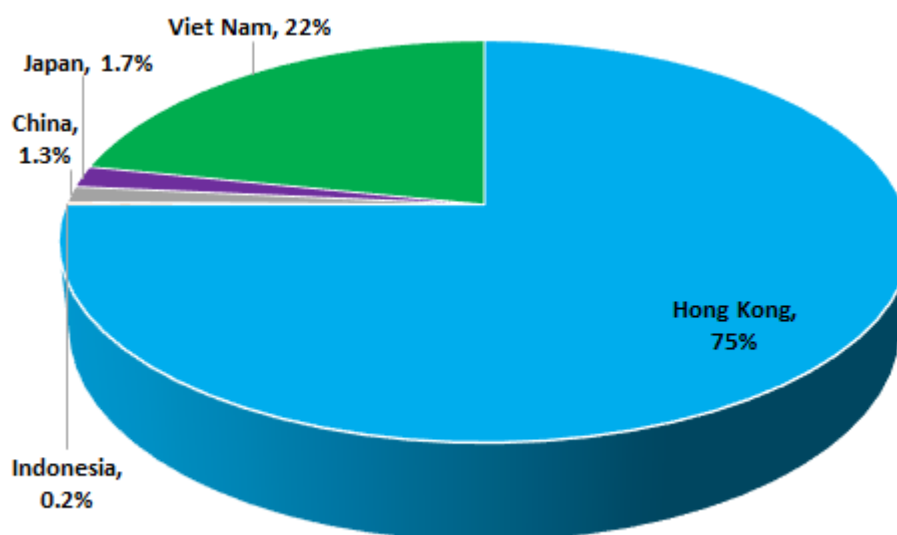


TINASHE KAPUYA AND WANDILE SIHLOBO

## Prioritising Far East Markets: South Africa's lemon exports – 22 July 2016

- A growing presence in the Far East markets is one of South Africa's fresh produce industry's strategic objectives. In 2015, selected Far East markets (i.e. Hong Kong, China, Indonesia, Philippines, China, Japan, Republic of Korea, Viet Nam and Thailand) constituted **9% of the global market by value**.
- South Africa's lemon exports to the selected Far East markets **constitute 10% of the country's total exports to the world by volume, and 12% by value**.
- South Africa exported **24 746 tons** of lemons in 2015 to Indonesia, Japan, Viet Nam, China and Hong Kong, combined.
- Of this volume, **18 562 tons** (or **75%**) went to Hong Kong, and **5 384 tons** (or **22%**) went to Viet Nam. The two markets take up **97%** of South Africa's lemon exports into the Far East region (figure 1).

