TRADE PROBE

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Eco-labelling and Geographical Indication for better market access and inclusive growth

What farmers need to know about the local paprika market opportunities

A success story for Rooibos as a Geographical Indication for South Africa

agriculture, forestry & fisheries

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NAMC
Promoting market access for South African agriculture

FOREWORD

Welcome to the seventy-eighth (78th) issue of the Trade Probe publication, produced under the Markets and Economic Research Centre (MERC) of the National Agricultural Marketing Council (NAMC). The purpose of this issue is to provide detailed analysis of opportunities that might exist in the local and international market and also look at specific products that have a potential to increase their market share in the country. The issues of local and international market access are covered in interesting articles that include the eco-labelling and geographical indication for better market access, local paprika market opportunities (import substitution), and cannabis potential in the global markets. The objective of the publication is to inform policymakers, producers, traders and other stakeholders about the market opportunities and potential products in high demand in the local and international markets. This publication also provides valuable information about South Africa's wool performance in Africa and local cannabis competitiveness in the global markets.

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Eco-labelling and Geographical Indication for better market access and inclusive growth

By Moses Lubinga

Trends in the key drivers of market access, both locally and internationally, are changing at a much faster pace than before, and these include the increasing share of the population falling under the middle-income category, better consumer awareness, coupled with the emerging effects of accelerating climate change. For instance, there is a growing trend towards using natural ingredients in the cosmetics industry, which is compelling multinational cosmetic companies to seek joint ventures and acquisitions of niche, natural cosmetic companies. Furthermore, in the interest of promoting inclusive growth, there is a growing focus on fostering economic growth among indigenous communities. An indigenous community refers to ethnic group(s) who comprise of the original settlers of a given area, as opposed to the groups that more recently settled, occupied or colonised the area. These changes are influencing the agricultural trade landscape, be it at the domestic or international market level. This article provides insights into how the use eco-labelling and Geographical indications (GI) enhance market access, while conserving nature and fostering economic growth among indigenous communities.

By definition, eco-labelling refers to a voluntary method used to identify products or services that are proven to be produced in an environmentally friendly manner. Although not mandatory, eco-labels are increasingly being used to define the commercial relationship between producers and buyers. This is attributable to the increased awareness and interest in protecting the environment. Many producers, globally, are seeing eco-labelling as an opportunity through which to achieve higher prices for their products; hence, it is used as a market access tool for sustainable development. The eco-labelling agenda is largely driven by environmental stewards interested in mitigating the emission of greenhouse gases (GHG), accumulation of which is attributed to be the cause of the eminent climate change effects. Therefore, the declaring – through eco-labelling – of the extent to which a given product contributes towards GHGs will give an opportunity to gain access to high-growth, premium-price ethical product markets, and supply products associated with lower GHGs that are perceived to be produced in an environmentally friendly process.

Within the agricultural space, it is interesting to note that South Africa is among the few African countries with a national eco-labelling scheme, which is known as Ecolabel South Africa. Ecolabel South Africa verifies and certifies products in the Fast-Moving Consumer Goods (FMCG) sector, including packaged foods and beverages. A recent report by Food Stuff SA (2019) posits that the impact of humankind on the environment has become a key concern among consumers, thereby drawing their attention on packaging content. The report emphasises that with clear labelling, be it eco-labelling in this case, brands are bound to get the benefits thereof. A related sentiment was articulated in the SAWUBONA magazine (July 2018), in which it was noted that about 87% of South Africa's population categorised as the middle class would prefer to consume environment-friendly products.

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Now turning to geographical indication, defined as a sign or name used on products that have a specific geographical origin and possess qualities or a reputation that are attributable to that place of origin. Geographical indications provide added value in the form of a premium price accruing to producers. GIs are increasingly becoming a market access tool, which places much emphasis on quality rather than quantity. The European Union (EU), which is South Africa's key market for agricultural products, is at the forefront of promoting the notion of GIs, and a great proportion of consumers are ready to pay a premium for high quality products. To a great extent, South Africa's good trade performance in wines within Europe is attributable to the fact that the wine industry exhibits an outstanding footprint in GIs. Of the 2885 names of the geographical indications for wines, South Africa accounts for 35% of the third world countries involved in wine trade, and slightly more than 5% of all countries, worldwide (E-Bacchus). This is a significant portion. Unsurprisingly, over 50% of South Africa's wine is destined for the export market, of which the EU accounts for the greatest share. The use of GIs is faced with a challenge of counterfeiting, whereby other opportunistic producers, especially multinational companies, use a protected name for a similar product, but of a different origin. For instance, the descriptions of "basmati" rice, "Ceylon" tea, "Antigua" coffee, and "Rooibos" tea have been abused. Other challenges include the bureaucratic registration process, and expansion of GI protection to other key markets.

In South Africa, very few agricultural products, e.g. wines, Honeybush, Rooibos, and Karoo Meat of Origin, are protected (DAFF, 2017). Given that products with protected geographical names are produced in specific areas, such communities also gain the opportunity to participate in formal markets through producing high-quality products, from which they receive a premium. This translates into inclusive growth within those specific communities. Take, for example, producers of rooibos, which only grows in the Cederberg biosphere in South Africa. Given the premium price of rooibos, the producers and processors of the product receive a good income, which if used properly, is bound to realise greater economic growth for their communities. In my view, the case of wines is self-explanatory.

Conclusion

Beyond the goal of enabling producers to protect the environment, eco-labelling is also a key market access tool, through which producers can receive premium prices for their products. Furthermore, geographical indications are also another tool through which South Africa can access the EU market. Policy implications: Agricultural industries, with support from government, should consider looking into using eco-labelling of products to align with changing consumer demands. Furthermore, there is a need to protect geographical names for other products that are largely exported to the EU. Moreover, regarding products like honeybush, rooibos and Karoo meat of origin that are already protected, there is a need to embark on product diversification through adding value to those products. Recommendation: Producers of agricultural products should embrace eco-labelling as a means through which to gain access to better rewarding markets.

What farmers need to know about the local paprika market opportunities.

By Lucius Phaleng

South Africa is a major producer and exporter of agricultural products due to favourable weather conditions Agricultural exports contribute more than 30% to the total gross value of agricultural sector. An increasingly larger share of agricultural products are produced in South Africa at a larger scale and are being exported to the international markets, while the country imports those products that cannot be produced locally. Paprika fruit is one of the products that South Africa produces at a smaller scale, despite the increasing demand for fresh or dried paprika in the local market. In South Africa, paprika fruit is categorised as dried, crushed or ground fruits of the genus Capsicum, and its extracts are widely consumed as natural foodstuffs used as a vegetable, spice or oleoresin.

The genus Capsicum originated in Central and Southern America. The product is an important crop of Hungary and other central and eastern European countries. High-grade paprika is also produced in Spain, Morocco, the United States, South Africa, and Israel. Globally, paprika production and consumption reaches between 500 000 tons and 1 000 000 tons per annum, and there is huge global market for paprika due to high demand. The main producers and exporters of paprika are India, China, Peru, Spain, Mexico and Pakistan, in that order. The main importers of paprika include countries such as the Europian Union nations and the United States of America. This article is driven by International Tariff Administration Commission (ITAC) reports which indicate that local markets frequently request the importation of paprika due to low production. Therefore, this article is aimed at informing South African farmers about the market opportunities that might exist in the country.

