INTERNATIONAL *TradeProbe*

No. 6, May 2008

TradeProbe is a joint initiative by the NAMC and the Department of Agriculture's Directorate International Trade. The aim of this initiative is to create knowledge of trade-related topics by discussing/reporting trade statistics, inviting perspectives from people working in related sectors, reporting on trade-related research, and stimulating debate.

What is covered in this issue?

- Trade profiles
  - Maize
  - Groundnuts
- Contributed articles
  - South Africa's agricultural trading relationship with India

SECTION 1 – TRADE PROFILES

1.1 Maize

Maize is one of the most important staple foods in South Africa. White maize is mainly used for human consumption, while yellow maize is largely used as livestock feed. The ratio between white and yellow maize production is around 60:40. In 2006/07 South Africa produced 4.4 and 2.3 million tons of white and yellow maize, respectively. It can be seen from **Table 1** that South Africa is a relatively small producer of maize compared to world production of maize.

Table 1: World maize balance

WORLD BALANCE	May-04	Jun-05	Jul-06	Change: 2006/07 over 2005/06
	million tons			%
Production	**1024.7**	**988.9**	**976.1**	**-1.3**
Trade	**104.1**	**105.3**	**105**	**-0.3**
Total utilization	**979.9**	**986.7**	**1014.4**	**2.8**
Food	167.4	174.5	176.7	1.2
Feed	633.3	617.3	624.1	1.1
Other uses	179.2	194.8	213.6	9.6
Ending stocks	**193.6**	**189**	**150.6**	**-20.3**

Source: FAO, 2006.

Figure 1 shows the major maize producers in the world. These countries produce mainly yellow maize.

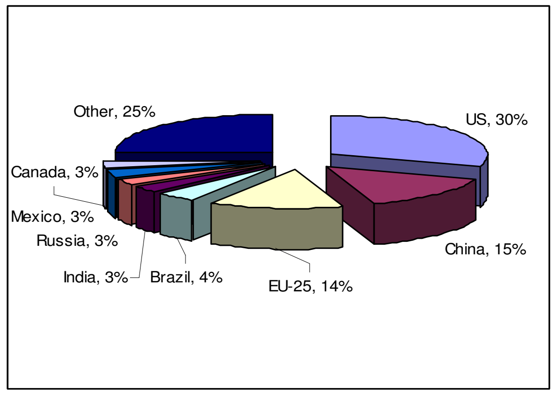

Figure 1: Major maize producers in the world (2006/07)
Source: Karvy Comtrade Ltd.

Table 2 presents a list of the top ten largest exporters of maize (in value terms) in 2006. The top three were the United States, France and Argentina with a 57%, 10% and 7% share of the value of world exports respectively. It is important to note that in the world's top ten leading exporters of maize in 2006, there was no African country. South Africa as an exporter of maize came through at number 12, with maize to the value of US$143,531.

Table 2: Leading exporters of maize in 2006

Exporters	Value exported in 2006, in US$ thousand	Quantity exported in 2006	Share in world exports, %
World est.	12,805,632	90,843,886	100
USA	7,299,927	57,885,566	57
France	1,320,744	6,019,668	10
Argentina	1,018,705	7,200,484	7
Brazil	481,894	3,938,001	3
China	412,163	3,070,485	3
Hungary	400,652	2,381,585	3
Serbia	179,712	1,350,512	1
Germany	178,618	887,786	1
Ukraine	177,068	1,682,496	1
Paraguay	165,706	1,894,977	1

Source: ITC calculations based on COMTRADE statistics

Table 3 shows the world's top ten largest importers of maize in 2006. The world's three largest importers were Japan (18%), The Republic of Korea (9%) and Mexico (8%). Egypt was the only African country in the leading top ten importers of maize in 2006. Egypt's imports contributed about 3% of the world imports of maize.

