



Trade Probe

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Trade Probe is a quarterly report produced by National Agricultural Marketing Council and the Department of Agriculture, Forestry and Fisheries. It reports and analyses agricultural products, trade performance in local and international markets. This publication is widely used by exporters and importers.

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In this issue we cover the following topics:

Trade analysis of the starch industry

An analytical look into South Africa's chicken industry

Outlook of the pork industry

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Department:
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REPUBLIC OF SOUTH AFRICA



**National Agricultural
Marketing Council**
Promoting market access for South African agriculture



This issue of the *TradeProbe* covers the following topics:

- Trade profile of potatoes (HS 070190)
- Trade analysis of the starch industry in South Africa (HS 1108)
- Ocean economy profile of selected products
- Market profile of avocados (HS 080440)
- Outlook on the pork industry
- Is it an issue of production capacity or imports? An analytical look into South Africa's chicken industry.

TRADE PROFILE OF POTATOES (HS 070190)

By

Elekanyani Nekhavhambe

Introduction

Potatoes are known as starch tuber which is regarded as an important vegetable product. In South Africa potatoes are regarded as largest vegetable produce as well as an important crop. The product is produced throughout the country. Most of the potatoes are grown on relatively large farms, increasingly under irrigation, with yield averaging around 40 tons per hectare. However, potatoes are also grown under dryland conditions during the summer, when there is more rainfall (Lekgau & Jooste, 2012).

South Africa's potatoes are exported mostly to neighbouring countries, with a fraction destined for the Middle East and other parts of Africa. South Africa provides potatoes (mostly fresh potatoes, but also seed potatoes) to neighbouring countries. South Africa supplies 100% of Zimbabwe's and Mozambique's potatoes, as well as 96 % of Angola's potatoes. South Africa is the second largest exporter of potatoes in Africa after Egypt. The value of exports reached a record R583 million in 2014, representing a 33% increase between 2013 and 2014 (AgriOrbit, 2017). The aim of this article is to analyse the global and South African trade flows in potatoes.

Global trade in potatoes

Table 1 shows the world's leading exporters of potatoes between 2014 and 2015. Global exports of potatoes declined by 12.4% between 2014 and 2015, which is mainly attributed to the decline in exported value from the leading exporters. France, Germany and China are listed as the top three exporters of potatoes with a global share of 14.4%, 8.8% and 8.3% respectively. It is noteworthy that Egypt was the only African country amongst the top ten exporters of potatoes. Egypt is also the largest producer of potatoes in Africa and the fifth largest in the world. Amongst the top ten exporters listed,

Pakistan and Spain have shown a positive growth in exports of 139.3% and 19.5% respectively.

Table 1: Leading global exporters of potatoes

	Value in billion US dollars		Share	Growth
			(%)	Value (%)
Exporters	2014	2015	2015	2014/2015
World	3114	2729		-12.4
France	442	394	14.4	-10.9
Germany	289	236	8.6	-18.4
China	271	227	8.3	-16.1
Netherland	252	225	8.3	-10.4
Egypt	270	219	8	-18.8
USA	192	175	6.4	-9.1
Canada	162	15	5.5	-6.8
Belgium	171	135	4.9	-21
Pakistan	51	123	4.5	139.3
Spain	81	97	3.6	19.5

Source: Own calculations and Trade Map (2017)

Table 2 presents the leading global importers of potatoes between 2014 and 2015. The Netherlands ranked as the largest importer of potatoes with a 9.5% share of global imports. The top 10 leading importers accounted for a 56.2% share of world imports. There were no African countries among the top 10 importers of potatoes.

Table 2: Leading global importers of potatoes

	Value in million US dollars		Share	Growth in
			(%)	value (%)
Importers	2014	2015	2015	2014-2015
World	3331	2838		-14.8
Netherlands	277	271	9.5	-2.3
Belgium	269	233	8.2	-13.2
Russia	363	233	8.2	-35.8
Germany	196	164	5.8	-16.4
Spain	156	146	5.1	-6.4
USA	156	141	5	-9.5
Italy	166	139	4.9	-16.1
UK	118	113	4	-3.9
France	89	79	2.8	-11.4
Malaysia	78	78	2.7	-0.3

Source: Own calculations and Trade Map (2017)

South African trade in potatoes

Figure 1 shows the leading exporters of potatoes to South Africa for the five-year period 2012 to 2016. Namibia was the largest supplier of potatoes to South Africa, with an 83.1% share of South Africa's imports in 2015, followed by Area Nes and India with a 14.9% and 2% share respectively. The South Africa's imports of potatoes from the world declined by 15.83% between 2014 and 2016.

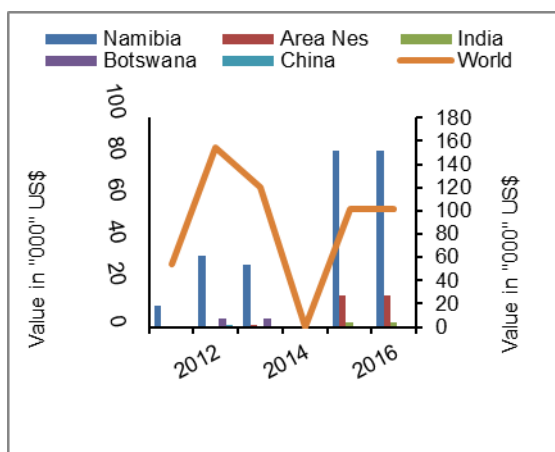


Figure 1: Top suppliers of potatoes imported by South Africa
Source: ITC (2017)

Figure 2 highlights the main export destinations for South African potatoes between 2012 and 2016. Mozambique, Namibia, Botswana, Angola and Lesotho were the top five export destinations for South Africa potatoes. It has been noted, main markets of this product are located within the SADC region, this main attributed by Free Trade Agreement with SADC countries that allows free movements of good.

Furthermore, the short shelf life of potatoes, perishability transport costs are the reason potatoes are exported in the neighbouring countries (DAFF, 2015). Of the five top export destinations, Mozambique was the leading country with imports amounting to approximately US\$ 16 million. In 2016, however, there was a slight decline in potato exports to Namibia, Botswana, Angola and Lesotho.

