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This issue of *TradeProbe* covers the following topics:

- South Africa's trade profile for Crustacean and Mollusc (HS 1605)
- Review of South Africa grains Trade performance
- Trade Profile for fruits and nuts
- Import duties – where are they generated by South Africa?

South Africa's trade profile for Crustacean and Mollusc (HS 1605)

Introduction

Crustaceans and Molluscs are regarded as aquaculture products. Globally, aquaculture products are noted to be relatively cost effective sources of protein in comparison with many other animal protein sources. For over 3 decades now, the global growth rate of aquaculture production has increased by nine percent per year, of which Africa accounts for 1.5%, and South Africa contributes less than 1% of Africa's total production (DST, 2015). Taking cognisance of the potential contribution of aquaculture towards the attainment of the targets (*job creation, inclusive economic development, reduction of imports, food security, etc.*) envisioned in national policies (e.g. the NDP 2030, APAP), the South African Government established the ocean economy (Operation Phakisa) through which aquaculture production shall be promoted. This initiative aims at unlocking the economic potential of the country's oceans. With that ample background, this article aims at providing an insight into South Africa's trade in aquaculture products as categorised under the HS 1605 tariff code (Crustaceans & molluscs, prepared/preserved).

Trade

Since 2003, the world exhibited positive trade balances (US\$ 114.9 million) in Crustaceans & molluscs and by 2014, net exports in Crustaceans & molluscs had significantly grown almost 20 times, when compared to the status quo in 2003. By the end of 2014, the world's top five net exporters of Crustaceans & molluscs were China (US\$ 3.59 million), Viet Nam (US\$ 15.4 million), Thailand (US\$ 1.18 million), Indonesia (US\$ 0.73million), and Chile (US\$ 0.28 million). On the other hand, Africa was a net importer of Crustaceans & molluscs during the early to mid-2000s, but from 2007 up to 2014, the continent transformed into a net exporter of Crustaceans & molluscs, with an estimated growth rate of slightly over 580%. The average annual trade balance between 2007 and 2014 shows that Morocco (US\$ 10.1 million), Mauritania (US\$ 3.1 million), Madagascar (US\$ 1.1 million) and Namibia (US\$ 0.31 million) were the major contributors towards Africa's net exports of aquaculture products, while South Africa exhibited negative trade balances (net importer) worth US\$ 6.6 million (Trade map data). Despite the fact that South Africa is generally a net importer of Crustaceans & molluscs, by the end

of 2014 it was the second-largest exporter of those products (in Africa) after Morocco (US\$ 28.3 million). South Africa's exports in 2014 were worth US\$ 16.5 million, which represents a 735.9 % growth from US\$ 1.97 million in 2005.

Figure1 shows that Hong Kong is South Africa's major export market for Crustaceans & molluscs, followed by Singapore, Namibia, Malaysia and China, in that order.

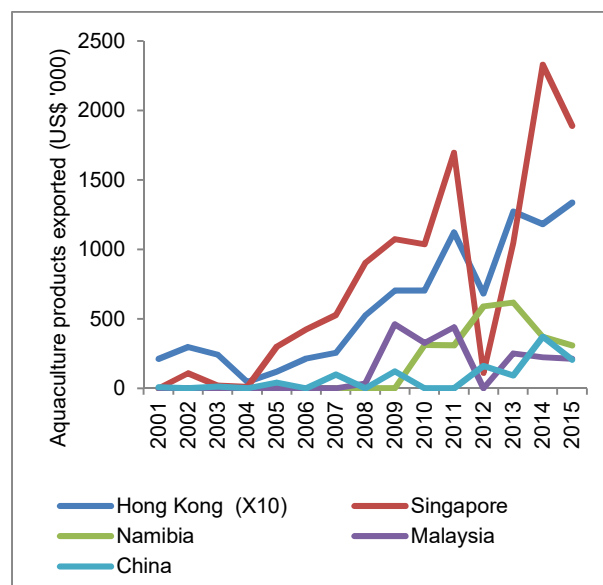


Figure 1: South Africa's major export market for aquaculture products (HS 1605 Crustaceans & molluscs, prepared/preserved)
Source: Trade Map

In 2015, South Africa's Crustaceans & molluscs imports from the world were valued at US\$ 16.6 million, of which India, China, and Thailand, Indonesia, Malaysia and Namibia accounted for 33.8%, 27.8%, 19.7%, 6.7%, 6.2% and 1.6%, respectively.

