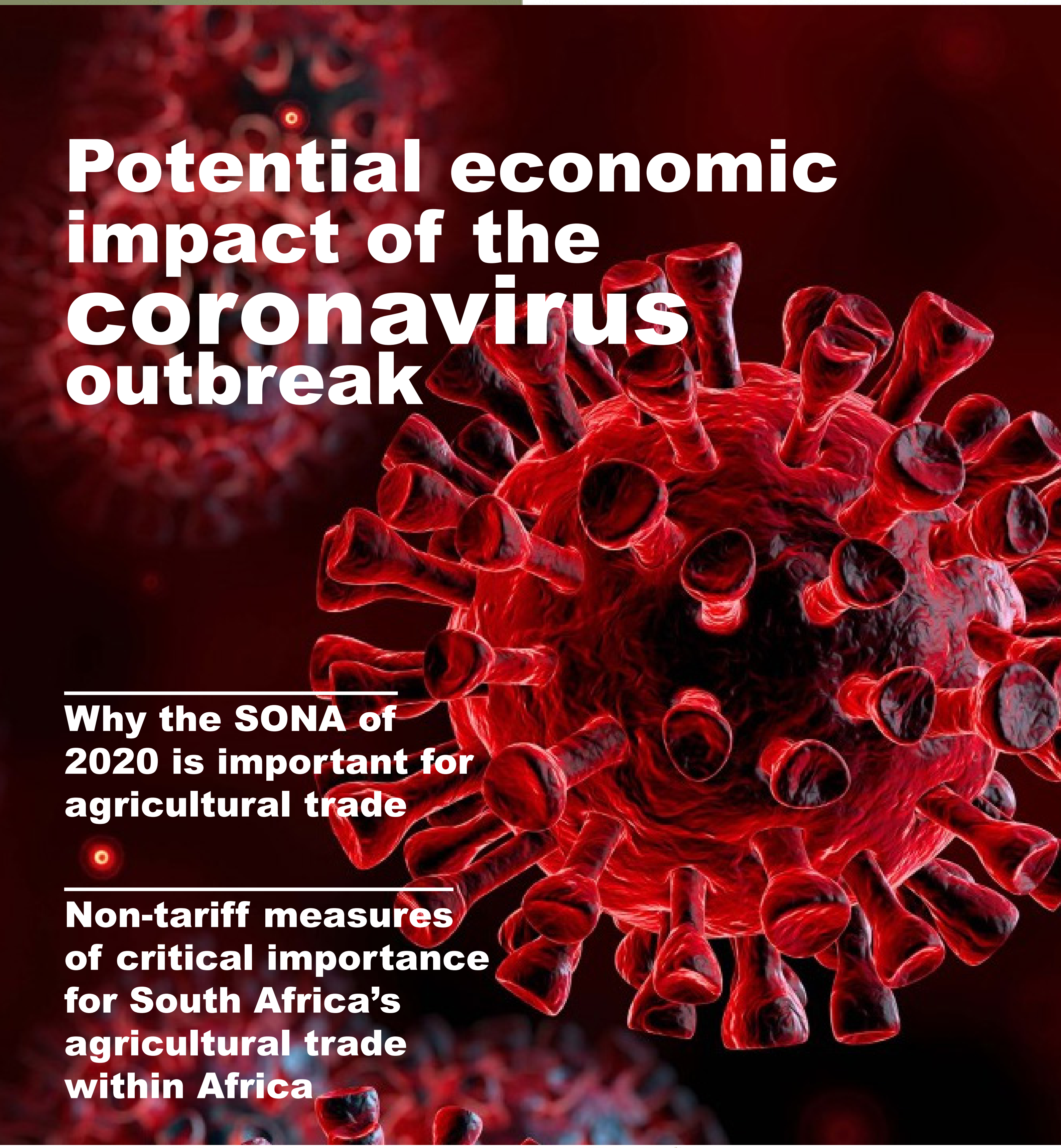
# TRADE PROBE



# Potential economic impact of the coronavirus outbreak

## Why the SONA of 2020 is important for agricultural trade

## Non-tariff measures of critical importance for South Africa's agricultural trade within Africa

agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

NAMC
Promoting market access for South African agriculture

# FOREWORD

Welcome to issue number 80 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 a detailed analysis of the general issues and opportunities that affect agricultural trade in South Africa and the region. This include, the potential economic impact of the coronavirus outbreak; the recent code of restricting marketing for alcoholic beverages; non-tariff measures of critical importance for South Africa's trade, and lessons learned from SONA 2020. The objective of the publication is to inform policymakers, producers, traders and other stakeholders about the market opportunities and potential products demanded in the local and international markets.

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# Why the State of the Nation Address of 2020 is important for agricultural trade

*By Onele Tshitiza*

The president of South Africa, Mr Cyril Ramaphosa, delivered the State of the Nation Address (SONA) in Parliament on Thursday 13 February. The president spoke of the challenges affecting the country, including the stagnant economy, power outages, gender-based violence against women, and youth unemployment. By recognising these challenges, the president's speech aimed to address employment issues, especially for the youth, while targeting structural reforms required to revive the economy. National policy plays a significant role in either an enabling or disabling environment for local trade, as well as cross-border trade. Where there are policies in place to support local producers and facilitate trade, local businesses' disposition in both the local and global markets may improve and be competitive, which will boost trade and the economy while creating employment opportunities.

## SONA's focus on agriculture

Agriculture relies heavily on energy and electricity, and the recent cases of load-shedding have had a negative knock-on effect on agricultural growth. The Council for Scientific and Industrial Research (CSIR) estimated that load-shedding robbed the economy of about R59 billion in 2019 and this could double if the incidence of load-shedding persists. The SONA speech raised the hopes of many businesses and municipalities when the president announced that the state would open up the energy sector to allow independent power generators and good-standing municipalities to produce and distribute their own renewable electricity. This is a critical subject because it affects all households and all businesses, including agriculture. Agriculture uses electricity across the value chain, from pumping water for irrigation, through to washing, sorting and packaging.

The president announced the finalisation of the Climate Change Bill in a bid to establish a low-carbon economy. This bill would help to manage the effects of climate change, which we have been experiencing in recent years. This is particularly important for agriculture because research shows that agriculture contributes 7 % to greenhouse gas emissions in South Africa. The whole agricultural industry will need to be prepared for such a policy change as it will require new investment in green technologies and a move towards Climate-Smart Agriculture (CSA). The Department of Agriculture, Land Reform and Rural Development, together with other stakeholders, is already championing this project. Investment in low-carbon technologies could bring more foreign investment into the country, build confidence, and support local producers who are adopting climate-smart technologies.

An equally important statement in the speech for agriculture was the issuing of water use licences, which the president said will now take 90 days to be issued, compared to taking years as was previously the case. This is a fundamental factor of production in the agricultural sector, where new entrants to farming previously struggled to gain licences to use water for their production activities. This will be helpful for farmers, especially for export-oriented farmers in the fruit and vegetable industries, which require an adequate and reliable water supply to produce good-quality exportable products.

The restoration of the Durban port is also a welcome investment, as large containers with agricultural goods are exported through that port, given that it is one of the busiest in the southern region. The Durban port is said to handle 80 million tons of cargo per annum. Wheat, maize, soybean meal, animal feed and wood chips are stored and exported through this port. However, in the past few years, the port has experienced delays which have led to economic losses for the country. The restoration of the Durban harbour will increase the capacity, shorten the time and hopefully include sophisticated systems which will allow for all products to be more easily transported.

The other good news is for the poultry industry, which the president said will set a new poultry import tariff adjustment to support local farmers. This comes after increased imports from the Americas contributed to stringent competition for the sector, whereby the industry claimed that frozen chicken meat cuts were driving prices down and leading to some 50 000 jobs losses. Imported volumes of Gallus domesticus increased by 20 % from Brazil and 212 % from the United States of America (USA) between 2014 and 2018 (ITC, 2020). An annual duty-free import quota of 65 000 tons of frozen bone-in chicken imports from the USA was imposed as an agreement between South Africa and the USA to manage imports. However, the poultry industry is still battling to cope with the competition. The average import tariff faced by the USA and Brazil in South Africa is 28.5 %, which is no different from most countries outside the Southern African Development Community (SADC) region.

