Overview of the South African Fruit Industry

Konanani Liphadzi
CEO: Fruit SA
Fruit SA Structure

Fruit Industry Structure
Fruit SA board of Directors
Strategic Intent & Objectives

Strategic intent
• To enable the SA fruit industry to be competitive, equitable and sustainable.

Objectives
• Establish FSA as the collective platform for the fruit industry of SA
• Engage constructively with government and other public institutions on policy, legislation and other fruit industry matter.
• Engage constructively with other strategic stakeholders
• Promote and coordinate broad based BEE, transformation and skills development (training)
• Gather and disseminate key industry related information
• Communicate industry information to broader public and industry stakeholders
Key Priorities

- Market access and Trade enabling
- Government policy and legislation
- Infrastructure
- Information
- Technology
- Agricultural education and training
- Biosafety
- Institutional arrangement
- Brand Fruit SA

• 4.7 million tons of fruit is produced annually (6% up)
Market Segmentation of Fruit Produced

- Export markets: 59%
- Local markets: 12%
- Processing: 28%
- Drying: 1%

Source: FRUIT South Africa
SA Fresh Fruit Industry Foot Print

Fresh fruit industry foot print

SOUTH AFRICA

KEY
- POME
- STONE FRUIT
- GRAPES
- CITRUS
- SUBTROPICAL
- PINE
South African Fruit Export Markets

- Middle East: 17.6%
- Africa: 10.2%
- Americas: 4.2%
- UK: 11.7%
- EU: 30.9%
- Russia: 7.8%
- Far East: 16.2%
Fruit Industry's Contribution to Economy

• 50% of all agricultural exports from SA is fresh fruit
• The fruit industry is worth more than R30 billion
• Given that Agriculture contributes 2.5% to the country’s GDP (±R98 billion), therefore, the fruit industry is a major contributor to agriculture’s contribution to the economy
Job creation & Employment

- **179 948** people directly employed (10% contribution)
- **8 000** people directly providing services to the fruit industry
- **109 000** people employed in downstream service

NDP target: 1 million jobs

The fruits sector ranks highly in terms of its labour intensiveness and growth potential (NDP)
## Transformation Initiatives

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Development and support of black owned enterprises</td>
<td>8 637 500</td>
<td>5 293</td>
<td>48 475 000 15 910</td>
</tr>
<tr>
<td>Equity schemes</td>
<td>3 392 500</td>
<td>4 023</td>
<td>5 000 000 4 224</td>
</tr>
<tr>
<td>Skills development and Training</td>
<td>7 203 490</td>
<td>2 119</td>
<td>34 617 450 8 314</td>
</tr>
<tr>
<td>Mentorship programs</td>
<td>650 000</td>
<td>2 308</td>
<td>6 350 000 6 018</td>
</tr>
<tr>
<td>Bursary</td>
<td>2 941 113</td>
<td>137</td>
<td>17 905 565 715</td>
</tr>
<tr>
<td>Social responsibility programs</td>
<td>775 000</td>
<td>2 310</td>
<td>3 385 000 3 493</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23 599 603</strong></td>
<td><strong>16 190</strong></td>
<td><strong>115 733 015 38 674</strong></td>
</tr>
</tbody>
</table>
## Transformation Capacity

<table>
<thead>
<tr>
<th>Association</th>
<th>Responsible Person</th>
<th>Contact Details</th>
</tr>
</thead>
</table>
| **Citrus Growers Association** | Mr Lukhanyo Nkombisa | Tel. 012 341 1115  
Email: lukhanyo@cga.co.za |
| **SATI** | Mr Wilton September | Tel. 021 863 0366  
Email: Wilton@sagti.co.za |
| **HORTGRO** | Ms Mariette Kotze | Tel. 021 870 2933  
Email: mariette@hortgro.co.za |
| **Subtrop** | Ms Nomvuyo Matlala | Tel. 015 307 3676  
Email: nomvuyo@subtrop.co.za |
| **FPEF** | Mr Johannes Brand | Tel. 071 688 1888  
Email: johannes@fpef.co.za |
Other Social Contribution

