

INTERNATIONAL *TradeProbe*

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TradeProbe is a joint initiative by the NAMC and the Department of Agriculture's Directorate of 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.

Covered in this issue are the following topics:

- Trade profiles
 - ✓ Sorghum
 - ✓ Avocado
 - ✓ Mango
- Contributed articles
 - ✓ South African agricultural trade with Russia
 - ✓ The Chinese economy and its associated importance to South Africa: An agricultural perspective

SECTION 1 – TRADE PROFILES

1.1 Sorghum grain (HS Code: 100700)

The Department of Agriculture's publication entitled "Trends in the Agricultural Sector" identifies sorghum as the third most important grain product in South Africa even though it contributes a small percentage to the gross value of crop production in South Africa. Over the past few years sorghum production in South Africa averaged 229,158 tons; this is relatively small in comparison to maize and wheat production. In 2006/07 the commercial production of sorghum was 176,000 tons (this was 83% higher than in the previous season), but this was 30% lower than the 5 year average. The medium term trend in production is downward. The area under sorghum planted decreased from 95,497 hectares in 2002/03 to 69,000 hectares in 2006/07.

Table 1 presents a list of the top ten largest global exporters of sorghum (in terms of value) in 2006. Noteworthy is the fact that there were two African countries in the list ranking 9 and 10 respectively (Egypt and Sudan). However the top three exporters were USA, accounting for 87 percent of global value of exports followed by Argentina and France representing only 4 and 3 percent of the global value of exports of this product. South Africa ranked 16th on the global list of exporters, representing less than 1 percent of world exports at a value of US\$516 thousand.

Table 1: Leading exporters of sorghum in South Africa

Exporters	Value exported in 2006, in US\$ thousand	Share in world exports, %
World est.	687,390	100
USA	598,226	87
Argentina	29,465	4
France	23,589	3
Australia	8,254	1
China	6,545	1
Ukraine	4,936	1
Netherlands	3,449	1
Brazil	1,495	<1
Egypt	1,489	<1
Sudan	1,406	<1
(16) South Africa	516	<1

Source: ITC calculations based on COMTRADE statistics

Table 2 outlines the top ten global sorghum importers and their shares of world imports expressed in value terms. It is interesting to note that three countries from Africa were in the list of leading world importers. These countries were Sudan, representing 6 percent of world imports followed by Uganda at 2 percent and Somalia representing 1 percent of world imports. The top three importers were Mexico, Japan and Spain representing 44, 27 and 6 percent of the value of world imports respectively.

Table 2: Leading world importers of grain sorghum

Importers	Value imported in 2006, in US\$ thousand	Share in world imports, %
World est.	777,336	100
Mexico	338,704	44
Japan	208,257	27
Spain	49,728	6
Sudan	45,414	6
Uganda	14,309	2
Italy	11,309	1
Somalia	9,711	1
Belgium	8,872	1
Netherlands	8,559	1
Taiwan	7,536	1

Source: ITC calculations based on COMTRADE statistics

Presented in **Table 3** is the list of importers of grain sorghum exported by South Africa. The top three importers were Sudan, Zimbabwe and Mozambique with about 28, 25 and 23 percent share of South Africa's exports of this product respectively. Only 1 non-African country featured as an export destination, namely the United Kingdom.

Table 3: Leading destinations for sorghum exported by South Africa

Importers	Exported value 2006 in US\$ thousand	Share in South Africa's exports, %
SA exports	516	100
Sudan	146	28
Zimbabwe	131	25
Mozambique	120	23
United Kingdom	47	9
Argentina	31	6
Angola	29	6
Zambia	12	2

Source: ITC calculations based on COMTRADE statistics

1.2 Avocado (HS code: 080440)

The world production of avocado increased considerably from 2,200 metric tons in 1990 to 3,230 metric tons in 2005. Over this period the world production of avocado has consistently increased.

