

The Northern Cape Dried Grape Industry in a Global Context

An attempt to Identify Opportunities for Market Growth

Why Dried Grape?

- One of the key export commodities within the national agro-processing sector:
 - >90% exports & SA is a net exporter
 - >USD 100M annual export revenue in 2016 (DTI, 2018), >USD 26M in the Q1 2018 alone (Raisins SA, 2018)
 - SA is ranked in the top ten globally in terms of production and export volumes.
 - SA is the only global producer in the Continent and the 2nd largest in the S/Hemisphere (out of 4)
- Identified in the NDP (2011, p.223) as one of the agricultural commodities with high employment potential and greater opportunities for market growth
- Prioritised for Policy support by National Treasury: MTBPS speech (2018), Economic Policy Paper (2019)
- The Northern Cape is the National capital of the dried grape industry in South Africa:
 - > 90% of national output by +/- 1000 farmers (Natural endowment + irrigation infrastructure)
 - Processing capacity (all the 7 processing factories in the Country are located in the NC)
 - Industry Association (Raisin SA, located in Upington)

Overview of the SA dried Grape Industry

Industry Association

- Raisin SA
 - Formerly DFTS, located in Paarl since est. but moved to Upington in 2016
 - Interests of farmers & processors:
 - Agric. Research
 - International market & industry intelligence
 - Export markets & requirements (sanitary and phytosanitary measures)

+/- 1000 Farmers

- >90 % produced in the NC along the Orange R
- 8.5tt in the WC along the Oliphant R
- 3tt in Namibia
- >16 000 hectares under cultivation

The Lower OR Dried Fruit Initiative

- Boost production, 11 new vineyards in the pipeline (Blocuso, Silver Moon, Lemoendraai, Eksteenskuil, Coboob, Riemvasmark, Styerkraal, Onseepkans, Richtersveld)
- New processing plant

7 Processors (Manufacturing)

Pioneer Foods: Est. in 1924 as SAD Co-op, became a PTY in 1997, taken over by pioneer Foods in 2003.

>300 employees, 40 000 tonnage capacity. (Marketing Act 59 of 1969 & Marketing of Agri. Products Act 47 of 1996)

The Raising Co: Est. in 1998, 100% owned by Klinkenberg Holdings, a Dutch fruit and nuts company.

50 employees, 6 000 tonnage capacity.

Farmers Pride: Est. 2002 as Kalahari raisins, taken over 1st by a Canadian equity investor, 2nd by Carpe Diem Estate. Became Farmers Pride in 2015 with new ownership. Wholly acquired by OR Cellars in 2017.

60 employees, 6 500 tonnage capacity.

Fruit Du Sud: Est. in 2002. 25% owned by an individual investor and 75 % by BKB.

>140 employees, 20 000 tonnage capacity.

Carpe Diem: Est. in 2006, 50-50% owned by KLK and Carpe Diem Estate.

>250 employees, 11 000 tonnage capacity.

Northern Cape Raisins: Est. in 2005, smallest factory.

around 1500 tonnage capacity and >10 employees.

Red Sun Raisins & nuts: Est. in 2009, 90% owned by US private equity firm since 2015.

>140 employees, 13 000 tonnage capacity.

Presentation outline

- International Market Trends
- SA Production and Exports
- Composition of Competition in the Traditional Markets
- Composition of Competition in Small Growing Markets (Non-Traditional Markets)
- The African Market
- Conclusion and Proposed Interventions

International Market Trends for Dried Grape

Production

- 1.5mt in 2017,
- >10% increase since 2000
- 5 country produce > 80%
- SA ranked 9th , 3% share

Exports

- 816tt in 2017
- >33% increase since 2000
- 10 countries export close to 70%
- SA ranked 5th, 3.4% share

Fig. 1: Dried Grape Share of Production by Country

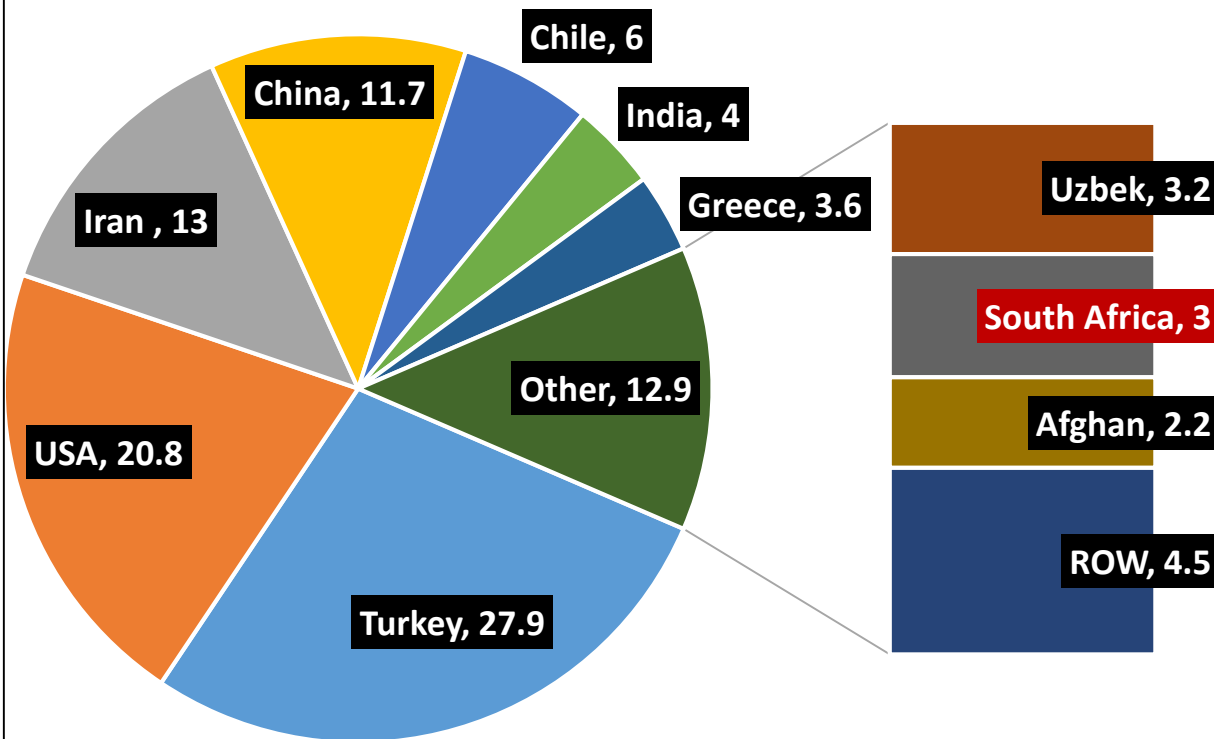
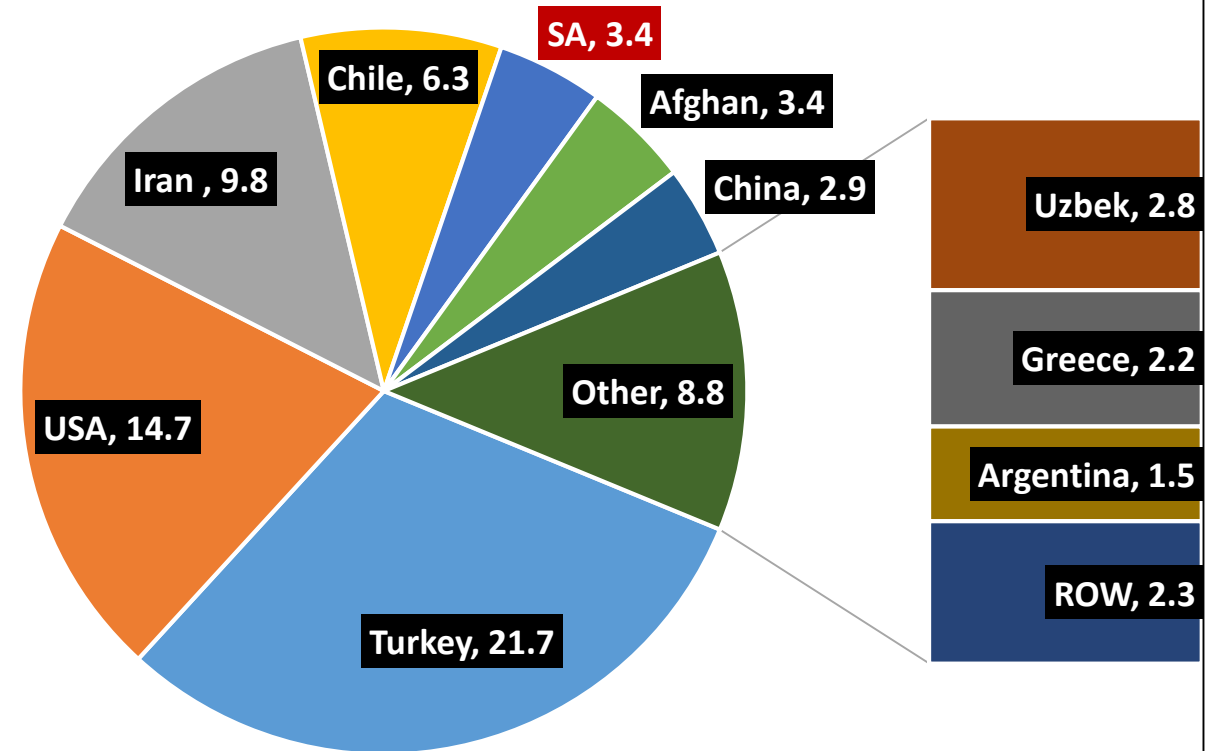


