



# Fresh Produce into South Africa: An Analysis of Supply Gaps

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## 1. OBJECTIVES

To facilitate and expedite assistance to other Southern African countries that aspire to export high-value products, the Trade Competitiveness Team at the Trade Hub decided in late 2006 that it was important to update our understanding of the opportunities in the South African market for fresh fruits and vegetables already produced or that could be produced elsewhere in the region.

The intent was to determine which gaps might represent supply and marketing opportunities for other source areas in the region. In the fresh produce industry, “gaps” may arise in South Africa for various reasons: **absolute inability to produce** during a certain window because of inappropriate agro-ecology or the absence of certain desirable varieties or types; **difficulty in producing product of acceptable quality or price**, usually because of climatic issues such as temperature or rainfall; **disinterest in supplying** the market for a particular item because of competition from other products during the same supply period; **or focus on export markets** (usually European) by large commercial growers that feel they can obtain higher prices or greater effective demand outside South Africa.

To explore these kinds of situations, several representatives of the Trade Hub arranged meetings with major food retailers, fresh produce distributors, and food companies to identify potentially interesting gaps in local supplies of fruit, vegetables and other agricultural products. This study mission took place in Pretoria, Johannesburg and Cape Town from January 29 to February 7, 2007. Craig Carlson, Agribusiness Advisor to the Trade Hub, was joined on this trip by John Lamb of the Abt Associates home office, and Mario Bacchiocchi, an independent marketing consultant.

## 2. BACKGROUND

Within the Southern Africa region, the Republic of South Africa (RSA) is by far the largest source country for agricultural products. However, since the Nineties, RSA has made several major changes in agricultural policy that continue to severely impact the structure, conduct and performance of the agricultural sector. One was liberalization of the agricultural sector, which involved redefining and reducing the role of the State, eliminating monopolistic marketing boards, and encouraging more competition. Another was to institute land reform in order to make more and better land available to emerging farmers. The latter was coupled with technical and financial support for black empowerment. The AgriBEE program was established to improve ownership and management control of agro-enterprises, build human capital for agriculture and agribusiness, encourage enterprise development through preferential procurement, and carry out complementary rural development initiatives.

The results of these policy changes and development programs seem to have been mixed. There are numerous anecdotal reports of transformed agricultural enterprises whose output and profitability have dropped. Some previously prominent enterprises have ceased to operate. Even though RSA agriculture is heavily crop-oriented,

emerging farmers have tended to favor livestock, probably because of the traditional importance of cattle as a symbol and store of wealth. Despite efforts to train people at the community level in farming and agribusiness, it also seems to have been difficult for empowered groups and individuals to transition into agriculture as an economic activity, or to shift from employee status to shareholder or manager. Some communities have elected to outsource management of recently acquired enterprises to contractors, which has reportedly led to decline and de-capitalization. Multiple and overlapping land claims have been filed against most white-owned and controlled commercial farms, which has severely reduced the incentive to reinvest and lowered productivity.

Nature has not helped. RSA has always had a semi-arid climate, subject to unpredictable weather. Yet recent studies suggest that average rainfall is decreasing over time, that temperatures are rising, and that desertification is increasing. The growth in national water usage threatens to outpace supply. Since South Africa lacks important arterial rivers or lakes, its agriculture requires extensive water conservation and control measures. Soil erosion and pollution from agricultural runoff are reportedly increasing.

Despite supply constraints attributable to agro-ecology and land reform, South Africa's agricultural exports have done well since liberalization, even when the currency was strongest. According to WTO figures, total agricultural export value rose from US\$1.691 billion in 1990 to \$2.366 billion in 2000, and then to \$4.25 billion in 2005. Steady increases occurred between 2003 and 2005. The share of agricultural products in total merchandise exports rose from 7.9% in 2000 to 8.2% in 2005.

South Africa itself remains mostly self-sufficient in agri-food production. Figure 1 reveals that in 2005<sup>1</sup> import volume exceeded production only for two of ten major categories: oil crops (especially soybeans, palm kernel, and cottonseed oil), and spices (all except chili and sweet peppers). And only for one other category—pulses—did imports come close to production. In that category imports of dry peas and lentils far exceed domestic production. Yet RSA's agricultural imports have been rising: from US\$1.219 billion in 1990 to \$1.65 billion in 2000, then to \$3.048 billion in 2005. Especially dramatic increases occurred between 2003 and 2005, partly in response to a strong Rand.

