Paper proposal

Entry and Survival of South Africa's Agricultural Exports

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Structure

1. Introduction
2. The literature
3. Some stylized facts on growth in SA's agricultural exports
4. Decomposition of the growth
5. Exploring export entry and survival
6. Some firm-level perspective
7. Inputs

Introduction

1. Work in progress….. (inputs) → setting the scene
2. Analyses of relationships… in agricultural exports
3. Partners → South African companies enter into a relationship with a foreign company
4. Maximum number of relations: 635 products x 274 countries = 173 990
5. Relationship build on the exchange of (agro-food) products for foreign currency
6. Entry and survival (duration) of these export relationships?
7. Why is this important? companies invest in exporting → cost of compliance, search cost, information cost, trade cost → guide policies, exporter support programs and industry associations to improve survival rate

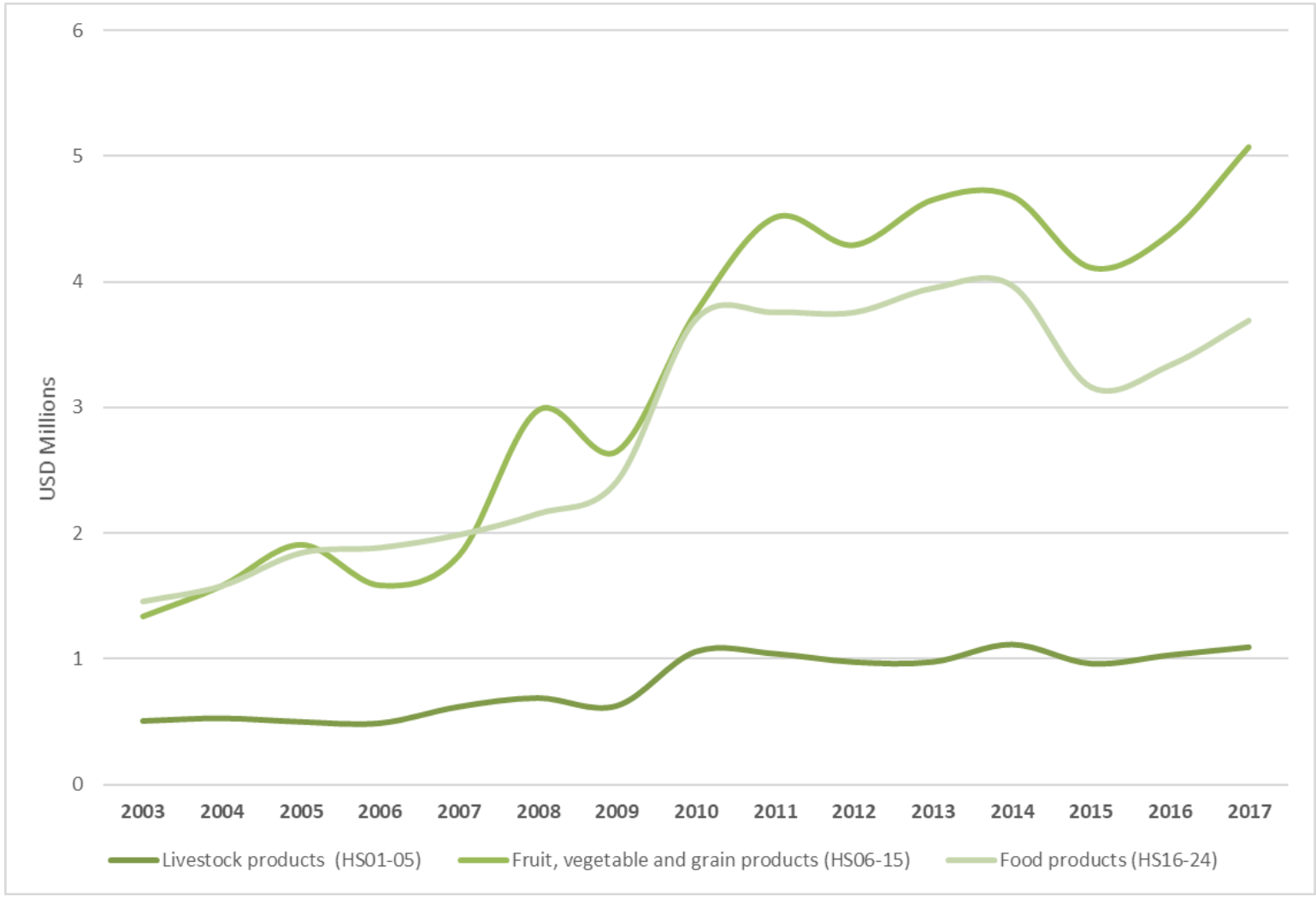
The literature

- Many research on export relationships found that they are relatively short-lived, about 4-5 years on average in most studies (Besedes and Prasa, 2006; Brenton, Saborowski, and von Uexkull, 2010; Fugazza and Molina, 2011)
- Cadot and Pierola (2012): exports from low-income countries have the shortest survival rate → capacity?
- Besedes and Blyde (2010) → export survival in Latin America → sharing a common border, economic size of partners, large initial exports, a depreciated exchange rate and more developed financial institutions all positively affected survival rates.

The literature

- On a micro-level, exit, entry and survival decisions from a firm's perspective evolve around expected returns, fixed cost, sunk cost, uncertainty and the business environment
- Firm-level studies are limited → Esteve-Perez, Requena-Silvente and Pallardo-Lopez (2013) → Spain → average export duration two years → by political risk, firm productivity and distance
- Exporter's Dynamics Survey (World Bank) → most export growth comes from exporter size rather than new exporters.
- No study to date on entry and survival of exports in agro-food sector specifically: Do the same trends apply? What can we learn from a firm and policy perspective?
- Focus on SA as a large agricultural exporter → dualistic nature of sector → new entrants → limited government support

Some stylised facts on growth in SA's agricultural export



Source: Own calculations based on data from UN Comtrade (2018)