The production of paprika on the African continent centres on countries such as South Africa, Zimbabwe, Malawi, Zambia and Mozambique. South Africa is one of the African countries that produce smaller amounts of paprika. In South Africa, the production of paprika has been stable exclusively from the small scale and the industry has largely developed independently. In the past, paprika produced in South Africa dominated the market for a while as a good raw material, but has not made much progress in recent years. Most farmers are struggling to produce the required amount of paprika due to the need for large start-up capital and the fact that production varies from region to region.

Weather and climatic conditions result in paprika production in South Africa differing from one province or region to the next. The potential production areas include North West province (Vryburg, Stella, Tosca, and Kuruman) and Limpopo province (Groblersdal, Ellisras and Alldays). There is also production in the Eastern Cape, near Fort Beaufort. In South Africa, paprika products comprise mainly of oleoresin (oil) and powder (spice). Paprika shows a great potential

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to increase growth in South Africa's agricultural sector and satisfy the local demand. This local consumption of paprika has been increasing while the production has remained stable in the SACU region and South Africa. The paprika produced in South Africa is mainly processed into spice and oleoresins for export to Europe, the US, Mexico, the Far East and Middle East.

Globally, paprika oleoresin production is strongly related to paprika powder production. Although paprika can grow in South Africa and domestic production is more than sufficient for further exploiting paprika extraction, paprika extraction products are limited, as most paprika is destined for the fresh markets for final consumption. As a result, paprika processors import the fresh product for extraction of paprika powder and oleoresin.

Local perspective and paprika industry setbacks

Paprika remains a giant in South African spice and oleoresin production and, uniquely for the region, paprika is a fairly new commercial crop in most parts of Africa. Malawi is one of the few countries that exports most of its paprika to South Africa for further processing into powder and oleoresin, which is re-exported to Europe, and particularly to Spain. Figure 1 highlights the export trend of paprika oleoresin from 2017 and 2019. The volume of oleoresin exported to global markets is heavily dependent on the paprika supply (imported or local supply).

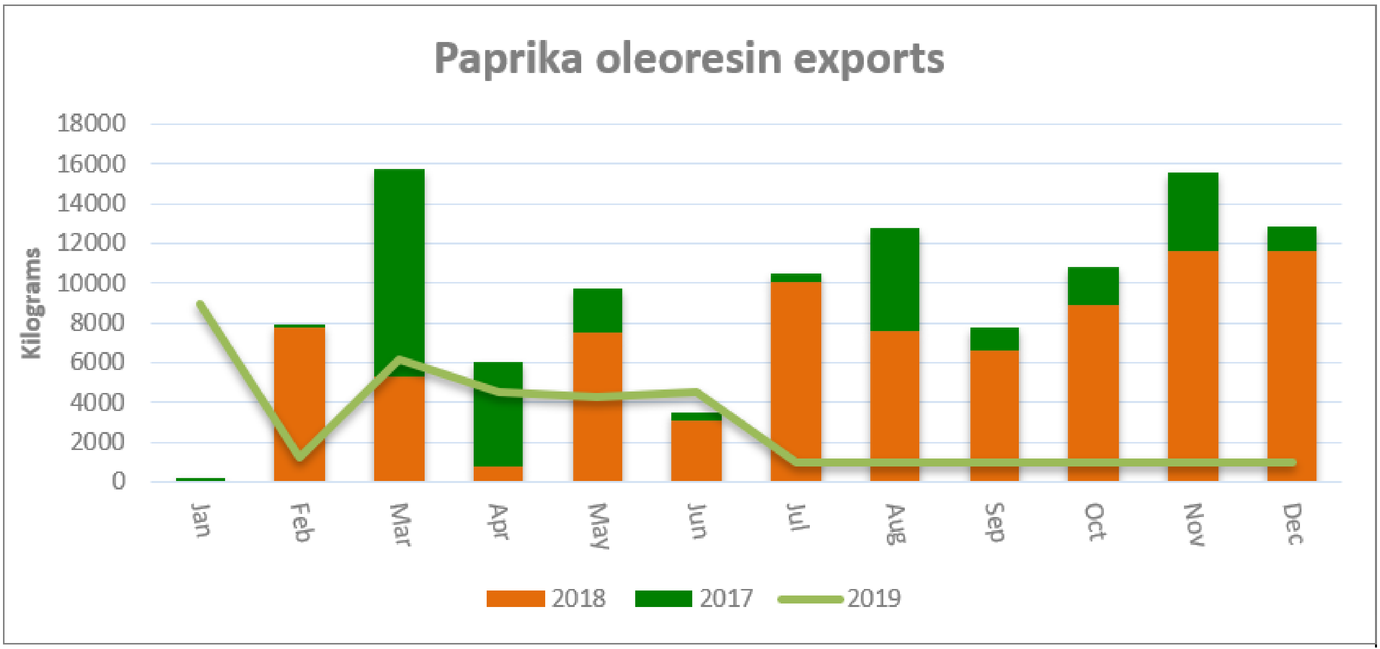

Figure 1: South Africa's paprika oleoresin exports
Source: SARS (2019)

[1]http://ec.europa.eu/agriculture/markets/wine/e-bacchus/index.cfm?event=statistics&language=EN

Conclusion

In an effort to decrease South Africa's dependence on imports, it is worth employing a strategy of 'import substitution' to increase self-sufficiency in processing paprika powder and oleoresin. However, this can only be achieved through improving or increasing the area of land under paprika cultivation. Reliance on imports affects the agricultural trade balance, therefore, it is important to invest in paprika production for further production and exports of paprika extractions in the country. The import substitution of paprika for extraction requires transforming export-processing zones into better integrated industrial development parks, with much stronger backward and forward linkages with the rest of the economy. For instance, since 1994, Zambia has resuscitated its paprika production and a very large paprika extraction plant was commissioned in 1995 as a joint venture, which contracts overgrowers.

A success story for Rooibos as a Geographical Indication for South Africa

By Onele Tshitiza

Aspalathus Linearis, better known as rooibos or "red bush", is an indigenous herb in the Northern and Western Cape provinces of South Africa and had been in existence well before the 1700s, when the first Dutch settlers used it as an alternative to black tea. According to the World Trade Organization (WTO) under their Trade-Related Aspects of Intellectual Property Rights (TRIPS), member countries are allowed to classify certain of their products as based on Geographical Indications (GIs). TRIPS defines GIs as *"indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin."* GIs can also be place names, from where the products come, or distinguish them to have the characteristics of that place, for example "Champagne" or "Tequila".

This means that no other region or country may use these names if their products are not characteristic of that place of origin. GIs are said to be used for protection in order to prevent misleading consumers and unfair competition, while also increasing local value for the export of a particular product. The protection of GIs is set out in Article 22 and Article 23 of the TRIP. Article 22 is the standard protection of all products, while Article 23 provides a higher level of protection for wines and spirits. Countries can use different methods to protect their products, such as trademark laws, GI laws, consumer laws, or a combination of them. The aim of this article is to highlight the role of GIs for agricultural products. In 2008, GIs were a relatively new concept in South Africa and it had not applied protection to most of its products that could be accepted as GIs, such as honeybush, rooibos and Karoo lamb, with the exception of wines. South African wines, coming from Stellenbosch, Ceres or Paarl for instance, are recognised by a particular taste by wine enthusiasts, and are therefore protected in the international markets. In 2013, the government approved the trademarking of the word "rooibos", based on the Merchandise Marks Act, 17 of 1941.

This means that any product labelled with the word "rooibos" or "red bush", and four other words relating to the product, would need to be 100% rooibos, with mainly rooibos as its ingredient, or prove that rooibos adds to the product and was grown in the Cederberg region, and was to be recognised both locally and internationally. This notice would apply to new marks. Furthermore, in 2014, rooibos qualified as one of the first products to be registered as a GI from South Africa, other than wines and spirits, following rallying by the industry to get the product protected. This status was granted in the European Union (EU); however, by 2017, it had not been listed on the EU GI database, although the relevant authorities were in the process of ensuring that 'rooibos' was listed. The industry continues to expand its protection, internationally.

