A PROFILE OF THE SOUTH AFRICAN APRICOT MARKET VALUE CHAIN

2020

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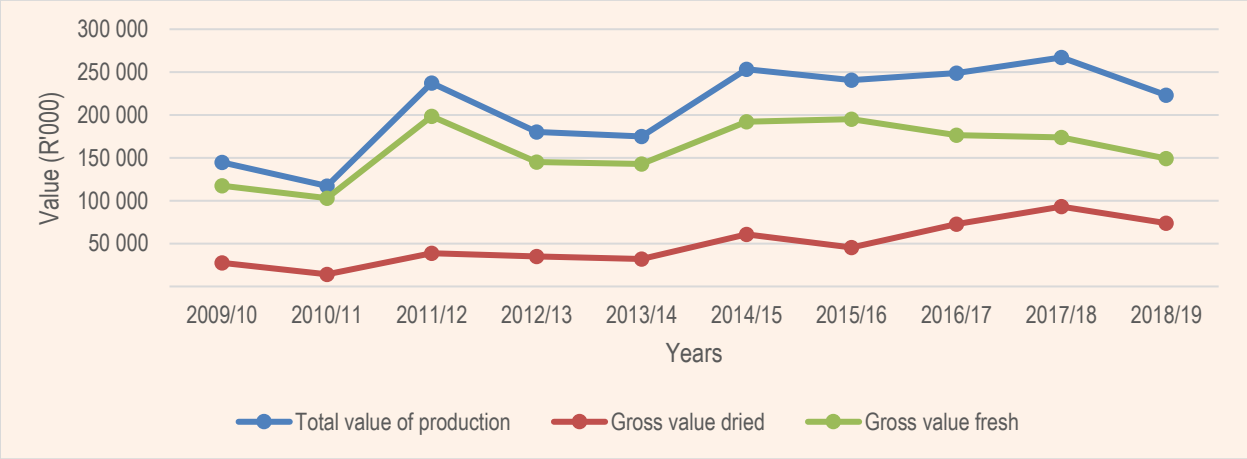
1. DESCRIPTION OF THE APRICOT INDUSTRY

The South African apricot industry is well established and primarily aimed at supplying apricots to the processing and drying markets (see Figure 5). The majority of South African apricots are processed and canned by the canning industry before been exported to various markets. The bulk of sales to the consumer are by means of contractual agreements via preferred category suppliers to the large supermarket chains. Furthermore, various export companies or agents conduct business on the basis of consignment on behalf of the grower or packer. In 2019, a total area of 2 448 ha was planted to apricots and they contributed 4.5% of the total area planted to deciduous fruits (54 254 ha). The total area planted to apricots declined by 289 ha between 2018 and 2019 while the total area planted to deciduous fruits increased by 202 ha during the same period. The gross value of production for apricots for the period 2009/10 to 2018/19 is presented in Figure 1.

Figure 1: Total value of production for apricots, 2009/10 – 2018/19



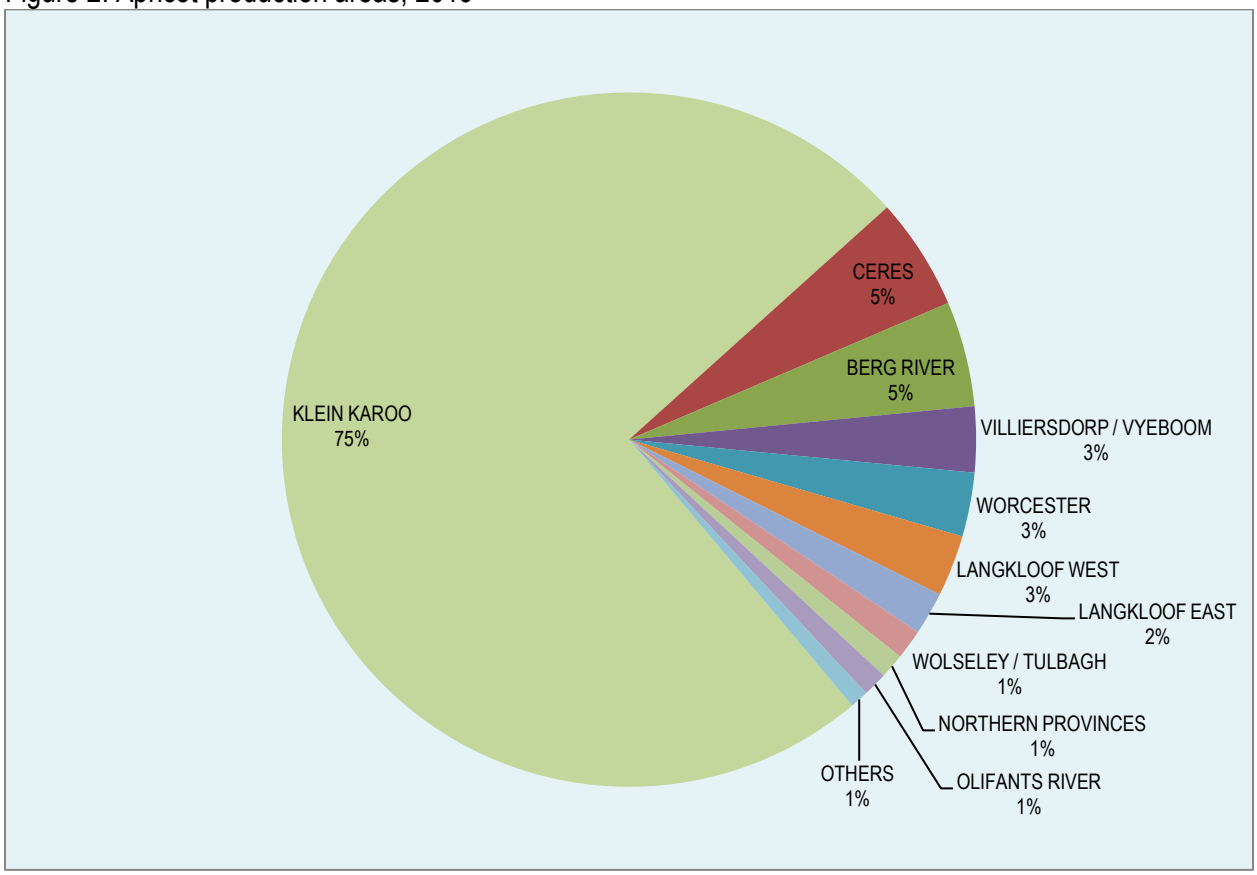
Source: Statistics and Economic Analysis, DAFF

It can be observed from Figure 1 that in 2018/19, total value of production for the sector was approximately R222 million. This represents a 16.5% decrease in total value of production for apricots from the 2018/19 season. Figure 1 also indicates the contributions of dried and fresh apricots to total value of production. In 2018/19 fresh apricots contributed 67% to total value of production while the remaining 33% was contributed by the dried apricot component. Similarly, to the production trends (Figure 4), the value of production for the industry has been unstable during the past ten years. That may have been mainly due to amongst others severe droughts in some areas of the Western Cape, and a sluggish demand in the United Kingdom and other European markets. Another factor that could have contributed to fluctuations in the value of production could be that apricot industry generally experience effects of alternate bearing, a phenomenon that is widespread within the perennial trees. Total value of production increased substantially in 2011/12, with both the fresh and dried apricot components increasing, before declining by 23% in 2012/13 season. The gross value decreased slightly further by 2% in 2013/14 when compared to the previous years (2012/13). During 2014/15, the value of production increased by 42%. The gross value remained fairly stable between 2014/15 and 2016/17.Between 2017/18 and 2018/19, gross value of apricots declined 16% with both fresh and dried apricots declining.

1.1 Production areas

The major apricot producing areas of South Africa are shown in Figure 2. As can be observed from the Figure 2 below the main apricot producing area is the Little (Klein) Karoo. In 2019 production year the Little Karoo accounted for 75% (1 824 ha) of total area planted to apricots in South Africa. Provincially, the Western Cape is the leader in the production of apricots. This is primarily due to its Mediterranean type climate (cold winters and hot dry summers) that is suitable to apricot production.

Figure 2: Apricot production areas, 2019



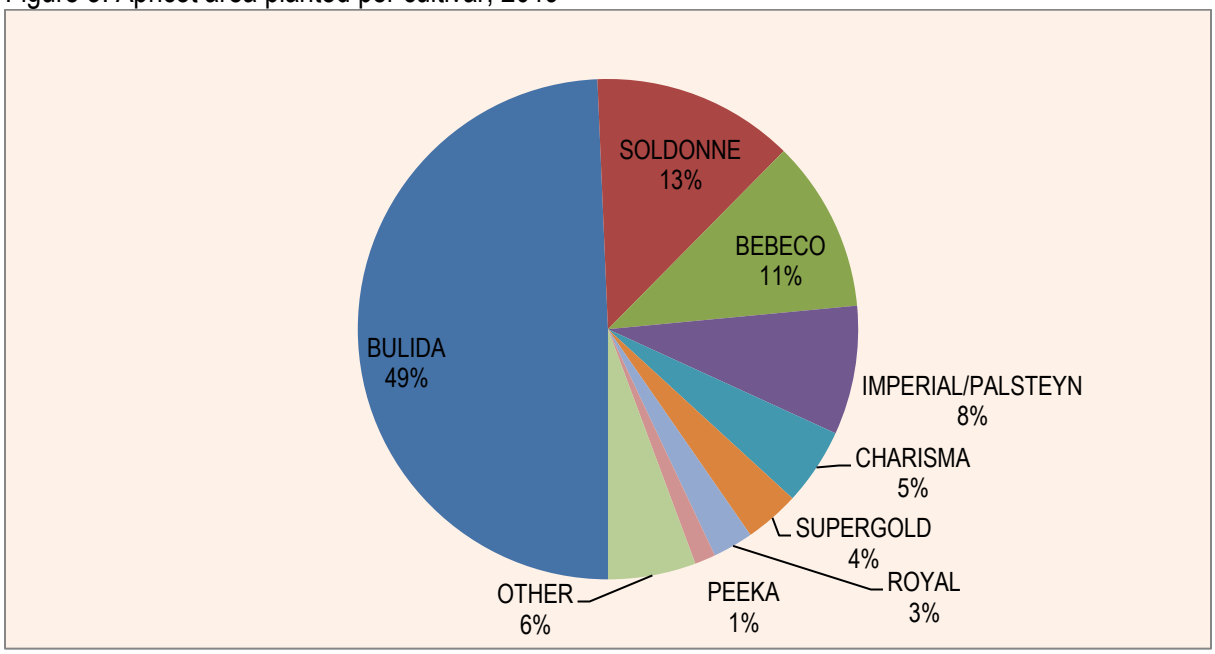
Source: Hortgro Key deciduous fruit statistics, 2019

Total production area for apricots in 2019 was 2 450 ha. The 2019 area planted represents a 10% decline in total hectares used for apricot production in 2018/19 season. The Little Karoo is followed by Ceres with 128 (5%), Berg river with 120 ha (5%), Villiersdorp/Vyeboom with 75 ha, and Langkloof West with 70 ha (3%) respectively.

1.2 Apricot cultivars planted

The area planted per apricot cultivar in 2019 is presented in Figure 3. It is clear from Figure 3 that the most important cultivar grown in South Africa is Bulida. Bulida constituted 49% (1 208 ha) of total area planted to apricots in 2019. It was followed by Soldonne at 13% (320 ha), Bebeco at 11% (272 ha), Imperial/ Palsteyn at 8% (204 ha Charisma at 5% (122 ha) and), Supergold 4% (87 ha).

Figure 3: Apricot area planted per cultivar, 2019



Source: Hortgro Key deciduous fruit statistics, 2019

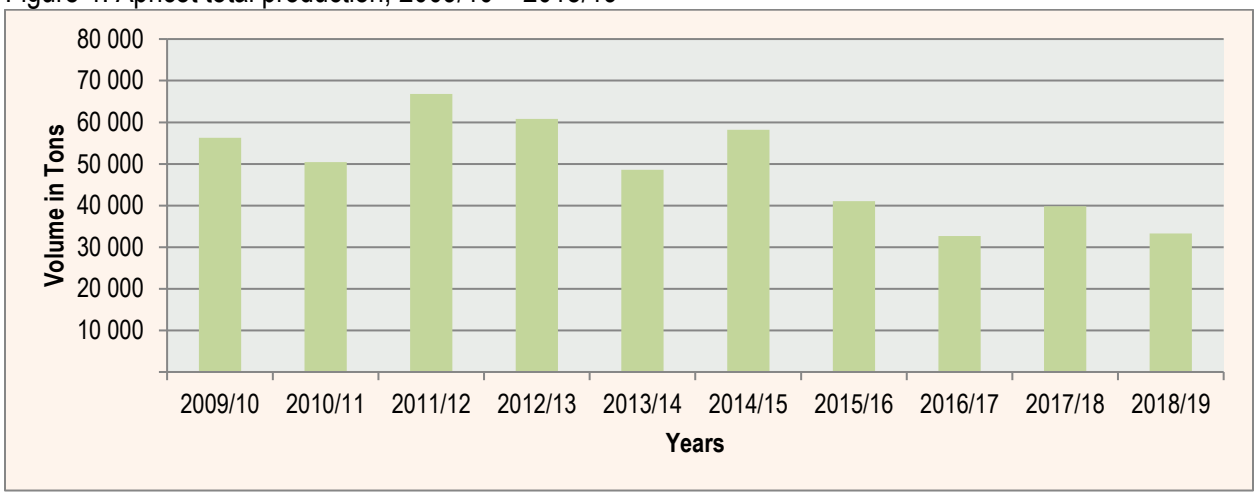
1.3 Orchard age distribution and production volumes

In 2019, the age distribution of South African apricot orchards was as follows:

- 108 ha (4%) was in the category of 0 – 2 years;
- 272 ha (11%) was in the 3 – 5 years category;
- 611 ha (25%) was in the 6 – 15 years category;
- 307 ha (13%) was in the 16 – 18 years category; and
- 1 150 ha (47%) were older than 18 years

It can be seen from the figures above that most of South Africa's apricot orchards are relatively older. This is particularly worrying given that the age composition of the orchards can be used as an indication of producers' confidence in the future of the industry. The composition can also be used as an indication of the level of new investments in the industry. Producers' planting decisions are determined by among other things prices (anticipated), the level of the exchange rate (preferably a weaker Rand), and the amount and quality of produce produced by South Africa's major competitors. Apricot production trends for the period 2009/10 to 2018/19 are presented in Figure 4.

Figure 4: Apricot total production, 2009/10 – 2018/19



Source: Statistics and Economic Analysis, DAFF

It is evident from Figure 4 that total production of apricots declined from just over 66 000 tons in 2011/12 to a disappointing 48 567 tons in 2013/14 production season. This represents a 27% decline during that three year period. However in 2014/15, apricot production increased by 18% from the 2013/14 figure. During 2015/16, production declined by 27% compared to the 2014/15 season. Production of apricots declined further by 20% in 2016/17 season. In 2017/18 apricot production increased by 22% before declining by 16% in 2018/19. Figure 4 also shows that total apricot production has had fluctuations from 2007/08 to 2016/17. That may have been due to unfavourable weather patterns as well as increased competition from other Southern hemisphere producers such New Zealand, Chile, Argentina and Brazil. Large proportions of the apricots are produced for processing. There were 32%, 19% and 22% increases on production of apricots in 2011/12, 2014/15 and 2017/18 respectively. It is also clear from Figure 4 that the apricot industry generally experience effects of alternate bearing[1] after previous season's big crop. The volume of apricots produced is therefore expected to increase during the 2019/20 production season.

1.4 Employment

The apricot industry makes an important contribution to direct employment in both production and processing. It provides indirect employment for numerous support industries in the areas where apricots are grown. In 2019, direct employment within the industry was estimated at 2 546 people with 10 183 dependents. This represents a 22 percent decrease in the number of people employed in the apricot industry between 2018 and 2019.

The minimum Wage Act 9 of 2019 came into effect in January 2019. The Act applies to all workers and their employers, except members of the South African National Defence Force, the National Intelligence Agency, the South African Secret Service, and volunteers who perform work for another person without remuneration. Under this Act, farm workers are entitled to a minimum wage of R18.68 per hour. The Act establishes the

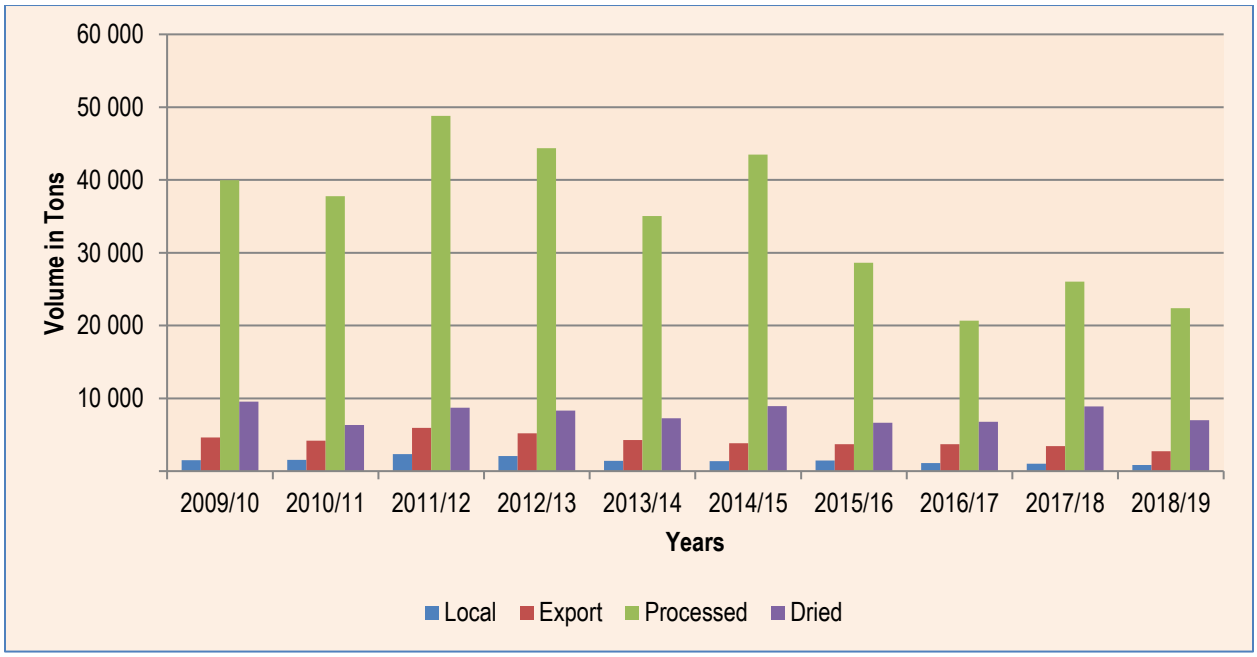
[1] The tendency of fruit trees to bear fruit in 2-year cycles, consisting of large crops followed by little or no crop, is termed alternate or biennial bearing. Alternate bearing occurs in most tree-fruit crops.