**Figure 1: Food Balance Sheet for South Africa – 2005\***

	Production quantity (1000 tones)	Import quantity (1000 tones)	Export quantity (1000 tones)	Feed and seed Quantity (1000 tones)	Other net uses quantity (1000 tones)	Food consumption Quantity (1000 tones)
<b>Cereals</b>	14,172	8,978	3026	4155	813	9155
-Wheat	1,804	1,395	334	62	203	2600
-Rice, paddy	3	1,163	81	0.10	-82	1167
-Barley	232	222	47	47	39	321
-Maize	11,749	214	2540	3808	630	4895

<sup>1</sup> 2005 is the latest year for which FAOSTAT provides data.

-Rye	1	3	1		-1	3
-Oats	37	54	0.13	56	-6	40
-Millet	12	6	1	7	-0.22	11
-Sorghum	313	3	5	164	33	114
-Cereals, nec	20	8	16	11	-5	6
<b>Starchy roots</b>	1,942	185	145	229	229	1524
-Cassava (fresh and dried)		104	0.22		103	0
-Potatoes	1,878	80	143	220	124	1471
-Sweet potatoes	64	0	1	8	3	53
-Yams						
-Starchy roots, nec		1	0.06	1	-1	1
<b>Sugarcrops</b>	21,265	741	12507	960	-2,360	10898
-Sugar beet		5	7	4	-9	3
-Sugar Cane and Sugar crops, nec	21,265	736	12500	955	-2,351	10895
<b>Honey</b>	2	1	0.04		1	2
-Natural honey	2	1	0.04		1	2
<b>Pulses</b>	95	88	8	17	-20	167
-Beans (incl. cow peas), dry	79	54	7	5	-19	139
-Broad beans, horse beans, dry		0.04	0		0.02	0.02
-Peas, dry	1	16	0.22	0.01	-4	21
-Chick peas		1	0.07		-0.02	1
-Lentils		5	0.08		0.20	5
-Pulses, nec	15	1	0.32	12	3	1
<b>Nuts</b>	12	14	19		-5	12
-Almonds		2	0.04		0.26	2
-Pistachios		0.21	0.04		0.05	0.13
-Cashew nuts		7	0.06		4	3
-Hazelnuts		2	0.02		1	1
-Walnuts		0.27	0.02		-0.39	1
-Chestnuts		0				
-Nuts, nec	12	3	18		-9	5
<b>Oilcrops</b>	1,040	3,226	160	75	1585	2448
-Soybeans	273	1,174	62	16	235	1133
-Groundnuts	72	9	31	9	-54	95
-Sunflower seed	645	87	53	4	-85	760
-Rapeseed and Mustard seed		3	0.06		2	2
-Cottonseed	39	180	3	45	94	77
-Coconuts (incl. copra)		40	1		11	29
-Sesame seed		1	0.03		-0.43	1
-Palm nuts-kernels (nut eqv.)		1,696	3		1375	318
-Olives		23	1		-11	33
-Linseed		11	1		10	
-Oilseeds, nec	13	2	5	0.07	9	0.02

<b>Vegetables</b>	2,488	128	36	58	362	2161
-Tomatoes	494	59	2		126	424
-Onions (inc. shallots)	426	0.45	9		71	346
-Garlic		1	0.16		-0.12	1
-Carrots and turnips	135	0.02	2		12	121
-Cauliflowers and broccoli	19	0.05	0.15		2	17
-Leeks, other alliaceous veg		0.02	0.65		-0.63	
-Cabbages and other brassicas	175	0.08	0.46	1	34	140
-Lettuce and chicory	33	0	0.26		4	29
-Cucumbers and gherkins	17	0.02	0.08		2	15
-Pumpkins, squash and gourds	379			57	40	282
-Peas, green	23	0.24	0.21		6	17
-Beans (inc. string b.), green	29	0.35	0.09		1	28
-Legum. veg., nec		0.04	0.34		-0.30	
-Artichokes			0.03		-0.03	
-Asparagus	2	0.09	0.21		-0.03	2
-Mushrooms and truffles	9	2	1		-0.61	11
-Chillies and peppers, green	1	0.04	0.24		-0.23	1
-Watermelons	70		0.38		8	62
-Other melons (incl. cantaloupes)	29		0.43		3	26
-Eggplants (aubergines)		0	0.07		-0.07	
-Spinach		0.03	0.02		0.00	0.00
-Vegetables, nec (inc. okra)	646	65	18		55	639
<b>Fruits</b>	5,445	133	4408		-1,567	27238
-Oranges	993	2	1229		-464	230
-Lemons and limes	234	1	158		28	50
-Grapefruit and pomelo	212	2	742		-528	
-Citrus fruit, nec	7	0.14	8		-2	1
-Bananas	321	6	2		36	291
-Plantains		0				
-Apples	779	50	372		126	330
-Pineapples	172	2	95		9	71
-Dates		1	0.22		-0.15	1
-Grapes	1,682	43	1302		-463	1157
-Figs	2	1	0.27		-0.26	2
-Avocados	60	1	81		-30	11
-Guavas, mangoes, mangosteens	91	1	12		10	70
-Tangerines, mandarins, clm.	113	1	75		2	36
-Papayas	19		0.05		4	15