Fig. 2: Dried Grape Share of Exports by Country



Consumption

- 1.6mt in 2017,
- >14% increase since 2000
- 5 country consume > 50%
- SA is not a major consumer

Imports

- 838tt in 2017
- >30% increase since 2000
- 10 countries import >50%, the UK alone close to 14%
- SA is not a major importer

Fig. 3: Dried Grape Share of Consumption by Country

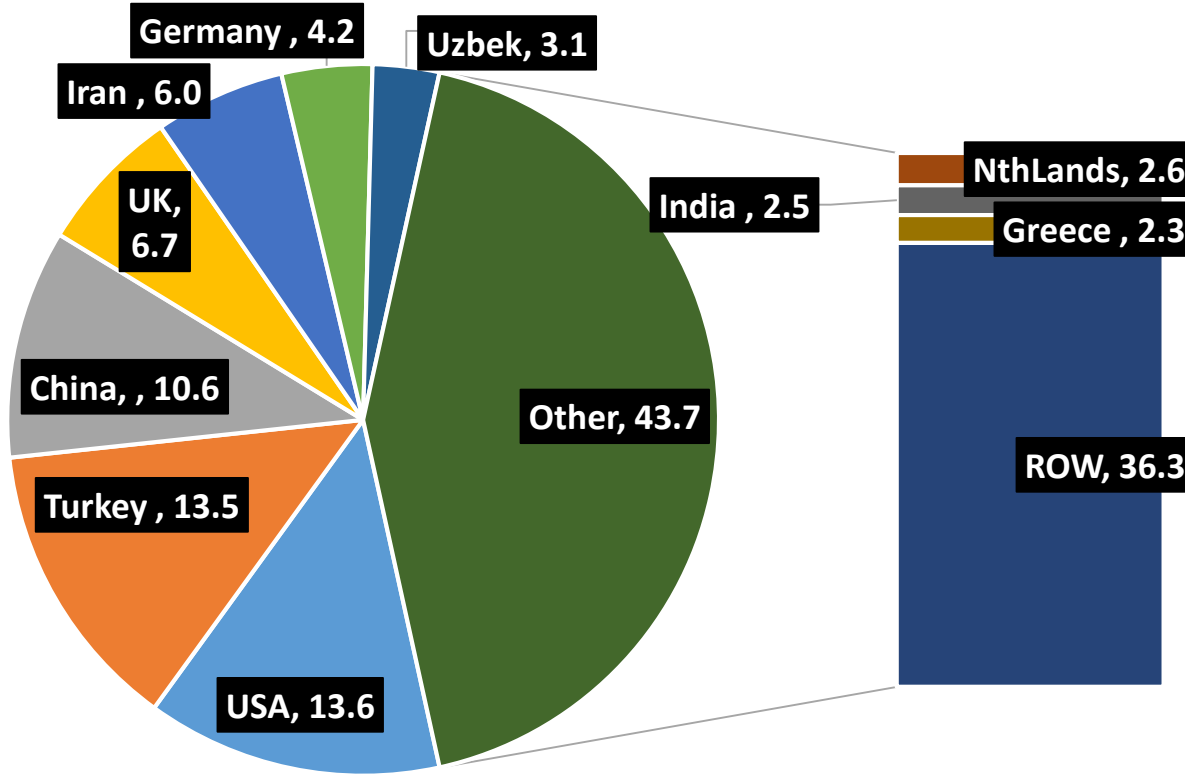
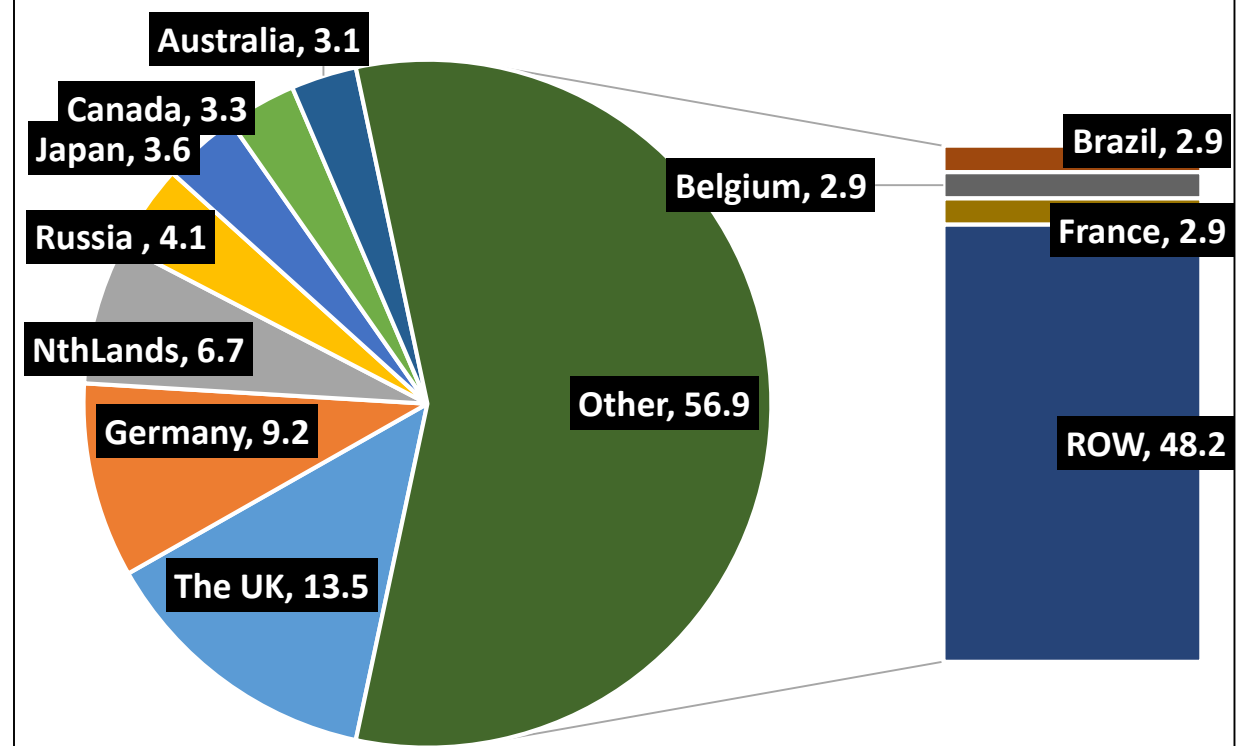
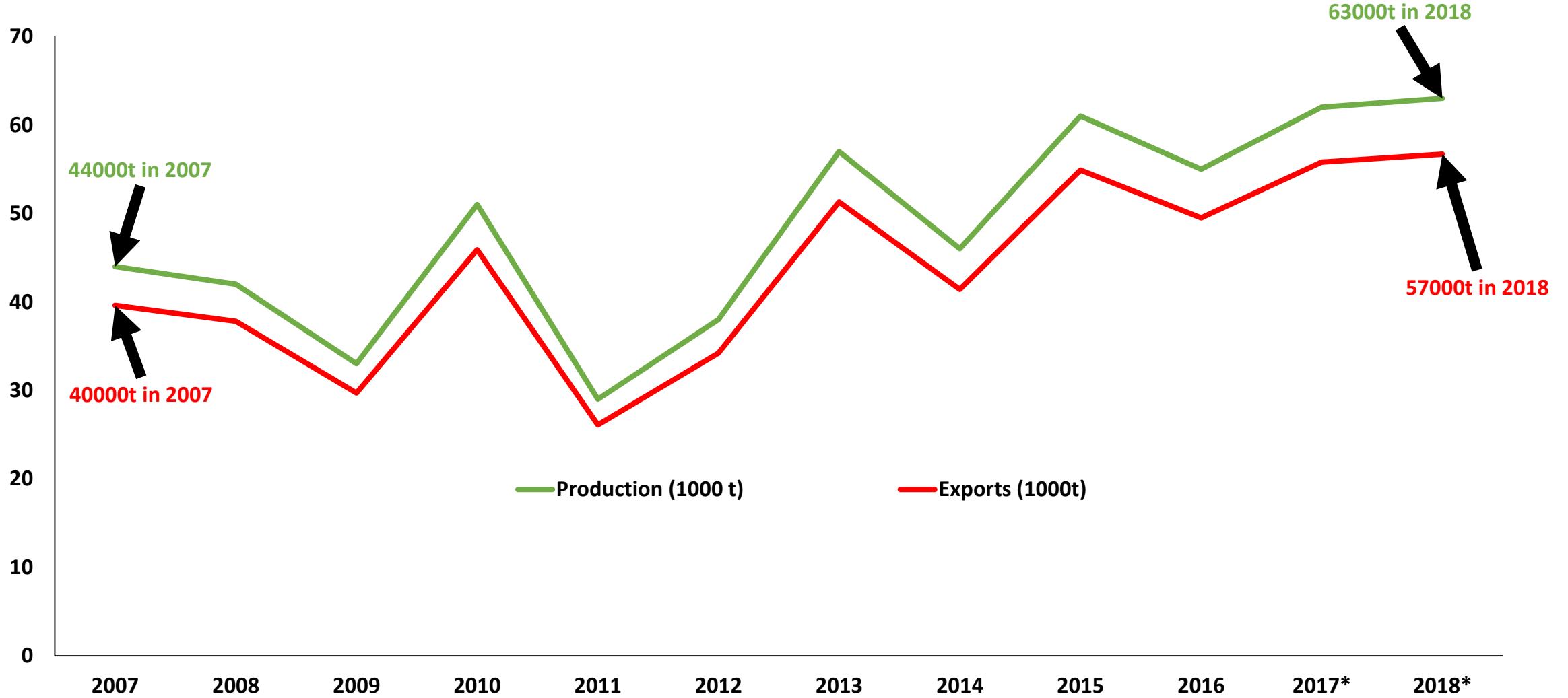


