



## INTERNATIONAL *TradeProbe*

No. 43, January 2013

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 and reporting on trade statistics, to invite perspectives from people working in related sectors, to report on trade-related research and to stimulate debate.

### This issue of *TradeProbe* covers the following topics:

- Market profile of olive oil, virgin – HS Code: 150910
- Trade profile of potatoes (HS 0701)
- BRICS on cereal crops (HS 10)
- Agricultural trade between South Africa and Africa
- Western Cape farm workers' strike and summer fruit exports: How significant could the impact be?

### 1. MARKET PROFILE OF OLIVE OIL HS CODE (150910)<sup>1</sup>

According to the olive oil quotation (2013), Spain is the world's biggest producer of olive oil, accounting for about 37 % of world production, with 75 % of that coming from the Andalusia area. The second largest producer is Italy, with 24 % of world production. Important to note is that Italians consume 10 quarts of olive oil per person per year. Although Italy does not produce enough oil for their domestic consumption, they are one of the largest exporters of olive oil in the world. Much of their oil is imported, bottled and re-exported as an Italian product. Spain Greece and Tunisia are their major suppliers.

Greece is the third largest producer with 22 % of world production, and Tunisia is the fourth biggest producer with 9 % of the world production. Other countries that produce significant amounts of olive oil are Turkey (7 %), Syria (7 %) and Morocco (2 %). These seven countries collectively account for 90 % of world production. According to South African Olive Industry Association, South Africa's total olive oil production was 490 tons in 2004, compared with total world output of about 3 million tons.

#### World Trade characteristics for selected product

World imports of olive oil (150910) in 2011 amounted to 4 billion US dollars. The growth in quantity was at

5 % between 2007 and 2011 while there was a negative growth in value of 1 % during the same period. The growth in export value during the same period was a negative 1 % and the growth in quantity was 5 %. The negative growth in value of imports and exports is dependent on the decrease/ increase of the unit value (USD/unit) measured for that period.

**Table 1** shows the world's leading importers and exporters of olive oil. The top three importers of olive oil account for a 52 % market share (of the total imports), indicating that imports of olive oil are not concentrated. The top three exporters of olive oil account for 82 % market share of the total exports, indicating that exports are concentrated within the top three markets.

**Table 1:** World's leading importers and exporters of olive oil in 2011

Importers	World Import Share: %	Import Value, US\$ million	Exporter	World Export Share: %
Italy	28	1624601	Spain	45.6
USA	16.5	960077	Italy	29.9
France	7.2	415691	Greece	6.6

Source: ITC Trade Map, 2013

#### South Africa's export performance for olive oil, virgin:

South Africa's exports represent 0.01 % of world exports for olive oil product; its (South Africa's) ranking in world exports was 40 in 2011. The average distance of importing countries is 4632 km, which is calculated by the average distance of supplying or importing countries and corresponds to the average distance between the selected country and all its partner countries weighted by trade values. The ITC trade map provides average distances between a country and its trading partners.<sup>2</sup>

**Table 2** illustrates SA imports and exports of olive oil. The top three countries supplying SA with olive oil account for a 94 % market share of total imports. The

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

<sup>2</sup> CEPII database (Mayer T. & S. Zignago (2006), 'GeoDist: the CEPII's distances and geographical database', MPRA Paper 31243).

top three suppliers are Italy, Spain and Greece, respectively accounting for 47 %, 38 % and 9 % of the total imports in 2011. The top three countries importing South Africa's olive oil are Zambia, Malawi

and United Kingdom, respectively accounting for 21 %, 13 % and 12 % of total exports in 2011.

**Table 2:** South Africa imports and exports of olive oil, virgin in 2011

SA Suppliers	Share in World Imports %	Value of import, SA million	Destinations Markets for SA	Share in World Imports %	Value of exports, SA million R in 2011
Italy	46.7	65.00966	Zambia	20.5	0.913088
Spain	38.0	52.79924	Malawi	13.0	0.579277
Greece	8.9	12.38884	UK	12.1	0.538013
Portugal	2.8	3.91366	Zimbabwe	8.4	0.374705
Turkey	1.1	1.57266	Belgium	8.1	0.358606

Source: World Trade Atlas, 2013

Using the ITC Attractive Market Indices methodology, shows that China, Mozambique and the United States of America are the most attractive markets for South African olive oil exports (see Table 3 in Appendix A). These markets present an opportunity for South Africa to explore, as they possess large trade opportunities. While maintaining the traditional markets (e.g. Zambia, Malawi and the UK), South Africa can diversify and expand its market footprint to these new alternate markets, which present large export opportunities in terms of market size, market location and tariff rates. Table 3 is in the Appendix 1

## 2. TRADE PROFILE OF POTATOES (HS 0701)<sup>3,4</sup>

### Background

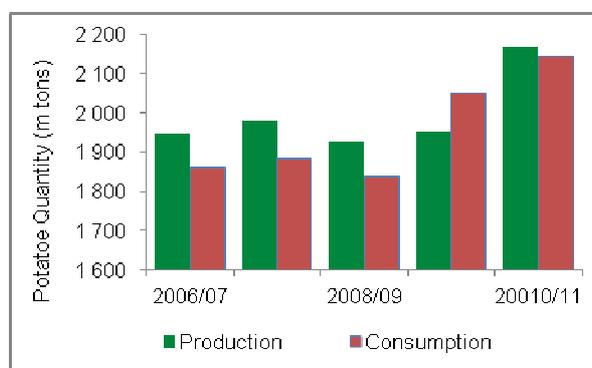
South Africa is the fourth largest producer of potatoes in Africa, with Malawi being the first, Egypt second and Algeria being the third. In 2010, the SA potato industry contributed approximately 53 % to the total gross value of vegetable production in the country, 12 % of horticultural products and 3 % of total agricultural products. The main potato-producing provinces in SA are Limpopo, Free State and Western Cape. The leading domestic markets are Johannesburg and Tshwane fresh produce markets with 31 % and 18 % market share of the total domestic market.

### Potato production and consumption in South Africa

South African production of potatoes has shown some fluctuations in the past five years and these could be attributed to changes in weather patterns.

**Figure 1** shows that the production of potatoes expanded from 1.9 million tons in 2006/7 to 2.16 million tons in 2010/11. Consumption has also increased from 1.8 million tons in 2006/7 to 2.14 million tons in 2010/11, which includes fresh and frozen potatoes. When observing the trend of production and consumption, it is evident that SA is self-sufficient in this product. However, this could change given the consistent rise in the consumption rate, which outpaces the production growth rate. In addition, when comparing South Africa's yield per hectare for potatoes with other Southern African countries in **Figure 2**, it is clear that SA dominates

the region. It is worth noting that Namibia has improved its potato yield significantly since 2006 while the yield in Lesotho has gradually declined. Clearly, production can be promoted in the region, particularly at the subsistence level, in order to boost food security.



