AGRICULTURE — FRUIT

1996

JANUARY — JULY
White predominance makes citrus industry vulnerable, says report

By Roy Colayoue

Pretoria — The racial composition of South Africa's citrus industry places it in an exposed political position, according to a report commissioned by the World Bank.

The industry is predominantly white, and there is little involvement of blacks except as basic labor.

The report, which was released recently, said there was greater political vulnerability because the citrus sector in South Africa was unsure of how supportive the new national or regional governments were.

"The elimination of the general export incentive scheme, an export subsidy, is seen by some as not only a loss of valuable marginal income but also as evidence of reduced support from the new government in South Africa," it said.

The report is entitled Southern Africa Citrus Case Study and was compiled by Graham Dixie of High Value Horticulture for the World Bank's Southern Africa Agriculture and Environmental Group.

The report also focused on Outspan International's monopoly of marketing in South Africa. It said this position was under threat from the new Agricultural Marketing Bill and was contrary to the basic tenets of the new constitution. This could endanger the integrated structure of the industry and might result in a fragmented industry, a decline in economies of scale and intraregional competition in overseas markets.

The report said received wisdom was that monopoly agricultural marketing was prone to inefficiency, incompetence and even corruption, but it said the South African Citrus Exchange or Outspan International as it is now called, had proved to be an exception.

"The citrus export industry in southern Africa provides an object lesson of how to organise an integrated marketing chain for exporting fresh produce and the advantage of regional co-operation in agro-business."

The report said it seemed unlikely that monopoly or single-channel marketing could continue in South Africa, but it would be unwise completely to liberalise citrus exports.

"The aim of the new marketing Act should be to provide competition within Southern Africa for products, thereby encouraging efficiencies within the region, but limiting inter-regional competition in overseas markets."

The system needed to provide for continued funding of research, promotion and international trade litigation, if this was necessary.

"The report said the main aim of the Act should be to ensure orderly marketing within an overall strategy while maintaining as far as possible the existing export infrastructure."

It said increased competition within South Africa would improve Outspan's efficiency and performance, although it said Outspan had an excellent track record, its strategic planning was sound and the company's continued success was pivotal to the profitable future of the southern African citrus industry.

The report said the next decade's priority had to be the maintenance of growers' returns while exporting the additional 500,000 tons the sector would be producing.

"It is only if the industry can remain profitable that it can also be used as a powerful motor for black rural development and economic development in Zimbabwe, Mozambique and Swaziland."

The report said that throughout the sub-continent there was a sensitivity towards the issues of development and the need for greater black involvement in the industry.

But it said the idea had not generally been translated into action and fresh citrus was not an ideal starter-crop for new farmers. The greatest opportunities for new jobs were likely to be those that added value after harvesting, such as in prepacking or semi-processing, although it was likely these businesses would be owned by whites.

"Nevertheless, the industry does have potential to provide significant opportunities for black-owned enterprises that provide services."

"During the start-up phase of these pioneer enterprises, some business guidance and assistance in creating the necessary linkages between black business and the white farm sector will significantly improve the chances of their success," it said.
Langeberg posts earnings increase after sales boost

Samantha Sharpe

CAPE-based fruit and vegetable processing group Langeberg Holdings posted a 36% increase in attributable earnings to R37.3m in the six months to March, boosted by improved international margins and increased local sales.

Langeberg MD Andries van Rensburg said that although local market conditions were uncertain, the international trading outlook was favourable.

"This will allow the group to achieve reasonable growth in earnings for the full financial year," Van Rensburg said.

Turnover rose a muted 4.5% to R491,1m, with operating income 26.4% higher at R51.6m. A net interest payment of R3.2m brought income before tax and abnormal items to R54.8m compared with a previous R42.8m.

A R700 000 abnormal item — rationalisation costs — showed net income before tax at R54.1m against R42.8m at the same time last year.

The group had embarked on a rationalisation process over the past few years to compete favourably on the international market and reduce the effect of the phasing out of GRIS.

A R16.8m taxation charge led to the R37.3m in attributable earnings. Headline earnings were 29% higher at 22c a share, while the group declared a 5.5c interim dividend, which was 22% higher than March last year. Net income a share rose 36.6% to 28.3c.

On the balance sheet side, shareholders' funds rose to R434.7m compared with a previous R392.8m.

A cyclical increase in stock levels during the deciduous fruit season and delayed international shipments resulted in the group's debt to equity ratio rising to 13% from 2.7%.

Van Rensburg said that the local deciduous fruit industry had experienced a higher crop intake, which had resulted in improved capacity utilisation.

"However, the adverse climatic conditions experienced during harvesting impacted negatively on our processing yields."

He said the group had experienced a steady growth in local sales, with its Koo and All Gold brands strengthening southern African market share.

A contraction on the supply of deciduous fruit and firmer prices had improved international competitiveness. "Our recently established alliance with the multinational food group, the Dole Food Company, has taken off well with good acceptance of Dole deciduous fruit in the European market," Van Rensburg said.
Langeberg reports 29% earnings rise

By Ann Cross

Cape Town — Langeberg, the fruit and vegetable canner, reported a 29% increase in earnings a share to 22c in the six months to the end of March, up from 17.1c in the previous six months.

"The group achieved" this through better operating margins because of improved profitability in its export business.

The December year, it declared a dividend of 5.5c, up 22% percent from last year's.

The group's turnover increased 4% percent to R493.1 million from R429.8 million. An increase in operating margins from 9.3 percent to 11.5 percent led to a 28 percent surge in operating income to R51.8 million from R40.9 million.

Andries van Rensburg, the managing director, said the group enjoyed steady growth in local sales and benefited from improved international conditions. "A contraction in the supply of deciduous fruit, as well as firmer prices improved our competitive advantage on international markets.

The recently established alliance with Dole, the multi-national food group based in the United States, contributed to the good performance because "there was good acceptance of Dole deciduous fruit in the European market." The group also benefited from a lower cost structure and the weaker rand. The expected drop in contributions from the general export incentive scheme therefore had little effect on the results.

Though there was a bumper deciduous crop, which led to improved use of capacity, poor weather during harvesting had had a negative effect on the group's processing yields.

Working capital needs rose from R45.3 million to R125.2 million because of the larger crop and delays in international shipments. Van Rensburg expected favourable conditions to continue on international markets. Domestic demand was uncertain, however.

The group was also undertaking rationalisation steps that would adversely affect second-half results.

Analysts expect a full-year growth of about 20 percent.
Juicy praise for Outspan

OUTSPAN's single-channel marketing system has drawn praise from the World Bank, but it faces strong opposition from several local fruit growers who continue to oppose the scheme.

A report, released by the World Bank last week, says it is generally perceived that a monopoly agricultural marketing system is prone to inefficiency, incompetence and even corruption.

"The SA Citrus Board or Outspan International has proved to be an exception. The citrus industry in southern Africa provides a lesson on how to organise an integrated marketing chain for exporting fresh produce and on the advantages of regional cooperation in agro-business."

It says the southern African citrus industry is a major international player, accounting for more than 7% of world exports. This is likely to rise to 11% by 2005.

The reason for Outspan's success has been its need to remain competitive, and management has proved itself capable of organising orderly marketing. It has been relatively transparent in providing financial data such as prices, costs and returns, the report says.

However, the Independent Fruit Growers Association has slammed the monopoly marketing system which stops farmers from exporting their own produce.

The Citrus Board, of which Outspan is effectively the export wing, recently held a referendum among its members to gauge opinions on the single-marketing structure. The findings are expected to be released soon.

The World Bank report says, however, that Outspan has masterfully coordinated the logistical skills of co-ordinating 600,000 tons of produce from 1,200 growers in four countries — South Africa, Swaziland, Mozambique and Zimbabwe — across a distance of 2,400 km to four sea ports with onward distribution in 140 vessels to more than 50 countries.

It adds that it has taken advantage of economies of scale in reducing unit costs, particularly in co-ordinating regional transport, the purchase of packing materials and chartering refrigerated shipping. It has developed new markets and provides sufficient returns to satisfy growers and stimulate new plantings.

The report says that Outspan has taken a strategic view of the future and continues to adapt rapidly to the changing international market. The exporter has recognized the need for vertical integration through investment in export markets.

Through the formation of Capespan, Outspan has positioned itself to service the expanding superstore sector in Western Europe and to create a foundation for growth into Eastern Europe.

Outspan is the major exporter of "counter-season" citrus and as a result obtains premium export prices. It enjoys a longer supply season than other southern hemisphere countries. In doing so, it takes a regional view, with no apparent preference for South African products.

"This approach parallels those of industry giants like Dole and United Fruits," it says.
shine to the citrus and sugar sectors. But, for the Cape's deciduous fruit, bad and unseasonal weather depressed the expected 7%-8% growth in volume output — the first time in a decade that industry output growth failed to materialise. Nevertheless, export revenues should grow by 10% to R2.2bn.

"Based on increased plantings, we had hoped for better growth. But hailstorms in the Cape's Langkloof area coupled with unseasonal rains in the Orange River valley led to sharp output reductions, especially of seedless grapes. A cold early summer also harmed the potential of some fruit crops," he says.

Sharp increases in labour and shipping costs will shave off some of the benefits of rand depreciation but the international quality name of the Cape brand should provide the usual price premium on overseas markets. So revenue should grow regardless of lower volumes.

"By next year, provided the weather is kinder, we should crack the R2.5bn export revenue target," adds Gant.

In the case of citrus, the picture is looking decidedly better following excellent summer rains. And, with underground water reserves restored and irrigation dams full, the outlook for the next few years is as good or even better.

"We expect export revenues to exceed last year's R1.65bn by R650m-R700m and the much bigger citrus crop should earn about R2.3bn-R2.4bn in forex. This increase will be achieved through the benefits of the low rand, a 16% rise in export volumes — to a record 49m cartons, from last year's 41.7m — and a real price increase anticipated in some markets," says Otspan International CEO John Stanbury. He says new plantings should boost export volumes 37% to 67m cartons by 2003 — when the new trees reach maturity.

With sanctions over, the industry is developing new markets in eastern Europe, the Far East and Canada. And the US market should soon open to SA exports.

"We expect our traditional European Union market, which takes about 60% of our exports, to shrink to about 40% of the total by 2003," says Stanbury.
Making up for lost Geis

Headline interim EPS, up 20%, are on track for the 28% increase for financial 1996. The FM suggested (Leading Articles February 16). But it has clearly been no easy road for MD Andries van Rensburg and his managers.

The headline earnings reconciliation statement shows that the rationalisation programme put in place by Van Rensburg’s predecessor continues. It cost R1.3m in the first half and there’s little to suggest a similar cost won’t be incurred in the second six months as the company fights to reduce costs in the face of diminishing Geis proceeds (there will be none in 1997).

Commendably, margin rose to 11.5% compared with 9.4% a year ago. Paring costs and increasing volumes to achieve higher margin is the only way to survive the end of subsidisation.

As Van Rensburg predicted, local markets improved. Volumes grew as the strong brands gained market share. The large crop usefully increased capacity utilisation. But that’s only half of it.

At least 40% of products are exported, mostly to Europe but also to the Far East. And a contraction in the international supply of deciduous fruits meant better times for the canned product in these markets and margin improved from firmer prices abroad as well as the rand’s weakness.

Langeberg’s rand hedge aspect should not be overlooked. In particular, its alliance with brand leader Dole Foods in Europe should ensure good export volume growth.

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R64m cash balance has disappeared. Hopefully, the stockpile is strategic and will soon disappear, or interest receipts, which have helped shore up pre-tax profits, could turn negative.

Not surprisingly, due to the unexpected slackness in the economy, Van Rensburg says the outlook for demand at home is uncertain. But international markets should remain favourable and full-year earnings growth should be “reasonable.”

With the fall in the rand, the stockpile could prove a much needed export bonanza. And continued rationalisation should help to diminish costs, in the short term as well as for the long haul. With sound management in place, there are good reasons to believe headline EPS for the year will reach the 48c proposed by the FM.

At 560c, the share is on a prospective p/e of 11.7. Given all the uncertainties, that seems fair for the moment. But I can’t help wondering about the effect of rand depreciation on earnings. In six months’ time, hindsight may make the share underpriced now. Gerald Hirshon
Experts proclaim unions the winners in new constitution

John Dludlu

The labour unions have emerged as winners under the new constitution which was approved by Parliament last week, according to constitutional experts.

Addressing a seminar to review business implications of the new constitution yesterday, Webber Wentzel Bowens partner Peter Grealy said the constitutional provision on "union security arrangements" would undoubtedly benefit trade unions as employers seek to challenge closed shop arrangements provided for in the labour relations Act.

Grealy was commenting on the section dealing with labour practices. This stipulated the Bill of Rights did not prevent law recognising union security arrangements contained in collective agreements. A further victory for workers was a right of access to information held by employers where it was required for the protection of the worker's rights.

DP leader Gauteng Peter Leon expressed concern at the "ad hoc" and uncertain manner in which the provisions of the Bill of Rights would be applied between individuals, between people and companies, and between individuals and the state.

"This will bring a great deal of uncertainty to commercial life."

The Bill of Rights, he pointed out, should be a shield of citizens against the state and not a sword in the hands of the state.

However, the constitution protected SA's "holy cows" — the labour unions — from the horizontal application of the Bill of Rights.

On the controversial property clause, Leon lashed out at the new constitution, saying it was a Cinderella of the interim one, which struck a good balance between the right of the state to expropriate property and the right of property owners to compensation.

This balance had, in the new constitution, been tilted in favour of the state.

Leon, also a member of the Association of Law Societies, said the property clause was hostile to holders of mineral rights and investors.

