



agriculture,  
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Department:  
Agriculture, Forestry and Fisheries  
REPUBLIC OF SOUTH AFRICA



National Agricultural  
Marketing Council

Promoting market access for South African agriculture

# Markets and Economic Research Centre and Directorate of International Trade



# TRADEPROBE

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This issue of *TradeProbe* covers the following topics:

- **Product Profile: Honey (HS 040900: Honey, natural)**
- **Product Profile: Lucerne hay (HS 121410) and Seed (HS 120921)**
- **Product Profile: Processed cheese (HS: 040630)**
- **Product Profile: Dried grapes (HS code: 080620)**
- **Product Profile: Cotton**
- **Agriculture, Forestry and Fisheries (AFF) trade relations between South Africa and Angola**
- **Developmental versus market approach to economic integration: A theoretical and practical comparison**

## 1. PRODUCT PROFILE: HONEY (HS 040900: Honey, natural)

Honey is known as a thick, golden liquid produced by industrious bees; it is made using nectar of flowering plants and is saved inside a beehive for eating during times of scarcity. Honey is used for human consumption in various foods and beverages as a sweetener and flavoring. It also has a role in religion and symbolism. The main uses of honey are in cooking, baking, as a spread on bread, and as an addition to various beverages, such as tea, and as a sweetener in some commercial beverages. Honey consumption has some health benefits.

The honey industry in South Africa is characterised by under production (hence SA is a net importer). According to a study that was done by the Department of Water Affairs and Forestry in 2005, South Africa has about 506 000 ha of plantations that could be used to support about 105 000 bee hives. In terms of tonnage, South Africa is estimated to produce about 1 500 tons per year. Furthermore, considering an average yield of 15 kg per hive, South Africa could potentially produce about 1 580 tons of honey more than what is currently produced.

**Table 1** lists the world's largest exporters of honey in 2013. China was the largest exporter with a share of 12.2 %, followed by Argentina with a share of 10.5 % and New Zealand with share of 6.9 % in the world's market. These top 3 exporters collectively accounted for 29.6 % of world exports. It is important to note that India had shown significant growth of export measured in value terms between 2009 and 2013. The growth of export was mainly attributed to the increased levels of beekeeping in recent years.

**Table 1:** Leading world exporters of honey in 2013

Exporters	Exports in \$ millions	Share %	Growth value (%) 2009-2013
<b>World exports</b>	<b>2 028</b>	<b>100</b>	<b>12</b>
China	246	12.2	16
Argentina	212	10.5	8
New Zealand	139	6.9	23
Germany	134	6.6	6
Mexico	112	5.5	9
Hungary	96	4.7	10
Spain	91	4.5	8
Vietnam	90	4.5	20
India	75	3.7	31
Belgium	72	3.6	15
<b>South Africa</b>	<b>0.7</b>	<b>0</b>	<b>11</b>

Source: ITC Trade Map 2014

**Table 2** lists the top 10 leading world importers of honey in 2013. The top 3 leading importers during 2013 were the United States of America (24.9 %), Germany (16.1 %) and the United Kingdom (6.3 %), collectively accounting a total share of 47.3 %. This means that world imports are not concentrated in these markets. Saudi Arabia has the highest annual growth in value, although Poland had the highest annual growth in quantity between 2009 and 2013

**Table 2:** Leading world importers of honey in 2013

Importers	Imported in US\$ in million	Share (%)	Growth value 2009-2013 (%)
<b>World imports</b>	<b>1 999</b>	<b>100</b>	<b>11</b>
United States of America	497	24.9	21
Germany	322	16.1	4
United Kingdom	126	6.3	3
Japan	116	5.8	6
France	113	5.7	6
Italy	75	3.8	8
Belgium	68	3.4	9
Saudi Arabia	57	2.9	22
Spain	53	2.7	10
Poland	47	2.4	19
<b>South Africa</b>	<b>3</b>	<b>0.2</b>	<b>16</b>

Source: ITC Trade Map 2014

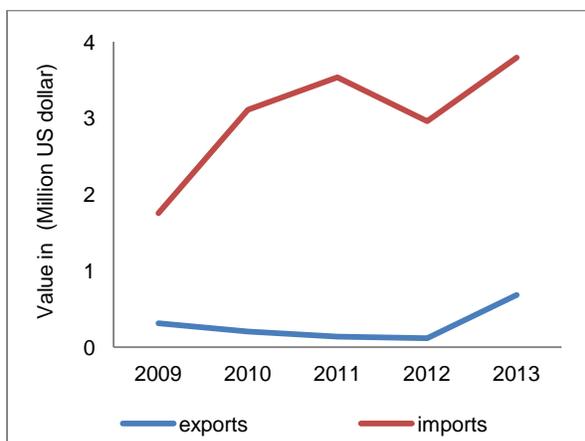
**Table 3** shows the top 10 leading markets for South African honey in 2013. The top 3 leading markets for South Africa's honey were Namibia, Botswana and Lesotho with a share of 39.1 %, 18.4 % and 13.7 % respectively. Among the 10 destinations, 8 are from Africa and South Africa is faced with 0 % tariffs on the top 3 leading markets for honey.

**Table 3:** SA leading export markets for honey in 2013

Importers	Exported value (in US\$ thousands)	Share in South Africa exports (%)	Quantity exported (in tons)	Tariffs faced by South Africa (%)
<b>World</b>	<b>686</b>	<b>100</b>	<b>290</b>	
Namibia	268	39.1	94	0
Botswana	126	18.4	102	0
Lesotho	94	13.7	14	0
Mozambique	41	6.0	19	0
Angola	31	4.5	5	10
China	23	3.4	6	15
Malawi	21	3.1	39	15
Ghana	14	2.0	2	20
Zimbabwe	13	1.9	2	40
Switzerland	11	1.6	1	4.5

Source: ITC Trade Map 2014

**Figure 1** shows the Imports and exports trends of honey in South Africa between 2009 and 2013. South Africa's honey imports were higher than exports throughout the past 5 years. This indicates that South Africa has been a net importer of honey over the reviewed period with total quantity of 2 373 tons imported in 2013.



**Figure 1:** South African honey trade trend

Source: ITC Trade Map 2014

In conclusion, South Africa produces up to 1 500 tons of honey annually, but consumes twice this amount and has to import the balance of about 1 500 tons. The country's eucalyptus plantations offer a real opportunity for developing honey production projects for the poor.



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## 2. PRODUCT PROFILE: LUCERNE HAY (HS 121410) AND SEED (HS 120921)

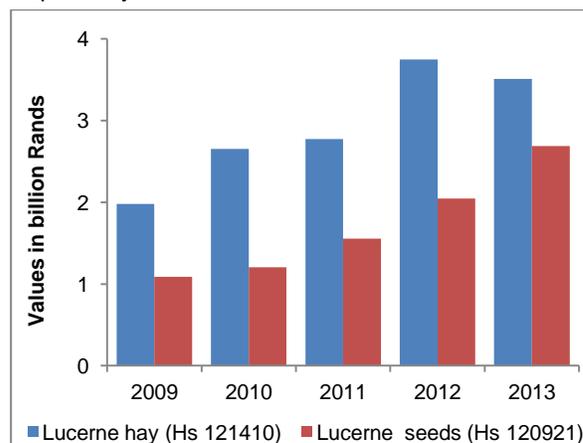
Lucerne is a perennial deep-rooted legume crop which is also known as alfalfa (belonging to the family called *fabaceae*). This plant crop can be well adapted to both irrigated and non-irrigated land in most climates. A lucerne crop is environmentally friendly through improving soil health and allows sustainable animal production. It can be used as a green fodder crop for pasture or conservation of hay, silage or a dried ground product. Lucerne is known to be a good source of vitamins A, K and E and contains significant amounts of the water soluble vitamins riboflavin, pantothenic acid and nicotinic acid.