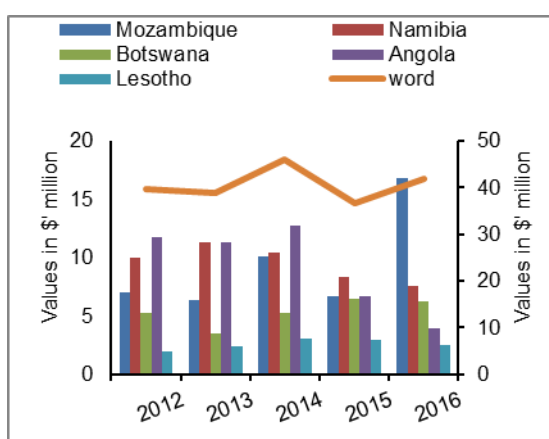


Figure 2: Top five export destinations for South African potatoes
Source: ITC (2017)

Figure 3 shows the trade (exports, imports and trade balance) trends of South African potatoes over the past five years. In 2016, South Africa imports and exports were valued at US\$ 102 thousand and US\$ 39 million respectively. These figures reveal that South Africa is a net exporter of potatoes as exports are more than imports over the period of five years.



Figure 3: Exports, imports and trade balance
Source: ITC (2017)

Conclusion

South Africa is a net exporter of potatoes, exporting to countries such as Mozambique, Namibia, Botswana and Angola. Recently, South Africa registered a declining trend in potato exports to Namibia, Botswana, Angola and Lesotho. This decline may have been due to the effects of drought in most parts of Southern Africa, leading to lower productivity of many crops. However, there is a clear indication that South Africa has various export market destinations. Therefore, farmers may be encouraged to practise potato farming, and potatoes as a product could be considered the best export target product to be promoted by the South African government and the related industry sector.

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TRADE ANALYSIS OF THE STARCH INDUSTRY IN SOUTH AFRICA (HS 1108)

By Lucius Phaleng

Introduction

Starch is a known source of carbohydrates and is mostly found in cereals that include wheat, maize, and rice as well as in roots and tubers of potatoes, sweet potatoes and cassava, among others. Maize is regarded as the main product used for the production of starch for food and its industry purposes in South Africa, but the country imports cassava starch to meet its high demand for industrial purposes. Starch is used as a primary product in different food products as well industrial goods that include paper, cardboard, textile, plywood, glue and alcohol). However, there are different types of the starch industry include, lysine unmodified starches, sweeteners, proteins, vegetable oils, and modified starches.

Cassava is listed as 4th source of starch production, after maize, wheat or potato. About 4-5 tons of roots are used to produce one ton of cassava starch, but the ratio may be as high as ten to one, depending on the quality of the root). Most of the cassava starch industries are located in Asia. African products are the sole producer of starch in South Africa with a total production of 280 800 tons of maize starch (FAO, 2000). The articles intend to analyse the trade flows of starch product in the global market and South Africa's perceptive.

Global trade overview of the starch industry

Table 3 shows the world leading importers of starch in 2015. The global market estimated to import a total of R48 billion in 2015 with the estimated increase of 54.9% growth between 2012 and 2015. China was listed as the leading importer with a total of R10.7 million in 2015. Of the total amount imported starch into Chinese market; manioc starch and Potato starch and starch (excluding wheat, potatoes and Maize) were the main starch product with the share of 92.7%, 5.5% and 0.9% respectively in 2015. Indonesia, USA, Chinese Taipei and Germany were among top importers of starch with the share of 9.8%, 7.3%, 5.1% and 4.4% respectively in 2015.

Table 3: Leading global importers of starch

	Value in million rand		Growth %	Share %
	2012	2015	2012-2015	2015
Importers				
World	31039	48087	54.9%	
China	4166	10687	156.5	22.2
Indonesia	3379	4699	39.1	9.8
USA	2105	3534	67.9	7.3
Taipei	1705	2437	42.9	5.1
Germany	1743	2106	20.9	4.4
UK	1389	1847	32.9	3.8
Malaysia	1465	1756	19.8	3.7
Netherlands	1368	1492	9	3.1
France	938	1165	24.2	2.4
Korea	787	1139	44.6	2.4

Source: Trade Map (2017)

Table 4 highlights the world's leading exporters of starch in 2015. The global market was estimated to export a total of R50 billion in 2015, with an estimated growth of 69 % between 2012 and 2015. Thailand was listed as the leading exporter with a total of R15.2 million in 2015. Of the total starch exported by Thailand market in 2015, manioc starch and starch (excluding wheat, potatoes and maize) constituted a share of 98.8 % and 0.8 % respectively. Vietnam, Germany, the Netherlands and Belgium were the top exporters of starch with a share of 23.2 %, 9.6 %, 6.6 % and 4.1 % respectively in 2015.

Table 4: Leading global exporters of starch

	Value in million rand		Growth (%)	Share (%)
	2012	2015	2012-2015	2015
World	29 646	50 140	69%	
Thailand	8 210	15 285	86.2	30.5
Vietnam	6 419	11 628	81.1	23.2
Germany	3 716	4 803	29.2	9.6
Netherlands	1 062	3 318	212.4	6.6
Belgium	1 141	2 050	79.6	4.1
USA	1 055	1 287	22.0	2.6
China	911	1 039	14.0	2.1
India	522	1 005	92.	2.0
Spain	544	692	27.3	1.4
Poland	400	640	59.9	1.3

Source: Trade Map (2017)

Overview of the South African starch industry

Figure 4 shows the trade trends of South African starch between 2001 and 2016. It has been observed that the trade in starch has not been stable over the years, with exports declining in recent years. Although the industry is striving to sustain positive growth, the country must import cassava starch to meet the local demand for the product. Trade Map (2017) reports that 26 000 tons of starch were exported during 2015, compared to 31 000 tons in 2015.

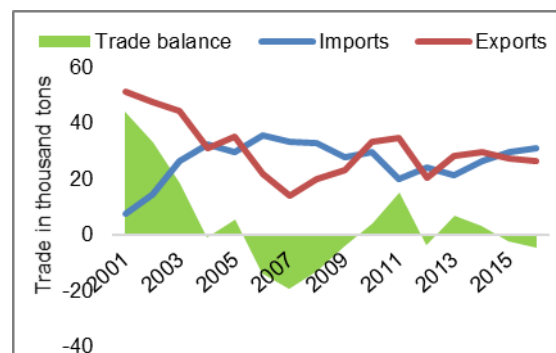


Figure 4: South Africa's trade in starch

Source: Trade Map (2017)

Figure 5 highlights the main suppliers of starch in South Africa between 2001 and 2016. Of the total starch imports, Thailand was the largest supplier of this product with a total of 14.3 thousand tons. The volume supplied by this market has been declining since 2008, although it has retained the top spot. Thailand's supply of starch was comprised of 94 % manioc starch, making this country the sole supplier of this starch product. Vietnam was the second largest supplier with a share of 13.4 %, followed by

Brazil and Thailand with a share of 7.2 % and 6.5 % respectively in 2015.

