



INTERNATIONAL TradeProbe

No. 28, July 2010

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, inviting perspectives from people working in related sectors, reporting on trade-related research and stimulating debate.

THIS ISSUE OF *TradeProbe* COVERS THE FOLLOWING TOPICS:

1. Trade profiles:
 - 1.1 Sugar cane (HS 17011100)
 - 1.2 Fresh grapes (HS 080610)
 - 1.3 Nuts (HS 0802)
 - 1.4 Fruit Juice (HS 20098010)
2. Country market study: Saudi Arabia
3. Trade performance indicators in the South African agricultural industry
4. Overview of the market for South African agricultural exports to Japan

1. TRADE PROFILES

1.1 TRADE PROFILE OF SUGAR CANE (HS 17011100)¹

Figure 1 represents the quarterly trends in respect of South Africa's sugar cane export and imports, in value terms, from the first quarter of 2001 until the first quarter of 2010. From 2002, exports of sugar cane show a continuous trend of low values in the first quarter of each year, while the third quarter of each year marks the high values (seasonal variation).

The value of exports increased significantly from R29.92 million in the first quarter of 2007 to R805.45 million in the third quarter of 2009. The value of sugar cane imports has remained fairly constant, with a minor increase in the first quarter of 2007 to the first quarter of 2009.

Figure 1 also shows a significant sugar cane trade surplus over the past years, although a deficit occurred during the first quarters of 2007 and 2008. The first quarter of 2010 showed a similar trend than in previous year, i.e. a relative small trade surplus (R90.41 million).

¹ This article was compiled by Ms. Heidi Phahlane (NAMC).

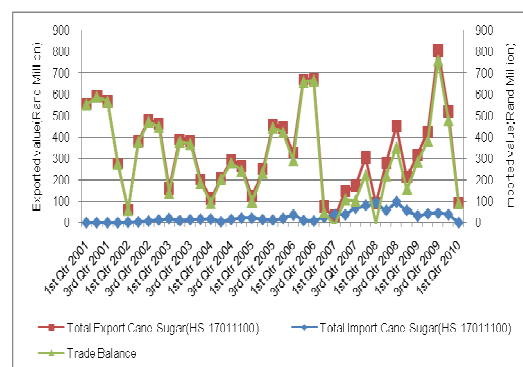


Figure 1: South Africa's trade of sugar cane
Source: World Trade Atlas (2010)

Table 1 lists the top eleven world exporters of sugar cane in 2008, expressed in value terms measured in US\$ million. The leading exporters were Brazil, Thailand and India, and these countries accounted for 43 %, 9 %, and 8 % respectively of the total value of world exports in 2008. South Africa ranked eleventh, accounting for 2 % of world exports of this product.

Table 1: Leading world exporters of sugar cane in 2008

Exporters	Exported value (in US\$ million)	Share in world exports (%)
World exports	8 402	100
Brazil	3 649	43
Thailand	771	9
India	701	8
Saudi Arabia	410	5
Guatemala	378	5
Cuba	356	4
Mauritius	290	4
Fiji	157	2
Mexico	152	2
Swaziland	136	2
South Africa (11)	126	2

Source: ITC Trade Map (2010)

Table 2 lists the top ten world importers of sugar cane in 2008, expressed in value terms measured in US\$ million. The Russian Fed, United Kingdom (UK), and the United States of America (USA) were the top three importers, accounting

for 10 %, 10 %, and 8 % respectively of the value of world imports. Egypt and Sudan are only African countries in the list of the top ten importers of sugar cane.

Table 2: Leading world importers of sugar cane in 2008

Importers	Imported value (in US\$ million)	Share in world imports (%)
World imports	9 464	100
Russian Fed	940	10
UK	912	10
USA	710	8
Republic of Korea	528	6
Egypt	474	5
Japan	469	5
Malaysia	412	4
Sudan	406	4
Canada	400	4
Portugal	309	3

Source: ITC Trade Map (2010)

Table 3 lists the leading export markets of South African sugar cane in 2009. The top three destinations were Indonesia, Japan and the USA, accounting for 30 %, 18 % and 8 % respectively of the value of South Africa's total exports of this product. The top ten destinations accounted for 98 % of the value of South Africa's total exports of this product, hence indicating a relative high degree of concentration of exports. The African countries of Mozambique and Zimbabwe were among the top ten leading export destinations for South African sugar cane in 2009.

