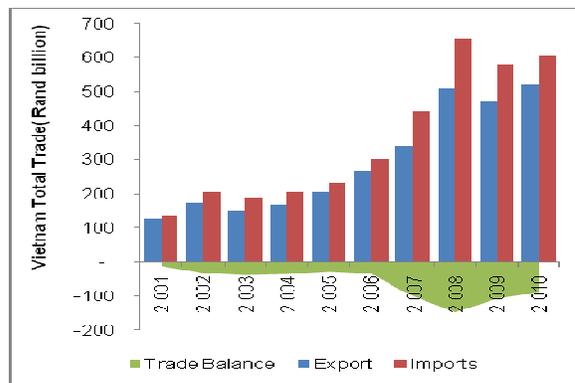
Vietnam's trade with the world has been strengthening over the last decade, driven by the government's approach of integrating the country into the international community. Imports have been increasing more than exports. The negative trade balance have increased from ZAR 10 billion in 2001 to over R 88 billion in 2010 (see **Figure 19**).

Imports have increased significantly since 2007, the year in which Vietnam became a member of the WTO. Between 2001 and 2006, Vietnamese imports of all commodities increased at an annual rate of 19 %, and between 2007 and 2010, imports grew by an annual rate of 22 %. This growth in imports can largely be attributed to the reduction of tariffs as the country reduced its tariff levels to conform with the WTO requirements.

The main commodities imported into Vietnam by value include petroleum, iron and steel, telephone sets and copper products. On the export side, the principal exports from Vietnam included petroleum oil, footwear, rice, coffee and textile products. Over the last ten years, Vietnam's exports in all commodities have been growing at an average rate of 18 % per annum.

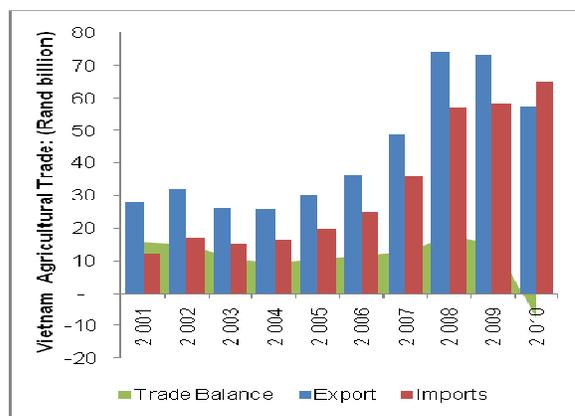
**Figure 20** represents Vietnam's agricultural trade with the world between 2001 and 2010. Agricultural imports into Vietnam increased from R 11.9 billion in 2001 to over R 64.8 billion in 2010, registering a growth of 442 % in ten years. The largest growth in imports was observed in 2007 and 2008, directly after

Vietnam joined the WTO. The main products imported by Vietnam included wheat, beverages, cotton, palm oil, soybean oil and prepared food. The top five imported products accounted for 23 % of total agricultural imports, indicating that Vietnam's imports are not concentrated in a few products. Other products showing an increase in imports include milk products, meat, fruits and vegetables.



**Figure 19:** Vietnam trade in all commodities with the world: 2011-2010

Source: ITC-Trade Map, 2011



**Figure 20:** Vietnam Agricultural trade with the world: 2001-2010

Source: ITC-Trade Map, 2011

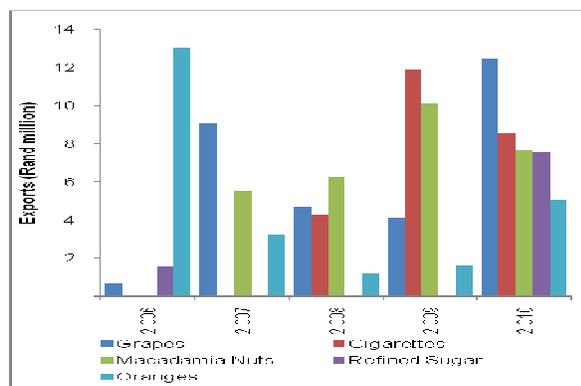
The main suppliers of cereal products to Vietnam are Australia, Thailand and Brazil, accounting for 75 % of total cereal imports. Meat products are supplied by USA, Japan and Australia, collectively occupying 86 % of the total market share for meat imports. Beverages are imported from Singapore, Malaysia and China, and fruit and vegetables are mainly sourced from China, Thailand and the USA. On the export side, Vietnam is one of the world's largest exporters of rice, coffee and cashew nuts. These three commodities collectively accounted for more than half of the country's agricultural revenues in 2008. The main destination markets for Vietnam's rice exports are the Philippines and Malaysia, and for coffee exports the USA and Germany.