National Minimum Wage Commission, which is task to review the national minimum wage make recommendations to the minister on any adjustment of the national minimum wage.

2. MARKET STRUCTURE

Figure 5 illustrates the distribution of South African apricots for the period 2009/10 to 2018/19. The figure shows that on average between 60 and 80% is being processed annually. A total of 33 288 tons of apricots were produced during the 2018/19 season and 67% (22 391 tons) of the total apricots were processed. Approximately 21% (6 985 tons) was dried while 8% (2 731 tons) and 2.5% (826 tons) were exported and sold on the local markets respectively. Accordingly, there is scope to expand apricot exports with the right cultivars. The amount of apricots produced during a particular production season largely affects the quantity that is available for processing while the quantities exported, dried and sold in the local markets have been relatively stable over the past decade, all remaining below the 10 000 tons mark.

Figure 5: Apricot crop distribution, 2009/10– 2018/19



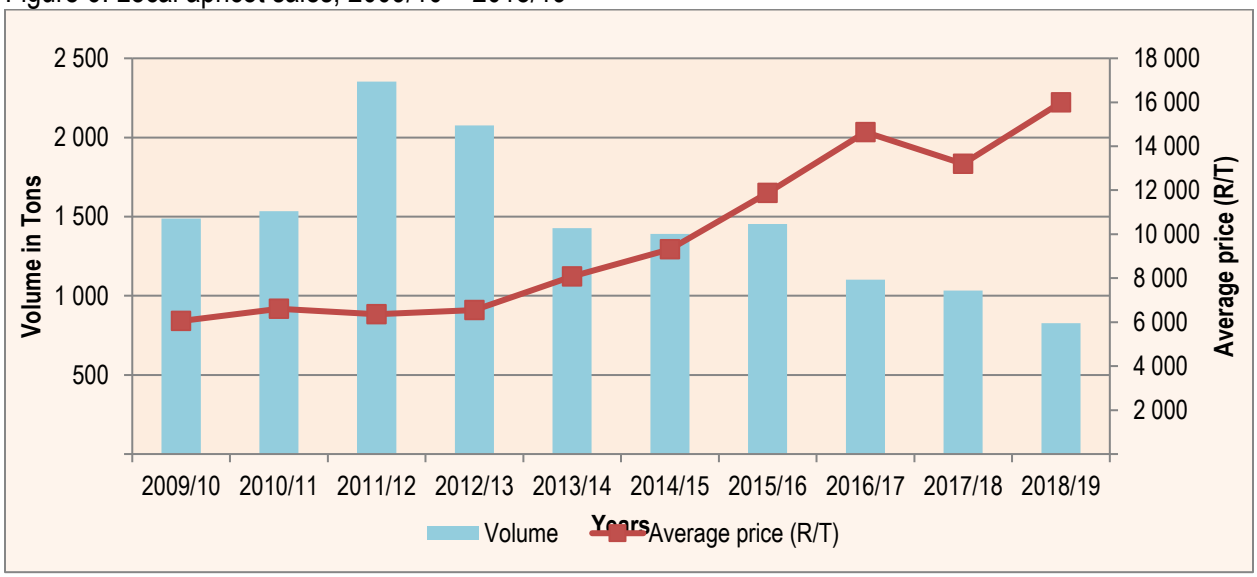
Source: Statistics and Economic Analysis, DAFF

2.1 Domestic markets and prices

Local market volumes and general price trends for apricots from 2009/10 to 2018/19 are presented in Figure 6. Generally, local market has not experienced significant growth in the last decade except during the 2011/12 marketing season when volumes peaked at 2 353 tons. That lack of growth in the local market may be due to a lack of coordinated marketing and the now famous phenomenon whereby large retail outlets source produce directly from producers either through supply contracts or contract farming. At the same time, local apricot prices have been increasing from 2009/10 to 2018/19 mainly as a result of increased demand of

apricots during that period as well as the continued decline in quantities supplied to the markets. The quantity of apricots sold through the local markets declined from 2 352 tons in 2011/12 to 826 tons in 2018/19 season, a decline of 64%. At the same time prices realised increased from R6 364/ton in 2011/12 to R15 990 during the same period, an increase of 151%.

Figure 6: Local apricot sales, 2009/10 – 2018/19

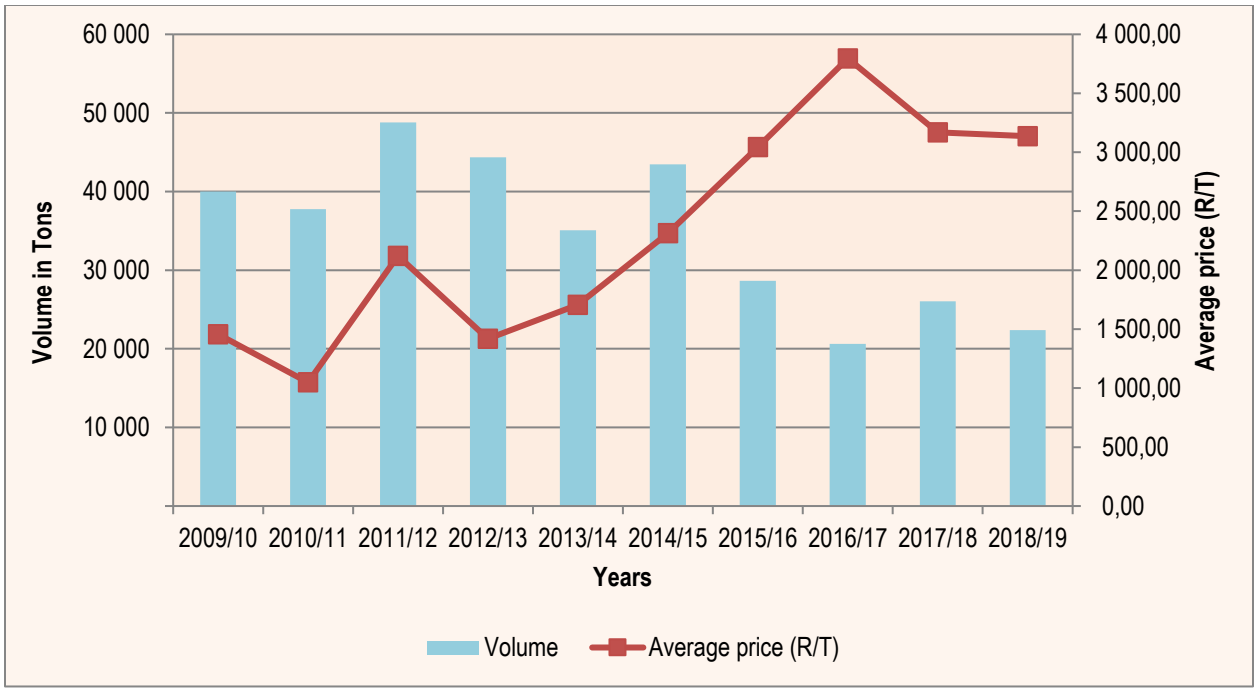


Source: Statistics and Economic Analysis, DAFF

2.2 Apricot processing

Volumes of apricots purchased for processing during the period 2009/10 to 2018/19, as well as the average prices received are presented in Figure 7. It is evident from Figure 7 that volumes of apricots purchased for processing are directly dependent on total apricots produced during a particular season. While volumes processed have been generally unstable for most part of the review period, prices received from this sector have been rising, only declining between 2010/11 and 2012/13. Although processing sector takes high volumes, prices realised in the apricot processing sector are generally lower than those realised in the local markets and exports. The price is largely dependent on the quantity of apricots available for processing. A total of 22 391 tons of apricots were processed during 2018/19. price of apricots purchased for processing declined by 1% between 2017/18 and 2018/19. The quantity of apricots purchased for processing decreased by 14% between 2017/18 and 2018/19 while the price realised increased by 1% during the same period. The decrease in quantities processed follows a decrease in the quantity of apricots produced.

Figure 7: Apricot purchased for processing, 2009/10 – 2018/19



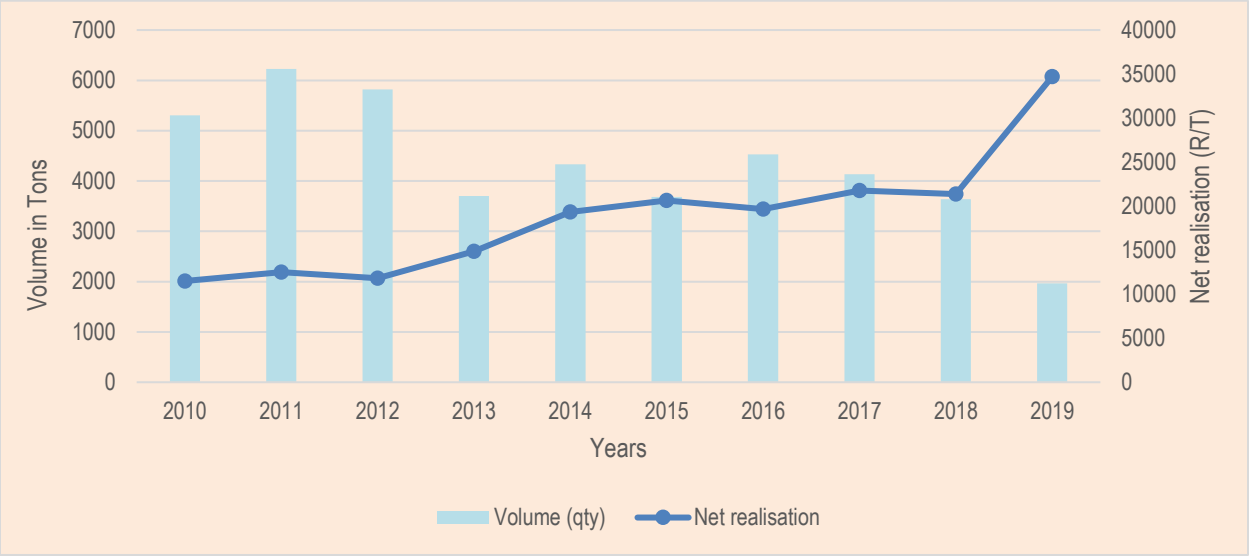
Source: Statistics and Economic Analysis, DAFF

2.3 Exports

South Africa is a relatively small apricot grower in terms of global hectares. However, the country is a major volume exporter in global terms, ranking number 15 in the world during 2018. Apricots sold in both export and local markets generate a greater unit price than that achieved in the processing market. Therefore, management orientation and an understanding of the rules of both the export and local markets are critical factors in the pathway to success in apricot production. Volumes of apricots exported during the period 2010 to 2019, as well as the average prices received are presented in Figure 8.

During the ten years under review, exports of apricots by South Africa peaked in 2011 at 6 225 tons. The least tonnages (1 965 tons) were exported in 2019. Similar to the production trends (see figure 4), volume of apricot exports has been fluctuating during the past decade. This might have been due to the recent drought and competition from the Latin American countries. Post 2011, export declined sharply by 36% in 2013, before rising again by 16% between 2013 and 2014. This phenomenon continued until 2017. As mentioned above, such phenomenon, this is common in the apricot industry (alternate bearing), often lead to excessive crop and declines in the other year. During the past two seasons, exports of apricots have been declining. At the same time, the average export price has been increasing with the exception of 2012, 2016 and 2018 increasing from R11 497 per ton in 2010 to R34 691 per ton in 2019, an increase of 201%.

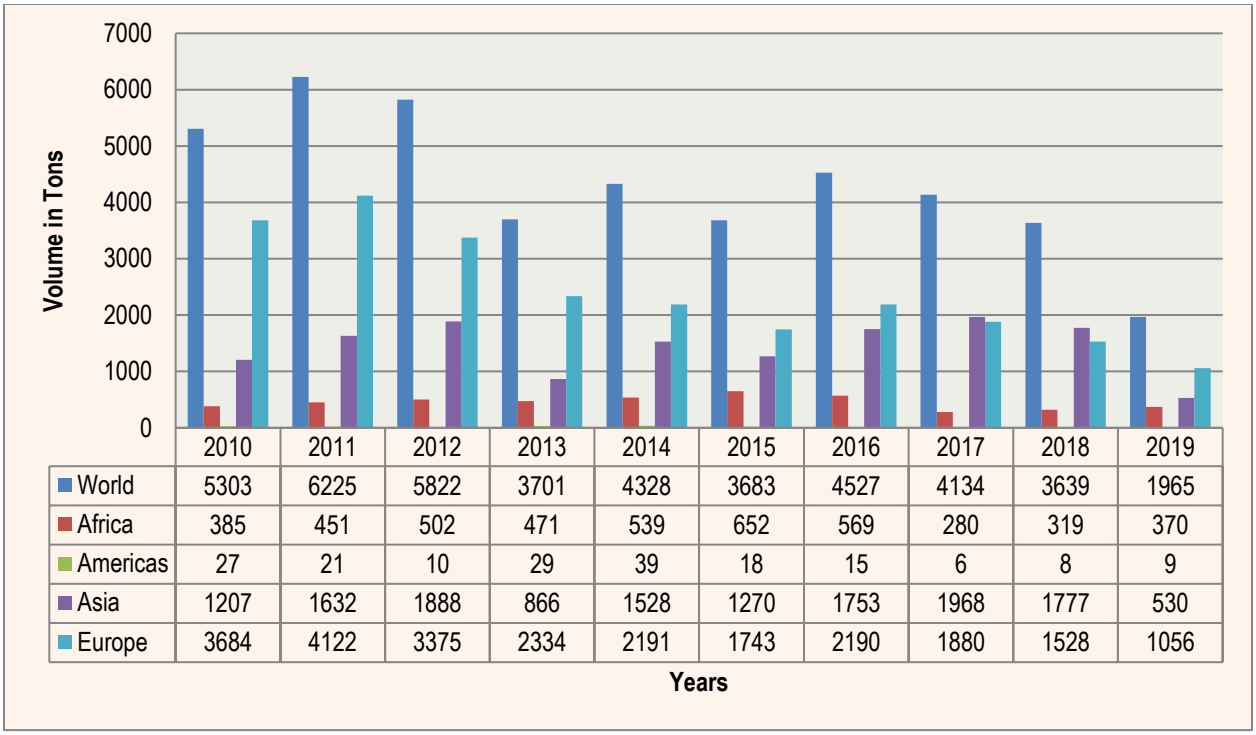
Figure 8: South African apricot exports, 2010 - 2019



Source: Quantec Easydata

Exports of South African apricots to the various regions of the world over the past decade are depicted in Figure 9. Over the past decade the majority of South Africa's exports of apricots were destined for the European and Asian markets. In 2019, exports to Europe accounted for 54% of total South African apricot exports. Europe is followed by Asia at 27%.Between 2017 and 2018, Asia has been the top importer of South African apricot. During the last ten years exports to Asia peaked at 1 968 tons in 2017 while those into Europe peaked at 4 122 tons in 2011. There were some little changes in the quantities exported to the African continent during the period under review and the quantities have stayed below the 1000 ton mark during the period review only peaking in 2015 at 652 tons. Only 9 tons of apricots were exported to the Americas in 2019 while no exports to Oceania were recorded during the same year. It is also important to note that exports to Asia decreased during 2019 when compared to 2018 while those to Europe also declined during the same period.

