



**tralac** | trade law centre

# South African agricultural imports and policy space

by Ron Sandrey

**WORKING PAPER**

tralac Working Paper  
February 2013

 Please consider the environment before printing this publication

[www.tralac.org](http://www.tralac.org) | [info@tralac.org](mailto:info@tralac.org) | Twitter [@tradelawcentre](https://twitter.com/tradelawcentre) | Copyright © tralac, 2013.

*Readers are encouraged to quote and reproduce this material for educational, non-profit purposes, provided the source is acknowledged. All views and opinions expressed remain solely those of the authors and do not purport to reflect the views of tralac.*

Copyright © tralac, 2013.

Readers are encouraged to quote and reproduce this material for educational, non-profit purposes, provided the source is acknowledged. All views and opinions expressed remain solely those of the authors and do not purport to reflect the views of tralac.

This publication should be cited as: Sandrey, R. 2013.

*South African agricultural imports and policy space.* Stellenbosch: tralac.

This publication has been financed by the National Agricultural Marketing Council (NAMC). NAMC does not necessarily share the views expressed in this material. Responsibility for its contents rests entirely with the author.



**[www.tralac.org](http://www.tralac.org) | [info@tralac.org](mailto:info@tralac.org) | Twitter [@tradelawcentre](https://twitter.com/tradelawcentre)**

*Readers are encouraged to quote and reproduce this material for educational, non-profit purposes, provided the source is acknowledged. All views and opinions expressed remain solely those of the authors and do not purport to reflect the views of **tralac**.*

## South African agricultural imports and policy space

*by Ron Sandrey*

### Key points

Except for the 2007 year South Africa has been a net exporter of agricultural products, although we note that this is exaggerated by the use of free on board (f.o.b) instead of cost, insurance, and freight (c.i.f.) values to assess imports. During 2011, agricultural exports were \$7,227 million with imports at \$6,331 million.

The main sources of imports in the 'bigger picture' sense during 2011 were the EU followed by the Mercado Comun del Sur (Mercosur) and Association of South East Asian Nations (Asean), while the main products by HS 6 line were wheat, rice, palm oil and soybean products. The fastest growing individual source over the last 15 years has been Brazil, followed by China and Thailand, while the fastest growing products at the HS 6 line have been palm oil, chicken cuts and wheat.

Our assessment of the border tax collected based upon the Southern African Customs Union (SACU) Tariff Schedule was \$309.5 million or 4.89% overall.

Examining policy space to increase border taxes we found firstly that some \$1,667 million or 26.5% of the total was effectively immune from increased tariffs as at least 40% and in many instances 100% of the lines were sourced from European Union (EU) with the Trade, Development and Cooperation Agreement (TDCA) rates or from the Southern African Development Community (SADC) with its associated zero duty access. In the second place it was found that \$2,203 million or 34.8% of the total was associated with Tariff Rate Quota (TRQ) lines where increasing applied tariffs may be complicated.

Another \$863 million (13.6% of imports) were in lines where the applied rates are equal to the bound rates at zero, while a further \$72 million (1.14%) were where the applied rates were above zero but still equal to the bound rates.

This left only \$1,867 million or 29.5% of the imports where there was clear policy space to increase tariffs. However, some \$845 million (13.5 % of total imports) were in four lines of animal feeds that

are direct inputs into South African domestic animal or poultry raising sectors. As such, increasing tariffs would raise domestic costs, and another \$121 million is actually processed fishery products. **Deleting these animal feeds and fishery imports reduces strictly agricultural policy space to \$901 or 14.3% of the total agricultural imports. The clear-cut policy space is limited.** Notably, some \$245 million of these imports are in HS 020714 lines – frozen chickens and chicken cuts from Brazil and the EU – products that are causing consternation in trade policy circles.