-Pears and quinces	343	1	147		18	180
-Apricots	82	1	8		11	64
-Cherries (incl. sour cherries)	0.45	0.04	0.07		-0.22	1
-Peaches and nectarines	185	0.21	8		-4	181
-Plums and sloes	76	3	44		4	31
-Strawberries	12	0.11	0.23		-3	15
-Raspberries and other berries	1	0.05	0.26		-0.66	1
-Currants and gooseberries		0.06	0.01		0.04	0.01
-Cranberries, blueberries		0.01	0		0.01	0.00
-Kiwi fruit		1.17	0.08		0.45	0.64
-Fruit, nec (inc. persimm.)	60	15	395		-319	
<b>Stimulants</b>	11	92	13		33	57
-Coffee, green		48	5		20	24
-Cocoa beans		24	7		9	9
-Tea and Maté	11	20	2		5	25
<b>Spices</b>	10	19	7		5	19
-Pepper (Piper spp.)		3	1		1	1
-Chillies and peppers, dry	10	5	3		1	10
-Cloves		0.36	0		0.14	0.22
-Vanilla		0.01	0.01			
-Cinnamon (canella)		0.74	0.01		0.14	1
-Nutmeg, mace and cardamoms		0.30	0.01		0.05	0.25
-Anise, badian, fennel, corian.		5	0.02		1	4
-Ginger		1	0.05		0.04	1
-Spices, nec	0.34	5	3		2	1
<b>Meat</b>	1,979	294	17	1	140	2116
-Bovine meat	675	27	8		99	595
-Pig meat	140	20	1		-9	167
-Sheep and goat meat	159	21	1		-4	183
-Equine meat	2	0.10	0.13	1	-0.10	0.35
-Meat, nec (inc. camel, game)	20	0.09	3		1	15
-Chicken meat	979	199	3		58	1117
-Turkey meat	5	27	0.31		-5	37
-Duck,goose or guinea fowl meat	2	0.02	0.44		-0.36	1
-Rabbit meat			0		0	
<b>Edible offals</b>	131	21	0.38	0.04	38	114
<b>Animal fats</b>	26.78	91	3		84	31
<b>Milk, whole, fresh</b>	2,900	264	73	187	563	2341
<b>Eggs</b>	339	1	0.53	37	37	265
<b>Fish</b>	828	60	178	381		331
-Freshwater fish	3	3	1			5
-Demersal fish	174	12	113			73
-Large Pelagic fish	628	21	47	381		221

-Marine fish, other	9	1	0.28			10
-Crustaceans	3	7	3			7
-Molluscs (excl. cephalopods)	3	9	1			11
-Cephalopods	8	8	13			3
<b>Aquatic products, other</b>	<b>35</b>	<b>1</b>	<b>1</b>		<b>34</b>	

Source; FAOSTAT: \*some numbers have been rounded

Despite its apparent self-sufficiency and relative independence from imports, RSA remains a very attractive market for agri-food products for many reasons. First, it is the largest market in Southern Africa in terms of consumption, thanks to absolute population (more than 45 million), per capita income (GNI equivalent to US\$4,960 in 2005), and the size, wealth, and increasing sophistication of its middle and upper economic strata. Second, there is a clear trend toward increasing import volume due to domestic production levels. Third, RSA is unusually undeveloped among emerging markets in terms of year-round supply for perishable items. Fourth, supply-side constraints are getting tighter each year. Fifth, government policy clearly favors further liberalization and openness to regional trade. And sixth, opposition to imports by entrenched producers and their associations seems to be declining, even as interest in imports is rising among importers and their chain customers.

Given these circumstances, the Trade Hub team is convinced that RSA presents great promise as a market for agri-food products from elsewhere in the region. While the consumption and supply data suggest that some oilseed crops, pulses, and spices may also present opportunities for Trade Hub support for intra-regional sourcing, this information-gathering trip focused on fresh fruits and vegetables. The other opportunities will have to be further explored in subsequent visits.

### 3. OFFICIAL DATA ON THE FRUIT AND VEGETABLE SUBSECTOR IN RSA

*A priori*, the Trade Hub team has equal interest in both fruits and vegetables. In both segments of horticulture there exist crops and products that are (1) intrinsically high in value or else (2) rise in price during the off-season. Either condition can cover the high cost of transport into South Africa from neighboring countries. On the other hand, with the exception of melons and tomatoes, fruits do tend to have longer production cycles, which make them less attractive targets for a time-limited project unless significant sources already exist on the region.

