

A PROFILE OF THE SOUTH AFRICAN TABLE GRAPE MARKET VALUE CHAIN

2012

Directorate Marketing
Private Bag X 15
Arcadia
0007
Tel: 012 319 8455/6
Fax: 012 319 8131
E-mail: MogalaM@daff.gov.za
www.daff.gov.za
www.webapps.daff.gov.za/mis



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

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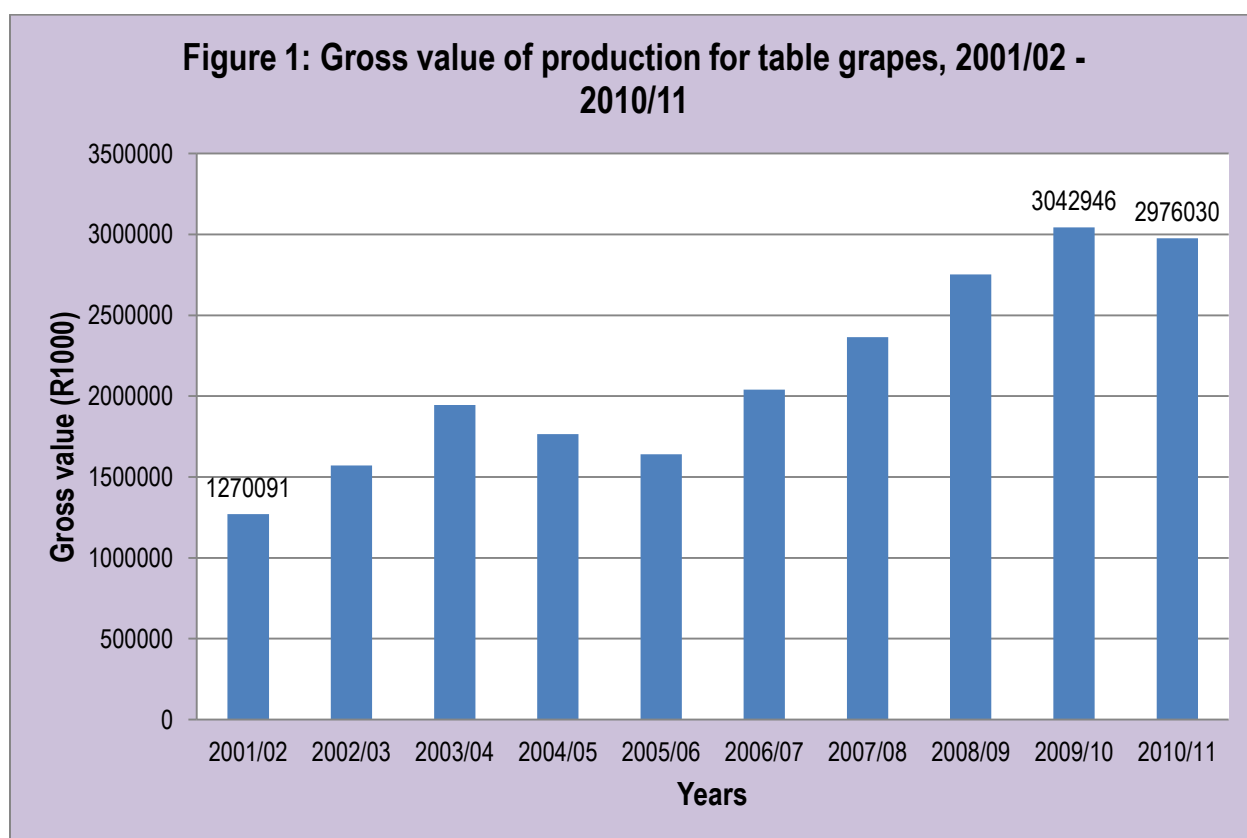
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1. DESCRIPTION OF THE INDUSTRY

According to the South African Table Grape Industry (SATGI)¹, South Africa is the Northern hemisphere's oldest and most reliable supplier of table grapes. The first grapes were shipped to Europe more than a century ago. In South Africa grapes are grown either to be pressed, dried or for ready consumption from the table. Table grapes are grapes intended for consumption while they are fresh, as opposed to grapes grown for wine production, juice production, or for drying into raisins. Table varieties usually have lower sugar content than wine grapes and are more flavourful when eaten. Majority of South African table grapes are available in many northern hemisphere countries during their winter and spring seasons. According to SATGI (2011), the 2010/11 season was very difficult for producers and exporters of table grapes and this difficulty was brought about by a myriad of factors. The main factor was the floods experienced by the early production regions, namely the Northern provinces and Orange River. Another difficulty was brought about by the increase in oil prices due to political instability in North Africa and the Middle East.

Table grapes are one of the most important deciduous fruit grown in South Africa, taking into consideration their foreign exchange earnings, employment creation and linkage with support institutions. In 2010, table and dry grapes contributed 32% (24 309 ha) of the total area planted to deciduous fruits (76 425 ha)². The gross value of production for table grapes for the period 2001/02 to 2010/11 is presented in Figure 1.



Source: Statistics and Economic Analysis, DAFF

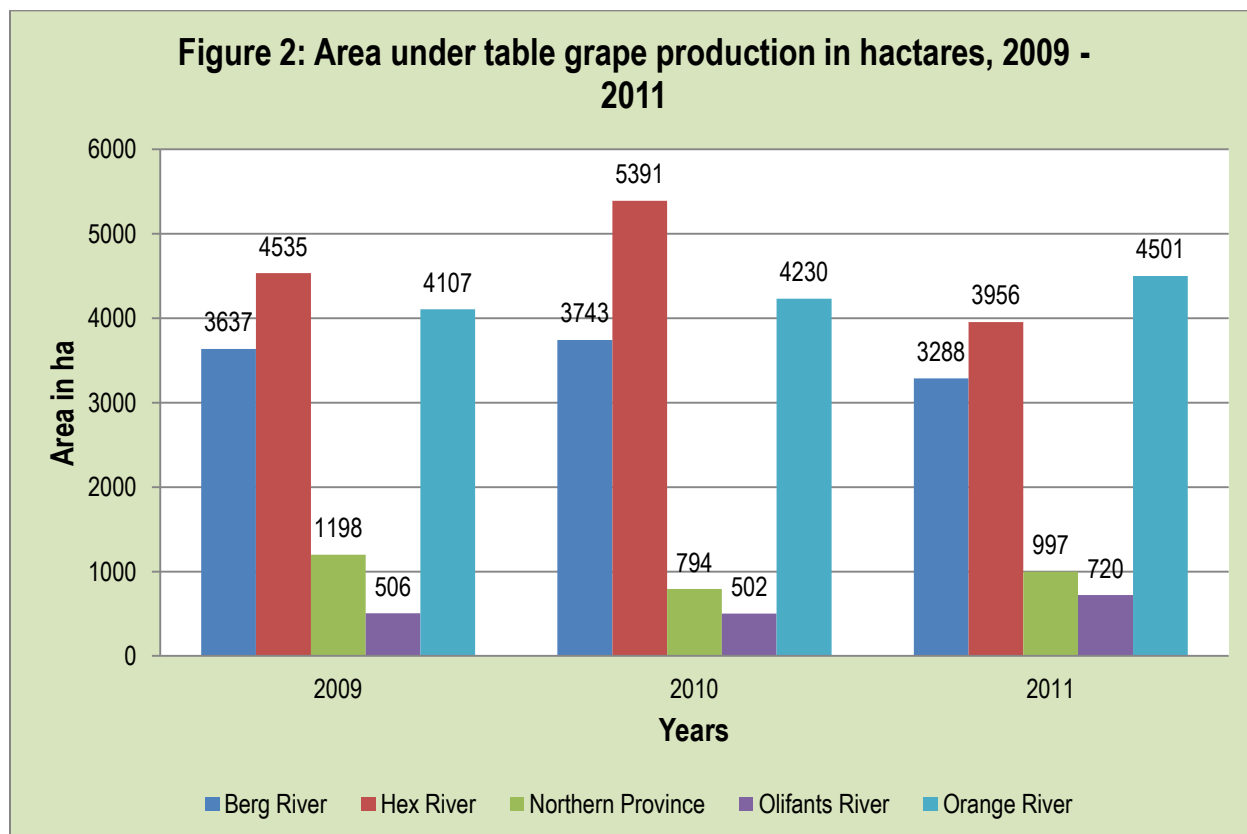
¹ South African Table Grape Industry (SATI) Statistical Booklet, 2011

² SATI Statistical Booklet, 2011

The gross value of production for table grapes has been increasing significantly since the 2006/07 production season. The gross value increased from R2 billion in 2006/07 to R3 billion in 2009/10, an increase of 50% over four production seasons. The value has however declined slightly during the 2010/11 season when compared to the previous season. The 2010/11 figure (R2.98 billion) is 2% lower than the gross value of the previous year (2009/10) and 134% higher than the gross value of grapes a decade ago (2001/02). The increase in gross value of production is happening at the time when production volumes over the same period have been relatively stable (see Figure 3). The increase in gross value of production over the period can therefore be largely attributed to increases in the value of table grapes mainly as a result of the effects inflation.

1.1 Production areas

Production areas for table grapes for the period 2009 to 2011 are presented in Figure 2. They include the Berg River, Hex River, Northern Province, Olifants River, and the Orange River. A total area of 13 462 ha was planted to table grapes in 2011. During 2011 the Orange River accounted for 33% (4 501 ha) of the total area (13 462 ha) planted to table grapes in South Africa. The Orange River was followed by the Hex River and Berg River at 29% and 24% respectively. The Northern Province and Olifants River had 997 ha (7%) and 720 ha (5%) respectively, planted to table grapes, making them the lowest contributors in terms of total area planted to table grapes during 2011.



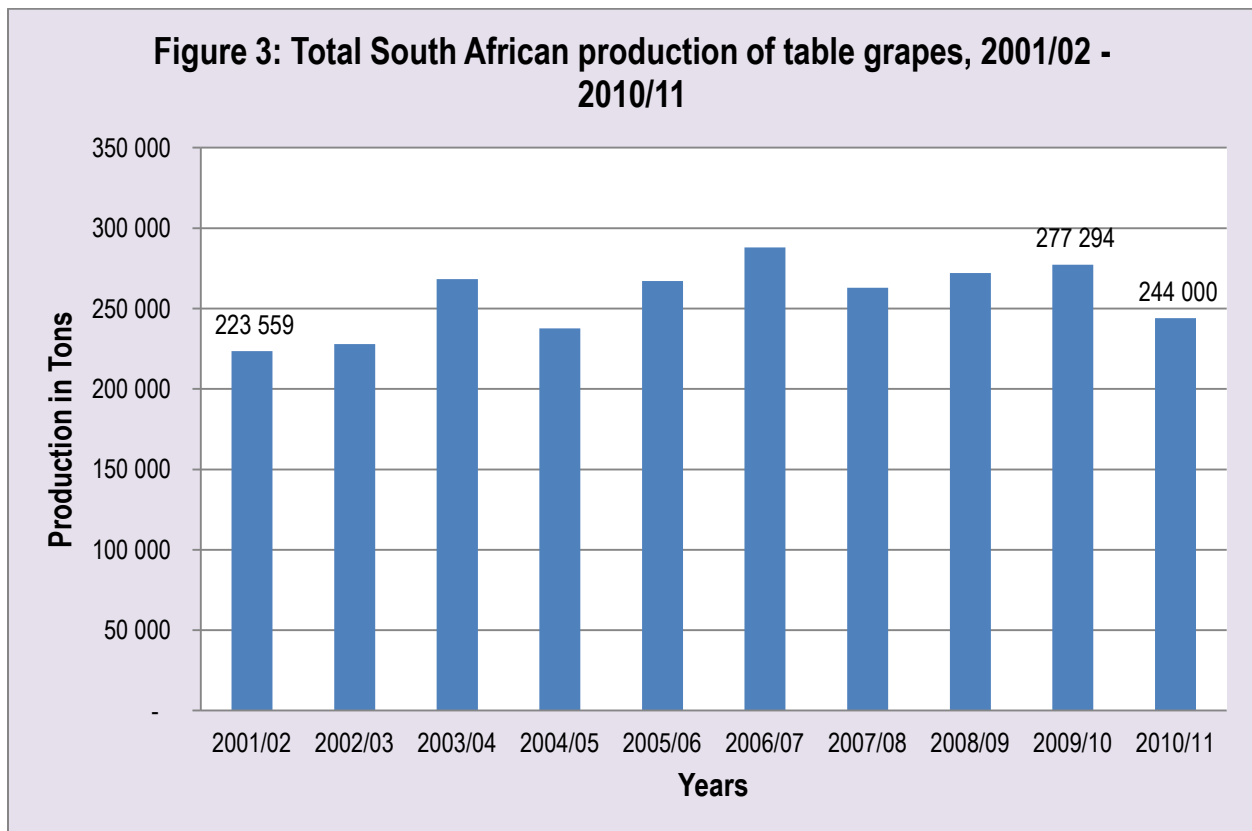
Source: SATI Statistical Booklet, 2011

Area planted to table grapes in the Berg River has been consistent during the past three years while the area in the Hex River has declined by 27% between 2010 and 2011. Area under table grape cultivation in

the Northern Province increased by 25% between 2010 and 2011 (see Figure 2) while production area in the Olifants River increased from 506 ha in 2009 to 720 ha in 2011. Production area in the Orange River increased from 4 107 ha in 2009 to 4 501 ha in 2011, showing an increase of 10%.

1.2 Production quantities

Total production of table grapes for the period 2001/02 to 2010/11 is depicted in Figure 3. It is evident from Figure 3 that grape production has remained relatively stable over the past ten years. That has been primarily due to stable conditions in South Africa's main producing areas, especially in the Berg and Hex River valleys. The production areas offer unique climatic differences and this enables the country to produce its grapes to the international market from October (Prime Seedless, Sugraone and Flame Seedless) through to May (Dauphine and Crimson Seedless). The unique climate together with biodiversity affords South African growers an opportunity to grow grapes of almost every variety and flavour. A total of 244 000 tons of table grapes were produced during the 2010/11 production season.

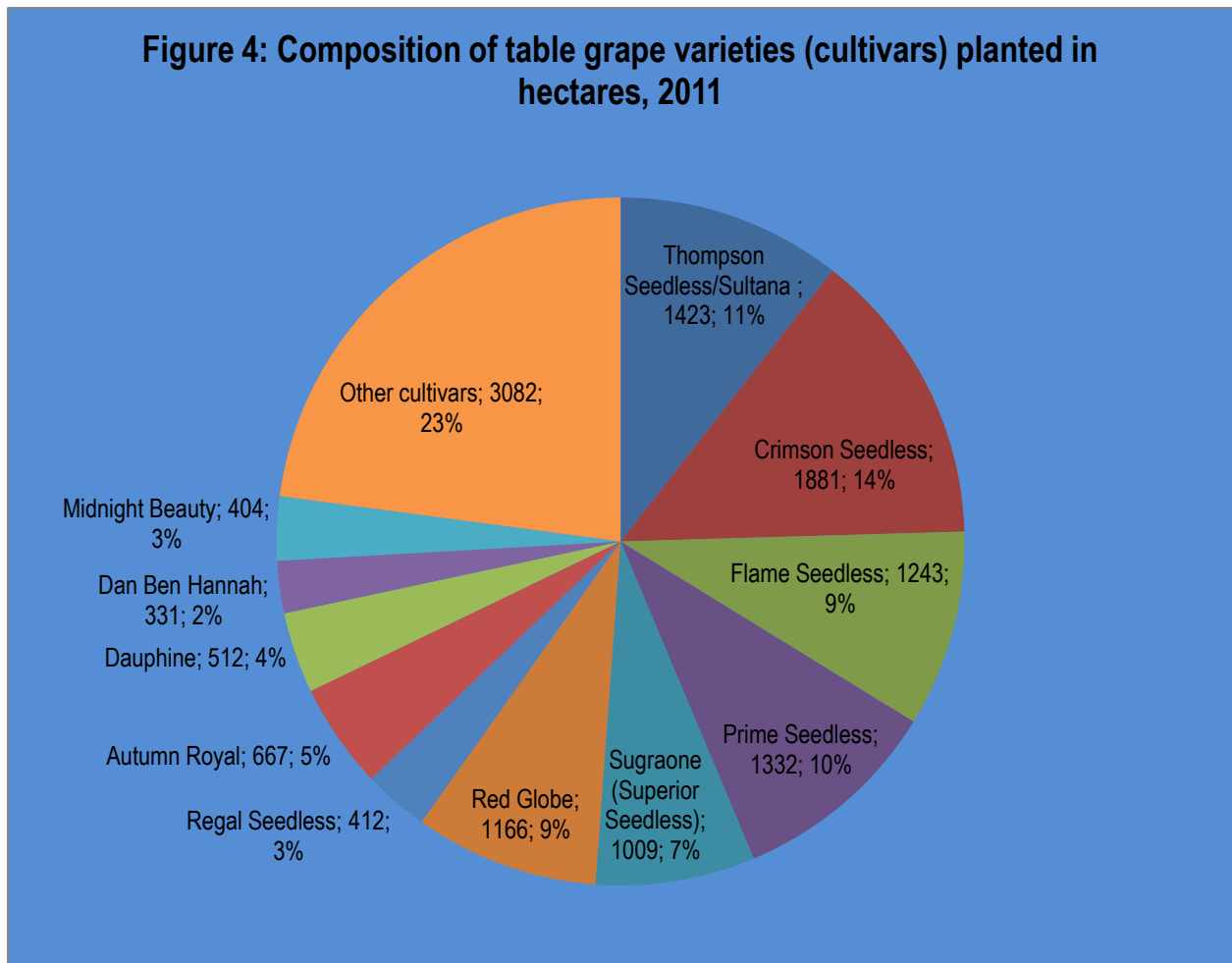


Source: SATI Statistical Booklet, 2011

The 2010/11 production season saw total production of table grapes declining by 12% when compared to the 2009/10 production volume and increasing by 9% when compared to the production volume a decade ago (2001/02 season). As already highlighted in the introduction, the decline in production volume resulted from flooding in the early production regions of the Northern provinces and Orange River.

1.3 Main cultivars

South Africa produces a wide range of table grape varieties that are harvested over a seven months period starting in October and ending in May. The composition of table grape varieties (cultivars) planted in South Africa during 2011 is presented in Figure 4. It is clear from Figure 4 that South Africa's main grape cultivars are Thompson Seedless, Crimson Seedless, Red Globe, Prime Seedless, and Sugraone. Figure 4 shows that in 2011, Crimson Seedless was the leading cultivar grown in South Africa with 1 881 ha (14%). The second important table grape cultivar grown in South Africa during 2011 was Thompson Seedless/ Sultana with 1 423 ha (11%). Prime Seedless was planted on 1 332 ha (10%) while Flame Seedless was planted on 1 243 ha (9%). Red Globe and Sugraone covered 1 166 ha (9%) and 1 009 ha (7%) respectively while other table grape cultivars accounted for 40% (5 408 ha) of the total area planted to table grapes during 2011.



Source: SATI Statistical Booklet, 2011

A description of the main table grape varieties planted in South Africa is presented in Table 1. The table gives the variety name, the variety group as well as a short description of the variety. The variety group indicates the colour of the grape as well as whether the grape is seeded or not.

Table 1: Main table grape varieties planted in South Africa

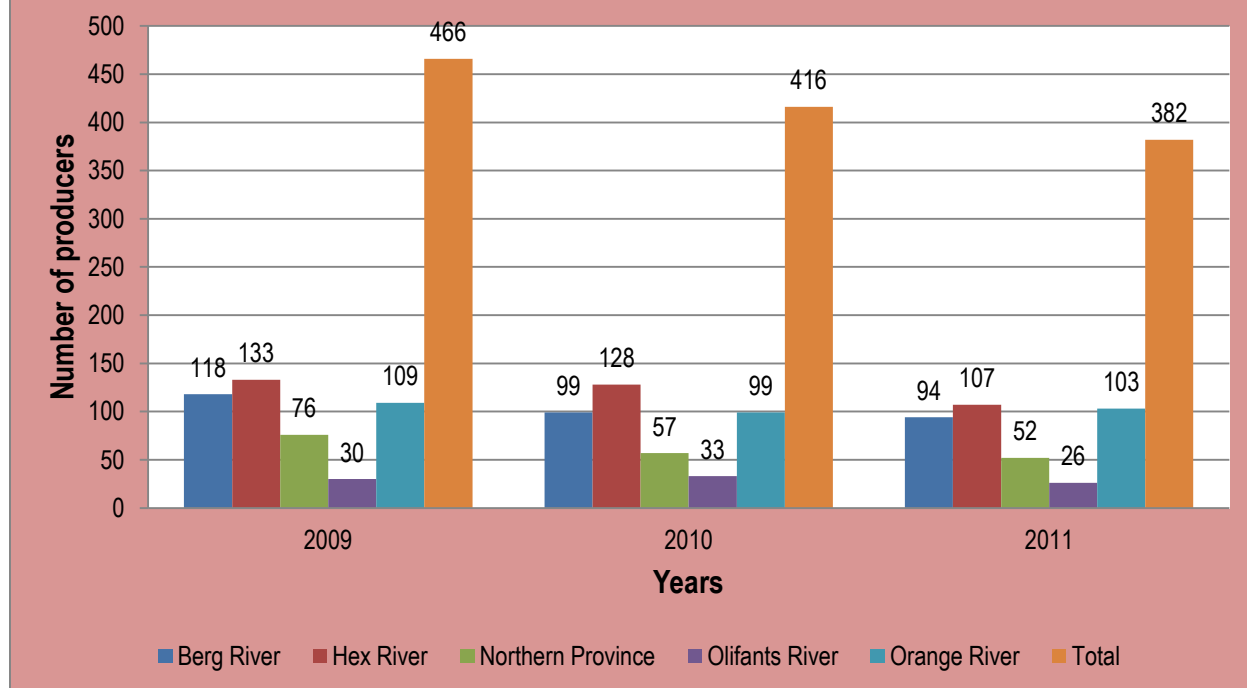
Variety	Variety Group	Description
Thompson Seedless	White Seedless	White, elongated berries, good bunches, fleshy, melting taste, outstanding quality and appearance
Prime Seedless	White Seedless	The earliest South African cultivar, seedless, good berry size, crisp new season taste
Sugraone	White Seedless	White, seedless, large berries, good shelf life, slight Muscat flavour when mature
Regal Seedless	White Seedless	Early mid-season white, seedless, large crisp berries, good shelf life
Dauphine	White Seeded	Late seeded white grape, attractive bunches and berries, excellent late maturing flavour
Victoria	White Seeded	The earliest white seeded variety available from South Africa. Large berries, good shelf life, crisp berries
Crimson Seedless	Red Seedless	Attractive pink elongated berries, crispy excellent flavour
Flame Seedless	Red Seedless	Red, attractive in colour, firm, pleasant taste, crispy eating experience
Sunred Seedless	Red Seedless	Mid-season, round berry, deep maroon colour, crispy, firm and crunchy
Red Globe	Red Seeded	Large berries, deep, wine red colour, fleshy, melting and sweet flavour
Sugrathirteen	Black Seedless	Early mid-season, large berry, black seedless variety. Excellent taste and flavour
La Rochelle	Black Seeded	A noble black seeded grape, crunchy berries, full of flavour, a unique eating experience
Barlinka	Black Seeded	A late season black seeded grape, good eating quality, late vintage flavour
Dan Ben Hannah	Black Seeded	Large oval berries. Also known as Black Emperor in the Far East. Mid-season variety with very good taste
Alphonse Lavallee	Black Seeded	"Big Black", the prince of black grapes, large berries and outstanding eating experience

Source: SATI Statistical Yearbook, 2011

1.4 Number of producers and employment

The total number of table grape producers during the period 2009 to 2011 is presented in Figure 5. As can be seen in Figure 5 the total number of table grape producers declined from 466 in 2009 to 382 in 2011, a decline of 18%. The greatest declines happened in the Hex River (20%) and the Berg River (20%). The number of producers in all production regions declined during the period under review. Given the fact that the decline in the area under production is greater than the decline production volumes, the decline in the number of producers can be partly explained by increased farm sizes as smaller farms are increasingly being absorbed by larger farmers in pursuit of economies of scale. This will eventually lead to more concentration in terms of the primary production of table grapes. Total production volume declined by 10% between 2009 and 2011 while the number of producers went down by 18% during the same period.