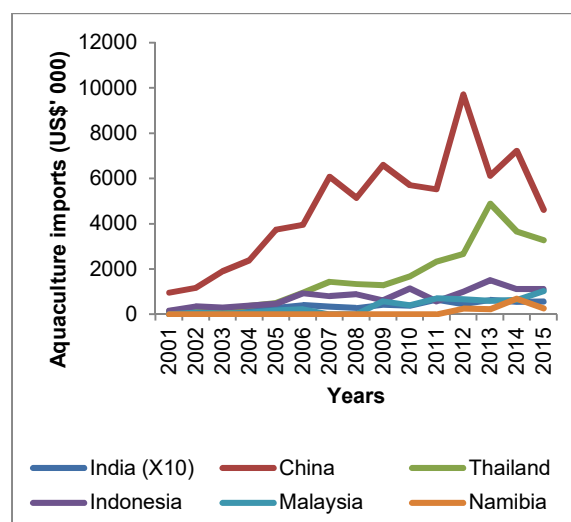


Figure 2: South Africa's major import markets for aquaculture products
Source: Trade Map

Composition of South Africa's Crustaceans & molluscs trade flows

This section provides an insight into the nature of Crustaceans & molluscs that are exported and imported by South Africa. The detailed analysis is limited to the top five export destinations and the top five suppliers of Crustaceans & molluscs to South Africa. A general overview of Trade map data suggests that between 2001 and 2011, of the 20 tariff lines of Crustaceans & molluscs, South Africa only exported 5 products (disaggregated at HS 6 – Digit level), **Viz:** Crustaceans nes, prepared or preserved (HS 160540), Lobster, prepared or preserved (HS 160530), Shrimps and prawns, prepared or preserved (HS 160520) and Molluscs and other aquatic invertebrates prepared or preserved (HS 160590). However, there were no further exports of shrimps (HS 160520) and Molluscs (HS 160590) after 2011, yet these were the major Crustaceans & molluscs being exported by country. From 2012 onwards, new aquaculture products started to be exported from the country, hence leading to 18 products in total (*Shrimps and molluscs not inclusive*) being taken out of the country, with Abalone (HS 160557) dominating the group. The dramatic increase in the number Crustaceans & molluscs being exported may be associated with Operation Phakisa. **Figure 3 (see appendix A)** presents South Africa's export trends of the various aquaculture products (HS 6-digit level).

South Africa's three major Crustaceans & molluscs imports from the India, China, Thailand, Indonesia Malaysia and Namibia are presented in **Figure 4 (see appendix B)**. **Figure 4** shows that Shrimps and prawns (HS 160521) are the major imports and are basically imported from Thailand, Malaysia and India. Although Thailand and India supply much more Shrimps and prawns (HS 160521) as compared with Malaysia, South Africa's imports from these countries seem to be declining, while Malaysia registered drastic increases, especially between 2014 and 2015. Another type of shrimps and prawns (HS 160529) is mainly imported from India and Thailand but both trends indicate that imports from both countries have been declining. Oysters (HS 160551) are also a vital imported aquaculture product and it is mainly sourced from China. Some oysters are also imported from Namibia. Other imported products of importance in South Africa are Cuttlefish & squid (HS 160554) from Malaysia and China, crabs from Namibia, and mussels (HS 160553) from China. The importation of Crustaceans nes (HS 160540) from India was very high in 2012 but it significantly dropped during the subsequent years to the extent that no imports were made in 2013 and 2014.

With respect to exports, South Africa's aquaculture exports to Hong Kong are basically Abalone (HS 160557) and this started in 2012. Other products inconsistently exported to Hong Kong coupled with low monetary values are Crustaceans (HS 160540; US\$ 0.65 million in 2012 only) and other aquatic invertebrates (HS 160559; US\$ 0.04 million in 2012 only). However, from 2012 onwards, South Africa

lost its long-term and consistent market for Molluscs and other aquatic invertebrates (HS 160590) in Hong Kong. Since 2009, South Africa also lost its market in China for the same product, but 2 new products, i.e. Mussels (HS 160553) and Abalone (HS 160557), started to be exported to China in 2012 and 2014, respectively. To Malaysia, South Africa's only aquaculture product exported is Abalone (HS 160557) since 2013, but South Africa has lost its market for Molluscs and other aquatic invertebrates which had begun to blossom during the 2008-2011 period. Despite the small monetary values, Namibia is so far South Africa's market where all aquaculture products [except for Abalone (HS 160557)] have been exported. Mussels (HS 160553) and crab (HS 160510) are the dominant products exported to Namibia. Abalone (HS 160557) and Shrimps & prawns (HS 160521) are the only aquaculture products exported to Singapore. Abalone is the major export, given that Shrimps & prawns worth US\$ 7000 were only exported in 2014. South Africa has also lost its booming market for Molluscs and other aquatic invertebrates (HS 160590) that had been established for a decade in Singapore.

