

INTERNATIONAL *TradeProbe*

February 2008

The *TradeProbe* is a joint initiative by the NAMC and the Department of Agriculture's Directorate: International Trade. The objective is to create awareness of trade related issues by discussing/reporting trade statistics, inviting viewpoints from people working in the area of trade, reporting on trade related research and to stimulate debate.

This issue covers the following areas:

- Trade profiles of wool (in particular HS5105) and wheat (HS100190);
- Department of Trade and Industry programmes aimed at supporting exports;
- Trade databases that are available free of charge; and
- Contributed articles.

SECTION 1 – TRADE PROFILES

In this edition the trade profiles focus on two main product groups, namely:

- South African wool in general (section 1.1) and more specifically wool combed or carded (HS5101) (section 1.2); and
- Wheat (HS100190).

1.1 South African wool industry performance in 2007

The local wool industry experienced strong growth in the value of exports during 2007. The value of total wool exports increased by 49 percent to approximately R1 457 million. The main reason for this phenomenal increase was due to demand and supply forces in the international market that pushed prices higher. On the supply side the international wool market started experiencing a supply squeeze over the past few years as a result of a decline in wool

production in Australia due to severe droughts that forced farmers to reduce sheep and lamb numbers. It is expected that Australian wool supply will decline by around 12 percent in the 2007/08 season. The end result is that supply globally is expected to remain under pressure. Wool demand on the other hand has been more favorable. The combined effect is pressure on global wool stock levels.

Table 1 shows the value of different wool product categories exported in 2007, as well as the main destinations. According to Cape Wools (2007), the greatest value in wool exports was derived from exports to China, accounting for 28 percent of the total value of wool exported by South Africa in 2007. Cognisance should be taken that this market could be potentially vulnerable given the fact that China stopped the imports of greasy wool from South Africa in 2001 due to foot and mouth disease and reopened only in 2005/6.

Italy accounted for 19.7 percent of the value of wool exports and was the largest market for Tops. The Czech Republic, Germany and India were the 3rd, 4th and 5th highest valued wool markets for South African wool in 2007. The wool market in India presents a lucrative opportunity for South African wool market due to its increase in wool demand from South Africa.

Other interesting facts to note for the period January to December 07 is:

- Greasy wool export volumes increased by 20 percent;
- Scoured wool export volumes decreased by 5 percent;
- Tops export volumes decreased by 28 percent; and
- China increased imports of greasy wool by 43 percent while reducing the imports of tops by 58 percent.

Table 1: Wool shipments from all South African ports: January to December 2007

| Country | Grease | Scoured | Tops | Noils | Waste | Total | % of Total FOB value |
|----------------|-------------|------------|--------------|--------------|--------------|-------------|----------------------|
| | Rand | | | | | | |
| China/Macau | 374 million | 14 million | 21 million | 888 thousand | 0 | 409 million | 28.2 |
| Italy | 125 million | 16 million | 143 million | 867 thousand | 1 138 | 286 million | 19.7 |
| Czech Republic | 193 million | 1 million | 115 thousand | 0 | 0 | 195 million | 13.4 |
| Germany | 112 million | 44 million | 35 million | 115 thousand | 0 | 192 million | 13.2 |
| India | 99 million | 4 million | 2 million | 0 | 0 | 106 million | 7.3 |
| Bulgaria | 67 million | 0 | 7 million | 0 | 0 | 75 million | 5.2 |
| South Korea | 0 | 2 million | 33 million | 0 | 0 | 35 million | 2.4 |
| U.S.A. | 2 million | 4 million | 26 million | 1 million | 74 thousand | 34 million | 2.3 |
| U.K. | 0 | 1 million | 22 million | 762 thousand | 123 thousand | 24 million | 1.7 |
| Mauritius | 0 | 0 | 24 million | 0 | 0 | 24 million | 1.6 |

Source: Cape Wools, 2008.



agriculture

Department:
Agriculture
REPUBLIC OF SOUTH AFRICA



National Agricultural Marketing Council

Strategic positioning of South African Agriculture in dynamic global markets

1.2 Trade profile for carded or combed wool (HS5105)

In this section trade in carded or combed wool is discussed in more detail for 2006. Carded and combed wool are similar to Tops and Noils discussed in the previous section.