Lucerne is estimated to be grown on approximately 45 million hectares worldwide. In South Africa it is estimated to be planted on about 399 000 ha. The concentration of lucerne is mainly in the Western Cape, Free State and Northern Cape. The lucerne hay and seed produced in South Africa were about 1.7 million tons and 590 thousand tons respectively in 2012. A global trade picture as well as South Africa's trade situation are presented in the sections to follow.

### Global trade

In 2013, lucerne hay traded on the global market was valued at R6.9 billion whilst a total value of R5.5 billion of lucerne seed was traded on the global market.

**Figure 2** shows the import trends of lucerne hay and seed over a period of five years starting in 2009 and ending in 2013. United Arab Emirates was the largest importer of lucerne hay with the total value of R806 million, in 2013. Japan, Belgium and Saudi Arabia were among the top importers with global share of imports standing at 8.8 %, 6.5 % and 6.3 % respectively in 2013.

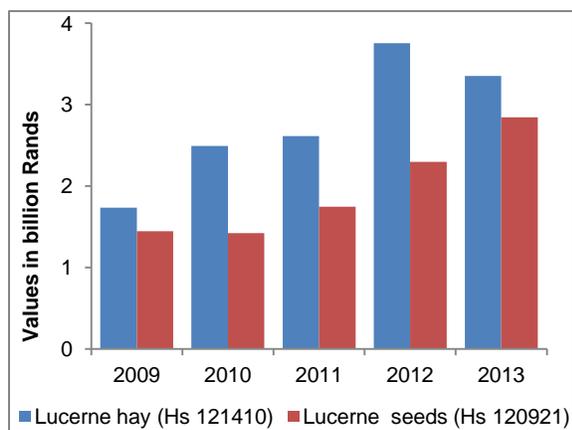


**Figure 2:** Import trend for lucerne hay and seed

Source: Trademap, 2014

**Figure 3** indicates the global export trend of lucerne hay and seed. Of the exported lucerne hay, Spain

commanded the share of global exports at 25 %. The USA, Italy, France and Australia were among the top five exporters of this product, and their collective total value amounted R1.7 billion in 2013.

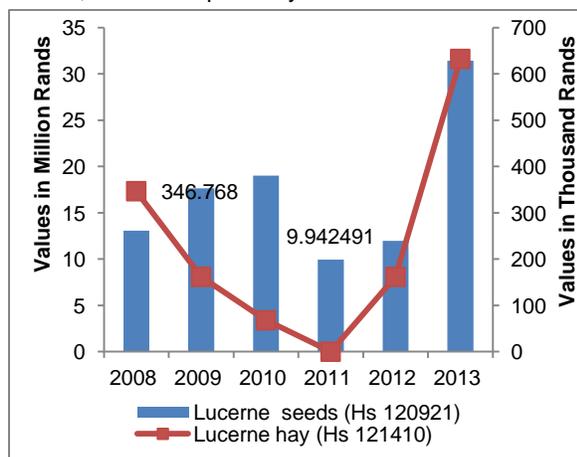


**Figure 3:** Export trend for lucerne hay and seed  
Source: Trademap, 2014

### South Africa's lucerne trade

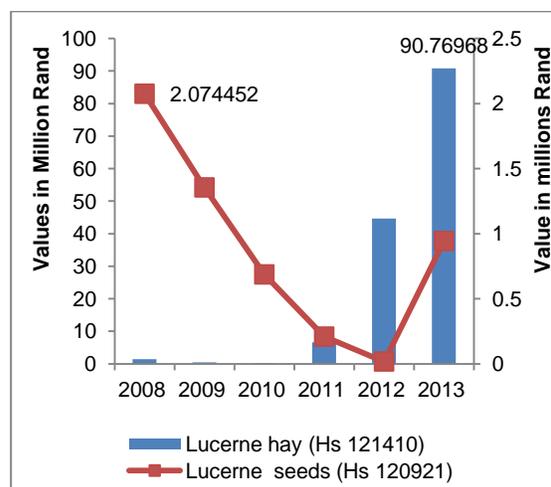
South Africa ranked 7th among the lucerne exporting countries in the world with a share of 3.3 % in 2013. In the picture of the world's leading (top five) importers and exporters, South Africa therefore does not feature. Nonetheless, it is important to look at the trade situation of this product. **Figure 4** presents South Africa's imports of lucerne hay and seed between 2008 and 2013. In 2013, South Africa imported a total of R32 million of the product which is an increase of 104 % from 2008 import values. South Africa's import of lucerne is composed of 98 % seed imports and 2 % hay imports.

The sources of South Africa's Lucerne hay imports include Namibia (91.7 %) and New Zealand (7.9 %). The main sources of South Africa's lucerne seed are Australia and USA, accounting for supply share of 74.6 %, 23.6 % respectively in 2013.



**Figure 4:** South African imports of lucerne hay and seed  
Source: GTA, 2014

**Figure 5** presents South Africa's exports of lucerne hay and seed. South Africa exported lucerne hay to a total value of R90.7 million in 2013. The main markets for South African lucerne hay in 2013 included the UAE (64.6 %), Namibia (18.2 %) and Oman (8.6 %). South Africa also exported lucerne seed to a total value of R942 thousand in 2013. The lucerne seed was mainly destined for the Netherlands (30.6 %) as the largest destination for South African exports, Zimbabwe was the second largest importer of South Africa's lucerne seed in 2013 with share of 30.5 %, followed by Namibia (20.9 %) and Botswana (8.2 %). It is important to note that South Africa exports more lucerne hay than seed, the exact opposite of the import situation. Between 2009 and 2013, South Africa's lucerne exports showed significant growth of 383 %. This is an indication of increasing demand for South African exports in the global market.



**Figure 5** South African exports performance for lucerne hay and seed  
Source: GTA, 2014

### Potential markets for South African lucerne

This section identifies the potential markets for South African lucerne hay (see **Table 4**) as an export oriented product. These potential markets are identified based on increasing demand, tariff advantage and their competition in the global market. **Table 4** indicates the potential market for South African lucerne hay. Among the observed markets, Saudi Arabia showed the potential for South African lucerne exports due to increasing demand of imports of 112 % between 2009 and 2013. It will be advantageous for South African to penetrate into Germany and Saudi Arabia due to their growth demand on imports and zero tariff on their imports from South Africa.

**Table 4:** Potential markets for South African lucerne

Importers	Global Share (%)	Concentration of supplying markets	Annual growth (2009–2013)	Tariff advantage (%)
Japan	8.8	0.36	0	0
Belgium	6.5	0.59	3	0
Saudi Arabia	6.3	0.5	112	0
Germany	5.6	0.5	20	0
USA	3.7	0.49	8	0
UK	2.9	0.77	10	0

Source: Trademap, 2014



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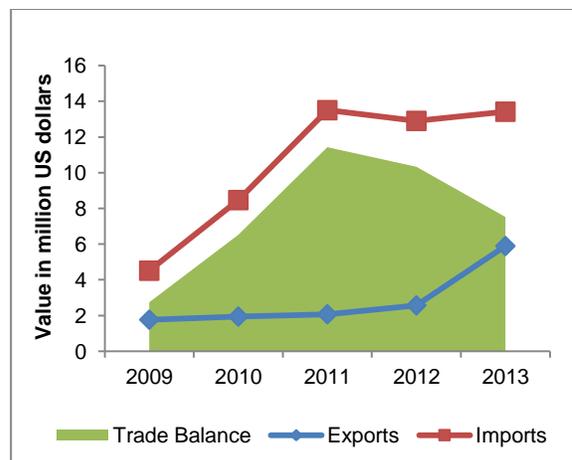
### 3. PRODUCT PROFILE: PROCESSED CHEESE (HS CODE: 040630)

#### Product description

Cheese is a product derived from milk and is produced in a wide range of flavours, textures, and forms. Their taste varies from sweet to bitter and anywhere in between. Their styles, textures and flavours depend on the origin of the milk (including the animal's diet). Herbs, spices, or wood smoke may be used as flavouring agents. The yellow to red colour of many cheeses, such as Red Leicester, is produced by adding annatto. Other ingredients may be added to some cheeses, such as black pepper, garlic, chives or cranberries.

