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FRUIT South Africa

Newsletter | Jan/Feb 2023

CEO's note

This year marks the 10th anniversary of Fruit SA registration with the Companies Intellectual Property Commission.

Writing this first edition for the year has reminded me of all that we're shouldering as an industry. But we need to remain hopeful that 2023 will be better than last year.

And we can only hope that the interventions in some of our crises (energy, ports, rail, and water infrastructure), as covered in the recent State of the Nation Address by President Ramaphosa, will bring about tangible results.

That being said, the economically debilitating effect of loadshedding on the industry remains a great concern. Hampered operations in packhouses and delays at the ports significantly compromise fruit quality for export. With this comes the threat to sustainability of farms and resultant national food insecurity.

The ramifications of the Russia-Ukraine conflict continue to be felt throughout the industry, and beyond. Naturally, the subsequent sharp increase in fertiliser prices has fuelled fears that the prolonged conflict will have a negative impact on the 2023 agricultural season too (Russia exports 15% – in value – of the world's nitrogenous fertiliser materials). Also, South Africa's participation in the Russia-Ukraine market – both imports and exports – is expected to be constrained for the time being, due to the on-going conflict and related sanctions.

As a leader in driving climate mitigation, relevant EU policies potentially shape climate policy, as well as our own local context. The Farm2Fork strategy, as part of the EU policy framework on sustainability, has more immediate and definite implications for South African fruit growers and has specific implications for trade in agricultural products to the EU. South Africa exports around a third of its fruit (in value) to the EU. Therefore, it's prudent for fruit growers and exporters to continue to take note of policy developments in this region.

On a positive note, it was so good to participate in the second instalment of Fruit Logistica Berlin since the outbreak of COVID-19. The interest in South African fruit and the optimism in the global fruit industry were truly encouraging. This is notwithstanding the myriad of global challenges currently plaguing the industry.

TRANSFORMATION

Refocused transformation initiatives

Hortgro Pome and Hortgro Stone remain committed to transformation, with 20% of paid levies channelled for effective use in support of emerging growers through skills development and training, as well as value chain initiatives countrywide. This aligns with the guidelines and directives of the National Agricultural Marketing Council (NAMC).

The Hortgro Stone and Pome Boards have approved the establishment of an independent Economic Development Advisory Committee (EDAC), and additional internal operational capacity within Hortgro. This establishment includes closer liaison with entities such as Partners in Agri Land Solutions (PALS). It's specifically regarding the use of expertise and capacity in non-traditional production areas.

With the current difficult economic climate in the industry, it makes sense for economic development initiatives to be focused on existing emerging growers (at least for the next two to three years), rather than drawing new entrants.

Hortgro has invited emerging pome- and stone-fruit growers to discuss tailor-made support and advice, and for the Deciduous Fruit Development Chamber (DFDC) and other service providers to submit proposals for industry project funding.

A transformation success story

Buffelskraal Amapulazi (Pty) Ltd is a table-grape farm established in 2016, with farm managers Jimmy Lakay, Johannes Hefke and Benjamin Jones owning 40% of the farming operation. The trio comprises the only trustees and beneficiaries of the Buffelskraal Workers' Trust, and the Rabie family owns the balance of the farming enterprise. They are table-grape farmers who initiated the establishment and development of this business to provide opportunities for their key staff members.

Since 2016 Buffelskraal Amapulazi has expanded to 45 ha of table grapes, creating a significant number of jobs in this labour-intensive sector of agriculture. The farm has also qualified for government funding through the Jobs Fund grant, which was approved in 2017 – a great help for the establishment of the enterprise. The five-year funding and supervision process was completed at the beginning of 2022. And as a result of the farm's BEE component, the farming business has also received grants from the Western Cape Department of Agriculture (WCDoA).

"When we first saw the property, we wondered if we would be able to make this initiative work. There was a lot of work to be done," explains Johannes Hefke. "Back then, there were some wine grapes on the farm, as well as lucerne and cattle." Buffelskraal Amapulazi has created much-needed jobs, and brought about extensive renewal on the farm, which has improved the workers' on-site living conditions.

With no packing facility on the new farm, the harvested grapes had to be transported to the Rabies' farm in the Hex River Valley, for packing. But having to transport the picked grapes for approximately 40 km called for an alternative solution. Thus, in 2020 the business owners decided to construct a new packhouse on the farm, to allow for on-site packing of the grapes. A suited agreement was reached with the farm owner, with finance from a commercial loan that the shareholders will repay over 15 years. "The Rabie brothers have provided a large percentage of the financing capital towards this. They have taken the risk of investment in this farming business, and we are very grateful for this," says Benjamin Jones. "As shareholders, we realise that this is commercial capital funding, and it will need to be repaid. We are comfortable to wait for the business to service its debts and to become profitable," explains Jones.

SATI has helped facilitate the funding application to the WCDoA for Buffelskraal Amapulazi. During negotiations with government, SATI also helped the shareholders of the enterprise to demonstrate that this is a sound partnership with knowledgeable and trusted partners. As a kick-start, SATI also provided some of the first vines (Sweet Joy) planted in 2016, and again in 2022 (Ivory).