Citrus study shows high return for local growers

FRUIT

Pretoria — A row has broken out in the citrus industry following a study by international accounting firm Barrsaugh & Co and Price Waterhouse Urwick which found that southern African growers earned a net return of about 46% on fruit exports.

Outspan spokesman Penny Palmer said the study, commissioned by the Australian Horticultural Corporation, ranked the citrus marketer and exporter as the top performer in industry co-ordination. Returns to growers in southern Africa were 17% higher than in the US and Australia.

Palmer said the study claimed that growers exercised control over their oranges from farm to market through organisations such as Outspan in SA and Sunkist in California.

The Australian market was mostly too fragmented for this type of integration.

But Vali Jensen, chairman of the Fruit Growers' and Exporters' Association, which dismissed the findings, accused Outspan of a "vociferous propaganda war".

Without the pooling system, in terms of which producers delivered citrus to Outspan, top producers could earn up to 30% more, he said.

"Outspan has support from 52% of citrus growers. In terms of draft legislation, 60% support is required to continue with single channel exports," he said.
Citrus Board Calls for Export Protection to Squeeze Competition

The system has been managed by the American Citrus Exporter's Association, and the American Auditors Association, which would require the careful review of the industry's position in the United States and the possibility of the marketing system. The American Auditors Association, which would require the careful review of the industry's position in the United States and the possibility of the marketing system.
Regulated citrus exports favoured

JOHANNESBURG - An overwhelming majority of South African citrus growers were in favour of the retention of a regulated export marketing system, such as the South African Citrus Board, a KPMG survey has shown.

The survey, commissioned by the Citrus Board and administered by international audit and consulting firm KPMG, showed that 89.2 percent of the respondents voted in favour of a regulated export system.

KPMG said that 8.1 percent of the respondents were against regulated exports.

A total of 220 citrus growers, representing 67.5 percent of the registered growers and 84 percent by volume, responded to the survey.

The draft marketing bill being formulated allows for the future regulation of exports of agricultural products.

Citrus Board chairman Charles van Valderen said in a statement that a single-channel export marketing system was not harmful to the South African community. - Sapa.
'Regulated' citrus exports favoured

JOHANNESBURG - An overwhelming majority of South African citrus growers were in favour of the retention of a regulated export marketing system, such as the South African Citrus Board, a KPMG survey has shown.

The survey, commissioned by the Citrus Board and administered by international audit and consulting firm KPMG, showed that 86.2 percent of the respondents voted in favour of a regulated export system.

KPMG said that 9.1 percent of the respondents were against regulated exports.

A total of 830 citrus growers, representing 67.6 percent of the registered growers and 84 percent by volume, responded to the survey.

The draft marketing bill being formulated allows for the future regulation of exports of agricultural products.

Citrus Board chairman Charles van Velzen said in a statement that a single-channel export marketing system was not harmful to the South African community. - Sapa.
SA poised to lead world

Fruit exporter predicts
Unifruco challenged again
By Audrey d’Angelo

Cape Town — Unifruco’s position as the sole marketer of deciduous fruit from South Africa in the northern hemisphere is under threat as the government considers allowing competition.

Louis Kriel, the head of CapeSpan, said yesterday that the single-market channel allowed economies of scale and reduced competition, leading to the best possible prices for South African growers. CapeSpan is the joint marketing operation for Cape and citrus fruit in Britain.

He said the prices obtained for Cape fruit were higher than those paid to the fragmented Chilean deciduous fruit industry, whose suppliers were playing off against each other. The only other suppliers whose prices were in the same range as Cape growers were in New Zealand, which also had a single-channel marketing system.

Viday Jensen, the chairman of the Independent Fruit Growers Association, said the association had 500 members who preferred to have the choice whether to market through CapeSpan or to sell their produce directly.

Disagreeing with points made by Kriel, he said CapeSpan had all the other growers in the southern hemisphere as competitors.

Kriel said streamlined systems introduced by Unifruco had cut costs drastically. The cost of discharge and storage had been reduced from 5.2 percent of gross sales in 1994 to 4.2 percent last year. It was budgeted to come down to 3.8 percent this year and 3.5 percent next year.

Transport costs had come down from 2.8 percent of gross sales in 1994 to 2.7 percent last year. They were expected to fall to 2.3 percent this year and 2.2 percent next year.
BUMPER grain crops in the Western Cape are set to boost the region's economy this year, while a stable supply of fruit and vegetables is expected to keep prices constant over the next few months.

The national Department of Agriculture predicts a strong showing for the maize, sunflower, groundnut, sorghum and soya bean crops sprouting in summer rainfall areas, provided the good rains continue.

André Visser, assistant director of the Epping Market, said farmers were predicting stable fruit and vegetable prices during the next few months.

"We foresee no shortages or over-supplies," he said.

The Western Cape's barley and wheat production had been so successful that some of the excess had to be stored in silos in the Free State and in Gauteng.

Countrywide, the 1995-96 wheat crop weighed in at around 2.38 million tons compared to last season's 1.83 million, the government's national crop estimates committee said yesterday.

But, in spite of the improved harvest, South Africa was still expected to import 500,000 tons of wheat to meet the domestic demand of about 2.4 million tons, said Wheat Board deputy general manager Johan Dorfling.

The record barley crop and good wheat crop in the Western Cape, a major winter grain production area, had created storage problems, he said.

"We've had to temporarily shift some barley up north, to empty silos in the Free State and Gauteng."

The Western Cape wheat crop was expected to be about 738 000 tons against last season's 738 144 tons.

Wheat Board spokesman Johan Erasmus said the 168 400 tons of wheat expected from North West was "abnormal".

Meanwhile, the barley crop was expected to be about 50 000 tons more than usual at a record 390 000 tons, the second consecutive bumper crop.

Brewers were likely to use about 210 000 tons of barley, the Wheat Board said. Much of the rest would be exported, possibly to brewers elsewhere in Africa.

The Swartland's grain silos had never been so full, said Tienie du Plessis, general manager of grain production at the Western Cape co-operative.

Unifruit chief executive Anton du Preez said climatic conditions had resulted in this season's export fruit crop coming to market 10 days to two weeks later than last season's. This had led to a relative shortage of export fruit before the lucrative Christmas period.

The quantity of export apples and pears had been stable, the grape crop was slightly up, and the early stone-fruit crop slightly down due to the late December rain.

Unifruit exported 50 million cartons of fruit in 1995 and expects to export 51 million cartons this year.
**While all three divisions of the Oceana group contributed to a good improvement in results for financial 1995, the most significant event during the year was the change in the ownership structure of the company.**

There is now a broad spread of new shareholders. These include Real Africa Investments, fishermen’s associations, pelagic quota holders, local business interests and individual investors, along with more than 80% of Oceana’s employees who voluntarily bought shares at market price.

This has empowered many who previously had no effective participation in the fishing industry and no means of gaining entry.

Tiger Oats changed its shareholding from a 70,5% stake in operating company, Oceana Fishing (Ocifish) to 50% of Ocifish Holding which now controls 50,2% of Ocifish.

It did not do this for altruistic reasons. It was a hard-headed, politically motivated decision that has, as MD David Behrens says "greatly increased the merits of our constant quest to obtain quota security and to increase quota mass." So far all concerned are winning because of the improved performance.

After falling consistently as the company’s diversification strategy took hold, in 1994 the fishing division’s share of after-tax profit was 35%. In 1995 the trend reversed and the division contributed 45%.

Higher landings of pilchards resulted in the cannery enjoying good volume growth. Landings of anchovies were unchanged, so fish meal and oil operations could only achieve a marginal profit in spite of record landings of nonquota pelagic species.

Better trading and clearing and forwarding activity increased the trading division’s turnover by 36%. Operating margins rose as a result.

The Cold Storage division enjoyed “unusually high” occupancy levels for most of the year as imports of meat and chicken required “in-transit” storage space. The additional capacity usage produced a much higher earnings contribution. It was further enhanced as the company last year increased its stake in Commercial Cold Storage from 60% to 100%.

Group operating profit rose 40%. But because of new acquisitions and a continuing capital expenditure programme to expand and upgrade handling and storage equipment, the net cash position changed. Interest of R2,1m was paid instead of the R3,8m received in 1994. EPS rose 31%.

Behrens is expecting the sound performances in both the fishing and trading divisions to continue for financial 1996 but is estimating that demand for cold storage space will lessen to normal levels. Yet he is uncharacteristically optimistic and says "group earnings are expected to show a good increase in the coming year."

Assuming a rise of 30% in EPS to 50c puts the share on a prospective p/e of 10. At the current $0.50, the share represents good value.

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**OCEANA M51196**

**Greater quota security**

**Activities:** Catching, processing and canning of fish; food canning; cold storage provision; trading; shipping; clearing and forwarding.

**Control:** Tiger Oats 50%.

**Chairman:** D Nicoule, MD: D Behrens.

**Capital structure:** 96,5m 1rd. Market capitalisation: R499m.

**Share market:** Price: 300c. Yields: 3,9% on dividend; 7,6% on earnings; p/e ratio, 13.1; cover, 1.9. 12-month high, 500c; low, 290c. Trading volume last quarter, 545 000 shares.

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<td>Shareholders' interest</td>
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<td>Turnover 1nd ($)</td>
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**Oceana Fishing**

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_Gerald Behrens_
SEA HARVEST (Fishing)

Taking the bait

**FM 51.96**

**Activities:** Deep sea trawling. Processes frozen and chilled seafoods.

**Control:** ICS Holdings 62% (Ultimate holding company: C G Smith).

**Chairman:** H E Kramer, MD: L Penrhyn.

**Capital structure:** 100m ords. Market capitalisation: R815m.

**Share market:** Price: 51.96c. Yields: 4.5% on dividend; 9.5% on earnings; p/e ratio, 10.5; cover, 2.1. 12-month high, 550c; low, 440c. Trading volume: first quarter, 693,000 shares.

**Year to Sep 95**

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**LT debt (Rm)......** 5.2 3.9 2.2 1.5
Shareholders' interest: 0.57 0.60 0.64 0.48
Return on cap (%) .... 38.0 28.7 20.6 18.9
Turnover (Rm) ......... 312.4 371.2 323.9 360.2
Pre-int profit (Rm) ... 91.2 156.8 88.2 75.4
Pre-int margin (%) ... 29.1 21.0 17.6 20.9
Earnings (c) ........... 62.1 144.9 40.6 48.1
Dividends (c) ......... 34.6 55.0 15.0 23.0
Net worth (c) ......... 145.9 168.2 189.4 192.0

* 15-month period. Annualised.

**The most important** restraint on Sea Harvest's earnings has been the size of its hake quota, which has been static for a few years.

To overcome this obstacle, the company has sought to improve its catch per unit and raise efficiencies in adding value.

A third, more remote option was always available — to enter the Namibian fishing industry. When Namibia's Gendev Corp earlier this year put its Lüderitz-based hake and lobster interests on the market, Sea Harvest chairman Eckart Kramer took the bait "hook, line and sinker."

Sea Harvest Corp of Namibia — 51% owned by Namibian institutions and 49% by Sea Harvest — bought Gendev's three companies, Lalandii, Blue Angora and Capensis Fishing. These have 9,360 t of hake and 45 t of lobster quotas, fishing vessels, processing and cold storage facilities.

The acquisition could prove to be an astute move. The Namibian hake resource is reputed to be recovering well from the overfishing that took place until the newly independent government stopped it.

Sea Harvest now has additional assets and another sorely needed venue for expanding its core business of catching, processing and marketing seafood.

Kramer will not disclose the price paid for the acquisition but reckons there are large synergies between the Saldanha and Lüderitz factories.

In SA waters this year the hake resource was in good shape and Sea Harvest's fishing returned to a normal catch pattern. A better catch rate, with greater factory efficiencies and sound trading locally and internationally, led to much better results.

Kramer says the continuing capital expenditure programmes undertaken to improve expertise in beneficiating hake have created high acceptance for the product in the US, Australia and Europe. More than 40% of output is exported and he is confident demand from these countries and locally will remain firm for at least the remainder of this financial year.

With quotas restraining earnings growth, the market has not rated the share like others in the food sector.

Now, even though the new investment is not expected to boost earnings in 1996, the company has better chances for growth. And prospects can only improve as Namibian quotas expand with the hake resource there. Sea Harvest's balance sheet is strong. It has R96m cash and continues to invest in the latest technology to add value and increase productivity while pursuing fish farming research techniques.

As a provider of quality protein food for local and international markets, the company has the potential for solid, if not exciting, earnings growth. At 515c, the share offers sound value.
Foreign fishing vessels boost economy

By Audrey d'Angelo

Cape Town — Japanese and Taiwanese fishing vessels calling regularly at Cape Town are contributing more than R340 million a year in foreign exchange to the South African economy, according to Johan Carse, the marketing manager for the port of Cape Town.

More facilities had been provided to encourage them to lay up their ships in Cape Town at the end of the fishing season and to have repairs carried out here instead of sailing back to their home ports, he said yesterday.

A Japanese corporation was conducting a feasibility study to determine whether to invest in a ship lift and other repair facilities.

Carse said if this project materialised it would mean training local people in Japanese technology which would be an important contribution to the RDP.

He said discussions about the proposed repair facilities had been held with the Mitsui Corporation and with the Japanese government's development organisation, Jaido.

The money spent had a multiplier effect, like the tourist rand. In addition to the ships' owners spending money in the port, with chandlers and refuelling, the crews also spent money at businesses in the city.
Fishermen vow to defy crayfish laws

Scorched sea’ plan until industry restructuring.

ROGER PRINSEMAN
Staff Reporter
CONFRONTATION is looming between sustenance fishermen and the Department of Environmental Affairs. The fishermen have taken a formal decision to defy laws restricting access to crayfish and pelurem so long as the industry is restructured.

