



Is there a meaningful and mutually beneficial trading relationship between the USA and South Africa. Any opportunities for Agribusiness?

John Purchase

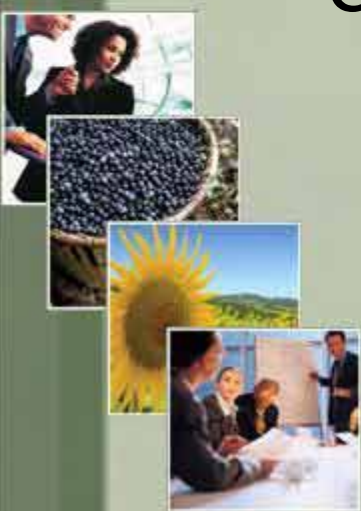
South Africa Protein Seminar

3 March 2011

# Content



- **Background**
- South Africa's agriculture
- South Africa's agricultural trade
- SA/US Agricultural trade
- Opportunities for agribusiness?
- Conclusion



# Background



- Trade relations between US and SA governed by AGOA and TIDCA
- AGOA I to AGOA IV – runs out Sept 2012 and up for revision
- AGOA has encouraged substantial new investments, trade and job creation in Africa
- Helped to integrate SSA's integration into multi-lateral trading system
- Contributed to economic and commercial reforms, making African countries attractive commercial partners



# Background



## AGOA Implementation:

- Determination of country eligibility
- Determination of products eligible for zero tariff under expansion of GSP
- Determinations of compliance with the conditions of apparel benefits
- Establishment of US-SSA Trade & Economic Forum
- Provisions for technical assistance to help countries qualify for benefits



# Background



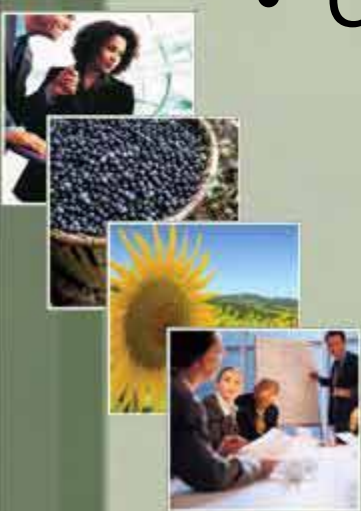
- US-SACU TIDCA signing in Washington in July 2008
- Promotes an attractive investment climate expands and diversifies trade between SACU (incl. SA) and US
- Consultative Group to ensure fulfilment of above objectives
- Consultation and Cooperation provisions



# Content



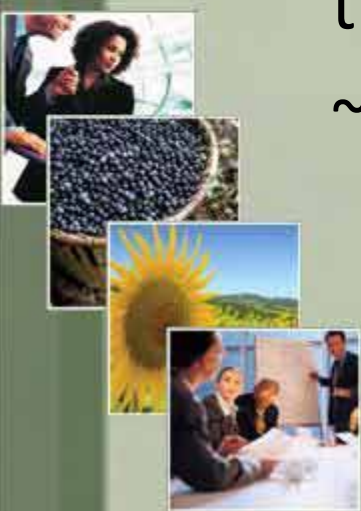
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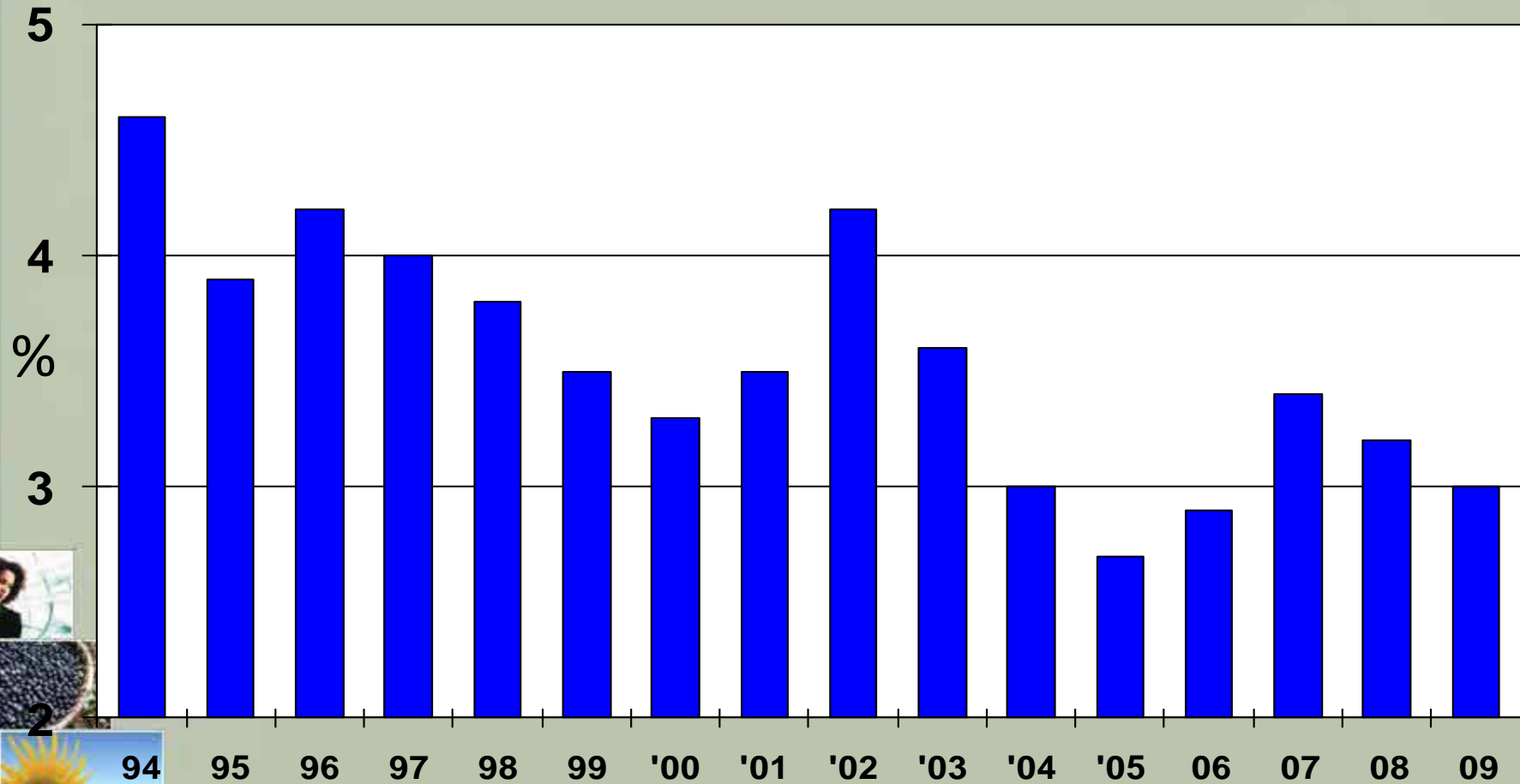