Conclusion

South Africa's trade in Crustaceans & molluscs is still taking shape, but is highly promising. Trade in Crustacean & mollusc products diversified from 5 to 18 new products, most probably due to the Operation Phakisa initiative. However, the country has also lost stable export markets like Hong Kong, Singapore, Malaysia and China, especially for Molluscs and other aquatic invertebrates (HS 160590), which had been established for about a decade or more. It is recommended that South Africa works towards re-establishing the trade relations for those aquaculture products where it has lost grip in the respective export markets. Furthermore, trade relationships with Namibia should be strongly cemented, given that it provides a market base for a wide spectrum of South Africa's aquaculture products.

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Review of South Africa grains Trade performance

Introduction

Grains are known as field crops and are used as the source of carbohydrates in the southern African region. The world's growing population depends on grains because they are regarded as staple crops, more particular in the developing countries. In South Africa, grains are regarded as important crops because of their contribution towards agricultural Gross Domestic Product (GDP) and export earnings. Apart with the recent natural disaster (drought) that has occurred in the country, South Africa's grains have been forecasted to fall in production and in export share for the current season. The country is estimated to import about 7.2 million tonnes of grains between April 2016 and April 2017 (EyeWitness, 2016). Although the country has received rainfall, the crop will not provide sufficient quantities to ensure food supply in the country. The country is the largest producer of grains in Africa, with a share of about 21% of the agricultural production in the country. However, the purpose of this article is to review the South Africa trade performance and the terms of grain products.

South Africa Grain Trade Performance

Although the grain sector comprises the largest share in terms of agricultural production, it is a net importer, with a negative trade balance of R9.8 million in 2014. The bulk of the grains are mostly constituted by maize, which is currently a net export among the grains in the country. The country is still a net importer of grain products, mainly due to the bulk of wheat, oats and Soya beans that is imported from the world market. The South African grain industry and Department of Agriculture, Forestry and Fisheries have invested heavily to ensure that grain imports are halved. The infrastructure investment for Soya bean crushing is to ensure the country decreases the demand for oilcake used in the feed industry. Furthermore, the grain sector has also invested in wheat producers to ensure wheat that meets consumer demand within the country and South Africa's export market.

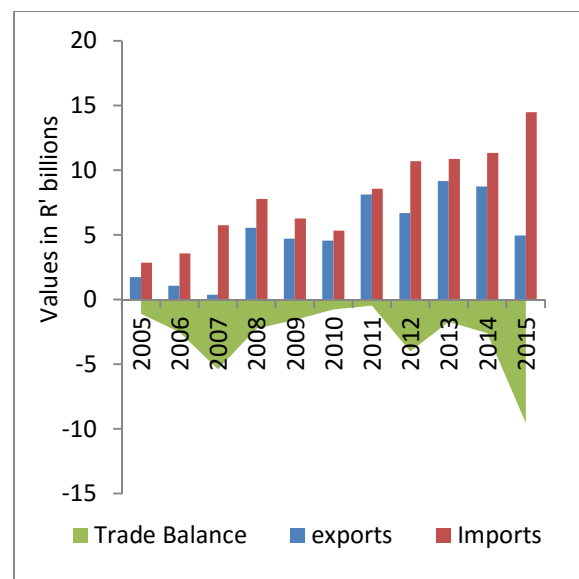


Figure 5: South Africa grains trade performance
Source: Trademap, 2016 and own calculation

South African imports per product

South Africa is a net importer of wheat, with estimated imports of R5.9 billion in 2015. It is worthy to note that imports of wheat have been increasing since 2013. This is mainly attributed to a decrease in wheat production within the country in recent years. South Africa sources its imports from various markets in the world, viz: Russia (40.8%), Germany (17.8%), Ukraine (11.3%), Canada (9.6%) and Australia (6.2%). Rice is second most-imported grain, given the fact that South Africa does produce rice. Rice imported from Asian countries collectively accounts for about 95% of South Africa's total rice imports. Maize, Soya bean and Barley were also among the top five imported products, with an average growth increase of 47%, 113% and 4%, respectively, between 2011 and 2015.