## Background

South Africa has traditionally been an agricultural exporting country, as displayed in Table 1. This holds true for every year shown except 2007, when there was a trade deficit of US\$75 million. Note, however, that this profile of a trade surplus owes its existence in part to the way South Africa reports trade statistics, as, unlike most countries, South Africa reports import data as the equivalent of f.o.b. This means that transport and associated costs are not reported against the imports by South Africa as is the normal convention and this consequently underestimates imports against the norm by perhaps as much as 10%. To gain a perspective on the balance, the top portion of the table also shows the trade balance as a percentage of agricultural exports, with the most recent 2011 surplus being 12.4% of the exports. The table also shows both exports and imports to put the data into perspective, along with the associated trade data for both the EU and SADC partners. Not shown is that in the most recent 2011 year there was a large surplus with Zimbabwe, Mexico, Mozambique and Angola, and, conversely, large deficits with Argentina, Brazil, Thailand, Indonesia, the United States and Malaysia.

**Table 1: South Africa's agricultural trade profile, \$ million**

	1996	2000	2005	2006	2007	2008	2009	2010	2011
Trade Balance									
World	760	846	1,436	770	-75	688	1,206	1,521	896
% exports	29.5%	37.7%	35.4%	19.9%	-1.8%	12.4%	21.4%	23.6%	12.4%
EU	492	536	1,120	773	935	1,054	730	808	469
SADC	358	287	529	471	336	1,027	934	1,134	1,152
Exports									
World	2,577	2,243	4,057	3,865	4,243	5,535	5,626	6,455	7,227
EU	927	914	1,733	1,526	1,923	2,136	1,916	2,223	2,277
SADC	473	406	697	637	563	1,226	1,129	1,375	1,475
Imports									
World	1,817	1,397	2,620	3,094	4,318	4,847	4,420	4,934	6,331
EU	435	378	613	753	988	1,082	1,186	1,416	1,807
SADC	115	119	168	166	227	199	195	241	323

Source: Global Trade Atlas

The objective of this paper is firstly to examine agricultural imports in detail and then to switch to trade policy measures associated with these imports. In particular, this means an examination of the possible 'policy space' or room that South Africa has to curtail imports through tariff increases. The policy space examination will review and update a 2008 paper by Sandrey et al. We note at the outset that while we are fully aware of South Africa's obligations under its SACU commitments and of how these in effect mean that South Africa does not have a tariff schedule, but rather that SACU does, we shall treat the schedule as being South Africa's for simplicity in this paper.

## Section 1 The data

Extending the analysis beyond Table 1 this section will look at imports in recent years in more detail by both source and composition. A series of tables will be presented, all with the common format of being expressed in US dollars (millions) for values and the HS 6 line level for the commodities sourced from the Global Trade Atlas. Data is shown for 1996, the first year available, 2000, 2005 and the three most recent years of 2009, 2010 and 2011. In addition, to indicate the growth or otherwise of these imports, the term 'ratio' is introduced where this is the ratio of imports in 2011 over the comparable value in 2000. A ratio higher than the overall increase means that source / HS line is increasing faster than the overall comparator, while, conversely, a ratio lower means it is decreasing relative to the comparator. Presenting the data in US dollars (millions) does not detract from the main purpose of this section or the policy space examination, which is to emphasise the changes in these import flows rather than their absolute value in rand.

Table 2 extends Table 1 and shows agricultural imports by source in more detail. The EU remains the main source, followed by the South American region bloc of Brazil, Argentina, Uruguay and Paraguay (Mercosur), the ten nation Asean regional bloc, the four BRIC countries of Brazil, Russia, India and China (note that Brazil is listed here twice, as it belongs to both Mercosur and BRIC), and then the African sequence of, firstly, the whole of Africa, and then the so-called Tripartite Free Trade Agreement (TFTA) grouping with its associated subregional SADC grouping. A perusal of the Africa data shows that SADC accounts for most of the South African agricultural imports from the entire continent. Argentina tops the rankings for the individual countries, followed by fellow Mercosur member, Brazil, and then Thailand and the United States (US).

Looking at the ratio we see that since 2000 the EU has gained modestly (a ratio above the overall world total indicates a gain), while both Mercosur and Asean have strongly increased. The Mercosur increase has been fuelled by Brazil, as Argentina has increased modestly, while Brazil is also fuelling the BRICs. China, in the final entry, is also growing strongly. These shifts have been in part at the expense of the US whose imports have declined in percentage share terms.