Figure 5: Number of table grape producers in South Africa, 2009 - 2011



Source: SATI Statistical Yearbook, 2011

The total number of farm workers in the table grape industry during the period 2009 to 2011 is presented in Table 2. A total of 10 628 workers were employed permanently in the table grape industry during 2011, with approximately 45 512 dependents. The figure was 17% lower than the 2010 figure of 12 794 workers and 49% lower than the 2009 figure of 20 652 permanent farm workers. This is deeply concerning as the industry continues to employ less and less employees each year. A total of 42 505 workers were employed on a seasonal basis during 2011, with approximately 170 020 dependents. The number of seasonal workers employed during a particular production season depends largely on the amount of fruit to be harvested during that season.

Table 2: Number of farm workers in the table grape industry, 2009 to 2011

Region	2009		2010		2011	
	Seasonal	Permanent	Seasonal	Permanent	Seasonal	Permanent
Berg River	13 503	2 491	13 639	2 616	13 445	2 470
Hex River	6 000	12 000	8 783	5 337	8 642	4 740
Northern Provinces	4 478	2 173	3 500	980	2 843	804
Olifants River	2 534	536	2 115	511	2 773	671
Orange River	19 918	3 452	13 750	3 350	14 802	1 943
Total	46 433	20 652	41 787	12 794	42 505	10 628

Source: SATI Statistical Yearbook, 2011

Full-time labourers employed on table grape farms are primarily employed for a number of specialist tasks such as pruning and training of trees. Labour is also required to carry out thinning practices during

blooming or during first four weeks of fruit growth. Other tasks include harvesting supervision, operational duties in the pack house, irrigation management, scouting for insects and diseases on seasonal basis, tractor or forklift driving and grafting. Seasonal labour is employed on a contractual basis for a fixed period of time with the main purpose of harvesting the crop/or fruit packing. The industry makes an important contribution to direct employment in the table grape production and processing. It also provides indirect employment for numerous support industries like tourism in the areas where table grapes are grown.

The prescribed minimum wage is used as a baseline for determining basic wages in accordance with the legislation governing conditions of service. Minimum wages for farm workers for the period 1 March 2013 to 1 February 2016 are presented in Table 1. The consumer price index (CPI) is used in the calculation of annual wage adjustments. The sectoral determination stipulates that the wage increase will be determined by utilizing the previous year's minimum wage plus CPI + 1.5%.

Table 1: Minimum wages for farm workers in the Republic of South Africa, 2013 - 2015

Minimum rate for the period				Minimum rate for the period			Minimum rate for the period		
1 March 2013 to 28 February 2014				1 March 2014 to 28 February 2015			1 March 2015 to 28 February 2016		
Monthly	Weekly	Daily	Hourly	Monthly	Weekly	Hourly	Monthly	Weekly	Hourly
R2273.52	R524.70	R105.00 ³	R11.66	Previous year's minimum wage + CPI ⁴ + 1.5%			Previous year's minimum wage + CPI + 1.5%		

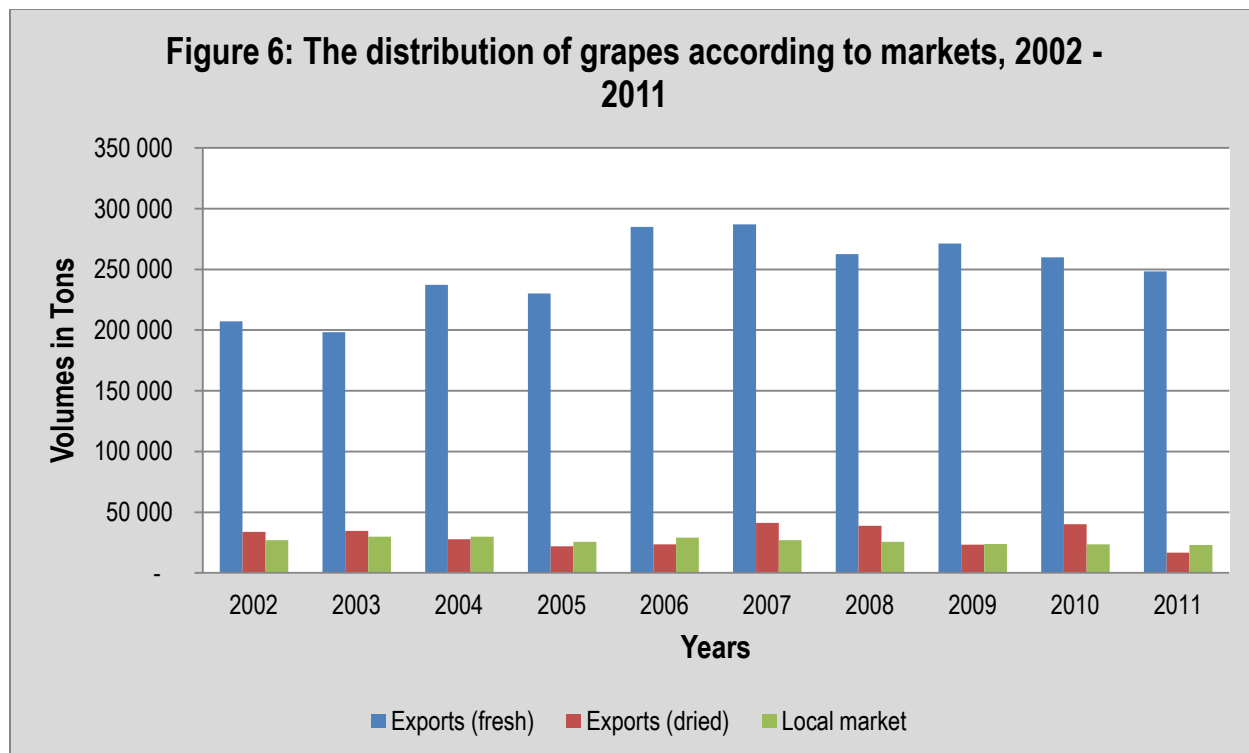
Source: Department of Labour, 2013

2. MARKET STRUCTURE

The distribution of grapes according to markets for the period 2001/02 to 2010/11 is presented in Figure 6. As can be seen in Figure 6, grape production in South Africa is primarily aimed at the export market. The local market is not substantial. The volume of table grapes available in the local and export markets is determined by the amount of table grapes produced in a particular season (also see Figure 3). More than two-thirds of the grapes harvested each season are destined for the export market while the remainder is sold in the local markets. A total volume of 265 264 tons of table grapes were exported by South Africa in 2011. The total volume consisted of 248 461 tons of fresh grapes and 16 803 tons of dried grapes. 23 056 tons of table grapes were sold in the local markets in 2011. This represents only 9% total volume of table grapes produced in South Africa during the same year.

³ For an employee who works 9 hours per day

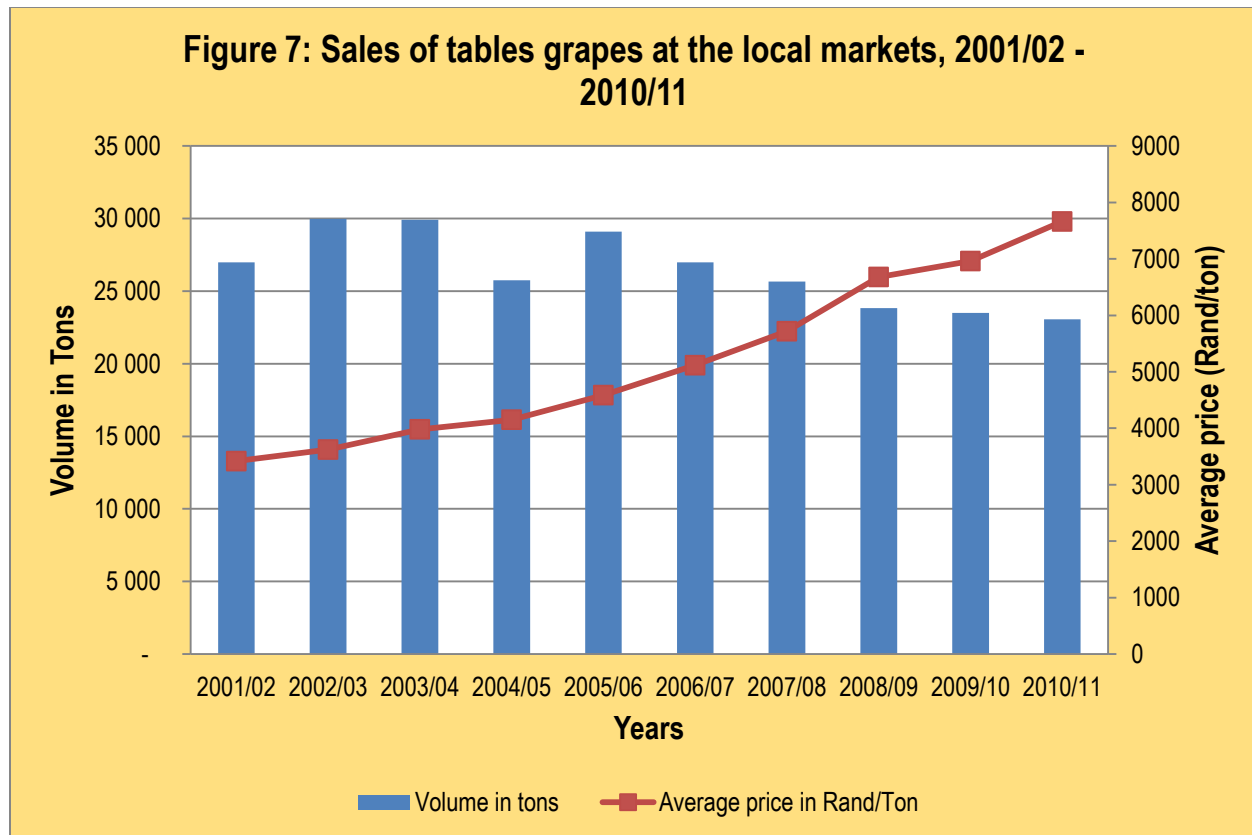
⁴ The CPI to be utilised is the available CPI for the lowest quintile as released by Statistics South Africa six weeks prior to the increment date.



Source: SATI Statistical Yearbook, 2011; Statistics and Economic Analysis, DAFF; Quantec Easydata

2.1 Domestic markets and prices

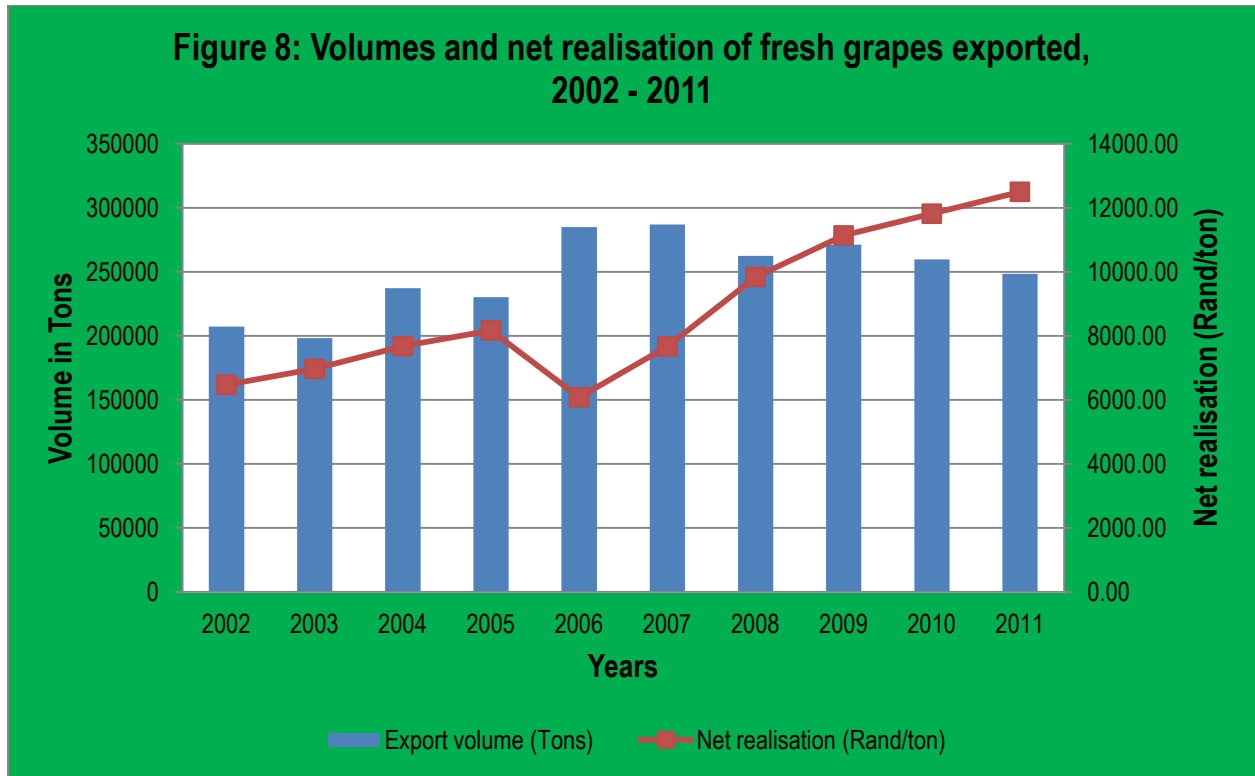
Local grape market volumes and general price trends from 2001/02 to 2010/11 are presented in Figure 7. It is clear from Figure 7 that volumes sold at the local markets have been declining since 2006/07. This may be the result of the export nature of the grape (table) industry. A total of 23 056 tons were sold in the local market during the 2010/11 marketing season. This was 2% lower than the quantity sold locally in 2009/10 and 15% lower than the total local market sales a decade ago (2001/02). At the same time, prices realised in the local markets have been rising throughout the last decade. The average price per ton in the local markets during the 2010/11 marketing season was R7 663.00/ton. The average price increased by 10% between 2009/10 and 2010/11. During the last ten years, average prices of table grapes at the local markets increased by 124%.



Source: Statistics and Economic Analysis, DAFF and SATI Statistical Yearbook, 2011

2.2 Exports (fresh and dried grapes)

South African table grapes are exported either in fresh form or in dried form. South Africa is a relatively small table grape grower in terms of global hectares. However, the country is a major volume exporter in global terms. During 2011, South African fresh and dried grapes exports represented 6.15% and 2.37% respectively of world exports. Table grapes sold in the export markets generate a greater unit price than that achieved on the local market. Therefore management orientation and understanding of the rules of the export markets are critical factors in the pathway to success in table grape production. Volumes of fresh grapes exported during the period 2002 to 2011, as well as the average prices received are presented in Figure 8.

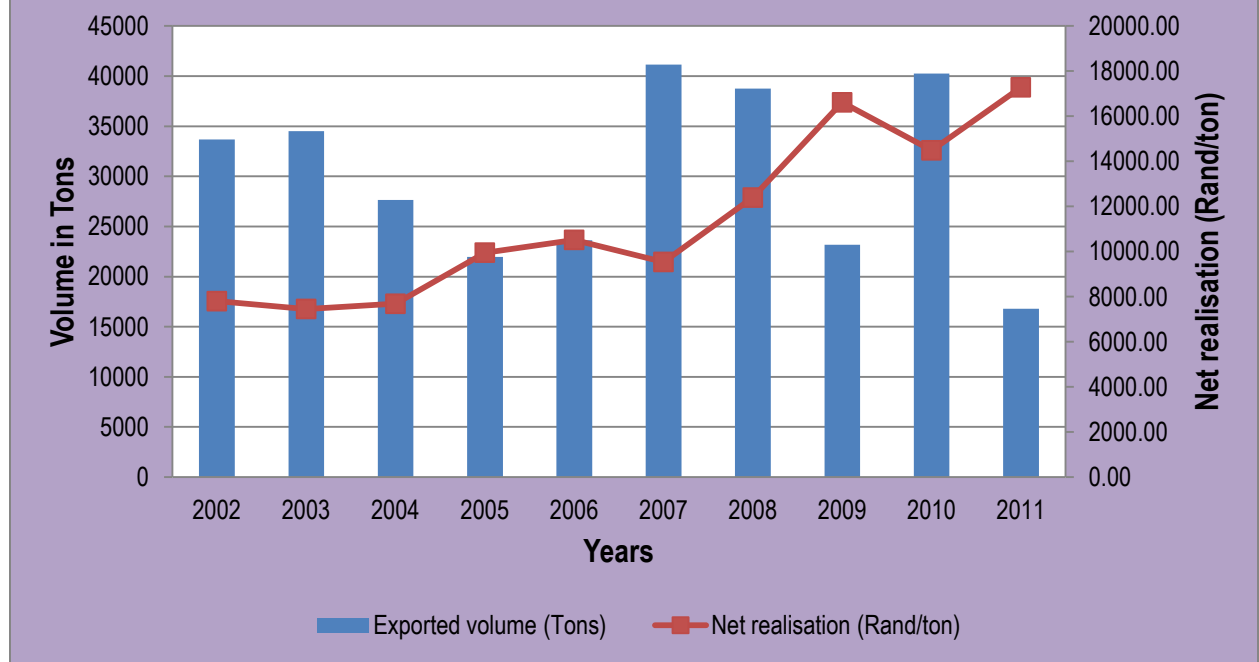


Source: Quantec Easydata

A total volume of 248 461 tons of fresh grapes were exported during 2011. The 2011 figure is 5% lower than the quantity exported during the previous year (2010). As can be seen in Figure 8 the quantity of fresh grape exports has declined significantly from the 2007 peak of 287 055 tons. The declines in the quantity of fresh grape exports can be partly explained by the decline in the volume of table grapes produced in South Africa in recent years. The figure also indicates the net realisation for fresh grapes during the same period. Prices realised in the export markets have been increasing since 2007. This coincides with a decline in the amount of fresh grapes exported by South Africa during the same period. This suggests that the price of fresh grapes reacts strongly to the volumes of fresh grapes available in the global market. Fresh grapes sold in the export markets fetched an average price of R12 505.36 in 2011. The average price received in the export markets increased by 63% between 2007 and 2011. The effect of a depreciating currency when compared with the currencies of South Africa's major trading partners (especially the Euro) should also not be overlooked. The major markets for South African fresh grapes exports will be looked at in the sections that follow.

Volumes of dried grapes exported by South Africa during the period 2002 to 2011, as well as the average prices received are presented in Figure 9. A total volume of 16 803 tons of dried grapes were exported by South Africa during 2011. The 2011 figure represented a 58% drop in the amount of dried grapes exported during 2010. As can be observed from Figure 9 the volumes of dried grapes exported by South Africa during the last decade fluctuated widely. The average price per ton received for dried grapes during 2011 was R17 281.65 per ton. This was 19% higher than the average price received during the 2010 marketing season. The major markets for South African dried grape exports will also be looked at in the sections that follow.

