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Szerkesztőség

Szent István Egyetem
2103 Gödöllő, Páter Károly u. 1.

Kiadja a Szent István Egyetem

Felelős kiadó
Dr. Solti László egyetemi tanár, rektor

Technikai szerkesztő
Szalay Zsigmond Gábor

Felelős szerkesztő
Dr. Mézes Miklós egyetemi tanár

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# AGRICULTURAL TRADE AND MARKETING

# AGRÁRKERESKEDELEM, MARKETING

# IMPACT ASSESSMENTS OF CHANGING AGRICULTURAL TRADE AGREEMENTS AND TARIFF BARRIERS BETWEEN SOUTH AFRICA AND EUROPEAN UNIONS

FÉNYES, TAMÁS I. – MEYER, NICOLAAS G. – BREITENBACH, MARTHINUS C.

## Abstract

The aim of this study is to measure the competitiveness of the South African Agricultural Sector by analysing the effects of the Trade Development and Co-operation Agreement (TDCA). In broad terms the effects are expected to be twofold: (1) increased competition on the local market by the European Union (EU) products entering the market on a duty-free basis, and (2) improved access to the EU market for South African (SA) exports.
These effects are analyzed by:

- Taking a closer look at the TDCA.
- Performing an export impact assessment.
- Performing an import impact assessment.

**Keywords:** competitiveness, cooperation, export-import assessment

## Introduction

The Southern African Customs Union (SACU) and the European Union (EU) share a long history of agricultural trade. SACU and the EU have significant market share in each others markets and these two trading regions of the world (hereinafter referred to as trade sectors), are also traditional trade partners. Over the last decade in particular, the agricultural landscape has witnessed considerable dynamic adjustments. This paper investigates the dynamic adjustments that have taken place in agricultural markets in respect of the main agricultural products traded between SACU and the EU, given the bilateral arrangements in terms of the TDCA. Because of the usual limitation placed on a paper, the paper focuses on selected agricultural products (mostly deciduous fruit exports from South Africa and Meat and Dairy exports from the EU to South Africa) strategic to the bilateral partners.

The outline of the paper is as follows: In Section 2, a brief account is given of highlights in the current bilateral trade agreements between SACU and the EU. Special attention is given to the impact of the TDCA, as this is the single-most important bilateral agreement determining trade between SACU and the EU, which is now being negotiated to become an Economic Partnership Agreement (EPA). In Section 3, Trade Map Models, used to assess specific products' performance in the TDCA review period, are briefly explained. In Section 4, the authors select products for analysis based on their relative strategic importance and apply Trade Map Models to assess the import and export dynamics of selected deciduous fruits (SACU exports) and meat & dairy (EU exports to SACU) in Section 5.

## Current trade agreements that impact on SACU-EU bilateral trade[1]

Insofar as South Africa and SACU are concerned, the most profound impact on future agricultural trade hinges on the bilateral negotiations with the EU and the Common

[1] Section 2, except where indicated elsewhere, is cited in a report by the Department of Agriculture (DoA) entitled "Update on trade negotiations", 2007.

Agricultural Policy (CAP). This is mainly because the EU is South Africa's largest single export market for agricultural commodities (Meyer *et. al*., 2002).

A key component of CAP support to European farmers is the restriction of supply to the domestic market in order to maintain high European prices. Often referred to as dumping, the problem is particularly acute in the case of beef. The future of CAP has two important implications for South Africa. The first is contained in the European Commission's Agenda 2000 proposals. These measures imply a further shift from price to income support, by lowering intervention prices for cereals, beef and milk and to compensate for consequent income losses. These proposals are considered a renewed attempt to an improved market orientation of CAP, a greater integration of European agriculture in the world economy and greater consideration for environmental concerns.

The second important implication of CAP is the EU's eastward enlargement which involves the accession negotiations started with six applicant countries – Hungary, Poland, Estonia, Czech Republic, Slovenia and Cyprus.

From an economic perspective an enlarged EU will stimulate trade and economic activity and give fresh impetus to the growth and integration of the EU economy as a whole.

*1. SA-EU Trade Development and Cooperation Agreement (TDCA)*

On the 11th of October 1999 South Africa signed a Trade, Development and Co-operation Agreement with the European Union. Only the trade and development aspects of the Agreement entered into force on 1 January 2000 (Meyer *et. al*., 2002). It is important to note that South Africa (SA) and SACU are now aligning and integrating with respect to the EPA that is now under negotiation. Even though in the rest of the discussion the focus is on SA alone, SA and SACU would ultimately function under the same EPA.

South Africa agreed to remove duties on approximately 81% of its imports of agricultural products from the EC while the EC will remove duties on approximately 61% of the EC's total imports of agricultural products from SA. If the potential liberalization quotas that were granted in addition to the full liberalization schedules are included, the latter goes up to 72%. Both parties also have a reserve list of sensitive products that they exclude from liberalisation. Bananas, sugar, beef, rice, maize, sweet corn, starches and many fruits and vegetables are among the products on the EU reserve list. SA has excluded products such as fresh meats, diary products, some cereals and sugar products. The reserve lists is subject to review.