Furthermore, the African Continental Free Trade Area (AfCFTA) Agreement came into effect this year, and discussions on tariff concessions are underway. The opening up of the African market is a massive opportunity for South Africa, given that Africa has one of the youngest and fastest growing populations in the world. South Africa exported 40 % of its agricultural products to the African region in 2018.

### Conclusion

The core of the SONA related to changing the growth trajectory of the economy by opening up the energy sector, reducing unemployment and improving the competitiveness of economic sectors such as agriculture and manufacturing through equitable access to land and water rights, and the restoration of infrastructure. The SONA also restated the importance of agriculture in growing the economy by providing the envisioned course of action to address the key challenges that the sector is facing. This will not only improve local production and trade, but will also improve the capacity to export across borders.

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# Non-tariff measures of critical importance for South Africa's agricultural trade within Africa

*By Moses Lubinga*

With the recent enactment of the African Continental Free Trade Area (AfCFTA) Agreement, expectations are high that intra-Africa trade will flourish. However, it is important to caution that the anticipation of intra-Africa trade blossoming should not be overestimated given that it will not come to fruition within a short timeframe due to several outstanding glitches, such as agreeing on tariff concessions and addressing issues pertaining to the Rules of Origin (RoO), among others. Tariff-related issues can ably be addressed within the medium term (3-5 years). In contrast, non-tariff-related challenges, including poor infrastructure, the unharmonised technical requirements for products, and the poorly co-ordinated trade protective measures across countries can only be adequately addressed in the long term (10 years and more).

This article provides insight into the key non-tariff measures (NTMs) affecting South Africa's agricultural trade performance within Africa. Particular attention is paid to technical barriers to trade (TBTs), sanitary and phytosanitary (SPS) measures and export-related measures. These measures were derived from official regulations implemented by countries across the continent. These NTMS are broadly categorised as SPS measures, TBTs, pre-shipment inspections, contingent trade protective measures, export-related measures, price control measures (including additional taxes and charges), and other restrictive measures including quotas, prohibitions, and quantity control other than TBT or SPS measures. South Africa's intra-Africa agricultural trade is highly characterised by a large number of TBTs, followed by SPS measures and export-related measures.

With regard to TBTs, Zimbabwe is the most restrictive with 407 technical requirements that must be met, followed by Mauritius (358 requirements) and Ethiopia (213 requirements), while Niger has registered one technical requirement. With regard to SPS measures, the most restrictive countries include Mauritius, Morocco, Zimbabwe, Algeria and Ethiopia in that order, each with more than 100 SPS requirements that must be met for agricultural products to gain access to these markets. The most affected products are live animals and products under HS codes 02 and 03, and to some extent products under HS code 22 (prepared foodstuff like beverages, spirits…). In the case of products with some form of agro-processing, the general aspects relating to the packaging materials used, the labelling on the packaging containers, the declaration of the additives used, and the minimum acceptable levels of certain types of chemicals such as melamine and phosphorus are critical.

In the case of export-related measures, Africa as a whole has 925 requirements that must be met. Still, Ethiopia accounts for the largest number (139) of export-related measures, followed by Cameroon (90 measures) and Tunisia (87 measures). Measures in this category are related to the prevention and control of animal diseases and the specifications of agricultural products, among others.

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In conclusion, TBTs impacting on intra-Africa agricultural trade are highest in “prepared foodstuff (beverages, spirits …)” followed by “vegetable products” while SPS measures are also highest in “prepared foodstuff” followed by “live animals and products” and “vegetable products”. Export-related measures are highest in “live animals and products” and “vegetable products”. Therefore, there is a need for the governments of African states to work closely with the private sector in agriculture to harmonise regulations across regional economic communities (RECs) and the continent at large to reduce non-tariff barriers (NTBs) to trade, as this will greatly foster smoother intra-Africa agricultural trade.

# The recent code of restricting marketing for alcohol beverages: What is the impact on the agricultural sector?

*By Fezeka Matebeni*

Alcoholic beverages (beer, wine and spirits) are some of South African's favourite drinks. Alcohol, in general, is an ancient drink accidentally discovered around 3200 BC by pre-agricultural cultures. The production of alcoholic beverages then required only the presence of a straightforward organic process of fermentation. Virtually all cultures have used these beverages through most of their recorded history. The importance of these beverages became central in the most valued personal and social ceremonies, such as initiations, marriages, feasts, medicine, worship, hospitality and peace-making, to name a few. For example, red wine in a religious perspective was and still is perceived by most Christians as symbolising the blood of life. Alcoholic beverages were also used as the best medicine available for some illnesses and especially for relieving pain.

## Attempting to control the illegal use or abuse of alcohol in South Africa

Around 31 % of the population (15 years and older) in South Africa consumes alcohol. The country is rated as one of the highest pure alcohol consumers in the world. Individuals use alcohol for various reasons – the majority of South Africa's drinkers see it as a relatively inexpensive, effective relaxant and as an important accompaniment. South Africa's drinking population consumes an average of 29.9 litres of pure alcohol per capita annually, with a daily intake of 64.6 grams of alcohol. Most South African citizens (56 %) consume beer, followed by wine (18.5 %) and spirits (17.8 %). One in every third man drinks beer traditionally in South Africa. Women drink much less (13.7 litres) alcohol than their male counterparts (37.5 litres).

The excessive and chronic consumption of alcohol is commonly known for its harmful effects. On 28 January 2020, Aware.org and its counterparts launched a restriction on the marketing of alcohol. There have been ongoing debates between the alcohol industry and the various national departments amidst proposed legislation that aims to restrict the marketing of liquor products, seeking to ensure that commercial alcohol communication is conducted in a manner which neither conflicts with nor detracts from the need for responsibility and moderation in liquor merchandising and consumption, and which does not encourage consumption by underage persons. This code complements the regulatory requirements that already exist in South Africa. One of the regulations is the Liquor Act (Act 59 of 2003), which regulates the distribution of alcoholic beverages on a wholesale level by registering/ licensing manufacturers and distributors. Such regulations are in place to regulate the legal and responsible consumption of alcohol.

## How will this restriction on the advertising of alcohol affect the agricultural sector?

The production of alcoholic beverages is primarily sourced in various crops (grains and horticulture).

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The new restriction on the advertising of alcohol might cause a reduction in sales of alcohol, mainly in the local retail outlets (e.g. shebeens, taverns and shisanyama establishments). However, this might not have a significant impact on the industry as a whole. South Africa has a relatively open international trade market for alcohol. In particular, South Africa exports a great deal of wine to Europe. South Africa also has significant trade links with its neighbouring countries, especially Namibia. It is noteworthy that South Africa imports small quantities of alcohol from neighbouring countries. The only exception is Namibia, from where South Africa imports large quantities of alcohol, mainly beer, to meet the local demand. This means that alcohol will be available and accessible in the right targeted markets. In general, the agricultural sector will not be affected by this new development. I also believe that there are more opportunities to be unlocked in this industry. However, the promotion of alcohol-free or non-alcoholic beverages may not create the same demand as alcoholic beverages due to different tastes and preferences and its use for recreational purposes.

## Conclusion

Alcoholic beverages are intended to be consumed for recreational purposes during celebrations, but in many instances, alcohol has been and continues to be abused. In a nutshell, this new code for responsible alcohol consumption will have a minimul effect on agriculture production and other related industries. The shift to non-alcoholic or alcohol-free beverages will not happen overnight, but will serve a valuable purpose in future, especially for the coming generation.

# Potential economic impact of the coronavirus outbreak: South Africa's wool exports

*By Lucius Phaleng*

Coronaviruses were identified in the mid-1960s and are known to infect humans and a variety of animals. Since 2002, two coronaviruses infecting animals have evolved and caused infections in humans. Recently, China experienced a coronavirus (CoV) outbreak which was first reported by the World Health Organization (WHO) on 31 December 2019. Coronavirus is a large family of viruses that cause illnesses ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). CoV can be transmitted between animals and people and it can give rise to a variety of symptoms in different animals. Some strains cause diarrhoea in livestock such as pigs and turkeys, among others. The coronavirus affects the agricultural sector, especially the livestock sub-sector, because animals are also affected. This article is motivated on the fact that there is an expectation that the coronavirus outbreak could disrupt trade by China's trading partners, and its aim is to analyse the possible impact of coronavirus from South Africa's perspective.

