TRADE PROBE

ISSUE 75 | NOVEMBER 2018

Supporting and growing the milk industry

Signed Protocol offers an excellent opportunity for Lucerne hay exporters

Consumer preferences & climate alters the composition of fruit production

Trade profile of unmanufactured tobacco

agriculture, forestry & fisheries
Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

National Agricultural Marketing Council
Promoting market access for South African agriculture

FOREWORD

This is the seventy-fifth (75th) issue of the Trade Probe produced under the Markets and Economic Research Centre (MERC) Division. The purpose of the publication is to inform stakeholders, industries, importers and exporters on the performance of South African agricultural commodities in the international markets, and highlight potential consumers and suppliers of related agricultural commodities. This publication provides valuable information and analysis for trade role players in the country, and plays a critical role as it is believed to produce interesting trade facts about the existing and potential markets where agricultural products can be exported. This publication covers the interesting and essential agricultural trade components from a local to global perspective. Two of the interesting articles covered in this Report are on supporting and growing the milk industry; and the signing of a lucerne hay protocol.

THIS ISSUE OF TRADE PROBE COVERS THE FOLLOWING TOPICS:

1. The signed lucerne hay Protocol, which offers an excellent opportunity for lucerne hay exporters to China
2. How evolving consumer preferences and climate changes alter the composition of fruit production
3. Supporting and growing the milk industry could reduce household food insecurity
4. A trade profile of unmanufactured tobacco

CONTRIBUTORS:

Mr Sifiso Ntombela
Dr Moses Lubinga
Mr Lucius Phaleng
Ms Fezeka Matebeni
Ms Onele Tshitiza

Signed Protocol offers a golden opportunity for lucerne hay exporters to China

By Onele Tshitiza and Sifiso Ntombela

Lucerne hay, also known as Alfalfa, is a green fodder crop largely utilised as feed in livestock production. Lucerne hay is high in fibre and protein, which makes it a preferred forage crop, especially in milk production. In South Africa, the main producing areas are the Free State, the Western Cape and the Northern Cape because of the low incidence of leaf diseases. South Africa is an important producer of livestock, and the availability of lucerne plays a critical role in the sustainability and competitiveness of the livestock in the country. In this regard, the National Lucerne Trust (NLT) is responsible for the provision of research and information to improve lucerne production practices, and thus product quality in the country. According to Coleman (2018), South Africa's lucerne hay is considered amongst the best quality products in the international market, owing to a good grading system in place that was developed by the NLT.

The Trust uses a New Lucerne Quality Index (NLQI) to determine the quality of the product, which ensures the product is suitable for both the domestic and international markets.

South Africa's production capacity of lucerne hay product

Lucerne hay production within the country has stabilised at about 1.43 million tons over the last eight years. The recent drought and increasing production costs have affected the production in the past three years, where production declined from 1.425 million tons in 2014 to 1.18 million tons in 2016. Since then, production has slightly improved to 1.29 million tons in the 2017 production season (Figure 1). It is estimated that about 150 000 tons are exported annually to several countries, including the middle east countries (e.g. the United *Arab Emirates, Dubai, Oman) and other countries.*

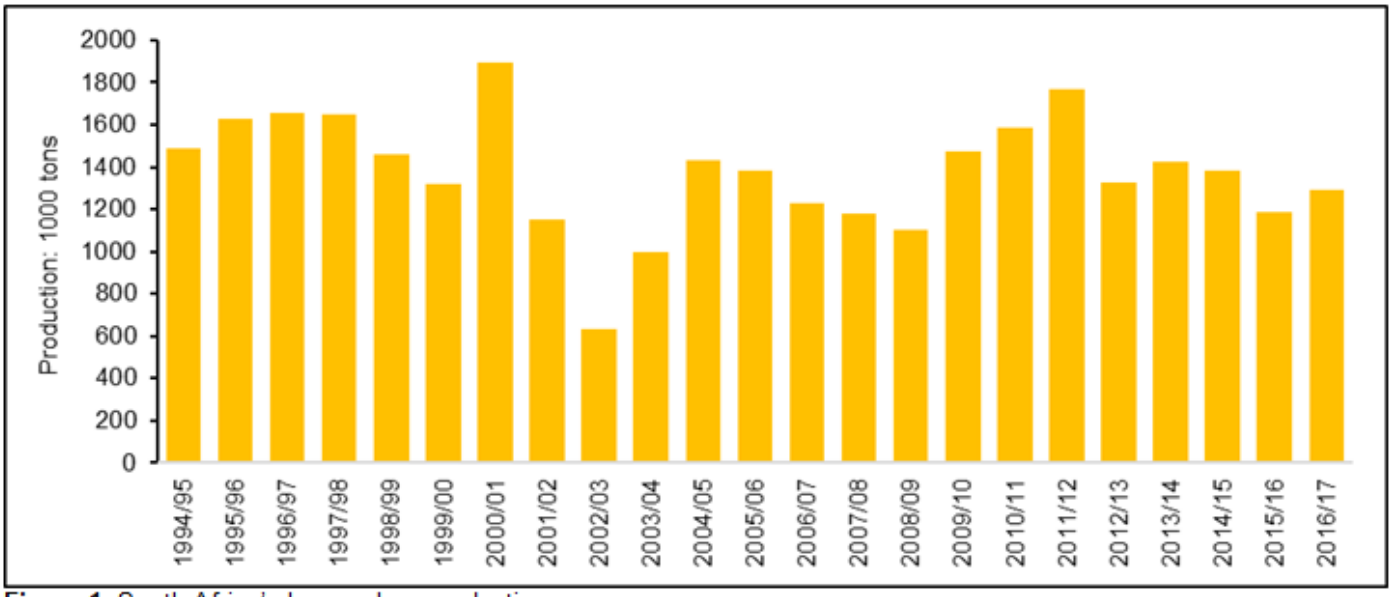

Figure 1: South Africa's lucerne hay production
Source: DAFF Abstract, 2018

South Africa lucerne exports to international markets

South Africa is a net exporter of lucerne hay products, estimated at R273.84 million in 2017. The export volume increased from 6 535 tons in 2011 to 77 969 tons in 2017, indicating that the country's lucerne export volumes are 12 times higher than they were seven years ago. Figure 2 illustrates the trade balance in lucerne, measured in terms of both value and quantities. The country's lucerne exports are concentrated in five markets, namely the United Arab Emirates, Saudi Arabia, Qatar, Namibia, Kuwait and Botswana, which collectively account for 96 % of total exports.