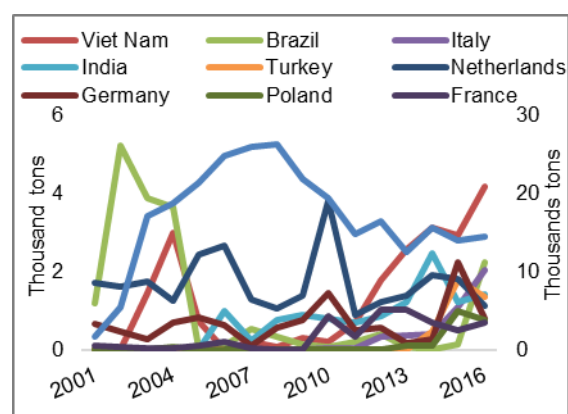


Figure 5: Top suppliers of starch products imported by South Africa

Source: Trade Map (2017)

Of the total South African exports, Australia was the main destination for this product with a total of 5 442 tons in 2016. It has been observed that South Africa's main destinations have not been stable over the years (**see Figure 6**). In 2016, Chinese Taipei, Zimbabwe and the United Arab Emirates were among the top five markets for South African starch products with a share of 13.5 %, 13.1 %, 9.9 % and 8.5 % respectively in 2016.

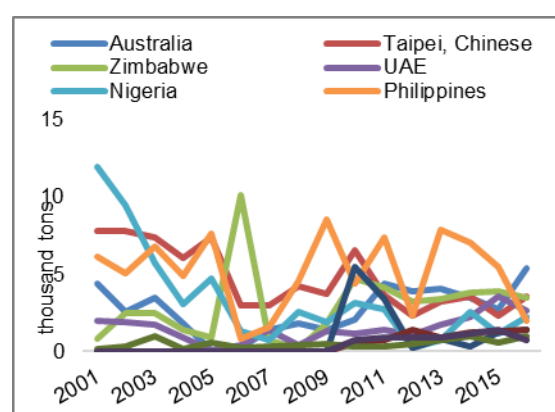


Figure 6: Main export destinations for South African starch products

Source: Trade Map (2017)

Conclusion

It can be concluded that global trade in starch has increased over the years. Thailand is a major role player in starch exports, being the world's leading exporter with a 30.5 % share value in 2015. China is also considered an important market for starch products, being the leading export destination with a 22.2 % share value. Zimbabwe and Nigeria are the only African countries that import starch from South Africa. Currently South Africa is a net importer of starch, which might be due to drought that curtailed high crop yield. South Africa's trade performance in starch has been exhibiting a negative trade balance recently; however, this can be minimised through more research on market opportunities in African countries.

References

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THE OCEANS ECONOMY: PROFILE OF SELECTED PRODUCTS

By Lucius Phaleng and Thandeka Ntshangase

Introduction

The marine species cultured in South Africa included abalone, oysters, mussels and finfish. Around the world, fishery is vital for ensuring the food security of billions of people, with fish and fish products constituting the primary source of animal protein in the diets of individuals in developed and developing nations. Additionally, the fishing industry plays a key role in ensuring food security by providing direct and indirect employment for approximately 200 million people worldwide (FAO, 2003).

The world's seas and oceans are under pressure, from both a growing range and intensity of economic activities, as well as climate change. **Figure 7** highlights the production of selected sea food products (including abalone, mussels and oysters) produced in the world from the listed products. Oyster seafood products are the main products produced in the world, with abalone products being the least-produced products in the world.

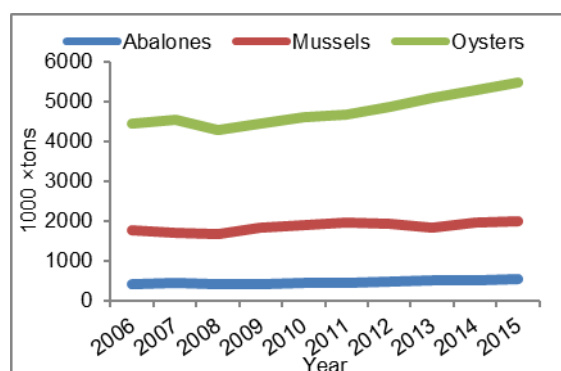


Figure 7: Global production of selected seafood products
Source: FAO (2017)

Against this background, the articles intend the article aimed to provides the status on aquaculture in South Africa, and highlights contribution of selected products (Mussels, Abalone, and Oysters) in world trade. Furthermore, the article will focus on production and trade flows performance of the three selected fishery industries.

Mussels

Mussels has been noted as fast becoming South Africa's biggest source of income from marine products and the industry is gaining a considerable export market for itself. **Saldanha Bay** is the growth point of this industry, with four established mussel farms and more in the planning stages (DAFF, 2015). The trend in the production and consumption of mussels in South Africa for the period 2005 to 2014 is depicted in **Figure 8**. The production of mussels showed a positive growth trend over the period under review. On the contrary, consumption

showed a declining trend. Between 2005 and 2012, consumption greatly exceeded production, meaning that South Africa experienced a high demand for mussels and therefore depended not only on the domestic production of mussels, but also on imports.

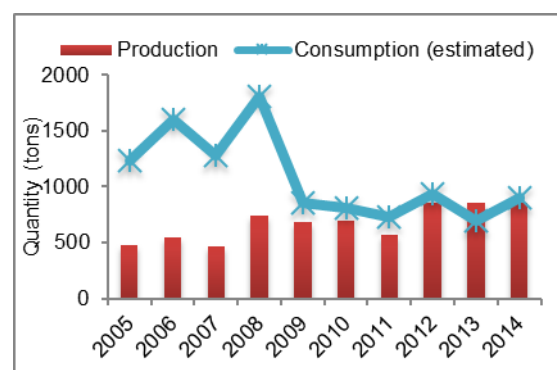


Figure 8: South Africa's production and consumption of mussels
Source: USDA and own calculations

Figure 9 depicts South Africa's trade in mussels for the period 2012 to 2016. The trend in imports and exports is notably irregular through the years. Imports have been excessively exceeding exports, and therefore South Africa is a net importer of mussels, which has in turn resulted in a negative trade balance. The case of 2013 is an exception, where exports exceeded imports, therefore resulting in a positive trade balance. The highest imported value was in 2008 at US\$ 2.7 million, while the highest exported value was in 2013 at US\$ 367 thousand. The lowest imported value was in 2013 at US\$ 55 thousand, while the lowest exported value was in 2008 at US\$ 99 thousand.