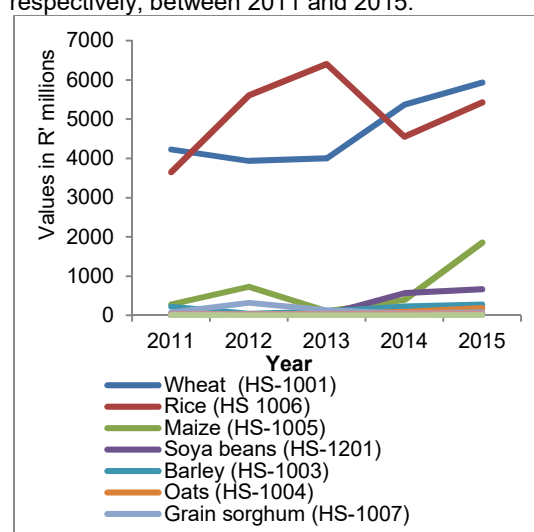


Figure 6: Imported grain products in South Africa
Source: Trademap and own calculation

South Africa export per product

South Africa is a net exporter of maize, with estimated exports of R2.6 billion in 2015. It's important to note that maize exports have been declining since 2013. South Africa exports maize mostly to SADC countries, which include Botswana, Namibia, Mozambique, Swaziland and Lesotho, collectively with a share of 73.7% in 2014. Regardless of the decline in wheat production in the country, large quantities of wheat exports were made to world markets, amounting to R1.2 billion in 2015. This is mainly attributed to the fact that South produced high-quality wheat. South Africa sends its wheat exports to SADC countries, which include Zimbabwe, Zambia, Botswana, Namibia and Swaziland, collectively with share of 86.1%. Rice, Sorghum and Soya bean were among the other exported grains, worth R901 million, R109 million and R34 million, respectively, in 2015.

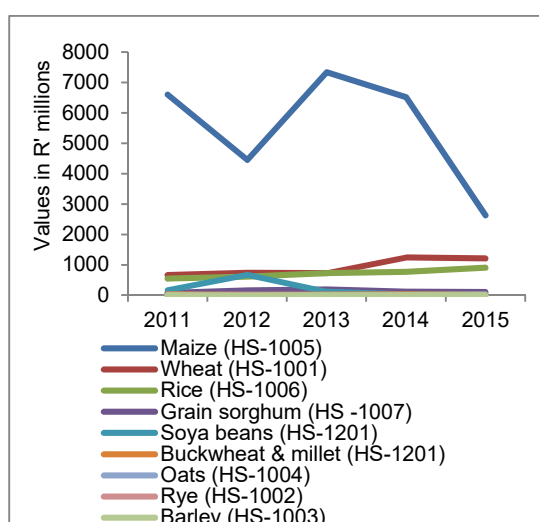


Figure 7: Main exported grain products

Source: Trademap and own calculation

From the analysis made above, it has been noted that South Africa is a net importer of grains, a re-exporter of rice to African countries, and a net exporter of maize, while it imports most of its grain from Asia and Europe. In conclusion, South Africa's grain industry plays an important role in the economy, given its contribution in the agricultural sector. Given the limitations, the grain industry has an opportunity to improve its trade in grains.



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Trade Profile for fruits and nuts (HS 08)

Fruits are edible products of a tree or other plant that contains seed and can be eaten as food. They are also known as an important source of vitamins and carbohydrates. The cultivation of fruits differs considerably in different places owing to physical properties of land, climate, rainfall, temperature, sunlight, cultural practices of the inhabitants, etc. The technology and financial management, along with the marketing management, play a crucial role in the production of any crop in a given context (Borah, 2013).

South Africa is a wealthy and diverse country consisting of different climatic conditions across the country. The different climatic conditions allow production of various fruits which include citrus, deciduous and subtropical fruit. The fruit industry plays an important role in the agricultural sector through export earnings. It is estimated that about 70% of fruit products are exported to the global market and the remaining proportion is sold in the local market. Some fruits are processed into fruit juice and dry fruit. This article highlights the trade performance of South African fruits in recent years.

Global fruit trade

Table 1 shows an indication of the world's leading importers of fruits in 2014. The United States of America was the leading importer, accounting for 11% of total global imports. Germany was in second place, with a share of 9%, followed by the Netherlands with share of 5.6%, and the UK with a share of 5.5% in 2014. South Africa ranked 73rd place, with a significant 13% growth rate, moving from a R1.1 billion to R1.4 billion worth of imports between 2013 and 2014.