Table 3: South Africa's leading export markets of sugar cane in 2009

Importers	Exported value (in US\$ million)	Shares in South Africa's exports (%)
Total exports of South Africa	245	100
Indonesia	72	30
Japan	43	18
USA	20	8
Bangladesh	19	8
Mozambique	18	8
Zimbabwe	18	8
Iran	12	5
Russian Fed	12	5
Republic of Korea	10	4
India	9	4

Source: ITC Trade Map (2010)

1.2 TRADE PROFILE OF FRESH GRAPES (HS 080610)²

South Africa's exports of fresh grapes represent 5.5 % of world exports, placing South Africa as the fifth largest exporter of fresh grapes in the

world. **Figure 2** indicates the value, quantity, and average price received for South Africa's exports of fresh grapes since 2001.

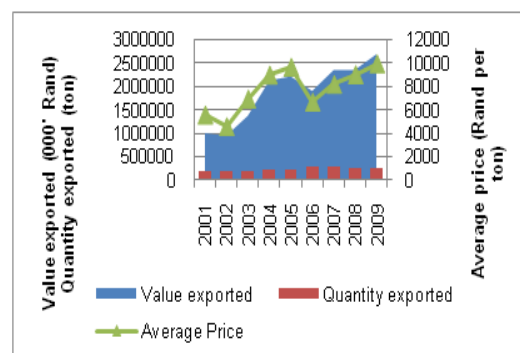


Figure 2: South Africa's exports of fresh grapes in value, quantity and price

Source: ITC Trade Map (2010)

In 2008, the value of world fresh grapes exports was US\$ 43 billion. Chile was the largest exporter of fresh grapes, contributing 17 % to world exports. The value of Chile's exports in 2008 was R7.4 billion. The second and third largest exporters were Italy and the USA, accounting for R6.3 billion and R5.9 billion of world exports respectively. The five largest exporting countries contributed 63 % of world exports of fresh grapes in 2008 (see **Table 4**).

Table 4: Leading world exporters of fresh grapes in 2008

Exporters	Exported value (in Rand' million)	Share in world exports (%)
World exports	43 123	100
Chile	7 437	17
Italy	6 321	15
USA	5 923	14
Netherlands	4 687	11
South Africa	2 366	6
Spain	2 019	5
Brazil	1 291	3
Turkey	1 275	3
Egypt	1 215	3
Greece	1 177	3

Source: ITC Trade Map (2010)

Table 5 lists the leading world importers of fresh grapes in 2008, the value of which amounted to R51 billion. The USA was the largest world importer, importing 17 % of all fresh grapes at a value of R8.6 billion.

The Netherlands and the UK were the second and third largest world importers, and imported R5.6 billion and R5.1 billion respectively. The five largest importers made up 55 % of world imports of fresh grapes.

² This article was compiled by Mr Nico Scheltema (NAMC).

Table 5: Leading world importers of fresh grapes in 2008

Importers	Imported value (in Rand' million)	Share in world imports (%)
World imports	51 564	100
USA	8 632	17
Netherlands	5 607	11
UK	5 100	10
Germany	4 664	9
Russian Fed	3 917	8
Canada	2 688	5
France	1 881	4
Poland	1 715	3
Hong Kong (SARC)	1 361	3
Belgium	1 133	2

Source: ITC Trade Map (2010)

Table 6 presents South Africa's leading export markets of fresh grapes, which amounted to R2.3 billion during 2008. The Netherlands was the largest importer and imported 43 % of South Africa's total fresh grapes exports, at a value of R1 billion.

The UK and Belgium were the second and third largest export markets, and imported R501 million and R160 million respectively. The five largest importers of South African fresh grapes represented 79 % of total exports. Annual growth in world imports of fresh grapes grew by 13 % between 2004 and 2008. During this period, the Netherlands, the Russian Fed and Polish import demand grew by 28 %, 37 %, and 29 % respectively.