Table 2 presents the leading world exporters of carded or combed wool. The value of carded or combed wool exports by China was by far the largest and accounted for 29 percent of the total value of world carded or combed wool exports in 2006. The value of exports of carded or combed wool by Italy accounted for about 7 percent of the total value of exports of this product. South Africa contributed only 4 percent to the total global value of exports of this product.

Table 2: World leading exporters of carded or combed wool in 2006

| Exporters | Value exported (US\$ thousand) | Share in world exports, % |
|-----------------------|--------------------------------|---------------------------|
| World estimate | 1,823,279 | 100 |
| China | 543,506 | 29 |
| Italy | 141,883 | 7 |
| Germany | 120,992 | 6 |
| Uruguay | 114,868 | 6 |
| Argentina | 114,427 | 6 |
| Mongolia | 83,012 | 4 |
| United Kingdom | 76,879 | 4 |
| Czech Republic | 76,514 | 4 |
| South Africa | 75,388 | 4 |
| France | 66,783 | 3 |

Source: ITC calculations based on COMTRADE statistics

Table 3 presents the world leading importers of carded or combed wool in 2006. The value of imports of carded or combed wool by Italy was by far the largest and accounted for 19 percent of the total global value of imports of this product. The second and the third largest global importers in terms of value were the Republic of Korea and China which jointly accounted for 17 percent of the global value of imports of this product.

It was noted in **Table 2** that South Africa ranked 9th in terms of the value of world exports of carded or combed wool. **Table 4** presents the leading export destinations in terms of value of carded or combed wool exported by South Africa in 2006.

In value terms Italy ranked as the number one destination for carded or combed wool exports by South Africa in 2006; i.e. Italy accounted for about 35 percent of the total value of carded or combed wool exports by South Africa. China was the second largest destination in value terms of carded or combed wool exported by South Africa in 2006.

Table 3: World leading importers of carded or combed wool in 2006

| Importers | Value imported (US\$ thousand) | Share in world imports, % |
|-----------------------|--------------------------------|---------------------------|
| World estimate | 1,491,390 | 100 |
| Italy | 296,376 | 19 |
| Rep. of Korea | 134,680 | 9 |
| China | 134,171 | 8 |
| Germany | 132,736 | 8 |
| Poland | 77,475 | 5 |
| Japan | 77,421 | 5 |
| Turkey | 69,934 | 4 |
| Romania | 62,353 | 4 |
| Mexico | 49,467 | 3 |
| Czech Republic | 49,428 | 3 |

Source: ITC calculations based on COMTRADE statistics

Table 4: Major export destinations for carded or combed wool exported by South Africa in 2006

| Importers | Exported value (US\$ thousand) | Share in SA's exports, % |
|------------------------|--------------------------------|--------------------------|
| Tot. SA exports | 75,388 | 100 |
| Italy | 26,061 | 35 |
| China | 10,701 | 14 |
| Germany | 6,480 | 9 |
| United Kingdom | 5,987 | 8 |
| Taiwan | 5,106 | 7 |
| Rep. of Korea | 5,035 | 7 |
| Japan | 4,418 | 6 |
| Mauritius | 2,811 | 4 |
| Turkey | 2,263 | 3 |
| France | 1,843 | 2 |

Source: ITC calculations based on COMTRADE statistics

1.3 Progress by emerging wool sector

Table 5 shows the increase in wool deliveries on formal wool auctions by the emerging sector; of all wool delivered at the South African auctions approximately 98 percent is exported.

Table 5: Wool deliveries by emerging producers on auction markets

| Season | Kilogram | Value (Rand) |
|--------|-----------|--------------|
| 97/98 | 222 610 | 1 502 908 |
| 99/00 | 336 700 | 1 965 557 |
| 01/02 | 535 911 | 6 927 640 |
| 03/04 | 2 029 556 | 17 768 955 |
| 05/06 | 2 222 883 | 14 954 931 |
| 06/07 | 2 345 991 | 30 791 496 |

Source: National Wool Grower Association, 2008.

Kilograms delivered increased 10 fold while the turnover increased more than 20 fold over the last 10 years. One can deduct from these statistics that the emerging sector significantly increased their contribution to the amount of wool that are exported annually. This was possible through strong links between wool industry organizations (e.g. National Wool Growers

Association and Cape Wools) with other stakeholders such as Department of Agriculture, NGO's and the private sector that jointly addresses the challenges emerging wool growers have (e.g. training, technology transfer and linking farmers to markets).