Fig. 4: Dried Grape Share of Imports by Country

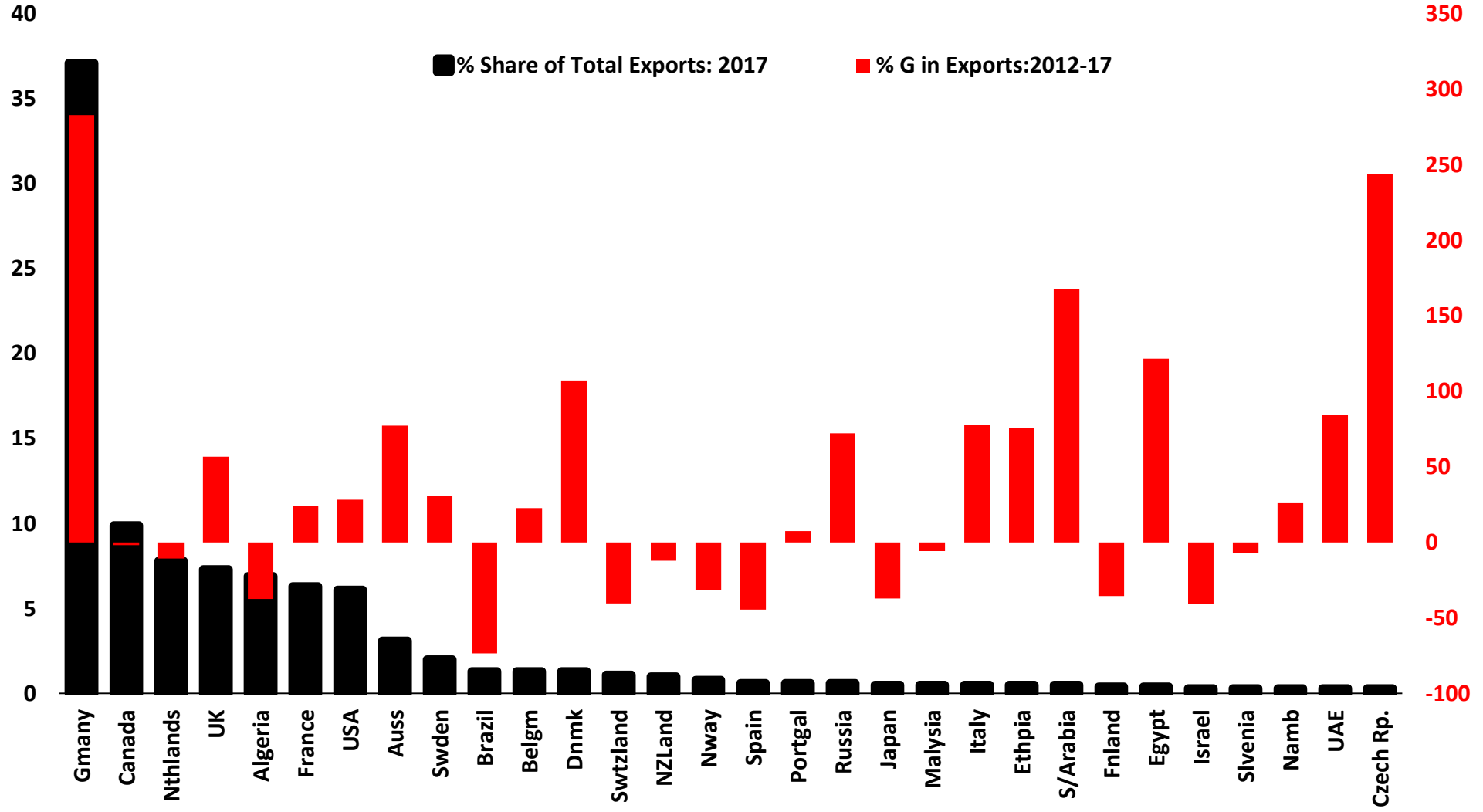


SA (Northern Cape) Production, Exports and Markets

SA: Production and Exports

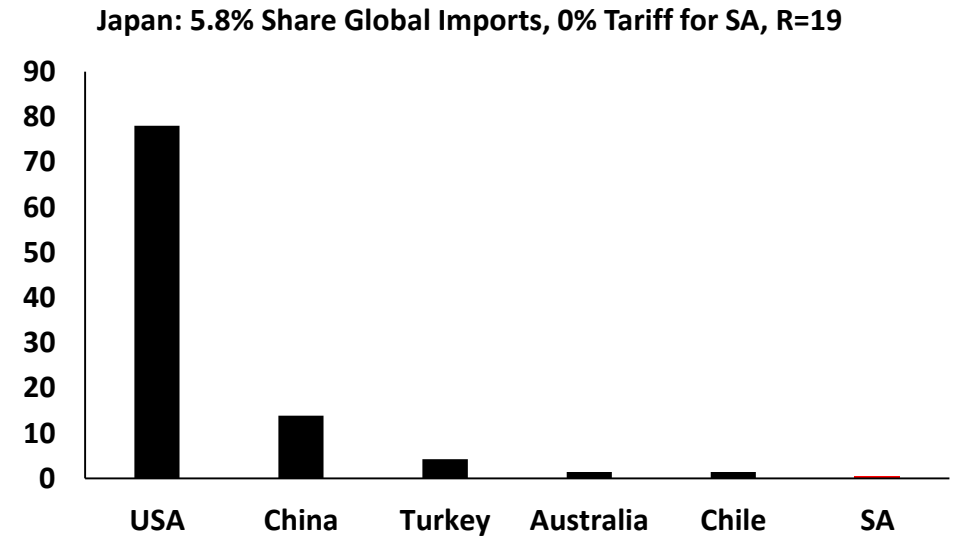
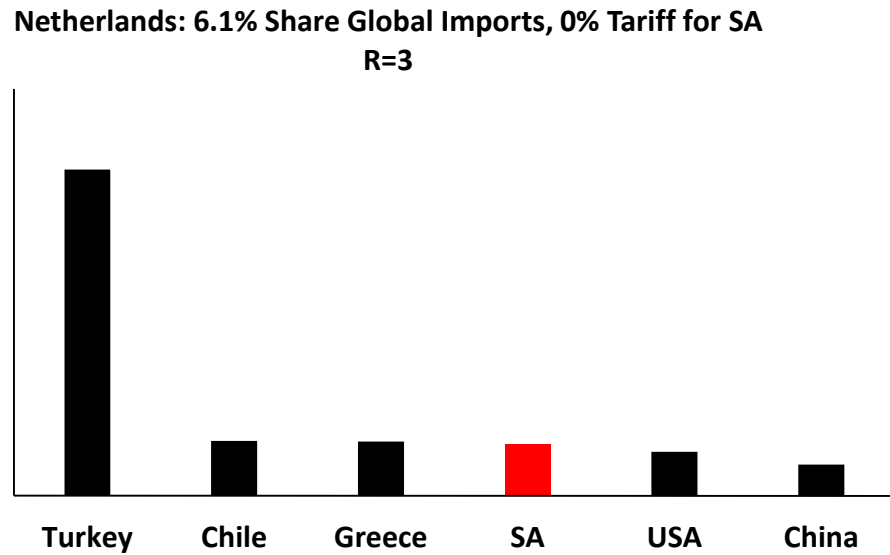
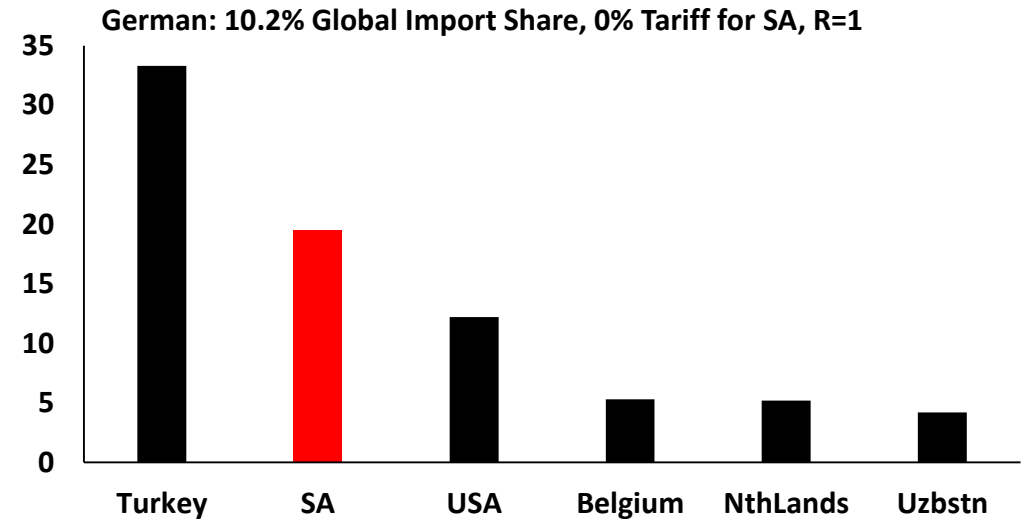
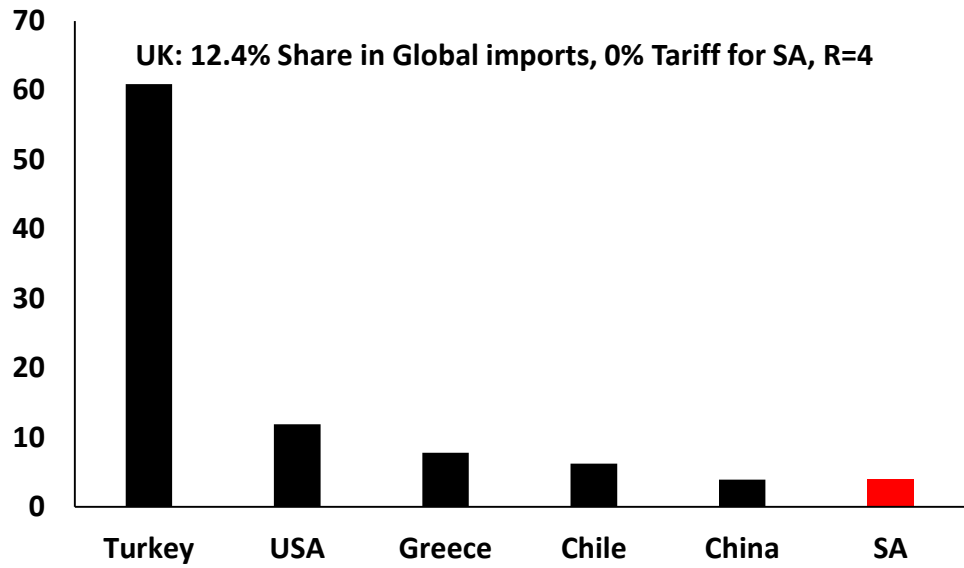