Table 6: South Africa's leading export markets of fresh grapes in 2008

Importers	Exported value (in Rand' million)	Share in South Africa's exports (%)
South Africa's total exports	2 366	100
Netherlands	1 008	43
UK	501	21
Belgium	160	7
Russian Fed	103	4
Germany	103	4
Hong Kong (SARC)	61	3
Malaysia	45	2
United Arab Emirates	35	2
Singapore	34	2
Norway	28	1

Source: ITC Trade Map (2010)

1.3 TRADE PROFILE OF NUTS (HS 0802)³

There are different types of nuts that are classified under HS 0802, namely almonds, chestnuts,

hazelnuts, macadamia nuts, pecan nuts, and walnuts. In South Africa, hazelnuts are grown in the Eastern Cape, Mpumalanga, and KwaZulu Natal. Chestnuts are grown in moist regions like the Cape Town suburbs of Newlands and Rondebosch in the Western Cape. Macadamia nuts are grown in Limpopo, KwaZulu Natal, and Mpumalanga.

Table 7 lists the USA as the largest exporter of nuts in 2008, with a share of 40 % of world exports. South Africa was ranked eighteenth on the list of leading exporters, with a share of 1 % of world exports.

There is further potential for South Africa to expand its nut production and exports. South Africa is the only African country in the top twenty exporters of nuts.

Table 7: Leading world exporters of nuts in 2008

Exporters	Exported value (in US\$ million)	Share in world exports (%)
World exports	8 025	100
USA	3 120	40
Turkey	904	11
Iran	688	9
Spain	359	5
Italy	268	3
Germany	266	3
China	202	8
Netherlands	198	3
Hong Kong (SARC)	198	3
Chile	175	2
South Africa (18)	45	1

Source: ITC Trade Map (2010)

Table 8 lists the top ten world importers of nuts. The top three leading world importers were Germany (15 %), Italy (7 %) and Spain (7 %) accounting for 28.9 % of world imports. Of the top ten importers, South Africa only exported to the USA, Hong Kong, Japan, Spain, and Germany.

Table 8: Leading world importers of nuts in 2008

Importers	Imported value (in US\$ million)	Share in world imports (%)
World imports	8 581	100
Germany	1 299	15
Italy	598	7
Spain	584	7
Hong Kong (SARC)	513	6
France	442	5
U S A	364	4
Russian Fed	327	4
Belgium	302	4
India	300	4
Japan	298	4

Source: ITC Trade Map (2010)

³ This article was compiled by Ms. Asanda Languza, Directorate International Trade (DAFF)

Table 9 shows South Africa's leading export markets of nuts in 2008, in value terms. The Netherlands was the largest market, importing 32 %, followed by the USA and Hong Kong, accounting for 22 % and 13 % respectively of all nuts exported by South Africa. Accordingly, 67 % of South Africa's nuts were exported to its top three importers.

Table 9: South African's leading export markets of nuts in 2008

Importers	Exported value (in US\$ 000)	Share in South Africa's exports (%)
World imports	45 937	100
Netherlands	14 803	32
USA	10 162	22
Hong Kong	6 071	13
Spain	2 601	6
Japan	2 348	5
UK	2 151	5
Vietnam	1 003	2
Italy	911	2
Israel	774	2
France	701	2

Source: ITC Trade Map (2010)

Table 10 lists the top ten countries that are supplying the Netherlands with nuts. South Africa was in fifth position, and only accounted for 5.1 % share in Netherlands imports.

South Africa's strongest competitors in this market were the USA, China, Spain and Germany. Notably, the USA was in second position as importer of South African nuts, and in first position as South Africa's competitor in the Netherlands market.

Table 10: South African competitors for the Netherlands market in 2008

Exporters	Exported value (in US\$ 000)	Share in Netherlands imports (%)
World exports	45 937	100
USA	14 803	48.1
China	10 162	10.3
Spain	6 071	6.9
Germany	2 601	5.6
South Africa	2 348	5.1
Turkey	2 151	5
France	1 003	4.7
Chile	911	3.1
Australia	774	2.8
UK	701	2

Source: ITC Trade Map (2010)

1.4 TRADE PROFILE OF FRUIT JUICE (HS 20098010)⁴

According to AC Nielsen, Ceres Fruit Juices are South Africa's long-life fruit juice category market leaders, with a market share in excess of 50 %. Since the early 1980s, Ceres Fruit Juices have successfully exported their brands to a great number of international markets.

Currently, Ceres Fruit Juices export to over 84 countries in Africa, Europe, the Far East, the Middle East, Asia and North America. Through careful planning, potential new markets are constantly evaluated for long-term sustainable growth and commercial viability.

