South Africa’s maize exports
A Strategic Export Market Analysis Approach

T. Kapuya and W. Sihlobo
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Outline of Presentation

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Context

South Africa within the global context
Background

• Saturated domestic market, slow local demand growth and increased competition compelling more agribusinesses to consider exporting or, if already operating in international level, to diversify into new export markets.

• Key Question are:
  – Which markets should SA prioritise and focus its attention on, given limited resources?
  – How do we generate the trade intelligence to answer this question?
Problem Statement

- Outside of the SADC region, SA’s maize markets are irregular and inconsistent
- SA’s exports are highly concentrated i.e. a large share of maize exports goes to a few countries
- This increases exporter’s risk in a global market that is already uncertain and highly unpredictable
- This motivates the need for “export planning and analysis” in order to identify available and potential market opportunities
- The aim is to prioritise a diverse set of countries towards which market development activities can be committed
The top 10 largest maize exporters by value (2013) account for 89% of total global maize exports.
Top 10 largest maize importers by volume (2013)

- Egypt (13%)
- Japan (12%)
- Mexico (6%)
- S. Korea (7%)
- Spain (4%)
- Netherlands (3%)
- Italy (3%)
- Iran (3%)
- Taiwan (3%)
- Colombia (3%)

The top 10 largest maize importers by value (2013) account for 57% of total global maize trade.
SA’s Top largest maize export markets (2013)

- Japan
- Mexico
- S. Korea
- Switzerland
- Taiwan
- Italy
- Zimbabwe
- Swaziland
- Namibia
- Botswana
- Southern Africa: 23%
- Far East: 44%
- EU: 6%
- Americas: 14%
- Others: 12%
The top 10 largest maize export markets account for 92% of SA’s total maize exports in 2013.
Methodology

The Strategic Export Market Analysis Approach
The data

- We use trade data from the Harmonized System (HS) - a numerical classification system of products used as a basis for international trade statistics by almost all countries.
- Data sourced from the International Trade Centre (ITC)

A breakdown of trade data into 3 clusters:

- **HS-2 digit**: the chapter of the good (sector)
  - E.g. 10 = Cereals
- **HS-4 digit**: group within the chapter (sub-sector)
  - E.g. 1005 = Maize (corn)
- **HS-6 digit**: product within the group
  - E.g. 100590 = Maize (corn) nes

Source: Vivier and Cameron (2014)
The SEMA model

• The Strategic Export Market Analysis approach is a “rules based” decision support tool
• It uses a sequential filtering process (5 filters) that eliminate less promising export opportunities, and focuses on those countries that show the most potential

Filter 1.1: export growth (\(+ve\) or \(-ve\); \textit{high} or \textit{low})
Filter 1.2: market share (\(+ve\) or \(-ve\); \textit{high} or \textit{low})
Filter 1.3 market size (\textit{big} or \textit{small}; \textit{high} or \textit{low} potential)
Filter 1.4 market access (high or low tariff and NTM)
Filter 1.5 market competitiveness (high or low costs)

High Potential “strategic” markets
The Conceptual Framework

Market Access
- Low vs. high tariff barriers
- Low vs. high non-tariff barriers

Market Growth
- High growth vs. Low growth
- (+ve) growth vs. (–ve) growth

Market Size
- High vs. low export potential
- Large vs small market

Market Share
- High Share vs. Low Share
- Increasing vs. declining share

Market Competition
- Farm-level costs
- Supply chain logistics

[Diagram of the four quadrants: Convert, Acquire, Retain & Grow, Optimise]
Results

The outcome of a filtering process…
The world growth rate of 13% is used as a benchmark to separate low from high growth markets.
What is SA’s Market Share?

SA’s market share of the world of 2% is used as a benchmark to separate low from high share markets.
Filter 1.3 Market Size
What is the Market Demand?

Indicative Trade Potential (ITP) to measure SA’s unutilised export potential. Bubble graphs to illustrate potentially exploitable market size.
Filter 1.4 Market Access
What/Where are the highest tariffs?

- Mexico: 4.4%
- Europe: 18.3%
- Middle East: 3%
- Asia: 46.5%
- North America: 17.5%
- Latin America: 5%
Filter 1.4 Market Access
What/Where are the highest tariffs? Trade Agreements?

- EU-TDCA: 4.4%, 18.3%, 3%
- SADC-FTA: 46.5%, 17.5%, 5%
Filter 1.4 Market Access
What/Where are the highest tariffs? Trade Agreements? GM bans?

Broad GM restrictions in most parts of Africa, Europe and Asia
Filter 1.5 market competitiveness

Who/Where is the competition?

Competition in all markets from the largest maize exports – especially Brazil and Argentina
SA’s fertiliser costs exceptionally high compared to other major global exporters.
SA’s logistic costs fairly higher than US and EU, but lower than those of Argentina and Brazil

SA’s logistic costs fairly higher than US and EU, but lower than those of Argentina and Brazil.
Strategic Export Opportunities Map

Mozambique

Japan

Taiwan

Korea

Switzerland

Zimbabwe

UK

Mexico

Italy

Thailand

Share

Growth
Strategic Export Opportunities Map

Low Growth
High Share

Can we grow?

Share

Growth

Mozambique
Japan
Taiwan
Korea
UK
Switzerland
Zimbabwe
Mexico
Italy
Thailand

-20.0%
-10.0%
0.0%
10.0%
20.0%
30.0%
40.0%
50.0%
60.0%
70.0%
80.0%
90.0%
100.0%
110.0%
120.0%

0%
2%
4%
6%
8%
10%
12%
14%
16%
18%
20%
Strategic Export Opportunities Map

- Can we convert & grow?
- Low growth
- Low share

Countries:
- Mozambique
- Japan
- Taiwan
- Korea
- Switzerland
- Zimbabwe
- UK
- Mexico
- Italy
- Thailand
Strategic Export Opportunities Map

- Mozambique
- Switzerland
- Zimbabwe
- Japan
- Korea
- Taiwan
- UK
- Mexico
- Italy
- Thailand

Share

Growth

High Growth
Low Share
Summary and Conclusions

So what now?
A focus on strategic markets requires different questions

**Offensive Strategy**

- Can I "expand" my market presence and grow?
- Can I "explore" & "acquire" this market?

**Defensive Strategy**

- Do I need to retain market presence?
- How can I optimise my market presence in this country – have we filled our export potential?
- Can we out-compete our competition and sustain exports?
Defensive Strategy – “Sustain and Maintain”

Mexico

SACU
Zimbabwe
Mozambique

Japan
Korea
Thailand
Offensive Strategy – “acquire, convert and grow”
Conclusion

**Sustainable growth**
- Markets that are showing signs of growth in the long term

**Consistency in exports and market development**
- Through high competitiveness, sustained surpluses, and secure supply

**Higher trade gains**
- Building the base for markets with more incentives for growth

**Diversification**
- Focusing on emerging markets, while preserving the traditional ones

A Maize Sector Export Strategy
END

THANK YOU