Market Composition for SA Dried Grape Exports

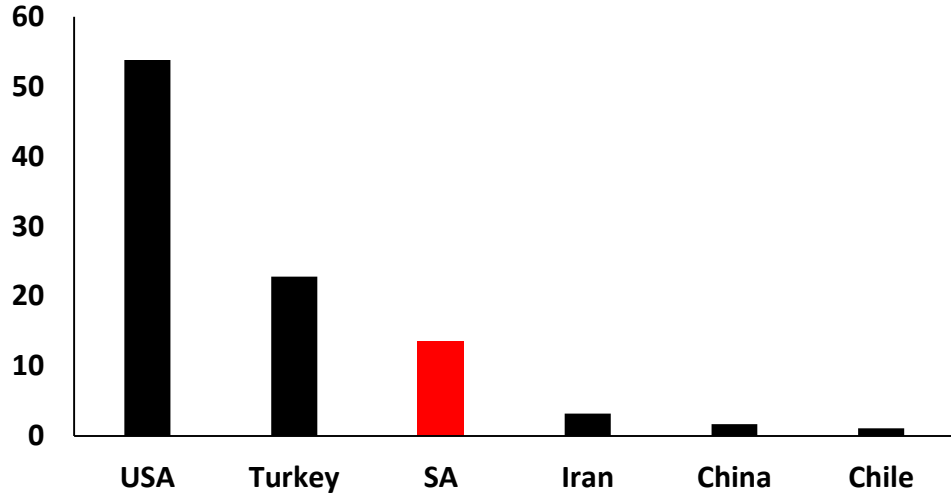


Composition of Competition in the Traditional Markets

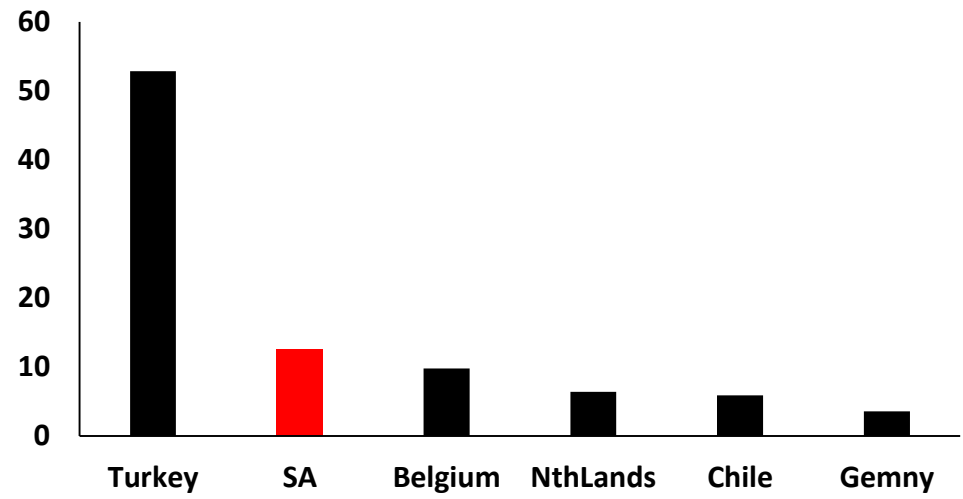
There are 10 major countries competing with South Africa in the global market for dried grapes: Turkey, United States, Iran, Chile, Afghanistan, China, Uzbekistan, Greece, Argentina, and Australia.



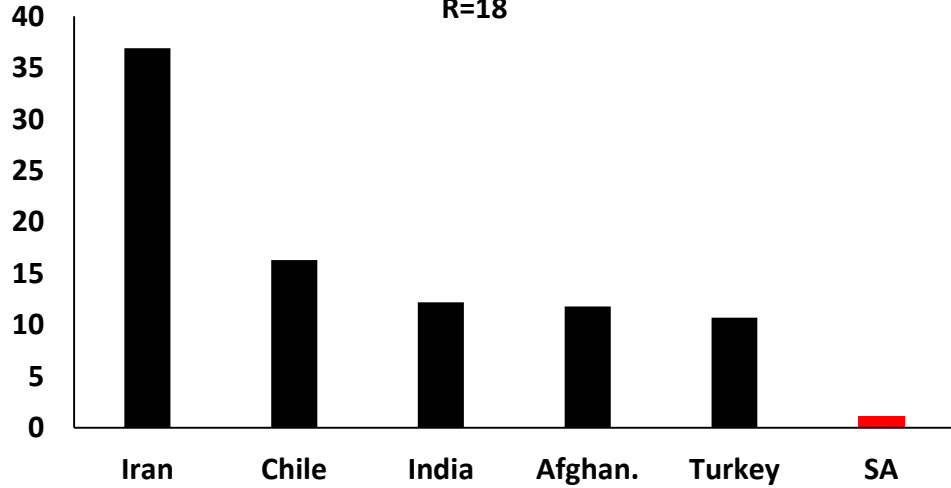
Canada: 3.8% Share Global Imports, 0% Tariff for SA, R=2



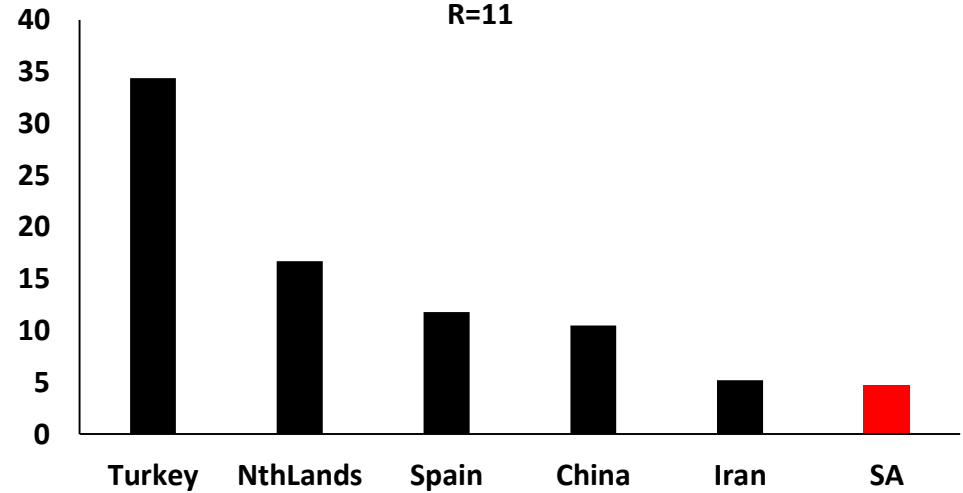
France: 3.7% Share Global Imports, 0% Tariff for SA, R=6



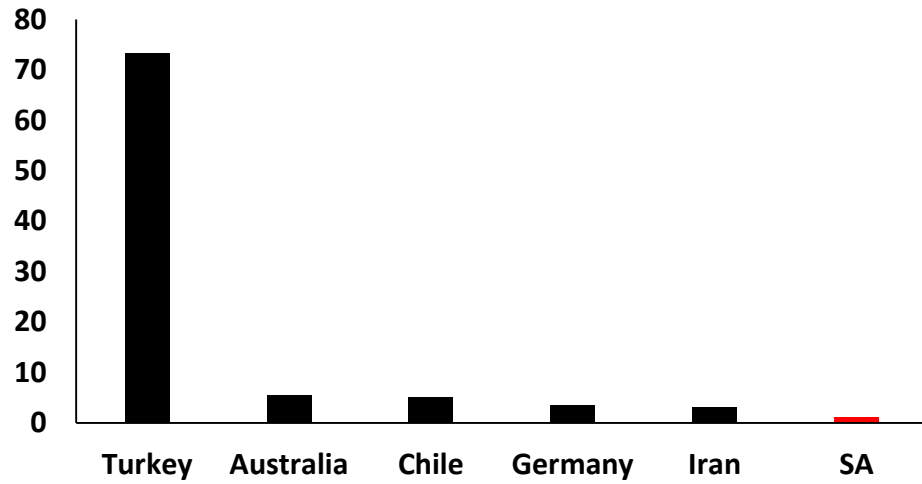
Russia: 2.9% Share Global Imports, 0% Tariff for SA, R=18