There are various alternative uses of cheese such as pet medication, Cottage cheese masks can be used to treat dark under eye circles and cream cheese masks for dry skin.

Figure 6 shows South Africa's trade of processed cheese from 2009 until 2013. South Africa's cheese imports were more than its exports and this of course indicates that South Africa is a net importer. This may be attributed to the fact that South African cheese production does not satisfy local consumption.



**Figure 6:** South African imports, exports and trade balance of cheese

Source: ITC Trade Map 2014

It is important to also review the global trade in processed cheese in order to assess South Africa's global trade ranking in this product. Therefore Table 5 lists the top 10 exporting countries in the world of processed cheese in 2013. The top 3 exporters in 2013 were: France, Germany and Belgium with shares of 14 %, 12.7 % and 10.5 % respectively. These three countries together constituted a total of 37.2 % share of world exports for processed cheese.

**Table 5:** Leading world exporters of processed cheese in 2013

Exporters	Exported in \$ million	Share (%)
France	404	14
Germany	366	12.7
Belgium	303	10.5
Egypt	234	8.1
Poland	178	6.2
Austria	157	5.4
Morocco	141	4.9
Ireland	120	4.2
Australia	100	3.5
United Kingdom	95	3.3
<b>South Africa</b>	<b>5</b>	<b>0.2</b>

Source: ITC Trade Map 2013

Table 6 lists the top 10 importing countries in the world for processed cheese in 2013. The UK was the top importer of the product with a share of 11.5 %, followed by Italy with a share of 5.8 % and France with a share of 5.1 %.

**Table 6:** Leading world importers of processed cheese in 2013

Importers	Imported value (\$million)	Share (%)
UK	317	11.5
Italy	160	5.8
France	142	5.1
Saudi Arabia	138	5.0
Germany	127	4.6
Spain	118	4.3
Belgium	107	3.9
Iraq	82	3.0
Russia	68	2.5
Libya	66	2.4
<b>South Africa</b>	<b>13</b>	<b>0.5</b>

Source: ITC Trade Map 2014

**Table 7** lists the top 5 export destination markets of processed cheese supplied by South Africa in 2013. The main destination for South African processed cheese exports were Mozambique, Swaziland and Botswana with a share of 29.6 % 22.6 % and 21.7 % respectively in 2013. The mentioned destinations accounted for 74.1 % of cheese imports from South Africa. South Africa exporters are faced with zero tariffs in all the listed markets except in Mozambique,

**Table 7:** Top 5 importing markets for South Africa's processed cheese

Importers from SA	Exported Value in 2013 (USD thousand)	Share in SA's exports (%)	Tariffs faced by SA (%)
Mozambique	1.7	29.6	15
Swaziland	1.3	22.6	0
Botswana	1.2	21.7	0
Zambia	0.6	9.7	0
Namibia	0.3	4.4	0

Source: ITC Trade Map 2014

**Figure 7 (see Appendix B)** shows the potential that South Africa has in processed cheese exports. These markets were reviewed due to their growing demand for processed cheese imports in terms of value. Among the listed markets, Libya showed the highest growth of 29 %, followed by Germany with a growth rate 22 % and Russia with growth rate of 14 % between 2009 and 2013.

### Conclusion

South Africa can explore new markets such as Libya, Germany and the Russian Federation, Iraq and Saudi Arabia due to tariff advantage and import growth demand. Currently, South Africa is exporting their processed cheese to SADC countries. **Figure 11** above shows that the annual growth in some countries outside Africa is faster than the present SADC destinations.



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## 4. PRODUCT PROFILE: DRIED GRAPES (HS CODE: 080620)

Dried grapes are known as raisins – they are produced by drying fresh table grapes. A variety of table grapes cultivators such as Thomson's seedless, goldens, crimsons and sultanas are used to produce dried grapes/raisins. Dried grapes are naturally dried direct by sunlight or wind. Dried grapes can be viewed as a value added product of fresh table grapes. Dried grapes are rich and concentrated with natural sources of energy, vitamins, electrolytes, and minerals. Dry grapes can be eaten as a raw or used in cooking, baking and brewing.

USDA reported that about 1.18 million metric tons of dried grapes were produced globally in 2013/14 season. The biggest producer was identified as USA with a total of 360 thousand metric tons. Turkey, Iran and China were among the top 4 producers with the total of 249 thousand tons, 170 thousand tons, and 165 thousand metric tons respectively. Noteworthy is South Africa's standing in the leagues - South Africa was ranked at number 6 with 45 thousand metric tons.

### Global trade in dried grapes

The total trade of dried grapes world-wide was valued at \$1.8 billion in 2013 (a 9 % increase from the 2009 value). Of the world's imported dried grapes UK commanded a share of 15.2 % followed by Germany with share of 10.6 % and the Netherlands with a share of 7.3 % in 2013. The world leading exporters of dried grapes were Turkey (26.9 %), USA (21.2 %) and Chile (10.4 %). It is important to note that the world supply (exports) of dried grapes was concentrated in the top 3 collectively owning a share of 58.5 % (**see Table 8**).

**Table 8:** World leading importers of dried grapes in 2013

Importer s	Values in US\$ million	Share in world imports (%)	Exporters	Values (USD million )	Share in world exports (%)
UK	283	15.2	Turkey	490	26.9
Germany Netherlands	196.	10.6	USA	387	21.2
	135.	7.3	Chile	189	10.4

Source: Trademap, 2014

### South African dried grapes export performance

South Africa was ranked as one of the largest exporters of dried grapes with a total of US\$ 78 million in 2013. South Africa's dried grapes exports grew by a

rate of 9 % (in value terms) between 2009 and 2013. This suggests that South Africa has been gaining share in the world markets over the last five years. The three biggest importers of South Africa's dried grapes in 2013 were Canada (\$9.7 million), the Netherlands (\$9.3 million) and Germany (\$9.3 million). For the reviewed markets South Africa is currently faced with high tariffs in Algeria (see Table 9 in Appendix A).

**Table 10 (in Appendix A)** indicates potential markets for South Africa. South Africa stands an opportunity to export to Germany, Netherlands, Japan and the UK due increasing demand of dried grapes in these countries. In all the European markets (EU member countries) South Africa is faced with zero tariff rate except for the Japanese market. These markets were selected based on their import growth, tariff advantage and competition intensity. The analysis revealed the UK as a potential market for South African dried grapes exports.

The reasons for choosing the UK was mainly due to it being the largest global importer of dried grapes (15.2 % in 2013) with an increased growth of 8 % between 2009 and 2013. The increasing growth is attributed to consumer demand for dried grapes which are used as a complementary ingredient for baking, snacks and breakfast. In addition, the UK market is a health conscious nation and thus the nutritional attributes of dried grapes are well suited to meet the dietary preferences of UK consumers. Secondly, South Africa is currently facing a zero import tariff when exporting into the UK. Furthermore, South African has a preferential market access for agricultural products to the European Union (EU).

**Table 11** shows South Africa's main competitors for dried grapes in the UK market. Turkey was the leading competitor for dried grapes exports to the UK with the total value of \$158 million in 2013. It is important to note that Turkey is known to be largest producer of dried grapes in the world in comparison to South Africa, which stands at sixth place. Following Turkey is the USA, Greece, Chile and China with total values of \$37 million, \$29 million, \$21 million and \$16 million respectively in 2013. Chile is the greatest competitor for South African dried grapes to the UK because of its geographical location and similar seasonal times as well as similar climatic conditions to South Africa. The main three countries, supply almost 80 % of dried grapes to the UK market, which indicates a high supply concentration. South Africa's exports to the UK market constitutes only a 2.2 % share in the UK dried grape market.