# Role of Agriculture in SA Economy

- **Strategic sector** – provides food, fiber, wine & beer, satisfying two basic needs of man (+ others!)
- Has provided **national food security** since the start of the 20th century (Pop: ~4,0 million), right through to the 21<sup>st</sup> century (Pop: ~49,0 million, ~60% in urban areas)



# Contribution of Primary Agriculture to GDP (Source: Statssa)

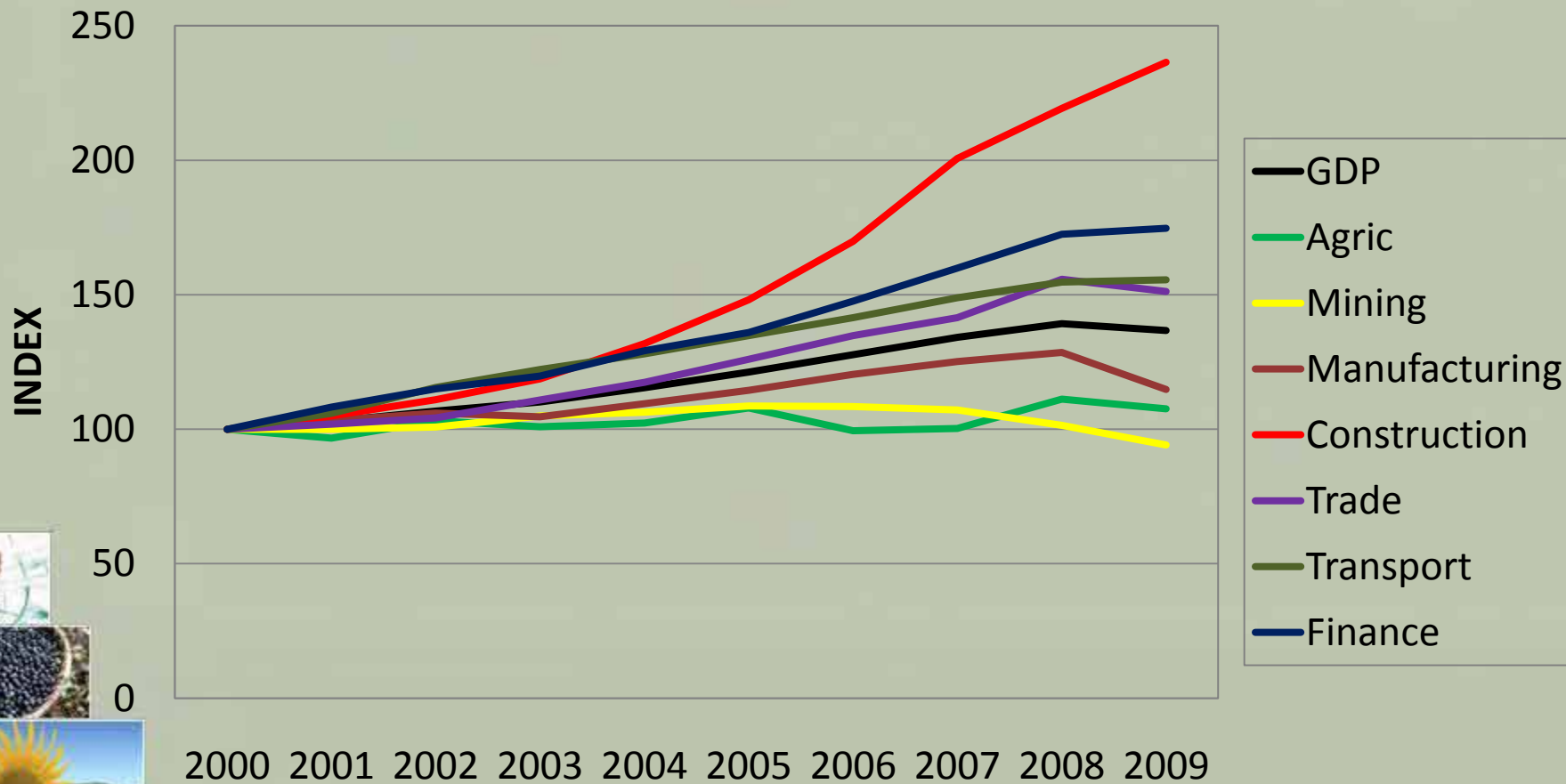




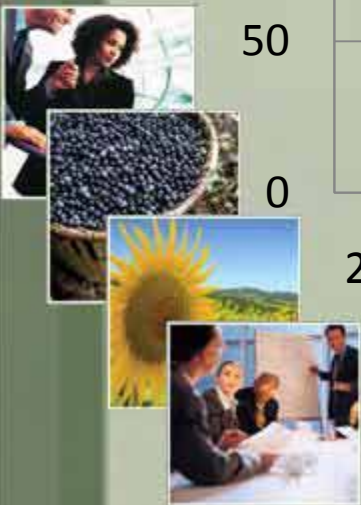
# SA economic growth: Tradable goods sectors lag the non-tradable goods sectors