**Figure 1:** South Africa's production and consumption of potatoes

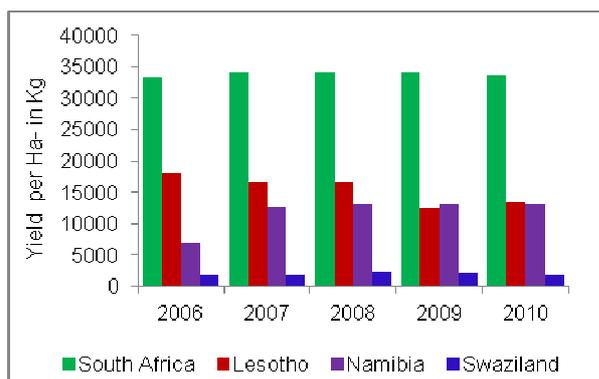
Source: DAFF, Abstracts of Agricultural Statistics 2012

However, recently the SA potato industry has reported an increase in the importation of frozen French fries from Europe that negatively affects the local potato processing industry. The volume of frozen French fry imports has increased from a level of 15,460 tons in 2009, to 46,903 tons in 2010, and 30,054 tons in 2011. This affects employment in this sector. The three largest producers of frozen French fries jointly employ approximately 1060 workers.

Thus, even though SA is a major player in the southern Africa potato industry, it is still faced with challenges from the developed economies. The SACU and perhaps the SADC should take a strong regional position to prevent excessive imports resulting in damage to the local industry.

<sup>3</sup> This article was compiled by Sphamandla Mazibuko of DAFF.

<sup>4</sup> Sources of data & information: Potato South Africa, Abstracts of the DAFF Agricultural Statistics, ITC Trade Map 2012 and Global Trade Atlas 2012. The author is Fundisiwe Cwele, an Agricultural Economist with the Department of Agriculture, Forestry and Fisheries, Directorate International Trade.



**Figure 2:** South African yield per hectare of potatoes compared to other Southern African countries  
**Source:** Food and Agricultural Organisation, Country Statistics 2012

### World trade in potatoes

**Table 4** indicates that total world exports of potatoes amounted to R 31.9 billion, and the leading exporters are Netherlands, France and Germany. They accounted for 46 % of world exports in 2011. Egypt is the only African country that is in the top 10 exporters of potatoes in the world, with a 5.8 % share in world exports. This clearly shows Africa's position in the potato industry in the world. South Africa is ranked 25th in the list of exporters in the world and its market share is 0.45 %. It is evidence that the top exporters are also the top importers of potatoes in the world, and this is due to seasonal and processing factors.

**Table 4:** Leading exporters of potatoes in 2011

Country	Exports [R 'm]	% share in world exports
Netherlands	7 119	22.3
France	4 955	15.5
Germany	2 805	8.8
Egypt	1 848	5.8
Canada	1 649	5.2
USA	1 593	5.0
United Kingdom	1 377	4.3
Belgium	1 321	4.1
China	1 232	3.9
Israel	760	2.4
<b>Total World export</b>	<b>31 971</b>	<b>100</b>

**Source:** ITC Trade Map, 2012

**Table 5** below shows the total value of potatoes imported from the world. In 2011, they amounted to R34.3 bn. The Russian Federation is the leading importer of potatoes in the world, followed by Belgium and the Netherlands and their total shares in world imports accounted for 15.3 %, 6.6 % and 6.6 % respectively. Again, Egypt is the only African country in the top 10 world importing countries, with a share of 2.6 % in 2011.

**Table 5:** Leading importers of potatoes in the world in 2011

Country	Exports [R m]	% share in world exports
Russian Federation	5 241	15.3
Belgium	2 606	6.6
Netherlands	2 253	6.6
Germany	1 950	5.7
Spain	1 872	5.5
Italy	1 795	4.1
USA	1 400	4.1

United Kingdom	1 058	3.1
Egypt	904	2.6
Canada	890	2.6
<b>Total World Imports</b>	<b>34 340</b>	<b>100</b>

**Source:** ITC Trade Map 2012

### South Africa's trade in potatoes

South Africa's exports of potatoes to the world amounted to R115 million over the past three years. Mozambique, Angola and Zimbabwe were the top importers of SA's potatoes with values of R52 m, R32 m and R14 m respectively (Table 6). The largest volume of SA's potatoes is bought by African countries, specifically Southern African Development Community (SADC) countries (i.e. Malawi, Mozambique, Zambia and Zimbabwe). These exports benefit from the SADC FTA. South Africa also benefits from the duty-free, quota free non-reciprocal market access granted by the US through the AGOA Scheme. SA's imports of potatoes amounted to R118 m and they were mainly from Zambia, Zimbabwe and Netherlands. South Africa's MFN rate on potatoes is 15 %. Figure 1 reflects South Africa as a surplus producer of potatoes, with production exceeding consumption. However, Egypt, the major importer and exporter of potatoes in Africa, is not a major trading partner for South Africa and SA does not export potatoes to Egypt.

**Table 6:** South Africa's leading import source and export destination for potatoes [2009- 2011]

Country	Average Exports [R '000]	Country	Average Imports [R '000]
Mozambique	52 678.1	Zambia	65.23
Angola	32 464.2	Zimbabwe	16.78
Zimbabwe	14 381.1	Netherlands	12.75
Zambia	7 007.7	Other	11.06
Congo	1 929.8	Nigeria	5.19
Congo Rep	1 843.7	Germany	2.43
Saint Helena	894.6		
Malawi	687.0		
Nigeria	290.8		
Hong Kong			
China	175.7		
	<b>115</b>		
<b>World</b>	<b>797.31</b>	<b>World</b>	<b>118.27</b>

**Source:** ITC Trade Map, 2012

### Conclusion

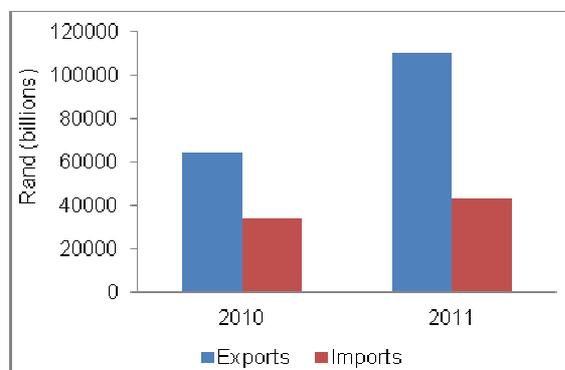
The analysis of the potato trade reveals that South Africa is not a major player compared to other countries in Europe in terms of exports. The export market destination for potatoes is largely concentrated in the SADC region. The currently negotiated Tripartite FTA between COMESA-SADC and the EAC has the potential to unlock a bigger regional market for SA's export of potatoes. The preferential trade through the Tripartite FTA could increase SA's market share. However, it could also introduce strong competition from Africa's major potato producer, Egypt. With the production of potatoes showing an increase, South Africa has the potential to supply other African markets in future.

### 3. BRICS TRADE IN CEREAL CROPS<sup>5</sup>

Cereal crops serve as staple foods for many countries. Maize is a popular staple food for South Africa and other African countries. However, Africa's dependence on staple food imports (such as rice and wheat because of evolving diets) is increasing and is projected to double in 8 years' time (2020).<sup>6</sup> Africa has limited exports of processed staple foods to other parts of the world. This article outlines the movement (trade) of cereal crops among the BRICS countries.<sup>7</sup>

BRICS cereal exports grew in value by 2.8% between 2008 and 2009. When South Africa joined the BRICS bloc in 2010, it contributed R1.1 million worth of cereal crop exports. South Africa accounted for 19% and 5.5% of imports and exports respectively to the BRICS cereal crop account in 2011. In 2011, about 9.3% of the BRICS cereal export value was supplied to Egypt, Saudi Arabia and Iran. Africa as a whole imported 27.3% of the BRICS total cereal crop and Egypt was the leading importer accounting for 34% of these imports, which is equivalent to R10.2 million.

