CHAPTER 3

Trends in agricultural exports and prioritizing agricultural export markets

3.1 INTRODUCTION

During the last decade, SACU agriculture exports grew from a value of approximately R4 billion (1988) to over R12 billion (1997) (Figure 3.1). Most of this growth took place after 1992, with the first dramatic increases in 1994. The lifting of sanctions and domestic political and economic policy reform which led to improved consumer and business confidence after 1992/1993, had a major effect on the stimulation of growth in exports in value terms. Other important factors which led to improved trade were tariffication of agricultural products in 1993/1994, the abandonment of government intervention in the marketing of agricultural products in 1996 as well as the devaluation of the Rand in 1996. Prior to 1992 (1988 to 1992) agriculture attained only 9% average annualized growth in

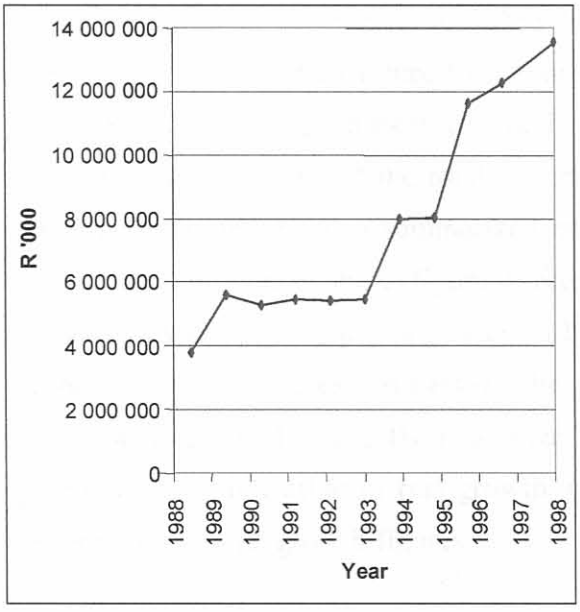

FIG. 3.1 SACU agricultural exports (1988 to 1998)

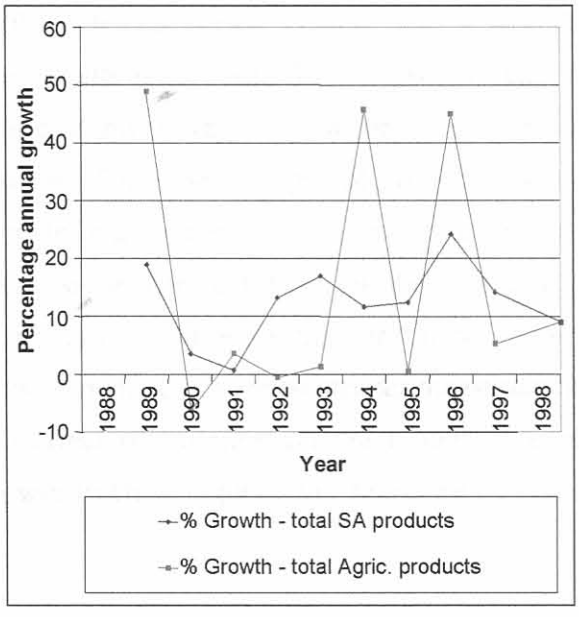

FIG. 3.2 SACU export growth (1988 to 1998)

export value, while post-1992 agriculture experienced an average annualized growth rate in export value of 19% (numbers are in nominal terms—not deflated). This figure corresponds with the average growth rate of the total SACU exports of approximately the same rate. However, growth in agriculture export value is volatile and reached approximately 40%, and 5% growth in export value during 1996 and 1997, respectively, compared with just over 10% growth for total SACU exports during the years mentioned (numbers in nominal terms) (Figure 3.2).

In this chapter South African agriculture export destinations are prioritized. Trends reveal which export destinations contributed to new growth in agriculture exports after the lifting of sanctions, but before the Asian crises in 1997/98.

3.2 TRENDS OF SACU AGRICULTURE EXPORTS

3.2.1 "Growth in exports" vs "growth in exports share"

When reading the growth performances one should clearly distinguish between growth in exports and growth in export share. Growth in exports, for the purpose of this document, means growth in the value of exports in Rand (numbers taken in nominal terms—not deflated) and it is usually summarized for the relevant period (years), and a straight average gives the growth figure (for example growth as in Table 3.5). Growth in export share means the growth in export value in Rand (nominal values) of a certain country or product as a percentage of the total export basket. These percentages of growth in share for different years are then summarized and a straight average is taken over the relevant period. The growth-in-share figure presents a slope (straight line) of the rate that a particular export destination or product is becoming more or less significant in the context of the total agriculture-export basket. The growth in share is a much stricter measurement for growth and will indirectly neutralize the effect of inflation on the growth figures, giving a better indication of real growth. Growth-in-share figures will therefore be much lower than nominal growth figures.

Owing to the fluctuating nature of agricultural production, the possibility exists that the growth figures may not present a slope but rather just be an average of fluctuating figures. In

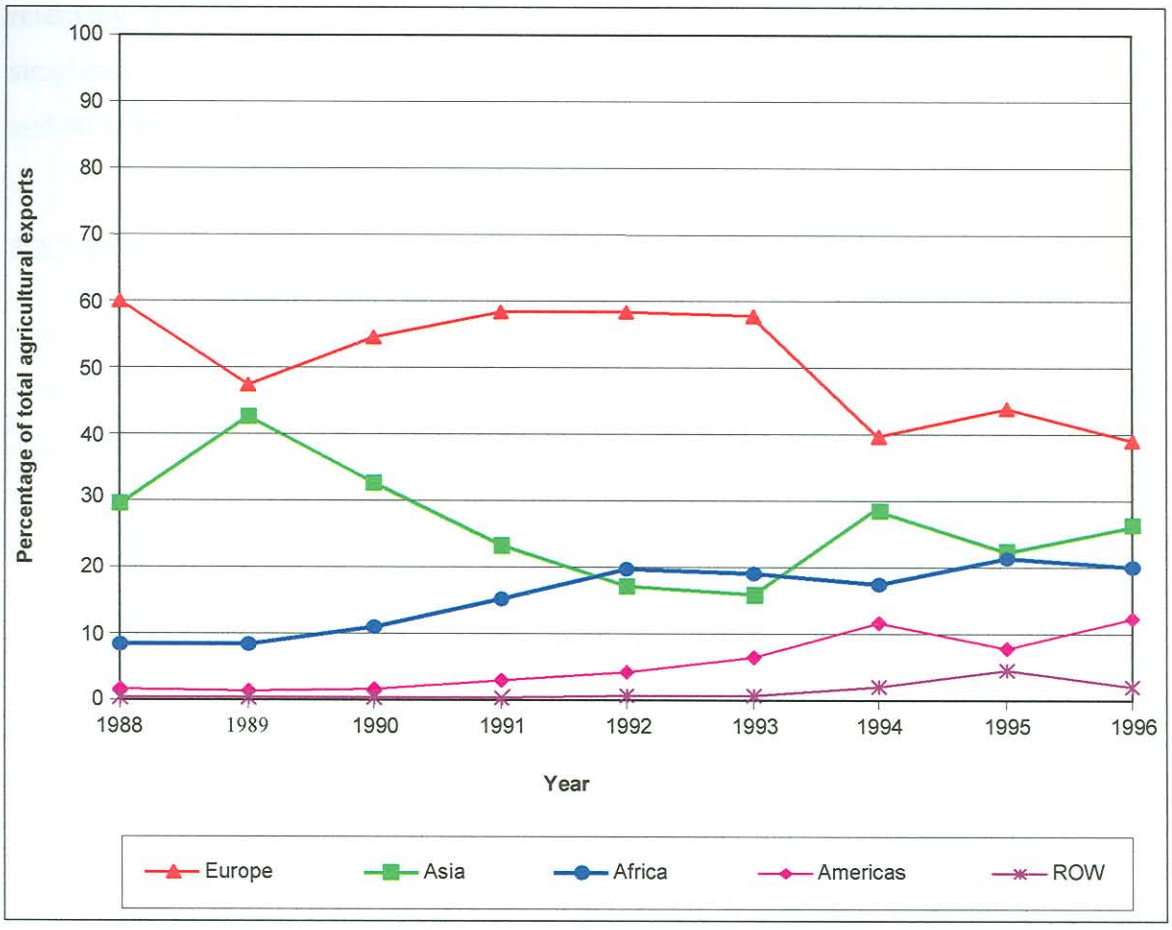

FIG. 3.3 Percentage agricultural exports from SACU to different continents

order to confirm that the growth figures do indeed present a slope, graphs were compiled for 9 years (time series available at the time of the analysis). In almost all cases the graphs confirm that generally speaking the growth-in-share indicators as well as the grouping of countries and products based on these figures, do indeed correspond with the time-series-data slopes of export growth. This method can therefore be used as a rough filter to classify countries according to their importance.

3.2.2 Prioritizing export markets

At one end of the continuum we have identified a high-share, high-growth category of countries which should take priority for the sake of future efforts. At the other end we find a range of low-growth, low-share markets which are the least important markets for South Africa to consider, at least in the short to medium term. Countries with very limited trade or

relatively non-existent trade with South Africa, have been excluded for the sake of simplicity and clarity. Approximately 99% of trade was covered by the analysis of countries and 90 to 99% by the product trade matrices (depending on the aggregated level).