Representatives of about 2,000 fishermen operating from Peninsula, south and west coast harbors have formed the Fishermen’s Action Group, voting immediately for a defiance campaign they have called a ‘scorched sea policy’.

Sea Fisheries acting-chief director Rudel Lea has responded...to improve the method of problem-solving.

Andy Johnson, who chaired the group’s inaugural meeting, said yesterday the defiance resulted from irresponsible fishers having already extinguished “every available channel of communication to persuade the authorities to grant them a legal slice of the lucrative pie.”

Mr Johnson, who chairs a body called Informal Fishing Communities, is one of the members of the Fishing Policy Development Committee established by the government to formulate new policy.

He said fishers had tried to operate within the law, begging the assistance of the policy development committee, the Quota Board, Sea Fisheries, President Mandela and Environment Affairs Minister Dawie de Villiers—all to no avail.

The gist of the fisherman’s complaint was that the Quota Board—which allocated new quotas in November—failed to take the reconstruction and development programmes into account.

Instead of addressing the needs of the poor, the board allocated quotas to “foreign individuals,” rich businessmen, police, teachers and other non-fishermen,” Mr Johnson claimed.

And to rub salt into the wound, the Fishing Policy Development Committee’s technical committee on access rights recommended that quotas could only be taken away from a quota-holder if that person or business was compensated.

“We find that completely unacceptable. They get their quotas by taking advantage of a corrupt system which marginalises fishermen,” Mr Johnson said.

Mr Lea said the Fishermen’s Action Group appeared to be an initiative of people who “wish to better themselves at the cost of the community.”

Although Sea Fisheries was sympathetic to ‘fishermen who have been living hand-to-mouth over many years’, the scorched sea policy was unacceptable.

Environment Reporter

Some of South Africa’s seven marine patrol vessels may be maintained and repaired for a little more than R2 million, but this must be regarded only as a temporary measure, says the department of Environmental Affairs.

Responding to questions by Democratic Party senator James Sellel, the department gave this assessment of the vessels:

- Protector I—25 years old. In very good condition, but still not economically repairable, should be withdrawn immediately.
- Pelagis—13 years old. Not suited for the work and costly repairs not justified, should be withdrawn by the end of March.
- Patella—nine years old. Not suited for the work and costly repairs not justified, should be withdrawn by the end of March.
- Protector II—25 years old. Poor condition, but still economically repairable, should be withdrawn between July and December.
- Custos—30 years old. In fair condition, but needing repairs. Too slow (10 km/h) to cope with modern vessels, should be withdrawn by December.
- Malagas II—27 years old. In need of maintenance, should be withdrawn by 2000.
- Jesus—25 years old. In need of maintenance, should be withdrawn by 2000.

Lack of funds brings fisheries law enforcement to a standstill

JOHN YELD
Environment Reporter

FISHERIES law enforcement has “virtually come to a standstill” since the state admitted to a serious lack of funds and lack of staff that had led to an overburden of Environmental Affairs.

It warns that this could have a “deteriorating” effect on the fishing industry and for coastal fishing communities, many of whom are already struggling.

All seven of the department’s marine patrol vessels are in a serious state of disrepair, and most are not suited to the task of providing an effective platform for fisheries inspections and law enforcement.

One of these vessels should be scrapped immediately and a further four withdrawn by the end of this year, the department says.

Fourteen of the 137 law-enforcement posts (10 percent) in its sub-districts of marine conservation are vacant, as are 15 of the 32 (52 percent) in the patrol vessels.

Three admissions are made in a letter, signed on behalf of Environmental Affairs director-general Collin Cameron, to Democratic Party senator James Sellel, who last year posed a series of questions about South Africa’s marine law enforcement during a session of the joint national assembly-senate portfolio committee on public service and administration.

Dr Cameron’s letter states: “Our fishers resources are constantly under threat from illegal harvesting and hence from the danger of overexploitation.”

“The very important task of protecting our living marine resources, both on and offshore, is currently under severe pressure...owing to a critical lack of both manpower and funding to effectively control the exploitation of marine resources along the entire South African coastline.”

“It must be stressed that failure to protect our fishing resources will have catastrophic results for South African fisheries, especially for those coastal communities dependent on them.”

Effective fisheries law enforcement, the letter says, is not only absent at sea, but only three of the department’s marine patrol vessels were operational because of their age and the lack of people and maintenance because of inadequate funding, the letter states.

Because of these vessels’ generally poor condition, control funding could not be executed efficiently.

Repairs could be regarded only as temporary.

To be effective, vessels designed and built to achieve optimum efficiency, as are those in all African sea conditions are essential.

The department had asked the Navy to provide and maintain fisheries patrol vessels, but had been told this was “not quite within the (the Navy’s) scope of operations.”
Fish shop owners up in arms

Labour Reporter

ANGRY fish shop owners in the Western Cape have demanded that Irvin and Johnson Ltd meet their demand for fresh fish.

A group of 35 fish shop owners, from as far afield as Malmesbury, converged on I & J's offices at the Waterfront yesterday and demanded to meet the management.

Louis Paulo, whose Malmesbury fish shop has been in operation for 38 years, said he needed about 1.2 tons of hake a week, but he got only half of this.

"Fish is a cheap meal and most people prefer hake to other fish," he said.

"We have to use I & J because they have a virtual monopoly. Other suppliers would be even less able to meet our demand."

A spokesman for the group, Mannie Gouveia, said I & J management had agreed to get five tons of fresh hake a week to the shop owners from Monday.

"We need seven to eight tons a week," said Mr Gouveia. "But we have accepted their compromise and will see what happens."

I & J spokesman Sisa Mawisa said in a statement afterwards that the company's hake catch varied according to season.

"Large hake, as a proportion of total catch, is less in summer and the reverse is true in winter."

"The supply to the local market is based on the catch, which predominantly consists of smaller-sized hake in summer."

"However, the local fresh fish market prefers to use large hake exclusively."

"As a result, there is insufficient supply of large hake during summer months."
Fishing body bailed out for R1,3m

JEAN LE MAY
Staff Reporter

TREVOR Manuel, Minister of Trade and Industry, has come to the rescue of the cash-strapped fisheries policy development committee (FPDC) with a promise of R1.3 million to enable it to complete its work.

The committee was established by Environmental Affairs Minister Dawie de Villiers late in 1994 to develop a new national fisheries policy. It was due to report last October, but by November it had produced only an interim report and was running out of money.

Arnold Slater, deputy director (marine resources) of the sea fisheries division of the Department of Environmental Affairs, told Saturday Argus yesterday that after protracted negotiations Mr Manuel had agreed to an interdepartmental transfer of R1.3 million.

It had been stipulated that there should be strict financial control and that the committee should produce its final report by June, said Mr Slater. Once the report had been produced, there was still the long process of preparing a White Paper by Dr de Villiers' department for submission to parliament, he said.

There have been criticisms that the committee has splashed money around, with lavish offices in Cape Town, inflated staff salaries and a great deal spent on travel. It was financed by a grant of R630 000 from the Department of Environmental Affairs, while the Small Business Development Corporation, the Development Bank of Africa and the Masimane Trust (apparently formed by SA Breweries) and private donors promised another R17 000.

In November committee chairman Mandla Ganyana said only R63 000 had actually been received. It was reported to the committee that there was only R178 000 in the kitty for running expenses of working committees, and the fisheries committee borrowed R15 000 from Kalk Bay representatives of the informal sector to pay staff salaries. Questions were being asked about unpaid debts of R64 000, mostly for expensive equipment and furnishings, which had been run up without proper authorisation.

Meanwhile the working committee of the FPDC had had a rough passage because subsistence fishermen had threatened to withdraw their representative from it because they were displeased with the Quota Board, which had carried on allocating quotas although the committee was busy considering ways of restructuring it.

The fishermen were also displeased that the technical committee of the FPDC had suggested that people whose quotas were reduced in order to allocate new quotas should be compensated.

Mr Slater said yesterday that he had appealed personally to the fishermen to rethink their strategy and to remain within the FPDC in order to bring about changes instead of defying the law.

Saturday Argus understands that informal sector fishermen were still “considering their options” over the weekend, when they would decide whether to attend the three-day get-together of the working committee at Devon Valley Country Club this week or whether to continue their boycott.

The Quota Board had continued to allocate quotas to “rich companies, foreigners and non-fishermen” and had ignored the needs of the poor, informal sector representative Andy Johnston was reported as saying.

Mr Johnston said that subsistence fishermen, who had appealed without success to official circles from President Nelson Mandela downwards, had decided to defy laws restricting access to crayfish and perlemoen.

There was a row about the compensation issue at the FPDC’s technical committee report-back meeting last month. Technical committee chairman George Branch, professor of zoology at the University of Cape Town, told Saturday Argus at the time that “this will become a legal matter.”

“Ultimately, compensation may have to be paid because the constitution says that nobody’s rights may arbitrarily be taken away from them.”
Talks on navy role in policing

JOHN YELD, Environment Reporter

The SA Navy's role in helping to police South Africa's fisheries is to be discussed at a top-level meeting next week between the director-general of Environmental Affairs, Colin Cameron, and the head of the navy, Robert Simpson-Anderson.

This was revealed at a press briefing today by Environmental Affairs Minister Dawie de Villiers, who said poaching was "of very great concern to us" but that South Africa did not have enough funds to equip an effective marine inspectorate.

"The number of inspectors is far below what is required and their salaries are a major problem," Dr De Villiers said.

But we're not going to get enough money next year or even the year after, and we'll have to find new methods."

There was "close co-operation" with the navy which was of great importance in policing South Africa's offshore areas, but much of the poaching, involving species like perlemoen and rock lobster, occurred in the inshore area, Dr De Villiers said.

"There are limitations. . . . The navy is not a panacea." ARG 26/11/96

There would be discussions next week between Dr Cameron and Admiral Simpson-Anderson to see how co-operation could be improved.
KwaZulu Natal's topical fish farmers lay prey to cheap imports.
The incident was reported to the police.

"Police are on the scene at the intersection of Main Street and Park Avenue. A car has collided with a pedestrian. The suspect was arrested. The incident has been reported to the traffic division."

Police are investigating the incident. The suspect was arrested and charged with reckless driving. The pedestrian was treated for minor injuries. The incident has been reported to the traffic division.
New head of Sea Fisheries appointed

MONDE Mayekiso was today appointed head of Sea Fisheries by Minister of Environmental Affairs and Tourism Dawie de Villiers.

Dr Mayekiso, presently special assistant to the vice-chancellor at Fort Hare University, starts his new job on March 1.

De Villiers said he was confident Dr Mayekiso would make a "substantial contribution, especially with regard to the Reconstruction and Development Programme."

"Dr Mayekiso joins the department at a very important time, and his in-depth experience and work in a number of fields relating to the fishing industry will assist him in bringing a new and fresh approach to the department."

"He also brings with him an insight into the problems and needs of local communities."

Dr Mayekiso, 41, completed undergraduate and honours degrees in Zoology at the University of Fort Hare, followed by an MSc from Rhodes University and a PhD from the University of Maryland. His work has included studies in quantitative techniques in fishery management and fishery science.

Dr Mayekiso replaces Louis Botha, who resigned a month after he and his administrative director, Guillaume de Villiers, were held hostage in his office for 38 hours by angry fishermen."
Fisheries chief to focus on RDP

Cape Town — Fulbright scholar Mondi Mayekiso was yesterday appointed as the first black chief director of sea fisheries.

A departmental spokesman said Mayekiso, 41, would oversee the restructuring of the troubled fishing industry, reporting to the director general of environment affairs.

Environment Affairs Minister Dawie de Villiers said Mayekiso would work closely with coastal communities seeking access to the fishing industry and would initiate reconstruction and development programme projects.

"His in-depth experience and work in a number of fields relating to the fishing industry will certainly assist him in bringing a fresh and new approach to the department," he said.

De Villiers said last week he hoped to begin the restructuring of the fishing industry before the end of the year.

Mayekiso studied at the University of Fort Hare, Rhodes University and has a doctorate in marine and environmental science from the University of Maryland. He was a Fulbright scholar in 1979.
Fruit beverage industry in SA gets a packaging lift

By Ross Newton
clear in his announcement that the farmers will not enjoy any special benefit or advantage through this acquisition. Deprived by legislation of the right to distribute or market their own produce, and to choose their shipper, farmers could easily find themselves used as a source of easy revenue to build up the ailing and obsolete fleet previously owned by Universal Reefers.

Particularly since the new operation, openly stated as being underpinned by SA fruit growers, will still be based offshore, along with a host of other offshore companies (Unifruco alone has about 24) and performance monitoring by the fruit producers will be impossible.

The Independent Fruit Growers & Export Association says while other sectors in agriculture have deregulated speedily with spectacular benefits to producers, the pattern emerging in this industry seems to be one of alienating the assets and control thereof of the fruit farmers while restricting their options through retention of statutory control until the new order has been established.

The apparent objective being to create an organisation so powerful it will totally dominate the export mechanism and make it very difficult for individual or small groups of growers to target and develop speciality markets even in the event of formal deregulation of the citrus and deciduous fruit industry. And this in spite of the fact the infrastructure has been built up by contribution from all growers over many years.

The part played by the Department of Agriculture in this cannot be overlooked, as it alone stands between the fruit producers and the freedom many of them seek to market and distribute their own produce, say the independents. While espousing free market principles, the department under Kraai van Niekirk finds excuses to delay the inevitable deregulation of all agriculture and not just some of it.

Representatives of European fruit distribution companies who visited SA last month confirmed that this country would be “flooded” with fruit buyers within days of any deregulation and that producers of good quality fruit would benefit considerably.