**Table 11:** Main competitors in the UK

List of supplying market for dried grapes imported by UK	Imports million Rand	Imported quantity in tons 2013	Average distance (KM) of supplying markets
<b>World</b>	<b>283</b>	<b>115 601</b>	
Turkey	158	68 864	3 465
USA	37	13 816	9 631
Greece	29	9 470	3 192
Chile	21	7 583	9 956
China	16	7 976	5 894
South Africa	6	2 317	10 035
Germany	3	854	

Source: Trade map, 2014

## Mandatory requirements

South Africa has a preferential market for agricultural products in the EU market. However it is still faced with the challenge of non-tariff barriers (NTBs) in accessing the EU market, particularly sanitary and phytosanitary (SPS) measures. The EU market requires their importers to comply with general conditions and specific conditions designed to protect public health and consumer concerns. The type of regulations that South African exporters need to conform with include SPS requirements, environmental and technical requirements.

## Conclusion

The UK is one of the largest importers of dried grapes in the world, with a global share of 15.29 % in 2013. South Africa is exporting to this market with an import share of 2.2 % in 2013, facing tough competition from major producers of dried grapes such as the USA, Turkey and Chile.



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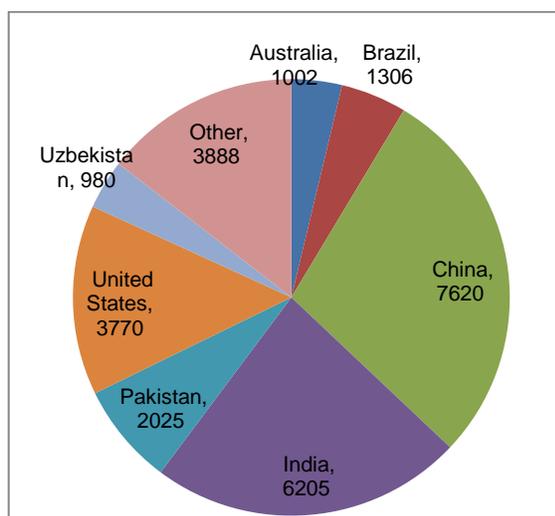
## 5. PRODUCT PROFILE: COTTON

Global production of cotton stood at 26.8 million metric tons in the 2012/13 season, which declined by 2.8 % from the 2011/12 season. Cotton is losing its share to synthetic and polyester fibre; however, cotton consumption has been increasing year on year.<sup>1</sup> Historical data reflect a decline in the global production of cotton, and according to Gruère and

<sup>1</sup> Cotton international (2012).

Plasting (2010),<sup>2</sup> this is attributed to increases in the production cost and increased price competitiveness of complementary products namely grains and oilseeds (returns to land use – land competition).

China accounts for the largest share of total global cotton production, which has recently declined by 2.3 % as compared to production in 2011/12. As shown in **Figure 8** India is the second largest producer of cotton. It has historically led in the allocation of hectares for cotton production, however it has the lowest cotton yield compared to leading cotton producers given its area of cotton production (**International Centre of Trade and Sustainable Development, 2013**)<sup>3</sup>. Developing countries are rapidly claiming an increasing role in the production of cotton. As stated by **ICTSD (2013)**, developing countries are not only increasing their production of cotton; they are moving towards processing cotton into a finished product. Developing countries are on average producing approximately 81 % of the world's cotton (**ICTSD, 2013**).



**Figure 8:** Leading cotton producers in 2012/13 (1 000 Metric tons)

Source: USDA, 2014

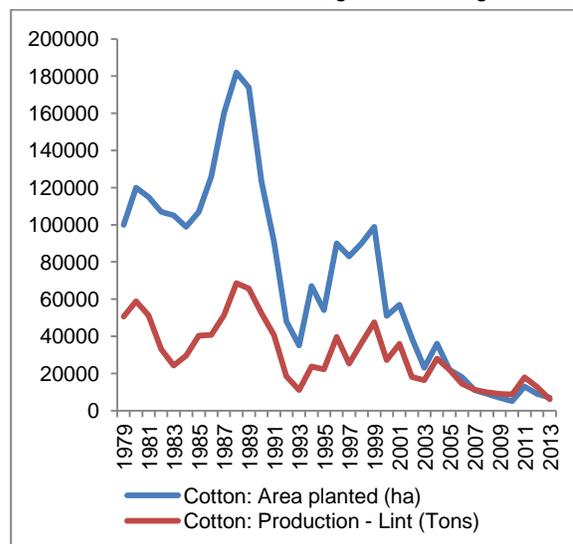
**South African cotton industry**

South African cotton production stood at 6 105 tons in 2013 of which approximately 57 % was grown under irrigation and the remainder under dryland conditions. The main cotton producing provinces in South Africa are Limpopo, North West, the Northern Cape and Mpumalanga. South Africa's cotton production has declined over the years (**see Figure 9**). A decline in cotton production is attributed to the price competitiveness of maize and soybeans in newly irrigated land and low international prices due to developed countries being subsidised.

<sup>2</sup> Gruère, A and Plastina, A. (2010). Outlook for world cotton supply and use: tight stocks and higher prices. International Cotton Advisory Committee. Washington, DC

<sup>3</sup> International Centre for Trade and Sustainable Development. (2013). Cotton: Trends in Global production, Trade and Policy.

The area allocated for production (area planted) shrunk from 100 000 ha in 1979 to 7 000 ha in 2013. This decline in the area of cotton production has greatly affected cotton production. Cotton production hit its lowest production volume in 2013 since 1979 (the reviewed period), interestingly the 2013 yield/ha of produced cotton exceed that of the period between 1979 and 2004. This may be largely attributed to the adoption of GM seeds, training in the use of GM cotton seed and other technological advantages.

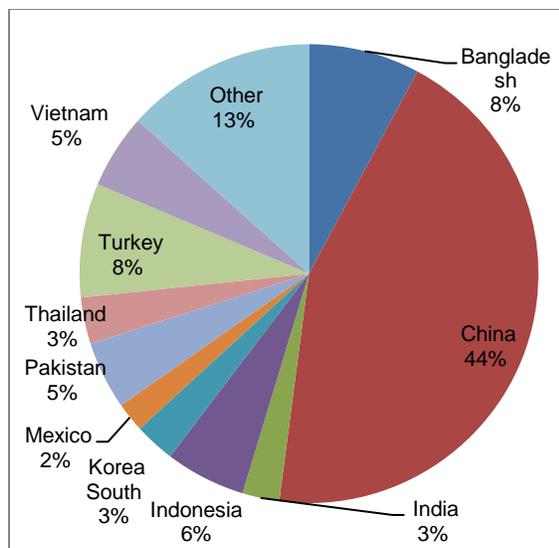


**Figure 9:** South Africa cotton production and area planted: 1979–2013

Source: Quantec, 2014

**Global cotton trade**

Cotton export destinations have shifted from European countries to Asian countries, making the majority of cotton importers the developing nations. China is the world's leading importer of cotton accounting for 44 % (in the 2013/14 season) of global imports. The majority of African cotton exports are destined for China, however the duty imposed (of 40 %) reduces African export competitiveness also considering that Africa is the furthest destination for the Asian market. China is then followed by Turkey and Bangladesh, each importing a global share of 8 % in the 2012/13 season (**see Figure 10**).