**Table 2: South African agricultural imports from world, \$ million and changes 2011/2000**

	1996	2000	2005	2009	2010	2011	Ratio
World	1,817	1,397	2,620	4,420	4,934	6,331	4.5
EU	435	378	613	1,186	1,416	1,807	4.8
Mercosur	236	204	650	1040	975	1,298	6.4
Asean	232	182	401	901	991	1,145	6.3
BRIC	118	106	534	806	824	1,047	9.9
Africa	190	139	207	256	315	384	2.8
TFTA members	137	123	184	226	274	358	2.9
SADC	115	119	168	195	241	323	2.7
Argentina	193	161	316	608	589	781	4.9
Brazil	40	32	324	415	362	495	15.5
Thailand	72	62	188	483	463	482	7.8
United States	312	161	209	172	267	428	2.7
China	25	36	97	264	299	313	8.7

Source: Global Trade Atlas

Table 3 presents the main import HS 6 lines during 2011. Wheat topped the list in 2011, although in earlier years rice had been the main import and in 2010 both palm oil and soybean cake imports were greater than those of wheat. Not shown is that these top ten products represent 48.8% of the total, a share that has risen since the 34.4% in 1996. Palm oil, soybean oil and chicken cuts have been the growth imports as shown by the ratio.

**Table 3: South African agricultural import lines from world, \$ million and changes 2011/2000**

		1996	2000	2005	2009	2010	2011	Ratio
HS 6		1,817	1,397	2,620	4,420	4,934	6,331	4.5
100190	Wheat	145	83	176	282	274	600	7.2
100630	Rice	138	128	221	450	411	472	3.7
151190	Palm oil	52	46	104	232	302	412	9.0
230400	Soybean cake	65	68	119	297	341	360	5.3
150790	Soybean oil	1	0	79	64	225	296	n.a.
220830	Whiskies	73	52	140	202	262	294	5.7
020714	Chicken cuts	23	30	114	144	147	245	8.2
210690	Food preparations	32	47	91	115	129	157	3.3
240120	Tobacco	21	20	62	161	142	141	7.1
151211	Sunflower oil	73	43	20	92	102	111	2.6

Source: Global Trade Atlas

In the next section we will discuss the trade barriers to these imports. But first we will continue the background information by showing the main import lines from the different sources and the main sources for the top import lines. This ‘what imports from where’ presentation gives a perspective on trade policy instruments available to South Africa. Table 4 starts with imports from the EU, where whisky tops the list but where soybean oil is increasing dramatically to challenge that top spot. Also increasing dramatically from a zero base are chicken cuts and soybean oil. These chicken cuts will be discussed in more detail later in the trade remedies section.

**Table 4: Agricultural imports from the EU**

	1996	2000	2005	2009	2010	2011	Ratio
Products / total	435	378	613	1,186	1,416	1,807	4.8
Whiskies	69	46	110	174	238	266	5.8
Soybean oil	1	0	0	2	161	237	n.a.
Chicken cuts	3	3	3	3	7	91	30.3
Food preparations	20	26	49	65	68	87	3.3
Wheat	1	0	25	174	119	71	n.a.
Soybean oil	0	0	0	5	24	62	n/a.
Pork, etc.	14	11	15	27	47	59	5.4
Pet food	2	5	4	25	33	42	8.4
Animal feed	8	10	16	17	24	35	3.5
Cocoa products	5	4	18	16	21	33	8.3

Source: Global Trade Atlas

Imports from Mercosur are shown in Table 5, where soybean oilcake for animal feed is the number one line, followed by wheat and then chickens and chicken cuts. Imports of the latter (both chicken cuts and whole chickens) have increased dramatically, while sugar and soybean oil have grown off a zero base in 2000.

**Table 5: Agricultural imports from Mercosur**

	1996	2000	2005	2009	2010	2011	Ratio
Products / total	236	204	650	1040	975	1298	6.4
Soybean cake	59	65	119	293	340	360	5.5
Wheat	0	20	68	53	38	223	11.2
Chicken	1	4	96	128	120	124	31.0
Chickens, whole	0	2	12	14	56	81	40.5
Soybean oil	0	0	79	61	64	58	n.a.
Sugar	0	0	6	17	11	49	n.a.
Rice	0	8	0	42	4	46	5.8
Sunflower oil	69	41	18	91	76	45	1.1
Sugar, refined	0	0	1	32	27	44	n.a.
Tobacco	2	2	22	83	47	37	18.5

Source: Global Trade Atlas

Asean imports (Table 6) are dominated by palm oil (again for animal feed) and rice, both of which have grown faster than the overall average. Sardines have grown from a zero base, while coffee has declined in importance.