Table 3: World leading importers of maize in 2006

Importers	Value imported in 2006, in US$ thousand	Quantity imported in 2006	Share in world imports, %
World est.	13,959,766	90,612,975	100
Japan	2,586,123	16,883,283	18
Rep. of Korea	1,264,627	8,669,653	9
Mexico	1,138,368	7,609,940	8
Taiwan	566,719	4,297,446	4
Spain	556,994	3,654,330	3
Netherlands	467,104	2,532,576	3
Colombia	466,290	3,244,368	3
Egypt	449,861	3,940,481	3
Malaysia	397,907	3,306,519	2
Germany	384,175	1,691,903	2

Source: ITC calculations based on COMTRADE statistics

Table 4 presents the top ten destinations of maize exported by South Africa in 2006. The majority of exports of maize from South Africa go to Zimbabwe (48%), Zambia (14%) and the Netherlands (10%). The table clearly illustrates that more maize is exported to other African countries. The Netherlands and the Philippines are the only non African countries in South Africa's top 10 major destinations of maize exported.

Table 4: Leading destinations of maize exported by South Africa

Importers	Exported value 2006 in US$ thousand	Share in South Africa's exports, %
SA exports	143,531	100
Zimbabwe	69,579	48
Zambia	20,573	14
Netherlands	14,567	10
Mozambique	12,997	9
Malawi	7,687	5
Philippines	4,976	3
Kenya	4,610	3
United Republic of Tanzania	2,467	2
Angola	1,847	1
Democratic Republic of the Congo	1,314	1

Source: ITC calculations based on COMTRADE statistics

Table 5 presents the largest exporters of maize to Zimbabwe. It is clear that South Africa, at (89%) was the biggest exporter of maize to Zimbabwe followed by Zambia (6%) and Mozambique (4%). These figures do not take into account informal trade between Zimbabwe and it's neighbouring countries.

Zimbabwe represented less than 1% of world imports of maize in 2006, and at the same time ranked 32nd as a world importer of maize.

Table 5: Largest exporters of maize to Zimbabwe

Exporters	Imported value 2006 in US$ thousand	Share in Zimbabwe's imports, %
Zimbabawe imports	78,013	100
South Africa	69,579	89
Zambia	4,721	6
Mozambique	3,390	4
Malawi	323	0

Source: ITC calculations based on COMTRADE statistics

1.2 Groundnuts

Figure 2 illustrates the world's imports and exports of groundnuts from 2002 to 2006. The quantity of groundnuts imported by the world increased by 0.8% during the period indicated, while world exports increased by 11.5% over the same period.

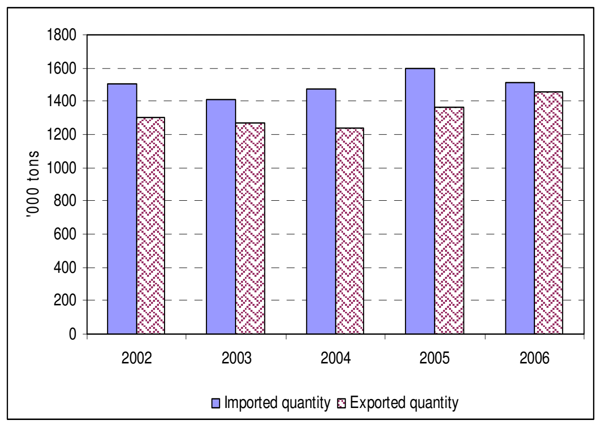

Figure 2: World trade in groundnuts, 2002 to 2006
Source: ITC Calculations based on COMTRADE Statistics

Table 6 shows the top ten groundnut exporting countries and their share in the value of world exports of groundnuts. Argentina was the number one exporter of groundnuts in 2006, with a 29% share in the value of global groundnut exports. China was the second largest exporter in 2006, with a share of 22% of the global value of groundnut exports. South Africa was ranked 10th on the list of top ten exporters, with a 1 to 2% share in the value of global groundnut exports.

Table 7 shows the top ten importers of groundnuts. Together these countries represent 64% of the total value of global groundnut imports. In value terms the Netherlands was the largest importer, with a 19% share of global imports of groundnuts. There are no African countries on the top ten list of importers.