Avocado production in South Africa is concentrated in the provinces of Limpopo and Mpumalanga (warm subtropical areas) and to some extent in Kwazulu-Natal (about 8% of the commercial production of avocado). The area in South Africa under avocado production is about 12,000 hectares (Donkin, 2007).

Donkin (2007) reports that of the 90,000 tons produced on average per year, about 40,000 tons are exported to the European Union (EU) and the United States of America (USA), with the remainder consumed on the domestic market. In South Africa the area under commercial avocado plantation increased from about 2,000 hectares in the 1970s to about 12,000 hectares in 2003.

In light of the increase in the global and domestic production of avocado, it is important to highlight the top ten avocado producers in 2005 (see **Table 4**). According to the FAO, Mexico, Indonesia and the USA were the leading producers in 2005. South Africa occupied the 15th spot in terms of avocado production globally.

In 2006 the world value of exports was about US\$912,555,000 (see **Table 5**) while the world value of imports was about US\$944,866,000 (see **Table 6**). The world's three leading exporters of fresh or dried avocado in 2006 were Mexico, Chile and Spain respectively (see **Table 5**). Two African countries are amongst the top ten global exporters, namely Kenya and South Africa, ranking number 9 and number 10, respectively.

The value of South African exports of fresh or dried avocado amounted to US\$18,989,000 in 2006. South Africa's avocado exports represented 2% of world ex-

ports in 2006, with the country ranking number 10 on the list of world exporters.

Table 4: World's leading producers of avocado (2005)

Rank	Producers	Production (Int \$1000)	Production (MT)
1	Mexico	668,586	1,040,390
2	Indonesia	169,381	263,575
3	USA	137,523	214,000
4	Colombia	119,408	185,811
5	Brazil	112,460	175,000
6	Chile	104,749	163,000
7	Dominican Republic	89,968	140,000
8	Peru	65,548	102,000
9	China	54,624	85,000
15	South Africa	38,258	59,534

Source: FAO Statistics Division

Table 5: World's leading exporters of avocado, fresh or dried (HS code: 080440) (2006)

Exporter	Export value in US\$ thousand	Export quantity in metric tons
World est.	912,555	588,683
Mexico	354,393	208,349
Chile	118,796	98,186
Spain	98,788	45,221
Israel	65,774	40,363
Netherlands	61,572	28,923
Peru	38,793	31,738
France	36,913	19,688
New Zealand	26,927	10,370
Kenya	22,540	15,433
South Africa	18,989	32,290

Source: ITC calculations based on COMTRADE statistics

Table 6 presents the top ten importers of fresh or dried avocado in value terms. The top three countries in 2006 were the USA followed by France and the United Kingdom (UK). There was no African country amongst the world's leading importers of avocado, which were dominated by Northern Hemisphere countries.

Table 6: World's leading importers of avocado, fresh or dried (080440): 2006

Importer	Import value in US\$ thousand	Import quantity in metric tons
World est.	944,866	579,301
USA	279,772	192,725
France	176,412	95,286
United Kingdom	93,861	60,123
Netherlands	70,185	38,190
Japan	63,116	29,032
Canada	37,560	21,876
Germany	33,351	16,073
Australia	26,332	9,359
Spain	19,508	16,097
El Salvador	18,262	11,001

Source: ITC calculations based on COMTRADE statistics

Table 7 presents the leading export markets for South African avocado. The top three export markets of 2006 were the European countries of the Netherlands, the UK and France, with export values of US\$9,021,000, US\$5,903,000 and US\$2,758,000 respectively. The only non-European countries amongst the top 10 importers of South Africa avocado in 2006 were the United Arab Emirates, Hong Kong and Singapore. There was no African country amongst the top ten export markets for South African avocado.