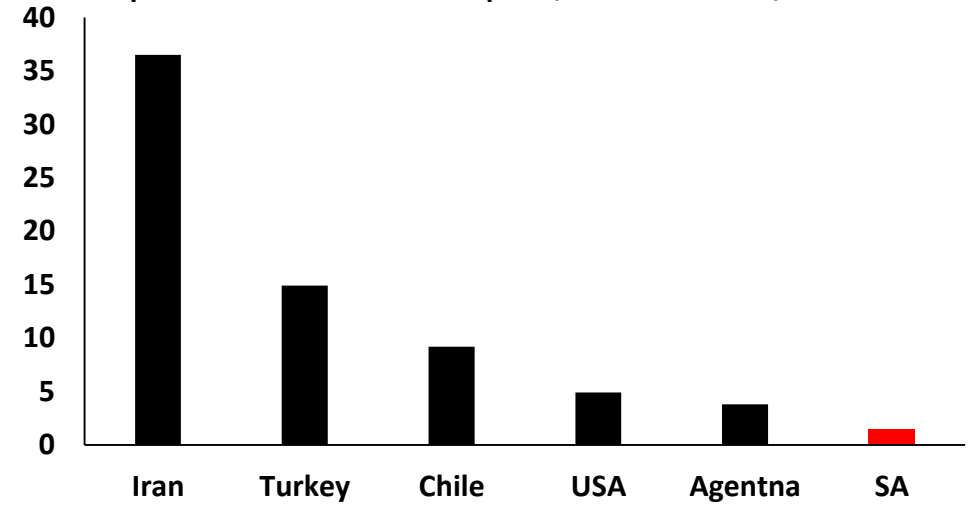
Belgium: 2.5% Share Global Imports, 0% Tariff for SA, R=11



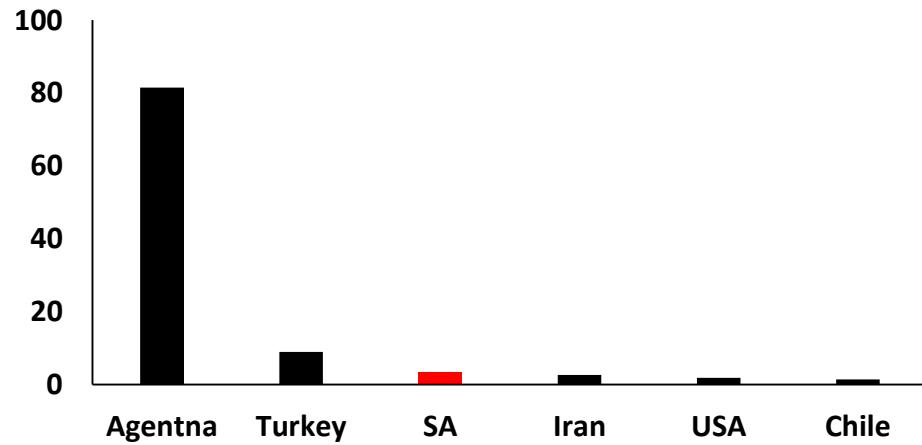
Italy: 2.5% Share Global Imports, 0% Tariff for SA, R=21



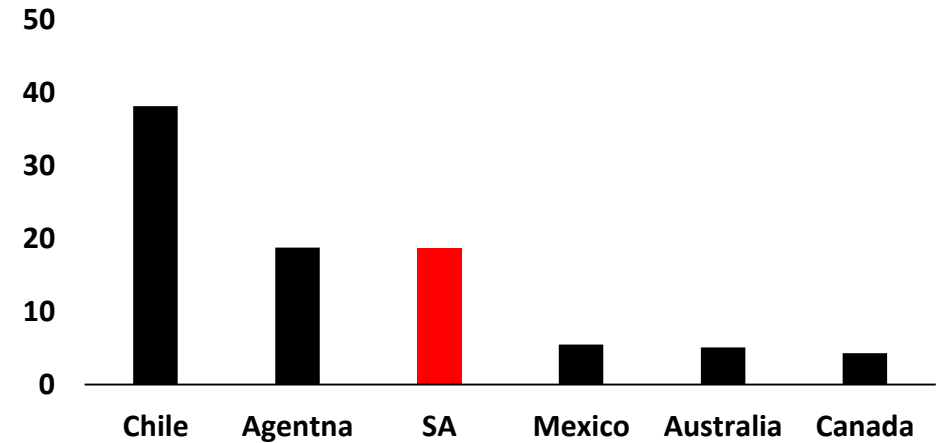
Spain: 2.4% Share Global Imports, 0% Tariff for SA, R=16



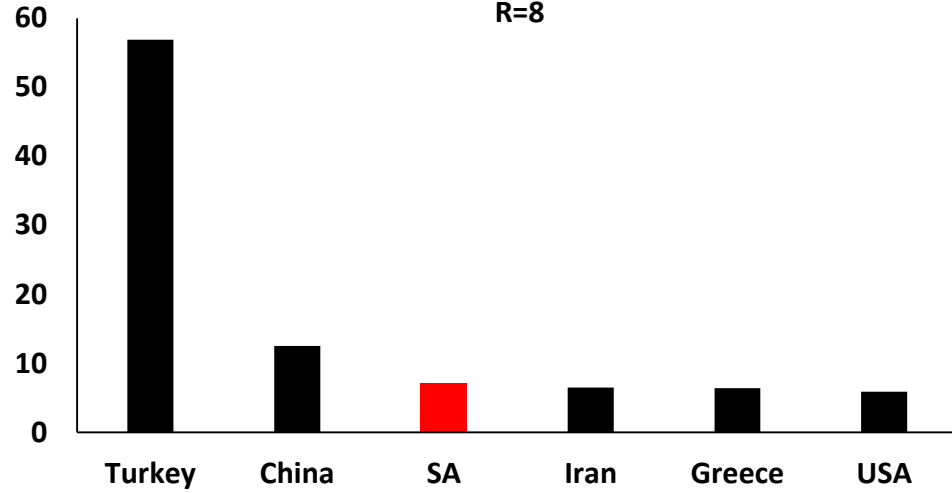
Brazil: 2.1% Share Global Imports, 10% Tariff Disc. for SA
R=10



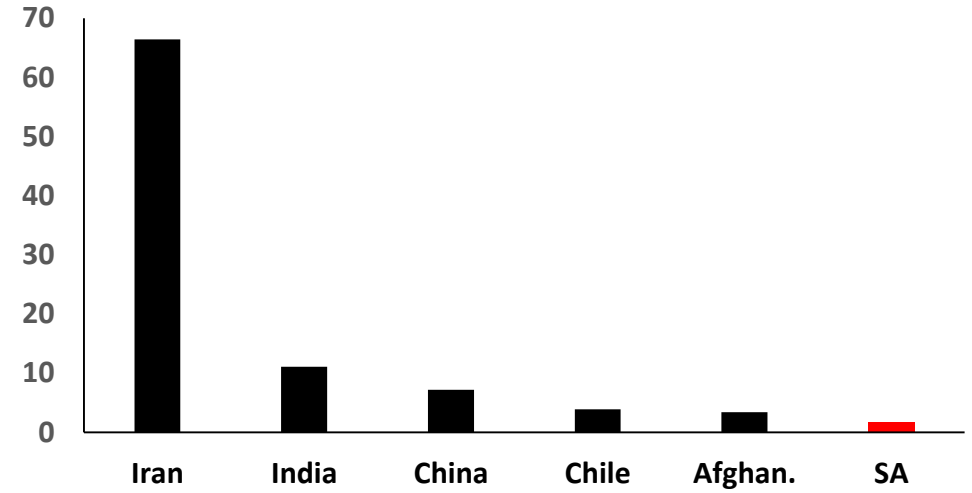
USA: 2.1% Share Global Imports, 0% Tariff for SA
R=7



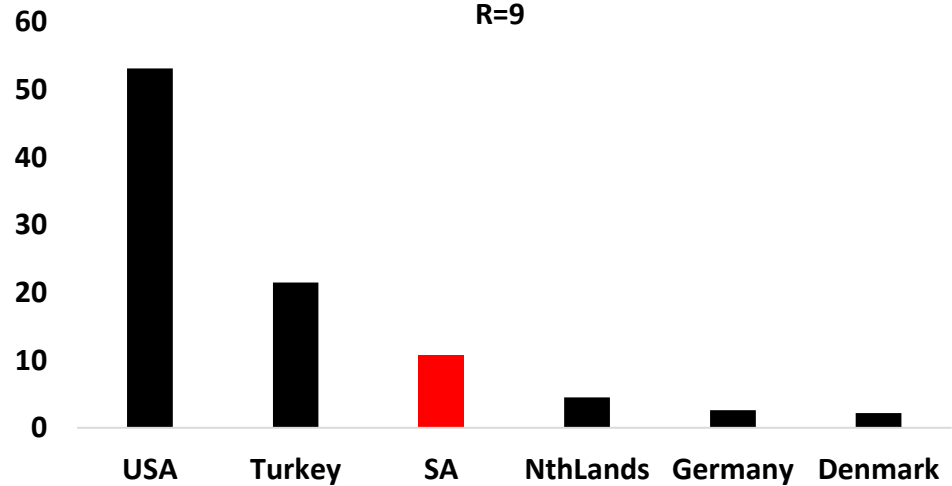
Australia: 2.1% Share Global Imports, 5% Tariff for SA, R=8