Ceres brands, some of which have been firmly rooted in the South African economy since the 1960s, are of indisputably high quality. They are aimed at the premium end of the market, offering added value with both basic flavours and exotic blends. Ceres products include 100 % juice, fruit-flavoured drinks (no juice content), juice drinks (up to 24 % juice), and nectars (25-99 % juice).

Figure 3 illustrates the market share size of the fruit juice industry in South Africa. There is a continuous increase in the market share size of 100 % juice and nectars.

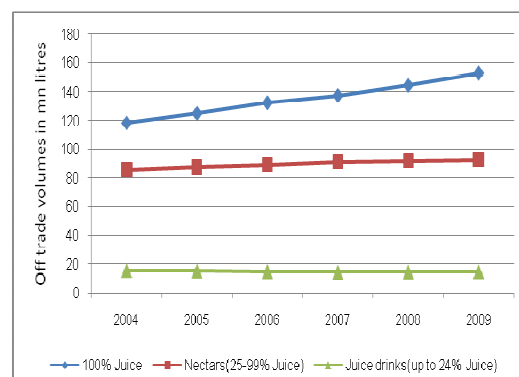


Figure 3: Quantity of fruit juice imported and exported in tons

Source: Euromonitor (2010)

Figure 4 shows the quantities of fruit juice traded. The imported quantity of fruit juice has remained fairly constant, with a minor increase over the depicted period, while the exported quantity increased up to the 2002; thereafter decreasing up to 2007.

⁴ This article was compiled by Ms. Heidi Phahlane and Mr. Bonani Nyhodo (NAMC)

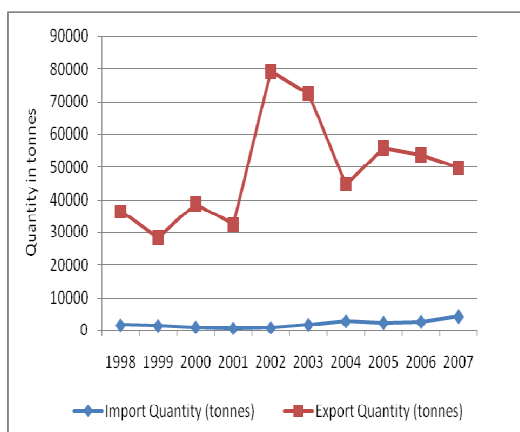


Figure 4: South African fruit juice trade
Source: FAO (2010)

Figure 5 shows the total value of South Africa's fruit juice exports and imports in 2009. The value of exports amounted to R204 million, a decrease of 20 % from 2008. The value of imports amounted to R65 million, an increase of 19 % from 2008. The resulting trade surplus in 2009 was R139 million.

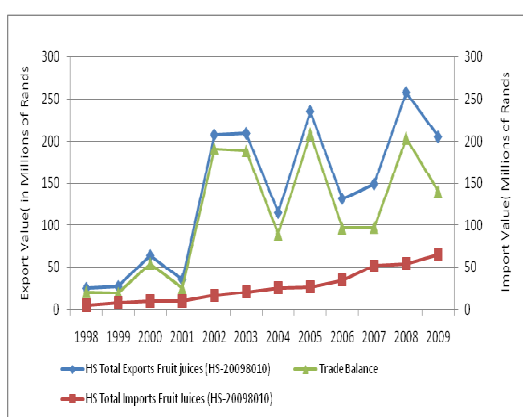


Figure 5: Total value of South Africa's trade in 2009
Source: World Trade Atlas (2010)

Table 11 lists the leading world exporters of fruit juice in 2008. The top three countries in 2008 were Poland, Germany, and Austria, accounting for 9 %, 8 % and 7 % respectively of the value of the world exports. South Africa is the 24th largest exporter of fruit juice.

Table 12 lists the top ten world importers of fruit juice in 2008, in value terms. The USA, Germany and Japan are the top three importers, representing 15 %, 11 % and 8 % of the value of imports respectively. Notably, none of the African countries falls within the top ten lists of importers.

