A PROFILE OF THE SOUTH AFRICAN PEACH MARKET VALUE CHAIN

2020

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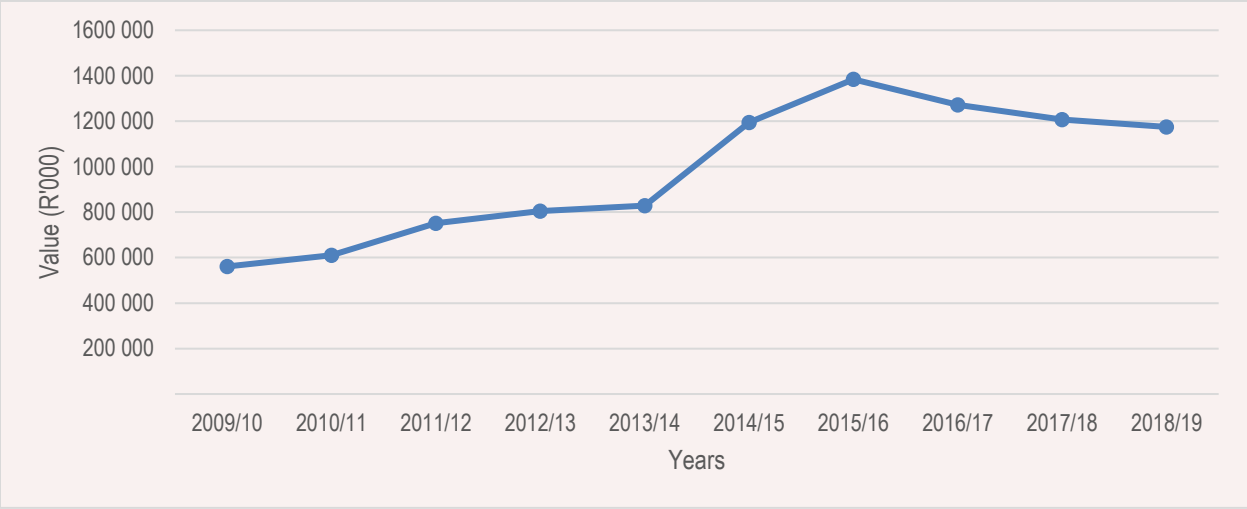
1. DESCRIPTION OF THE PEACH INDUSTRY

World peach production stood above 24 million tons during 2019 production season. South Africa is ranked 19th globally at 152 thousand tons worth R1.1 billion. Peaches are one of the most important deciduous fruits grown in South Africa, taking into consideration their foreign exchange earnings, employment creation and linkage with support institutions. During the 2018/19 season, peaches contributed approximately 6.4% (R1.2 billion) to the total gross value of deciduous fruits (R18 billion) in South Africa. The South African peach industry relies heavily on the processing sector with over half (58% in 2018/19) of the total peaches produced being absorbed by the processing market. Per capita consumption of deciduous and subtropical fruits in South Africa during 2019 was 24.44 kilograms per year. This represented a 2% decrease from the 2018 figure of 24.98 kilograms per year. Figure 1 illustrates total value of production of peaches for the past decade.

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



Source: Statistics and Economic Analysis, DAFF

According to Figure 1 above there has been on a general increase in the gross value of peaches between 2009/10 and 2015/16. During the past three years, value of peach production was on a steady decline. The total gross value increased by 147% between 2009/10 and 2015/16 production seasons and declined by 8% between 2016/17 and 2018/19. The rise in the total gross value during the first seven years of the review period can be attributed to among other things the increased demand in the processing sector and the export markets, as well as the weakening of the local currency relative to the currencies of South Africa's major trading partners. The 2018/19 season recorded an 3% decrease in gross value when compared to the previous production season (2017/18).

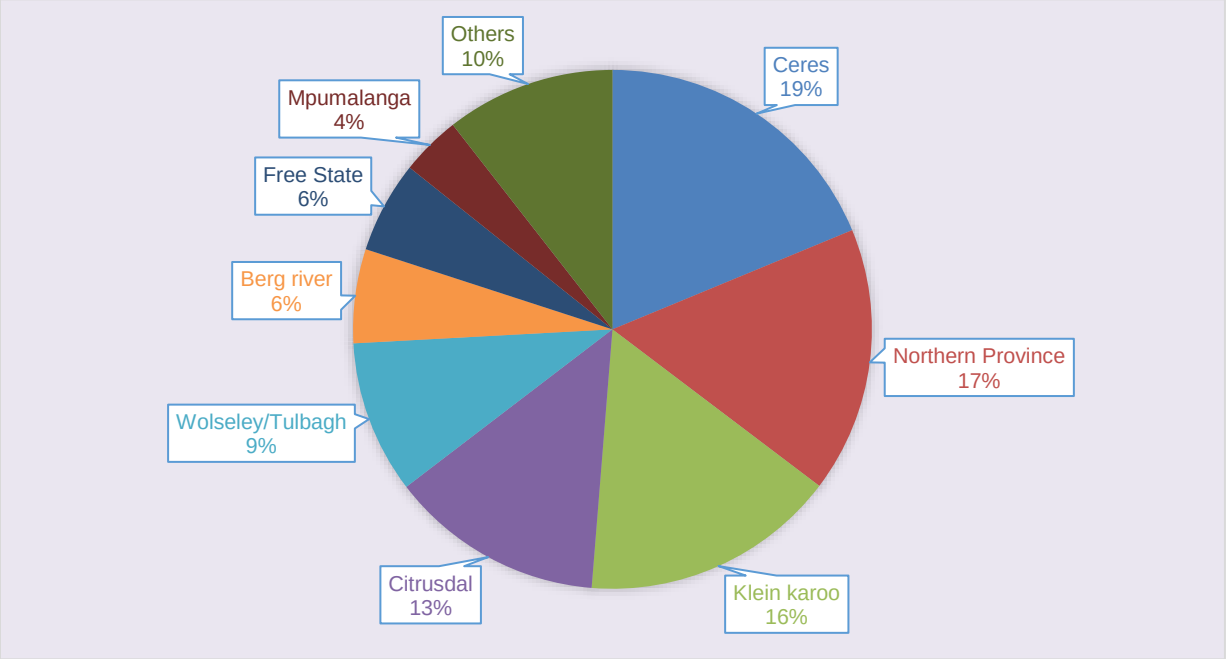
1.1 Peach types and production areas

Commercial peach production in South Africa is divided into cling peaches (cling stones) and dessert peaches (freestones). The classification depends on whether the flesh sticks to the stone or not, and both can have either white or yellow flesh. Cling peaches are peaches with stones which tend to cling to the flesh inside of the peach, making it difficult to remove the pit of the peach without damaging the flesh. Cling peaches are often used for canning because the slight distortion of the fruit made by the removal of the pit becomes less noticeable. They are also preferred in the making of jellies and jams. With the freestone peaches the stone

can be easily removed from the flesh, making them a good choice for eating fresh. Freestones are mostly found in local grocery stores and retail chains and tend to be larger than cling peaches, with a firmer and less juicy texture. They are excellent for canning and baking purposes.

The main production areas for desert peaches (freestones) in South Africa in 2019 are shown in Figure 2. The figure shows that the main dessert peach production areas in South Africa in 2019 were Ceres, Piketberg, Northern Province, Klein Karoo, Citrusdal and Wolseley/Tulbagh.

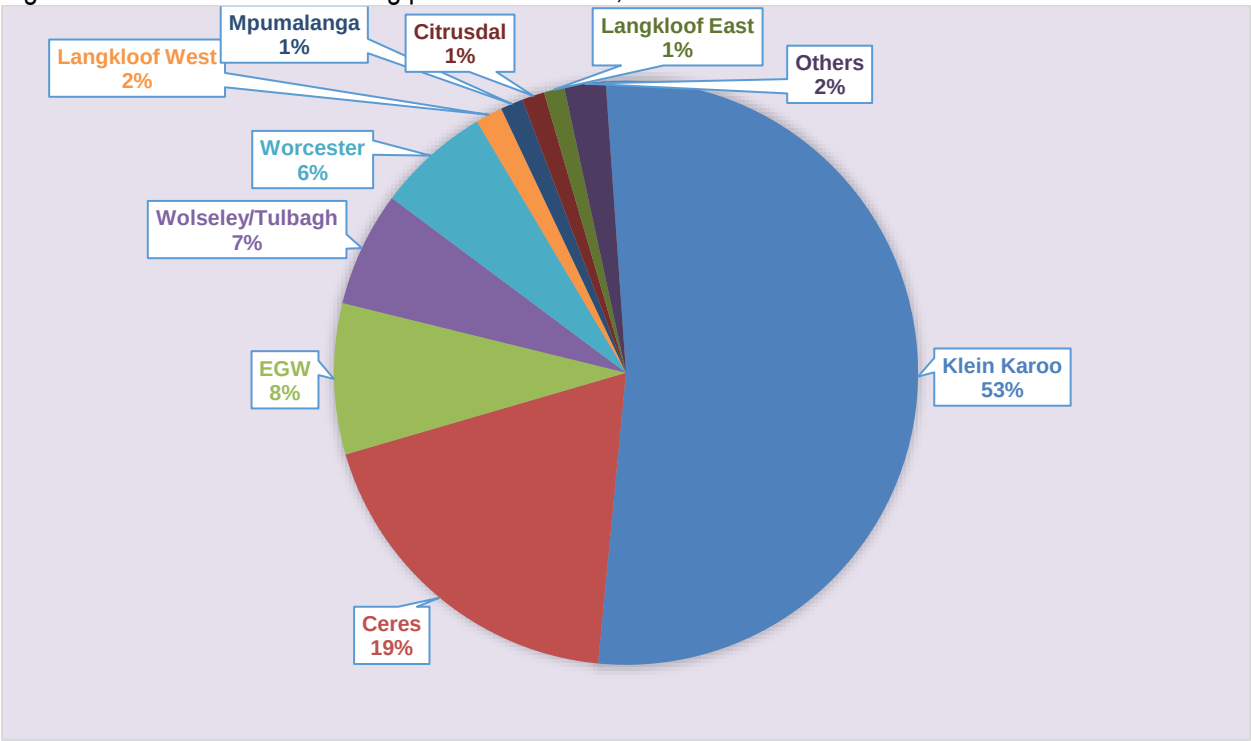
Figure 2: Production areas of dessert peaches in hectares, 2019



Source: Key deciduous fruit statistics, 2019

In terms of area planted to dessert peaches in 2019 in South Africa, the leading production area is Ceres at 19% (256 ha). Ceres is followed by Northern Province at 17% each with 226 ha and Klein Karoo at 16% with 218 ha respectively. Citrusdal followed at 13% (182 ha) in the pack. A total of 1 365 ha was planted to dessert peaches in 2019. The 2018 figure represents a 7% decrease from the 2018 total of 1 462 ha. The total acreage planted to dessert peaches has been declining during the last seven years. Figure 3 presents the main production areas for cling peaches in South Africa during 2019.

Figure 3: Production areas of cling peach in hectares, 2019



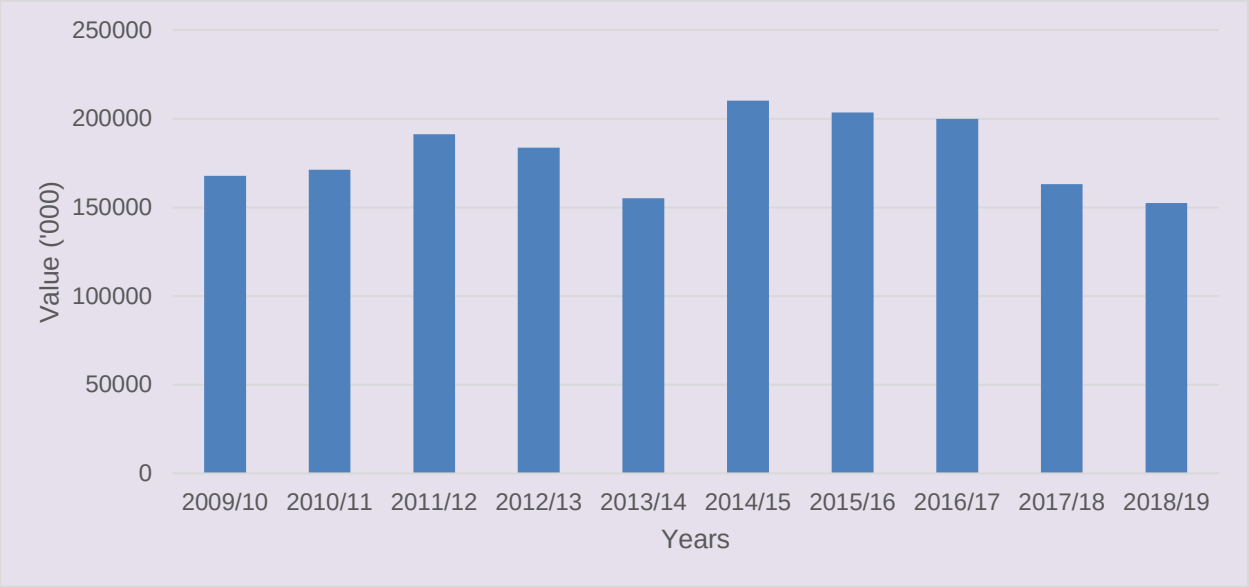
Source: Key deciduous fruit statistics, 2020

Figure 3 indicates that the major production area of cling peaches in South Africa is the Klein Karoo. The region accounted for 53% (2 465 ha) of the total area planted to cling peaches in South Africa during 2019. Klein Karoo is followed by Ceres, EGW, Wolseley/Tulbagh and Worcester at 19% (888 ha) 8% (391 ha), 7% (298 ha) and 6% (294 ha) respectively. A total of 4 683 ha was planted to cling peaches in South Africa during 2019. The 2019 figure represents a 9% decrease when compared with a total planted area of 5 125 ha in 2019. The total acreage planted to cling peaches has been fairly stable over the past seven years.

1.2 Production and orchard age distribution

Globally, China remains the largest peach producer, accounting for almost two-third (62%) of the world production (FAS/USDA, 2018). South African peach production trends for the period 2009/10 to 2018/19 are presented in Figure 4. It is important to note that peach production in South Africa has not experienced any significant growth during the last decade. During the ten years under review production peaked at 210 197 tons in 2014/15 season. Peach production has been relatively stable since 2009/10, remaining above 150 000 tons only recording volumes above 200 000 tons during the 2014/15 and 2015/16. Approximately 152 414 tons of peaches were produced in South Africa during the 2018/19 production season, representing a 6.6% decrease when compared to the previous production season (2017/18).

Figure 4: Total South African peach production, 2009/10 – 2018/19



Source: Statistics and Economic Analysis, DAFF

The orchard age distributions in hectares for both dessert and cling peaches are presented in Table 1.

Table 1: Dessert and cling peach orchard age distribution (hectares), 2019[1]

Age / Type	0 – 2 years	3 – 5 years	6 – 15 years	16 –18 years	18+ years	Total
Dessert	38 (3%)	152 (11%)	788 (58%)	74 (5%)	316 (23%)	1 367 (100%)
Cling	142 3%	751 16%	1 728 37%	682 15%	1 380 29%	4 683 (100%)

Source: Key deciduous fruit statistics, 2015

It is evident from Table 1 that in percentage (relative) terms, the majority of dessert peaches planted in South Africa during 2019 were 15 years old or younger. Only 23% (316 ha) of the total area planted to dessert peaches in 2019 had orchards that were older than 18 years. In the case of cling peaches, only 19% (893 ha) of the total area planted to cling peaches in 2019 was between 3 and 5 years old or younger years old. It is important that this proportion of the total orchards is increased if future production of cling peaches is to be increased in South Africa. The percentage of orchards of cling peaches that are 18 or years older is also relatively high (29%), indicating the need for replanting.