Table 1: Leading global importers of fruits

	Value in Rand (Billions)		Growth rate (%)
Importer	2013	2014	2013-2014
	1012	1207	19%
USA	107	137	27%
Germany	97	110	13%
Netherlands	57	68	18%
UK	56	67	20%
Russia	61	59	-4%
France	52	56	9%
China	39	56	41%
Canada	43	50	16%
Hong Kong	35	42	20%
Belgium	39	42	7%

Source: ITC, Trademap (2016), own calculations

Table 2 lists the top global exporters of fruits between 2013 and 2014. The USA was the leading exporter, accounting for 14% of total world fruit exports, followed by Spain at R89 billion worth of exports. Chile and the Netherlands follow, both at a growth rate of 19% between 2013 and 2014. From a global perspective, exports of fruits grew by 21%, reaching R1 139 billion in 2014, from R943 billion in 2013. South Africa is ranked 10th on the list of world fruit exporters, exporting R31 billion in 2014.

Table 2: Leading global exporters of fruits

Exporter	Value in Rand (Billions)		Growth rate (%)
	2013	2014	2013-2014
World exports	943	1139	21%
USA	140	161	15%
Spain	89	100	13%
Chile	52	62	19%
Netherlands	51	61	19%
China	38	47	23%
Italy	40	47	17%
Turkey	39	44	14%
Belgium	33	44	35%
Mexico	33	34	3%
SA	25	31	21%

Source: ITC, Trademap (2016), own calculations.

South African Trade in Fruits

Figure 8 illustrates South Africa's trade patterns in fruits over the past five years. It is evident that South Africa exports more fruits than it imports (and therefore is regarded as a net exporter). South African exports have been steadily increasing, as well as imports. It is important to note that exports have been increasing at a higher rate than imports, resulting in an increase in terms of the trade surplus.

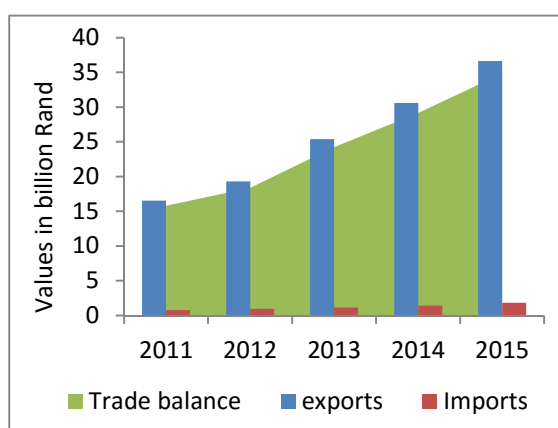


Figure 8: South Africa's imports, Exports and Trade balance

Source: ITC, Trademap (2016)

Figure 9 indicates the main sources for South Africa's fruit imports in 2015. The main supplier of fruits in 2015 was Mozambique, from where South Africa imported R1.8 billion worth of fruits (33%), followed by the United States of America (26%), Viet Nam (18%), Spain (16%) and Zimbabwe (7%). It is evident that South Africa has diverse sources of fruit imports, ranging from African countries, Asia, Europe, and North America.

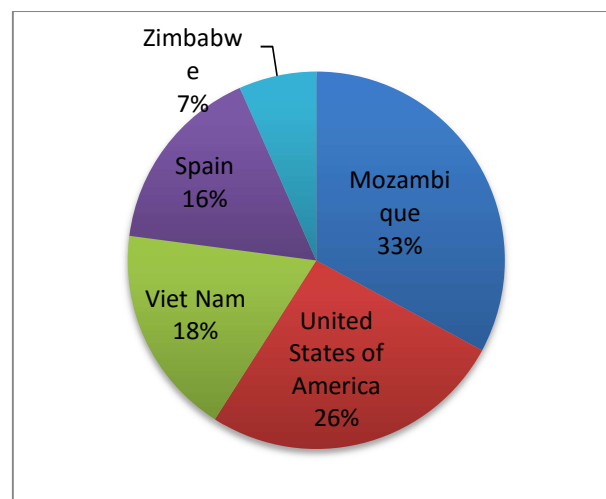


Figure 9: Main markets for South African fruit imports.

Source: ITC, Trademap (2016)

Figure 10 illustrates the main export markets to which South Africa's fruits are destined. South Africa exports a variety of citrus and deciduous fruits, fresh and dried, as well as a variety of nuts. It is clear that the majority of South African exports go to European countries, with the Netherlands and the United Kingdom accounting for 67% of total fruit exports. This can be attributed to the European Union (EU) being South Africa's largest trading partner, arising from the SA and EU Trade Development and Cooperation Agreement (TDCA). The Netherlands was the highest importer of South African fruits in 2015, with R7.5 billion worth of exports, followed by the United Kingdom, Hong Kong-China, the United Arab Emirates, and the Russian Federation, with the values of R5.7 billion, R2.4 billion, R2.3 billion, and R1.6 million, respectively.