Table 11: Leading world exporters of fruit juice in 2008

Exporters	Exported value (US\$ million)	Share in world exports (%)
World exports	2 432	100
Poland	228	9
Germany	195	8
Austria	159	7
USA	156	6
Netherlands	154	6
Italy	144	6
Spain	104	4
China	103	4
Chile	92	4
Thailand	90	4
South Africa (24)	31	1

Source: ITC Trade Map (2010)

Table 12: Leading world importers of fruit juice in 2008

Importers	Imported value (US\$ million)	Share in world imports (%)
World imports	2 501	100
USA	366	15
Germany	270	11
Japan	195	8
Netherlands	193	8
UK	115	5
Austria	114	5
Italy	90	4
France	89	4
Canada	67	3
Belgium	53	2

Source: ITC Trade Map (2010)

Table 13 lists the leading export markets for South African fruit juice in 2008. Japan, the USA and Canada accounted for 20 %, 13 %, and 9 % respectively of South Africa's exports. The top ten destinations for South Africa's fruit juices accounted for 73 % of the value of South Africa's exports. Five of the top ten importers of South African fruit juice are African countries.

Table 13: South Africa's leading export markets of fruit juice in 2008

Exporters	Exported value (in US\$ 000)	Share in South Africa's exports (%)
South Africa's total exports	31 557	100
Japan	6 286	20
USA	3 934	13
Canada	2 679	9
Mozambique	2 441	8
Ghana	1 690	5
Angola	1 445	5
Zambia	1 321	4
Mauritius	1 274	4
United Arab Emirates	869	3
DRC	728	2

Source: ITC Trade Map (2010)

2. COUNTRY MARKET STUDY: SAUDI ARABIA⁵

Introduction

Saudi Arabia is a major importer of agricultural and food products. The dry climate and semi-desert conditions of Saudi Arabia severely limit its agricultural potential. The Saudi Government's support of agriculture has decreased in line with experts' questioning of the expenditure of the country's limited water resources for the use of agriculture. Saudi Arabia is investing in developing farmland abroad, in a bid to increase its sources of agricultural supplies.

In the past, the high oil price enabled Saudi Arabia to accumulate ample foreign exchange reserves; these reserves helped the country to handle the world's recent financial crisis with ease. Consumer expenditure on food, beverages, and tobacco is forecast to grow from US\$ 33 390 million in 2008 to US\$46 379 million in 2013.

Approximately 14 % of Saudi Arabia's total imports are food and agricultural products. Saudi Arabia is a country that is "trade friendly" and is continuously striving to increase competitiveness in trade. A country market study of South Africa's agricultural trade with Saudi Arabia was conducted to identify the agricultural products that have the potential to be exported to Saudi Arabia.

Discussion

The trade analysis tools of the Trade Potential Index (TPI) and the "Trade Chilling Concept" were used to identify potential South African agricultural exports to Saudi Arabia.

The TPI identified 22 products. The top ten are as follows:

- Oranges (HS 080510)
- Food preparations (HS 210690)
- Cigarettes (HS 240220)
- Sauces and preparations (HS 210390)
- Mixtures of juices (HS 200990)
- Fruit and vegetable juices (HS 200980)
- Fresh or dried lemons (HS 080550)
- Fresh grapes (HS 080610)
- Mandarins and clementines (HS 080520)
- Pears and quinces (HS 080820)

The "Trade Chilling Concept" identified 43 products. The top ten are as follows:

- Maize (HS 100590)
- Preparations for infant use (HS 190110)
- Unsweetened milk and cream powder ex-

- ceeding 1.5 % fat (HS 040221)
- Milk power not exceeding 1.5 % fat (HS 040210)
- Frozen boneless bovine cuts (HS 020230)
- Sweetened milk and cream (HS 040299)
- Cheese (HS 040690)
- Refined sugar in solid form (HS 170199)
- Pastry products and bakers' wares (HS 190590)
- Coffee not roasted or decaffeinated (HS 090111)

Conclusion and comments from the study

South Africa's agricultural exports to Saudi Arabia have the potential to increase substantially. It is important to consider the following points:

- The products that have been identified for potential exports by the TPI and the "Trade Chilling Concept".
- The currency of Saudi Arabia (Saudi Riyal) is pegged against the US Dollar, which may in turn influence the exchange rate between the Rand and the Saudi Riyal.
- Saudi Arabia is an Islamic country, and as such, exports, e.g. preserved food may not contain any substance or traces of pork products or alcohol.
- There was reduction in some import tariffs in Saudi Arabia in June 2009. Exporters should ensure that the latest tariff schedule is used.
- Saudi Arabia's phasing out of wheat production because of its scarce water resources will influence imports; i.e. more wheat will be imported and there will be a movement towards the production of higher value crops.
- Saudi Arabia's investment in developing farmland abroad will influence the imports of agricultural and food products.
- The young population of Saudi Arabia will influence future spending patterns.
- The current foot and mouth disease ban and the Rift Valley Fever ban that Saudi Arabia has on meat and meat products/live animals imported from South Africa is a barrier to trade.
- Agricultural industries can make use of the export promotion facilities of the DTI that can support their export efforts like missions, pavilions, research, agro-processing hub etc.