As Figure 2 shows below, RSA fruit production has risen 28% over the last decade, while vegetable production has risen less, about 16%. Yet in the last several years, fruit production has actually fallen, while vegetable production has accelerated. Climatic variation, especially rainfall and temperature, partly explains the more recent trends. It also seems likely that the reported onslaught of land claims and reduction in areas harvested due to pending or actual changes of ownership and management have disproportionately affected orchard crop production, while stimulating increased areas for short cycle crops such as vegetables, which are easier to manage and require less capital investment.

**Figure 2 RSA Fruit and Vegetable Production (1000 MT)**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Fruits	4,243	4,478	4,400	4,989	4,913	4,878	5,262	5,535	5,587	5,444
Vegetables	2,132	2,211	2,191	2,275	2,125	2,231	2,172	2,295	2,381	2,488

Source: FAOSTAT

The detailed data shows considerable variation in trends for area planted and production within these two main segments of horticulture. Between 2001 and 2005, the fastest growth in production apparently occurred with apples (38%), bananas (18%), green chilies and peppers (88%), grapes (27%), mangos (98%), onions and shallots (28%), plums (94%), strawberries (117%), and watermelons (29%). Although as plants mature some growth in production will occur naturally for tree crops (apples, mangos, bananas) and perennial vines (grapes), in the case of short cycle crops increases in production usually reflect strong price signals, which in turn reflect increases in total consumption. It follows that chili peppers, sweet peppers, strawberries, and watermelons appear to hold future promise.

On the other hand, the absence of growth in domestic production does not necessarily mean that a certain crop does not present a good opportunity. For example, even though “other melons” shows little growth, production problems such as white fly can retard growth even when consumption is rising and prices are good (which both appear to be true, according to industry insiders). The same definitely applies to papayas, which are reportedly undersupplied in RSA markets by a wide margin, largely because they are somewhat difficult to grow well, and tend to fall victim to viral disease.

Another statistical indicator of market potential is the import data. Figure 3 for fruit and nut imports shows some interesting variation from year to year. Some may constitute a trend. For example, table grape imports increased eighteen fold over the five-year period, which is very surprising for a country that produces so much grape volume of its own. Strawberry imports jumped 1100%, while pineapple imports grew 800%. Plums, prunes, mandarin-type oranges, and tropical fruit all rose about 500%. Shelled cashew nut imports nearly quadrupled between 2002 and 2005. Avocado, banana imports rose steadily and quickly between 2003 and 2005. Meanwhile imports of concentrate of apples, oranges, and tropical fruit all jumped, as did prepared peanuts. What does this all mean? Although each case is somewhat different, it appears that the increases generally reflect: (1) increasing liberalization; (2) a belated yet long anticipated movement toward 12-month supply of all fresh produce items; (3) more openness to sourcing in other countries; (4) a stronger RAND, especially in 2005 and (5) an emerging middle-income consumer base that is increasing demanding both better quality products and a border range of products.

**Figure 3 South African Imports of Fresh and Processed Fruits and Nuts: 2001-2005 (US\$ 1,000)**

	2001	2002	2003	2004	2005
Apples	50.40	2.00	47.00	2.00	
Apricots	14.00	16.00	69.35	58.00	0.00
Avocados	205.00	83.00	469.00	1,401.00	2,065.00