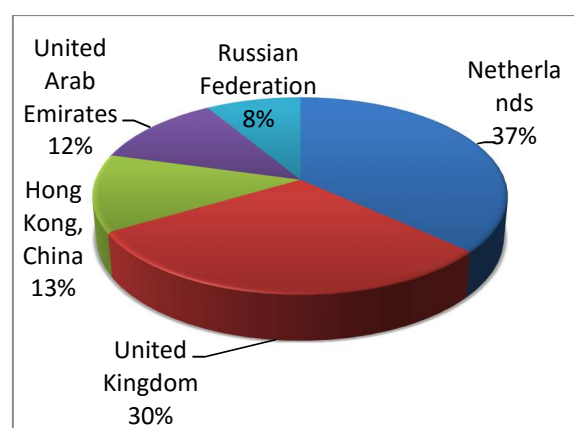


Figure 10: Main markets for South African fruit exports

Source: ITC, Trademap (2016)

To complete the picture

We can thus conclude that fruits are highly traded by the United States of America, as they were the leading importers and exporters for 2014. Being tenth on the global platform of fruit exporters, South

Africa is doing considerably well, exporting mostly to the EU. Both imports to, and exports from, South Africa had a modest increase, reflecting a positive increasing trade balance. South African exports reflected a 4% growth rate between 2014 and 2015, and although minor, South Africa should take advantage of the increasing global demand and seek more markets.

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Import duties – where are they generated by South Africa?

This article is solely based on Treasury figures regarding sources of South Africa's custom revenue. Although customs revenue, as a proportion of total government tax revenue, accounts for about 4% (2004/15), it is worth looking at it. Machinery & electronics, followed by vehicle & transport equipment, are by far the biggest product categories (singled out) from which South Africa gets the biggest share of customs revenue (from mostly Asia and Europe – justifying these regions leading the pack). By mode of transportation, the sea is by far the single biggest source of customs revenue (Durban harbour as the leader), followed by inland borders and airports.

Government tax revenue by types of taxes - Figure 11 shows clearly that personal income tax, value added tax, and company income tax have been the leading sources of government revenue (with all of them accounting for more than 15 percent of government tax income, individually). Customs revenues for the period from 2010/11 to 2014/15 have been around 4%, with the highest (at 4.9%) collected in 2013/14, while the lowest was collected in 2010/11 (at 4%).

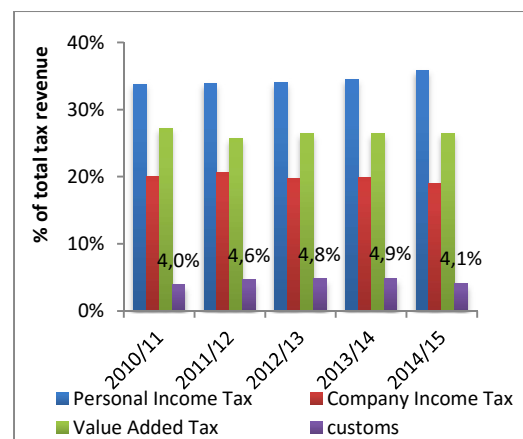


Figure 11: Main source of tax revenue for the South African government (expressed as percentages of total revenue)
Source: National Treasury (2016)

Imports revenues by regions - Import revenues collected by South Africa in 2014/15 were high on products from Asia, at R86.3 billion (48%), with Europe coming second, while the Americas came third, accounting for R61.3 billion (34%) and R21.1 billion (12%), respectively. It is interesting to note that import revenues on imports from other African countries were about R7.7 billion (4%), while those from Oceania and others accounted for 1.4% and 0.3%, respectively.

Table 3: South Africa's import tax revenue by region (of the world), expressed in monetary terms

Region	Total Import Tax in (2014/15) billion Rand	Percentage of total custom duty %
Asia	86.3	48.1%
Europe	61.3	34.2%
Americas	21.1	11.8%
Africa	7.7	4.3%
Oceania	2.5	1.4%
Other	0.5	0.3%
Total	R179.3bn	100.0%

Source: National Treasury (2016)

Import revenue by product type - Import revenue, broken down by product types, presents a clear picture that the leading (top three product types) in 2014/15 were machinery & electronic (R43 billion, 24%) followed by all other sectors (R42.9 billion, 23.9%) and vehicles and transport equipment (R31 billion, 18%). Chemical products, textile, base metals and food, beverages & tobacco are among the leading sources of South Africa's import duty.