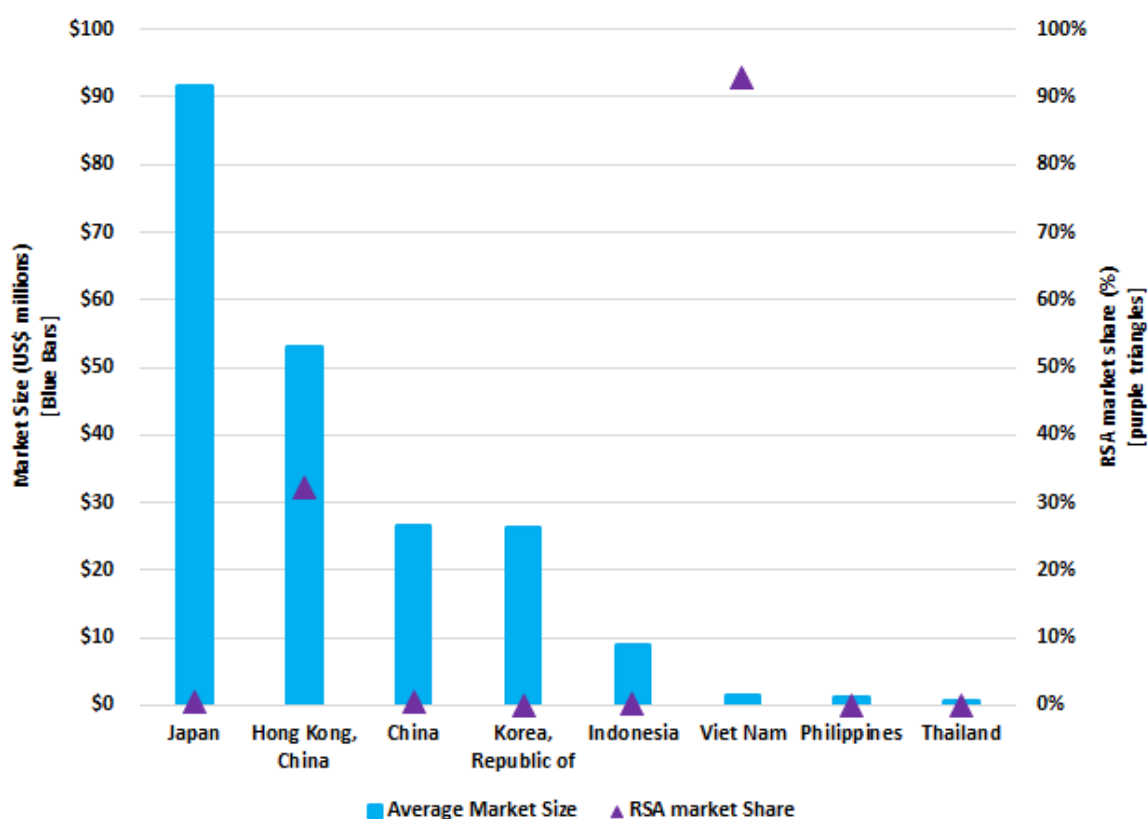


**Figure 1: Composition of South Africa's lemon exports in selected Far East markets**

Source: Agbiz Research, International Trade Centre (2016)

- The rest of the selected Far East markets constitute **3%** of South Africa's export volumes to the region, with China accounting for **1.3%** and Japan **1.7%** and Indonesia **0.2%**.

- With Hong Kong and Vietnam being South Africa's main markets, it is not surprising that the two countries are also where South Africa's market share is highest. In 2015, South Africa's market share (from an export value perspective) was **93%** in Vietnam and **32%** in Hong Kong (See **figure 2**).
- Over the period 2011 and 2015, the largest markets, in terms of value, have been Japan (**US\$92 million**), Hong Kong (**US\$53 million**), South Korea and China (**US\$26 million**, respectively), (**figure 2**).
- Relatively smaller markets include Indonesia (**US\$9 million**), Viet Nam (**US\$1.5 million**), Philippines (**US\$1.2 million**) and Thailand (averaging less than **US\$1 million**).



