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South Africa's Changing Agricultural Trade Regime

Nick Vink
University of Stellenbosch

Norma Tregurtha
University of Stellenbosch

Johann Kirsten
University of Pretoria

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ABSTRACT

Over the past two decades, South Africa's agricultural sector has been extensively liberalised. As a result, a closer examination of the data shows some interesting trends in international trade in food and beverage products. First, exports of processed foods and beverages have shown strong growth. Despite the large increase in exports to South Africa's traditional trading partners, largely in Europe, exports of processed goods to the SADC region have shown stronger growth. Second, imports of 'non-traditional' commodities (i.e. unprocessed goods other than rice, coffee and tea) have also grown strongly. The purpose of this paper is to provide some explanations for these trends

1. INTRODUCTION

Over the past two decades, South Africa's agricultural sector has been extensively liberalised, both in the domestic as well as in foreign markets. Domestic liberalisation started as long ago as the early 1980s, and was essentially completed by early 1998. This process has been well researched and the results suggest net gains to the sector and to the economy at large, although there have been winners and losers.

The liberalisation of international trade in agriculture started with the Marrakech Agreement in 1993 and was given greater momentum after the first democratic government in South Africa came into power in 1994, as part of a reorientation of the economy from import substitution to an export-led growth strategy. The reorganisation of trade relations in Southern Africa formed an important part of this reoriented trade policy. The key steps included the renegotiation of the SACU Agreement and the acceptance of the SADC Trade Protocol.

While these trade policy shifts are recent, a closer examination of the data shows some interesting trends. First, exports of processed foods and beverages have shown strong growth. Despite the large increase in exports to South Africa's traditional trading partners, largely in Europe, exports of processed goods to the SADC region have shown stronger growth. Second, imports of 'non-traditional' commodities (i.e. unprocessed goods other than rice, coffee and tea) have also grown strongly. The purpose of this paper is to provide some explanations for these trends. To this end, the paper starts with an explanation of the agricultural policy changes that accompanied the democratisation of South Africa. Domestic policy changes are summarised, while changes in trade policy are dealt with in a bit more detail. This is followed by a descriptive analysis of South Africa's food and agricultural sector. Issues addressed include the nature and extent of the demand for food, South Africa's agricultural resource base relative to that of the rest of the SADC region, and the competitiveness of South Africa's agricultural food, tobacco and beverages sector. Thereafter, the trends in exports and imports by commodity, and by destination and source, are illustrated. In the final section of the paper, some further aspects of these trends are explained, and relevant conclusions drawn.

2. THE POLICY ENVIRONMENT

2.1 Domestic market deregulation

Until early in 1998 the marketing of most agricultural products in South Africa was extensively regulated by statute. One of the main characteristics of the control over agricultural marketing was isolation from world market forces. Most products were regulated under the 22 marketing schemes introduced from 1931 and especially from the time of the 1937 Marketing Act. In addition, commercial farmers benefited from a wide range of support services from the State (research, extension) as well as direct and indirect subsidies.

Beginning two decades ago, the industry faced increasing pressures for deregulation, a process that was accomplished in two phases over this period. The major change in the first phase was the extensive deregulation of state agricultural marketing schemes within the framework of the marketing act of 1968.

2.2 External market liberalisation¹

By 1994 the South African economy had emerged from three and a half years of recession, part of a process of decline that had been going on for nearly two decades. Trade liberalisation became one of the central and more visible elements of the drive to achieve accelerated economic growth and symbolic of its break with past economic policies, also in agriculture. In the process, South Africa substantially liberalised the economy through reform of the import regime and deregulation of the agricultural sector.

South Africa's trade regime before liberalisation was characterized by numerous quantitative restrictions, a multitude of tariff lines, a wide dispersion of tariffs, and various forms of protection such as formula, specific and *ad valorem* duties and surcharges. In agriculture, quantitative restrictions, specific duties, and a maze of price controls, import and export permits and other regulations in many cases eliminated any foreign competition.

The pace of trade liberalization quickened after South Africa became a signatory to the Marrakech Agreement. Initial progress in rationalizing the complex tariff regime and with lowering the overall level of nominal and effective protection was relatively fast (see Table 1). These data show that between 1990 and 1999, the number of tariff lines was reduced from 12500 in 200 tariff bands to 7743 in only 47 tariff bands. In fact, if the considerable number of zero tariffs is ignored, the number of tariff lines had been reduced to fewer than 2500 by 1999. At the same time the average economy-wide tariff fell from 28 to 7.1%, or 17% for those products with positive rates.

