Shifting Trade Winds, New Horizons?

Karen Bosman & Janine Botha
Wesgro
18 February 2021

WESGRO
cape town & western cape
tourism, trade, investment, film

An Inspiring Place To Do Business

The Impact of Brexit on South African Trade Flows

wesgro
cape town & western cape
tourism, trade, investment, film

An Inspiring Place To Do Business

What does Brexit mean for South African exports?

- As of 01 January 2021, EU trade agreements no longer apply to the UK
- For trade with UK, Southern African Customs Union + Mozambique (SACUM) – UK EPA replaced SADC-EU EPA on 01 January 2021
- New agreement is a roll-over, or near replication of SADC-EU EPA with the UK…. i.e. trade benefits between South Africa and the UK continue on same basis, and with *some advantages*
- UK has signed trade deals with 63 countries to-date to continue trading

SACUM-UK *versus* SADC-EU EPA: How do these differ?

Under SADC-EU EPA

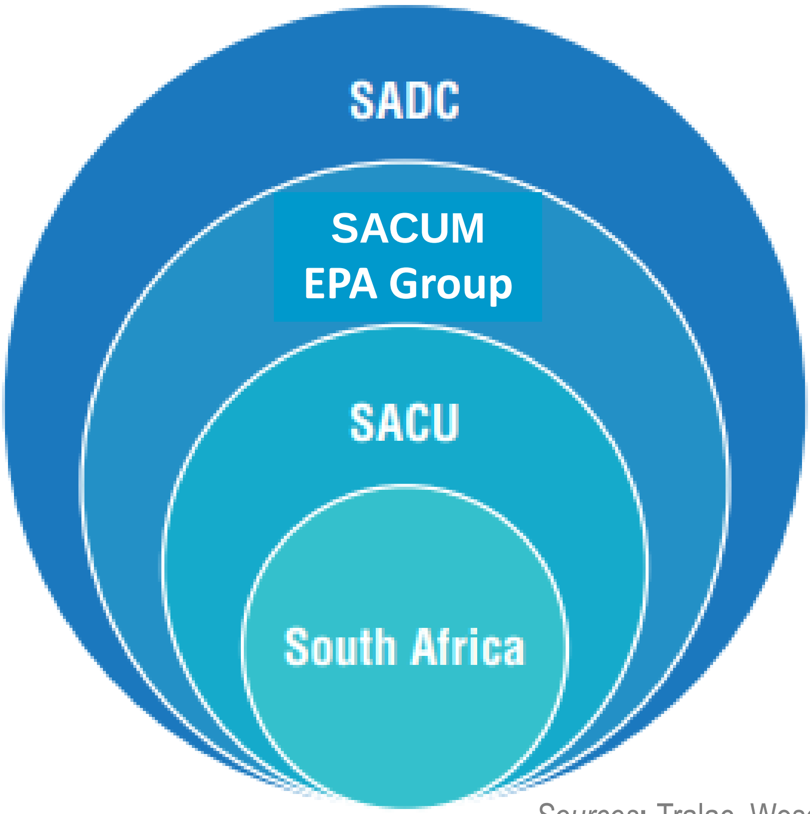
- Many SA goods entered EU entirely duty free, while some agri-processed goods were subject to tariff-rate quotas (TRQ's)
- All SACU *plus* Mozambique countries enjoyed duty-free, quota-free treatment for their exports, while South Africa, due to the size of its economy, received less favourable treatment
- EU (incl. UK) faced TRQ's for export to SACU on 8 agricultural products; no preference for some products; and margin of preference for others

Under SACUM-UK EPA

- Tariff-rate quota changes for some products
- Cumulation & Rules of Origin complications
- Bilateral safeguard measures against EU & UK poultry to remain in place
- Transitional measures
- Built-in agenda

Regional integration remains key objective

- Members ≠ all members of SADC bloc but Southern African Customs Union (SACU) *plus* Mozambique
- Strong focus on regional integration, economic cooperation & fostering of regional value chains
- Reciprocal *but* asymmetrical trade agreement



Sources: Tralac, Wesgro, 2021

New United Kingdom TRQ's for South African Imports

TRQ Product	2018 SADC-EU TRQ volume		UK TRQ volume for imports from SA			Annual Increase of UK TRQ volume
	2018	2021	2019	2020	2021	
Frozen strawberries	392,5 ton	415	127	129.5 ton	132	2,5
Canned pears, apricots peaches or mixtures	57 156 ton		18181			n/a
Canned tropical fruit	3 080 ton	3 260	999	1018	1037	19
Frozen Orange juice	1 087 ton	1 120	350	356.5	363	6.5
Apple juice	3 712 ton	4 180	1218	1255	1292	Until 2026-37 ton and thereafter 22,5 ton

New United Kingdom Quota Volume for South African Imports

TRQ Product	2018 SADC-EU TRQ volume		UK TRQ volume for imports from SA			Annual Increase of UK TRQ volume
	2018	2021	2019	2020	2021	
Wines (litres)	111 376 700	115 295 000	70 169 740	70 826 320	71 482 900	656 580
Skimmed milk powder	500 ton		159			n/a
Butter	500 ton		159			n/a
Cane sugar	150 000 ton		71 365			n/a
White crystalline powder	500 ton		159			n/a
Jams, jellies and marmalades of citrus fruit	100 ton		32			n/a
Active yeast	350 ton		111			n/a
Ethanol	80 000 ton		25 448			n/a

WESGRO
cape town & western cape
tourism, trade, investment, film




An Inspiring Place To Do Business

New United Kingdom Quota Volume for South African Imports

TRQ Product	New UK quota volume for imports from SA	Agreed annual increase in UK quota volume for imports from SA
Wine in containers of 2 litres of less	49 118 818 litres	459 606 litres
Wine in any volume container	21 050 922 litres	196 974 litres

- South Africa has a new tariff-rate quota for:
    - Approximately 70 million litres of wine
    - 8 000 tons of canned pear, apricot and peaches
    - Approximately 70 000 tons of refined and unrefined sugar
- On average TRQs for SA goods will increase by 38% annually, while sugar and wine volumes will increase by 49% and 62% respectively (DTIC)