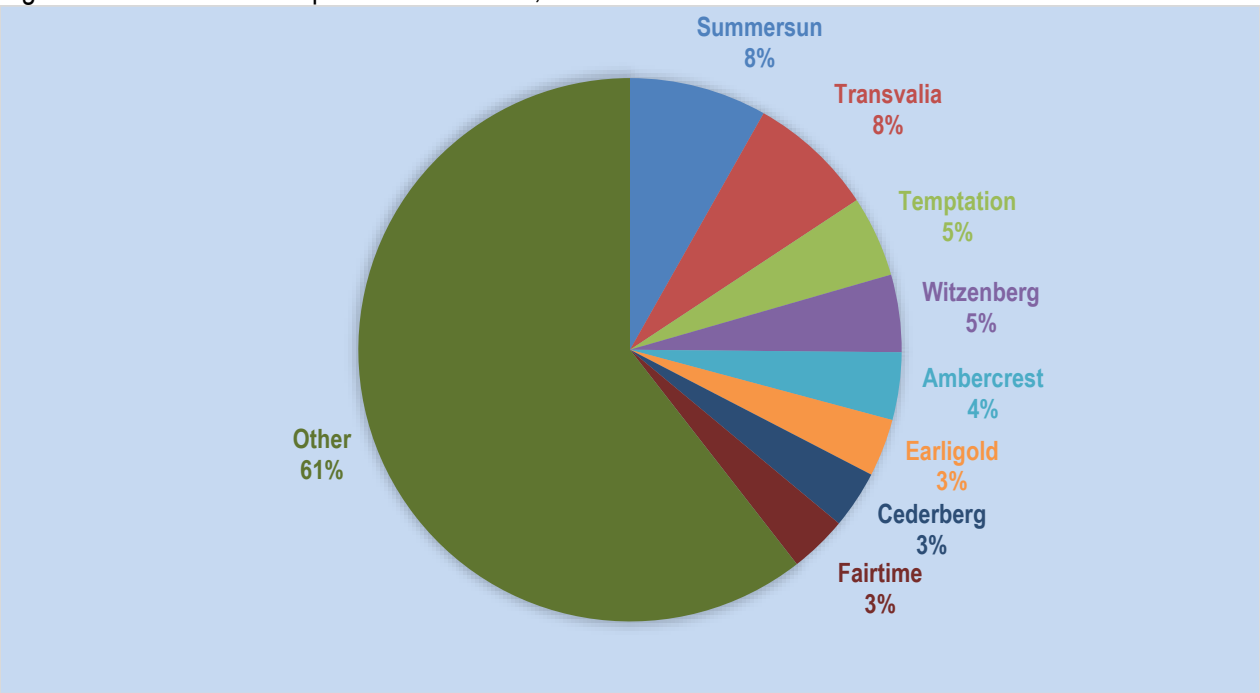
1.3 Cultivars grown in South Africa

Figures 5 shows the leading cultivars in South Africa for dessert peaches in 2019. South Africa' main dessert peach cultivars in 2019 were Summersun and Transvalia at 8% each with 112 ha and 103 ha respectively. Temptation and Witzenberg at 5% each (66 ha and 63 ha respectively). Ambercrest followed at 4% with 55 ha. Earligold, Cederberg and Fairtime follow at 3% each to total area planted to dessert peaches in 2019.

[1] Percentages in parenthesis

Several other dessert cultivars planted in South Africa in 2019 accounted for 61% (828 ha) of the total area planted to dessert peaches in 2019.

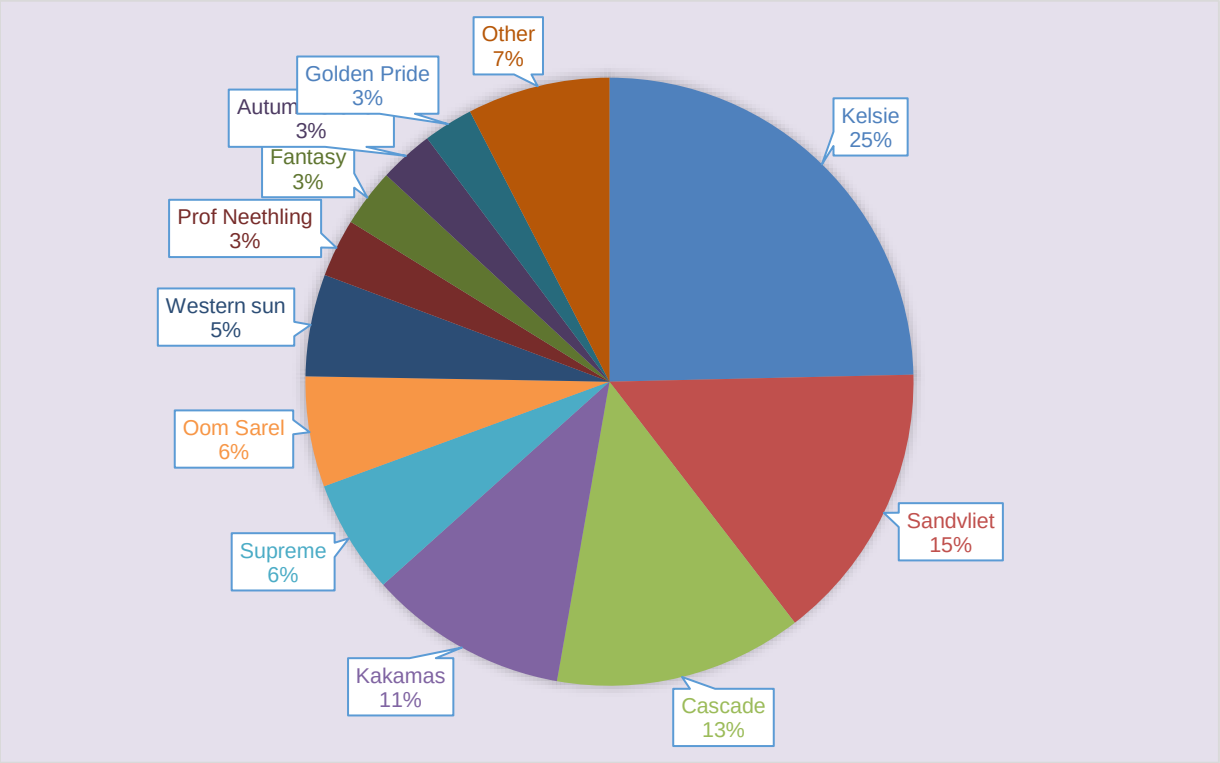
Figure 5: Dessert cultivars planted in hectares, 2019



Source: Key deciduous fruit statistics, 2019

Cling peach cultivars planted in South Africa during 2019 are shown in Figure 6. Figure 6 shows that during 2019, Keisie accounted for 25% (1 153 ha) of the total area planted to Cling peaches in South Africa. It was followed by Sandvliet at 15% (699 ha), Cascade at 13% (618 ha), Kakamas at 11% (496 ha) and Supreme at 6% (283 ha). Other cultivars accounted for 7% (355 ha) of the total acreage planted to cling peaches in 2019.

Figure 6: Cling peach cultivars planted in hectares, 2019



Source: Key deciduous fruit statistics, 2019

1.4 Employment

The peach industry makes an important contribution in the creation of jobs in South Africa. The industry creates job opportunities in both production and processing of peaches. The industry also provides indirect employment for numerous support industries in the areas where peaches are grown. During 2019 direct employment within the peach industry was estimated at 6 897 labourers with 27 589 dependents. The 2019 figure represents a 3% decrease in the number of people directly employed in the peach industry in 2018. The peach industry has been shedding jobs during the last four years.

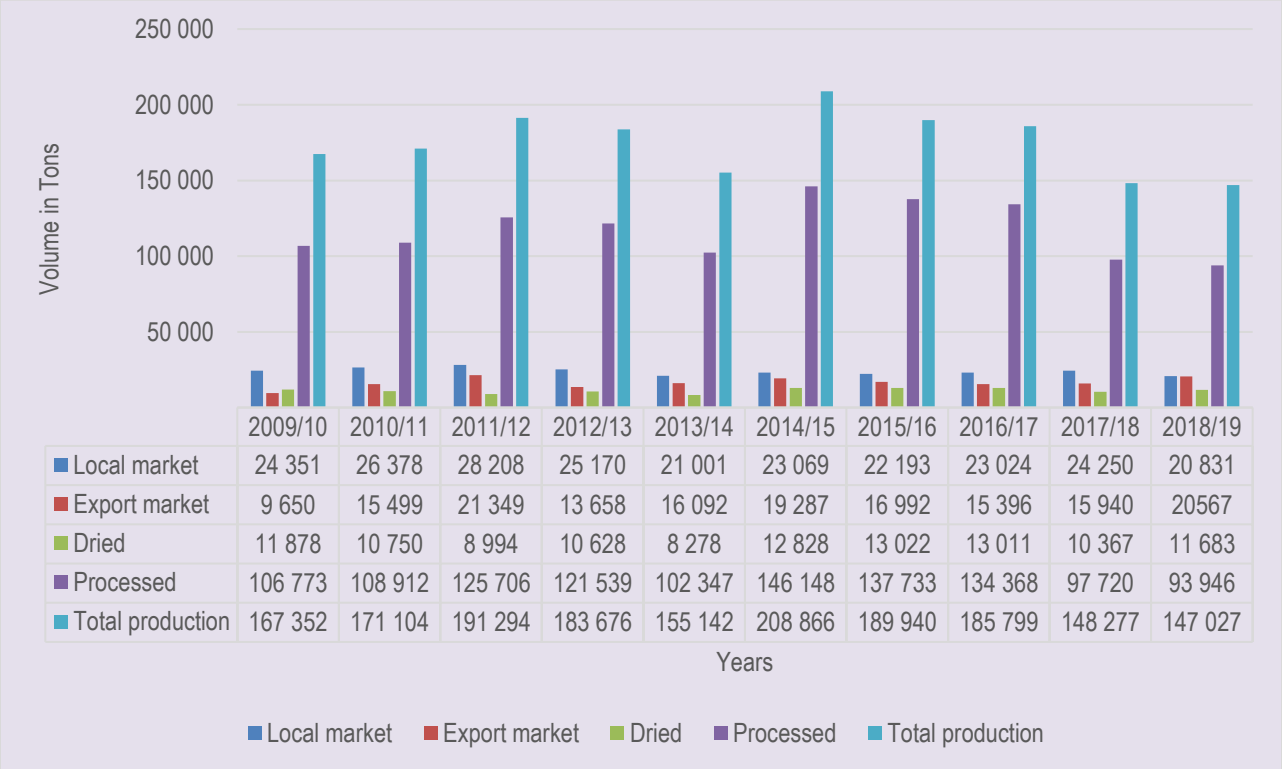
The Minimum Wage Act 9 of 2019 came into effect in January 2019. The Act applies to all workers and their employers, except members of the South African National Defence Force, the National Intelligence Agency, the South African Secret Service, and volunteers who perform work for another person without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

2. MARKET STRUCTURE

Figure 7 presents the distribution of the peach crop according to local market sales, the export market, dried fruit market, and the processing (canning) sector. It is clear from Figure 7 that the majority (67% in 2018/19) of the total peach crop is being processed annually (canned). Peach processing is followed by the local market sales and export market (segments at 14% each. Only 8% of fresh peaches were destined for drying

in 2018/19. The above figures clearly indicate the importance of the processing sector to the peach industry in South Africa. The volume of peaches processed annually is largely dependent on the quantities produced.

Figure 7: Annual peach crop distribution, 2009/10 – 2018/19



	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Local market	24 351	26 378	28 208	25 170	21 001	23 069	22 193	23 024	24 250	20 831
Export market	9 650	15 499	21 349	13 658	16 092	19 287	16 992	15 396	15 940	20567
Dried	11 878	10 750	8 994	10 628	8 278	12 828	13 022	13 011	10 367	11 683
Processed	106 773	108 912	125 706	121 539	102 347	146 148	137 733	134 368	97 720	93 946
Total production	167 352	171 104	191 294	183 676	155 142	208 866	189 940	185 799	148 277	147 027

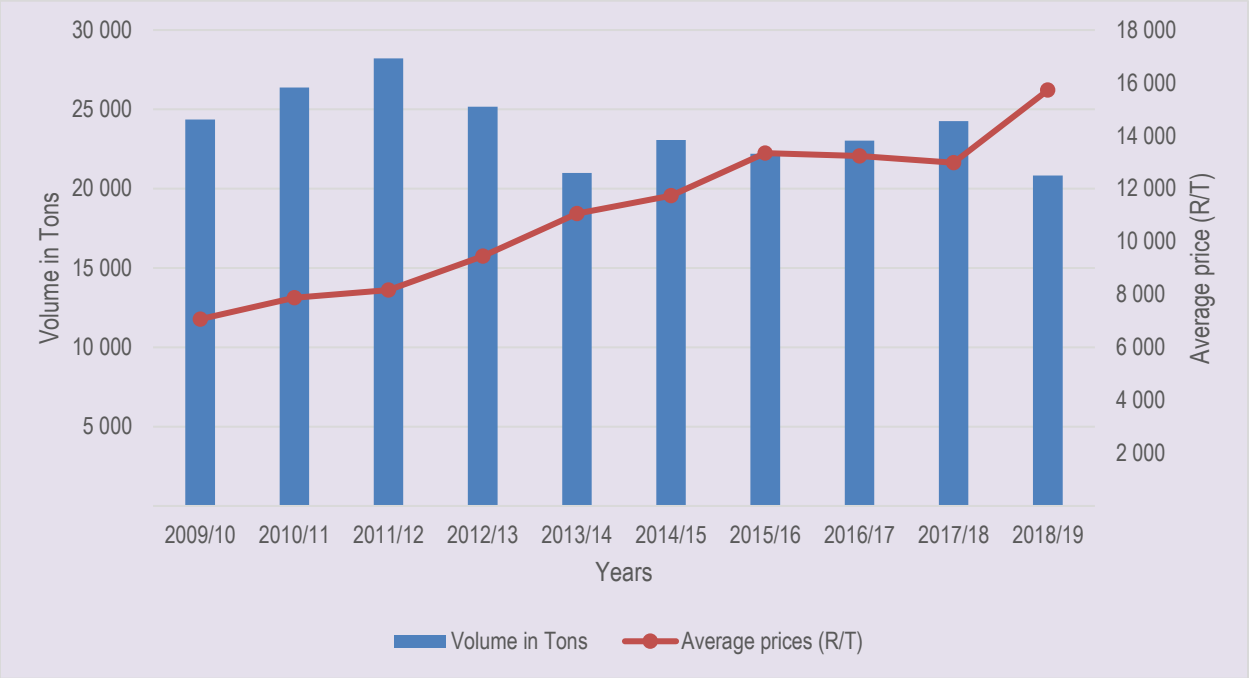
Source: Statistics and Economic Analysis, DAFF

Peaches generally fetch higher prices in export and local markets even though the quantities destined for these markets in South Africa are relatively lower compared to the proportion that goes to the processing or canning industry.

2.1 Domestic markets and prices

Local market volumes for peach and general price trends from 2009/10 to 2018/19 are presented in Figure 8 below. A total of 20 831 tons of peaches were sold in the local market at the average price of R15 725 per ton during the 2018/19 marketing season.

Figure 8: Local peach sales and prices, 2009/10 – 2018/19



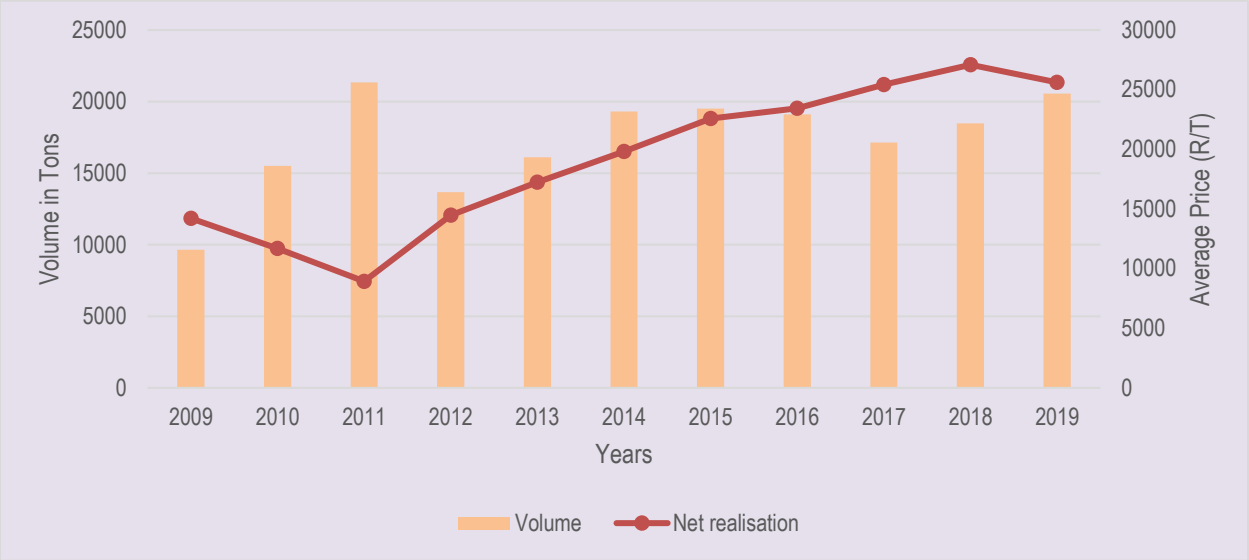
Source: Statistics and Economic Analysis, DAFF

As illustrated in Figure 8, volumes of peaches at local markets have been generally stable from 2009/10 to 2018/19. The lack of growth in the local market follows declines in the quantities of peaches during the period under review. The seasons between 2009/10 and 2011/12 experienced a gradual growth. The 2010/11 season experienced an 8% increase in quantities sold at the local markets when compared with the 2009/10 season. The period between 2015/16 and 2017/28 experienced steady increase in volumes sold at the local markets. However, in 2018/19, quantities sold at the local markets went down by 14% compared with the previous season (2017/18). At the same time, local peach prices have been increasing since the 2009/10 marketing season, increasing by 155% between 2009/10 and 2018/19. During the period between 2015/16 and 2017/18, local peach prices declined by 3%. The occurrence during this period demonstrates that local peaches prices are responsive to supply and demand forces. In 2018/19 local peach prices rose by 21% in response to reduced supply.