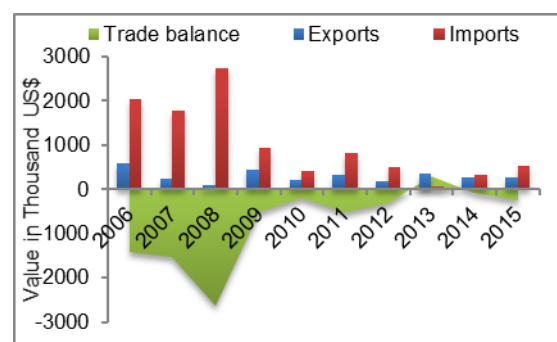


Figure 9: South Africa's trade in mussels, 2012-2016
Source: ITC (2017)

The leading importers of mussels exported by South Africa for the period 2006 to 2016 are indicated in **Figure 10**. Namibia was the leading importer of South African mussel products, with a 50 % share in value (with duty-free entry into Namibia). Mauritius was the second leading importer of mussel seafood products with a share of 28 %, followed by Zimbabwe, Zambia and Angola with a share of 12 %, 9 % and 1 % respectively.

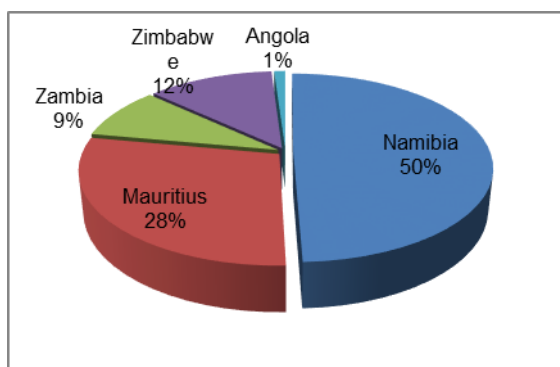


Figure 10: Main export destinations for South African mussels, 2015

Source: Trade Map (2017)

Abalone

Abalone, a sea snail, is known locally as perlemoen, meaning mother-of-pearl. It has a high market value and is one of the most sought-after delicacies locally and abroad. The production and consumption trends of abalone in South Africa for the period 2005 to 2014 are presented in **Figure 11**. The production of abalone has been showing a moderate growth trend over the period under review, with consistent growth between 2012 and 2014. Conversely, consumption has revealed a rapidly declining trend. It is noteworthy that domestic production in South Africa has met the demand for abalone in the country and in some years has exceeded it, meaning that South Africa had a surplus and has therefore exported abalone.

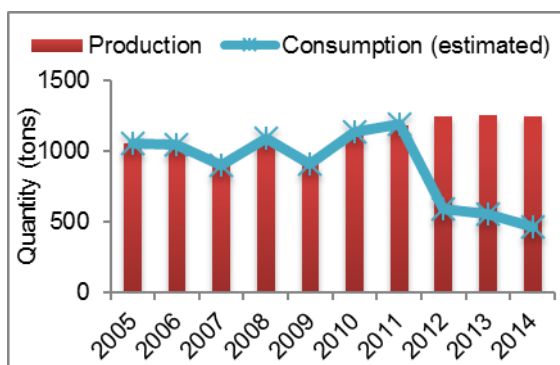


Figure 11: South Africa's production and consumption of abalone

Source: USDA and own calculations

Figure 12 illustrates the South African trade in abalone for the period 2012 to 2016. It is noted that the abalone trade in South Africa shows an irregular, but always positive, trend through the years. South Africa is a net exporter of abalone, as it does not import abalone, which in turn has resulted in a positive trade balance. The case of 2012 is an exception, with South Africa importing a small quantity of abalone amounting to US\$ 960 thousand. The highest exported value was in 2016 at US\$ 40 million, with the lowest exported value being in 2015 at US\$ 33 million.



Figure 12: South Africa's trade in abalone, 2012-2016

Source: ITC (2017)

The leading destinations for abalone exported by South Africa are highlighted in **Figure 13**. China was the leading destination for South African abalone seafood products in 2015, with a share of almost 74 %, followed by Taipei with a 19 % share.

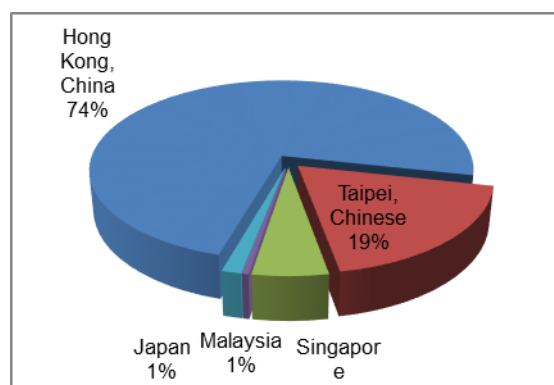


Figure 13: Main destinations for South African abalone exports, 2015

Source: Trade Map (2017)

Oysters

Oysters are bivalves (meaning "two shells"), inhabiting coastal waters generally between latitudes of 64° north and 44° south. Large aggregations of oysters can sometimes cover extensive bottom estuarine areas and may also exist above the substrate attached to various objects such as stones, pilings, shipwrecks, and even discarded bottles.

Figure 14 highlights South Africa's production and estimated consumption trends of oysters between 2005 and 2014. The production of oysters showed a stable growth trend over the period under review, while estimated consumption was also stable, but with a negative consumption volume in 2010 due to a high export volume. During the period under review, consumption greatly exceeded production, meaning that South Africa consumed more oysters that it produced and therefore depended not only on domestic production, but also imports of oysters.