**Table 6: Agricultural imports from Asean**

	1996	2000	2005	2009	2010	2011	ratio
Products	232	182	401	901	991	1145	6.3
Palm oil	52	46	103	231	300	404	8.8
Rice	60	48	145	329	329	341	7.1
Palm kernel	20	13	24	25	39	54	4.2
Sardines	1	0	0	85	62	53	n.a.
Coffee	23	14	17	21	29	36	2.6

Source: Global Trade Atlas

Turning now to Africa, Table 7 shows the imports from Africa while Table 8 shows those from SADC. Cotton, tobacco and tea dominate the list – and only tea could be considered to be a food products.

**Table 7: Agricultural imports from Africa**

	1996	2000	2005	2009	2010	2011	Ratio
Products /total	190	139	207	256	315	384	2.8
Cotton	53	31	67	46	51	89	2.9
Tobacco	18	10	25	44	46	63	6.3
Tea	9	13	21	35	39	35	2.7
Cocoa paste	6	2	6	16	23	16	8.0
Molasses	0	0	0	8	11	16	n.a.
Bananas	0	0	1	4	8	12	n.a.
Cotton cake	7	3	7	16	18	12	4.0
Maize	14	0	0	0	0	11	n.a.

Source: Global Trade Atlas

Continuing with African imports, Table 8 shows those from SADC. A comparison between the total African and the SADC subset shows that the top three African imports are almost exclusively from SADC, as were molasses, bananas and maize in the minor imports. That leaves only cocoa paste and cotton oil cake from the main African imports that are not sourced from within SADC. This emphasises that outside of SADC, Africa is not important for South African agricultural imports, and that, by granting duty-free access to SADC, South Africa is close to granting duty-free access to Africa.<sup>1</sup>

**Table 8: Agricultural imports from SADC**

	1996	2000	2005	2009	2010	2011	Ratio
Products/total	115	119	168	195	241	323	2.7
Cotton	24	30	67	46	51	88	2.9
Tobacco	18	10	22	31	35	63	6.3
Tea	6	12	20	33	37	33	2.8
Molasses	0	0	0	8	11	16	n.a.
Bananas	0	0	1	4	8	12	n.a.
Maize	2	0	0	0	0	11	n.a.

Source: Global Trade Atlas

<sup>1</sup> And, of course, this entails duty-free access to SACU although we have ignored difficult-to-obtain intra-SACU trade in this study.

Changing the focus to look at sources of the main import lines, Table 9 examines wheat and shows some variation in these sources. Wheat is generally regarded as a generic international commodity and Table 9 shows that trade has been sourced from its four main suppliers in recent years.

**Table 9: Import sources of wheat**

	1996	2000	2005	2009	2010	2011	Ratio
Source / total	145	83	176	282	274	600	7.2
Argentina	0	20	68	44	9	211	10.6
United States	82	10	48	10	75	168	16.8
Australia	57	26	26	24	15	79	3.0
EU	1	0	25	174	119	71	n.a.

Source: Global Trade Atlas

Imports of rice (Table 10) have, like wheat, been sourced from a variety of countries in recent years. The EU has virtually ceased to be a source, while Thailand has become the main supplier, with India consistently in second place. Sources further down the table have also been inconsistent.

**Table 10: Import sources of rice**

	1996	2000	2005	2009	2010	2011	Ratio
Source/total	138	128	221	450	411	472	3.7
EU	0	29	2	0	0	0	0.0
Thailand	59	46	145	326	319	336	7.3
India	33	18	71	21	20	61	3.4
Brazil	0	0	0	37	2	43	n.a.
Pakistan	0	1	1	18	45	17	17.0
Vietnam	1	2	0	3	10	5	2.5
China	0	0	0	36	9	3	n.a.

Source: Global Trade Atlas

Table 11 shows that palm oil is almost exclusively sourced from Malaysia and Indonesia, two Asean countries.

