

THE S.A. POME FRUIT
INDUSTRY – QUO VADIS

Competitiveness Rankings 2009: Apples

Rank	Overall	Production Efficiency	Infrastructure & Inputs	Financial & Markets
1	Chile	Belgium	Chile	Italy
2	Italy	Italy	United States	France
3	New Zealand	Chile	New Zealand	Austria
4	United States	New Zealand	Canada	Belgium
5	France	Brazil	Argentina	Japan
6	Austria	Austria	Brazil	New Zealand
7	Belgium	France	France	Netherlands
8	Japan	Netherlands	Italy	Canada
9	Netherlands	South Africa	South Africa	United States
10	Canada	Germany	Japan	Chile
11	Germany	Japan	Austria	Germany
12	Brazil	China	Turkey	United Kingdom
13	Australia	Argentina	Australia	Australia
14	South Africa	United States	Belgium	Spain
15	Argentina	Australia	Germany	Portugal
16	United Kingdom	Canada	Netherlands	Greece
17	China	United Kingdom	China	Slovakia
18	Spain	Russian Federation	United Kingdom	Mexico
19	Portugal	Slovakia	Spain	South Africa
20	Turkey	Portugal	Portugal	Poland
21	Greece	Poland	Poland	Brazil
22	Poland	Serbia-Montenegro	Mexico	China
23	Mexico	Spain	Greece	Turkey
24	Slovakia	Greece	Hungary	Argentina
25	Hungary	Hungary	Slovakia	Hungary
26	Russian Federation	Mexico	Serbia-Montenegro	Bulgaria
27	Bulgaria	Turkey	Bulgaria	Russian Federation
28	Serbia-Montenegro	Bulgaria	Russian Federation	Romania
29	Romania	Romania	Romania	Serbia-Montenegro

Competitiveness Rankings 2008: Pears

Rank	Overall	Production Efficiency	Infrastructure & Inputs	Financial & Markets
1	Chile	South Africa	Chile	Belgium
2	Netherlands	Netherlands	United States	Netherlands
3	Belgium	Argentina	New Zealand	Italy
4	United States	Belgium	Argentina	Austria
5	Italy	Chile	Canada	Canada
6	Austria	Austria	France	New Zealand
7	France	Germany	Italy	France
8	South Africa	France	South Africa	Germany
9	Argentina	United States	Austria	Spain
10	New Zealand	Australia	Turkey	United Kingdom
11	Germany	Italy	Australia	United States
12	Canada	United Kingdom	Belgium	Australia
13	Australia	Turkey	Germany	Chile
14	United Kingdom	Spain	Netherlands	Greece
15	Spain	Russian Fed.	Spain	Mexico
16	Turkey	Mexico	United Kingdom	Argentina
17	Mexico	New Zealand	Mexico	South Africa
18	Greece	Canada	Greece	Turkey
19	Russian Fed.	Greece	Russian Fed.	Russian Fed.

Source: World Pear Review, 2008



Strengths

- Good quality product with taste advantage
- Reliable and Resourceful
- Geographically well placed to supply Europe & Middle East (also India once the duties are reduced)
- Advanced production practices and research
- Good international reputation into food safety & ability comply with strict purchase requirements
- Well developed production infrastructure
- No language or cultural barriers to successfully communicate to Europe

Weaknesses

- Not the best natural resources – climate, water, soil
- Fruit size smaller than competition
- Lack of financial support and capacity/ expertise from Gov't
- Unable to brand and differentiate product at consumer level
- Port congestion & inefficiencies

Threats

- Political stability
- Quality standards of supermarkets constantly increasing
- Carbon footprint & food miles might impact supermarket access
- Residue free fruit
- Volatile exchange rates
- Oil price

Threats

- Effect of climate change over medium to long term
- World food inflation and economic crisis
- ET demands

Opportunities

- Although still small volumes, Middle East, Russia have seen growth
- India: Huge opportunities, but high tariffs trade barrier at moment
- Also Far East & Asia holds large potential
- African Market can be developed further
- Chinese export protocol imminent

Opportunities

- Strong domestic market with potential for expansion
- Established premium brands

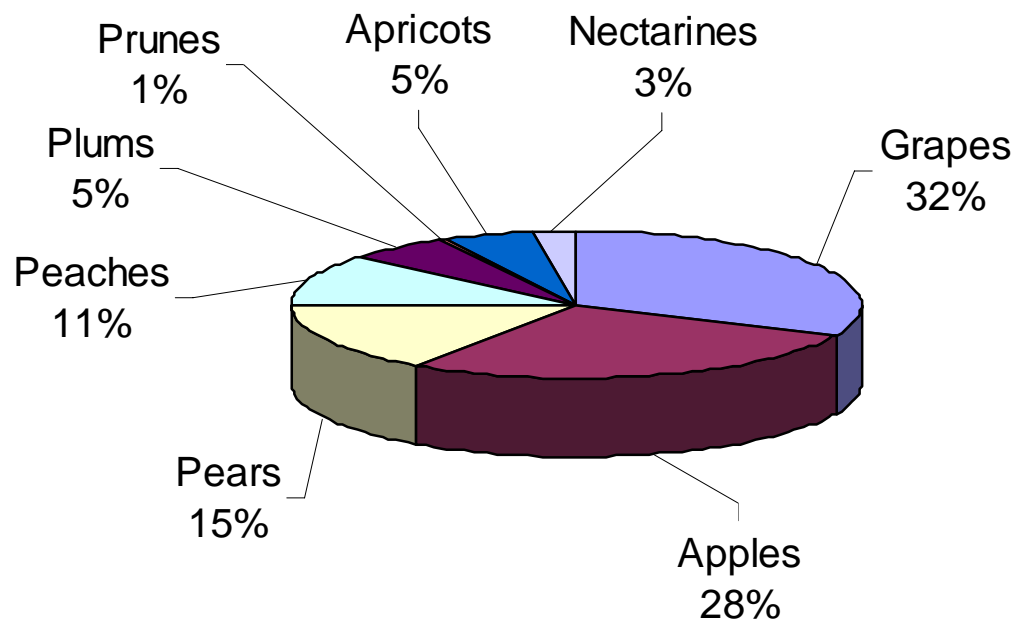
Challenges

- Land Reform and BEE
- Availability and Quality of planting material
- Capacity and Knowledge
- Consolidation of Industry Structures
- Availability and Quality of Labour
- General Farm Profitability
- Market Access
- Climate Change

Total Area Planted

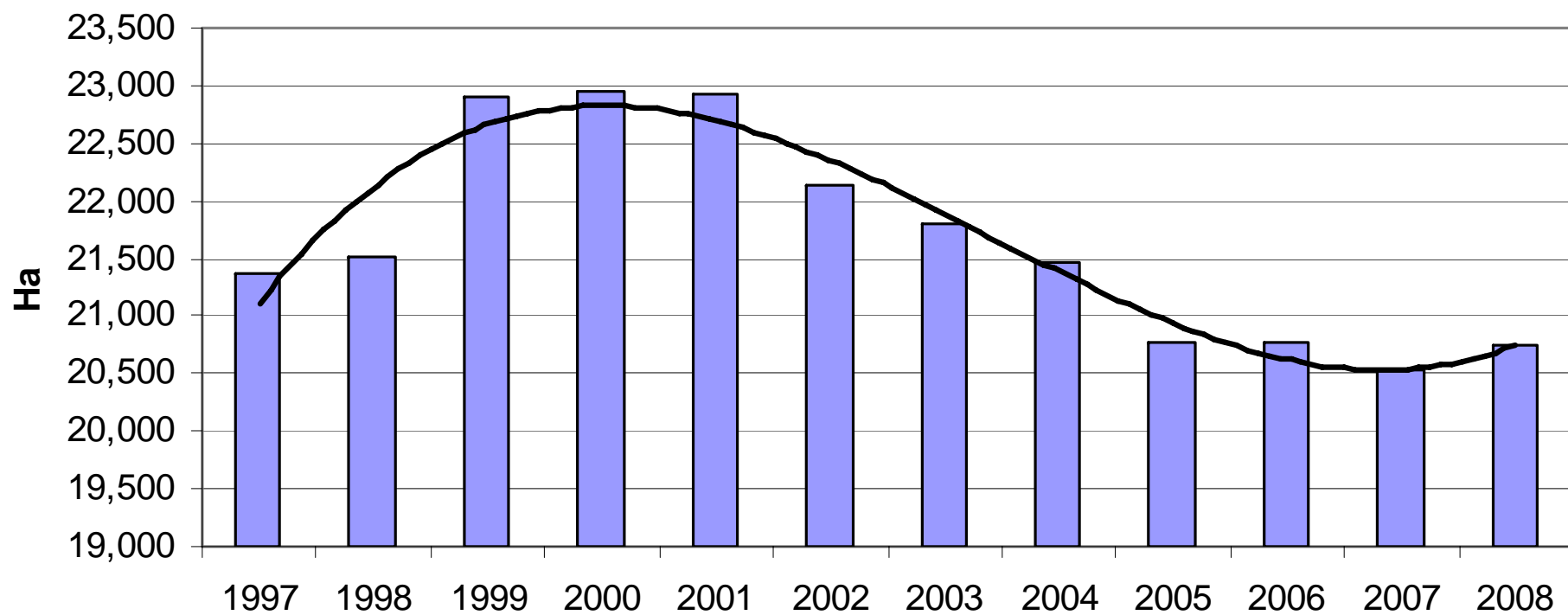
Fruit	Hectares
Grapes	23,404
Apples	20,736
Pears	11,425
Peaches	8,490
Plums	4,081
Prunes	441
Apricots	3,751
Nectarines	1,879
TOTAL	74,207