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The Rooibos Industry adheres to the Agricultural Product Standards Act, 119 of 1990, to regulate the production and export of rooibos and rooibos mixtures of safe rooibos. The Act specifies the type of rooibos to be exported, as well as the quality and the requirements regarding the packing, marking and labelling of rooibos and rooibos mixtures. Through the Perishable Products Export Control Board (PPECB) of South Africa, consumers are assured that rooibos that is exported is safe and has passed the plant health and safety inspection and is certified to be free of bacteria and other impurities. The industry further adheres to the labour laws of South Africa and other international standards in order to export and be recognised by international markets.

Rooibos industry overview

Over the past 10 years, South Africa's production of rooibos has ranged between 10 000 tons to 18 000 tons per year. In 2018, production was about 14 000 tons. Production is largely influenced by rainfall. Rooibos made up about 29% of the market in the local retail tea segment in 2017, and was outperformed by black tea, which made up 68% of the market. In 2018, the local demand decreased because of an increase in price. Figure 2 shows the values of rooibos over the past 13 years. It can be noted that the value of rooibos has increased tremendously, from R181.4 million in 2013/14 to a value of R720.5 million in 2017/18. The increase can be attributed to an increase in production and exports. This was also the shift that the industry needed after the regulation of the use of the word "rooibos" in 2013 and after being qualified as a GI in 2014. The industry also has about 8000 farm labourers employed in the country. This portrays a case study of how to support a niche industry, using the mechanisms provided by the World Trade Organization, can provide positive returns for an industry and a country.

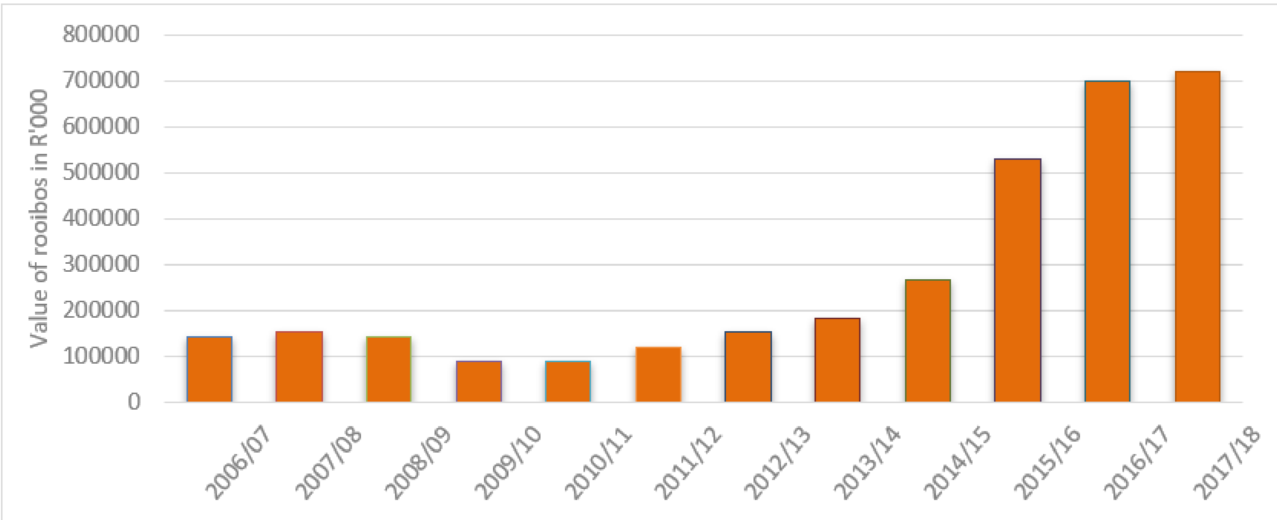

Figure 2: Value of Rooibos between 2006 and 2018
Source: DAFF (2019)

Domestic market opportunities of rooibos

Rooibos is not just about tea anymore, but has been creatively infused in other household products. The research into the health benefits of the plant has opened up various markets of value-addition that go beyond just a tea. The processing constitutes the largest value addition of rooibos that has enabled the plant to reach the tertiary level, and has allowed for the development of new rooibos products. Of the total of rooibos produced annually, about 5000 to 6000 tons is consumed locally. Rooibos tea is also offered in different flavours, thus expanding the choice for consumers.

Rooibos is available as iced tea, in various flavours. There are other beverages, such as “rooibos latte” and “rooibos cappuccino”, as well as green rooibos and gin infused with rooibos. Additionally, rooibos has been incorporated as an extract in fruit juices, yoghurts and sweets. Rooibos has expanded to the beauty industry, with the development of products such as soaps, foam baths, body scrubs, and facial masks that are infused with the plant. Moreover, the Western Cape region of production could present a tourist attraction for tea enthusiasts to explore the making of rooibos tea. This adds value along the value chain and provides additional jobs, directly and indirectly, linked to the industry. It is clear that the possibilities are expansive when it comes to rooibos, especially with the right research and promotion of the product, locally and internationally.

Budding International Market for rooibos

According to the South African Rooibos Council, rooibos is mainly exported to Germany, the Netherlands, Japan, the United Kingdom and the United States of America. In 2018, Japan made up 29% of the export market. Although rooibos does compete with other teas, it can be noted that, as consumers become more health conscious and as the health benefits of rooibos become widely known and promoted, demand can be expected to grow, locally and internationally. In order for rooibos to be marketable in the international markets and remain competitive, it must further adhere to various standards in order to be certified internationally, for example sustainability certification, social certification, food safety, EU organic certification and others. The following applies to rooibos, among others: UTZ Certified, Sustainable Agriculture Network, Fairtrade International, South African-Good Agricultural Practices, Hazard Analysis and Critical Control Points (HACCP), Rainforest Alliance and Japan Agricultural Standards.

Conclusion

Through research, collaboration, product development and promotion, the rooibos industry has started to reap the fruits of its labour. From trademarking the name and achieving GI status, it has unlocked new markets for itself and is making gains from it. There are still further opportunities to be tapped into to expand the industry, and the upward trend of the value is a sign that growth is expected in the future. The potential for other local products to qualify for GI and be exported to the international market offers an exciting prospect for the agricultural sector and the country. Agreements, such as the Economic Partnership Agreements (EPA), have already recognised more than 100 GI names in the wines industry and have extended to include rooibos tea, honeybush tea and Karoo lamb, asserting that the European Union would protect these products in their countries. As already illustrated with rooibos, where there is protection in the form of GIs, there is a direct benefit for the industry and the country in its value. The process is not smooth sailing, however, and there is therefore a need to fast-track the process of applying to trademark words of local products and qualify them as GI names, whether through research confirming that those products are specific to that region or through government facilitating the application process.

The South African Cannabis industry: a potentially strong global market

By Fezeka Matebeni and Ndumiso Mazibuko

The legalisation of cannabis is currently receiving global attention in a number of countries. Cannabis has now been legalised in more than 50 countries in the world. The biggest drive for the production of cannabis, globally, is mainly cannabis production for recreational and medicinal purposes. However, there is a broad range of cannabis-related consumer products that include drinks (soft drinks, teas and cannabis-infused, non-alcoholic "beers"), edibles (such as chocolate and snacks), and topical creams. New Frontier Data (2019) report that more than 260 million adults consume cannabis globally at least once per year. The legal cannabis market has had explosive growth since several states legalised the recreational consumption and so enhanced the growing popularity of the plant in the United States. The global legal cannabis market is set to reach over US$63 billion in value by 2024 (Statista, 2019). In the US states where recreational cannabis is legal, cannabis-infused beverages enjoyed a 61% boost in year-on-year sales growth between September 2017 and September 2018.