Bananas	267.00	227.22	249.00	543.19	942.00
Berries, nec.	32.00	22.00	8.00	11.00	78.53
Cashew Nuts, shelled	3,088.00	2,355.00	3,515.00	7,639.00	8,820.00
Cashew Nuts, with shell	82.00	72.00	189.00	496.00	379.00
Cherries	22.00	4.00	13.00	42.00	167.00
Cranberries, blueberries	1.12	7.84	14.56	14.56	77.28
Dates	703.00	853.74	988.00	2,209.41	1,756.00
Figs	0.00	4.48	16.32	23.12	32.48
Figs, dried	223.00	193.96	318.00	247.00	389.00
grapes	84.00	564.00	916.00	1,068.00	1,592.00
Guavas, mangoes, mangosteens	116.48	144.48	967.68	257.60	172.48
Kiwi fruit	630.00	536.00	791.00	1,173.00	1,663.00
oranges	185.00	118.00	587.00	173.35	235.28
Other melons (inc. cantaloupes)	32.48	86.24	57.00	45.00	0.00
Papayas	17.92	1.12	20.16	15.68	0.00
Pineapples	26.00	29.52	44.00	86.00	214.00
Plums and sloes	59.33	49.00	31.00	327.00	396.00
Strawberries	19.00	14.00	90.00	190.00	217.00
Tangerines, mandarins, clem.	104.00	162.00	180.50	279.00	555.00
Tropical fruit, nec.	90.66	80.00	157.00	249.00	361.98
Watermelons	48.16	104.44	2.00	1.00	
Fruit Fresh, nec.	43.00	1.00	18.00	100.50	94.00
Prepared Groundnuts	233.00	188.48	311.00	1,028.00	1,355.00
Other fruit and parts of plants, otherwise prep.	6,661.08	6,267.00	8,029.11	11,383.48	12,735.48
Plums Dried (Prunes)	78.00	94.00	123.00	205.00	709.00
Fruit Tropical Dried, nes.	84.00	112.00	87.36	54.88	90.43
Pineapple, canned	1.00	40.00	749.00	30.00	562.00
Apple juice Concentrated	316.96	1,054.00	3,766.64	3,094.00	8,811.03
Apple juice, single strength	1,099.00	815.00	173.00	0.00	178.00
Juice of Oranges	155.82	56.00	178.40	249.00	517.54
Juice of Pineapples	51.37	52.00	120.00	0.00	54.88
Orange juice, concentrated	43.68	16.80	67.20	243.04	341.60
Pineapple Juice, concentrated	36.96	6.00	87.00	277.70	64.31
Fruit Juice, nec.	1,310.00	1,666.00	2,880.00	4,153.00	4,059.00
Fruit, Nut, Peel, Sugar Prs.	161.26	13.00	124.00	94.60	89.59

Source: FAOSTAT

Figure 4 reveals similar trends for some of the vegetables. Between 2001 and 2005 the most spectacular growth was visible in the frozen potato category: from just \$110,000 worth of imports to \$6.713 million. However, cassava starch also experienced similar import growth, for reasons unknown. Dried chili pepper import value increased more than 600%, reaching about \$5 million in 2005. The value of peeled tomato imports almost tripled, while tomato paste imports quadrupled. Fresh ginger and natural honey also experienced healthy growth. Generally speaking all processed presentations of vegetables seemed to do well also.

What are the underlying explanations with respect to vegetables? The jump in frozen imports probably reflects both increased demand for convenience at home and in restaurants, as well as supply push by freezing companies. Raw material imports such as tomato derivatives tend to rise dramatically when exchange rates shift in favor of imports. Chili pepper and ginger imports have probably risen because of demographic changes as well as the global shift in favor of more spicy and tasty food.

**Figure 4 South African Imports of Fresh and Processed Vegetables, Potatoes, Pulses, and Spices: 2001-2005 (US\$ 1,000)**

	2001	2002	2003	2004	2005
Fresh Potatoes	2.22	196.00	208.00	1.50	7.00
Frozen Potatoes	110.00	57.00	324.00	2,948.00	6,713.00
Anise, badian, fennel, coriander	4,047.00	4,030.77	3,365.80	3,892.00	3,404.00
Artichokes	8.00	2.00	3.36	0.00	0.00
Asparagus	24.00	8.00	2.00	92.00	176.00
Beans, green	112.00	36.00	104.00	154.00	135.77
Cabbages and other brassicas	0.94	2.00	5.00	3.23	37.00
Cassava Starch	344.00	1,446.82	3,490.78	4,397.20	6,346.56
Cauliflowers and broccoli	8.00	32.00	12.00	30.00	50.04
Chick peas	568.02	541.46	451.00	627.00	656.10
Chilies and peppers, dry	718.00	1,736.00	4,394.00	5,257.00	4,674.00
Chilies and peppers, green	11.00	2.00	15.00	191.00	32.00
Cinnamon (canella)	564.00	515.95	551.00	531.00	604.00
Cloves	1,031.00	1,264.00	476.00	562.00	756.00
Cow peas, dry	13.44	14.56	15.68		
Cucumbers and gherkins	8.00	0.00	0.00	22.00	29.00
Eggplants (aubergines)	21.28	5.60	0.00		1.00
Ginger	381.00	391.00	596.00	1,490.24	1,109.00
Leeks, other alliaceous veg	1.00	0.00	1.00	2.00	1.00
Leguminous vegetables, nec	183.00	18.40	168.00	35.00	84.00
Lentils	1,501.33	1,529.33	1,782.82	1,798.00	2,197.00
Lettuce and chicory	4.00	29.12	2.00	1.00	1.00
Mushrooms and truffles	19.12	372.00	290.00	99.00	117.00
Natural Honey	566.00	404.00	1,238.00	2,433.00	1,187.00
Nutmeg, mace and cardamoms	1,411.00	1,254.00	1,557.00	1,311.00	1,468.00
Onions (inc. shallots), green	1.12	1.12	0.00	2.24	22.40
Onions, dry	7.00	0.51	31.61	68.00	179.09
Other vegetables, otherwise prepared, not frozen	5,815.00	3,852.36	8,695.00	11,386.00	11,525.00
Other vegetables, dry	3,538.39	3,477.65	4,739.95	5,324.06	6,512.00
Peas, dry	2,659.00	4,775.00	5,498.00	5,079.12	3,973.06
Peas, green	99.00	28.00	214.00	154.00	151.00