Figure 9: Volumes and net realisation of dried grapes exported, 2002 - 2011

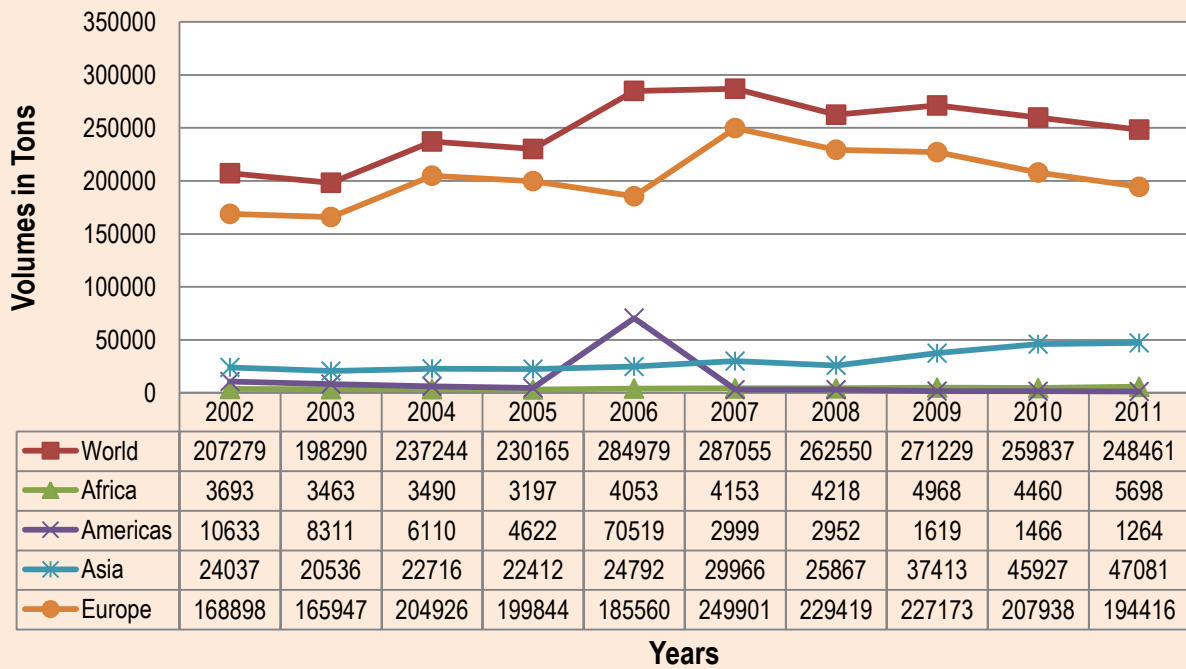


Source: Quantec Easydata

2.2.1 Fresh grapes exports to different regions

South Africa's exports of fresh grapes to the various regions of the world over the past decade are depicted in Figure 10. It is evident from Figure 10 that over the past decade the majority of South Africa's fresh grapes were destined for the European and to a lesser extent Asian markets. In 2011, exports to Europe accounted for 78% (194 416 tons) of total South African exports of fresh grapes. Europe was followed by Asia at 19% (47 081 tons). Exports into the African continent contributed 2% (5 698 tons) while those to the Americas accounted for 0.5% (1 264 tons) during the same period. It is interesting to note that even though total South African fresh grapes exports to the world declined between 2010 and 2011, exports to the Asian continent increased by 3% during the same period. This indicates a shift in South African export markets from the traditional European to the new and dynamic Asian market. Exports to Europe declined by 7% between 2010 and 2011. The subsections that follow give attention to the European and European Union markets due to the fact the majority of South Africa's exports of fresh grapes are destined for these markets.

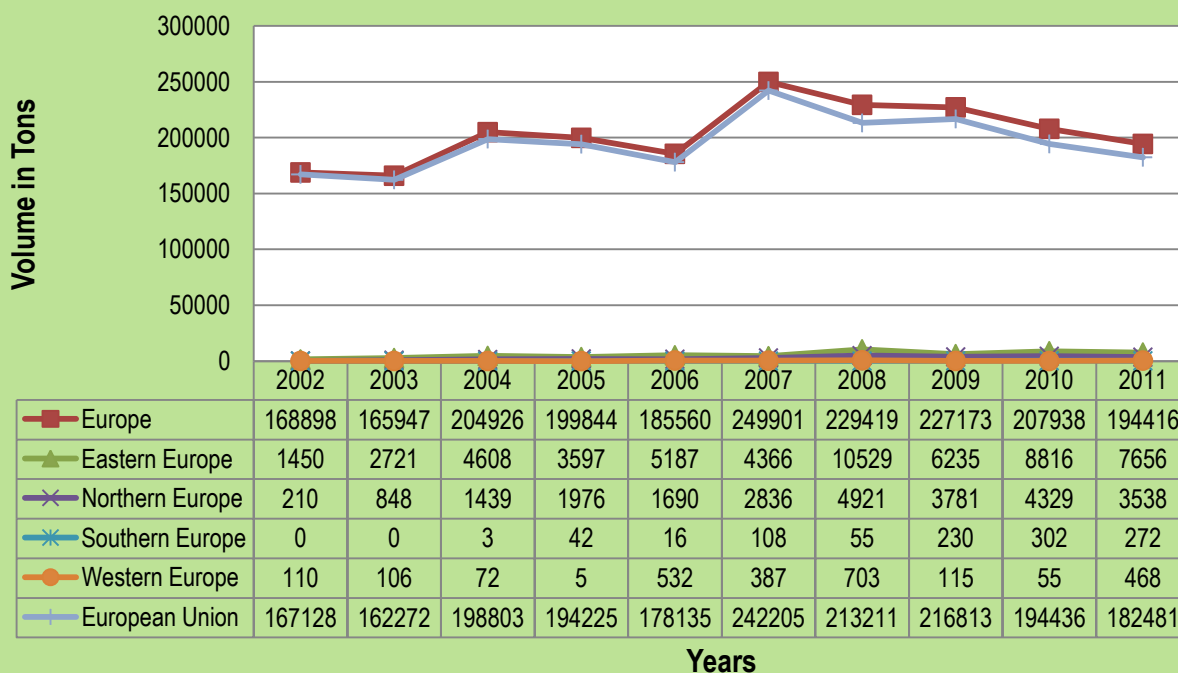
Figure 10: Volumes of fresh grapes exported to various regions of the world, 2002 - 2011



Source: Quantec Easydata

Figure 11 presents volumes of fresh grapes exported to the various regions of Europe during the past decade. As can be observed from Figure 11 the European Union is the major export destination for South African fresh grapes, absorbing 182 481 tons of South African fresh grapes in 2011. It is followed by Eastern Europe and Northern Europe at 7 656 and 3 538 tons, respectively. In 2011, the European Union accounted for 94% of total South African exports of fresh grapes to Europe. This may probably be the result of the long trading relationship between South Africa and Europe which spans over a century. South Africa also has preferential market access into the EU through the Trade Development and Cooperation Agreement (TDCA) between South Africa and the EU. South Africa exports of fresh table grapes to the EU declined by 6% between 2010 and 2011.

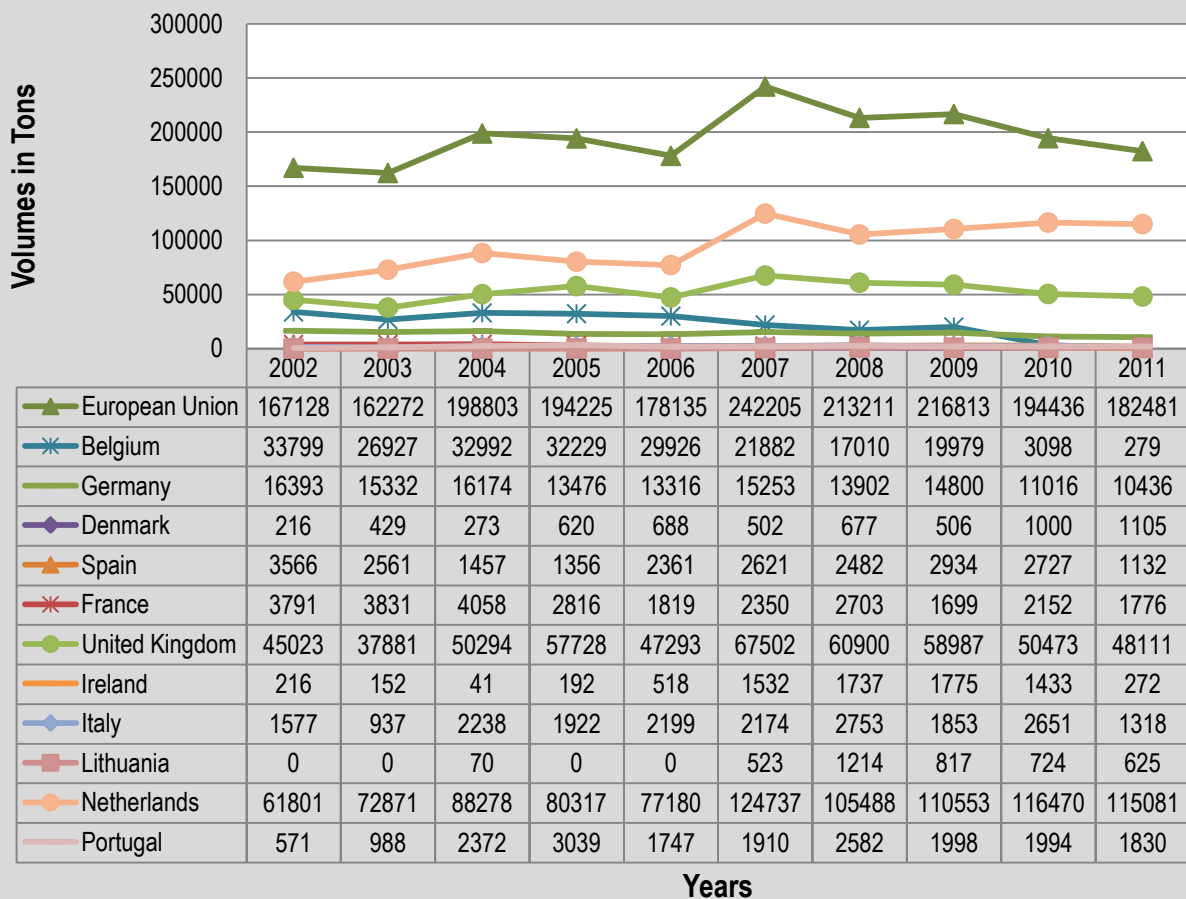
Figure 11: Volumes of fresh grapes exported to the different regions of Europe, 2002 - 2011



Source: Quantec Easydata

South Africa's export volumes of fresh grapes to the different European Union member states during the past decade are presented in Figure 12. Only those countries whose imports of fresh grapes from South Africa were at least 1 000 tons during a particular year in the last ten years are depicted in Figure 12. It is clear from Figure 12 that the Netherlands is the leading export destination for South African fresh grapes within the European Union, contributing well over half (115 081 tons or 63%) to total South African fresh grape exports to the European Union during 2011. It is followed by the United Kingdom, Germany and Portugal at 48 111 tons, 10 436 tons and 1 830 tons, respectively. Exports to the Netherlands declined by 1% between 2010 and 2011. Even though still a major market for South African fresh grapes, the European Union is becoming less and less important as the main market for South African exports of fresh grapes. Its position is increasingly being taken over by Asia, Eastern Europe and Northern Europe.

Figure 12: Volumes of fresh grapes exported to the European Union member states, 2002 - 2011

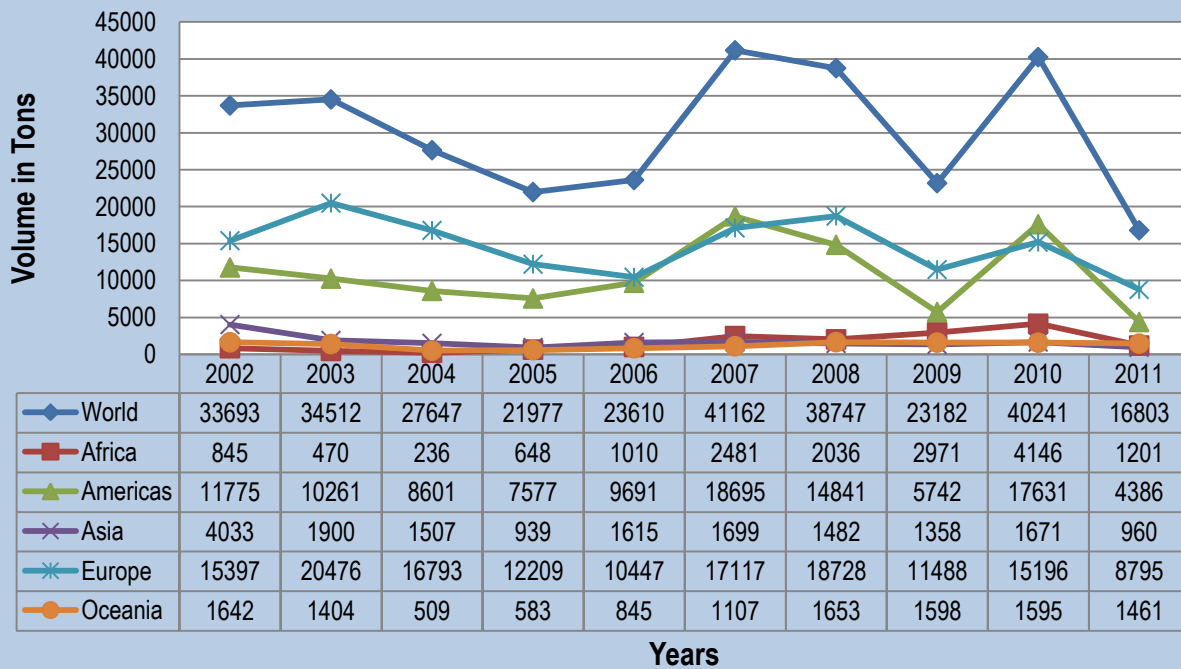


Source: Quantec Easydata

2.2.2 Dried grapes exports to different regions

Figure 13 presents volumes of dried grape exports to the different regions of the world for the years 2002 to 2011. A total of 16 803 tons of dried grapes were exported by South Africa during 2011. This represented a 58% drop in the volume of dried grapes exported when compared with the 2010 volume of 40 241 tons. Figure 13 indicates that the majority of South African exports of dried grapes go to the Americas and Europe. During 2011 exports to the Americas accounted for 26% while those to Europe accounted for 52%. The two regions together absorbed 78% of total South African exports of dried grapes in 2011. Exports to Africa increased from 845 tons in 2002 to 1 201 tons in 2011, an increase of 42%. Exports of dried grapes to all regions declined between 2010 and 2011.

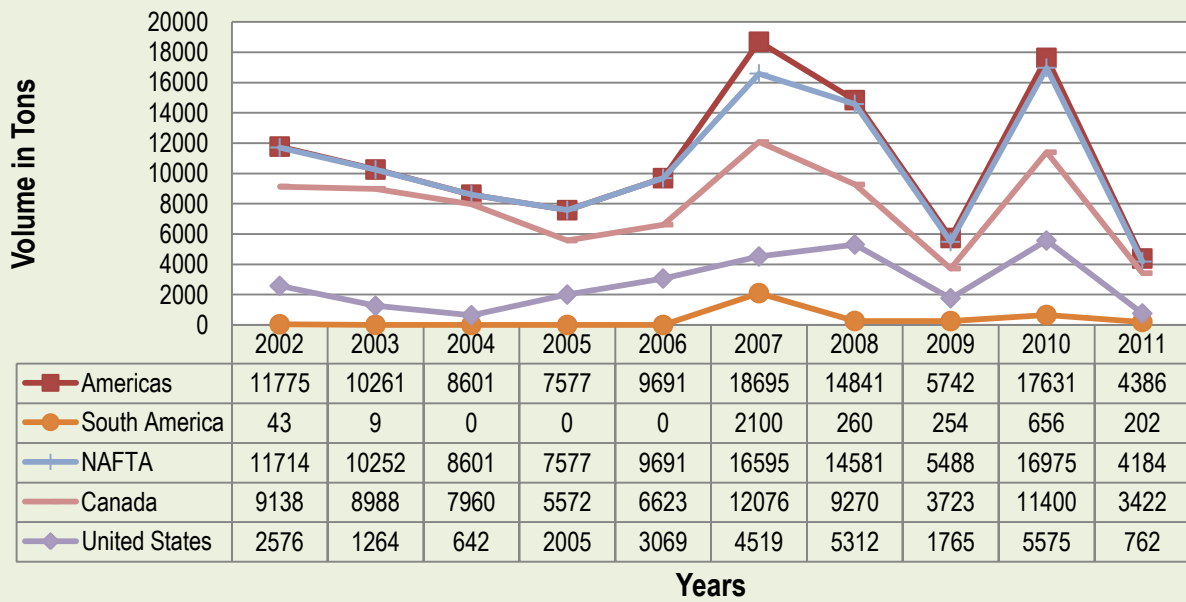
Figure 13: Volumes of dried grapes exported to the various regions of the world, 2002 - 2011



Source: Quantec Easydata

Due to its relative importance to the South African exports of dried grapes, the American market is further analysed. Figure 14 illustrates volumes of dried grapes exported to regions in the Americas (i.e. South America and NAFTA) as well as certain members of the North Atlantic Free Trade Area (NAFTA) (i.e. Canada and the United States of America). A total volume of 4 386 tons of South African dried grapes went to the Americas during 2011. During the last decade almost all South African exports of dried grapes to the Americas went to NAFTA member states. In 2011, NAFTA absorbed 95% of total South African exports of dried grapes to the Americas. Moreover, within NAFTA, the exports are mainly distributed between Canada and the United States of America. During 2011 Canada imported 3 422 tons of dried grapes from South Africa while the United States imported 762 tons.

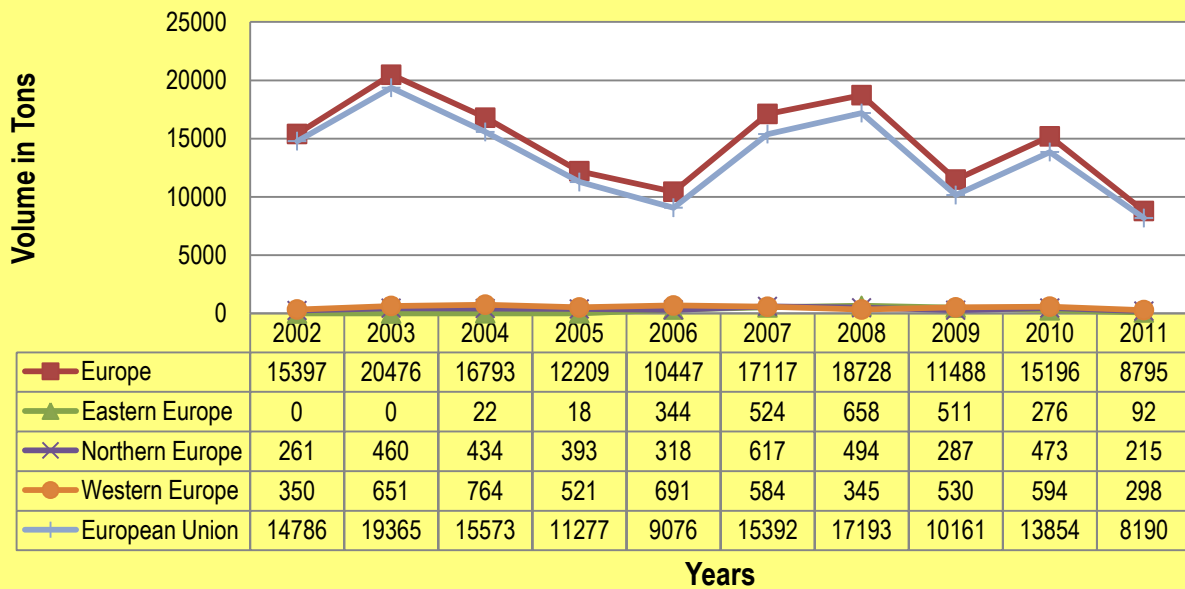
Figure 14: Volumes of dried grapes exported to regions in the Americas and countries within NAFTA, 2002 - 2011



Source: Quantec Easydata

Looking at Figure 13, one also observes that Europe is also a major importer of South African dried grapes. Volumes of South African exports of dried grapes to the different regions of Europe during the past decade are presented in Figure 15. The major importing region of South African dried grapes in Europe is the European Union. The economic block imported 8 190 tons of dried grapes from South Africa during 2011. Western Europe and Northern Europe absorbed 298 tons and 215 tons respectively during the same year. Exports to the European Union declined by 41% between 2010 and 2011.

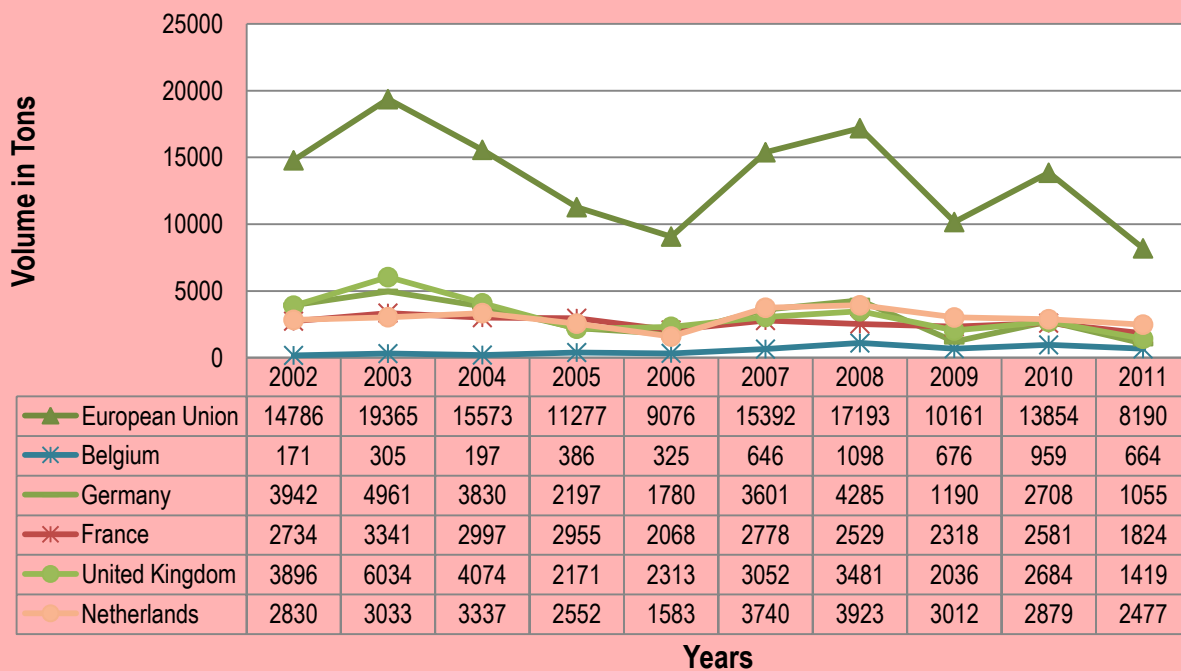
Figure 15: Volumes of dried grapes exported to the different regions of Europe, 2002 - 2011



Source: Quantec Easydata

Within the European Union the major importers of South African dried grapes are the Netherlands, France, the United Kingdom, and Germany (see Figure 16). Only those member states whose imports of dried grapes from South Africa in at least one year during the past ten years was at least 1 000 tons are shown in Figure 16. During 2011 the four major countries accounted for 83% (6 775 tons) of the total South African exports of dried grapes to the European Union. Exports to all the major EU markets declined significantly between 2010 and 2011.