**Figure 10:** leading cotton importers in 2012/13 (1 000 metric tons)  
Source: USDA, 2014

Historically South Africa has been a net importer of cotton; this may be attributed to a continued decline in the country's production of cotton. South African imports of cotton stood at R648 million (see Table 12) and has been increasing by 7.5 % year on year over a 10 year period. Importation of cotton comes in duty free with the exception of EFTA countries which are subject to an import duty of 160c/kg (7.5 % ad valorem). The main suppliers of cotton to South Africa are African<sup>4</sup> countries as shown in Table 12.

**Table 12:** Markets that supply South Africa with cotton

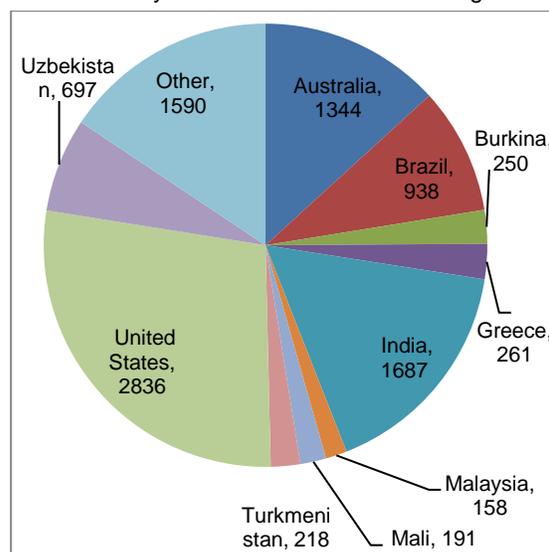
Partner Country	Value in R' million		% growth	Import share %
	2003	2013	2003 - 2013	2013
World	567	684	21	100
Zambia	223	347	56	51
Zimbabwe	234	243	4	35
Malawi	19	84	332	12
Mozambique	25	10	-59	1

Source: Global Trade Atlas, 2014

Global supply of cotton through exports stood at 10 million metric tons in 2012/13 season. The United States is the world's leading exporter of cotton as shown in Figure 11, exporting a quarter of aggregate global exports. This implies that the US exports are large enough to influence price and policy direction with regards to the crop. India is the second largest exporter of cotton, with more that 50 million farmers cultivating the crop; however, exports are expected to drop due to increased use of domestic mills.<sup>5</sup> Of the developing countries, Brazil, India and Uzbekistan export large cotton quantities such that they are able to play a role in influencing global prices of cotton

<sup>4</sup> 2012 Trade data shows that South Africa sourced a value share of 7% and 3% of cotton from Brazil and the USA respectively.  
<sup>5</sup> Cotton international (2012).

(ICTSD, 2013). African countries are price takers and are affected by the fluctuation of the exchange rate.



**Figure 11:** Leading cotton exporters in 2012/13 (1 000 Metric tons)  
Source: USDA, 2014

South Africa spreads its exports to Asian and African countries while reducing much of the exports to the EU, particularly the UK, Germany and Switzerland. In 2013 much of South African exports were destined for Singapore, Indonesia and China (see Table 13). Of the African countries, Swaziland and Zimbabwe are South Africa's leading cotton export destinations for cotton.

**Table 13:** SA cotton destinations

Partner Country	Value in R' Thousand		% growth	Export share %
	2003	2013	2003- 2013	2013
World	42 186	25 939	-38.5	100
Singapore	0	7 953		31
Indonesia	37	6 643	17825	26
China	29 695	5 246	-82	20
Thailand	0	3 247		13

Source: Global Trade Atlas, 2014

South African production of cotton has been declining over the years, but much emphasis is currently placed on smallholder farmers to continue the supply of cotton. Cotton production in South Africa employs both technology and labour which speak to job creation strategies of the country. It is thus essential to have pro-cotton production programmes to ensure that the industry copes against imported products and global price trends.<sup>6</sup>

<sup>6</sup> [http://www.isaaa.org/resources/publications/biotech\\_country\\_facts\\_and\\_trends/download/Facts%20and%20Trends%20-%20South%20Africa.pdf](http://www.isaaa.org/resources/publications/biotech_country_facts_and_trends/download/Facts%20and%20Trends%20-%20South%20Africa.pdf)



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## 6. AGRICULTURE, FORESTRY AND FISHERIES (AFF) TRADE RELATIONS BETWEEN SOUTH AFRICA AND ANGOLA

### Introduction

This section provides an overview of South Africa's AFF trade with Angola. The aim of the article is to investigate the opportunities for maximising trade between the two countries. Angola is currently South Africa's 20th largest trading partner for all commodities, and is also the 7th largest South African market for AFF products. The leading top 6 markets for South Africa's AFF products before Angola are the Netherlands, the United Kingdom, Zimbabwe, China, Mozambique and Japan. Angola is a member of the Southern African Development Communities (SADC) but has not acceded to SADC FTA.

Thus Angola is not enjoying the benefits of free trade area with all the other SADC member states. Angola is also a member of OPEC and the oil sector in 2013 accounted for about 85 % of Angola's GDP and 96 % of its exports, followed by agriculture with 10 % and lastly diamonds with a contribution of 5 % to the total GDP. Angola is still in the process of re-building its industrial capacity which was devastated by civil war. Angola has been a member of the WTO since 23 November 1996 and accords most favoured nation (MFN) treatment to its trading partners.

**Table 14** below represents a comparison of economic indicators between Angola and South Africa for the year 2013. South Africa's population is far greater than Angola but the GDP growth of Angola (3.6 %) was higher than that of SA's which was 1.9 % for the year 2013.

**Table 14:** Economic indicators

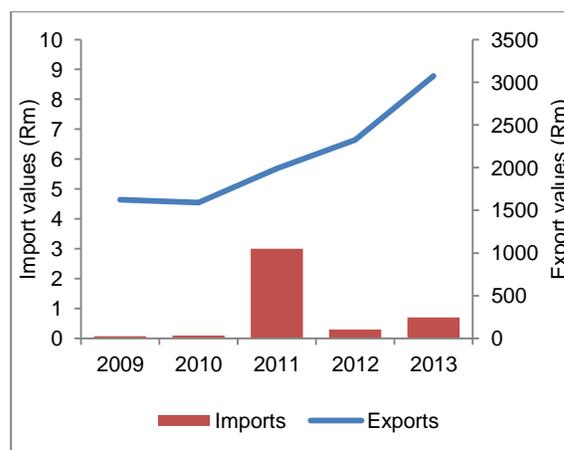
Angola	2013	South Africa	2013
GDP (US\$ billions)	132	GDP (US\$ billions)	596
Real GDP growth (%)	6	Real GDP growth (%)	2
GDP per head (US\$ at PPP)	6 300	GDP per head (US\$ at PPP)	11 500

Population (million)	22	Population (million)	53
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Source: CIA World Fact Book, 2014

### Trade balance between South Africa and Angola

**Figure 12** represents the relationship between South Africa and Angola's trade for agriculture, forestry and fisheries. For the period of five years South Africa has been a net exporter of AFF products to Angola. South Africa remains in the top 5 countries that export AFF products to Angola and also hold a 3rd place on the world rankings. The trade flow between the two countries has been fluctuating throughout these years from 2009 to 2013.



**Figure 12:** AFF trade balance between South Africa and Angola

Source: Global Trade Atlas, 2014

### South Africa's agriculture, forestry and fisheries exports to Angola (2009–2013)

**Table 15** (see Appendix A) shows the top 5 AFF products exported to Angola between the years 2009-2013 together with South Africa's competitors for each product. Tariffs applied by Angola ranged from 5 %–30 % and the main competitors were France, Brazil and Portugal. The latter seems to be the main competitor for a variety of products. These countries are members of the WTO and therefore access Angola's market through most favoured nation rates. However, as an African country, South Africa enjoys a strategic advantage over these countries given the close geographical connection between the two countries. Given that Angola has not acceded to the SADC FTA, SA also accesses the Angolan market through the MFN trade regime.