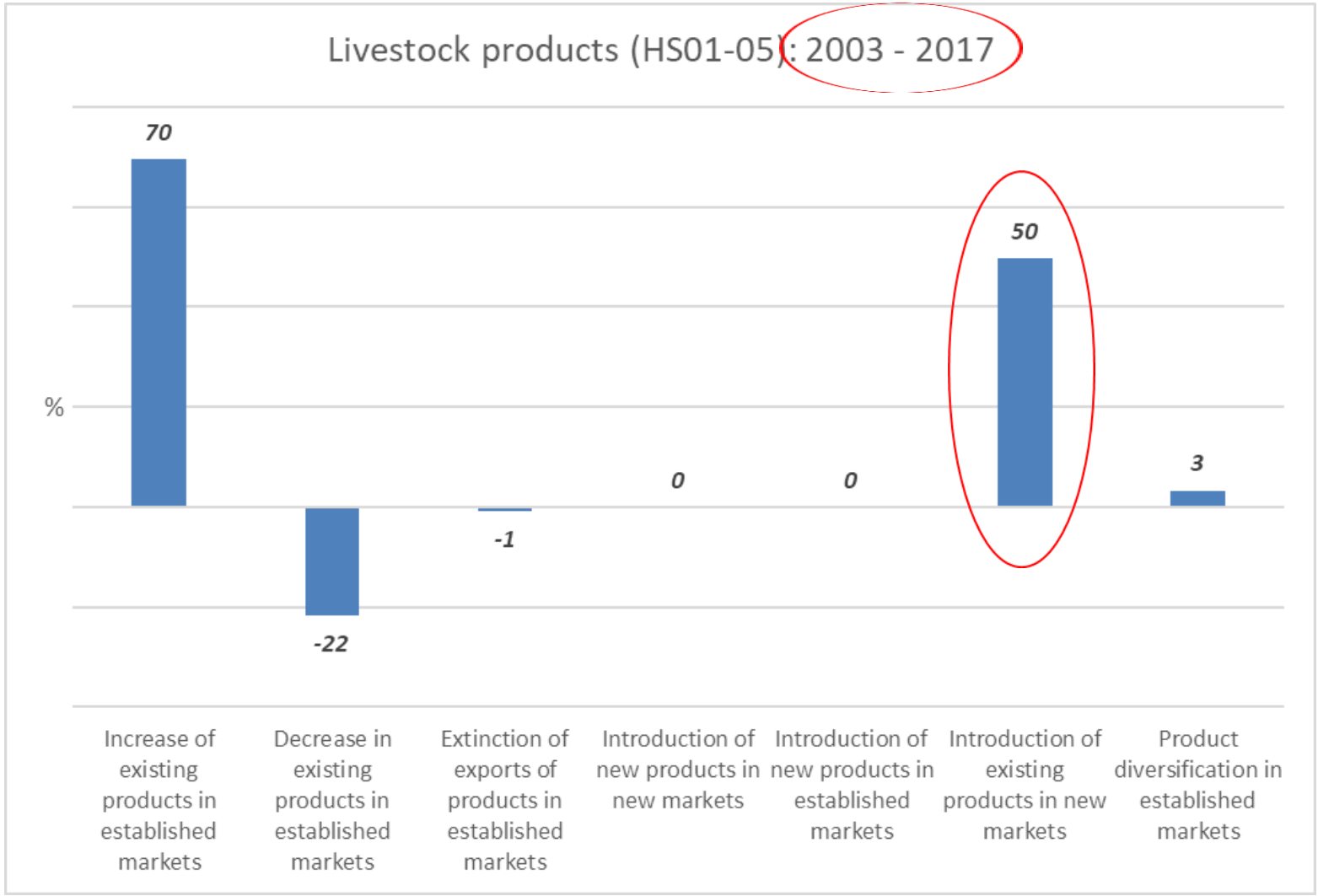
Some stylised facts on growth in SA's agricultural export

- Share in total exports around 10% between 2003 and 2017
- Dominated by fruits, vegetables and grains (51%) → food products (37%) and livestock products (11%)
- High growth levels 2003-2017: total +199%, livestock products +116%, fruits, vegetables and grains +280%, food products +153%
- Number of products (2017): 102 livestock products, fruits, 218 vegetables and grains, 157 food products
- 169 different markets

Decomposition of the growth

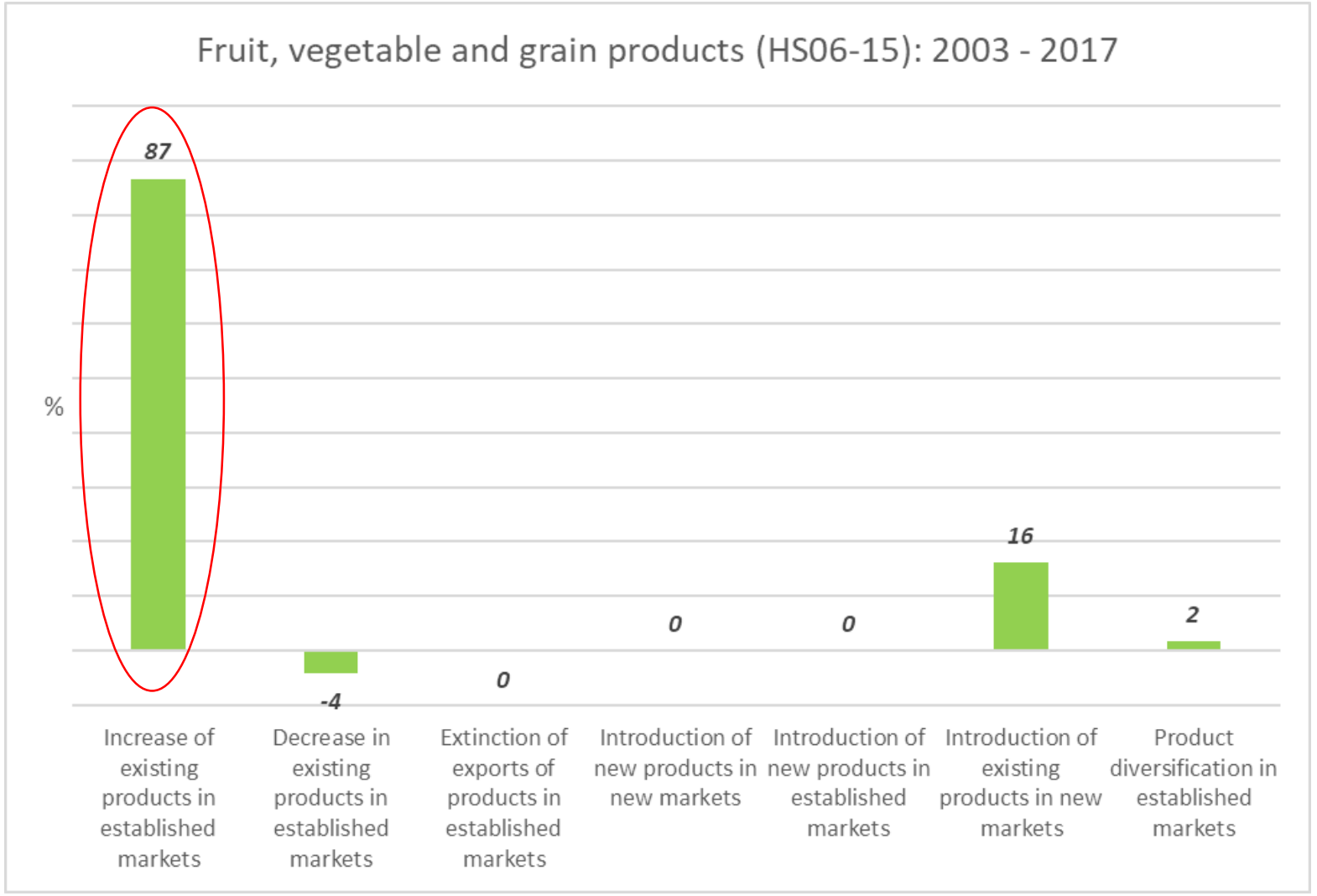
- Intensive margin:
  1. *Increase of existing products in established markets,*
  2. *Decrease in existing products in established markets,*
  3. *Extinction of exports of products in established markets,*
- Extensive margin:
  1. *Introduction of new products in new markets,*
  2. *Introduction of new products in established markets,*
  3. *Introduction of existing products in new markets,*
  4. *Product diversification in established markets*
- Most growth in exports for mature exporters generally comes from the intensive margin: existing products to existing markets (Brenton and Newfarmer, 2009)