2.2 Exports

South Africa is a relatively small peach grower in terms of global hectares. The country is also not a major volume exporter in global terms. Globally, China and European Union dominates the production and exports of peaches. Peaches sold in the export markets generate a greater unit price than that achieved on the local markets. Therefore, a thorough understanding of the rules of the export markets is critical for success in peach production and marketing. Figure 9 presents peach exports originating from South Africa for the period 2010 to 2019.

Figure 9: South African peach exports, 2010 - 2019

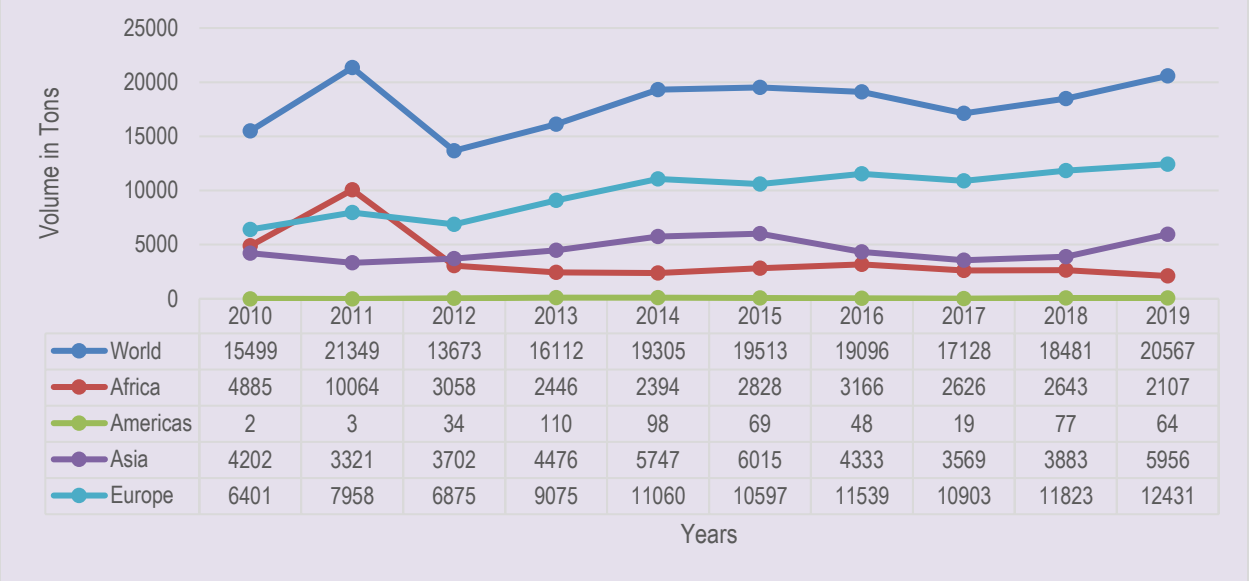


Source: Quantec Easydata

The volume of peaches exported by South Africa during the 2019 marketing season has increased by 11% when compared to volumes exported during 2018. In 2019 South Africa exported a total of 20 567 tons of peaches at an average price of R25 610 per ton. Total peach export volumes have been increasing since 2010 before 36% drop in 2012, increasing again by 41% between 2012 and 2014. Between 2014 and 2016, peach exports remained relatively stable, only to fall by 10% in 2017. Between 2017 and 2019, peach export volumes increased 20%. At the same time, net realisation from exports has also been increasing post the 2011 drop. In 2011, net realisation dropped by 37% compared to 2010. The occurrence of the 2011 production season demonstrates that peaches are responsive to supply and demand forces. During the 2019, net realisation from export declined by 5% compared to exports in 2018. Exports of South African peaches to the various regions of the world over the past decade are shown in Figure 10.

A total of 20 567 tons of peaches were exported by South Africa in 2019. It can be observed from Figure 10 that during the past decade, most of South Africa's exports of peaches went to the European and Asian markets with exception of 2011 season. In 2011, Africa surpassed both Europe and Asia as the top destination of South African peaches. In 2019 exports to Europe accounted for 60% (12 431 tons) of total South African peach exports while those to Asia accounted for 29% (5 956 tons). South African exports to Europe have been increasing during the past ten years. Between 2012 and 2013 South African peach exports to Europe increased by 31% while those to Asia increased by 21%. During the 2019 season, exports to Asia and Europe regions increased by 53% and 5% respectively.

Figure 10: Volume of peach exports to various regions, 2010 - 2019



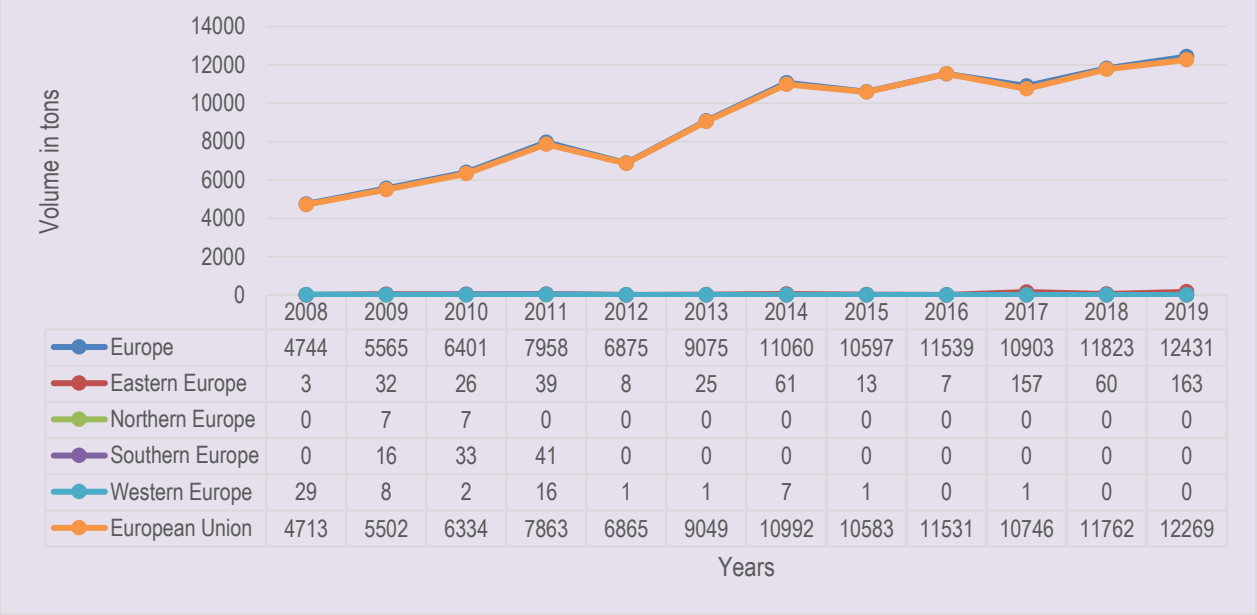
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
World	15499	21349	13673	16112	19305	19513	19096	17128	18481	20567
Africa	4885	10064	3058	2446	2394	2828	3166	2626	2643	2107
Americas	2	3	34	110	98	69	48	19	77	64
Asia	4202	3321	3702	4476	5747	6015	4333	3569	3883	5956
Europe	6401	7958	6875	9075	11060	10597	11539	10903	11823	12431

Source: Quantec Easydata

South African peach exports to Africa remained above the 2000 tons mark for most part of the past ten years, only peaking at 10 064 tons in 2011. Exports to Africa decreased from 10 064 tons in 2011 to 3 043 tons in 2012, a decline of 69%. Exports to the Americas and Oceania have been insignificant. Due to their relative importance to exports of South African peaches the European and Asian markets will be looked at closely in subsections that follow.

Volumes of South African peach exports to the various regions of Europe from 2010 to 2019 are presented in Figure 11.

Figure 11: Volume of peach exported to various regions of Europe, 2010 - 2019



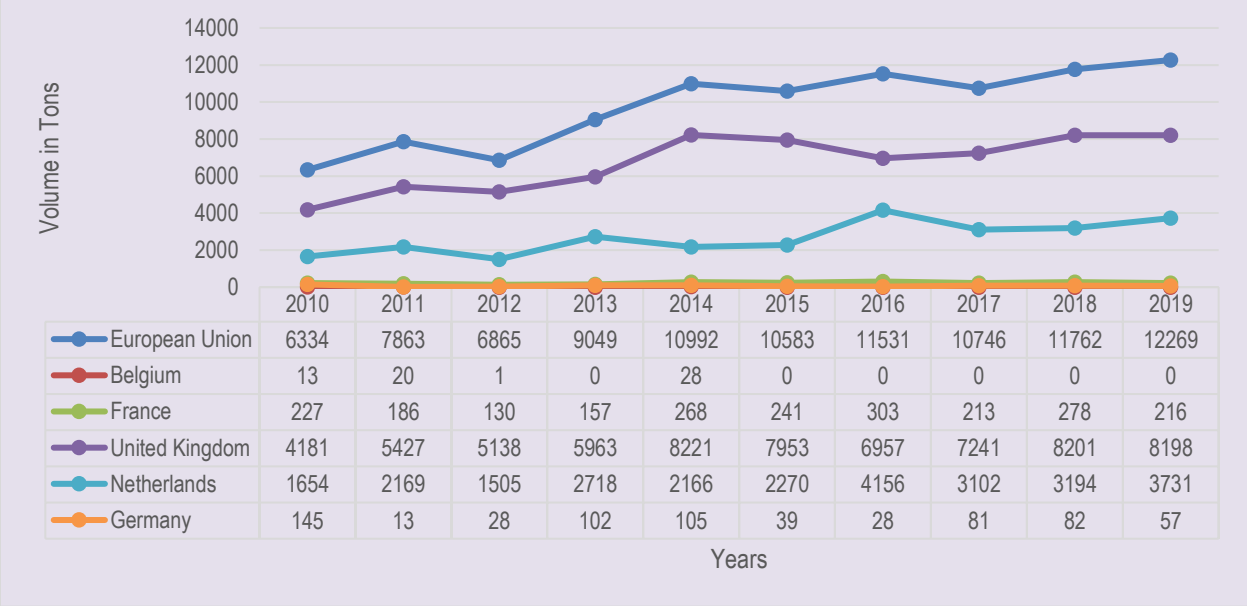
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Europe	4744	5565	6401	7958	6875	9075	11060	10597	11539	10903	11823	12431
Eastern Europe	3	32	26	39	8	25	61	13	7	157	60	163
Northern Europe	0	7	7	0	0	0	0	0	0	0	0	0
Southern Europe	0	16	33	41	0	0	0	0	0	0	0	0
Western Europe	29	8	2	16	1	1	7	1	0	1	0	0
European Union	4713	5502	6334	7863	6865	9049	10992	10583	11531	10746	11762	12269

Source: Quantec Easydata

It is evident from Figure 11 that during the last decade the bulk of South African peach exports that went to Europe were destined for the European Union. In 2019 almost all (99%) South African peach exports to Europe were absorbed by the European Union, with very small quantities going to Eastern Europe. Exports to Europe peaked at 12 269 tons in 2019. The volumes of peaches exported by South Africa to the European Union during 2019 season increased by 4% when compared to the 2018. Due to its significance to South African peach exports the European Union market is further disaggregated below.

Volumes of South African exports of peaches to the different European Union member states during the last decade are depicted in Figure 12. It is important to note that only those countries whose peach imports from South Africa were at least 100 tons in at least one year during the period under review are shown in Figure 12. As can be observed from Figure 12 the major importers of South African peaches in the European Union are the United Kingdom and the Netherlands. In 2019 the two countries accounted for 97% of all South African peach exports to the European Union, with the United Kingdom accounting for 67% and the Netherlands contributing 30%. Between 2018 and 2019 exports to the United Kingdom declined by 0.03% while those to the Netherlands also went down by 17%. Exports to the other European Union member states have been largely insignificant when compared to those to the United Kingdom and the Netherlands.

Figure 12: Volume of peach exported to European Union member states, 2010 - 2019

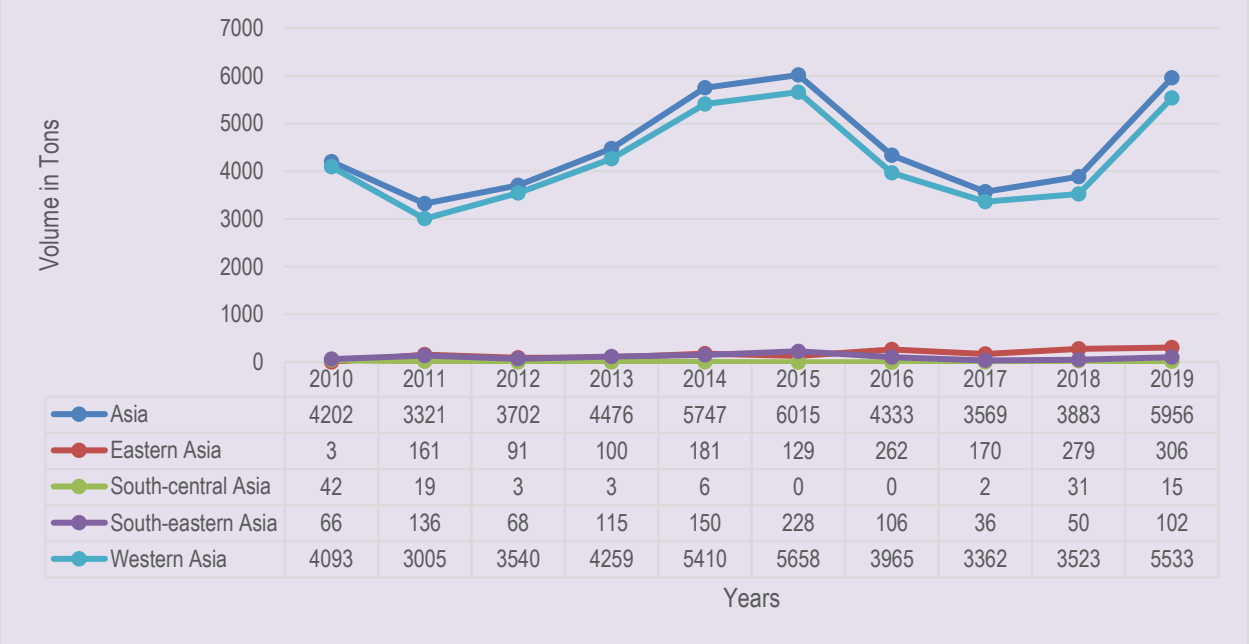


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
European Union	6334	7863	6865	9049	10992	10583	11531	10746	11762	12269
Belgium	13	20	1	0	28	0	0	0	0	0
France	227	186	130	157	268	241	303	213	278	216
United Kingdom	4181	5427	5138	5963	8221	7953	6957	7241	8201	8198
Netherlands	1654	2169	1505	2718	2166	2270	4156	3102	3194	3731
Germany	145	13	28	102	105	39	28	81	82	57

Source: Quantec Easydata

Figure 13 presents volumes of South African exports of peaches to the different regions of Asia. It is clear from Figure 13 that the most important Asian region in terms of South African peach exports is Western Asia. In 2019 exports to Western Asia accounted for 93% (5 533 tons) of total South African peach exports to Asia. South African peach exports to the region peaked at 5 658 tons in 2015 and have increased exponentially between 2011 and 2015. Between 2018 and 2019, South African peach export to Asia and Western Asia increased by 53%. Eastern Asia absorbed 306 tons of South African peaches in 2019.