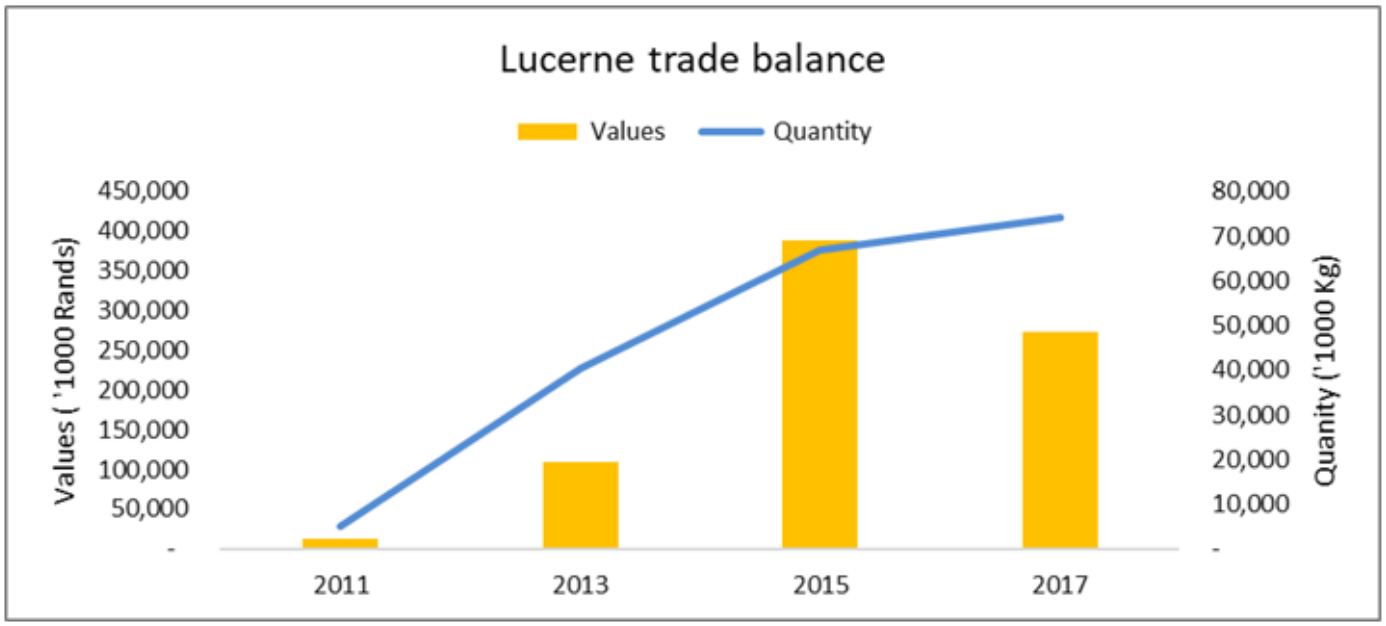

Figure 2: South Africa's lucerne hay exports (HS 12141000)
Source: SARS, 2018

Lucerne hay protocol opens export opportunities to Chinese market

The opening of the Chinese market is an excellent opportunity for lucerne growers in the country. This export opportunity to China could trigger new production growth in the country as the international demand for South Africa's lucerne increases. More importantly, the opening of the Chinese market presents an opportunity to achieve inclusive growth in the lucerne industry of new entrants, particularly the previously disadvantaged individuals who produce lucerne products on both commercial and non-commercial scales. Following the signing of Lucerne Hay Protocol, the Department of Agriculture, Forestry and Fisheries (DAFF) embarked on a stakeholder awareness programme to inform industry players about this excellent opportunity. The awareness programme focused on compliance with the product quality and safety standards contained in the protocol. These include knowing that the product quality code will be determined by the NLT and audited by the Perishable Produce Export Control Board (PPECB), after which DAFF would issue an export certificate. The certificate would need to be renewed annually.

Furthermore, the Protocol stipulates that the lucerne hay product must not contain Genetically Modified Organisms (GMO) and the exportable product must be processed in bales through high-pressure compressing.

The processing facilities will need to be registered and approved by DAFF, the bales must be marked when approved and not contain foreign material such as seed, soil, and animal waste, bales must be free from quarantine pests and disease, and so forth. The South Africa–China lucerne protocol comes at the time when China and the United States of America are engaged in what is commonly referred to as trade war involving tariff increments on several products. China is the USA's largest export market for Alfalfa hay, and the USA exported 1.29 million tons of Alfalfa hay to China in 2016. While South Africa cannot match the volumes previously supplied by the USA, it is considered a suitable supplier of quality lucerne to the Chinese market.

Lucerne hay prices in South Africa

The prices of lucerne hay are determined by supply and demand in South Africa, and the higher the quality, the higher the price that a producer gets. Over the years (1994–2017), producer prices of lucerne hay have generally increased. While the price of Alfalfa hay was about R1178 per ton in the 2011/12 season, the price of Alfalfa hay in the season 2016/2017 was about R1951 (Figure 3). This shows that the industry is growing, and the demand for lucerne hay is increasing, while the supply is still limited in the country. It is envisaged that the opening of new export markets will boost the producer prices of lucerne hay products.