Source: OABS (2009)



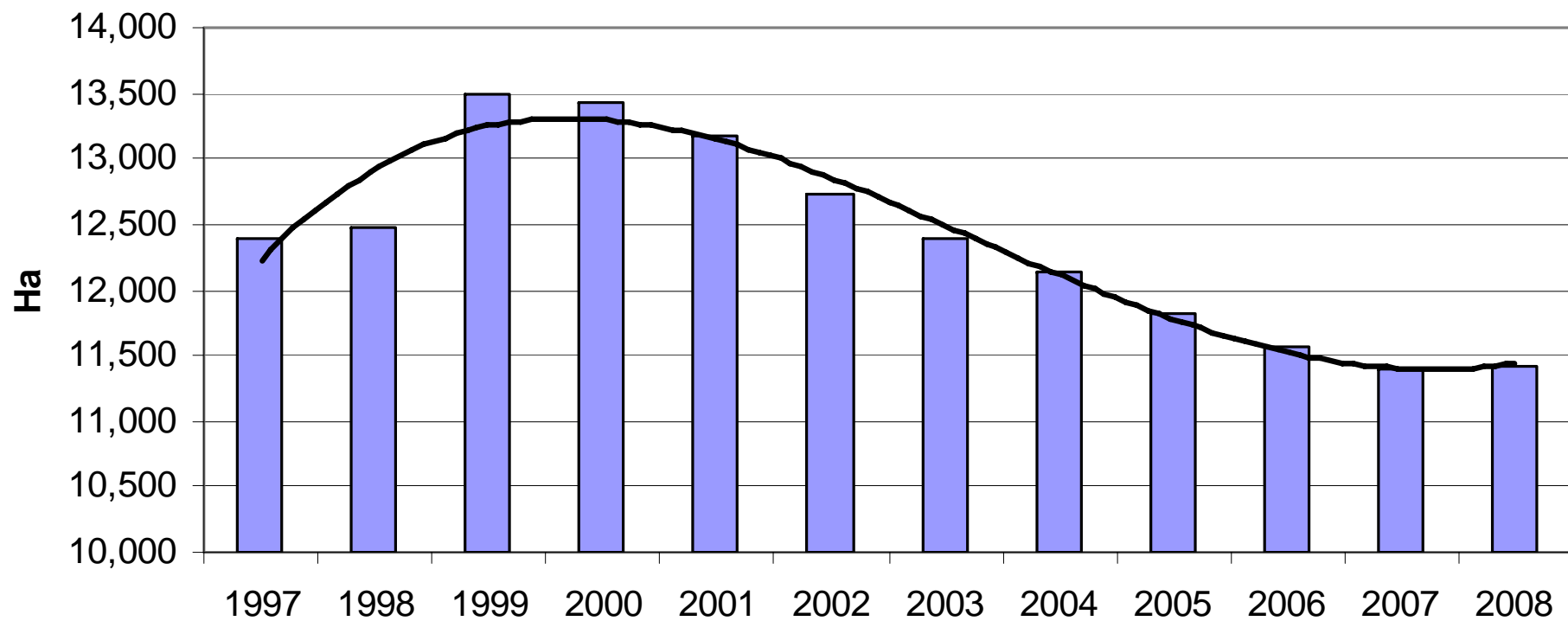
Apples: Area Planted (ha)

Apple orchards



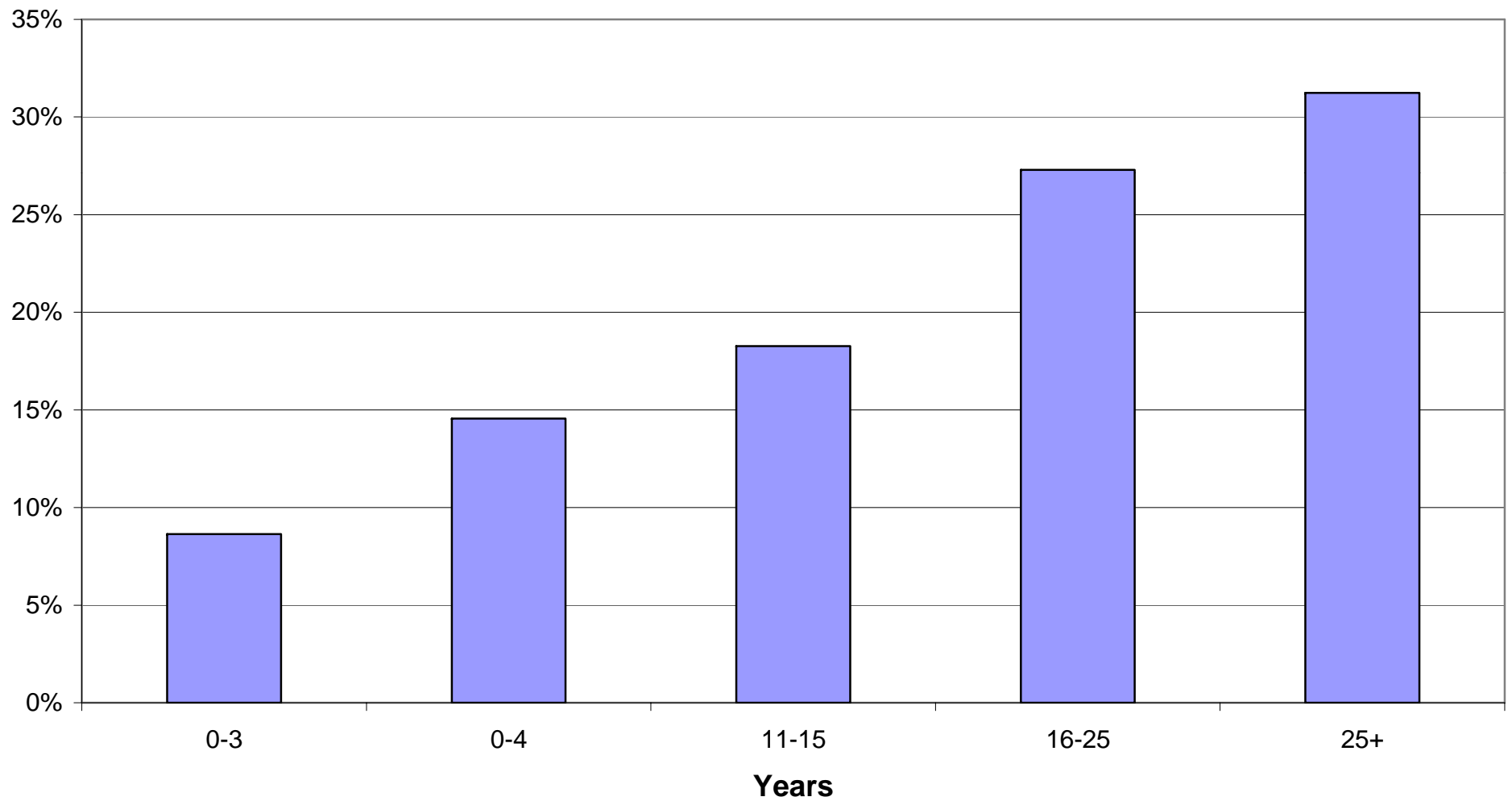
Pears: Area Planted (ha)