Figure 13: Volume of peach exported to various regions of Asia, 2010 - 2019

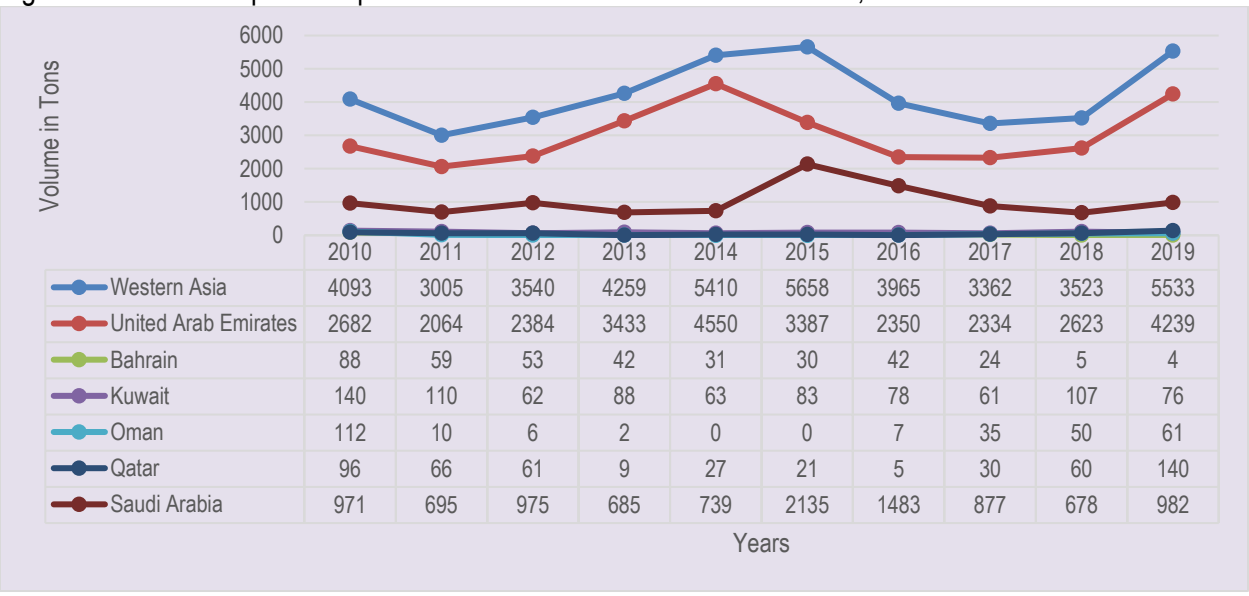


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Asia	4202	3321	3702	4476	5747	6015	4333	3569	3883	5956
Eastern Asia	3	161	91	100	181	129	262	170	279	306
South-central Asia	42	19	3	3	6	0	0	2	31	15
South-eastern Asia	66	136	68	115	150	228	106	36	50	102
Western Asia	4093	3005	3540	4259	5410	5658	3965	3362	3523	5533

Source: Quantec Easydata

Volumes of South African peach exports to the different countries in Western Asia during the last decade are presented in Figure 14. It is important to note that only those countries whose peach imports from South Africa were at least 100 tons in at least one year during the period under review are shown in Figure 14. The major importers of South African peaches in Western Asia are the United Arab Emirates and Saudi Arabia. In 2019 the United Arab Emirates imported 4 239 tons of peaches worth over R86 million from South Africa while Saudi Arabia imported 982 tons at a value of over R25 million. Between 2018 and 2019, South African peach exports to the United Arab Emirates increased by 62% while those to Saudi Arabia also declined by 45%. Other markets for South African peaches in Western Asia are Bahrain, Kuwait, Oman and Qatar.

Figure 14: Volume of peach exported to various countries in Western Asia, 2010 - 2019



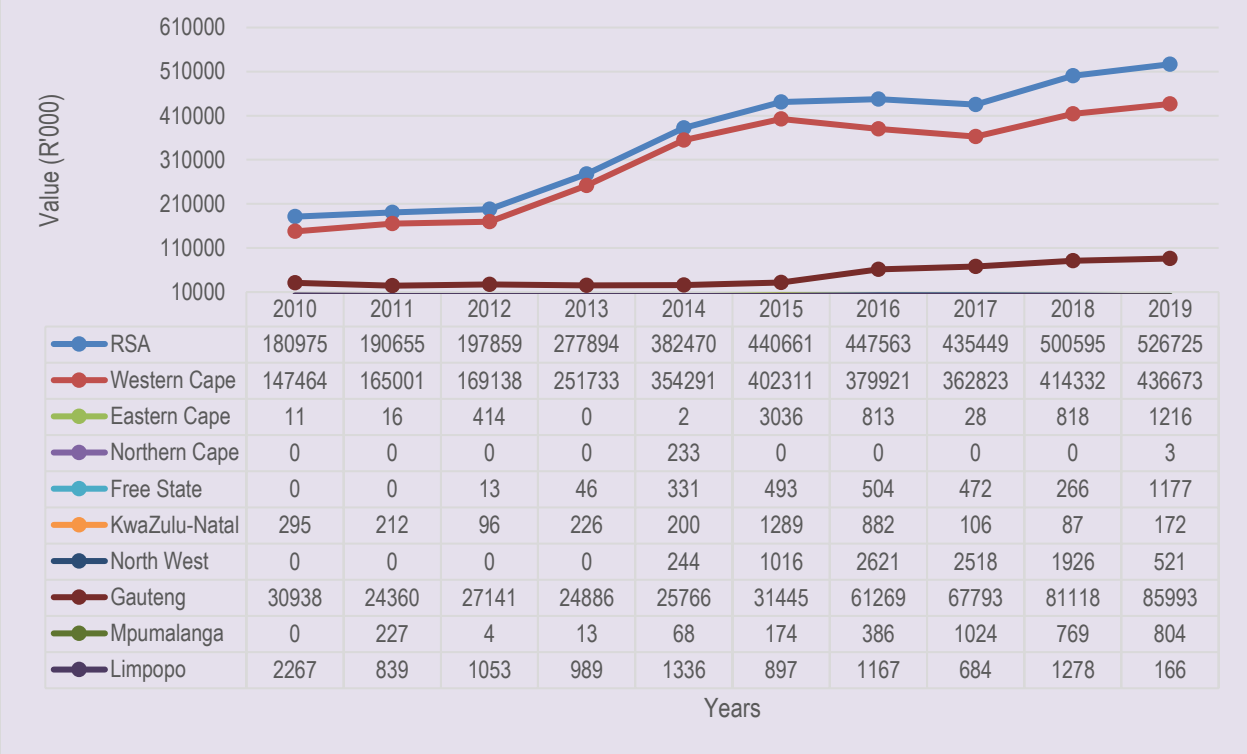
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Western Asia	4093	3005	3540	4259	5410	5658	3965	3362	3523	5533
United Arab Emirates	2682	2064	2384	3433	4550	3387	2350	2334	2623	4239
Bahrain	88	59	53	42	31	30	42	24	5	4
Kuwait	140	110	62	88	63	83	78	61	107	76
Oman	112	10	6	2	0	0	7	35	50	61
Qatar	96	66	61	9	27	21	5	30	60	140
Saudi Arabia	971	695	975	685	739	2135	1483	877	678	982

Source: Quantec Easydata

2.3 Provincial and district export values of South African peaches

A review of provincial level trade data shows that the Western Cape Province is the major source of peaches destined for the export markets. The reason for that is the fact that the Western Cape Province is the major producer of peaches accounting for over half of total production. Secondly, the registered exporters are based in the province and thirdly, the province serves as an exit point for peach exports through the Cape Town harbour. Figure 15 depicts the value of peach exports from each province of the Republic of South Africa. The value of peach exports by South Africa has been on the rise during the past ten years, increasing from R180 million in 2010 to over R529 million in 2019. This represents an increase of 191% in ten years.

Figure 15: Value of peach exports by provinces, 2010 - 2019

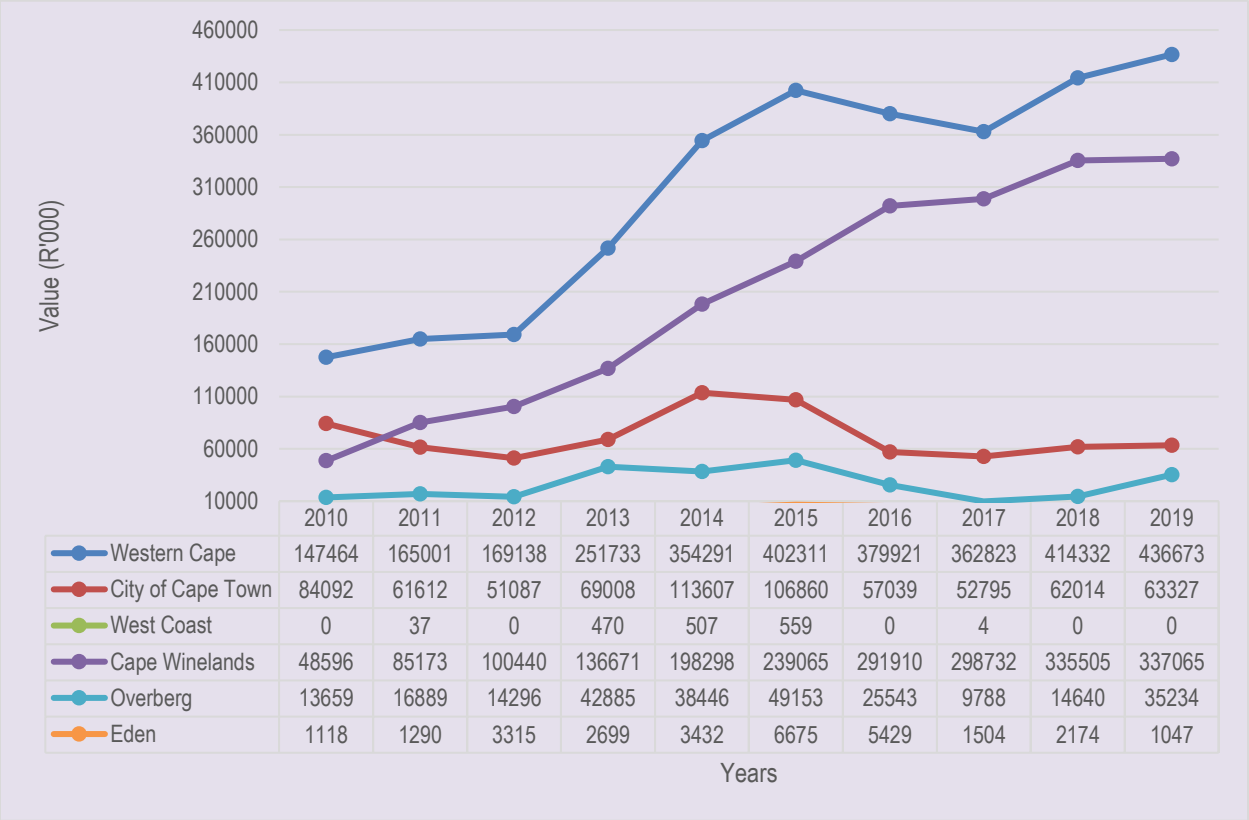


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
RSA	180975	190655	197859	277894	382470	440661	447563	435449	500595	526725
Western Cape	147464	165001	169138	251733	354291	402311	379921	362823	414332	436673
Eastern Cape	11	16	414	0	2	3036	813	28	818	1216
Northern Cape	0	0	0	0	233	0	0	0	0	3
Free State	0	0	13	46	331	493	504	472	266	1177
KwaZulu-Natal	295	212	96	226	200	1289	882	106	87	172
North West	0	0	0	0	244	1016	2621	2518	1926	521
Gauteng	30938	24360	27141	24886	25766	31445	61269	67793	81118	85993
Mpumalanga	0	227	4	13	68	174	386	1024	769	804
Limpopo	2267	839	1053	989	1336	897	1167	684	1278	166

Source: Quantec Easydata

Highlights in Figure 15 were that the provinces of Western Cape and to a lesser extend Gauteng (although at a lower base) were consistently the top peach exporting provinces of South Africa over the last decade. Other provinces featured intermittently but usually registered minimal trade. During 2019 the Western Cape exported peaches worth over R436 million while Gauteng exported peaches worth over R85 million during the same period. The two provinces accounted for approximately 99% of the total value of peach exports by South Africa in 2019. Figures 16 to 23 show the value of peach exports from the various districts in the nine provinces of South Africa. Values of peach exports by the Western Cape are presented in Figure 16.

Figure 16: Value of peach exports by Western Cape, 2010 - 2019



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Western Cape	147464	165001	169138	251733	354291	402311	379921	362823	414332	436673
City of Cape Town	84092	61612	51087	69008	113607	106860	57039	52795	62014	63327
West Coast	0	37	0	470	507	559	0	4	0	0
Cape Winelands	48596	85173	100440	136671	198298	239065	291910	298732	335505	337065
Overberg	13659	16889	14296	42885	38446	49153	25543	9788	14640	35234
Eden	1118	1290	3315	2699	3432	6675	5429	1504	2174	1047

Source: Quantec Easydata

It is clear from Figure 16 that peach exports from the Western Cape province are mainly from the City of Cape Town and Cape Winelands municipalities. High export values for the leading districts were recorded in 2014 for the City of Cape Town and 2019 for Cape Winelands. The Cape Winelands overtook the City of Cape Town as the leading exporter of peaches in the Western Cape between periods of 2011 until 2019. A total value of over R337 million worth of peach exports was recorded by the Cape Winelands in 2019. The Cape Winelands was followed by the City of Cape Town at over R63 million. The value exported by the Cape Winelands in 2019 was 0.5% higher than the 2018 value. Values of peach exports by the Gauteng province are shown in Figure 17.

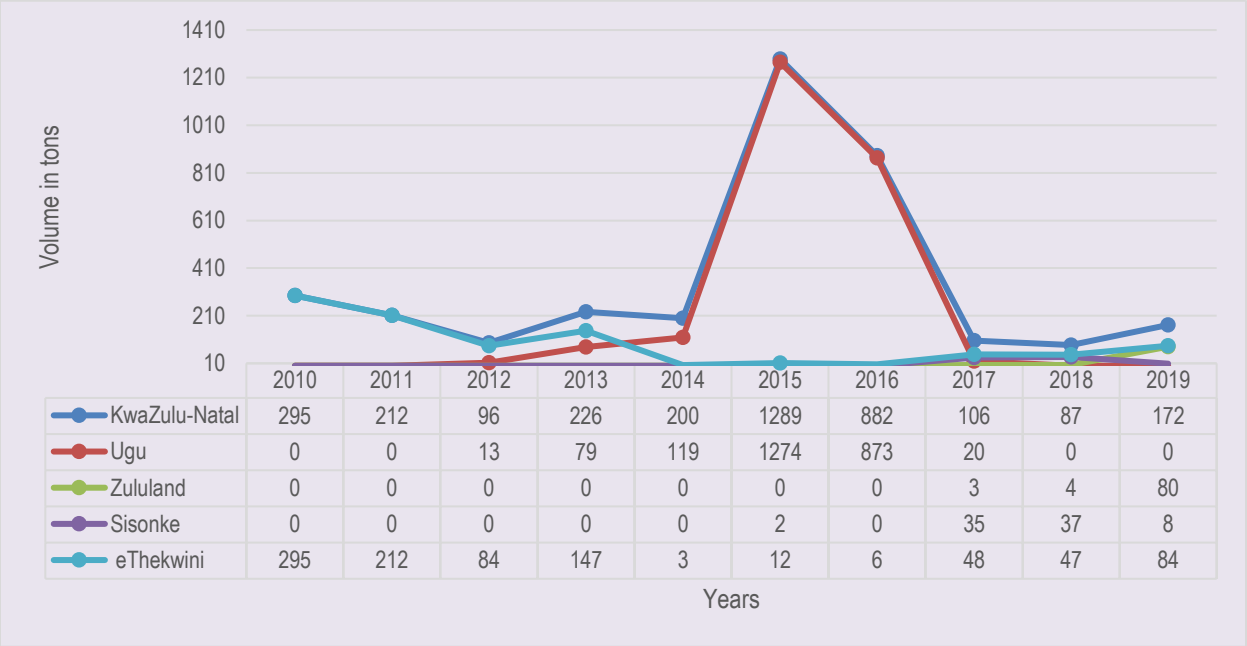
Figure 17: Value of peach exports by Gauteng province, 2010 - 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gauteng	30938	24360	27141	24886	25766	31445	61269	67793	81118	85993
Sedibeng	0	0	0	0	0	0	0	0	0	0
West Rand	0	0	439	110	133	345	310	45	0	0
Ekurhuleni	6638	7806	8953	7739	6929	6242	5342	4749	4886	3208
City of Johannesburg	22740	15292	16708	16067	17018	16826	49368	57729	69594	76260
City of Tshwane	1560	1262	1041	971	1686	8030	6248	5269	6639	6525

Source: Quantec Easydata

In the Gauteng province, there have been major fluctuations in terms of peach exports during the last decade. The leading role players in the export of peaches for the past ten years have been the City of Johannesburg, City of Tshwane and Ekurhuleni metropolitan municipalities. High export values of the leading municipalities were recorded in 2012 (for Ekurhuleni), 2015 for City of Tshwane and 2019 (for the City of Johannesburg). A total value of over R76 million worth of peach exports was recorded by the City of Johannesburg in 2019. The City of Johannesburg was followed by the City of Tshwane at over R6 million. The Ekurhuleni was the third leading exporting region in 2019 with exports worth R3.2 million. City of Johannesburg continued to be the leading exporter of peaches in Gauteng during 2019, with exports growing from R22 million in 2010 to R76 million in 2019. Values of peach exports by the Kwazulu Natal province are shown in Figure 18.