Table 1: Deregulation of the South African tariff structure

	ALL RATES 1990	ALL RATES 1996	ALL RATES 1999	POSITIVE RATES 1999
Number of lines	12500	8250	7743	2463
Number of bands	200	49	47	45
Minimum rate (%)	0	0	0	1
Maximum rate (%)	1389	61	55	55
Unweighted mean rate (%)	27.5	9.5	7.1	16.5
Standard deviation (%)	n.a.	n.a.	10.0	8.6
Coefficient of variation (%)	159.8	134.0	140.3	52.2

Source: Lewis, 2001

The average tariff cascades from a relatively high rate on consumer goods to moderate on intermediate goods and low on capital goods. This pattern implies that less progress has been made in rationalizing *effective* protection. Thus, although

¹ This section draws heavily on Lewis (2001)

average tariffs have fallen, they have tended to fall proportionately more on inputs into production rather than on output, leading to increases in effective protection.

The longer-term pattern of export growth suggests that there has been a shift in comparative advantage, as exports of unskilled labour-intensive manufactures have fallen in relative importance, while mineral resource-intensive exports have declined in importance and agricultural exports have only succeeded in maintaining their relative position. Trade policy has likely played an important role in these outcomes. However, it could be argued that in an economy with abundant unskilled labour, the share of unskilled labour intensive exports should be higher. The empirical evidence shows that export growth raised employment by a significant 5.3 percent between 1993-97, although net trade (export generated employment less employment lost due to rising import penetration) raised employment by only a modest 1.0 percent between 1993- 97. Nevertheless, while increased import penetration has weakened the employment effects of the export boom, the empirical evidence does not support the notion that trade liberalization or 'globalisation' has resulted in a loss in employment in South Africa.

2.3 Trade in Southern Africa

There are three tiers of relations in the Southern African region. SACU, which exhibits the deepest level of integration, SADC, which until 1992 pursued sector co-operation, and COMESA which unsuccessfully attempted to foster market integration among its member countries. Botswana and South Africa were the only countries in SADC not to have held membership of COMESA. Lesotho, Mozambique and Tanzania have however, recently withdrew from that arrangement. Of the extra-regional influences affecting regional trade patterns, the Lomé (and now Cotonou) preferences granted the majority of SADC countries by the European Union (EU) and the Cross-Border Initiative (CBI) which attempts to put a regional slant on IMF/World Bank sponsored SAPs have been the most important. However, South Africa's separate bilateral FTA with the EU, which was concluded in 1999 and gives the parties reciprocal access to both markets, is also having an impact.

Total imports from the rest of the world into SADC (excluding SACU countries) amounted to \$32 052.4 in the late 1990s, of which South Africa accounted for two thirds. Non-SACU intra-SADC trade amounts to a miniscule 0.9% of total imports of these countries. South Africa's manufacturing sector is over five times larger than the sum of all the other SADC member states' in manufacturing value-added terms. South Africa's dominance in industrial production in the region consequently has a profound influence on intra-regional trade patterns.

The current trade patterns taken together with the underdeveloped industrial sector in SADC countries exemplifies the underlying structural problems, including inadequate infrastructure service, underdeveloped financial systems and human resource and technology needs, in the region.

3. INTERNATIONAL TRADE

This section provides a profile of South Africa's exports and imports of agricultural and food products by means of an analysis of a range of databases and analytical tools. First, the International Trade Centre's (ITC) Trademap database is used to estimate the trends and growth in trade for the key commodities, destinations and countries of origin. Second, the analysis uses the database of trade statistics supplied by the Department of Agriculture and of Customs and Excise. The latter provide detailed statistics per HS code for the period 1994 to 2000.

One of the objectives of the analysis is to form an idea of the major food and agricultural commodities imported and exported as well as to ascertain where imports originate and where exports are destined. This analysis will serve to analyse the hypothesis that there is an increase in 'non-traditional' raw material imports into South Africa (mostly from non-African origins) with processed products being exported mainly to African destinations. The main trends in food and beverage trade are illustrated in Figure 1 below. These data show that exports have increased consistently since 1994, despite a decline in output in the late 1990s while import growth first declined, but has turned positive in the past few years.