Globally, China is one of the main contributors to the global economy and trade; therefore, its contribution is beneficial to all countries. Approximately 16 % and 15 % of the worldwide gross domestic product (GDP) and manufacturing output respectively are a contribution from China. South Africa and China have been working together to expand trade relations, and these, to some extent, have led to increased trade between these two countries. China is the top importer from and top exporter to South Africa and is considered the fastest growing trading partner. In 2019, South Africa exported about R136 billion worth of agricultural products to the world market, 5.8 % of which was imported by China. Figure 1 highlights China's demand for agricultural products from South Africa and globally. China's demand for agricultural products from both South Africa and the world has been growing. However, South Africa has shown negative growth, due to a decline in South Africa's exports of wool, nuts and sugar cane as the most demanded commodities.

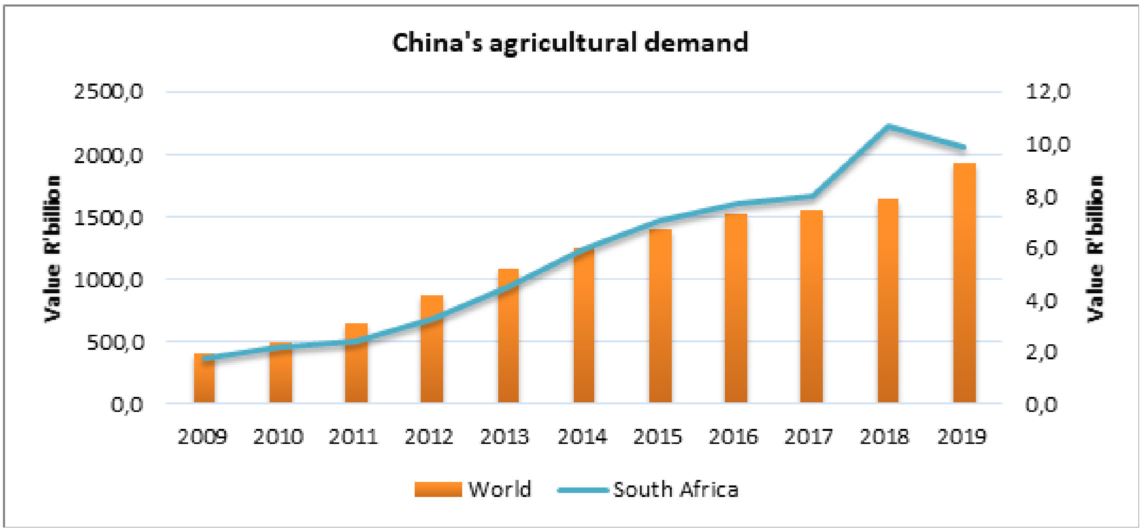


**Figure 1**: China's agricultural demand from global markets and South Africa
Source: TradeMap (2020)


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The coronavirus pandemic has suddenly become a serious concern to the economies of China, South Africa and the world. The global economic impact of Covid19 is expected to be substantially more significant than that of SARS, primarily because China has gone from being a small player in the global economy in the 2000s to an economic powerhouse today. According to the World Trade Organization (WTO), the outbreak of coronavirus is set to further weaken global trade growth. Therefore, the coronavirus is expected to reduce real worldwide GDP, and the demand for exports might decline. Countries that are heavily dependent on imports from China will be profoundly impacted. According to the World Bank, South Africa's economic growth forecast is below 1 % for the year 2020. The initial forecast was 1.4 %, but this was later reduced to 0.9 % growth due to electricity issues. Therefore, there is an expectation that the CoV outbreak might reduce South Africa's real GDP due to the belief that China might reduce demand for exports.

Figure 2 highlights the agricultural products that China mainly imports from South Africa, the demand for which might be affected by the coronavirus. South Africa must plan for alternative markets for these products in the event of global trade being affected. China is the sixth-largest importer of South Africa's agricultural exports, accounting for about 5.76 %. Additionally, South African exporters need to redirect their agricultural exports to other competitive markets such as the Netherlands, Botswana, Namibia, the United Kingdom (UK) and Mozambique.

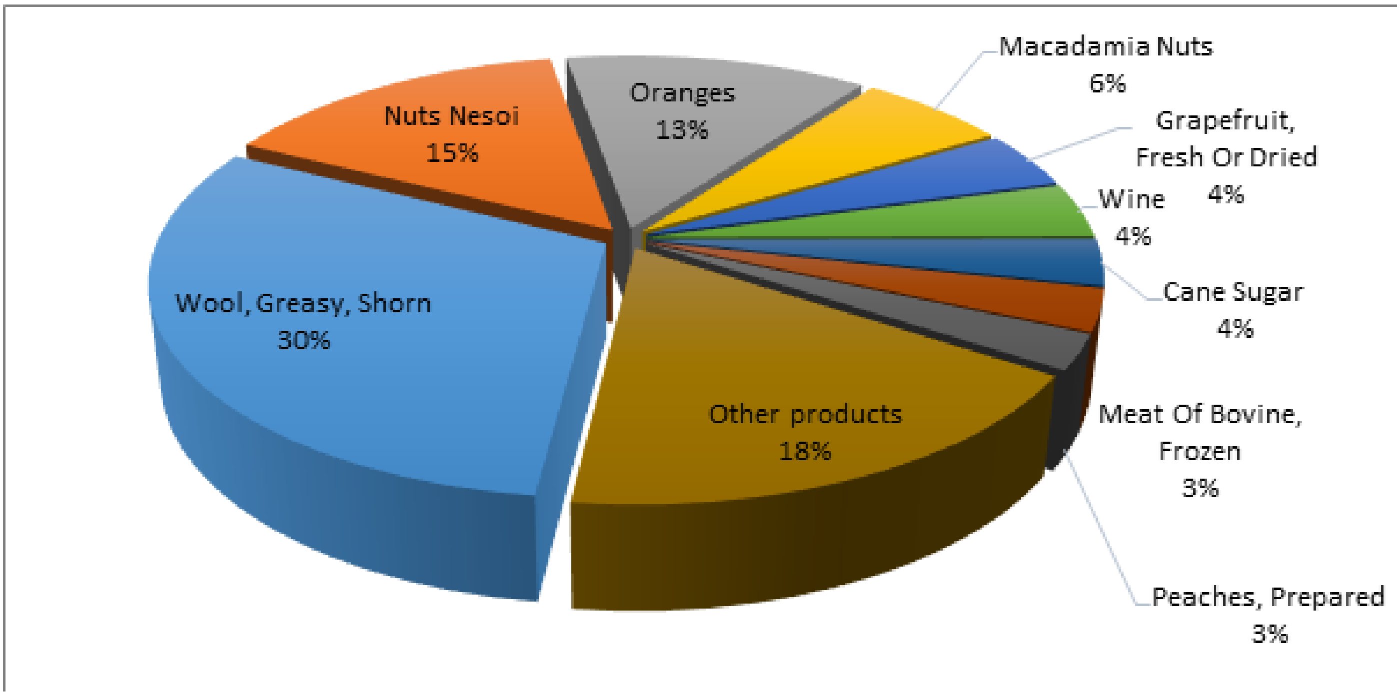


**Figure 2: China's agricultural imports from South Africa by product**
**Source: TradeMap (2020)**

In conclusion, the coronavirus outbreak poses uncertainties for the global trade of agricultural products and there is fear among trading countries of the further spread of the virus. South Africa has already faced challenges such as drought and foot-and-mouth disease (FMD), which affected agricultural production and exports. The coronavirus outbreak will likely have an adverse economic impact. The troubled Chinese economy will result in the decline of South Africa's agricultural exports, which might affect the local economy. It is important to explore potential markets that South Africa can consider in case Chinese imports are negatively affected.