The world's largest regional usage areas of cannabis are North America, Europe and Africa, at 15%, 12% and 11%, respectively. The production levels of cannabis in North America (one of the major producing regions) have increased rapidly over the past few years owing to the expansion of the production capacities by the major players. With the African population projected to double to more than 2.5 billion people by 2050, this could be a great opportunity for African countries to generate increases in their revenues. According to the United Nation Office on Drugs and Crime data from 2016, Africa is home to five of the world's top thirty countries for cannabis use prevalence among adult populations. It is estimated that by 2023, the value of Africa's legal cannabis market could be worth over US$7.1b. The production of cannabis offers Africa, and South Africa specifically, an enormous opportunity for local rural start-ups, with an experienced agricultural workforce.

In Canada, the total cannabis market, including medical and recreational products, is expected to generate up to US$7.17 billion in total sales in 2019. Legal sales are expected to contribute more than half of this total – up to US$4.34 billion in the first year. Current and likely consumers expect to pay slightly more for legal products, with the former saying they are willing to pay 10 percent more. Canadians who are already consuming cannabis expect to buy nearly two-thirds of their products

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from legal retailers, once they can. High product quality and integrity (as affirmed by quality testing), as well as a range of competitive price points, will be needed to persuade current consumers to move their purchases over to legal sources. Delivering a superior customer experience will be of vital importance.

Cannabis is traded globally, and both exports and imports increased between 2014 and 2018. Global exports of cannabis have increased drastically since 2017, and reached a peak of US$12.9 million in 2018. The primary drivers identified to flourish in the cannabis market are the medicinal properties of cannabis, increasing the legalisation of cannabis, and increasing advances in the genetic development and intellectual property of cannabis. For instance, the Australian government recently allowed cannabis producers to export medicinal cannabis in 2018. Medicinal cannabis accounts for the majority share of the cannabis market. Many countries have legalised the usage of cannabis for medicinal purposes, such as Australia, Canada, Chile, Colombia, Germany, Greece, Israel, Italy, the Netherlands, Peru, Poland, Portugal, and Uruguay. Noteworthy, the illegal black market is still strong, even in legal states. The continuous research and standardisation of products for medicinal purposes are expected to increase the popularity, as well as demand for cannabis in the future.

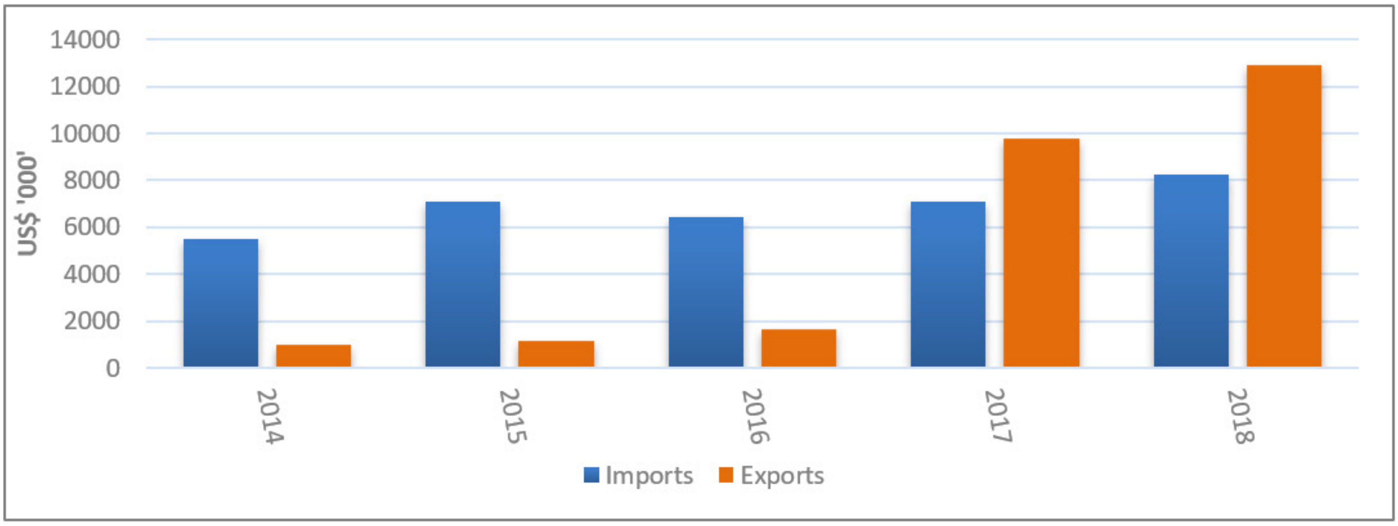

Figure 3: The world trade for cannabis
Source: TradeMap, 2019

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Cannabis Industry in South Africa

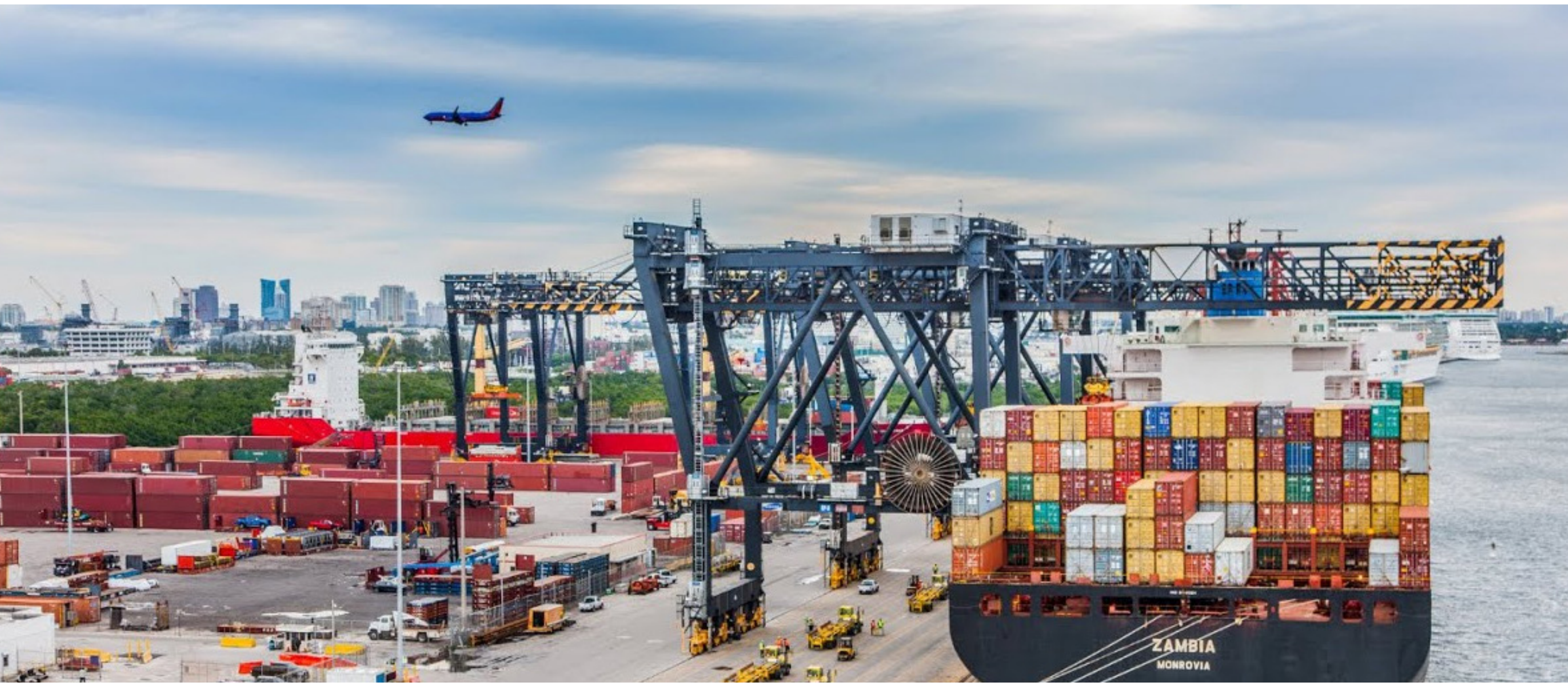
In September 2018, the Constitutional Court of South Africa legalised the growing of cannabis for private purposes and the use of cannabis by adults in private places. For over half a decade, there have been several campaigns that have consistently advocated for legalisation and decriminalisation of cannabis around the world, including South Africa. HSRC (2007) stated that South Africa is one of the largest producers of cannabis in the world and its cannabis is consumed mostly in the southern African region. One of the cannabis initiatives was done by Western Cape Department of Agriculture in 1997, and was commissioned and financed by Sensi Thread Clothing Company of Cape Town. About nine cultivars were grown for research trials and it was reported that they grow tremendously, up to 2 m tall, within 5 months. This initiative was to advocate for and prove to the Minister of Agriculture that cannabis is an economically viable product to the authorities (DAFF, 2017). Gerwel (2018) and Riley et al. (2019) explained that, if cannabis is fully legalised in South Africa, this could generate further revenue in the country for government. This would advance the goals of poverty reduction and inclusive growth of the rural economy, as stated in the NDP.