Figure 16: Volumes of dried grapes exported to the European Union member states, 2002 - 2011



Source: Quantec Easydata

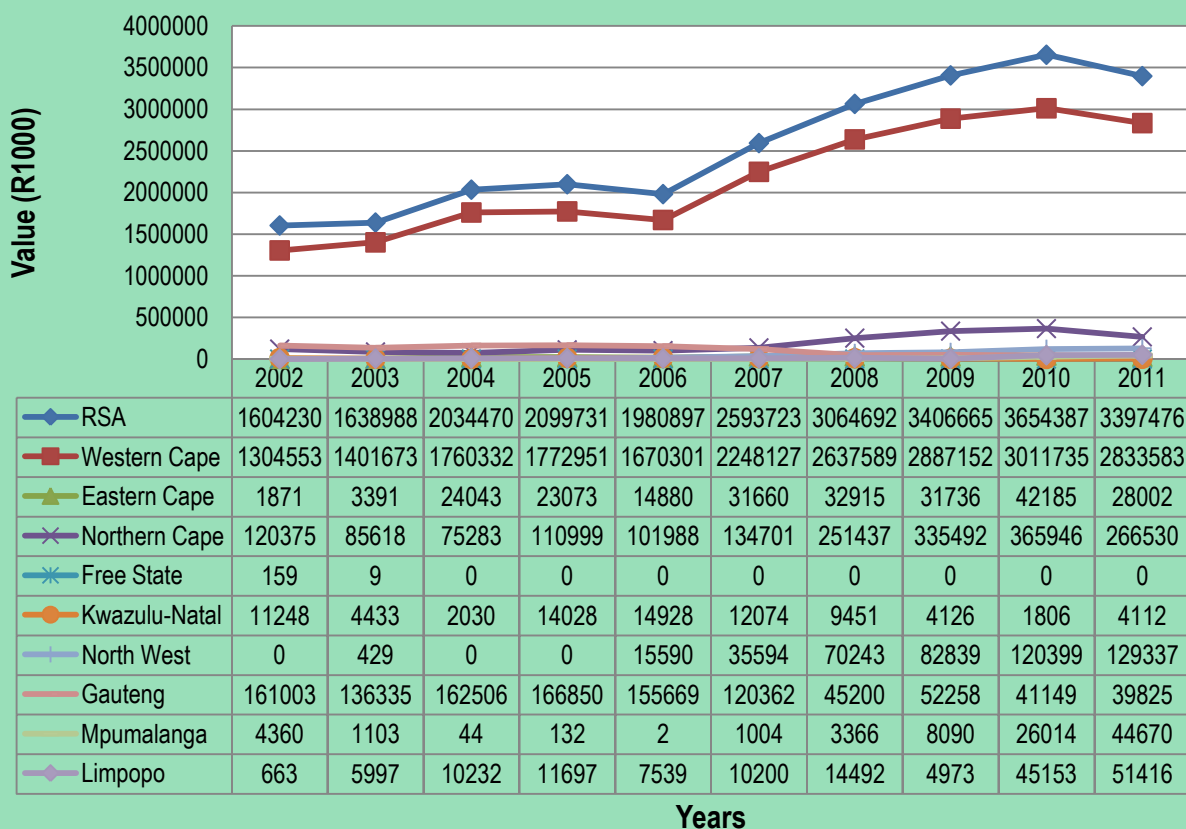
The contributions of the different provinces (and districts) to total South African (and provincial) exports of grapes (fresh and dried) are explored in the following subsection.

2.3 Provincial and district export values of South African grapes

A review of provincial level trade data shows that the Western Cape Province had high export values over the past decade. This can be attributed to the fact that the province is firstly the leader in both the production and export of the table grapes. Secondly, the registered exporters are based in the province and thirdly, the province has the Cape Town harbour that serves as an exit point for table grapes. Figure 17 below depicts the value of table grape exports from each province of South Africa for the period 2002 to 2011.

Figure 17 indicates that the Western Cape Province exported table grapes worth over R2.8 billion during 2011. South Africa's total exports of table grapes during the same period amounted to R3.4 billion. This clearly shows the dominant role of the Western Cape when compared with other provinces in terms of exports of table grapes. The sources of this dominance have already been highlighted in the paragraph above. Other provinces, especially the Northern Cape and North West also recorded significant values of table grape exports during the past decade. The total value of table grape exports declined from over R3.6 billion in 2010 to over R3.3 billion in 2011.

Figure 17: Value of grape (fresh and dried) exports by provinces, 2002 - 2011

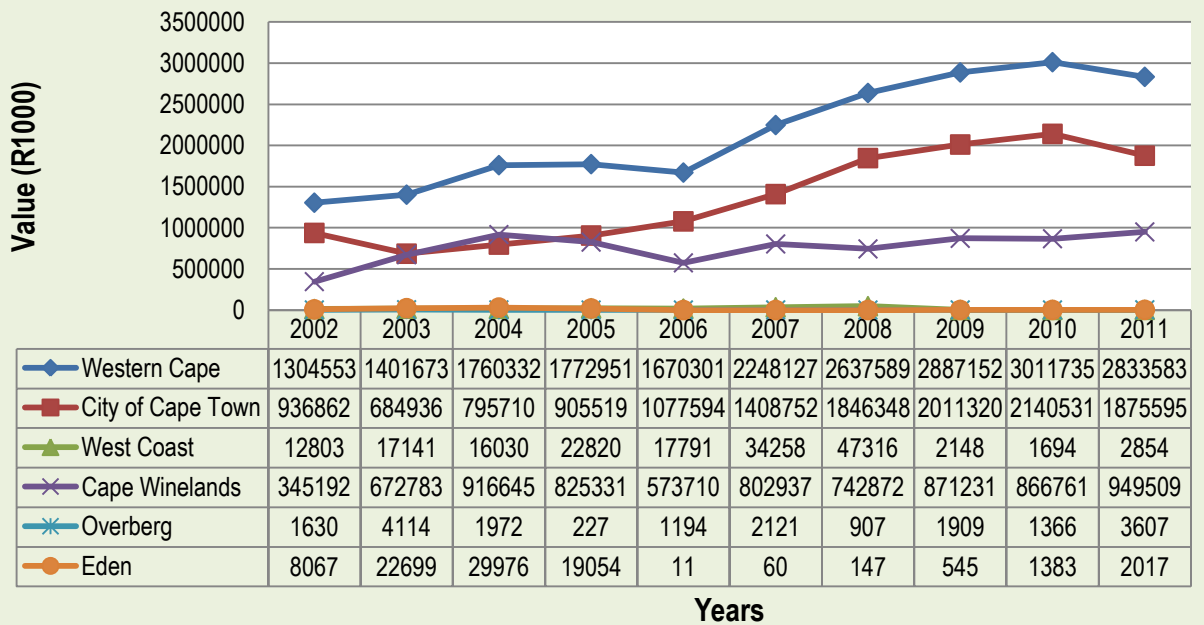


Source: Quantec Easydata

The following Figures (Figures 18 – 26) show the value of table grape exports from the various districts in the nine provinces of South Africa. Figure 18 illustrates values of grape exports by the Western Cape.

According to Figure 18 the majority of table grape exports recorded during the past ten years were from the City of Cape Town and Cape Winelands district. High export values of the leading municipalities were recorded in 2011 (for Cape Winelands) and 2010 (for the City of Cape Town). Exports from the Western Cape declined from over R3 billion in 2010 to R2.8 billion in 2011. The City of Cape Town recorded table grape exports worth R1.9 billion during 2011 while the Cape Winelands district recorded R949 million during the same period. As explained earlier, the use of the Cape Town harbour as an exit point may have played a major role in the City of Cape Town being a leader in the export of table grapes from the Western Cape Province.

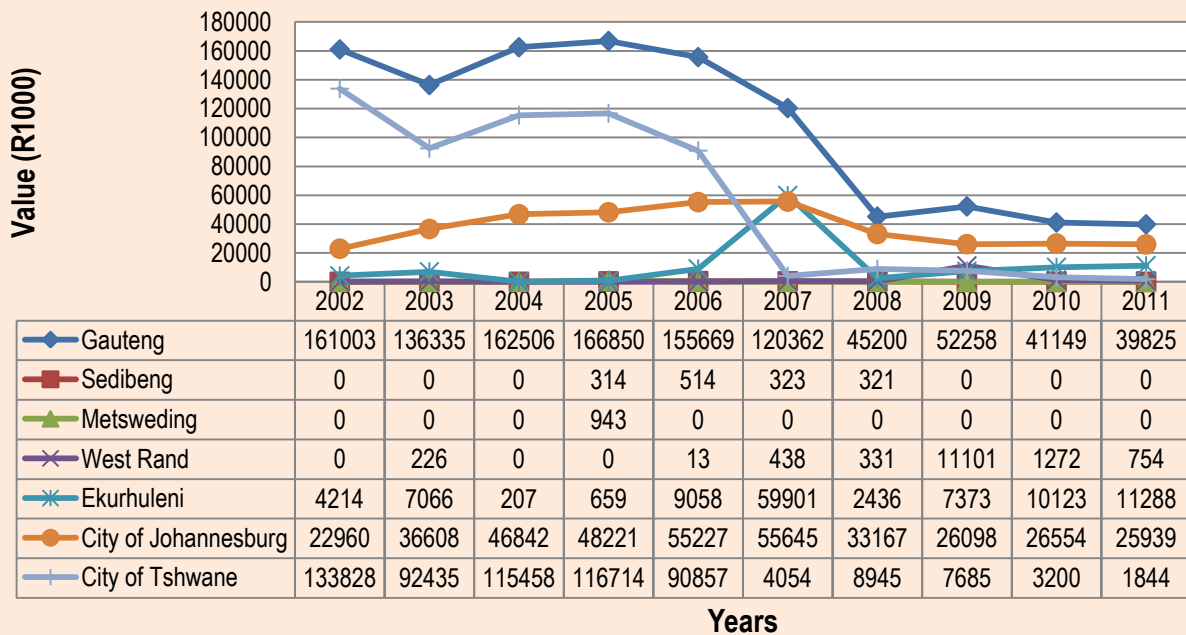
Figure 18: Value of grape (fresh and dried) exports by the Western Cape, 2002 - 2011



Source: Quantec Easydata

Values of grape exports from Gauteng province are presented in Figure 19. The value of table grape exports in Gauteng (especially the City of Tshwane) dropped significantly between 2002 and 2011. The major contributors to the total value of table grapes during the past decade have been the City of Tshwane, City of Johannesburg and Ekurhuleni Metropolitan municipalities. High export values for the metropolitan municipalities were recorded in 2002 (for the City of Tshwane), 2007 (for the City of Johannesburg) and 2007 for Ekurhuleni. During 2011, R25.9 million and R11.3 million worth of grape exports were recorded in the City of Johannesburg and Ekurhuleni municipalities respectively. Total table grape exports from the entire Gauteng province in 2011 were worth R39.8 million. This was 5% less than the value of R41 million recorded in 2010.

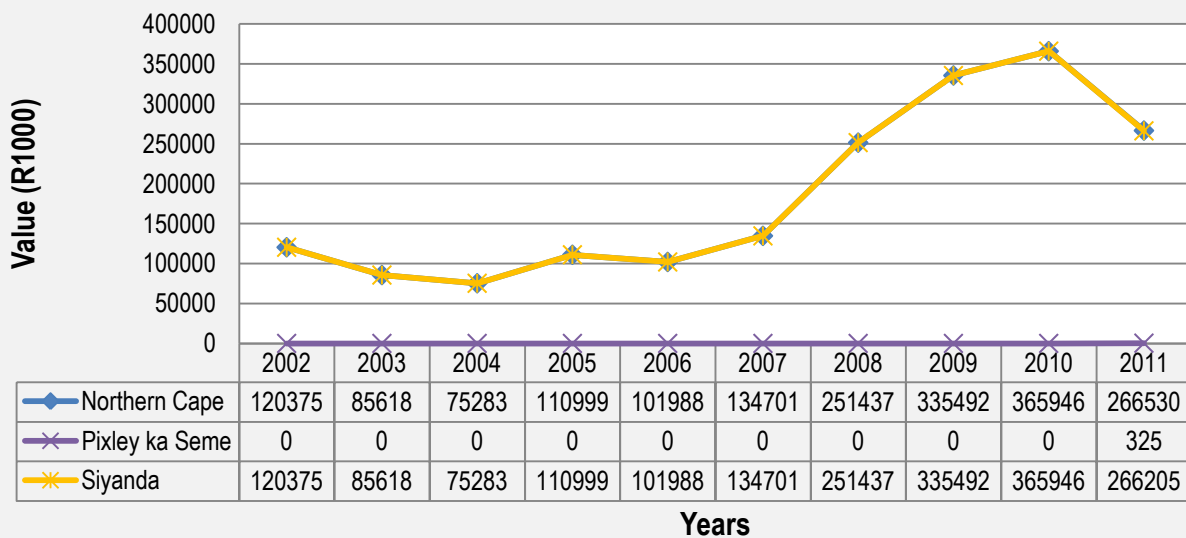
Figure 19: Value of grape (fresh and dried) exports by Gauteng province, 2002 - 2011



Source: Quantec Easydata

Values of grape exports from the Northern Cape Province are presented in Figure 20. A total value of R266 million worth of table grapes was exported by the Northern Cape in 2011. It can be observed from Figure 20 that table grape exports from the Northern Cape Province are mainly from Siyanda District Municipality. High export values for the leading district municipality were recorded in 2010. The value of table grape exports from the Siyanda district increased significantly between 2006 and 2010. The value of table grape exports however declined by 27% between the years 2010 and 2011. The Northern Cape is a second largest producer of table grapes after the Western Cape.

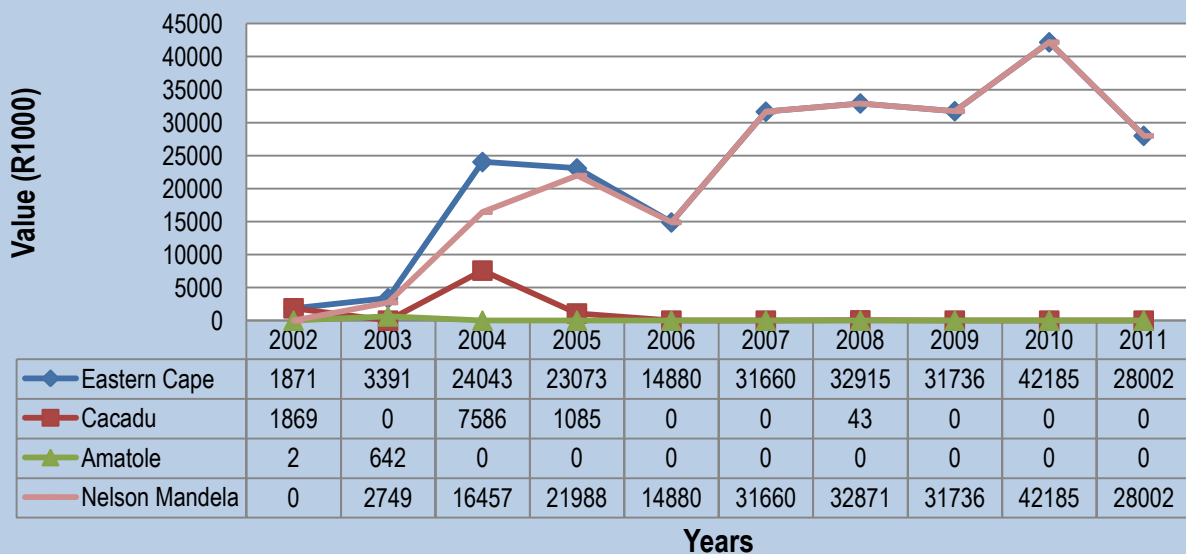
Figure 20: Value of grape (fresh and dried) exports by the Northern Cape, 2002 - 2011



Source: Quantec Easydata

Values of grape exports from the Eastern Cape province are depicted in Figure 21.

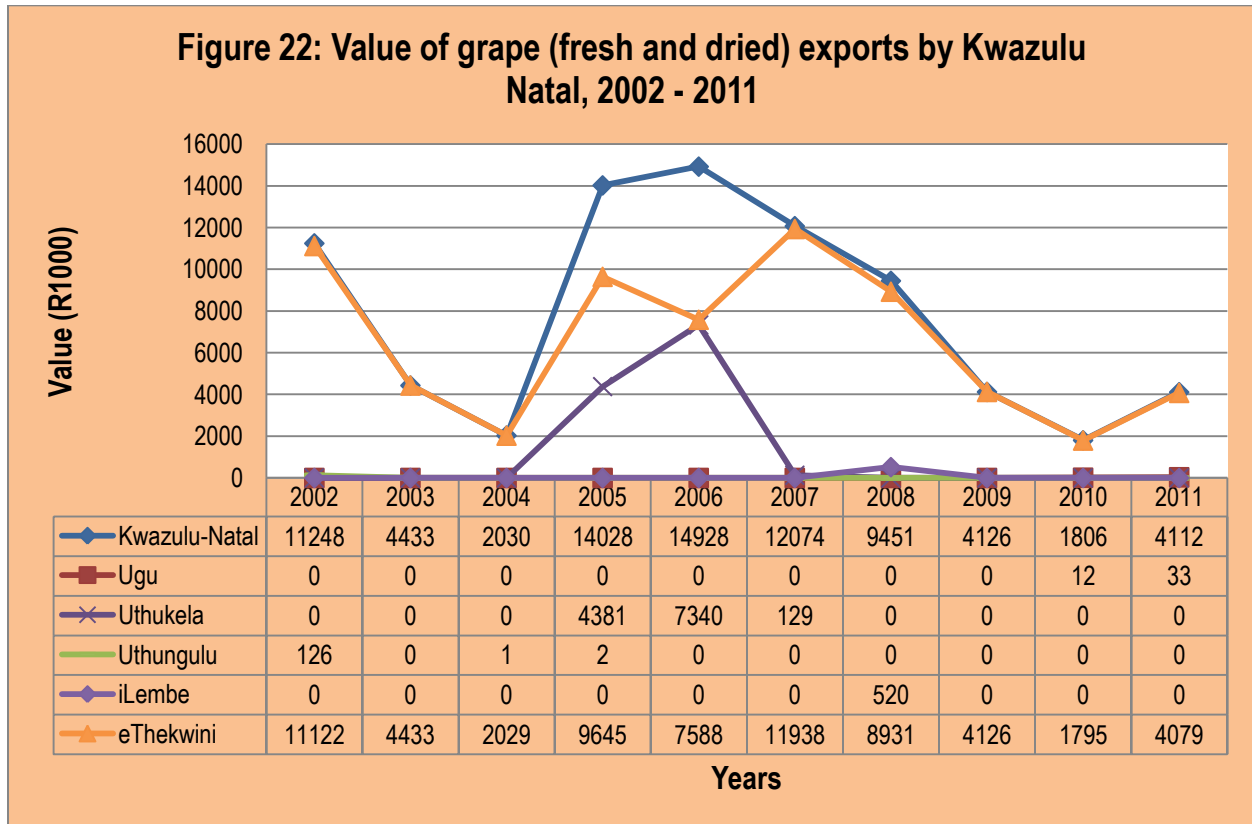
Figure 21: Value of grape (fresh and dried) exports by the Eastern Cape, 2002 - 2011



Source: Quantec Easydata

Figure 21 shows that table grape exports from the Eastern Cape Province are mainly from the Nelson Mandela and Cacadu Municipalities. High export values of both municipalities were recorded in 2010 (for Nelson Mandela) and 2004 (for Cacadu). There has been a phenomenal increase in the value of table

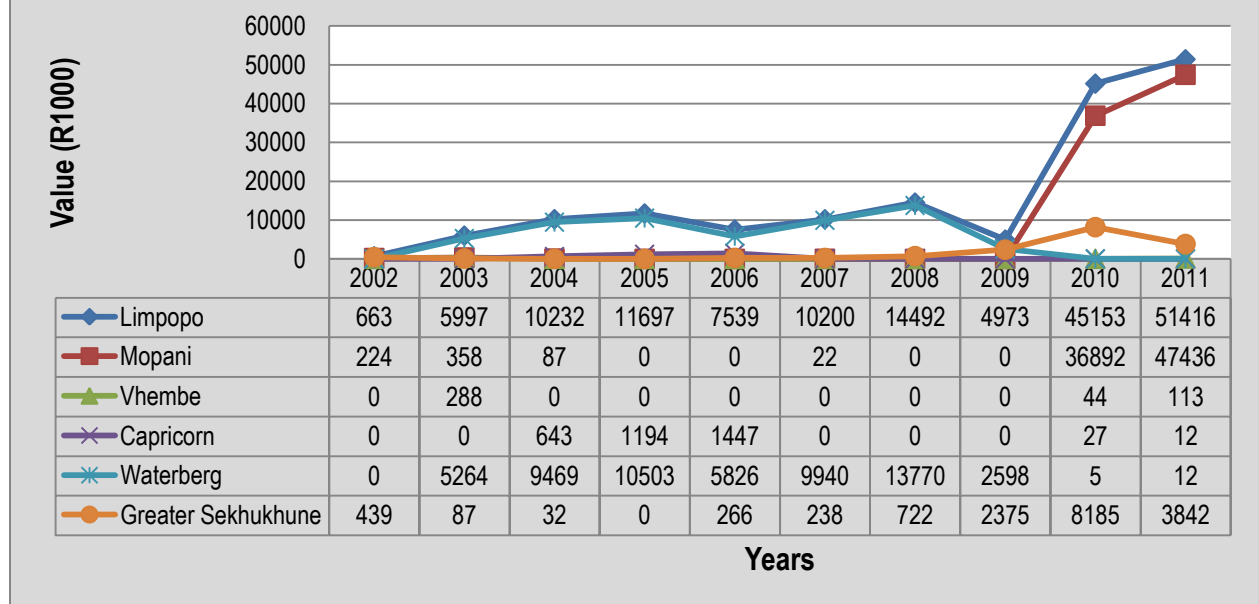
grape exports in the Nelson Mandela Metropolitan Municipality since 2003. The use of the Port Elizabeth harbour as an exit point may have played a major role in the metropolitan municipality being a leader in the export of table grapes from the Eastern Cape Province. Grapes worth R28 million were exported by the Nelson Mandela district during 2011. Values of grape exports from Kwazulu Natal province are shown in Figure 22.



Source: Quantec Easydata

Table grape exports from the Kwazulu Natal province are mainly from Ethekwini Metropolitan Municipality. High export values for the leading municipality were recorded in 2007. The use of the Durban harbour as an exit point may have played a major role in Ethekwini being a leader in the export of table grapes from the Kwazulu Natal province. There have been major fluctuations in the values of grape exports reported especially from the eThekwini district during the past decade. Table grapes worth R4.1 million were exported by Kwazulu Natal province in 2011. Values of table grapes exported by the eThekwini municipality decreased from R11.9 million in 2007 to R4 during 2011. Values of grape exports from Limpopo province are presented in Figure 23.