The independent’s association membership now represents over 25 000 hectares of fruit production and has members ranging from very large corporate production units to privately farmed units of less than 10 hectare, all of whom support the ideal of freedom to export their fruit. The organisation does not seek the demise of the existing structures, only the right for its members to have a choice, and if they so wish to compete against it.

Some of the members feel that merely having the freedom to move if they wished would make the two fruit bodies sufficiently accountable, and such a move would not be necessary.
SA's fruit exports get a top rating

By MARCIA KLEIN

TESCO, the massive British retail chain, is one of South Africa's biggest clients for consumer products and is the single biggest client of South African fruit exporters.

Unifruco, the international marketing group of the deciduous fruit industry, says Tesco is Unifruco's largest customer with sales running to more than $30-million annually.

Sir Ian MacLaurin, Tesco's chairman, was in South Africa last week to cement relationships with farmers and exporters. He says Tesco has always bought canned fruit from South Africa.

Tesco, was mainly an importer of canned fruit from Langeberg. But with a change in consumer preferences, it now imports more fresh fruit.

Tesco imports grapes, citrus, plums, apples, pears and exotic fruits and is "a huge importer of South African wine".

It still sells canned products but this is now a small part of its business. Canned fruit sales are on the decline, whereas fresh fruit sales have increased by 15% a year over the last few years.

Sir Ian says South African fresh fruit exporters are tops when looking at value, continuity of supply and quality.

"I have been around the farms and seen the husbandry which is on a par, if not better than the rest of the world."

Another reason for importing from South Africa is the need to have a good chill chain, where products are kept in an almost chilled state. From the chill store, products are loaded onto ships and unloaded in Britain 14 days later.

South African products are in Tesco stores within 16 days. Sir Ian says that at this time of year South Africa has a huge advantage over the rest of the world. Fruit imports from Chile take 24 to 24 days, and New Zealand is a month away.

"With the quicker rate of supply, coupled with the integrity of the product, South Africa is a leader in the field," he says.

His cursory glance at the South African retail market seems to indicate that stores are eight to 10 years behind those in Britain, particularly in terms of logistics, distribution systems and efficiencies.

"There is a huge opportunity to do the fresh side of the business better here. We are successful in the food chain because we all work together, from the grower right the way through."

Tesco sends people to South Africa so they can plan their respective needs together. "This is very much a combined operation. It is in our interest that everyone along the chain understands our problems and needs and that each section is profitable," he says.

He says the tradition of squeezing manufacturers is not the right way to go.

Tesco pays its suppliers in 30 days. "To keep manufacturers willing gives them a problem and they have to cut training and innovation budgets, and inefficiencies flow back along the supply chain."

Tesco has 500 stores in Britain, 130 in France, 65 in Hungary and 45 in Poland. Its own brand makes up 45% of sales while branded goods make up 55%.
Citrus exports spurt ahead

ROY CONWAY

Pretoria — Southern African citrus exports through Outspan International are expected to grow at least 5 percent this year to 44 million cartons worth R1.8 billion.

But Outspan International managing director, John Stanbury, said this export estimate was conservative and the group hoped to export close to 50 million cartons, which would boost gross sales to about R2 billion.

Last year a record 41.7 million cartons were exported to 60 countries, compared with 39.6 million cartons in 1994.

"From a marketing viewpoint, the outlook for the increased export citrus crop is positive. Indications are that the northern hemisphere citrus season will end early, which will open the market for Outspan in Europe in particular. "

"Exports to new markets such as Canada and eastern Europe, developed by Outspan since the early 1990s, will also be substantially higher than those of 1995," he said.

Reasonable

Stanbury said the early end to the northern citrus season meant Outspan would be able to enter the market at more reasonable levels instead of waiting for an increase in demand to push up prices.

He said western Europe accounted for between 50 and 55 percent of Outspan’s exports and the Middle East about 30 percent.

Stanbury attributed the expected increase in exports to the widespread recent rains and the number of new citrus trees coming into production.

"The Northern Province and Mpumalanga, two of the largest citrus production areas, have in particular been severely affected in recent years by the ongoing drought.

"However, the good rains received over the past month or two bode well for citrus production from those areas.

"The fact that major dam levels are still rising and that farm dams are full will ensure the success of this year’s crop and enable a good crop to be set for the 1997 season," he said.

The condition of trees had improved markedly since the breaking of the drought and fruit size was expected to be good. But Stanbury said that the potential export crop in some areas had been affected by heavy winds and hail damage.
PORT DELAYS BUILD AS IMPORTS, FRUIT EXPORTS GROW

DELAYS to vessels waiting for berths at the container terminal have increased steadily over the past weeks with most ships having to wait at the outer anchorage for 60 hours or more.

The Spevda Vraedos had only 10 containers to discharge and seven to load, yet she had to remain at anchor for 57 hours, while Cosco's Tao He had 20 boxes to discharge and 11 to load, and was delayed before berthing for 52 hours. NYK's container ship, Ise, worked her containers with her own deck cranes at the combi terminal, until the straddles broke down, forcing the vessel to wait four days for a berth.

The fruit berths are also under pressure with exports in full swing. A number of vessels have had to anchor in the roadstead until their berths became available. With a steady flow of imports expected as well, delays in Cape Town are expected to continue for the next few months.

MAKING her first visit to Cape Town this week is the Japanese cruise ship Nippon Maru.

The 21,903-ton ship is on a special voyage carrying students from various nations.
Profit through pruning and partnership

Losing its subsidy lifeline

For most of its existence as a listed company, only the receipt of government subsidies in the form of export incentives (Gels) has kept Langeberg Foods profitable.

This Tiger Oats subsidiary, with brand names such as Koo and All Gold, is big. Its turnover will be almost R1bn. It affects the livelihoods of hundreds of farmers and their dependants and it has about 2 300 permanent and 6 000 seasonal employees.

Now — just when Langeberg is facing static or even declining international demand for canned foods — its subsidy lifeline is being removed.

Can it remain a viable company?

The recent behaviour of its share price suggests it can. At December 22, the price was 460c. It is now 600c. Investors have reassessed the share, presumably in the belief that it will survive and prosper.

A year ago, when the share was around 400c, the FM said it offered good value (Companies January 20 1995). There are sound reasons for reiterating this.

Langeberg chairman — and Tiger Oats MD — Nick Dennis has shown that his own brand of business philosophy pays. Dennis was previously MD of ICS, another C G Smith subsidiary. This group had long been a lacklustre performer when Dennis joined in 1990. Its share was then trading at R8. Since then, ICS subsidaries — including Sea Harvest, Early Bird and Renown — have become profitable dynamos. Dennis transformed ICS and its price is now R43. He is bent on doing the same with Langeberg.

Dennis believes that trying to add value to a cost base that is too high renders a company a candidate for liquidation. When he joined ICS, his first step was to strip away as much overhead costs as practical in the subsidiaries.

He says only after the cost base is satisfactory can managers set about adding value. "It's a process," he adds. "Cost repairing, making the business cost-competitive and creating innovaion, adds value to it and its products, takes time and can only be achieved if the right people are in place."

Dennis clearly has the ability to select and position executives. Before Andries van Rensburg (41) was appointed MD of Langeberg late last year, he was a main board director of Oceana Fishing (another Tiger Oats subsidiary) and MD of its fishing division. Before that, he was GM of Langeberg's Paarl factory.

Dennis says Van Rensburg was appointed because "he's clever and action-orientated, is a no-nonsense guy, makes it happen and wants to get the job done." At Oceana, Van Rensburg was responsible for extensive rationalisation. He reduced numbers sharply at St Helena Bay and Lambert's Bay. He is uncomfortable about the social consequences but adds that "spreading poverty is no solution — wealth has to be created."

Langeberg is firstly in the food industry and only secondly in the packaged fruit industry. With foreign demand for its products shrinking, it badly needs internationally acceptable innovation.

Only through innovation will it find ways of overcoming growing consumer resistance to canned fruit. It's also the only way it will generate long-term return on capital employed which will be acceptable to Dennis.

The reason for stunted canned fruit demand starts with technological progress. Most types of fresh fruit can now be shipped around the world under controlled temperature conditions and reach their destinations in good condition. And research indicates that today's consumers prefer fresh fruit, mainly for health reasons.

Next to processed puddings, such as ice-cream and other convenience desserts, fresh fruit is canned fruit's biggest competitor. Together, prepackaging, processed desserts and fresh fruit are eating into canned fruit's market share. Yet the market remains large. In Europe alone, Van Rensburg says, 60m "basic" cartons (each containing 24 x 250 cans) are consumed each year. Mainly due to sanctions, Langeberg was never able to develop a brand name there.

But the US-based multinational Dole Food Company, best known for its canned pineapple, has a large slice of the European canned food industry and a distribution organisation to match. That's why Langeberg formed a strategic alliance with Dole on a royalty basis.

It could turn out to be a masterstroke for both and the key to Langeberg's longevity.

Continued on page 34
Dole has no deciduous fruit in its product range. Sales of canned pineapple are way ahead of sales of its other canned fruit (mainly mango, paw-paw, tropical fruit salad).

The introduction of SA canned, Dole-branded deciduous fruit — especially with the internationally acknowledged high quality of the SA product — should generate a positive response among canned fruit marketers in Europe.

While Langeberg will continue to export and sell its own brands to existing outlets, it can market its products to private label stockists in Dole territory as well. Initially, the alliance should raise Langeberg’s sales and profitability in Europe. The company will continue to pursue expansion in Far Eastern markets.

Apart from its other problems, Langeberg is fighting on the financial front to compensate for the reduction and tax of Geis benefits in the short term and the elimination of Geis in the long term. Hence the stringent rationalisation over the past 18 months.

Most of the costs of rationalisation were carried in financial 1995. Roughly 200 jobs were made redundant. Van Rensburg says total rationalisation cost was about R23m (pre-tax) for the year, all incurred in the second half.

As part of the process, and to break up the centralised structure inherited from the days when Langeberg was a co-operative, the company has been restructured into three subsidiaries, the organisation has also been flattened. Decentralised management now ensures authority, accountability and responsibility are inseparable in each of three basic areas of activity.

All processing operations will take place under Langeberg Food Processors. Langeberg Foods Southern Africa is to market and distribute locally to other African countries. Langeberg Foods International will operate from the Isle of Man to bolster arrangements with Dole and as a stepping stone to Europe and the rest of the northern hemisphere.

About 40% of Langeberg’s turnover is now exported. Most goes to Europe but 25% is shipped to the Far East, Japan being the biggest consumer. Since sanctions were lifted, Langeberg’s own label export sales have increased.

Van Rensburg estimates that about 5% of exports will be sold under the Dole label, in 1996 and 10% in 1997. In five years’ time, about half of the exports could be under the Dole label.

In financial 1995, Geis made exports more profitable than local sales. But because Langeberg receives no relief from the Lomé Convention — which exists to protect European producers — it pays a 24% duty on most of its products entering Europe (These duties are to be lowered in terms of Gatt to 19.2% duty by 2000).

**PROFILE**

**Activities:** Canning, freezing and drying fruit and vegetables

**Control:** Tiger Oars 84%, C G Smith

**Chairman:** N Dennis, MD; AV van Rensburg

**Capital Structure:** 180m ous

**Market capitalisation:** R960m

**Share market:** Price: 800c. Yields: 2.1% on dividend; 6.3% on earnings; p/e ratio, 16.4; cover, 3.0; 12-month high, 600c; low, 400c; trading volume last quarter, 726,000 shares.

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<td>14</td>
<td>12</td>
<td>10</td>
<td>9</td>
<td>9</td>
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<tr>
<td>Turnover (Rm)</td>
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<td>855</td>
<td>819</td>
<td>883</td>
<td>909</td>
<td>947</td>
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<tr>
<td>Profit margin (%)</td>
<td>10.9</td>
<td>10.9</td>
<td>9.4</td>
<td>8.7</td>
<td>8.7</td>
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<td>10.9</td>
<td>9.4</td>
<td>8.7</td>
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<td>Earnings (Rm)</td>
<td>51.7</td>
<td>41.9</td>
<td>37.5</td>
<td>37.6</td>
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<tr>
<td>Dividends (Rm)</td>
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<td>14.0</td>
<td>12.5</td>
<td>12.5</td>
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<tr>
<td>Tangible NAV (Rm)</td>
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<td>207</td>
<td>203</td>
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Sales into Europe accounted for 55% of export turnover but only 30% of gross margin. That is why Langeberg is seeking other markets, with the Far East expected to be a major growth area.

The prospect of higher prices off a low base in the northern hemisphere and the tie with Dole bode well for growth in exports in financial 1996.

Locally, prospects for a buoyant, if not exciting, financial 1996 are good. It is estimated about 70% of Langeberg’s local sales are to black consumers, many of whom depend directly or indirectly on the agricultural sector for their income.

Local sales are sensitive to this group’s discretionary income. Van Rensburg says that, because of the good rains, better returns from the agricultural sector — everybody underestimates its role — are expected.

He’s “very bullish” about the local market’s off-take for canned products in the coming year and believes that, for the first time in years, there should be volume growth domestically.

However, the SA climate continues to dictate Langeberg’s fortunes. Dennis notes that the company’s financial record is flawed by the volatility of its earnings because of this factor. He believes “shareholders don’t hold food stocks for volatile earnings.”

This volatility is being addressed as a strategic problem. Solutions are being sought to avoid the perception that Langeberg is a producer of commodity foods. The possibility of further international competition entering the local market worsens this perception.