Conclusion

The legalisation of cannabis is currently receiving global attention, as many countries are considering this approach. It is recommended that the formulation of a comprehensive cannabis regulation framework be fast-tracked, which would assist in the commercialisation of the production of cannabis. In the process of legalisation of cannabis, it is important to take cognisance of the current role players, especially in rural areas. The cost of participation in the production process needs to be carefully considered, with the need for cannabis licensing to be affordable, in order to promote production, economic growth, job creation, competitiveness and equity. The industry has a number of potential markets, both domestically and globally in countries like Canada.

Monitoring South Africa’s wool performance in Africa

By Mr Lucius Phaleng



Globally, South Africa is known as a producer and exporter of high quality, environmentally sound wool products that meet the needs of the textile industry. More than 90% of the wool produced in South Africa is exported. About 75% of South Africa’s wool clip is exported in unprocessed form as greasy wool. The remaining 25% is exported as washed (scoured) wool and also as combed wool (tops). Wool is produced throughout South Africa, although the main production areas are in the drier regions of the country, such as the Eastern Cape and Free State. Australia remains the largest supplier of apparel wool to the world textile market, and South Africa remains a direct competitor. South Africa, like Australia, produces mainly apparel wool, while the bulk of the production of the other major producers, like New Zealand and Argentina, is coarse wool, which is used for the production of carpets and blankets. The aim of this article is to analyse South Africa’s wool exports to the African continent and to identify some of the trading opportunities that might improve wool performance in the regions.

The sheep and wool industry is one of the oldest agricultural industries in South Africa. As a large contributor, export wool plays an important economic role as an earner of foreign exchange for the country. Table 1 highlights the export performance of South African wool in the global markets, with a large share of wool export being destined for European and Asian markets. Generally, South Africa’s wool exports have decreased by 44.5% between 2017 and 2018 maily due to disease outbreaks. Mozambique is the only African country ranked in the top 10 importers of wool from South Africa. South Africa is ranked as the ninth world-leading exporter of wool. China consumed 33.2% of wool exported by South Africa, followed by Italy (32.7%), Taiwan (9.5%), the UK (5.6%) and Bulgaria (4.9%).

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Table 1: South Africa's exported wool by volume, and imports

Importers	Exported volumes in Tons		Growth volume %	Share volume %
	2017	2017	2017- 2018	2017- 2018
World	**4,378**	**4,378**	**-44.5**	**-44.5**
China	1,129	807	-28.5	33.2
Italy	1,794	794	-55.7	32.7
Taiwan	321	231	-28.0	9.5
UK	128	136	6.3	5.6
Bulgaria	137	118	-13.9	4.9
Japan	93	93	0.0	3.8
Romania	33	40	21.2	1.6
South Korea	26	36	38.5	1.5
Germany	326	33	-89.9	1.4
Mozambique	1	33	3200.0	1.4

Source: ITC (2019)

South Africa's wool exports are often negatively impacted by outbreaks of foot-and-mouth disease, which results in the suspension of wool imports by its trading partners. Figure 4 indicates the trade performance of South African wool, and it can be observed that exports declined, while, on average, imports picked up between 2009 and 2018. With the recent FMD outbreak, South Africa's wool exports were heavily affected due to China's suspension of imports from South Africa, and this has benefited Australian wool growers.

Figure 4: Trade balance of wool trading
Source: ITC (2019)

Wool produced on the African continent is being exported to the international markets, while the remaining volumes are consumed in the local textile industries. Table 2 shows the top 10 leading importers of South Africa's wool on the African continent. Mozambique accounts for about 50% of exports on the continent, followed by Botswana (23.9%), Namibia (12.9%), and Lesotho (9.1%). South Africa's wool exports declined by 66.2% between 2017 and 2018.

Table 2: South Africa's exported wool by volume &importers within Africa

	Exported volume in Tons		Growth volume %	Share volume %
Description	**2017**	**2018**	**2017 - 2018**	**2018**
Africa Agg	**781**	**264**	**-66.2**	
Mozambique	5	112	2140.0	42.4
Botswana	40	63	57.5	23.9
Namibia	22	34	54.5	12.9
Lesotho	298	24	-91.9	9.1
Eswatini	26	21	-19.2	8.0
Zimbabwe	3	8	166.7	3.0
Zambia	3	2	-33.3	0.8
Mauritius	379	0	-100.0	0.0
Nigeria	5	0	-100.0	0.0

Source: ITC (2019)

Figure 5 highlights South Africa's wool trade performance on the African continent over the past nine years. It can be noted that South Africa's trade on the continent between 2009 and 2015, although imports have increased in the last three years. According to ITC (2019), South Africa's trades with the international markets in fine animal hair products, while combed wool is traded within the African continent. Currently, South Africa remains a net importer of wool at HS 5105.

Figure 5: South Africa's wool trade balance within African continent
Source: ITC (2019)

Conclusion

In conclusion, South Africa has the potential to increase its export market in the global markets due to its high wool production regions. However, it is important for the country to explore what wool commodities could be supplied to the continent, as well as the utilisation of the recently signed trade regime called AfCFTA. The wool industry in the country is often affected by FMD outbreaks, which discourages farmers from exporting wool due to import bans. Therefore, it is important for the country to come up with effective safety measures and quarantines to avoid disease outbreaks. On the other hand, the local textile industry is important as it creates market opportunities for the wool farmers, and could drive the country to export processed wool, rather than primary products. It is also important for the country to explore other continents (i.e. Asia, Middle East, South and North America) that demand wool from South Africa.