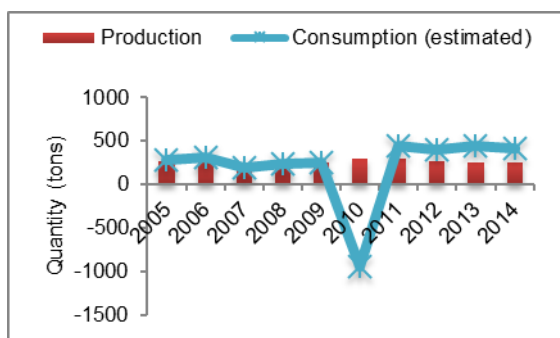


Figure 14: South Africa's production and consumption of oysters
Source: USDA and own calculations

Figure 15 presents South Africa's trade in oysters for the period 2012 to 2016. The import and export trends are notably irregular through the years. Imports have been excessively exceeding exports; therefore, South Africa is a net importer of oysters, which has in turn resulted in a negative trade balance for the majority of the period under review. The cases of 2010 and 2014 are exceptional, with exports exceeding imports, thus resulting in a positive trade balance. The highest import value was in 2010, estimated at US\$ 1.6 million, while the highest export value was also in 2010 at US\$ 3.1 million. The lowest import value was in 2009 at US\$ 188 thousand, while the lowest export value was in 2006 at US\$8 thousand

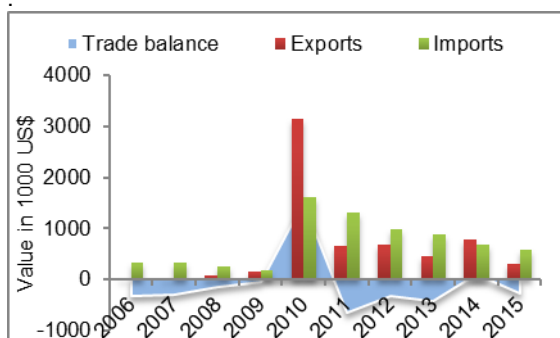


Figure 15: South Africa's trade in oysters, 2012-2016
Source: ITC (2017)

The leading destinations for South African oyster exports are highlighted in **Figure 16**. China is the leading destination for South African oyster seafood products, importing almost 94 % of the product in 2015, followed by Namibia with a 6 % share.

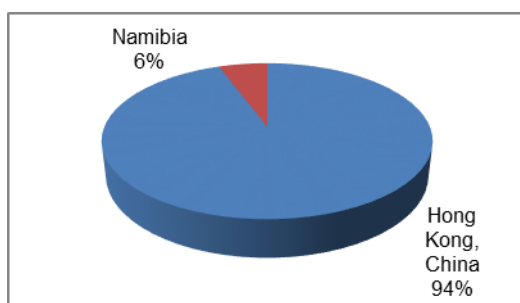


Figure 16: Main export destinations for South African oysters, 2015
Source: Trade Map (2017)

Conclusion

Fish and fish products constitute the primary source of animal protein in the diets of individuals in developed and developing nations. Oyster seafood products are the primary products produced in the world, followed by abalone and mussels. In South Africa, abalone seafood products are the top products produced. The consumption trends generally follow the production trends of a product, but in some cases, like that of mussels, consumption exceeds production, or in the case of oysters, production exceeds consumption. Therefore, the country either imports the product to meet demand or exports the product due to surpluses.

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MARKET PROFILE OF AVOCADOS (HS 080440)

By
Fezeka Matebeni

Introduction

The avocado is also known as the alligator pear due to its pear-like shape and green skin (DAFF, 2012). The avocado is predominantly made up of monounsaturated fat, an essential part of a healthy diet. It has the highest concentration of dietary fibre of any commonly eaten fruit. The avocado is regarded as part of the world's elite group of superfoods because of its bountiful benefits as a food packed with high levels of vitamins, minerals, antioxidants and other photochemicals (SAAGA, 2016).

South Africa is one of the world's largest producers of avocados, with a total of 119 411 tons produced in 2015. Avocado production is concentrated mainly in the warm subtropical areas of the Limpopo and Mpumalanga provinces. KwaZulu-Natal is also an avocado-producing province due to its more southerly latitude and resulting cooler weather conditions (DAFF, 2015). The aim of this article is to assess the global performance of avocados in terms of trade, as well South Africa's trade performance.

Global trade overview of avocados

Table 5 illustrates the top 10 importing countries of fresh and dried avocados globally in 2015. The global value of fresh and dried avocado imports increased significantly by 70.5 % between 2012 and 2015. In 2012, the global import value was slightly over US\$ 2 billion, while in 2015 it was more than US\$3.5 billion. The USA was rated as the top importer of fresh and dried avocados with a 45.6 % market share, followed by the Netherlands and France with an 8.3 % and 7.5 % market share respectively in 2015.

Table 5: Leading global importers of fresh and dried avocados

Importers	Imported value (US\$ million)		Share (%) 2015	Growth in value (%) 2012-2015
	2012	2015		
World	2191	3737		70,5
USA	913	1702	45,6	86,4
Netherlands	187	308	8,3	64,6
France	201	280	7,5	39,4
UK	74	169	4,5	127,4
Canada	122	155	4,2	26,7
Japan	161	153	4,1	-5,2
Germany	72	148	4	102,9
Spain	67	126	3,4	87,1
Australia	38	53	1,4	37,5
Sweden	46	52	1,4	12,7

Source: Own calculations and Trade Map (2017)

Table 6 depicts the top 10 global exporters of fresh and dried avocados between 2012 and 2015. The global export value for fresh and dried avocados increased by 66.52 %, from US\$ 1.9 billion in 2012 to US\$ 3 billion in 2015. Mexico exported 50.6 % – half the world's exports – in 2015. The Netherlands

and Peru exported 10.0 % and 9.4 % of this product respectively. There were only two African countries among the top 10 exporters, namely Kenya and South Africa. Kenya ranked eighth in the world with a market share of 1.87 %. Between 2012 and 2015, Kenya's avocado exports increased by almost 100 % in value terms. South Africa's exports declined by 3.3 % during the same period, with the country ranking ninth with a 1.85 % market share in 2015.