South Africa's Top 10 Exports to the UK, 2020

South Africa's Top 10 Exports to United Kingdom, ZARm, 2020				
Rank	**Product label**	**Value in 2020**	**% Share of Exports, 2020**	**Average Growth (%), 2015 - 2020**
1	Platinum unwrought or in semi-manufactured forms	15,416.86	22.82%	11.74%
2	Palladium unwrought or in semi-manufactured forms	8,364.90	12.38%	49.43%
3	Rhodium unwrought or in semi-manufactured forms	7,927.77	11.74%	66.35%
4	Motor vehicles for the transport of goods: not exceeding 5 tonnes	6,983.73	10.34%	21.42%
5	Filtering or purifying machinery and apparatus for gases	2,054.23	3.04%	6.08%
6	Fresh Grapes	2,002.63	2.96%	8.25%
7	Other vehicles: Of a cylinder capacity exceeding 1500 cm³ but not exceeding 2500 cm³	1,854.05	2.74%	36,046.36%
8	Mandarins (including tangerines and satsumas)	1,393.59	2.06%	21.18%
9	Wine In containers holding 2 litres or less	1,366.96	2.02%	7.65%
10	Apples	1,218.55	1.80%	11.85%
	TOTAL EXPORTS	**67,552.22**	**100.00%**	**11.47%**

Source: Quantec, 2021

SACUM-UK EPA Countries' Total Trade Value 2019

Total value of UK trade (X *plus* M) with SACUM countries in 2019 = £10,788m (ONS)

1) South Africa – £10,009m
2) Botswana – £329m
3) Lesotho – £0m
4) Namibia – £96m
5) eSwatini– £36m
6) Mozambique - £318m

Wesgro
cape town & western cape
tourism, trade, investment, film

Sources: ONS; mapchart.net, 2021

An Inspiring Place To Do Business

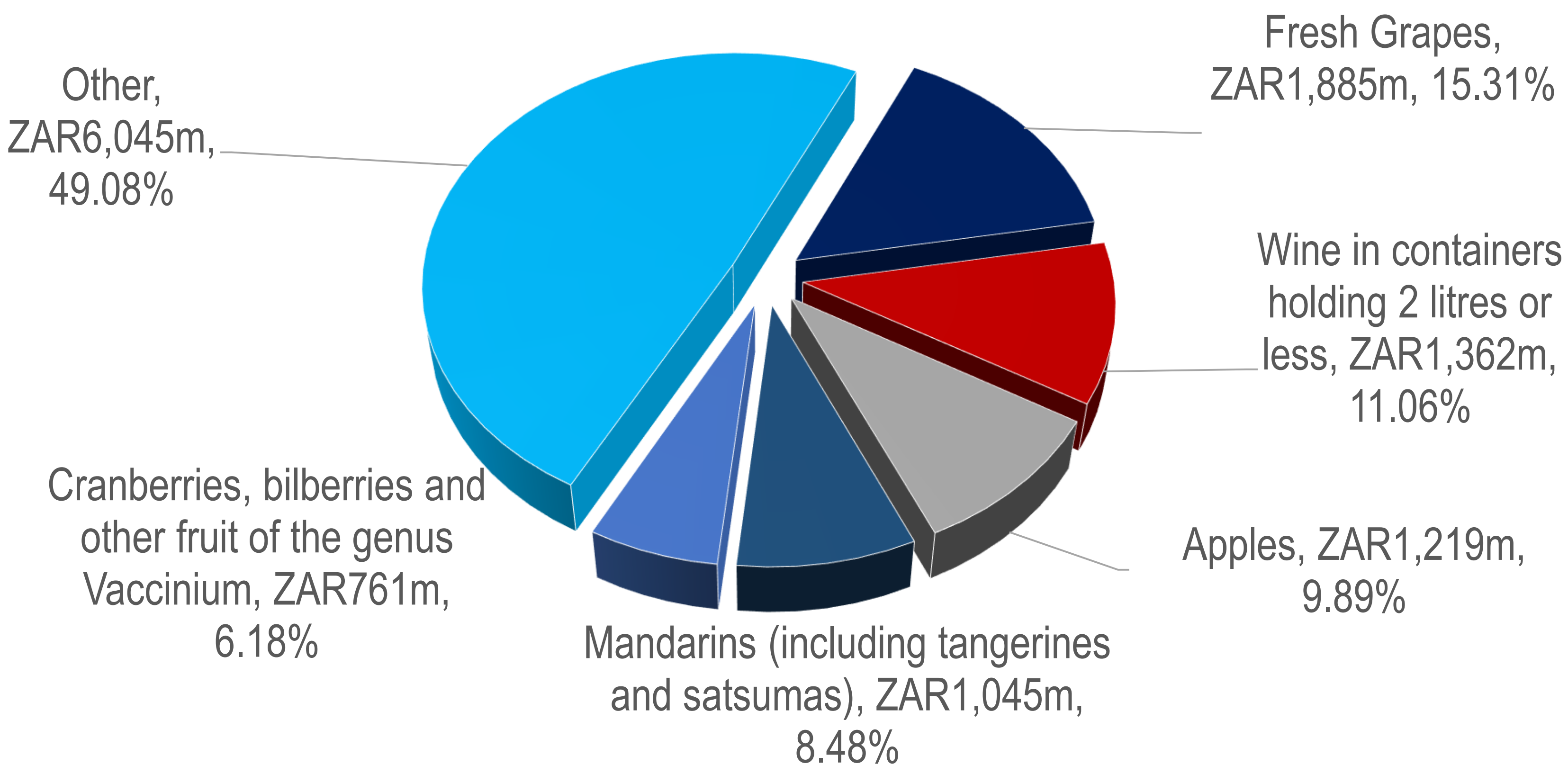
Western Cape's Top 10 Exports to the UK, 2020