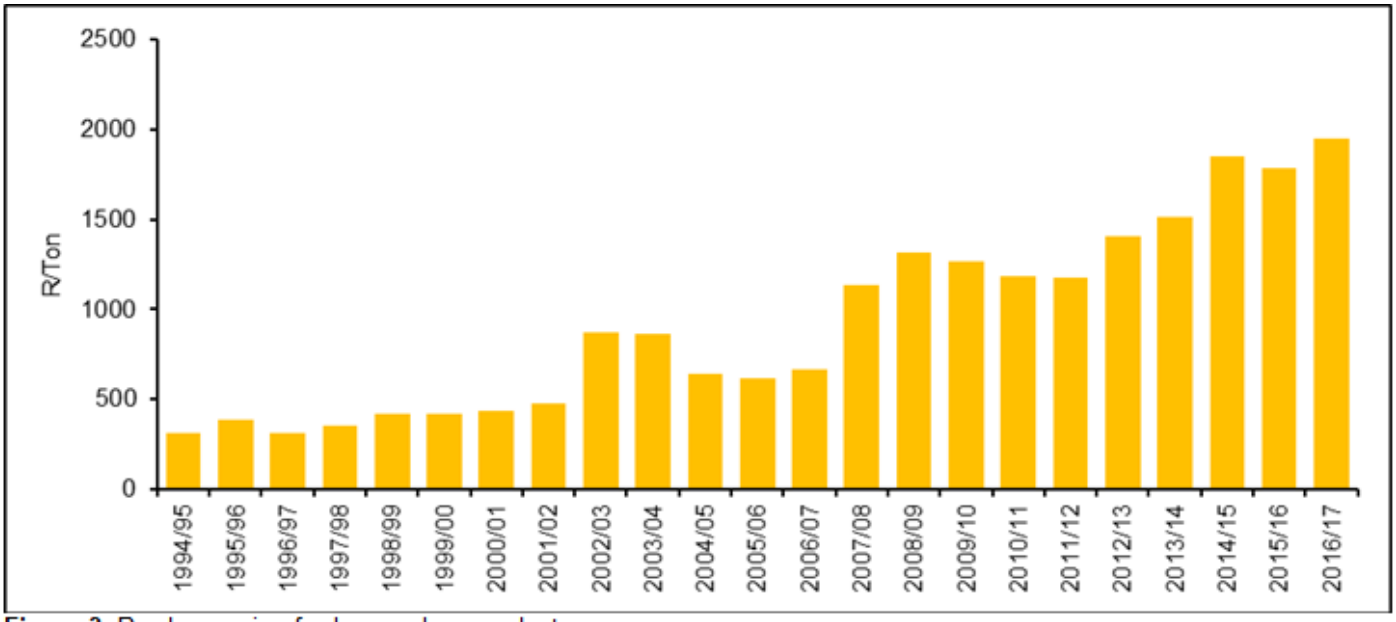

Figure 3: Producer price for lucerne hay product
Source: DAFF Abstract, 2018

Conclusion

The introduction of the Lucerne Hay Protocol will see producers reaching new markets, which were previously difficult to access. This new export opportunity will likely trigger production growth, which will subsequently create job opportunities in the country. Furthermore, the opening of a new market generates an opportunity to achieve an inclusive growth that encourages the participation of new entrants in the industry, especially black farmers. While the protocol presents immediate export opportunities, the compliance with protocol conditions might be difficult for new entrants, such as smallholder farmers who are poorly resourced and have limited production capacity. This warrants the formulation of a coordinated support programme, by both the state (through DAFF) and industry players (through NLT), for new entrants in the industry. This will ensure that the export opportunity benefits both the established commercial farmers and new entrants in the industry, particularly black farmers. The coordinated support would ensure that all farmers comply with the protocol, which consequently would increase farm profitability due to participation in foreign markets. Therefore, the ability of South Africa to effectively supply the Chinese market is dependent on partnership and coordination between the state, farmers, the inspection body, the National Lucerne Trust, and other factors which affect the lucerne value chain.

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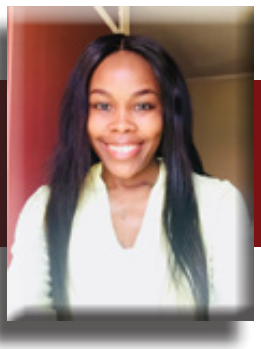

Author: Ms Onele Tshitiza is an economist Intern under the Trade Research Unit (MERC) at the National Agricultural Marketing Council. She can be contacted at otshitiza@namc.co.za or (012) 341 1115.

Evolving consumer preferences and climate change alters the composition of fruit production

By Lucius Phaleng and Sifiso Ntombela

Fruits are important sources of essential nutrients and their consumption constitutes a significant part of human nutrition. Fruits are produced across the world and more than 675 million tons of fruit are produced each year. Global fruit production grew from 200 million tons in 1961 to 339 million tons in 1981, and to 867 million tons in 2017 (FAO, 2018). Asian farmers are the largest producers of fruits and were responsible for about 59 % of world production in 2017.

China alone produces an estimated 275 million tons of fruit annually. They are followed by farmers in the Americas and Africa, at 18 % and 19%, respectively (FAO, 2018). The most popular fruit varieties produced globally are bananas and apples, followed by grapes and oranges. Despite fruits providing essential nutrients for human welfare, their consumption as fresh and processed products by humans is often insufficient due to non-affordability and challenges in accessing the product. This is particularly true for developing nations like South Africa, where up to 59 % of local fruit produce is exported, more than 12 % is consumed in local markets, and 29 % used for processing.

This suggests that while fruit production in South Africa is an important industry for job creation and foreign earnings, it plays a limited role in poor households with regard to providing nutritional value. More than 179 948 people are directly employed, with 8 000 providing services, in the fruit industry; and 109 000 are employed in downstream services. According to South Africa's fruit industry, about 4.7 million tons of fruits are produced annually, with citrus constituting about 55% of total production, followed by pome and stone fruits (34%), table grapes (6%), and subtropical fruits and nuts (5%).

Changing the composition of fruit production in the world

The composition of fruit production is shifting from pome (including apples and pears, grapes, and citrus including oranges, lemons and grapefruit) towards subtropical and exotic fruits. For example, in the 1960s, pome, grape and citrus fruits accounted for nearly half of world total fruit production, but it has since come down to 34 % in the period between 2010 and 2018 (Table 1). The declining share of these fruit types is caused by a faster production growth of alternative fruits like subtropical and exotic fruits. One of the factors driving a global shift to alternative fruits is changing consumer preference (which creates domestic and international market opportunities).

As consumers' incomes rise, their preference shifts towards high-value exotic fruits like berries (strawberries) and persimmons. Another important factor is climate change. The rising temperatures affect the productivity of fruits, directly through yield reductions and indirectly through water scarcities. The changing environment has resulted in the development of new varieties that are adaptable and more productive. Lastly, market promotion and consumer awareness of the importance of fruits have a greater impact on fruit production. Despite the changing composition of fruit production, the overall level of production has been increasing by an average of 26 % per decade since 1961.

It is evident from Table 1 that the share of pome, grape and citrus fruits production has been shrinking in the world; however, in South Africa and Europe, the share of these fruits has remained relatively high, accounting for 80 % and 67 %, respectively in 2017 (Table 1). The data indicate that South Africa's fruit production is concentrated in citrus, pome and grapes. Moreover, the production of pome and grapes, and to a certain extent citrus, is concentrated in the Cape provinces, where there is limited availability of water and arable land, thus implying the low potential for expansion.