Table 6: Leading global exporters of fresh and dried avocados

Exporters	Exported value (US\$ million)		Share (%) 2012	Growth in value (%) 2015
	2012	2015		
World	1937	3227		66.52
Mexico				
Netherlands	877	1632	50.6	85.9
Peru	190	322	10	69
Spain	135	303	9.4	124.2
Chile	135	212	6.6	57
USA	159	208	6.5	31
New Zealand	81	99	3.1	21.7
Zealand	43	62	1.95	45.8
Kenya	30	60	1.87	97.9
South Africa	61	59	1.85	-3.3
Israel	83	52	1.6	-36.8

Source: Own calculations and Trade Map (2017)

South Africa's avocado trade

Figure 17 demonstrates the trend of South Africa's trade in fresh and dried avocados between 2012 and 2016. South Africa is a net exporter of fresh and dried avocados. South Africa's trade balance has consistently been positive; the country exported more than it imported during the period under review. In 2014, South Africa's exports reached a peak value of US\$ 90 million. Nevertheless, in the following year (2015), exports declined drastically by 33.7 % to US\$ 59 million. In 2015, South Africa's fresh and dried avocado exports were valued at US\$ 72 million, while imports accounted for a value of US\$ 4.619 million.

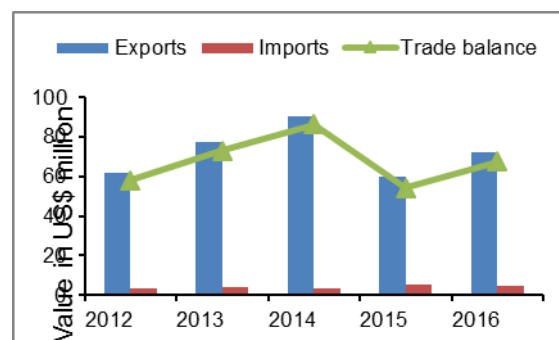


Figure 17: South Africa's trade in avocados, 2012-2016
Source: Own calculations and Trade Map (2017)

Figure 18 highlights the leading destinations for avocados exported by South Africa in 2016. The Netherlands was the main destination for South Africa's exports with a 74 % share, followed by the United Kingdom (UK), Spain and Russia with a share of 18 %, 5 % and 2 % respectively. Lebanon

was the smallest destination with a 1 % market share.

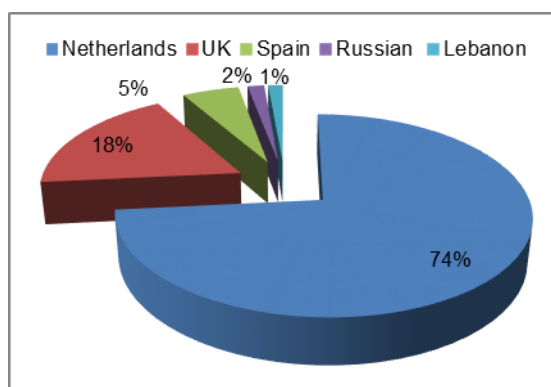


Figure 18: Main export destinations for South African avocados

Source: Own calculations and Trade Map (2017)

Figure 19 represents the leading suppliers of avocados imported by South Africa in 2016. Spain, Israel and Swaziland were the top three suppliers of fresh and dried avocados with a market share of 77 %, 17 % and 4 % respectively. South African re-imports of this product amounted to 2 %. Avocado supplies from the Netherlands and the UK were insignificant.

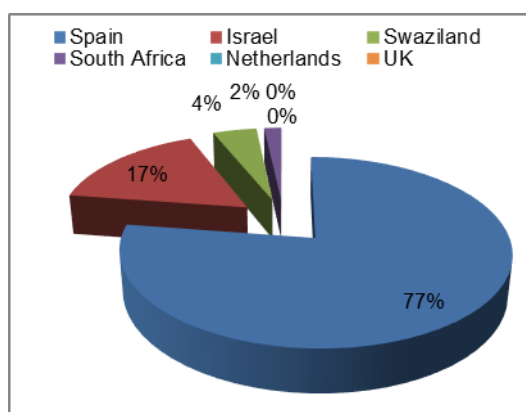


Figure 19: Top suppliers of avocados imported by South Africa

Source: Own calculations and Trade Map (2017)

Conclusion

In conclusion, South Africa is a net exporter of fresh and dried avocados, producing sufficient quantities to meet local demand and to export the surplus in order to maximise revenue.

Reference

DAFF (Department of Agriculture, Forestry and Fisheries). 2012. *Production guideline: Avocado*. Pretoria: DAFF.



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OUTLOOK ON THE PORK INDUSTRY

By Thandeka Ntshangase

Global overview

Global production of pork has grown by 3 % to a record 111.0 million tons, driven primarily by an increase in China, but also supported by gains in the United States, Brazil and Russia. After two years of declining Chinese production, strong prices are expected to stimulate herd recovery and initiate expansion in 2017. A recovering Brazilian economy will enable production to grow – driven by strong international demand. Russia's production will continue its multi-year expansion due to improved industry efficiencies and investment, although operations continue to struggle with outbreaks of African swine fever. As global supplies remain abundant in 2017, increasing demand from Asian markets, in particular China will continue to help ease the burden (USDA, 2017).

Figure 20 illustrates global pork production and consumption trends during the period 2012 to 2017 (2017 is estimated), according to the USDA (2017). The trend of consumption follows the trend of production for the period under review, which has been an increasingly positive trend. Pork production reached a peak in 2017 at 111 million metric tons, with the lowest production recorded in 2012 at 106 million metric tons. The top producer of pork globally is China with a share of 48 %, followed by the European Union and Brazil at 23 million and 3.8 million metric tons respectively in 2017.

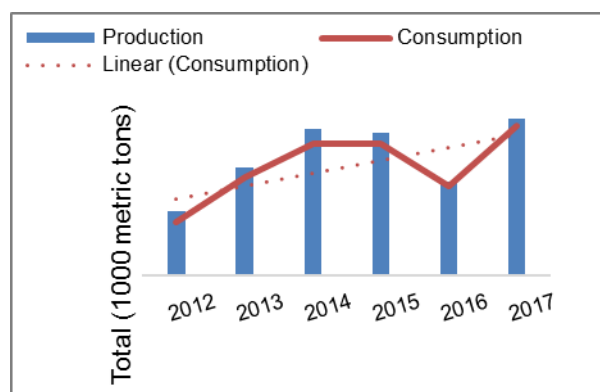


Figure 00: Global production versus consumption
Source: USDA (2017)

The global trade in pork and the trade balance for the period 2012 to 2017 are depicted in **Figure 21**. Pork exports exceed imports globally, resulting in a positive trade balance. The world's trade in pork has been showing an increasing trend, largely due to the increase in global demand and production of pork. Exports reached a peak in 2017, amounting to 8.6 million metric tons.