Pear orchards



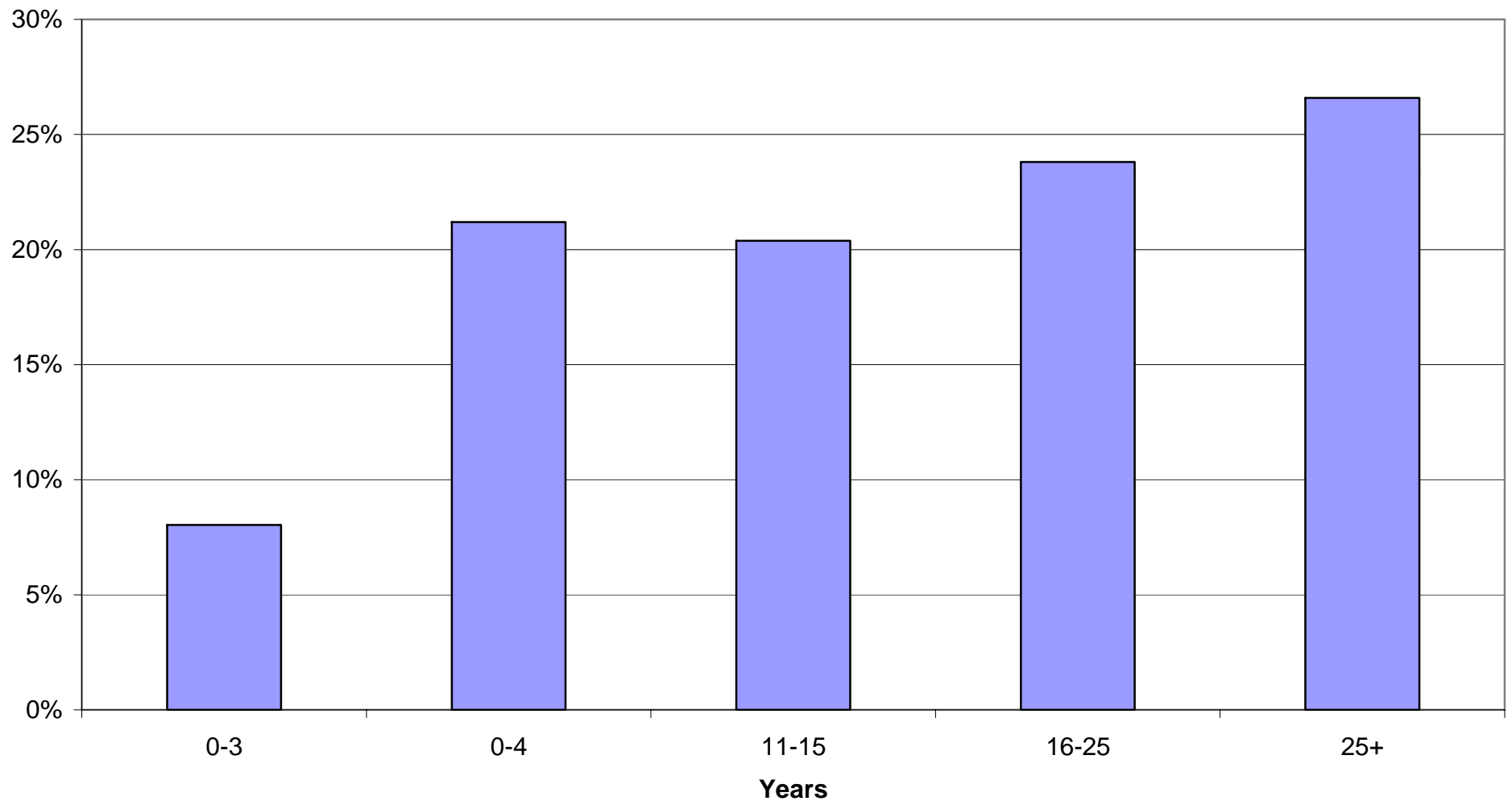
Apple Age Distribution

SA Apple Age Distribution



Pear Age Distribution

SA Pear Age Distribution



Challenges

- Land Reform and BEE
- Availability and Quality of planting material
- Capacity and Knowledge
- Consolidation of Industry Structures
- Availability and Quality of Labour
- General Farm Profitability
- Market Access
- Climate Change



Expectations

- Short term: 2008/2009: Later season, late and long winter, but optimistic about volume & quality. Markets under pressure
- Medium term: Optimistic, decline in hectares will hopefully stabilize and recent high prices achieved for products will remain.
- Long term: ?? Fruit business is a long term commitment, so we will have to bite the bullet and fight through the tough times that will return some time – cyclical nature.

Deciduous Fruit: Fresh Exports

Main South African Export Regions





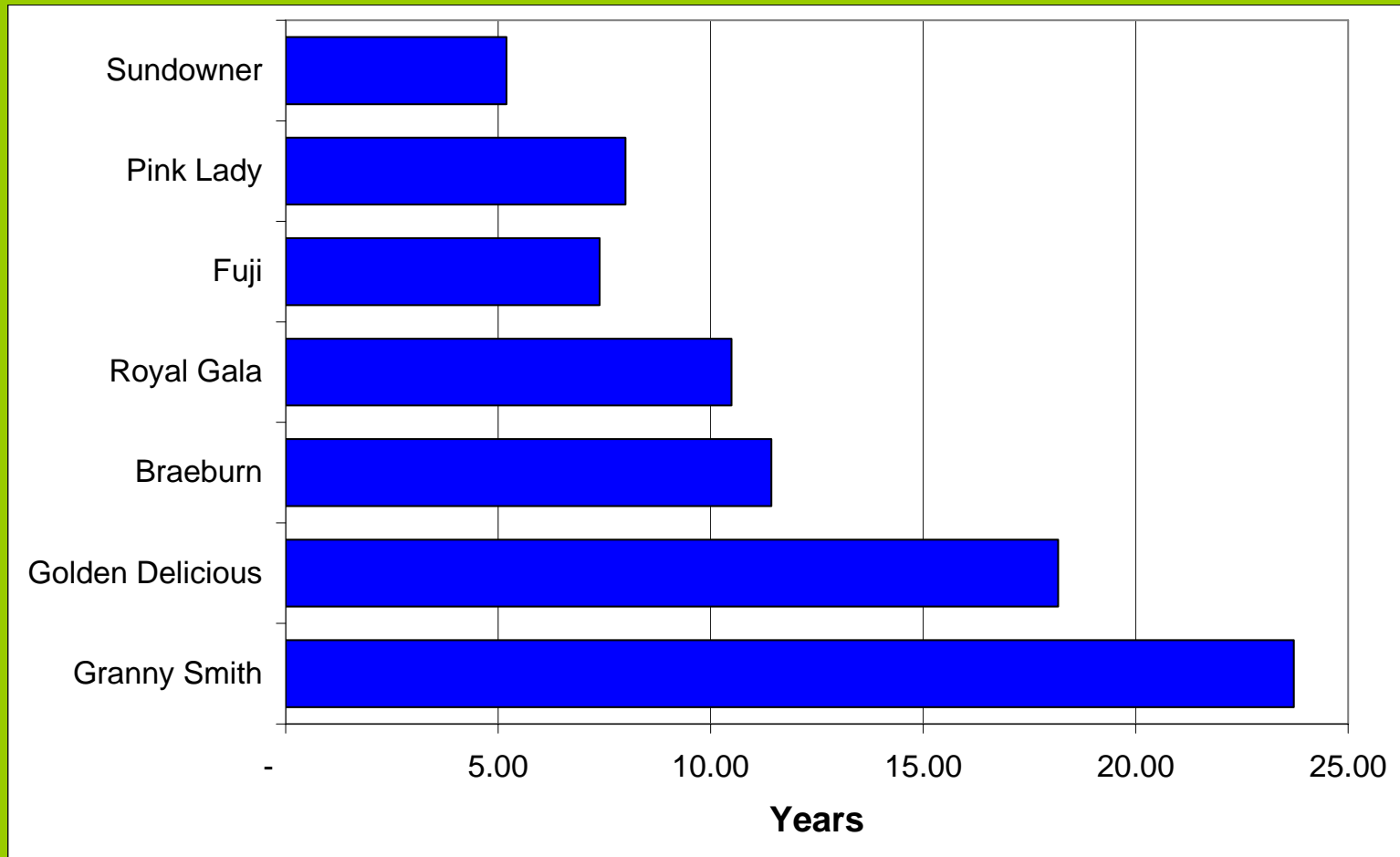
Age Distribution: Implications

Cultivar	Age: Years					Position
	25+	16-25	11-15	4-10	0-3	
	Hectares					
Granny Smith	57%	27%	6%	7%	3%	Trouble
	83%		17%			
Golden Delicious	33%	40%	16%	8%	4%	Danger
	73%		27%			
Royal Gala	5%	29%	41%	20%	6%	Strong
	33%		67%			
Cripps' Pink / Pink Lady	2%	2%	29%	60%	7%	Strong
	4%		96%			
Topred	39%	49%	8%	3%	2%	Trouble
	87%		13%			
Fuji	1%	3%	40%	31%	24%	Strong
	4%		96%			
Braeburn	4%	20%	49%	16%	11%	Strong
	24%		76%			
Sundowner / Cripps' Red	0%	3%	15%	50%	32%	Strong
	3%		97%			
Grand Total	31%	26%	18%	16%	9%	Danger
	57%		43%			