Table 7: Leading importers of South African avocado, fresh or dried (080440): 2006

Importer	Export value in US\$ thousand	Export quantity in metric tons
World est.	18,989	32,290
Netherlands	9,021	15,084
United Kingdom	5,903	10,288
France	2,758	4,816
Spain	649	1,316
Germany	293	431
United Arab Emirates	118	98
Belgium	63	84
Hong Kong (SARC)	59	80
Singapore	41	28
Greece	25	20

Source: ITC calculations based on COMTRADE statistics

Figure 1 presents the leading exporters of avocado to South Africa's leading export destination, namely the Netherlands. This provides an indication of countries competing with South Africa for market share in this market. In 2006, it can be noted from Figure 1 that South Africa's exports to this market represented about 38 percent of the value of avocado imports by the Netherlands. South Africa was followed by Chile with a 17percent share and France, Peru and Spain with almost equal shares. Kenya was the only other African country with a noticeable share.

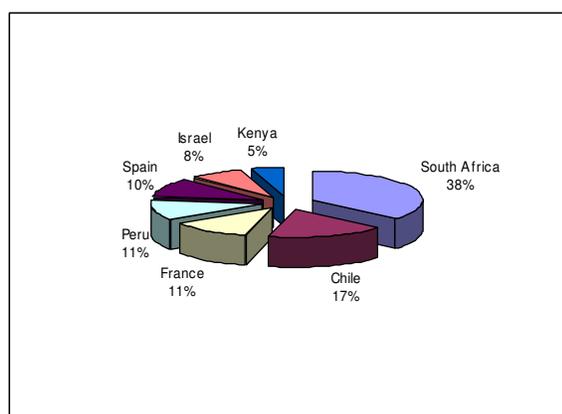


Figure 1: Major exporters of avocado to Netherlands in 2006

Source: ITC calculations based on COMTRADE statistics

1.3 Quavas, mangos and mangosteens (HS code: 080450)

The world and domestic production of quavas, mangos and mangosteens increased between 1990 and 2005.

The world production increased from about 17,000 metric tons in 1990 to about 29,200 metric tons in 2005. It should be noted that the rest of the discussion of the world's leading producers is in relation to mangos only and not an aggregation of quavas, mangos and mangosteens. The leading mango producers in 2005 were India, China and Thailand. Amongst the top ten producers of mango were two African countries, namely Nigeria and Egypt, ranked at number 9 and number 10 respectively. It can be seen that India was by far the leading producer in terms of both volume and value, significantly outperforming its closest rival, i.e. China (see **Table 8**). The domestic production of, mangos increased from about 28,227 tons in 1990/91 to about 62,258 tons in 2006/07.

Table 8: World's leading producers of mangos (2005)

Rank	Producer	Production value (Int \$1000)	Production volume (metric tons)
1	India	2,629,692	10,800,000
2	China	840,040	3,673,000
3	Thailand	438,282	1,800,000
4	Pakistan	407,578	1,673,900
5	Mexico	365,968	1,503,010
6	Indonesia	359,928	1,478,204
7	Philippines	231,316	950,000
8	Brazil	206,966	850,000
9	Nigeria	177,748	730,000
10	Egypt	92,526	380,000

Source: FAO Statistics Division

In 2006 the world value of exports was US\$684,575,000 for an exported volume of 901,520 metric tons, while the world value of imports was US\$944,652,000 for an imported volume of 870,503 metric tons. **Table 9** presents the world's leading exporters of quavas, mango and mangosteens, fresh or dried. It can be seen that the leading exporters in 2006 were Mexico, Brazil and the Netherlands. It is important to note that there were no African countries among the top ten world exporters in 2006.

Table 9: World's leading exporters of quavas, mangos, and mangosteens, fresh or dried (HS code: 080450): 2006

Exporter	Export value in US\$ thousand	Export quantity in metric tons
World est.	684,575	901,520
Mexico	99,363	232,382
Brazil	87,516	115,724
Netherlands	75,597	55,187
Peru	59,329	82,685
Israel	34,120	13,484
Philippines	30,326	27,539
France	30,123	15,100
Ecuador	23,101	51,099
Belgium	20,898	19,789
Thailand	17,861	29,777

Source: ITC calculations based on COMTRADE statistics

The top three importers in value terms in 2006 were the USA, the Netherlands and the UK respectively. There were no African or South American countries among the top ten importers in 2006, but there were a few Asian countries (see **Table 10**).