**Figure 3** illustrates that BRICS's exports of cereal crops are more than imports (meaning BRICS is a net exporter of cereals). The value of cereal crop exports and imports grew by 71.5% and 29.9% respectively between 2010 and 2011. Even though BRICS is a net exporter of cereal crops, South Africa has a negative trade balance of cereal crops. As such, South Africa could be argued as a net importer because of wheat and rice.



**Figure 3:** BRICS Imports and exports of cereal crops  
Source: ITC, Trade Map, 2012

#### Exports to the world

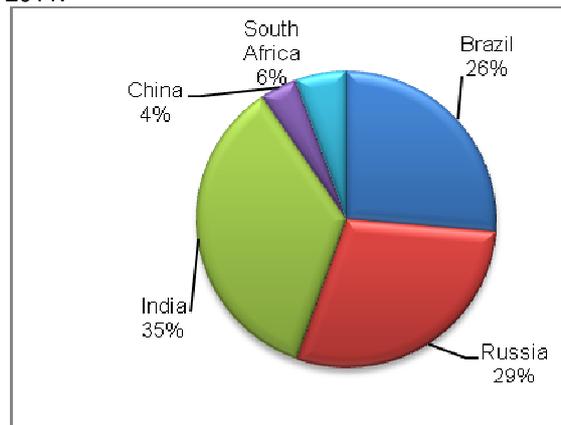
All BRICS countries had a positive growth, but India exported more than all the other BRICS countries with China being the smallest exporter of cereal crops having a share value of only 4%. Brazil<sup>8</sup> accounted for more than a quarter (29.4%) of cereal crops exported to the world. In 2011, Brazil supplied the

<sup>5</sup> This article was compiled by Masego Moobi of the NAMC.  
<sup>6</sup> Hazell, P. and Poulton, C. (2007). All African review of experience with commercial agriculture: case study on food staples. Center of Environmental Policy, Imperial College. UK.  
<sup>7</sup> BRICS is made up of Brazil, the Russian Federation, India, China and South Africa.

<sup>8</sup> Is a point of concerns to South Africa as it is making in row into the African market.

world market with R29.0 million worth of cereal crops. This grew by 53% from 2010 to 2011.

**Figure 4** shows the cereal export share of each BRICS country in 2011. India accounted for 35% of total BRICS cereal exports in 2011. Russia and Brazil ranked second and third, having a share in BRICS of 29% and 26.4% respectively, while South Africa and China's share of exports was 10% combined. Most of South Africa's maize went to Mexico. In 2011, South Africa was third for countries supplying cereal crops to Mexico. The value of exports from South Africa to Mexico grew by 56.9% while Brazil's exports to Mexico grew by 2.2 between 2010 and 2011.



**Figure 4:** Exports of cereal crops by BRICS in 2011  
Source: ITC, Trade Map, 2012

**Table 7** shows the main cereal crops exported by the BRICS bloc. BRICS generated the highest cereal crop export income from exporting rice. BRICS exported R37.5 million worth of rice in 2011, with South Africa exporting only 0.4% of that rice. India was a leading exporter of rice in BRICS countries, accounting for 78.0% of value of exported rice. South Africa had the highest share in exporting maize relative to its share of other cereal crops. South Africa accounted for 16.8% of maize exported from BRICS, which grew by a value of 161.5% between 2010 and 2011. Brazil exported the highest value of maize, accounting for 56.4% of maize exported to the world from BRICS.

**Table 7:** Export of cereal crops by BRICS and South Africa

HS codes	Description	BRICS	SA share
		Rand (millions) 2011	(%) 2011
1005	Maize	34.6	16.8
1007	Grain sorghum	0.3	2.0
1003	Barley	3.6	0.1
1006	Rice	37.5	0.4
1001	Wheat and meslin	32.7	0.2
1002	Rye	0.1	2.9
1004	Oats	0.04	3.8
1008	Buckwheat, millet & canary seed	0.3	3.2

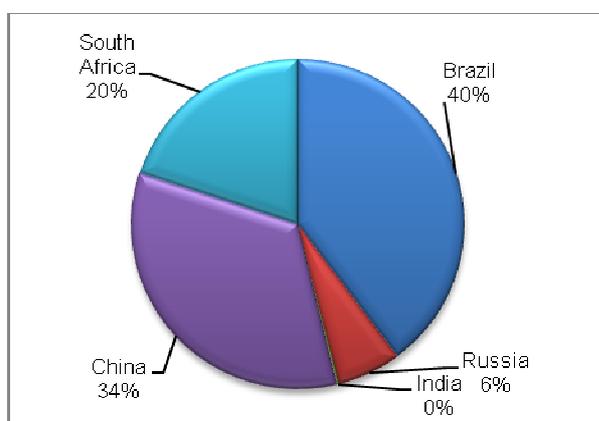
Source: ITC, Trade Map, 2012

#### Imports of cereal crops from the world to BRICS

BRICS countries imported most of their crops from Argentina (33.9% of monetary value in 2011). United States of America's share in supplying BRICS in

2011 was 15.9 % and the value of imports to BRICS grew from R44 million in 2010 to R66.7 million in 2011. Uruguay ranked fifth in supplying BRICS with cereal crops and it had a negative value growth of 39.8 % between 2010 and 2011.

Africa exported a value of 0.24 % with Zambia supplying 93.6 % to BRICS. Brazil imported almost three quarters of cereal crops from Argentina. Of the BRICS countries, Brazil was a leading importer of cereal crops, followed by Russia and India and the latter countries grew in value of imports by 82.2 % and 81.25 % respectively between 2010 and 2011. South Africa imported 20 % of cereal crops imported by BRICS with the value of 28.7 % supplied by Thailand. Relative to the world market India, Brazil and China exported a share value of 5.7 %, 4.6 % and 0.4 % respectively of cereal crops to South Africa in 2011.



**Figure 5:** Imports of cereal countries from BRICS in 2011  
Source: ITC, Trade Map, 2012

**Figure 5** shows that in 2011 among BRICS countries, Brazil was a leading importer of cereal crops from the world. India, which led with cereal crop exports from BRICS, is the smallest importer of cereal crops, having a share in value of less than 1 %. South Africa ranked second in importing cereals crops, which makes the country a net importer of cereal crops.

**Table 8** indicates that the most imported cereal crops by BRICS in 2011 were wheat and meslin of which South Africa imported 64.3 %. The least imported crop by BRICS was rye; however, South Africa imported 80.2 % of this commodity. The highest value of imported cereal crops by South Africa in 2011 was grain sorghum.