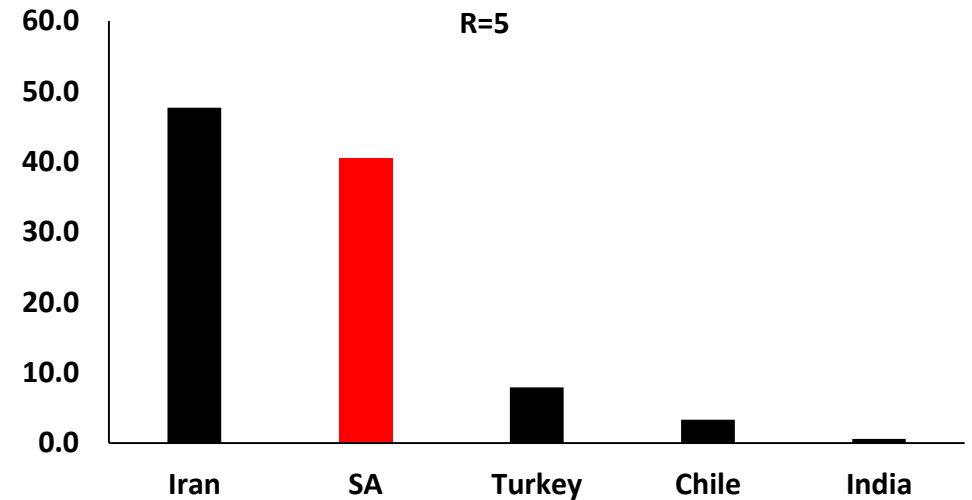
UAE: 1.7% Share Global Imports, ?% Tariff for SA, R=29



Sweden: 1.4% Share Global Imports, 0% Tariff for SA, R=9

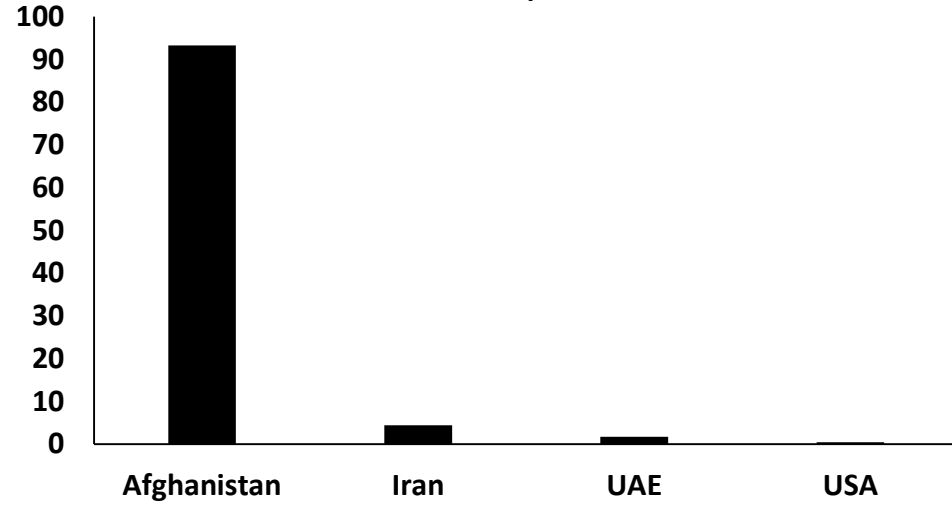


Algeria: 1.2% Share Global Imports, 30% Tariff for SA, R=5

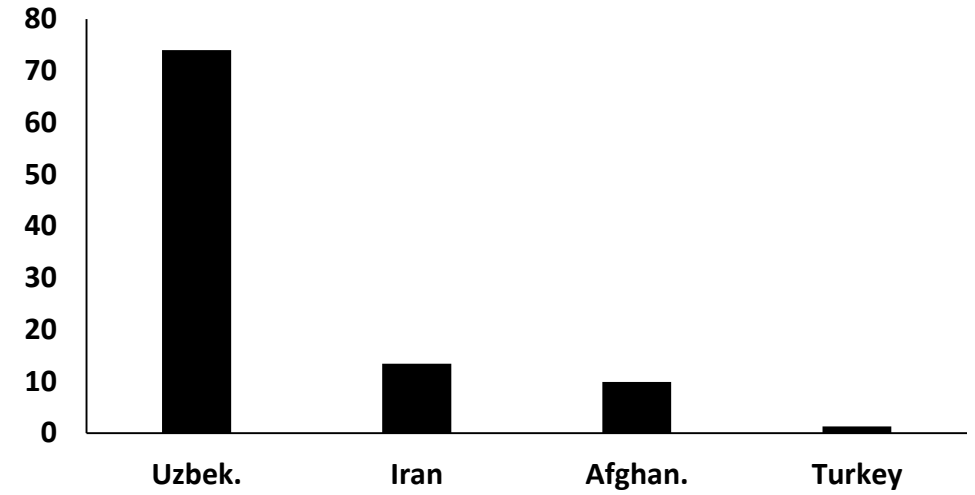


Composition of Competition in Small Growing Markets (Non-Traditional Markets)

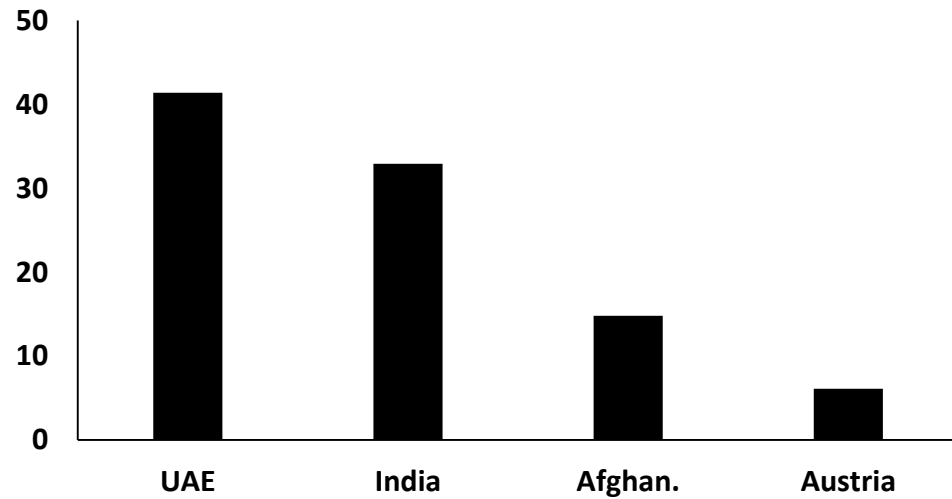
Pakistan: 0.5% Share Global Import, 1283% G: 2012-17



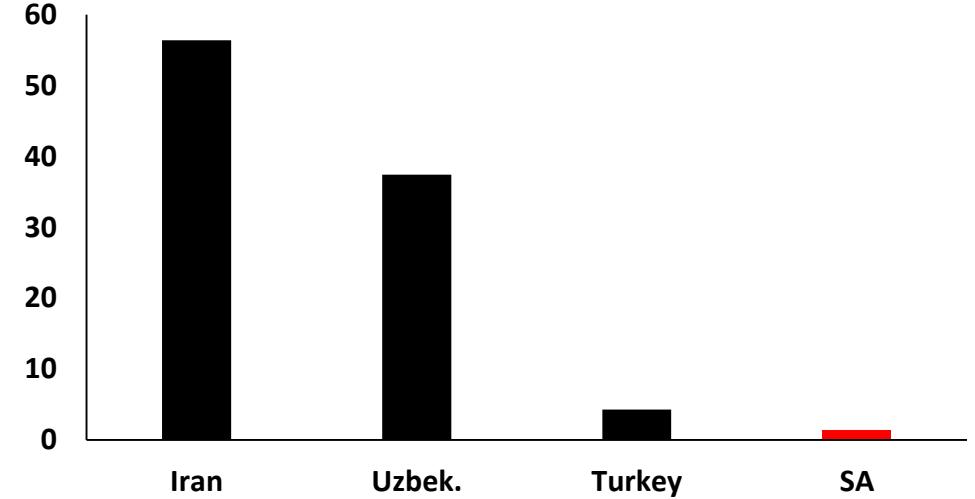
Kazakhstan: 2.2% Share Global Imports, 709% G:2012-17



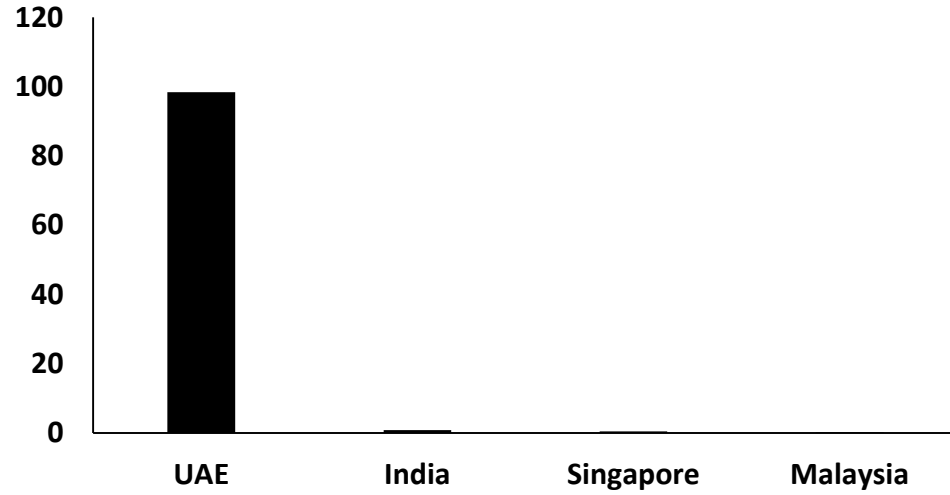
Iran: 0.08% Share Global Imports, 351% G:2012-17