# Global and local trade performance of frozen chicken (HS: 020712)

*By Zosuliwe Kala*

## Introduction

The poultry industry is a vital subsector within South African agriculture, contributing more than 16 % to the agricultural gross value-added. Poultry meat remains the primary affordable protein source for many South African consumers as opposed to pork, beef and mutton.

South Africa is unable to produce sufficient quantities of broiler meat to satisfy the demand. Since 2010 the industry has been struggling to recover from the rising feed costs. The growth in chicken consumption has been addressed through increased imports rather than domestic production. As a result, the poultry industry is faced with numerous challenges that constrain its competitiveness and growth potential. The primary difficulties pertaining to the industry are rising feed costs, import penetration, rising electricity tariffs, access to reliable supply, exchange rate fluctuations, and access to finance. Currently, the poultry industry is struggling to remain competitive, with large quantities of chicken meat being dumped in the market by other countries at prices far below the cost of local production. Brazil is by far the largest supplier of poultry products to South Africa. Imports of poultry have also been reported as a major source of risk for local producers.

## Global trade overview of frozen chicken

Table 1 below shows the world's leading exporters of frozen chicken between 2009 and 2018 measured in thousand tons. Global exports showed a negative growth rate of 6 % between 2009 and 2018. Furthermore, data reveals that Brazil is the largest exporter of frozen chicken globally, and exported 1109 thousand tons in 2018, owning a share of 55 % in the world's exports. Turkey, France, Ukraine and Poland had a share of 13 %, 6 %, 5 % and 3 % respectively. Of the top 10 leading exporters, five experienced a negative growth rate. Nevertheless, Russia showed the highest positive growth rate of 2313 %, followed by Ukraine (1038 %), Poland (563 %), Turkey (359 %), and then Spain at 138 %. It can be noted that there were no African countries amongst the top 10 leading exporters of frozen chicken. South Africa is a small player in the world market and was ranked 14th in the world's exports of frozen chicken with a global share of 1 % in 2018.

**Table 1: World's leading exporters of frozen chicken, 2018**

| | Exported volumes in '000 Tons | | Share (%) | Growth rate (%) |
|---|---|---|---|---|
| **Exporters** | **2009** | **2018** | **2018** | **2009-2018** |
| **World** | **2119** | **2002** | **100** | **-6** |
| Brazil | 1398 | 1109 | 55 | -21 |
| Turkey | 58 | 266 | 13 | 359 |
| France | 206 | 123 | 6 | -40 |
| Ukraine | 8 | 91 | 5 | 1038 |
| Poland | 8 | 53 | 3 | 563 |
| Argentina | 94 | 43 | 2 | -54 |
| Netherlands | 45 | 36 | 2 | -20 |
| Spain | 13 | 31 | 2 | 138 |
| Belgium | 30 | 30 | 2 | -0.6 |
| Russia | 1 | 24 | 1 | 2313 |

Source: TradeMap (2020)

The world's imports of frozen chicken have increased over the past few years. Table 2 shows the world's leading importers of frozen chicken between 2009 and 2018 measured in thousand tons. The world's imports increased from 1791 to 2106 thousand tons, representing a positive growth rate of 17 %. Saudi Arabia was the largest importer of frozen chicken amounting to 446 thousand tons, accounting for a share of 21 % in 2018. Iraq has been ranked as the second-largest importer of frozen chicken with a share of 12 %, followed by the United Arab Emirates (UAE) (10 %), South Africa (8 %), Angola and Kuwait both with a 5 % share, Yemen (4 %), and Libya, Oman and Qatar with a share of 3 %. South Africa showed the highest positive growth rate of 706 % in the period between 2009 and 2018. This can be associated with the fact that chicken is the first choice of meat for many South Africans, coupled with the fact that the domestic supply does not sufficiently meet the demand.

**Table 2: World's leading importers of frozen chicken, 2018**

| | Exported volumes in '000 Tons | | Share (%) | Growth rate (%) |
|---|---|---|---|---|
| **Importers** | **2009** | **2018** | **2018** | **2009-2018** |
| **World** | **1792** | **2106** | **100** | **17** |
| Saudi Arabia | 494 | 446 | 21 | -10 |
| Iraq | 0 | 248 | 12 | 100 |
| UAE | 0 | 207 | 10 | 100 |
| South Africa | 22 | 178 | 8 | 706 |
| Angola | 41 | 96 | 5 | 134 |
| Kuwait | 67 | 95 | 5 | 42 |
| Yemen | 108 | 91 | 4 | -16 |
| Libya | 0 | 68 | 3 | 100 |
| Oman | 129 | 65 | 3 | -50 |
| Qatar | 371 | 53 | 3 | -86 |

Source: TradeMap (2020)

## South Africa's trade overview of frozen chicken

Although South Africa has a negative trade balance on poultry meat, the country exports some poultry meat mostly to SADC member countries. Figure 3 shows the share of leading importers of South Africa's frozen chicken. Mozambique was the largest importer of frozen chicken in 2018 with a share value of 29 %, followed by Lesotho (16 %), Botswana and Namibia both at 13 %, Eswatini and Zambia both at 9 %, Zimbabwe (8 %) and the Democratic Republic of Congo (DRC) at 3 %.

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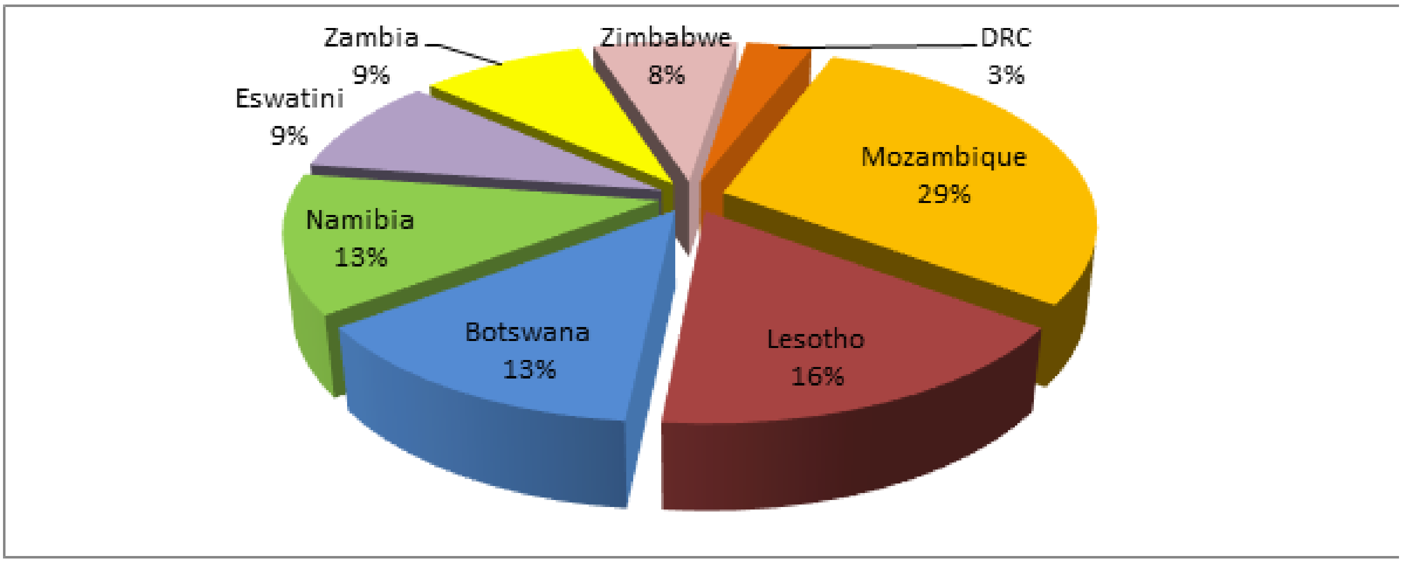



Figure 3: South Africa's main export destinations for frozen chicken, 2018
Source: TradeMap

Figure 4 below illustrates the share of South Africa's leading suppliers of frozen chicken. South Africa imported 1778 tons of frozen chicken in 2018, with Brazil being the maian supplier accounting for an 86 % share of all frozen chicken. This is associated with the fact that Brazil produces large volumes of cereal grains and oilseeds, thereby reducing the cost of feeds used for poultry farming. In addition, poultry farming is subsidised by the Brazilian government. However, Argentina and Thailand increased exports to South Africa in the absence of many European Union (EU) nations, with a share of 6 % and 4 % of imports respectively, followed by Ireland (2 %), Denmark and Poland owning a share of 1 %.