**Table 11: Import sources of palm oil**

	1996	2000	2005	2009	2010	2011	Ratio
Source/total	52	46	104	232	302	412	9.0
Malaysia	51	30	69	121	155	225	7.5
Indonesia	0	16	34	111	145	178	11.1
India	0	0	0	0	0	5	n.a.

Source: Global Trade Atlas

Until 2010 the Mercosur sources of Argentina and Brazil were virtually the exclusive suppliers of soybeans and soybean oilcake, but since then the EU has become a major supplier of the rapidly rising new import of soybean oil (Table 12).

**Table 12: Import sources of soybean oilcake and soybeans**

	1996	2000	2005	2009	2010	2011	ratio
HS 230400 Soybean oilcake							
Source/total	65	68	119	297	341	360	5.3
Argentina	45	65	119	293	340	360	5.5
HS 150790 Soybean oil							
Source/total	1	0	79	64	225	296	na
EU	1	0	0	2	161	237	na
Brazil	0	0	59	21	10	34	na
Argentina	0	0	19	40	53	24	na

Source: Global Trade Atlas

Similarly, Table 13 shows that the EU and the US dominate the whisky market, with imports from the US growing faster than those from the traditional EU (Scotland) sources.

**Table 13: Import sources of whiskies**

	1996	2000	2005	2009	2010	2011	Ratio
Source/total	73	52	140	202	262	294	5.7
EU	69	46	110	174	238	266	5.8
United States	1	2	26	23	19	22	11.0

Source: Global Trade Atlas

Finally, Table 14 outlines the imports of chicken cuts. Here, there are dramatically changing import sources, and, as foreshadowed above, these imports are leading to trade policy challenges for South Africa. The US has dropped away, while imports from both the EU and Brazil have increased sharply. Canada has been the only consistent source with imports that are generally around 10% of the total.

**Table 14: Import sources of chicken cuts**

	1996	2000	2005	2009	2010	2011	Ratio
Source/total	23	30	114	144	147	245	8.2
EU	3	3	3	3	7	91	30.3
Brazil	1	4	90	112	109	112	28.0
Canada	2	4	11	6	14	16	4.0
Argentina	0	0	7	16	11	12	na
United States	11	8	0	1	3	7	0.9

Source: Global Trade Atlas

In summary it can be seen that South African agricultural imports are generally very concentrated by both product and sources of many of these major products. This circumstance, as we shall see in the next section, has major implications for trade policy options and, in particular, the available policy space.

## Section 2 Tariffs and tariff policy space

Sandrey et al. (2008) discussed how under the trade liberalisation of the 1990s South African border tariffs were reduced and export subsidies were eliminated through unilateral reductions that went beyond the mandatory requirements negotiated under the Agreement on Agriculture. This was, however, somewhat balanced by the introduction of the World Trade Organisation (WTO) TRQ regimes for several of the important agricultural imports. They went on to analyse individual agricultural imports to assess whether the policy space exists for an option of increasing agricultural tariffs to afford some protection to domestic producers. The critical parts of this analysis were (1) commitments given to multilateral trading partners through the WTO, (2) commitments to regional partners through the TDCA with the EU and preferences granted to SADC, and (3) the available space that South Africa had reserved through its WTO bound rates.

Thus, against the background of the WTO two aspects of tariff policy are important. The first is bound versus applied tariff rates, while the other is the TRQs. Bound tariffs are those tariffs where South Africa makes a commitment to WTO members that it will not exceed these rates. Applied tariffs are those tariffs that are actually 'applied' or levied at the border. Associated with applied rates are the most favoured nation (MFN) rates according to which all imports not under some special concession rate enter the country. The applied rate is usually but not always below (and in some instances substantially below) the bound rates, thus giving 'policy space' where the applied rates could be raised to the bound rates. TRQs are special access commitments according to which a country agrees to imports of a commodity line that has reduced TRQ rates that are below the MFN rate. In South Africa's case the TRQ rate is a maximum of 20% of the bound rate for the agreed quantity of imports, after which the MFN rate applies. Complicating TRQs in South Africa's case is the situation where, although technically under TRQ administration, many of the TRQ lines are operating in an environment where the restrictions operate in name only and the applied rate is actually the TRQ rate or below and not the higher bound rate.