1.4 Trade profile for wheat and meslin (excluding durum wheat) (HS100190)

Table 6 shows the value of global wheat and meslin exports and the top 10 countries making the largest contribution to this value in 2006. Exports by the US contributed 22 percent to the global value of wheat and meslin exports, followed by Australia (14%), Canada (13%), and France (13%).

Table 6: The world leading exporters of wheat and meslin in 2006

| Exporters | Value exported (US\$ thousand) | Share in world exports, % |
|-----------------------|--------------------------------|---------------------------|
| World estimate | 18,020,251 | 100 |
| US | 4,007,247 | 22 |
| Australia | 2,485,479 | 14 |
| Canada | 2,431,806 | 13 |
| France | 2,420,452 | 13 |
| Russian Federation | 1,367,352 | 8 |
| Argentina | 1,105,833 | 6 |
| Germany | 1,004,746 | 6 |
| Ukraine | 595,363 | 3 |
| Kazakhstan | 500,483 | 3 |
| United Kingdom | 351,193 | 2 |

Source: ITC calculations based on COMTRADE statistics

Table 7 presents the world leading importers of wheat and meslin in 2006. It is interesting to note that the value of imports by the leading importers of wheat is more or less evenly distributed (i.e. between 4 and 7 percent) between the top 10 countries.

Table 7: The world leading importers of wheat and meslin in 2006

| Importers | Value imported (US\$ thousand) | Share in world imports, % |
|-----------------------|--------------------------------|---------------------------|
| World estimate | 17,348,665 | 100 |
| Japan | 1,227,679 | 7 |
| Brazil | 988,132 | 6 |
| Egypt | 914,937 | 5 |
| Italy | 845,153 | 5 |
| Indonesia | 816,105 | 5 |
| Spain | 704,516 | 4 |
| Mexico | 681,222 | 4 |
| Netherlands | 673,680 | 4 |
| India | 664,825 | 4 |
| Rep. of Korea | 656,060 | 4 |

Source: ITC calculations based on COMTRADE statistics

Table 8 shows the value of wheat and meslin imports by South Africa and the main countries from where the imports originated in 2006. The value of wheat and meslin imports from Argentina and Germany made the largest contribution to the total value of imports by South Africa in 2006, i.e. 42 and 36 percent respectively. Canada made a less significant contribution to the value of wheat and meslin imports (11%), while the value of imports from the US only accounted for three percent of the value of wheat and meslin imported by South Africa (note that the US made the largest contribution to global wheat and meslin exports in value terms in 2006).

Table 8: Origin of South African wheat imports in 2006

| Import Origin | Value of imports (US\$ thousand) | Share in South Africa's imports, % |
|------------------------|----------------------------------|------------------------------------|
| Tot. SA imports | 147,965 | 100 |
| Argentina | 62,220 | 42 |
| Germany | 53,747 | 36 |
| Canada | 16,325 | 11 |
| US | 4,254 | 3 |
| Ukraine | 3,824 | 3 |
| China | 3,006 | 2 |
| Australia | 2,888 | 2 |
| France | 1,555 | 1 |
| Turkey | 116 | negligible |
| India | 23 | negligible |

Source: ITC calculations based on COMTRADE statistics

SECTION 2 – THE TRADE SUPPORT PROGRAMMES (DTI)

This section provides information on export support programmes that can be accessed through the Department of Trade and Industry (DTI).

2.1. Export Marketing and Investment Assistance Scheme

- Primary Export Market Research and Foreign Direct Investment Research Scheme

Assistance is provided to partially compensate exporters for costs incurred in developing new exporting markets (**PMR**: Primary Market Research trip) and/or cost incurred in recruiting new Foreign Direct Investment into South Africa through personal contact by visiting potential investors in foreign countries (**FDI**: Foreign Direct Investment Research).

- Individual Inward Bound Mission

Assistance is provided to South African entities organising an inward buying/investment mission

to enable a prospective buyer/investor to make contact with them to conclude export orders or attract foreign direct investment.

➤ National Pavilions

Trade and Investment South Africa participate in selected trade fairs and exhibitions abroad by means of a National Pavilion or Mini National Pavilion. Assistance is therefore provided to qualifying South African exporters to introduce South African products into foreign markets by participating in suitable foreign exhibitions in a cost effective manner.