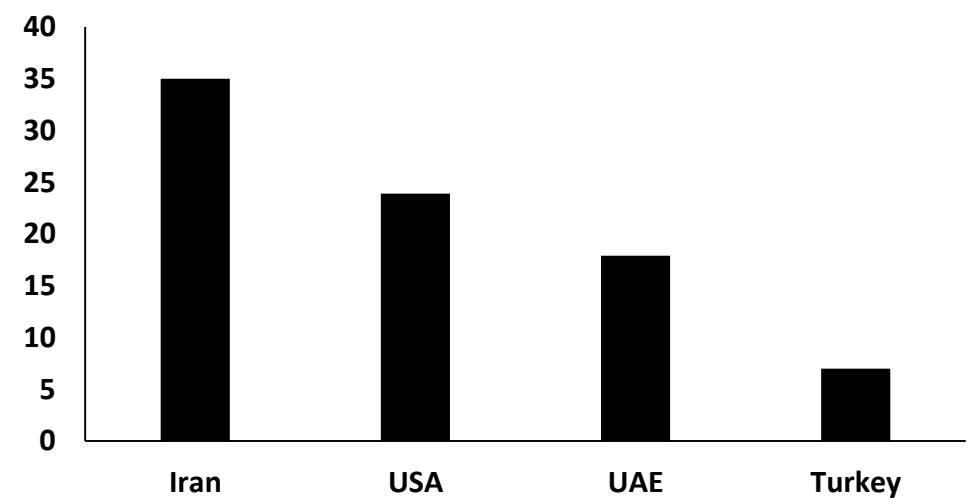
Azerbaijan: 0.25% Share Global Imports, 332% G:2012-17



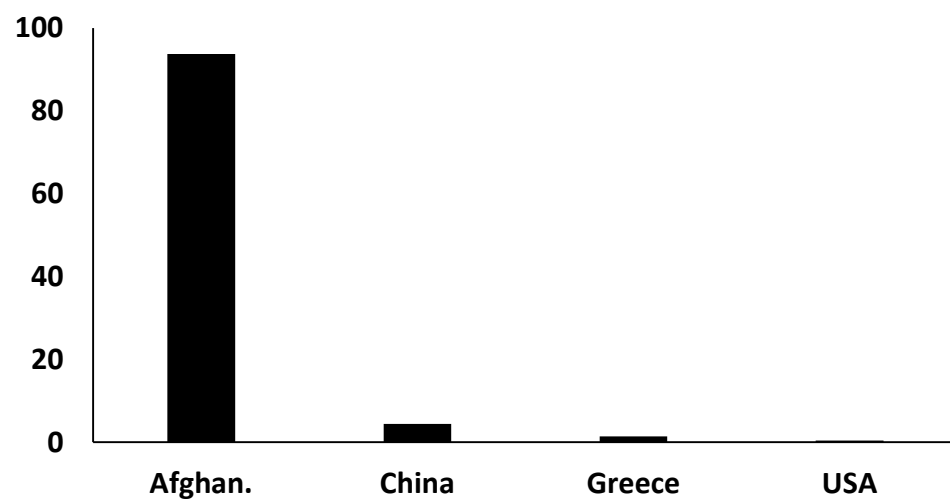
Bangladesh: 0.2% Share Global Imports, 153% G: 2012-17



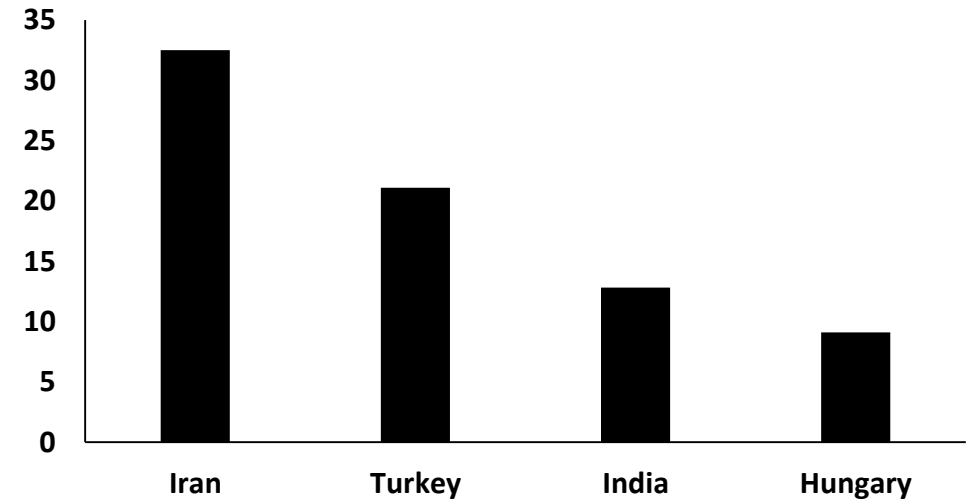
Jordan: 0.24% Share Global Imports, 71% G:2012-17



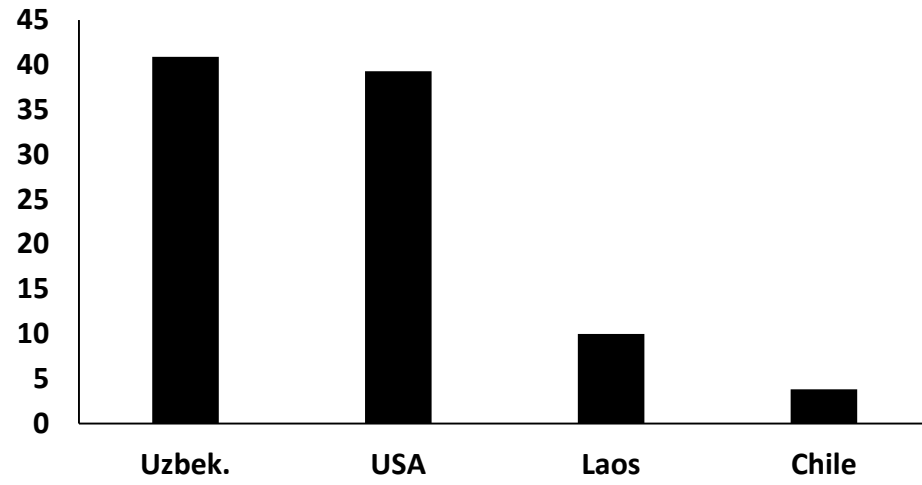
India: 3.3% Share Global Imports, 68% G:2012-17



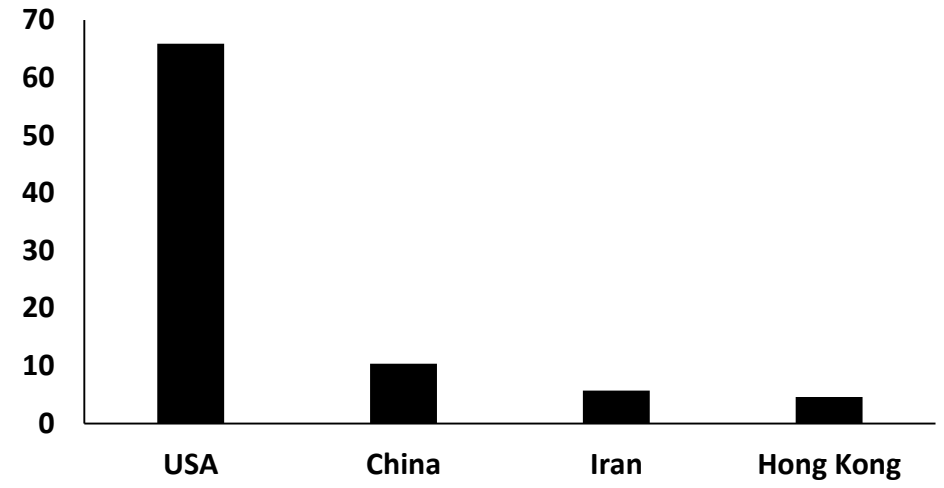
Romania: 0.38% Share Global Imports, 64% G:2012-17