Decomposition of the growth



Source: Own calculations based on data from WITS (2018)

Decomposition of the growth



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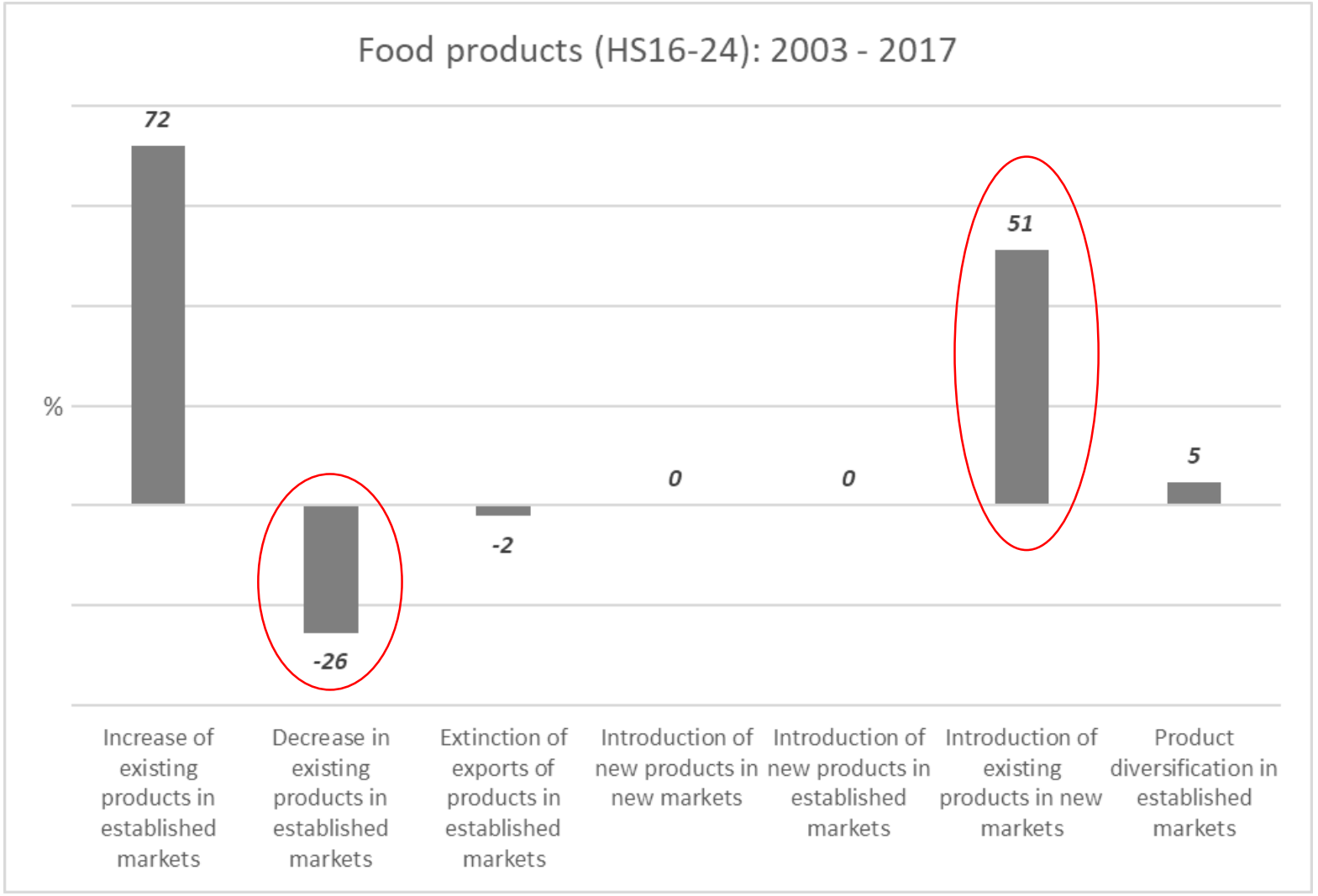
Decomposition of the growth