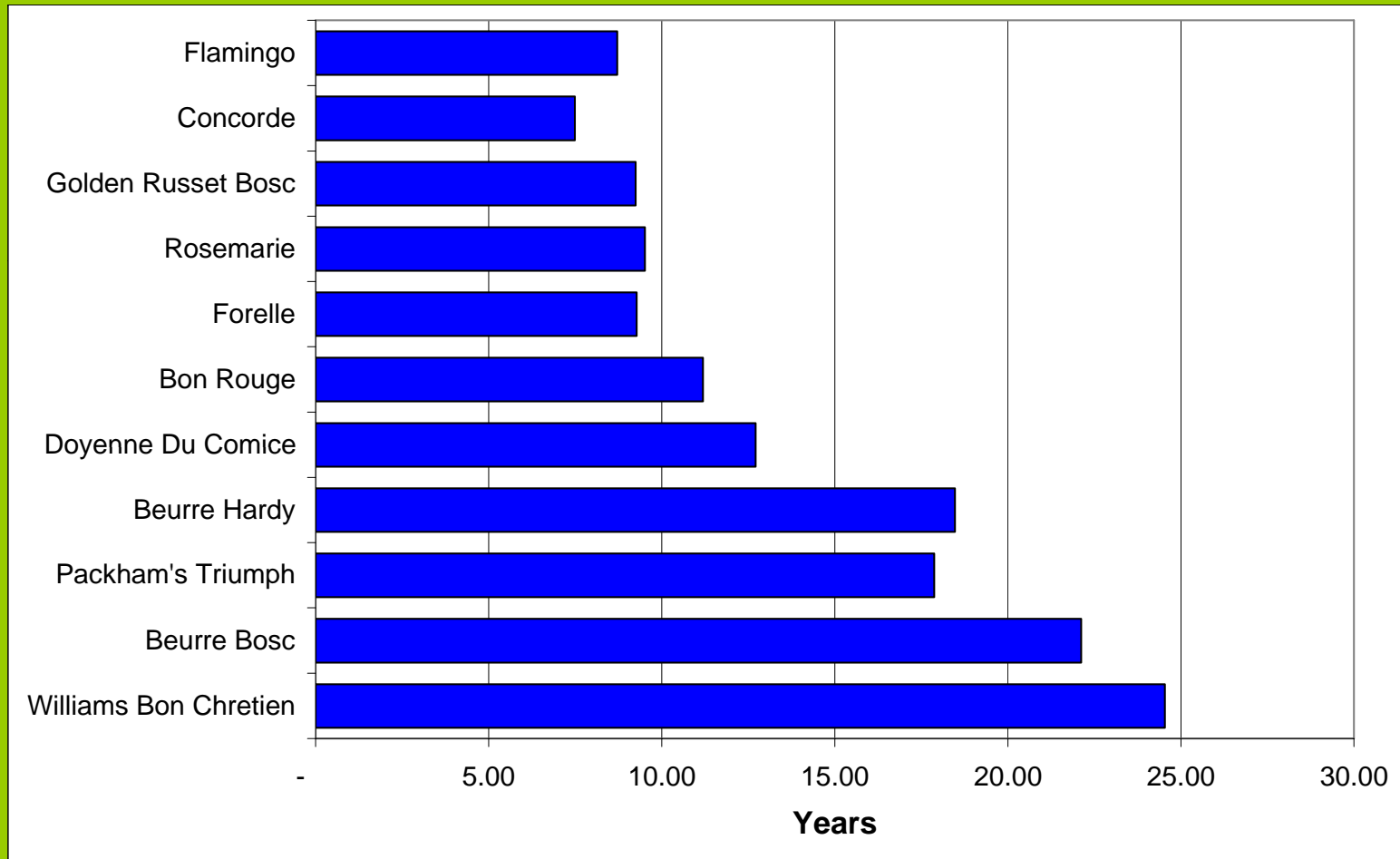
Age Distribution: Implications

Cultivar	Age: Years					Position
	25+	16-25	11-15	4-10	0-3	
	Hectares					
Packham's Triumph	36%	32%	10%	13%	9%	Danger
	69%		31%			
Forelle	3%	21%	25%	34%	17%	Strong
	24%		76%			
Williams Bon Chretien	63%	19%	11%	6%	1%	Trouble
	82%		18%			
Early Bon Chretien	2%	18%	17%	55%	9%	Strong
	19%		81%			
Abate Fetel	0%	1%	20%	45%	34%	Strong
	1%		99%			
Rosemarie	0%	2%	71%	25%	2%	Strong
	3%		97%			
Beurre Bosc	34%	48%	16%	2%	1%	Trouble
	81%		19%			
Doyenne Du Comice	5%	26%	50%	17%	2%	Strong
	31%		69%			
Golden Russet Bosc	1%	1%	69%	29%	0%	Strong
	2%		98%			
Flamingo	0%	4%	45%	51%	0%	Strong
	4%		96%			
Grand Total	25%	23%	20%	22%	9%	Average
	48%		52%			

Apples – Average Age



Pear – Average Age



Crop Distribution (Tons)

5 yr Avg	Total	Local Market	Exports	Processed	Dried
Apples	723,900	217,368	300,071	205,284	1,156
		30%	41%	28%	0%
Pears	331,277	54,487	148,805	121,071	6,914
		16%	45%	37%	2%
Apricots	67,252	3,635	4,135	52,278	7,190
		5%	6%	78%	11%
Peaches & Nectarines	179,378	37,251	7,006	127,820	7,247
		21%	4%	71%	4%
Plums	54,225	12,732	39,685	1,808	5,837
		23%	73%	3%	11%
Grapes	423,055	34,409	230,540		158,106
		8%	54%	0%	37%
TOTAL	1,779,087	359,884	730,244	508,264	186,451
		20%	41%	29%	10%

On-farm employment

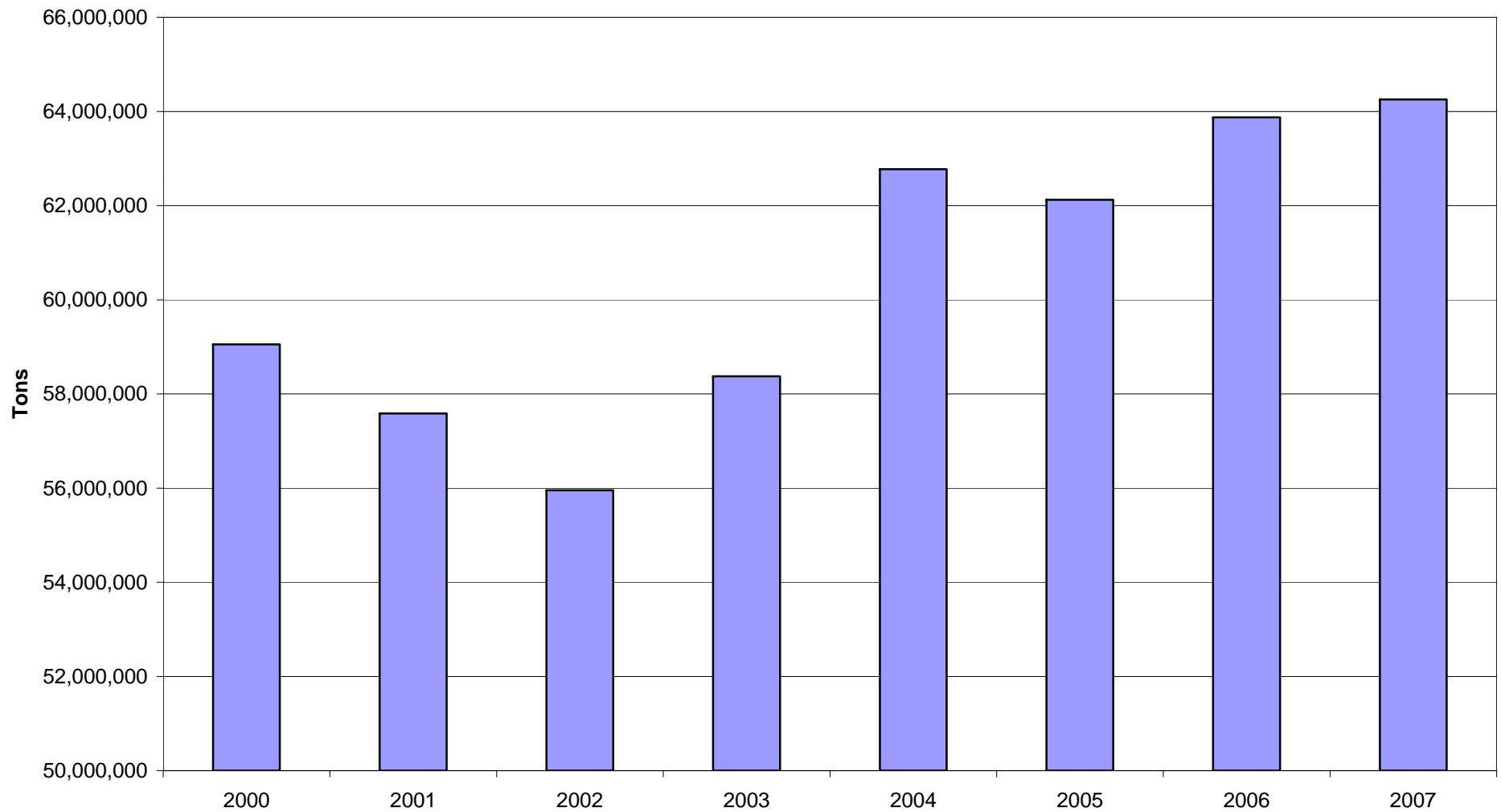
Fruit	Labourers*	Dependents
Apples	26,007	104,029
Grapes	37,669	150,675
Pears	14,432	57,729
Peaches	10,217	40,866
Plums	5,987	23,947
Apricots	4,137	16,549
Nectarines	2,349	9,397
TOTAL	100,798	403,192

Source: OABS (2008)

* Permanent equivalent. Casual labour converted to permanent equivalent.

Intern. World production - apples

Total World Apple Production (FAO, 2009)