Figure 18: Value of peach exports by Kwazulu Natal province, 2010 – 2019

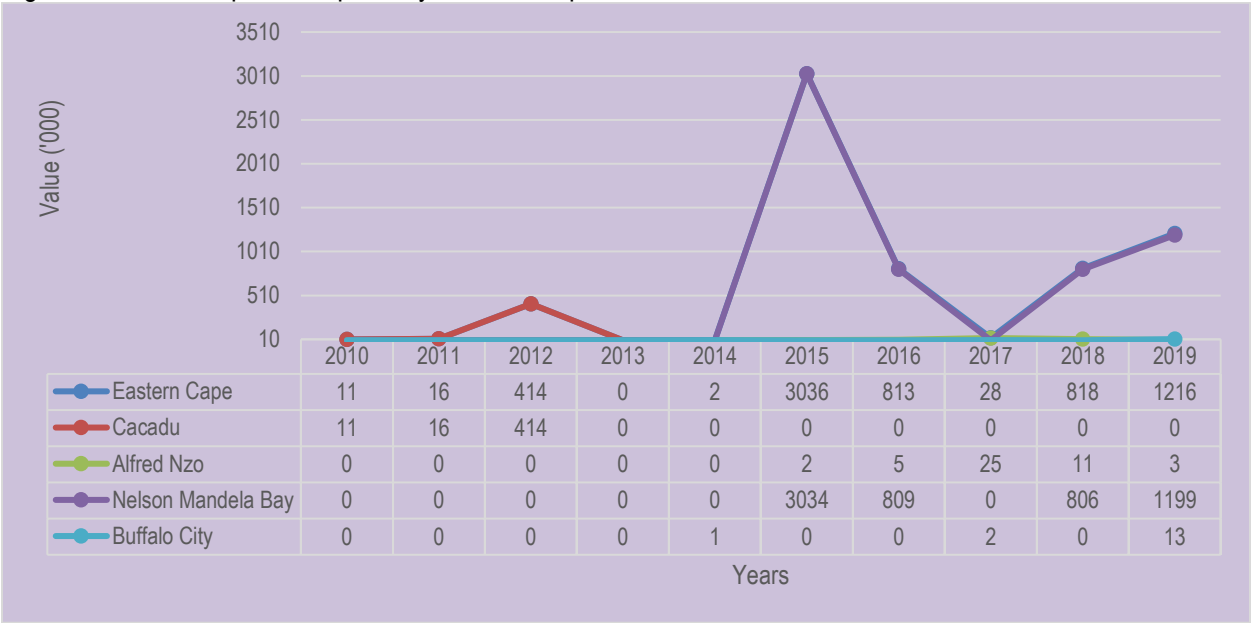


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
KwaZulu-Natal	295	212	96	226	200	1289	882	106	87	172
Ugu	0	0	13	79	119	1274	873	20	0	0
Zululand	0	0	0	0	0	0	0	3	4	80
Sisonke	0	0	0	0	0	2	0	35	37	8
eThekwini	295	212	84	147	3	12	6	48	47	84

Source: Quantec Easydata

According to Figure 18, peach exports from the KwaZulu Natal province are mainly from eThekwini metropolitan, Zululand and Ugu municipality. However during the past three years, Ugu municipality has surpassed eThekwini as the leading exporter of peach. High export value for the leading municipality was recorded in 2010 for eThekwini and 2015 for Ugu municipality. In 2019, Zululand district emerged as second most exporter of peach in Kwazulu Natal. A total value of R80 thousands worth of peach exports was recorded by the Zululand municipality during 2019. The value was 2 186% higher than the value exported in 2018. Ethekwini accounted for peach exports worth R84 thousands in 2018. The use of the Durban harbour as an exit point may have played a major role in the metropolitan municipality being a leader in the export of peaches from Kwa-Zulu Natal between 2010 and 2019. Values of peach exports by the Eastern Cape province are shown in Figure 19.

Figure 19: Value of peach exports by Eastern Cape, 2010 - 2019

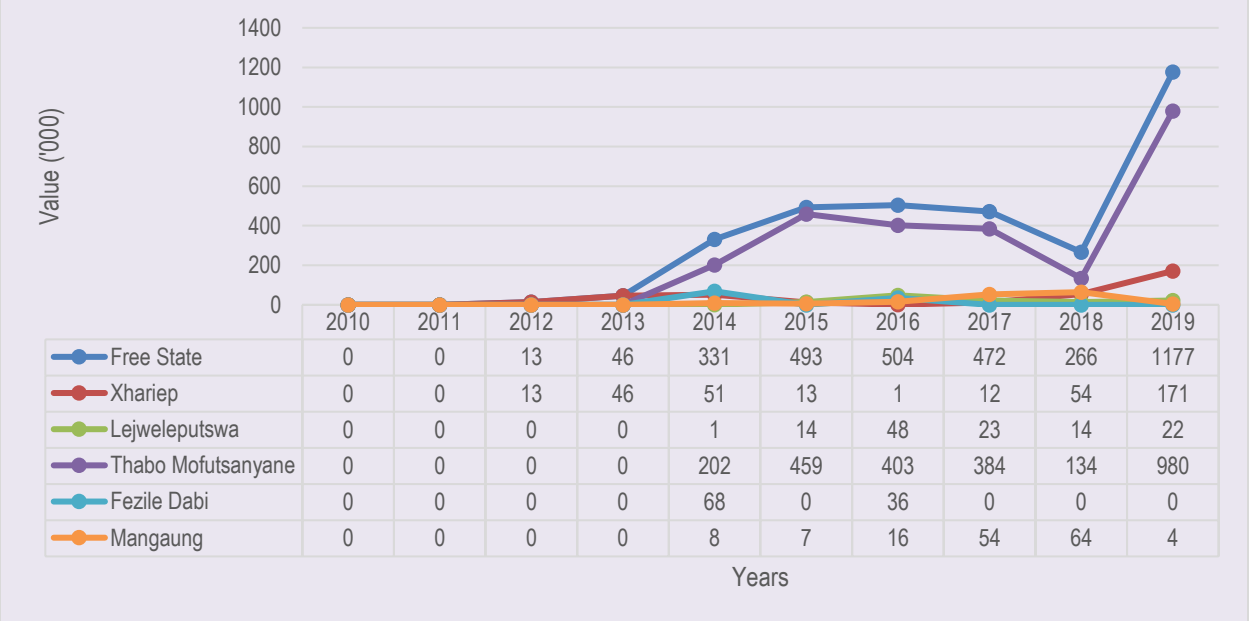


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Eastern Cape	11	16	414	0	2	3036	813	28	818	1216
Cacadu	11	16	414	0	0	0	0	0	0	0
Alfred Nzo	0	0	0	0	0	2	5	25	11	3
Nelson Mandela Bay	0	0	0	0	0	3034	809	0	806	1199
Buffalo City	0	0	0	0	1	0	0	2	0	13

Source: Quantec Easydata

There have been major fluctuations in terms of peach exports during the last decade. It is clear from Figure 19 that peach exports from the Eastern Cape province are mainly from Cacadu and Nelson Mandela municipalities. High export values for the leading municipalities were recorded in 2015 for Nelson Mandela Bay metropolitan. The export value of Cacadu has dropped drastically from the 2012 peak. No pear exports were recorded in the Eastern Cape province in 2013. Exports worth R1.1 million were recorded by Nelson Mandela Bay in 2019. Values of peach exports by the Free State province are shown in Figure 20.

Figure 20: Value of peach exports by Free State province, 2010 - 2019



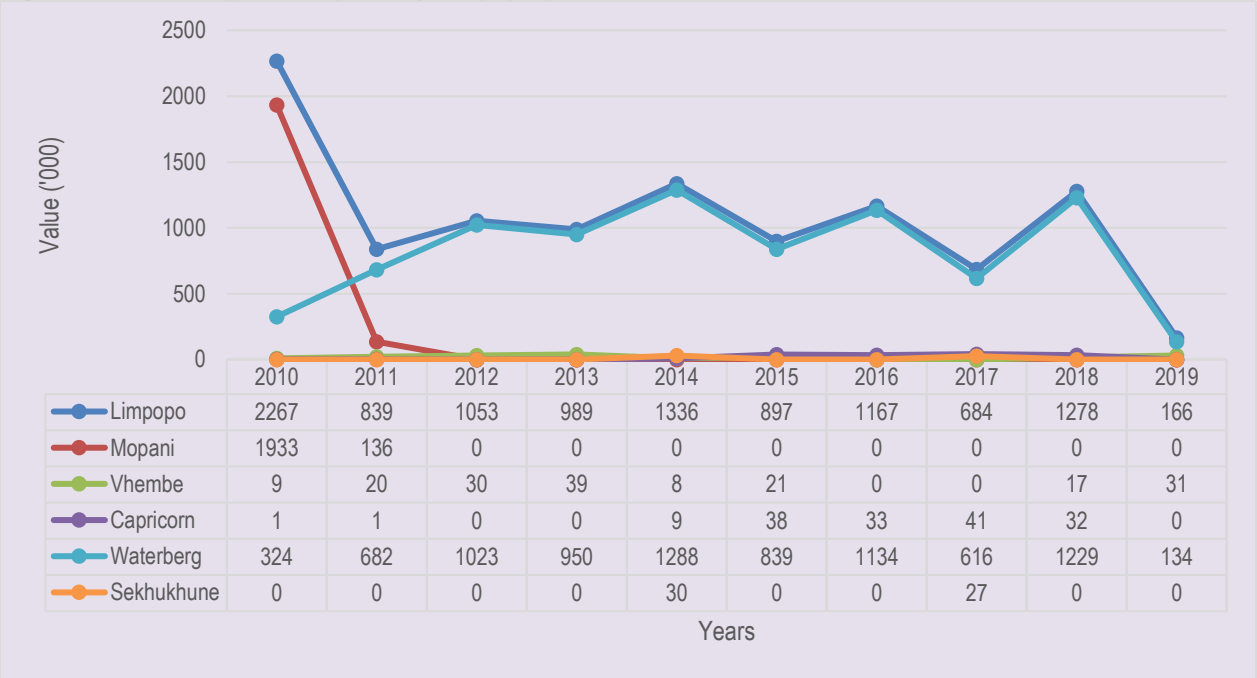
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Free State	0	0	13	46	331	493	504	472	266	1177
Xhariep	0	0	13	46	51	13	1	12	54	171
Lejweleputswa	0	0	0	0	1	14	48	23	14	22
Thabo Mofutsanyane	0	0	0	0	202	459	403	384	134	980
Fezile Dabi	0	0	0	0	68	0	36	0	0	0
Mangaung	0	0	0	0	8	7	16	54	64	4

Source: Quantec Easydata

In the Free State province the leading role player in peach exports is Thabo Mofutsanyane district municipality. High export value for the leading municipality was recorded in 2019. The districts recorded peach exports worth over R980 thousands. Values of peach exports by the Limpopo province are shown in Figure 21.

It is clear from Figure 21 that peach exports from the Limpopo province are mainly from the Waterberg district municipality. High export values for the leading district municipality were recorded in 2014 (Waterberg). The Mopani district however recorded peach exports worth over R1.9 million in 2010, making it the leading municipality in Limpopo during 2010. Exports from the Mopani districts have however retreated to R136 million in 2011 and never recorded any exports between 2012 and 2019. The Waterberg district was the leading peach exporter in Limpopo with R134 000 during the same year until 2019.

Figure 21: Value of peach exports by Limpopo province, 2010 - 2019



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Limpopo	2267	839	1053	989	1336	897	1167	684	1278	166
Mopani	1933	136	0	0	0	0	0	0	0	0
Vhembe	9	20	30	39	8	21	0	0	17	31
Capricorn	1	1	0	0	9	38	33	41	32	0
Waterberg	324	682	1023	950	1288	839	1134	616	1229	134
Sekhukhune	0	0	0	0	30	0	0	27	0	0

Source: Quantec Easydata

Values of peach exports by the North West province are shown in Figure 22. Peach exports from the North West province are mainly from Bojanala district municipality and were only recorded in between 2014 until 2019. The districts recorded peach exports worth over R420 thousands in 2019.

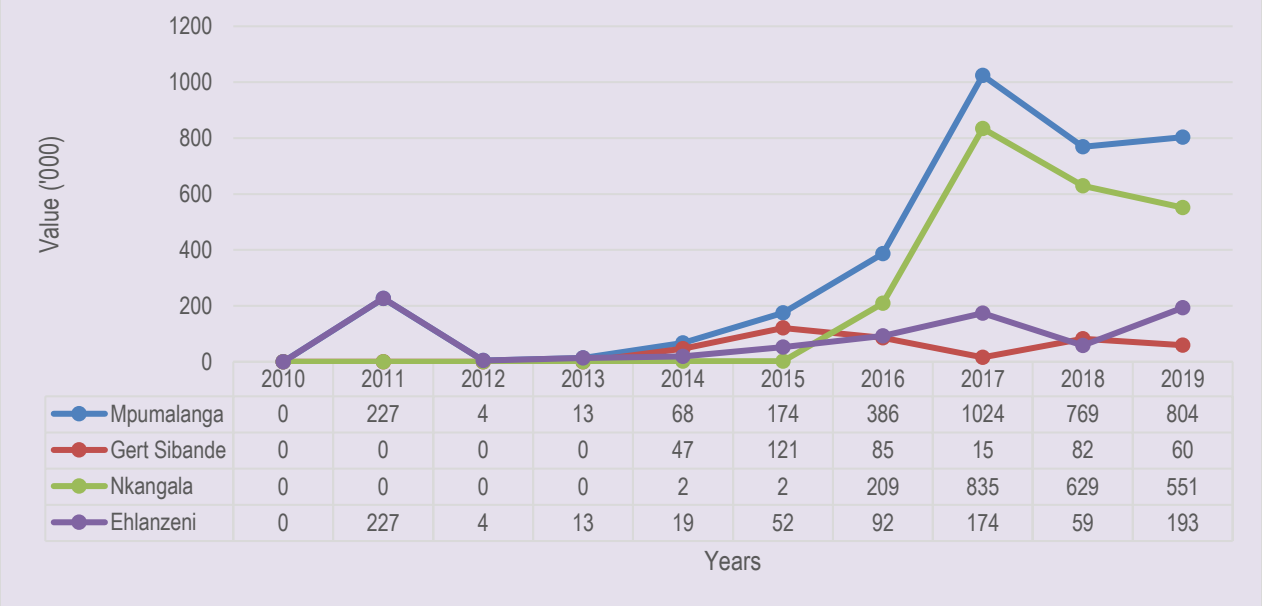
Figure 22: Value of peach exports by North West province, 2010 - 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
North West	0	0	0	0	244	1016	2621	2518	1926	521
Bojanala	0	0	0	0	244	1016	2577	2460	1713	420
Ngaka Modiri Molema	0	0	0	0	0	0	42	56	213	102
Dr Kenneth Kaunda	0	0	0	0	0	0	0	0	0	0

Source: Quantec Easydata

Values of peach exports by the Mpumalanga province are shown in Figure 23. It is clear from Figure 23 that peach exports from Mpumalanga province are mainly from Gert Sibande and Ehlanzeni district municipalities. High export values for the leading municipalities were recorded in 2011 (for Ehlanzeni), 2015 (for Gert Sibande) and 2017 (for Nkangala). A total value of R551 thousands worth of peach exports was recorded by the Nkangala district during 2019.

Figure 23: Value of peach exports by Mpumalanga province, 2010 - 2019



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Mpumalanga	0	227	4	13	68	174	386	1024	769	804
Gert Sibande	0	0	0	0	47	121	85	15	82	60
Nkangala	0	0	0	0	2	2	209	835	629	551
Ehlanzeni	0	227	4	13	19	52	92	174	59	193

Source: Quantec Easydata

2.4 Share Analysis

Table 3 is an illustration of provincial shares towards national peach exports for the years 2010 to 2019. It shows that the Western Cape together with Gauteng province (to a lesser extend) have commanded the greatest share of peach 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 peach exports. The Western Cape contributed 82.9% of the total South African peach exports in 2019 while the share of Gauteng remained below 20% between 2018 and 2019.

Table 3: Share of provincial peach exports to the total RSA peach exports (%)

Year	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	81.5	86.5	85.6	90.7	93.6	91.3	84.8	83.3	82.8	82.9
Eastern Cape	0.0	0.0	0.0	0.2	0.0	0.7	0.2	0.0	0.2	0.2
Northern Cape	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Free State	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.2
Kwazulu-Natal	0.2	0.1	0.0	0.1	0.0	0.3	0.2	0.0	0.0	0.0
North West	0.0	0.0	0.0	0.0	0.1	0.2	0.6	0.6	0.4	0.1
Gauteng	17.1	12.8	13.6	8.8	5.6	7.1	13.7	15.6	16.2	16.3
Mpumalanga	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2
Limpopo	1.3	0.4	0.5	0.4	0.4	0.2	0.3	0.2	0.3	0.0

Source: Calculated from Quantec Easydata

The accompanying tables (Table 4 to 11) show shares of the various districts' peach exports to the various provincial peach exports.