3.2.3 Developing regional and world matrices on export performance

The scales of continental and regional matrices (Table 3.1, Table 3.2 and Table 3.3) differ from the country matrix (Table 3.4). This difference serves to accommodate the effect of aggregation. When exports to continents or regions had a value higher than R1 billion it was regarded as high-share and when higher than R0,1 billion, as medium-share. What is considered as high, medium and low share or growth markets, is the same from region to region for the per-country world matrix (Table 3.4). This enables readers to compare countries according to the same scale.

The result of this study confirms the view that countries where South Africa's export growth has been phenomenal are countries where we used to have a very low base. What this means is that a slight increase in exports could effect dramatic growth rates. The figures of low-share countries are less reliable because of the great effect that a variation in exports has on the average growth rate. It would therefore be misleading to base decisions on the rate of export growth only. Instead, decisions based on growth-in-share of exports with a certain threshold-share of exports provide a more reliable guide than what priority markets should be. On these grounds a 'world slide' was developed with three categories—low, medium and high share as well as three levels of growth in share of exports—incorporating all the countries of the world of major importance for SACU agriculture exports (Table 3.4). In the per-country world matrix, the high share category, refers to South Africa's export values over R100 million, medium share refers to values over R30 million and low share to values over R10 million. High growth refers to annualized growth in share of exports over 25% and low growth refers to less than 10% growth (but positive). Below-zero growth in share is negative growth. All figures are over a 5-year period (1992 to 1996). Although data gathered over 9 years were available, the last 5 years represented the post-sanction era, where trade patterns were expected to normalize.

South Africa needs to expand or at least maintain market share in her traditional markets, but also critically needs to increase her exports to new growth markets. Market diversification took place because of the sanctions effect. Other facts signify the growing importance of successful emerging markets. The objectives of diversifying both South Africa's export products and markets could be achieved by aggressive marketing in the right markets as well as by appropriate market research and information.

3.2.4 Interpretation of regional and world matrices

The world matrix (Table 3.4) holds the key for decision-makers since it provides a simple framework from which to determine relative market potential. If one looks at the world matrix one can deduce which countries exhibit potential for South Africa. Taking into account the reprisal matrices, it is important for South Africa not only to re-prioritise its trade resources internationally, but also spending them in a way that exhibits fairly comprehensive regional penetration. For example, in southern Africa, Angola, and in northern Africa, Kenya, clearly feeds markets for South African agriculture exports. In Asia, the leaders are Japan and Korea. In South America, Brazil, and in the Middle East, Iran leads the way. These countries are labelled A. The rest of the countries are labelled 'B' to 'F', according to the level of importance they may represent in any future trade strategy.

When countries were categorized in Table 3.4, it was difficult to decide which countries should be categorized together. For example, it was difficult to decide whether a country in the high-share and medium-growth category (Category B) should be more or less significant than a country in the medium-share and high-growth category (Category B). Although high-growth categories may indicate significant new markets for South African exports, traditional markets, where only medium growth has been recorded, must not be ignored. Slow growing- or declining markets are loosing its importance, but even they can still provide stability. For instance, the Asian currency crises made exports to Asia less

Table 3.1 World continental matrix

Growth in share of agricultural exports (SACU figures 1992 to 1996)

Average export share (SACU figures 1992 to 1996)

	High growth 25 %	**Medium growth 10 – 25 %**	**Low growth 0 – 10 %**	**Negative growth < 0 %**
High share (> R1 billion)		Asia *[R1,8 bill (24 %), 18 %]	Africa *[R1,5 bill (20 %), 1 %]	Europe *[R3,5 bill (45 %), -8 %]
Medium share (> R0,1 billion)	Americas *[R0,7 bill (9 %), 39 %] #ROW *[R0,2 bill (1,6 %), 64 %]			
Low share (<R100 million)	Oceania [0,03 bill (0,4 %), 35 %]			

*[Share of total exports in Rand (% Share), Growth in Share %]
** 1 billion = 1 000 million
# ROW = Rest of World (includes Oceania, unallocated)

Table 3.2 World regional matrix A

Growth in share of agricultural exports (SACU figures 1992 to 1996)

Average export share (SACU figures 1992 to 1996)	High growth 25 %	Medium growth 10 – 25 %	Low growth 0 – 10 %	Negative growth < 0 %
High share **(> R1 billion)		Far East Asia *[R1,3 bill (17 %), 24 %]	South of Sahara *[R1,5 bill (20 %), 2 %]	Western Europe *[R3,4 bill (44 %), -9 %]
Medium share (> R0,1 billion)	South America *[R0,3 bill (4 %), 95 %] ROW *[R0,1 bill (2 %), 88 %]	North and Central America *[R0,4 bill (5 %), 22 %]	Middle East *[R0,5 bill (6 %), 7 %]	
Low share (<R100 million)	South Asia *[R45 mill (6 %), 36 %] Central and Eastern Europe *[R45 mill (6 %), 44 %] Oceania *[R34 mill (0,4 %), 35 %] Russian Fed. *[R41 mill (0,3 %), >100 %] North Africa *[R9 mill (0,1 %), 37 %]			

*[Share of total exports in Rand (% Share), Growth in Share %]
** 1 billion = 1 000 million
# ROW = Rest of World

Table 3.3 World regional matrix B (Further disaggregation)

Growth in share of agricultural exports (SACU figures 1992 to 1996)

Average export share (SACU figures 1992 to 1996)	High growth 25 %	Medium growth 10 – 25 %	Low growth 0 – 10 %	Negative growth < 0 %
High share **(> R1 billion)	Japan and Korea *[R0,8 bill (10 %), 31 %]		SADC (Exclu. BLNS) *[R1 bill (15 %), 6 %]	EU – 15 *[R3,3 bill (43 %), -9 %]
Medium share (> R0,1 billion)	South America *[R0,3 bill (4 %), 95 %] Asean *[R0,2 bill (3 %), 62 %] ROW *[R0,1 bill (2 %), 88 %]	North and Central America *[R0,4 bill (5 %), 22 %]	Middle East *[R0,5 boll (6 %), 7 %] China and China 3 *[R0,3 bill (4 %), 5 %]	South of Sahara (Excl. SADC) *[R0,4 bill (5 %), -2 %] Western Europe (Excl. UE15) *[R0,1 bill (2 %), -79 %]
Low share (< R100 million)	South-Asia *[R45 mill (0,6 %), 36 %] Central and East Europe *[R45 mill (0,6 %), 44 %] Oceania *[R34 mill (0,4 %), 35 %] Russian Fed. *[R41 mill (0,3 %), > 100 %] North Africa *[R9 mill (0,1 %), 37 %]			

*[Share of total exports in Rand (% Share), Growth in Share %]
** 1 billion = 1 000 million
# ROW = Rest of World

Table 3.4 World matrix by individual country

Growth in share of agricultural exports (SACU figures 1992 to 1996)

Average export share (SACU figures 1992 to 1996)

	High growth 25 %	**Medium growth 10 – 25 %**	**Low growth 0 – 10 %**	**Negative growth < 0 %**
High share > R100 million	Angola *[3,4 %, 39 %] Kenya *[1,39 %, > 100 %] Brazil *[2,79 %, > 100 %] Japan *[8,2 %, 27 %] South Korea *[1,8 %, 76 %] Iran *[1,4 %, > 100 %] A	Zimbabwe *[1,9 %, 13 %] USA *[3,2 %, 11 %] Saudi Arabia (97 data) Italy (97 data) Angola (97 data) B	Mozambique *[5,6 %, 0 %] Belgium *[8,1 %, 2 %] Netherlands *[3,2 %, 3 %] C	Zambia *[1,8 %, -1 %] Hong Kong *[1,8 %, - 8 %] Saudi Arabia * [1,8 %, - 5 %] UK *[14,2 %, -13 %] Germany *[7 %, - 17 %] Italy *[4,1 %, - 2 %] France *[2,7 %, - 8 %] Switzerland *[1,4 %, - 11 %] Spain *[1,3 % , -16 %] D
Medium share > R30 million	Tanzania *[0,5 %, >100 %] Canada *[1,1 %, 36 %] Mexico *[0,5 %, >100 %] Venezuela *[0,5 %, >100 %] Malaysia *[1,2 %, >100 %] Macao *[1,1 %, >100 %] Indonesia *[0,5 %, >100 %] UA Emirate *[0,5 %, 45 %] Sweden *[0,5 %, >100 %] B	Turkey *[0,5 %, 17 %] C	Zaire *[1,1 %, 2 %] Malawi *[1,1 %, 8 %] Singapore *[0,8 %, 0 %] D	Reunion *[0,9 %, 22 %] Taiwan *[0,9 %, 7 %] Israel *[1,1 %, -8 %] Bahrain *[0,6 %, -8 %] Portugal *[0,5 %, -16 %] Austria *[0,5 %, -25 %] E
Low share >R10 million	Coté d'Ivoire Ghana Belize Colombia Paraguay China Philippines India Kuwait Denmark Finland Norway Russian Fed. Bulgaria New Zealand C	Australia *[0,3 %, 23 %] D	Mauritius *[0,3 %, 10 %] Sri Lanka *[0,3 %, 10 %] E	Seychelles *[0,3 %, -8 %] Comoros I. Fed. Rep. *[0,2 %, - 4 %] Argentina *[0,4 %, -19 %] Greece *[0,2 %, -10 %] F

"Growth" refers to growth in export share.