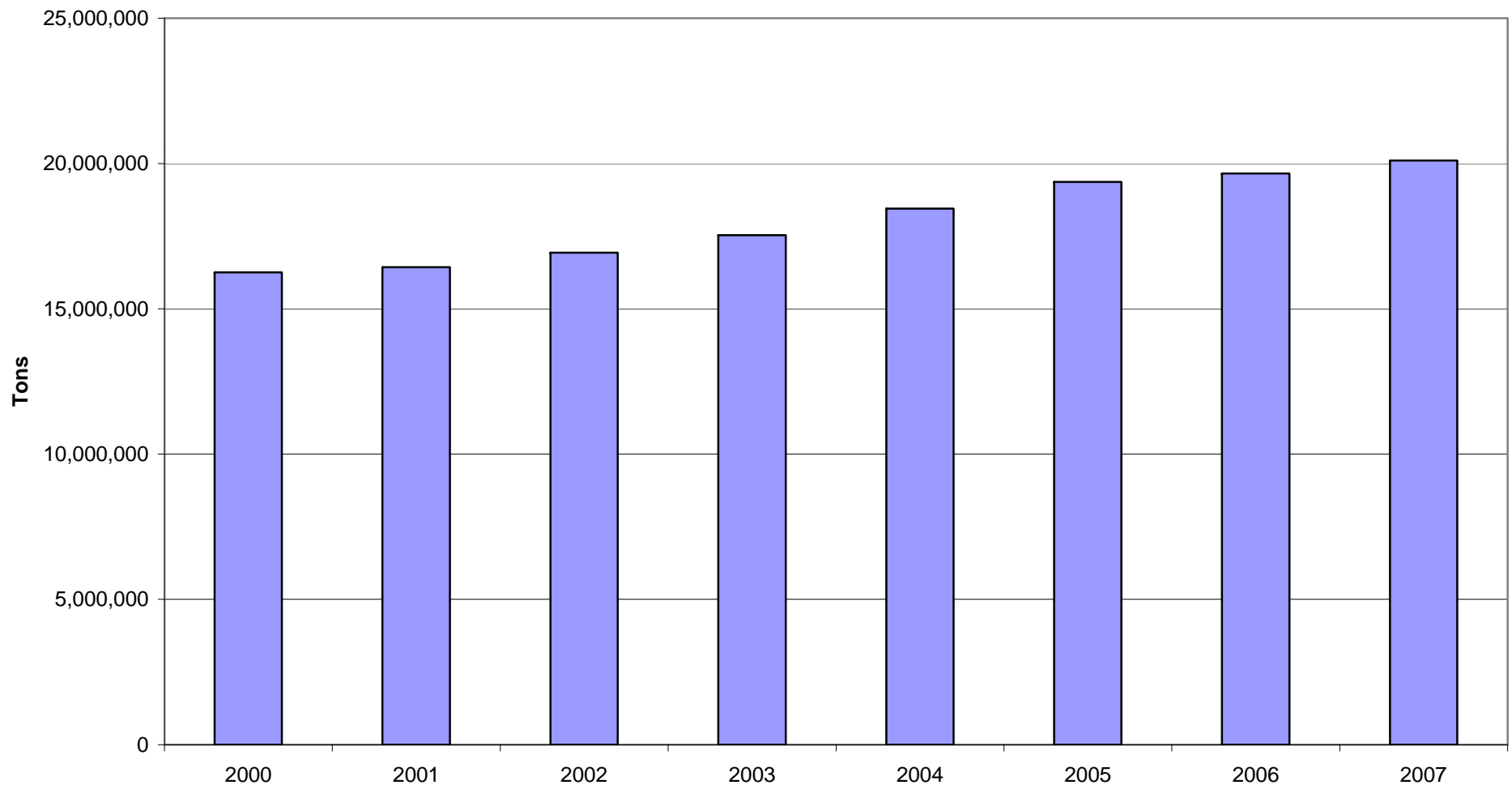


National – Apple production

- Total 20,736 ha
- 1,2% of world production
- Groenland 6,062ha
- Ceres 5,048ha
- Langkloof East 4,081ha
- Villiersdorp/Vyeboom 3,475ha
- Influence of climate change on future geographical split?

Intern. World production - pears

Total World Pear Production
(FAO, 2009)

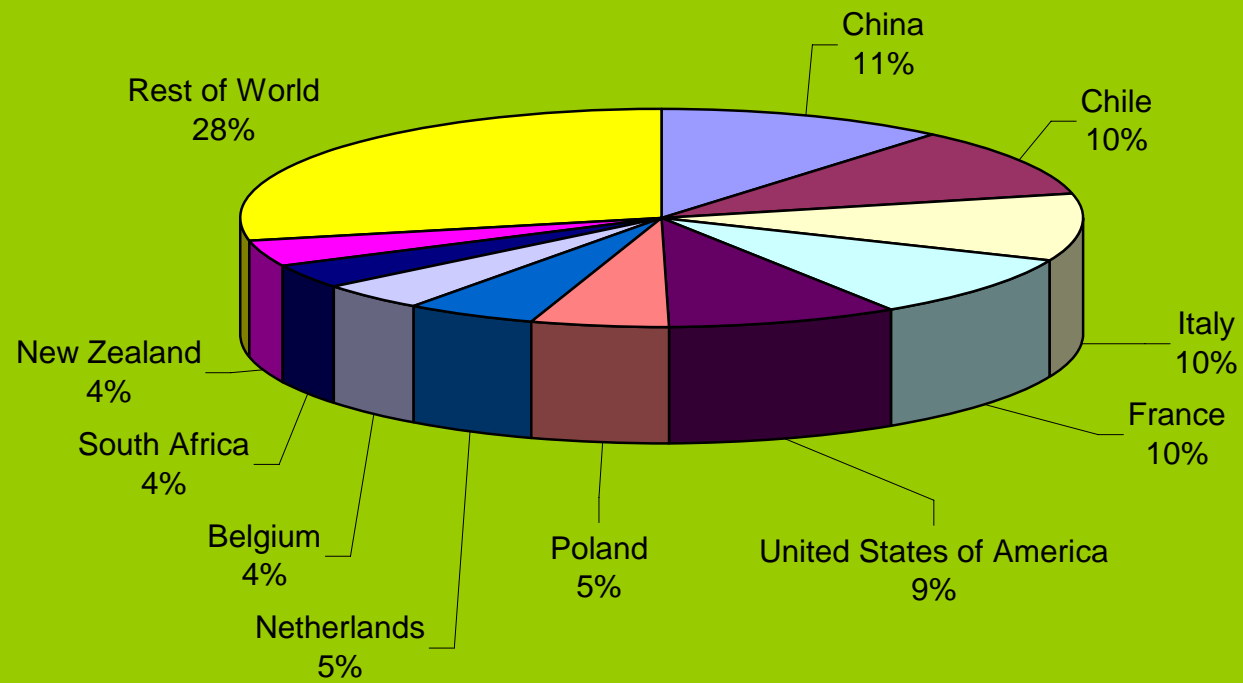


National – Pear production

- 11,425 ha
- 1,7% of world production
- Ceres 4,355 ha
- Groenland 1,452 ha
- Langkloof East 1,542 ha
- Wolseley/Tulbagh 1,279 ha

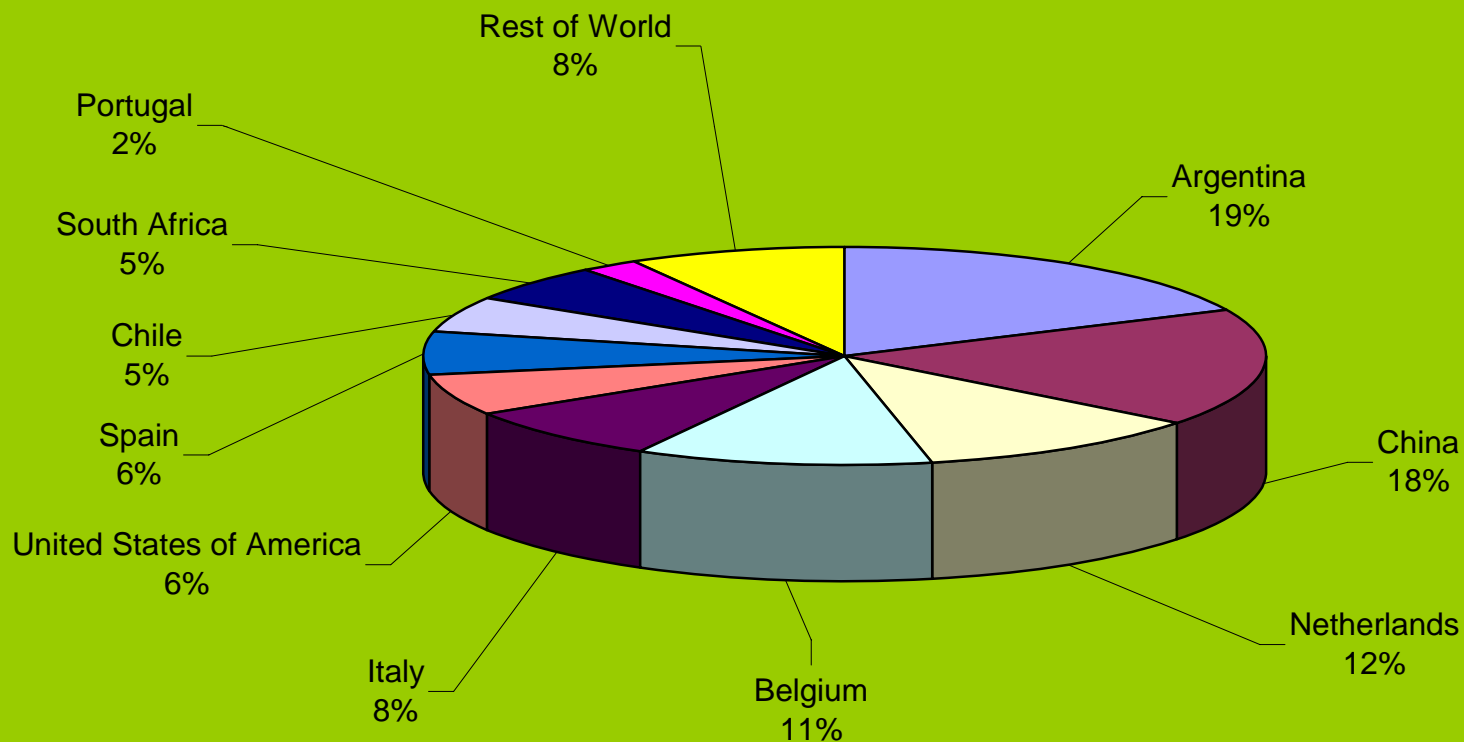
Intern. Top ten exporters - apples

Ten Major Apple Exporting Countries
(FAO, 2006)