Figure 9: Apricot exports to various regions of the world, 2010 - 2019

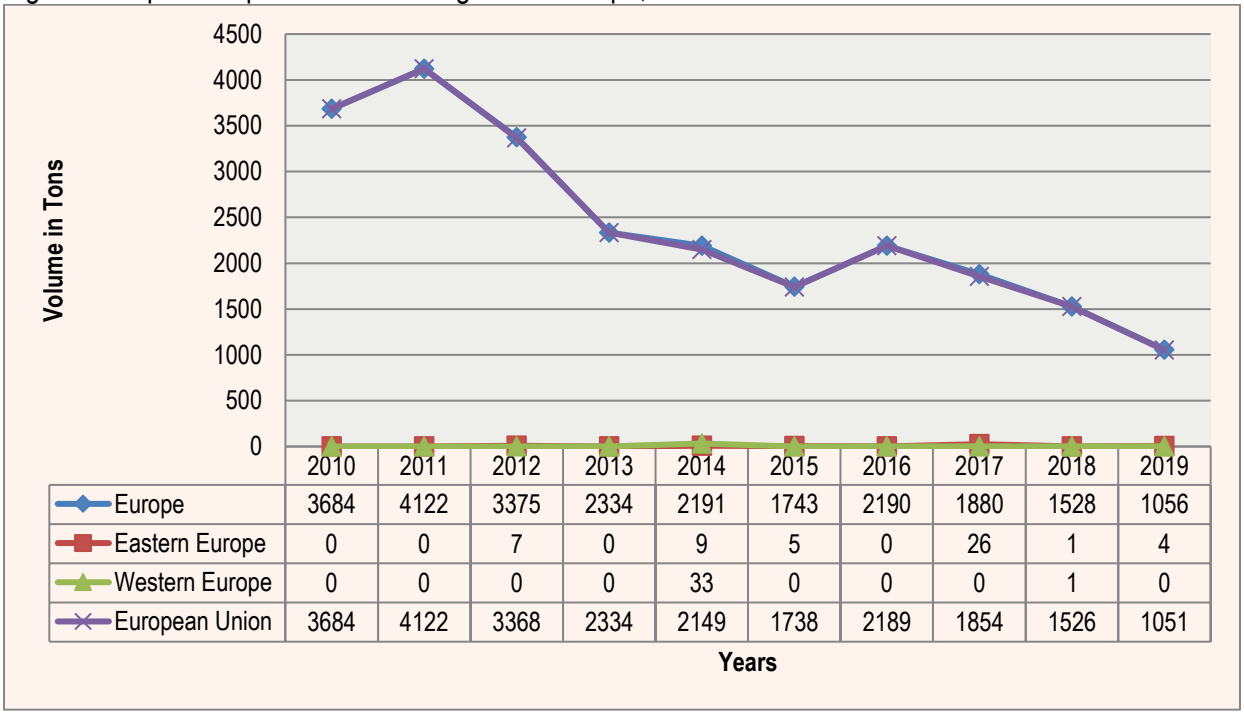


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
World	5303	6225	5822	3701	4328	3683	4527	4134	3639	1965
Africa	385	451	502	471	539	652	569	280	319	370
Americas	27	21	10	29	39	18	15	6	8	9
Asia	1207	1632	1888	866	1528	1270	1753	1968	1777	530
Europe	3684	4122	3375	2334	2191	1743	2190	1880	1528	1056

Source: Quantec Easydata

Due to the fact that almost all of South Africa's apricot exports are to the European and Asian markets each year, more focus will be given to these specific markets in the next subsections. Figure 10 presents volumes of apricot exports to the various regions of Europe during the last ten years. It is evident from Figure 10 that the majority of South Africa's exports of apricots into Europe are destined for the European Union member states. In fact, the European Union absorbed more than 99.6% apricot exports to the European continent during the past ten years. This is probably because Europe has been a major trading partner of South Africa for more than a century. South Africa also has preferential market access through the Economic Partnership Agreement (SADC-EPA). In 2019, the European Union accounted for all (99.6%) of all South Africa's apricot exports to Europe (see Figure 10).

Figure 10: Apricot exports to various regions of Europe, 2010 - 2019

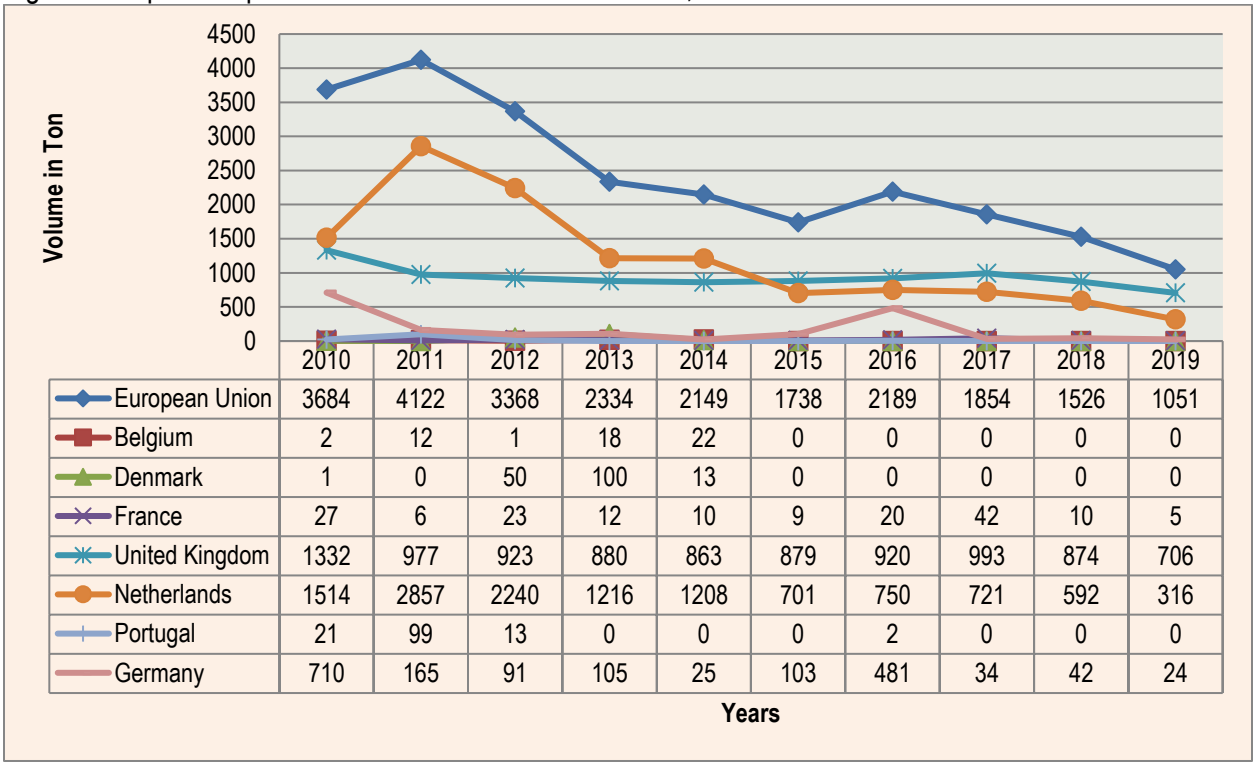


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Europe	3684	4122	3375	2334	2191	1743	2190	1880	1528	1056
Eastern Europe	0	0	7	0	9	5	0	26	1	4
Western Europe	0	0	0	0	33	0	0	0	1	0
European Union	3684	4122	3368	2334	2149	1738	2189	1854	1526	1051

Source: Quantec Easydata

Due to its significance to South Africa's apricot exports, the EU is looked at closely hereafter. Volumes of South African apricot exports to the different European Union member states for the past decade are presented in Figure 11. It is clear from Figure 11 that the leading importers of South African apricots in the European Union are the Netherlands, United Kingdom and Germany. In 2019 the United Kingdom, Netherlands and Germany absorbed 67% (706 tons), 30% (316 tons) and 2% (24 tons), respectively, of the total South African apricots exported to the European Union. Together the three countries accounted for 99.5% of total European Union imports of apricots from South Africa in 2019. Exports to the Netherlands peaked in 2011 at 2 857 tons while those to the United Kingdom and Germany both peaked in 2010 at 1 332 tons and 710 tons respectively. Between 2018 and 2019, exports of apricots to the United Kingdom, Germany and Netherlands declined by 19%, 42% and 46% respectively.

Figure 11: Apricot exports to various EU member countries, 2010 - 2019

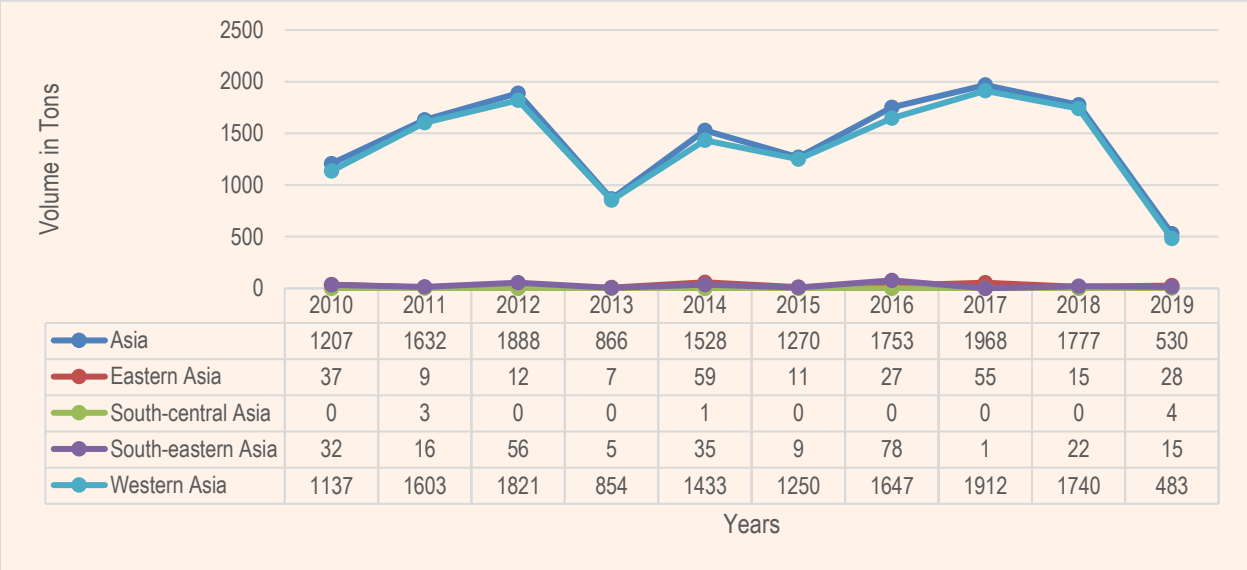


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
European Union	3684	4122	3368	2334	2149	1738	2189	1854	1526	1051
Belgium	2	12	1	18	22	0	0	0	0	0
Denmark	1	0	50	100	13	0	0	0	0	0
France	27	6	23	12	10	9	20	42	10	5
United Kingdom	1332	977	923	880	863	879	920	993	874	706
Netherlands	1514	2857	2240	1216	1208	701	750	721	592	316
Portugal	21	99	13	0	0	0	2	0	0	0
Germany	710	165	91	105	25	103	481	34	42	24

Source: Quantec Easydata

Figure 12 presents volumes of apricot exports to the different regions of Asia for the years 2010 to 2019. It is clear from Figure 12 that the majority of South African apricot exports to the Asian continent are destined for the Western Asia region. This region includes such countries as the United Arab Emirates, Kuwait, Lebanon, Qatar, Saudi Arabia, and Bahrain. Almost all exports of apricots to Asia during the last decade from South Africa were destined for the Western Asia region. Exports to other regions in Asia are insignificant. The highest volume of apricot exports to Western Asia and Asia in general was 1 902 tons, recorded in 2017.

Figure 12: Volume of pear exports to Asia, 2010 - 2019

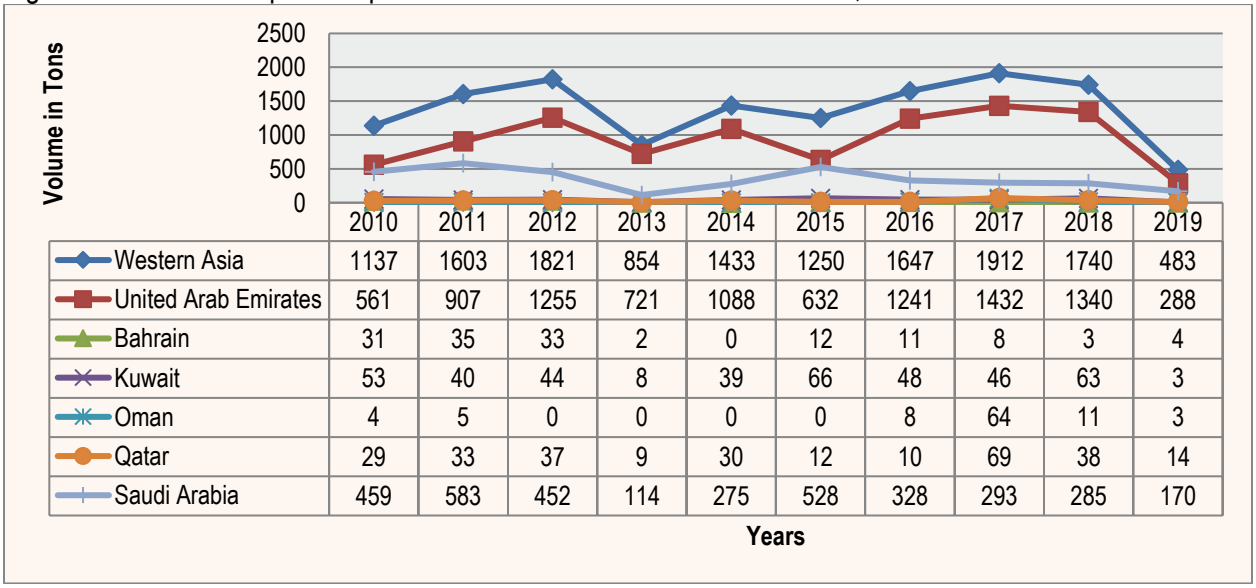


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Asia	1207	1632	1888	866	1528	1270	1753	1968	1777	530
Eastern Asia	37	9	12	7	59	11	27	55	15	28
South-central Asia	0	3	0	0	1	0	0	0	0	4
South-eastern Asia	32	16	56	5	35	9	78	1	22	15
Western Asia	1137	1603	1821	854	1433	1250	1647	1912	1740	483

Source: Quantec Easydata

Given the significance of the Western Asia region in relation to South African exports of apricots, Figure 13 presents volumes of apricot exports to Western Asian countries during the last decade. The main importers of South African apricots in Western Asia are Saudi Arabia and the United Arab Emirates (UAE). The UAE maintained its position as the leading importer of South African throughout the review period. In 2019, the UAE and Saudi Arabia accounted for 60% and 35% of the total South African exports of apricots to Western Asia, respectively. Between 2018 and 2019, exports to the UAE and Saudi Arabia both decreased by 79% and 40% respectively.

Figure 13: Volume of apricot exports to various countries of Western Asia, 2010 - 2019



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Western Asia	1137	1603	1821	854	1433	1250	1647	1912	1740	483
United Arab Emirates	561	907	1255	721	1088	632	1241	1432	1340	288
Bahrain	31	35	33	2	0	12	11	8	3	4
Kuwait	53	40	44	8	39	66	48	46	63	3
Oman	4	5	0	0	0	0	8	64	11	3
Qatar	29	33	37	9	30	12	10	69	38	14
Saudi Arabia	459	583	452	114	275	528	328	293	285	170

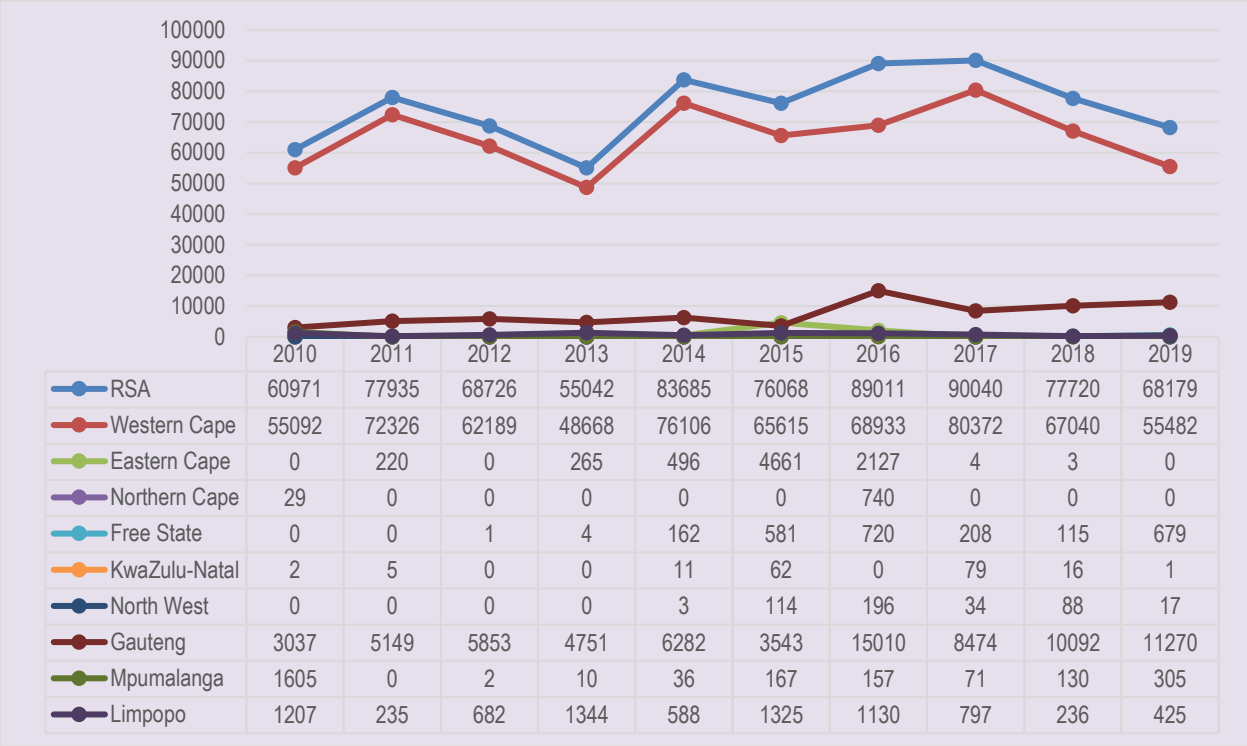
Source: Quantec Easydata

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

2.4 Provincial and district export values of South African apricots

A review of provincial level trade data shows that the Western Cape Province is the major source of apricots destined for the export markets (see Figure 14). The reason for that is the fact that the Western Cape Province is the major producer of apricots accounting for over half of total national production. Secondly, the registered exporters are based in the province and thirdly, the province serves as an exit point for apricots exports through the Cape Town harbour. Figure 14 depicts the value of apricots exports from each province of the Republic of South Africa for the period 2010 to 2019. Apricots worth a total value of R68 million were exported by South Africa in 2019.