Table 1: Average growth in production of citrus, grapes and pome fruits per decade

Fruit type		Africa	Americas	Asia	Europe	Oceania	South Africa	World
1961-70	Citrus	70%	54%	68%	23%	36%	33%	52%
	Grapes	-23%	7%	24%	42%	43%	32%	30%
	Pome	85%	12%	67%	69%	58%	105%	57%
	CGP share in fruits	19%	45%	21%	76%	53%	77%	46%
1971-80	Citrus	19%	69%	23%	12%	26%	20%	47%
	Grapes	-20%	23%	15%	26%	59%	32%	22%
	Pome	75%	43%	82%	4%	-16%	64%	23%
	CGP share in fruits	16%	50%	24%	76%	53%	75%	46%
1981-90	Citrus	36%	12%	59%	24%	9%	25%	22%
	Grapes	19%	5%	16%	-10%	14%	28%	-3%
	Pome	43%	32%	43%	8%	23%	18%	22%
	CGP share in fruits	16%	53%	25%	74%	52%	75%	45%
1991-00	Citrus	13%	32%	26%	4%	6%	80%	26%
	Grapes	25%	34%	54%	-6%	52%	10%	13%
	Pome	62%	11%	152%	21%	32%	25%	67%
	CGP share in fruits	17%	53%	26%	71%	50%	77%	40%
2001-10	Citrus	44%	-8%	99%	3%	-26%	12%	20%
	Grapes	39%	18%	40%	-11%	21%	31%	10%
	Pome	45%	2%	52%	-11%	-13%	24%	28%
	CGP share in fruits	17%	53%	26%	71%	50%	77%	40%
2011-17	Citrus	23%	-4%	22%	-9%	4%	4%	7%
	Grapes	16%	-5%	43%	5%	12%	15%	15%
	Pome	17%	10%	29%	20%	2%	24%	24%
	CGP share in fruits	19%	44%	28%	67%	45%	80%	34%

Source: FAO, 2018

Factors influencing the production of fruits in South Africa

Several factors are influencing the production of fruits in the country. These are sometimes the risks involved with farming. The four most important factors that influence fruit production and yield are: -

1. Climate change issues

There is no doubt that a change in climatic patterns affects fruit and wine production, and that such impacts are already being felt within South Africa's fruit industry. The direct impacts include the physical changes in climate. Such changes have affected the productivity and quality of yield in South Africa's fruits such as grapes, citrus and pome. The South African fruit export market has been negatively affected due to insufficient production of the depicted fruits. Therefore, there is a need to assist producers of fruit for export by advising them in understanding and quantifying their greenhouse gas emissions so as to adhere to an international retailer's climate change and environmental programmes.

1. The high cost of entry

The production of citrus, grapes and pome fruits is faced with a fiercely competitive environment in South Africa due to the high costs of entry for emerging producers. Moreover, this has discouraged production within the country. On the other hand, when trading on the world market, South African fresh fruits also encounter high costs of entering the global markets, and such costs include complying with import regulations of the importing country (i.e. import tariffs, import permits and phyto-sanitary measures, and so forth).

2. Increasing inputs

The whole agricultural industry requires production inputs to produce high volumes. Recently, the sector has been hit hard by rising input costs, particularly for fuel, fertilisers and water.

3. Limited land and water for expansion

Access to land by emerging farmers and uncertainties of commercial farmers about land reform are issues to be resolved. Emerging farmers continue to produce fruits on limited areas of land, and this discourages the production of fruits in the country. On the other hand, the issue of limited access to water also plays a critical role, especially for emerging farmers. Therefore, there is a need to address land reform issues and water expansion in order to improve the production of fruits by emerging farmers.

Export of fruits

Non-tariff barriers (NTBs) are found in various sources when exporting fruits to the international markets, and these barriers change over time and each country has its obligations for market access regarding NTBs. Developing countries' exports of fruit face multiple requirements in international, as well as local, markets. Among the well-known NTBs are SPS and TBT measures which have qualitative and technical requirements.

1. Stringent regulations and standards – SPS

Governments of almost all countries apply phyto-sanitary measures to prevent the introduction and spread of pests of plants and plant products that are new or not widely spread within their country. South Africa is one of the countries facing a high number of SPS requirements when exporting fruits to the international markets, e.g. the United Kingdom as the main importer applied about 15 SPS requirements on grapes imported from South Africa. Such requirements include geographical restrictions, hygienic practices during production, microbiological criteria of the final product, and so forth.

2. Climate and ethical trade issues – TBT

Climate change policy making raises numerous issues and trade issues. From the climate issues perspective, border adjustment measures are objectionable for the two reason for the purpose of the article. Firstly, border adjustment measures amount to unilaterally changing whatever global burden-sharing deal has been agreed to thereby undermining procedural justice. Second, border adjustment measures disregard the consumption dimension of fruits: this might be questioned whether it is fair to focus extremely on making producers pay for emissions rather than also holding responsible that import and consume the fruits. (Brandi, 2013). Severe TBT barriers can be controlled through Sshifting from fresh to processed and dried fruit markets