Figure 21: Global trade in pork
Source: USDA (2017)

Overview of the South African pork industry

There has been a steady increase of International meat consumption through the past decade as shown by a continued growth in urbanisation and rising per capita income. South African, meat consumption has also been on a significant increase. The optimal contrast however, is that pork meat is one of the protein source choice in the international market, it only comprises of 7% of meat consumed in South Africa. Various economic, and non-economic factors influence pork consumption. Vital considerations for consumers include quality, simplicity, health and convenience, yet affordability will always remain one of the most important consideration, more especially when consumers' spending power is limited. In the domestic South African market, culture and religious sentiments also influence pork consumption (BFAP, 2013).

Efficiency has escalated significantly through investment in modern housing technologies at primary producer level, yet the cost of this technology, as well as the scale of production required to for capital investment provides a significant impediment to entry for new producers (BFAP, 2013).

The trend for pork production and consumption in South Africa for the period 2003/2004 to 2013/2014 is shown in **Figure 22**. A positive trend for both consumption and production is visible, but it is worth noting that the consumption of pork in South Africa is higher than production, leading to more imports of pork into the country. This therefore tells us that there is a high demand for pork and pork products in the country, which is not being met by domestic production.

The trend for pork production and consumption in South Africa for the period 2003/2004 to 2013/2014 is shown in **Figure 22**. A positive trend for both consumption and production is visible, but it is worth noting that the consumption of pork in South Africa is higher than production, leading to more imports of pork into the country. This therefore tells us that there is a high demand for pork and pork products in the country, which is not being met by domestic production.

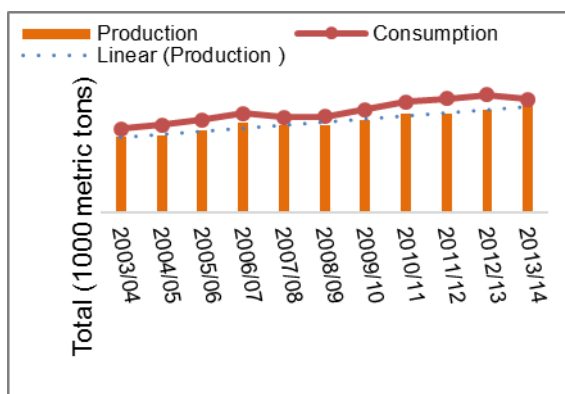


Figure 22: South African pork production and consumption
Source: DAFF (2016)

South Africa's exports of fresh pork for the period 2006 to 2016 are presented in **Figure 23**. As a whole there is a rising trend, illustrating fast-growing positive exports, mostly driven by the increasing demand for pork (as seen in **Figure 21**). When comparing pork products, South Africa exports more carcasses as compared to hams, shoulders and cuts thereof with bone in, as well as ribs. The value of carcasses and half-carcasses exported in 2016 amounted to R55 million. Prior to 2013 South Africa exported more hams, shoulders and cuts with bone in as compared to ribs, but the trend has since changed, with more ribs being exported in comparison with hams. In monetary terms, there is an estimated difference of R12 million between the products.

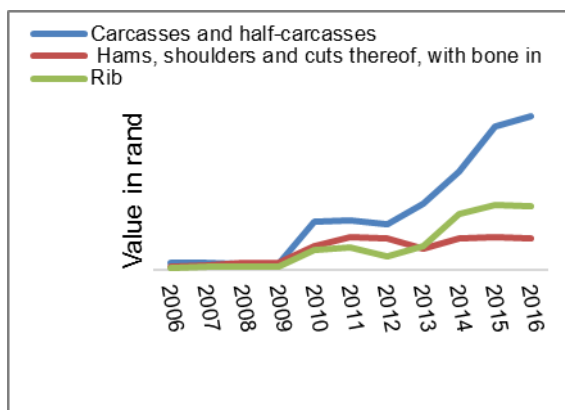


Figure 23: South African exports of fresh pork parts to the world
Source: Quantec (2017)

Figure 24 illustrates the pork parts imported by South Africa from the world for the period 2006 to 2016. The import of pork has shown an irregular trend. The pork parts imported most by South Africa are ribs, peaking in 2012 with a value of R5.8 million. However, it has decreased significantly in recent years. For instance, there were no imports in 2013 and 2015. There was a high level of importation of carcasses and half-carcasses, but this also showed a sharp decline, largely due to an increase in the customs duty on pork carcasses and half-carcasses. An increase in duty arose as a result of SACU pork producers' inability to compete

with imported carcasses and half-carcasses from Brazil.

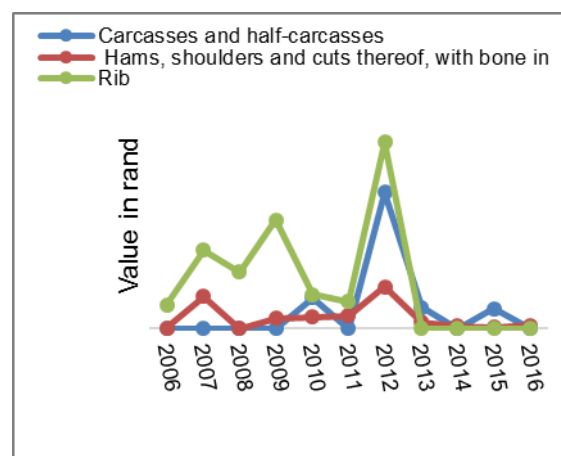


Figure 24: Fresh pork parts imported by South Africa from the world
Source: Quantec (2017)

Conclusion

Despite South Africa's growing pork production trend between 2012 and 2014, pork consumption still surpasses the quantity produced, hence the need for imports. This is an indication that there is room for improvement in terms of production capacity through the active participation of farmers in this industry. It is evident that when comparing the trade in pork products, South Africa imported more ribs and later more carcasses. It is encouraging to note that imports have decreased in recent years, whereas exports have increased.

References USD, 2014. Foreign agricultural service. Global perspective A



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IS IT AN ISSUE OF PRODUCTION CAPACITY OR IMPORTS? AN INSIGHTFUL LOOK INTO THE SOUTH AFRICAN CHICKEN INDUSTRY

By

Moses Lubinga

This article is anchored in the ongoing “chicken wars” between South Africa’s poultry industry and chicken imports, as described by Allison (2017). Industry stakeholders argue that the importation of cheaper frozen chicken is killing domestic production, thereby threatening income and employment. Although there is validity in the notion that imports are cheaper than the price charged in their home markets, thus surmounting to dumping, there is also a need to evaluate the industry’s production capacity to meet the domestic demand for chicken given that it is the major source of protein. In this article, the emphasis is on presenting South African chicken production and imports in comparison with the EU’s key suppliers of frozen chicken.