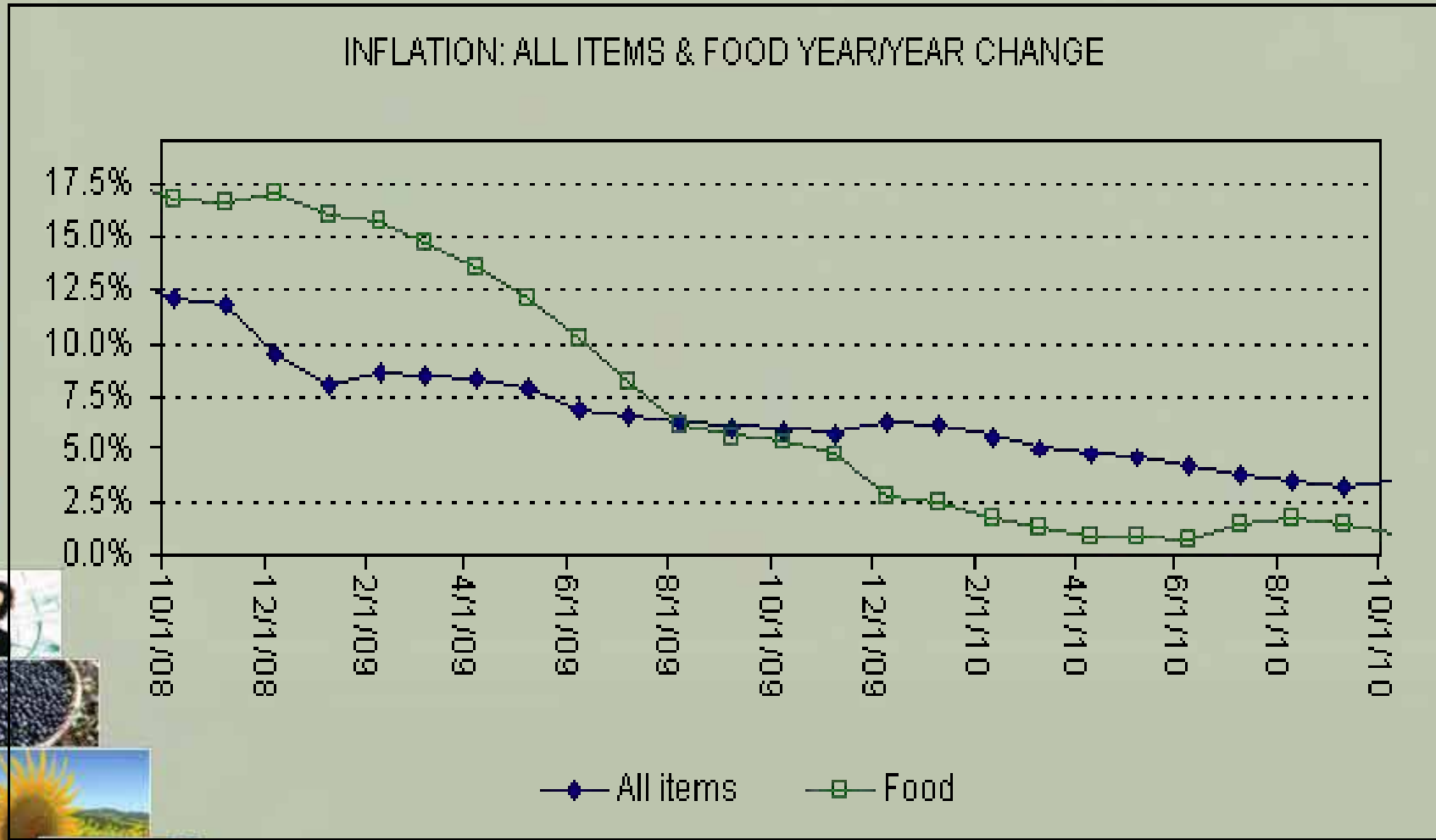
## GDP Index per Sector of Economy



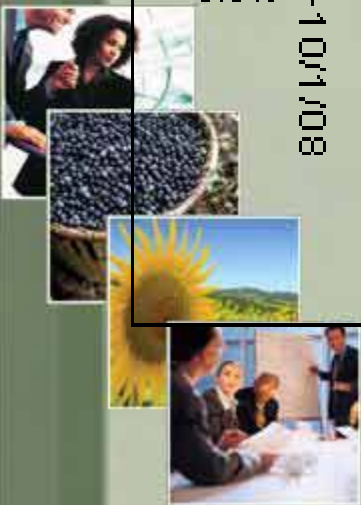
Source: StatsSA



# Inflation



Source: AMT, 2010



# Commercial Agric Census 2007



Indicator	1993	2002	2007
Farming units	57 980	45 818	39 982
Gross Farm income (R x1 000 000)	19 620	53 329	79 544
Employees Remuneration (R X1 000 000)	3 637	6 216	8 611
Paid employees	1 093 265	940 820	796 806
Expenditure (R X1 000 000) (Current & Cap)	16 377	45 038	54 072
Market value of assets (R X1 000 000)	66 905	98 428	178 647
Farming debt (R X1 000 000)	15 295	30 857	37 090
Ratio between Farming Debt and GFI (%)	78,0	57,9	46,6

Source: StatsSA



## OIL SEED & GRAIN CROP PRODUCTION IN THE RSA (TON)

(2006/2007-2010/2011 MARKETING SEASONS)

CROP	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
White maize	4,187,400	4,315,000	7,480,000	6,775,000	7,822,400
Yellow maize	2,430,600	2,810,000	5,220,000	5,275,000	5,220,600
Sorghum	96,000	176,000	255,000	276,500	220,093
Groundnuts	74,000	58,000	88,800	99,500	87,880
Sunflower	520,000	300,000	872,000	801,000	516,265
Soybeans	424,000	205,000	282,000	516,000	560,950
Cotton seed	25,962	19,525	17,378	15,658	14,576
Wheat	2,105,000	1,905,000	2,130,000	1,958,000	1,570,980
Canola	36,500	38,150	30,800	40,350	39,650

Source: NCEC, PRF



## OILCAKE: LOCAL PRODUCTION & IMPORTS

(2008/2009-2010/2011)