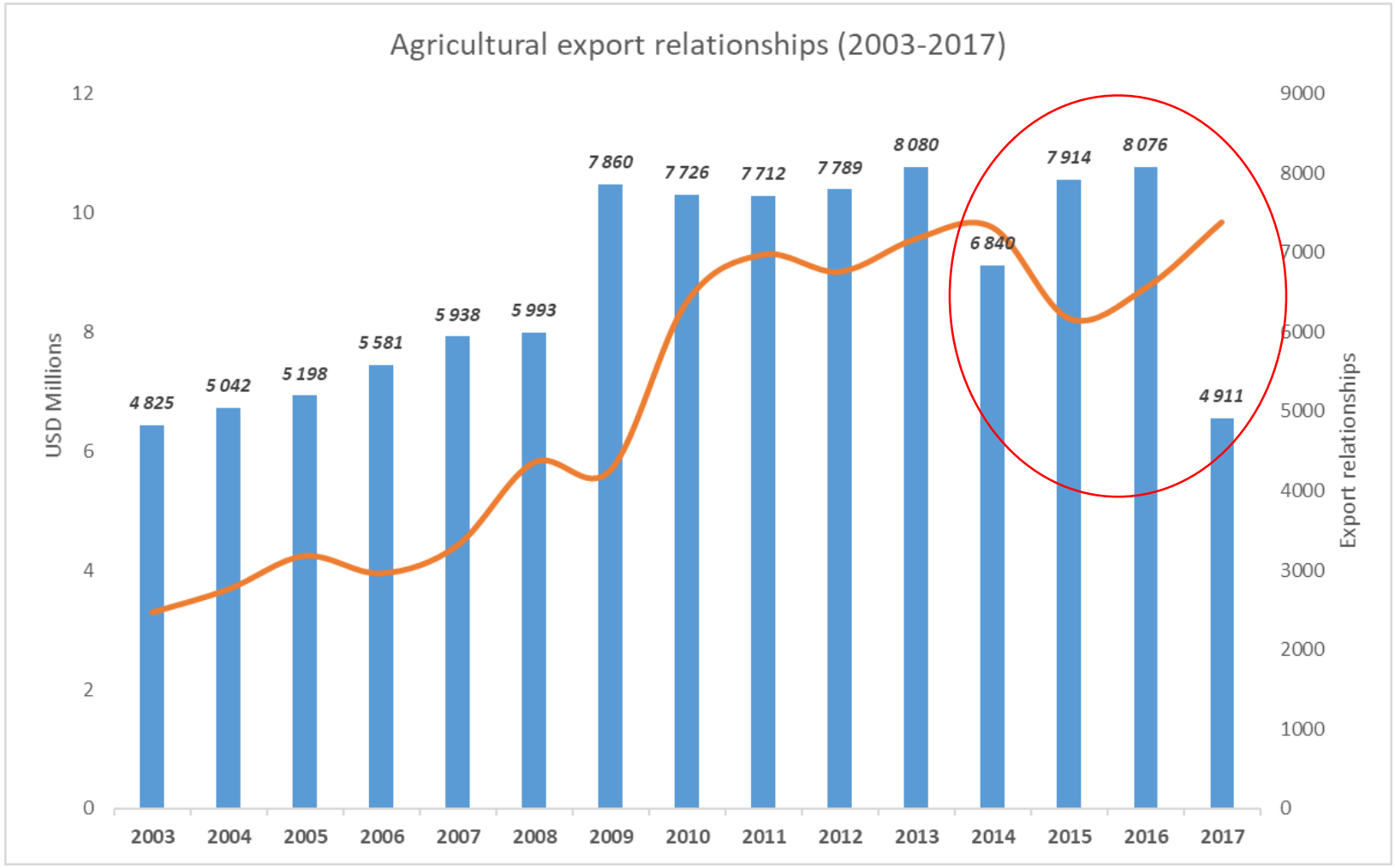


Source: Own calculations based on data from WITS(2018)

Exploring export entry and survival

- Data considerations → data classifications and periodic amendments
- Export relationship = product-market combination
- Export value =>10 000 USD
- Analysis does not consider value of export relationships
- Entering into a relationships
- Export spells
- Sustaining exports over time → duration of relationship

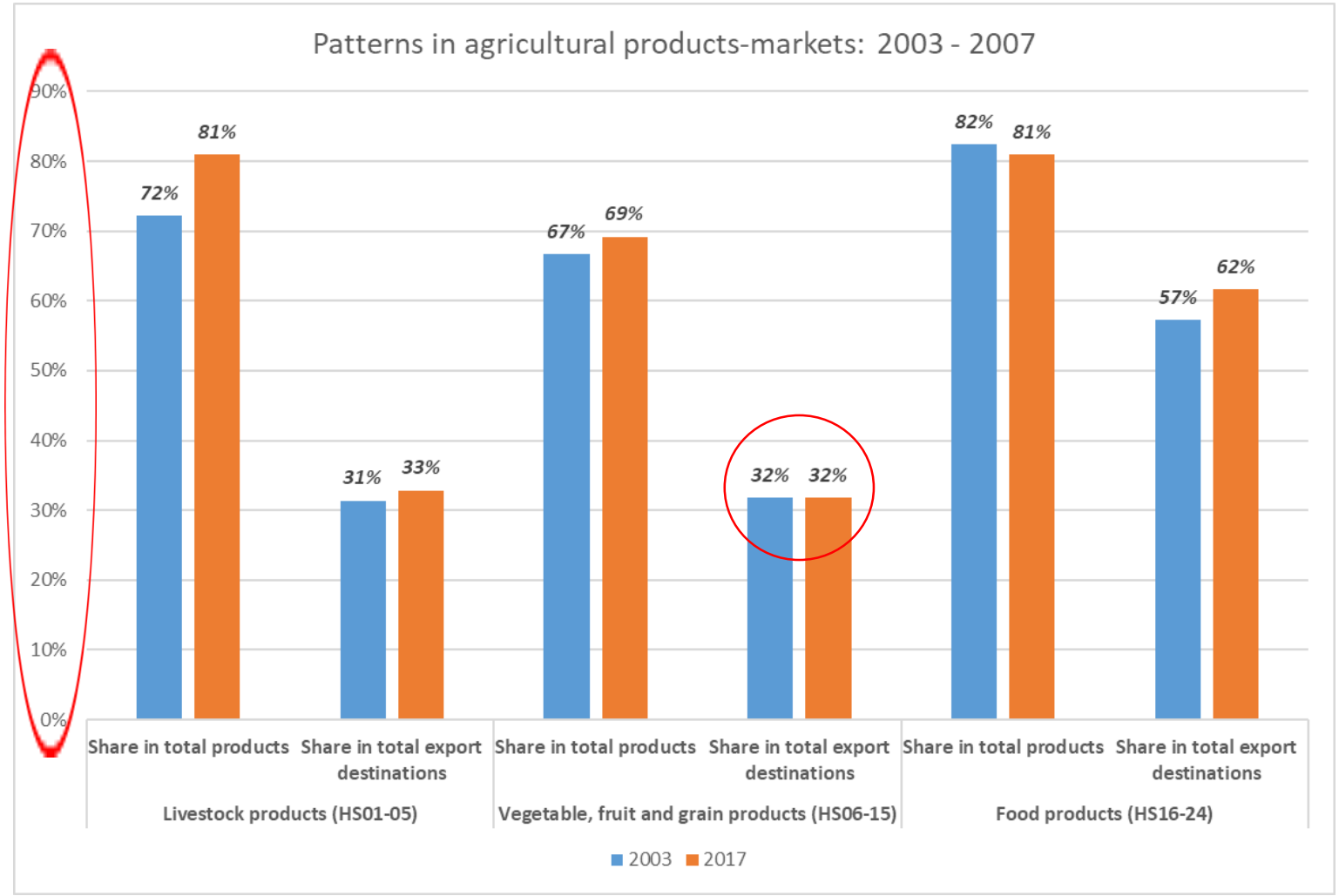
Exploring export entry and survival



	2003	2017	Growth
Number of products exported	458	480	*4.8%*
Share of total agric products	72%	76%	
Number of export destinations	173	169	*-2.3%*
Share of total export destinations	63%	62%	
Number of export relations	4825	4911	*1.8%*