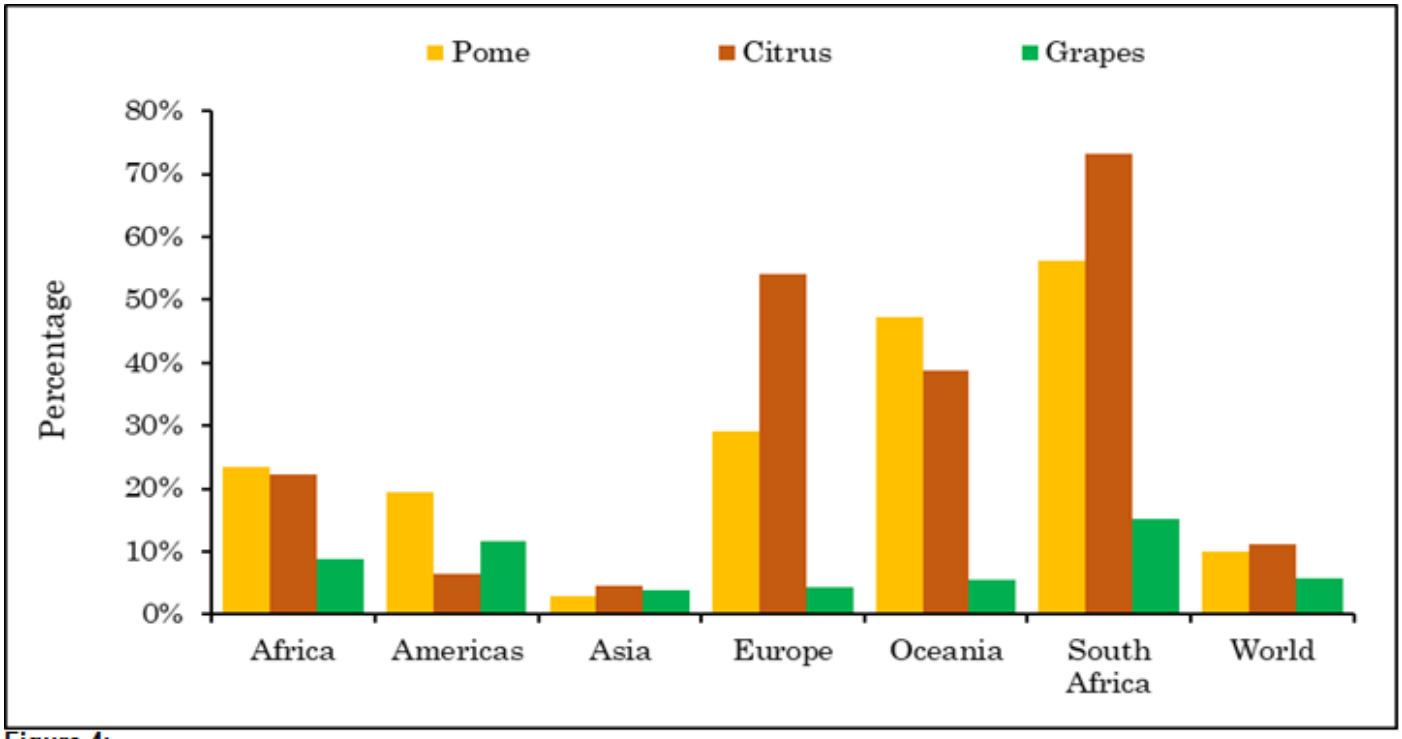

Figure 4:
Source:

Opportunities to diversify from fresh fruit exports in South Africa

1. New export opportunities

Increasing fruit consumption is becoming a global priority. South Africa and nut market opportunities are also driven by the global demand. The fresh fruits – berries, subtropical and dates tend to have high market opportunities, especially in the Far East and the Middle East markets. Consumers in emerging markets, especially in Asia, are also substantially increasing their consumption of fruit.

2. Avoidance of SPS and TBT

Processing of fruits into juice, especially for small-scale farmers, to avoid stringent SPS and TBT issues.

Conclusion

The composition, volumes and directions of fruit trade have changed as incomes and insistence on quality have grown on the demand side, while technology and trade agreements have influenced the supply side. South Africa continues to dominate in the global markets in fruits; but, with changing consumer preferences and climate, the potentials of fruits such as berries, subtropical and dates tend to offer more potential in the global markets.

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Author: Mr Lucius T. Phaleng is a research economist for trade focus area at the National Agricultural Marketing Council. He can be contacted at LPhaleng@namc.co.za or +27(012) 341 1115

Supporting and growing the milk industry could reduce household food insecurity

By Fezeka Matebeni and Sifiso Ntombela

It is estimated that more than 750 million people are engaged in milk production, worldwide. Milk is amongst the nutritious and affordable sources of animal proteins for human consumption, when compared to other animal products like meat (BFAP, 2018). Milk contains protein, calcium, iodine, vitamins B2 and B12, phosphorus, and potassium. From a South African perspective, improving access to milk and its consumption by poor households would play an important role in providing nutritional and affordable proteins. This could alleviate poor household food insecurity, where more than 13.8 million people are food insecure in the country.

Availability of milk products

Globally, cow milk constitutes 83 % of the total milk produced in the world. According to FAO (2018), cow milk production increased to 678 million tons in 2016. Between 1956 and 2016, the production of cow milk increased by an average of 14 % per decade, driven by strong growth in Asia and the Americas. Currently, the largest producers of milk are European and Asian farmers, collectively accounting for 63 % of global production. They are followed by the Americas, which hold a 28 % share, whereas Africa contributes around 5 % (Figure 5). In the global context, it is evident that South Africa is a small milk producer, contributing close to 3.3 million tons which is equivalent to 0.5 % share in global production. Despite this low share, it remains the largest producer within the Southern African region, holding a share of 90 % over the past decade.

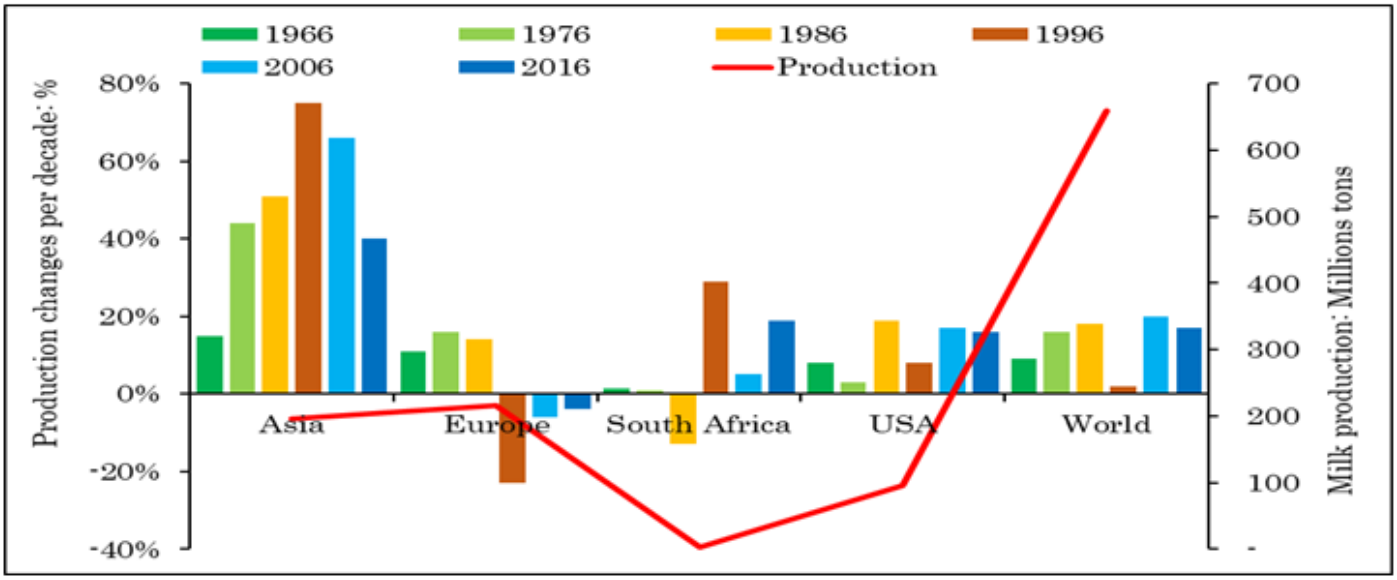

Figure 5: Global milk production over the past six decades
Source: Raw data FAO, analysed by NAMC, 2018

Increasing access to milk products can benefit poor households in South Africa

Milk consumption in South African and SADC markets has grown substantially over the past decades due to rising income levels and improving infrastructure, which encourages intra-exports. The high perishability of milk renders the domestic and regional markets a key focus for growth. DAFF (2018) showed that consumption has grown from 29 to 39 kilograms per capita in the past two decades.