In the year to September 1995, Langeberg’s pre-tax profit rose 37.5% to R94.3m but the effective tax rate increased to 36.2% from 12.6% in 1994 as Geis became taxable from last March and assessed losses were fully used in the previous year. Attributable earnings and EPS were maintained at R60.2m and 37.6c respectively.

The biggest short-term threat to profit growth remains the effect of Geis reduction (14% taxable in 1995, 12% in 1996, 10% in 1997 and zero in 1998). But the Dole alliance and better sales volumes at home will help to cushion the impact. Moreover, the severe cost-cutting already done will boost margins.

A reasonable estimate of turnover growth would be 14% for the next two years and 13% in financial 1998. Dennis says the company is striving for a 14% margin but will not achieve it in 1996 because further rationalisation is needed.

Realistically, a margin of 12% could be realised in 1996 to take operating profit to about R115m (depending on the rand/ US$ rate and precise Geis revenues), up about 28%. If EPS increase similarly to 48c, the prospective p/e is 12.5.

Aside from cost competitiveness, Dennis wants “a strong balance sheet.” Langeberg already has that. It has no long-term debt, at year-end held R64m cash and has a healthy current ratio.

All indications are that the company will soon emerge from its dark age. As Dennis says, “The score sheet must tell and the share price is the score sheet.” Langeberg has dynamic management. It will soon become cost competitive, if it isn’t already. It is forming strong alliances and has the cash to make acquisitions.

And Dennis is determined to make it a global participant of consequence.

Gerald Hirschon
Fruit grower's net profits fall

Weather affects WB Holdings volumes

BAD weather hit Cape fruit producer W B Holdings last year, cutting net profits by more than half.

Volumes were down by a quarter in the year ended December, the company said.

Pre-tax profits dropped disproportionately by 57 percent to R2.1 million, because of the fixed nature of farming expenses.

Net profit came in at R2.1 million from R4.75 million in 1994.

But the dividend has been held at 8c and chairman Robert Silverman was upbeat about the future.

Weather conditions were much better, he said, and production should be significantly higher this year.

"The latest reports from Europe indicate no large carryover stocks and it is thus expected that our quality Cape fruit will continue to perform well in 1995," W B is to develop 20 hectares of new plantings this year, at a cost of R1.8 million; a further R1.8 million will be spent on housing, equipment and a fruit tree nursery.

The Nkomati nickel joint venture is to go ahead, Anglovaal and Anglo American said today. Exploitation of the sulphide zone on two Mpumalanga farms would yield 10,000 tons a month of ore milled, giving 3,000 tons of concentrate, at a capital cost of R140 million.

Palabora Mining said the development of a R1.5 billion copper mine below the current open pit operation in Northern Province would start in June. Copper production from underground was estimated at more than 90,000 tons a year from the year 2003.

Northern Engineering Industries Africa, a member of the Rolls Royce Group, more than trebled attributable profits to R16.4 million in the year ended December, on the back of a 20 percent increase in turnover.

Directors said gearing had been reduced to 12 percent but no dividend would be declared so as to retain cash and avoid secondary tax on companies. Dividend payments would be resumed this year, they said.

Packaging, printing and property company Alex White reported a R38,000 loss for the six months to December 1995. Heavy investments in machinery and product development had coincided with low consumer demand for some of the products for which the group produced packaging, directors said.

No dividend was declared.
 Govt offers to buy fruit farms for workers

Patrick Wadula

GOVERNMENT has offered to buy three bankrupt Mpumalanga farms from Crookes Brothers for R18m for the 600 farm labourers who work there.

Land affairs department communications director Maurice Smithers said the ministry had made the offer earlier this week, and the JSE-listed company was still considering it.

The three fruit farms — Lomati, Dornkraal and Ooshang — were liquidated at the end of last year after owing almost R26m to creditors.

Crookes Brothers bought the farms after they were liquidated, with the intention of turning them into sugar plantations, but it was prevented from taking control of them by the workers, who feared retrenchment.

Smithers said government planned to make R15 000 available to each household through the Inula Trust, formed by the farm workers to manage the farms, for a total of R9m. The department would advance the farm workers the remaining R7m, repayable within a year.
rival in European ports to delivery to the retailer cut the margins of the growers at home. "About 9% of our export value goes to the farmer. Therefore, it is our task to find ways to increase their revenue. The most logical one was to select strategic ports, where we assume all responsibilities relating to the servicing of sales to our customers. The saving potential is about R400m."

However, the Capespan venture will hardly endear it to members of the Independent Fruit Growers' Association. The association will see the latest move as a further bid to entrench single channel marketing. Members claim that given the opportunity to market their own produce far higher returns would be seen — which seems to be borne out by Capespan's current return rate (9%) to growers.

Kriel says a study found that Antwerp was the most appropriate port to service a market of about 110m consumers in the Benelux, large parts of Germany, Northern France and Switzerland.

Capespan joins hands with Belgian New Fruit Wharf. A new fruit and vegetable terminal will be erected, which will include a cold storage facility for up to 40 000 pallets by the end of 1997. Capespan's share of the investment has not yet been finalised, but will be less than one third. Antwerp will process 40% of all exports to Europe, Britain will look after about 30%, with a similar percentage being off-loaded in Hamburg and two south European ports.

Kriel is bullish about market prospects, which explains the commitment Capespan has made to its ports of entry. "We're looking at about 74m cases of produce in 1995, the first full year after the establishment of Capespan. For the year 2000 we want to increase our market share to about 120m cases." He expects the largest market growth in stonefruit, soft citrus, subtropical fruit and desert grapes.

His main worry is the EU's perception that South African growers pose a serious threat to the heavily subsidised common market. "This fear is totally misplaced," he stresses. "We are a southern hemisphere producer, which implies that our products enter the European markets when they are out of stock. Hence, we don't understand the hefty import duties we have to pay. The EU charges us 24% on peaches when they don't have supplies. Reducing import duties would further increase profit margins in SA."
Peachy performance for WB Holdings' Cape fruit

**STAFF W/ITER**

Johannesburg — WB Holdings' quality Cape fruit would continue to perform well this year, Robert Silverman, the chairman, said in the group's annual report.

He said the weather conditions for fruit farming had improved during the season. He also said that the European fruit markets had indicated no large carry-over stocks.

"In summary, this year should reflect a marked improvement in profitability."

In the year to December last year, attributable income declined from R4.8 million to R2.1 million on turnover which fell from R16.1 million to R14.1 million.

Dividends were maintained at 8c a share.

Unfavourable weather conditions resulted in a 25 percent reduction in fruit volume on the previous year. The effects of the loss of the general export incentive scheme also hurt last year's results.

Silverman said that notwithstanding the poor results, the group had enjoyed favourable cash balances throughout most of the year.
1.7 tons of infected poultry destroyed in a year

Since April 1 last year, 1.7 tons of imported poultry had been declared unfit for human consumption with salmonella enteritidis and typhimurium. Agriculture Minister Dr Krael van Niekerk said. The meat was from Europe, the Americas and the East, he said in reply to a question from Senator Errol Moorcroft (DP). – Sapa.
Sweet future for fruit and vegetable exports

By Jeremy Woods

A LEADING American corporation, Trans-Fresh, who specialise in making high-quality fruit fresh during transportation, is making a major impact on Western Cape agricultural exports.

Trans-Fresh came to the Western Cape a year ago and targeted deciduous fruit and vegetable shippers as likely users of their technology, which involves controlling the temperature and atmosphere levels inside a container.

And the move into the local agricultural market is beginning to pay off.

"In the first year of business we have easily beaten our budgets and now that exporters have experienced the improved quality our air control systems bring to their fruit during transportation, the business looks set for an exciting future," says Dr Malcolm Dodd, managing director of Trans-Fresh in Cape Town.

The key to the Trans-Fresh operation is its preservation of fruit and vegetables during a long export journey.

This is done by sealing a container with plastic sheeting and installing a portable computer with a specially developed software programme to regulate the flow of oxygen through the container during the voyage.

"When fresh fruit and vegetables are harvested they continue to breathe, consuming oxygen and emitting carbon dioxide. By using our computerised Tectrol system to control the atmospheric components, the respiration rate is lowered and the product maintains its quality over longer periods of time," says Dr Dodd.

An important factor in this operation is finding the right rate of respiration for the right product.

One hurdle to installing the Trans-Fresh system is its cost.

"It increases shipping costs by about 25 percent a container of goods and this is obviously a significant added cost that shippers have to contemplate," says Dr Dodd.

"However, the significant growth of the business over the last year suggests local exporters are prepared to pay this price so long as using our system allows better prices to be obtained for the goods transported."

But there is another interesting facet to the use of Trans-Fresh, who operate in a number of other food-exporting countries.

"So long as the system is being used by competing countries to their advantage, major fruit and vegetable exporting countries like South Africa will be forced to look at it," says Dr Dodd.

There has been such a range of inquiries from growers that Trans-Fresh has now opened a small laboratory close to Cape Town harbour.

"We are running a series of tests on various products to see how they respond to our air control systems. Once growers see the effect of our methods on their produce here, they feel more confident about using them during export," says Dr Dodd.
Unifruco lifts export profit

CAPE TOWN — Unifruco, the international marketing group of the deciduous fruit industry, lifted income before tax from exports of fruit, juices and wine to R31.8 million in its past financial year compared with R23.5 million in 1994.

The annual dividend is 38 percent higher at 90c (65¢) a share.

During the year the group handled 54.5 million cartons of its products, at a gross value of R2.141 billion, compared with 52.1 million cartons worth R2.059 million in 1994.

David Gant, the chairman, said Unifruco, the group's wine export subsidiary, had more than doubled export volumes over the past year to more than 4 million litres.

Sales of pure fruit juice had gone well in Britain, the Netherlands and the Far East, he said. Gant said these results had been achieved in difficult conditions, with high unemployment in the northern hemisphere, strong competition from other producers, unusual climatic conditions and very competitive pricing in overseas retail sectors.

Marketing costs had been cut through the formation of a shipping joint venture between Unifruco, Outspan International and Safmarine. This, and the setting up of distribution channels in Europe, would help the South African fruit industry to become "the most competitive in the world in terms of cost," he said.
Proposed changes to marketing Bill raise fears

Unifruco rejects ANC proposals

By Ann Cottway

Johannesburg - The ANC’s suggested amendments to the Marketing of Agricultural Products Bill would result in increased bureaucracy and increased government intervention, said David Gant, the chairman of Unifruco.

Unifruco is South Africa’s deciduous fruit export organisation.

At a media briefing yesterday, Gant said the ANC’s proposals were rejected by 90 to 95 percent of producers and that implementation of a marketing Act along the lines suggested by the ANC would have the potential of breaking up the South African deciduous fruit industry.

In terms of the ANC’s proposals, Unifruco’s position as an effective single-channel marketing organisation would come to an end. Under existing legislation there was some leeway for deciduous fruit producers to apply for permits for independent export, but food analysts said this was extremely limited and that producers were effectively obliged to use Unifruco.

The ANC’s proposals allow for the creation of “no less than five agents for the purposes of exporting products to different markets”. The use of a co-ordinated single-desk system that would unite the five agents in their approach to the international market is also suggested by the ANC.

The ANC’s proposals are aimed at ensuring producers have a choice of agents with whom to deal and if they are accepted, would mean the end of Unifruco’s position as sole export agent.

Gant said Unifruco “passionately believes in a controlled and co-ordinated marketing approach”. Among the reasons he put forward was the fact that as an agent of all South Africa’s deciduous fruit producers, Unifruco enjoyed “massive economies of scale”, which helped in the negotiation of freight rates and increased its power in negotiations with very large and powerful retail buyers in Europe.

“Because of our size we have been able to develop a partnership situation with the European retailers,” said Gant. Unifruco was also able to set prices in that market.

ANC sources were adamant that their proposals would not increase levels of bureaucracy or intervention, but would increase the levels of transparency and freedom in the industry. They believe the importance of size in dealing with foreign markets can more efficiently be accommodated by a united single-desk system operating with a number of agents.

Food analysts responded with cynicism to Unifruco’s claims that it offered the most efficient export system for deciduous fruit producers, referring to the inherent inefficiencies of a legislated monopoly and complaints from producers.
US fruit importers get 'cold shoulder'

A CONSORTIUM of US fruit importers, which says it could double SA fruit exports to the US "at a stroke", claims it has been given the cold shoulder by Unifruco, the sole exporter of deciduous fruit.

Requests to buy SA fruit have been directed to Fisher Brothers of Canada, Unifruco's US agent.

Mandela Diamini and Associates, representing a consortium of US buyers in South Africa, claims that Fisher Brothers has been unsuccessful in penetrating the huge east and west coast markets. Colin Allen, who represents a consortium of US buyers which includes Dandrea Produce Inc, one of the largest food distributors on the US east coast, says he is surprised at the treatment meted out to potential buyers.

"We would be willing to place an order for millions of cartons of fruit immediately if we could — but we can't," says Mr Allen. "Nor can we put in a counter-bid to market SA fruit in America against Fisher Brothers. We are effectively locked out of the SA market."

Mr Allen adds that attempts to establish the volume of SA fruit sold into the US each year have been stonewalled by Unifruco.

"Before we can place an order, we need to know the quality and cultivar of the fruit, but Unifruco will not tell us. We believe in free markets and our real gripe is with the Deciduous Fruit Board, not Unifruco."

Unifruco is appointed as the country's sole export agent by the Deciduous Fruit Board.

Unifruco's manager in charge of the American market, Andrew Southwood, says the company is willing to look at all business proposals. "No one is precluded from doing business with Unifruco. Mandela Diamini and Associates is just one of several interested buyers. I am surprised they make those claims after one preliminary meeting, particularly in view of the fact that they were due to come back to us."