Table 6: Top ten world exporters of groundnuts in 2006

Exporter	Exported value 2006 in US$ thousand	Share in world value exported in %: 2006
World est.	1085552	100
Argentina	318047	29
China	243840	22
USA	146035	13
Netherlands	89058	8
India	77810	7
Nicaragua	40346	4
Brazil	26205	2
Egypt	19401	2
Israel	15298	1
South Africa	10982	1

Source: ITC Calculations based on COMTRADE Statistics

Table 7: Top ten world importers of groundnuts in 2006

Importer	Imported value in US$ thousand: 2006	Share in world value imported in %: 2006
World est.	1112818	100
Netherlands	206450	19
Germany	85439	8
United Kingdom	78456	7
Mexico	77940	7
Canada	70127	6
Russian Federation	68294	6
Indonesia	54072	5
Japan	42628	4
Italy	37030	3
Poland	31296	3

Source: ITC Calculations based on COMTRADE Statistics

Figure 3 shows the trends of South Africa's imports and exports of groundnuts from 2002 to 2006. South Africa's exports of groundnuts decreased by 74.7% during this period, while imports escalated with 701.9% (although from a very low base) over the same period.

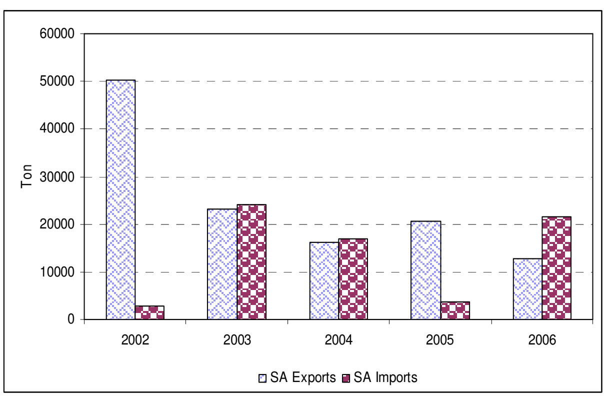

Figure 3: South African trade in groundnuts, 2002 to 2006

Source: ITC Calculations based on COMTRADE Statistics

During the five-year period in question, South Africa was, on average, a net exporter of groundnuts.

Table 8 shows the top ten destination countries for South African groundnut exports from 2005 to 2006, together with their share of the total South African exports for the same period. The Japanese market is by far the most important destination for groundnut exports by South Africa. Almost half of South Africa's total exports of groundnuts were exported to the Japanese market; whose share in South Africa's exports of groundnuts increased by 27.5% between 2005 and 2006. Interesting to note is that the share of exports destined for the Netherlands, Germany and the United Kingdom declined significantly.

Table 8: Top ten destinations for SA groundnuts and their share

Country	Exported value 2005 in US$ thousand	Exported value 2006 in US$ thousand	**% share 2005**	**% share 2006**
Japan	8968	7066	43.6	55.6
Netherlands	3495	1385	17.0	10.9
Germany	3310	1630	16.1	12.8
Mozambique	1278	911	6.2	7.2
UK	1960	486	9.5	3.8
Angola	376	500	1.8	3.9
Zimbabwe	436	170	2.1	1.3
New Zealand	396	180	1.9	1.4
Norway	108	148	0.5	1.2
Singapore	0	88	0.0	0.7
Total SA Exports	**20571**	**12710**	**98.8**	**98.9**

Source: ITC Calculations based on COMTRADE Statistics

SECTION 2 - CONTRIBUTED ARTICLES

2.1 South Africa's agricultural trading relationship with India [1]

South African agricultural exports to India contributed only 0.4% of global Indian agricultural imports over the 8-year period 1999 to 2007 (Table 9). The comparative contribution of total South African exports to total Indian imports was relatively higher at 2% over the 8-year period. South Africa's top 15 agricultural products fared moderately better than total agricultural products, contributing 1.5% over the 8-year period. Total agricultural exports to India declined by approximately 15% annually over the same period. The adversity suffered by the agricultural sector was in stark contrast to the steady annual growth, (roughly 7%), registered by all South African exports to India. This decline was even more pronounced among the Top 15 agricultural products, with a drop of close to 17%.