The full study, titled "Country Market: Saudi Arabia" is available on the DAFF website (<http://www.nda.agric.za/docs/researchP/MarketStudySaudi.doc>).

⁵ This article was compiled by Mr. Gert van Rensburg, Directorate International Trade, (DAFF)

3. TRADE PERFORMANCE INDICATORS IN THE SOUTH AFRICAN AGRICULTURAL INDUSTRY⁶

This section uses different trade indicators, as developed by the Organisation for Economic Co-operation and Development (OECD), that can be used to monitor developments pertaining to a country's trade position. These indicators could provide valuable information to inform trade policy decisions.

For trade openness indicators, the following indicators were identified:

- Export propensity, which is measured as the value of exports divided by Gross Value of Production (GVP).
- Import penetration (self-sufficiency) ratio, which also forms part of geographic concentration, and is measured as the value of imports divided by GVP less the sum of exports and imports.
- Marginal propensity to import, which is the ratio of the change in total imports to change in GVP over a period of time.
- Trade dependence index (trade openness), which is the value of exports and imports combined and divided by GVP.

The trade indicators are used as leading indicators when they have predictive power; thus it may be useful for policy makers to explore the aforementioned indicators in greater detail, as follows.

The export propensity index shows the overall degree of reliance of domestic producers on foreign markets. The index is similar to trade openness but it may provide a better indicator of vulnerability to certain types of external shocks, such as falls in export prices or changes in exchange rates. The indicator may also be important in policy making and could be a policy target.

Figure 6 shows the gradual increase in export propensity for the period 1998 to 2009, albeit at a slower pace than the growth in agricultural value of production. A growth spurt in trade can be observed after tariffication in the late 1990s; it reached a peak in 2002, after which it declined and moved sideways.

Another growth spurt occurred from 2007 to 2008, following world shortages in 2007. The drop from 2008 to 2009 can most probably be attributed to the global financial crises.

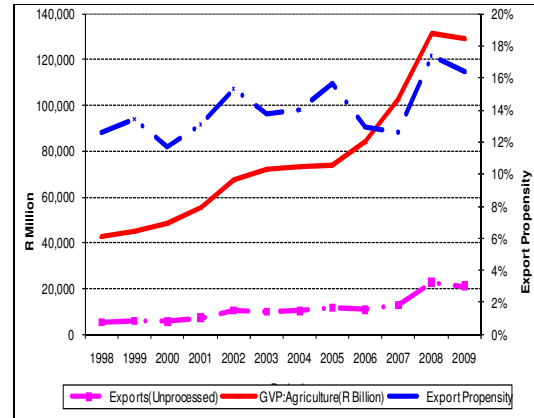


Figure 6: Export propensity of primary agriculture

The import penetration ratio shows to what degree domestic demand (the difference between GVP and net exports) is satisfied by imports. It is termed self-sufficiency ratio when calculated at sectoral level. The index could possibly be used as the basis of specific policy objectives targeting self sufficiency or import replacement policies.

Its values range from 0 % to 100 %. **Figure 7** illustrates that import penetration increased from 6 % in 1997 to 7 % in 2009. This rate of increase was far slower compared to the rate of growth in the gross value of production in primary agricultural goods.