Table 10: World's leading importers of guavas, mango, and mangosteens, fresh or dried (HS Code 080450): 2006

Importer	Import value in US\$ thousand	Import quantity in metric tons
World est.	944,652	870,503
USA	269,321	298,088
Netherlands	114,448	92,817
United Kingdom	82,605	54,676
France	75,728	35,297
Germany	51,799	34,755
Canada	44,539	42,161
Japan	43,911	12,586
Hong Kong (SARC)	40,472	42,422
China	29,922	23,763
Belgium	28,986	24,533

Source: ITC calculations based on COMTRADE statistics

Table 11 gives an indication of the South African export markets for this product. It can be seen that the top three South African export markets in 2006 were the UK, Switzerland and the Netherlands. It is important to note that an African country (Ghana) does fall into the top ten importers of South African guavas, mangos and mangosteens. The list includes two Middle Eastern countries (Saudi Arabia and the United Arab Emirates) and a single Southeast Asian country (Hong Kong).

Table 11: Leading importers of South African guavas, mangos and mangosteens, fresh or dried (HS Code 080450): 2006

Importer	Export value in US\$ thousand	Export quantity in metric tons
World est.	6,767	5,009
United Kingdom	2,450	2,502
Switzerland	1,785	235
Netherlands	382	704
France	299	76
USA	267	38
United Arab Emirates	265	329
Saudi Arabia	182	224
Ghana	180	187
Italy	166	62
Hong Kong (SARC)	136	168

Source: ITC calculations based on COMTRADE statistics

Figure 2 outlines the top exporters of this product to the United Kingdom, which is the largest market for South Africa for this product. It is clear from Figure 2 that Pakistan, France and Brazil were the leading exporters of this product to the UK representing 16, 16 and 14 percent of UK imports respectively.

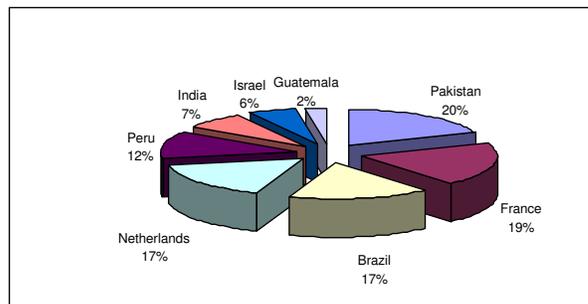


Figure 2: Leading exporters of guavas, mangos and mangosteens, fresh or dried to the United Kingdom in 2006

Source: ITC calculations based on COMTRADE statistics

SECTION 2 – CONTRIBUTED ARTICLE

2. South African agricultural trade with Russia¹

2.1 Introduction

Russia is one of South Africa's international strategic partners. The two countries have entered into a number of cooperation agreements. An intergovernmental committee on trade and economic cooperation (ITEC) between the two countries was established, amongst other things, to identify trade potential in various sectors and sub-sectors. In addition, the Russian Federation accorded South Africa developing country preferential status through a government decree in 2003.

South Africa's Agricultural Trade Strategy (currently under review) document emphasizes the identification of growth markets in the Middle East, Far East and Russia, where South Africa is underrepresented, as areas offering great opportunities to be exploited in terms of exports and imports. It further adds that the current and potential trade suggests that improved bilateral trade with these countries, especially in the agricultural sector, could be beneficial provided South African exporters are globally competitive.

Russia with its population of 145 million people provides a significant market opportunity for South Africa as a net-exporting country of agricultural products under normal conditions.

2.2 Russian agriculture

Despite its extensive size (17 million square kilometres), Russia has, according to the Federation of International Trade Associations, relatively little area suitable for agriculture because of its unfavourable climatic conditions. Agriculture contributes around 5% to the GDP and employs 13% of the active population. Russia's farming comprises mainly of livestock in the northern areas and grains in the southern and western parts. The country is in the process of restructuring the former state farms, but the process has been extremely slow.