Product profile of cannabis sativa and its competitiveness in the global markets

By Lucius Phaleng

South Africa is a signatory to the United Nations Single Convention on Narcotic Drugs (1961), which aims to combat drug abuse and trafficking through coordinated international cooperation that is directed at limiting the possession, use, trade, distribution, import, export, and production of narcotic drugs, excluding drugs for medical and scientific purposes. South Africa is committed to complying with its obligations by controlling medicinal cannabis cultivation and reporting to the International Narcotics Drug Control Board (INCB) on volumes of production and manufacture. These obligations require South Africa to minimise the risk of diversion of cannabis and reserve its use for medical and scientific purposes only. The cultivation of cannabis that is not grown for medical or scientific purposes is regarded as an illegal practice in most parts of the continent, and cannabis supplies remain barred from export until new local laws legalise the medical or scientific use of the drug.

Global market perspective

Despite cannabis being the most common illegal drug crop in the world and its worldwide presence, very little is known about its trade, production, and consumption at the global scale. Around the world, there are 135 countries that are producing cannabis, and top cannabis-producing countries in large amounts include Mexico, Afghanistan, Morocco, and the United States. Table 3 highlights the world's leading importers of cannabis, measured in thousand rands. Globally, the value of imported cannabis increased by 7.6% between 2017 and 2018, and this was driven by Austria, Italy, the UK, Sweden and Spain. About 25% of imported cannabis came from Germany, followed by the Czech Republic (19%), Spain (14%), and Austria (9.6%).

Table 3: World's leading importers of cannabis

	Imported value in R'000		Growth volume %	Share volume %
	2017	2018	2017- 2018	2018
World	**218,463**	**235,070**	**7.6**	
Germany	55,211	60,999	10.5	25.9
Czech Republic	46,098	44,647	-3.1	19.0
Spain	26,076	32,968	26.4	14.0
Austria	1,264	22,488	1679.1	9.6
Italy	5,840	11,060	89.4	4.7
USA	12,333	7,070	-42.7	3.0
Belgium	7,583	5,925	-21.9	2.5
Japan	4,883	4,753	-2.7	2.0
United Kingdom	3,246	4,569	40.8	1.9
Sweden	3,432	4,503	31.2	1.9

Source: ITC (2019)

Table 4 highlights the main exporters of cannabis in the world, measured in thousand rands. Overall, the value of cannabis exports increased by 41% between 2017 and 2018. The USA has been indicated as one of the leading cannabis-producing countries in the world and it has been ranked among the top exporting countries. The Netherlands is ranked as the leading exporter of cannabis, at a share value of 35.4%, followed by Romania (16.1%), Croatia (14%), Switzerland (5.7%), and the USA (5.5%).

Table 4: World's leading exporters of cannabis

	Exported value in R'000		Growth volume %	Share volume %
	2017	2018	2017- 2018	2018
World	**181,824**	**256,333**	**41.0**	
Netherlands	64,923	90,834	39.9	35.4
Romania	15,499	41,144	165.5	16.1
Croatia	7,663	35,759	366.6	14.0
Switzerland	3,246	14,588	349.4	5.7
USA	41,069	14,088	-65.7	5.5
Luxembourg	239	14,035	5772.4	5.5
Germany	5,880	5,359	-8.9	2.1
Mauritius	4,563	4,674	2.4	1.8
Austria	3,526	4,503	27.7	1.8
Bulgaria	0	4,503	-	1.8

Source: ITC (2019)

South Africa's perspective

In September 2018, the Constitutional Court of South Africa legalised the growing of cannabis for private purposes and the use of cannabis by adults in private places. It is estimated that two thirds of the South African population is either using cannabis or has used cannabis in some form during their lives. It is believed that the development and commercialisation of the cannabis industry could have a positive impact on the South African economy through generating extra foreign earnings. Figure 6 highlights the main suppliers of cannabis to RSA, while Figure 7 indicates export destinations.

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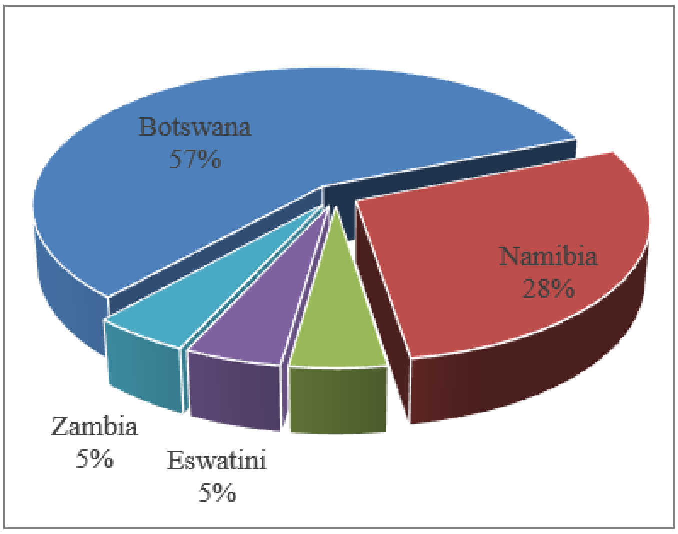

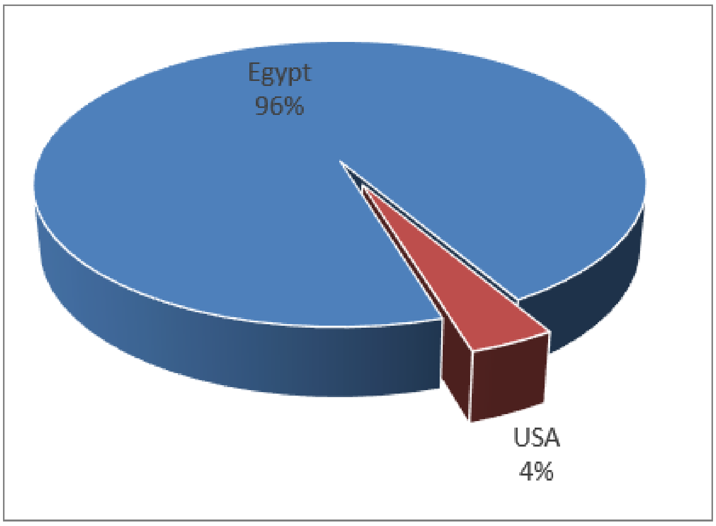

Figure 6: SA's Suppliers of figure 6 cannabis Figure 7: SA's Cannabis export destinations
Source: ITC (2019)

Globally, South Africa is not a main producer and exporter of cannabis. Figure 8 highlights exports, imports and trade balance trends of South Africa cannabis in the international markets. It can be noted that South Africa is not a major exporter of cannabis, and this can be driven by the level of local cannabis production. However, in recent years (the last three years), South Africa has imported larger amount of cannabis as compared to other periods, and this can be attributed to increasing demand for cannabis for medicinal purpose.

Figure 8: South Africa's trade performance of cannabis
Source: ITC (2019

Conclusion

There is an increasing demand for cannabis in the international markets, and it is important for African countries to regard cannabis as an exportable commodity and a source of income, rather than as a prohibited drug. The cannabis regulatory reforms and policies need to be revised for the development and commercialisation of this industry. Other African countries and South Africa need to take a note of Zimbabwe, which issued its first cannabis licence in March 2019. Export markets and foreign exchange earnings are the key drivers for cannabis regulatory reforms in Zimbabwe. South Africa can draw important lessons from the emerging cannabis regulatory regime on the continent.