Figure 23: Value of grape (fresh and dried) exports by Limpopo, 2002 - 2011

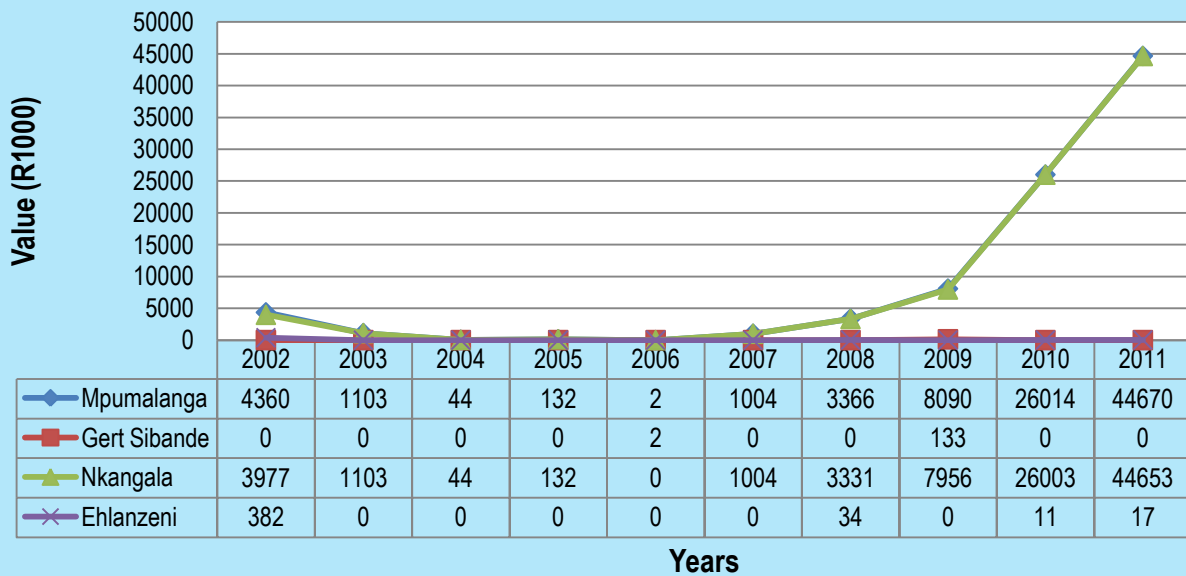


Source: Quantec Easydata

Figure 23 shows that table grape exports from the Limpopo province are mainly from Waterberg and Greater Sekhukhune districts. High export values for both district municipalities were recorded in 2008 (for Waterberg) and 2010 (for Greater Sekhukhune). The Mopani district has however emerged as a leading exporter of table grapes during the last two years. R47 million worth of table grapes were exported by Mopani district in 2011 and this was up from the R45 million recorded by the district in 2010. Values of grape exports from Mpumalanga province are presented in Figure 24.

It is clear from Figure 24 that table grape exports from the Mpumalanga province are mainly from Nkangala District Municipality. High export values for the leading district municipality were recorded in 2011. However, the export values for Nkangala have been on a decline since 2002 until 2006, before picking up again in 2007. Since then exports have increased exponentially, reaching R44 million in 2011.

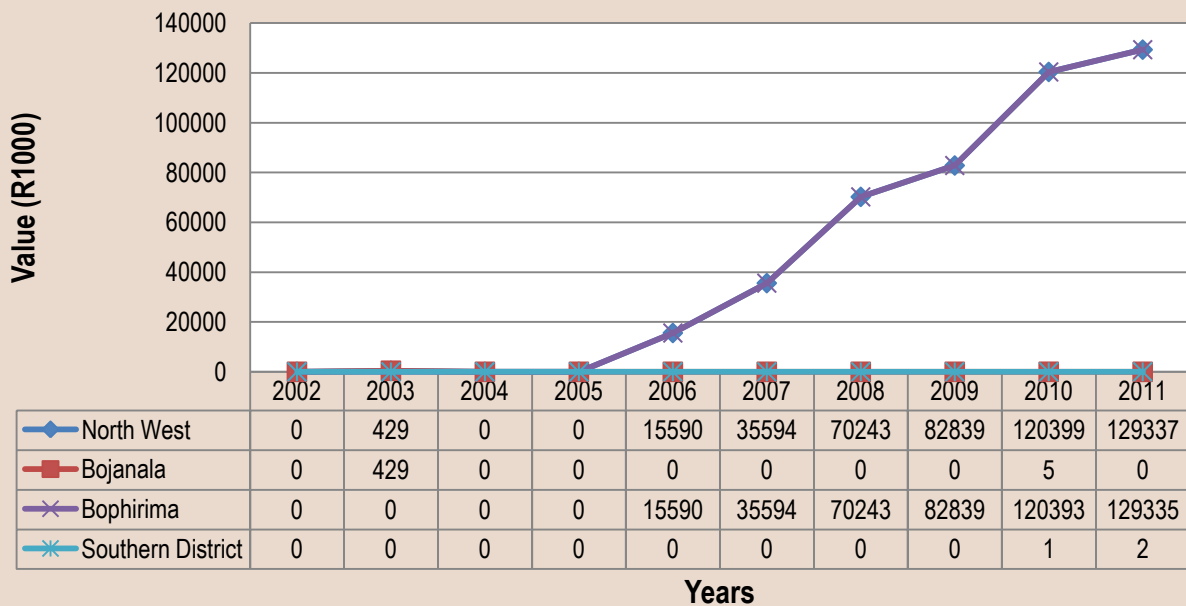
Figure 24: Value of grape (fresh and dried) exports by Mpumalanga, 2002 - 2011



Source: Quantec Easydata

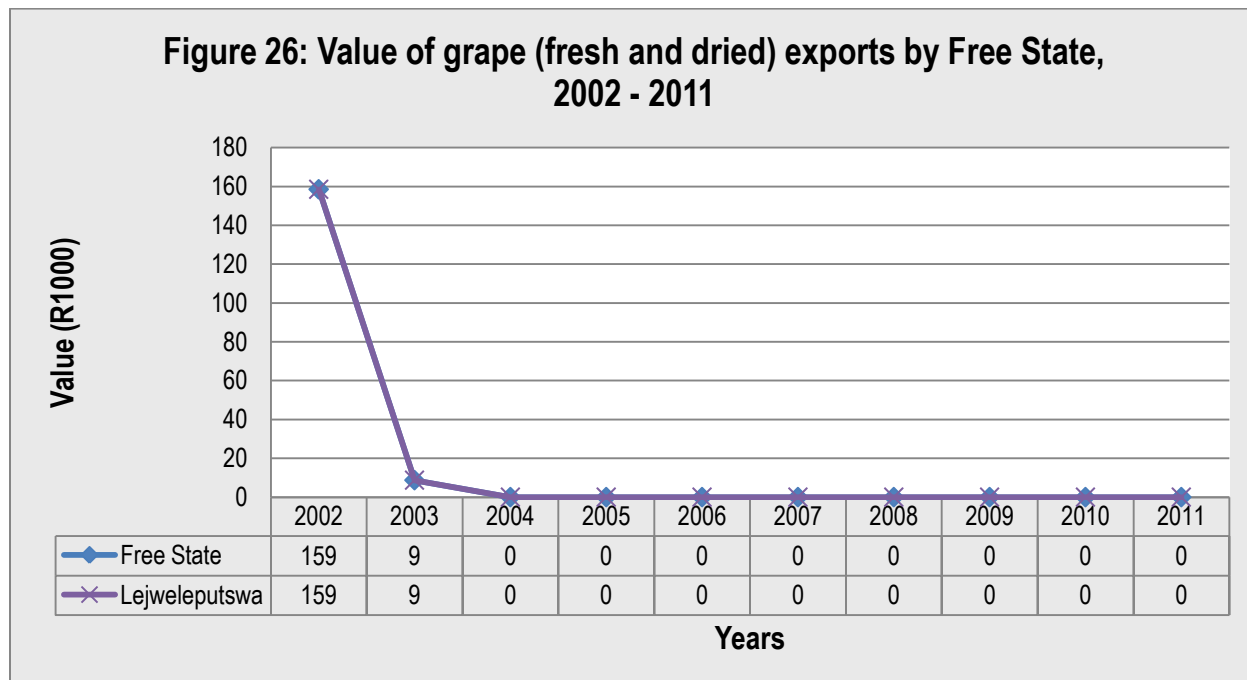
Values of grape exports from North West province are depicted in Figure 25.

Figure 25: Value of grape (fresh and dried) exports by North West, 2002 - 2011



Source: Quantec Easydata

Figure 25 shows that table grape exports from the North West province are mainly from Bophirima District Municipality. High export values for the leading district municipality were recorded in 2011. Exports from the leading municipality have increased significantly since 2006, reaching R129 million during 2011. Values of grape exports from the Free State province are shown in Figure 26.



Source: Quantec Easydata

It is clear from Figure 26 that the Free State Province never reported exports of grapes since 2004.

2.4 Share analysis

Table 4 is an illustration of provincial shares towards national table grape exports. It shows that the Western Cape Province has commanded the greatest share of table grape exports for the past ten years. The Western Cape accounted for 83.4% of the total exports of table grapes from South Africa in 2011. This is in spite of the fact that the Northern Cape Province is the other leading producer of table grapes. The Northern Cape contributed about 7.8% in 2011 and the North West province accounted for 3.8 % during the same year. As explained earlier, this means that the leading export province (Western Cape) derive its advantage from the fact that the registered exporters are based in that province and also has the exit point for table grape exports in the form of the Cape Town harbour. The above scenario raises concerns about the availability of marketing infrastructure and agro-logistics in the other major table grape producing province of South Africa like the Northern Cape.

Table 4: Share of provincial table grape exports to the total South Africa's table grape exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
RSA	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Western Cape	81.3	85.5	86.5	84.4	84.3	86.7	86.1	84.8	82.4	83.4
Eastern Cape	0.1	0.2	1.2	1.1	0.8	1.2	1.1	0.9	1.2	0.8

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Northern Cape	7.5	5.2	3.7	5.3	5.1	5.2	8.2	9.8	10.0	7.8
Free State	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kwazulu-Natal	0.7	0.3	0.1	0.7	0.8	0.5	0.3	0.1	0.0	0.1
North West	0.0	0.0	0.0	0.0	0.8	1.4	2.3	2.4	3.3	3.8
Gauteng	10.0	8.3	8.0	7.9	7.9	4.6	1.5	1.5	1.1	1.2
Mpumalanga	0.3	0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.7	1.3
Limpopo	0.0	0.4	0.5	0.6	0.4	0.4	0.5	0.1	1.2	1.5

Source: Calculated from Quantec Easydata

The following tables (Table 5 - 13) show the share of district table grape exports to the total provincial table grape exports. Table 5 presents the share of district table grape exports to the total Western Cape provincial table grape exports for the years 2002 to 2011. The leading districts in Western Cape table grape exports in 2011 were the City of Cape Town (66.2%) and the Cape Winelands (33.5%). The remaining 0.3% came from the West Coast, Overberg and Eden districts. The dominance of the City of Cape Town can be explained by the fact that both the harbour and the airport are found in this district.

Table 5: Share of district table grapes to the total Western Cape provincial table grape exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Western Cape	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
City of Cape Town	71.8	48.9	45.2	51.1	64.5	62.7	70.0	69.7	71.1	66.2
West Coast	1.0	1.2	0.9	1.3	1.1	1.5	1.8	0.1	0.1	0.1
Cape Winelands	26.5	48.0	52.1	46.6	34.3	35.7	28.2	30.2	28.8	33.5
Overberg	0.1	0.3	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.1
Eden	0.6	1.6	1.7	1.1	0.0	0.0	0.0	0.0	0.0	0.1

Source: Calculated from Quantec Easydata

The share of district table grape exports to the Gauteng provincial table grape exports is presented in Table 6. The major contributors to total Gauteng provincial table grape exports are the City of Johannesburg (65.1% in 2011) and Ekurhuleni (28.3%). Collectively, the two districts accounted for over 93% of total Gauteng table grape exports in 2011. The shares of Ekurhuleni and the City of Johannesburg increased significantly between 2010 and 2011 while the shares of the City of Tshwane and the West Rand declined during the same period.

Table 6: Share of district table grape exports to total Gauteng provincial table grape exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gauteng	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sedibeng	0.0	0.0	0.0	0.2	0.3	0.3	0.7	0.0	0.0	0.0
West Rand	0.0	0.2	0.0	0.0	0.0	0.4	0.7	21.2	3.1	1.9
Ekurhuleni	2.6	5.2	0.1	0.4	5.8	49.8	5.4	14.1	24.6	28.3
City of Johannesburg	14.3	26.9	28.8	28.9	35.5	46.2	73.4	49.9	64.5	65.1
City of Tshwane	83.1	67.8	71.0	70.0	58.4	3.4	19.8	14.7	7.8	4.6

Source: Calculated from Quantec Easydata

Between 2002 and 2010, all reported table grape exports from the Northern Cape Province were from the Siyanda district (see Table 7).

Table 7: Share of district table grapes to the total Northern Cape provincial table grapes exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Northern Cape	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Pixley ka Seme	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Siyanda	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	99.9

Source: Calculated from Quantec Easydata

Table 8 presents the share of district table grape exports to the total Eastern Cape provincial table grape exports for the period 2002 to 2011. Since 2005, almost all reported table grape exports in the Eastern Cape were from the Nelson Mandela district.

Table 8: Share of district table grape exports to the total Eastern Cape provincial table grape exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Cape	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cacadu	99.9	0.0	31.6	4.7	0.0	0.0	0.1	0.0	0.0	0.0
Amatole	0.1	18.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nelson Mandela	0.0	81.1	68.4	95.3	100.0	100.0	99.9	100.0	100.0	100.0

Source: Calculated from Quantec Easydata

The share of district table grape exports to the total Kwazulu Natal provincial table grape exports is presented in Table 9. The eThekweni district is the leading exporter of table grapes from Kwazulu Natal, accounting for 99.2% of the total exports of table grapes in 2011. This can be explained by the presence of the Durban harbour as a port of exit for table grape exports. The Ugu district contributed 0.8% to total Kwazulu Natal exports of grapes in 2011.

Table 9: Share of district table grapes exports to the total Kwazulu Natal provincial table grapes exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Kwazulu Natal	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Ugu	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.8
Uthukela	0.0	0.0	0.0	31.2	49.2	1.1	0.0	0.0	0.0	0.0
Uthungulu	1.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
iLembe	0.0	0.0	0.0	0.0	0.0	0.0	5.5	0.0	0.0	0.0
eThekweni	98.9	100.0	99.9	68.8	50.8	98.9	94.5	100.0	99.4	99.2

Source: Calculated from Quantec Easydata

In the Limpopo province, the leading districts in terms of table grape exports are the Mopani and Greater Sekhukhune districts, accounting for almost 100% of total Limpopo table grape exports in 2010 and 2011 (see Table 10). Mopani district accounted for 92.3% of the total exports of table grapes by the Limpopo province in 2010 while 7.5% came from the Greater Sekhukhune district.

Table 10: Share of district table grapes to the total Limpopo provincial table grape exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Limpopo	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mopani	33.8	6.0	0.9	0.0	0.0	0.2	0.0	0.0	81.7	92.3
Vhembe	0.0	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2
Capricorn	0.0	0.0	6.3	10.2	19.2	0.0	0.0	0.0	0.1	0.0
Waterberg	0.0	87.8	92.5	89.8	77.3	97.5	95.0	52.2	0.0	0.0
Greater Sekhukhune	66.2	1.5	0.3	0.0	3.5	2.3	5.0	47.8	18.1	7.5

Source: Calculated from Quantec Easydata

All reported table grape exports in the Mpumalanga province during 2011 were from the Nkangala district (see Table 11).

Table 11: Share of district table grapes exports to the total Mpumalanga provincial table grapes exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mpumalanga	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Gert Sibande	0.0	0.0	0.0	0.0	100.0	0.0	0.0	1.6	0.0	0.0
Nkangala	91.2	100.0	100.0	100.0	0.0	100.0	99.0	98.4	100.0	100.0
Ehlanzeni	8.8	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0

Source: Calculated from Quantec Easydata

The Bophirima district in the North West has been the sole contributor to total North West provincial table grape exports since 2006 (see Table 12).

Table 12: Share of district table grapes to the total North West provincial table grapes exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
North West	0.0	100.0	0.0	0.0	100.0	100.0	100.0	100.0	100.0	100.0
Bojanala	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bophirima	0.0	0.0	0.0	0.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculated from Quantec

According to Table 13, no table grape exports were recorded in the Free State province since 2004.

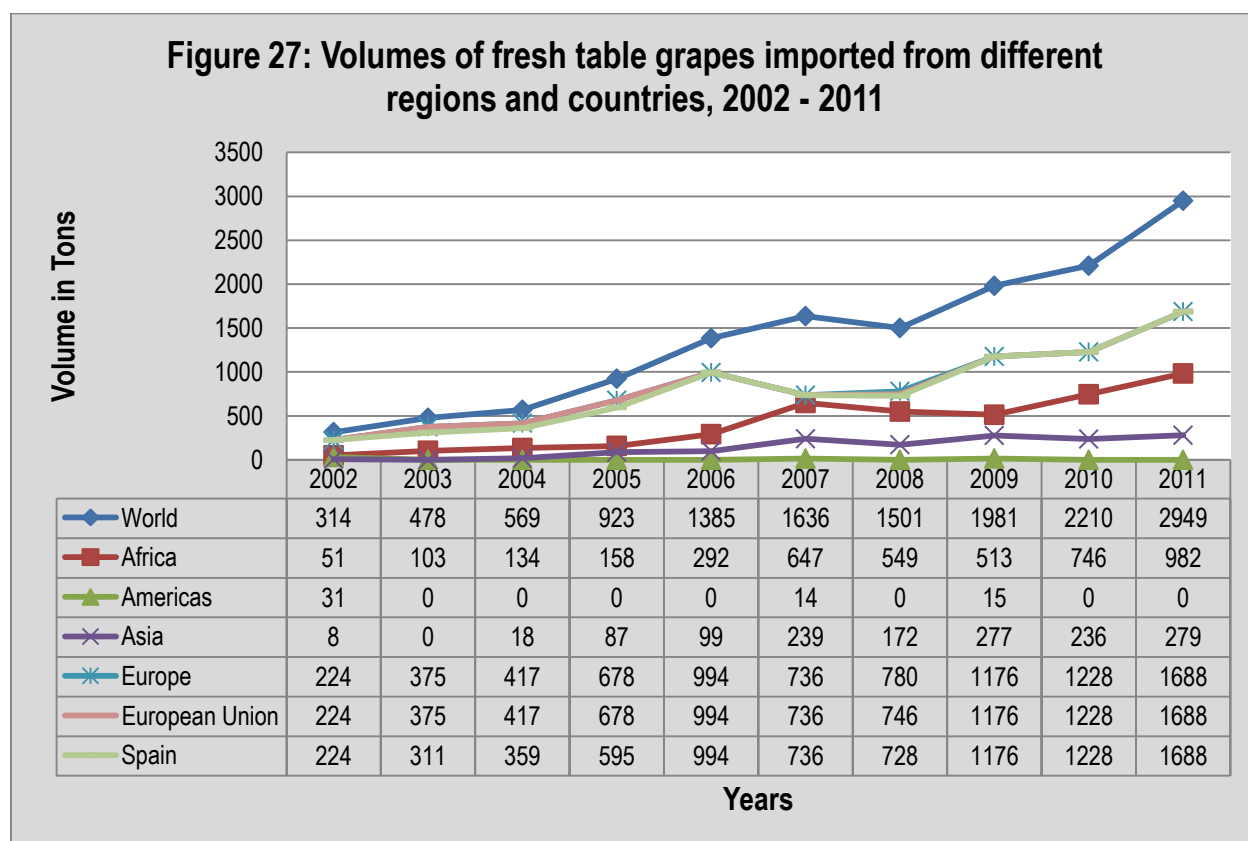
Table 13: Share of district table grape exports to the total Free State provincial table grape exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Free State	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lejweleputswa	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Calculated from Quantec

2.5 Imports (fresh and dried grapes)

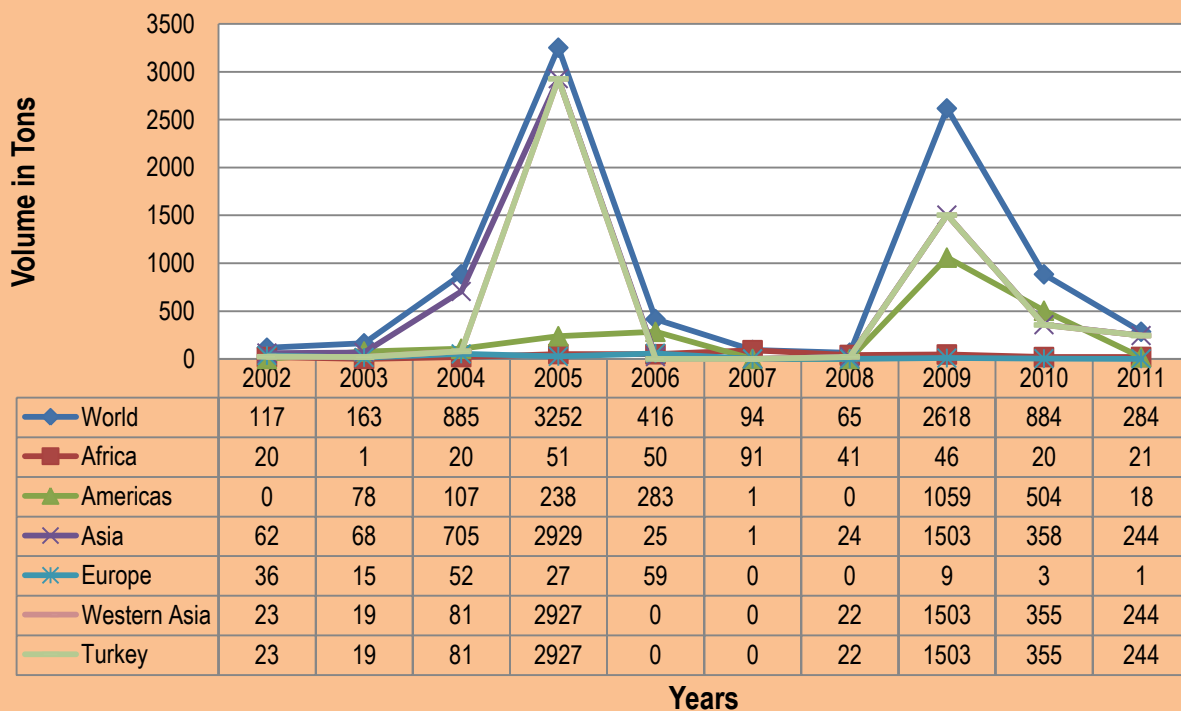
The quantities of fresh table grapes imported by South Africa during the last ten years are presented in Figure 27. A total volume of 2 949 tons of fresh grapes were imported by South Africa during 2011. This was 33% higher than the volume imported in 2010 and 839% higher than the volume imported in 2002. Continentally, the main source of South Africa's fresh grapes imports in 2011 was Europe. The continent accounted for 57% of total South African fresh grapes imports in 2011. Within Europe, the European Union was the major supplier of fresh grapes to South Africa, accounting for all imports from Europe in 2011. Moreover, the major supplier of fresh grape imports within the European Union during 2011 was Turkey, accounting for all European Union exports of fresh grapes to South Africa during the past three years (2009 to 2011).