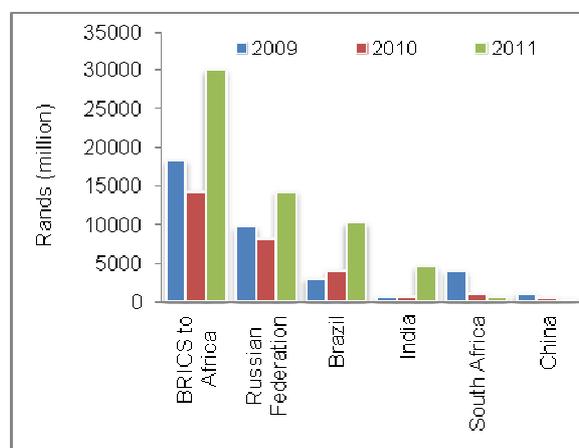
**Table 8:** Import of cereal crops to BRICS and South Africa

HS codes	Description	BRICS	SA share
		Rand millions 2011	(%) 2011
1005	Maize	6.2	3.7
1007	Grain sorghum	0.08	96.1
1003	Barley	6.3	3.6
1006	Rice	9.2	40.0
1001	Wheat and meslin	20.5	64.3
1002	Rye	0.005	80.2
1004	Oats	0.2	18.5
1008	Buckwheat, millet & canary seed	0.3	11.4

Source: ITC, Trade Map, 2012

### BRICS export to Africa

BRICS countries exported R30 million worth of cereal crops to South Africa between 2010 and 2011. In Africa, Russia is a leading exporter of cereal crops. Exports from this country grew by a value of 76.6 % between 2010 and 2011. Among BRICS countries exporting to Africa, China and South Africa had the least share of less than 5 % combined (South Africa and China had a share of 2.3 % and 1.2 % respectively). As indicated in **Figure 6**, it should be noted that South Africa's exports of cereal crop to Africa declined from 2009 to 2011. This is alarming, as South Africa is losing its market share in Africa while the Russian Federation and Brazil's share are increasing. China had a negative growth value of 65.2 % from 2009 to 2011. Egypt and Algeria were the main countries importing cereal crops from BRICS. Cereal exports from BRIC to South Africa were valued at R1.4 million.



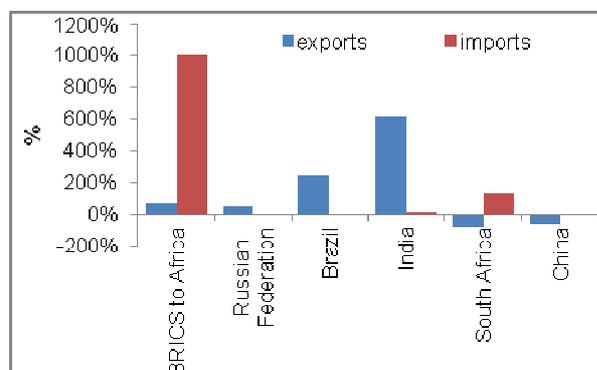
**Figure 6:** BRICS export of cereal crops to Africa  
Source: ITC, Trade Map, 2012

### BRICS imports from Africa

Africa as whole is a net importer of cereal crops from BRICS. Africa only exported R0.1 million worth of cereal crops to BRICS, with South Africa importing almost all the crops (monetary value of 99.6 % in 2011). Imports from African countries dropped significantly between 2010 and 2011 with the Russian Federation and Brazil not importing any cereal crops in 2011.

**Figure 7** illustrates that cereal crop imports from BRICS to Africa have grown by approximately 1000 % while the value of exports from Africa to

BRICS did not even reach a 100 % change in growth rate between 2010 and 2011. Brazil did not import any crops from Africa between 2010 and 2011. Leading countries with a higher positive export percentage change between 2010 and 2011 were India, Brazil and the Russian Federation, in that order. South Africa's exports to Africa declined by a value of 82.6 % while imports from South Africa into Africa increase by 127.90 %.



**Figure 7:** BRICS percentage change of import and export to and from Africa from 2009–2011  
Source: ITC, Trade Map, 2012

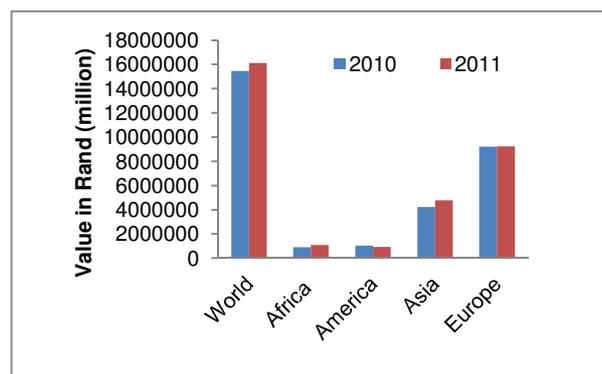
BRICS has a positive trade balance of cereal crops but it is important to note that South Africa is losing its share in the African market, with Brazil, the Russian Federation and India all increasing their share. South Africa's export of cereal crops are decreasing while imports are increasing. The country has a lower share of exported cereal crops in the BRICS bloc, yet it has higher shares in value of crops imported to BRICS. It can therefore be hoped that South Africa will not compromise its share in the market by being part of BRICS. Not only do we have South Africa's market share of exports decreasing (with value of imports increasing), but even BRIC countries supply the South African market with cereal crops. The value of cereal crop imports from BRIC has grown by 61.9 %.

#### 4. AGRICULTURAL TRADE BETWEEN SOUTH AFRICA AND AFRICA<sup>9</sup>

**Figure 8** indicates regions that imported South African edible fruits, nuts, peel of citrus fruits and melons in 2010 and 2011 (expressed in Billions of Rand). Between 2010 and 2011, overall fruits exported by South Africa to the world grew by R65.5 thousand from R15.5 million. South Africa generated almost more than a half of its fruit export income from supplying the European market. Exports to African countries grew by 20.2 % while American imports from South Africa declined by 11.6 %. According to DAFF (2005), South Africa is a leading economic power in Africa; this gives the country a duty to drive African trade and development. The country also leads in promoting intra-African trade, which can bring economic growth in the continent, and reduce dependence on developed countries for growth.<sup>10</sup>

<sup>9</sup> This article was compiled by Masego Moobi of the NAMC.

<sup>10</sup> DAFF (2005). Trade potential between South Africa and Nigeria. Pretoria.



**Figure 8:** South Africa's export of edible fruits, nuts, peel of citrus fruits and melons, 2010-2011  
Source: ITC, Trade Map

#### Exports to Africa

**Table 9** outlines fruits exported by South Africa to African countries. Benin is increasingly becoming an important importer of South Africa apples. Of the listed commodities, fresh apples were the most exported produce in terms of monetary values, which grew by 32.5 % between 2010 and 2011. The success of apple exports into the African market can be attributed to the low perishability of apples as compared to other fruit products.

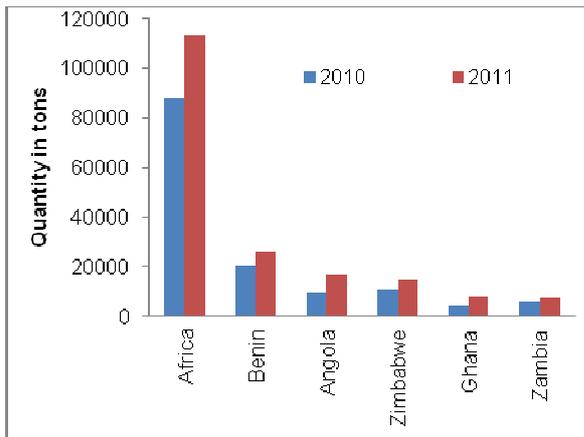
The growth rate in the quantity of pears and quinces exported to African markets was 23.8 %; in monetary terms, exports grew by 17.3 % from R45.5 thousands to R49.8 thousand between 2010 and 2011. Oranges exported by South Africa to the rest of Africa grew in monetary value by 6.5 %, but in terms of quantity, there was a negative growth of 38.8 %. This implies that in 2011 South Africa exported less than it did in 2010, yet generated a higher income than in 2010. It can be assumed that the price per unit increased in 2011.