Overview of donkey meat (and related meat products) trade performance

By Lucius Phaleng

Meat has exerted a crucial role in human evolution and is an important component of a healthy and well balanced diet due to its nutritional richness. Donkeys are not perceived as multi-use animals. Cattle, buffalos and camels are usually kept for their milk and their meat as well as for work. In many areas donkeys are not sold for their meat. In recent years, the demand for diverse products of donkey origin, including meat, milk and skins, has increased rapidly. In the continent, Lesotho is one of the countries where donkeys are culled for meat when they are considered too old to work, and for this reason donkeys are relatively expensive in this country. Donkey meat is in fact characterized by low fat, low cholesterol content, a favourable fatty acid profile and is rich in iron. The world donkey population is about 44 million; half was found in Asia, just over one quarter in Africa and the rest mainly in Latin America. The high donkey population in the African continent shows a very important potential for the production of donkey meat for economic development.

Ethiopia is ranked as the leading country with the most donkeys, followed by China, Pakistan and Mexico. Table 1 highlights the world leading exporter of donkey meat in the period 2018, measured in tons. Globally, about 136 million tons of donkey meat has been exported in 2019, which represents 33.3% growth volume as compared to the 2016 volume exported. Mongolia is ranked as the leading exporter with a share volume of 23.6%, followed by Argentina (13.1%), Belgium (8.8%), Romania (6.6%), Kenya (6.5%) and Poland (5.8%) respectively. Kenya is the only African country featured in the top 10 exporters of donkey meat. Countries such as Kenya, Netherlands, Mongolia and Romania contributed a larger share of growth volume between 2016 and 2018. Canada experienced a decline of 48.8% in growth volume, followed by Spain (-17%), Poland (-5.5%) and Belgium (-3.5%).

Table 4: Global leading donkey meat exporters

Exporters	Imported value in tons		Share %	Growth %
	2016	2018	2018	2016-2018
World	**102539**	**136662**		**33.3**
Mongolia	7984	32201	23.6	303.3
Argentina	15642	17933	13.1	14.6
Belgium	12535	12091	8.8	-3.5
Romania	5108	8970	6.6	75.6
Kenya	1052	8931	6.5	749.0
Poland	8324	7868	5.8	-5.5
Spain	9096	7548	5.5	-17.0
Uruguay	5216	6276	4.6	20.3
Netherlands	650	5376	3.9	727.1
Canada	10376	5316	3.9	-48.8

Source: ITC (2019)

Table 2 highlights the global leading importers of donkey meat in the period 2018, measured in tons. It is important to note that world's imported volume experienced 56% growth between 2016 and 2018; and this simply means that there is high demand for donkey meat in the global markets. China is one of the countries with high demand for donkey meat and has been ranked as the leading importer of donkey meat with a share of 21.3%; followed by Italy (18.7%), Viet Nam (12%), Belgium (11.5%), Russia Federation (8.3%) and France (7.6%). A number of African countries regard the donkey as an animal that contributes to their transport and work purpose but not for meat, skin or milk production. With that statement, it is difficult for the African countries to play a role in donkey meat trade or production. There is a huge demand growth in most Asian countries, notably China.

Table 5: Global leading donkey meat importers

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Source: ITC (2019)

African perspective

In more recent times the consumption of donkey meat has still been undertaken by some groups in Africa. It is difficult for the African countries to export donkey meat due to banned donkey slaughter, and there is a concern on the sustainability of the donkey industry. In South Africa, it is legal to trade and export donkey meat and hides, provided the animals are slaughtered at a registered equine abattoir. Figure 1 illustrates the export performance of donkey meat in the African continent over the past three years, measured in tons. The African continent has experienced donkey meat export growth over the past three years and reached its highest exported volume in 2018. According to ITC (2019), South Africa has not exported donkey meat in 2018 however 30 tons and 5 tons were exported in period 2016 and 2017 respectively. The leading exporter of donkey meat in the continent is Kenya at a volume of 8.9 thousand tons, followed by Tanzania (1.5 thousand tons) and Botswana (27 tons) respectively.

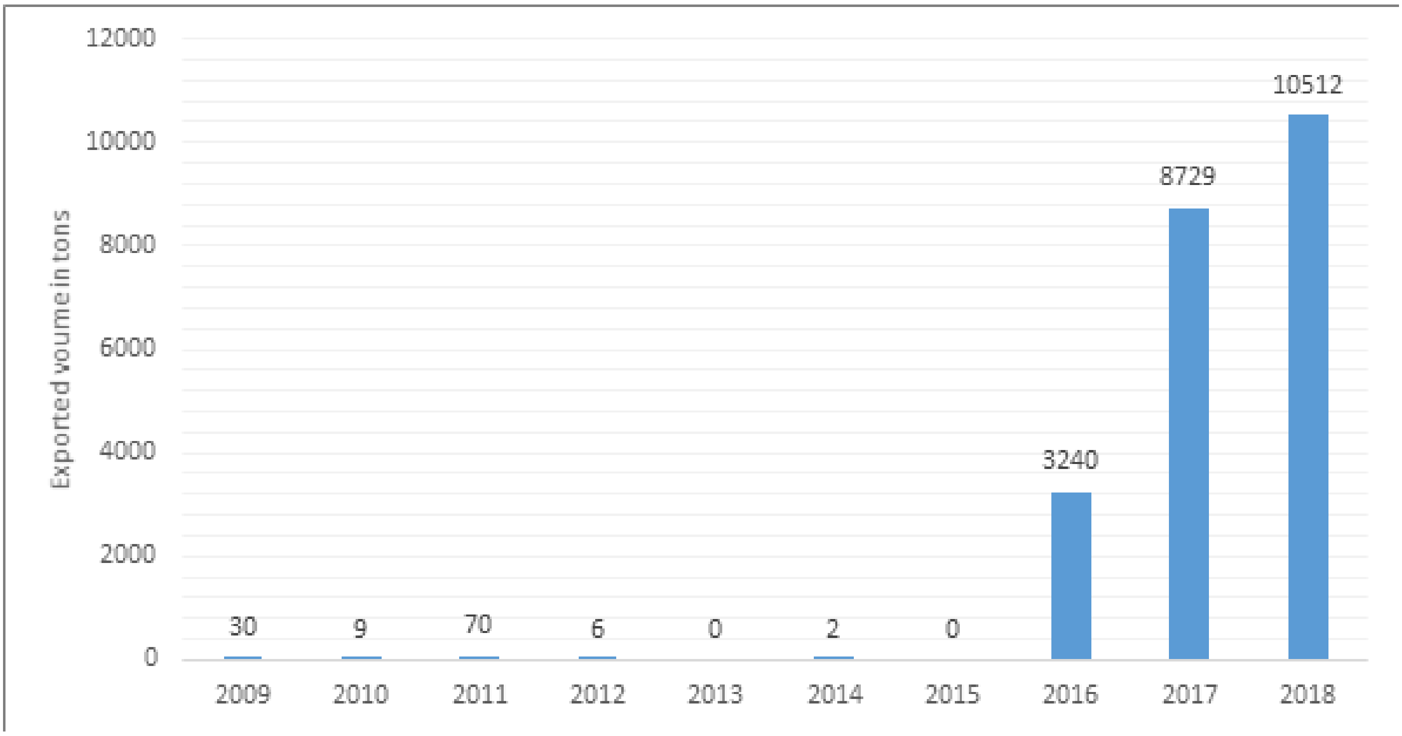

Figure 9: Africa's donkey meat export performance
Source: ITC (2019)

According to ITC, it is difficult to disaggregate the HS0205 to find the specifications of the donkey meat, however, the harmonized system code used include horses, assess, mules or hinnies. Findings from the literature indicate that most countries within the continent import large volumes of horse meat. Figure 2 highlights the import performance of donkey and related meat by African countries, measured in tons. It is important to note that the import performance has been in decline between 2009 and 2018 period. In 2018, about 5 tons of the products has been imported with 3 tons destined to Seychelles, and the remaining volume destined to Mozambique and Libya. South Africa imported 80 tons in 2017.