3.1 Exports

The number of export destinations for South African agricultural and food exports grew from 154 in 1994 to 185 in 2000. Table 2 illustrates the most important destinations for South African agricultural and food exports. The data show that around 90% of the value of total exports went to 34 countries, with only 8 countries receiving more than 50% of exports. The United Kingdom remains South Africa's major market, responsible for 12.5% of export earnings, while the EU in general has 5 of the top 10 destinations, taking almost 35% of food and agricultural exports.

Figure 1: South Africa's processed food and beverage trade growth, 1994-2001

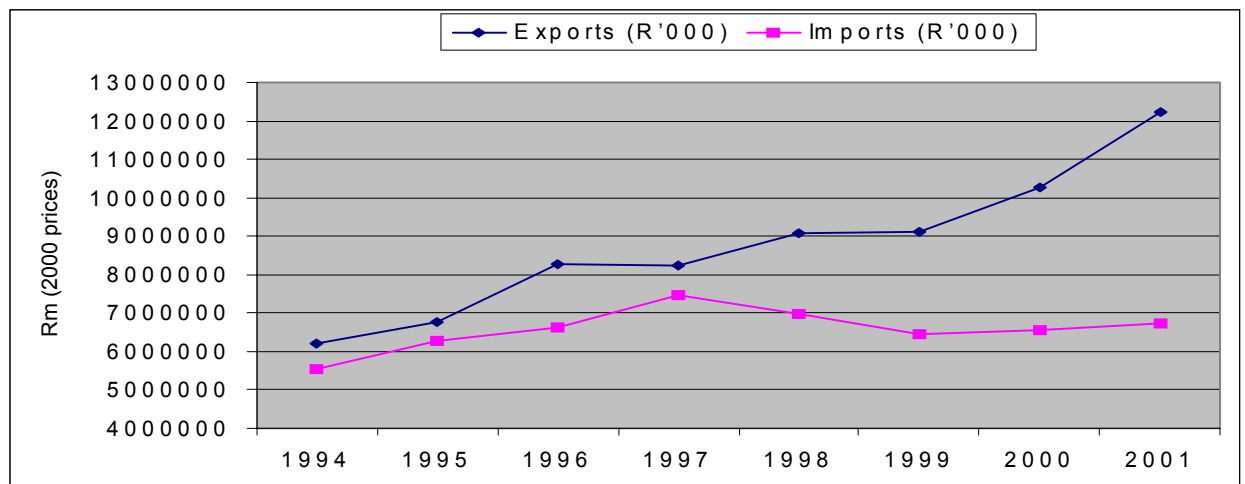


Table 2: Destination for 50% of South African agricultural and food exports (2000)

RANK	COUNTRY	RANK 1994	EXPORT VALUE IN 2000 (\$M)	EXPORT VALUE IN 2000 (RBN)	% OF TOTAL EXPORTS	CUMULATIVE SHARE (%)
	Total		2264.87	15.819		
1	United Kingdom	1	282.05	1.97	12.46	12.46
2	Netherlands	11	221.92	1.55	9.77	22.23
3	Belgium	3	130.29	0.91	5.74	27.97
4	Japan	2	128.86	0.90	5.67	33.65
5	Mozambique	5	127.42	0.89	5.62	39.27
6	United States	9	115.97	0.81	5.11	44.38
7	Germany	4	87.34	0.61	3.85	48.23
8	Saudi Arabia	16	80.18	0.56	3.52	51.74

Since 1994 the UK has maintained its position as the prime export destination, but the Netherlands jumped from 11th position to 2nd while the United States has moved up from 9th to 6th position. In SADC, Mozambique held its 5th place while Zambia has moved up from 29 to 15 and Malawi has moved up from 34 to 19. There are 6 SADC member countries amongst the top 20 export destinations, and 4 of these have improved their ranking since 1994.

Table 3 summarises these export destinations by continent. The EU remains the single biggest market for South African agricultural exports, but its share has declined from more than 50% in the early 1990s. A possible reason can be found in the increased share of markets in the Americas, Asia and especially SADC. Countries in SADC (outside the BLNS countries) now account for almost 20% of South African agricultural exports.