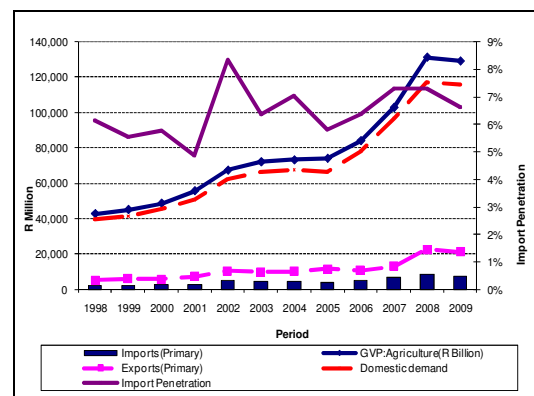


Figure 7: Import penetration ratio for South Africa

⁶ This article was compiled by Mr. Tshepo Ranoto, Directorate International Trade (DAFF)

Marginal Propensity to Import (MPM) is a measure of the extent to which imports are induced by a change in incomes. Its relevance for policy makers depends on the cycle of the economy. A higher MPM reduces the multiplier effect of an increase in GDP.

The values of MPM range from 0 (with no part of extra GDP spent on additional imports) to 1, when the whole extra GDP created is spent on imports according to macroeconomic theory. **Table 14** shows that in 2009, an increase in gross value added production (representing GDP) by R1.00 may result in an increase of R0.39 in imports in primary agricultural products. It is important to note, however, that values fluctuate widely from year to year.

Table 14: Marginal propensity to import (MPM) from agriculture (1998 – 2009)

Period	GVP: Agriculture (R Billion)	Imports (Primary)	Change GDP	Change Imports	MPM
1998	42,807	2,450	-	-	-
1999	45,133	2,289	2,325	-161	-0.07
2000	48,688	2,638	3,556	348	0.10
2001	55,688	2,475	6,999	-163	-0.02
2002	67,346	5,182	11,658	2,707	0.23
2003	72,145	4,233	4,799	-948	-0.20
2004	73,193	4,772	1,048	539	0.51
2005	74,039	3,862	845	-910	-1.08
2006	84,085	4,982	10,046	1,120	0.11
2007	102,837	7,075	18,752	2,093	0.11
2008	131,278	8,527	28,440	1,452	0.05
2009	129,112	7,675	-2,165	-852	0.39

Source: World Trade Atlas (2010); DAFF (2010)

Figure 8 shows the level of trade openness over a period of time compared to the GVP and total primary agricultural trade (exports plus imports). (Trade openness is plotted on the secondary axis). It should be noted that the GVP is the value at farm gate for primary products, while the total trade figure is for primary products only. In future, the formula could be extended to compare similar baskets for primary and processed products.

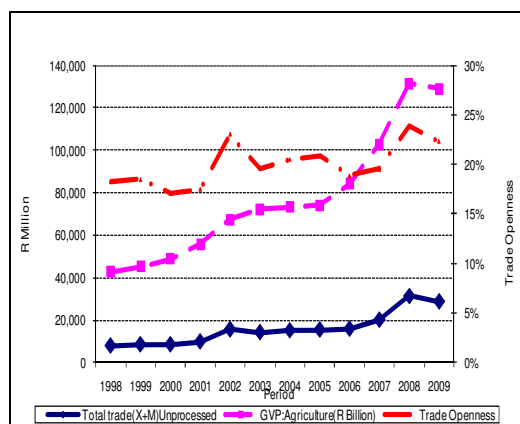


Figure 8: Trade openness in primary agriculture

Trade openness increased by approximately 3 % from 18 % to 21 % from 1998 to 2009. The growth in production outstripped the rate at which trade opened.

An overall conclusion is that for primary products, the growth in value of production at farm gate is far faster than the growth in trade for both imports and exports and related indicators. Surplus production is therefore either being absorbed by increased local demand or processing for trade.

There is room for expansion to open trade opportunities for primary agricultural trade to expand at the same rate as the increase in the value of primary production

4. OVERVIEW OF THE MARKET FOR SOUTH AFRICAN AGRICULTURAL EXPORTS TO JAPAN⁷

Japan offers South Africa's agricultural produce an excellent market opportunity, as it is the third largest importer of agricultural produce in the world, after the USA and the European Union (EU). Japan imports approximately 60 % of its food annually for a predominantly affluent population of 128 million.

The objective of this article is to provide an overview of the Japanese agricultural (processed and unprocessed) imports from South Africa and to give a perspective on some of the trade challenges and opportunities faced by the producers and exporters.

Japanese Consumer Preferences

Despite the shrinking proportion of income spent on food, Japan is still ranked high on a global scale for food imports. There are more processed food products and items of luxury food products and beverages on the Japanese regular consumption list than unprocessed. According to the industry experts, relatively expensive organic foods are popular amongst the Japanese, and growth of spending in this sector is predicted to continue (World Organic Foods and Beverage Report) as quoted by the Euromonitor.