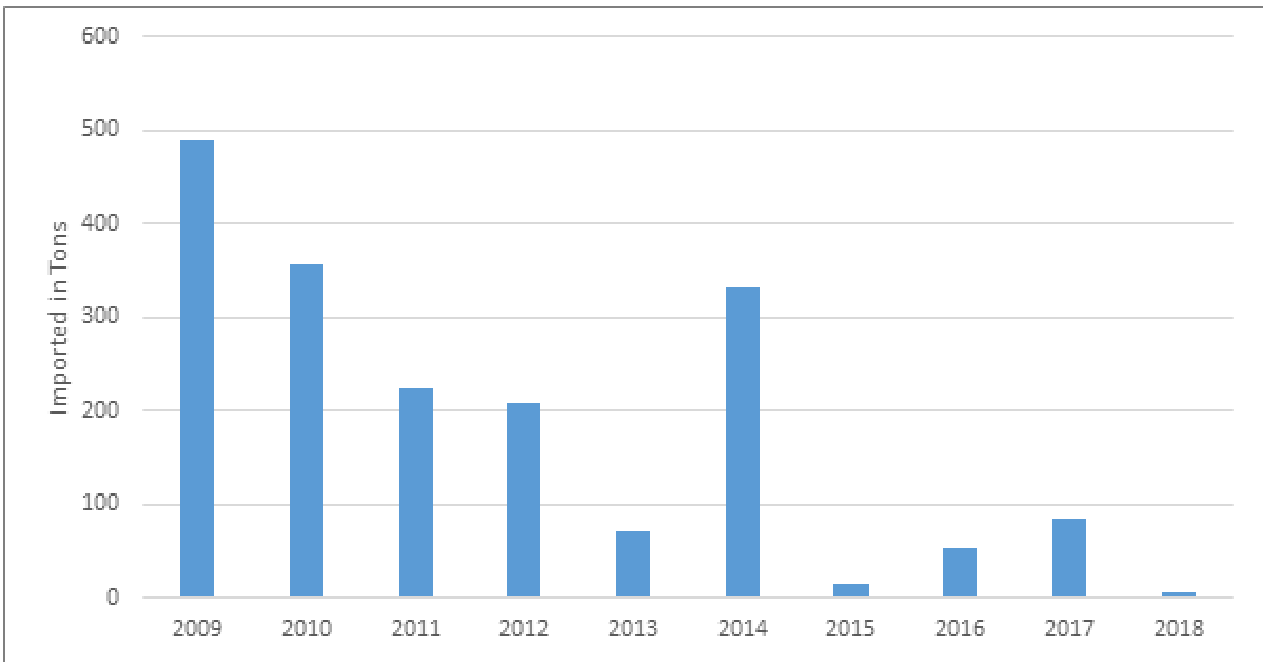

Figure 10: Africa's donkey meat import performance
Source: ITC (2019)

Conclusion

China continues to consume the majority of donkey meat and related meat; and this has resulted in a huge drop in donkey population. The Chinese are now exploring Africa for the supply of donkey meat. The lack of visibility of the donkey as a species in many governments' legal frameworks leads to a lack of ability to regulate the rapidly emerging slaughter trade. Alongside these national and regional constraints are those of the donkey owners themselves; donkeys are commonly owned by the most resource-limited and vulnerable communities with little voice or access to decision-makers at higher levels. Such marginalisation leaves these communities prone to unethical trading practices, theft and extreme market pricing. Most African countries have banned exports of donkey meat due to sustainability concerns.

Table Grape Companies Seals Deal to Export to Vietnam

The South African table grape company, in2fruit company has successfully sealed a deal to export its range of grapes to Vietnam. The company formed part of a twenty-two-member business delegation that showcased South African fresh produce and services during the three-day Fruit Logistica Asia Trade Show in Hong Kong. It is reported that the deal will provide a local company to venture the Vietnamese market as an export destination. Both South Africa and Vietnam government had already taken place on how to open the channels of exports between the two countries. "I know that there has been work done amongst the South African and Vietnamese governments, as well as the South African Table Grape Industry (SATI) in regards to the phytosanitary requirements.

Vietnam is still working on a permit system. The secured deal with Vietnamese, will see the South African company exporting between ten (10) and twelve (12) containers of grapes that is initially estimated to be worth R500 000, with the total deal projected to cost R6 million. It was further added that what was to follow this development was to ensure that they followed through with a premium product that will not only solidify this deal, but also help in cementing their reputation as a credible supplier in the highly competitive sector.

By DTI (http://www.thedti.gov.za/editmedia.jsp?id=5984)

Sugar industry in grip of a bitter crisis

Small-scale farmers, who are already struggling to stay afloat, face an even bleaker future as challenges deepen. The country's R14 billion sugarcane industry is in the grip of crisis and its emerging black farmers, thousands of workers and communities dependent on the sector are feeling the squeeze (ITAC). The SA Farmers Development Association (SAFDA) said there had been a significant decline in the number of small-scale sugarcane farmers – from around 50 000 in the early 2000s to below 20 000 today. "This means a number of rural households no longer have that [cane] income and tracts of land are lying fallow," said Ronda Naidoo, a Safda spokesperson. She cited the challenges facing all farmers – low sugar prices and the Health Promotion Levy on Sugary Beverages or sugar tax, which led to about 250 000 tons in loss in local annual sugar consumption. These pressures are likely to cause more job losses and further farmers to exit sugarcane farming.

The SA Canegrowers Association has predicted that sugar demand would fall again as drinks bottlers reformulated their products further to avoid the sugar tax, which is aimed at tackling obesity and diabetes. Naidoo said that Safda's members were more vulnerable than their commercial counterparts because they have "little to no financial buffers and do not have ready access to capital". She said other factors that had impacted the industry included sugar imports, which depressed the price of local sugar; the "lingering effects of the recent drought"; and higher input costs such as fertiliser as well as the increase in fuel prices, which saw petrol and diesel prices climb close to record highs in June.

By ITAC (http://www.itac.org.za/news-headlines/itac-in-the-media/sugar-industry-in-grip-of-a-bitter-crisis)

Hong Kong's Strategic Location Has Potential to Springboard SA Fresh Produce into South East Asia

The South African Consul-General in Hong Kong, Mr Madoda Ntshinga indicated that Hong Kong's strategic location and its ease of doing business laws have a potential to springboard South Africa's fresh produce and services into the entire South East Asia regional market. Fruit Logistica Asia is an annual trade show that focuses on the fresh, unprocessed fruit and vegetables produce sector and the related value chain. The trade show also offers the opportunity to establish new business contacts as it brings together key players from all over the world. More than 90% of Hong Kong relies on imports and this, he asserts, is an indication of there being high possibilities for South African companies showcasing at Fruit Logistica, especially in the fresh produce goods and services sector.

"In broad terms, Hong Kong is an important market as it serves as a transit route for trade in this region. It is amongst the biggest logistical hubs in this region and is also the financial hub where the head offices of most banking institutions are located. This magnifies Hong Kong's importance in terms of trade facilitation," he said. He also called on South African companies to identify niche markets that they could focus on and establish relations with local agents who will import the goods and distribute them in the Hong Kong market.

By DTI (http://www.thedti.gov.za/editmedia.jsp?id=5979)

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