For certain products, which are yet to be liberalized, some preferential transitional quotas were introduced. (EU will benefit from such quotas on certain wines; SA will benefit on certain cheeses, cut flowers and wines). In addition, the EU has allowed partial liberalization for some of the Community's other sensitive products, such as some citrus fruits, canned fruit, juices, cut flowers and wines some of which featured on the original Council Mandate exclusion list. This was in the form of tariff quotas; generally limited to levels of recent imports from SA. In return, SA offered the EU some reciprocal tariff quotas in the cheese, as well as the wine sector. These quotas were also based on the levels of recent imports from the EU.

The EU has always been an important trading partner for SA. The past ten years have witnessed a diversification of SA's export markets in line with new trade policy, following the dismantling of trade sanctions against SA. The EU is extremely important for the SA fruit industry, absorbing over 50% of SA's fresh produce exports.

SA wines have experienced extremely strong growth into the EU over the past decade. Since TDCA came into effect in 2000, average annual growth has been 26%. The most important market for SA wines in the EU is the United Kingdom which accounts for 55% of total exports. The Netherlands accounts for a further 17% and Germany 9%.

Following the completion of the ratification procedures for TDCA by EU Member States and the SA Parliament, the agreement was fully implemented on 1 May 2004. This means that all the chapters included in the Agreement will now become effective, including economic cooperation and political dialogue. It also means that the management of TDCA on the SA side shifted from the Department of Trade and Industry (DTI) to the Department of Foreign Affairs (DFA), while on the EU side it will shift from the Commission to the EU Council.

A process is underway within the Department of Agriculture (DoA) to prepare for the full implementation of TDCA. The Directorate International Trade and International Relations are jointly developing a draft position paper that would allow for a full discussion of the implications of implementation within the Department.

The accession of Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia to the EU on 1 May 2004 was the latest stage in a process of economic unification and enlargement of Europe. The enlargement has increased the number of member countries by two thirds to 25 and has introduced an extra 75 million people. The 10 new Member States will have a significant impact on EU agriculture. This integration poses both challenges and opportunities for SA. However, the new members will be concentrating on meeting the regulatory requirements of the EU and consolidating their economic integration into the EU. Economic agents in the new Member States and SA can now apply TDCA preference when trading with each other.

In 2007, two additional countries, Romania and Bulgaria, will join the EU. Once this process has been completed, they will also become a member to TDCA and economic agents will enjoy the benefits of this agreement. Accession negotiations with Turkey will start in October. It is expected that Turkey will enter the EU not later than 2014.

*2. SA-EU TDCA review*

TDCA contains provisions in Articles 18 and 103 of the Agreement that mandate both parties to review the agreement. Articles 18 states that "No later than five years entry into force of this Agreement, the Community and SA shall consider further steps in the process of the liberalisation of their reciprocal trade. For this purpose, a review shall be undertaken of, in particular but not exclusively, the customs duties applicable to products listed in Annex II, list 5, Annex III, list 5 and 6, Annex IV, list 5, 6 and 7, Annex V, list 1, 2, 3 and 4, Annex VI, list 4 and 5 and Annex VII." For SA the review aims:

- To determine the impact of the current tariff phase-down schedules, i.e. did they lead to increased trade flows, if not, what were the reasons preventing increased trade.
- To determine areas where SA would like to see improvements in EU market access, i.e. accelerated tariff liberalisation, also identifying areas where SA can improve its market access as a measure of reciprocity.

- To develop a defensive position
- To rectify technical errors and Harmonization/ update nomenclature- use 2002 HS code classification.
- Rules of Origin: Cumulating and harmonisation with SADC & ACP plus rules review
- Include an SPS chapter and explore areas cooperation with the EC.

From the information already exchanged with regard to the areas of interest pertaining to this review, both parties highlighted an interest on strengthening Safeguards and Dispute settlement provisions, regional integration and the need to align TDCA provisions with WTO requirements.

Article 103 of the SA-EU TDCA reads: "The parties will review this Agreement within 5 years after its entering into force in order to address the possible implications of other arrangements which may affect this Agreement. Further reviews may be mutually agreed upon."

The aim of this article is to evaluate the overall agreement (trade and non-trade aspects), especially in view of developments at the WTO, other agreements entered into by parties, as well as EU enlargement and the renegotiated SACU agreement.

*3. Current situation*

Inputs from industry were used to determine SA's position in terms of the TDCA review. From the inputs received it is clear that further market access into the EU will be requested for sugar, wine, active yeast, barley, caned fruit, fruit juices including frozen orange juice concentrate, table grapes, and undenatured ethyl alcohol. Several technical meetings with the EU have been held to define issues from the review and to draft terms of reference for its process. Both parties agreed to exchange information on a timeline and framework for the process and to compile a joint schedule for the programme. The first formal negotiating meeting was held in October 2006.