### - Vietnam's trading relationship with South Africa and opportunities for growth

Vietnam is South Africa's 69<sup>th</sup> largest destination market for agricultural products. South Africa's

<sup>6</sup> This article was compiled by Mr. Sifiso Ntombela (of the NAMC)

agricultural exports to Vietnam amounted to R 61 million rand in 2010, up from ZAR 47 million in 2009. In 2010, the main commodity exported was fresh grapes, followed by cigarettes, macadamia nuts, refined sugar and fresh oranges. The top five products collectively accounted for 68 % of South Africa's agricultural exports to Vietnam (see **Figure 21**). Noteworthy is that South African agricultural exports to Vietnam grew at an average annual rate of 22 % between 2006 and 2010; however, this is from a low base. Considering the size of the Vietnamese market (see **Table 9**), it appears that there is substantial room to expand South African agricultural exports to this market.



**Figure 21:** South African agricultural exports to Vietnam: 2006-2010

Source: WTA, 2011

**Table 9** presents the top 20 products imported by Vietnam from the world in 2010. These products account for 38 % of total imported agricultural products. Between 2006 and 2010, importation of these products grew by an annual average rate of 76 % and 49 %, measured in value and quantity terms respectively. South Africa is one of the largest producers and exporters of the products listed in **Table 9**.

However, in order for South Africa to enjoy the trade opportunities presented by Vietnam, considerable action should be taken to reduce the tariff rates faced by South African exports and improve the country's awareness through generic promotions in the Vietnam market. Moreover, South Africa has a good reputation for high quality food and this should count as a comparative advantage towards South Africa when it expands its market share in the Vietnam market.

At present, the largest barriers to South Africa's agricultural exports to Vietnam are high tariff rates and a low awareness of South African products (see **Table 9**). On average, South African agricultural exports face a tariff rate of 19 %. Furthermore, Vietnamese consumers prefer imports from the USA and Europe, but this mindset can be changed through consumer educational promotions.

**Table 9:** Vietnam's agricultural imports from the world and tariffs applied to South Africa

HS Code	Product label	Trade Indicators		
		Import Value: 1000US\$	Annual Quantity Growth (%): 06-10	Tariff applied by Vietnam to SA (5 %)
<b>Vietnam's total agric imports</b>		<b>8 923 326</b>	<b>15.8</b>	
100190	Wheat	466 733	23.0	5
220820	Wine spirits	389 786	-	55
520100	Cotton	342 600	33.0	0
151190	Palm oil	298 555	4.0	15
230400	Soya-bean oil	272 834	77.0	0
210690	Food preparations	256 590	23.0	17
071239	Dried mushrooms	209 254	174.0	30
230990	Animal feed	203 487	20.0	1
170199	Refined sugar	119 235	79.0	40
030379	Fish	101 916	39.0	n/a
220290	Non-alcoholic beverages	100 680	73.0	31
020230	Bovine cuts boneless	84 609	50.0	15
100590	Maize (corn)	84 508	24.0	18
410150	Hides & skins	78 796	21.0	n/a
020220	Bovine cuts bone	67 852	154.0	20
080810	Apples, fresh	65 117	24.0	15
230110	Flours	64 746	41.0	0
080610	Grapes, fresh	55 964	42.0	15
170290	Raw sugar	47 687	71.0	6
060290	Plants, live	46 554	-	0
<b>Total of the Top 20 Imports</b>		<b>3 357 503</b>	<b>48.6</b>	
<b>% contribution to total agric imports</b>		<b>38 %</b>		

Source: ITC Trade Map & Access Map, 2011

– **Distribution channels and consumer behaviour in the Vietnam Market**

The bulk of imported products still enter Vietnam via the local licensed importing companies, distributors or wholesalers. Noteworthy is that most food importers are also distributors. They often move their imported products directly to big retailers in urban areas and let wholesalers and their agents help move their products to the thousands of small retailers in both urban and rural areas.

The biggest barrier in Vietnam's distribution channel is poor infrastructure, especially for perishable agricultural products. Infrastructure is characterised by out-dated technology and poor understanding of handling practices. This leads to rapid deterioration in the quality of the imported products. The bulk of perishable products is sold in the wet market (directly from the shipping containers to small retailers.) to ensure the product is sold under the right conditions.