The same applies for mandarins; smaller quantities were exported in 2011 yet more revenue was generated in comparison to the preceding year. Angola imported 28 % of South African exported mandarin exports to Africa. The growth rate in the quantity of dried grapes from 2010 to 2011 was a negative 72 %. Export income for dried grapes generated by South Africa declined by R46.4 thousand from R64.1 thousand in 2010 and 2011.

**Table 9:** Fruits exported by South African to African countries, 2010-2011

Description	HS code	Rand Thousands		Quantity thousand (Tons)	
		2010	2011	2010	2011
Apples	080810	527.1	705	87.7	113
Pears	080820	42.5	49.8	7.1	7.6
Orange	080510	108.9	116	53.6	32.8
Raisins	080620	64.1	17.7	4.0	1.2
Table grapes	080610	56.3	69.1	4.4	5.6
Grapefruit	080540	17.3	19.2	11.6	10.3
Mandarins	080520	14.9	18.9	2.2	2.6

Source: ITC, Trade Map, 2012



**Figure 9:** African countries that imported South African fresh apples  
**Source:** ITC, Trade Map

**Figure 9** illustrates African countries that imported South African fresh apples. Benin imported 22.9 % of the fresh apples supplied to the African market in 2011. Angola and Zambia's imports grew by 26.1 % and 19.2 % respectively between 2010 and 2011. Zimbabwe and Ghana ranked third and fourth in importing fresh apples from South Africa. Trade with South Africa and Benin has strengthened over the years; it grew in quantity by 126.4 % between 2007 and 2011. Of South Africa's total fresh apples (tons) exports to the world, it exported 4.0 % and 7.8 % to Benin in 2007 and 2011 respectively.

#### Imports from Africa

South African fruit exports tend to be greater than those of other African countries. This can be attributed to the country's human expertise, marketing and processing capacity. Low quantities of commodities exported by other African countries may be attributed to poor infrastructure and lack of product diversification coupled with tariff and non-tariff restriction measures. South Africa imported R88.2 thousand worth of bananas from African countries and the value grew by 44.5 % from 2010 to 2011.

Of African countries that supply South Africa with bananas, Mozambique accounts for approximately 94.1 % (tons). This may be attributed to the fact that Mozambique and South Africa share a border and this minimises transport costs. Of the listed commodities, maize has a leading growth rate. Imports grew by R89.5 thousand from R0.6 thousands in 2010 and 2011.

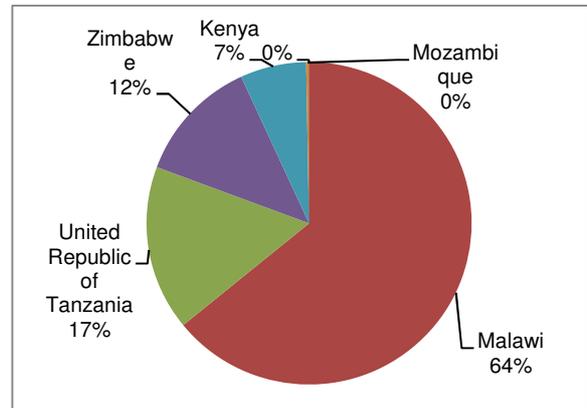
From the African market, South Africa gets most of its maize and maize seeds from Zambia. The monetary value of processed cheese and nuts increased by 21.5 % and 70.7 % respectively. Black tea with packages >3kg grew by minus 12.1 % between 2010 and 2011 (monetary value). From all African countries, Malawi accounted for 68.1 % (tons) of black tea exported to SA 2011. Macadamia nut imports from Africa to South Africa declined by R 14.5 thousands between 2010 and 2011.

**Table 10:** South Africa imports from African countries between 2010 and 2011

Fruit	HS Code	Value 2011 Thousand US\$	Quantity 2011 Tons
Bananas	080300	88.2	52.2
Macadamia nuts	080260	8.8	0.7
Cashew nuts	080132	37.1	0.7
Maize	100590	90.1	42.5
Processed cheese	040630	14.3	0.3
Black tea	090240	251.8	21.9
Coffee	090111	77.7	2.5

**Sources:** ITC, Trade Map, 2012

As shown in **Figure 10**, in the African market, South Africa receives most of its black tea from Malawi. Malawi earned R130 thousand in 2011 from importing to South Africa. The United Republic of Tanzania and Zimbabwe's value of exports grew by 17 % and 12 % respectively. Trade between South Africa and Malawi declined in monetary value by 18.9 % falling from R198.6 thousand to R161.1 thousands between 2009 and 2011.



**Figure 10:** African countries that South African imported fresh apples from  
**Source:** ITC, Trade Map

### 5. THE WESTERN CAPE FARM WORKERS' STRIKE AND SUMMER FRUIT EXPORTS: HOW SIGNIFICANT COULD THE IMPACT BE?<sup>11</sup>

#### Background

In the year 2012, the South African economy was hard hit by a series of violent and deadly strikes. The violent strikes started in the mining sector in August 2012, and then it was the transport sector, specifically the truckers (truck drivers), and later the agricultural sector leading to a negative impact on economic growth. Figures released by StatsSA at the end of November 2012 show that the country's economy, measured in GDP at market prices, for the third quarter of 2012 increased by only 1.2 % compared with an increase of 3.4 % recorded during the second quarter of 2012.

The 3.4 % economic growth recorded in second quarter was driven mainly by primary sectors, which includes agriculture and mining. In the third quarter,

<sup>11</sup> This article was compiled by Sifiso Ntombela of the NAMC.

mining and agricultural economic performances were constrained by labour unrest.

The impact of labour unrest can also be seen on unemployment figures, which show that South Africa's rate of unemployed persons increased from 24.9 % in the second quarter of 2012, to 25.5 % in the third quarter which is equivalent to 197 000 persons who have lost their jobs. Furthermore, the labour unrest tends to reduce the investors' confidence and damages the country's image on international markets. Domestically, it destroys infrastructure; for example, violent farm protesters destroyed roads, packing facilities and farm equipment.

The farm workers' strike started on the second week of November 2012 in the De Doorns town, where a group of unhappy table-grape farm workers closed the N1 road with burning tyres and stones demonstrating their dissatisfaction with wages and living conditions on farms. Most table-grape seasonal farm workers in this area earned between R69 and R75 a day and claimed the living conditions on farms are not appropriate. The farm workers strikes spread from De Doorns into 15 agricultural towns in the Western Cape Province, including Paarl, Ceres and Grabouw. The strike became violent due to protestors clashing with police and consequently two people died. The striking farm workers also damaged about 50 hectares of table grapes, which were burnt down, together with several farm properties such as pack-houses and equipment.

During the farm workers' strike, the workers were represented by several independent trade unions working on farms including Congress of South African Trade Union (Cosatu), Affiliated Food and Allied Workers Union (Fawu) and nongovernment organisations and lobby groups. The farmers were represented by Agri-Western Cape and industry associations.

The groups together with government departments (i.e. Labour and DAFF) reached an agreement in December 2012 to suspend the strike to allow smooth progress on negotiations. However, the latest development as in January 2013 shows that such negotiations did not yield any positive outcomes. The farm workers resumed the strike on 9 January 2013 and are now calling on export markets to boycott South African fruit and wine exports.