¹ Xolani Nqaba (Assistant Director: Europe, Russia and Middle East, Directorate International Trade, Department of Agriculture)

2.3 South African agricultural trade with Russia

Bilateral agricultural trade between South Africa and the Russian Federation (**Table 12**) indicates a steady growth in the value of exports to Russia (up by 24%).

Table 12: Total agricultural trade values between South Africa and Russia (R'000)

	2001	2002	2003	2004	2005	2006	2007
Exp. to Russia	171	225	394	327	247	475	621
Imp. from Russia	11	7	41	7	8	11	7
Trade balance	161	217	353	320	239	464	613

Data source: TradeMap

However, there was a sharp drop in the value of exports to Russia in 2004 and 2005. There after the value

of exports rebounded significantly. Imports from Russia remained at very low levels.

The analysis of South African leading exports to Russia for 2006 and 2007 at HS chapter level is shown in **Table 13(a)** and the leading imports from Russia in **Table 13(b)**. It is clear that fresh fruit leads South Africa's agricultural exports to Russia.

A Trade Potential Index shows products that have the biggest potential in the Russian market that South Africa should exploit even further. The results are not that different to the products that South Africa currently exports to the Russian Federation. These products constitute clusters HS 08 – Edible fruit, nuts, peel of citrus fruit, melons; HS 20 – Vegetable, fruit, nut, etc. food preparations; HS 24 – Tobacco and manufactured tobacco substitutes; HS 21 – Miscellaneous edible preparations; HS 06 – Live trees, plants, bulbs, roots, cut flowers respectively.

Table 13(a): Top ten agricultural exports to Russia in 2006 and 2007 (Values in R'000)

HS 02	Product description	2006	Rank	2007	Rank
08	Edible fruit, nuts, peel of citrus fruit, melons	353 234	1	492 885	1
20	Vegetable, fruit, nut, etc. food preparations	32 978	3	46 290	2
22	Beverages, spirits & vinegar	31 992	4	44 681	3
24	Tobacco and manufactured tobacco substitutes	6 181	5	13 823	4
01	Live animals	442	9	7 178	5
09	Coffee, tea, mate and spices	4 659	6	5 155	6
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	2 949	7	5 085	7
23	Residues, wastes of food industry, animal fodder	717	8	2 156	8
06	Live trees, plants, bulbs, roots, cut flowers, etc	60	10	182	9
17	Sugars and sugar confectionery	40 071	2	0	10

Data source: TradeMap

Table 13(b): Top ten agricultural imports from Russia in 2006 and 2007 (Values in R'000)

HS 02	Product description	2006	Rank	2007	Rank
21	Miscellaneous edible preparations	4 029	1	5 436	1
33	Essential oils, perfumes, cosmetics, toiletries	0	10	695	2
19	Cereal, flour, starch, milk preparations and products	0	9	653	3
22	Beverages, spirits and vinegar	804	5	597	4
18	Cocoa and cocoa preparations	2 199	3	231	5
53	Vegetable textile fibres nes, paper yarn, woven fabric	13	8	28	6
12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	13	7	7	7
09	Coffee, tea, mate and spices	60	6	0	8
17	Sugars and sugar confectionery	3 151	2	0	9
24	Tobacco and manufactured tobacco substitutes	831	4	0	10

Data source: TradeMap

SECTION 3 – INVITED ARTICLE

3. The Chinese economy and its associated importance to South Africa: an agricultural perspective²

The People's Republic China (PRC) is about 9,596,960 square kilometres. Of that land about 33 percent covers mountains, 26 percent plateaus, 19 percent basins, 12

percent plains and around 10 percent hills. Therefore, nearly 70 percent of the PRCs land is mountains, hills and highlands. The land is occupied by one of the world's biggest populations.