– **Concluding remarks**

Vietnam is an emerging market that presents a large opportunity for food products. The market is different from the developed European markets both physically (i.e. retail sector, infrastructure, urbanisation and distribution channels) and psychologically (i.e. way of doing business and pricing mechanism). This means that South African exporters must spend time and effort understanding the business principles and operations of the Vietnam market. The level of trust between an exporter and the Vietnam importer is a key factor for success, and that is what South African exporters should strive to achieve before initiating sales to Vietnam. Having a good relationship with Vietnam importers will mean good local representatives at both traditional and modern retailers, which will effectively facilitate sales and reduce the risk of losing products.

Considerable effort should be afforded to reduce the tariff rates faced by South African exports entering Vietnam. Efforts at reducing tariff rates should be followed by strong consumer educational campaigns that will increase the awareness of South African products in Vietnam. Opening and developing the Vietnam market will mean more options to sell for South African producers, which will then trigger export growth and subsequently translate into more production and employment back in South Africa.

**7. ANALYSIS OF NEW EXPORT POTENTIAL TO THE IRANIAN MARKET<sup>7</sup>**

The objective of the section is to determine which products have the potential to be exported to Iran. It must be noted that data that was supplied for 2006 was United Nations data. Since 2006 the UN doesn't supply data on Iran anymore. The source of data was therefore the World Trade Atlas (WTA).

The most important agricultural products exported by South Africa to Iran in 2010 are indicated in **Table 10**.

**Table 10:** Exports of the most important agricultural products by SA to Iran (R million – Array based on 2010)

HS Code	Description	2008	2009	2010
	Total Agricultural Products	371.0	387.5	192.3
080510	Oranges, fresh or dried	16.8	82.9	66.2
100590	Maize (corn)	67.7	60.3	63.8
080610	Grapes, fresh	3.0	13.7	21.9
080820	Pears and quinces, fresh	7.8	5.9	6.2
080520	Mandarins	1.1	5.6	5.5
080810	Apples, fresh	6.0	8.3	4.7
240310	Smoking tobacco	35.0	84.6	4.5

Source: World Trade Atlas (Revised data), 2011.

The methods used to determine products that have the potential to be exported from South Africa to Iran are: trade potential index (TPI) and "trade chilling". The TPI focus on products that are already traded between countries (trade deepening – current trade is only one factor of the TPI), while "trade chilling" focuses on products that are not currently traded between countries, but have the potential to be traded (trade widening).

**Table 11** indicates the top 10 agricultural products that have potential to be exported to Iran according to the TPI based on 2006 information. The criteria that were used for scoring the TPI is as follows: existence of current trade, growth in import demand, export growth, Indicative Trade Potential (ITP) and the unit value. As existence of current trade was only one of the criteria used to draw up the TPI, the product can still score a high score in the TPI, even if there was no trade in the product between South Africa and Iran.

**Table 12** indicates the top 10 products with the potential to be exported to Iran by South Africa, based on trade chilling (products that Iran and SA are trading with the rest of the world, but not with each other). It is noted that some of the products are under both the TPI and the trade chilling. The reason for this is that current trade is only one of the factors considered, when the TPI was constructed.

Potential exists to increase trade in agricultural products with Iran. However, the ban on the opening of letters of credit or to transfer funds to and from Iran through the banking system can be an important factor discouraging trade with Iran. When trade with Iran is considered it may be advisable to look at other methods of payment rather than letters of credit, e.g. use a third party to handle the letters of credit problem or make use of barter trade.

<sup>7</sup> Contribution by Gert van Rensburg, Directorate International Trade, Department of Agriculture.

**Table 11:** Top 10 agricultural products for export to Iran by SA according to the TPI method for 2006. (Value of exports is for 2010 and value of imports from the world is for 2006).