Western Cape's Top 10 Exports to United Kingdom, ZARm, 2020				
Rank	Product label	Value in 2020	% Share of Exports, 2020	Average Growth (%), 2015 - 2020
1	Fresh Grapes	1,885.45	15.31%	8.89%
2	Wine in containers holding 2 litres or less	1,361.96	11.06%	7.73%
3	Apples	1,218.55	9.89%	11.96%
4	Mandarins (including tangerines and satsumas)	1,045.00	8.48%	20.97%
5	Cranberries, bilberries and fruit of genus Vaccinium	761.42	6.18%	33.13%
6	Animal or vegetable fats and oils and their fractions	726.32	5.90%	470.02%
7	Wine of fresh grapes, Other	566.92	4.60%	-0.02%
8	Oranges	457.02	3.71%	9.45%
9	Lemons and limes	310.34	2.52%	27.52%
10	Filtering or purifying machinery and apparatus for gases, Other	277.09	2.25%	1650.36%
	TOTAL EXPORTS	**12,317.35**	**100.00%**	**7.56%**

Source: Quantec, 2021

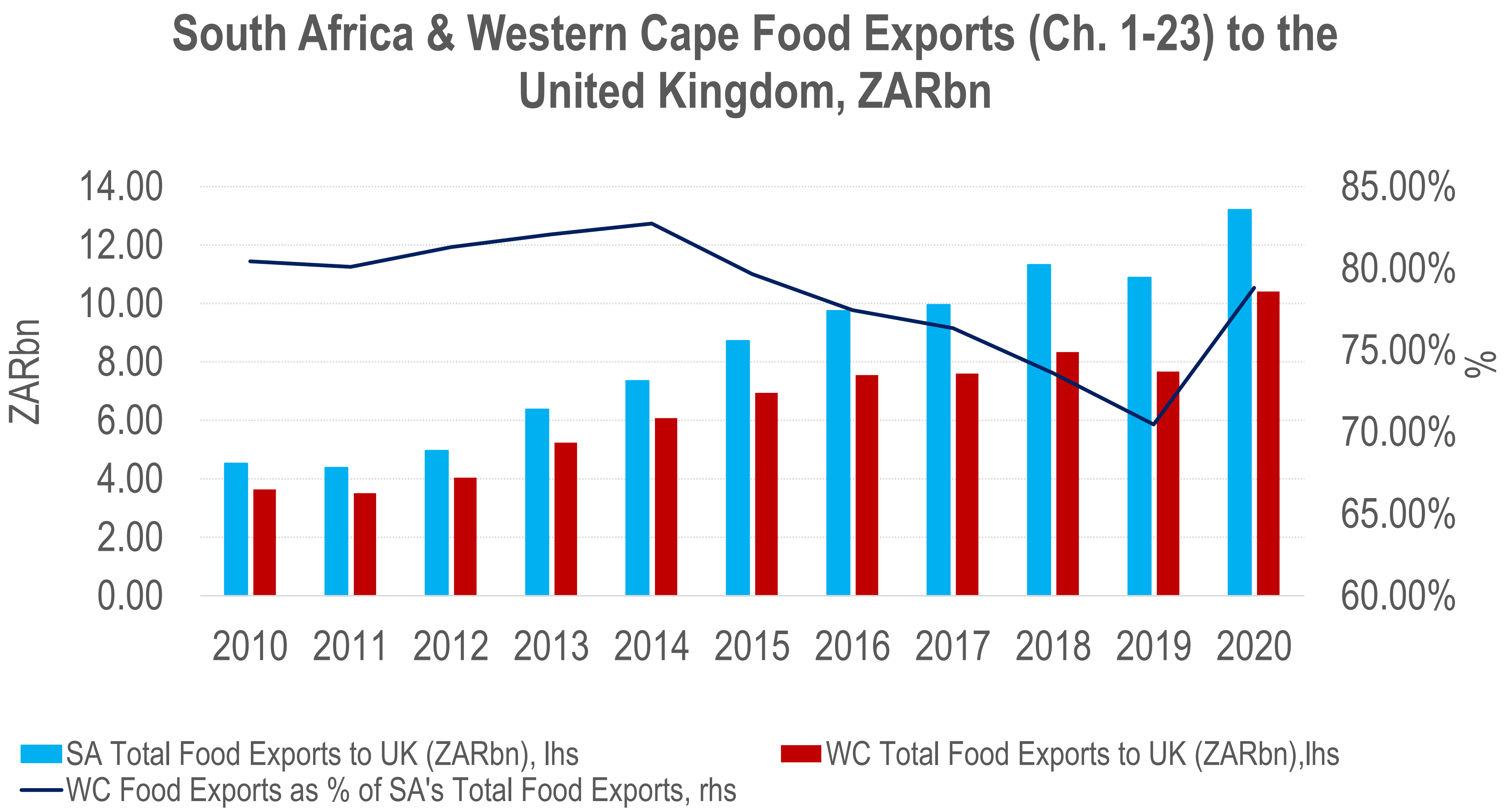
Food exports dominate WC exports to the UK....

Western Cape Exports to the United Kingdom, ZARbn, 2020



Source: Quantec, 2021

Western Cape a key source market for SA food exports to UK



Source: Quantec, 2021

Main competitors in a post-Brexit United Kingdom….

- ***Fresh Grapes:***
  - South Africa largest source market for fresh grapes into UK – accounted for 24% of imports in 2019
  - Key non-EU competitors include Chile, Egypt, Peru: all have trade agreements with UK in place
- ***Apples:***
  - South Africa 2nd largest source market for apples into UK – accounted for 17.5% of imports in 2019 (France 1st)
  - Key non-EU competitors include New Zealand & Chile: Chile has agreement with UK in place, NZ does not
- ***Mandarins***
  - Relatively new product with highly successful market penetration
  - South Africa largest source market for mandarins into UK – accounted for 37% of imports in 2019
  - Key non-EU competitors include Morocco, Peru, Israel & Chile: all have trade agreements with UK in place
- ***Wine In containers holding 2 litres or less***
  - South Africa 9th largest source market for wine into UK – accounted for 3% of imports in 2019
  - Key non-EU competitors include New Zealand, Chile, Australia & Argentina: only Chile has trade agreement with UK in place

Sources: TradeMap, MacMap 2021

Stringent new TCA regulations present short-term challenges

"The United Kingdom and the European Union have agreed to unprecedented 100% tariff liberalisation. This means there will be no tariffs or quotas on the movement of goods we produce between the UK and the EU. This is the first time the EU has agreed a zero tariff zero quota deal with any other trading partner."