Figure 14: Value of apricot exports by provinces, 2010 - 2019

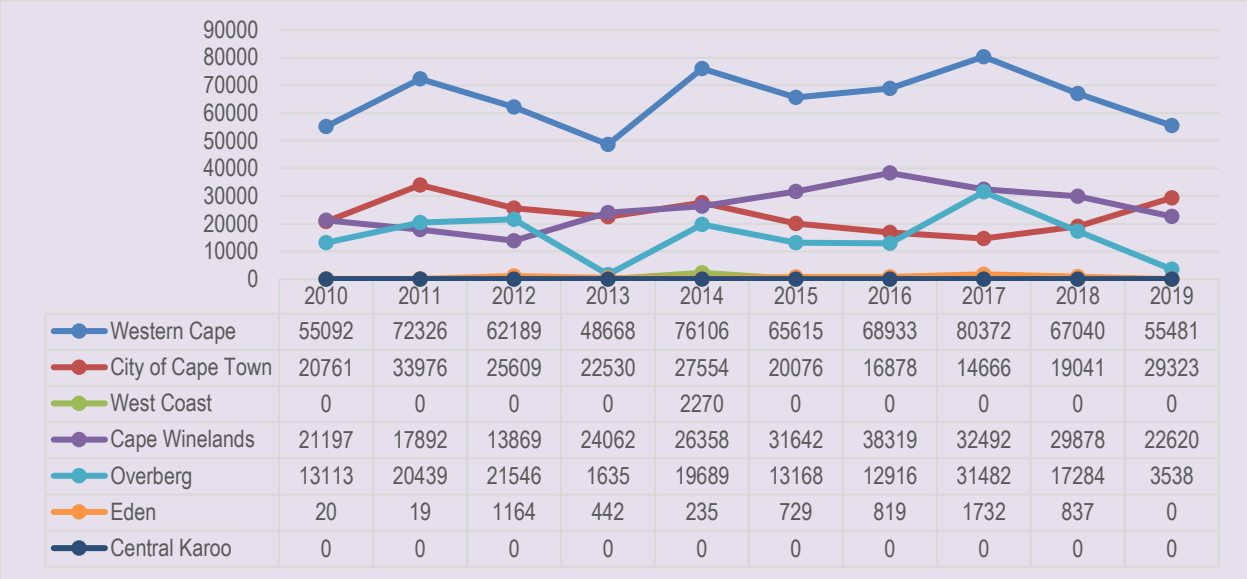


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
RSA	60971	77935	68726	55042	83685	76068	89011	90040	77720	68179
Western Cape	55092	72326	62189	48668	76106	65615	68933	80372	67040	55482
Eastern Cape	0	220	0	265	496	4661	2127	4	3	0
Northern Cape	29	0	0	0	0	0	740	0	0	0
Free State	0	0	1	4	162	581	720	208	115	679
KwaZulu-Natal	2	5	0	0	11	62	0	79	16	1
North West	0	0	0	0	3	114	196	34	88	17
Gauteng	3037	5149	5853	4751	6282	3543	15010	8474	10092	11270
Mpumalanga	1605	0	2	10	36	167	157	71	130	305
Limpopo	1207	235	682	1344	588	1325	1130	797	236	425

Source: Quantec Easydata

Highlights of the apricot exports in Figure 14 were that the provinces of Western Cape and Gauteng to a lesser extend were consistently the top apricot exporting provinces of South Africa over the last decade. Another major exporter of apricots is the Mpumalanga and Limpopo provinces. Other provinces featured intermittently but usually registered minimal trade. The value of apricot exports in the Western Cape decreased in 2019 when compared to 2018 while those from Gauteng increased during the same period. Apricots worth R55 million were exported by the Western Cape in 2019 while apricots worth R11 million were exported by Gauteng during the same year. The following figures (Figures 15 – 22) show the value of apricot exports from the various districts in the nine provinces of South Africa. Figure 15 illustrates values of apricot exports by the Western Cape.

Figure 15: Value of apricot exports by Western Cape province, 2010 - 2019

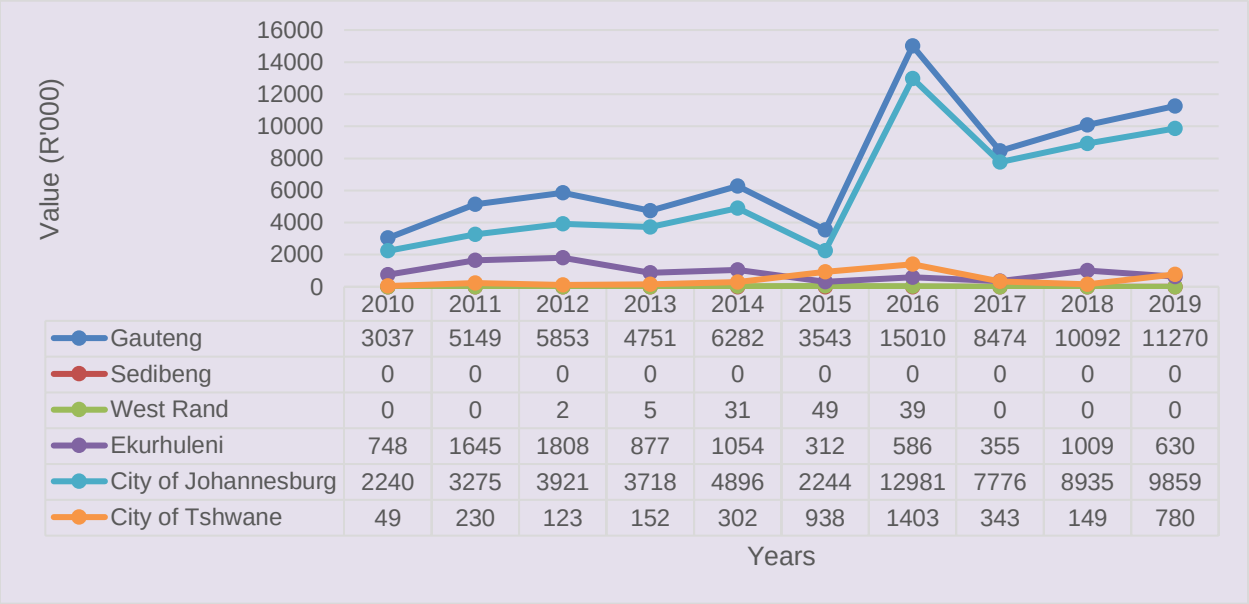


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Western Cape	55092	72326	62189	48668	76106	65615	68933	80372	67040	55481
City of Cape Town	20761	33976	25609	22530	27554	20076	16878	14666	19041	29323
West Coast	0	0	0	0	2270	0	0	0	0	0
Cape Winelands	21197	17892	13869	24062	26358	31642	38319	32492	29878	22620
Overberg	13113	20439	21546	1635	19689	13168	12916	31482	17284	3538
Eden	20	19	1164	442	235	729	819	1732	837	0
Central Karoo	0	0	0	0	0	0	0	0	0	0

Source: Quantec Easydata

It is clear from Figure 15 that apricot exports from the Western Cape province are mainly from the City of Cape Town and Cape Winelands Municipalities, with high values recorded in 2011 (for the City of Cape Town) and 2016 (for Cape Winelands municipality). As mentioned earlier on, 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 apricots from the Western Cape Province. The Cape Winelands district has been the leading exporter of apricots interchangeably with City of Cape Town in the Western Cape since 2009. In 2017, Overberg surpassed City of Cape Town as the second most apricot exporting region in the Western Cape. In 2019, City of Cape Town reclaimed it spots as the top exporting region in the province. Over R29 million worth of apricot exports were recorded in the City of Cape Town while Cape Winelands recorded R22 million worth of apricot exports in 2019. Apricot export values in Cape Winelands and City of Cape Town increased while those from Cape Winelands and Overberg decreased in 2019 when compared with 2018. Values of apricot exports from the Gauteng province are shown in Figure 16.

Figure 16: Value of apricot exports by Gauteng province, 2010 - 2019

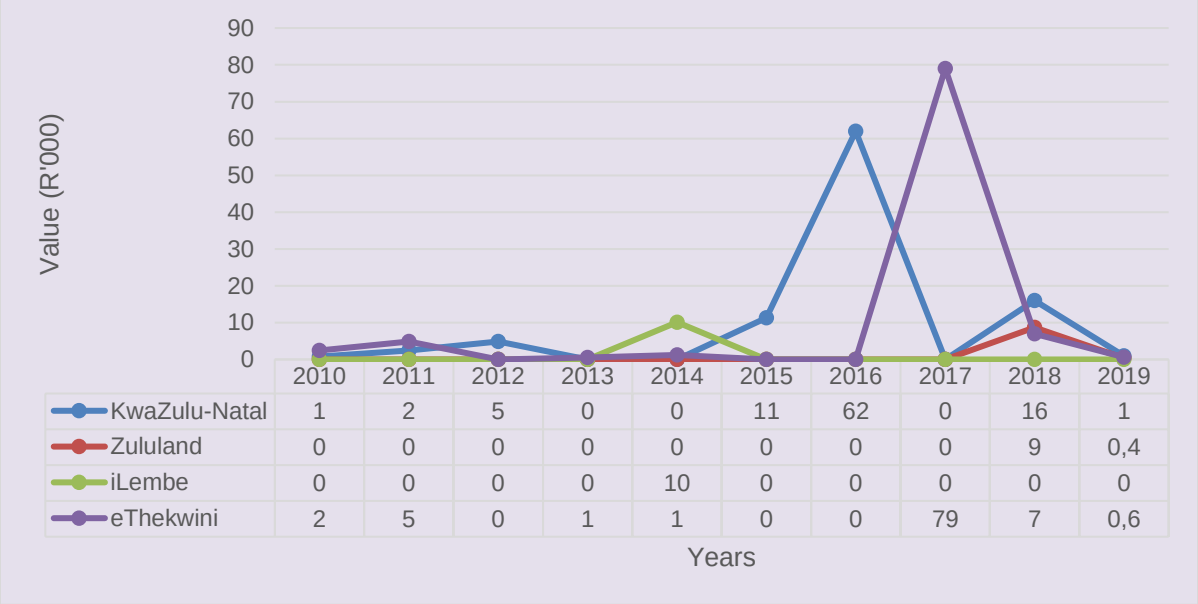


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gauteng	3037	5149	5853	4751	6282	3543	15010	8474	10092	11270
Sedibeng	0	0	0	0	0	0	0	0	0	0
West Rand	0	0	2	5	31	49	39	0	0	0
Ekurhuleni	748	1645	1808	877	1054	312	586	355	1009	630
City of Johannesburg	2240	3275	3921	3718	4896	2244	12981	7776	8935	9859
City of Tshwane	49	230	123	152	302	938	1403	343	149	780

Source: Quantec Easydata

In Gauteng Province, the leading role players in the export of apricots for the past ten years have been the City of Johannesburg, City of Tshwane and Ekurhuleni Metropolitan Municipalities (see Figure 16). High export values of the leading municipalities were recorded in 2012 (for Ekurhuleni), 2016 (for both the City of Tshwane and for City of Johannesburg). Exports from the City of Johannesburg increased significantly from R2.2 million in 2015 to R12.9 million in 2016 while those from Tshwane increased from R938 thousand to R1.4 million during the same period. in 2019, exports worth R9.8 million were exported from City of Johannesburg region. Value of apricot exports increased from the R8.9 million in 2018 to R9.8 million in 2018. Values of apricot exports from the Kwazulu Natal Province are shown in Figure 17.

Figure 17: Value of apricot exports by Kwazulu Natal, 2010 - 2019



Source: Quantec Easydata

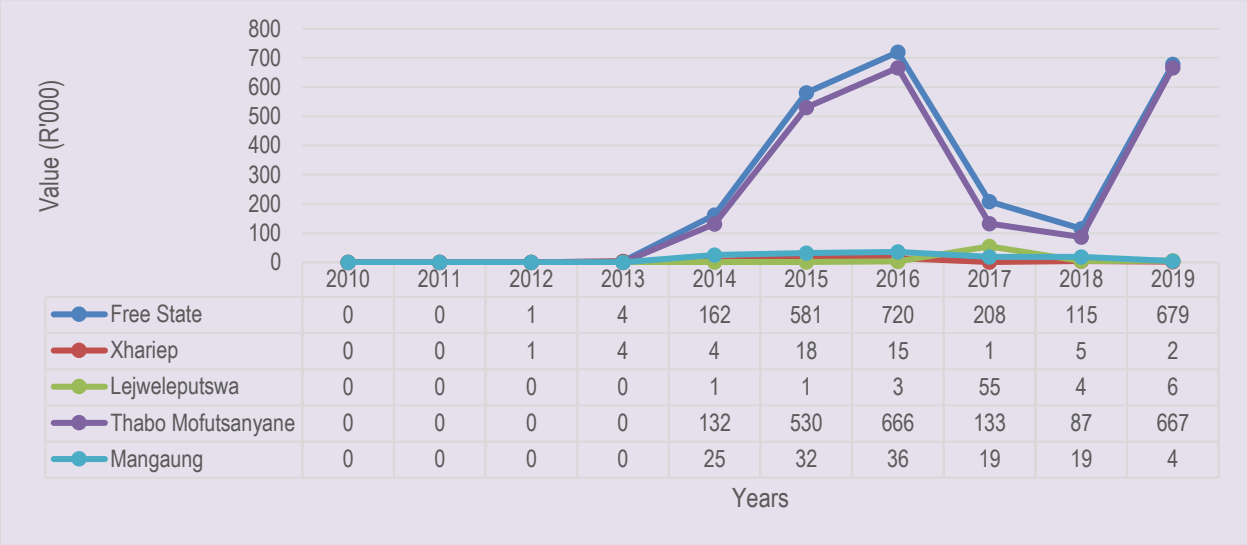
Apricot exports from the Kwazulu Natal province are mainly from eThekwini Metropolitan Municipality (see Figure 17). High export value for the leading municipality was recorded in 2017. The use of the Durban harbour as an exit point may have played a major role in the eThekwini previously being a leader in the export of apricots from Kwazulu Natal Province. Exports from eThekwini have been very low during the last eight years. In 2019, all apricot exports came from eThekwini and Zululand municipalities. Values of apricots from the Eastern Cape Province are depicted in Figure 18.

Figure 18: Value of apricot exports by Eastern Cape province, 2010 - 2019

Source: Quantec Easydata

It is clear from Figure 18 that apricot exports in the Eastern Cape Province are mainly from the Nelson Mandela Municipality. High export values for the leading municipality were recorded in 2015. The export value has dropped drastically from the 2015 peak, recording a disappointing 100% decline between 2015 and 2018. In 2019, Eastern Cape recorded no apricots exports. Values of apricot exports from the Free State are presented in Figure 19.

Figure 19: Value of apricot exports by Free State province, 2010 - 2019

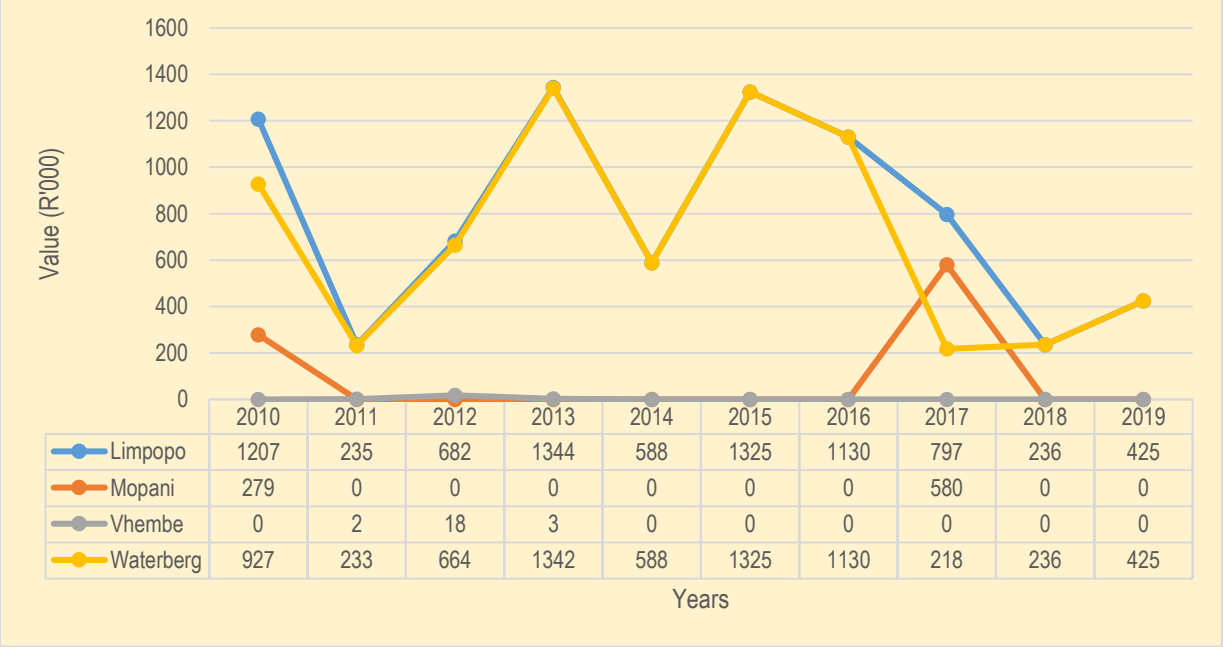


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Free State	0	0	1	4	162	581	720	208	115	679
Xhariep	0	0	1	4	4	18	15	1	5	2
Lejweleputswa	0	0	0	0	1	1	3	55	4	6
Thabo Mofutsanyane	0	0	0	0	132	530	666	133	87	667
Mangaung	0	0	0	0	25	32	36	19	19	4

Source: Quantec Easydata

In the Free State province, the leading district in terms of apricot exports is the Thabo Mofutsanyane District Municipality (see Figure 19). High export values for the leading municipality were recorded in 2016. Mangaung and Lejweleputswa are other significant contributors of apricot exports by Free State province. Volumes of apricot exports from the Limpopo province are shown in Figure 20.