With continued commitment, soon this team will be reaping the fruit, in the form of growing profit margins.

MARKET ACCESS

South Africa hosting the XV BRICS Summit 2023: benefits for market access agenda (by **Mono Mashaba** Specialist Consultant: Market Development)

The five BRICS (Brazil, Russia, India, China and South Africa) presidents will meet in SA for the XV BRICS Summit in August this year, under the chairmanship of SA.

According to DIRCO (the Department of International Relations and Cooperation), the main theme of the South African presidency is “the commitment to the principles of sustainable development between the BRICS countries and Africa”. There are 117 events planned by SA for multilateral engagements before the Summit, to strengthen collaboration and cooperation. Clearly, some of the member countries prefer for the main focus of the Summit to include the other countries in the BRICS group, for political expediency. The political-cooperation focus of BRICS may also steer the Summit agenda towards the Russia/Ukraine war, depending on what transpires between now and then.

Market access issues (especially fruit trade matters) have not been on the Summit agenda before. Given the size of this focus area, it might not receive the desired attention. A viable alternative is to use the BRICS Business Council SA leg as a conduit through which to drive messaging into the Ministerial Meetings of Agriculture and Trade, and then into the Summit meeting agenda or the declaration.

Fruit SA will be engaging on every available pre-summit engagement platform to ensure that market access issues are included, even during bilateral relations between the ministers of agriculture of the five countries. In the past, rivalry between some of the member countries regarding agricultural trade matters has hindered firm commitment on actions that need to be taken during these meetings. Therefore, South African leadership will be critical here.

BRICS still presents a good market opportunity of about 3 billion people (±42% of the current world population) that is ever growing, and could only be accessed if a conducive environment of trade is created by lowering tariffs and ensuring speedy negotiation of protocols. These matters are always left to the regulatory authorities in these countries to determine, but the time is ripe for the political principals to show interest in addressing fruit-trade related concerns that hamper the fair trading regime. Otherwise, this group will serve the political interests of bigger countries in their proxy war with the North.

Fruit SA is looking forward to a successful summit with clear pronouncement on cooperation to enhance and facilitate agriculture trade between member countries.

INDUSTRY

Citrus Growers' Association
OF SOUTHERN AFRICA
Grower levies working for you!

Urgent political intervention required for continued orange exports to EU in 2023

The CGA recently sent a written request to Minister of Trade, Industry and Competition (dtic) Ebrahim Patel, to call for the establishment of a World Trade Organisation (WTO) panel, to adjudicate on the new false codling moth (FCM) regime governing the import of South African oranges into the EU region. The issue needs to be resolved before the 2023 export season kicks off in May, to prevent hundreds of millions of rands in losses to growers. This would jeopardise the future sustainability of the entire citrus industry.

The CGA maintains – as it did last year when the dtic lodged a dispute with the EU – that the cold treatment prescribed within the new EU regulations is contrary to scientific evidence. The measures are arbitrary and unnecessarily trade-restrictive, contravening international requirements for related phytosanitary trade regulations. And the untimely introduction of these measures added over R200 million in costs to the citrus industry in 2022, with the expected financial consequences set to spiral even further out of control in 2023.

A recent study conducted by the Bureau for Food and Agricultural Policy (BFAP) estimates that, should EU authorities continue to enforce the new regulation, additional costs and loss of income will amount to more than R500 million in 2023, while an investment in cold-storage technology and capacity of nearly R1.4 billion will be required to enable full compliance. This poses a major threat to the future sustainability and profitability of the industry, which sustains more than 140 000 jobs and brings in R30 billion in export revenue annually.

Reaching mutually agreed concessions on the new regulations is still pending. This is despite a conclusive presentation by the South African government during the consultation process, confirming that the country's existing and stringent FCM risk management system already ensures that 99.9% of oranges entering the EU are pest-free.

"With the export of oranges starting in May, we still have a short window to rescue this serious situation," says CGA CEO Justin Chadwick.

The local industry is grateful for the support received to date from the dtic and the Department of Agriculture, Land Reform and Rural Development (DALRRD).

Note: *This insert was adapted from an article on FreshPlaza titled "CGA calls for urgent political intervention to ensure South African oranges continue to be exported to EU in 2023"*.

BERRIES ZA
SUPPORTING SOUTH AFRICAN GROWERS

Export update: 2022/23

The 2022/23 season saw blueberry exports clock 21 000 tonnes (missing the forecast by 16%). This dip was attributed to the Transnet strike that has caused significant financial losses.

For the berries industry, one of the many ramifications of the Russia-Ukraine war was a 95% drop in exports to the Russian Federation, in the 2022/23 season. However, export into the rest of Africa saw a very welcome 100% uptick. The industry anticipates a similar season in 2023/24, in terms of export volumes – roughly 23 000 tonnes.

Further challenges faced by the berries industry in this past season include the slow pace of chemical registrations at the Registrar's office. Berries ZA hopes for closer collaboration with the Registrar this year, to resolve the backlog.

The industry looks forward to accessing new markets in India and Israel, for berry growers to explore new opportunities.

Berries ZA has scheduled a two-day tech and trade show for 25-26 May at Allée Bleue in Franschhoek. For more information, please visit: www.berriesza.co.za/