[1] Kevin Naidoo and Jacobus Verster. (Directorate International Trade, Department of Agriculture)

Table 9 indicates the two leading factors that have contributed to South Africa's declining share in Indian agricultural imports. High tariffs and fierce competition have resulted in negative growth rates for some of South Africa's agricultural products into the Indian market, due to many of South Africa's competitors having a geographical advantage leading, in turn, to competitive advantage.

South Africa's main competitors (and the main sources of all agricultural imports into India) were the ASEAN block of countries (37%) and the Rest of the World (36%), followed by the USA, who contributed 6%. South Africa faced severe competition from the Rest of the World when isolating the top 15 agricultural exports, competing with India; Brazil and Australia with respective shares of 56%, 17% and 9%. The supremacy of the Rest of the World stemmed mainly from its dominance in two products: crude soybean oil and cotton. South Africa's top 15 agricultural exports combined to contribute more than 88% of total South African agricultural exports to India over the 8-year period.

Although sugar and cotton occupied the first two places in terms of value, their contribution over the latter part of the 8-year period was very low. Exports of South African sugar to India were last recorded in 2004/2005. South Africa contributed 8.5% to Indian imports of sugar over the 8-year period. Indian imports of sugar from all sources came to a near standstill in 2006/2007 with a paltry US$190 000 in value terms, compared to imports of US$258 million as recently as 2004/2005 – a considerable plunge of 86% annually over the 8-year period. Even Brazil, the leading competitor to South Africa, did not export sugar to India in the last year under review.

South African exports of cotton were more consistent, however. Its second position in the top 15 was mainly due to exports of US$22 million recorded in 1999/2000. South Africa contributed only 1.7% of Indian cotton imports over the 8-year period and less than 0.1% in the last year under review. Although not as spectacular as sugar, total Indian imports of cotton also declined over the 8-year period by 11% annually.

Table 9: Indian agricultural imports from South Africa – Top 15 products, 1999 to 2007

HS Code	Description	1999/2000 US$ Millions	2006/07 US$ Millions	Total 1999 to 2007 US$ Millions	SA share in global Indian Imports per HS Code	Average annual growth 1999 to 2007	Main Competitors	Tariff %
170111	Sugar, raw	0.71	0.00	39.23	8.5%		Brazil (78%); RoW* (6%)	60%
520100	Cotton	21.85	0.11	35.09	1.7%	-76.1%	RoW (57%); US (26%)	10%
510119	Wool, Greasy	0.23	7.76	17.24	2.6%	50.0%	Aus (77%); EU (8%)	5%
150790	Soybean Oil, Refined	8.12	0.00	14.77	2.1%		RoW (55%); US (21%)	45%
150710	Soybean Oil, Crude	0.09	0.00	7.57	0.2%		RoW (77%); Brazil (22%)	45%
510129	Wool, Degreased	0.35	0.70	4.26	0.7%	9.7%	NZ (29%); Aus (27%)	5%
151211	Sunflower Oil, Crude	2.39	0.00	4.23	1.1%		RoW (96%), USA (1%)	50%
220720	Ethyl Alcohol	1.29	0.40	3.34	1.2%	-16.6%	Brazil (87%); China (8%)	8%
090420	Fruits, Capsicum	0.01	0.03	2.71	24.6%	17.1%	RoW (31%); China (29%)	70%
151219	Sunflower Oil, Refine	2.13	0.00	2.13	0.7%		RoW (91%); US (6%)	60%
080810	Apples, Fresh	0.18	0.10	2.12	1.6%	-8.8%	US (41%); China (19%)	50%
510210	Fine Animal Hair	0.66	0.00	2.05	31.0%		RoW (16%), EU (16%)	5%
080820	Pears & Quinces, Fresh	0.01	0.58	1.88	19.7%	58.9%	China (45%); US (20%)	30%
110720	Malt, Roasted	0.00	1.66	1.66	53.9%		EU (46%), Aus (<1%)	30%
220900	Vinegar & Substitutes	0.00	0.30	1.29	5.8%		EU (85%); RoW (4%)	30%
Subtotal Top 15		*38.03*	*11.64*	*139.56*	*1.5%*	*-16.9%*	*RoW (56%), Brazil (17%)*	*11%*[2]
Total agriculture		**40.64**	**14.34**	**157.47**	**0.4%**	**-14.9%**	**ASEAN (37%), RoW (36%)**	**14%**[3]
Total all products		**1672.38**	**2787.65**	**15861.23**	**2.1%**	**7.3%**	**RoW (54%), EU (18%)**	