Source: UK-EU Trade and Cooperation Agreement Summary, December 2020

- Although EU-UK Trade and Cooperation Agreement (TCA) now provides the UK with "zero tariff, zero quota" goods trade with the EU i.e. no tariffs or restrictive quotas imposed, a whole series of new customs and regulatory checks, including rules of origin and stringent local content requirements, are now in place
- = Additional red tape = more paperwork which will slow down overall process in EU/UK trade
- Logistical challenges inevitable in the short-term, including disruption of supply chains
- While likely to be temporary, this presents opportunities in the short-term for local (SA) producers

What to keep an eye on........

- Reported deregulation of citrus fruit and leaf imports by UK Government stands to potentially present significant opportunities for local growers – awaiting on official announcement

- The UK is a major market for South Africa's citrus sector

- Once official, producers in South Africa - and other competing markets - will reportedly be able to export citrus fruits and leaves to the UK without needing a phytosanitary certificate or having to give advanced notice of their intention

- Other opportunities likely to unfold as new trade regimes settle

The Africa Continental Free Trade Area (AfCFTA)

The power and possibilities presented by the AFCFTA

"The African Continental Free Trade Area (AfCFTA) agreement will create the largest free trade area in the world measured by the number of countries participating. The pact connects 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at US$3.4 trillion. It has the potential to lift 30 million people out of extreme poverty, but achieving its full potential will depend on putting in place significant policy reforms and trade facilitation measures."

Source: **The African Continental Free Trade Area,** World Bank 2020

Image Source: The African Union (AU)

The AFCFTA's Journey

- 01 January 2021 – Of enormous and unprecedented significance globally in terms of Free Trade Agreements:
    - Not only did the UK finally leave the EU as per the terms of the TCA signed days before, but trade officially began under the historic the African Continental Free Trade Area (AfCFTA)
- Stated long-term aim: Boosting intra-African trade, integration and development by creating an integrated market for goods, services, promoting cross-border movement of capital and persons (Tralac)

Intra-Africa trade – highly concentrated at subregional level (data for 2019)

According to Africa trade advisory, Tralac, intra-Africa trade is highly concentrated (sub-regionally)

- Approximately 15% of Africa's total trade is intra-trade
- 42% of intra-trade takes place in SACU
- 55% of intra-trade takes place in SADC

New opportunities for both the Western Cape and South Africa?