Mr Southwood says Fisher Brothers' contract with Unifruco is subject to an annual review and he rejects charges that it has been unsuccessful in penetrating the US market.

The war of words between Unifruco and independent fruit growers intensified this week with Unifruco's claim that 90%-95% of fruit growers rejected the implementation of an Agricultural Marketing Act similar to that proposed by the ANC.

Valdy Jensen, head of the Independent Fruit Growers and Exporters Association, says "it is this sort of arrogant and unsubstantiated claim" which highlights the need for an open market.
Unifruco faces $20m London court action

CAPE TOWN — Fruit export group Unifruco could face a $20m damages claim from a London High Court legal action brought by Jersey-based Discount Tonnage Limited.

Discount Tonnage chairman and CEO Colin Carter said yesterday the company was seeking performance from Unifruco and its subsidiary Serva Ship in terms of a contract made last year involving its use of Serva Ship's empty cargo space on return trips to SA.

Carter said an initial preliminary High Court hearing had proved inconclusive, with a second hearing scheduled next month.

It was premature to discuss damages, with the legal proceedings intended to enforce performance under the original contract and the matter still sub judice.

But sources close to the company said a claim for loss of earnings arising in the first seven years of a possible 28-year contract was estimated at about $20m.

Unifruco spokesman Fred Meintjes said the exporter had opposed the action because Discount Tonnage had failed to live up to core requirements of the agreement — that both Serva Ship and Discount Tonnage make a profit out of the shipment.

"Until now Discount Tonnage has not been able to provide Serva Ship with south-bound cargo that met with the first requirement of the agreement. On this basis we are opposing the matter."

Unifruco came under the spotlight recently with its announcement of a deal between Serva Ship — co-owned by Outspan — and Safmarine's Universal Reefer to merge their refrigerated cargo shipping business.

The transaction is the subject of a Competition Board investigation. Board chairman Pierre Brookes said it had received documentation from the parties involved, which it had passed on to those opposing the merger for further comment.

Independent SA fruit growers have claimed the merger would give the new company domination over refrigerated fruit exports — which made up a hefty chunk of the country's R9,3bn annual fruit exports industry.
Fruit farms stung by bee deaths

BY JESSICA BZEUIDENHOUT

A MYSTERIOUS bee killer is wiping out Western Cape colonies and posing a serious threat to the fruit industry.

A third of the commercial bees in the Western Cape, and parts of Gauteng and KwaZulu/Natal, used largely for pollination of fruit trees, have been killed over the past three years by the disease.

Commercial beekeeper Robert Post warned that the Western Cape's entire commercial bee colony could be destroyed by the disease. "We have discovered similarities between the symptoms affecting our bees and those of the European Foulbrood Disease, which was first recorded in South Africa in 1909."

He said this disease often manifested itself when bees appeared to be stressed, which could be attributed to agricultural chemicals being sprayed on fruit crops and a shortage of nectar-producing plants.

Some hives, however, could survive up to two years because of an inherent resistance to the infection.

Commercial beekeepers were worried that they may no longer be able to deliver hives to farmers, who sometimes rent thousands for pollination in spring.

Western Cape University virologist Dr Shaun Davison said there was no reliable information on why the bee colonies were dying and that it would be premature to suggest causes.
AGRICULTURE — FRUIT

1997
WB Holdings to expand fruit orchards, change labour force

Nicolle Jencev

DURBAN — Industrial food group, WB Holdings would invest R4.4m to expand its orchards by 12ha, providing additional water lines for future irrigation schemes and constructing new buildings during the current year, chairman Robert Silverman said in the annual report.

The group also revealed its intention to switch from migrant to permanent labour to increase productivity. A stable labour force would benefit from training for specialised functions.

WB Holdings owns five Western Cape farms which produce apples, pears and plums for the export and local markets. Situated in Grabouw and Villiersdorp, the farms exceed 3,600ha of which 470ha are currently being farmed with an additional 2,000ha envisaged for further development.

In the year to December revenue sales increased to R19.9m from R14.1m and net profit before interest rose to R6m (1995: R2.1m).

Silverman attributed the improvements to the 55% increase in fruit tonnage, higher export prices and the general hike in international fruit juice prices.

Operating expenses were in line with budget with the exception of higher labour and spraying costs.

The labour overruns had resulted from the larger crop, while the increased spraying costs were incurred during the heavy rains, but the increases were more than offset by improved revenue.

Silverman said the development of a further 200ha of new orchards on the Theewaterskloof farm last year had been made more difficult and costly by unseasonal weather.

The new fruit orchard nursery had been established and was on target to produce some of the trees required for future plans.

Silverman warned that the current crop was unlikely to be as substantial as last year, but the anticipated weaker rand would compensate for lower volumes.
Farmers get the right to choose

Johannesburg — Deciduous fruit farmers will be allowed to export their fruit to a market of their choice, using an agent of their choice, for the first time since the 1980s, in terms of recommendations made by the National Agricultural Marketing Council this week.

The council's recommendations come ahead of the September implementation of the new Marketing of Agricultural Products Act, which removes statutory backing for single-channel marketing systems.

For the season starting in November, the council has recommended an export permit system be maintained, but that it should include no restrictions in terms of volumes or destination. For nearly half a century, deciduous fruit farmers have been legally obliged to use Unifruco, an agent appointed by the Deciduous Fruit Board, to export their output.

The recommendations, which have the force of law, were welcomed by independent deciduous fruit growers who were dissatisfied with the service provided by the single-channel marketing system and have been battling with the government for years for permits to allow them to make their own export arrangements.

Gross earnings for the 1996 season from deciduous fruit exports was R2.9 billion. According to Unifruco projections, this was expected to increase to R5.5 billion by the year 2004.

Industry analysts had expected that the council would have recommended a more gradual approach to deal with the demise of the single-channel marketing system. But one producer remarked that the use of a sunset period would have been unnecessary as most farmers would be inclined, in the initial years at least, to continue using Unifruco.

The decision to retain the use of permits for the time being is seen as an attempt to enforce a minimal level of regulation that will largely relate to the provision of information by independent exporters to a central body.

One farmer said that, at this stage, the only threat to a multi-channel export system was that, in the long term, it could result in South Africa earning less foreign exchange because of undercutting by individual exporters.

Professor Eckart Kassier, the chairman of the council, said it was important to create an effective system which could co-ordinate market information from the future exporters. "Competition is a good thing but we should try to avoid a situation where South African producers were aggressively undercutting each other...."

Kassier said the need to establish a co-ordinated marketing effort to avoid such undercutting was under discussion with industry players.

Restrictions on citrus fruit farmers will not be removed for this season.

□ Orchard Battle, Page 18 and Inside Agriculture, Page 26
Outspan squeezes its citrus exports into new markets

Johannesburg — Outspan, the Citrus Board's sole export agent, is forecasting record volumes of citrus fruit exports this year with 50 million cartons being exported to 60 countries, John Stanbury, the managing director of Outspan, said yesterday.

This was more than 10 percent higher than the previous record of 45.5 million cartons exported last year, earning R1.65 billion in foreign exchange, he said. But industry analysts have speculated that, despite the expected increase in volumes, the increase in value would be disappointing.

Outspan recently recognised that demand in its traditional markets had stabilised and therefore increased its effort to develop new markets.

"Western Europe will this year take 50.5 percent of exports compared with 56.5 percent in 1996. Some 13.5 percent will go to the Far East compared with 9.5 percent last year. Eastern Europe, in which new markets are being developed, will take 9.7 percent compared with 9.2 percent last year," Stanbury said. Outspan would export to the US for the first time, he said.

Development of new export markets was vital as the citrus export crop was expected to increase to 75 million cartons by 2003, he noted.
Monopoly's pricing policy 'inept'

Unifruco riles grape producers

Ann Croitty
Convenience Industries Editor

Johannesburg — Grape farmers' projected income from Unifruco, the Deciduous Fruit Board-appointed export agent, has been slashed by an average of 20 percent in little over six weeks, according to the price lists recently made available to farmers.

Industry sources said yesterday that farmers have interpreted this as a ploy to maintain loyalty ahead of the expected deregulation of the deciduous fruit industry. The list of grape payments covers 21 cultivars.

In December last year, when government authorities were for the first time considering allocating permits for fruit export to independent parties, grape farmers received "seasonal payment projections" from Unifruco which reflected prices that were substantially ahead of actual payments in the previous years.

The projected payment for this year's sweet sultana cultivar was R24.60 for 5kg compared with an actual payment of R24.38 last year; for Thompson it was R66 compared with R51.65, and for black gem it was R72 compared with R58.50. The projected prices were sufficiently attractive to dissuade a number of farmers from contracting to supply their grapes to independent parties.

In mid-February Unifruco issued a list of revised projections to grape-farmers. These were down by between 9 and 70 percent on the earlier figures. The sweet sultana projection was down to R27, which was little changed on last year's price of R24.60; Thompson was revised from R66 to R36, and black gem was revised from R72 to R36.

In early February the government announced it was granting independent export permits for an unexpectedly small volume of fruit. According to independent players in the industry, many farmers had by now committed their crops to Unifruco. These were the two main factors behind the downward revision of projections.

"By mid-February most farmers want to have made plans! This and the fact that independent permits were so restricted left grape growers with little option but to accept the revised projections," said one independent.

Significantly, days after releasing the revised projections, Unifruco issued a press statement referring to the widespread support it continued to enjoy from fruit farmers.

Unifruco counters that the reason for the revised projections included the strengthening in the rand against currencies of countries where the bulk of grapes were being sold, a tougher market than expected because of greater competition from Chile, and a delay in harvesting the local seedless cultivars.

Analysts said that given Unifruco's long history and its dominance in the industry, its grasp of market conditions was inept. And forex analysts said Unifruco has considerably overstated the strengthening of the rand and also has not taken into consideration the beneficial effects on dollar-denominated international freight charges.
'Unifruco won't seek protection in export trade'

Unifruco will not seek statutory protection to retain its place as the sole export agent for deciduous fruit, chairman David Gant told the annual meeting in Stellenbosch yesterday.

Mr Gant said Unifruco was not a statutory monopoly but a public company owned by growers, and which aimed to market their fruit according to agreed conditions.

It had no rights to issue export permits or control standards.

Faced with deregulation and the scrapping of the Deciduous Fruit Board, Unifruco would try to keep growers' support through performance, Mr Gant said.

Its export costs were lower than comparable companies elsewhere in the southern hemisphere or in North America, he said, citing a fall in costs from 24 percent of gross income to 17.5 percent which put R300 million a year into growers' pockets.

Mr Gant criticised "blatantly wrong" comments about Unifruco by "uninformed commentators and others with their own interests only at heart".

On the current season, he said the stronger rand and an oversupplied market was limiting sales but the company's shipping interests and wine and fresh juice exports should boost performance.
Cape Town — An estimated 2,000 growers who export deciduous fruit through Unifruco will share a record payout of more than R1.45 billion, David Gant, the Unifruco chairman, said at the AGM last night.

He said the growers' payment for the 1996 season would be 20 percent more than the previous year although export volumes were lower.

He said this was because of the weakness of the rand, which had boosted the value of foreign currency earnings, and a strong demand for Cape produce.

"On a like-for-like basis, payments to growers have exceeded those of our competitors in the southern hemisphere by at least 35 percent per kilogram."

However, Gant said, Unifruco's own profit attributable to shareholders fell by 35 percent to R16.6 million from R21.9 million and the dividend was 50c lower at 91c (90c) a share.

This was because of "increased operating costs as a result of expanded areas and levels of service to the deciduous fruit industry without a commensurate increase in its commission income. The lower profit underlines the sensitive relationship between a low commission base and fluctuating volumes on a season-by-season base."

However, income from investments in the group's service and diversified operations had risen from R8.1 million in 1995 to R9.6 million last year, helping to offset Unifruco's reduced income from its deciduous fruit exports.

Gant said Unifruco had significantly reduced its overhead costs in terms of volumes and value achieved. The number of cartons sold per staff member had risen from 35,000 in 1990 to more than 50,000 in the past season.

Despite this the group expected to increase its pretax profit by about R10 million as a result of improved performance from its shipping operation and exports of wine and fresh fruit juice.

Gant stressed that Unifruco was a company owned by growers and not a statutory body.

Payments to growers have exceeded those of competitors in the southern hemisphere.
Operating costs hit Unifruco’s profit

Samantha Sharpe

CAPE TOWN — Fruit export group Unifruco posted a 25% decline in attributable profit to R16.6m in the year to September as income from investments and diversified operations failed to offset increased operating costs.

The fall in earnings was accompanied by a 33% fall in the group’s dividend to 60c a share.

Announcing the results at the group’s annual meeting last night, Unifruco chairman Dave Gant said Unifruco’s expansion into new areas and heightened service levels to the deciduous fruit industry had increased operating costs, without a commensurate increase in its commission income.

However, a weaker rand and strong demand for branded “Cape” produce had boosted export earnings for its producer suppliers, with export payments to producers climbing 20% to a record R1.46bn.

“The lower profit in the wake of higher export payments underlines the sensitive relationship between a low commission base and fluctuating volumes on a season-by-season basis,” Gant said.

He said gross export values for deciduous products had grown from R1.1bn in 1990 to R2.7bn currently, with a projected turnover of R4.2bn for 1999/2000.

Gross payments to growers had increased from R600m to R1.6bn in the same period and were likely to exceed R2.4bn in 1999/2000 — a factor of four in 10 years.

“More relevant, however, is the growth in payments per carton which overall for all deciduous fruit increased from R16.50 in 1990 to R28.50 per carton currently. While this is not quite the same level as the domestic consumer price index, it is well ahead of the devaluation adjusted inflation index of export markets,” he said.