### South Africa's agriculture, forestry and fisheries imports from Angola (2009–2013).

**Table 16** represents the top five AFF products and tariffs applied by South Africa to products supplied by Angola from the year 2009-2013. The top five products exported by Angola benefited from zero MFN applied rates during the period under review.

SA's generally low MFN applied rates give Angola a better market access in the absence of the preferential trade agreement between the two countries.

The SADC Secretariat is currently working with the Angolan government to facilitate their speedy accession to the SADC FTA. Angola's accession will unlock preferential access to that market which will enable SA to increase its market share. Trade data analysis indicates that due to Angola's weak industrial capacity, the country has not been able to maximise the benefits of SA's generally low MFN applied rates. Angola's AFF exports to South Africa are far less than their imports, thereby making Angola a net importer of AFF products from SA. Therefore the SADC FTA holds the potential to boost trade between the two countries.

**Table 16:** Average top five South African imports from Angola for 2009-2013

HS code	Product description	Average Values (ZAR million)	MFN rates applied by SA
220410	Sparkling wine of fresh grapes	0.1	0
440710	Coniferous wood sawn, sliced etc, over mm thick	0.1	0
151800	Animal/veg fats & oils chem modified	0.02	0
220300	Beer made from malt Ppr/ Pbrd	0.02	0
481730	Boxes/pouches/etc cont assortment stationery	0.02	0

Source: MacMap & Global Trade Atlas 2014

## Conclusion

Although Angola is a member of SADC, the country has not acceded to the SADC FTA. So as members of the WTO, SA and Angola trade through the MFN trade regime. The extent of tariff protection in Angola is high and unpredictable. As one of the fast growing economies in Africa, there is a great potential for SA to increase its market share. This is further underscored by the fact that Angola imports most of its food due to its weaker industrial capacity as a result of the adverse impact of the civil war. The accession of Angola into the SADC FTA will certainly unlock SA's preferential access to that market and help increase the country's market share in Angola.



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## 7. DEVELOPMENTAL VERSUS MARKET APPROACH TO ECONOMIC INTEGRATION: A THEORETICAL AND PRACTICAL COMPARISON

### Introduction

Regional integration theories provide a rationale for why countries integrate. The theories suggest that in order for regions to address specific problems such as incomplete information, high transaction costs, security threats and other barriers to welfare improvement for their members, it is important for countries to integrate.<sup>7</sup> There are different theoretical viewpoints or schools of thought explaining the rationale for economic integration. However, the discussion in this article limits the debate to two approaches to regional economic integration. That is, market versus developmental approach to regional integration.

The article further draws from the experience of economic integration in Africa by providing critical assessment and limitations of economic integration informed by market approach. The article will briefly reflect on South Africa trade with the rest of Africa as a case study to show unequal trading systems. The second part of the article explores the theoretical framework, key pillars and strengths underpinning developmental integration.

The Tripartite Free Trade Area (TFTA) between Southern Africa Development Community (SADC)-Common Market for Eastern and Southern Africa (COMESA)-Eastern Africa Countries (EAC) is moving along the mode of developmental integration different from earlier experience of regional integration in Africa [i.e. SADC, EAC, COMESA and Economic Community of West Africa States (ECOWAS)]. The article intends to provide a theoretical overview of the two approaches and further stimulate the debate as to whether development approach pursued by TFTA could be the panacea for Africa's economic challenges.

### Market integration: African experience

The market approach to regional integration has its roots in Viner's theory of customs union. According to Viner<sup>8</sup> the rationale undergirding the formation of regional integration arrangements is based on the assumption that both the consumers and the producers will benefit from that union. In the absence of regional arrangements, tariffs are imposed on

<sup>7</sup>Eilstrup-Sangiovanni, M & Verdier, D (2005). European Integration as a Solution to War. *European Journal of International Relations*. 11(1): 99-135.

<sup>8</sup>Viner, Jacob. 1937. *Studies in the Theory of International Trade*. London: Allen and Unwin.

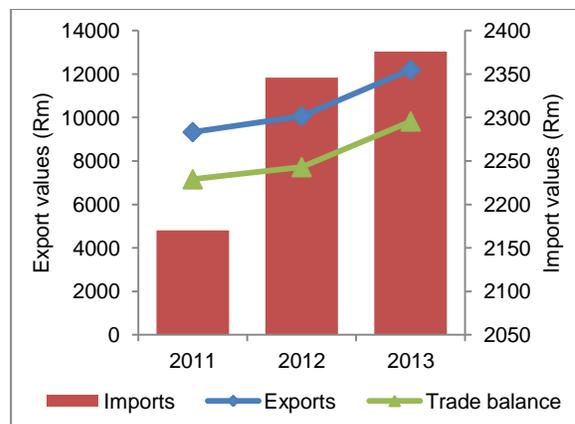
imported goods, which raise the domestic prices and results in higher costs for the consumers.

Regional integration provides a variety of choices for consumers and producers to benefit from economies of scale.<sup>9</sup> Regional integration in Africa was conceived in the light of the market-led approach. The idea was that regional integration is a hierarchical phenomenon comprising different levels<sup>10</sup> of integration and countries have to follow certain stages in order to move to the highest level of regional integration. The focus in most regional grouping was purely on removal of tariffs and non-tariff measures as the main ingredients for increasing trade.

It was envisaged that deeper integration would lead to increase in returns to scale and intra-regional trade.<sup>11</sup> However, it appears from the literature that the level of intra-Africa trade is disappointing. There are several reasons for the weak regional trade performance in Africa, one of which is that the approach to regional integration on the continent has so far focused more on the elimination of non-tariff barriers and less on eliminating the supply side constraints.

### Unequal trading system: South Africa's trade with African countries

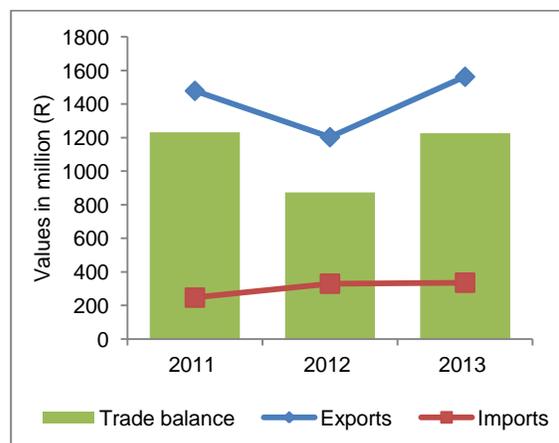
SA has strong trading relations with African countries through SACU and SADC. SACU member states are also members of SADC. SADC comprises of 15 member states and some members of SADC are also members of COMESA & EAC. Overlapping membership is a serious challenge in the African regional integration agenda. Trade takes place through a free trade arrangement, as part of SADC Protocol on trade. SA's major export products to the SADC region are maize, sugar, sunflower seeds and wheat. The top imports are cotton, tobacco and black tea. **Figure 13** shows the trade relations between South African and SADC markets relating to agriculture, forestry and fisheries products.



**Figure 13:** SA-SADC agriculture, forestry and fish trade balance

Source: World Trade Atlas 2014

**Figure 14** illustrates SA's total exports and imports of agriculture, forestry and fisheries products from EAC region. SA's exports and imports from the EAC amounted to R4 billion and R914 million respectively over the past three years. Kenya is the main destination for SA's exports accounting for about 46 % of the total exports to EAC region. SA's major export products to Kenya are maize, refined sugar and fresh apples. Maize accounted for about 33 % of SA's exports to Kenya. Tanzania accounted for 35 % of SA's exports and the rest is shared amongst Uganda, Rwanda and Burundi.