* [Share of total exports in %, Growth in Share %]

Table 3.5 Growth in SACU exports 1992 to 1997

Country	Avg Growth (%) (92 -97)	Rank (92 -97)	Growth (%) (96 -97)	Rank (96 -97)	% of agric. exports
> 1% of agriculture exports					
High growth					
Iran, Islamic Republic of	>100	1	-15	20	1.55
Malaysia	>100	2	-38	22	1.07
Brazil	>100	3	-25	21	2.54
Kenya	>100	4	596	1	2.12
Korea, Republic of (South)	>100	5	-45	25	1.60
Canada	91	6	29	6	1.11
Japan	57	7	-42	23	7.26
Medium growth					
Saudi Arabia	50	8	221	2	2.14
United States	44	9	10	12	3.31
Angola	43	10	-42	24	3.60
Zimbabwe	32	11	20	8	2.06
Italy	31	12	77	4	4.66
Low growth					
Mauritius	27	13	17	9	1.50
Netherlands	25	14	8	14	3.17
Malawi	20	15	-6	19	1.16
Belgium	19	16	24	7	7.68
Mozambique	15	17	-5	18	5.41
Very low growth					
France	14	18	4	15	2.56
United Kingdom	12	19	30	5	14.41
Zambia	11	20	3	16	1.77
Spain	11	21	17	10	1.25
Switzerland	10	22	9	13	1.29
Hong Kong	8	23	-3	17	1.83
Germany	4	24	12	11	6.55
Zaire	4	25	-96		1.13
<1% of agricultural exports					
Taiwan, Province of China	11		20		0.91
Israel	20		-36		0.87
Venezuela	>100		87		0.84
Reunion	-10		-22		0.83
Russian Federation	-		-46		0.77
Singapore	19		-18		0.73
Tanzania	81		1		0.60
United Arab Emirates	80		-28		0.51

attractive for the short term while export earnings from the EU performed well during 1997 owing to the devaluation of the Rand.

While countries in the high-growth and high-share categories are clearly markets which South Africa should focus on in terms of export assistance, a range of other criteria could also be overlaid to determine priorities from a political-economic perspective. Reasons why markets or regions are important, differ. This study is limited to facts on export performance only. The regions to which most priority was given, namely the European Union and SACD, have shown relatively stagnant or negative growth since 1992. In the past these markets were given priority for historical political-economic reasons. Nevertheless, the negotiations on the EU-SA FTA as well as the SA-SADC protocol could spur another growth cycle to these markets.

High-share markets are important even if only to maintain market share as a buffer for the unstable world economic climate as far as is possible. Higher-growth countries have better potential in terms of future growth for fundamental reasons such as population growth, economic-growth potential and changing consumer behaviours. Low-growth, and low- and negative-share markets would be least worthy of greater resource expenditure by the National Department of Agriculture and the Department of Trade and Industry.

3.3 A DETAILED ANALYSIS OF AGRICULTURE EXPORTS AND EXPORT DESTINATIONS

3.3.1 Continental perspective

Continental aggregations of share and growth shows that greater Asia, with a 24% share and an 18% growth in share, constitutes the most significant group of markets and that the Americas constitute the most significant upcoming market (9% share and 38% growth in share). The growth in the African and European markets was rather poor (Table 3.1).

During the last decade, especially after 1992, large trade diversions of SACU agriculture-trade exports took place between continents and countries. During 1992 to 1996, the share of agriculture exports to Europe, compared with the total agriculture-export basket,

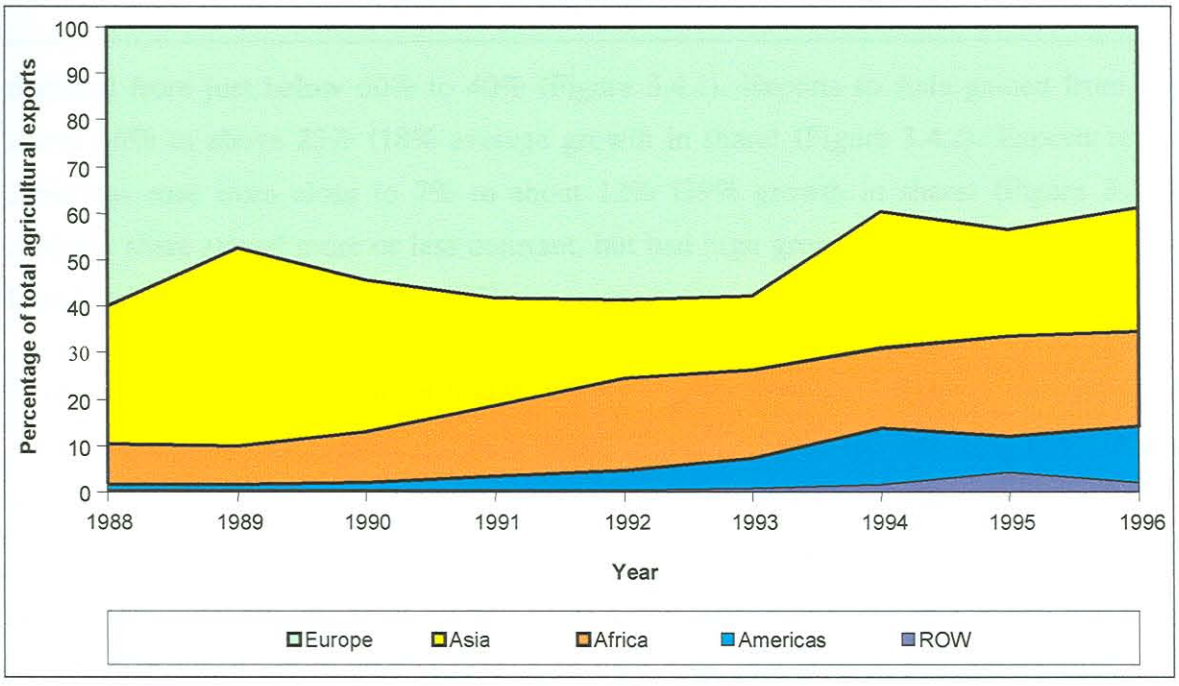

FIG. 3.4 Percentage agricultural exports from SACU to different continents

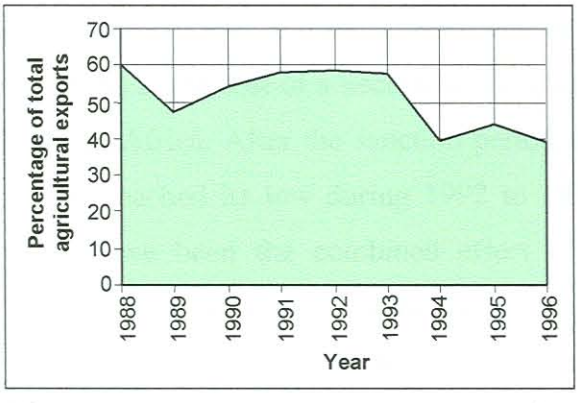

FIG. 3.4.1 Percentage agricultural exports from SACU to Europe

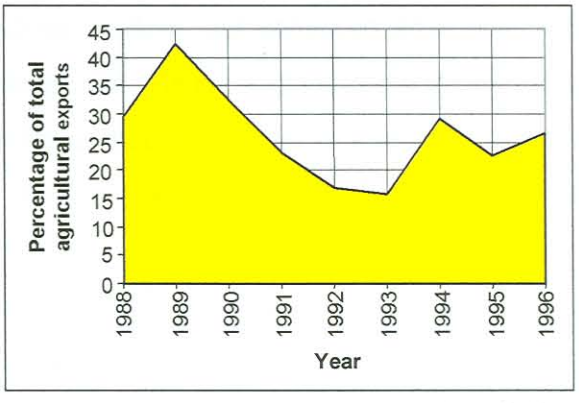

FIG. 3.4.2 Percentage agricultural exports from SACU to Asia

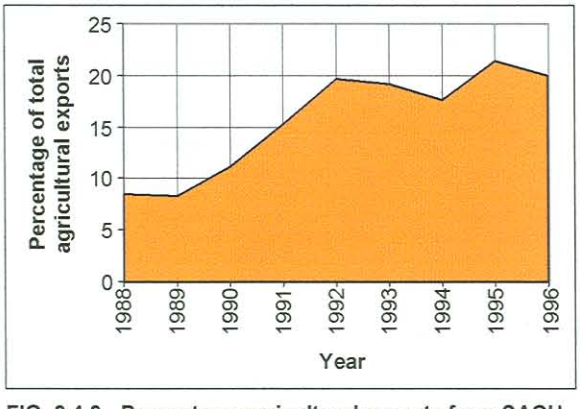

FIG. 3.4.3 Percentage agricultural exports from SACU to Africa

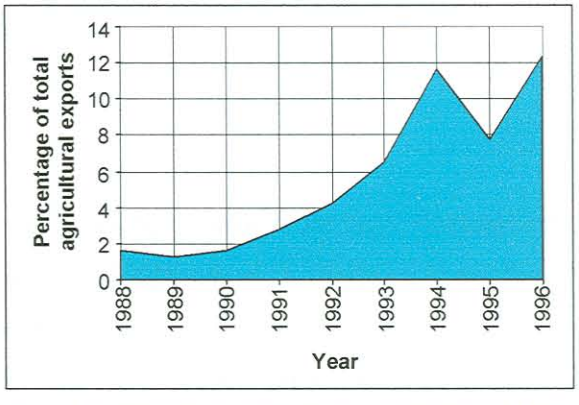

FIG. 3.4.4 Percentage agricultural exports from SACU to the Americas

declined from just below 60% to 40% (Figure 3.4.1). Exports to Asia gained from just above 16% to above 25% (18% average growth in share) (Figure 3.4.2). Exports to the Americas rose from close to 7% to about 12% (39% growth in share) (Figure 3.4.4). Africa's share stayed more or less constant, but had high growth and reached a relatively high level prior to 1992 (Figure 3.4.3).