Table 4 illustrates the concentration of exports among a few commodities. The 25 most important agricultural and food exports are responsible for 92.18% of the total export earnings in the food and agricultural sector. The data provide a clear indication of the importance of the various industries in the farming sector in terms of their contribution to export earnings. The share in the total export earnings by the different types of fruit (citrus, deciduous and subtropical) is 30.3%, wine 10.7%, and fruit juices 4.1%. This means that the horticultural industry is responsible for 45.1% of all export earnings. The next most important sector is sugar with 11.7%, maize with 3.1%, wheat and other field crops with 2.9% and cigarettes with 3.4%. The wool industry adds another 2.2%, while animal products in general make up less than 5%.

Table 3: Continental share in South African food and agricultural exports

CONTINENT/REGION	% SHARE IN VALUE OF EXPORTS (2000)
EU	39.95
Other non EU Europe	2.80
SADC	18.90
Rest of Africa	6.34
Africa total	25.24
Middle East	8.23
North America	7.48

South America	0.83
Far East	7.42
Russia	0.40
Australia	0.79

Table 4: Top 15 export commodities in value terms (2000)

RANK		EXPORT VALUE (\$M) (2000)	EXPORT VALUE (RBN) (2000)	CUMULATIVE SHARE (%)
	Grand Total	2264.87	15.819	
1	Cane or beet sugar and chemically pure sucrose, in solid form	266.45	1.861	11.77
2	Wine of fresh grapes, including fortified wines; grape must other than heading no. 20.09	241.96	1.690	22.45
3	Citrus fruit, fresh or dried	226.50	1.582	32.45
4	Grapes, fresh or dried	179.68	1.255	40.38
5	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere included	123.85	0.865	45.85
6	Apples, pears and quinces, fresh	100.65	0.703	50.29
7	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing sugar or other sweetening matter	94.07	0.657	54.45
8	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	78.60	0.549	57.91
9	Maize (corn)	71.44	0.499	61.07
10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher; ethyl alcohol and other spirits, denatured, of any strength	54.55	0.381	63.48
11	Wool, not carded or combed.	50.54	0.353	65.71
12	Food preparations not elsewhere specified or included	36.37	0.254	67.31
13	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh	29.49	0.206	68.62
14	Unmanufactured tobacco; tobacco refuse	27.92	0.195	69.85
15	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried	26.20	0.183	71.01

The data also show that processed exports (e.g. sugar, wine) make up about half of the total food and agricultural exports, and that its share is increasing. Four of the 6 processed items that are amongst the top 10 for 2000 have improved their ranking since 1994, while 3 of the 4 unprocessed goods have lost ranking in this period. Unprocessed goods are also sent to fewer destinations (on average 71) as compared to processed goods (91 destinations).

Table 5 shows the value of exports to the SADC group of countries. From this list it is evident that cereals, milling products, dairy products and sugar (i.e. processed goods) are the dominant export commodities to SADC. The share of the 10 largest exports

increased by 234% since 1994. Finally, the last column of the table shows that the non-SACU member countries of SADC account for more than 50% of South Africa's exports in 6 of the top 10 categories of South Africa's exports of food and agricultural goods to the region.

The SADC countries are, therefore, an important market for South African processed food and agricultural products. This is confirmed by the data in Table 6, which shows that SADC takes more than 10% of the total exports of food and agricultural commodities in the case of 4 of South Africa's 10 largest categories of products. Only one of these is an unprocessed product.

Table 5: Top 10 commodities exported to SADC countries in value terms (2000)

	EXPORT 2000 (\$M)	EXPORT 2000 (RM)	GROWTH 1994-2000 (%)	SHARE IN AGRICULTURAL EXPORTS TO SADC (%)	CUMULATIVE SHARE (%)	SADC SHARE IN AGRICULTURAL EXPORTS (%)
Total	428.09	2990	197.6			18.90
Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	56.93	397.6	1057.3	13.30	13.30	72.47
Cane or beet sugar and chemically pure sucrose, in solid form	50.14	350.2	446.3	11.71	25.01	18.81
Food preparations not elsewhere specified or included	27.39	191.3	506.0	6.40	31.41	75.44
Wheat or meslin flour	17.70	123.6	86.6	4.13	35.54	99.43
Milk and cream, concentrated or containing added sugar or other sweetening	15.79	110.3	97.5	3.69	39.23	79.91
Sunflower-seed, safflower or cotton- seed oil and fractions thereof	15.71	109.7	218.1	3.67	42.90	97.83
Maize (corn)	14.46	101.0	91.0	3.38	46.27	20.26
Sugar confectionery (incl. white chocolate), not containing cocoa	11.78	82.3	258.9	2.75	49.03	49.64
Fruit juices (including grape must) and vegetable juices	11.30	78.9	254.0	2.64	51.67	12.00
Beer made from malt	11.08	77.4	-24.0	2.59	54.25	68.90