**Figure 14:** SA-EAC agriculture, forestry and fish trade balance

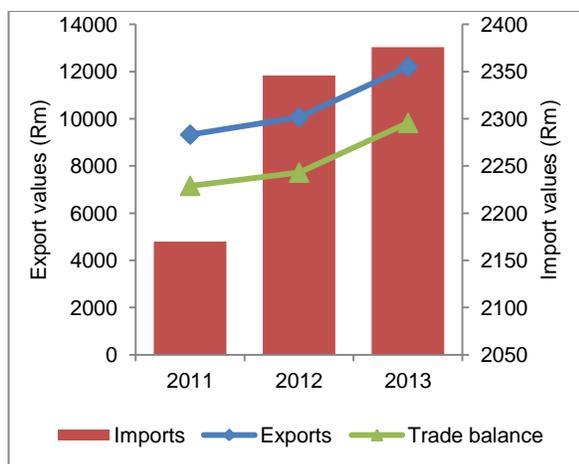
Source: World Trade Atlas 2014

**Figure 15** below indicates a trade balance between South Africa and COMESA that is largely in favour of SA. SA's main export products to COMESA are sugar and smoking tobacco accounting for 25 % and 24 % respectively. The top import products are kidney beans and coffee. Egypt and Ethiopia are the major suppliers of agriculture, forestry and fisheries products to SA with a market share of 50 % and 39 % respectively.

<sup>9</sup> Rathumbu, I.M. (2008). Regional economic integration and development in Southern Africa. Unpublished Master's Thesis. University of South Africa.

<sup>10</sup> Free Trade Area, Customs' Union, Common Market & Monetary Union

<sup>11</sup> World Bank. (2012). *De-Fragmenting Africa, Deepening Regional Trade Integration in Goods and Services*. Washington DC.

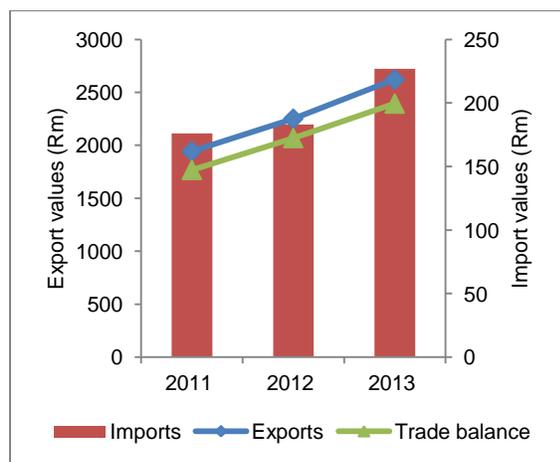


**Figure 15:** SA – COMESA agriculture, forestry and fish trade balance

Source: Global Trade Atlas 2014

ECOWAS is one of the larger regional groupings in Africa with a membership of 14 countries. SA maintains strong trade links with the West African states which are part of ECOWAS. However, trade remains significantly low with an average exports and imports of R2.2 billion and R583 million respectively. SA’s major trading partners in the region are Nigeria, Ghana, Benin and Mali. Trade is significantly low with the rest of the region.

**Figure 16** below illustrates a trade balance which remains largely in favour of South Africa. The major export products to ECOWAS are fresh apples, food preparations and cigarettes while top imports comprise of cocoa paste, cotton and cocoa butter.



**Figure 16:** SA –ECOWAS agriculture, forestry and fish trade balance

Source: Global Trade Atlas 2014

**Limitations of market integration: Evidence from intra-Africa trade**

Over the period of 2007–2012, the average share of intra-regional trade in Africa was 11 % compared to 50 % in developing Asia, 21 % in Latin America and

Caribbean and 7 % in Europe.<sup>12</sup> Furthermore, available evidence indicates that the continent’s actual level of trade is below potential and other sectors (i.e. manufacturing) are unutilised.<sup>13</sup> The problem is that most African countries are at different levels of economic and industrial development, with few complementarities between their respective macroeconomic policies, and minimal reciprocal intra-regional trade.

The practical example is the dominance of South Africa, Nigeria, Egypt and Kenya, all of which account for more than 60 % of African trade. This is an indication of uneven benefits due to fragmentation and weak industrialisation. The questions that need to be answered are; why Africa trade in particular intra-trade is the lowest amongst other regions and what limits African regions from exploiting resource endowments thorough economic integration? Why South Africa is enjoying positive trade balance with most of the African countries and why is the export basket of African countries still dominated by primary products? Africa has been experimenting with economic integration for half a century. As a result Africa records about eleven economic blocs such as the Economic Community of Western African States (ECOWAS), the Common Market for Eastern and Southern African (COMESA) and the Southern African Development Community (SADC). However, market integration does not seriously address the fundamental issue of how industrial development and economic diversification can be achieved. The successful market integration process requires certain conditions to be fulfilled, and amongst them are industrial policy, trade complementarities, institutional capacity and infrastructure development. It is fairly obvious that many of these conditions are lacking in Africa. The key limitations of market integration are explained in detail below.

**Narrow focus on tariff liberalisation without infrastructure development**

Inadequate infrastructure development in Africa serves as a major obstacle to increased intra-Africa trade. The lack of infrastructure to facilitate trade from production areas through ports and out of the country remains a serious problem that needs to be addressed. This means that regional integration in Africa should not only focus on liberalising tariffs but it should consider issues related to infrastructure as one of the pillars of successful integration.

**Lack of trade complementarities**

The situation in African countries is the regions produce and export largely similar products with non-complementarities in trade structure. The bulk of extra-regional exports are unprocessed commodities that

<sup>12</sup> United Nations Conference on Trade and Development (1999). African transport infrastructure, trade and competitiveness, United Nations Conference on Trade and Development, TD/B/46/10, Geneva.

<sup>13</sup> United Nations Conference on Trade and Development (2013). Intra-Africa Trade: Unlocking Private Sector Dynamism

generally cannot be absorbed in the region owing to the serious underdevelopment of the manufacturing industry. Therefore, it is not surprising to find that aggregate levels of intra-regional trade in Africa remains the lowest in the world, at around 11 %. This lack of complementarities suggests limited scope for increasing intra-regional trade.<sup>14</sup> Surely the market approach to regional integration based solely on tariff liberalisation will not work unless the region addresses supply-side constraints.

## Lack of industrial policy

Industrial policy is one of the pillars of economic development. The rationale for industrial policy is that the market alone cannot prompt business to effectively innovate and undertake enhancing investments<sup>15</sup>. In the African context, industrial policy is still a major problem and many countries are without industrial policies. In South Africa, the positive trade balance with the rest of African countries is the reflection of a diversified economy benefitting from industrialisation of the different sectors. It is not surprising to see that the TFTA has incorporated this pillar in their integration agenda.

## Macroeconomic divergence

The importance of macroeconomic convergence for enhancing economic integration cannot be overstated.<sup>16</sup> In Africa macroeconomic convergence is still a major obstacle. The continent is faced with the problem of currency instability, high levels of inflation and different levels of economic growth. With the emphasis on tariff reductions, it is unlikely to increase trade significantly if exchange rates and inflation are not properly aligned and the underlying macroeconomic framework is unstable.<sup>17</sup>

## Developmental integration: Theoretical overview

Regional economic integration in Africa is still a priority amongst the leaders. The ongoing TFTA negotiations and the proposed Continental Free Trade Area are the clear effort by continent's leaders to boost intra-Africa trade. The key limitations of market approach to regional integration outlined above provide interesting debate about rethinking African integration. It is within this context that developmental integration should be experimented with as an alternative model of regional integration. The theoretical argument of this approach is that market integration through tariff liberalisation requires, and should be preceded by, cooperation and

coordination programmes to address real economic constraints.