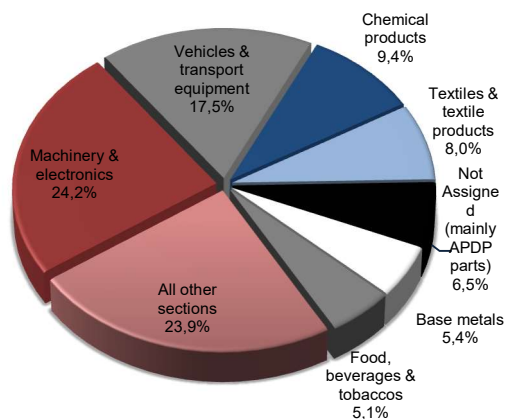


Figure 12: South Africa's import tax revenue by product groups, expressed in monetary terms
Source: National Treasury (2016)

Total import revenue – by point of entry - It is very clear from **Figure 13** that a larger proportion of South Africa's imports are transported by sea, at 61.3% (R109.9 billion) of all import taxes received from sea-oriented entry points. The second leading contributor comprise the border posts (inland offices) at 20.7% (R37.1 billion) of the total import revenue, and lastly, the airports accounting for 18% (R32.3 billion)

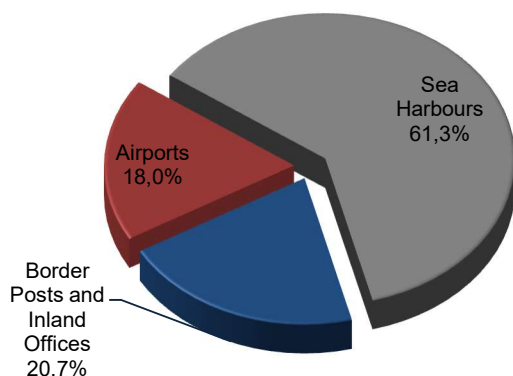


Figure 13: South Africa's import tax revenue by points of entry (of the world), expressed in monetary terms

Source: National Treasury (2016)

Table 4 further shows the exact points of entry (the largest). Durban harbour remains by far the largest contributor to import duties (42%), followed by Cape Town harbour at 11%, and Port Elizabeth at 8%

(while other harbours collectively account for 15%). The OR Tambo International Airport accounts for about 16%.

Table 4: South Africa's import tax revenue by specific points of entry, expressed in monetary terms

Customs port of entry	Total Import Tax in R'bn	Percentage of total custom duty %
Durban Harbour	74.7	41.7%
O.R. Tambo International Airport	29.4	16.4%
Cape Town Harbour	19.0	10.6%
Johannesburg	15.2	8.5%
Port Elizabeth Harbour	13.8	7.7%
All other ports	27.3	15.2%
Total	179.3	100.0%

Source: National Treasury (2016)

Concluding statement - South Africa's customs duty comprises a small portion of the country's tax revenue. Asian-sourced imports generated the largest portion of South African import revenue (with sea transportation being the largest contributor to the revenue, compared with other points of entry).