On overhead costs, Gant said Unifruco had succeeded in significantly reducing its overhead costs in terms of volumes and values achieved, with cartons sold per staff member employed increasing from 35 000 in 1990 to 50 000 currently and values earned increasing from R1.2m to R2.5m a staff member.

Reductions in overseas costs achieved through Capespan International in Europe had brought average overseas cost from a level of 24% of gross to 17.5% of gross and were estimated to add at least R300m a year to grower income.

On the outlook for this year, Gant said the current season was difficult, with the late harvests, the relative strength of the rand against the pound and Deutschmark and a generally oversupplied market inhibiting income growth. However, Unifruco expected to boost its pretax profits by about R10m.
WB Holdings Realizes Juicy Profit From Fruit Companies

Once upon a time, the group planned an event for the revenue expansion and development of new products. The group was excited about the event, and they decided to plan it carefully. The event would be held at the Sheraton in downtown Los Angeles. The Sheraton was chosen because of its location and the atmosphere it provided. The hotel also offered excellent food and comfortable accommodations. The event was scheduled for the weekend, with a total of 350 guests expected.

The event was a success, with attendees enjoying the atmosphere and the food. The event generated a lot of interest among potential clients, and it helped to solidify WB Holdings as a leader in the fruit industry. The event also helped to build relationships with existing clients, and it was a great opportunity for networking.

The success of the event was due to the hard work of the event planning team. They worked tirelessly to ensure that everything was in place, and they did a fantastic job. The attendees were impressed with the event, and they complimented the organizers on a job well done.

In conclusion, the event was a huge success for WB Holdings. It helped to solidify their position as a leader in the fruit industry, and it helped to build relationships with potential clients. The event was a testament to the hard work and dedication of the event planning team, and it was a great opportunity for networking.

Jenifer Parker, Event Manager
WB fruit growers yield juicy results

AUDREY D'ANGELO

Cape Town — Fruit-growing company WB Holdings, in the Saldanha group, achieved record earnings of Sh5.4 (23c) a share in the year to December 31, the directors reported yesterday.

The final dividend is 13c (6c), making a total of 18c (9c) for the year. Gross revenue rose to R19.9 million (R14 million) and operating profit to R5.8 million (R2.1 million). Net profit before tax was R5.8 million (R2.1 million), and after tax was R5.4 million (R2.1 million). Net asset value a share rose to 332c from 323c.

The directors said the improved profits were mainly because of a 55 percent rise in fruit volumes and the weaker rand, which boosted the value of export earnings.

They warned that the late season and unfavourable weather conditions would mean lower production this year "but it is anticipated that the weaker rand will compensate for some of the decline in fruit tonnage".

They said plans for the expansion of farming operations should ensure future taxes remain below the standard rate of company tax.

Discussing the new Marketing of Agricultural Products Act, which had put a stop to statutory single-pool marketing schemes, they said the group had committed itself to selling its export and local fruit through the same channels as last year.

They said poor weather conditions meant a lot of fruit was too small for export to Europe, where Unifruco was well organised. Smaller fruit could be exported to southeast Asia where Unifruco's organisation was less strong. The share closed unchanged yesterday at 410c.

Namsea nets a big loss and defers merger plan

MAGGIE ROWLEY

Cape Town — Poor landings off the coast of Namibia saw Namibian Sea Products (Namsea) netting a loss for the year to December 31, the company reported yesterday.

The group had an attributable loss of N30.1 million or 8c a share against a profit of N19.8 million, equal to 23.2c a share, the previous year. Hence, no dividend is to be paid.

The company said in view of the poor results and the continuing uncertainties in the fishing industry, the proposed merger of Namsea and Namibian Fishing Industries (Namifish), in which Namsea has a 38 percent stake, had been deferred.

Namifish reported an attributable loss of N10.5 million for the year to December 31, equal to a loss of 22.1c at the share level against a profit of NS59 000 for the year to December 31 1995.

The directors said during the past year the industrial quotas for the group's pelagic interests were landed in full but had had particularly low oil yields.

Losses in the group's white fish interests were substantially reduced in the second half of the year, owing to a tight control on expenditures.

Looking ahead, the directors said the pelagic catching season started earlier than usual in January, and the industry had landed the initial permissible catch of horse mackerel with extremely good oil yields having been achieved.

The date initial total allowable catch (TAC) has been set at 110 000 metric tons. Northern Fishing has increased its share of the TAC and has been granted the right to convert 1 000 metric tons of its wet fish quota into the potentially more lucrative frozen quota. Catching to date has been reasonable, said the directors.

The share closed yesterday at 75c, down 10c.
CAUGHT NAPPING

Despite extensive experience on global markets, even Outspan International was caught unawares by the sharp fall in the rand last year.

The usually canny citrus body—which realised foreign exchange “opportunity benefits” of R25m and R21m respectively during 1994 and 1995—has just reported a R14m forex loss.

“We will report this in the current year’s annual results,” says MD John Stanbury.

He says the “small forward cover loss” amounts to 0.7% of total turnover of R1,9bn and resulted from “the rand’s most dramatic decline since World War 2.”

Outspan manages its forex to tie or lock in high returns on the spot market—“and we do not speculate,” says Stanbury.

He adds that during the rand’s previous sharp declines, when many private-sector corporations sustained multimillion-rand forex losses, Outspan did not lose any of its producer members’ potential proceeds.

“This loss is not significant,” says Stanbury, “though it will be reflected in final returns to farmers.”

Meanwhile, Outspan citrus export volumes achieved their third successive record volume growth in the 1996 marketing season—from the previous year’s 42m cartons to an estimated 48.5m cartons.

“And, following excellent summer rains in the Northern Province and full irrigation dams, we expect the 1997 export crop to exceed 50m cartons,” he adds.

It’s hoped average export prices—which did not keep up with last year’s inflation rate due to the availability of European summer fruit and certain climatic factors that impaired quality—will also show real growth this marketing year.

Stanbury says Maputo harbour took a record 7.5m cartons over the past export season. Outspan plans to boost this figure to 10m in the 1997 export year.

Export facilities are leased from Mozambican authorities and Stanbury foresees Maputo taking about 35% of the future export crop in the long term when facilities are upgraded.

“This is a cheaper route than Durban. We are also investing R23m in upgrading and expanding the Durban citrus terminal, to cope with the increased crop for 1997 and beyond.” Arnold van Huysteen
Grape war: SA court ruling hailed

‘Signal to investors’

Washington – American business leaders have applauded a Pretoria court ruling that grants royalty rights on South African production of a widely grown table grape to the California firm that developed it.

The business leaders say the ruling will boost South Africa’s efforts to attract foreign investment by showing the country adheres to the rule of law.

For four years, the variety of tasty grapes known as Sugraone have been at the centre of a legal battle between US company Sun World and the South African Table Grape Association.

The table grape has become an important farm export as South African firms launched an all-out effort to open markets for the country abroad.

More than 100 growers had been developing and exporting the grapes to developed countries, including the US.

But Sun World had accused South African growers of illegally obtaining cuttings of its vines needed to produce Sugraone grapes, after the California-based company declined to license production because of apartheid sanctions.

After last month’s landmark ruling, Sun World will now qualify for annual royalties worth millions of dollars from 10,000 acres of the grapes grown in South Africa. The ruling, the first under South Africa’s 20-year-old patent law, makes it illegal both to propagate Sugraone vines, or to sell the grapes they produce, without permission from Sun World.

‘It is a landmark ruling for both South Africa and us,’ said David Murguleas, vice-president of Sun World International.

“We are heartened by it. It will encourage the introduction of many other varieties of table grape into South Africa.”

The court ruling comes five months after the Appeal Court in Bloemfontein ruled in favour of US burger giant McDonald’s in the two-year battle for its trademark, which a South African businessman had used since the sanctions era.

Mr Murguleas said his company was eager to introduce its varieties in South Africa and other countries whose growers respected breeders’ rights.

“The December 19 ruling is going to encourage more breeders to introduce more varieties in South Africa,” he said.

This view was supported by the Association of Third World Affairs, the United States-South Africa Business Council and Investor Social Responsibility Research Centre, all based in Washington.

“It sends a strong message to the whole world that South Africa is ruled by law. This will encourage foreign business firms to come and invest,” said Lorna Hain, head of the Association of Third World Affairs in Washington. “Many people have been bad-mouthing South Africa, saying the country and its leaders are unbusinesslike. This dispels that myth.”

Business Council executive director Daniel O’Flaherty said: “The ruling is a positive step. It confirms for everyone to see that the country is open for business.”

Since 1992, vine-growers representing the parasitical export group Unifraco, have been fighting Sun World’s attempts to be recognised as the variety’s owner, arguing that Sun World’s patent expired in 1989.

Last week the SA Table Grape Association said it did not need the table grape variety, saying it had produced more than 10 million seedless vines in the five years since Sugraone was registered here. But Mr Murguleas said: “It is all rubbish. If they didn’t need the variety, why did they allow this case to drag on for four years?”
'Abnormal weather' damages grape crop

EXCESSIVE humidity and fungal diseases in the Western Cape's Bergriver Valley had delivered the worst blow in 40 years to farmers growing table grapes for export, sources said at the weekend.

A producer at Paarl, Louis-Borel, said losses in the area could be as high as R130m. "Farmers were experiencing a totally freak season. They do not expect to harvest half the usual crop."

Producer Graham Retief confirmed the crop at Paarl, Wellington, Saron and Rasbeeck West had been severely damaged by "abnormal weather this season", but said he had no idea of the extent of the damage.

"The crop committee of Unifruco is aware of the problem — they are sitting again next week. Various areas in the Western Cape are affected but the Bergriver Valley is by far the worst hit."

But Unifruco spokesman Fred McIntjes said despite disaster in the Bergriver Valley area, table grape exports should be on track — possibly even better than last year.

"Other areas, such as the Orange River production area, are experiencing excellent conditions." Preliminary estimates for table grape exports from all the production areas suggested an improvement of 3-million cartons on last year's exports of 26.5-million cartons, he said.
Unifruco in shipping company talks

Samantha Sharpe

CAPE TOWN — Fruit marketer Unifruco and shipping group Saimarine were in talks to resolve a conflict of interests in Saimarine's recent joint venture with Norwegian shipping company Lief Hoegh and its shipping arrangement with Unifraco and Outspan — a move which could see Unifraco take a stake in the new company.

Both Saimarine's joint venture arrangements have created worldwide shipping companies, Universal Reefers with Unifraco and Unicool with Lief Hoegh, which would more than likely compete with each other.

Unifraco GM for operations Anton du Preez said Unifraco was negotiating with Saimarine about how the conflict of interest could be resolved. This could be through Unifraco's acquisition of a stake in the newly formed Unicool or an incorporation of systems.

"What is clear is Universal Reefers will continue to operate as is in 1997," Du Preez said.

On Unifraco's 1997 deciduous fruit crop, Du Preez said that original estimates for 57-million export cartons had been revised to 53-million following unseasonal weather.

Unifraco would be selling produce in 85 countries and would reap benefits from its newly introduced least cost distribution system in South Africa and Europe, which would cut unproductive costs and contribute significantly to the net farm income of producers.

While initial cost savings through the least cost distribution method were estimated at between £10m and £15m in 1996/97 this was expected to increase substantially in the years ahead, Du Preez said.
Unifruco to pay more to growers

Cape Town — Unifruco, the fruit exporter, will pay growers more rands for fruit varieties this year than they did last year, Anton du Preez, Unifruco’s operations manager, said at a presentation yesterday.

The 2,000 growers who exported deciduous fruit through Unifruco last year shared a pay-out of R4,4 billion.

Du Preez said the company was expecting to export a total of 6,37 million cartons of stone fruit compared with 6,1 million last year and 83 million cartons of apples, pears and grapes compared with 20,4 million last year.

A spokesman said 80 percent of growers who exported through Unifruco under the single channel marketing system had signed contracts to continue using its services despite deregulation which would come into force in September.

He said growers who had not yet signed were shareholders who said that they saw no need for a contract to continue dealing with "their" company.

Erik van Vlaanderen, Unifruco’s chief operating officer, said the company had successfully diversified into exports of wine and fruit juice.

Huge cost savings would be made through a system of partnership with four ports in Britain and Western Europe — Sheerness, Antwerp, Flushing and Bremerhaven — where fruit would be sent directly to the customers’ distribution centres, cutting out the need for middlemen.

The system has already resulted in savings of between £10 million and £15 million for the year.
exports grow markets as
sights on new sets

unfitto

BRYAN JACKSON AND CHRIS LAW LEAF SEASONS IN EASTERN HABITAT, FINGERING THE FUTURE. IT'S CURIOUS WHAT SEASON FALLS WELL ON THE LAND IN THE TYPICAL TUMID SUMMER. MAYBE IT'S THE YEAR'S TROUBLEMAKERS. SOMETHING IN THE AIR, SOMETHING IN THE SOIL, SOMETHING IN THE SUN. SOMETHING ALWAYS HAPPENS. SOMETHING ABOUT THE SEASON FALLS WELL ON THE LAND IN THE TYPICAL TUMID SUMMER. MAYBE IT'S THE YEAR'S TROUBLEMAKERS. SOMETHING IN THE AIR, SOMETHING IN THE SOIL, SOMETHING IN THE SUN. SOMETHING ALWAYS HAPPENS. SOMETHING ABOUT THE SEASON FALLS WELL ON THE LAND IN THE TYPICAL TUMID SUMMER. MAYBE IT'S THE YEAR'S TROUBLEMAKERS. SOMETHING IN THE AIR, SOMETHING IN THE SOIL, SOMETHING IN THE SUN. SOMETHING ALWAYS HAPPENS.
SA citrus exports ‘are set for growth’  

Samantha Sharpe

CAPE TOWN — SA’s citrus fruit exports were set for healthy growth following the US agriculture department’s decision to lift a longstanding ban on citrus imports from SA, citrus fruit marketing group Outspan International said yesterday.