China has been the world's most populated country for many years. Between 1953 and 2000, statistics conducted in the respective years indicate that the population of PRC almost doubled from about 582 million in 1953 people to 1.2 billion in 2000. The July 2006 estimates of the population stood at around 1.3 billion people with an annual growth rate of about 0.59 percent.

² Bonani Nyhodo (NAMC - Senior Economist), Taku Fundira (Tralac – Researcher), Phindiwe Jara (DoA – Economist) and Sanri Reynolds (Western Cape DoA – Economist)

One of the fundamental interventions by the Chinese government was more emphasis on agricultural production, which led to an increase in the share of agriculture to the Gross Domestic Product (GDP) in the 1970's. In 1983 the share of agriculture to the GDP reached 33 percent but has since then been declining. In 2006 the share of agriculture to the GDP was 11.8 percent.

It can be noted that about 42 percent of the labour force in 2006 was involved in agriculture. Also interesting is that the urban to rural income ratio is 3.3:1, deteriorating from 2.57:1 in the 1980's. Considering the large share of labour involved in agriculture and the skewed income distribution between rural and urban, China faces huge challenges concerning urbanization and availability of land for agricultural production. In the light of these challenges, the Chinese government renewed its focus on agriculture, aiming to stimulate investment in agriculture and improving returns to farmers. Despite the declining trend in cultivated land, China is currently emerging as a big producer of agricultural products by improving technology leading to increased productivity.

The question that arises is whether China is a threat or an opportunity for South African agriculture. The discussion that follows is an outflow of a recent visit to China by the authors³ of this contribution.

3.2 China and trade: challenges and opportunities

3.2.1 Challenges

The trip to China shed some light on some of the challenges that South African exporters may face in trying to enter the Chinese market. Challenges are mainly in the form of non-tariff measures (NTMs). Apart from the stringent NTMs imposed on agricultural products, China provides an ample market to absorb South African exports and hence the need to establish market intelligence networks in China for South African businesses.

The striking challenges featured prominently are:

- **Culture** - The culture of China is a potential barrier to export for the South African exporter since we are not familiar with their language, culture and customs. The Chinese for example do not like to do business with strangers and will make frequent use of intermediaries known by both sides (although there is a lack of local intermediaries). Associated with culture is an issue of trust. For a long time the Chinese have been viewed to be doing the wrong thing, hence for them to open up to trade, trust has to be built.
- **Difficult to get creditworthy customers** – this is associated with little market knowledge about the Chinese economy.
- **Sanitary and Phytosanitary (SPS) measures** – the Chinese economy has some of the most stringent human, plant and animal pro-

³ Other members of the South African delegation included the CEO of Tru-Cape (South Africa) - Mr. Charles Hughes - and Tralac's Dr Ron Sandrey. The authors would like to thank Mr Hughes and Mr. Mono Mashaba (the South African Embassy's Agricultural trade representative) for planning of the tour programme.

tection rules and regulation. This makes export of primary agricultural products difficult.

3.2.2 Opportunities

- The biggest challenge for the Chinese agricultural industry is feeding the growing population and satisfying the needs of the more affluent consumers. The massive increase in agricultural production over the past few years has been accompanied by massive growth in both exports and imports of agricultural products. Since 2004, China is a net importer of agricultural products.
- The fact that China and South African are located in the northern and southern hemisphere respectively provides a natural opportunity for trade in perishable products such as vegetables and fruit. Moreover, it should be noted that in 2007, after the United States of America, Argentina and Brazil were the second and third largest import sources for agricultural products.
- The opportunities China holds for South Africa extends beyond that of a major potential market. Opportunities also exist with respect to research and development. Chinese authorities indicated their willingness to share and collaborate with South African institutions.
- Another opportunity exists in respect of sharing ideas on small-scale farming as South Africa and China face similar challenges on this issue. Though China recognizes the difficulty of small-scale farmers competing with modern large-scale agriculture in developed countries they cannot see how this can change in the near future. (The average farm size in China is less than one hectare.)

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