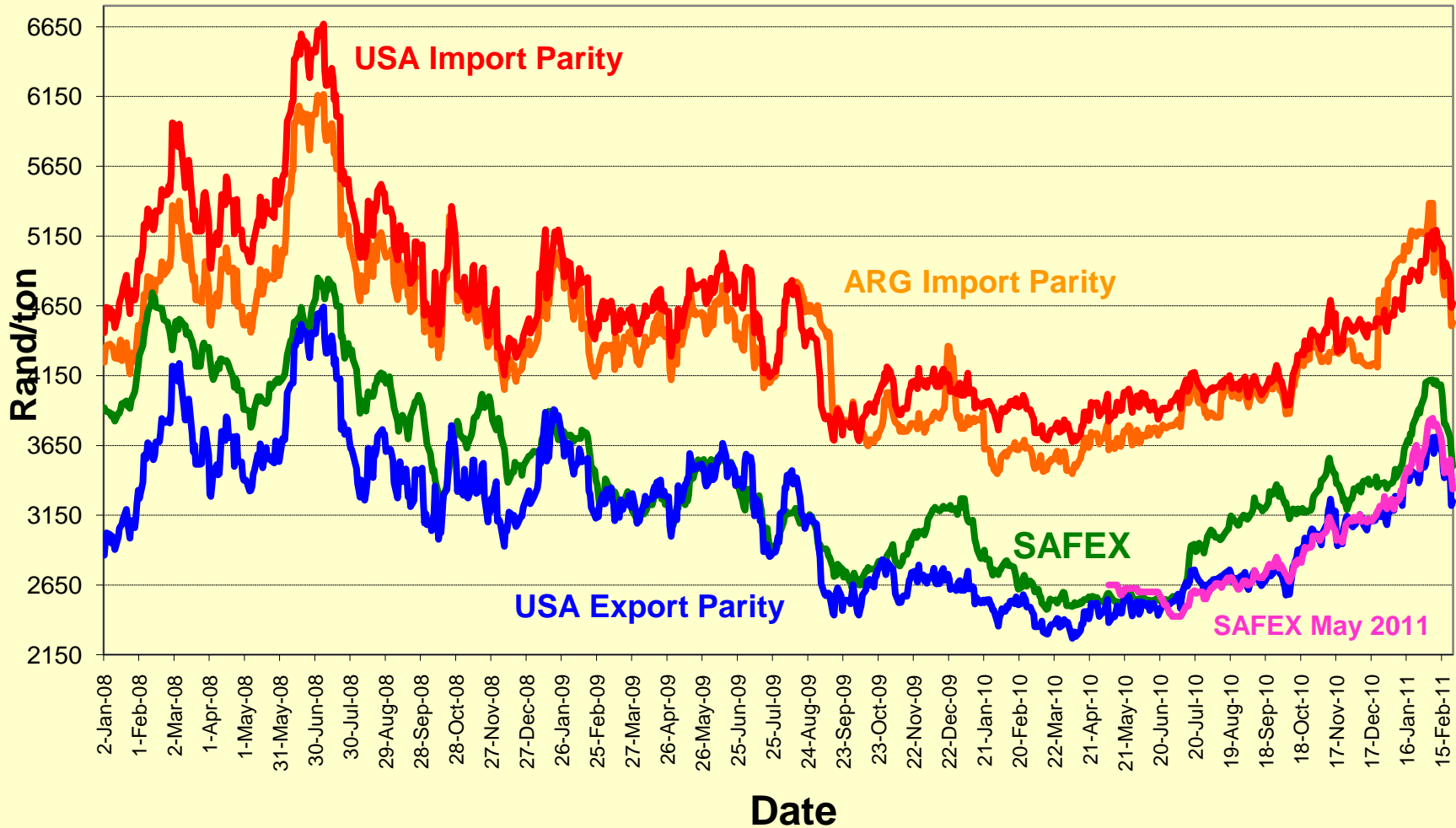
YEAR	LOCAL OILCAKE PRODUCTION (TON)			IMPORTED OILCAKE (TON)		
	2008/2009	2009/2010	2010/2011	2008/2009	2009/2010	2010/2011
<b>OILCAKE</b>						
Groundnuts oilcake	1	0	0			
Sunflower oilcake	296,520	364,140	288,021	68,234	84,906	
Soy cake		103,520	387,360	925,270	829,000	
- Full fat	88,000	148,320		4,302		
- Beans	93,600				2,800	
Cotton cake	51,500	20,000	32,500	81,778	88,000	
- Full fat		30,000		20,151	33,500	
Other				11	3,900	
Canola	21,560	17,050	21,560			
Lupins	14,000	18,000	18,000			
Copra & Palm Kernel						
<b>TOTAL</b>	<b>565,181</b>	<b>701,030</b>	<b>747,441</b>	<b>1,099,746</b>	<b>1,042,106</b>	<b>952,559</b>

Source: NCEC, PRF



# PRICES OF SOYBEANS DELIVERED IN RANDFONTEIN

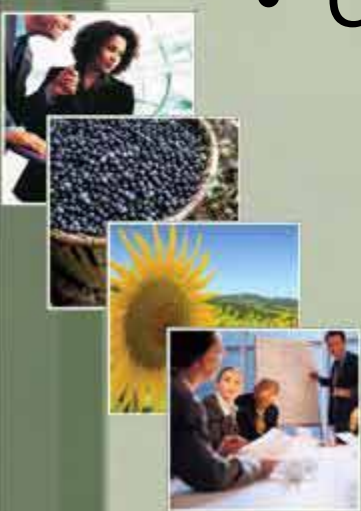
January 2008 - February 2011 (Source: Grain SA)