Source: Own calculations based on data from UN Comtrade (2018)

Exploring export entry and survival



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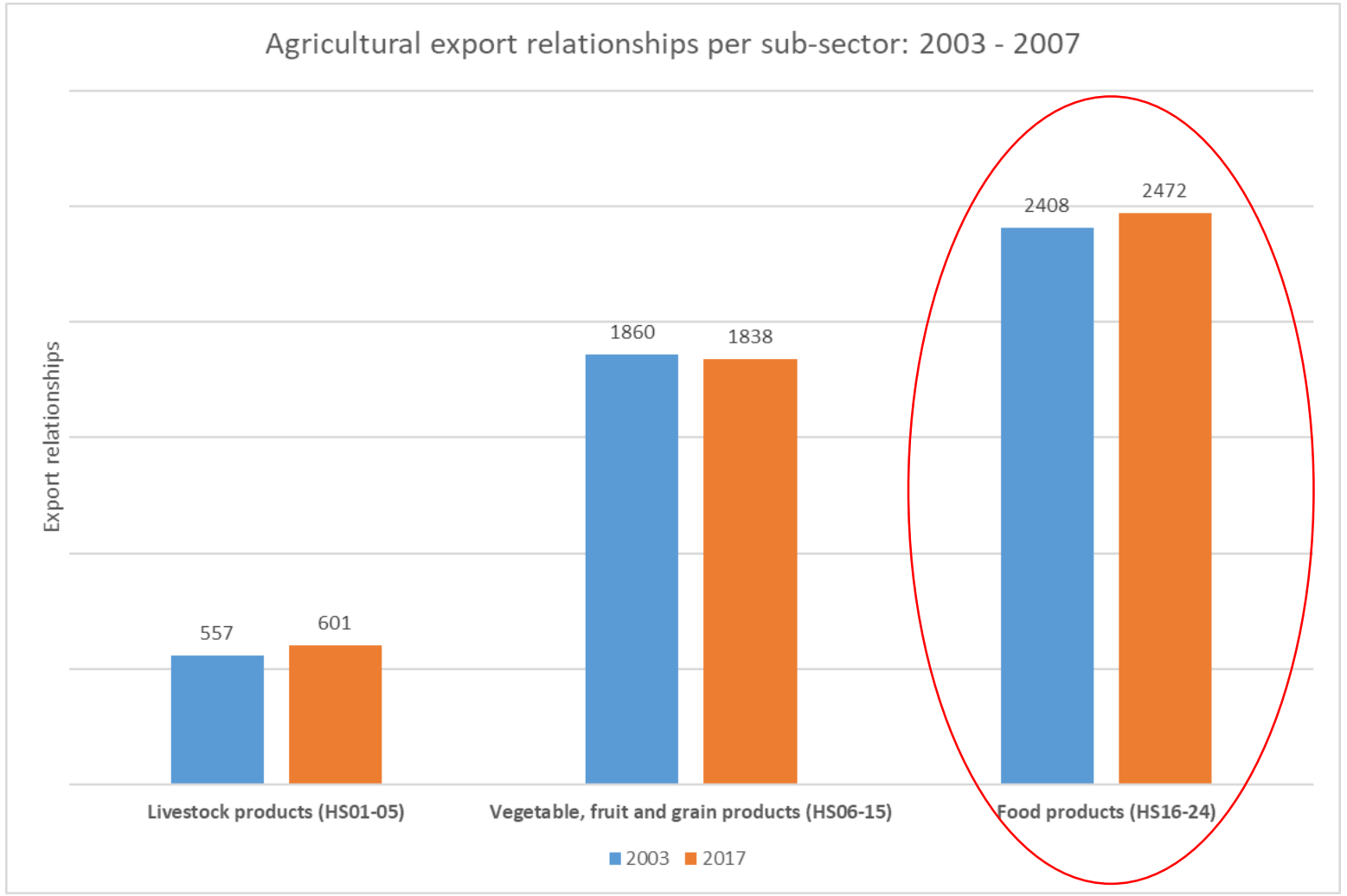
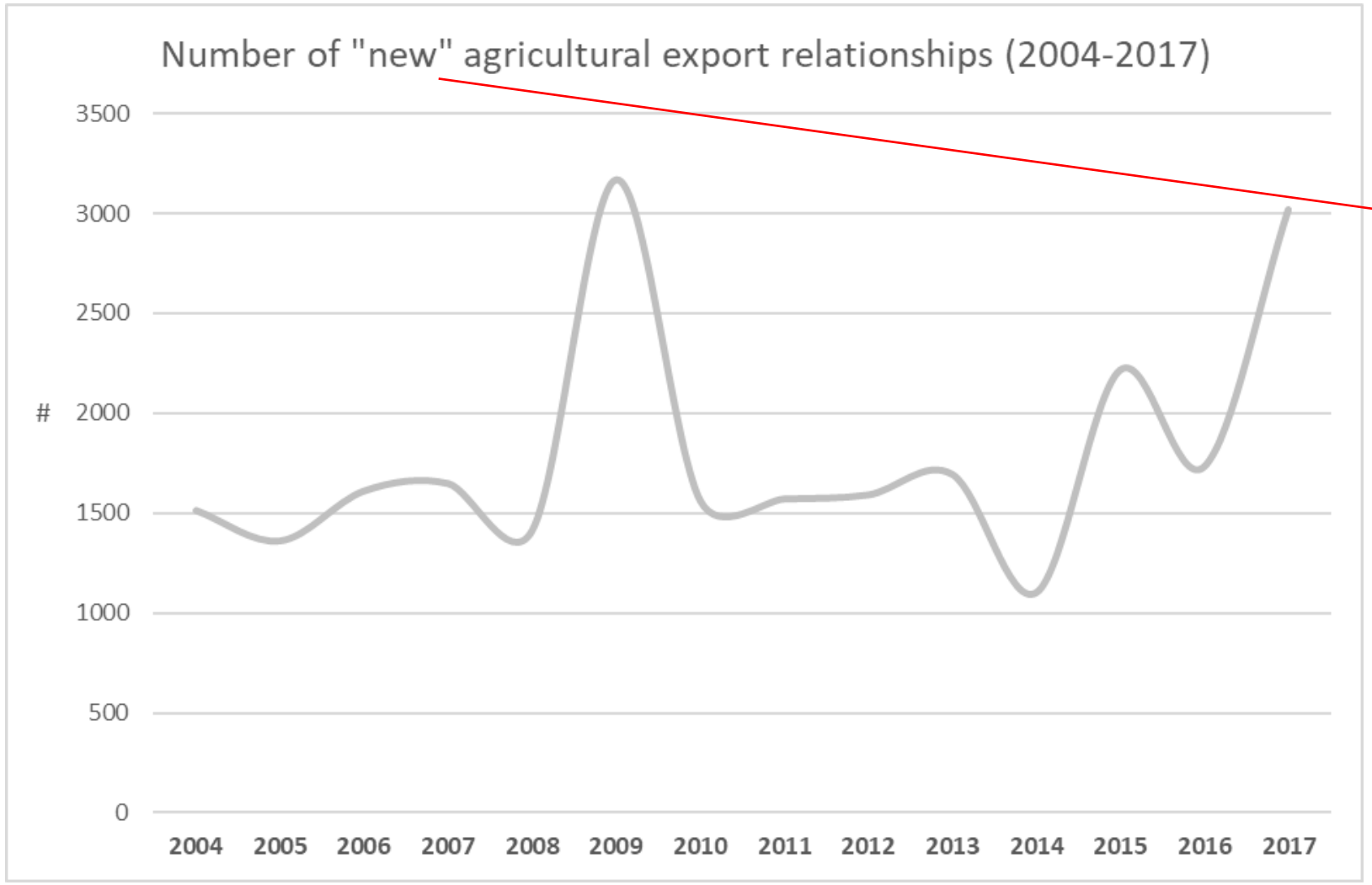
Exploring export entry and survival