Source: Tralac, 2021

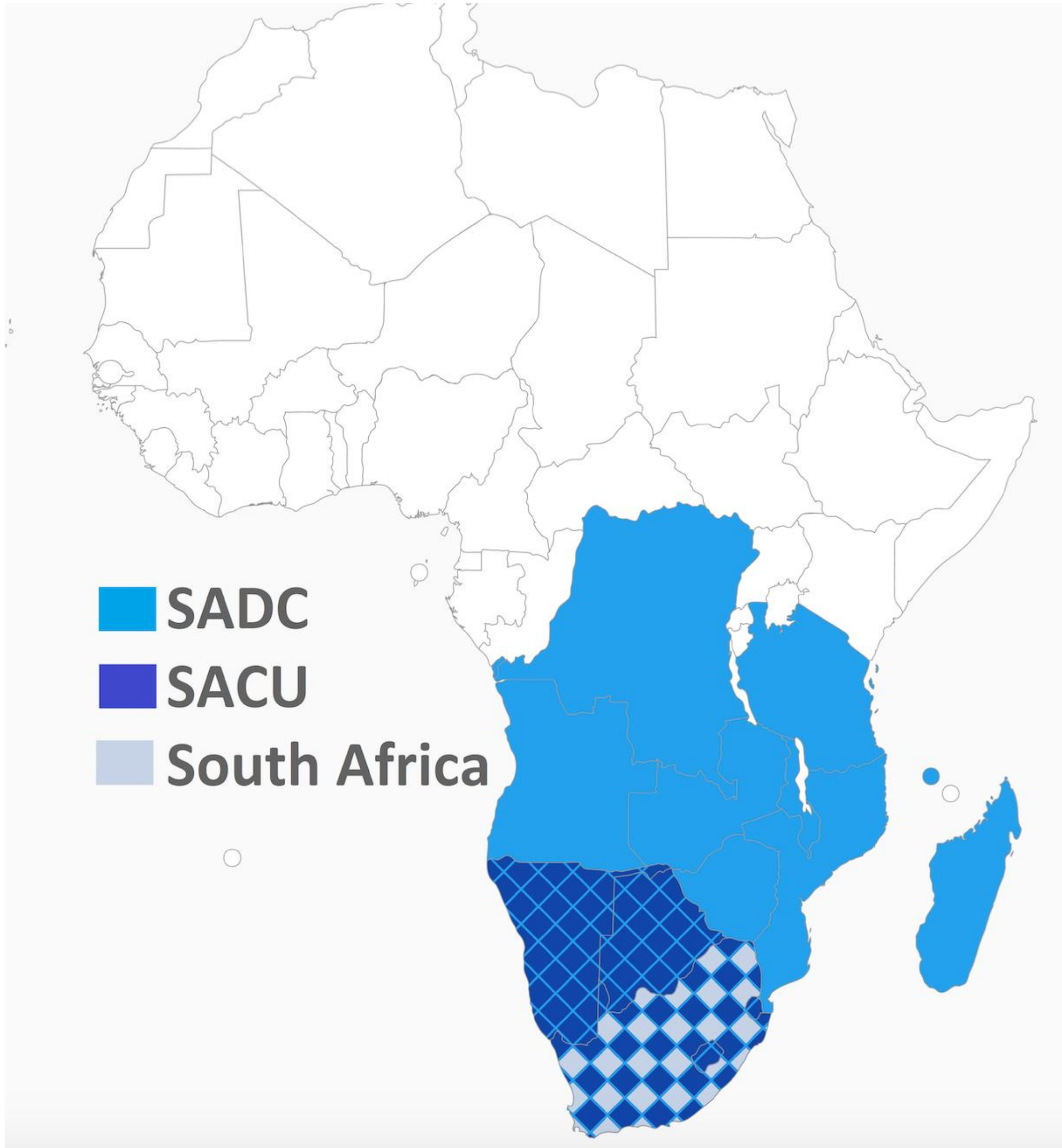


Image Source: Tralac, 2021

AfCFTA Ratification progress

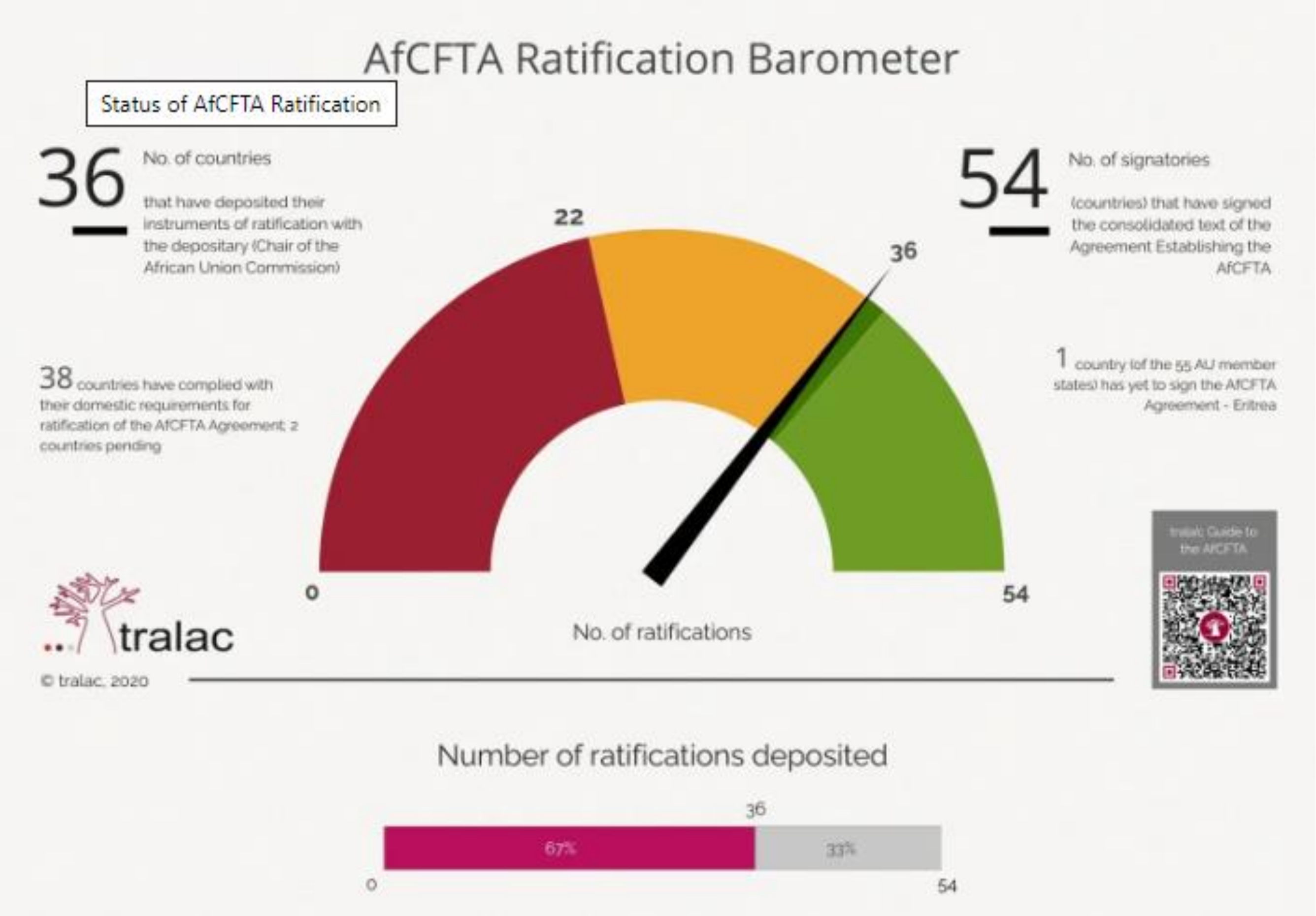
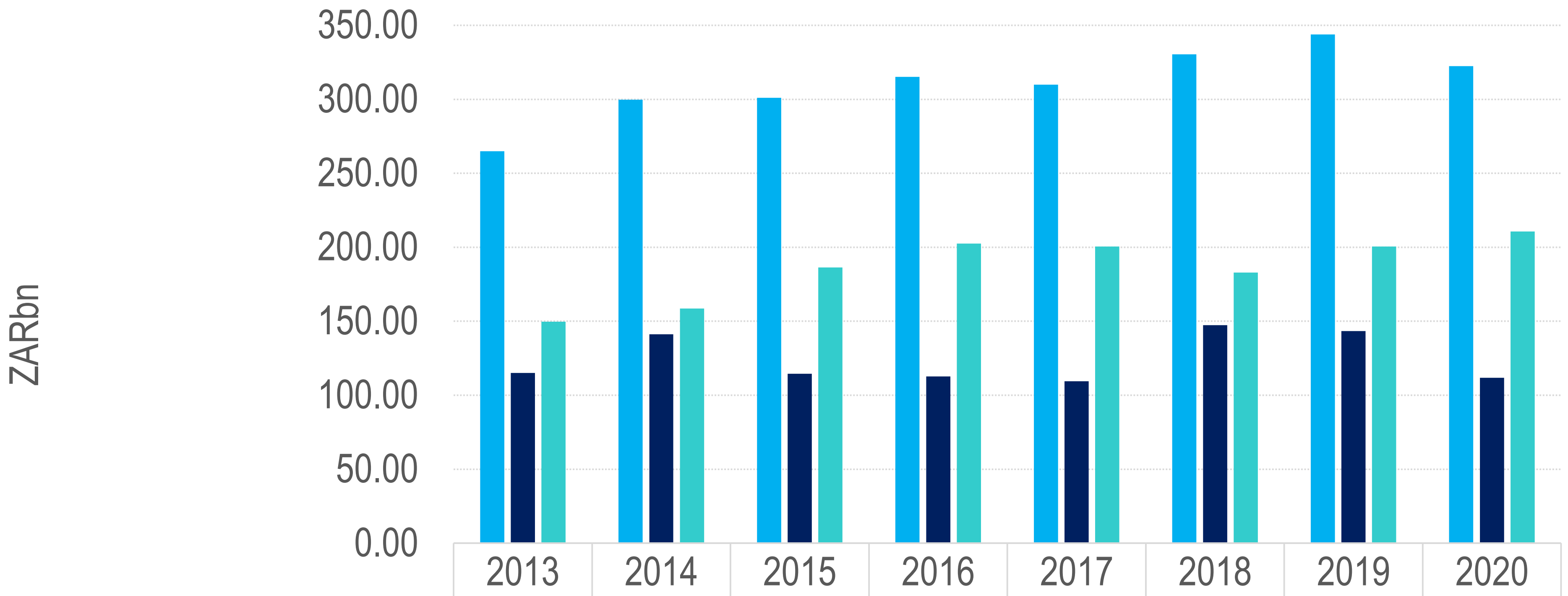