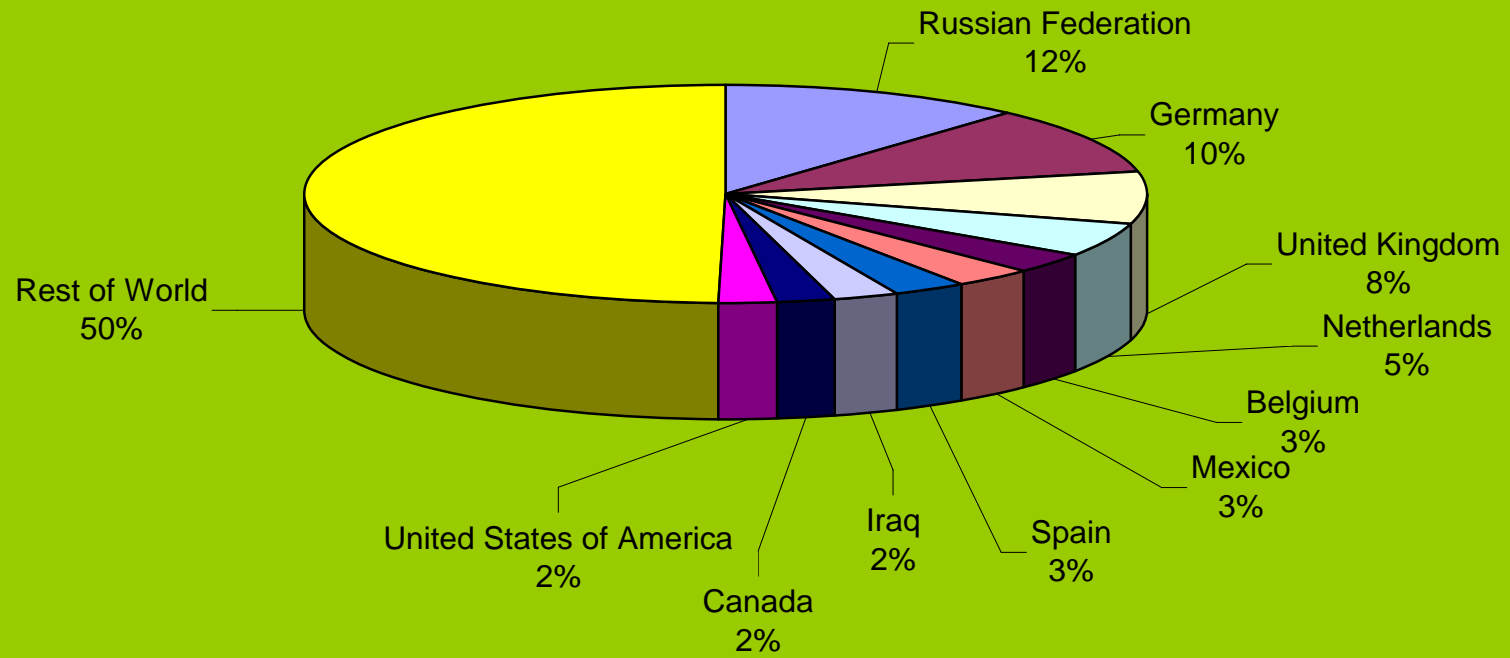
Intern. Top ten exporters - pears

Ten Major Pear Exporting Countries (FAO, 2006)



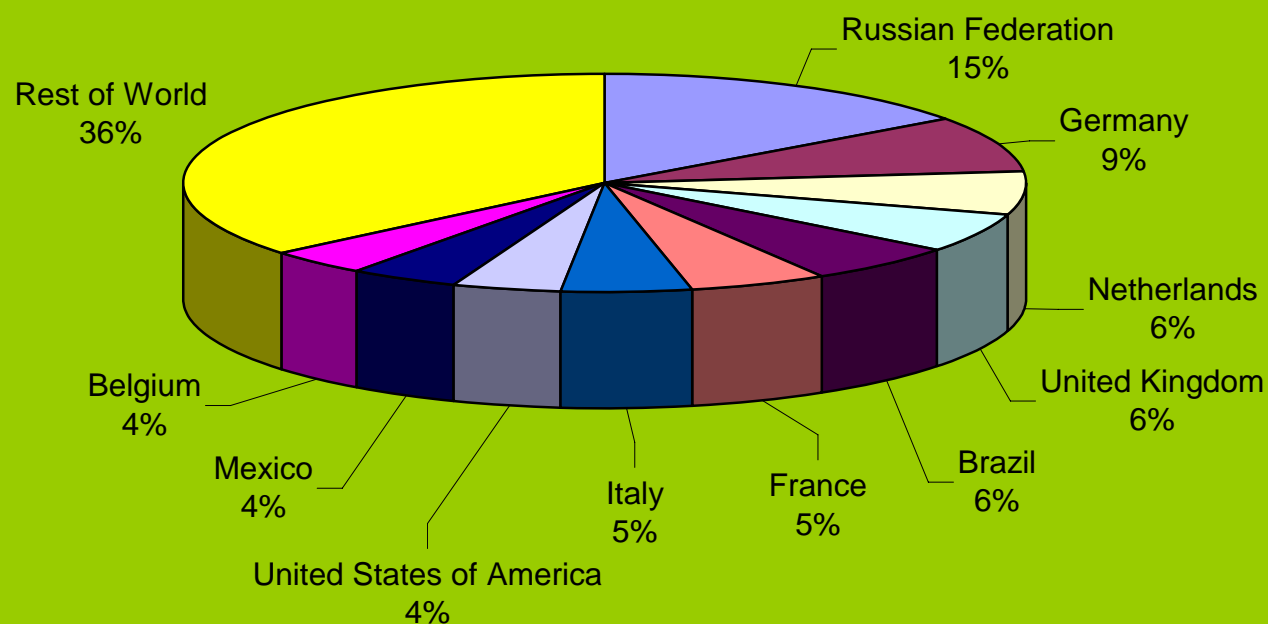
Intern. Top ten importers-apples

Ten Major Apple Importing Countries
(FAO, 2006)



Intern. Top ten importers - pears

Ten Major Pear Importing Countries
(FAO, 2006)



Land reform & BEE

- We have to stop blaming others
- Need to intensify involvement of industry organisations to ensure basic elements for sustainability are in place
- Need for quantum leaps
- Need for a cluster approach – mass action
- Need for partnerships between the DLA, DoA and industry bodies – current accreditation of service providers
- Need to spread responsibility from farm to fork

Plaas kwessies

- Geheelplaas winsgewindheid
- Marktoegang
- Oorlewing
- Insetkostas
- SEB
- Grondhervorming
- Sosio-ekonomiese ontwikkeling
- Landboubeleid (bv. grondbelasting, water tariewe, arbeid)
- Wisselkoers
- Ongelyke speelveld (subsidies)
- Verhouding met die regering - toegang

Plaas kwessies (cont..)

- Verhouding tussen produsente en plaaswerkers
- Opleiding van plaaswerkers
- Internasionale kompetendheid (verskeie kwessies)
- Interne kommunikasie in die industrie – apatiese houdings
- Bedryfstrukture, is dit nog relevant vd omgewing
- Impak van klimatologiese veranderings

International Competitiveness – Apples

Year	Overall	Prod	Infra & Log	Fin & Markets
1999 (25)	10	7	6	15
2003 (28)	13	3	8	18
2006 (28)	11	3	9	17
2008 (30)	11	5	9	20
2009 (29)	14	9	9	19

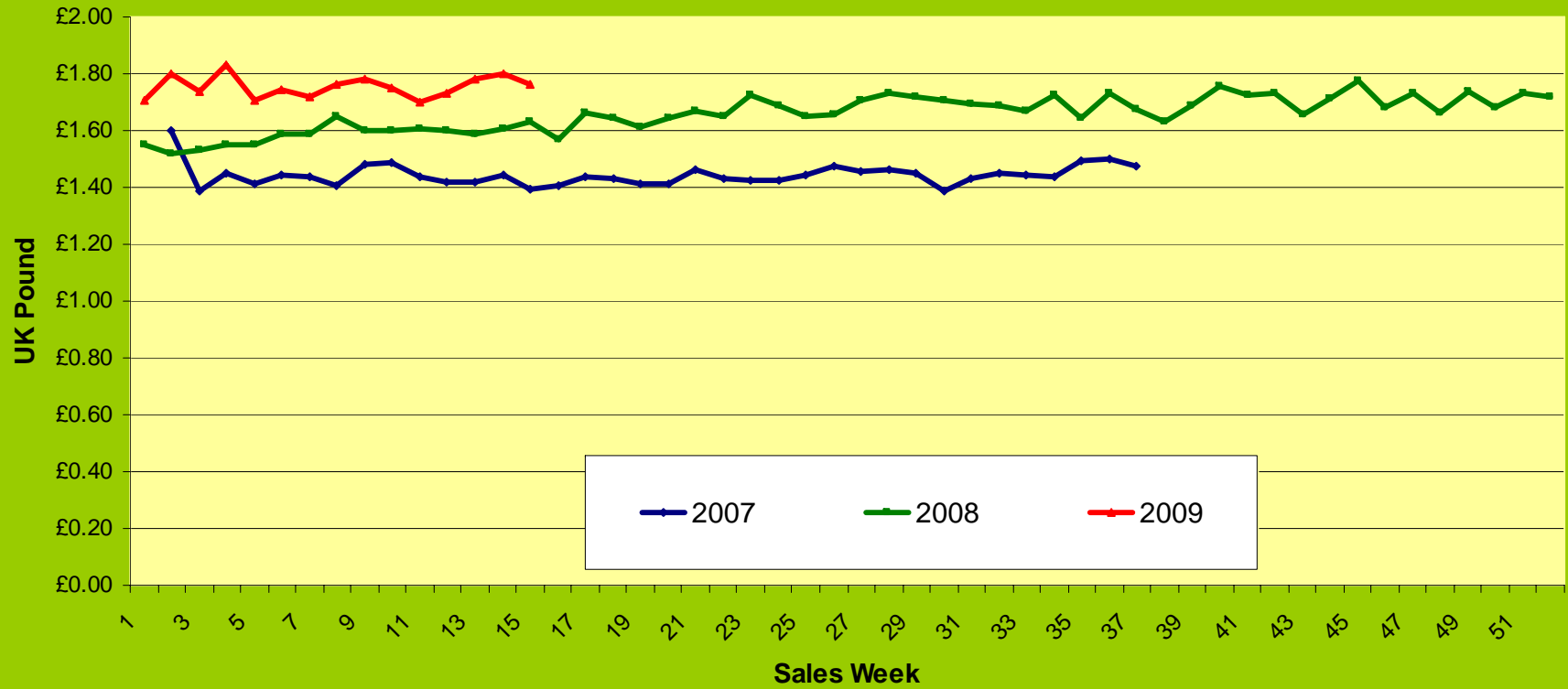
International Competitiveness – Pears

Year	Overall	Prod	Infra & Log	Fin & Markets
2004 (17)	7	1	8	17
2006 (18)	8	1	8	17
2008 (19)	8	1	8	17