- Provide on-farm housing to more than 80% of its permanent employees (water and electricity supplied to all the houses)
- Provide transport capacity or transport subsidisation to seasonal employees
- Provide basic health care on on-farm facilities and subsidisation of advanced health care at external health care facilities
- Providing nursery and pre-primary school programmes on-farm
- Supporting primary and secondary school programmes at external centres
- The fruit industry established a Sustainability Initiative of South Africa (SIZA), the ethical trade program which promotes sound ethical labour practices on farms and pack houses
From Harvest to Home: Product Chain

FRESH PRODUCE VALUE/LOGISTICS/COLD CHAIN

Orchard → Pack-house → Inspection → Cold store

Loading → Transfer → Import port → Discharge → Inspection

Ship/container → DC → Cold store

Consumer → Supermarket → Inspection
## Opportunities

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Surface area 2010/2011 (ha)</th>
<th>Additional surface area (expansion potential) (ha)</th>
<th>Additional jobs on farm</th>
<th>(Up) Downstream jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citrus</td>
<td>60 000</td>
<td>15 000</td>
<td>15 000</td>
<td>9 900</td>
</tr>
<tr>
<td>Grapes</td>
<td>23 526</td>
<td>4 705</td>
<td>7 622</td>
<td>5 031</td>
</tr>
<tr>
<td>Deciduous</td>
<td>47 569</td>
<td>4 998</td>
<td>6 475</td>
<td>4 274</td>
</tr>
<tr>
<td>Subtropical</td>
<td>36 706</td>
<td>15 302</td>
<td>29 554</td>
<td>19 017</td>
</tr>
<tr>
<td>Total</td>
<td>167 801</td>
<td>40 005</td>
<td>58 651</td>
<td>38 222</td>
</tr>
</tbody>
</table>
Opportunities

• Domestic market is growing with the growth of the middle and upper class
• New markets in the Far East, Asia, Russia and Africa
• Potential for increased fruit production as land reform projects become fully productive
Challenges

- Relevant and reliable **infrastructure** in terms of rail, road, ports, pack houses, storage facilities, etc. is required to support the fruit value chain.
- **Land issues** – access to land by emerging farmers, commercial farmer’s uncertainties about land reform.
- **Capacity** within government to implement the various regulations and effectively monitor throughout the value chain (right people, right skills, right placing, adequate numbers, etc.).
  - Ability to provide the support and regulatory services which are necessary for the fruit to be export market ready.
- **Government policies** that can inhibit competitiveness (self-imposed limitations).
Challenges

- Very high initial **capital investment** required
  - depending on the fruit type, an average estimated cost for establishment of an orchard is R250 000 per ha with annual maintenance cost of R40 000.
  - bearing in mind that most fruit trees will bear fruits after 5 to 7 years, cash-flow becomes an important success factor.
  - This may be a great barrier to entry, especially for small-holder farmers

- Trading in the world market, South African fresh fruit is faced with a fierce **competitive** environment. Stricter import regulations in traditional markets

- Import **tariffs**, **import permits** and **phyto-sanitary** measures are some of the barriers to fresh fruit trade - CBS case

- Lack of harmonisation/ equivalence between multiple **private standards** and between **private standards and official standards** resulting in multiple audit requirements (certification) by suppliers
The labour intensiveness and growth potential of the fruit industry presents an opportunity for job creation, poverty alleviation and overall contribution towards rural economic development. This can only be fully realised through Private-Public-Partnership.
Thank you
Fruit SA Contact details

FSA Board of Directors:
Mr D Donkin
Ms B Njobe
Mr A Kruger
Mr A Rabe
Mr W Bestbier (Chairperson)
Mr J Chadwick

Office Details:
Dr Konanani Liphadzi: CEO
Tel: 012 007 1150
Email: ceo@fruitsa.co.za
Website: www.fruitsa.co.za