*4. SA-EU TDCA review and SADC-EPA negotiations*

The EU and SADC are currently negotiating an Economic Partnership Agreement (EPA)[2], launched on 8 July 2004. This will replace the current Cotonou Agreement. In addition to the normal provisions on cooperation and development, the EPA will also include a free trade agreement (FTA). This will have implications for SA, because of its trade relationship with SADC, which includes a Customs Union and a Free Trade Area; as well as its TDCA with the EU. In order to avoid a potential conflict of interests and to assist the participating SADC states in the negotiations, SA and the EU have agreed that the former will become an active participant in EPA negotiations. SADC has tabled a framework proposal to the EU. It is SADC's aim to harmonize the two processes and to establish a coordinated trade framework between the EU and Southern Africa. At this stage, no reply has been received from the EU. This might cause a delay in continuing the negotiations, putting pressure on negotiators to conclude the agreement by the end of 2007.

[2] The SADC countries involved in these negotiations include Botswana, Lesotho, Namibia and Swaziland (BLNS), as well as Angola, Mozambique and Tanzania ("SADC – minus" configuration). The other SADC countries negotiating an EPA with the EU as part of the Eastern-Southern Africa (ESA) configuration. South Africa and the BLNS form the Southern African Customs Union, while SADC countries will also form a free trade area by 2008.

## Trade Map models

Given the current position regarding trading conditions, some products could be produced competitively whilst others may not. It would thus make sense to first identify those products that have a comparative advantage and focus agricultural export strategies on those products instead of trying to promote and produce products that have no comparative advantage.

What is required, therefore, is a strategic market research approach, which is based on dynamic economic modelling. Trade Map Models were developed by the International Trade Centre (ITC), and is today widely used by trading nations. Strategic market research refers to the benchmarking of national and sectoral trade performance and the identification of priority products and markets for trade development, both by the public and the business sectors (Steenkamp, 1999).

*There are four areas of strategic market research, namely:*

- *Trademaps for identifying the most important exports;*
- *Trade Potential Indexes, which reveal the competitive and comparative advantages of exports;*
- *Market diversification prospects; and*
- *Trade Simulation to identify trade potential.*

This paper utilises one of the four possible areas of strategic market research, namely Trademaps, to analyse the South African market potential for certain deciduous fruits, *viz-a-viz* the EU.

Trademap analysis produces two sets of results, i.e. a table and a chart in respect of each individual analysis. This paper makes use of a product Trademap analysis that produces both a chart and a table. The chart indicates the average nominal growth of total exports over the selected period (usually the last five years for which Comtrade data exists) for South Africa (dotted vertical reference line) and the average nominal growth of world imports over the same period (horizontal reference line). The diagonal line represents the line of constant world market share which divides the chart into two parts: If South Africa's exports of the product to the right of this line have grown faster than world imports; it has increased its share in the world market. Conversely, products to the left of the diagonal line have experienced erosion of their world market share. The diagonal and horizontal reference lines are of particular interest from a trade development perspective, since they divide the chart into four quadrants (also see Steenkamp, 1999):

***Gains in dynamic markets (Upper right, first quadrant).*** These are markets that are growing at a faster rate than world trade in general and where South Africa has been able to outperform world market growth and increase its share in world exports.

***Losses in dynamic markets (Upper left, second quadrant).*** These markets present particular challenges for trade promotion. While international demand has been growing at above average rates, South African exports have declined or have grown less dynamically.

***Losses in declining markets (lower left, third quadrant).*** The export prospects for these markets tend to be bleak. World imports of the product concerned have increased at a below average rate or actually declined and the exporting country's market share has decreased.

***Gains in declining markets (lower right, fourth quadrant).*** For a particular product, South Africa is increasing its market share in the world import market, which is declining or growing below average. From a trade promotion perspective, niche-marketing strategies are required to isolate positive trade performance from the overall decline in these markets.

Theoretically the charts also provide an overview of concentration of exports: the location of a number of large bubbles in one locality shows that exports are highly concentrated. The chart shows the export value of the product under review (size of the bubbles). All growth rates are calculated as least–square trends based on simple linear regressions (Meyer & Breitenbach, 2004).

Section 4 will now identify the agricultural products that are analysed in terms of its market potential (Section 5) and in terms of the trade barriers (TDCA and others) (Section 6).

*1. SACU-EU product selection based on strategic importance*

In this section the most important SA agricultural export products are selected for analysis in the next section. From Table 1 in the Appendix, it is evident that wine of fresh grapes, including fortified wines, and citrus fruit (fresh or dried) remained in the top 2 positions from 2004 to 2005 and reported respective growths of 10.8 and 6.9 percent in value from 2004 to 2005. These products are ranked 14th and 17th in the world in terms of export value in 2005 Jooste & Spies, 2006).