Pulses	137.00	233.84	353.37	692.36	744.00
Pumpkins, squash and gourds	0.00	7.84	0.00	2.24	
Spices, nec	3,080.00	2,808.00	4,100.06	4,479.27	4,836.80
Spinach	2.24	0.00	3.36	1.09	10.37
Sweet Corn Frozen	337.00	295.00	581.00	657.00	522.00
Sweet Corn Prep or Preserved	47.00	49.00	347.00	784.00	901.00
Sweet Potatoes	0.00	0.00	0.00	0.00	7.00
Tomatoes	1.00	23.52	23.57	23.00	13.00
Tomato Peeled	1,294.72	1,435.00	2,750.00	2,307.36	3,212.53
Tomato paste	1,084.00	652.00	5,363.00	6,195.00	4,068.59
Vegetables in Temporary Preservatives	44.00	62.00	122.00	178.00	527.00
Vegetables Prepared or Presented Frozen	58.64	14.28	34.00	65.00	95.25
Vegetable Products Fresh or Dried	2.00	92.00	75.14	103.46	34.00
Vegetables Frozen	3,366.07	2,036.85	5,516.15	5,681.75	4,893.00
Vegetables in Vinegar	501.00	428.00	695.00	948.00	1,206.00
Yams	3.36	4.32	5.52	6.72	7.92

Source: FAOSTAT

Although the official data shown above provides useful context, the only way to verify desktop interpretations or not, and then decide which opportunities the Trade Hub should pursue, was to go talk with the trade itself.

#### 4. Market Opportunities

In discussions with major food retailers, fresh produce distributors, and food companies in South Africa, almost 30 specific fruit and vegetables were identified as having pronounced windows of undersupply, whether due to a shortfall in production within South Africa or an unsatisfied increase in demand.

Figure 5 details the specific products identified and the time they are most desired or required in the market. Those products where a specific required time period was stated during interviews are marked with an “S”. Other products whose need was stated, but no specific time period was provided, have been marked with an “M”. These will require further investigation.

In some cases “S” marked products appear to be required or desired year round by some buyers, while others seek more products only during specific months.

In the cases where no specific time period, i.e. those marked with an “M”, required times are based on general market knowledge and basic assumptions about the use of the product.

**Figure 5: Identified Crops and Period of Opportunity**

Crop	Period of Opportunity												
	Year round	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Asian Veg - unspecified	M												
Asparagus		S	S	S	S	S	S	S	S				
Baby Corn	S												
Baby Spinach	S												
Baby Squash	S												
Baby Veg - unspecified	S				S	S	S	S	S	S	S		
Bananas	M												
Berries - Unspecified	S												
Birds Eye Chili	S												
Broccoli		S	S	S	S								S
Cauliflower		S	S	S	S								S
English Cucumber	M												
Fine Beans						S	S	S	S				
Garlic	S												
Ginger	S												
Kiwi	S												
Limes	S												
Mango	M												
Melons					S	S	S	S	S	S	S		
Okra					M	M	M	M	M				
Papaya	S	S	S	S	S	S	S	S	S	S			S
Passion Fruit	M												
Plantains	M												
Potatoes	M												
Pomegranate	M												
Sesame Seeds	S												
Snow Peas					M	M	M	M	M				
Strawberries	S												
Sugar Snap					M	M	M	M	M				
Sweet Corn	M												
Sweet Peppers		S			S	S	S	S	S	S			S
Tomatoes					S	S	S	S	S				

While opportunities for all of the above crops seem to exist, there are other factors that the trade considers as part of their procurement decisions. These are namely:

- Food safety – The larger importers, exporters, wholesalers and chain store procurement organizations are increasingly expecting suppliers to follow Good Agricultural Practices (GAP), especially with respect to pesticide use. A new set of standards is emerging in South Africa, called SAGAP, but it remains voluntary.