A remarkable trend is the mirror image in SACU agriculture exports between Europe and Asia, respectively, as export destinations (Figure 3.3). Since the late 1980s, the Asian markets have had a steady decline in their share as an export destination for SACU agriculture, while Europe, Africa (mainly SADC countries) and the Americas had a progressive increase in share. During these years, Africa became an equally important export destination, rising from a lower base than Asia, to a level at which both continents contributed about 20% each to the total export basket in the early 1990s. The post-sanction period, 1993/1994, spurred a re-growth of exports to Asia and enhanced growth to the Americas at the cost of a decline in share to Europe and relative stagnant growth in export share to Africa. After the sanction period, the Asian market experienced re-growth, after having reached its low during 1992 to 1993. The low Asian figures in the early 1990s could have been the combined effect of sanctions, the politically and economically unstable climate, as well as the 1992 drought, since large quantities of surplus products such as cereals and sugar had usually been exported to Asia. Exports to Asia show a v-shaped trend, with a low export share in 1992/1993 followed by re-growth (Figure 3.4.2), and this compares well with the v-shapes of surplus-removal products such as cereal exports (Figure 4.7) and sugar (Figure 4.9) in the next chapter.

3.3.2 Regional perspective

The main performers in Asia were Far East Asia with a re-growth from large destinations, Japan and Korea (from a high-share base) and ASEAN (from a medium-share base) mainly from Malaysia, Indonesia, Singapore and the Philippines, and South Asia (from a low-share base), mainly India (Tables 3.2, 3.3 and 3.4). China (mainland) and China3 (Macao, Hong Kong and Taiwan) as a group, showed relatively slow growth in their agriculture export share, but nevertheless have much potential owing to their high economic growth rates and large populations. However, if they are split up, Macao and

China mainland are shown to have experienced high growth in export shares (compare Table 3.3 and 3.4).

To the Americas as a group, growth was from a medium-share base and the main contributor(s) to growth in the high-share category was mainly the USA. In the medium-share grouping they were mainly Brazil, Mexico and Venezuela, and in the low-market-share grouping, Colombia and Paraguay. Aggregations of countries into continental and regional groupings are shown in Annex 2.

Generally, these trends show tremendous changes in the composition of export markets for SACU agriculture over the last decade, especially for Africa, which caught up from a very low base, and the Americas, which are still growing steadily (Figure 3.3). Exports to non-traditional export destinations became more and more important.

3.3.3 Country perspective

Export destinations for SACU agriculture, with export shares larger than 1% of the export basket, showed positive average export growth in value from 1992 to 1997 (nominal values—not deflated). Countries at the higher end of the growth scale (above 50%) were Iran, Malaysia, Brazil, Kenya, South Korea, Canada and Japan (Table 3.5). This corresponds with the results of growth in share analysis for 1992 to 1996 (Table 3.4). Owing to the Asian crises, 1997 data have to be taken into account to confirm the relevance of the 1992 to 1996 growth tends. By comparing Tables 3.4 and 3.5 for the high-share and high-growth-in-share category, the same countries were identified as high performers (except for Angola, which showed a decline in 1997, probably due to the ongoing war in Angola).

For medium growth, between 30 and 50%, Saudi Arabia, the United States, Angola, Zimbabwe and Italy were identified (Table 3.5). Saudi Arabia and Italy were originally ranked lower in the 1992 to 1996 growth-in-share analysis. However, new data up to 1997 shows that they experienced a positive average growth in share, especially after Asia's economic problems and currency crises in 1997 and 1998. This change is also indicated in Table 3.4. In the lower-growth ranks are Mauritius, the Netherlands, Malawi, Belgium and Mozambique and at the bottom end usually losing share in the export basket, were France,

the United Kingdom, Zambia, Spain, Switzerland, Hong Kong, Germany and Zaire. Although the latter countries are losing their share in total SACU agricultural exports, most of them are from a very high base and their importance should not be underestimated in the medium term at least.

With the devaluation of the Rand and the currency crises in Asia, which had a ripple effect on developing economies, the European markets showed themselves to be stable and their relative growth increased dramatically during 1997/1998. During 1997, the adverse effects of the Asian crises started to show their effect on the Asian countries' performance as export destinations, and Iran, Malaysia, Korea and Japan fell from their 1st, 2nd, 5th and 7th places in terms of average export growth (1992 to 1997 average) to a mere 20th, 22nd, 25th and 23rd in rank in export growth for the period 1996/1997, respectively (Table 3.5). Nevertheless, their average growth rates, as well as the long-term expectation (therefore the long-term trend) still remain high. Other developing countries—Brazil, Angola, Malawi and Mozambique—also showed a decline in growth for 1997/1998. This also had a very detrimental effect on some of the main traditional export products such as sugar, cereals, milling products, and beverages and spirits to Asia, Africa and South America. During the slump in the Asian market (1996/1997 period), Kenya, Saudi Arabia, Italy, Canada, US, Zimbabwe, Belgium, Mauritius and Spain were stable higher-growth performers. Very large European markets like the UK (14%) and Germany (6%) also proved to be stable during these adverse times and were amongst the better performers in 1996/1997 (Table 3.5).

3.4 A DETAILED ANALYSIS OF THE WORLD COUNTRY MATRIX

3.4.1 Categorizing countries based on share and growth results

Table 3.4 roughly groups the countries according to their performances, taking into account both the share of the export market and the growth in share and develops indices A, B, C and D. Generally most high-growth countries have started off from a very low base since the early 1990s. Figures suggest tremendous changes in the importance of markets since the early 1990s. If, for instance, all the shares of the high-growth countries

presented in Figures 3.5, 3.8, 3.10 and 3.14 are added up, they grew from a 3,5% share to almost 30% in 4 years (1992 to 1996). These are relatively new markets.

3.4.1.1 Category A countries

Category A (high share and high growth in share) countries were Kenya, Iran, Brazil and Angola (Table 3.4). Figure 3.5 shows a 9-year trend of this category. This trend clearly shows that this group of countries indeed experienced a dramatic growth in share of SACU exports, from a very low base close to zero to almost 12% of the export basket. Korea and Japan showed re-growth (Figure 3.6) due mainly to the fluctuations in the traditional surplus-removal products, cereals and sugar, which showed a similar trend. These trends could have been influenced largely by climatic conditions in South Africa.

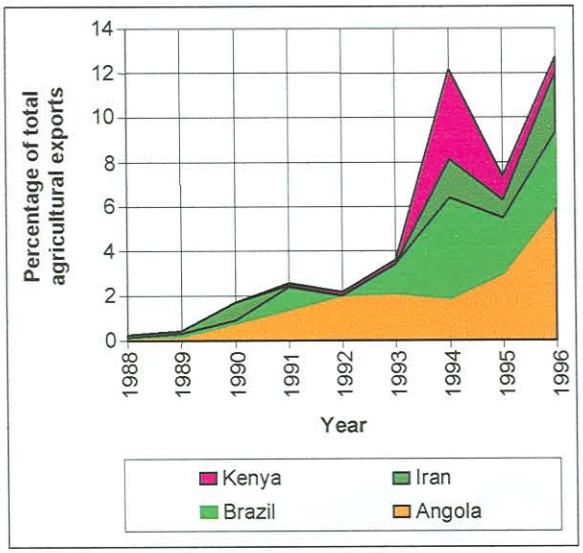

FIG. 3.5 SACU agricultural exports (high share, high growth in share) Category A

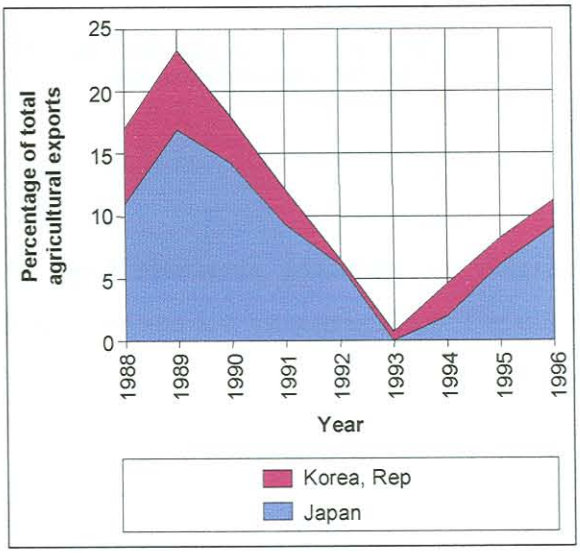

FIG. 3.6 SACU agricultural exports (high share, high growth in share) Category A

3.4.1.2 Category B countries

Category B (high-share, medium-growth grouping) countries were identified as Zimbabwe and the United States (Table 3.4 and Figure 3.7). Updated 1997 figures suggest that Saudi Arabia and Italy could also belong to this grouping. The other part of the B category (medium share and high growth) clearly shows in Figure 3.8 that, as a group, these countries have shown tremendous growth in the share since 1993, from 1% in 1988 to above 10% in