Other products that reported significant growth were cereal groats, meal & pellets, which moved from position 472 in the world to the 62nd spot with a 2076 percent growth between 2004 and 2005. Maize in turn moved from ranking 52$^{nd}$ to 29th with a 129 percent growth over the same period. Other nuts, fresh or dried, shelled or peeled or not, moved from ranking 175th to 110th with a 109 percent growth rate. Dates, figs, pineapples, avocados, guavas, mangoes & mangosteens, fresh or dried, as well as chocolate & other food preparations containing cocoa, grew by 43 percent from 2004 to 2005 (Jooste & Spies, 2006).

Growth in the value of exports of primary agricultural products by SA (Top 10) for the period 2000 to 2004 is shown in Table 2. Only the top 10 highest growth rates are reported on an HS4 digit code level. Table 2 (Appendix) also compares growth in the value of imports in the world for the same products over the same period. The growth in the value of exports for the products shown was in all cases higher than the growth in the value of imports of the same products in the world for the period 2000 to 2004. SA exports for grape or colza seeds, broken or not, and locust beans showed significant growth over the short term (2003-2004).

The products selected based on their strategic importance for SA for export impact analysis in Section 5 are: Apricots, cherries, peaches, nectarines, plums and sloes (0809); citrus fruit (0805); wine (2204); fresh grapes (080610); fresh apples (080810); pears and quinces (080820); apricots (080910); peaches, including nectarines (080930) and plums and sloes (080940).

In relation to EU export to SA, only meat and meat products and dairy and products thereof were selected for the analysis. These products are strategic to the EU and are part of the original reserve list in the TDCA EU trade offer. Before going to the selected product analysis, a brief account is first given here of the SA national export performance.

*2. National Export Performance*[3]

The national export performance tool provides an overview of the export performance of a country in terms of the composition of products and their exports, the dynamics of the international demand for the export products, and growth trends for their leading export products. Chart 1 shows the growth of national supply and international demand for the top 28 agricultural export products of South Africa in 2004 in terms of export value of the products (the larger the bubble, the greater the value), and compares the annual growth of exports of South Africa between 2000 and 2004 on percentage terms (on the horizontal axis) to the annual growth of world imports over the same period (vertical axis). The total growth of South African exports for the period 2000 to 2004 can be seen on the vertical reference line (just above 10 percent per annum). The vertical line (indicating constant world market shares) divides the figure into two parts. Exported products to the right of the line have grown faster than world imports and thereby increased their share in the world market. Exports of products to the left of the line have seen erosion of their world market share. Chart 1 also provides an overview of the concentration of exports. The appearance of one or a few comparatively large circles shows that exports are highly concentrated. The horizontal and vertical lines in Figure 2 divide the figure into four quadrants with different characteristics. These characteristics can be defined as follows:

**Champions – winners in growing markets:** These are the export products of South Africa that performed extremely well, including citrus fruit (fresh or dried); wine of fresh grapes; beer made from malt; apples, pears & quinces (fresh); nuts n.e.s.; preserved fruits n.e.s.; and maize. These products are the only agricultural commodities in the quadrant and the only dynamic commodities growing faster than world trade in general and for which South Africa has outperformed world market growth and increased its share in world imports. Trade promotion for these products is less risky, and promotional efforts should aim at broadening the supply capacity.

**Underachievers – losers in growing markets:** These products represent particular challenges for trade promotion efforts in South Africa. While international demand for these products has been growing at above-average rates, South Africa has been falling behind. South African exports have either declined or grown less dynamically than world trade. This means that South Africa has been losing international market share. Generally, the cause is not international demand but rather a problem on the supply side. For these products, it is important to identify and remove constraints that obstruct a more dynamic expansion of exports. Agricultural products falling into this category include dates, figs, pineapples, mangoes, avocadoes & guavas; food preparations n.e.s.; chocolate & other preparations containing cocoa; spirit liqueurs, other spirit beverages & alcoholic preparations; and pig iron & spiegeleisen in pigs.

**Achievers in adversity – winners in declining markets:** Products in this category are characterised by growing shares of South African exporters in world import markets, which are declining or growing at a below-average rate. From a trade promotion perspective, niche

[3] This subsection is mostly based on Jooste & Spies, 2006.

marketing strategies are required to encourage positive trade performance despite the overall decline in these markets. Products in this category include grapes (fresh or dried); vegetable tanning extracts, tannins & their salts; wool (not carded or combed); locust beans; and raw hides & skins of bovine/equine animals.

**Losers in declining markets:** The export prospects for products in this category are questionable. World imports for products in this category have been stagnating or have declined, and the market share of South Africa has gone down. Products in this category include cane or beet sugar & chemically pure sucrose in solid form; cut flowers & flower buds for bouquets (fresh or dried); fruit & vegetable juices (unfermented); meat & edible offal n.e.s.; wool & fine or coarse animal hair (carded or combed); and tobacco (unmanufactured) and tobacco refuse. Trade promotion efforts for products in this category face difficulty.