For firms that are already exporting, or for the higher-end chain stores, there is a clear trend toward requiring EUREPGAP certification, but within South Africa it remains a de facto hurdle, while for the EU it is becoming an absolute pre-condition. While no buyer is currently buying only from certified producers, by the end of 2008 most companies will be requiring all suppliers to use GAP, and preferred suppliers to become EUREPGAP certified.

- **Quality** – The food trade at all levels requires products to be of commercial quality, as defined by the trade rather than any official grades or standards. Each fresh produce product has unique grades and standards, which cover size, shape, absence of filth/mold/decay, and organoleptic (sensory) attributes. These vary from one store buyer to the next. The larger buyers have specification sheets for each item.
- **Consistency of Supply** – Even when there is an absolute shortage of product during the winter months, the South African food trade is looking not for sporadic supply that lasts just a week or two, but rather a predictable supply. Add-ons in terms of incremental volume, as well as timing that either advances the domestic supply season or extends it, are preferred.
- **Delivered Price** – Obviously price is a function of many factors, but in procuring from any source, retailers must be able to set prices that are reasonably consistent with South Africa market conditions, which vary throughout the year, week to week, and sometimes day to day. Retailers express reluctance to source even locally grown produce when the price spikes out of line with their normal retail price. Because of the huge volumes, the Johannesburg Fresh Produce Market provides a daily price benchmark, but it is more volatile than program pricing provided by the supermarkets to their suppliers. Moreover, generally speaking the wholesale market prices reflect lower average quality and condition than what the supermarkets are seeking. Clearly the landed cost of imported produce must be competitive with domestic production when supply periods overlap, and cannot be wildly more expensive even when there is no domestic production, or else the supermarkets will simply not offer the product.
- **Logistics** – The biggest problem with procuring perishable products from regional sources remains freight in terms of both cost and transport time. The cost of freight may price certain importable products out of the South African market. Long transportation time, as a result of poor roads, long distances, routing, or border delays, creates issues with product quality and can result in heavy product loss.
- **Handling and Processing** – Facilities must exist to adequately prepare the products for export into South Africa. This can range from simple cleaning, sorting and grading, to more complicated activities such as cutting, drying and packaging for sale. Companies prefer products that are either ready for further processing or ready to be placed on the shelves. Several companies in South Africa specialize in taking raw product and adding value through minimal processing and repacking for final sale at retail.

## 5. Admissibility

While unexploited opportunities certainly exist for domestic production as well, the focus of this report was for products going into South Africa from the region. Obviously the most basic trade question for imported product is whether or not a given fresh produce item is actually allowed into the South African market by the national plant protection organization, which is the National Department of Agriculture.

Typically RSA defines admissibility at the species level, although some entire families may not be permitted when there are quarantine action pests that attack a broad swath of hosts.

According to information from NDA, the admissibility into South Africa of the identified crops by country is as follows:

Crop	Botswana	Moz.	Malawi	Namibia	Zambia
Asparagus	√	√	√	√	√
Baby Corn (pre-packed)	√	√	√	√	√
Baby Spinach (pre-packed)	√	√	√	√	√
Baby Squash	x	√	x	√	√
Bananas	x	√	x	x	x
Birds Eye Chili	x	x	x	√	x
Broccoli	√	√	√	√	√
Cauliflower	√	√	√	√	√
English Cucumber	X	√	x	√	√
Fine Beans (pre-packed)	√	√	√	√	√
Garlic	√	√	√	√	√
Ginger	√	√	√	√	√
Kiwi	x	√	x	x	√
Limes	√	x	x	√	x
Mango	√	√	x	√	x
Melons	x	√	x	√	√
Okra	√	√	√	√	√
Papaya	x	√	x	x	x
Passion Fruit	x	x	x	x	x
Plantains	x	√	x	x	x
Potatoes	√	x	x	√	x
Pomegranate	x	x	x	x	x
Sesame Seeds	√	√	√	√	√
Snow Peas	√	√	√	√	√
Strawberries	x	x	x	x	x
Sugar Snap	√	√	√	√	√
Sweet Corn	√	√	√	√	√
Sweet Peppers	x	x	x	√	x
Tomatoes	√	x	x	√	x

√ = the commodity is cleared or can be imported from these countries

X = the commodity is not yet cleared or can not be imported from these countries

NOTE: Sesame seeds does not need import permit

All admissibility into South Africa is controlled through the import permit process, which is usually initiated by a South African importer, distributor or retailer. Even for those country/product combinations that have admissibility approval in principle, NDA's practice seems to be to evaluate the specific source area and even the specific supplier within a given area, to make sure that it is capable of exercising due diligence and following good practices in terms of reducing risks.