Table 4: Share of district peach exports to the total Western Cape provincial peach 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	57.0	37.3	30.2	27.4	32.7	26.6	14.9	14.6	15.0	14.5
West Coast	0.0	0.0	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Cape Winelands	33.0	51.6	59.4	54.3	55.5	59.4	77.0	82.3	81.0	77.2
Overberg	9.3	10.2	8.5	17.0	10.8	12.1	6.7	2.7	3.5	8.1
Eden	0.8	0.8	2.0	1.1	1.0	1.7	1.4	0.4	0.5	0.2

Source: Calculated from Quantec Easydata

Table 4 presents the shares of district peach exports to the total Western Cape provincial peach exports for the years 2010 to 2019. The leading peach export districts in the Western Cape are the Cape Winelands and the City of Cape Town. Together, the two districts accounted for over 92% to total Western Cape provincial peach exports in 2019. The share of the City of Cape Town decreased from 15% in 2016 to 14.5% in 2019 while that of the Cape Winelands decreased from 81% in 2018 to 77.2% in 2019 during the same period.

Table 5: Share of district peach exports to the total Eastern Cape provincial peach exports (%)

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Eastern Cape	100.0	100.0	100.0	0.0	100.0	100.0	100.0	100.0	100.0	100.0
Cacadu	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Alfred Nzo	0.0	0.0	0.0	0.0	26.5	0.1	0.1	91.4	1.4	0.3
Buffalo City	0.0	0.0	0.0	0.0	73.5	0.0	0.0	8.6	0.0	1.1
Nelson Mandela Bay	0.0	0.0	0.0	0.0	0.0	99.9	99.9	0.0	98.6	98.6

Source: Calculated from Quantec Easydata

The shares of district peach exports to the total Eastern Cape provincial peach exports are presented in Table 5. All recorded exports of peaches in the Eastern Cape between 2010 and 2012 were from the Cacadu district. During 2019, almost all (98.6%) the peach export from Eastern Cape came from Nelson Mandela Bay municipality. Nelson Mandela Bay has been the dominant exporter of peaches in the Eastern Cape between 2015 and 2019. The shares of district peach exports to the total Mpumalanga provincial peach exports are presented in Table 6.

Table 6: Share of district peach exports to the total Mpumalanga provincial peach exports (%)

Year	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 District municipality	0.0	0.0	0.0	0.0	70.2	69.3	22.1	1.5	10.7	7.3
Nkangala District municipality	0.0	0.0	0.0	0.0	3.1	1.3	54.3	81.5	81.8	68.6
Ehlanzeni District municipality	0.0	100.0	100.0	100.0	26.7	29.6	23.6	17.0	7.6	24.0

Source: Calculated from Quantec Easydata

In 2019 the Nkangala district was the leading contributor to all peach exports recorded from the Mpumalanga province with 68.6% (see Table 6). The shares of district peach exports to the total Free State provincial peach exports are presented in Table 7.

Table 7: Share of district peach exports to the total Free State provincial peach 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	9.4	2.6	0.2	2.5	20.2	14.5
Lejweleputswa	0.0	0.0	0.0	0.0	0.3	2.9	9.5	4.8	5.2	1.9
Thabo Mofutsanyane	0.0	0.0	0.0	0.0	74.9	93.1	79.9	81.3	50.3	83.3
Fezile Dabi	0.0	0.0	0.0	0.0	12.0	0.0	7.0	0.0	0.0	0.0
Mangaung	0.0	0.0	0.0	0.0	3.4	1.3	3.3	11.4	24.2	0.4

Source: Calculated from Quantec Easydata

The Free State province never reported any exports of peaches between 2010 and 2011 (see Table 7). All exports recorded in Free State province in 2012 and 2013, were from Xhariep district. In 2014, Thabo

Mofutsanyane district overtook Xhariep as the leading as the leading exporter in the Free State province. More than 80% of peach export from Free State was recorded from Thabo Mofutsanyane district municipality in 2019. It was followed by Xhariep and Lejweleputswa Districts with 14.5% and 1.9% respectively. The shares of district peach exports to the total Gauteng provincial peach exports are presented in Table 8.

Table 8: Share of district peach exports to the total Gauteng provincial peach 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	1.6	0.4	0.4	1.1	0.5	0.0	0.0	0.0
Ekurhuleni	21.5	32.0	33.0	30.9	35.9	19.9	8.7	7.0	6.0	3.7
City of Johannesburg	73.5	62.8	61.7	65.0	49.8	53.4	80.6	85.2	85.8	88.7
City of Tshwane	5.0	5.2	3.7	3.7	12.9	25.6	10.2	7.8	8.2	7.6

Source: Calculated from Quantec Easydata

In the Gauteng province, the contributions of the various districts to total provincial peach exports are distributed between three main districts (see Table 8). In 2019, the leading district was City of Johannesburg with 88.7% share. It was followed by the City of Tshwane and Ekurhuleni districts at 7.6% and 3.7% respectively. The shares of district peach exports to the total North West provincial peach exports are presented in Table 9.

Table 9: Share of district peach exports to the total North West provincial peach exports (%)

Years District	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
North West	0.0	0.0	0.0	0.0	100.0	100.0	100.0	100.0	100.0	100.0
Bojanala	0.0	0.0	0.0	0.0	100.0	100.0	100.0	97.7	88.9.	80.5
Ngaka Modiri Molema	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.2	11.1	19.5
Dr. Kenneth Kaunda	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0

Source: Calculated from Quantec Easydata

The North West province never reported any exports of peaches between 2010 and 2013 (see Table 9). Most (80.5%) of exports recorded by North West province came from Bojanala district. The remaining 19.5% came from Ngaka Modiri Molema and Dr. Kenneth Kaunda districts. The shares of district peach exports to the total Limpopo provincial peach exports are presented in Table 10.

Table 10: Share of district peach exports to the total Limpopo provincial peach 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	85.3	16.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Vhembe	0.4	2.4	2.3	3.6	0.6	2.3	0.0	0.0	1.3	18.8
Capricorn	0.0	0.1	0.0	0.0	1.4	4.2	2.8	6.1	2.5	0.2
Waterberg	14.3	81.3	97.3	96.4	95.8	93.5	97.2	90.0	96.2	81.0
Sekhukhune	0.0	0.0	0.0	0.0	2.2	0.0	0.0	3.9	0.0	0.0

Source: Calculated from Quantec Easydata

In 2008 until 2009, the Waterberg district was the sole contributor to total peach exports from the Limpopo province. The Share of the Waterberg district has however declined from 100% in 2009 to 14.3% in 2010 before increasing again to 81.3% in 2011. Waterberg district accounted for 90% in 2017 while the Capricorn district contributed the remaining 6.1% during the same year. The shares of district peach exports to the total Kwazulu Natal provincial peach exports are presented in Table 11.

Table 11: Share of district peach exports to the total Kwa-Zulu Natal provincial peach exports (%), 2010 – 2019

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Kwazulu-Natal	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Ugu	0.0	0.0	12.7	32.9	58.4	98.9	99.0	18.7	0.0	0.0
Zululand	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.7	4.0	46.5
Sisonke	0.0	0.0	0.0	0.0	0.0	0.2	0.0	32.9	42.3.	4.8
eThekwini	100.0	100.0	87.3	67.1	41.6	1.0	1.0	45.3	53.7	48.7

Source: Calculated from Quantec Easydata

In Kwazulu Natal province, eThekwini recorded most of the peach exports in 2019 were from the eThekwini (48.7%) and was followed by Zululand district (46.5%) (see Table 11).

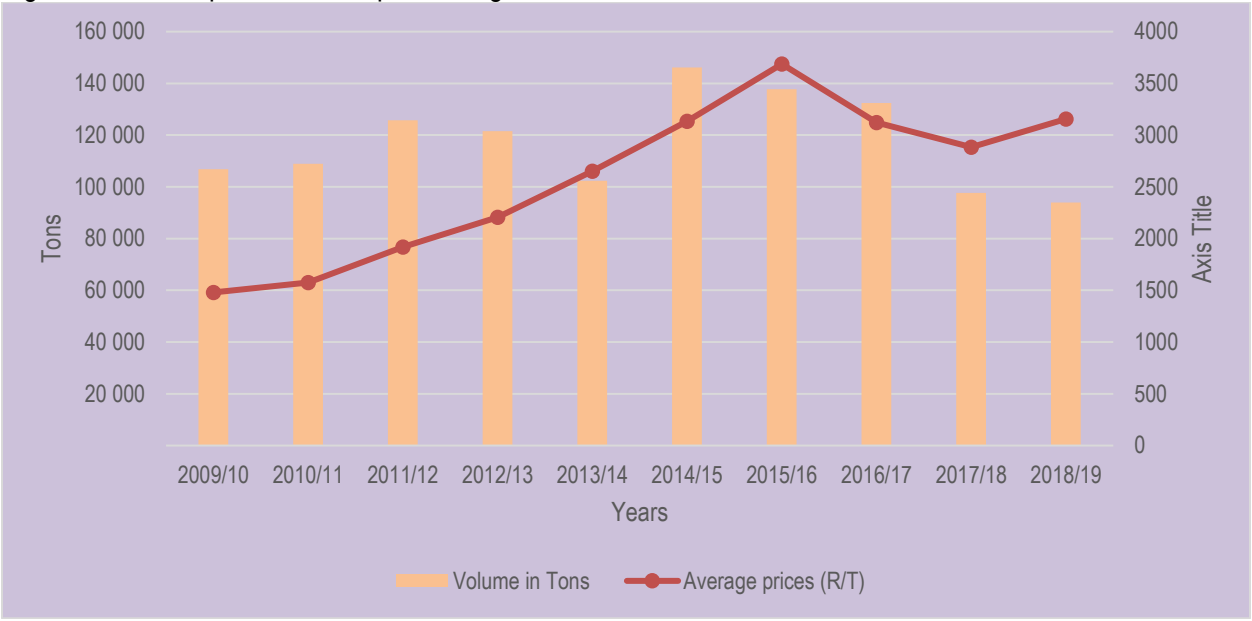
2.5 Imports

During 2017 South Africa imported total of 2 119 tons peaches worth approximately R52 million. Approximately 97% (2 048 tons) of all peaches imported by South Africa during 2019 came from Spain. During the same year South Africa's imports of peaches represented 0.1% of world imports and its ranking in the world were 51.

2.6 Processing

Volumes of peaches purchased for processing in South Africa during the past ten years are presented in Figure 24. The quantities of peaches purchased for processing have been relatively stable over the past ten years, only peaking at 146 148 tons during the 2014/15 season. During the past ten years, the volumes purchased for processing reached a trough in 2013/ season, recording 102 347 tons. This represents a decline of 18% between 2012/13 and 2013/14. Volumes purchased for processing have been declining since the 2014/15 peak. During the 2018/19 season, quantities purchased for declined by 3.9% compared to 2018/19 season. Volumes purchased for processing has been declining over the past five years. On the other hand, prices have been generally increasing during the past ten years, with the exception prices between 2016/17 and 2017/18. Prices in the processing market went up by 10% in 2019.

Figure 24: Peach purchased for processing, 2009/10 – 2018/19



Source: Statistics and Economic Analysis, DAFF

Peaches can be dried, canned, made into jams, jellies, and preserves, used as filling for desserts, and used as an ingredient in many other dishes, from appetizers to entrees. Fresh peaches are highly perishable. Even when unripe, they spoil easily. Peaches that are greenish in colour were probably picked too early and should be avoided. Sweetness does not increase after picking, so ripe-picked fruit is always the tastiest.

3. GROWTH, VOLATILITY & STABILITY ANALYSIS

Table 12 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 2008 and ending in 2017. 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 12: Peach industry growth rates & variation coefficients (2010 – 2019)

Category	Subcategory	Growth Rate (%)	Coefficient of Variation
Production	Gross Value (GV)	7.67	0.30
	Volume	-0.96	0.11
Sales at NFPMs	GV/Price	8.30	0.25
	Volume	-1.59	0.09
Export	Gross Value	8.17	0.39
	Volume	2.87	0.15

Category	Subcategory	Growth Rate (%)	Coefficient of Variation
Import	Gross Value	0.96	0.627
	Volume	0.04	0.81

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

As shown in Table 12 above, the peach industry experienced a positive growth rate from 2010 to 2019 in terms of both gross values, volume of export, imports and gross values of volumes sold at the NFPMs over the same period. As mentioned in figure 4, production of peaches declining over the past ten years, however decreased by 6.6% 2019. The negative growth of both production and sales at the NFPMs is therefore not a surprising trend.

Table 12 also shows various levels of volatility at different levels of the peach 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 peach during the ten years under review.

4. MARKET INTELIGENCE

4.1 Competitiveness of South African peach exports

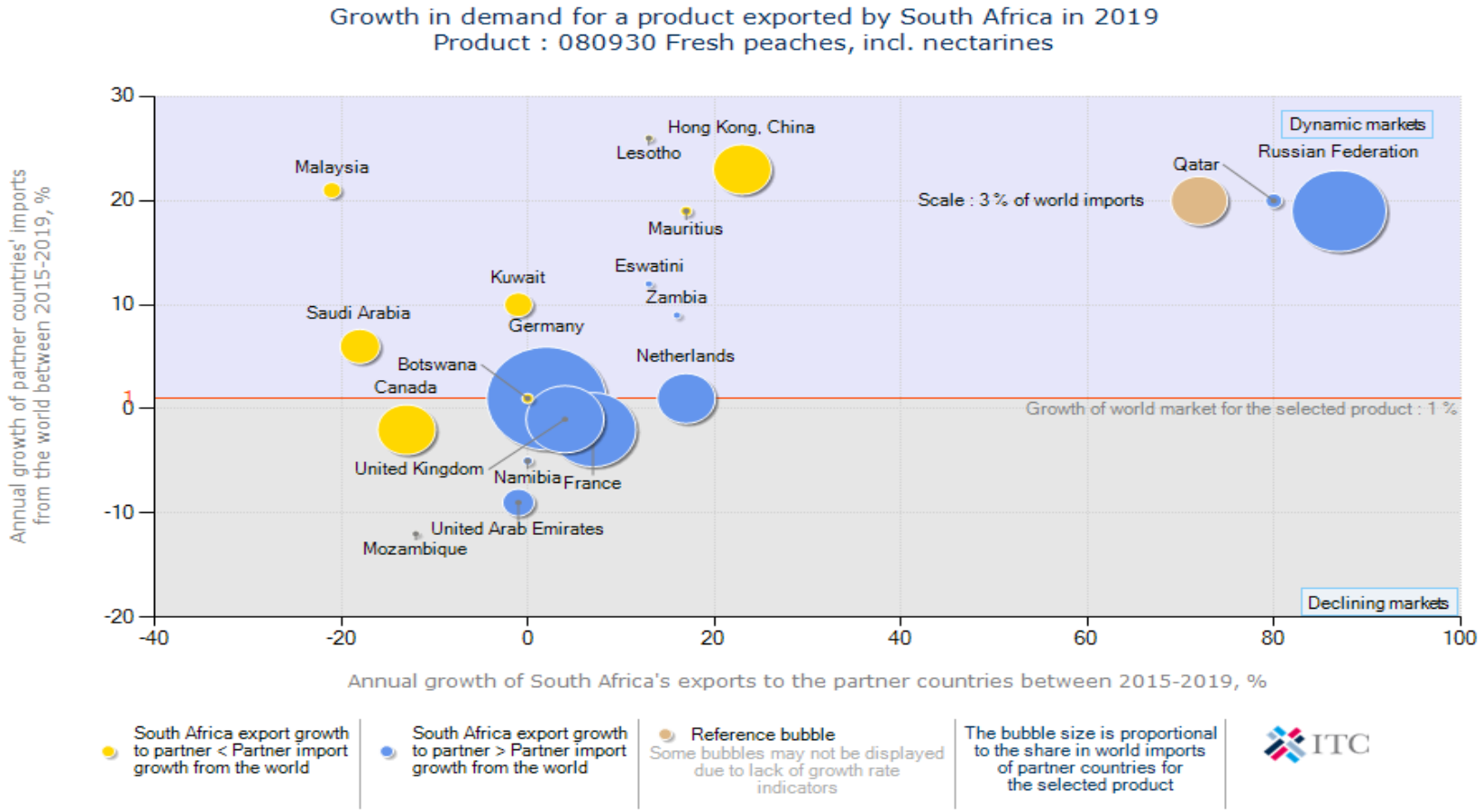
Competitiveness is described as an industry's capacity to create superior value for its customers and improved profits for the stakeholders in the value chain. The driving force in sustaining a competitive position is productivity that is output efficiency in relation to specific inputs with regard to human, capital and natural resources. In 2019 South African peach exports represented 1.4% of world exports and its ranking on the world exports was number 14. The average distance of importing countries is 8 284 km and the export concentration is 0.27.