Source: Quantec Easydata

Volumes of dried grapes imported by South Africa during the last decade are presented in Figure 28. Dried grapes weighing 284 tons were imported by South Africa during 2011. The imported quantity was 69% lower than the quantity imported in 2010 and 143% higher than the quantity imported in 2002. During 2011, the main source of South Africa's dried grapes imports was Asia which accounted for 86% to total dried grapes import by South Africa. Within Asia, the main region supplying dried grapes to South Africa in Western Asia. All imports of dried grapes recorded in South Africa that came from Asia in 2011 were from Western Asia and the main supplier within Western Asia was Turkey (see Figure 28).

Figure 28: Volumes of dried grapes imported from different regions and countries, 2002 - 2011



Source: Quantec Easydata

3. MARKET INTELLIGENCE

3.1 Competitiveness of South African table grape exports

Competitiveness is described as an industry's capacity to create superior value for its customers and improved profits for the stakeholders in the value chain. The driving force in sustaining a competitive position is productivity that is output efficiency in relation to specific inputs with regard to human, capital and natural resources. In 2011 South African fresh grape exports represented 6.15% of world exports and its ranking on the world exports was number 5 whereas South African dried grape exports represented 2.37% of world exports and its ranking on the world exports was number 8.

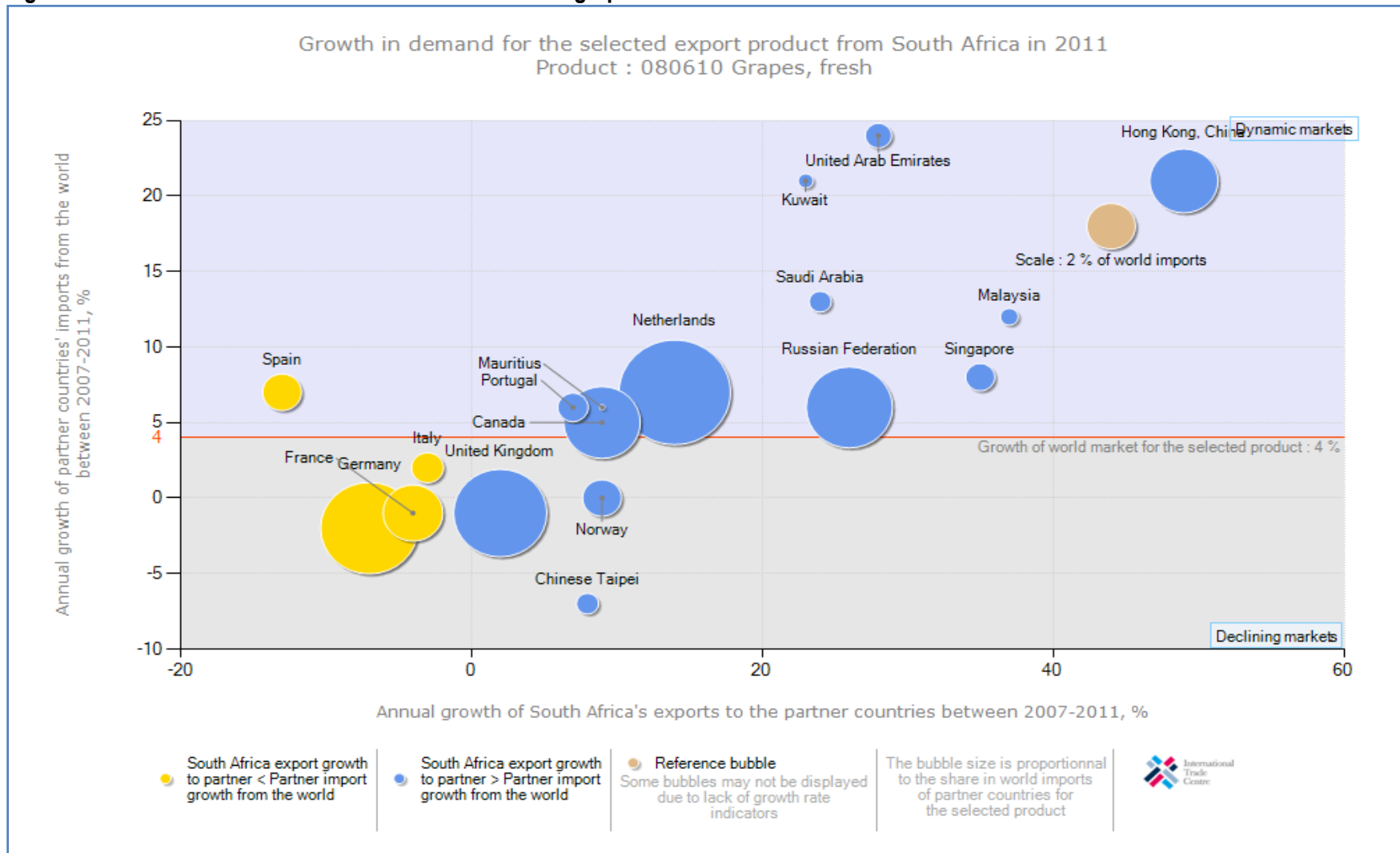
As depicted on Figure 29 below, South African fresh grape exports are growing faster than the world imports in Hong Kong, Malaysia, Singapore, United Arab Emirates, Kuwait, Saudi Arabia, Russia, Netherlands, Mauritius, Portugal, and Canada. South Africa's performance in those markets can be regarded as gains in dynamic markets.

South African fresh grapes exports are growing while the world imports are declining in the Norway, Chinese Taipei and the UK. South Africa's performance in those markets can be regarded as gains in declining markets and should be viewed as achievement in adversity.

At the same time, South African fresh grape exports have declined faster than the world imports in Italy, Germany and France markets. South Africa's performance in those markets can be regarded as a loss in declining markets.

South African fresh grape exports are declining while the world imports are growing in Spain. This market is dynamic and South Africa's performance should be regarded as an underachievement.

Figure 29: Growth in demand for the South African fresh grapes in 2011



Source: TradeMap, ITC

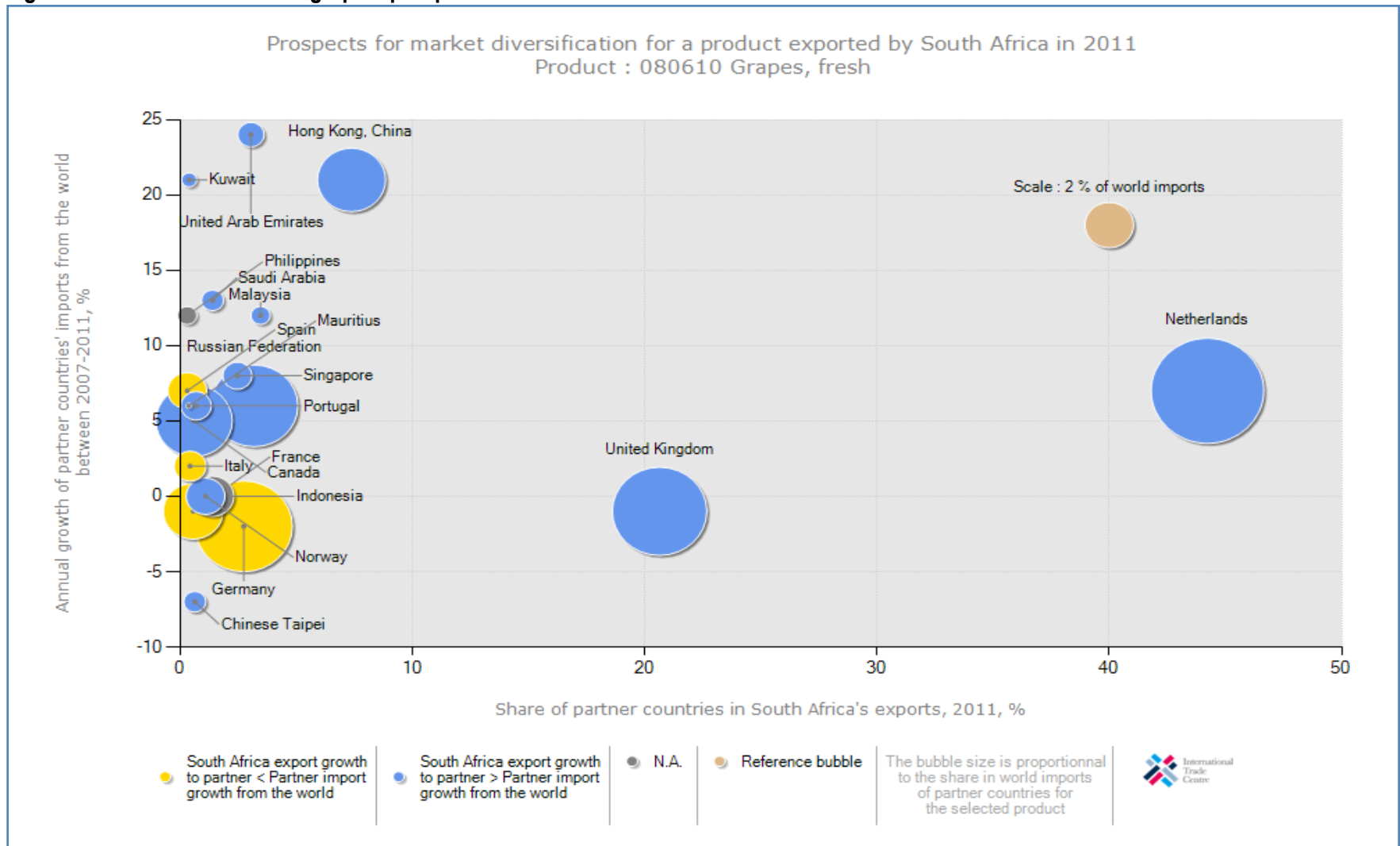
Figure 30 below illustrates prospects for market diversification by South African exporters of fresh grapes. The Netherlands, the United Kingdom and Hong Kong hold a bigger market share of South African fresh grapes.

In terms of market size, USA was the largest fresh grapes market in 2011 with just over \$1.2 billion worth of fresh grapes imports, or roughly 15.8% of the world fresh grapes market. Second was the Netherlands with just over \$913 million worth of fresh grapes imports, or roughly 12% market share followed by Germany with just over \$674 million worth of fresh grapes imports, or roughly 8.9% market share. Fourth was the United Kingdom with just over \$633 million worth of fresh grapes imports, or roughly 8.3% market share.

Whilst four countries dominate world fresh grapes imports, it is interesting to note that countries like the United Arab Emirates, together with Kuwait and Hong Kong have experienced higher annual growth rate in value from 2007 – 2011. The United Arab Emirates experienced an annual growth rate of 24% while Kuwait and Hong each experienced an annual growth rate of 21%. It is important to note that growth by both countries has been off a low base. These countries also represent possible lucrative markets for South African fresh grapes producers.

It is also important to note that imports of fresh grapes from the world to countries such as the United Kingdom, Netherlands, France and Ireland declined between 2007 and 2011 and as a result these countries recorded negative growth in imports.

Figure 30: South African fresh grapes' prospect for market diversification in 2011



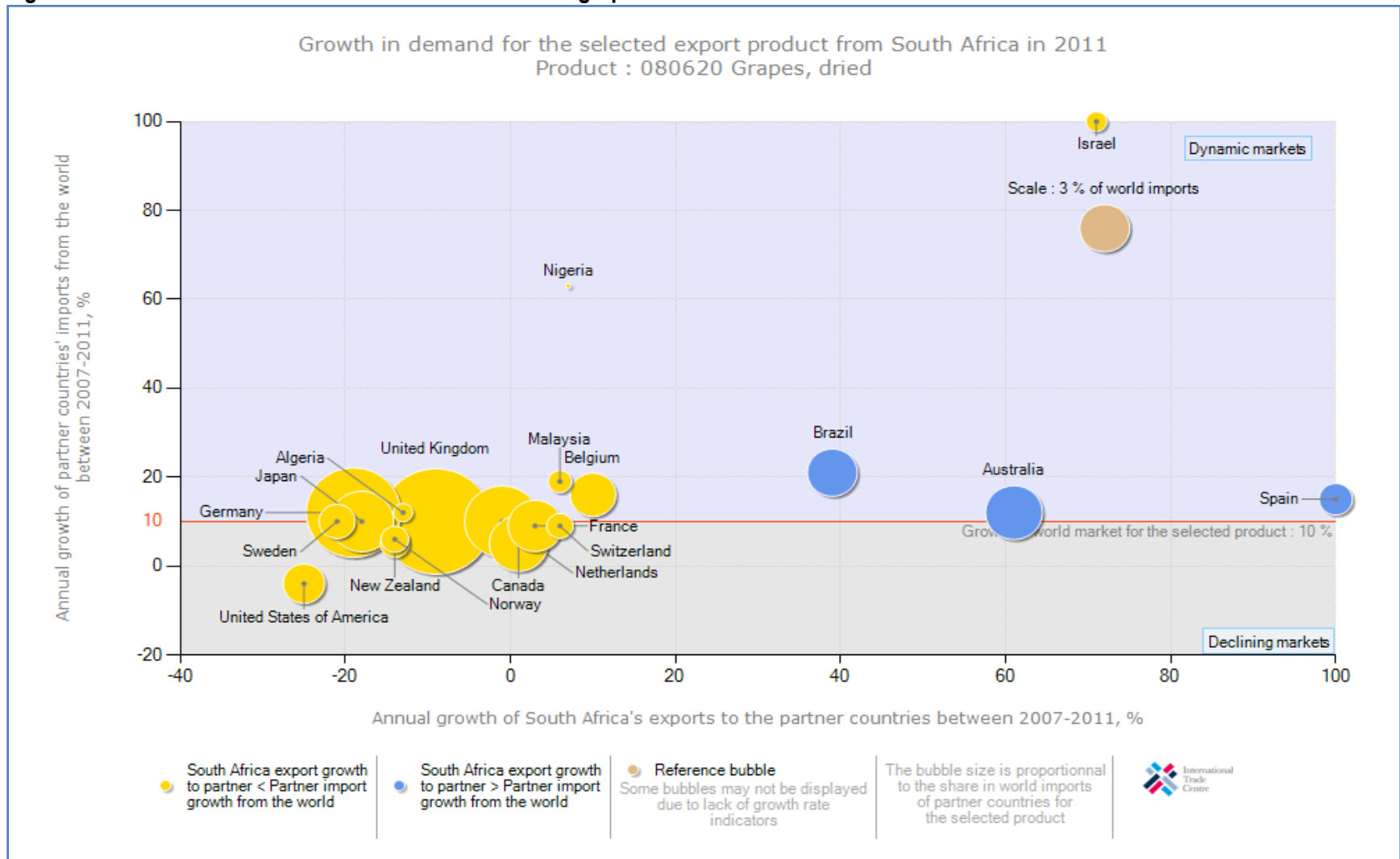
Source: TradeMap, ITC

As depicted on Figure 31 below, South African dried grape exports are growing faster than the world imports in Spain, Australia and Brazil. South Africa's performance in those markets can be regarded as gains in dynamic markets.

At the same time, South African dried grape exports have declined faster than the world imports in the United States of America, New Zealand, Norway, Canada, Netherlands, France, Switzerland, and Japan markets. South Africa's performance in those markets can be regarded as a loss in declining markets.

South African fresh grapes exports are declining while the world imports are growing in Belgium, Malaysia, Israel, and Nigeria markets. These markets are dynamic and South Africa's performance in these markets should be regarded as an underachievement.

Figure 31: Growth in demand for the South African dried grapes in 2011



Source: TradeMap, ITC

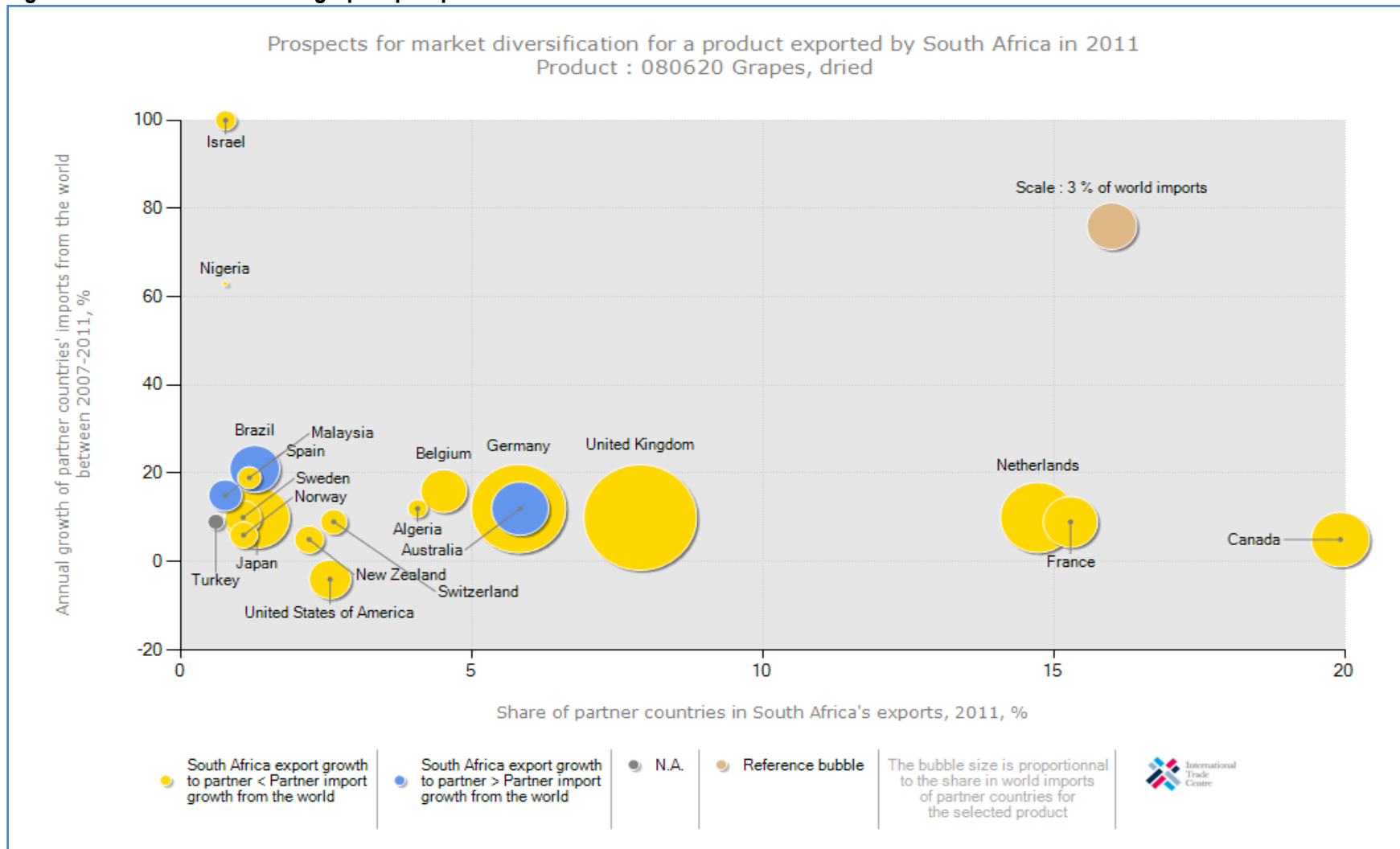
Figure 32 below illustrates prospects for market diversification by South African exporters of dried grapes. Canada, France, Netherlands and the United Kingdom hold a bigger market share of South African dried grapes.

In terms of market size, the UK was the largest dried grapes market in 2011 with just over \$290 million worth of dried grapes imports, or roughly 17.1% of the world dried grapes market. Second was Germany with just over \$ 206 million worth of dried grapes imports, or roughly 12.1% market share followed by the Netherlands with just over \$125 million worth of dried grapes imports, or roughly 7.4% market share.

Whilst three countries dominate world dried grapes imports, it is interesting to note that countries like Israel and Nigeria have experienced higher annual growth rate from 2007 – 2011. Israel experienced an annual growth rate of 149% while Nigeria experienced an annual growth rate of 63%. These countries also represent possible lucrative markets for South African dried grapes producers.

It is also important to note that imports of dried grapes from the world to countries such as the United States of America declined between 2007 and 2011 and as a result this country recorded negative growth in imports.