1996. The group consists of Tanzania, Indonesia, Canada, Macau, Malaysia, UA Emirates, Venezuela, Sweden and Mexico.

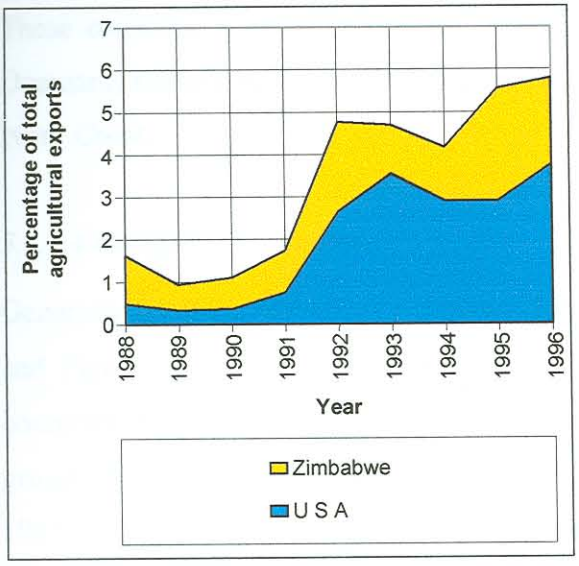

FIG. 3.7 SACU agricultural exports (high share, medium growth in share) Category B

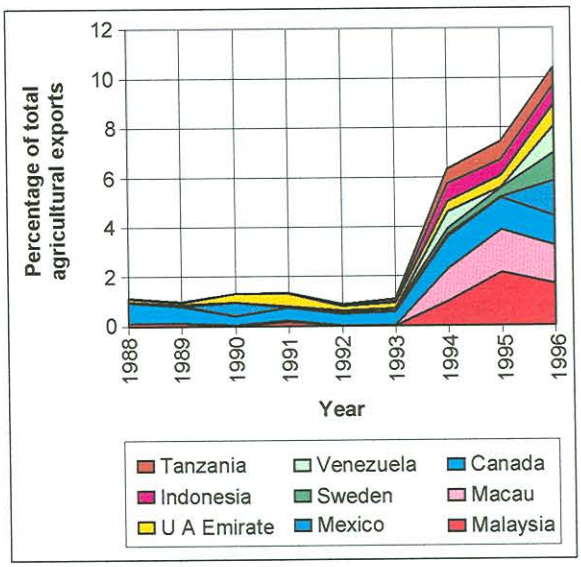

FIG. 3.8 SACU agricultural exports (medium share, high growth in share) Category B

3.4.1.3 Category C countries

The category C countries (Table 3.4), namely the Netherlands, Mozambique, Belgium (Figure 3.9) and Turkey were identified as medium share and low growth in share. The other

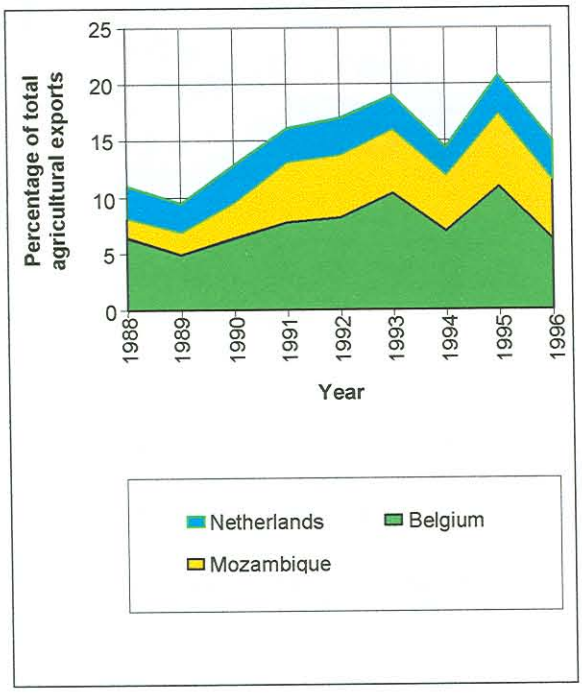

FIG. 3.9 SACU agricultural exports (high share, low growth in share) Category C

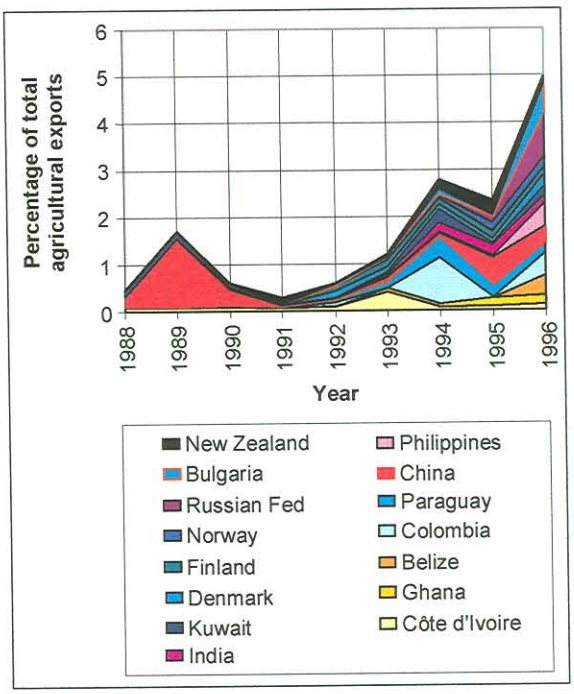

FIG. 3.10 SACU agricultural exports (low share, high growth in share) Category C

group of category C countries (low share, high growth in share) showed a tenfold increase from a very low base, 0,5%, in 1988 to 5% of agriculture exports in 1996 (Figure 3.10). These countries were New Zealand, Bulgaria, the Russian Federation, Norway, Finland, Denmark, Kuwait, India, the Philippines, China, Paraguay, Colombia, Belize, Ghana and the Ivory Coast.

3.4.1.4 Category D countries

Generally speaking category D shows a declining trend in SACU export share (Table 3.4 and Figures 3.11 and 3.12). The major part of this grouping consists of the European countries, which are also still the largest single markets. Figure 3.11 shows that, as a group, the high-share, negative-growth-in-share grouping declined from a 50% share in 1988 to a 30% in 1996. These countries were Spain, Switzerland, Zambia, Saudi Arabia, Hong Kong, France, Italy, Germany and the UK. Although probably temporary, in 1997 many of these countries performed very well in relative terms, owing to the Asian crisis. Nevertheless, the long-term historical trend is a declining one. The other countries in this category are Singapore, Malawi and Zaire (Figure 3.12).

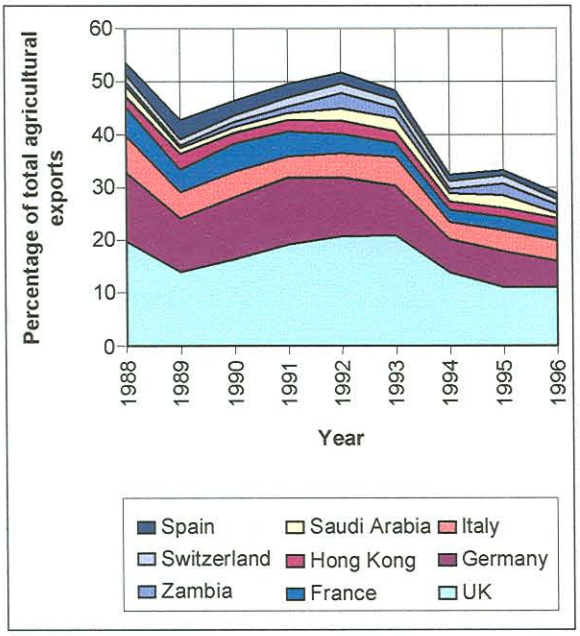

FIG. 3.11 SACU agricultural exports (high share, negative growth in share) Category D

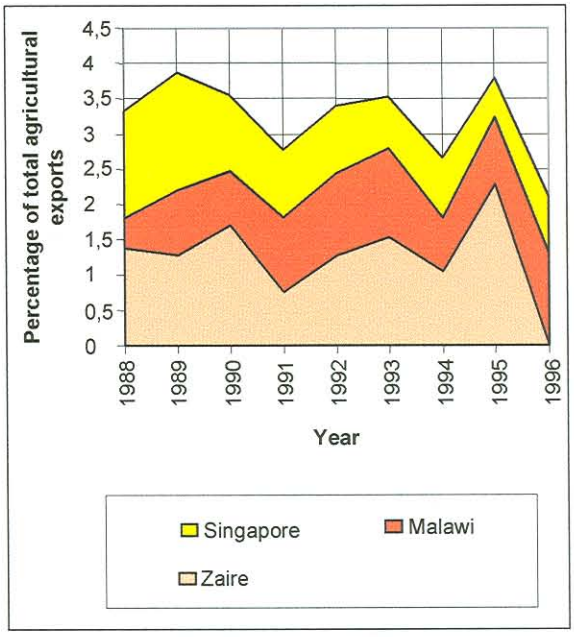

FIG. 3.12 SACU agricultural exports (medium share, low growth in share) Category D

3.4.2 Country categories and product indications in a continental and regional context

World matrix (Table 3.4) was used to summarize the growth and share results. These are presented in a 9-year time-series analysis in Figures 3.5 to 3.25. The main important products on a 2 HS code level were mentioned (the results obtained from Annex 5).

3.4.2.1 Europe

Details of share and growth are summarized in Table 3.4. Time-series growth in share trends of SACU agriculture exports is presented in Figures 3.13, 3.14 and 3.15. The results shows that the Russian Federation, Bulgaria, Norway, Denmark, and Finland—countries that started from a very low base—showed tremendous growth. Other markets either had slack growth or are declining.