Image Source: Tralac

- As at 5 February 2021, 36 countries have both signed and deposited their instruments of AfCFTA ratification with the AUC Chairperson (Tralac)
- Of the 55 AU members, only Eritrea has yet to join (Tralac)

South African Trade with the Rest of Africa

South African Trade with the Rest of Africa, ZARbn, 2013-2020

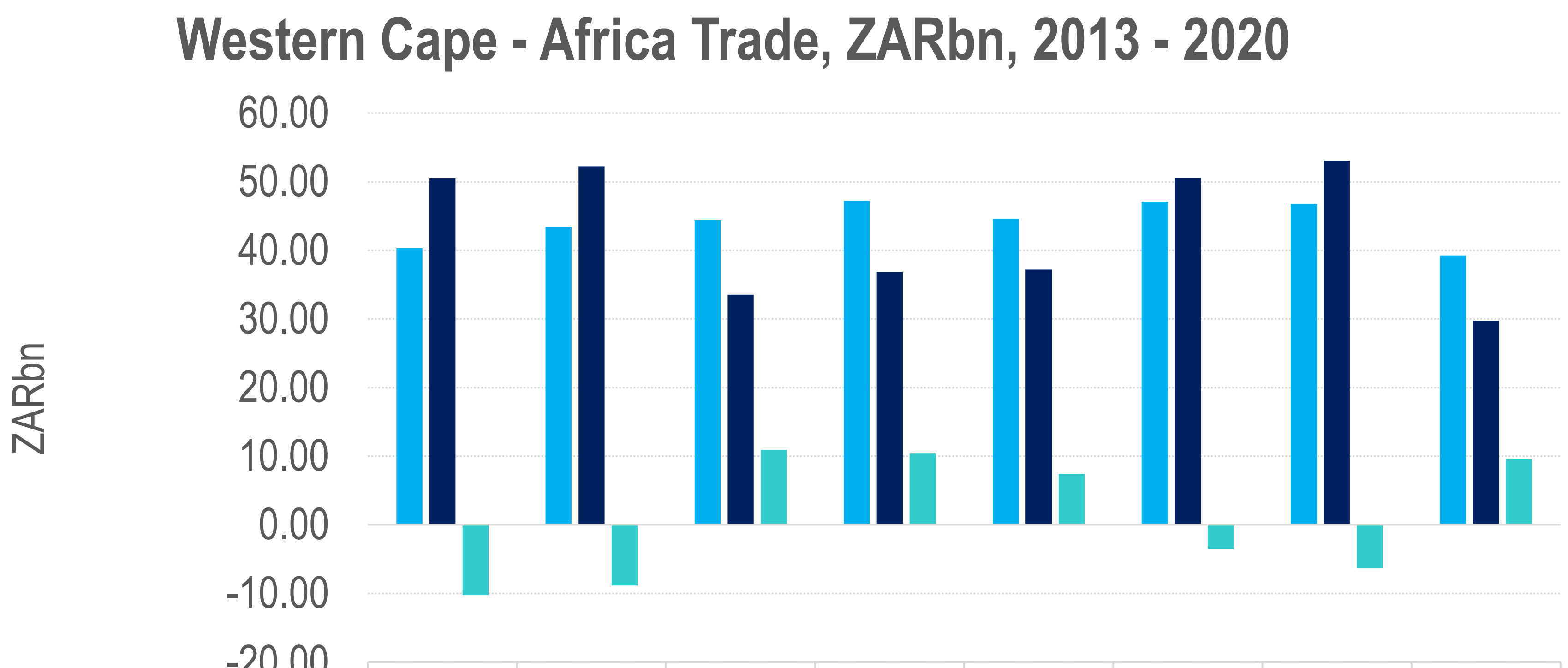


	2013	2014	2015	2016	2017	2018	2019	2020
SA Exports to Africa	264.85	299.70	300.98	315.16	309.91	330.31	343.83	322.35
SA Imports from Africa	115.12	141.11	114.56	112.72	109.48	147.32	143.32	111.73
SA Africa Trade Balance	149.73	158.59	186.41	202.44	200.44	182.98	200.51	210.63

SA Exports to Africa SA Imports from Africa SA Africa Trade Balance

Source: Quantec, 2021

Western Cape Trade with the Rest of Africa



	2013	2014	2015	2016	2017	2018	2019	2020
WC Exports to Africa	40.33	43.42	44.45	47.22	44.62	47.08	46.74	39.26
WC Imports from Africa	50.53	52.25	33.56	36.85	37.18	50.58	53.08	29.75
WC Africa Trade Balance	-10.20	-8.83	10.89	10.37	7.44	-3.50	-6.34	9.51