Figure 20: Value of apricot exports by Limpopo province, 2010 - 2019



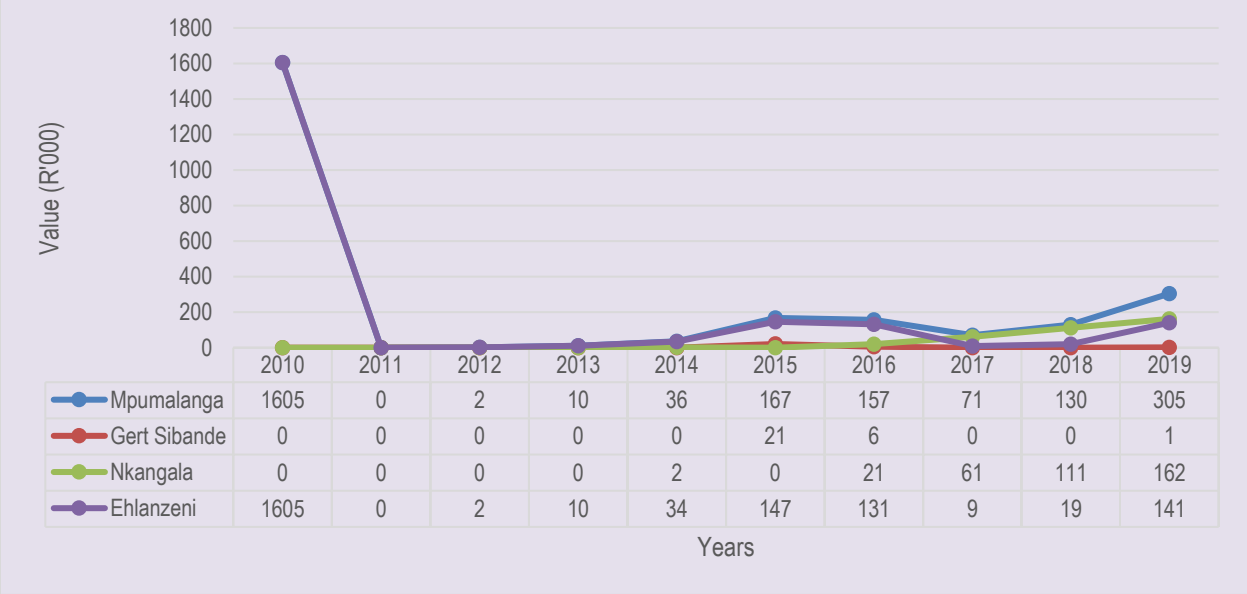
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Limpopo	1207	235	682	1344	588	1325	1130	797	236	425
Mopani	279	0	0	0	0	0	0	580	0	0
Vhembe	0	2	18	3	0	0	0	0	0	0
Waterberg	927	233	664	1342	588	1325	1130	218	236	425

Source: Quantec Easydata

It is clear from Figure 20 that apricots trade in Limpopo Province are mainly from Waterberg district. Only two of the municipalities in Limpopo province (Mopani and Waterberg district municipalities) have recorded significant trade in the past decade. High export values for the leading district municipality was in 2013 (for Waterberg) and 2017 (for Mopani). All export recorded in Limpopo province in 2019 came from Waterberg. Export values in Waterberg municipalities increased by 80% in 2019 when compared to 2018 while Mopani recorded no exports between 2018 and 2019. Values of apricot exports from the Mpumalanga Province are depicted in Figure 21.

Figure 21 shows that apricot exports from Mpumalanga Province are mainly from Nkangala and Ehlanzeni district municipalities. High export values for the leading district municipalities were recorded in 2010 (for Ehlanzeni). Apricot exports worth R162 thousands were exported by the Nkangala district in 2019 and Ehlanzeni district recorded exports worth R141 thousands.

Figure 21: Value of apricot exports by Mpumalanga province, 2010 - 2019

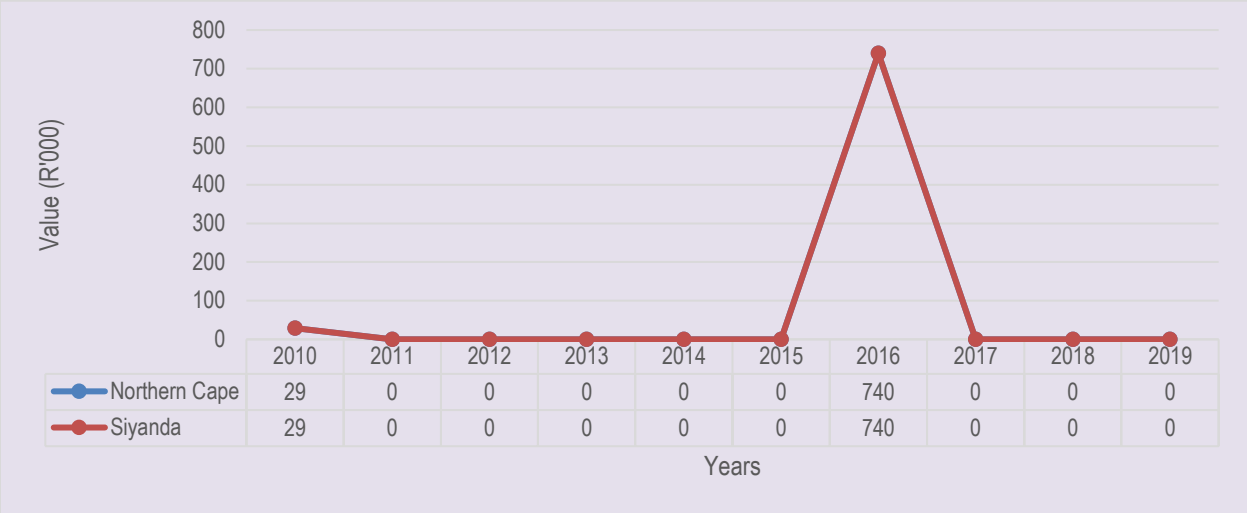


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mpumalanga	1605	0	2	10	36	167	157	71	130	305
Gert Sibande	0	0	0	0	0	21	6	0	0	1
Nkangala	0	0	0	0	2	0	21	61	111	162
Ehlanzeni	1605	0	2	10	34	147	131	9	19	141

Source: Quantec Easydata

Volumes of apricot exports from the Northern Cape Province are shown in Figure 22. The sole contributor to apricot exports in the Northern Cape in 2010 and 2016 was the Siyanda district.

Figure 22: Value of apricot exports by Northern Cape province, 2010 - 2019



Source: Quantec Easydata

2.5 Share Analysis

Table 2 is an illustration of provincial shares towards national apricot exports. It shows that Western Cape together with Gauteng Province (to a lesser extend) have commanded the greatest share of apricot exports for the past ten years. As explained earlier, this means that the leading export provinces (Western Cape and Gauteng) derive their advantage from the fact that the registered exporters are based in their provinces and they also have exit points for apricot exports. During 2019, the Western Cape accounted for 81.3% of all apricot exports in South Africa. The Western Cape was followed by Gauteng with 16.5%, Free State and Limpopo with 1% and 0.6% respectively.

Table 2: Share of provincial apricot exports to the total RSA apricot exports (%)

Years Province	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
RSA	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Western Cape	90.4	92.8	90.5	88.4	91.9	86.3	77.4	89.3	86.2	81.3
Eastern Cape	0.0	0.3	0.0	0.5	0.6	6.1	2.4	0.0	0.0	0.0
Northern Cape	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0
Free State	0.0	0.0	0.0	0.0	0.3	0.8	0.8	0.2	0.1	1.0
Kwazulu Natal	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0
North West	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.1	0.0
Gauteng	5.0	6.6	8.5	8.6	6.4	4.7	16.9	9.4	12.9	16.5
Mpumalanga	2.6	0.0	0.0	0.0	0.2	0.2	0.2	0.1	0.1	0.4
Limpopo	2.0	0.3	1.0	2.4	0.7	1.7	1.3	0.9	0.3	0.6

Source: Calculated from Quantec Easydata

The accompanying tables (Table 3 to 10) show shares of the various districts' apricot exports to the various provincial apricot exports.

Table 3 shows the share of district apricot exports to the total Western Cape provincial apricots exports for the years 2010 to 2019. It can be observed that the City of Cape Town, Cape Winelands and Overberg district municipalities are the leading exporters of apricots in the Western Cape. Together, they accounted for all (100%) total Western Cape apricot exports in 2019. The Cape Winelands overtook the City of Cape Town as the leading export region of apricots in the Western Cape for the first time in 2010, again in 2013 and 2015. During 2017, Overberg overtook City of Cape Town to the second spot accounting for 39% of apricot export from Western Cape. In 2019, City of Cape Town was the leading exporter of apricot in the Western Cape.

Table 3: Share of district apricot exports to the total Western Cape provincial apricot exports (%)

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	37.7	47.0	41.2	46.3	36.8	30.6	24.5	18.2	28.4	52.8
West Coast	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0
Cape Winelands	38.5	24.7	22.3	49.4	34.3	48.2	55.6	40.4	44.5	40.7
Overberg	23.8	28.3	34.6	3.4	25.6	20.1	18.7	39.2	25.7	6.3
Eden	0.0	0.0	1.9	0.9	0.3	1.1	1.2	2.2	1.2	0.0

Source: Calculated from Quantec Easydata

Table 4 shows the share of district apricot exports to the total Eastern Cape provincial apricots exports for the years 2010 to 2019. All apricot exports recorded in the Eastern Cape during the last decade were from the Buffalo City District. In 2019, no apricot exports were recorded in the Eastern Cape.

Table 4: Share of district apricot exports to the total Eastern Cape provincial apricot exports (%)

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Eastern Cape	0.0	100.0	0.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Nelson Mandela	0.0	100.0	0.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Buffalo City	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0

Source: Calculated from Quantec Easydata

Table 5 shows the share of apricot exports by Mpumalanga province's districts. Most (53.1%) of apricot exports recorded in 2019 were from the Nkangala district. (See Table 5). The remaining balance (46.2%) came from Ehlanzeni district.

Table 5: Share of district apricot exports to the total Mpumalanga provincial apricot exports (%)

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mpumalanga	100.0	0.0	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	2.1	12.4	3.5	0.0	0.0	0.3
Nkangala	0.0	0.0	0.0	0.0	11.1	0.0	13.1	86.8	85.5	53.1
Ehlanzeni	100.0	0.0	100.0	100.0	86.7	87.6	83.4	13.2	14.6	46.2

Source: Calculated from Quantec Easydata

Table 6 indicates that there was no apricot exports recorded in the Free State Province between 2010 and 2011 (also see Table 2). Almost all (98.2%) Free State export recorded in 2019 were mostly from Thabo Mofutsanyane district. Lejweleputswa was the second contributor with 0.8% followed by Mangaung at 0.5%.

Table 6: Share of district apricot exports to the total Free State provincial apricot exports (%)

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Free State	0.0	0.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Xhariep	0.0	0.0	100.0	100.0	1.5	3.1	2.0	0.3	40.4	0.2
Lejweleputswa	0.0	0.0	0.0	0.0	0.7	0.2	0.4	26.3	3.8	0.8
Thabo Mofutsanyane	0.0	0.0	0.0	0.0	82.2	91.3	92.6	64.1	75.3	98.2
Mangaung	0.0	0.0	0.0	0.0	15.6	5.5	5.0	9.2	16.5	0.5

Source: Calculated from Quantec Easydata

Table 7 shows the share of district apricot exports to the total Gauteng provincial apricots exports for the years 2010 to 2019. The leading district in 2019 was the City of Johannesburg (87.4%). It was followed by City of Tshwane and Ekurhuleni at 6.9 and 5.5% respectively.

Table 7: Share of district apricot exports to the total Gauteng provincial apricot exports (%)

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
West Rand	0.0	0.0	0.0	0.1	1.1	1.4	3.9	0.0	0.0	0.0
Ekurhuleni	24.6	31.9	30.9	18.5	20.8	8.8	3.9	4.2	10.0	5.5
City of Johannesburg	73.8	63.6	67.0	78.3	71.3	63.3	86.5	91.8	88.5	87.4
City of Tshwane	1.6	4.5	2.1	3.2	6.8	26.5	9.3	4.0	1.4	6.9

Source: Calculated from Quantec Easydata

In the Limpopo Province almost all exports of apricots recorded in the past ten years are mostly from the Waterberg district (see Table 8). During 2019, All of apricot exports from Limpopo came from Waterberg district.

Table 8: Share of district apricot exports to the total Limpopo provincial apricot exports (%)

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Limpopo	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mopani	23.1	0.0	0.0	0.0	0.0	0.0	0.0	72.7	0.0	0.0
Vhembe	0.0	0.8	2.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Waterberg	76.8	99.2	97.5	99.8	100.0	100.0	100.0	27.3	100.0	100.0

Source: Calculated from Quantec Easydata

The eThekwini district was the only district in Kwazulu Natal that recorded apricot exports in the past ten years (see Table 9). During 2019, all apricot exports recorded by Kwazulu Natal were from eThekwini and Zululand.

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

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Kwazulu Natal	100.0	100.0	100.0	0.0	100.0	100.0	0.0	100.0	100.0	100.0
Zululand	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	54.2	40.0
iLembe	0.0	0.0	0.0	0.0	77.5	0.0	0.0	0.0	0.0	0.0
eThekwini	100.0	100.0	0.0	0.0	22.5	0.0	0.0	100.0	43.7	60.0

Source: Calculated from Quantec Easydata

All apricot exports recorded in the Northern Cape Province during 2010 were from the Siyanda district (see Table 10). In 2019, no apricot exports were recorded in the Northern Cape.

Table 10: Share of district apricot exports to the total Northern Cape provincial apricot exports (%)

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Northern Cape	100.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0
Siyanda	100.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0

Source: Calculated from Quantec Easydata

2.6 Apricot processing

2.6.1 Uses of apricots

The apricot in its fresh form is used as a dessert fruit. It is however, generally used in its dried form. The heat renders it easier to digest. It is made into excellent jam, jelly and marmalades and preserved apricots canned in sugar are also popular. The nut of the apricot is extensively used in confectionary.

2.6.2 Medicinal and non-food uses

Throughout the centuries, the fruit, kernels, oil and flowers of the apricot have been used in medicine. In China, a famous medicine known as 'Apricot Gold' was made from the kernels of trees which grew in certain areas. This medicine was reputed for the powers to prolong life. The Chinese also believed that apricots reacted sympathetically to women's ailments. The apricot flowers, therefore, formed a common ingredient in their cosmetics. The kernel, which yields an oil similar to that of the almond, have been widely used for their sedative, antispasmodic that gives relief to strained muscles and demulcent or soothing properties. They are useful in the healing of wounds, in expelling worms and as a general tonic.

Constipation

The fruit is highly valued as a gentle laxative and is beneficial in the treatment of constipation. This is due to its cellulose and pectin contents. The cellulose, which is not digested, acts as roughage - that indigestible part of the food which helps the bowel movement and the pectin which absorbs and retains water, thereby increasing bulk to faeces and stimulating smooth bowel movement. Patients suffering from chronic constipation can greatly benefit by regular use of apricots. Generally six to eight apricots used per day will produce the desired result.

Indigestion

Apricots have an alkaline reaction in the system. They aid the digestion, if consumed before a meal. Marmalade, made from organically grown fruit, is also valuable in the treatment of nervous indigestion.

Anaemia

The apricot is an excellent food remedy for anaemia on account of its high content of iron. The small but essential amount of copper in the fruit makes iron available to the body. Liberal use of apricots could also increase the production of haemoglobin in our body.

Fevers

Fresh juice of apricots, mixed with glucose or honey, is a very cooling drink during fevers. It quenches the thirst and eliminates the waste products from the body. It tones up the eyes, stomach, liver, heart and nerves by supplying vitamins and minerals.

Skin Diseases

Fresh juice of apricot leaves is useful in treating skin diseases. It can be applied with beneficial results in scabies, eczema, sun-burn and itching of the skin due to cold exposure.

2.7 Imports

During 2019 South Africa recorded 19 tons imports of fresh apricot, mainly from Spain. The main supplier of dried apricot to South Africa in 2019 was Turkey with 236 tons. During the same year, South Africa's imports of dried apricots represented 0.1% of world imports and its ranking in the world was 67.