In those cases where there is no admissibility granted so far, a pest risk assessment (PRA) is required, using principles and protocols developed by the International Plant Protection Consortium (IPPC) and promulgated by regional plant protection organizations. NDA itself sometimes does the PRA, but is short of manpower, and is therefore willing to have it done by others, as long as actor is viewed as credible and as long as international protocols are followed.

A precondition to carrying out any PRA is the existence of an adequate "pest list", in other words a list of potential quarantine action pests known to be present or suspected to be present in the source area. Unfortunately, resource constraints in all of the Southern Africa countries make it difficult to generate such pest lists, even for a limited number of commercially interesting export commodities. Resolution of this constraint remains an unsolved problem that impedes trade in horticultural products throughout Southern Africa.

## **Conclusions**

The purpose of this analysis was to identify supply gaps of fresh produce in South Africa in order to determine what opportunities exist to fill those gaps with production from other Southern African countries.

### Market Opportunity

The statistical analysis and buyer interviews revealed that the South African market presents various interesting opportunities for fresh produce from the region. The opportunities are mainly driven by a movement toward 12-month supply of all fresh produce items; more openness to sourcing from other countries; and an emerging middle-income consumer base that requires higher product volumes and is demanding both better quality products and a border range of products. Buyers in South Africa are not able to source all of the product they require from local production due to climatic, structural and market conditions that affect the supply, price and varieties of product available.

South African producers are highly efficient and do not face high transportation costs to reach the market, which makes it hard for regional producers to compete on cost, quality or condition of arrival. Although eventually some regional producers may be able to compete directly with South African supplies based on cost or quality, in the

short and medium-term the key to penetrating the South Africa market will be mostly to offer products that fill a seasonal gap. Therefore, regional growers will be more successful in supplying the market when buyers cannot source from local producers.

Yet even in those cases, regional suppliers must still satisfy additional market requirements. Having the right product at the right time and at the right price is not enough. As noted above, issues such as food safety, quality, consistency of supply, post harvest processing and logistics play a key role in the buying decision. Assuming that NDA's plant quarantine concerns are satisfied, the inability of most regional producers to meet the latter requirements has long been the most significant barrier to penetrating and holding a share of the South African market.

### Doing Business with South Africa

Because of the less than ideal growing conditions that exist in South Africa, and either the downward supply trends in some products or the increasing demand for others, fresh produce buyers from within South Africa are extending their reach beyond the borders.

As some chains have expanded within the region, their procurement organizations have even physically located buyers elsewhere in the region where they have a presence. This has usually been to develop local sources of supply within those countries to overcome the high transportation costs. Many retailers state that they would prefer to buy from local sources, but they still face issues of poor quality, inconsistent supply and bad business practices.

In South Africa, many retailers have worked with the same growers for decades and would prefer to do business in that manner. South African companies prefer to develop personal relationships with their suppliers and develop them over the long-term. Most growers in the region have not yet understood this principle, and its absence has kept buyers from making larger and longer-term commitments to them. The trade has complained that growers will quickly abandon supply agreements when offered slighter higher prices elsewhere, rather than develop a long term relationship.

### General Findings

- Regional producers need to work more effectively together, with their governmental authorities, and with relevant donor programs to enhance market access into South Africa. Capacity of the National Plant Protection Organizations to identify pests, create pest lists, conduct pest-risk assessments, and guarantee plant quarantine procedures that ensure continued access to market all need to be fortified through additional injections of resources. In light of limited resources, the agro export sector needs to prioritize potential export deals requiring pest risk work in consultation with their governments.

- Producers located in remote areas with slow and costly transport for perishable exports should concentrate instead on products that can tolerate adverse shipping conditions. Products that can or must undergo post-harvest processing, such as drying, should be considered. For the South African market, root crops such as ginger, garlic, and onions make the most sense from remote sources
- For regional producers that do not face serious transport constraints, the most promising short-term opportunities for the South African market appear to be specialty vegetables (baby squashes, colored peppers) and melons (watermelons, sweet melons).
- Strawberries could also be a great opportunity, yet currently they are not admissible from any country in the region (except maybe from Swaziland and Lesotho, which are treated differently due to their geographic location within South African territory).
- Certain tropical fruits present a good short-to-medium term (i.e. more than one-year) opportunity. Papayas—which mature 10-14 months after planting, depending on the climate—are particularly promising for the RSA marketplace.
- Tree crops, small fruits (red raspberries, blueberries), and MD2 pineapple all represent good medium to long-term opportunities, but usually the investment scale and time horizon place these investments out of reach for most growers.
- Producers that are interested in supplying South Africa need to understand how South African receivers wish to conduct business and be willing to stand by commitments they make
- Producers from the region also need to better understand and address market requirements (GAP, quality and condition standards, specifications for packaging and packing).