	Total number of export products (HS2002)
Livestock products (HS01-05)	126
Vegetable, fruit and grain products (HS06-15)	315
Food products (HS16-24)	194

Source: Own calculations based on data from UN Comtrade (2018)

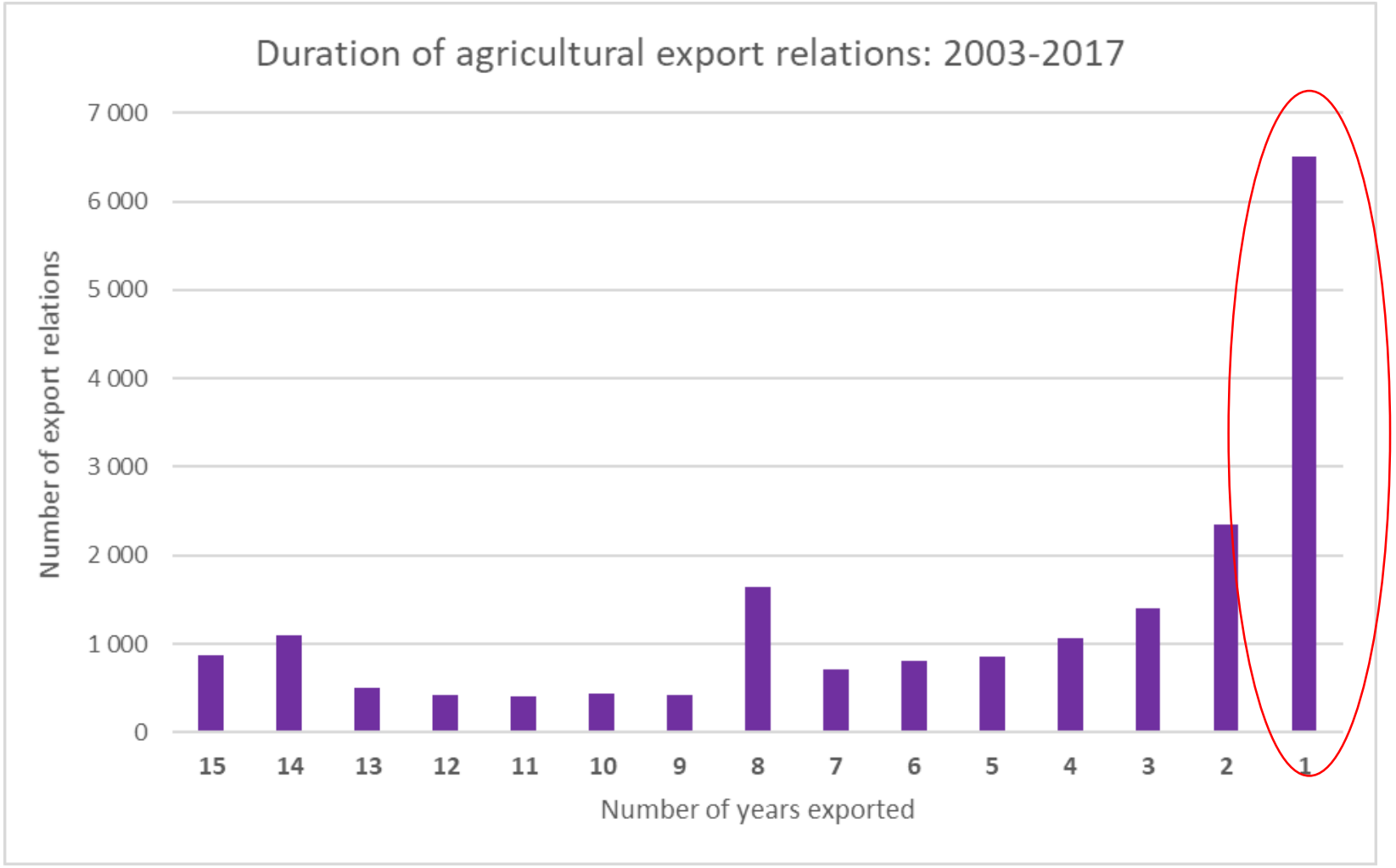
Exploring export entry and survival



Export spells: 2004-2017		
Number of "new" entries	**Count**	**Share**
1	11 113	65.4%
2	4 001	23.5%
3	1 464	8.6%
4	366	2.2%
5	43	0.3%
6	3	0.0%