Table 6: SADC share in South Africa's top 10 agricultural and food exports (2000)

HS4-DESCRIPTION	TOTAL EXPORT VALUE 2000 (\$M)	TOTAL EXPORT VALUE (2000) (RBN)	SADC SHARE OF EXPORTS
Grand Total	2262.15	15.8	
Cane or beet sugar and chemically pure sucrose, in solid form.	272.03	1.9	18.81
Wine of fresh grapes, including fortified wines; grape must other than that of heading no. 20.09.	243.40	1.7	3.16
Citrus fruit, fresh or dried.	229.08	1.6	2.69
Grapes, fresh or dried.	171.81	1.2	0.63
Fruit, nuts and other edible parts of plants, otherwise prepared or preserved,	124.56	0.87	0.98
Apples, pears and quinces, fresh.	100.22	0.70	6.56
Fruit juices (including grape must) and vegetable juices.	94.49	0.66	12.00
Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.	78.75	0.55	72.47
Maize (corn).	71.59	0.50	20.26
Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher.	54.41	0.38	4.68

3.2 Imports

South Africa's total agricultural and food imports for the year 2000 were R9,64bn, about twice the level in 1994. Therefore, the country had a positive trade balance in these items of around R6,2bn in 2000. In 1994 South Africa imported agricultural and food products from 139 countries, and this increased to 152 in 2000. However, imports from only 10 countries were responsible for almost two thirds of the total agricultural and food import bill. The details are provided in Table 7 below.

Table 7: The 25 countries with the largest food and agricultural exports into SACU, 2000

RANK	COUNTRY	1994 ¹ (\$M)	2000 ¹ (\$M)	1994 (RBN)	2000 (RBN)	SHARE (%)	CUM SHARE (%)	1994 RANK
	Grand Total	1.38	1.38	4.895	9.644			
1	Argentina	0.15	0.16	0.519	1.131	11.73	11.73	3
2	United States	0.15	0.16	0.547	1.126	11.68	23.41	1
3	United Kingdom	0.15	0.14	0.528	0.968	10.03	33.44	2
4	Australia	0.09	0.12	0.336	0.808	8.37	41.81	5
5	Zimbabwe	0.12	0.10	0.417	0.673	6.98	48.79	4
6	Malaysia	0.08	0.06	0.275	0.407	4.22	53.01	7
7	Thailand	0.08	0.06	0.300	0.389	4.03	57.05	6
8	Canada	0.04	0.05	0.137	0.370	3.84	60.89	10
9	France	0.06	0.04	0.211	0.305	3.16	64.05	8
10	Netherlands	0.04	0.04	0.133	0.277	2.87	66.92	11

Note: The effect of the depreciation of the South African Rand is evident from these data. While export volumes, and values as measured in local currency increased considerably from 1994 to 2000, the USD values are stagnant.

Argentina is the main origin of imports, followed by the United States, the UK, Australia and Zimbabwe in 5th place. The sourcing of imports has remained relatively stable since 1994, with the top 5 all represented in 1994, and only 3 new entrants in the top 25 list since that year, although the rankings have shifted somewhat. Countries in North America make up 15.5% of the total, those in Asia 16.8%, and the EU 25.5%. Just over 9.6% of imports are sourced from SADC, compared to the 20% of exports that the region takes. This means that South Africa has a positive trade balance in agricultural and food products of around R2.5bn with the non-SACU member countries of SADC. This is smaller than the positive balance of R3.9bn the country had with the EU in that year (largely because of South Africa's exports of fresh fruit and wine to the EU). South Africa's trade balance in these items with North America and Asia is negative, which indicates how important the SADC market is for the country's processed agricultural goods. Only 3 SADC countries feature in the top 25 import sources, namely Zimbabwe, Zambia and Malawi.