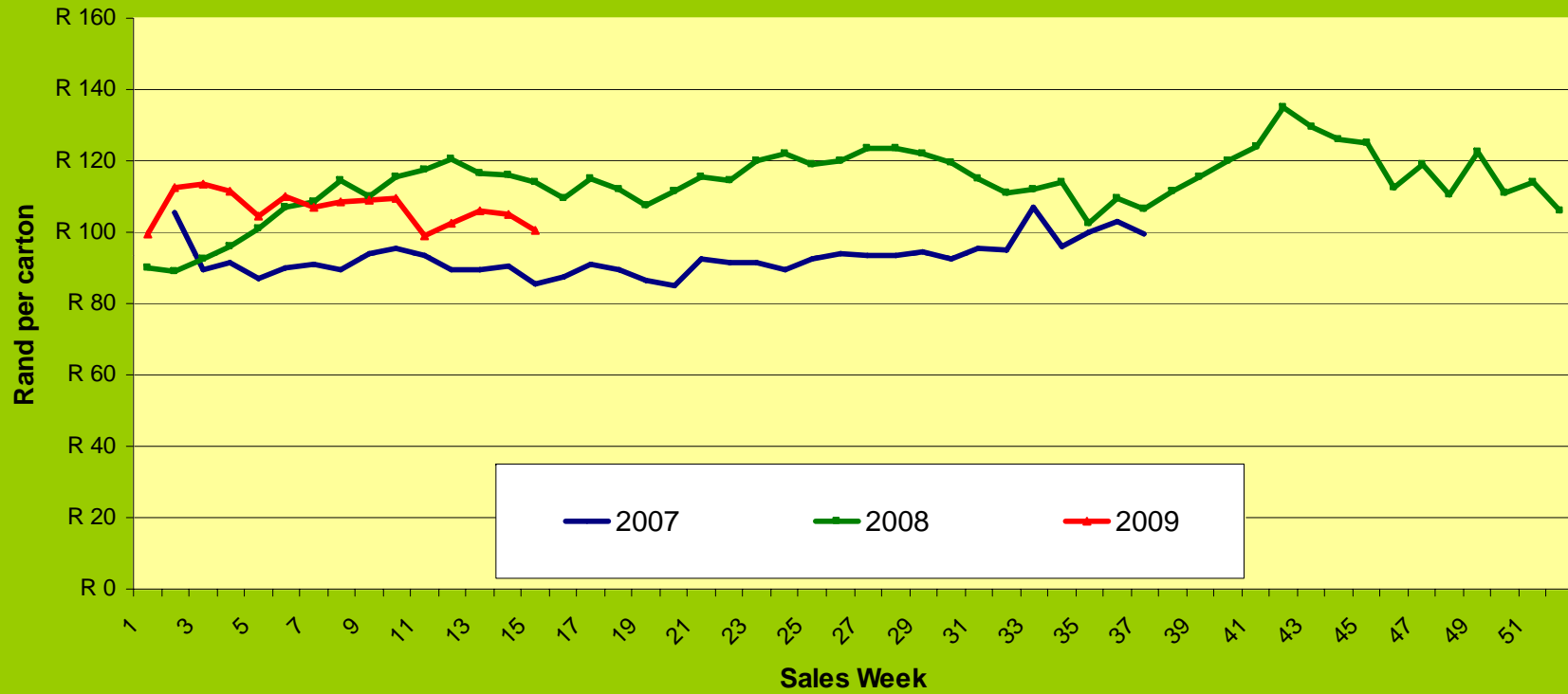
Demand still a problem

- Favourable prices in the last two seasons have temporarily obscured the reality that demand in general remains sluggish.
- Aging populations, weaker preferences among younger age groups, competing fruits and snacks, etc.