To assist in this analysis, Sandrey et al. selected five different categories of agricultural imports:

- No policy space, as either (i) the applied rates were at or very close to the WTO bound rates or (ii) the combined percentage market share from the preferential sources of the EU and SADC is at least 40%;

- Perhaps some limited space, but the current applied rates were within a maximum of 6.4 percentage points of the bound rates;
- Room to increase the applied rates, but these imports are an essential feedstuff for the animal or poultry industries in South Africa;
- Room to increase the applied rates, but this product is a basic food in South Africa and other analyses have shown that increasing tariffs hurts the poor and generates a welfare loss to South Africa (wheat);
- Room to raise the applied tariffs, as there clearly is policy space.

In summary, Sandrey et al. found that policy space available to South African agriculture was limited. Some 14.1% of the 2005 imports were 'locked' by the WTO bound rates, with an additional 7.5% almost at those bound rates. Another 22.9% was effectively 'locked' with at least 50% sourced from the EU/SADC combined with an additional 15.2% 'almost locked' with at least 40% of the imports from these same destinations. This gave a total of 59.7%, that is, for all practical purposes, locked into the current tariff policy regime.

Of the remaining imports, another 14.6% constituted animal feed inputs. Any increase in these tariffs would directly pass a cost increase on to South African poultry and meat producers, and ultimately on to consumers. Imports of wheat (6.7% of the total) are also sensitive. While there was policy space to increase the wheat tariff, South Africa is a net importer of this staple food. This left a grand total of 19.0% of all imports where at least some policy space is available. Even here, most of these imports are subject to WTO TRQ obligations and thus not totally under the control of South African trade policy authorities.

### **The update on policy space**

This section will move on six years and re-examine the policy space issue based upon 2011 agricultural imports. A slightly different approach has been taken, so the final percentage shares of each of the modified categories are not directly comparable. The issue of increasing agricultural tariffs needs to be put into perspective. In 2011 South Africa imported agricultural products worth \$6,331 million. Based on the Tariff Schedule these imports attracted \$309.5 million in duties, with all but \$6,45 million of this from non-EU or SADC imports. This gives an overall tariff rate of 4.89%. By value, most of the duties were collected on palm oil (\$40.9m), chicken cuts (HS 020714 - \$23.1m),

other food preparations (\$17.8m), sunflower seeds (\$11.1 m) and two lines of tobacco with \$10.64 and \$9.68 million respectively. As we will show, there are limited opportunities to increase these tariffs. The result is that increasing government revenues cannot realistically be considered a motive for such a move. This leaves purely protectionist motives and a reversion from South Africa's liberalisation moves of the immediate post-apartheid period. Let us examine current policy space.

### **Preferential trade plus TRQ constraints**

There are two issues to examine here. The first issue is the preferential imports from the EU under the TDCA and the imports from SADC under the SADC Agreement. The second is the issue of TRQs. There are overlaps between these two issues, as (a) many of the preferential imports are in TRQ lines, (b) similarly, many of the TRQs are in preferential access EU/SADC preferential trade lines, and (c) in some TRQ lines there are no access preferences available to EU imports. In addition, as indicated above, the TRQ regime is a complex one, as in many of the lines the TRQ regime is not rigidly enforced. Our analysis of trade at the HS 6 digit line level complicates a thorough analysis. Therefore to specially assess the policy space in these TRQ lines requires a more detailed analysis, but suffice it to say that as a generalisation we can examine where trade seems to be operating in TRQ delineated lines and leave a more detailed analysis for later.

Firstly, the EU and SADC imports along with the TRQ imports are shown in Table 15. Row two shows that of the global imports of \$6,331 million in 2011, some \$1,807 or 28.5% were from the EU. Another \$323 million was from SADC, giving a combined \$2,130 or 33.6% from the EU and SADC combined, while \$2,203 million or 34.8% were in import lines associated with TRQs. Rows four and five show, firstly, in row four, the values of the imports where the combined EU plus SADC share was at least 40%, and then in row five the overall percentage of the imports from the EU and SADC where their combined share was at least 40% in that import line. Thus, some \$1,459 or 80.7% of the imports from the EU were in lines where the EU and SADC combined dominated; a combined EU/SADC figure of \$1,677 million or 78.7% of the EU/SADC total was similar in the dominating lines. Of these, some 33.5% were in TRQ associated HS 6 lines.