The underlying assumption of this approach is that unequal and uneven development among member countries (as in the case of other regional groupings in Africa) makes it difficult to promote integration through market mechanisms such as trade liberalisation.<sup>18</sup> The approach emphasises the need for an equitable balance of the benefits of integration, noting that trade liberalisation needs to be accompanied by compensatory and corrective measures oriented particularly towards the least developed member countries.<sup>19</sup> From the onset, development integration should aim to define the scope and identify structural constraints to the production and trade in goods and services, which must be overcome. TFTA is anchored on three pillars; namely traditional market integration, industrial and infrastructure pillar. The inclusion of the second and third pillar in the ambit of free trade provides the potential for the development of a deeper integration agenda that addresses not only trade barriers but more fundamentally, the industrial and other behind the border issues.

## Conclusion

The article has first provided an outline of the market approach to regional integration drawing from the experience of Africa. The analysis of South Africa's trade with the rest of Africa makes it evident that the trade is skewed in favour of South Africa because of its strong manufacturing which is weaker in most African economies. Therefore, the on-going T-TFA negotiations anchored on development integration are expected to level the playing field in intra-Africa trade upon its conclusion and implementation. Given the limitation of a market approach to regional integration, the article provided theoretical overview of developmental integration with reference to the TFTA processes. However it remains to be seen whether developmental integration strongly mooted in addressing the supply side constraints will unlock and diversify trade potential in Africa.



The article was co-authored by Siphoniso Molepo and Solly Molepo both Senior Agricultural Economists at the Department of Agriculture, Forestry & Fisheries, Directorate International Trade. Their work includes monitoring the implementation of the SACU Agreement, the SADC FTA and work on the currently negotiated Tripartite FTA agreement. They can be reached at: [SiphonisoMal@daff.gov.za](mailto:SiphonisoMal@daff.gov.za) and [SollyMo@daff.gov.za](mailto:SollyMo@daff.gov.za) or +27 12 319 8028 / +27 12 319 7039

<sup>14</sup> Cassim R. (2001). The Determinants of Intra regional Trade in Southern Africa with Specific Reference to South Africa and the Rest of the Region. *DPRU Working 01/51*, University of Cape Town.

<sup>15</sup> Lowitt, S. (2011), Current issues and debates in industrial policy- some reflections for Southern African Customs Union. Trade and Industrial Policy Strategy, Pretoria.

<sup>16</sup> Geda, A & Kibret, H. (2002) Regional Economic Integration in Africa: A Review of Problems and Prospects with a Case Study of COMESA. School of Oriental & African Studies, London University.

<sup>17</sup> Kumo, L.W. (2011). Growth and macroeconomic convergence in Southern Africa. Working paper series 130. African Development Bank, Tunis, Tunisia.

<sup>18</sup> Chipeta, C. (2001). Development Integration in Southern Africa. In *Pan Africanism and Development in 3D: Density, Distance, Division*. CSAE: Oxford University.

<sup>19</sup> Ajulu, R. (2008). Open versus developmental integration: What options for SADC? In *Revisiting Regionalism in southern Africa*.

**Appendix A**

**Table 9:** South Africa's leading markets for dried grapes

Importers	Export value in \$ million	Share in South Africa's export %	Annual growth rate in value %	Share of partner countries in the world market %	Tariff faced by SA
World	78	100	9		
Canada	9.7	12.2	-1	3.9	0
Netherlands	9.37	12	8	7.3	0
Germany	9.3	11.9	36	10.6	0
USA	8.3	10.7	14	2	0
France	7.6	9.7	8	3.5	0
Algeria	6.5	8.4	4	0.9	30
UK	6.1	7.8	5	15.2	0

Source: Trademap, 2014

**Table 10:** Potential markets

Top potential importers	Global Share (%)	Importers growth (2009-2013)	Tariff faced by South Africa	Competition		
				Competitor	Market share	Tariff faced
UK	15.2	8	0	Turkey	55.9	0
				USA	13.4	
				Greece	10.3	0
				Chile	7.7	0
Netherlands	6	10	0	Turkey	52.7	0
				USA	17.4	
				South Africa	5.2	0
				Iran	4.8	
Germany	10	11	0	Turkey	42.5	0
				Iran	12.1	
				Chile	11.9	0
				SA	8.8	0
Japan	7.3	13	1.2	USA	89	1.2
				Turkey	4.9	0
				Chile	2.3	0
				China	1.7	0
Canada	5.1	3	0	USA	49.7	0
				Turkey	23.9	0
				SA	13.7	0
				Iran	5.4	0

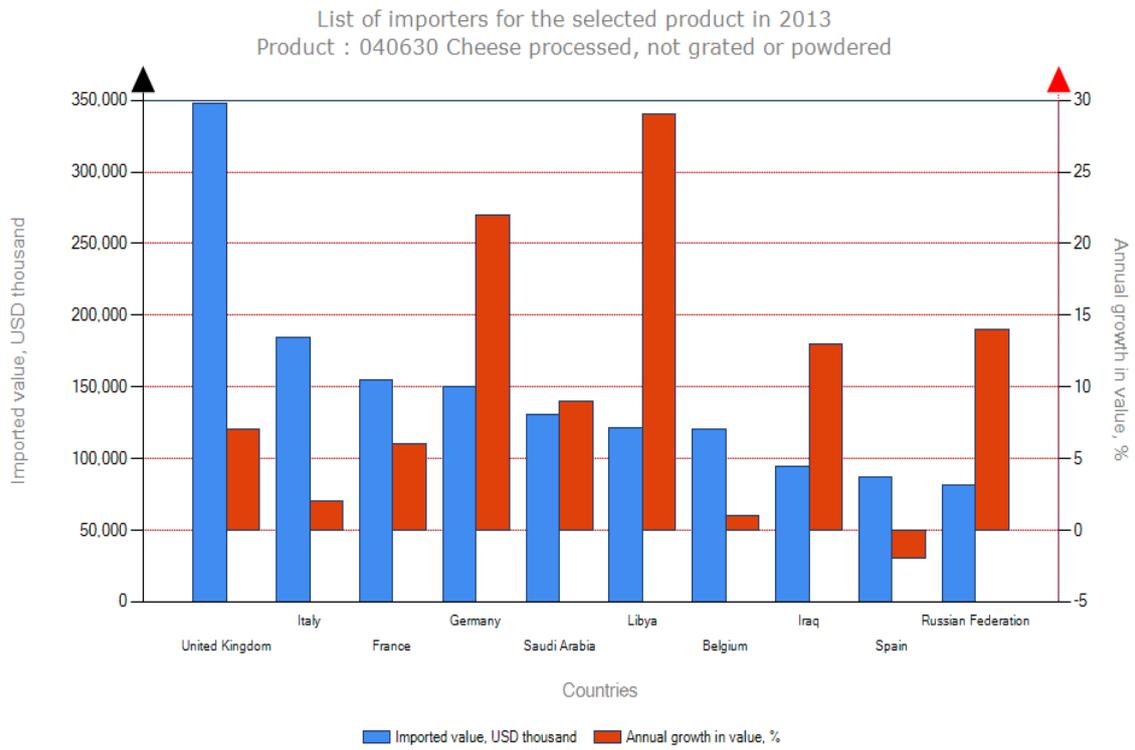
Source: ITC, 2014

**Table 15:** Average values for AFF products exported by South Africa to Angola (2010-2013)

HS Code	Description	Average Values (ZAR million)	MFN rates applied (%)	Key competitors
110313	Maize (corn) groats and meal	249	5	France, Brazil and Poland
220870	Liqueurs and cordials	207	30	Portugal, Namibia and Ireland
170199	Cane/Beet Chem Pure Sucrose	152	5	Brazil, Portugal and Spain
240220	Cigarettes Containing Tobacco	168	30	Portugal, China and Turkey
040310	Yogurt, W/N Sweetened, Flavoured or Containing Fruit/ Cocoa	133	10	Portugal, Namibia and Belgium

Sources: ITC trade map & Global Trade Atlas 2014

**Appendix B**



**Figure 7:** List of importers for the selected products in 2013

**Source:** ITC Trade Map 2014

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