HS 6 code	Value of exports by SA in 2010 (R million)	Value of Iranian imports from the world in 2006 (US\$'000)	Iranian Product label	Tariff 2010
120991 - Seeds, vegetable	1.0	17 181	1209 91 00 - Vegetable seeds	4 %
240220 - Cigarettes	0	157 140	2402 20 00 - Cigarettes - tobacco	4 %
210690 - Food preparations	0	30 997	2106 90 60 - Improver 2106 90 70 - ALGOMED algae 2106 90 80 - Complementary food 2106 90 90 - Other	30 % 4 % 25 % 20 %
240120 - Tobacco	0	7 544	2401 20 00 - Tobacco, stripped	4 %
230990 - Animal feed preparations	3.0	19 887	2309 90 10 - Food for shrimps 2309 90 20 - Food for other cultured aquatic life 2309 90 90 - Others:	4 % 20 % 15 %
510121 - Degreased shorn wool	0	9 498	5101 21 00 - Shorn wool	4 %
040210 - Milk powder not exceeding 1.5 % fat	0	18 457	0402 10 10 - Powdered milk for consumption by infants, vacuum-packed, and in packages of one kg or less 0402 10 90 - Other	10 % 4 %
151620 - Vegetable fats and oils	0	12 798	1516 20 10 - Oil substitute of C.B.S. 1516 20 20 - Oil of CBE 1516 20 90 - Other	4 % 4 % 5 %
190110 - Preparations of cereals, flour, starch/milk for infant use	0	38 264	901 10 00 - Prep for infant use	4 %
020230 - Bovine cuts boneless, frozen	0	107 234	0202 30 10 - Hindquarter 0202 30 20 - Strip loin 0202 30 30 - Forequarter cuts 0202 30 90 - Other	4 % 4 % 4 % 4 %

Source: WTA, Trademap as adapted and Commercial Section, SA Embassy, Tehran, Iran

**Table 12:** Top 10 agricultural products for export to Iran by SA according to trade chilling for 2006

HS 6 Code	Product Description	Value of exports by SA in 2010 (R million)	Value of Iranian imports from the world in 2006 (US\$'000)
100590	Maize (corn)	0	243 180
240220	Cigarettes containing tobacco	0	157 140
170199	Refined sugar, in solid form	0	139 940
210690	Food preparations	0	30 997
240120	Tobacco, unmanufactured	0	7 544
151219	Sunflower-seed/safflower oil	0	3 226
200820	Pineapples	0	6 381
100630	Rice, semi-milled or wholly milled	0	357 608
520100	Cotton, not carded or combed	0	2 569
510121	Degreased shorn wool	0	9 498

Source: WTA, Trademap as adapted and Commercial Section, SA Embassy, Tehran, Iran

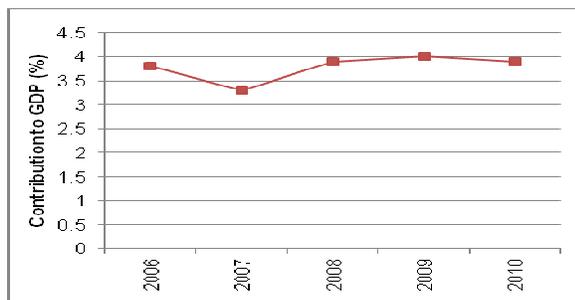
This abstract indicates only the top 10 products identified by the TPI and trade chilling. Info about more products and the basic study is available from GertVR@daff.gov.za.

## 8. AGRICULTURE, FORESTRY & FISHERIES TRADE BETWEEN SOUTH AFRICA AND AUSTRALIA<sup>8</sup>

This section is an overview of South Africa's agriculture, forestry and fisheries trade with Australia and highlights possible trade opportunities for maximising and strengthening trade. Australia's agriculture sector is one of the most market-oriented sectors amongst the Organisation for Economic Cooperation and Development (OECD) countries; however its contribution to the Gross Domestic Product (GDP) remains relatively small. The contribution of the sector has been fairly stable at an average of 3.78 % over the past five years, and has provided work to around 3.3 % of the employed population. Australia has a competitive net exporting agricultural sector.

Almost 93 % of Australia's food supply is produced domestically. In terms of value, it exports around 67 % of its total agricultural production. However, in 2010, its contribution to the GDP declined from 4 % to 3.9 % due to the impact of severe drought and exchange rate appreciation. **Figure 22** shows the percentage contribution of the agricultural sector to the GDP over the past five years.

<sup>8</sup> The authors, Sphamandla Mazibuko & Sheila Netshiozwi are Agricultural Economists at the Directorate International Trade, Department of Agriculture, Forestry & Fisheries (DAFF).



**Figure 22:** % contribution of Australia's agriculture sector to the GDP

Source: Economist Intelligence Unit, 2011

The share of Australian agriculture in the total GDP in 2010 was 3.9 % while the manufacturing and the services sectors commanded 25.6 % and 70.5 %, respectively.