Source: Own calculations based on data from UN Comtrade (2018)

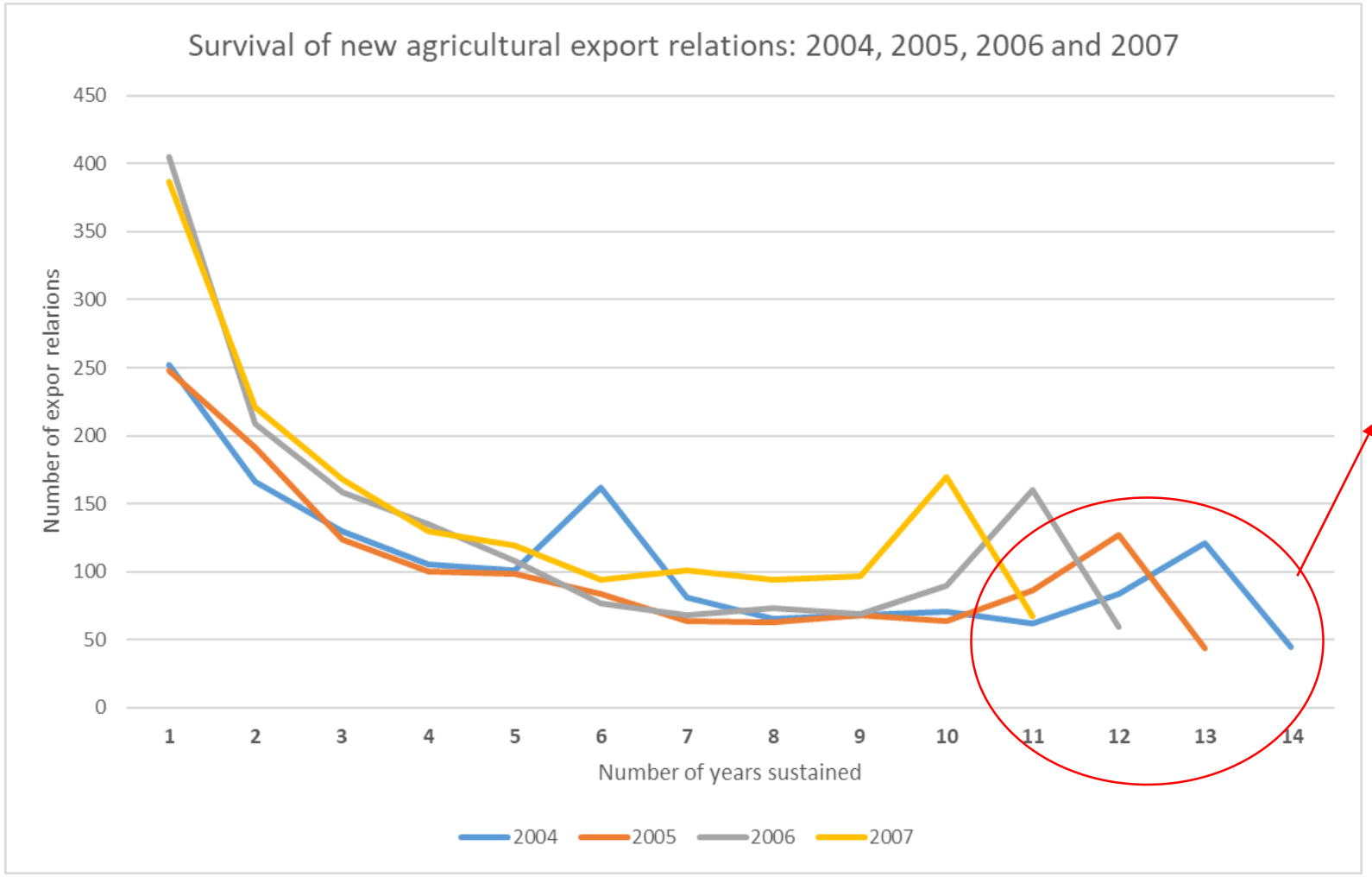
Exploring export entry and survival



Years exported	Cummulative share of ER
15	4%
14	10%
13	13%
12	15%
11	17%
10	19%
9	21%
8	30%
7	33%
6	38%
5	42%
4	47%
3	55%
2	67%
1	100%

Source: Own calculations based on data from UN Comtrade (2018)