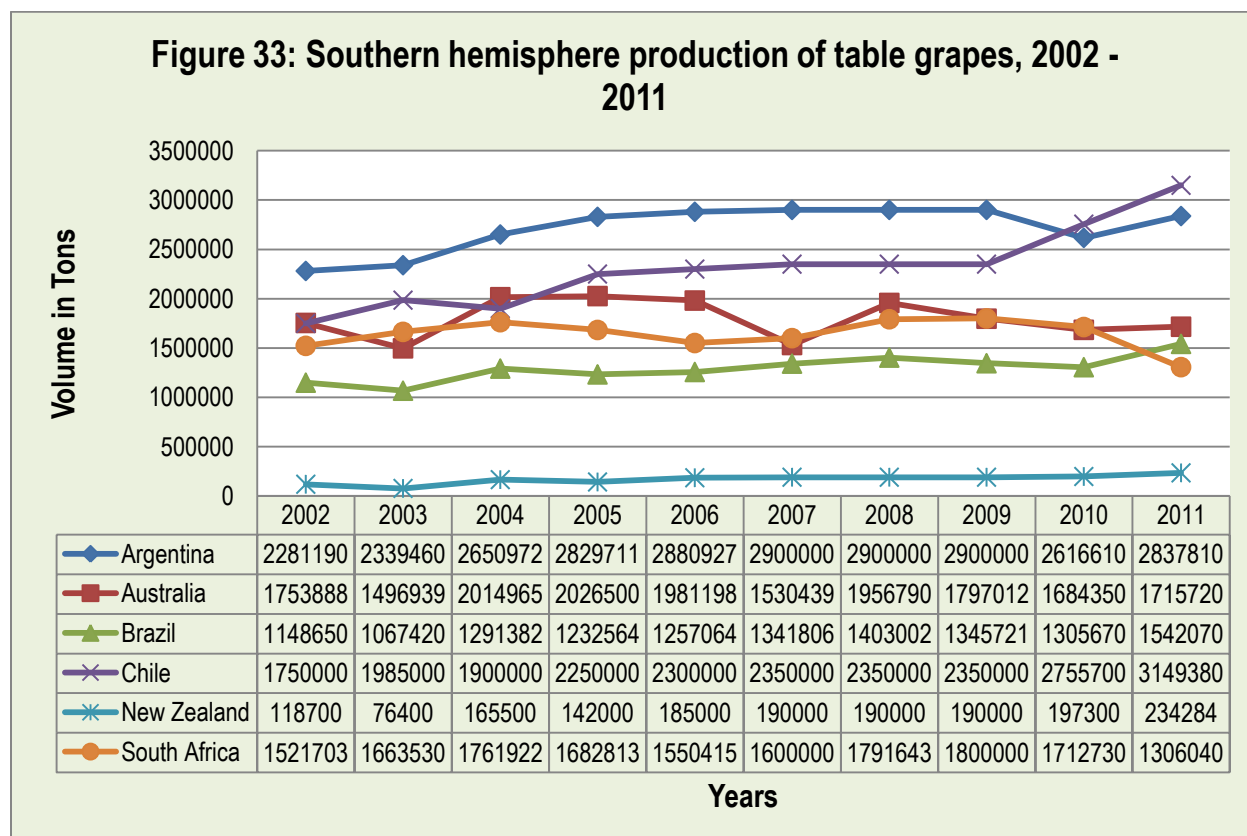
Figure 32: South African dried grapes' prospects for market diversification in 2011



Source: TradeMap, ITC

3.2 South Africa vs. Southern hemisphere production

Figure 33 presents southern hemisphere's production of grapes for the period 2002 to 2011. Approximately 10 785 304 tons of table grapes were produced in the southern hemisphere during 2011. It is clear that South Africa was the fifth largest producer (1.7 million tons in 2011) of table grapes in the southern hemisphere after Chile, Argentina, Australia and Brazil. All these countries are vying for the lucrative European and North American markets.



Source: FAOSTAT

The fact that a country can produce a large output does not necessarily mean it will be a big net exporter as this depends on the size of the domestic market and whether excess produce is harvested. In the case of Argentina, the second largest producer of table grapes in the southern hemisphere during 2011, the domestic market is so large that the country exports relatively little. Argentina only contributed approximately 10.51% to the total southern hemisphere table grape exports in 2011 (see Table 14 below). Australia, the third largest producer of table grapes in the southern hemisphere in 2011, only contributed 5.78% to the total southern hemisphere table grape exports in 2011.

3.3 South Africa vs. Southern hemisphere exports in 2011

South Africa' main competitors from the southern hemisphere in the EU market for table grape exports are Brazil, Argentina and Peru. Southern hemisphere exports of table grapes during 2010 are presented in Table 14. Chile is by far the largest table grape exporter from the Southern hemisphere with 62.93% market share in 2010. South Africa was the leading exporter of fresh grapes from the southern hemisphere in

2011, accounting for approximately 47% of total southern hemisphere exports of fresh grapes during 2011. It was followed by Peru at approximately 23% during the same year.

Table 14: Southern hemisphere exports of table grapes, 2011

Country	Export - Quantity in Metric Tons (MT)	Contribution to Southern Hemisphere Exports (%)
World exports	3 004 135	
Southern Hemisphere	528 606	100.00
Argentina	55 558	10.51
Australia	30 554	5.78
Brazil	59 391	11.23
Chile	853	0.16
New Zealand	186	0.04
Namibia	13 788	2.61
South Africa	248 461	47.00
Peru	119 815	22.67

Source: Trademap, ITC

Argentina primarily exports to the EU countries (mainly Netherlands and Belgium), the rest of Europe (mainly Russia) and within the South American markets (particularly Brazil). Brazil exports table grapes primarily to the EU countries (mainly Netherlands and UK), the rest of Europe (mainly Norway) and North America (particularly USA). Peru exports table grapes primarily to the EU countries (mainly Netherlands and UK), Far East (mainly Hong Kong) North America (particularly USA).

Namibia primarily exports to the EU countries (mainly Netherlands and UK), the rest of Europe (mainly Russia and Ukraine) and within the Southern African Development Community (SADC) markets (mainly South Africa). Australia primarily exports to the Far East countries such as Hong Kong, Indonesia, Singapore and Malaysia whereas New Zealand produces primarily for local markets and exports very little. Both Australia and New Zealand pose no serious threat for South Africa in all the leading import markets such as the EU and NAFTA. Of particular interest is the fact that South Africa is increasingly diversifying its markets for exports of table grapes. Recent data indicate a shift from the traditional EU markets to the Middle and Far East markets.

4. MARKET ACCESS

Barriers to trade can be divided into tariff barriers (including quotas, ad valorem tariffs, specific tariffs and entry price systems) and non tariff barriers (sanitary and phytosanitary measures, labels, etc). The main markets for fruit (including table grapes) employ various measures, both tariff and non tariff to protect the domestic industries. Whilst many of the non tariff measures can be justified under the auspices of issues such as health and standards, the tariff measures are increasingly under the scrutiny of the World Trade Organization (WTO), and as such are gradually being phased out. Nevertheless, exporters need to be aware of all the barriers that they may encounter when trying to get their produce on foreign shelves.

4.1 Tariffs, quotas and the price entry system

Tariffs are either designed to earn government revenue from products being imported or to raise the price of imports so as to render local produce more competitive and protect domestic industries.

Quotas can be used to protect domestic industries from excessive imports originating from areas with some form of competitive advantage (which can therefore produce lower cost produce). Tariffs and quotas are often combined, allowing the imports to enter at a certain tariff rate up to a specified quantity. Thereafter, imports from that particular region will attract higher tariffs, or will not be allowed at all. This phenomenon is referred to as tariff-rate quotas (TRQs).

The entry price system, which is used in many northern hemisphere markets, makes use of multiple tariff rates during different periods when domestic producers are trying to sell their produce, and lower the tariffs during their off-season. Alternatively, the tariff rate can be a function of a market price – if the produce enters at a price which is too low (and therefore likely to be too competitive), it qualifies for a higher tariff schedule.

Whilst tariff regulations can be prohibitive and result in inferior market access, it is often the non-tariff barriers that restrict countries like South Africa from successfully entering the large developed markets. Many of these barriers revolve around different types of standards, including sanitary and phytosanitary standards (SPS), food health and safety issues, food labelling and packaging, organic produce certification, quality assurance and other standards and grades. Table 15 presents tariffs applied by the top export markets to fresh grapes originating from South Africa during 2011. The European Union member states that featured in the top-ten list of export destinations for South African fresh grapes include the Netherlands, United Kingdom and Germany. Tariffs for these countries are reported collectively as EU tariffs.

Table 15: Tariffs applied by various export markets to fresh grapes originating from South Africa

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
European Union	0806101005	Fresh table grapes : Of the variety Emperor (Vitis vinifera c.v.), from 1 January to 31 January and from 1 December to 31 December	MFN duties (Applied)	0.00%	0.00%
	0806101091	Fresh table grapes : Other : Seedless	Preferential tariff for South Africa	0.00%	0.00%
	0806101099	Fresh table grapes : Other	Preferential tariff for South Africa	0.00%	0.00%
	0806109000	Fresh grapes (excl. table grapes)	Preferential tariff for South Africa	0.00%	0.00%
Hong Kong	08061000	Grapes, fresh or dried: Fresh	MFN duties (Applied)	0.00%	0.00%
Malaysia	08061000	Fresh grapes	MFN duties (Applied)	5.00%	5.00%
Russia	0806101000	Fresh grapes:	General	5.00%	5.00%

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
		table grapes	tariff(MFN)		
	0806109000	Fresh grapes: other	General tariff(MFN)	5.00%	5.00%
United Arab Emirates	08061000	Grapes, fresh or dried: Fresh	MFN duties (Applied)	0.00%	0.00%
Singapore	08061000	Grapes fresh	MFN duties (Applied)	0.00%	0.00%
Saudi Arabia	08061000	Grapes, fresh or dried: Fresh	General tariff	0.00%	0.00%
Indonesia	0806100000	Grapes, fresh or dried: Fresh	MFN duties (Applied)	5.00%	5.00%
Norway	08061011	Grapes, fresh or dried: Fresh From 1 August to 28/29 February Table grapes	MFN duties (Applied)	0.00%	0.00%
	08061019	Grapes, fresh or dried: Fresh From 1 August to 28/29 February Other	MFN duties (Applied)	0.00%	0.00%
	08061091	Grapes, fresh or dried: Fresh From 1 March to 31 July Table grapes	MFN duties (Applied)	0.00%	0.00%
	08061099	Grapes, fresh or dried: Fresh From 1 March to 31 July Other	MFN duties (Applied)	0.00%	0.00%
Chinese Taipei	08061000	Fresh grapes	General tariff	20.00%	20.00%

Source: Market Access Map, ITC

South Africa had a preferential trading agreement (PTA) with the European Union (EU) known as the Trade, Development and Cooperation Agreement (TDCA). The TDCA provided for the progressive introduction of a Free Trade Area (FTA). The EU is South Africa's main trading and investment partner. The FTA aimed to ensure better access to the Community market for South Africa and access to the South African market for the EU. The agreement covered around 90% of bilateral trade between the two parties and provided for the liberalisation of 95% of the EU's imports from South Africa within ten years and 86% of South Africa's imports from the EU in twelve years. In order to protect the vulnerable sectors of both parties, certain products were excluded from the FTA and others have been partially liberalised. For the EU, these are mainly agricultural products, while for South Africa, they are industrial products. The TDCA has however lapsed and the parties are now negotiating an Economic Partnership Agreement (EPA). In the meantime, tariffs that existed before the lapsing of the agreement are still applicable.

As can be seen in Table 15, South African fresh had preferential access into the EU market through the TDCA. On the other hand the Southern African Customs Union (SACU), of which South Africa is a

member, has a preferential trade agreement with the European Free Trade Association (EFTA). EFTA member states include Switzerland, Iceland, Norway and Lichtenstein. South African exports of fresh grapes therefore enter the EFTA market through tariffs as per the agreement between SACU and EFTA. As can be seen in Table 15 South African fresh grapes enter Norway duty-free through MFN duties. It appears that fresh grapes do not form part of the free trade agreement. South African exports of fresh grapes however face of 5% in Russia, Indonesia and Malaysia and 20% in the Chinese Taipei.

Table 16 presents tariffs applied by the top export markets to dried grapes originating from South Africa during 2011. The European Union member states that featured in the top-ten list of export destinations for South African fresh grapes include France, Netherlands, United Kingdom, Germany, and Belgium.

Table 16: Tariffs applied by various export markets to dried grapes originating from South Africa

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
European Union	0806201000	Currants	Preferential tariff for South Africa	0.00%	0.00%
	0806203010	Sultanas : In immediate containers of a net capacity not exceeding 2kg	Preferential tariff for South Africa	0.00%	0.00%
	0806203090	Sultanas : Other	Preferential tariff for South Africa	0.00%	0.00%
	0806209000	Dried grapes (excl. currants and sultanas)	Preferential tariff for South Africa	0.00%	0.00%
Canada	08062000	Dried grapes	MFN duties (Applied)	0.00%	0.00%
Australia	08062000	Dried grapes	MFN duties (Applied)	5.00%	5.00%
Algeria	08062000	Raisins, secs	General tariff	30.00%	30.00%
Switzerland	08062000	Raisins, frais ou secs: secs	MFN duties (Applied)	0.00%	0.00%
United States of America	08062010	Raisins, made from dried seedless grapes	Preferential tariff for AGOA countries	0.00%	0.00%
	08062020	Raisins, made from other than seedless grapes	Preferential tariff for AGOA countries	0.00%	0.00%
	08062090	Grapes, dried, other than raisins	Preferential tariff for AGOA countries	0.00%	0.00%
New Zealand	08062000	Dried grapes	MFN duties (Applied)	0.00%	0.00%
Japan	080620000	Grapes, dried	Preferential tariff for GSP countries	0.00%	0.00%
Brazil	08062000	Uvas frescas ou secas (passas): Secas	MFN duties (Applied)	10.00%	10.00%

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
		(passas)			
Malaysia	08062000	Dried grapes	MFN duties (Applied)	5.00%	5.00%

Source: Market Access Map, ITC

Different countries apply different tariffs for fresh and dried table grapes (see Tables 15 and 16). However, South Africa has preferential trading agreements (PTAs) with the EU and EFTA. Furthermore, South Africa has access to the US market under the AGOA which significantly lowers the tariff barriers for South African dried grapes. South African exports of dried grapes face a higher tariff in Algeria (30%) and Brazil (10%). Australia and Malaysia also impose a 5% tariff on dried grapes originating from South Africa.

In reality, the tariffs are likely to be far lower for South Africa when considering the preferential agreements, but at the same time, most tariff structures are particularly complex, with quotas, seasonal tariffs and specific tariffs (an amount per unit rather than a percentage of value) all contributing to many different tariff lines and often higher duties payable than one might have anticipated initially. One must also bear in mind that most tariffs are designated to protect domestic industries, and as such are likely to discriminate against those attempting to compete with the domestic producers of that country.

4.2 European Union (EU)

The EU has a seasonal tariff structures which are highest during the European peak harvesting seasons (the price entry system), quotas and specific tariffs, and various policies that allow, amongst other things, government organizations to purchase produce should supply rise too quickly (and thereby maintain prices), and then release this excess back onto the market as and when supply drops again. The immediate implication of these policies for South Africa is that an opportunity exists to supply table grapes to the European market in the off season periods, as the produce will not compete directly with the European producers and thus would not be liable to a whole array of tariffs and other protective mechanisms.

There are other non-tariff barriers, including the phytosanitary and food health regulations laid down by the EU legislation, marketing standards and certificates of conformity, and the ever changing demand patterns of the EU consumers.

4.2.1 Tariff barriers

The EU applies a system known as entry price system. With this system, the EU establishes an 'entry price' at which produce may enter the EU market, which is not only based on the market price for the current year (demand and supply) and for previous years, but also on the prices of the domestic producers (prices they need to maintain profitability). It is calculated by the regulatory authorities so that it can be used in combination with tariffs and quotas to aid EU's attempts at protecting its agricultural system. The entry price is the minimum price at which produce may enter the market. If the price of the produce is lower than its calculated price, it is liable to have duties imposed upon it over and above any duties/quotas it might originally attract. Agricultural duties are applied as follows:

- When the value of the imported party is between 92% and 94% of the entry price, 8% of the entry price will be added to the normal customs duty.
- When the value of the imported party is between 94% and 96% of the entry price, 6% of the entry price will be added to the normal customs duty.
- When the value of the imported party is between 96% and 98% of the entry price, 4% of the entry price will be added to the normal customs duty.
- When the value of the imported party is between 98% and 100% of the entry price, 2% of the entry price will be added to the normal customs duty.

The entry price system applies to apples, pears and lemons year-round and to citrus fruit, table grapes, apricots, cherries, peaches, nectarines and plums during their peak seasons. There are tariffs applicable over and above the entry price tariffs, depending on the produce, where it originates from and whether that country has any preferential trading agreements with the EU.

4.2.2 Non tariff barriers

Non tariff barriers can be divided into those that are mandatory and laid out in the EU Commission's legislature and those that are a result of consumers, retailers, importers and other distributors' preferences.

4.2.2.1 Legal requirements

i) Product legislation: quality and marketing

There are number of pieces of EU legislation that govern the quality of produce that may be imported, marketed and sold within the EU. They are as follows:

General Food Law which covers matters in procedures of food safety and hygiene (micro-biological and chemical), including provisions on the traceability of food (for example, Hazard Analysis and Critical Points, or HACCP), and it is laid out under regulation EC 178/2002.

EU Marketing Standards which govern the quality and labelling of fruit are laid out in the Common Agricultural Policy (CAP) framework under regulation EC 2200/96. These regulations include diameter, weight and class specifications, and any produce that does not comply with these standards will not be sold on the EU markets.

Certificate of Conformity must be obtained by anyone wishing to export and sell fruits in the EU, if that fruit falls under the jurisdiction of the EU marketing standards.

Certificate of Industrial Use must be obtained if the fruit is to be used in further processing.

Maximum Residue Limits (MRL) of various pesticides allowed.

ii) Product legislation: phytosanitary regulations

The international standard for phytosanitary measures was set up by the International Plant Protection Committee (IPPC) to protect against spreading of diseases or insects through the importation of certain agricultural goods. The EU has its own particular rules formalized under EC 2002/89, which attempts to prevent contact of EU of crops with harmful organisms from elsewhere in the world.

The crux of the directive is that it authorizes the Plant Protection Services to inspect a large number of fruit products upon arrival in the EU. This inspection consists of physical examination of a consignment deemed to have a level of phytosanitary risk, identification of any harmful organisms and certification of the validity of any phytosanitary certificate covering the consignment. If the consignment does not comply with the requirements, it may not enter the EU although certain organisms can be fumigated at the expense of the exporter.

iii) Product legislation: packaging

The EU Commission lays down rules for materials that come into contact with food and which may endanger people's health or bring about an unacceptable change in the composition of the foodstuffs. The framework legislation for this is EC 1935/2004. Recycling packaging materials are also emphasized under 94/62/EC, whereby member states are required to recycle between 50% and 65% of packaging waste. If exporters do not ship produce in packaging which is reusable, they may be liable for the costs incurred by the importing companies. Wood packaging is subject to phytosanitary controls and may need to undergo heat treatment, fumigation, etc.

4.2.2.2 Non-legal requirements: social and environmental accountability

To access the market, importers must not only comply with legal requirements set out above, but must also with market requirements and demands. For the most part, these revolve around quality and the perception of European consumers about environmental, social, health and safety aspects of both the products and the production techniques. Whilst supplying fruit that complies with these issues may not be mandatory in the legal sense, they are becoming increasingly important in Europe and cannot be ignored by existing or potential exporters.

i) **Social accountability** is becoming important in the industry, not only amongst consumers, but also for retail outlets and wholesalers. The Social Accountability 8000 (SA 8000) certification is a management system based on International Labour Organization (ILO) conventions, and deals with issues such as child labour, health and safety, and freedom of association, and requires an on-site audit to be performed annually. The certificate is seen as necessary tool for accessing any European market successfully.

ii) **Environmental issues** are becoming increasingly important with European consumers. Consumer movements are lobbying against purchasing non-environmentally friendly or non-sustainable produce. To this end, both governments and private partners have created standards (such as ISO 14001 and EUREGAP) and labels to ensure that produce adhere to particular specifications.

Although eco-labels (for example, the EU Eco-label, the Netherlands Milieukeur, the German Blue Angel and the Scandinavian White Swan) are voluntary, they can afford an exporter a marketing edge, as consumers wishing to purchase environmentally sound produce demand products that are easily recognizable.

Another important emerging label is Fairtrade, and includes those labels offered by Max Haavelaar Foundation, TransFair International and the FLO (Fairtrade Labelling Organization). Recently a 'universal' logo was adopted based on international fair trade standards developed by FLO, which covers amongst other things, minimum quality and price, various processing requirements, compensation of small farmers that covers sustainable production and living standards, and contracts that allow for long term planning and development.

4.2.2.3 Consumer health and safety requirements

Increasing consumer conscience about health and safety issues has prompted a number of safety initiatives in Europe, such as EUREPGAP on good agricultural practices (GAP) by the main European retailers, the international management system of HACCP, which is independently certified and required by legislation for European producers as well as food imported into Europe (EC 852/2004), and the ISO 9000 management standards system (for producers and working methods) which is certified by the International Standards Organization (ISO).

4.3 United States of America (USA)

4.3.1 Tariff barriers

South African exporters have completely free access to the USA markets under the Generalized System of Preference (GSP), the GSP for LCDs (Least Developed Countries) or the African Growth and Opportunity Act (AGOA). South African exporters must always compare with what Chile (the main supplier of fruit to the USA and South Africa's potential rival) must pay in terms of tariff duties when exporting fruit to the USA. Chile's access to the USA fruit market is considered to be highly preferential under its own Preferential Trade Agreement (PTA).

4.3.2 Non tariff barriers

The USA's phytosanitary regulation is conducted by Animal and Plant Health Inspection Service (APHIS), which is divided into nine sub-sections. Plant Protection and Quarantine (PPQ) and Veterinary Services (VS) are responsible for issuing permits for commodities and determining whether a commodity can be imported. The Policy and Program Development (PPD) division works with both these divisions in determining long term plans and procedures.

Some products can get pre-clearance from international Services (IS) personnel stationed in the country of origin, either at exporting terminals or site inspections. The PPQ's main focus is to prevent the spread of diseases and pests into the USA's agriculture resources, and it has personnel stationed at all airports, seaports and border stations that check imported cargo and oversee the quarantine process. Exporters or importers must make a request to export/import a commodity, provide as much information as possible on the product, its region of origin and its status that is whether there are restrictions or regulations governing that particular product from that particular region before a permit is issued, along with the conditions of importation (disinfestations treatment) or mitigation measures. Denials can be challenged and governments and companies can request a change in the status of a prohibited commodity (an investigation must be performed by the PPQ scientific team), as long as sufficient conditions have changed or a risk assessment has not been conducted within the last 10 years.

Most approved commodities can enter with inspection alone, but some may have to undergo mitigating measures including post-harvest treatments (hot/cold temperature treatments, irradiation or fumigation, depending on the requirements and which particular treatment is least harmful). The establishment of specifically and maintained pest-free areas in a country (which obviously requires extensive co-operation between the country's plant health services and APHIS IS division) or systems approaches (field surveys, random inspections or various on site treatments).

In addition to phytosanitary regulations, the USDA Food Safety Inspection Services (FSIS) regulates sanitary practices in the packing of food products, while the Food and Drug Administration (FDA), which is part of the US Department of Health, regulates packaging and labelling. The HACCP protocol is used extensively. The USDA quality standards for fruits and vegetables provide basis for domestic and international trade and promote efficiency in marketing and procurement.