The data in Table 8 show that only 51 commodities contribute 85% of South Africa's agricultural and food imports. Almost 50% of the import bill is attributed to 12 commodities of which rice, wheat, alcohol (whisky), animal feed ingredients, tea and coffee can be regarded as 'traditional imports'. The only one of these items that has experienced growth of more than 10% per year is the animal feed ingredients. 'Non-traditional' items that have recorded growth rates of more than 10% per year since 1994 include many raw materials used in the processing of food products.

Table 9 shows that South Africa imported just less than R1bn (\$133m) of agricultural and food products from the SADC region in 2000. The list of products is eclectic, as is confirmed by Table 10, which shows those products where more than 60% of South Africa's imports are sourced from SADC countries other than the SACU members. The list includes products such as tea and sugar from Malawi, yet all the other products in the list of the 10 most traded products are commodities. It is interesting to note that maize is on the list of the 10 largest imports from SADC. According to Table 12 it is also on the list of the 10 largest South African exports to the region. Finally, the data in Table 17 show that South Africa sources more than 60% of some of its high value imports (manioc, cut flowers, dried leguminous vegetables) from the SADC region.

Table 8: Products constituting 50% of South Africa's imports of agricultural and food products, 2000

HS4 DESCRIPTION	VALUE OF IMPORTS 2000 (\$M)	VALUE OF IMPORTS 2000 RBN	SHARE OF TOTAL AGRICULTURAL AND FOOD IMPORTS	CUMULATIVE SHARE	AVERAGE ANNUAL GROWTH 1995 – 2000 (NOMINAL VALUE)
Grand Total	1380.77	9.644			10.17
Rice	134.44	0.939	9.74		11.03
Wheat and meslin	90.77	0.634	6.57	16.31	13.66

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Undenatured ethyl alcohol of less than 80 % vol; spirits, liqueurs and other spirituous beverages	69.44	0.485	5.03	21.34	6.32
Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil	67.29	0.470	4.87	26.21	29.65
Food preparations not elsewhere specified or included	63.28	0.442	3.58	29.79	19.55
Palm oil and its fractions, whether or not refined, but not chemically modified.	46.39	0.324	3.35	33.15	11.59
Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified	44.96	0.314	3.25	36.40	-4.01
Meat and edible offal, of the poultry of heading no. 01.05, fresh, chilled or frozen	43.52	0.304	3.15	39.55	8.39
Unmanufactured tobacco; tobacco refuse	42.52	0.297	3.07	42.63	9.21
Cotton, not carded or combed	32.79	0.229	2.37	45.00	0.38
Maize (corn)	30.93	0.216	2.24	47.24	26.72
Preparations used in animal feeding	29.64	0.207	2.15	49.39	25.32
Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion	26.49	0.185	1.91	51.30	4.86

Table 9: South Africa's agricultural and food imports from SADC

	IMPORT VALUE 1994 (\$M)	IMPORT VALUE 2000 (\$M)	IMPORT VALUE 1994 (RBN)	IMPORT VALUE 2000 (RBN)	SHARE IN IMPORTS FROM SADC	CUMULATIVE SHARE	SADC SHARE IN IMPORTS
Grand Total	165.34	132.72	0.587	0.927			9.6
1 Cotton, not carded or combed	45.91	30.07	0.163	0.210	22.7	22.7	91.9
2 Unmanufactured tobacco; tobacco refuse	35.77	26.34	0.127	0.184	19.8	42.5	61.9
3 Tea, whether or not flavoured	8.73	13.46	0.031	0.094	10.1	52.6	72.9
4 Cane or beet sugar and chemically pure sucrose	1.69	9.88	0.006	0.069	7.5	60.1	90.0
5 Soya beans, whether or not broken.	6.48	7.88	0.023	0.055	5.9	66.0	43.2