(i) High share, low growth in share
Belgium
Netherlands

(ii) High share, negative growth in share
UK
Germany
Italy (this figure changed to a positive growth in share in the 1997 analysis)
France
Switzerland
Spain

(iii) Medium share, high growth in share
Sweden

(iv) Medium share, negative growth in share
Portugal
Austria

(v) Low share, high growth in share

Denmark

Finland

Norway

Russian Federation

Bulgaria

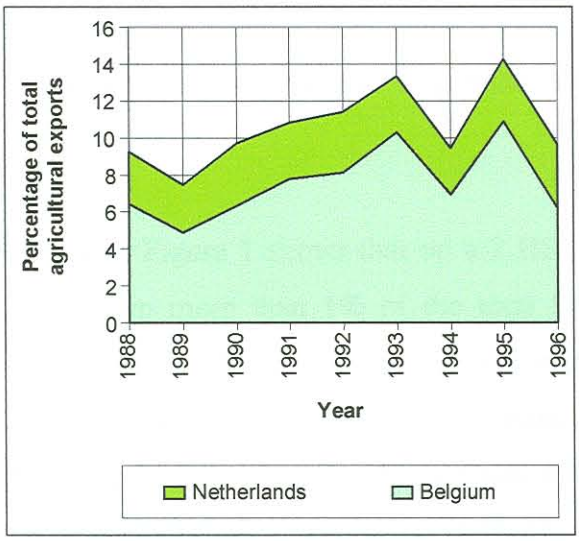

FIG. 3.13 SACU agricultural exports to Europe (high share, low growth in share) Category C

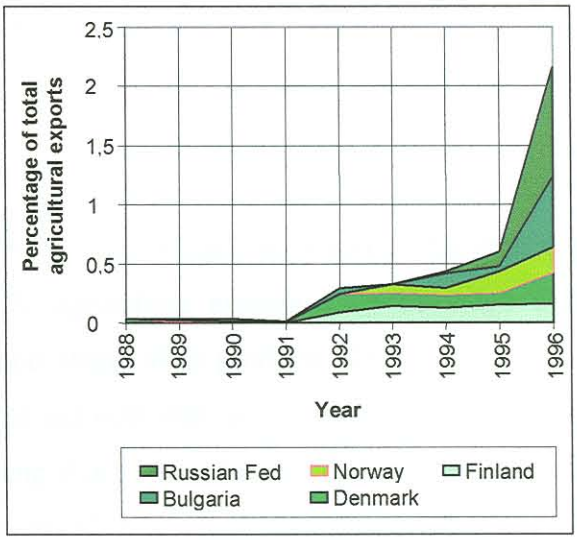

FIG. 3.14 SACU agricultural exports to Europe (low share, high growth in share) Category C

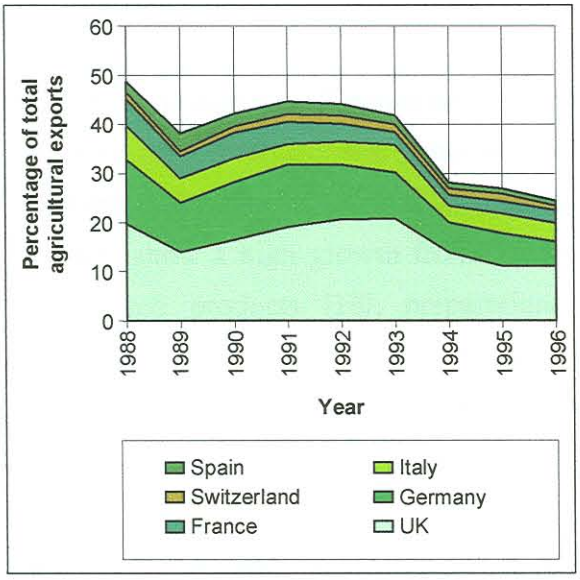

FIG. 3.15 SACU agricultural exports to Europe (high share, negative growth in share) Category D

(vi) Low share, negative growth in share

Greece

Europe accounts for 45% of SACU's agriculture exports. The EU15 accounts for 43% of SACU's total agriculture exports to Europe.

The annualized agriculture exports (nominal values) increased by 13% to Europe as a whole through 1992 to 1996, while it increased by 11% to the EU15. However, the growth in export share to Europe, in general, and to the EU15, decreased by 8% and 9%, respectively.

Annex 5, Figure 1 shows that on a 2 HS code level (indicated in brackets) for products making up more than 1% of the total SACU agriculture exports, only beverage (22) exports to the EU15 had a high growth in export share. Meat products (02) had a medium growth in share (10%). The largest groups, fruit and nuts (08), prepared fruits and nuts and vegetables (20) and sugar (17) showed a losing-share trend. Some smaller products still show high growth in exports, for instance oilseeds (12), fats and oils (15), cereals (10) and meat preparations (16). Western Europe (excluding the EU15) shows much the same patterns as the EU15 (Annex 5, Figure 2).

Almost all products to Central and Eastern Europe show high growth, although from a very low base. Products are, fruits and nuts (08), sugar (17), prepared fruits and nuts & vegetables (20), beverages (22) and tobacco (24). To the Russian Federation, almost all products show a high growth from a very low base. Products are vegetables (07), sugar (17), cocoa products (18), preparations of fruits and nuts (20) and miscellaneous preparations (21) (Annex 5, Figures 3 and 4). These markets are relatively new and growth is from a very low base and will naturally show high growth rates.

3.4.2.2 Asia

Details of share and growth are summarized in the world matrix (Table 3.4). Time-series trends of SACU agriculture exports are presented in Figures 3.16, 3.17, 3.18 and 3.19.

Middle East

(i) High share, high growth in share

Iran

(ii) High share, negative growth in share

Saudi Arabia (in the 1997 analysis this figure changed to a positive growth in share)

(iii) Medium share, high growth in share

UA Emirate

(iv) Medium share, medium growth in share

Turkey

(v) Medium share, negative growth in share

Israel

Bahrain

(vi) Low share, high growth in share

Kuwait

The Middle East takes 6% of SACU's agriculture exports. During 1992 to 1996, the growth in agriculture-export share to this region was an average of 7% per annum. The most important products with high growth are, cereals (10), sugar (18) and beverages (22) (Annex 5, Figure 5).

Far East Asia

(i) High share, high growth in share

Japan

Korea

(ii) High share, negative growth in share

Hong Kong

(iii) Medium share, high growth in share

Malaysia

Macao

Indonesia

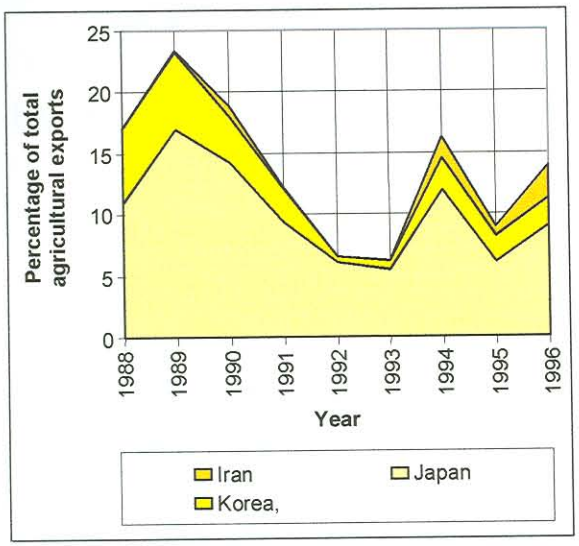

FIG. 3.16 **SACU agricultural exports to Asia (high share, high growth in share) Category A**

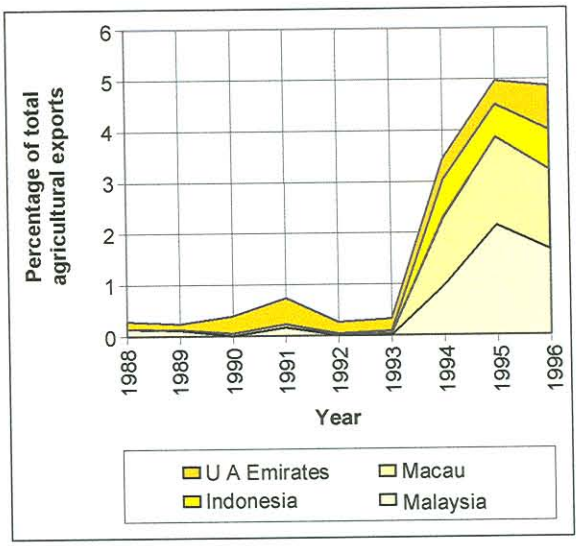

FIG. 3.17 **SACU agricultural exports to Asia (medium share, high growth in share) Category B**

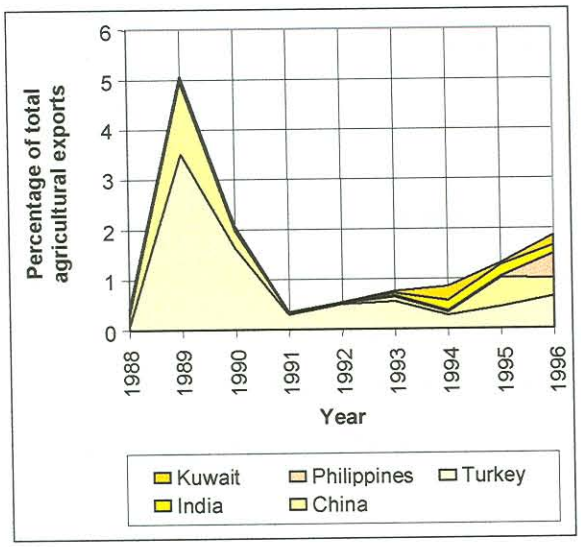

FIG. 3.18 **SACU agricultural exports to Asia (low share, high growth in share) Category C**