#### - Forestry trade

South Africa is ranked 22<sup>nd</sup> as a supplier of forestry products to Australia. The three leading suppliers are Indonesia, China and Thailand. South Africa's exports constituted 1.18 % of Australia's total forestry imports from the world in 2010.

**Table 13** reflects the top five exports to Australia and top five imports from Australia. South Africa's top five exports to Australia constituted an average of 84 % of the total forestry products exported to Australia over the last six years (2005-2010). The top five forestry imports from Australia constituted 62 % of South Africa's total forestry imports from Australia over the past six years. The trade balance of R 73.5 million was in favour of South Africa over the last six years. The pattern shows that the exports are mainly intermediate products and the imports are finished goods.

#### - Fisheries Trade

South Africa is ranked 14<sup>th</sup> as an import source of fisheries products by Australia. The three leading suppliers are Spain, Italy and Hong Kong. South Africa supplied 1.81 % of total world fisheries exports to Australia. **Table 14** shows the leading exports and imports from Australia. The top five traded fish products enjoy zero MFN rates in both countries. The top five exports constituted 88.3 % of the total over the last six years. By contrast, the top five imports constituted only 50 % of the total fish imports from Australia. The trade balance is largely skewed in favour of South Africa.

**Table 13:** SA-Australia trade in forestry

Exports [2005-2010]			Imports [2005-2010]		
HS code and description	Value (Rand million)	MFN rate	HS code and description	Value (Rand million)	MFN rate
<b>Total exports</b>	<b>172.4</b>		<b>Total imports</b>	<b>98.9</b>	
470329- Chemical wood pulp	86.2	0	480439 - Kraft Paper	21.1	0
480419 - Kraft Liner	22.7	5	490199 - Books, Brochures	14.5	0
480240 - Wallpaper Base	14.8	5	480459 - Kraft Paper	11.0	0
460199 - Plait Mat'L	11.5	0	480411- Kraft Liner	7.5	0
470730 - Rec (Waste & Scrap)	9.7	0	480449- Kraft Paper	7.4	0

Source: Global Trade Atlas & Market Access Map, 2011

**Table 14:** SA-Australia trade in fisheries, 2005-2010

Exports [2005-2010]			Imports [2005-2010]		
Description	Value (Rand million)	MFN rate	Description	Value (Rand million)	MFN rate
<b>Total exports</b>	<b>79.8</b>		<b>Total imports</b>	<b>3.0</b>	
030420 - Fish Fillets	41.2	0	030379 - Fish	1.4	0
030549 - Fish	14.8	0	030420 - Fish Fillets	0.1	0
030375 - Dogfish	7.3	0	030333 - Sole	0	0
160412 - Herrings Prep	4.2	0	030729 - Scallops	0	0
160420 - Fish	3.0	0	030749 - Cuttle fish and squid	0	0

Source: Global Trade Atlas & Market access map, 2011

#### - South Africa's exports of agriculture, forestry and fisheries products to Australia

South Africa was ranked 28<sup>th</sup> as a supplier of agriculture, forestry and fisheries products to Australia in 2010, with a contribution of 0.6 % of total imports to Australia. The top 5 agriculture, forestry and fisheries products exported by South Africa to Australia are chemical wood pulp, sauces, canned peaches, wine and canned fruit mixtures. These are all value added

or high-value products. The top five exports account for 36.4 % of Australia's agriculture, forestry and fisheries imports from South Africa in 2010 and 22.6 % over the last five years.

Australia is not a significant export market destination for South Africa as it only accounts for 1.0 % of South Africa's total agriculture, forestry and fisheries exports to the world. Agriculture, forestry and fisheries exports accounted for only around 6.8 % of South Africa's

total exports to Australia in 2010. **Table 15** captures South Africa's top five agriculture, forestry and fisheries exports over the last five years, the MFN applied tariff and the top three suppliers to Australia. New Zealand, USA and Thailand are South Africa's major competitors in Australia's market.

**Table 15:** South African top exports of agriculture, forestry and fish products to Australia, 2010

HS Code	Product	Value (Rand million)	MFN rate %	Competitors
	Agri/Fish/Forest Products			
		477.9	1.13*	New Zealand, US & Thailand (SA 28th)
470329	Chemical wood pulp	22.7	0	Brazil, Canada & Chile (SA 4th)
210390	Sauces and preparations	22.4	0	New Zealand, USA & Thailand (SA 10th)
200870	Peaches	24.0	5	China, Greece & Spain (SA 1st)
220421	Grape wines	23.4	5	New Zealand, France & Italy (SA 5th)
200892	Fruit mixtures	15.8	0	China, New Zealand & Greece (SA 2nd)

Source: Global Trade Atlas and MacMap, 2011

\* This is the average MFN applied tariff for agricultural products imported by Australia.