➤ Individual Exhibitions

Assistance is granted to individual exporters to exhibit products at recognised exhibitions abroad where Trade Investment South Africa does not provide for a national pavilion.

➤ Outward Selling Trade Missions

Assistance is provided to South African exporters who wish to make contact with foreign buyers with a view to conclude new export orders.

➤ Outward Investment Recruitment Missions

Assistance is provided to South African enterprises participating in Outward Investment Missions with a view to encourage and attract FDI into South Africa.

➤ Inward Buying Trade Missions

Assistance is provided to organisers of inward buying trade missions to enable prospective buyers to make contact with South African exporters to conclude export orders. The group mission must be organised by a qualifying organisation, export council or Trade Investment South Africa.

➤ Inward Investment Missions

The purpose of the scheme is to provide assistance to organisers of Inward Investment Missions to facilitate FDI into South Africa.

More information on the above programmes can be obtained from the **Customer Contact Centre** at 0861 843 384. Information on **National Pavilions** can be obtained at 012 394 1886

SECTION 3 – CONTRIBUTED ARTICLES: AGRICULTURAL TRADE ISSUES

SELECTED DATA SOURCES AND TRADE ANALYTICAL TOOLS MADE AVAILABLE BY THE DEPARTMENT OF AGRICULTURE¹

- **DataMonitor**

The Department of Agriculture (DoA) recently obtained access to Datamonitor – a globally renowned provider of online data, analysis and forecasting platforms for key vertical economic sectors. The Consumer Markets Knowledge Center of Datamonitor provides integrated global market, country, consumer, product and company intelligence. Amongst other things the Consumer Markets Knowledge Center covers 8 consumer industries (e.g. food, beverages, and tobacco), 170 market categories, 219 countries, more than 1 million packaged consumer products and profiles on more than 10 000 companies. The Datamonitor website includes country profiles, macro and micro economic indicators, as well as socio-economic measurements for the various countries and regions.

The following features are incorporated along with the data and analysis on the website:

- Direct access to analysis and research support;
- Clipping library, where an individual can clip and save data or analysis for later use;
- Custom built individual reports or presentations, and
- The ability to download information into Word, Excel and PowerPoint.

Datamonitor's research is available to the DoA, family organisations and Provincial Departments of Agriculture (PDAs) through the Consumer Markets Knowledge Center – a delivery platform with built-in innovative functionality. The Consumer Markets Knowledge Center consolidates all of Datamonitor's information for a particular industry into a single customised online interface. In total it includes millions of data points, thousands of pages of analysis (reports and briefs) and daily news and comment articles. Content is easily searched and navigated with the help of advanced functionality which also

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enables users to download information directly to their desktop.

Some functions with which Datamonitor can assist organisations and companies are:

- Country profiles and consumer insights in these countries;
- Complete market profiling, allowing the best mix of products to create competitive advantage.
- Revealing the key market trends, forecasts for growth and providing recommendations on emerging opportunities.
- Analysing and benchmarking customer attitudes and perceptions.
- Undertake opportunity analysis by product, geography and industry.

A unique Datamonitor feature to which the DoA has access is called Productscan Online. With this feature that offers up-to-date information (including photos and statistics) on, amongst other things, new foods, beverages and tobacco products, one can stay abreast of new consumer product offerings in the various countries and regions. A customised alert service can also be set up to inform on new publications in a chosen industry.

Access is available to all employees of the DoA, organisations within the DoA family, i.e. NAMC and ARC, as well as PDAs to assist exporters and potential exporters. The DoA can supply up to 10 pages of information per inquiry to assist its clients. Access and search inquiries can be directed to JacobusV@nda.agric.za or contact 012 319 8199. For more information on Datamonitor visit www.datamonitor.com

- **ITC Market Analysis Tools**

The International Trade Centre (ITC) provides its market analysis tools - Trade Map, Market Access Map, Product Map and Investment Map - free of charge as of 1 January 2008 for all users in developing countries. A common user management system is now operational. It allows the users to create a unique account to access Trade Map, Market Access Map and Investment Map. Please go to <http://mas-admintools.intracen.org/accounts/NewAccount.aspx> to register. Product Map should be part of this common user management system at a later stage. The access to Trade Map, Market Access Map and Investment Map has been made possible by financial contributions from ITCs Global Trust Fund and the World Bank.

Trade Map

A new version of Trade Map with advanced features has been developed over the last few months and is now available in Beta format. Users who already had access to the previous ITC Trade Map version will need to create a new username and password to access the new Trade Map version.