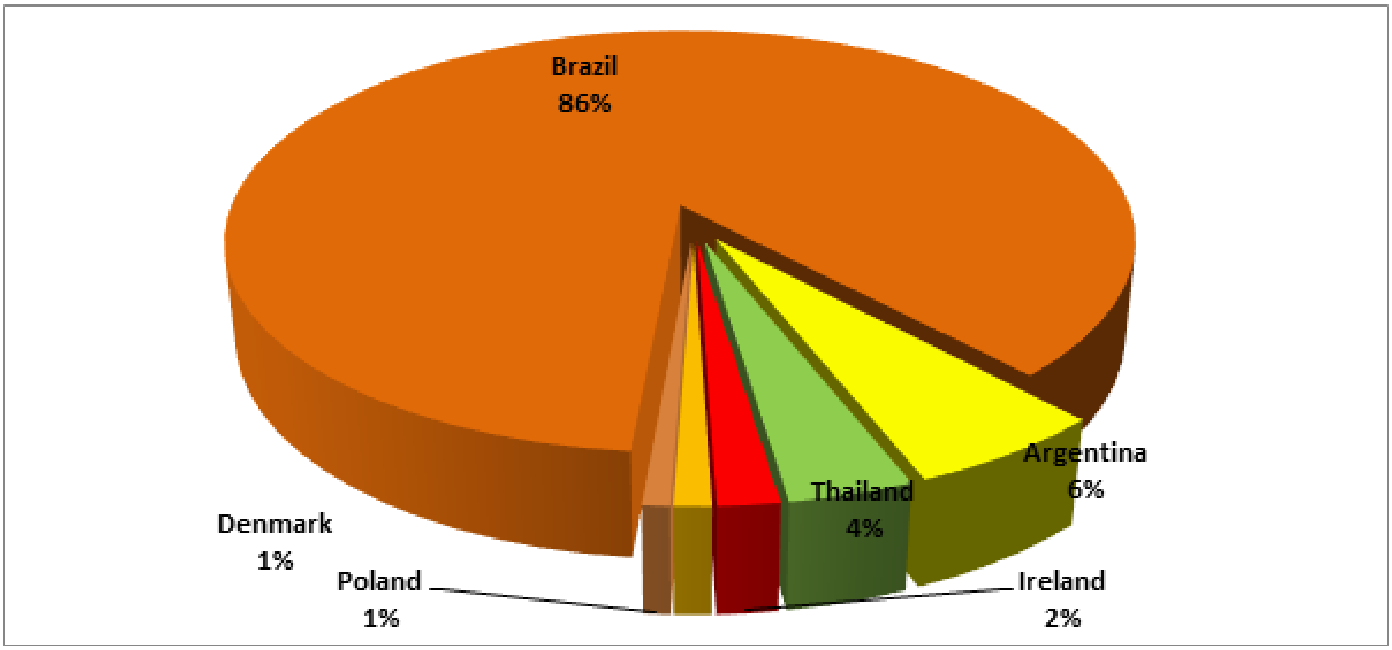


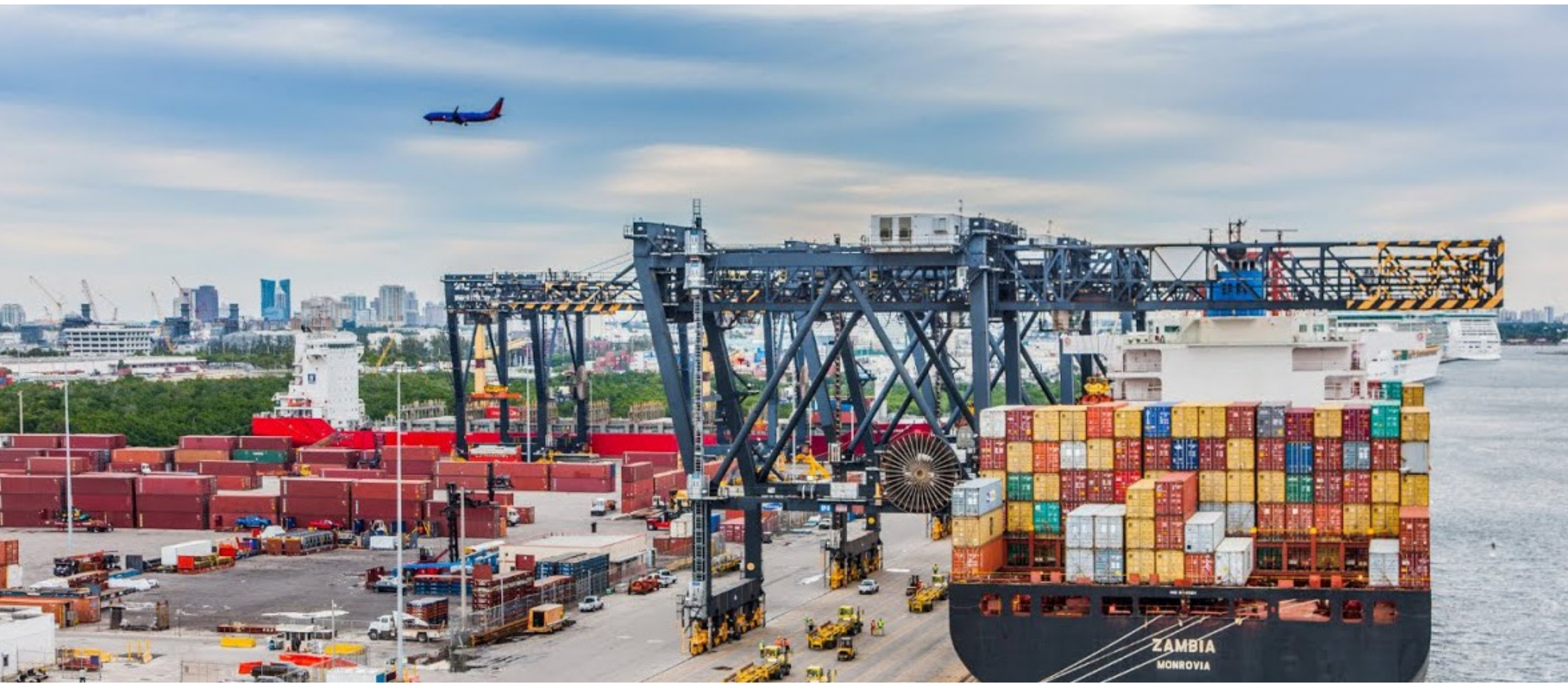

Figure 4: South Africa's leading suppliers of frozen chicken, 2018
Source: TradeMap

## Conclusion

In a global context, South Africa's poultry industry is struggling to remain competitive. The sector came under pressure with the extension of the African Growth Opportunity Act (AGOA) in 2015 from the USA. Poultry producers have been under pressure for some time following significant increases in the prices of poultry feeds, which account for approximately 70 % of broiler production costs. The industry is experiencing high fluctuations in production costs due to exogenous factors such as climate change, which manifested in the form of the recent drought. Also, the fluctuation in the South African exchange rate makes it difficult for producers to do proper planning. As a result, South Africa is not producing enough to meet the demand, hence, the country is a net importer of frozen chicken. Brazil remains South Africa's leading supplier of frozen chicken.

# South Africa's plum market and opportunities in the United Kingdom (UK)

*By Mr Thabile Nkunjana*




The South African deciduous fruit industry needs no introduction to the global market, as it is export oriented in the setting. The sector is made up of table grapes (31 %), apples (28 %), pears (15 %), peaches (11 %), plums (7 %), apricots (5 %), nectarines (3 %) and cherries (Theron, 2013). Fruit consumption varies from country to country depending on various factors, including the buying power. Generally, lower- and middle-income countries like South Africa consume fewer fruits compared to high-income countries. This is not necessarily because they cannot produce fruits, but because consumers tend to prioritise staple crops. Developed countries in Europe and the United Kingdom (UK), for example, consume higher quantities of fruits, thus demanding more, possibly because vast quantities of fruit are processed, leaving a smaller proportion for consumption as fresh fruits. South Africa's fruit exports are mainly in their unprocessed state or dried, while low volumes are processed and exported. The UK is the leading market for South Africa's plum exports and for that reason, this article seeks to explore market opportunities for plums exported by South Africa to the UK. Competitors are analysed and compared in terms of market share, growth rate and quantity.