It is, however, interesting to note that the bulk of South Africa's agricultural exports to Australia (90 %) are value added products. Australia has a highly diversified agricultural sector and strict Sanitary and Phyto-sanitary (SPS) regulations; hence access is only to niche markets.

There is no preferential trade agreement between South Africa and Australia. Trade takes place through the Most Favoured Nation (MFN) trade regime. However, Australia has a relatively low average applied tariff of 1.13 % for agricultural products. While most of their tariff lines are duty-free, a few sensitive products such as cheese, certain vegetables, nuts, fruits oils and fats continue to receive some tariff protection of 5 %. The sector also receives around 22 % of government assistance in various forms of subsidies, mainly in research and development.

Australia is ranked 13<sup>th</sup> as a supplier of agricultural products to South Africa. **Table 16** shows that South Africa's top five agriculture, forestry and fisheries imports from Australia are wheat & meslin, pure-bred breeding horses and asses, bovine, sheep and goat fats, sheep cuts and bovine edible offal. South Africa's top five suppliers of these products are Argentina, the UK, Germany, China and Brazil. Amongst the top five imports from Australia, it is only sheep cuts (020442) that are levied a relatively high tariff of 40 % while others benefit from a 0 % MFN tariff.

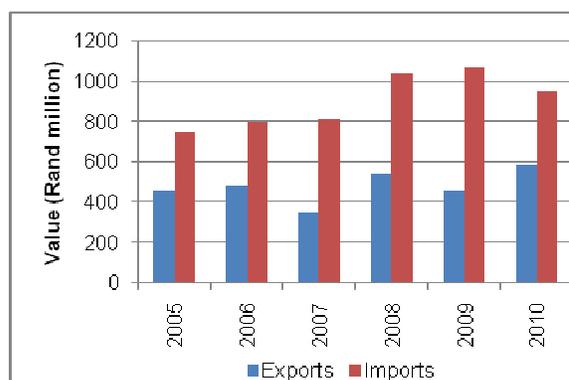
**Table 16:** SA's top agriculture, forestry and fisheries imports from Australia, 2010

HS Code	Product	Value (Rand mill)	MFN rate %	Competitors
	Agri/Fish/Forest Products			
		902.4	9.44*	Argentina, UK & Germany
100190	Wheat and Meslin	83.8	0	Indonesia, Vietnam & Japan
010110	Purebred Breeding Horses and Asses	28.4	0	New Zealand, Hong Kong & Singapore
150200	Bovine, Sheep or Goat Fats	32.5	0	China, Pakistan & Chinese Taipei
020442	Sheep Cuts	105.1	40	US, China & Iran
020629	Bovine edible offal	38.6	0	Japan, Korea & Hong Kong

Source: Global Trade Atlas & Market Access Map, 2011

\* This is average MFN applied tariff for agricultural products in South Africa.

South Africa's average MFN applied tariff for agricultural products is relatively higher at 9.44 %. However, Australia applies strict SPS measures to keep agricultural raw material and fresh products out of its market. The agriculture, forestry and fisheries trade balance has remained largely skewed in favour of Australia over the last six years (**Figure 23**). The trend has been fairly constant over the last six years, with 2008 and 2009 showing the largest trade deficits.



**Figure 23:** Agriculture, forestry and fish trade balance between South Africa and Australia, 2005-2010

Source: Global Trade Atlas, 2011

## Conclusion

Australia provides a relatively good market for South Africa's value added products, but makes it difficult for fruits and meat products on SPS grounds. Given Australia's relatively low tariff protection, the major challenges in that market could be a combination of non-tariff barriers, local competition or limited capacity on the part of South Africa.

© 2011. Published by the National Agricultural Marketing Council (NAMC) in cooperation with the Department of Agriculture, Forestry and Fisheries (DAFF), Republic of South Africa.

### Disclaimer:

Although everything has been done to ensure the accuracy of the information in this TradeProbe, the NAMC and the DAFF accept no responsibility for the accuracy of this publication or the opinions contained therein. Neither the NAMC nor the DAFF will be held accountable for the consequences of any actions taken on the basis of this information.