#### **The causes of the farm workers' strike**

This section is informed by analysis of various media reports and interactions with affected fruit industries. The analysis reveals various reasons that have been cited as possible causes of labour unrest in the fruit and wine industry. Some of the reasons include:

##### **(i) Need for improved wage and farm living conditions**

Historic abuse of farm workers combined with low wages and poor farm living conditions is one of the key reasons cited for the recent labour unrest in the Western Cape. It is argued that farm workers were (and still are) protesting for improved living conditions

and wage increment from an average R69 to R150 per day.

The poor living conditions and farm workers' abuse in South African fruit and wine industries has become a hot topic both domestically and internationally since the release of Human Rights Watch (HRW) report titled *Ripe with abuse: human rights conditions in South Africa fruit and wine industries*. The report was released in 2012 based on interviews conducted in 2010 and 2011. The interviewees were people living and working on farms. Remarkably, most of interviewees were from the same areas where the November 2012 protest took place. The HRW reports revealed that farm owners and managers have benefited from selling fruits and wine on domestic and export markets for many decades.

However, farm workers benefited very little from the success of the fruit and wine industries. Furthermore, farm workers are subject to exploitation and live under degrading conditions. The rights of farm workers are violated and they are exposed to abusive practices by their employers (HRW, 2012). The Human Rights Watch reports found that the houses for some workers are uninhabitable. For example, a farm worker lived with his wife and children in a former pig stall. The report argues that farm workers' rights are being abused despite the existing labour laws that South Africa has. The report claims that the South African government is aware of the abuse going on in the fruit and wine industries, but is doing very little to assist the workers.

The report was received with heavy criticism from organised farmer organisations. The producers' organisations and farmer unions argued that the report's sample size was inadequate and the sample selection criteria were scientifically unsound and highly biased. The farmer organisations further stated that farms operate under strict South African labour laws. The workers' abuse might be just an isolated event and it does not represent the situation in the whole industry.

##### **(ii) Amnesty granted to Zimbabweans not to Basothos**

Another reason cited as a root of the labour unrest is the issue of amnesty that was granted to Zimbabweans and not to Basothos. After the xenophobic unrest of 2008 and 2010, the Department of Home Affairs began to crack down on the employment of job seekers without work permits, and one farmer was recently fined about R150 000 for employing a number of Basothos without a valid employment permit (Davis, 2012).

Since that fine, farmers no longer employ Basotho while the Zimbabwean workers have been legalised through the amnesty. This has caused high tension. The Premier of Western Cape also believes the issue of amnesty and the grievances of the Lesotho seasonal workers are the root of the violent protest that took place in November 2012.

The Hortgro Services released a media statement explaining that it was clear to them that the strike is not just a wage or even an agricultural issue. However, it is also a rural development, service delivery and foreign affairs matter, which all fall outside the scope of producers. Hortgro Services further stated that expectations and demands that the agricultural sector should address and rectify all the social and other problems in rural areas are totally unrealistic.

### **Farm labour issues form part of the ethical trade concept**

The Fruit South Africa (FSA) requested the National Agricultural Marketing Council (NAMC) in 2008 to investigate the horticultural sector's compliance with ethical trade. *Ethical trade was described as an encompassing word used to describe business practices that promote socially and/or environmental responsible trade* (NAMC, 2011). The objective of the investigation was to assess the possibility/feasibility of establishing a multi stakeholder forum (MSF) to address ethical trade issues faced by the horticultural sector.

The investigation found that:

- Addressing ethical trade issues is pivotal for the survival and prosperity of the horticultural sector
- Addressing ethical trade issues requires full compliance with national laws (labour and environmental) and international treaties
- A need to assess the potential impact of poor compliance to ethical trade on the competitiveness of the horticultural value chain
- A need to establish a multi-stakeholder forum for the horticultural sector in South Africa that will deal with all components of ethical trade, i.e. business integrity, labour and social issues and environmental/biodiversity issues.

The investigation was completed in 2010 and since then *none of the recommendations have been implemented*. If certain measures were put in place that aimed to correct the ethical trade investigation findings, particularly that concern labour and social issues, the November 2012 labour strike could have been avoided or at least handled differently.

### **Increasing strike events and their impact on the fruit sector**

The Western Cape Province is the main hub of fruit and wine production in the country. The November 2012 strike affected the production (i.e. fruit thinning, canopy management and harvesting activities) and export (i.e. picking, packaging and grading of fruits) of fruits produced from the Western Cape Province. Summer fruits (e.g. table grapes, peaches, plums, nectarines, cherries and apricots) were hardest hit as these were entering their harvesting schedule.

In May 2010, state ports and freight operators engaged in a strike that affected winter fruit exports, specifically citrus exports. Some of citrus volumes initially intended for the exports market were cancelled and redirected to local markets, which then caused a significant reduction in domestic market prices during that period. It is expected that certain

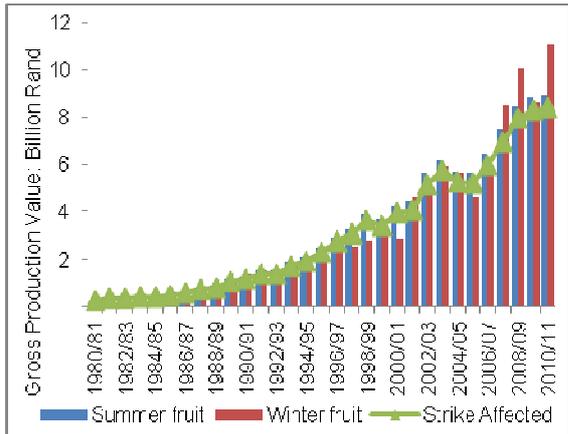
volumes of summer fruits which are highly perishable, such as plums, cherries and table grapes will be redirected from the export stream into the fresh domestic sales or even put into the processing stream.

It is clear that strike events are increasing in South Africa and most of them end in violence and the death of people, e.g. the Marikana mine workers' strike and the De Doorns farm workers' strike. In general, the growing trend of strikes is damaging investor confidence of into the country. With regards to agriculture, the strikes are damaging the image of South Africa in the international community because South Africa is net exporter of agricultural products. According to South African export agents, fruit importers are starting to search for alternative suppliers of quality fruits, since South Africa is rapidly becoming an unreliable, unstable and a risky trading partner. Prior to the May 2010 strikes, South Africa was globally known as a preferred, reliable, consistent and credible supplier of quality fruits.

South Africa's fruits are largely dependent on export markets. The export component accounts for 73 % share of fruit gross production value. **Figure 11** shows the gross production value of summer and winter fruits. It also shows the gross production value of fruits directly affected by November 2012 strike. It is clear from **Figure 11** that the fruit sector value recorded the fastest growth rate of 12 % per annum between 1994 and 2008.

The growth can be attributed to (i) South Africa becoming a democratic state in 1994, which led to various markets opening their borders for South African exports; (ii) deregulation of the agricultural sector in 1997, which triggered more volumes exported out of South Africa; and (iii) weakening of the Rand against the global currencies in the early 2000s, which made South Africa exports more attractive and affordable in the international markets. All these factors favoured exports, which in turn triggered large fruit plantations across South Africa. During that period, South Africa's supply chain technologies and production techniques improved significantly, making the country an important supplier of fruit to the global market.