## Global overview of plums and sloes

For countries to remain competitive in this highly globalised market, they must continuously monitor the overall global market changes and position themselves accordingly. Table 3 below presents the leading plum- and sloe-exporting countries across the globe for the period 2010 and 2018. Data from the ITC shows that global exports more than doubled between 2010 (R5 billion) and 2018 (11.1 billion) growing at a rate of 121.6 % over that period. Chile is in the lead, boasting a share value of 20.5 %, representing a growth rate of 174.6 %. In second place is Spain, followed by South Africa,

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Hong Kong, and the United States of America (USA), having a global share value of 12.1 %, 10 %, 9.1 % and 7.2 % respectively. To show that the worldwide demand for plums and sloes has increased, all the top eight exporting countries report increased exports above 60 % except for USA exports, which grew at a rate of 39.1 %. China's growth rate increased by close to 1300 % from 2010 to 2018.

**Table 3: World's leading plum and sloe exporters**

| Exporters | Exported value in 000 (R) | | Share in value (%) | Growth rate (%) |
|---|---|---|---|---|
| | 2010 | 2018 | 2018 | 2018 |
| World | 5,034,995 | 11,159,894 | 100 | 121.6 |
| Chile | 832,937 | 2,287,593 | 20.5 | 174.6 |
| Spain | 829,956 | 1,347,695 | 12.1 | 62.3 |
| South Africa | 443,270 | 1 116 602 | 10 | 151.9 |
| Hong Kong, China | 185,836 | 1 012 839 | 9.1 | 445.0 |
| USA | 578,849 | 805 194 | 7.2 | 39.1 |
| Italy | 442,286 | 761 179 | 6.8 | 72.1 |
| Netherlands | 348,767 | 628 424 | 5.6 | 80.1 |
| China | 38,007 | 530 546 | 4.8 | 1295.9 |

Source: ITC (2020)

Table 4 presents the major importers of plums and sloes. China tops the list with a global market share to the value of 4.1 %, representing a growth rate of 581.0 % between 2010 and 2018. Notably, China's growth rate is close to five times the global growth rate (129.5 %). China is followed by Hong Kong, the Netherlands, the UK and Germany, with a market value share of 5.4 %, 8.6 %, 11.4 % and 6.5 % respectively. The UK registered a 35.7 % growth rate amongst the top eight importers, but it has the biggest share value in the world. Russia has the second biggest market share in terms of value, but its growth rate is rather low (29.9 %). South Africa's plum exports to Russia have noticeably been increasing. The USA has a market share value of 6.5 %.

**Table 4: World's leading plum and sloe importers from 2010 to 2018**

| Importers | Imported value in 000 (R) | | Share in value (%) | Growth rate in value (%) |
|---|---|---|---|---|
| | 2010 | 2018 | 2018 | 2018 |
| World | 5,563,440 | 12,768,767 | 100 | 129.5 |
| China | 227,196 | 1,547,295 | 4.1 | 581.0 |
| Hong Kong | 298,684 | 1,331,330 | 5.4 | 345.7 |
| Netherlands | 478,916 | 876,818 | 8.6 | 83.1 |
| United Kingdom | 634,471 | 861,058 | 11.4 | 35.7 |
| Germany | 481,248 | 837,570 | 8.7 | 74.0 |
| USA | 360,114 | 745,274 | 6.5 | 106.9 |
| Russia | 570,467 | 741,193 | 10.3 | 29.9 |
| Brazil | 236,255 | 510,415 | 4.2 | 116.0 |

Source: ITC (2020)

South Africa's plum and sloe exports are global in reach and Table 5 below presents the top market destinations between the years 2010 and 2019. The Netherlands and the UK are the two major markets for South African plums and sloes with a market share of 34.7 % and 19.9 % in value terms respectively, with the Netherlands growing at 105.3 % and the UK at 62.6 %. However, the United Arab Emirates (UAE) and the Russian Federation are currently proving to be promising markets for SA's exports. Of course, in terms of share value, the Russian Federation is considerably lower, but its growth rate (1668.5 %) is mouthwatering with only a 5 % tariff applied. The UAE is also offering some room for exports and it can reach second place with a rate of 328.4 %, with the share value of South African plum exports having grown considerably compared to the 62.6 % of the UK and the 104.0 % of the Netherlands. Additionally, a preferential tariff of 0 % for plums from South Africa to the UAE is applied.

**Table 5: South Africa's leading market destinations for plums and sloe from 2010 to 2019**

| Importers | Exported value in 000 (R) | | Share in value (%) | Growth rate in value (%) |
|---|---|---|---|---|
| | 2010 | 2019 | 2019 | 2019 |
| World | 443,270 | 904,528 | 100 | 104.0 |
| Netherlands | 152,727 | 313,561 | 34.7 | 105.3 |
| UK | 110,428 | 179,635 | 19.9 | 62.6 |
| United Arab Emirates | 29,954 | 128,354 | 14.2 | 328.4 |
| Russian Federation | 2,361 | 41,755 | 4.6 | 1668.5 |
| Saudi Arabia | 19,393 | 37,295 | 4.1 | 92.3 |
| Malaysia | 11,602 | 31,262 | 3.5 | 169.4 |

Source: ITC (2020)

Global market access depends on various factors, from trade agreements to colonial ties, and these vary across the globe. Figure 2 below presents the top plum- and sloe-exporting countries to the UK from the year 2015 to 2019. South Africa's main exporting competitor for the UK market is Spain and Italy to a certain extent. Spain exported 16 969 tons in 2015 and 18 838 tons in 2016 compared to 14 301 tons in 2015 and 14 900 tons in 2016 for South Africa. In 2017 South Africa surpassed Spain's exports for the first time since 2004 and exported 15 376 tons compared to 14 739 tons for Spain and it has since remained the biggest plum and sloe exporter even though Spain closed in during 2019. Chile is a notable exporter and it has a preferential trade agreement with the UK, with 0 % tariff applied to its exports. Germany also exports plums and sloes to the UK, but it is not a strong contender within the UK market, although it is gradually increasing.

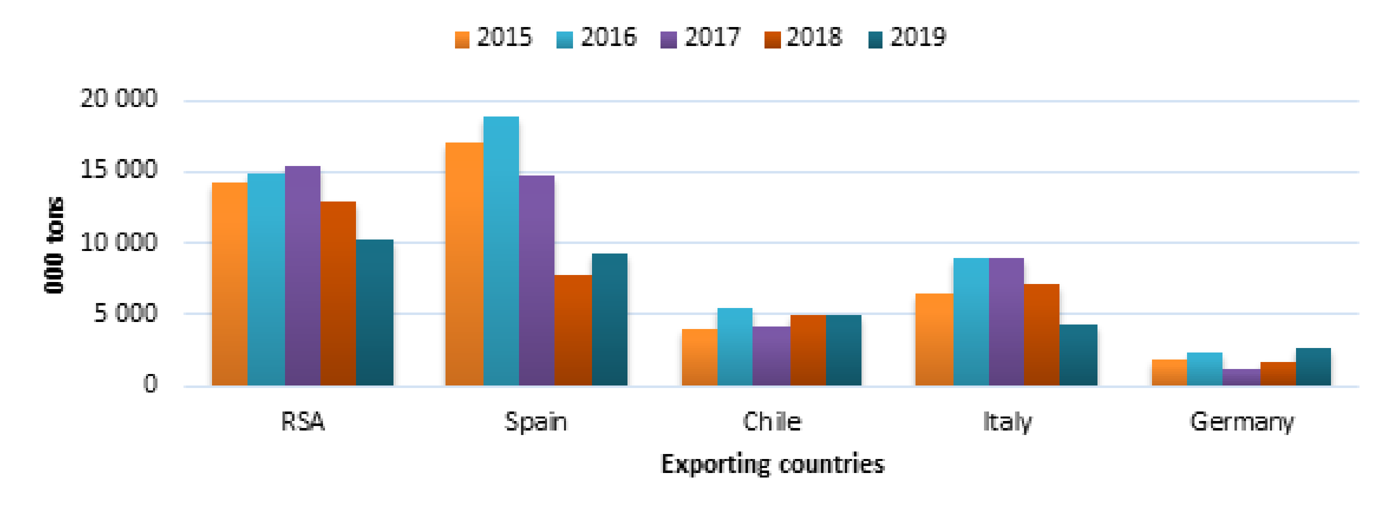


Figure 5: Leading plum- and slo- exporting countries to the UK between 2015 and 2019