Reference

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Appendix A

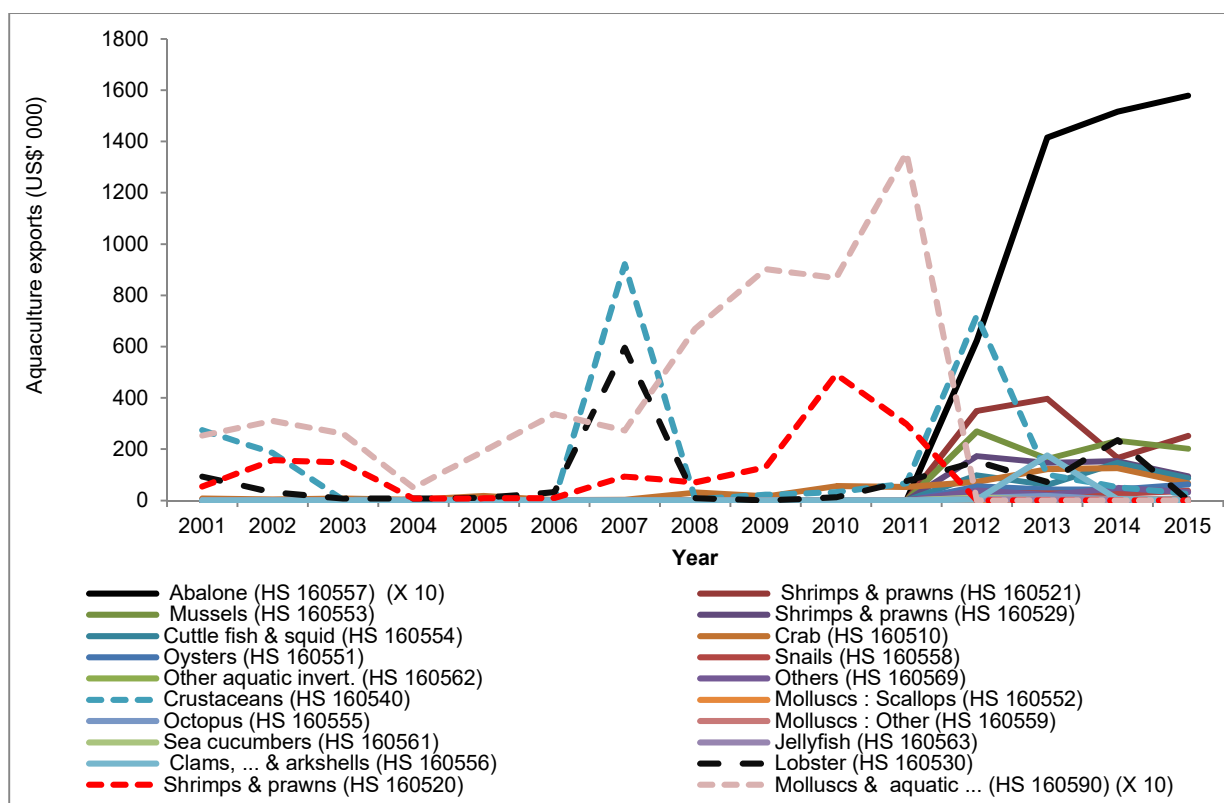


Figure 3: South Africa's Crustaceans & molluscs exports 2001-2015

Source: Trade Map

Note: The description of the HS codes used in the figure has been summarised so as to generate a clear figure that is not congested.

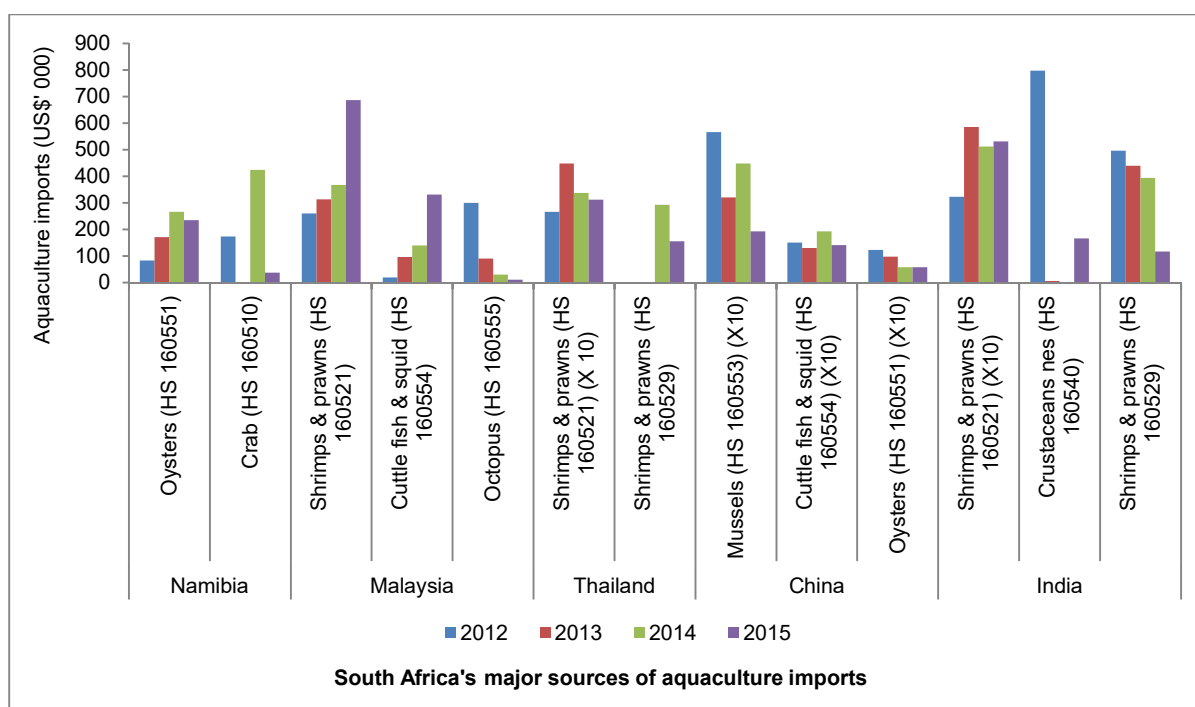


Figure 4: South Africa's major suppliers of Crustaceans & molluscs imports 2012-2015

Source: Trade Map

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