As depicted in Figure 25 below, South African peach exports are growing faster than the world imports in Qatar, Russia, Germany, Netherlands, Zambia, and Eswatini markets. South Africa's performance in those markets can be regarded as gains in dynamic markets.

South African peach exports are growing while the world imports are declining in United Kingdom, France and Namibian markets. South Africa's performance in those markets can be regarded as gains in declining markets and should be viewed as achievement in adversity.

South African peach exports are declining while the world imports are growing in Malaysia, Hong Kong, China, Kuwait, Saudi Arabia and Mauritius markets. These markets are dynamic and South Africa's performance should be regarded as an underachievement.

Figure 25: Growth in demand for the South African peaches in 2019



Source: TradeMap, ITC

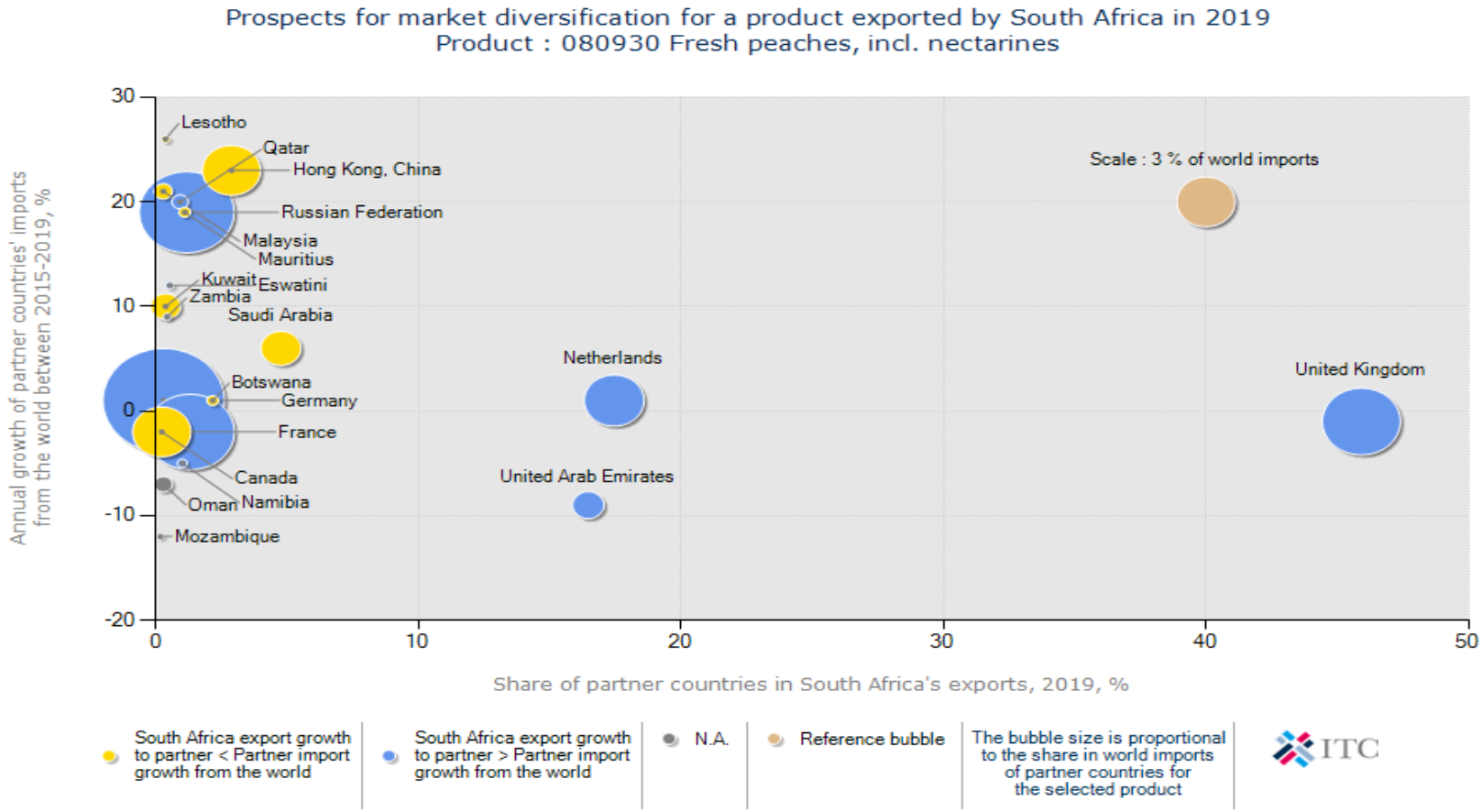
Figure 26 illustrates prospects for market diversification by South African peach exporters during 2019. The UK, United Arab Emirates and Netherlands hold a bigger market share of South African peach exports.

In terms of market size, Germany was the largest peach importer in 2019 with just over $355 million (301 509 tons) worth of peach imports, or roughly 14.7% of the world peach market. Second was Russia with just over $214 million (187 858 tons) worth of peach imports, or roughly 8.8% market share followed by the France with just over $180 million (155 739 tons) worth of peach imports, or roughly 7.4% market share.

Whilst three countries dominate world peach imports, it is interesting to note that countries like Ukraine, together with the Egypt and UAE have experienced higher annual growth rate in terms of peach imports from 2015 – 2019. Ukraine experienced an annual growth rate of 88%. Second was Egypt with 59% annual growth rate followed by UAE at 42%. It is important to note that growth by all these mentioned countries has been off a relatively low base. These countries represent possible lucrative markets for South African peach producers.

It is also important to note that peach imports from the world to countries such as the Spain and Ireland have declined from 2015 – 2019 and as a result those countries have recorded a negative growth rate in peach imports.

Figure 26: South African peaches prospects for market diversification in 2019



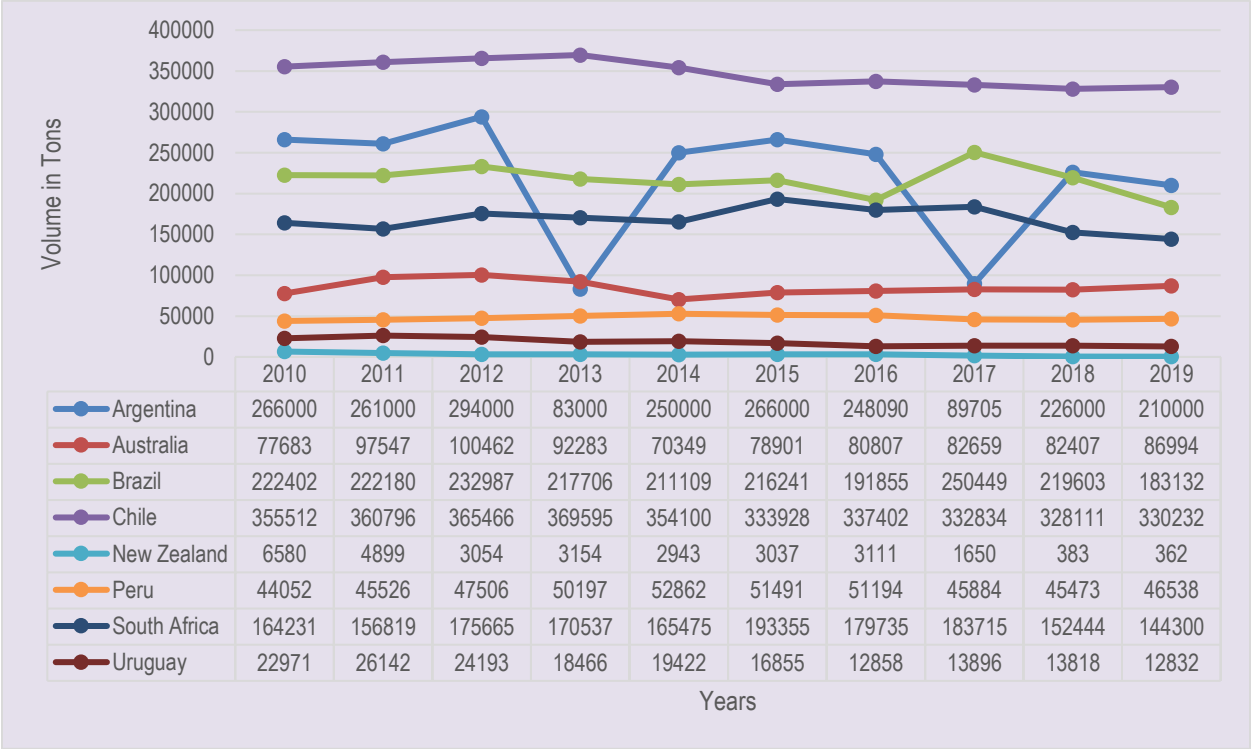
Source: TradeMap, ITC

4.2 South Africa vs. southern hemisphere production in 2019

Figure 27 presents southern hemisphere production of peaches and nectarines. The six major producers of peaches in the southern hemisphere produced approximately R1 million tons of peaches during 2019. It is clear that South Africa was the fourth largest producer of peaches (14% in 2019) in the southern hemisphere after Chile (33%), Argentina (21%) and Brazil (18%). All these countries are vying for the lucrative North American and European markets.

The fact that a country can produce a large output does not necessarily mean it will be a big net exporter – this depends on the size of the domestic market and whether excess produce is harvested. In the case of Chile, the largest producer of peaches in the southern hemisphere in 2019, their domestic market is so large that the country exports 33% of it production. Chile contributed 71.6% to the total southern hemisphere peach exports in 2019 (see Table 13). In the case of Brazil, the third largest producer of peaches in the southern hemisphere, their domestic market is so large that the country exports relatively nothing. Brazil contributed 0.01% to the total southern hemisphere peach exports in 2019.

Figure 27: Southern hemisphere peach and nectarine production volume, 2010 - 2019



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Argentina	266000	261000	294000	83000	250000	266000	248090	89705	226000	210000
Australia	77683	97547	100462	92283	70349	78901	80807	82659	82407	86994
Brazil	222402	222180	232987	217706	211109	216241	191855	250449	219603	183132
Chile	355512	360796	365466	369595	354100	333928	337402	332834	328111	330232
New Zealand	6580	4899	3054	3154	2943	3037	3111	1650	383	362
Peru	44052	45526	47506	50197	52862	51491	51194	45884	45473	46538
South Africa	164231	156819	175665	170537	165475	193355	179735	183715	152444	144300
Uruguay	22971	26142	24193	18466	19422	16855	12858	13896	13818	12832

Source: FAOSTAT

4.3 South Africa vs. southern hemisphere exports in 2019

Table 13 presents southern hemisphere export of peaches during 2017. South Africa's main competitor from the southern hemisphere in the EU market for peaches during the previous years was Chile which is the top producer of peaches in southern hemisphere, exported 72% of the total southern hemisphere peach exports. Chile was the largest exporter of peaches in the southern hemisphere during 2019, contributing 72% to total southern hemisphere exports in 2019. More than 36% and 20% of peach exports from Chile are destined to

the US and China respectively . It was closely followed by South Africa and Australia with 14% and 11% respectively during the same year.

Argentina exports primarily within the South American markets (particularly Brazil and Paraguay). Australia primarily exports to the Far East markets (particularly Hong Kong, UAE and Singapore) and Middle East (UAE). New Zealand produces primarily for local markets and exports very little mainly to Singapore. All these countries with the exception of Chile pose no serious threat to South Africa in the European markets.

Table 13: Southern hemisphere exports of peaches, 2019

Country	Export - Quantity in Metric Tons (MT)	Contribution to Southern Hemisphere Exports (%)
World exports	2 068 364	
Southern Hemisphere	151 940	100.00
Chile	108 8000	71.6
Peru	1 220	0.8
Argentina	4 054	2.7
Australia	17 174	11.3
South Africa	20 568	13.5
New Zealand	81	0.1

Source: Trade Map, ITC

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 phyto-sanitary measures, labels, etc.). The main markets for fruit (including peaches and nectarines) 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 onto 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 so as to render local produce more competitive and protect domestic industries.

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

The entry price system, which is used in many northern hemisphere markets, makes use of multiple tariff rates during different periods when domestic producers are trying to sell their produce, and lower the tariffs

during their off-season. Alternatively, the tariff rate can be a function of a market price – if the produce enters at a price which is too low (and therefore likely to be too competitive), it qualifies for a higher tariff schedule.

Whilst tariff regulations can be prohibitive and result in inferior market access, it is often the non-tariff barriers that restrict countries like South from successfully entering the large developed markets. Many of these barriers revolve around different types of standards, including sanitary and phyto-sanitary standards (SPS), food health and safety issues, food labelling and packaging, organic produce certification, quality assurance and other standards and grades. Table 14 presents tariffs applied by the top-ten export markets to peaches originating from South Africa. It is important to note that during 2019 three European Union member states were in the top ten list of South Africa's peach market. They were the United Kingdom, Netherlands and France. Their tariffs in Table 14 are presented together as European Union tariffs.

Table 14: Tariffs applied by top-ten export markets to peaches from South Africa, 2019

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
European Union	080930900001	Fresh peaches (excl. nectarines). If the declared price is higher than or equal to 60 EUR/100 kg	Preferential tariff for South Africa	0.00%	0.00%
United Arab Emirates	08093000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Peaches, including nectarines	MFN duties (Applied)	0.00%	0.00%
Saudi Arabia	08093000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Peaches, including nectarines	MFN duties (Applied)	0.00%	0.00%
Mauritius	08093000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Peaches, including nectarines	MFN duties (Applied)	0.00%	0.00%
Zimbabwe	08093000	Fresh peaches, incl. nectarines	Preferential tariff for South Africa	0.00%	0.00%
Botswana	08093000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Peaches, including nectarines	Intra SACU rate	0.00%	0.00%
Swaziland	08093000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Peaches, including nectarines	Intra SACU rate	0.00%	0.00%

COUNTRY	HS CODE	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
Kuwait	080930000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Peaches, including nectarines	MFN duties (Applied)	0.00%	0.00%
Singapore	08093000	Peaches incl nectarines fresh (tne)	MFN duties (Applied)	0.00%	0.00%
Angola	08093000	Pêssegos, incl. as nectarinas, frescos	MFN duties (Applied)	50.00%	50.00%
Hong Kong	08093000	Apricots, cherries, peaches (including nectarines), plums and sloes, fresh: Peaches, including nectarines	MFN duties (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. In the meantime, tariffs that existed before the lapsing of the agreement are still applicable until the SADC/EPA agreement comes into effect. As can be seen in Table 13, South African peaches had preferential access into the EU market through the TDCA. The United Arab Emirates, Saudi Arabia, Mauritius, Kuwait, Singapore, and Hong Kong impose a 0% tariff for peaches originating from South Africa. South African peaches face the highest tariff in Angola also imposes a 50% tariff on peaches originating from South Africa.

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

5.2 European Union (EU)

The EU has 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 peaches 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 phyto-sanitary 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.

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: phyto-sanitary regulations

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

The crux of the directive is that it authorizes the Plant Protection Services to inspect 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 phyto-sanitary risk, identification of any harmful organisms and certification of the validity of any phyto-sanitary 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 phyto-sanitary controls and may need to undergo heat treatment, fumigation, etc.

5.2.2.2 Non-legal requirements

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.