Source: ITC (2020)

## Concluding remarks

South Africa has enjoyed a reasonably reliable market in the UK over the years. The consistency in the market share shows this fact and the rate at which it has grown in value with exported quantities over the years. However, drought persistence in South Africa might prove costly in future as consistency in supply is very important. Spain and Italy are proving to be regular competitors for the UK market with distance proximity in their favour. South Africa needs to avoid this where possible. Chile has a preferential trade agreement with the UK and a 0 % tariff is applied to its exports, the same as South Africa.

In contrast, for Spain, Italy and Germany the EU 0 % rate applies until the end of the year because of Brexit – until the EU and UK can resolve their trading issues, with implementation possibly coming into effect in the next marketing season. South Africa has a marginal advantage over Chile when it comes to distance, but deteriorating infrastructure in South Africa is quickly becoming a concern. For now, South Africa still holds its position firmly in the UK while expanding its footprint across the globe.

# Berry (HS 081040) market trends and opportunities

*By Zosuliwe Kala*

### Introduction

Berries such as cranberries and blueberries have been labelled as superfoods with numerous health benefits, improving the demand globally as they are rich in fibre, vitamin C and flavonoids. Other health benefits include reduced belly fat, improved blood sugar control, increased body mass, prevention of heart disease, cancer and other chronic diseases, lowered blood cholesterol, reduced inflammation, improved memory, balance and eyesight, and prevention of urinary tract infections. Last year during the agribusiness transformation conference of the African Farmers' Association of South Africa (AFASA), Minister Thoko Didiza emphasised identifying new markets and expanding markets for our agricultural goods through achieving economic growth, unlocking job creation and bringing about transformation in the economy.  Hence this article seeks to explore market trends and opportunities for the berry industry, particularly blueberries.

### Global perspective on blueberries

Due to increasing demand, the supply volumes for cranberries and blueberries are growing. As a result of changing global consumption patterns, improving technology, and expanding production, cranberries and blueberries are fast becoming popular in the global markets. Global trade in cranberries and blueberries increased by 46 % between 2015 and 2018. A total of 5.4 million tons of cranberries and blueberries were exported in 2018. Figure 5 depicts the world's leading exporters of cranberries and blueberries measured in tons. Chile was the largest exporter of cranberries and blueberries, constituting 21 % of the world's berry exports as of 2018, followed by Canada (19 %) and Peru (13 %). The other countries that made it to the top of the list of leading exporters were Spain (11 %), the United States of America (USA) (7 %), the Netherlands (6 %) and Mexico (4 %). South Africa was ranked number 12, contributing 1 % to the world's berry exports.

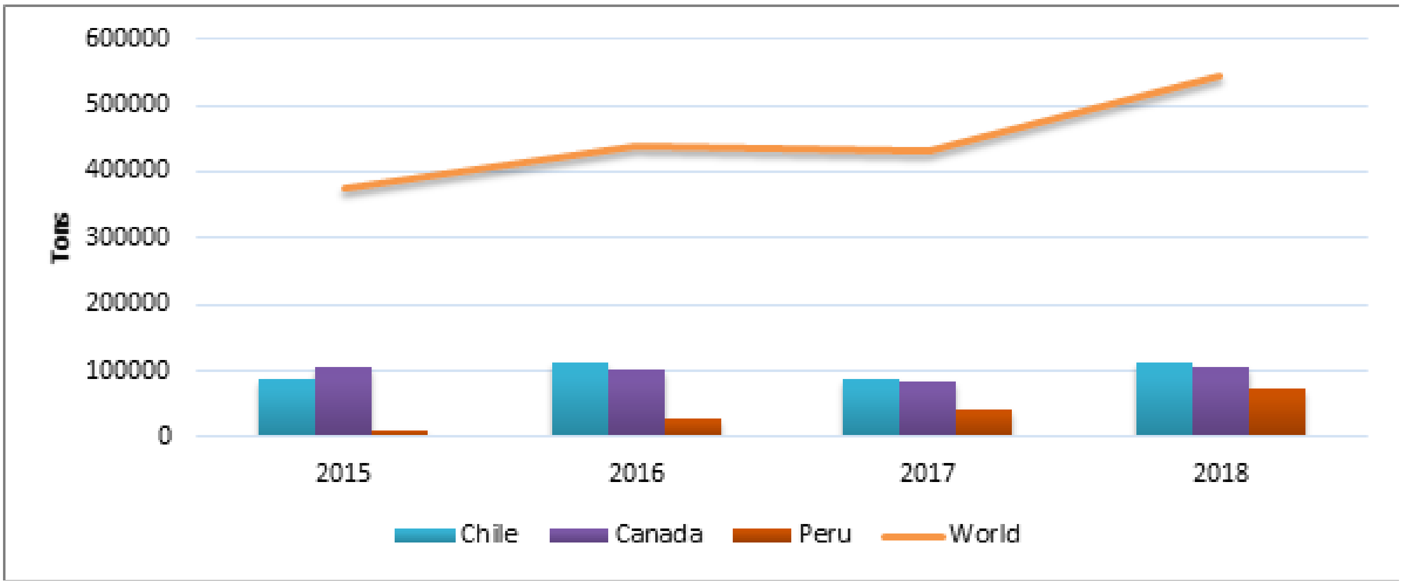


Figure 6: World's leading exporters of cranberries and blueberries, 2015 - 2018
Source: TradeMap (2020)

Berries are also fast-growing and high-value products in the global fruit market. Table 4 below illustrates the leading importers of cranberries and blueberries between 2014 and 2018. The imports of blueberries increased significantly by 197 % between 2014 and 2018. The world value of imports amounted to R560 million as of 2018. The USA was ranked as the leading importer of berries, accounting for a 45 % share, followed by the UK (9 %), the Netherlands (8 %), Canada (8 %), Spain (3 %), China (3 %), Hong Kong (2 %), France (2 %), and Poland (2 %).

**Table 6: World's leading importers of cranberries and blueberries**

| Importers | Exported volumes in tons | | Share (%) | Growth (%) |
|---|---|---|---|---|
| | 2014 | 2018 | 2018 | 2014-2018 |
| World | 189 | 561 | | 197 |
| United States of America | 102 | 252 | 45 | 148 |
| United Kingdom | 12 | 48 | 9 | 303 |
| Netherlands | 3 | 43 | 8 | 1 141 |
| Canada | 39 | 43 | 8 | 11 |
| Germany | 6 | 43 | 8 | 651 |
| Spain | 1 | 17 | 3 | 2 569 |
| China | 0 | 15 | 3 | 3 811 |
| Hong Kong, China | 1 | 13 | 2 | 2 122 |
| France | 2 | 10 | 2 | 469 |
| Poland | 1 | 8 | 2 | 667 |

Source: TradeMap (2019)

## South Africa's exports of cranberries and blueberries

South Africa's berry industry is export oriented with almost half of the berries destined for the international markets. Out of all the different berries grown in South Africa, blueberries dominate the market and comprise 74 % of the area planted. Over the last 10 years, fresh blueberries from South Africa have gained popularity in international markets due to their outstanding high quality. As a result, South Africa was ranked number 12 amongst the world's leading exporters. It is worth noting that cranberry and blueberry production has experienced exceptional growth in the past few years and this is reflected in the growth of South Africa's cranberry and blueberry exports. As such, in 2019 a total of 13 064 tons of cranberries and blueberries produced in South Africa were exported, translating into a 62 % growth rate as compared to the previous season. Figure 7 highlights the export destinations for South Africa's cranberries and blueberries measured in tons. The UK has always been a growing and important export market destination for South Africa's cranberries and blueberries, commanding a 44 % share, followed by the Netherlands (32 %), Germany (9 %) and Ireland (3 %).