Moreover, BFAP (2018) projected a positive outlook for milk consumption – growing by 1.4 % per annum over the next decade. The consumption growth has been led by high-earning consumers because 46 % of milk expenditure is attributed to the wealthiest 20 % of the population, whereas 30 % of the poorest population accounted for 9 % of expenditures. This suggests that poor households have limited access to milk, despite it being one of the most affordable sources of animal proteins. In the context of food security, improving access to milk products can play a critical role in alleviating the food insecurity of poor households. One way to achieve this is to encourage new entrants to the milk industry, particularly in rural areas where poor households are concentrated. Key to note is that new entrants do not necessarily have to be small-scale farmers, given the consolidation process that is happening in the industry.

The consolidation process to cope with increasing imports and competition

Like other agricultural industries, the milk industry is also going through a consolidation process, where the number of dairy farmers is declining, declining from 3 551 in 2009 to 1 364 in 2018. During this period, the average production unit size increased from 728 to 2 042 tons per farmer (Coetzee, 2018). Some of the driving factors for this consolidation process are increasing input costs, rising competition from imports, advancing technology, and changing the climate. About 77 % of milk import volumes come from European countries and they are squeezing the market share of local farmers. Imported products are relatively cheaper when compared to local produce due to subsidies provided to foreign farmers. On average, a South African farmer receives subsidies of about 2.3 % of gross farm receipt, compared to 21.2 % received by European farmers, when measured using producer support estimate (PSE). Figure 2 indicates the increasing milk imports into South Africa. Between 2015 and 2017, the import volumes of powder milk rose by 31 %, whereas for other milk products, they increased by 37 %. The import share of Europe into South Africa's milk import volumes increased from 34 to 77 % between 2011 and 2017.

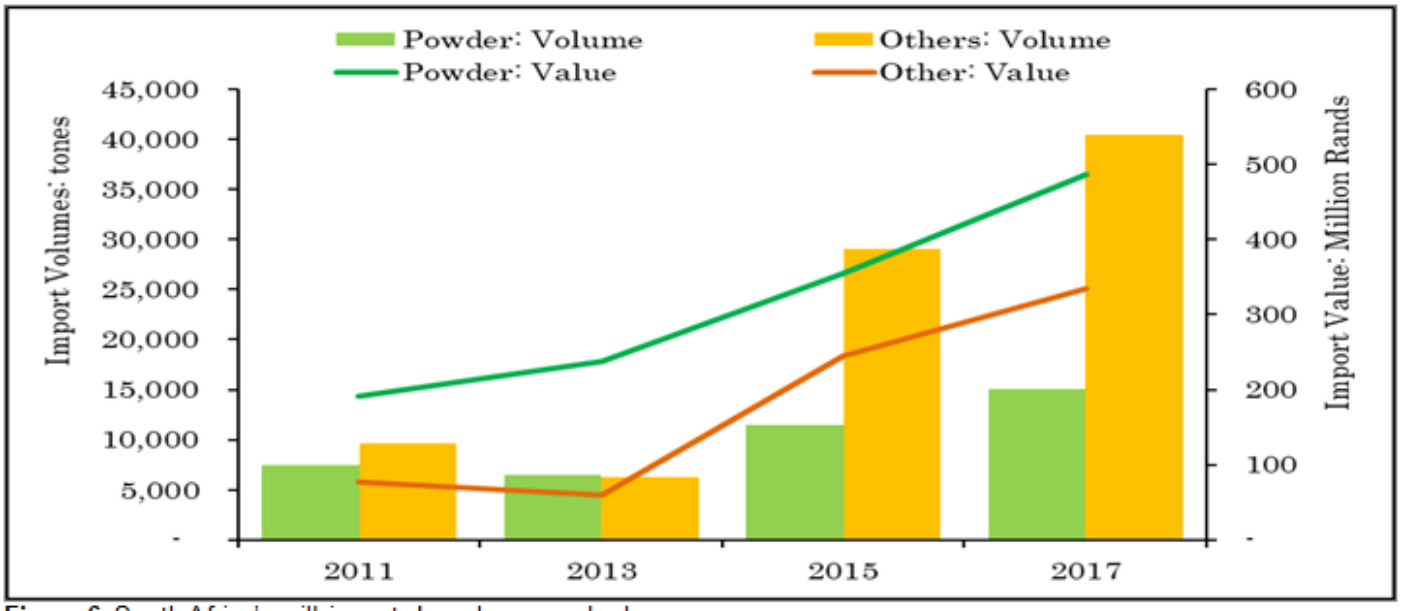

Figure 6: South Africa's milk imports by volumes and values
Source: Raw data SARS, analysed by NAMC, 2018

South Africa's fresh milk prices

The most notable trend in South Africa's price for fresh milk per litre is illustrated in Figure 7. The linear, upward trend of milk market prices could be a result of the nature of consumer, climatic condition and the feed, which directly affects milk production through increased costs. The analysis covers 2000 and 2017, which reflected a significant increase of 298.5% in milk prices in this period.