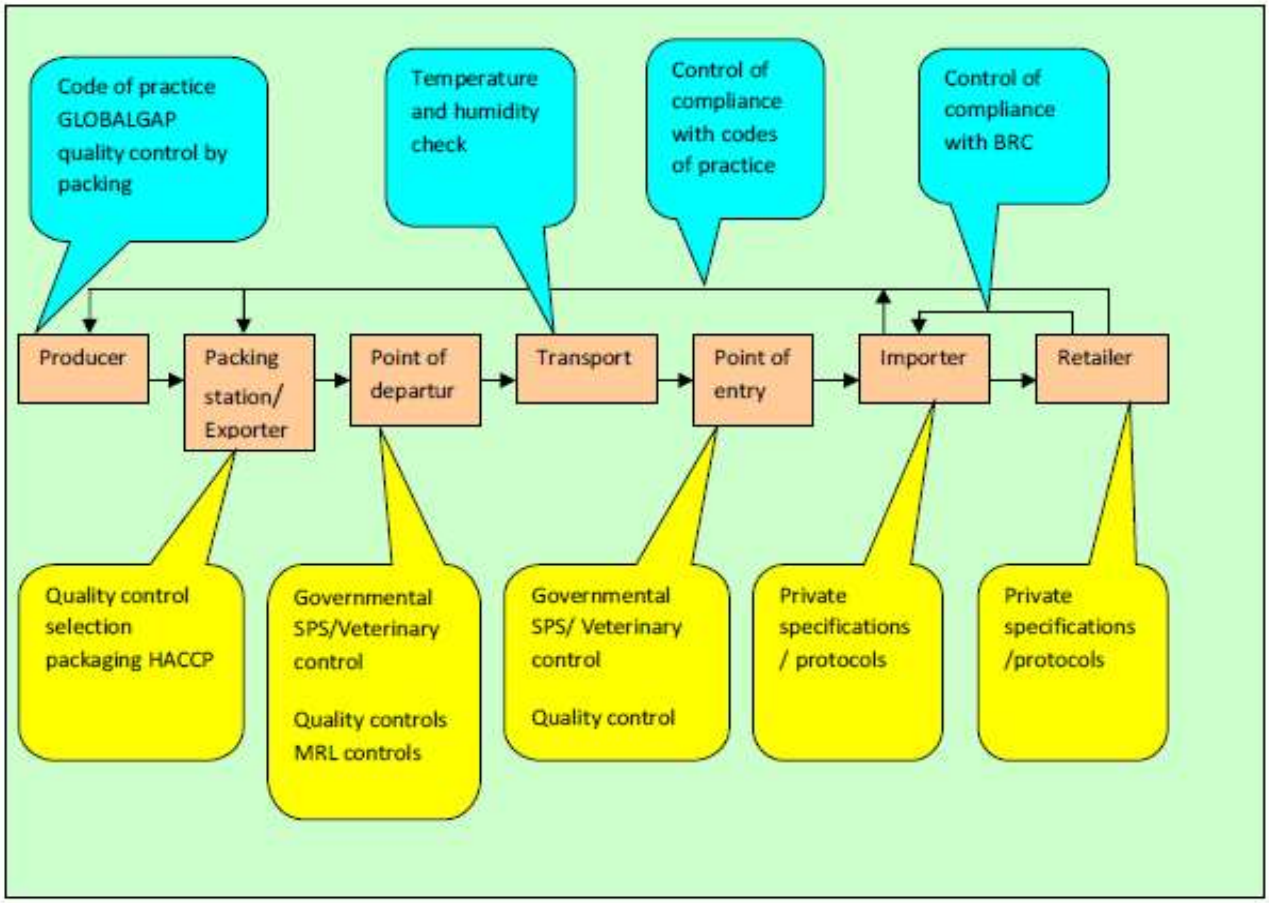
Another important emerging label is Fairtrade, and includes those labels offered by Max Haavelaar Foundation, TransFair International and the FLO (Fairtrade Labelling Organization). Recently a 'universal' logo was adopted based on international fair trade standards developed by FLO, which covers amongst 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: 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 free access to the USA markets under the Generalized System of Preference (GSP) 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 phyto-sanitary 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).

5.5 China

China has a massive system of government support for farmers and generally rural dwellers (who are lagging behind urban dwellers). To this end, most of the agricultural sectors are protected and promoted through a series of subsidies, tax cuts and infrastructure spending policies (as well as low cost loans, research, land use protection, market stabilization measures, etc.). Part of the protection of its massive farming population, which for most part consists of small farmers not benefiting from economies of scale, necessarily occurs in the form of high tariffs and other restrictions. However China is obliged to reduce tariff levels as a condition of being a member of WTO. It therefore remains to be seen just what policies will be adopted going forward, but the general consensus is that it is a vitally important market to watch, and endeavour to enter.

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, well established commercial operations). One can supply fruits combined, which will then contract out importers/marketers and try to take advantage of economies of scale and increased bargaining power. At the same time combined fruits 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 combined fruits, 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 (EurepGap, etc.) and the year round availability of fruit, the planning of long term contractual relationship is expected to increase.

7. LOGISTICS

7.1 Mode of transport

Fruits can be exported mainly through ocean cargo and air cargo. Ocean cargo takes much longer to reach the desired location but costs 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 new fruit terminal).

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) 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 industry consists of Hortgro Services as its mouthpiece. Hortgro Services is responsible for administrative services and financial administration, as well as operational industry services such as transformation and training, information, communication and social programmes.

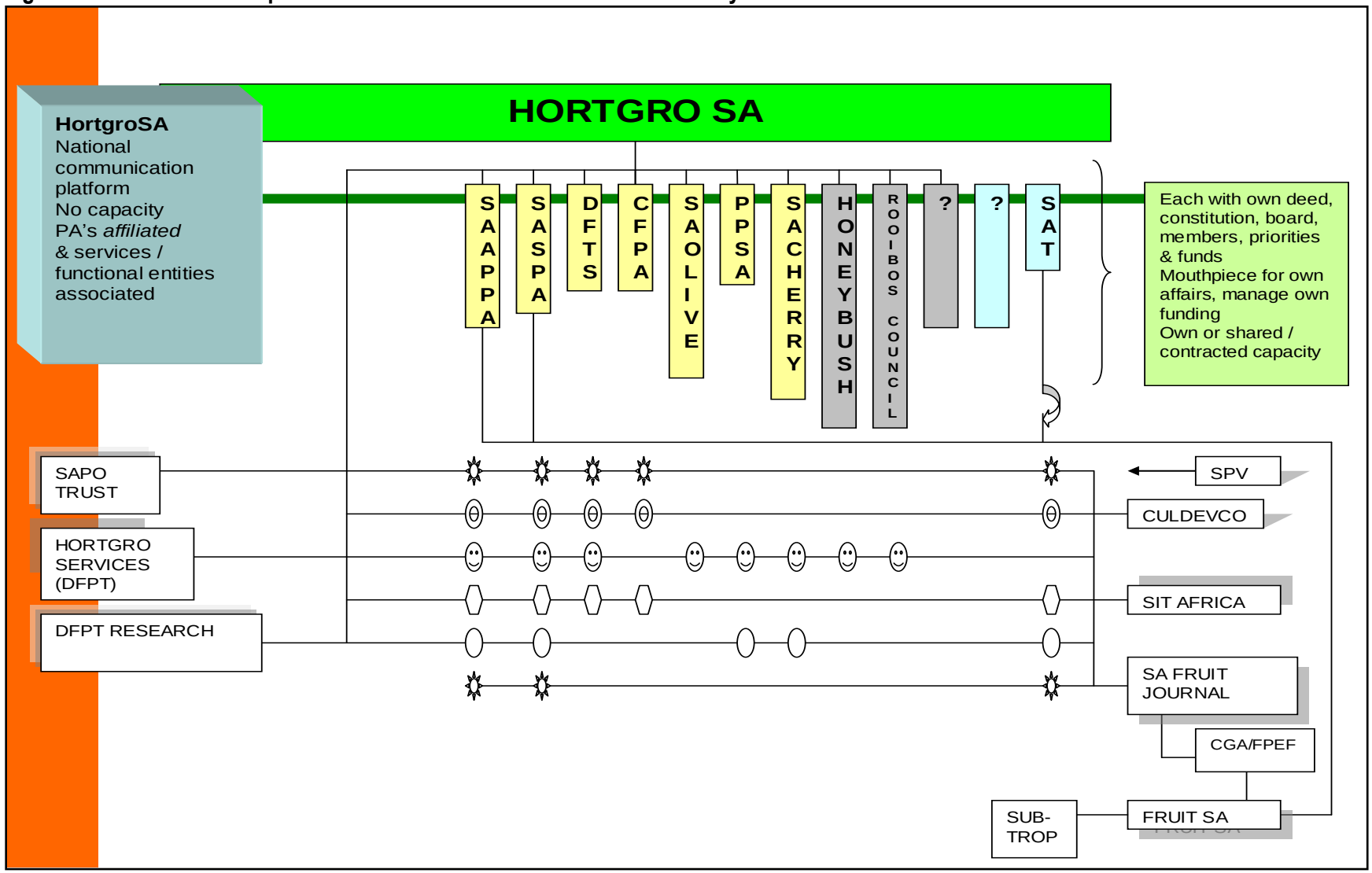
Hortgro Services comprises of its members, affiliated members and service entities. The members are the South African Apple and Pears Producers Association (SAAPPA), South African Stone Fruit Producers Association (SASPA), Dried Fruit Technical Services (DFTS), Protea Producers of South Africa (PPSA), South African Cherry Growers' Association (SACGA), and the South African Olive Industry Association.

The affiliated members are Rooibos Tea Producers Association, Pomegranate Producers Association, Cape Flora, South African Honeybush Tea Association (SAHTA), South African Bee Industry Organisation, South African Berry Producers Association.

The service entities are Fruitgro Science (DFPT Research), South African Plant Improvement Organisation (SAPO) Trust, Cultivar development Company (CULDEVCO), Sterile Insect Technique (SIT) Africa, Entomon Technologies and the SA Fruit Journal.

Fruit South Africa, which was established recently, is another important organization. It is an umbrella organisation in the South African fruit industry. It is a non-profit organisation consisting of Citrus Growers' Association of Southern Africa (CGA) representing citrus growers; HORTGRO (representing pome and stone fruit); South African Table Grape Industry (SATI); SUBTROP (representing the avocado, litchi, mango and macadamia industries) and the Fresh Produce Exporters' Forum (FPEF).

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



Source: Hortgro

The main association responsible for the peach 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.

8.2 Strengths, Weaknesses, Opportunities and Threat analysis

Some of the strengths, weaknesses, threats and opportunities of the peach production sector in South Africa are presented in Table 15.

Table 15: Strengths, weaknesses, threats and opportunities for the South African peach industry

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.	• 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.	• Market access initiatives to the Middle East, Asia (India, Indonesia) and China. • Increasing demand for fresh apples 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 stone fruit and other fruits 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 and 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 apples 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 peaches and other fruits should be implemented. Per capita consumption of peaches at 4kg, in comparison to Asia's 13.25kg and the EU's 17.6kg highlights the scope for possible increase in sales in the local market.

8.5 Empowerment issues and transformation in the sector

According to Hortgro Services, transformation in the deciduous fruit industry has four focus areas. These are economic development, the Deciduous Fruit Development Chamber (DFDC), networking and agri-villages.

With regards to economic development, Hortgro Services serves as an implementation agent of CASP grants for the Western Cape Department of Agriculture. This provides an opportunity for Hortgro to provide matching funds for the implementation of targeted transformation projects in the province. The main focal point of economic development is the tree project. The tree project aims to increase production or footprint for Black Economic Empowerment (BEE) farmers.

To overcome transformation challenges and encourage it, the Deciduous Fruit Development Chamber (DFDC) was established as a national support structure for emerging deciduous fruit farmers. The DFDC provides space for incubator interactions that guide the business and technical assistance to emerging fruit farmers. The DFDC aims to fulfil a dynamic capacity building and advocacy role and to exert pressure in order to mobilise resources from various quarters, including government and the donor community.

Networking entails the building of relationships and networks in order to enhance the procurement of funds and other resources to help with the transformation process. This includes building working relations with all commercial banks and other DFIs and parastatals such as the Land Bank, Industrial Development Corporation (IDC), the Agricultural Research Council (ARC), and other industry stakeholders.

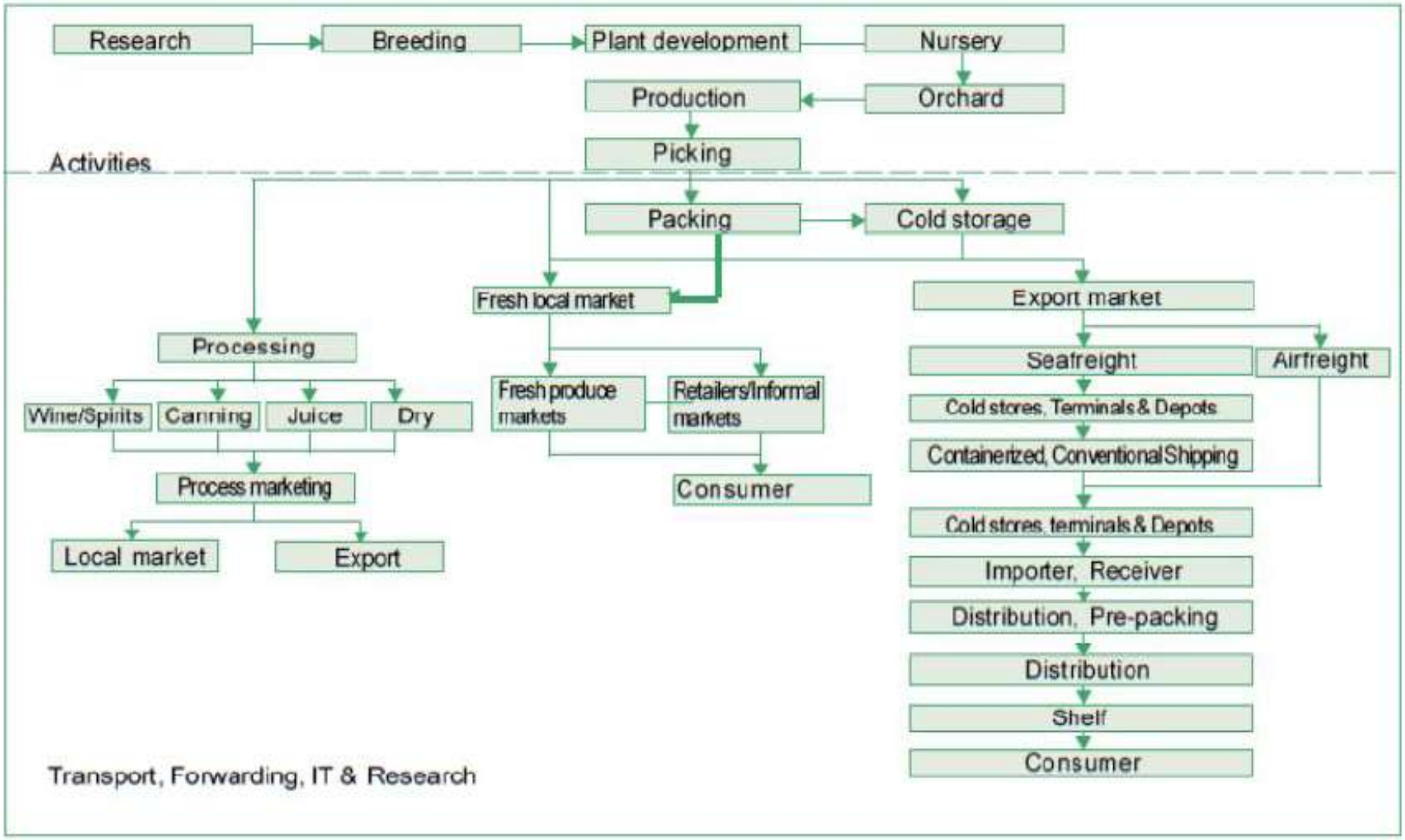
Agri-villages focus specifically on the provision of housing for farm workers and their families. Hortgro Services has committed itself to participating in organised agricultural initiatives to explore the following options as possible solutions to farm worker housing:

- On-farm housing without ownership rights.
- Off-farm housing without ownership, e.g. renting.
- Off-farm housing with ownership.

9. PEACH SUPPLY VALUE CHAIN

The supply value chain is a complex linkage of various production and operational role-players (see Figure 30). Key stakeholders include input suppliers, producers, producer organisations, organised labour, NOGs, financial institutions, government, exporters and other traders. The following discussion focuses on the main segments of the plum value chain.

Figure 30: The deciduous fruit and table grape supply value chain



Source: OABS

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 peach 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 peach 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 (*sphaza*), and hawkers. In this environments peaches sales are at predetermined prices and are typically individually or in small packages.

9.5 Processors

As explained earlier, the processing of peaches consists of canning, drying and juice manufacturing There is also a set of further processors not captured in the group above. These entities use peaches (and peach products) in food preparations. This includes caterers, hospitality and other institutions such as corporates, government institutions like hospitals, prisons, etc.

9.6 Cold storage operators and transporters

Cold storage operators are responsible for receiving, handling, cooling the peaches 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.

10. ACKNOWLEDGEMENTS

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Directorate: Statistics and Economic Analysis
Private X 246
Pretoria
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Tel (012) 319 84 54
Fax (012) 319 8031
www.daff.za

10.3 Optimal Agricultural Business Systems (OABS)
P. O. Box 163
Paarl
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Tel: (021) 890 2953
Fax: (021) 890 2915
www.oabs.co.za

10.4 Trade and Industrial Policy Strategies (TIPS)
P. O. Box 11214
Hatfield
0028

Tel (012) 431 7900
Fax (012) 431 7910
www.tips.org.za

10.5 National Agricultural Marketing Council (NAMC)

Private Bag X 935
Pretoria
0001
Tel (012) 341 1115
Fax: (086) 626 4769
www.namc.co.za

10.6 International Trade Centre

www.trademap.org/www.macmap.org

10.7 Food and Agriculture Organisation

www.faostat.fao.org

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