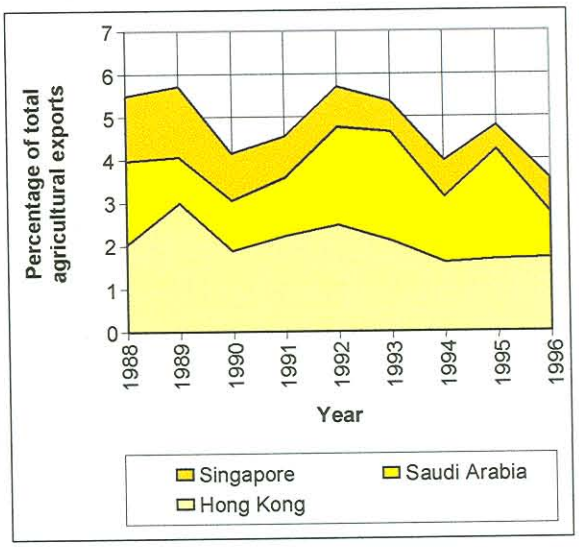

FIG. 3.19 **SACU agricultural exports to Asia (high and medium share, low and negative growth in share) Category D**

(iv) Medium share, low growth in share

Singapore

(v) Medium share, negative growth in share

Taiwan

(vi) Low share, high growth in share

China

The Philippines

India

(vii) Low share, low growth in share

Sri Lanka

The Asia region takes 24% of SACU's agriculture exports at an average value of approximately R1,8 billion and 17% of the agriculture exports go to the Far East. Japan takes 8,2% of the exports and the remaining 9% of SACU's agriculture exports go to the Far East (excluding Japan). Korea takes an average of R143 million (1,8%) of the agriculture exports.

South Asia takes R45 million (0,6%), ASEAN takes R0,2 billion (3%), East Asia takes R0,8 billion (10%) and China4 (China , Macao, Taiwan, and Hong Kong) takes R0,3 billion (4%) of total agriculture exports from SACU. Annualized growth to all of Asia from 1992 to 1996, was 18%. It was 36% to South Asia, 62% to ASEAN, 31% to East Asia and 5% to larger China4 (China, Macao, Taiwan and Hong Kong).

The major exports to Far East Asia on a 2 HS code level (indicated in brackets) are cereals (10) and sugar (17) to Japan, Korea and ASEAN countries (Annex 5, Figures 6 and 7). Owing to relatively good climatic conditions as well as a favorable trade environment, exports to Asia showed a re-growth after 1993. To Japan and Korea as a group, prepared fruits and nuts and vegetables (20) showed a large constant share in agriculture exports

(Annex 5, Figure 6). Beverage (22) exports are becoming increasingly more important to South Asia and China and China3 (China4) as export destinations (Annex 5, Figures 8 and 9). In later chapters product exports to Asian destinations will be discussed in detail.

3.4.2.3 Africa

Details of share and growth are summarized in the world matrix (Table 3.4). Time-series growth-in-share trends of SACU agriculture exports to Africa are presented in Figures 3.20, 3.21 and 3.22 under their respective categories A, B, C and D.

Southern Africa

(i) High share, high growth in share

Angola (it is not certain whether a large amount of exports are from Namibia)

(ii) High share, medium growth in share

Zimbabwe

(iii) High share, low growth in share

Mozambique

(iv) High share, negative growth in share

Zambia

(v) Medium share, high growth in share

Tanzania

(vi) Medium share, low growth in share

Zaire

Malawi

(vii) Low share, low growth in share

Mauritius

(viii) Low share, negative growth in share

Seychelles

SACU agricultural exports to the Southern African Development Community (SADC) constitutes 15% of the total agriculture exports, while growth in annualized export share of 6% was experienced over this period (1992 to 1996) (Table 3.3).

Most agricultural products exported to SADC showed a positive growth in share (Annex 5, Figure 10). Vegetables (02) and cereals (10) were the most important high-growth exports. The most important medium-growth export products were beverages (22), dairy (04), milling products (11) and fats and oils (15). Sugar had a negative growth in share.

Rest of Africa

(i) High share, high growth in share

Kenya

(ii) Low share, high growth in share

Coté D'Ivoire

Ghana

(iii) Medium share, negative growth in share

Reunion

(iv) Low share, negative growth in share

Comoros Islands Federal Republic

From SACU's agriculture exports, 20% of total agriculture exports were to Africa, including southern Africa. Of this, 15% goes to southern Africa. Therefore only 5% of the total SACU agriculture exports go to Africa, excluding southern Africa. An annualized

growth in export share of 2% was experienced from 1992 to 1996. Growth and share of product exports are presented in Annex 5, Figures 11 and 12.

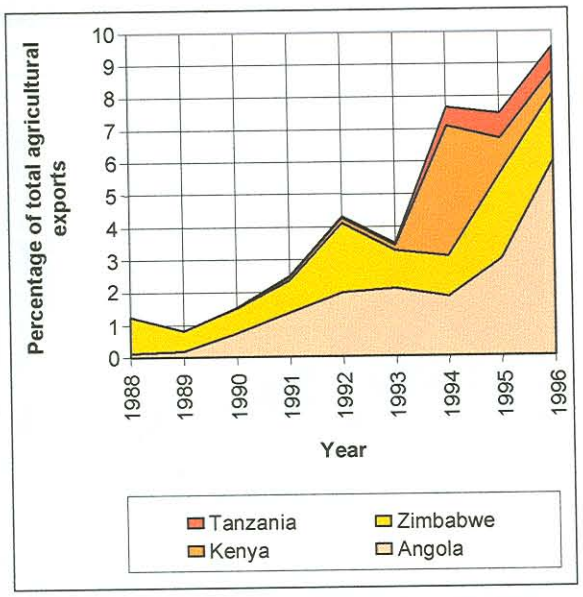

FIG. 3.20 **SACU agricultural exports to Africa (high and medium share, high and medium growth in share) Category A and B**

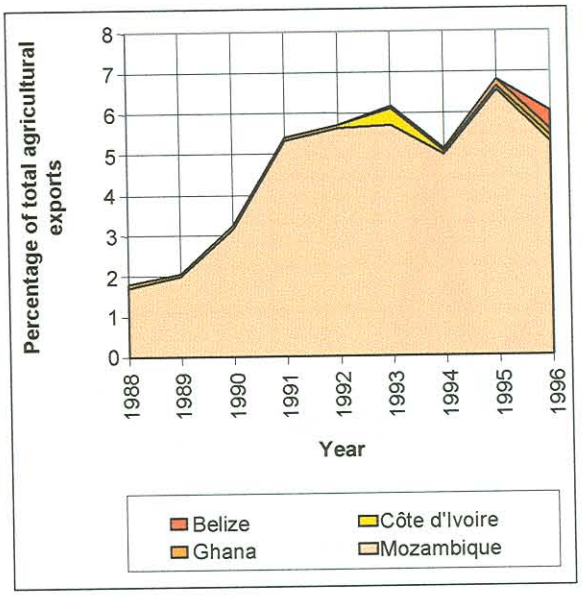

FIG. 3.21 **SACU agricultural exports to Africa (high share and low growth in share, and low share and high growth in share) Category C**

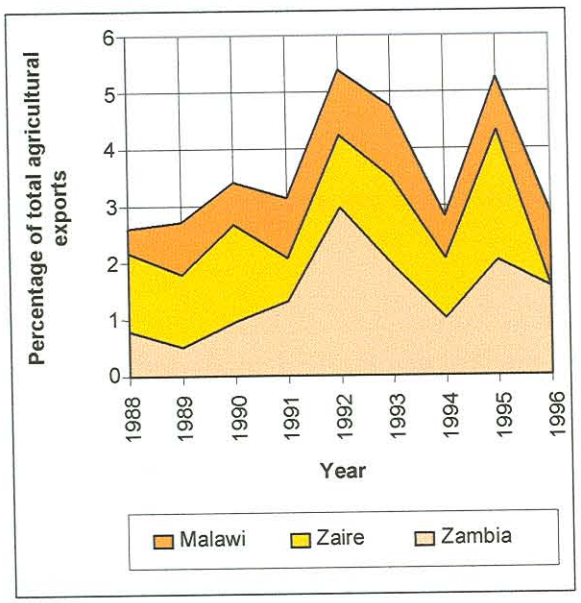

FIG. 3.22 **SACU agricultural exports to Africa (high share and negative growth in share, and medium share and low growth in share) Category D**

3.4.2.4 The Americas

Details of share and growth are summarized in the world matrix Table 3.4. Time-series analysis (growth in share trends) of SACU agriculture exports is presented in Figures 3.23 and 3.24.