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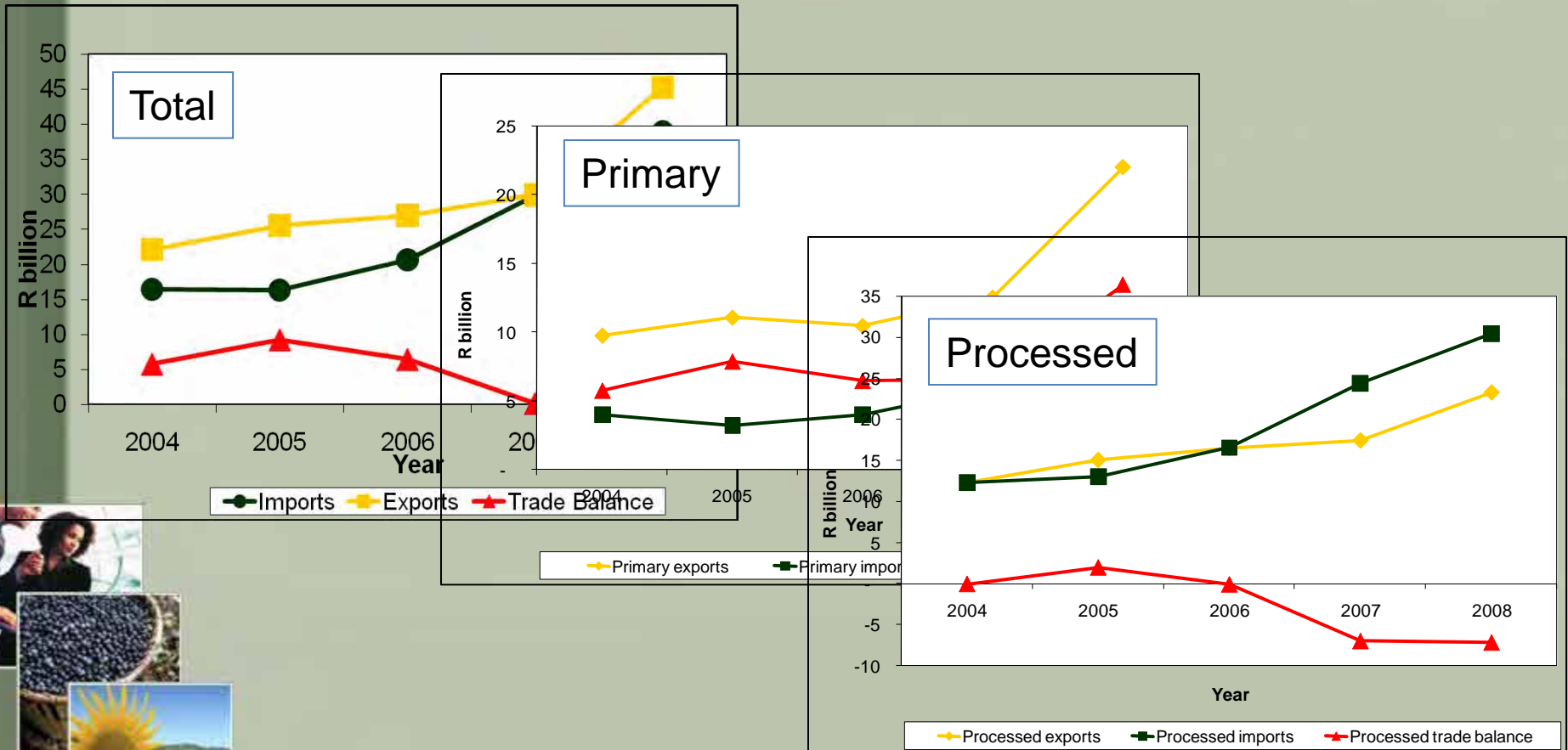


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# Agricultural trade

## Agricultural trade trends



Source: DAFF/NAMC, 2009.

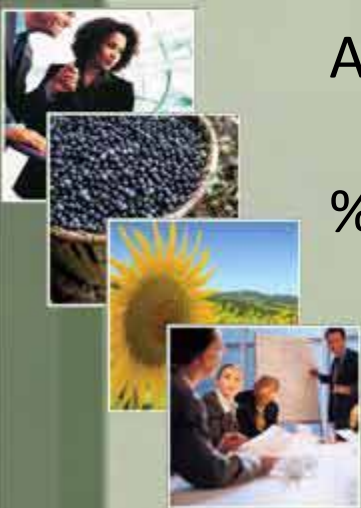




# South African Agricultural Trade

(Source WTA & GTA, USDA-FAS)

(US\$ billions)	<u>2007</u>	<u>2008</u>	<u>2009</u>
Agricultural exports	\$4.0	\$5.2	\$5.2
% of total SA exports	5.7%	6.5%	8.3%
Agricultural imports	\$4.2	\$4.7	\$4.2
% of total SA imports	5.3%	5.2%	6.4%