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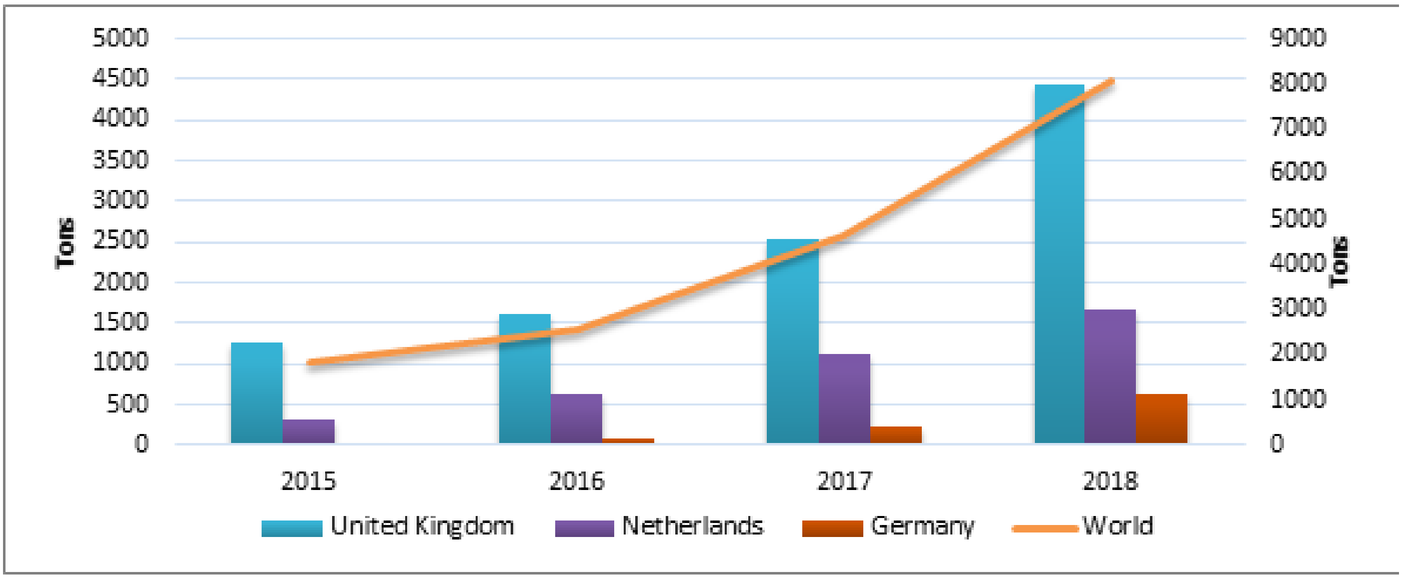


Figure 7: World's leading importers of South Africa's cranberries and blueberries
Source: TradeMap (2020)

## Conclusion

South Africa's berry industry should further diversify its export markets as the demand for the product keeps on increasing. On the other hand, blueberries can be grown in most parts of the country, coupled with the fact that South Africa produces blueberry varieties that are highly in demand in China. The shorter transit to China as compared to South American countries exporting their products to China presents an advantage for South Africa. South Africa does not have access to the major consuming markets like China and Korea. Therefore, market access strategies should consider the berry industry as a priority and take advantage of this booming market while creating jobs in the process.

# Gulfood is a Valuable Source of Trade Leads for SA Companies

The Marketing Manager of Fresh Produce Exporters' Forum (FPEF), Ms Marletta Kellerman says the Gulfood exhibition is a source of valuable trade leads that can assist the South African companies to pursue further export opportunities in the Middle East. Kellerman was speaking on the sidelines of the Gulfood exhibition taking place in Dubai, United Arab Emirates. FPEF is a voluntary, non-profit organisation with more than 140 members, accounting for about 90% of fresh fruit exported from South Africa. FPEF members consist of fruit and vegetable exporters, producer-exporters, export and marketing agents, pack houses, logistics and other service providers. The Forum role is to provide leadership and services to our members, the international buying community and the fresh produce export industry as a whole," said Kellerman. According to Kellerman, the Middle East is an important market for the industry and is also important for the South African fresh fruit and vegetable industry to have a strong presence in the Gulfood as all their competitors are attending the show. "Due to strong competition in the Middle East it is important to have the industry present at this show and not to miss out on any opportunities offered by this platform. Our driving force is to promote the South African fresh fruit and vegetable industry and our members at Gulfood Dubai," added Kellerman. She emphasised that the FPEF was a pivotal link between government and the industry regarding market access and related matters. She said more than anything, the FPEF intended to create value for its members to help ensure a profitable, sustainable and globally competitive fresh produce export industry.

By DTI (https://www.thedti.gov.za/editmedia.jsp?id=7159)

# Reduction in the rate if customs duty on wheat and wheaten flour in terms of the existing variable tariff formula

The international trade administration commission of south Africa (ITAC) considers adjustments in the customs duty on wheat, once the conditions for adjustment are met. In terms of the last reviewed and approved variable tariff formula for wheat, conditions for a downward adjustment in the tariff were met and the South African grain information service (SAGIS) forwarded a letter of confirmation to this effect. Wheat price information, confirmed by the SAGIS, indicated that conditions for a downward adjustment in the customs duty were met on 05 November 2019, when the 3-week moving average of the US No. 2 HRW (ORD) gulf settlement price for wheat triggered an adjustment at US$215.67/ton. The corresponding rand/US dollar exchange rate was R14.7391 to US$1.00. if the domestic reference price, the 3-week moving average gulf settlement price, the R/US$ exchange rate on 05 November 2019 and the latest available REER, are supplied to the formula, the customs duty on wheat needs to be adjusted downwards from 100.86c/kg to 77.62c/kg. As the customs duty on wheaten flour is set in the form of a specific duty at the level of 150% of the rate applicable to wheat, the customs duty on wheaten flour also needs to be reduced from 151.29c/kg to 116.44c/kg. In light of this, the commission recommends that the rate of customs duty on wheat and wheaten flour, classifiable under tariff headings 1001.9 and 1101.00, be reduced from 100.86c/kg and 151.29c/kg to 77.62c/kg and 116.44c/kg, respectively.

By ITAC (http://www.itac.org.za/upload/Minute%2010%20of%202019.pdf)

# Minister Didiza updates the public on the unbanning of auctions and measures to prevent the spread of FMD in the country

Agriculture, land reform and rural development minister Thoko Didiza, has on the 17 February 2020, announced that the blanket ban on gatherings animals is now lifted, since the outbreak of the FMD three months ago in the Molemole district in Limpopo. The minister said, there are preconditions for the resumption of auctions. Auctions will only be conducted under stringent conditions. All livestock agents must be registered with the agricultural produce agents' council. The minister further emphasized that agents already registered with APAC and complaint to the rules in respect of livestock agents as published in government gazette 41473 board notice 28 of 2018 may proceed with auctions. The lifting the temporary ban on gatherings of animals, is NOT implying that such activities are safe. Therefore, the Minister is advising all auctioneers to familiarise themselves with their implementing measures to prevent their animals from becoming infected. These include: • Not moving high risk animals, such as animals showing signs of disease,; animals from unknown origin or animals originating from known infected areas; • Only buying animals from known and proven sources; • Insisting of buyers to be supplied with a veterinary health declaration before animals are brought onto their farms; • Always placing new arrivals in isolation until you can satisfy yourself of their health status.

"I wish to remind all livestock keepers of their responsibilities in terms of Section 11 of the Animal Diseases Act, 1984 that any owner or manager of land on which there are animals

take all reasonable steps to prevent the infection of the animals with any animal disease, or parasite and the spreading thereof from the relevant land or animals," said Minister Didiza.

By DAFF (https://www.gov.za/speeches/minister-didiza-updates-17-feb-2020-0000)

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