Line 6 in Table 15 shows that, overall, some 26.5% of the total global imports were in EU/SADC dominated lines and therefore cannot be realistically considered for tariff increases. Lines seven and eight provide more details on the TRQ lines: some 36% of imports from the EU (\$650m) were in lines

associated with TRQ, while the similar data for SADC imports shows \$207 million or 64.1% of these SADC imports.

**Table 15: South African agricultural imports from EU and SADC plus TRQ lines**

Category	EU	SADC	EU+SADC	TRQ
Total \$ million (World \$6,331m)	1,807	323	2,130	2,203
Relative % share world total	28.50%	5.10%	33.60%	34.80%
EU +SADC >40% line \$ million	1,459	218	1,677	739
EU+SADC >40% line %	80.7%	67.5%	78.7%	33.5%
EU+SADC >40% line % World	23.0%	3.4%	26.5%	11.7%
\$ million total in TRQ lines	650	207	857	
% total in TRQ lines	36.0%	64.1%	40.2%	

Source: Author's calculations

**Table 16: Main imports where the combined EU/SADC share is above 40%**

\$1,677 million or 26.5% total		World \$m	% Share	Tariffs %		
HS line	Definition		EU SADC	Bound	MFN	TRQs
220830	Whiskies	294	90.5%	67.0	15	Yes
150790	Soybean oil	296	80.1%	49.0	10	
210690	Food preparations	157	56.1%	99.0	20	Yes
520100	Cotton	102	86.3%	60.0	10	Yes
240120	Tobacco	141	49.6%	44.0	15	Yes
150710	Soybean oil	74	83.8%	81.0	10	Yes
020329	Meat of swine	76	77.6%	37.0	0	
230910	Pet food	48	87.5%	37.0	0	
230990	Animal feed	63	55.6%	37.0	20	
180690	Cocoa preparations	42	78.6%	21.0	17	
090240	Black tea	41	80.5%	170.0	100	
220210	Waters	37	70.3%	0.0	5	
220300	Beer	26	96.2%	8.5	5	
100590	Maize	23	100.0%	50.0	0	
200490	Frozen vegetables	21	100.0%		25	

Source: Global Trade Atlas data, author's calculations

Table 17 moves on to examine the main imports associated with TRQs, where the main import is wheat. Here the bound rates are 72% and therefore the theoretical TRQ rate would be 14.4%, but as the MFN applied rate is zero it is safe to assume that wheat is not categorised under the TRQ rate. It could, in theory, be raised significantly from the current zero rate, but as Sandrey et al. outline (2005) analysed the welfare implications of such an increase in the wheat tariff, tracing the effects through the value chain from farmers to consumers, and showed that most households would suffer a loss in welfare as final bread and bakery product prices increased. The next three products show that a significant share of the market is held by EU/SADC and, although not shown, these imports are duty-free. Indeed, only the final entry of frozen beef attracts EU duties at the same level of the MFN 40% rate.

**Table 17: Main imports in tariff lines associated with TRQs**

\$2,203 million or 34.8% of total		World imports \$ m	% Share	Tariffs %	
HS code	Description	6,331	EU SADC	Bound	MFN
100190	Wheat	600	11.8%	72.0	0
220830	Whiskies	294	90.5%	67.0	15
210690	Food preparations	157	56.1%	99.0	20
240120	Tobacco	141	49.6%	44.0	15
151211	Sunflower oil	111	0.0%	61.0	10
520100	Cotton	102	86.3%	60.0	10
020712	Meat, chickens	89	7.9%	82.0	0
150710	Soybean oil	74	83.8%	81.0	10
090111	Coffee	71	9.9%	119.0	0
170111	Cane sugar	52	1.9%	105.0	0
020727	Turkey cuts	36	8.3%		0
100300	Barley	31	0.0%	41.0	0
020230	Beef, frozen	23	21.7%	160.0	40

## Bound rate constraints

The next category of ‘untouchables’ features instances where the bound rates are zero and it is accordingly the same as the MFN rate. Imports during 2011 accounted for \$863 million (13.6% of imports) as shown in Table 18. Some 55% of this category comprises rice imports, and, significantly, no imports are from either the EU or SADC.