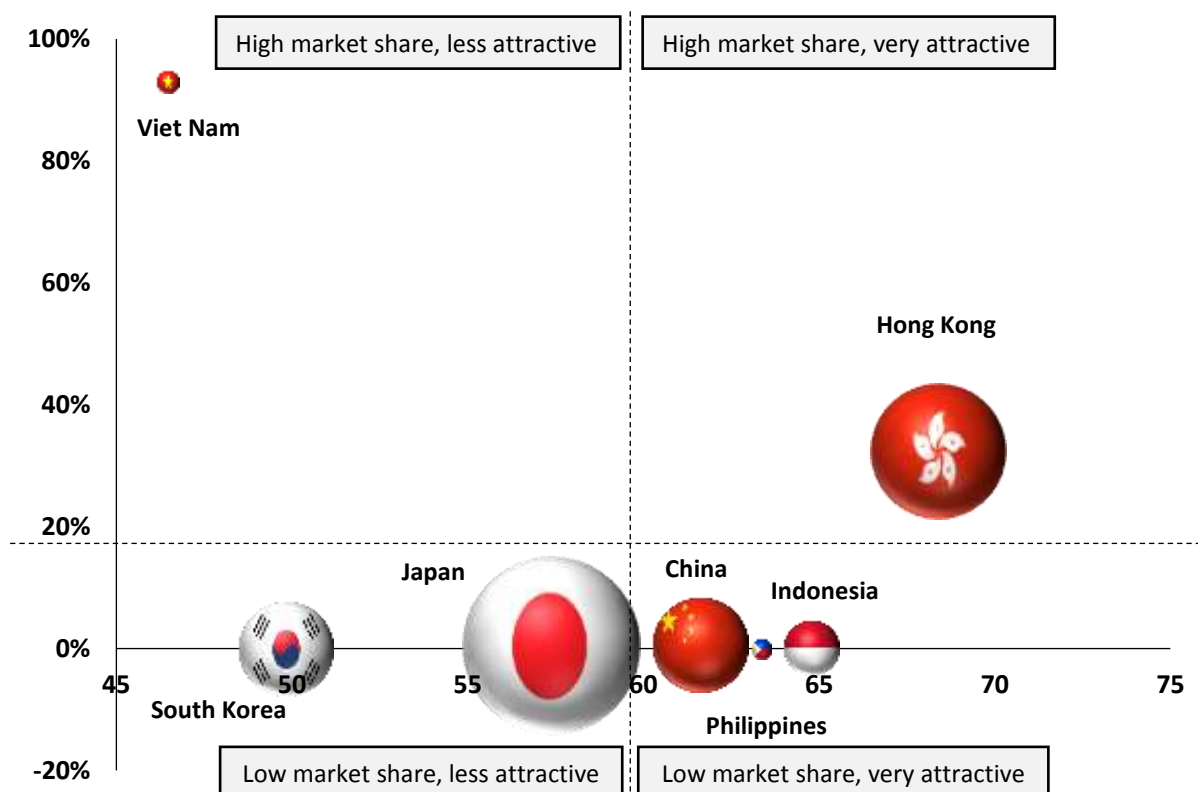
**Figure 2: Market size and South Africa's market share in selected Far East markets**

Source: Agbiz Research, International Trade Centre (2016)

- Figure 2 shows that South Africa has a higher market share in Hong Kong and Vietnam – the former is a large market and the latter is a relatively small market.
- South Africa has a **weighted average market share of 9% in the larger markets** (Japan, Hong Kong, China, and South Korea), and a **weighted average market share of 12% in smaller ones** (Indonesia, Viet Nam, Philippines, Thailand).
- However, there are only two markets in which South Africa has a significant presence – that is Hong Kong and Viet Nam. South Africa has a market share of between 0% and 0.6% for the rest of the considered countries.
- Which of these considered countries are more attractive options for expansion, and which markets should be given priority?



- By using a market attractiveness index (MAI), we determine that the most attractive markets for South African lemon exports include: (1) **Hong Kong**, (2) **Indonesia**, (3) **Philippines** and (4) **China**, These markets have index scores above 60.
- A second set of less attractive markets includes (5) **Japan** and (6) **South Korea**, (7) **Viet Nam**, and (8) **Thailand**. These have index scores below 60.
- **Figure 3** ranks the markets according to attractiveness and South Africa's market share expressed as the value of South African exports as a proportion of the country's total imports for lemons.
- Using the sample's average as cut off points, we determine that a market attractiveness index of **59** points and a market share of **18%** are the thresholds that define high versus low attractiveness and market share, respectively.
- The size of the bubbles reflect the overall market size of the countries in the sample.



**Figure 3: Market attractiveness – market share matrix**

Source: Agbiz Research, International Trade Centre (2016)

- Our considered view is that for lemon exports, South Africa should prioritise **Hong Kong**, **Indonesia**, **Philippines**, and **China** for strategic expansion in the Far East.

**Tinashe Kapuya** (Tinashe@agbiz.co.za) and **Wandile Sihlobo** (wandile@agbiz.co.za)

[www.agbiz.co.za](http://www.agbiz.co.za)

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