* Rest of the world
Source: World Trade Atlas; DoA calculations

[2] A trade weighted tariff based on 2006/2007 trade values – DoA calculations
[3] A trade weighted tariff based on 2006/2007 trade values – DoA calculations

The Rest of the World, as the largest supplier, experienced a similar decline to South Africa in imports to India of 13% annually. In contrast the USA, as the second largest supplier, gained 16% year-on-year over the same period.

Although wool (greasy) achieved third place over the total period, it was South Africa's leading product over the last two years. It achieved a growth rate of 50% annually over the 8-year period. The Indian market expanded more slowly at 9% annually over the same period. When considering its recent growth performances (annual growth of 119% and 88%, respectively over the last two years) greasy wool should exceed both sugar and cotton within the next two years as the leading agricultural export since 1999/2000. South Africa contributed 2.6% of Indian greasy wool imports over the 8-year period and as much as 6.2% in 2006/2007, from a base of 0.4% in 1999/2000. South Africa's main competitors exporting into India over the 8-year period were Australia (77%), EU (8%) and the Rest of the World (6%).

Within these top 15 products the following products, (ranked in terms of value), either registered annual growth of 10% or higher, or supplied a share larger than 10% of Indian imports, or both:

- Wool (degreased): despite its low share of less than 1% in Indian imports of this product, annual growth of 10% over the 8-year period was recorded. Indian imports over the same period also grew by 10% annually. The major competitors into the Indian market were New Zealand (29%) and, Australia (27%), with the rest of the World contributing (24%).

- South Africa ranked third in the exporting of fruits of the genus capsicum behind China and the Rest of the World, with a share of almost 25%. Furthermore, exports from South Africa recorded strong annual growth of 17% over the 8-year period. Despite this growth, South Africa did not benefit fully from the 31% annual growth in the Indian market over the same period.

- India last imported fine animal hair as far back as 2002/2003; however, it still occupies 12th position in South Africa's top 15 product list. South Africa was also the leading supplier to the Indian market with a share of 31%, followed by the Rest of the World and the EU.

- Indian imports of pears and quinces grew by 42% annually over the 8-year period. South African exports to India registered an even higher growth rate of close to 59% annually. South Africa occupies the third share position (20%), behind China (45%) and the USA (20%). The annual growth rate notched up by the USA was lower than South African growth, at 47%. China, however, achieved stellar growth of 82% annually.

- Roasted malt was only exported to India by South Africa, the EU and Australia, with South Africa occupying first place as major supplier with 54%. South Africa only began exporting to the Indian market over the last two years under review. The Indian import demand is growing by 58% annually and South Africa benefitted from this growing market by expanding exports from US$6 000 to US$1.7 million in one year. The EU registered export growth of 44% over the 8-year period is lower than the Indian market growth.

Despite the very high tariffs that South Africa faced on certain agricultural products in the Indian market (for example 70% on fruits of the genus capsicum) the trade weighted tariff based on 2006/2007 trade value was relatively low at 14%. The top 15 products registered an even lower trade weighted tariff of 11%.