WC Exports to Africa   WC Imports from Africa   WC Africa Trade Balance

Source: Quantec, 2021

Western Cape's Regional African Exports, 2017 - 2019

Western Cape Regional African Exports, ZARm, 2017 - 2019					
Rank	**Regional Export Destination**	**Value in 2017**	**Value in 2018**	**Value in 2019**	**% Share of Exports, 2019**
1	SACU (Excluding RSA)	23,315.29	24,152.85	25,848.12	55.30%
2	SADC (excluding SACU)	12,914.69	13,997.91	12,396.89	26.52%
3	EAC	4,177.09	5,266.74	5,416.72	11.59%
4	Eastern Africa Rest	3,742.82	4,367.24	4,725.91	10.11%
5	Western Africa	3,698.26	3,880.88	3,036.00	6.50%
6	Middle Africa Rest	390.44	416.61	439.34	0.94%
7	Northern Africa	555.21	265.87	296.94	0.64%
	TOTAL EXPORTS	**44,616.71**	**47,081.36**	**46,743.19**	**100.00%**

Since 1910 SACU SOUTHERN AFRICAN CUSTOMS UNION

EAC JUMUIYA YA AFRIKA MASHARIKI

Source: Quantec, 2021

Western Cape's Top Africa Export Markets, 2020

Western Cape's Top Africa Export Destinations, ZARm, 2020			
Rank	**African Export Market**	**Value in 2020**	**% Share of Exports, 2020**
1	Namibia	9,865.04	25.13%
2	Botswana	6,643.02	16.92%
3	Lesotho	2,835.51	7.22%
4	Zambia	2,397.30	6.11%
5	eSwatini	2,378.21	6.06%
6	Zimbabwe	2,294.14	5.84%
7	Mozambique	2,168.05	5.52%
8	Nigeria	1,367.14	3.48%
9	Kenya	1,164.28	2.97%
10	Angola	1,139.76	2.90%
	TOTAL EXPORTS	**39,263.32**	**100.00%**

Source: Quantec, 2021

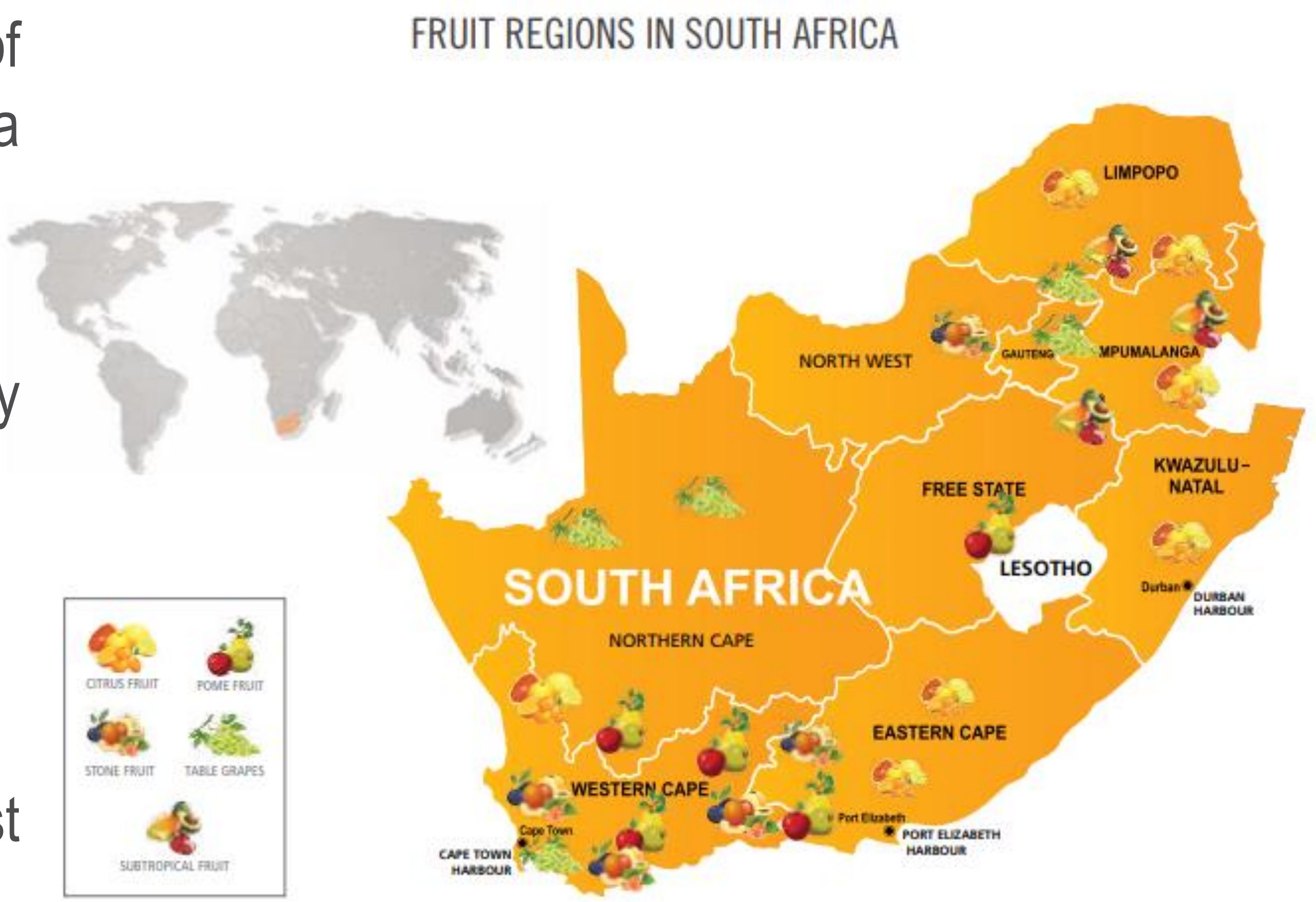
The local food & beverage sector

South Africa's agriculture & agri-business sectors

- Agricultural sector contributed close-on 10% of South Africa's total export earnings in 2018 at a value of US$11.1bn

- South Africa largest fresh fruit exporter (by volume) in Southern Africa (FPEF)
  - Fresh fruit accounts for approximately 35% of South Africa's agricultural exports