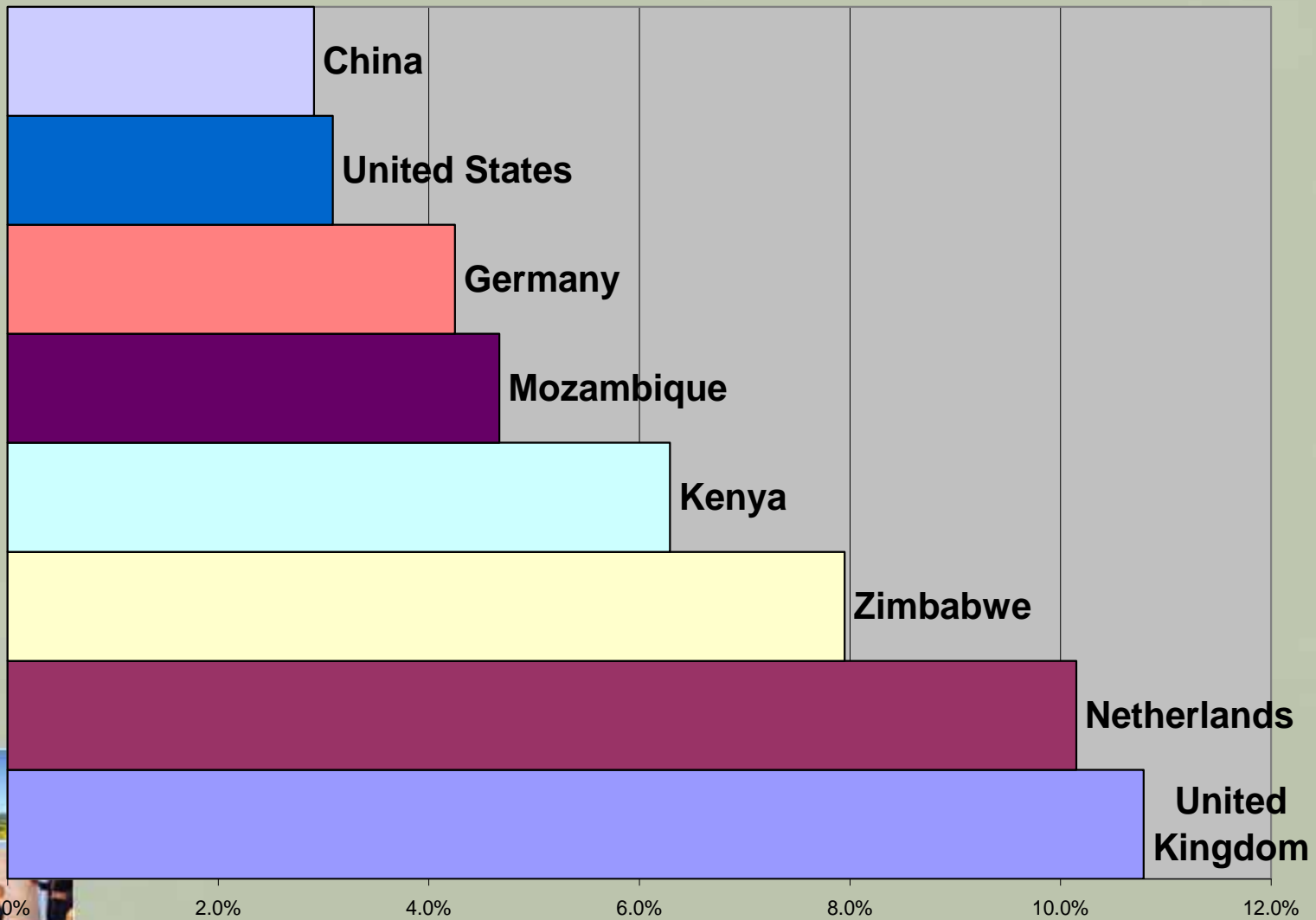


## Major agricultural products exported:

(US\$ millions)	<u>2007</u>	<u>2008</u>	<u>2009</u>
Wine	\$673.6	\$753.9	\$727.5
Citrus	\$613.1	\$711.4	\$667.1
Corn	\$32.1	\$510.3	\$444.6
Table grapes	\$364.5	\$387.6	\$379.7
Apples	\$329.5	\$367.3	\$364.7
Sugar	\$276.1	\$217.9	\$386.7



# Major export destinations (2009)

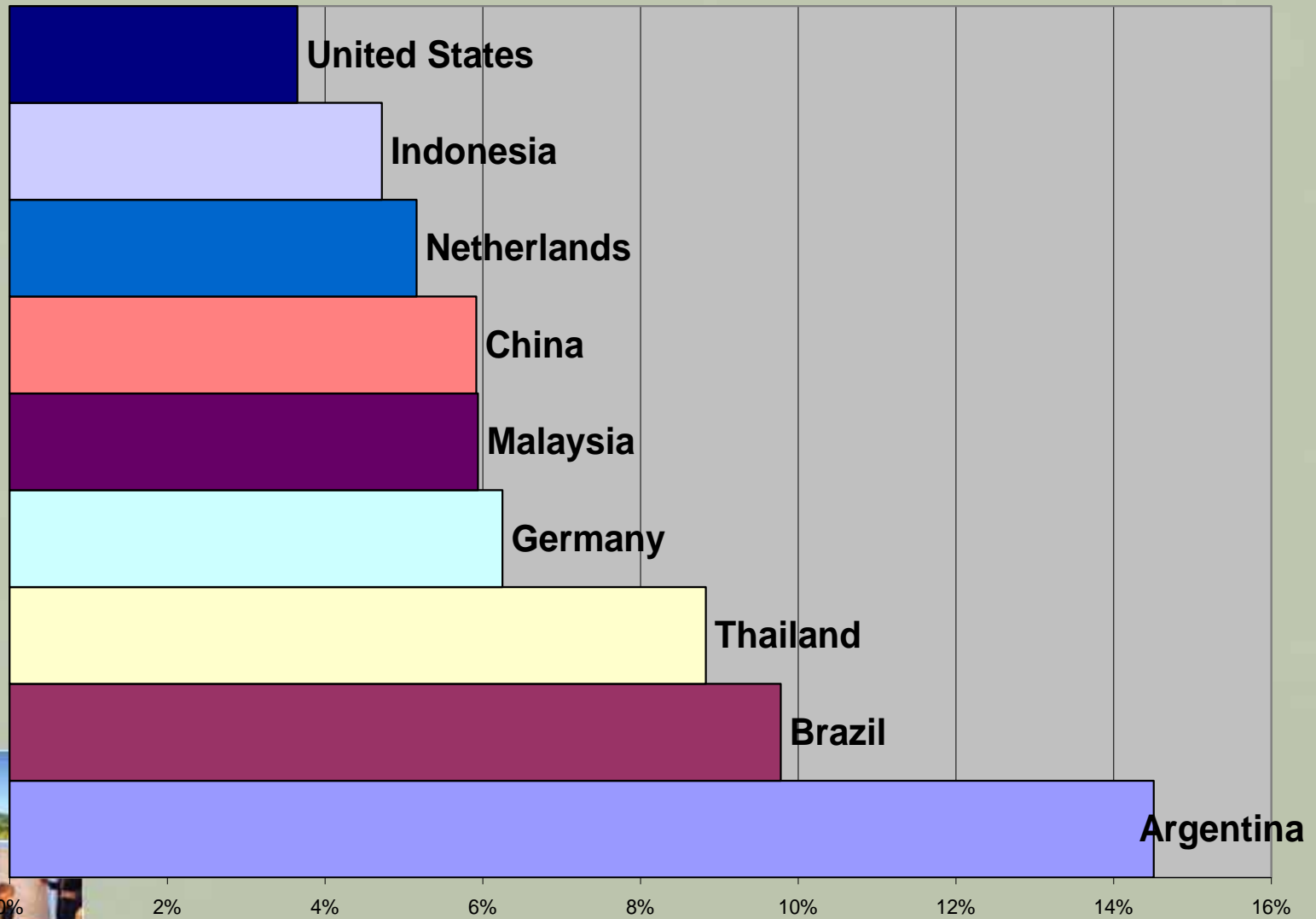


## Major agricultural products imported:

(US\$ millions)	<u>2007</u>	<u>2008</u>	<u>2009</u>
Rice	\$302.1	\$463.9	\$458.8
Wheat	\$261.6	\$444.6	\$282.0
Soybean cake	\$209.8	\$311.9	\$297.1
Palm oil	\$195.7	\$299.3	\$232.1
Soybean oil	\$212.0	\$288.5	\$106.9
Whisky	\$212.5	\$202.9	\$201.6