3. GROWTH, VOLATILITY & STABILITY ANALYSIS

Table 11 presents the results of growth and coefficient of variation estimations. They were calculated using yearly statistics and covered the same ten-year period under review beginning in 2010 and ending in 2019. The coefficient of variation is a measure of volatility or stability. When the coefficient of variation is less than one, the variable in question is said to be relatively stable, meaning that there were minimal changes. When the coefficient of variation is more than one, it is said to be volatile, meaning there were major changes during the period under review.

Table 11: Fresh apricot industry growth rates & variation coefficients (2010 – 2019)

Category	Subcategory	Growth Rate (%)	Coefficient of Variation
Production	Gross Value (GV)	6.40	0.28
	Volume	-2.26	0.20
Sales at NFPMs	GV/Price	7.96	0.37
	Volume	-0.81	0.27
Export	Gross Value	7.72	0.28
	Volume	-6.93	0.24
Import	Gross Value	3.00	0.52
	Volume	-5.57	1.64

Source: Calculated from data from Statistics and Economic Analysis, DAFF and Quantec Easydata

As shown in Table 11 above, the apricot industry experienced a positive growth rate from 2010 to 2019 in terms of both gross values and volumes with the exception of volume of production and gross value of imports over the same period. This is particularly true, because in figure 4 above apricots production volumes and export quantities of the above variable declined during the period under review.

Table 11 also shows various levels of volatility at different levels of the apricot industry's yearly figures over the same period (2010 to 2019). Low volatility was indicated by the coefficients of variation that were less than one (<1). All variables have values less than 1, which means that on a weighted variance scale, they displayed minimal changes for pear during the ten years under review. The exception was in the case of apricot imports which displayed maximum changes during the past ten years.

4. MARKET INTELIGENCE

4.1 Competitiveness of South African apricot 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 2019, South African fresh apricot exports represented 1% of world exports and its ranking on the world exports was number 15 whereas South African dried apricot exports represented 1.4% of world exports and its ranking on the world exports was number 13. The average distance of importing countries is 8 181 km and the export concentration is 0.28.

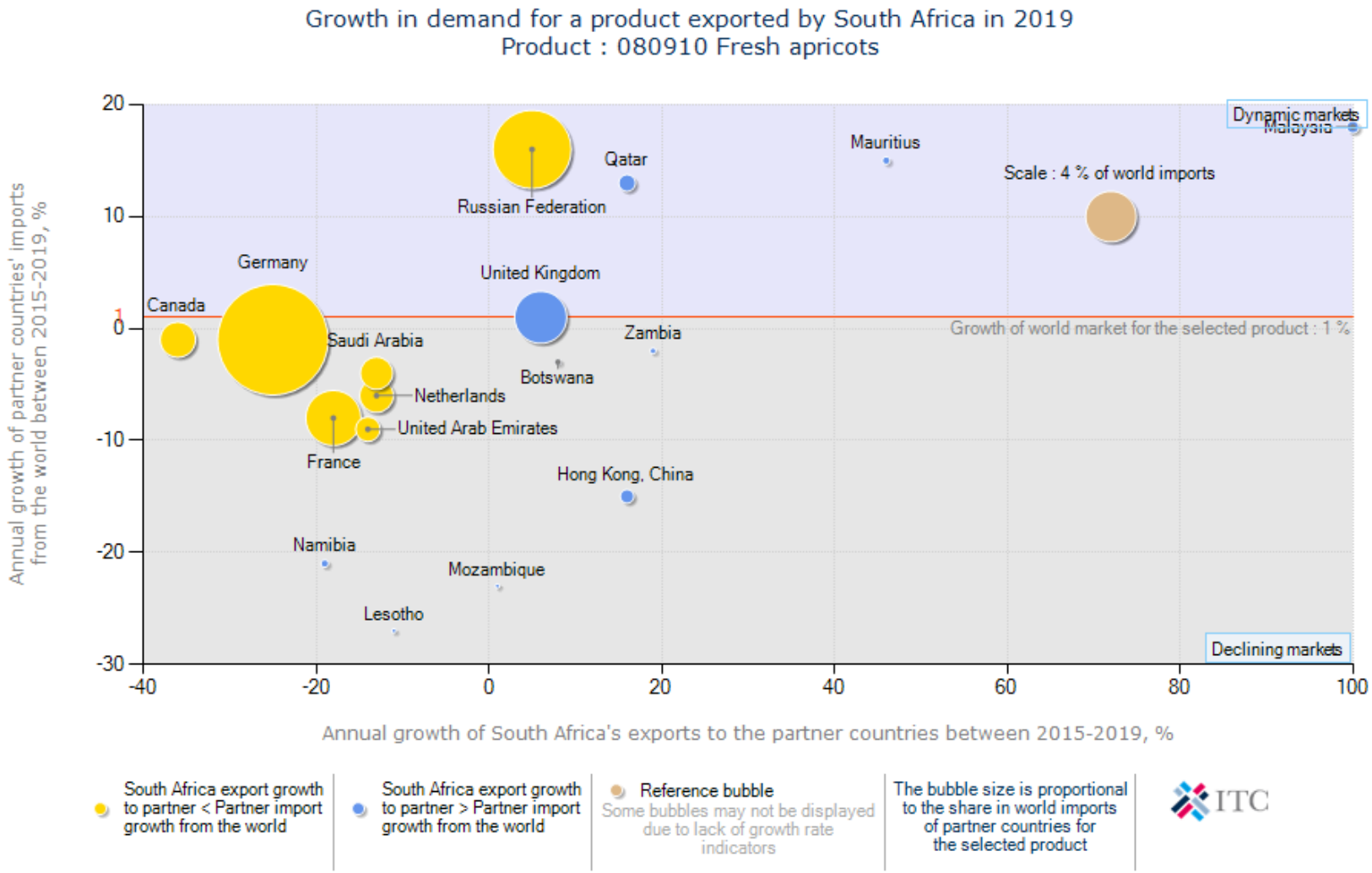
As depicted in Figure 23 below, South Africa in terms of fresh apricots exports are growing faster than the world imports in Qatar, Mauritius and United Kingdom markets. South Africa's performance in those markets can be regarded as gains in dynamic markets.

At the same time, South African fresh apricot is growing while world imports are declining in the Namibia and Hong Kong, China. South Africa's performance in this market can be regarded as gains in declining markets and should be viewed as an achievement in adversity.

South African fresh apricot exports have declined faster than the world imports in Netherlands, Saudi Arabia, UAE, Canada, Germany and France. South Africa's performance in these markets can be regarded as a loss in declining markets.

South African apricot exports are declining while world imports are growing in Russia. These markets are dynamic and South Africa's performance should be regarded as underachievement.

Figure 23: Growth in demand for the South African fresh apricots in 2019



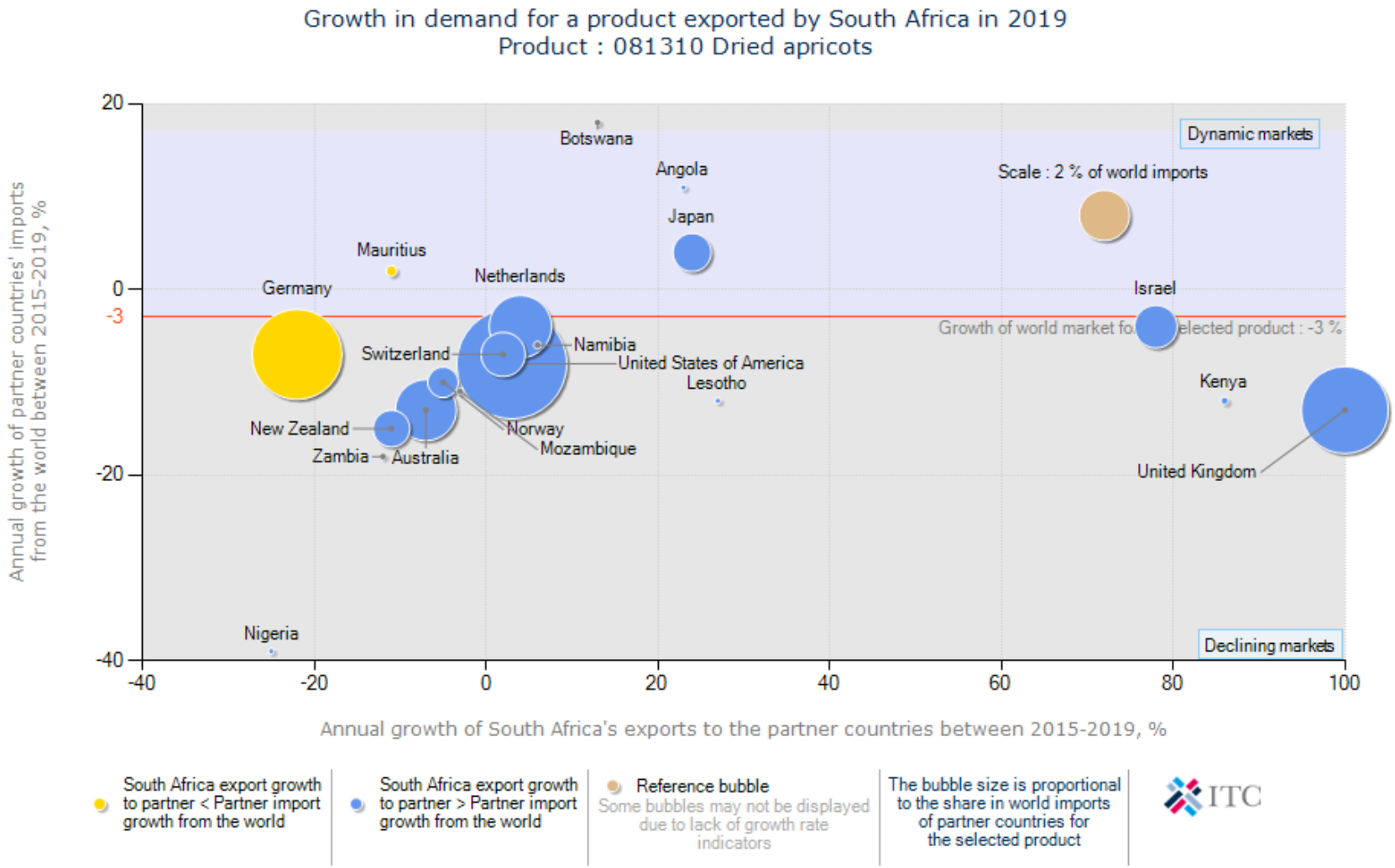
Source: TradeMap, ITC

As depicted in Figure 24 below, South African dried apricots exports are growing faster than world imports in Japan, Botswana and Angola. South Africa's performance in these markets can be regarded as gains in dynamic markets.

South African dried apricots exports are growing while the world imports are declining in United Kingdom, Kenya, Lesotho, Namibia, Netherlands, Zambia, New Zealand, USA, and Swiss markets. South Africa's performance in these markets can be regarded as gains in declining markets and should be viewed as an achievement in adversity.

At the same time South African dried apricots exports have declined faster than the world imports in Mauritius markets. South Africa's performance in these markets can be regarded as a loss in dynamic markets.

Figure 24: Growth in demand for the South African dried apricots in 2019



Source: TradeMap, ITC

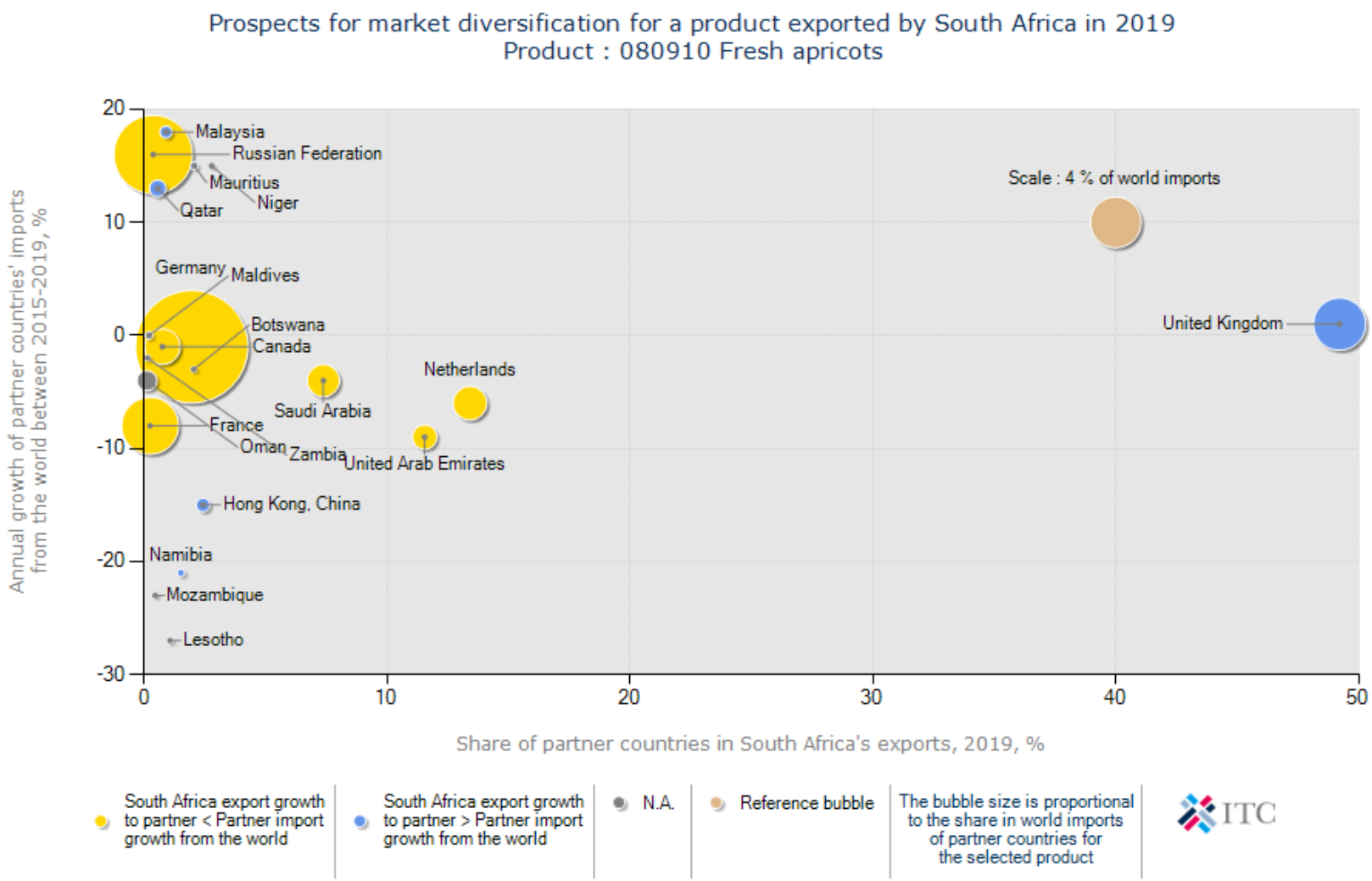
Figure 25 below illustrates prospects for market diversification by South African fresh apricot exporters. The Netherlands, United Kingdom, United Arab Emirates, and Saudi Arabia hold a bigger market share of South African fresh apricot exports.

In terms of market size, Germany was the largest fresh apricot market in 2019 with just over $102 million worth of fresh apricot imports, or roughly 22.2% of the world fresh apricot market. Second was the Russia with just over $49 million worth of fresh apricot imports, or roughly 10.7% market share followed by Kazakhstan with just over $24 million worth of fresh apricot imports, or roughly 5.3% market share.

Whilst three countries dominate world fresh apricot imports, it is interesting to note that countries like Ukraine, together with Grenada; and Bosnia and Herzegovina have experienced higher annual growth rate in terms of imports from 2015 – 2019. Ukraine experienced an annual growth rate of 175%. Second was Grenada with 141% annual growth rate followed by Bosnia and Herzegovina at 139%. It is important to note that growth by most of the above-mentioned countries has been off a low base. These countries represent possible lucrative markets for South African fresh apricot producers.

It is also important to note that fresh apricot imports from the world to countries such as Italy and Australia, Norway and Irelands have declined from 2015 to 2019 and as a result those countries have recorded a negative growth rate in fresh apricot imports. Imports into Australia declined by 33% between 2015 and 2019 while those into Norway and Ireland declined by 23% and 22% respectively.