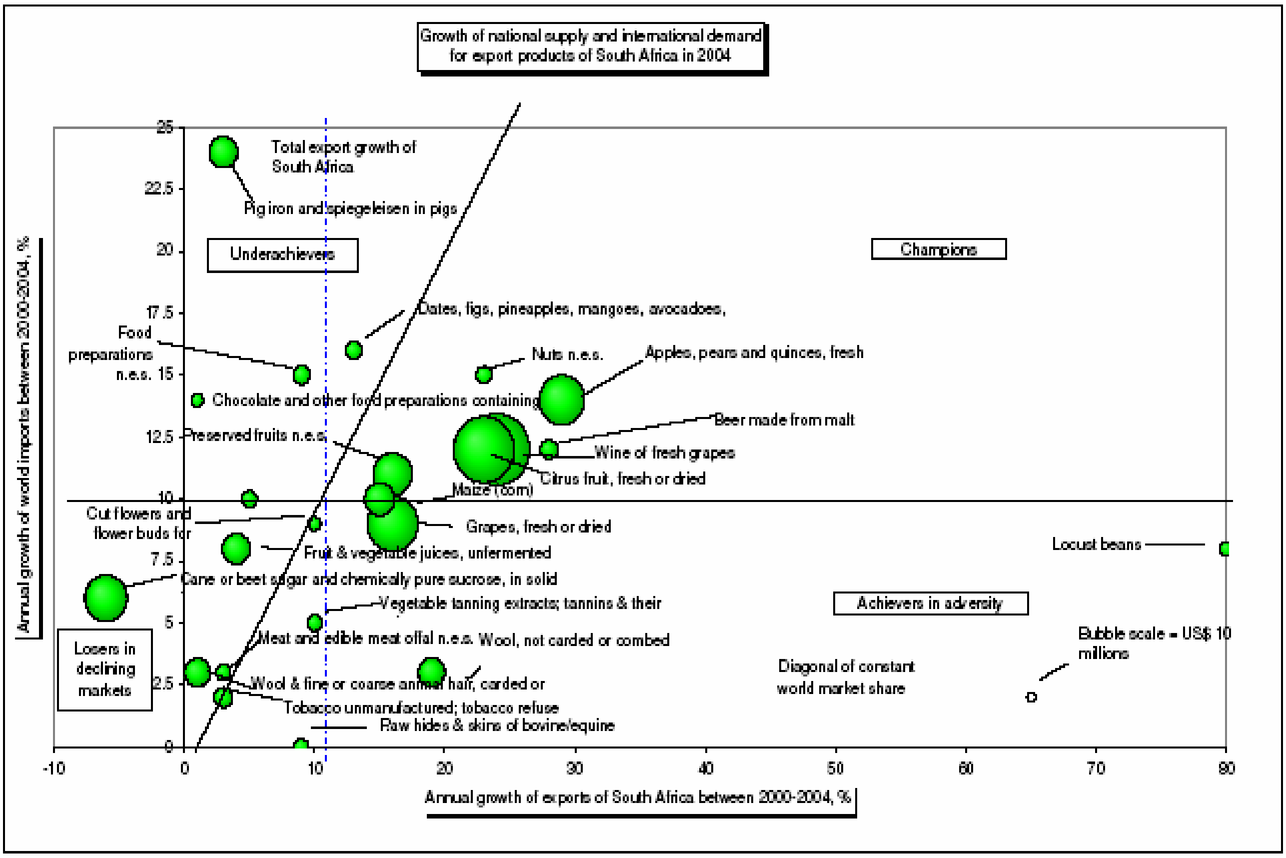


Chart 1: Country Trade Map for SA – 2001-2005
Source: Jooste & Spies, 2006

## SACU export impact assessment and EU export assessment using Trade Map analysis

*SACU export assessment*
In this section, the SA export products selected in the previous section based on their relative strategic importance to SA are analyzed using the Trade Map analysis described in Section 3 above. The strategic market analysis is performed using Comtrade export growth statistics for the TDCA review period. This is done in order to identify, among the products chosen for the analysis, the ones that require special attention of the negotiators during the upcoming negotiations toward EPAs under TDCA during December 2007.