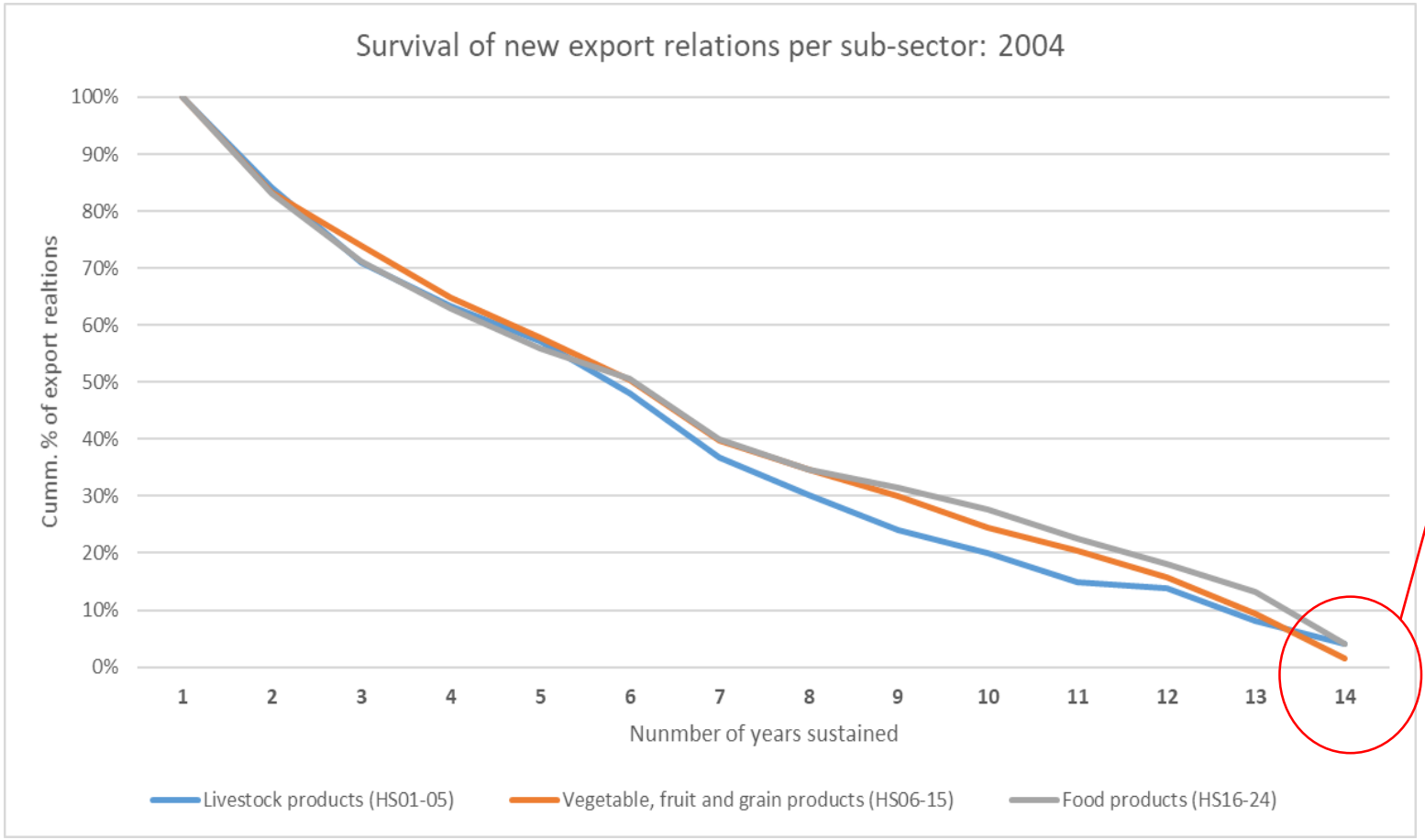
Exploring export entry and survival



	2004	2005	2006	2007
Sustained untill 2017	45	44	59	67
Share of new ER	3%	3%	4%	4%

Source: Own calculations based on data from UN Comtrade (2018)

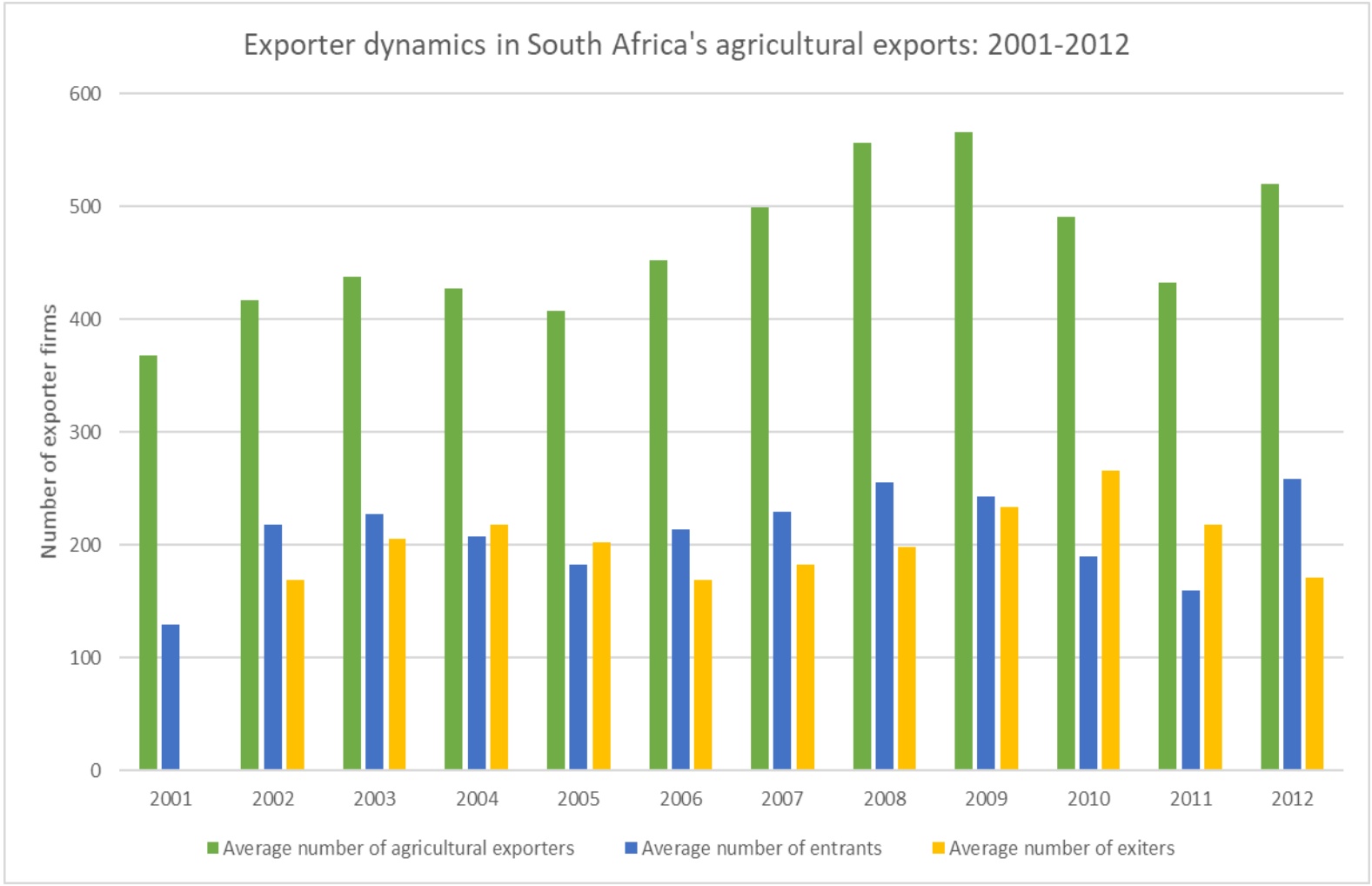
Exploring export entry and survival



	Livestock products (HS01-05)	Vegetable, fruit and grain products (HS06-15)	Food products (HS16-24)
Sustained untill 2017	8	10	27
Share of new ER	4%	2%	4%
Average duration (yrs)	5.8	6.1	6.2

Source: Own calculations based on data from UN Comtrade (2018)

Some firm-level dynamics → EDD



Source: Own calculations based on data from the EDD, World Bank (2018)

Inputs

- Most growth from intensive margin but lots of churning in export relationships and low survival rates
- Determinants of export duration → product dynamics or destination dynamics? Both?
- Compare sectors?
- Compare countries?
- Macro-level or firm-level? (→ data availability, confidentiality → no firm specifics available → hampers analyses of firm dynamics)
- Value not considered
- Develop policy brief → DAFF, DTI, industry associations

Thank you!