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6	Other oil seeds and oleaginous fruits	3.94	5.87	0.014	0.041	4.4	70.4	83.8
7	Meat of bovine animals, frozen	2.54	4.87	0.009	0.034	3.6	74.1	43.6
8	Sugar confectionery (including white chocolate)	2.25	2.29	0.008	0.016	1.7	75.8	17.5
9	Bran, sharps and other residues	1.97	2.15	0.007	0.015	1.6	77.4	91.3
10	Maize (corn)	10.14	2.00	0.036	0.014	1.6	79.0	6.7
11	Milk and cream, concentrated with sugar	1.97	2.00	0.007	0.014	1.5	80.5	10.1
12	Oil-cake from the extraction of soya-bean oil.	3.10	2.00	0.011	0.014	1.5	82.0	2.9
13	Oil-cake from the extraction of vegetable fats	3.10	1.86	0.011	0.013	1.4	83.4	18.0
14	Meat of swine, fresh, chilled or frozen	0.28	1.72	0.001	0.012	1.3	84.7	12.9
15	Preparations used in animal feeding	1.97	1.43	0.007	0.010	1.1	85.8	5.0
16	Coconuts, brazil nuts and cashew nuts	1.69	1.43	0.006	0.010	1.0	86.8	18.3
17	Other prepared or preserved meat, offal or blood	0.56	1.15	0.002	0.008	0.9	87.7	53.1
18	Seeds, fruit and spores for sowing	0.28	1.15	0.001	0.008	0.8	88.5	7.3
19	Ground-nuts	0.28	1.00	0.001	0.007	0.8	89.3	20.7
20	Dried leguminous vegetables	1.41	1.00	0.005	0.007	0.7	90.0	5.3

Table 10: South African imports originating mainly (60% and more) from SADC

1	Live sheep and goats	100.0
2	Birds' eggs, in shell, fresh, preserved or cooked	94.4
3	Cotton, not carded or combed	91.9
4	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled	91.8
5	Bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of cereals or of leguminous plants	91.3
6	Cane or beet sugar and chemically pure sucrose, in solid form	90.0
7	Meat of bovine animals, fresh or chilled	88.9
8	Other oil seeds and oleaginous fruits, whether or not broken	83.8
9	Molasses resulting from the extraction or refining of sugar	79.8
10	Tea, whether or not flavoured	72.9
11	Other vegetables, fresh or chilled	70.3
12	Bones and horn-cores, unworked, defatted, simply prepared (but not cut to shape), treated with acid or degelatinised; powder and waste of these products	68.3

13	Manioc, arrowroot, salep, jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh or dried, whether or not sliced or in the form of pellets; sago pith	68.3
14	Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared	66.7
15	Leguminous vegetables, shelled or unshelled, fresh or chilled	62.8
16	Unmanufactured tobacco; tobacco refuse	61.9

4. CONCLUSION

Two trends are clear from this description. First, South Africa's exports of agricultural commodities and of food, tobacco and beverages have increased rapidly in the post-apartheid and post liberalisation era. While growth in traditional products (fruit, wine) to traditional markets (the UK, the EU in general) has been strong, exports into the SADC region have tripled since 1994 in Rand terms. More importantly, exports to SADC contain a higher share of processed, or value-added, goods than in the total export portfolio of the country. Thus, the SADC region constitutes an important, a growing, and a strategic market for South Africa's exports in these categories, even though the region constitutes less than 20% of the South African market. However, South Africa's large and growing trade surplus in the region is not sustainable.

Second, South Africa's imports of agricultural commodities and of food, tobacco and beverages have doubled in the post-apartheid and post liberalisation era. This growth has come mainly from non-traditional imports, as those products that the country has traditionally imported (coffee, tea, rice), although a large proportion of total imports, have shown no or little growth. Imports of especially agricultural commodities from SADC have also doubled since 1994. While these imports include some specialty goods (e.g. 250t per year of miniature vegetables from Zambia), most are commodities such as cotton, tobacco, oilseeds and soya beans.

The relatively favourable agricultural resource endowment of many SADC countries should provide them with a comparative advantage in supplying raw materials to South African food and fibre processors. Whether this will happen in the future is dependent on:

- The ability of these countries to exploit their resources, i.e. on their ability to provide the necessary infrastructure and support services to farmers;
- The ability of SADC countries to lower the transaction costs of trade in Southern Africa, including the cost of uncertainty, physical costs of storage, transport and handling, and bureaucratic costs associated with cross-border trade;
- The competitiveness of South Africa's processing sectors compared to third country suppliers;
- The ability of firms in the region to build trust-based supply relations.

The potential for this kind of trade will always be constrained by the small size of the SADC market. Nevertheless, if properly managed, it provides opportunities for economic growth that the region has not been able to exploit in the past.