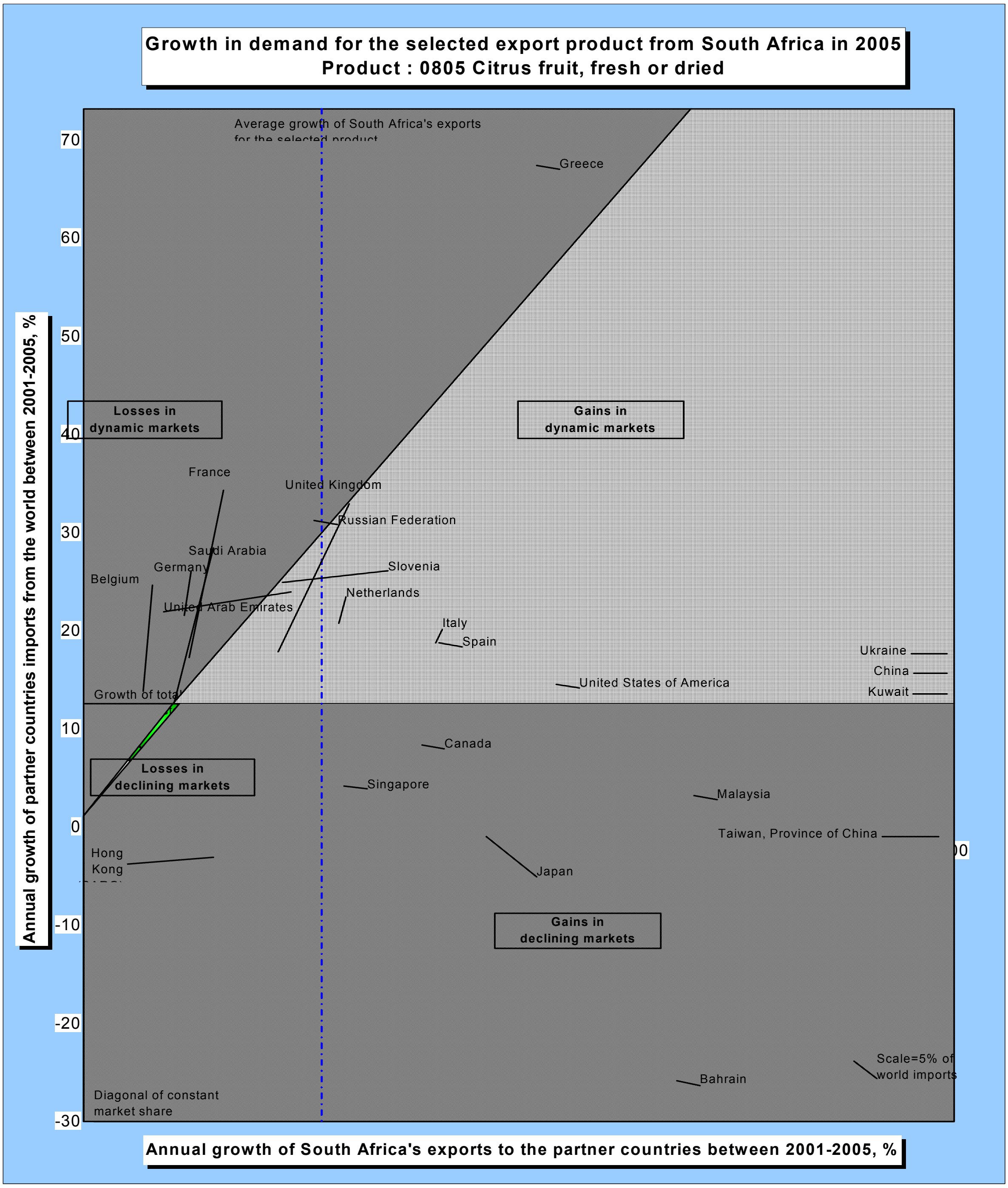


Chart 2: Trade Map Bubble Chart of SA Citrus export growth: 2001-2005 Source: Computed from ITC, 2007

Due to the limitations placed on this paper, only one Trade Map i.e. that of citrus is shown in the text. The balance of the results in respect of the other products selected for the analysis, are listed in summary form in Table 4.

SACU's exports of Citrus (TH 0805), account for 6% of the world total. For the five year review period, SACU exports of citrus have grown an average of 11% per annum. Insofar as ***Gains in dynamic markets (Upper right, first quadrant, Chart 1)*** is concerned, SACU has been able to outperform world market growth and increase its share in world exports. These are markets that are growing at a faster rate than world trade and are also referred to as *champions in export markets*. SACU experienced gains in dynamic markets for citrus in the

EU partner countries Slovenia, Italy, Spain, the Netherlands and UK. SACU export penetration in these markets had thus been higher than the world average.

**Table 4: Trademaps: Growth in demand for SA Fruit Exports**

| Code | SACU exports as % world | Growth % | EU's market share | Gains in dynamic markets | Losses in dynamic markets | Gains in declining markets | Losses in declining markets |
|---|---|---|---|---|---|---|---|
| **0809** | 1% | 10% | 86% | Netherlands, Sweden, Italy | Spain | Germany, Portugal, Switzerland | |
| **0805** | 6% | 11% | 31% | Slovenia, Italy, Spain, UK & Netherlands | Germany & Greece | | |
| **2204** | 2% | 14% | 83% | UK | | Germany, Switzerland, France, Belgium | |
| **080610** | 7% | 14% | 87% | Netherlands, Italy, UK | Spain | Belgium & Portugal | France |
| **080810** | 4% | 12% | 62% | UK | France & Netherlands | Belgium & Germany | |
| **080820** | 6% | 13% | 76% | Ireland, Denmark, Netherlands, Germany | Spain | Belgium, Italy, Portugal, Switzerland | |
| **080910** | 2% | 11% | 88% | Germany, Belgium & UK | Netherlands | Italy | France |
| **080930** | 1% | 11% | 77% | | France & Belgium | UK | Germany |
| **080940** | 8% | 9% | 86% | Portugal, Switzerland, Italy, France & Netherlands | UK | Germany, Belgium | Spain |