- Globally South Africa is the second largest exporter of citrus fruit



wesgro
cape town & western cape
tourism, trade, investment, film

Sources: Hortgro, FPEF

South Africa’s Top 10 Food Exports to Africa, 2019

South Africa's Top 10 Food Exports to Africa, ZARm, 2019				
Rank	**Product label**	**Value in 2019**	**% Share of Exports, 2019**	**Average Growth (%), 2015 - 2019**
1	Maize (corn)	3,442.58	1.00%	19.84%
2	Cane or beet sugar and chemically pure sucrose, in solid form	2,550.63	0.74%	-0.29%
3	Food preparations	2,458.18	0.71%	3.78%
4	Apples, pears and quinces, fresh	2,277.44	0.66%	4.04%
5	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages	2,184.52	0.64%	13.99%
6	Preparations of a kind used in animal feeding	2,150.99	0.63%	11.35%
7	Fruit juices (including grape must) and vegetable juices	2,060.07	0.60%	0.45%
8	Wine of fresh grapes	1,669.49	0.49%	4.56%
9	Cereal groats, meal and pellets	1,338.85	0.39%	10.33%
10	Beer made from malt	1,323.95	0.39%	10.79%
	TOTAL EXPORTS	**343,830.08**	**100.00%**	**2.83%**

Source: Quantec, 2021

South Africa's Top 10 Food Imports from Africa, 2019

South Africa's Top 10 Food Imports from Africa, ZARm, 2019				
Rank	Product label	Value in 2019	% Share of Exports, 2019	Average Growth (%), 2015 - 2019
1	Cane or beet sugar and chemically pure sucrose, in solid form	3,949.59	2.76%	16.26%
2	Live bovine animals	1,674.75	1.17%	63.22%
3	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04	1,400.14	0.98%	15.77%
4	Beer made from malt	1,265.00	0.88%	9.29%
5	Bananas, including plantains, fresh or dried	589.77	0.41%	22.16%
6	Live sheep and goats	489.11	0.34%	30.58%
7	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	475.53	0.33%	13.39%
8	Sugar confectionery (including white chocolate), not containing cocoa	472.87	0.33%	1.08%
9	Tea, whether or not flavoured	431.95	0.30%	1.66%
10	Meat of bovine animals, frozen	365.56	0.26%	-4.73%
	TOTAL IMPORTS	**143,317.24**	**100.00%**	**1.71%**

Source: Quantec, 2021

Selection of non-SADC Import Source Markets, 2019

Exporting Country	Top Products	Value (ZARm)
Kenya	Tea Margarine Legumes Coffee	27,2 18,2 12,1 9,9
Tanzania	Tea Oil-cake from vegetable fat Coffee Coconuts, brazil nuts, cashews	75,2 75 66,6 39,4
Nigeria	Ginger, saffron, turmeric, and other herbs & spices Ground-nuts Vegetables (other) Cereal products	50,7 8,3 3,4 3,1
Côte d'Ivoire	Cocoa paste Oil-cake from vegetable fat Coconuts, brazil nuts, cashews Cocoa powder	185,6 6 5,1 1,4

Source: Quantec, 2021

Tariffs on food products beyond SADC

Importing Country	Average tariffs on selected food products that SA exports to the rest of Africa
Kenya	Average 25% Dairy products 60%
Nigeria	Average 20%
Egypt	Average 10% -40% Wine 1800%

Source: macmap, 2021

Western Cape's blooming agriculture sector

- Western Cape is largest growing region of deciduous fruits in South Africa
  - Accounts for approximately 72% of total growing area and production
- Western Cape's thriving local agriculture and agri-business sectors remain key
- South Africa 5th largest exporter of fresh pears globally (by metric tons), 2014 – 2019 (Hortgro)

  - WC accounts for close-on 79% of South Africa's pear production
- South Africa 6th largest exporter of fresh apples globally (by metric tons), 2014 - 2019 (Hortgro)
  - WC accounts for close-on 80% of South Africa's apple production

Sources: Hortgro, FPEF

Western Cape’s fast-expanding agri-business footprint

- The Western Cape is the largest exporter of agribusiness products of the nine South African provinces
- The agribusiness sector is a key component of the Western Cape’s economy, contributing significantly to the region’s exports
- The Western Cape is responsible for almost half of South Africa's agribusiness exports
- Region exports 70% of all South African beverages & spirits, and 96% of wine
- Local agri-business sector has a number of competitive advantages



Western Cape's Top 10 Food Exports to Africa, 2019

Western Cape's Top 10 Food Exports to Africa, ZARm, 2019				
Rank	**Product label**	**Value in 2019**	**% Share of Exports, 2019**	**Average Growth (%), 2015 - 2019**
1	Apples, pears and quinces, fresh	1,522.58	3.26%	3.04%
2	Fruit juices (including grape must) and vegetable juices	1,337.25	2.86%	1.95%
3	Wine of fresh grapes	1,229.15	2.63%	2.91%
4	Other fermented beverages	802.66	1.72%	5.94%
5	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol.; spirits, liqueurs and other spirituous beverages	711.46	1.52%	-1.55%
6	Food preparations not elsewhere specified or included	581.74	1.24%	16.90%
7	Fish, frozen, excluding fish fillets and other fish meat	346.78	0.74%	4.17%
8	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	308.99	0.66%	8.71%
9	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	277.34	0.59%	20.81%
10	Milk and cream	263.13	0.56%	2.28%
	TOTAL EXPORTS	**46,743.19**	**100.00%**	**1.58%**

Source: Quantec, 2021

Western Cape's thriving food & beverage sector

- Cape Town an established hub for national production & distribution of produce & beverages
  - Home to some of South Africa's largest companies in food & beverage manufacturing industry
- Booming local F&B sector supported by distinctive agricultural yields in the region, strong agri-business sector, large international port, ever-growing consumer population and relatively strong skills base
- Food & beverage sector now largest of Cape Town's manufacturing industries
- Competitiveness of Cape Town's food & beverage sector
- Halal-focused manufacturing

Source: Invest in Cape Town

wesgro
cape town & western cape
tourism, trade, investment, film


Thank you