Since 2008, the gross production value has been moving sideways mainly due to the global recession. The growing occurrence of strikes in South Africa is partly responsible for the slow export growth that has been observed in the last three years



**Figure 11:** Gross production value of South African fruits  
**Source:** DAFF Agricultural Abstract, 2012

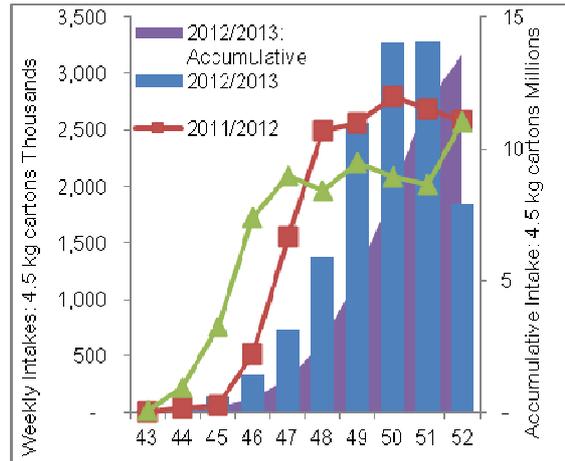
### Effect on fruit production volumes

Table grapes and stone fruits (i.e. peach, plums and nectarines) were greatly affected by the strike. The full scale of both monetary (e.g. farm income loss on production, exports and farm property damaged) and social (e.g. roads, labour and services) loss is not yet quantified. However, early estimations suggest millions of Rands were lost as results of strike (Hortgro Services, 2012).

The strike started at a time when the table grape industry was starting its harvest activities. Fortunately for the industry, early table grapes are harvested from the inland regions (i.e. Orange River and Northern Province) and the strike took place in the late region (i.e. Hex River). **Figure 12** shows the weekly intake or weekly number of table grape volumes passed for export in the 2012/2013 season.

It is evident from **Figure 12** that current season's volumes are in line with but slightly lower than volumes of the two previous seasons. The current season's low volumes are attributed to the effect of weather conditions. Inland regions (i.e. Orange River and Northern Province) experienced cold weather conditions in early September 2012, which caused a heavy crop in vines and consequently a delayed harvesting schedule (SATI, 2012).

The delayed schedule is evident when looking at volumes for Weeks 50 and 51, which were higher than volumes harvested in the same weeks in the previous two seasons. The crop estimates released by SATI suggest that total crop from inland regions will be at the same level as the total crop harvested from these regions in the previous season.



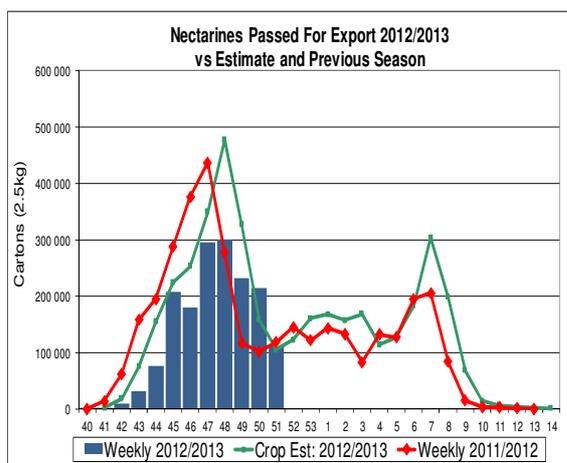
**Figure 12:** Total number of table grape cartons (4.5kg) passed for exports  
**Source:** SATI, 2013

It is critical to mention that the November 2012 strike will certainly have a significant impact on table grape volumes cultivated in coastal regions (i.e. Hex River Valley and Berg River) which start packing table grapes from Week 52 to Week 20. The Hex River Valley (which includes De Doorns and Robertson, the epicentres of worker unrest) is the country's largest producer and exporter of table grapes, accounting 34 % of total industry by volume and contributes 28 % in value terms (SATI, 2012 and Mail and Guardian, 2012).

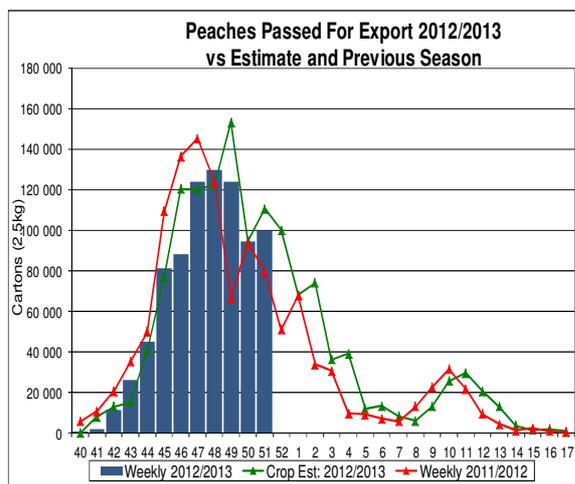
In this region, about 50 hectares of table grapes were destroyed and quality control activities such as bunch thinning were interrupted during the November 2012 strike. The consequences of poor bunch thinning due to labour unrest will be poor fruit quality (e.g. small and uneven bunch sizes). This will have a damaging effect on exports, as most overseas markets prefer large sized and evenly distributed bunches.

Stone fruits (plums, peaches and nectarines) were also affected by the November 2012 labour strike. Stone fruits are highly perishable products and must be harvested at optimum ripeness if they are to be exported or marketed locally. Any delay in harvesting and packaging results in fast deterioration of quality and appearance. **Figure 12 and Figure 14** shows the total number of nectarine and peach cartons passed for export respectively. It is evident from the two graphs that the farm workers strike happened when the stone fruit industry was at the peak of harvesting.

This resulted in nectarine volumes passed for export being significantly reduced compared to initial estimates (see **Figure 13**) due to interrupted fruit picking and packaging. Peaches were also affected, but to a lesser degree than nectarines (see **Figure 14**).



**Figure 13:** Total number of nectarines cartons (2.5 kg) passed for export  
**Source:** Hortgro Service, 2013



**Figure 14:** Total number of peaches cartons (2.5kg) passed for export  
**Source:** Hortgro Services, 2013

### Effect of the strike on farm income and farm labour force

The Bureau for Food and Agricultural Policy (BFAP) has conducted a study that assesses the impact of labour unrest on agricultural industries. The BFAP develop various 'wage rate hike' scenarios and assess the impact of each scenario on the farm income. The scenarios include:

- ❖ **R70 per day scenario** – which is 36.2 % below the current permanent and 17.6 % below seasonal labour wage.
- ❖ **Base scenario** – which portrays the current situation where average permanent labour earns R109.67 and average seasonal earn R84.90
- ❖ **Base + R10 scenario** – which is 9.1 % above base for permanent and 11.8 % above base for seasonal labour
- ❖ **Base + R20 scenario** – which is 18.2 % above base for permanent and 23.6 % above base for seasonal labour

- ❖ **Base + R30 scenario** – which is 27.4 % above base for permanent and 35.3 % above base for seasonal labour
- ❖ **R150 wage scenario** – which is 36.8 % above base for permanent and 76.7 % above base for seasonal labour.