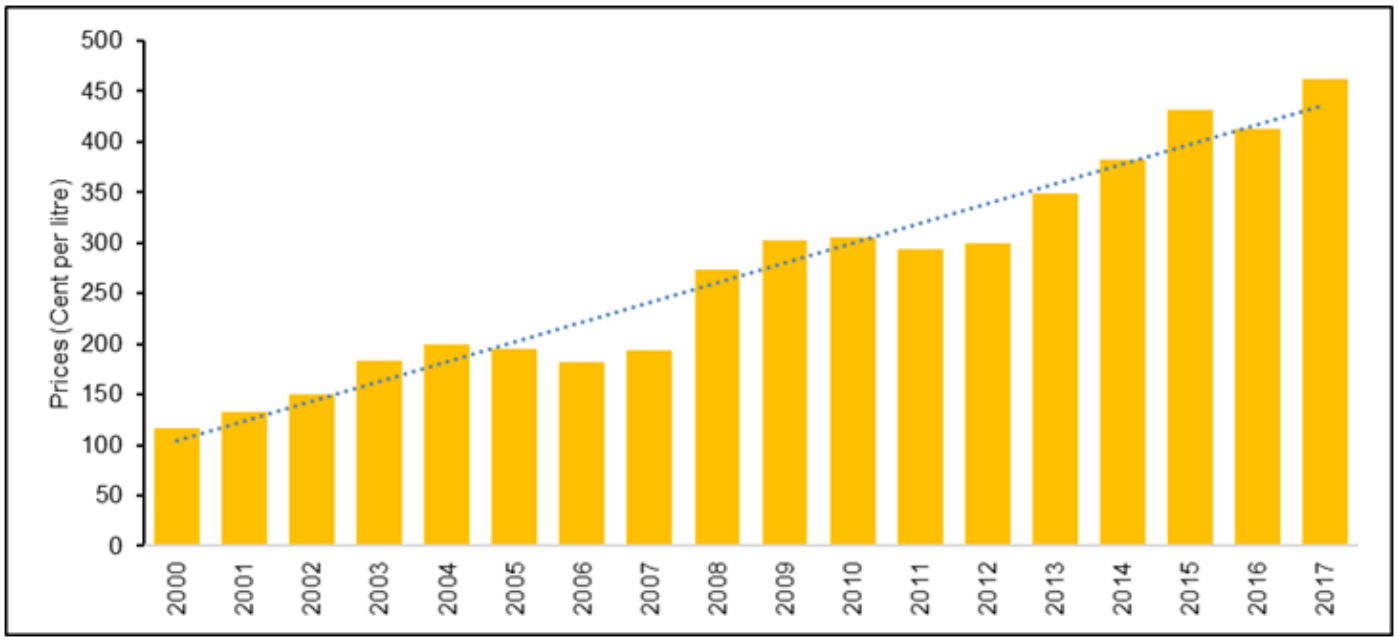

Figure 7: South Africa's fresh milk prices
Source: Quantec, analysed by NAMC, 2018

Future outlook and expectations in the industry

Access to export markets has been proven to be a strong driver of domestic growth for many agricultural industries. Chapter 6 of the National Development Plan also affirms this notion that exports are key for job creation and agricultural economic growth. In the milk industry, the perishability nature of milk products renders domestic and regional (i.e. SADC) markets a key focus for exports. This implies that the growth of the milk industry is dependent on the development of regional markets. Improving trade-related infrastructure within the region and unblocking trade barriers such as complicated customs procedures will assist to improve intra-trade in the region.

From the supply side, the changing climatic conditions, increasing production costs such as fuel, and the increasing imports will influence milk production going forward. Due to these factors, milk production is expected to grow at a modest rate of 1.9 % per annum over the next ten years (BFAP, 2018). On the demand side, despite a relatively low growth potential, the availability of milk products (domestic production and imports) provides an opportunity for poor households to diversify their food baskets.

Given the fact that milk is among the cheapest and better sources of nutritious proteins, concerted efforts should be taken to improve access to milk to alleviate poverty. As part of the efforts, the industry could promote consumer education campaigns to increase the awareness of the benefits of milk consumption by humans, especially young individuals.

Conclusion

The growing demand for milk and milk products offers a good opportunity for producers and other actors in the dairy value chain. Their participation

could enhance their livelihoods through increased production and also improve access to nutritious food for South Africa's households.

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Author: Ms Fezeka Matebeni is a research economist under the Agro-food Chain Unit (MERC) at the National Agricultural Marketing Council. She can be contacted at fmatebeni@namc.co.za or +27(012) 341 1115

Trade Profile of unmanufactured Tobacco (HS code 2401)

By Onele Tshitiza and Lucius Phaleng

Introduction

Tobacco is a product of the tobacco plant that originated in South America. The major tobacco growing areas in South Africa are Limpopo province, North West province, and Eastern and Western Cape Provinces (DAFF, 2016). However, the producing areas cannot satisfy the local consumption. Unmanufactured tobacco is raw tobacco that has not undergone processing, including adding flavourings and additives. Unmanufactured tobacco goes through a curing process which determines its aromatic properties. Tobacco is used as a psychoactive drug, narcotic, painkiller, and pesticide (DAFF, 2015). Nicotine is a chemical that is found in tobacco, which acts as a stimulant and can be addictive. Over the years, the production of tobacco has decreased because of health regulations in some countries and its association with deaths caused by smoking tobacco products. The marketing regulations in South Africa have also contributed to the decline of tobacco production in the country.

Global overview of unmanufactured tobacco

Table 1 represents the world's top 10 leading importers of unmanufactured tobacco between 2013 and 2017, measured in billions of South African Rands. It can be noted that the global value of imports of unmanufactured tobacco increased from R131 billion to R154 billion between 2013 and 2017. The world imports showed a growth rate of 18% between 2013 and 2017. China was ranked as the leading importer of unmanufactured tobacco, with a share value of 10.5%, followed by Belgium, Germany, Russia and the United States of America (USA), with share values of 9.6%, 7.4%, 6.2% and 5.7%, respectively. The growth rates of 7 out of the leading importing countries increased, except for Russia, the USA and the Netherlands, whose growth rates declined by 13.3%, 9.4% and 42.1%, respectively, between 2013 and 2017.

Table 1: Global leading importers of unmanufactured tobacco

Importers	Imported value in R Billion		Share value (%)	Growth rate in value (%)
	2013	2017	2017	2013-2017
	131	**154**	**100**	**18.0**
China	13	16	10.5	26.1
Belgium	6	15	9.6	151.2
Germany	9	11	7.4	22.3
Russia	11	10	6.2	-13.3
USA	10	9	5.7	-9.4
Poland	5	8	5.4	83.0
Indonesia	6	8	4.9	25.9
Turkey	4	5	3.4	43.8
Netherlands	7	4	2.8	-42.1
UAE	2	4	2.7	104.9

Source: TradeMap (2018)

Table 2 depicts the top 10 leading exporters of unmanufactured tobacco, measured in millions of South African Rands. Brazil is the leading exporter of unmanufactured tobacco, with an exported value of R26 614 million in 2017, representing a share value of 18%. It is then followed by the USA with a 10% share value, and Zimbabwe and Belgium, both with a share value of 9%. China, India and Malawi are tied at 5% each of the share value of exporters. Noteworthy, Zimbabwe and Malawi are the only African countries in the top 10 exporters of tobacco, with Zimbabwe being well-known in the world for its tobacco production.