Figure 25: South African fresh apricots' prospect for market diversification in 2019



Source: TradeMap, ITC

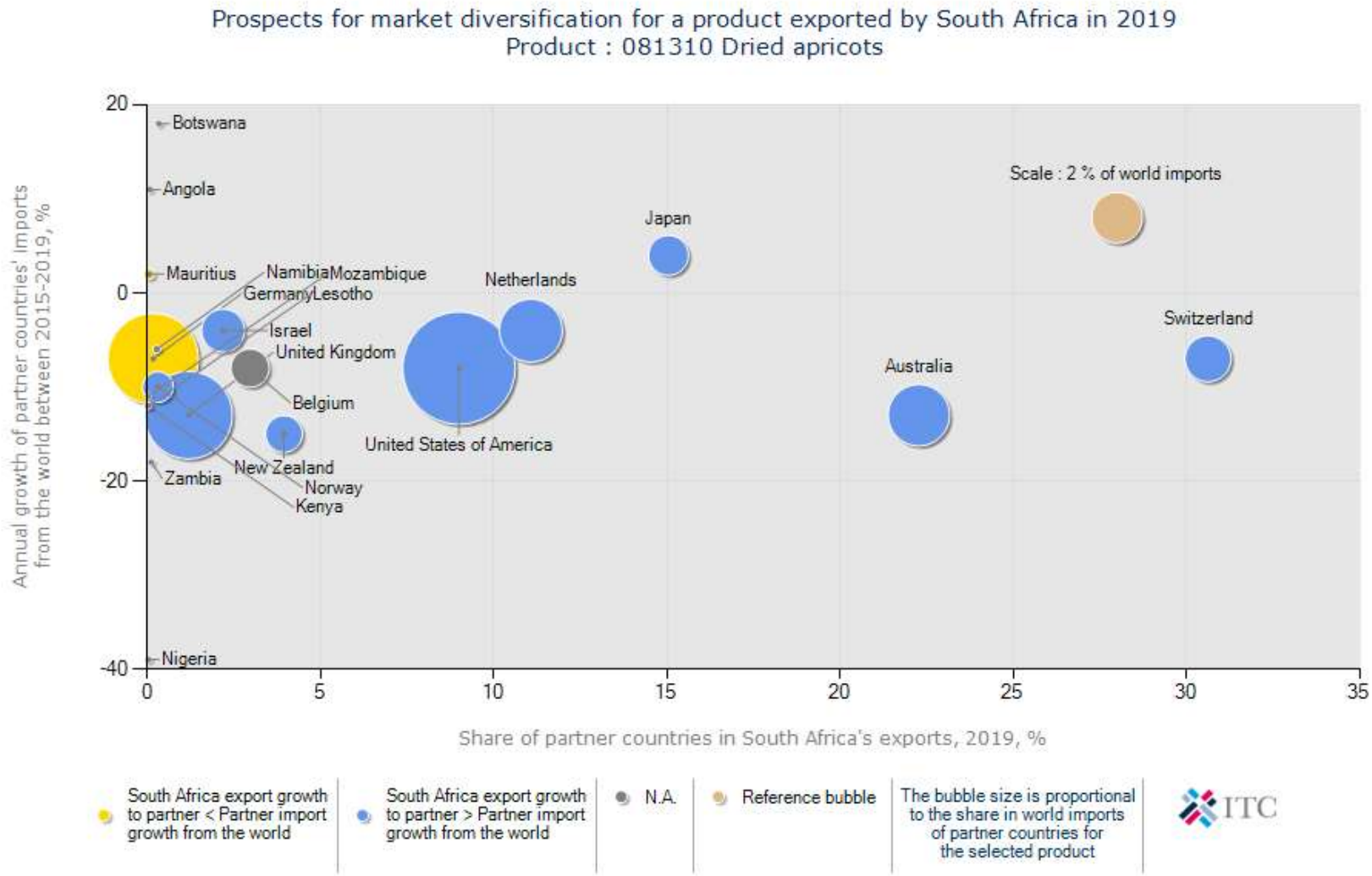
Figure 26 below illustrates prospects for market diversification for South African dried apricot exporters. Switzerland, Australia, United States of America, Japan and the Netherlands hold a bigger market share of South African dried apricot exports.

In terms of market size, the United States of America was the largest dried apricot market in 2019 with just over $38 million worth of dried apricot imports, or roughly 10.5% of the world dried apricot market. Second was the France with just over $27 million worth of dried apricot imports, or roughly 7.5% market share followed by Germany with just over $25 million worth of dried apricot imports, or roughly 6.9% market share and United Kingdom with just over $23 million worth of dried apricot imports, or roughly 6.3% market share.

Whilst four countries dominate world dried apricot imports, it is interesting to note that countries like Vietnam, together with Tunisia and Malta have experienced higher annual growth rate in terms of imports from 2015 – 2019. Vietnam experienced an annual growth rate of 90%. Second was both Tunisia and Malta with 80% and 49% annual growth rate respectively.

It is also important to note that dried apricot imports from the world to countries such as India and Poland have declined from 2015 – 2019 and as a result those countries have recorded a negative growth rate in dried apricot imports. Imports into India declined by 38% between 2015 and 2019 the same period.

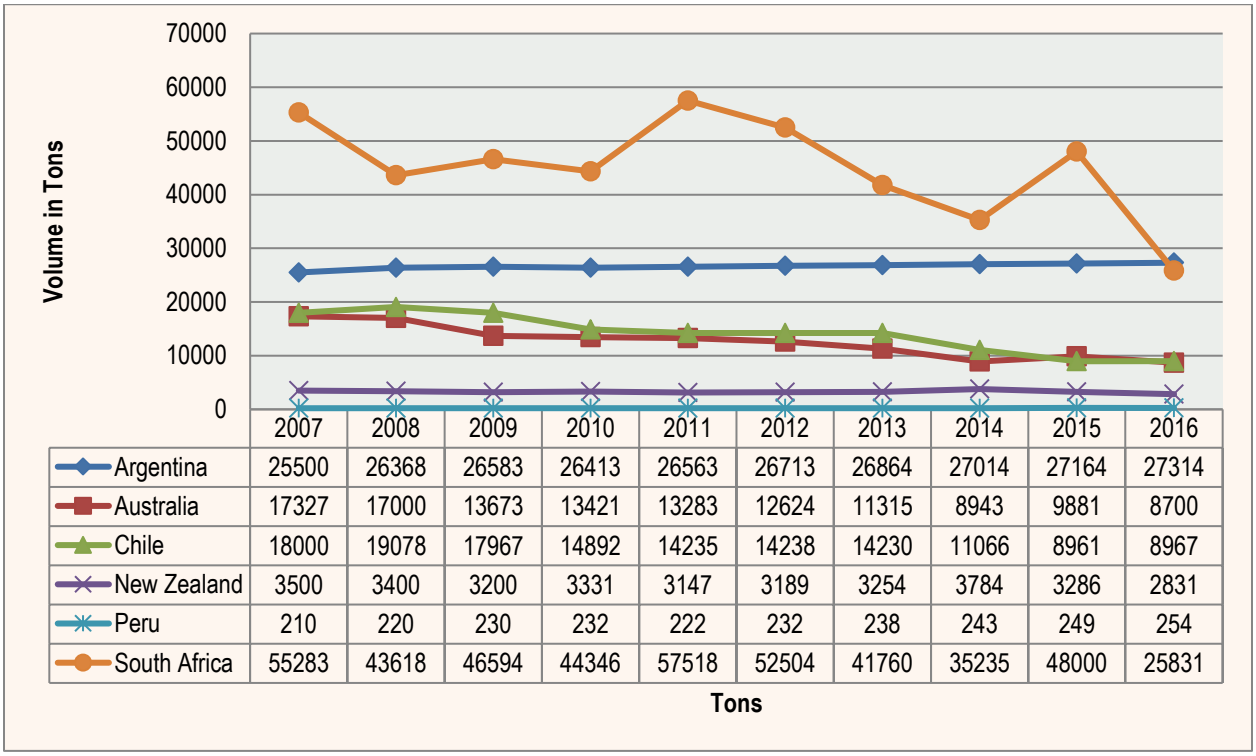
Figure 26: South African dried apricots' prospect for market diversification in 2019



Source: TradeMap, ITC

4.2 South Africa vs. Southern hemisphere production

Figure 27 presents southern hemisphere production of fresh apricots. Approximately 73 897 tons of apricots were produced in the southern hemisphere during 2016. It is clear that South Africa is the largest producer of apricots in the southern hemisphere context before being surpassed by Argentina in 2016. Considering the ten year period covered in Figure 27, South Africa was followed by Argentina and Chile as the second and third largest producers of fresh apricots in the southern hemisphere. Australia is also a major apricot producer in the southern hemisphere context, accounting for 8 700 of apricots during 2016. Apricots production has been stable in most dominant apricot producing countries in Southern hemisphere with the exception of South Africa. Apricot production in South Africa has been dropping between 2011 and ; however production increased by 36% in 2015 compared to 2014, however, in 2016, apricot production fell by 46%.



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Argentina	25500	26368	26583	26413	26563	26713	26864	27014	27164	27314
Australia	17327	17000	13673	13421	13283	12624	11315	8943	9881	8700
Chile	18000	19078	17967	14892	14235	14238	14230	11066	8961	8967
New Zealand	3500	3400	3200	3331	3147	3189	3254	3784	3286	2831
Peru	210	220	230	232	222	232	238	243	249	254
South Africa	55283	43618	46594	44346	57518	52504	41760	35235	48000	25831

Source: FAOSTAT

It is also interesting to note that the several retailers in the UK regard South African apricots from the Karoo region, especially Prince Albert, as the best tasting apricots in the world. It is something that the South African apricot producers should capitalize on in the next couple of years.

4.3 South Africa vs. Southern hemisphere exports in 2017

Table 12 presents volumes of exports of fresh apricots by the different countries in Southern Africa during the year 2017. The last column in the table gives the contribution of each country relative to the total southern hemisphere exports of apricots. As can be seen in Table 12 South Africa is the leading exporter of fresh apricots in the southern hemisphere, accounting for 66.6% of total southern hemisphere exports of fresh apricots in 2017. It is followed by New Zealand at 13.7% and Chile at 10.9%.

Table 12: Southern hemisphere exports of fresh apricots, 2017

Country	Export - Quantity in Metric Tons (MT)	Contribution to Southern Hemisphere Exports (%)
World exports	320 864	
Southern Hemisphere	6 208	100.00
Chile	679	10.9
South Africa	4 134	66.6
Australia	500	8.1
New Zealand	849	13.7

Source: Trademap, ITC

New Zealand primarily exports to Australia and export very little to United Kingdom. Australia produces primarily for local markets and exports very little to the Middle East. Argentina primarily produces for local markets and export minimal quantities. The USA is by far the largest (73%) export market for fresh apricots for Chile, followed by Brazil and China. All these countries with the exception of Chile pose no serious threat in the European markets.

5. 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 apricots) 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.

5.1 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 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 13 presents tariffs applied by the top export markets to fresh apricots originating from South Africa during 2017. The European Union member states that featured in the top-ten list of export destination for South African fresh apricots include the Netherlands, the United Kingdom, Portugal, and Belgium.

Table 13: Tariffs applied by various export markets to fresh apricots from South Africa

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
European Union	0809100000	Fresh apricots	MFN duties (Applied) Preferential tariff for South Africa	OQTR: 20.00% IQTR : 10.00% 0.00%	OQTR: 20.00% IQTR : 10.00% 0.00%
United Arab Emirates	08091000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Apricots	MFN duties (Applied)	0.00%	0.00%
Saudi Arabia	08091000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Apricots	MFN duties (Applied)	0.00%	0.00%
Qatar	08091000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Apricots	MFN duties (Applied)	0.00%	0.00%
Namibia	08091000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Apricots	Intra SACU rate	0.00%	0.00%
Kuwait	08091000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Apricots	MFN duties (Applied)	0.00%	0.00%
Canada	08091010	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Apricots: For processing	MFN duties (Applied)	8.00% or 17.53 $/Ton whichever is the greater	8.00%
	08091091	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: apricots: in other packings: from September	MFN duties (Applied)	10.50% or 38.70 $/Ton whichever	10.50%

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
				is the greater	
	08091099	Fresh apricots : Other : Other	MFN duties (Applied)	0.00%	0.00%
Mozambique	08091000	Damascos, frescos	MFN duties (Applied) Preferential tariff for South Africa	20.00% 0.00%	20.00% 0.00%
Hong Kong, China	08091000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Apricots	MFN duties (Applied)	0.00%	0.00%
Lesotho	08091000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Apricots	Intra SACU rate (Applied)	0.00%	0.00%

Source: Market Access Map, ITC

South Africa had a preferential trading agreement (PTA) with the European Union (EU) known at 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 EU concluded negotiations on an Economic Partnership Agreement (EPA) in July 2014 with the SADC EPA Group comprising Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland which broadened the scope of product coverage under TDCA agreement. The agreement is still going through legal scribing processes before final agreement between the two groups (SADC and EPA). In the meantime, tariffs in the TDCA are still applicable until the SADC/EPA agreement comes into effect. It can also be observed from Table 13 that South Africa enjoys free market access in the important and fast growing Asian markets such as the United Arab Emirates, Saudi Arabia, Kuwait, Bahrain and Qatar. South African apricots also gain preferential access to the SADC countries like Lesotho and Mozambican market.

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. Table 14 presents tariffs applied by the top export markets to dried apricots originating from South Africa during 2017. The European Union member

states that featured in the top-ten list of export destination for South African dried apricots include the Netherlands, Germany, France, and the United Kingdom

Table 14: Tariffs applied by various export markets to dried apricots from South Africa

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
Switzerland	08131000	Fruits séchés autres que ceux des n°s 0801 à 0806; mélanges de fruits séchés ou de fruits à coques du présent Chapitre: abricots	MFN duties (Applied) Preferential tariff for SACU countries	325.08 $/Ton 0.00%	4.94% 0.00%
Australia	08131000	Dried apricots	MFN duties (Applied)	5.00%	5.00%
New Zealand	08131000	Dried apricots	MFN duties (Applied)	0.00%	0.00%
European Union	0813100000	Dried apricots	MFN duties (Applied) Preferential tariff for South Africa	5.60% 0.00%	5.60% 0.00%
Japan	081310000	Fruit, dried, other than that of headings 08.01 to 08.06, mixtures of nuts or dried fruits of this Chapter: Apricots	MFN duties (Applied)	9.00%	9.00%
Russia	0813100000	Fruit, dried, other than that of headings 0801 to 0806; mixtures of nuts or dried fruits of this chapter: Apricots	MFN duties (Applied) Preferential tariff for GSP countries	5.00% 3.75%	5.00% 3.75%
Israel	08131000	Fruit, dried, other than that of headings 08.01 to 08.06; mixtures of nuts or dried fruits of this Chapter: Apricots	MFN duties (Applied)	8.00%	8.00%
Norway	08131000	Fruit, dried, other than that of headings 08.01 to 08.06; mixtures of nuts or dried fruits of this Chapter : Apricots	MFN duties (Applied) Preferential tariff for GSP countries Preferential tariff for SACU countries	20.00 $/Ton 0.00% 0.00%	0.39% 0.00% 0.00%

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
United States of America	08131000	Apricots, dried	MFN duties (Applied) Preferential tariff for AGOA countries	18.00 $/Ton 0.00%	0.39% 0.00%
Zambia	08131000	Dried apricots	MFN duties (Applied) Preferential tariff for South Africa	25.00% 0.00%	25.00% 0.00%

Source: Market Access Map, ITC

South Africa had a preferential trading agreement (PTA) with the EU (TDCA). The EU concluded negotiations on an Economic Partnership Agreement (EPA) in July 2014 with the SADC EPA Group comprising Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland which broadened the scope of product coverage under TDCA agreement. In the meantime, tariffs that existed before the lapsing of the agreement are still applicable. 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 dried apricots therefore enter the EFTA market through tariffs as per the agreement between SACU and EFTA. As can be seen in Table 14 South African dried apricots enter Switzerland and Norway duty-free through the preferential tariff for SACU countries. Furthermore the USA has a Generalised System of Preferences (GSP) system in place, for which South Africa qualifies and preferential tariff for AGOA countries. The system lowers the tariff barriers for South African dried apricots significantly. South African exports of dried apricots however face higher tariffs in Israel Japan (9%). Zambia also has a preferential trading arrangement with South Africa and South Africa's apricots enter Zambia duty free.

5.2 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 apples 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.

5.2.1 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.

5.2.2 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.

5.2.2.1 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 the 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 consist 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.

5.2.2.2 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.

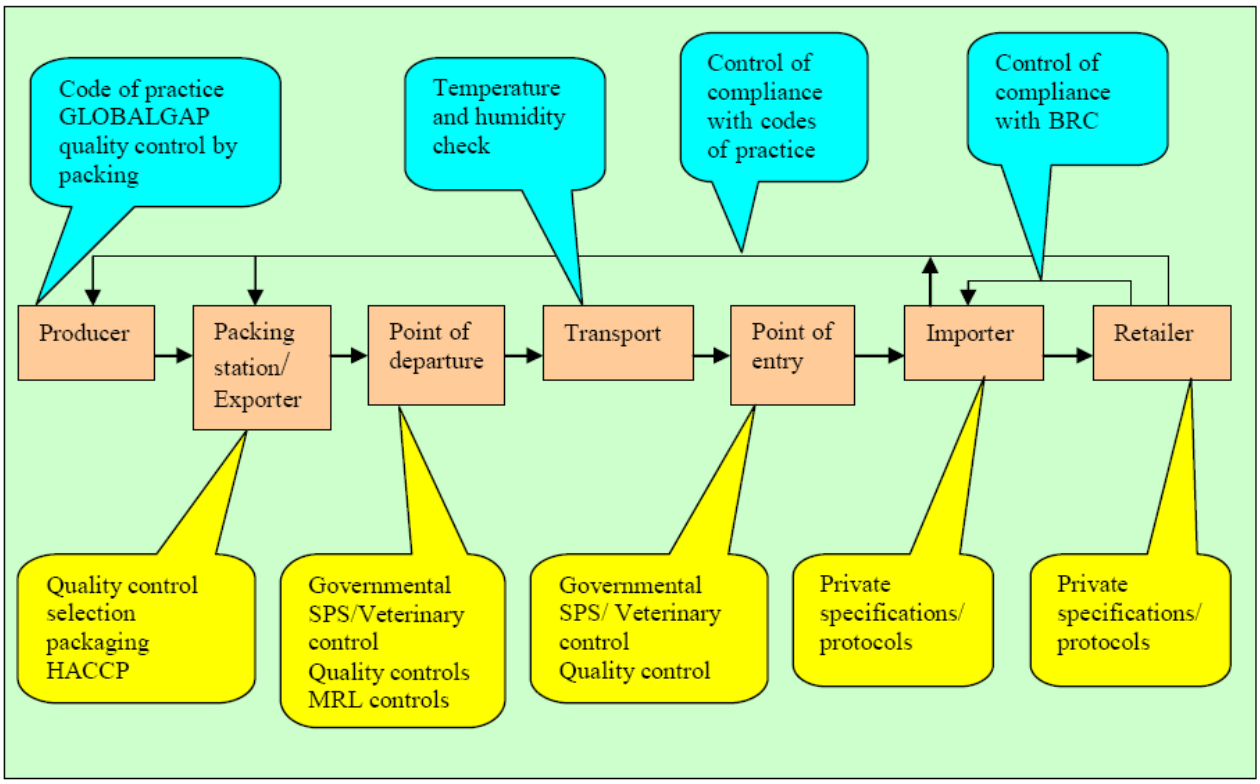
Another important emerging label is Fairtrade, and includes those labels offered by Max Haavelaar Foundation, TransFair International and the FLO (Fairtrade Labelling Organization). Recently a 'universal' logo was adopted based on international fair trade standards developed by FLO, which covers amongst 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.