# Major countries imported from (2009)



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# US – SA Agricultural trade

(US\$ millions)	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
SA ag-exports to US	\$174.8	\$174.6	\$173.5	\$223.6
% of total exports to US	2.1%	1.9%	3.2%	N/A
SA ag-imports from US	\$290.6	\$393.2	\$161.7	\$291.9
% of total imports from US	4.8%	4.3%	3.1%	N/A





Major agricultural products exported to the US:

<b>(US\$ millions)</b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
Wine & Beer	\$41.7	\$44.5	\$39.9	\$45.1
Fresh fruit	\$46.7	\$41.8	\$40.3	\$50.5
Sugar	\$10.2	\$0.0	\$21.1	\$25.1
Tree nuts	\$11.1	\$14.2	\$15.9	\$28.5
Fruit juice	\$10.8	\$14.7	\$11.9	\$15.8

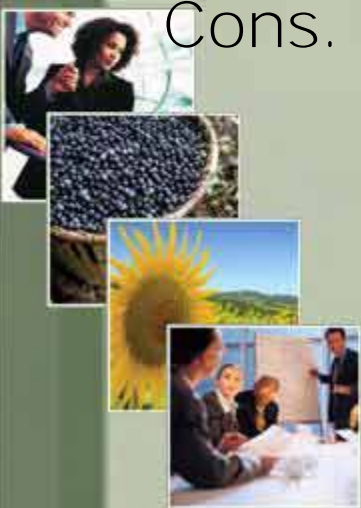






# Major agricultural products imported from the US:

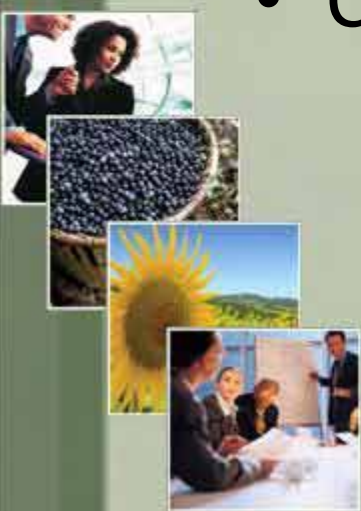
(US\$ millions)	2007	2008	2009	2010
Wheat	\$147.2	\$122.0	\$9.5	\$102.4
Interm. Products	\$68.9	\$138.0	\$66.9	\$79.7
Cons. Oriented	\$65.8	\$90.4	\$71.0	\$93.8