**Product : 0809 Apricots, cherries, peaches, nectarines, plums & sloes, fresh**
**Product : 0805 Citrus fruit, fresh or dried**
**Product : 2204 Wine of fresh grapes**
**Product : 080610 Grapes, fresh**
**Product : 080810 Apples, fresh**
**Product : 080820 Pears and quinces, fresh**
**Product : 080910 Apricots, fresh**
**Product : 080930 Peaches, including nectarines, fresh**
**Product : 080940 Plums and sloes, fresh**

*Source: Calculated from ITC, 2007*

However, SACU experienced ***Losses in dynamic markets (Upper left, second quadrant)*** in respect of citrus in the EU partner countries of Germany and Greece. The German exports are however relatively small in relation to all SACU exports of citrus and that of Greece very small. In the larger SACU export markets for citrus, France and Belgium, export growth remained relatively static with the French market showing potential of growth.

In order of importance, SACU also have relatively sizable export markets in the EU for fresh grapes (7% of world imports to EU), pears and quinces (6% of world imports to the EU) and plums and sloes (8% of world imports to the EU). SACU experienced gains in dynamic markets (export champions) in the Netherlands, Italy and the UK for fresh grapes, in Ireland, Denmark, Netherlands, and Germany for pears and quinces and in Portugal, Switzerland, Italy, France and the Netherlands for plums and sloes.

Where the EU is now importing less of a product from the rest of the world than before, markets are said to be declining markets. It is therefore significant that SACU was able to show advances in these markets by increasing its relative market share amidst these declining markets. This was the case for SACU exports to Germany, Portugal and Switzerland for apricots, cherries, peaches, nectarines, plums & sloes, Germany, Switzerland, France and Belgium for wine of fresh grapes, Belgium and Portugal for fresh grapes, Belgium and Germany for apples, Belgium, Italy, Portugal and Switzerland for pears and quinces, Italy for apricots, the UK for peaches and nectarines, and Germany and Belgium for plums and sloes.

SACU's export achievements in regard to the deciduous fruits analyzed over the TDCA review period have generally been positive indicating that market access and therefore market penetration has been improving for these strategic SACU exports. The SACU exports that under-achieved in the review period are mainly citrus to Germany and Greece, apples to Spain, apricots to the Netherlands, plums and sloes to the UK.

**EU export assessment**

For the EU export impact assessment, meat and meat products and dairy and products thereof were assessed using Trade Map analysis. Gaining world market share in milk and fresh cream came only from the Netherlands, who experienced substantial gains in its share of exports to SACU. The Czech Republic increased its exports of milk and cream by nearly 100% in the five year review period, but from a very low base. Import growth from the Netherlands was second in line with 30% growth in exports of milk and cream to SACU. Export growth to SACU also came from the UK, Germany, France, Austria and Belgium.

**Summary**

SACU and the EU are important reciprocal trading partners in agricultural supplies in view of its sizable export market share in each others markets. The TDCA signed in 1999 paved the way for closer cooperation in trade of especially agricultural produce. TDCA is now under review and in this paper the authors analyzed selected strategic export products to both the EU and SACU in order to ascertain if TDCA has lead to some advances in trade to both partners and identify areas for improvements in the EPAs that are now on the negotiation table.

The paper finds that trade of these strategic products from the respective reserve lists have grown significantly, improving the gains from trade to both partners. The analysis also finds further export potential between the SACU-EU partners to exist. Certainly this intimates that further advances toward free trade between the trading partners are beneficial to both.

Specific areas that need consideration is the removal of more products from the respective reserve lists, improved access by phasing out of existing tariff quotas, levelling playing fields insofar as farmer subsidies are concerned and streamlining other qualitative control measures; these qualitative control measures warrants further investigation. Liberalization should take place efficiently and accelerated in order to secure long run food supplies among the partners. The SA-EU agreement should also be aligned to extend bilateral arrangements to SACU.

The TDCA creates a framework within which agricultural trade and hence the gains from it could be increased to contribute toward national economic growth. It is therefore important that trade opportunities and possible problems and threats be identified and successfully dealt with on an ongoing basis.