4.4 Japan

Japan's agricultural sector is heavily protected, with calculations from the Organization for Economic Co-operation and Development (OECD) estimating that almost 60% of the value of Japan's farm production comes from trade barriers or domestic subsidies. Japan uses tariff rate quotas (TRQ) to protect its most sensitive products, and reserves the right for trading many of these products (within the quota) for one or two state trading enterprises. However, these extremely protective measures apply only to some products; others are able to compete more effectively with outside competition, often on the grounds of higher quality.

Perhaps the biggest barrier to trade with Japan in fruit markets is its strict phytosanitary requirements, which have often been challenged in the WTO as having little or no scientific justification. Other measures that are being challenged include Japan's use of fumigation on agricultural products when cosmopolitan pests (already found in Japan) are detected.

Japan is also increasing its labelling requirements. It now requires fresh food, including fruit, to be labelled with the place of origin, whilst new technological ('smart') labels that have embedded semi-conductors and information on just about everything are being adopted in various agricultural sectors.

Food containing genetically modified organisms (GMOs) need to be assessed for environmental food safety by the MAFF or the Ministry of Health, Labour and Welfare (MHLW). At the same time, the MHLW tests food imports for maximum residue levels from pesticides and as of May 2006, any food with pesticides not on approved list, regardless of the residue levels, are not allowed entry.

Japanese organic definitions changed in 2001 (they roughly corresponded to world standard definitions), and any foreign producers wishing to enter the Japanese market must be certified under the Japanese standards (not general world standards).

4.5 China

China has a massive system of government support for farmers and generally rural dwellers (who are lagging behind urban dwellers). To this end, most of the agricultural sectors are protected and promoted through a series of subsidies, tax cuts and infrastructure spending policies (as well as low cost loans, research, land use protection, market stabilization measures, etc). Part of the protection of its massive farming population, which for most part consists of small farmers not benefiting from economies of scale,

necessarily occurs in the form of high tariffs and other restrictions. However China is obliged to reduce tariff levels as a condition of being a member of WTO. It therefore remains to be seen just what policies will be adopted going forward, but the general consensus is that it is a vitally important market to watch, and endeavour to enter.

5. DISTRIBUTION CHANNELS

There are roughly three distinct sales channels for exporting fruits. One can sell directly to an importer with or without the assistance of an agent (usually larger, more established commercial operations). One can supply a fruit combine, which will then contract out importers/marketers and try to take advantage of economies of scale and increased bargaining power. At the same time fruit combines might also supply large retail chains. One can also be a member of a private or cooperative export organization which will find agents or importers and market the produce collectively. Similar to a fruit combine, an export organization can either supply wholesale market or retail chains, depending on particular circumstances. Export organizations will wash, sort and package the produce.

They will also market the goods under their own name or on behalf of the member, which includes taking care of labelling, bar-coding, etc. Most of the time, export organizations will enter into collective agreements with freight forwarders, negotiating better prices and services (more regular transport, lower peak season prices, etc). Some countries have institutions that handle all the produce (membership compulsory) and sell only to a restricted number of selected importers.

Agents will establish contacts between producers/export organizations and buyers in the importing country, and will usually take between 2% and 3% commission. In contrast, an importer will buy and sell his/her own capacity, assuming the full risk (unless on consignment). They will also be responsible for clearing the produce through customs, packaging and assuring label/quality compliance and distribution of the produce. Their margins lie between 5% and 10%. The contract importers of fruit combines market and distribute the produce of the combines, clear it through customs and in some cases treat and package it.

Only few exporters have long term contracts with wholesale grocers who deliver directly to retail shops, but with the increasing importance of standards (Global-Gap, etc) and the year round availability of fruit, the planning of long term contractual relationship is expected to increase. Finally, a new medium of e-commerce is expected to have a significant impact on potential exporters/suppliers and their ability to supply directly to wholesalers/distributors in the target markets.

6. LOGISTICS

6.1 Mode of transport

The transport of fruits falls into two categories namely ocean cargo and air cargo. Ocean cargo takes much longer to reach the desired location but costing considerably less. The choice of transportation method depends, for most parts on the fragility of the produce and how long it can remain relatively fresh. With the advent of technology and container improvements, the feasibility, cost and attractiveness of sea transport have improved considerably. With the increased exports by South Africa, the number and the regularity of maritime routes have increased. These economies of scale could benefit South Africa if more producers were to become exporters and take advantage of the various ports which have special capabilities in handling fruit produce (for example Durban's new fruit terminal).

For some products, in order to reach the destination market with an acceptable degree of freshness, air transport becomes the only option. Obviously, the price fetched on these markets needs to be sufficient to cover the transport costs. Collective agreements between farmers of different commodities with different harvest periods become particularly important if air transport costs are to be managed efficiently.

6.2 Cold chain management

Cold chain management is crucial when handling perishable products, from the initial packing houses to the refrigerated container trucks that transport the produce to the shipping terminals, through to the storage facilities at these terminals, onto actual shipping vessels and containers, and finally on to the importers and distributors that must clear the produce and transport it to the markets/retail outlets. For every 10 Degree Celsius increase above the recommended temperature, the rate of respiration and ripening of produce can increase twice or even thrice. Related to this are increasing important traceability standards which require an efficient controlled supply chain and internationally accepted business standards.

6.3 Packaging

Packaging can also play an important role in ensuring safe and efficient transport of a product and conforming to handling requirements, uniformity, recyclable material specifications, phytosanitary requirements, proper storage needs and even attractiveness for marketing purposes.

The business panel of any carton (including printed carton labels) used for packaging should comply with the requirements as established by the EU or any other regulations that are specified by a target market. Producers are advised to present their designs to the Perishable Products Export Control Board (PPECB) before they can order any cartons from a manufacturer. The following is normally required:

- Class I or II
- Fruit type
- Carton depth
- Country of Origin: "Produce of South Africa"
- Complete address of exporter or producer
- Name of variety
- Content of carton: "14 x punnets or bags"
- PUC or PHC code: Registered producer – or Pack House Code with DAFF
- Date code
- Food safety accreditation number: Global Gap, Nature's Choice registration number, etc

7. ORGANIZATIONAL ANALYSIS

7.1 Producer and associated organizations

Grower participation and control of their interests in the industry are structured by means of fruit type producer associations (Section 21 companies), as illustrated on Figure 34.

The main association responsible for the table grape industry is the South African Table Grape Industry (SATI). It is a Section 21 company and its objectives are as follows:

- To maintain South Africa's position as the preferred country of origin for retailers around the world, as well as to ensure that the industry remains progressive, equitable and sustainable as it moves to the future,
- To gain increased international market access for South African grapes, as well as to ensure effective information systems that will allow growers and exporters to make sound decisions.

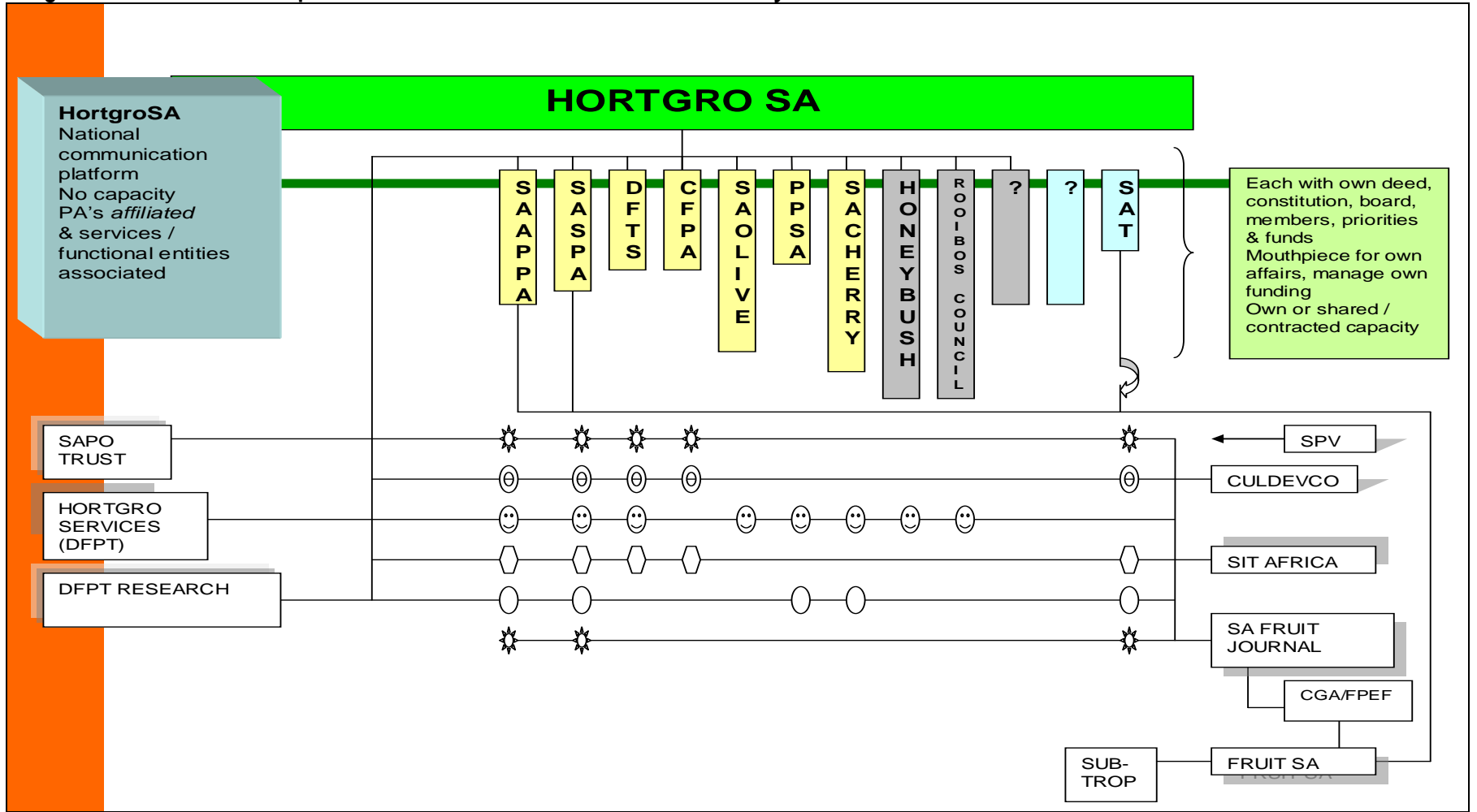
Another important entity in the table grape or deciduous industry in general is the South African Plant Improvement Organisation (SAPO). SAPO is a specialist plant improvement organisation owned by deciduous fruit growers, DPFT, Cape Pomological Association (CPA), and Dried Fruit Technical Services (DTD). It is responsible for the production of certifiable propagation plant material and for phytosanitary and genetic upgrading (improvement) of deciduous fruit plant material. This includes virus elimination and testing, establishment and maintenance of nucleus, foundation and mother blocks, as well as the selection of propagation material and trueness to variety controls. SAPO is the main supplier of such propagation plant material to deciduous fruit nurseries and in the region of 14 million propagation units are distributed to nurseries annually. SAPO is also a specialist in the importation of new varieties and a leader in variety development and commercialisation.

7.2 Empowerment issues and transformation in the table grape industry

According to the South African Table Grape Industry transformation in the industry is very noticeable. The number of farms wholly owned by women is increasing and the majority of the farms are BEE compliant. In 2008 SATI reported that 43, 2% of table grape farms were BEE compliant, 25.3% did not comply, 26.3% were in the process, while the remaining 5.3% were unsure about their BEE status.

The SATI Industry Census further indicated that in 2008 39.2% of permanent workers had medical benefits. 17.4% of the seasonal workers also had access to medical benefits. 96.2% of the permanent staff had unemployment insurance (UIF). This is in comparison with 46.7% of the seasonal workers who also had unemployment insurance. In terms of the provision of water, 96.5% of permanent staff and 67.3% of seasonal staff had access to in-house water taps. Historically disadvantaged people own 9% of table grape land. It will be interesting to determine whether the situation continues to improve when a more recent survey is conducted.

Figure 34: Structure of the producer interest in the deciduous fruit industry



Source: Hortgro

8. LOCAL BUSINESS OPPORTUNITIES AND CHALLENGES

Exporters will have to carefully monitor volumes of the right quality and varieties to ensure a firm market in years to come. Local producers will have to penetrate the Chinese market by establishing a sound platform and building relationships within the Chinese markets. The Far East markets have potential to become big markets for South Africa despite the Australian competition.

The grape industry in South Africa is currently facing the following challenges:

- The growth in grape production volumes in South Africa over the past ten years has been enormous. This has put pressure on exporters to find new markets or to increase market share in existing markets. The challenge in particular is to find new markets. South Africa has tried unsuccessfully for 17 years to gain access to the Japanese market for South African grapes, but the struggle continues. Mainland China has enormous potential but South Africa still has no official access to this vast market either.
- The producers in Orange River and Berg River in particular have, for some years experienced very unfavourable weather, which impacted negatively on the quality and final volumes packed for export. This in turn, affects the perceived reliability of South African grape exporters.
- A number of pests such as fruit fly, cotton stainer bugs, dusty surface beetles, banded fruit weevils and vine snout beetles have plagued the quality of export grapes. The USA market has recently insisted that the South African exporters re-address the phyto-sanitary protocols to combat these pests. An expensive fumigation procedure is now in place to ensure pest-free product on arrival in the USA.
- As the developed countries march relentlessly towards convenient and 'hassle-free' eating. The demand for seedless grapes is increasing. The South African producer is accommodating this fact in his new plantings, but it is an expensive and time-consuming change for the producer.

9. TABLE GRAPE SUPPLY VALUE CHAIN

Figure 35 presents the deciduous fruit and table grape value chain.. Also of note is that fresh fruit value chains have a similar structure. The supply chain is a complex linkage of various production and operational role players. Key stakeholders include producer organisations, organised labour, NOGs, financial institutions, government, exporters and other traders. The following discussion will focus on the main segments of the table grape value chain.

9.1 Producer/Pack house

The core business of producers is to produce a high quality crop within "Good Agricultural Practice" protocols. Consistency, reliability of supply and producing varieties as demanded by the markets at affordable prices are also important facets of the producer's responsibility and business activities.

9.2 Cold Storage

Cold storage operator is responsible for receiving, handling, cooling the table grape to the required temperature and for ensuring that the correct fruit is loaded out according to the exporter's specifications into a truck or container that has been approved or registered by Perishable Produce Export Control Board

(PPECB). A flat bed truck or other non-approved vehicle may be used in journeys shorter than two hours in total.

9.3 Exporter

The core business of exporters is to market and sell the fruit of primary producers at the best market price that they are able to negotiate. In order to realize this, the exporter needs to communicate with many of the role players in the logistics chain (cold stores, transporters, shipping lines, port terminals, clearing and forwarding agents, PPECB, regional producers associations and special market inspectors, etc). It is the exporters' responsibility to manage the cold chain, handle the fruit in an acceptable manner and, they are accountable for the quality of fruit that reaches the destination market.

The main organisation that handles the export of fruits in South Africa is the Fresh Produce Exporters' Forum (FPEF). The FPEF was registered in 1998 as a non-profit organisation and its membership is voluntary and open to all companies that export fresh fruit from South Africa. The FPEF's mission is to create, within free market principles and a deregulated environment, a prosperous but disciplined fruit export sector. It was established mainly to provide leadership and services to its members and the international buying community. The forum sees itself as the international community's gateway to providing South Africa's finest quality produce from highly reputable South African exporters.

9.4 Transporter

Transporters perform a key link in the fresh fruit supply chain by facilitating the physical transfer of the products between parties such as the producer, cold store and terminal operator. Transporters are responsible for maintaining the cold chain during transit.

9.5 PPECB (Inspection Officer)

In terms of the PPECB Act (Act 9 of 1983) the PPECB is responsible for the "control of perishable products intended for export from the Republic of South Africa". This mainly involves the control of the cold chain (including the shipping process). PPECB also acts as a government "assignee" in terms of the APS (Agricultural Products Standards) Act (Act 119 of 1990) and is responsible for the "control over sale and export of agricultural and related products". PPECB controls (and certifies) that the quality standards of these products are met. The National Department of Agriculture, Forestry and Fisheries (DAFF) issues the phytosanitary certificates.

All PPECB and other inspection regulations, protocols or requirements must be met and adhered to. The Information and Communication Procedure (ICP) must therefore be seen in conjunction with the PPECB Act and its regulations, the APS Act, as well as those temperature and other specialized handling protocols and procedures as established by PPECB in conjunction with the industry. As more emphasis is placed on food safety and customers are demanding higher standards of quality, PPECB and other inspection bodies play an increasingly important role in the export of fresh produce from South Africa.

PPECB may make the following information available to exporters and producers on request. The regional producer organizations will facilitate and co-ordinate the collection of:

- Packed volumes

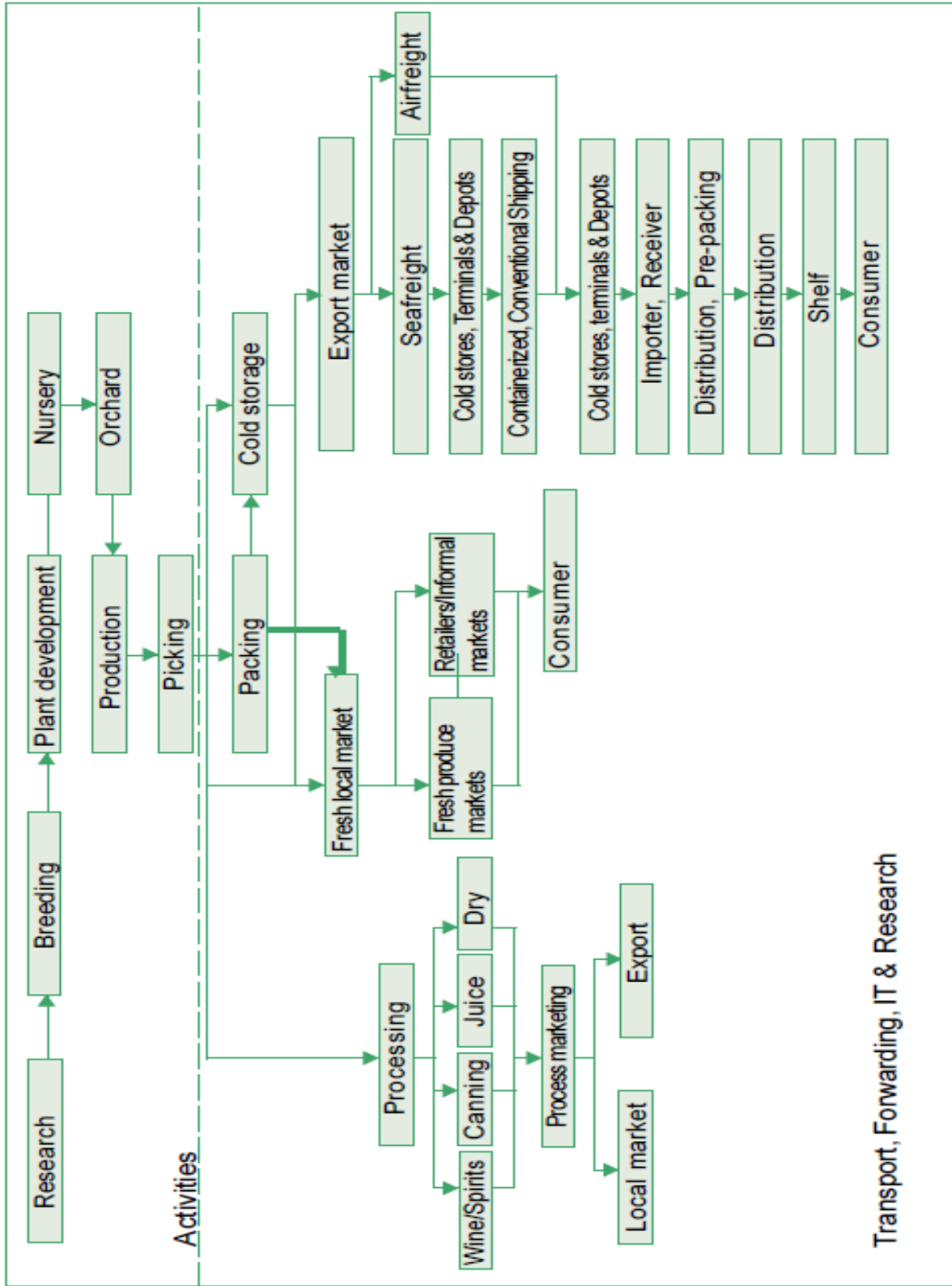
- ✓ Inspected and approved for export
- ✓ Inspected and rejected for export
- Product quality
 - ✓ Reasons for rejection
- Shipped volumes
 - ✓ This information is available on a product and destination region level
- Cold chain information
 - ✓ Vessel carrying instructions (temperature letter, vessel temperature log, statements of facts, deviations, etc.

The information outlined above is available in varying degrees of detail.

9.6 Port and terminal operators

Terminal operators must inform exporters, PPECB and other relevant parties in the supply chain such as transporters, producer associations, producers and cold stores about port related delays such as labour strikes, wind delays, plug-in congestion and other traffic congestion in the port that will impact on the flow of fresh produce into and out of the harbour. The South African Port Operations (SAPO) container terminal reports to shipping lines.

Figure 35: The deciduous fruit and table grape supply chain



Source: OABS

10. ACKNOWLEDGEMENTS

The following industries/organizations are acknowledged.

10.1 South African Table Grapes Industry (SATGI)

P. O. Box 2932

Paarl

7620

Tel: (021) 872 1438

Fax: (021) 872 4375

www.satgi.co.za

10.2 National Department of Agriculture, Forestry and Fisheries

Directorate: Statistics and Economic Analysis

Private X 246

Pretoria

0001

Tel (012) 319 84 54

Fax (012) 319 8031

www.daff.gov.za

10.3 Hortgro Services

www.hortgro.co.za

10.4 National Agricultural Marketing Council (NAMC)

Private Bag X 935

Pretoria

0001

Tel (012) 341 1115

Fax: (086) 626 4769

www.namc.co.za

10.5 International Trade Centre (ITC)

www.trademap.org & www.macmap.org

10.6 Food and Agriculture Organization (FAO)

www.fao.org

10.7 Optimal Agricultural Business Systems

www.oabs.co.za

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