The BFAP (2012) report argues that most farmers already remunerate permanent workers above the minimum wage. **Table 11** shows the top ten agricultural industries, which employ large numbers of people. It is evident that fruit industries are labour intensive and carries large labour bills in their farm accounts. The Hortgro Services estimates that the labour bill contributes between 40 and 50 % of total production costs of fruits.

**Table 11:** Top ten industries in agriculture by number of employees

Rank	Industry	Permanent	Seasonal	Total
1	Citrus	10 200	75 00	85 200
2	Sugar Cane	7 560	70 875	78 435
3	Grapes	20 478	18 903	39 381
4	Tomatoes	33 284		33 284
5	Potatoes	5 972	24 885	30 857
6	Wine Grape	24 136	6 034	30 170
7	Apples	14 248	13 152	27 400
8	Pineapples	15 858		15 858
9	Bananas	15 600		15 600
10	Pear	7 575	6 992	14 567

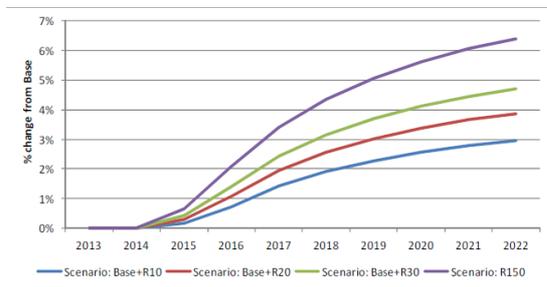
**Source:** BFAP, 2012

The BFAP (2012) reports used a typical pome fruit farm to assess the impact of the aforementioned wage scenarios on the profit of fruit farms. The indicator used is Net Farm Income. The result of the BFAP (2012) study is presented in **Table 12 in Appendix B**. It is evident that if average wages increase by more than R20/day (i.e. to around R104.00 per day), many of the typical farms will be unable to cover their operating expenses, and hence not be able to pay back borrowings or to afford entrepreneurs remuneration. The impact on farm profitability under R150 wage per day is significant as the NFI becomes negative throughout the simulated period.

It is also evident from the analysis that the fact that a negative net farm income (NFI) is generated under scenarios where wages rise by more than R20 per day from the base case scenario does not imply that there will be no farming in South Africa in years to come. What it does mean is that structural adjustments will be made to accommodate the higher wage rates. These structural adjustments include mechanisation and consolidation of farming units to become more efficient. This does not imply that the larger farms are always more cost efficient, but the larger farming units have the ability to mechanize and as wages rise (BFAP, 2012)

**Figure 15** shows that an increase of R20 in the wage rate will result in an increase of 0.3 % in the price of apples in 2015 and a 3.9 % increase by 2022 (BFAP, 2012). Note that these price increases are compared to the Base scenario; they are not year-on-year price increases. Increasing the minimum wage to R150 per day will result in an average apple price that is 0.7 % higher in 2015 and 6.4 % higher in 2022, compared

to the Base scenario. It should be mentioned that these price changes are the result of a change in supply and do not take into consideration the net effect on change in demand resulting from increased wages and/or job losses (BFAP, 2012).



**Figure 15:** Impact on local prices of apples  
Source: BFAP, 2012

### Concluding remarks

The growing occurrence of labour strikes in different economic sectors is affecting the growth of the country's economy and exacerbating the unemployment challenge. With regard to export-oriented sectors such as mine and agricultural products, the labour unrest is affecting the image and competitiveness of the country. Reduced competitiveness will translate into declining exports, which will ultimately lead to dwindling job opportunities.

However, it must be noted that labour unrest stems from real issues such as poor work conditions, low

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wages, high living costs and expectations raised by certain organisations. Farmers together with government departments (specifically DAFF, Labour and Rural Development) need to take a leading role in improving the living conditions of farm workers and ensure farm wages are in-line with South Africa labour laws such as minimum wages. The labour unions should be very cautious not to raise unrealistic expectations to workers.

In essence, it will be to the benefit of all parties to work collectively to address all social issues that are harming the various economic sectors, particularly the vulnerable and sensitive sectors such as agriculture, manufacturing and mining. The spirit of working together, improved transparency and better communication between labours, employers, unions and governments is important in order to achieve a safe, stable and prosperous South Africa.

It is recommended that the fruit and wine industry revisit the findings of the NAMC investigation on ethical trade compliance. The establishment of a Multi-Stakeholder Forum will provide a platform that can be used to discuss labour issues facing the farming sector. It is likely that when the fruit and wine industry put correct measures that will ensure full compliance with ethical trade practices, certain labour issues will be resolved and the risk of future labour unrest will be significantly reduced.

<sup>12</sup> **Davis, R. 2012.** Cape Winelands: Whose protests are they anyway? Perspective Articles. Rhodes University. Available online: [www.ur.ac.za/perspectives/perspectivearticle](http://www.ur.ac.za/perspectives/perspectivearticle). Accessed on 08 January 2013.

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## Appendix A

**Table 3:** Identified existing and new attractive markets for South African Olive Oil exports

Importing markets Ranking: Country (index :ranking in South African Exports)	Total imports of the country (2011): USD '000	Import growth value (2007-2011)	Tariff Advantage against competitors	SA Market share: applied tariff	1st competitor (market share : applied tariff)	2nd competitor (market share : applied tariff)	3rd competitor (market share : applied tariff)	Risk rating
<b>Traditional markets</b>								
Zambia	126	-2 %	0 %	88.8 %;0	Italy (6.2 %;25 %)	Netherlands (4.3 %;25 %)	Lebanon (0.6 %;25 %)	6 (High)
Malawi	80	30 %	0 %	81.3 %;10	Mauritius (18.3 %; 0 %)	China (0.8 %; 0 %)	Greece (0 %;10 %)	7 (VeryHigh)
United Kingdom	74	-5 %	0.09	0.1 %;0	Spain (47.7 %; 0 %)	Italy (40.2 %; 0 %)	Germany (5.4 %;0 %)	3 (Average)
<b>New attractive markets where South Africa can export olive oil virgin</b>								
China	131780	46 % (High)	-0.03 %	0 %;10 %	Spain (58.8 %;10 %)	Italy (22.6 %; 10 %)	Greece (6.1 %; 10 %)	3 (Average)
United states of America	707023	-1 % (declining)	7.92 %	0 %;10 %	Italy (57.3 %; 1 %)	Spain (20.1 %; 1 %)	Tunisia (7.9 %; 0 %)	2 (low)
Mozambique	575	20 % (High)	5 %	6.6 %;0 %	Portugal (62.1 %; 20 %)	Belgium (25.9 %; 20 %)	South Africa (6.6 %; 0 %)	6 (High)

## Appendix B

**Table 12:** Changes to the net farm income for typical fruit farm (R per year)

Source: BFAP, 2012

Scenario	2011	2012	2013	2014	2015	...	2020
R70	1 121 812	1 446 252	1 745 512	1 196 728	842 362	...	2 121 820
R84.90-Base	591 470	886 033	1 151 044	563 098	173 924	...	1 133 178
Base+R10	405 245	678 554	939 592	345 384	-61 355	...	806 576
Base+R20	219 020	492 393	730 716	123 317	-293 719	...	423 836
Base+R30	33 518	295 508	518 506	-99 733	-524 806	...	-26 363
<b>R150</b>	<b>-377 762</b>	<b>-165 293</b>	<b>31 578</b>	<b>-618 088</b>	<b>-1 131 655</b>	<b>...</b>	<b>-529 743</b>

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