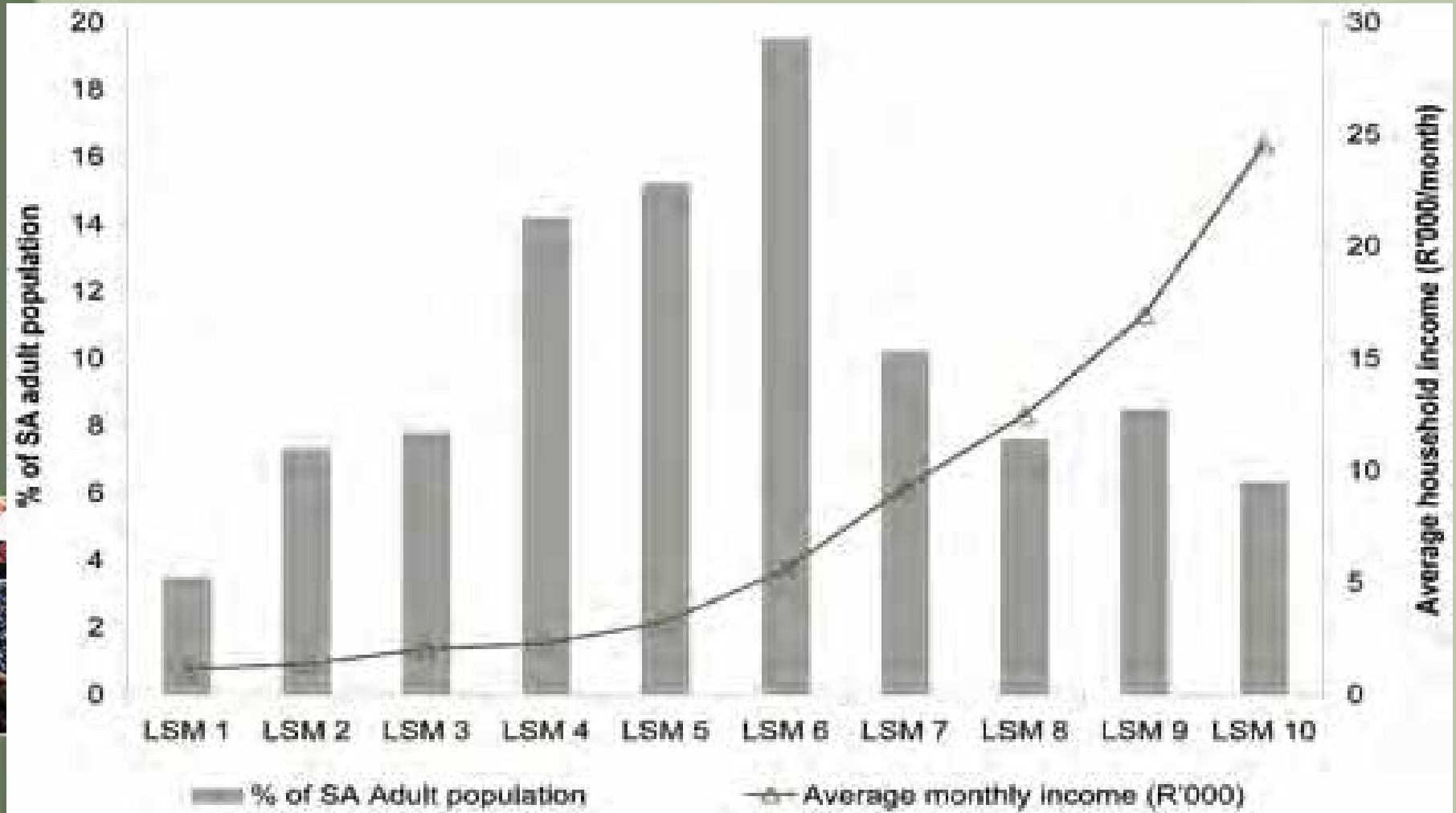
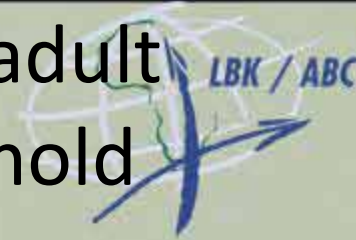
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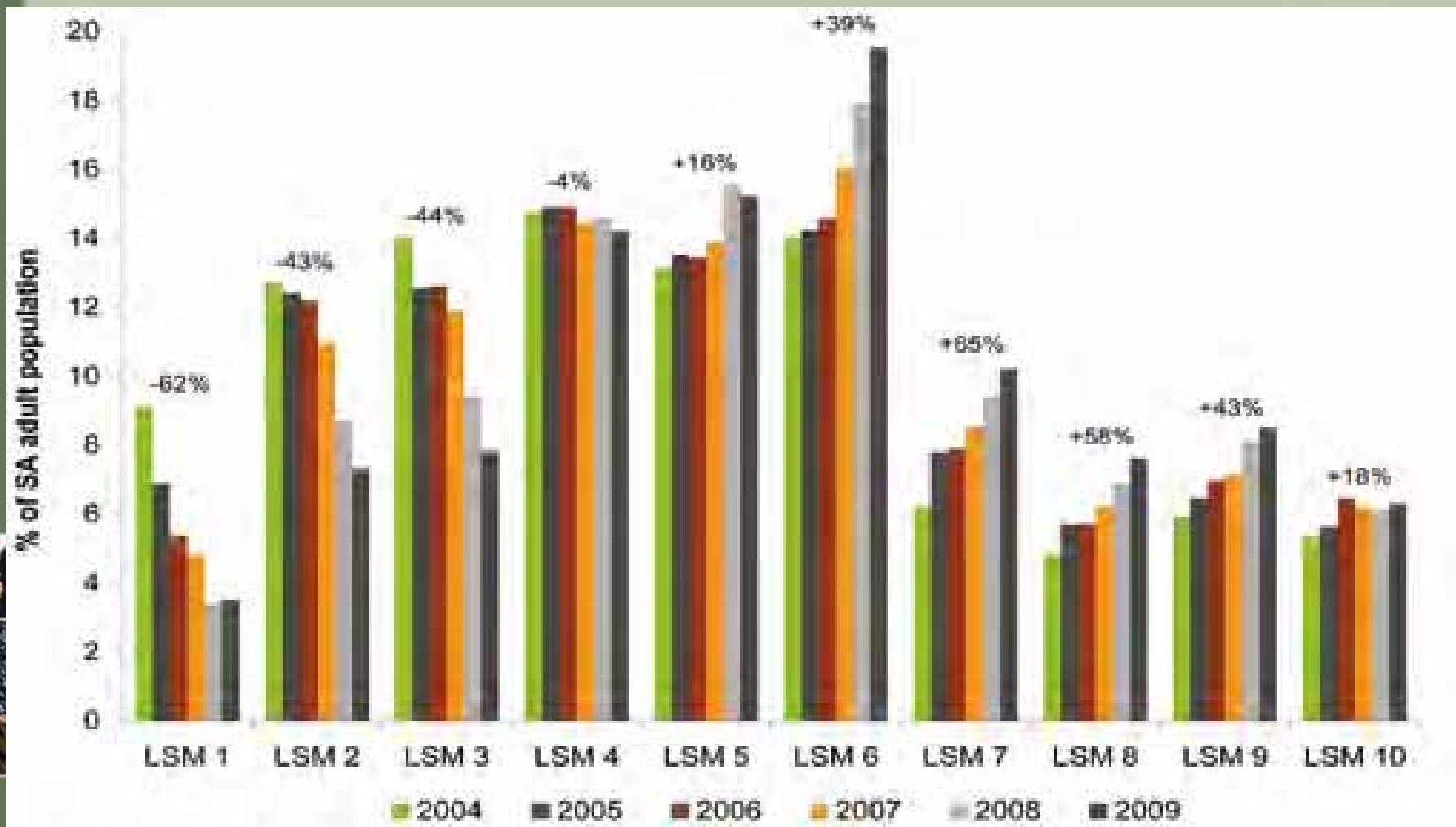


# SAARF LSM Segments: Proportion of SA adult population and average monthly household income in 2009



Source: SAARF (2010a) & BFAP, 2010

# LSM class mobility: All adults during the period 2004 to 2008



Source: SAARF AMPS data for the period 2004 to 2009, as quoted by BFAP



# Opportunities for agribusiness?

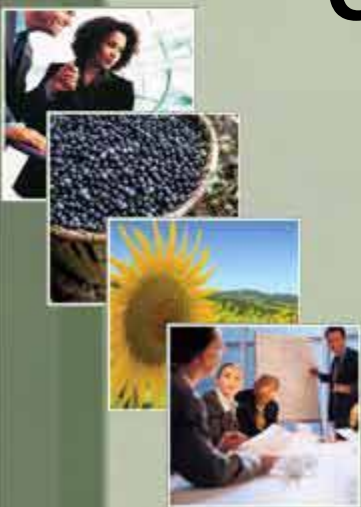
- SA population: ~49.8 million, and growing.
- Growing SA middle class – market expansion
- Consumer behaviour patterns changing
- Value added and processed products, e.g. dairy & processed veg & fruit
- Niche markets developing faster, e.g. Organics, etc.
- Wheat



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# Conclusion

- Is there a meaningful and mutually beneficial trading relationship between the USA and South Africa?

**Yes, most certainly, and growing.**

- Any opportunities for Agribusiness?

**Yes, but need to look for specific opportunities and do good market research.**





# Thank you

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