Looking more closely at Japanese spending patterns across all types of food consumed, it is evident that traditional consumption patterns are changing towards a rather Western-influenced direction. Sugar, sugar confectionery, oil and fat products are a few sectors of Japan's market that have enjoyed growth as a sign of increased demand for pastry, sweet snacks and drinks.

⁷ This article is contributed by Mr. Magwa Moses Sibanyoni, Directorate International Trade (DAFF).

Spending on dairy products, eggs and meat has also shown signs of growth. South Africa needs to explore Japan's market for new products that appear to be growing in demand, and a greater variety presented to the consumer will speed up its growth.

Figure 9 reflects South Africa's agricultural exports to Japan. In 2009, Japan's top five agricultural import partners were the USA (29 %); China (11 %); Australia (8 %); Canada (7 %); Thailand (5 %), while SA had a 0.4 % share – rather small in relation to South Africa's potential exporting capacity to Japan. South Africa's agricultural exports to Japan grew by 3 % from 2008 to 2009.

During that period (2008 to 2009), South Africa's total unprocessed agricultural exports to Japan declined by 28 % (from R435 million to R313 million), while processed products increased by 19 % (from R768 million to R916 million). The agricultural trade balance between South Africa and Japan in 2009 yielded a surplus of R1 212.86 million for South Africa.

The largest exports are in wines, fruit juices, sugar and canned fruits. Exports of fresh fruits, cut flowers, foliage and processed vegetables have the potential to be increased through a greater effort in marketing and cost control.

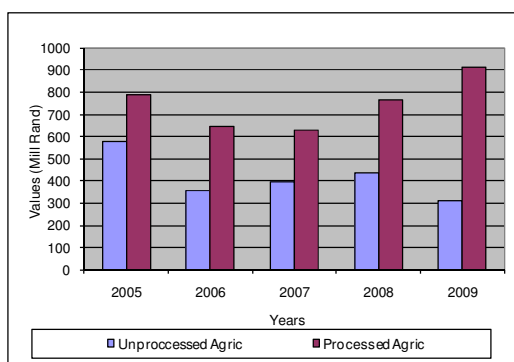


Figure 9: South Africa's exports to Japan from 2005-2009

Source: World Trade Atlas (2010)

Japan's Tariff Protection

As is seen from **Table 15**, Japan's average MFN tariff rate for agricultural products is 24.87 % compared to 1.96 % for industrial products. This indicates that Japan's agricultural products enjoy relatively high levels of tariff protection. The high import duties are found on beef, oil seeds, dairy products, edible vegetables, sugar and sugar products, cereals and cereal products and some other products that are subject to tariff peaks.

Tariff peaks are found in meat and edible meat offal, products of the milling industry, malt,

starches, insulin and wheat gluten, sugars and sugar confectionary, cocoa and cocoa preparations, miscellaneous edible preparations, preparation of cereals, starch, pastry products and preparation of vegetables, fruits, nuts or other parts of plants.

Table 15 reflects the difference between South Africa and Japan's average bound and applied rates.

Table 15: Tariff comparison between SA and Japan

South Africa	Average bound rates	Average applied rates
Agricultural products	11.03 %	6.90 %
Industrial products	5.54 %	2.30 %
Japan	Average bound rates	Average applied rates
Agricultural products	39.80 %	24.87 %
Industrial products	15.80 %	1.96 %

Source: MacMap

Tariff-Rate Quotas (TRQs) cover 1.8 % of all tariff lines and apply mainly to agricultural products, including rice, milk and dairy products, dried leguminous vegetables, wheat, barley, ground nuts, and starches. In-quota imports of rice, wheat, barley, and certain milk products are handled mainly by the state-trading entities, while certain amounts of these products may be imported by private entities.

Conclusion

The volume of the Japanese agricultural imports (Japan is currently importing 60 % of its required food) from the world presents a potentially significant export market for South African agricultural products. Moreover, its emerging need for processed, frozen, packaged, and ready-made meals of convenience provides South African agricultural products with an exports opportunity in the Japanese market.

Efficient and competitive production of high valued food and agricultural products is South Africa's only way of winning against high applied tariffs, tariff peaks, and tariff escalations of the processed agricultural products, and will lead to improved South African exports.

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