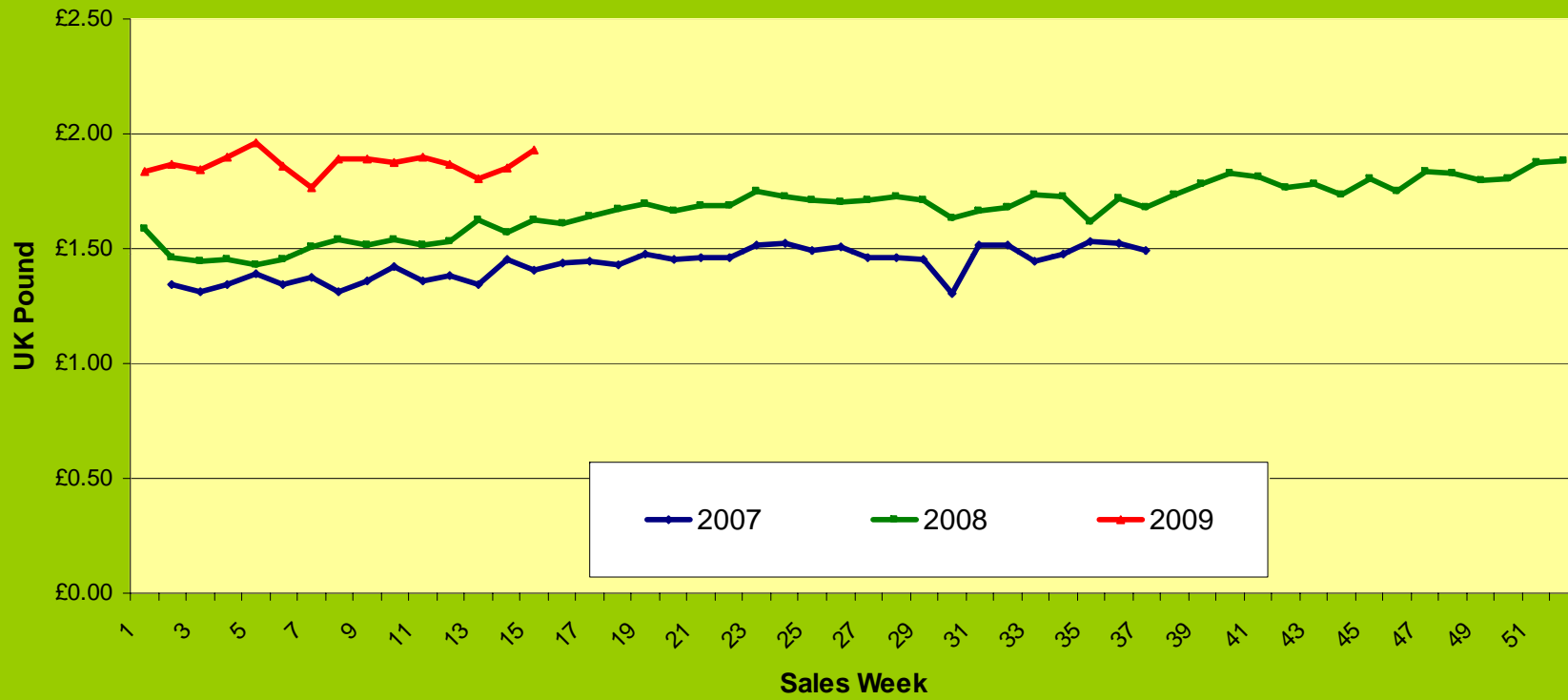
UK Retail prices : APPLES



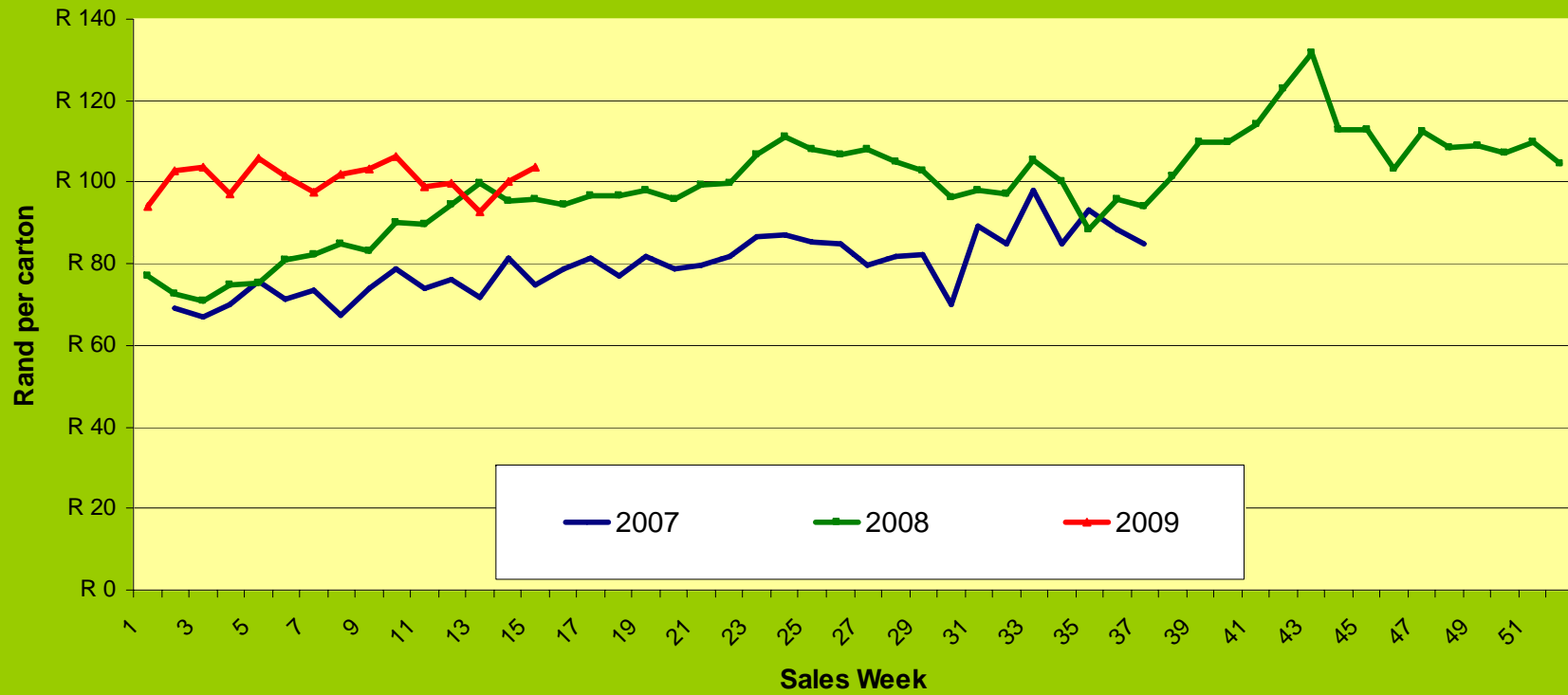
Estimated DIP for APPLES sold in the UK



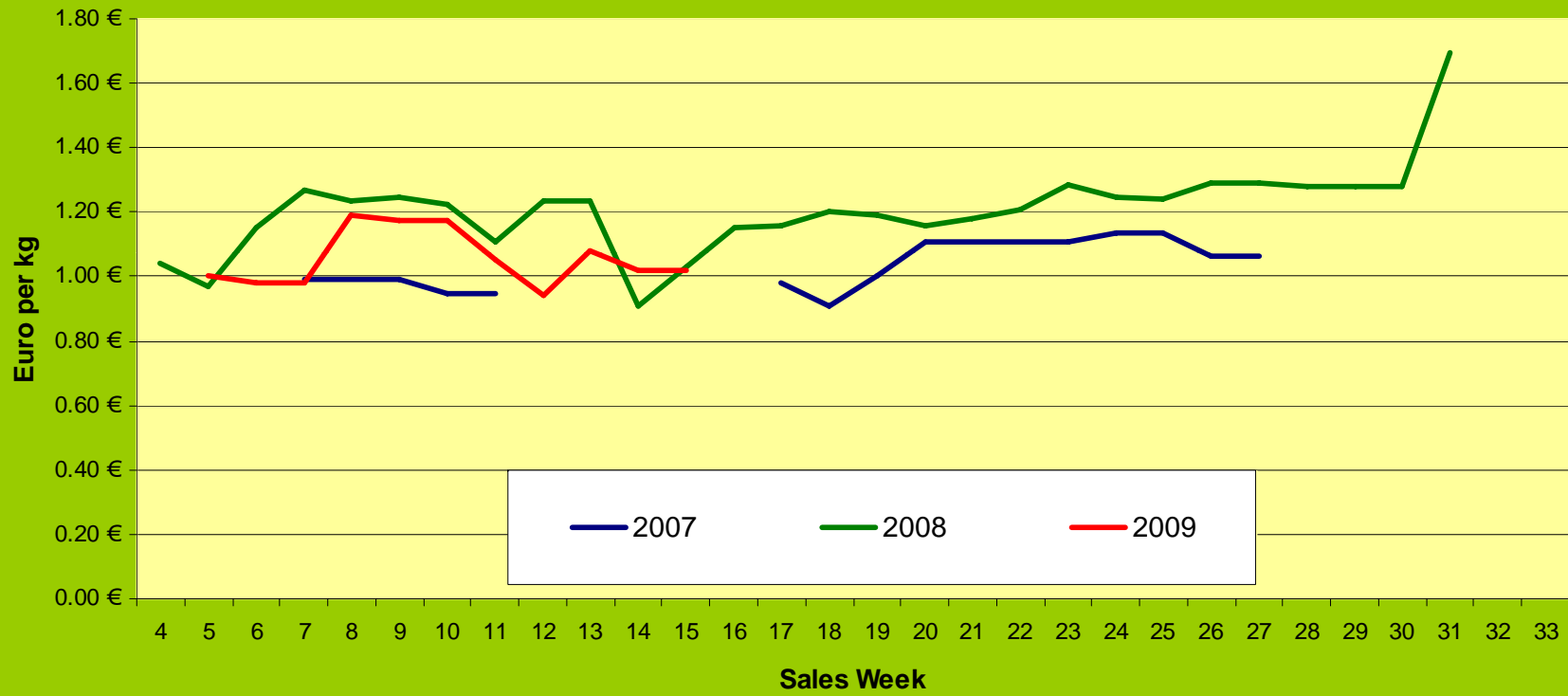
UK Retail prices : PEARS



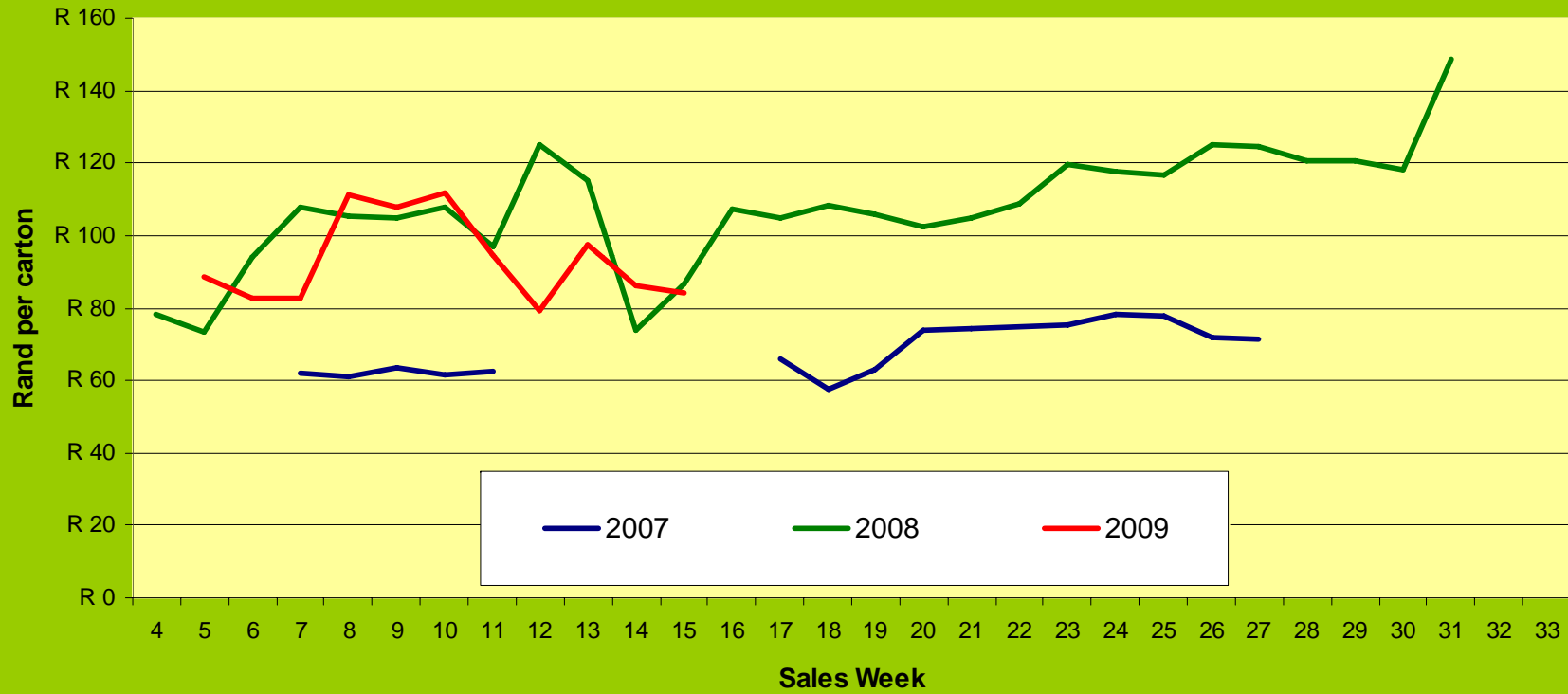
Estimated DIP for PEARS sold in the UK



EU Wholesale prices : PEARS



Estimated DIP for PEAR sold in the EU



So...

- An extremely competitive, highly capital and resource intensive business requiring highly skilled, experienced people, trying to compete internationally with the added burdens of correcting the inequalities of the past.
- And we are not doing too bad at all!