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## Authors:

Tamás I. Fényes DSc, professor
School of Economics, University of Pretoria
tommy.fenyes@up.ac.za

Nicolas G. Meyer PhD, project economist
Development Bank of Southern Africa
nicom@dbsa.org

MarthinusC. Breitenbach PhD, associate professor
School of Economics, University of Pretoria
martin.breitenbach@up.ac.za

## Appendix

**Table 1: Value of agricultural commodity and food exports (Top 20) (2005).**

| | | | Rank | | Proportion 2005 | | Annual growth |
|---|---|---|---|---|---|---|---|
| Commodities (HS4) | **2005** | **2004** | **2005** | **2004** | **% Total** | **Cum** | **2004-2005** |
| Wine of fresh grapes incl fortified wines | 3907 293 | 3437 011 | 14 | 14 | 1.10% | 56.50% | 10.80% |
| Citrus fresh or dried | 3176 996 | 2973 041 | 17 | 17 | 1.00% | 59.60% | 6.90% |
| Grapes, fresh or dried | 2099 731 | 2034 470 | 23 | 18 | 0.60% | 63.90% | 3.20% |
| Cane or beet suger and chemacally pure in solid form | 1769 965 | 1438 450 | 25 | 29 | 0.50% | 65.00% | 23.00% |
| Maize (Corn) | 1665 644 | 726 236 | 29 | 52 | 0.50% | 67.10% | 129.40% |
| Apples, pears and quinces, fresh | 1532 494 | 1673 415 | 32 | 24 | 0.50% | 68.50% | -6.40% |
| Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not contained added sugar or other sweetening matter or spirit, not elsewhere specified or included | 1134 393 | 1224 464 | 38 | 32 | 0.30% | 70.80% | -7.40% |
| Fruit juices (including grape must) and vegetable juices, unfermented and not contained added sugar or other sweetening matter or spirit, not elsewhere specified or included | 823 479 | 617 161 | 55 | 59 | 0.20% | 75.90% | 33.40% |
| Cereal groats, meal and pellets | 680 452 | 31 267 | 62 | 472 | 0.20% | 77.50% | 2076.30% |
| Wool, not carded or combed | 581 088 | 581 532 | 73 | 64 | 0.20% | 79.50% | -0.10% |
| Wool and fine or coarse animal hair, carded or combed | 468 094 | 544 130 | 92 | 69 | 0.10% | 82.50% | -14.00% |
| Other nuts, fresh or dried, shelled or peeled or not | 399 867 | 191 484 | 110 | 175 | 0.10% | 84.80% | 108.80% |
| Leather further prepared after tanning or crusting | 334 019 | 269 977 | 123 | 127 | 0.10% | 86.30% | 23.70% |
| Dates, figs, pineapples, avocados, guavas, mangoes and mangosteen, | 318 222 | 222 092 | 128 | 153 | 0.10% | 86.70% | 43.30% |
| Apricots, cherries, peaches (including nectarines), plums and sloes, fresh | 312 508 | 339 934 | 129 | 101 | 0.10% | 86.80% | -8.10% |
| Raw skins of sheep or lambs | 309 391 | 374 475 | 130 | 93 | 0.10% | 86.90% | -17.40% |
| Food preparations not elsewhere specified or included | 273 704 | 239 900 | 146 | 143 | 0.10% | 88.30% | 14.10% |
| Unmanufactures tobacco; tobacco refuse | 234 704 | 270 963 | 158 | 126 | 0.10% | 89.30% | -13.30% |
| Chocolate and other preparations containing cocoa | 190 846 | 133 459 | 188 | 216 | 0.10% | 91.10% | 43.00% |
| Leather of bovine or equine animals, without hair | 172 704 | 196 759 | 206 | 173 | 0.10% | 92.10% | -12.20% |

Source: The Department of Trade and Industry: www.dti.gov.za

**Table 2: South African top 10 primary agricultural product exports and world imports ranked according to growth in value (2000-2004)**

| Rank | HS4 | | Annual growth in value between 2000 & 2004, % | Annual growth in value between 2000 & 2004, % | Annual growth in value between 2003 & 2004, % | Annual growth in value between 2003 & 2004, % |
|---|---|---|---|---|---|---|
| | | | SA Exports | World Imports | SA Exports | World Imports |
| 1 | 1210 | Hop cones, fresh or dried | 102 | 4 | 1 | 21 |
| 2 | 1205 | Rape or cotza seeds broken or not | 85 | 4 | 375 | 39 |
| 3 | 0905 | Vanilla | 82 | 40 | 47 | -26 |
| 4 | 1212 | Locust beans | 80 | 8 | 226 | 17 |
| 5 | 0409 | Natural honey | 67 | 25 | 12 | -8 |
| 6 | 0703 | Onions, garlic and leeks, fresh or chilled | 49 | 13 | 15 | 11 |
| 7 | 0104 | Live sheep and goats | 46 | 15 | 36 | 3 |
| 8 | 0706 | Carrots, turnips and salad beetroot, fresh or chilled | 45 | 10 | 11 | 3 |
| 9 | 0101 | Live horses, asses, mules and hinnies | 43 | 0 | -41 | 10 |
| 10 | 0103 | Live swine | 43 | 10 | -89 | 27 |
| 11 | 1007 | Grain Sorghum | 43 | 1 | -46 | 8 |

Source: Trade and Industrial Policy Strategies: www.tips.org.za