5.2.2.3 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).

The development of public and private standards involves interventions at multiple points along the value chain. An illustration of the multiple points and multiple standards that are applied for fresh fruit and vegetables and for fish is shown in Figure 28. There are controls by different agents carried out in different ways at different points along the value chain in response to the requirements of private sector companies, coalitions of private-sector standards setters and public agencies. Standards in agribusiness value chains operate, by definition, at multiple points. They are created, adopted, applied and verified by different actors (enterprises and institutions) at different points in the value chain. Figure 28 illustrates the food safety and quality control systems in the fruit and vegetable supply chains. It can be observed from Figure 28 that food safety and quality control measures are enforced throughout the entire value chain, i.e. from the producers through to retailers.

Figure 28: Food safety and quality control in the fruit and vegetable supply chains



Source: UNIDO

5.3 United States of America (USA)

5.3.1 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).

5.3.2 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 of 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 onsite 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.

5.4 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).

6. 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 product 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 (GlobalGap, etc.) and the year round availability of fruit, the planning of long term contractual relationships 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.

7. LOGISTICS

7.1 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.

7.2 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.

7.3 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.

8. ORGANIZATIONAL ANALYSIS

8.1 Producer and associated organizations

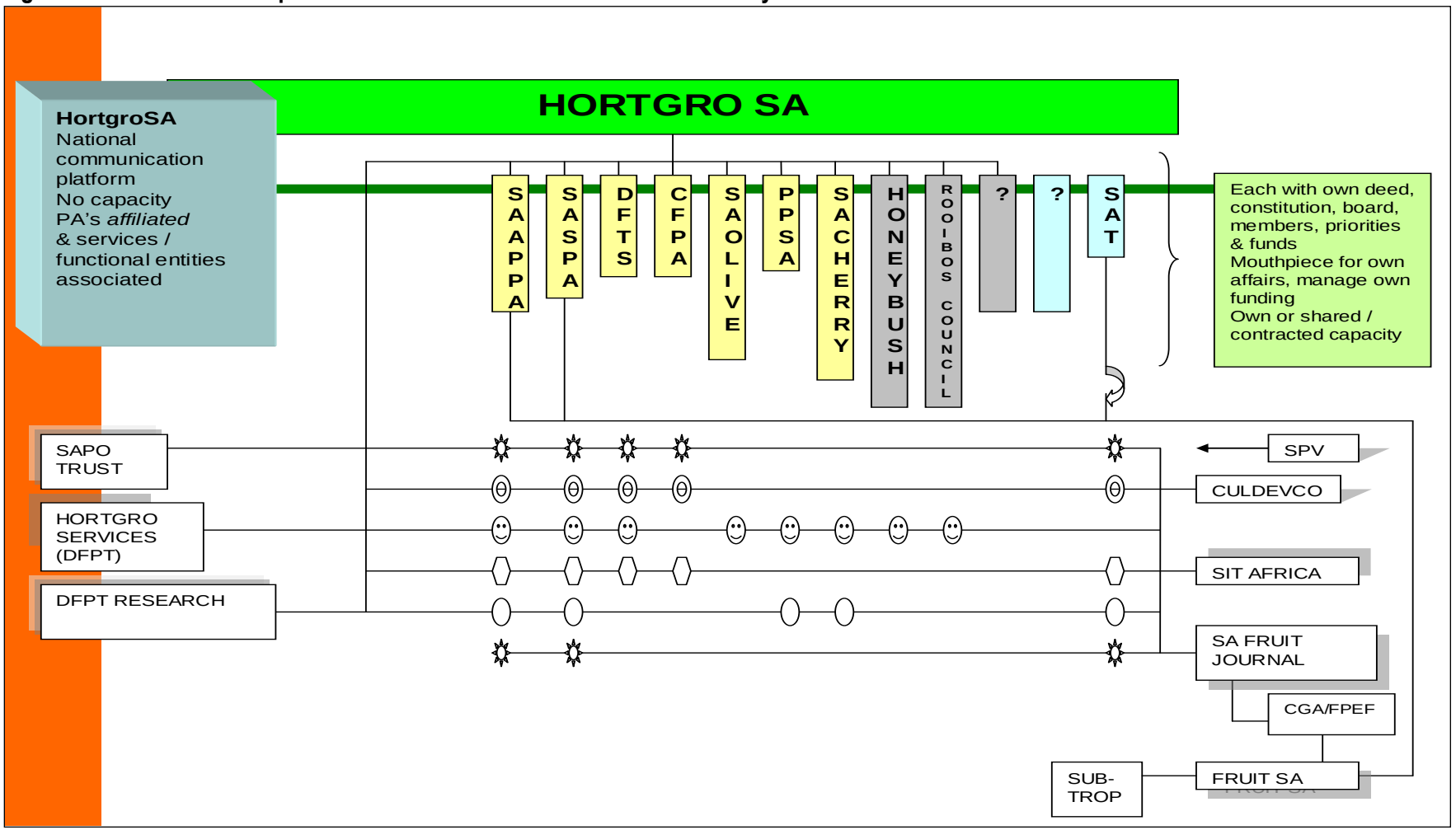
Grower participation and control of their interests in the industry are structured by means of fruit type producer associations (Section 21 companies), as illustrated in Figure 29.
The main association responsible for the apricot industry is the South African Stone Fruit Producers’ Association (SASPA). It is a Section 21 company and its objectives are as follows:

- To promote the common interest and specific needs of the stone fruit producers in South Africa and to act as their official representative.

- To rationalize and promote the production and marketing of stone fruits and stone fruit products.
- To encourage and pursue constructive dialogue and mutual cooperation with government and other role players.
- To foster mutual trust and long term relationships among role players and stakeholders.
- To establish and promote a reciprocal information system to enable stakeholders to make informed market decisions.

Another important entity in the apricot 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.

Figure 29: Structure of the producer interest in the deciduous fruit industry



Source: Hortgro

8.2 Strengths, Weaknesses, Opportunities and Threat analysis

Some of the strengths, weaknesses, threats and opportunities of the apricot production sector in South Africa are the following:

Strengths	**Weaknesses**
• The industry's export operations and leading players are well established. • An efficient export infrastructure exists and market access has been improved. • The South African fruit industry is known for excellent overall quality for fruit (strong reputation in major international markets). • Sound communication mechanisms to majority of industrial participants. • High level of investment in current technology within pack houses and cold chain facilities. • Industry has all traceability systems in place, as required by accreditation protocols. • Established supplier in EU supermarkets	• Production is largely dependent on climatic conditions which can only be partially manipulated by man through irrigation. • Deteriorating research infrastructure and capacity may limit new technology development in the future. • Saturation of traditional export markets. • Reliance on the UK and EU as main export market. • Relatively high input and capital costs. • An element of fragmentation in the industry. • Lengthy supply chain beyond the pack house. • Lack of industry control on efficiency and productivity in supply chain beyond farm gate and pack house door. • Poor skills and knowledge of the new entrants. • Delays due to degradation of the supporting infrastructure within the supply chain (handling facilities at ports, roads and energy supply).
Threats	**Opportunities**
• Increased competition from the Southern Hemisphere counterparts like Chile, Brazil, Argentina and Australia. • Oversupply of fruit into established export markets. • Availability and cost of irrigation water. • Impact of climate change especially in the Western Cape. • Inflation rate with regard to cost of labour and farming and also packing prerequisites. • Currency variability. • Availability of skilled labour • Slow pace of transformation	• Market access initiatives to the Middle East, Asia (India, Indonesia) and China. • Increasing demand for fresh apricots in Africa. • Potential for increased local market consumption.

8.3 Strategic challenges

8.3.1 Labour markets

The critical need for labour at harvest time offers seasonal work to unemployed persons in the immediate vicinity of plantations. In most countries, workers migrate from one region to another as the harvest season progresses from early to late. However, in the local scenario, labourers lack mobility as well as skills to find work outside crop harvesting.

A major challenge in terms of labour is the lack of skilled labour. At the same time, farm wage levels do not attract skilled or qualified people to undertake menial and hard work. Smaller producers, who pay comparatively lower wages, are more exposed than the larger producers to the threat of labour shortages.

8.3.2 Infrastructure

Some of the infrastructural challenges are as follows:

- Lack of storage capacity at certain times of the year, when grapes, stone fruit and pome fruit are being harvested (mid-January until end of February).
- Hygiene and micro-bacterial quality of water available for use in pack houses and domestic purposes on farms.
- Poor or no communication between the agricultural sector and service providers in terms of planning and future expansion on issues such as energy and transport.
- Transport from the pack house to the market – road, ship or rail.
- Logistical systems which are not applied at full efficiency.
- Inefficient handling operations at South African ports, giving rise to costly delays and breaks in the cold chain.

8.3.3 Other challenges

Producers are being confronted with more regulations to control the production from farm to fork. These include regulating soil, air, water, chemical, labelling and safety. On the retailing side pressure mounts to introduce measures for increased traceability of products. The consumer wants a safe product produced with socially acceptable environmentally friendly production methods. Combined with this many consumers are up in arms about GMO's and the USA government is introducing a bio terrorism act that will put even more pressure on exporters to the USA.

Competition for scarce natural resources (land and water) is putting continued pressure on good farmland that can otherwise be used for agricultural purposes.

There is a threat of climate change particularly in the Western Cape Province. Production of apricots and other fruits could be adversely affected by the warming of the winter season due to rising average temperatures and subsequent loss in chilling hours. Lack of winter chilling gives rise to delayed foliation and the problem of small fruit of poor quality. Increased average maximum temperatures in January and February may result in poor colour development. The risk of sunburn is also increased.

8.4 Opportunities

The promotion of the consumption of apricots and other fruits should be implemented. Per capita consumption of apricots at 4kg, in comparison to Asia's 13.25kg and the EU's 17.6kg highlights the scope for possible increases in sales in the local market.

8.5 Empowerment issues and transformation in the sector

According to Fruit South Africa, progress in this area has been slower than expected mainly because of lack of understanding on how the Black Economic Empowerment (BEE) strategy should be applied. Attempts to establish BEE owned companies have failed and that has impacted negatively on the perceptions of the future participants in the industry.

9. APRICOT SUPPLY VALUE CHAIN

The apricot supply chain is shown in Figure 30. The supply value 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 focuses on the main segments of the apricot value chain.

9.1 Suppliers of inputs and farming requisites

Fruit farming is a large user of specialised inputs and sophisticated agricultural chemicals. Input suppliers ensure that all inputs needed by farmers for successful production, including farm equipment, pesticides, insecticides and others, are always available at reasonable prices so as to ensure a competitive fruit industry in South Africa.

9.2 Producers

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.

9.3 Fresh produce markets

FPMs are the dominant player and form of wholesaling in the South African apricot and fresh fruit and vegetable (FFV) sector. However other wholesale forms do exist including independent wholesalers, contract buyers, supermarkets, wholesaling subsidiaries, as well as farmer sales direct to retailers and to consumers.

Being the largest wholesalers, the FPMs have emerged as the FFV price-setters or, as nicknamed, the "fresh produce stock exchange". The prices at the FPMs are arrived at through a bargaining process mediated by market agents who have a dual objective to collect the best prices (and hence commission) for sales while ensuring that the highly perishable stocks are cleared. These prices are then used as reference prices even in private transactions outside the FPMs.

9.4 Retailers

South African apricot retailers exist in both the formal and informal sectors. In the former this includes formally registered retail chains, supermarkets and neighbourhood stores. The latter covers tuck shops (*spaza*), and hawkers. In this environments apricots sales are at predetermined prices and are typically individually or in small packages.

9.5 Processors

As explained earlier, the processing of apricots consists of canning, optional fermentation to produce apricot juice, cider, vinegar and pectin. Distilled apricot cider produces the spirits. They make a popular lunchbox as well. There is also a set of further processors not captured in the group above. These entities use apricots (and apricot products) in food preparations. This includes caterers, hospitality and other institutions such as corporate, government institutions like hospitals, prisons, etc.

9.6 Cold storage operators and transporters

Cold storage operators are responsible for receiving, handling, cooling the apricots 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 flatbed truck or other non-approved vehicle may be used in journeys shorter than two hours in total.

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.

9.7 Exporters

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.

9.8 PPECB

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:

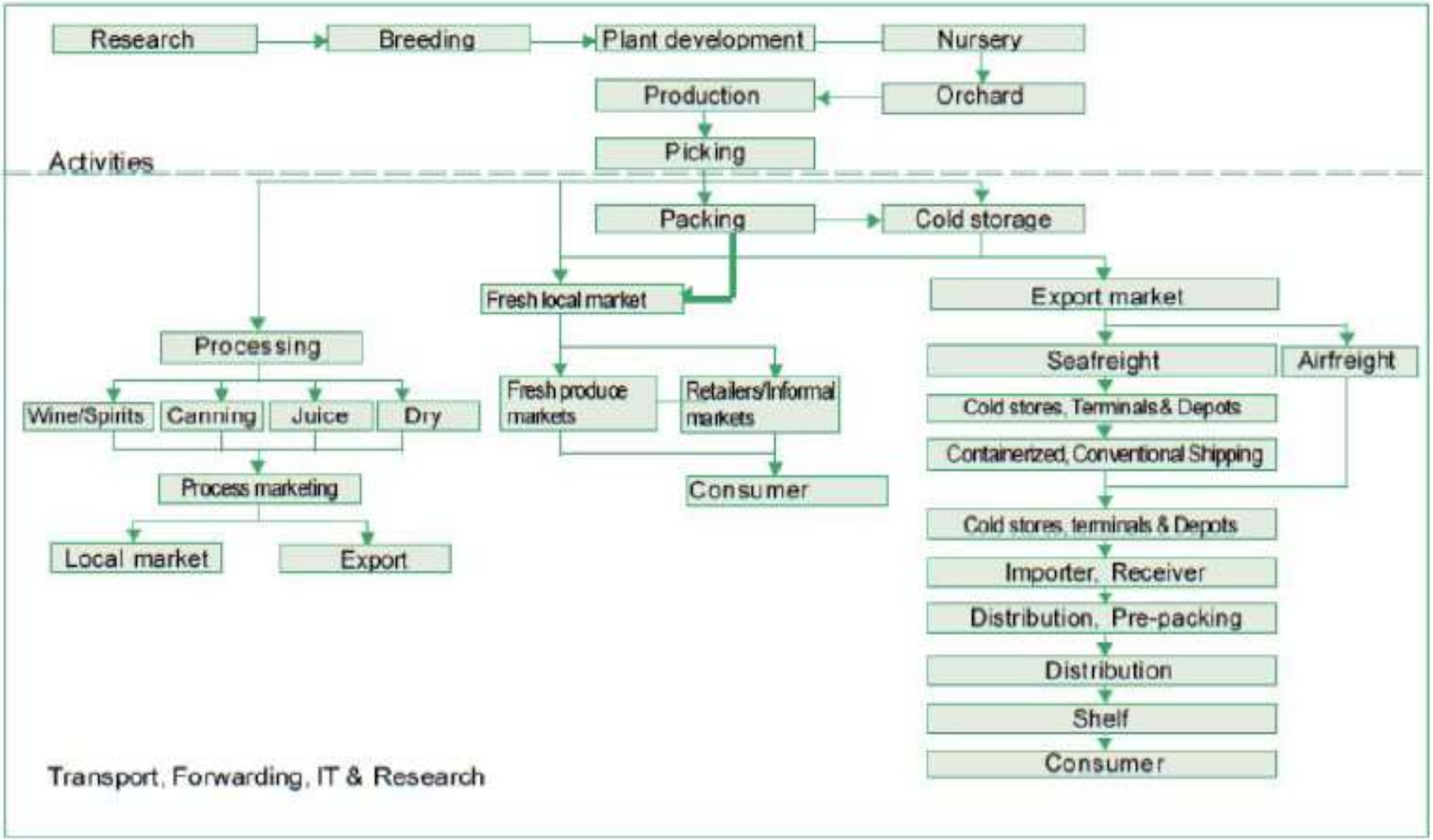
- Packed volumes
  - ✓ Inspected and approved for export
  - ✓ Inspected and rejected for export
- Product quality
  - ✓ Reasons for rejection
- Shipped volumes
  - ✓ This information is available on a product and destination region level
- Cold chain information
  - ✓ Vessel carrying instructions (temperature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

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

9.9 Terminal and port 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 29: The deciduous fruit and table grape supply chain



Source: OABS

10. ACKNOWLEDGEMENTS

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10.3 Optimal Agricultural Business Systems (OABS)
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Fax: (021) 890 2915
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10.4 Trade and Industrial Policy Strategies (TIPS)
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www.tips.org.za

10.5 National Agricultural Marketing Council (NAMC)
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www.namc.co.za

10.6 International Trade Centre (ITC)
www.trademap.org and www.macmap.org

10.7 United Nations Industrial Development Organization (UNIDO)

www.unido.org

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