**Table 18: Main imports where the bound rates are zero**

\$863 million or 13.6% total		World imports \$ m	% Share	Tariffs %	
HS line	Description			Bound	MFN
		6,331	EU/SADC		
100630	Rice	472	0.0%	0.0	0
050400	Animal guts	76	11.8%	0.0	0
350510	Dextrin, etc.	36	27.8%	0.0	0
010110	Purebred animals	25	28.0%	0.0	0
180500	Cocoa powder	25	24.0%	0.0	0

Following on from the zero bound rates there is another category of those lines where the bound rates are equal to the MFN rates. Thirteen million of these imports are from the EU, and the TDCA rates are all zero. Half of the imports are sugar confectionery and another quarter is cheese, both with around one-quarter of the imports from the EU at preferential zero duties.

**Table 19: Main imports where the bound rates equal MFN rates**

\$72 million or 1.14% total		World imports \$ m	% Share	Tariffs %	
HS line	Description			Bound	MFN
		6,331	EU SADC		
170490	Sugar confectionery	37	27.0%	37.0	37
040630	Cheese	14	28.6%	95.0	95

## The remaining trade

Following on from the examination of (a) where the combined EU and SADC import share is at least 40%, (b) where there is a TRQ associated with the HS 6 line (and recognising the complexities associated with this generalisation), and (c) where the bound rates are either zero or equal to the MFN rates, we are left with imports of **\$1,867 million or 29.5% of the total** in 2011. Only \$158 million (8.7% of EU imports) remains, as does an even lower 1.9% (\$6 million) of the SADC imports. In this analysis we have ignored the SACU/Mercosur agreement, but note that an amount of some \$607 or 46.8% of the Mercosur total is included here.

The main imports in these HS lines are shown in Table 20. However, we note that the top three imports of palm oil, soybean oilcake and palm kernel are all animal feeds that are significant imports into the South African domestic animal and poultry sectors. Thus, increasing tariff rates on these inputs directly raise costs in South African agriculture with little or no offset of protecting the domestic production of these inputs. When \$18 million of sunflower seed oilcake is added to these three imports we find that their total is \$845 million or some 13.5% of total imports.

In reality, accepting the feed input logic, there is some **\$1,022 of total imports where there is a clear case for raising tariffs. This is 16.1% of the total.** Note especially that Table 20 contains imports of HS 020714 (chicken cuts) with 37.1% sourced from the EU in 2011. Imports of these products from Brazil are causing consternation in agricultural trade policy circles. Note also that there are imports of \$121 million (1.9%) in the WTO category of fisheries products but reported here as processed foodstuffs<sup>2</sup>. **Deleting these imports reduces strictly agricultural policy space to \$1,901 or 14.3% of the total agricultural imports. The clear-cut policy space is limited.**

---

<sup>2</sup> Strictly speaking these products are not agricultural products but as they are processed food products they often get included as agricultural products.

**Table 20: Imports where there is policy space between bounds and MFN**

\$1,397 million or 22.1% total		World imports \$ m	% Share	Tariffs %	
HS line	Description	6,331	EU SADC	Bound	MFN
151190	Palm oil	412	0.7%	81.0	10
230400	Soybean oilcake	360	0.0%	33.0	0
151329	Palm kernel	55	0.0%	81.0	0
170199	Sugar	47	0.0%	105.0	0
110710	Malt	45	20.0%	99.0	0
200979	Apple juice	40	0.0%	26.0	0
HS Lines that are unbound (including processed fisheries products)					
\$470 million or 7.4% total					
HS line	Description				
160413	Sardines	61	1.6%		0
160414	Tuna	31	0.0%		25
160520	Shrimps	10	0.0%		0
	All prepared fish in HS 16	121			
020714	Chicken cuts	245	37.1%		15
071333	Kidney beans	62	0.0%		10
020629	Beef offal	16	0.0%		0

## References

Costs and Benefits of Higher Tariffs on Wheat Imports to South Africa- A General Equilibrium Analysis: 2005:2, Department of Economics: Elsenburg

Sandrey, R., Karaan, M. and Vink, N. 2008. Is there policy space to protect South African agriculture? *South African Journal of Economics* 76:1 March: 89-103.

---