Market Access Map

Around mid-January, Market Access Map should have integrated the common user management system. The account that the user will have created on Trade Map or/and Investment Map will thus be available on Market Access Map.

Should you have any questions, please feel free to contact Sandra Devillier at devillier@intracen.org

JAPAN'S GSP CONTRIBUTING TO SA AGRICULTURAL EXPORTS²

The Generalized System of Preferences (GSP) offers market access to qualified products at reduced rates or free of duty. The current Japanese GSP ends in March 2011. It covers 340 agricultural and fishery products and 3215 industrial products. Beneficiaries of the GSP are 141 developing countries, including South Africa, and 14 others.

South African agricultural exports to Japan in 2006 totaled R842.2 million, of which those under GSP treatment amounted to R18.48 million. This represents only 2.2% of Japan's total agricultural imports. Numerically, only 58 agricultural tariff lines from South Africa were covered by the Japanese GSP in 2006. There is a tariff reduction of almost 50% on most raw products and 40% reduction on processed products as a result of the GSP.

Fresh fruit and vegetables made up the largest portion of exports under GSP at R10.3 million, followed by dried fruits at R5.9 million and sparkling wine at R1.8 million. These products still had to comply with the rules of origin and SPS protocols between South Africa and Japan.

The Rules of Origin in the Japanese GSP require the following:

- Direct Consignment – goods are to retain their identity throughout the course of shipment.

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- Origin Criteria – goods to be wholly obtained from a particular country.
- Documentary evidence – certificate of origin may be required for certain goods.

The contribution of 2.2% by the GSP to total agricultural imports of Japan and the fact that only 58 agricultural products were covered by the GSP in 2006 is indicative that wider opportunities do exist. Although average import tariffs of Japan are relatively low, the GSP has brought most of the tariffs of 3% and less down to zero that makes the administration of imports easier. Japan's subsidies to its own producers, its SPS requirements and the geographic distance are seen to be contributing to the difficulty of exporting to Japan. Competitiveness of the SA agricultural products and quality are the keys to success in benefiting from Japan's GSP.

SADC REGIONAL INTEGRATION³ : THE FTA

The move towards achieving a SADC FTA is on course despite difficulties experienced by some member states. The FTA, if all goes well, will be launched in August this year during the Summit of Heads of States planned to be held in South Africa. This was confirmed by SADC Ministers responsible for regional economic integration (Ministerial Task Force) after noting that the tariff phase down challenges experienced by Malawi, Mozambique and Tanzania could be addressed before August 2008. The SADC Secretariat is working closely with these countries to assist them to meet their tariff phase down commitments.

In addition to addressing the challenges of tariff phase downs, other issues identified by the audit study as necessary for a successful FTA are being attended to as well. These include simplification of the rules of origin for which there are still disagreements on rules for some products; implementation of customs and trade facilitation instruments for which slow progress is being made due to capacity and resource constraints; and overlapping regional arrangements and implementation of new bilateral arrangements for which a Tripartite Summit among Heads of States of SADC, EAC and COMESA would meet to address.

The Customs Union

Preparations for establishing a SADC Customs Union by 2010 are continuing. Technical studies to advice on the appropriate model for the SADC customs union as well as the compatibility of Member States' policies were undertaken during 2007. The outcomes of some studies were accepted by the Ministerial Task Force valuable input for further work and negotiations. The Ministerial Task Force instructed that technical working groups (TWGs) be established to undertake further technical work on the **common external tariff, revenue collection, distribution, legal and institutional arrangements as well as the harmonization of industrial, agricultural, infrastructure, competition and other sectoral policies**. The TWGs are in the process of being established.

These preparations are continuing despite some divisions among member states regarding the feasibility of achieving a SADC Customs Union by 2010.

Interesting NitBits

Get the "The Global Competitiveness Report 2007-2008" at

www.gcr.weforum.org/

Get easy access to global Weather and Climate data at wxmaps.org/

Useful information on the South African government (e.g. websites of different government departments, documents for public comment, key issues, etc):

<http://www.info.gov.za/index.html>

Get more information on the International Trade Administration Commission of South Africa (ITAC) at <http://www.itac.org.za/>

Get more information on "Regoverning Markets – small-scale producers in modern agrifood markets" at

<http://www.regoverningmarkets.org/>

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