China: 3.5% Share Global Imports, 59% G: 2012-17



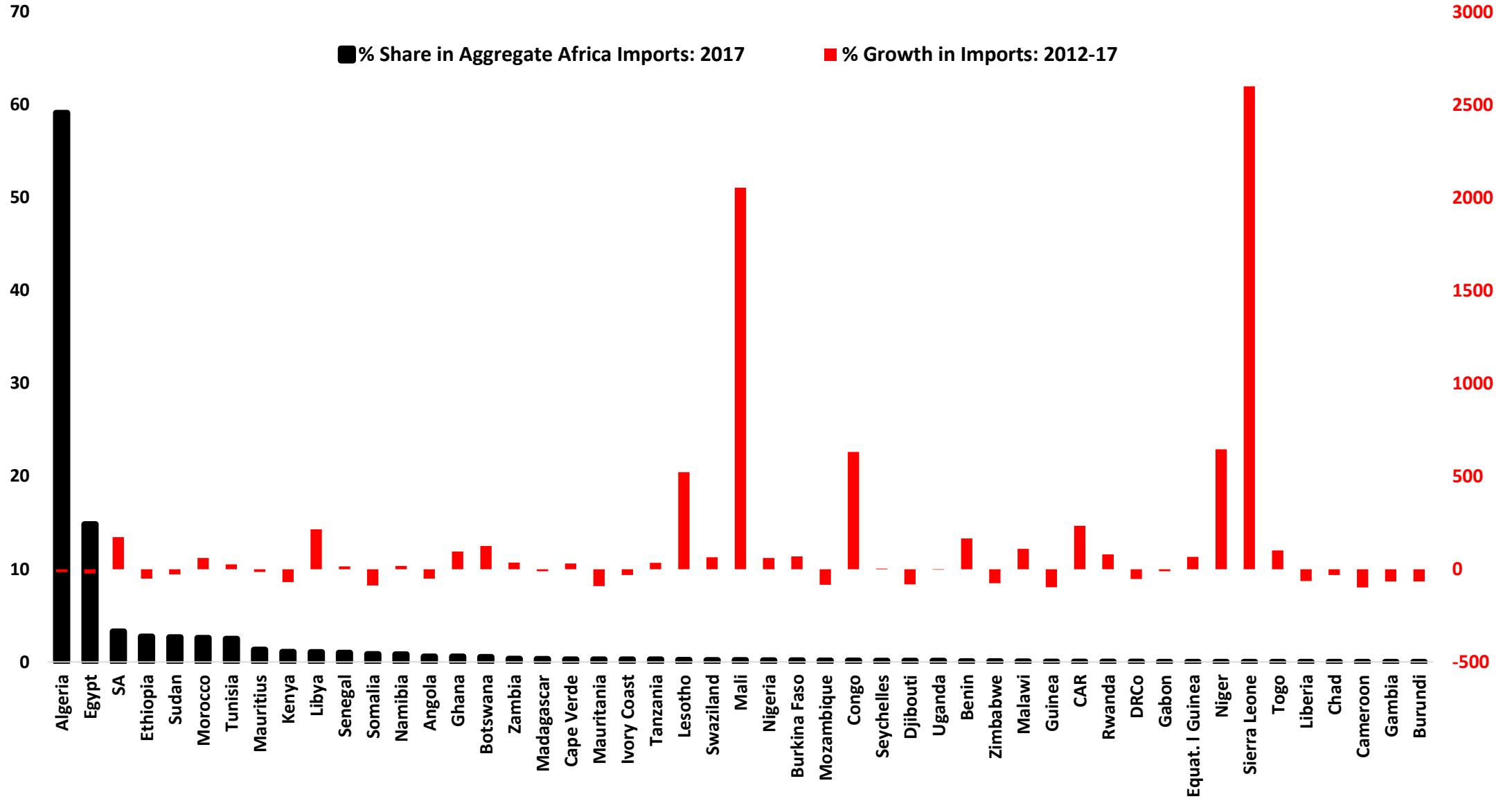
Thailand: 0.8% Share Global Imports, 58 % G: 2012-17



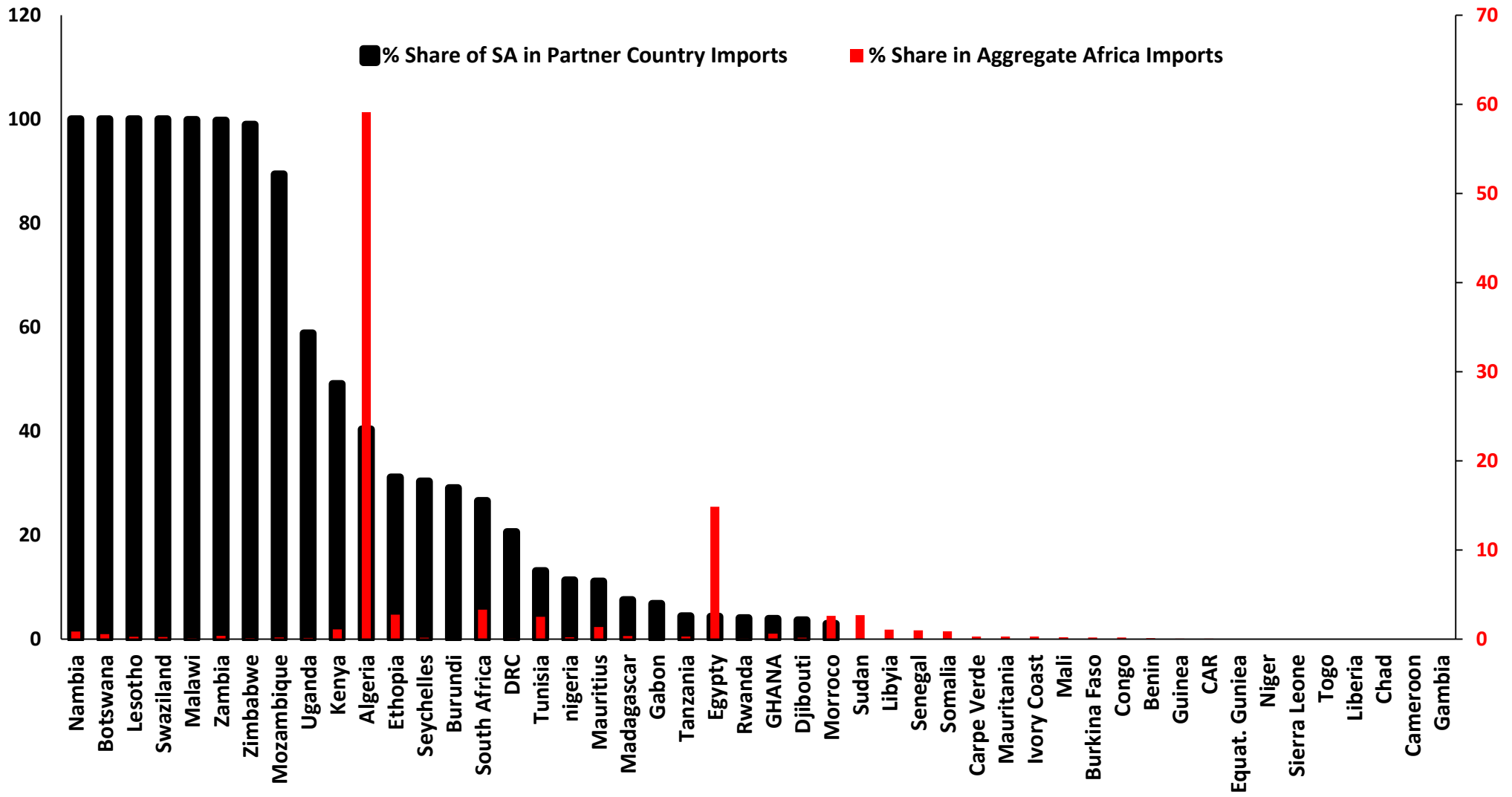
The African Market

- About 49 Countries importing 18.9 thousand metric tons (>40% of SA exports) valued at USD36.4m annually-but markets are individually tiny & scattered
- Around 2% of global imports in terms of both value and quantity
- Quick calculation indicated that exports to Africa are mostly industrial grade mainly used as input in the food industry
- Dominated by two countries-Algeria and Egypt (account for >75% of the imports into the Continent) but still very small in Global standards (1.2 & 0.3 % respectively)
- The top ten importing countries account for >90% of the imports (SA, Ethiopia, Sudan, Morocco, Tunisia, Mauritius, Kenya and Libya-range between 3.3 & 1.1% individually)
- African markets expanded over the recent past albeit from very low bases (mostly the smaller ones)
- SA has a limited foot print in Africa (only in SACU and some SADC and E. African countries) as a source of imports
- Multilateral & bilateral trade agreement could be exploited to expand markets in the Continent.

Africa Market (1)



African Market (2)



Conclusion and Proposed Interventions

Conclusion: Opportunities for market growth are not to be found **only** in the big traditional markets of Western Europe and North America **but also** in the smaller markets in Eastern Europe, South America, Asia and Africa

Some Proposed Interventions

Areas Interventions	Activities
<p><u>Market retention & growth in existing markets</u> Target markets: EU (largest importer globally >50% of world imports) , USA and Canada, Japan.</p> <p>The shift in the USA from vineyards to almonds & the decline of Greece as major producer will create a supply gap in the US, Canada, Sweden, China, Thailand and Japan and Europe.</p>	<p>National Pavilions Programme of the DTI & Product promotion alongside the Pavilions-focus on the superior quality & competitive price of SA raisins</p> <p>On going promotion in foreign country markets. Case study: The success of California Raisin Marketing Board in promoting US globally through publicly initiatives (marketing offices in the major importing countries): in-store promotions, food festivals, baking promotion highlighting U.S. raisins & New Product Development Contest promoting US raisins.</p>
<p><u>Development of new markets</u> Target markets: China, India, Kazakhstan, Brazil, Other markets in Europe & Asia (e.g. Pakistan, Thailand, Romania, Azerbaijan, Poland, Latvia, and Jordan) and Africa</p> <p>The Chinese & Indian market have both been historically closed to trade but imports have seen exponential growth in the past decade. Growing incomes in Africa, the growing Ramadan market in N. Africa and the middle east, Increasing health awareness globally</p>	<p>Trade outbound missions and leveraging on existing trade & economic cooperation agreements, regional integration and geographic proximity particularly for the African Continent</p> <p>Increase awareness of South African export products abroad e.g. Incentives such as the Export Marketing Schemes for South African dried grapes</p>
<p><u>Expansion of exporter base</u> Proposed processing facilities: (1) Raisin processing facility at Eksteenskuil & Lemoendraai under the ZF Mgcawu Agri-park initiative (2) Raisin processing plant under the Lowe Orange River Dried Fruit Initiative.</p> <p>Some of the large dried fruit processing firms in Europe are investing in developing countries by building processing facilities. E.g. The Raisin Co. and Red Sun Raisins</p>	<p>Support the ZF Mgcawu Agri- Park & the Lower Orange River Dried Fruit Initiative</p>
<p><u>Closer collaboration between the Department and Raisins South Africa</u></p>	<p>MOU -Outbound missions, access to market & industry intelligence, international conferences, international trade workshops,</p>