Although Brazil is the leading exporter of tobacco, it experienced an 18% decline in its growth rate between 2013 and 2017, while the rest of the countries experienced growth rates between the same years. Belgium experienced the highest growth rate out of the top 10 exporting countries, represented by a 188% growth rate. South Africa's exports represent 0.1% of world exports for unmanufactured tobacco, and its ranking in world exports is 59. Generally, the growth rate in value has increased globally between 2013 and 2017, with an increase of 23%.

Table 2: Leading global exporters of unmanufactured tobacco

Exporters	Exported value in R' Billion		Share value (%)	Growth value (%)
	2013	2017	2017	2013-17
World	**123705**	**151950**	**100**	**22.8**
Brazil	30657	26614	17.5	-13.2
USA	11652	14785	9.7	26.9
Zimbabwe	8353	13890	9.1	66.3
Belgium	4504	12975	8.5	188.1
China	6188	8254	5.4	33.4
India	8095	8146	5.4	0.6
Malawi	5317	7056	4.6	32.7
Germany	3666	6318	4.2	72.3
Turkey	4216	4652	3.1	10.3
Italy	3075	4073	2.7	32.5

Source: TradeMap (2018)

South African overview of unmanufactured tobacco

According to trade map statistics, Zimbabwe is one of the largest producers and suppliers of unmanufactured tobacco in the continent. This is evident from South Africa's top suppliers of unmanufactured tobacco (see Table 3). The table highlights the main suppliers of unmanufactured tobacco imported by South Africa. Zimbabwe has been highlighted as the largest supplier of unmanufactured tobacco to South Africa in 2017, constituting almost 50 % of total imports. Brazil was ranked second, with a share value of 17.6 %, followed by Mozambique (7.3 %), India (6.9 %) and Argentina (4.5 %), respectively. Argentina had a larger growth value of 100 % between 2013 and 2017, followed by Mozambique (90.6 %) and Turkey (89.7 %).

Table 3: South Africa's suppliers of unmanufactured tobacco

Exporters	Exported value in R' Billion		Share value (%)	Growth value (%)
	2013	2017	2017	2013-17
World	**922.8**	**1711.3**	**100**	**46.1**
Zimbabwe	297.3	848.8	49.6	65.0
Brazil	209.0	300.9	17.6	30.5
Mozambique	11.7	124.1	7.3	90.6
India	155.6	118.1	6.9	-31.8
Argentina	0.0	77.3	4.5	100.0
Philippines	58.7	61.0	3.6	3.9
Italy	26.3	41.4	2.4	36.5
Turkey	3.9	38.1	2.2	89.7
China	42.8	26.1	1.5	-63.7
Malawi	16.1	25.6	1.5	37.1

Source: TradeMap (2018)

Mozambique and Malawi were the only African countries in the top global exporters of unmanufactured tobacco in 2017. South Africa is not the main producer and exporter of unmanufactured tobacco; Table 4 highlights the top market destinations of unmanufactured tobacco exported by South Africa. Globally, South Africa's exports increased from R74.5 million in 2013 to R121.8 million in 2017. The UAE has been ranked as the largest importer of unmanufactured tobacco from South Africa, representing 21.8 %, followed by Germany, Sweden, Lesotho and Spain, constituting 20.7 %, 15.0 %, 12.8 % and 12.4 %, respectively. The UAE, Spain and Ireland have experienced 100 % growth values between 2013 and 2017.

Table 4: South Africa's export destinations of unmanufactured tobacco

Exporters	Exported value in R' Billion		Share value (%)	Growth value (%)
	2013	2017	2017	2013-17
World	**74.5**	**121.8**	**100**	**38.9**
UAE	0.0	26.6	21.8	100.0
Germany	17.1	25.2	20.7	32.2
Sweden	11.8	18.3	15.0	35.8
Lesotho	2.8	15.6	12.8	82.0
Spain	0.0	15.1	12.4	100.0
Zimbabwe	2.8	4.7	3.8	39.9
Nigeria	6.2	4.6	3.7	-35.3
N. Ireland	0.0	4.3	3.5	100.0
Swaziland	2.5	2.2	1.8	-11.5
Botswana	1.1	2.1	1.7	47.8

Source: TradeMap (2018)

Figure 1 depicts South Africa's trade performance of unmanufactured tobacco over the past ten years. As previously mentioned, South Africa is not a main producer of tobacco in the continent and globally. Therefore, the majority of unmanufactured tobacco consumed in the country has been imported from international countries. In the period under review, South Africa has been importing larger values of tobacco than it exports, and this has resulted in South Africa becoming a net importer of the product. In 2008, South Africa imported R840 million worth of tobacco, as compared to R1 711 million imported in 2017, while on the other hand about R278 million was exported in 2008, as compared to R122 million in 2017 (showed a decline).

Figure 3: South Africa's trade performance of unmanufactured tobacco, 2008-2017

Source: TradeMap (2018)

Conclusion

Globally, the demand for unmanufactured tobacco has been increasing in the previous years. China and Belgium were ranked as the largest importers of unmanufactured tobacco. On the export side, Zimbabwe and Malawi were the only African countries in the world's leading exporters of unmanufactured tobacco, and this was driven by the level of production. South Africa is a net importer of unmanufactured tobacco, much of which was received from Zimbabwe, constituting about 50% of total imports. The UAE and Germany were the main importers of tobacco exported by South Africa. Generally, tobacco faces several policy regulations and this sometimes discourages trade between countries. However, the decline in global import growth could be attributed to health awareness, as tobacco is a health threat and therefore imports were affected in these countries. There are no African countries represented in the top leading importers of unmanufactured tobacco. South Africa's imports represent 1.1% of world imports for this product, and it is ranked 19th in world imports.

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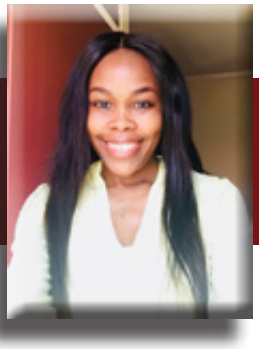

Author: Ms Onele Tshitiza is an economist Intern under the Trade Research Unit (MERC) at the National Agricultural Marketing Council. She can be contacted at otshitiza@namc.co.za or (012) 341 1115.

For correspondence:
Sifiso Ntombela
sifiso@namc.co.za
+27 (0) 12 341 1115

Designed by Sylvester Moatshe
NAMC Communications