South African imports of frozen chicken meat (0207)

According to the trade indicators¹ from the Trade Map database, frozen cuts and edible offal of fowls of the species *Gallus domesticus* (020714) accounted for the largest share (over 78 %) of all frozen chicken meat imported into South Africa in 2015, of which US\$ 144.9 million was from the EU. Major non-EU suppliers of frozen chicken portions (020714) include Brazil and the United States of America (USA). Frozen chicken portions (020714) were followed by frozen whole chicken (020712). Among the EU’s suppliers of frozen chicken portions (020714), France registered the highest growth rate (107 %) in imported quantity between 2011 and 2015, followed by Spain (80 %) and Belgium (50 %).

A similar trend was observed for the annual growth rate in imported value between 2014 and 2015. It is noteworthy that the UK, the Netherlands and Denmark registered significant declines in the annual growth rates (61 %, 58 % and 30 % respectively) in imported values between 2014 and 2015. The drastic drop in annual growth rates for the UK and the Netherlands can be attributed to the anti-dumping duty imposed by the South African government since 2015. In terms of quantity, South Africa’s top five suppliers are presented in **Table 7**.

Table 7: List of supplying markets for frozen chicken portions (020714) in thousand tons imported by South Africa

Exporters	2012	2013	2014	2015	2016
World	213.4	194.1	200.6	213.0	301.8
Netherland	52.4	54.7	54.9	27.8	88.7
Brazil	61.7	44.5	26.4	63.1	46.8
UK	24.4	34.9	39.6	18.5	38.6
Spain	1.8	1.0	10.0	19.2	31.1
USA	7.2	2.9	2.8	0.0	24.7
Belgium	5.0	1.8	11.9	27.3	22.6
Ireland	4.9	4.9	8.0	12.2	15.0
Denmark	7.9	7.3	5.8	4.7	9.4
Hungary	2.2	3.7	6.4	7.6	8.8
Argentina	11.8	13.7	10.1	12.7	7.9
Poland	0.0	0.0	0.0	0.0	4.6
Germany	20.8	20.2	18.3	0.0	1.6

Source: Trade Map Database

A detailed analysis reveals that South Africa is indeed a net importer of frozen chicken portions, characterised by an increasing trend, as illustrated in **Figure 25**.

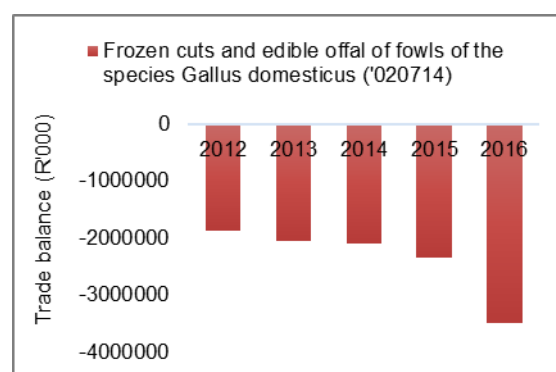


Figure 25: South Africa’s trade balance in frozen chicken portions

Source: Author’s compilation based on Trade Map Database

South Africa’s production capacity of chicken meat

Having seen the widening negative trade balance for frozen chicken portions, this sends a signal that there is a growing demand for the product – hence the need to assess the domestic industry production capacity against imports, especially of frozen chicken portions. The assessment of South Africa’s production capacity is anchored on the following realistic statement by Allison (2017):

“You can’t yet grow chicken breasts independently of all the other portions...to solve this problem.”

In this context, this phrase may basically be used to explain that if South Africa’s chicken farmers are producing enough chicken (*keeping all factors constant*), the negative trade balance would be at the minimum if not being a positive trade balance. Therefore, given that chicken portions arise from slaughtered chickens, the number of slaughtered chickens is a true measure of the industry’s production capacity against imports. However, due to data limitations on the number of chickens

¹

http://www.trademap.org/Product_SelProductCountry.aspx?nvpm=1|7|10||||0207|||6|1|1|1|1|1|1|1|1

slaughtered in the EU member states, broiler chick placement is used. In the case of the EU, the production capacity of the top three suppliers of frozen chicken portions (020714), namely the Netherlands, UK and Spain, in comparison to South African production, is presented in **Figure 26**.

Figure 26 clearly illustrates that South Africa's broiler chicken production capacity is far below that of each of the selected EU member states. It also shows that the number of broiler chicks produced for fattening is generally not increasing, yet according to SAPA, broiler consumption increased by almost 20 % from 1 645 111 tons in 2006 to 1 967 665 tons in 2012, translating into an 8.24 % increase in per capita consumption of broilers. Between January 2014 and November 2016 (**Figure 26**), South Africa's actual broiler chicken production capacity increased only slightly by 9 % – a figure way below a 20 % increase in broiler consumption between 2006 and 2012.



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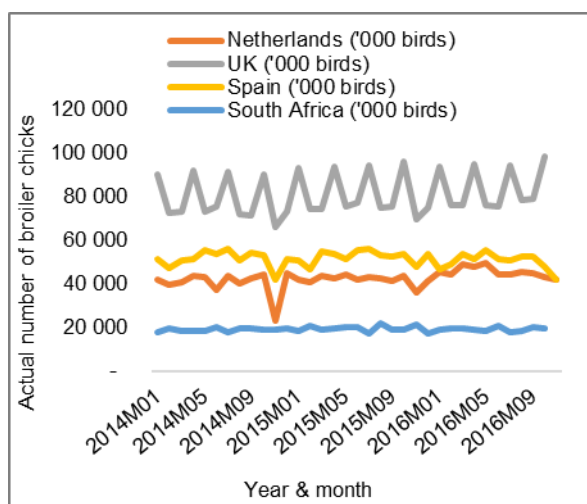


Figure 26: Comparison of broiler chicken production capacity between the EU's top three suppliers of frozen chicken portions and South Africa

Source: SAPA (2017) and Eurostat database²

Conclusion

Despite the ongoing “chicken wars” anchored in the valid argument of dumping, South Africa's broiler production capacity is still too low to match the high demand for chicken meat, given that it is the cheapest source of protein for now. It is therefore recommended that SAPA brings to light the pertinent bottlenecks curtailing increased broiler production capacity. By so doing, the industry may get the required support.

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