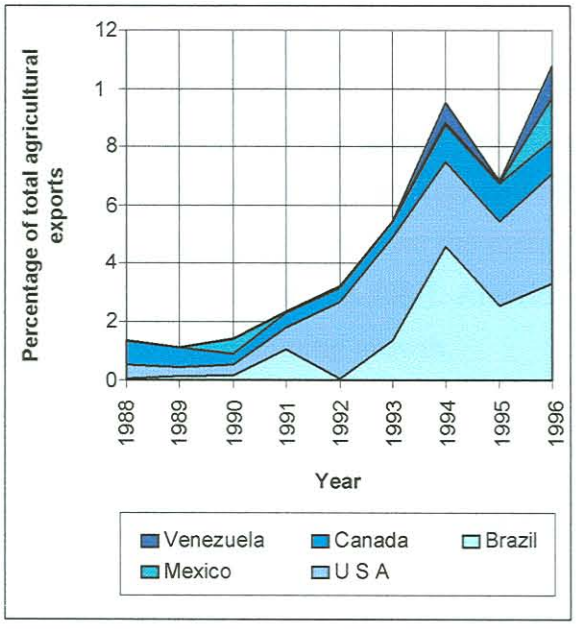

FIG. 3.23 SACU agricultural exports to the Americas (high share and medium growth in share, and medium share and high growth in share) Category A and B

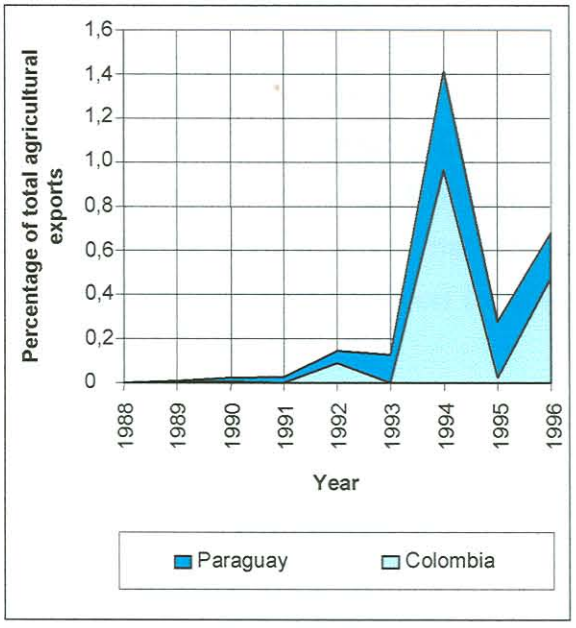

FIG. 3.24 SACU agricultural exports to the Americas (low share and high growth in share) Category C

North and Central America

(i) High share, medium growth in share
USA

(ii) Medium share, high growth in share
Canada
Mexico

(iii) Low share, high growth in share
Belize

SACU's agriculture exports to all the Americas constitute 9% of its agriculture exports. Of this, 3,2% goes to the USA, 1,1% to Canada, 0,5% to Venezuela and 0,5% to Mexico. The share in exports to the USA has grown just over 11% annualized, to Canada 36% and to Venezuela and Mexico more than 100% from a low base.

Important export-product groupings on a 2 HS level (indicated in brackets) are fruit and nuts (08), sugar (17), prepared fruits and vegetables (20) and beverages (22). Other important products are cereals (10) and oilseeds (12) (Annex 5, Figure 13). It appears that trade diversion took place from the traditional EU15 market to the American markets [for example for fruit and nuts (08)]. America still shows high growth for products for which the EU shows a declining growth.

Latin America and the Caribbean

(i) High share, high growth in share
Brazil

(ii) Medium share, high growth in share
Venezuela

(iii) Low share, high growth in share
Colombia
Paraguay

(iv) Low share, negative growth in share
Argentina

This region accounts for 4% of SACU's agriculture exports, most of which go to South America. Brazil takes the bulk of South Africa's agriculture exports, while Venezuela, Argentina and Columbia form the next tier. The annualized growth rate of export share to South America was 95%. Brazil, Venezuela, Colombia and Paraguay showed high growth rates. Most of the important high-growth export products on a 2 HS Code level (indicated in brackets) are beverages (22) and cereals (10) and, to a lesser extent, prepared fruits and vegetables (20) (Annex 5, Figure 14).

3.4.2.5 Oceania

Details of share and growth are summarized in the world matrix (Table 3.4). Time-series trends of SACU agriculture exports are presented in Figure 3.25.

(i) Low share, high growth
Australia

(ii) Low share, medium growth
New Zealand

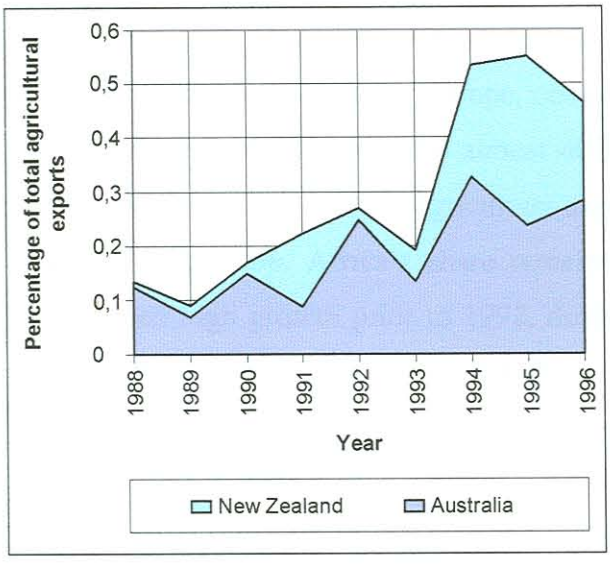

FIG. 3.25 SACU agricultural exports to Oceania

Oceania takes 0,4% of SACU's agriculture exports, of which Australia takes 0,26% and New Zealand, 0,18%. Exports to Oceania increased by 35% annualized over 1992 to 1996.

Oceania is a very small export destination in percentage terms. The most important products on a 2 HS code level (indicated in brackets) were prepared fruits and nuts and vegetables (20), beverages (22) and sugar (17). Other important products are oilseeds (12), fruits and nuts (08) and meat preparations (16) (Annex 5, Figure 15).

3.5 SUMMARY AND CONCLUSIONS

Continental aggregations of the share and growth in agriculture exports show that the greater Asia is the most important group of agriculture markets and the Americas, the most significant emerging market for South African agriculture exports. The growth in exports to African markets was rather poor from 1993 to 1996, after it had experienced tremendous growth from a very low base in the era prior to 1993. Europe showed a constant long-term decline in agriculture export share.

During the last decade, especially after 1992, large shifts in SACU agriculture export destinations took place between continents and countries. Between 1992 and 1996, the share of agriculture exports to Europe, compared with the total agriculture export basket, declined from just below 60% to almost 40%. Exports to Asia gained from about a 16% share to above a 25% share of agriculture exports. The Americas rose from close to 7% in share to about 12%. Africa's share remained more or less constant after 1993, but it experienced high growth prior to 1992, during which trade picked up from about an 8% share (1988) to one of almost 20% (1992).

The post-sanction period from 1993/94 spurred a re-growth of exports to Asia and enhanced growth to the Americas at the cost of a decline in share to Europe, and relative stagnant growth in export share to Africa. The growth in the Asian market could rather be considered as re-growth, since agriculture exports reached a low in the 1992 to 1993 period. The low Asian figures in the early 1990's could have been the combined effect of sanctions, the politically and economically unstable climate as well as the 1992 drought, since large quantities of surplus products such as cereals and sugar were usually exported to Asia.
The main performers in Asia were:

- Far East Asia, where re-growth from important destinations such as Japan and Korea (from a high-share base) was experienced;
- ASEAN (from a medium-share base), mainly as a result of increased exports to Malaysia, Indonesia, Singapore and the Philippines, and
- South Asia (from a low-share base), mainly India.

China (mainland) and China3 (Macao, Hong Kong and Taiwan), as a group, showed relatively slow growth in agriculture export share possibly due to trade restrictions, but nevertheless have large potential owing to their high economic growth rates and population. Viewing Macao and China mainland separately, we found that both had experienced high growth in export shares. In the Americas, as a group, growth in export share took place from a medium-share base with the main contributors to growth being the USA (high-market-share category), Brazil, Mexico and Venezuela (medium-share group) and Colombia and Paraguay in the low-market-share grouping.

Generally, these trends show tremendous changes in the composition of export markets for SACU agriculture over the last decade. It is especially Africa and the Americas, which have shown a sharp increase although from a very low base. Exports to the Americas have still been growing steadily since 1993. This confirms that exports to non-traditional export destinations have become more and more important.

Countries at the higher end of the growth scale were Iran, Malaysia, Brazil, Kenya, South Korea, Canada and Japan. For medium growth, Saudi Arabia, the United States, Angola, Zimbabwe and Italy were identified.

With the devaluation of the Rand and the currency crises in Asia, which had a ripple effect on developing economies, the European markets showed stability with their relative growth in share improving during 1997/1998. During 1997, the adverse effects of the Asian crises started to show their effect on the Asian countries and other emerging markets, resulting in a drop in export growth to Iran, Malaysia, Korea and Japan. Other developing countries—Brazil, Angola, Malawi and Mozambique—also showed a decline in growth for the period 1997/98. This trend, as well as low commodity prices on world markets, had a detrimental effect on some of the main traditional export commodities such as sugar, cereals, milling products, beverages and spirits to Asia, Africa and South America. During the slump in the Asian market, Kenya, Saudi Arabia, Italy, Canada, US, Zimbabwe, Belgium, Mauritius and Spain were stable higher-growth performers. Very large European markets like the UK (14%) and Germany (6%) also proved to be stable during these adverse times and were amongst the better performers in 1996/97. However,

these trends are expected to be only short-term. In the longer term, Europe shows a progressive decline in export share.

Generally, the statistics and analysis suggest significant changes in the importance of markets since the early 1990s. If, for instance, shares in export of the few high-growth countries selected by the results are added up, they grew from a 3,5% share to one of almost 30% in 4 years (1992 to 1996). These are all relatively new markets.