The US decided late last week to lift the ban on citrus imports from the Western Cape, which produced about 20% of SA’s citrus fruit, although fruit grown in other regions would be subject to import restrictions based on concerns about fungal diseases.

Outspan International MD John Stanbury said the US market offered significant export potential for SA citrus, with about 1-million of the estimated 50-million citrus cartons destined for export this year to target the US. Outspan International exported 45-million cartons — about R1,9bn in turnover — last year.

However, Stanbury warned that all citrus exports to the US would be subject to stringent US regulations, with the fruit also subject to cold sterilisation before entering the US.

Outspan International’s marketing manager regional markets Christo Botha said the organisation planned an aggressive marketing foray for the US market, with the long-term vision for a 10% share of all export earnings to result from exports to the US.

"However, this depends on gross selling prices and currency fluctuations as well as our ability to convince the US to relax its ban on all SA citrus fruit growers," he said.

"This is a market of about 225-million people, with the SA citrus season opposing that in California and Florida."
tion of the ban will help the sector's export drive.

It also heralds the first move to capture a slice of a market of about 225m people as the SA citrus season is directly opposite to that of Florida and California.

Outspan International MD John Stanbury says an initial target of 1m cartons will be exported to the US this year for the first time. But fruit grown in other areas of SA will still be subject to US import restrictions because of fears of fungal diseases.

Stanbury adds that last year Outspan exported 45m cartons of citrus fruit to 60 countries resulting in a turnover of R1,9bn. Exports in the coming season are expected to exceed 50m cartons.

Meanwhile, the prolonged winter in the Western Cape made its presence felt in the deciduous fruit industry which has missed a substantial part of its usual pre-Christmas export trade. Fruit normally picked at the beginning of October was not harvested for foreign markets until November-December.

But Unifruco spokesman Fred Meinlje says now that the province is into summer, the industry is moving into top gear which will see more than 60m cartons of deciduous fruit exported. Last year the market was worth R2,4bn.

Meinlje says that the 1996-1997 seasons were similar in terms of volume of fruit exported though he's cautious in forecasting any great revenue increase this season.

He expects roughly a 10% increase in pear and apple exports by the time the season ends in July-August this year. There is the possibility of 25,5m cartons for export compared with 23m in 1996. About 23m cartons of table grapes and 6,4m cartons of stone fruits will go overseas. Meinlje says more than 500 000 cartons were lost because of hail damage at Langkloof. This week there was another severe hail storm in the area but final damage figures have not yet been returned.

He forecasts that volumes of saleable fruit in foreign markets may increase this year because of controls Unifruco has introduced at the various ports overseas. These controls are designed to ensure that only fruit in excellent condition is released for sale and that the ratio of returnable goods is reduced.

Prices in European markets are positive and this year should see the benefits of quality control systems by way of increased returns.
Fruit board flouted rights to seedless vine — lawyer

Reinie Booyzen

THE Deciduous Fruit Board "wrongly encouraged" SA grape growers over the past four years to disregard a US company's plant breeder's rights to the Sugraone table grape variety by planting vines obtained illicitly from overseas in the 1980s, "Sun World Inc, which is based in California, said at the weekend.

Sun World's attorney Bastiaan Koster, of the patent and trademark law firm John Kernick, challenged claims by the SA Table Grape Association and the SA Plant Improvement Organisation (SAPO) that SA had no need for the grape cultivar.

Koster said that according to information he had gathered from the industry, it was "common cause that Sugraone has been planted extensively in SA and is at present sold commercially and exported under the name Festival Seedless".

Royalties

Last month an appeal board convened under the Plant Breeder's Rights Act turned down an application by the Deciduous Fruit Board for Sun World's rights to the Sugraone cultivar to be cancelled — effectively preventing anyone from exploiting the vine in SA without paying royalties to Sun World.

Koster said although "it may be" that the plant improvement organisation had not been involved in the illegal propagation of the vine, "it is understood the vine has been illegally propagated by private nurseries".

"If the local grape industry has no need for the Sugraone cultivar, why did they get involved in four years of expensive litigation with the aim of invalidating Sun World's right to Sugraone?" Koster said.

Statistics from the Johannesburg fresh produce market showed that 138 624kg of Festival Seedless were sold during the 1994/95 season.

"During the 1995/96 season 326 739kg of Festival Seedless were sold — a remarkable increase of 135%.

"One can only assume that this upward trend will continue during the present season," Koster said.

Dealers at the Johannesburg fresh produce market and the Cape Town fresh produce market had indicated that the Festival Seedless cultivar was extremely popular, particularly because of its early ripening, extended shelf life and nice golden colour.

Some dealers were of the view that Festival Seedless would take over from Sultana and other traditional seedless cultivars.

Taking into account the sales at other fresh produce markets, it could be "realistically extrapolated" that at least 1-million kilograms of Festival Seedless grapes were sold locally during the 1995/96 season, Koster said.

"It is well known that the bulk of the Festival Seedless cultivar is exported.

He had learned "on good authority" that Festival Seedless plantings in SA were approaching 1 000ha.

"With a typical yield of 3 000 cases of export quality grapes — each case weighs 5kg — it might well be that the annual export potential of Festival Seedless or Sugraone is of the order of 2-million 5kg cases."

Statistics

Koster said it was known that SA was at present exporting a total of 20-million 5kg cases of table grapes.

"The statistics in respect of Festival Seedless must be known to Unifruco."

"It would be enlightening if they were prepared to publish their official statistics," he said.

Sun World senior vice-president David Margules said the company was "totally committed to vigorously defending and enforcing our Sugraone plant breeders' rights. We intend to take swift, aggressive action against any and all infringements," Margules said.
Cape Town — The dismantling of the Deciduous Fruit Board’s stranglehold on the marketing of South Africa’s deciduous fruit took a significant step forward yesterday when Derek Hanekom, the minister of agriculture and land affairs, issued instructions which permitted exporters to bypass the board.

The multibillion-rand deciduous fruit industry is one of the country’s largest foreign exchange earners. Critics of the board have said it has handicapped the development of the industry’s export potential.

Hanekom issued permits yesterday for the export of deciduous fruit to Europe, North America and the Middle East.

Deon Joubert, the general manager of the Deciduous Fruit Board, said the decision followed the approval by Hanekom of recommendations proposed by the newly constituted National Agricultural Marketing Council.

He said the recommendations dealt with the appeals against the board’s refusal to grant permits for exports outside the regulated system to the three overseas markets for this year’s season.

Joubert said the total volume of fruit allocated for these permits could not exceed 3,75 percent of the board’s export estimates for each cultivar, in each of the markets.

The board has implemented a policy of extending marketing access for all market participants in anticipation of the Deciduous Fruit Scheme being abolished at the end of September.

Joubert said the policy involved the granting of permits to all markets except Europe, North America and the Middle East. “Permits to these markets were refused to ensure the optimal use of the economies of scale.”
Langeberg sets its sights on European market gains

Cape Town — Langeberg Holdings, the fruit and vegetable canning company owned by Tiger Brands, is setting its sights on strong market gains in Europe following an alliance between its international arm and the Dole Food Company, the company said in its annual report released yesterday.

Andries van Rensburg, the managing director of Langeberg, said in the report that the alliance with Dole, a leading US multinational food group, would contribute materially to the repositioning of Langeberg Foods International (LFI) within the European Union.

Langeberg Foods International has entered into a sales and distribution alliance with Dole's European packaged food operations. It has also secured the use in Europe of Dole's brand name for canned deciduous fruit.

Van Rensburg said this would move Dole products to more profitable markets by providing the infrastructure for customs clearing, warehousing and direct distribution to the trade. The direct contact with its European market was a great advantage and should enhance Langeberg Foods International's market penetration, he said.

"Positive signs are being seen with the first initiatives to obtain listings for LFI's canned fruit with supermarkets," he said. "This has encouraged the subsidiary to improve stock availability through strategically located distribution centres in the EU."

In the short period that the alliance had been in place, benefits had already been achieved through the transfer of international marketing experience, he said.

"In addition, certain innovative products which were developed jointly with Dole, will be launched in the coming year," Van Rensburg said.
Capespan objects to critical report

Heather Parker

LONDON — Capespan, formerly Unifruco, has rejected strongly a international report which claims the labour practices of its apple farmers are unacceptable.

British body Christian Aid has launched a “change the rules” campaign asking consumers to put pressure on UK supermarkets to ensure produce suppliers worldwide do not exploit workers.

“We are asking them (the supermarkets) to give the same care and attention to the people producing the product as to the product itself,” said a Christian Aid spokesman.

Along with Peruvian asparagus, Colombian bananas, Brazilian coffee, Sri Lankan tea, and Thai prawns, the campaign singles out SA apples as a source of concern.

In a letter to Christian Aid director Michael Taylor, Capespan MD Louis Kriel said he objected “most strongly to your wild, unsubstantiated claims and innuendos.”

While he could not claim that apple farmers were without faults, he said, “The vast majority of our growers subscribe to and apply a progressive code of employment and social discipline, unequalled in any other developing country … Even during the apartheid era we were more frequently watched and investigated by hostile journalists and church groups than any other agricultural industry in the world.

“Without exceptions the Cape deciduous fruit farmers scored highly in respect of general working, housing and social conditions.”

In response to Kriel’s complaints, Christian Aid policy director Paul Spry took a conciliatory tone but insisted conditions ranged from “the most progressive to the worst remnants of apartheid”.

He said areas which still needed attention were low pay, health issues, unfair dismissal and resistance to trade union representation on some farms.

However, he said: “We both recognise and welcome the improvements in the industry and your own declared commitment to improving workers’ conditions. We also applaud your best practice farmers and note that some important points in our proposed code of conduct are already contained in your own.”
Langeberg to increase its market share abroad

Jacqueline Zaina

LANGEBERG Holdings would look beyond SA’s borders for volume and margin growth in its 1997 financial year, financial director Johann Cilliers said at the weekend.

Although the domestic market was expected to grow in the next year, the group stood to benefit from increasing market share in southern African and Europe.

In line with the group’s objectives of global competitiveness, local operations had been rationalised during the past year to optimise production capacity. Plant rationalisation and the closure of the Mossel Bay facility had resulted in the retrenchment of 600 workers, he said.

Although European demand was expected to weaken slightly next year because of good fruit crops in the main EU countries, there was significant potential to grow by increasing Langeberg’s presence in the retail sector.

Cilliers said Langeberg intended to grow its 8% share of the international canned deciduous fruit market by marketing its product in Europe under the Dole brand through its recent alliance with multinational food group The Dole Food Company.

Cilliers said higher rand realisations owing to the current exchange rate had the potential to make the group’s international business more profitable. However, it still faced 20%-24% duties on exports to Europe, from which EU countries remained exempt. Duties on exports to the US and Far East were also high.

The group’s expansion into Africa was looking promising, with some of its southern African operations having yielded high volume growth in the year to September. Cilliers said the Koo and All Gold brands had been well received in these markets.

The group intended to expand into western and central Africa next year.
Fruit growers to share R1.4bn payout

An overview of recent developments and outlook for the fruit industry.

David Cullin, Deputy Chairman of the National Agricultural Marketing Council (NAMC), says that the fruit industry is facing a significant challenge due to the ongoing drought conditions. "We are seeing a decrease in fruit yields and quality," he says. "This is affecting the entire industry." 

The NAMC has announced a R1.4bn payout to fruit growers as a result of the drought. "This is a crucial moment," says Cullin. "We need to ensure that our growers receive fair compensation for their losses." 

The payout will be distributed among the 20,000 fruit farmers across the country. The NAMC has allocated R800m for this purpose, which will be available in the form of loans and grants. 

Cullin also notes that the industry is working to improve its resilience to future droughts. "We need to invest in technology and infrastructure," he says. "This will enable us to adapt to changing conditions and ensure a sustainable future for our farmers." 

The NAMC is also collaborating with the Department of Agriculture, Land Reform, and Rural Development to develop new policies and programs to support the fruit industry. "We need to work together to ensure a strong and successful fruit industry," says Cullin. "This is crucial for the livelihoods of thousands of families across South Africa."
Decision still not occupied

Deciduous fruit exporters expected to grow from

Until now the export of deciduous fruit to the United States has been

Prominent in the market share. However, the

importers of deciduous fruit from the United States have been

Reported that deciduous fruit exporters from the United States are

expected to increase their exports to the United States this year,

Due to the increased demand from the United States for deciduous fruit.
Unifruco partners to invest R500m

Cape Town — Unifruco's European alliance partners will invest about R500 million in dedicated ports and other facilities in the next 12 months, Louis Kriel, the managing director of the overseas marketing and distribution company, said yesterday.

He told growers at their annual conference in Stellenbosch that the outlook was good, provided strict quality control was maintained. "Given normal climatic conditions, we should see a return to Unifruco's growth in export volumes, which were affected by bad weather during the past season."

David McCann, the managing director of the Irish-based Fyffes group, said South African fruit exporters faced intensified competition from other countries in the southern hemisphere.

He said big supermarket chains were becoming more powerful and wanted to sell fruit under their own brand names.

Unifruco executives based overseas said northern Europe was the company's main market and southern Europe second, but North America and Eastern Europe had great potential.
Fruit export industry pels, hostile

Hanekom
Lift on Cape citrus ban hits Californians

Simon Biber
Unifruco denies breach of contract

By Marc Hogenhuis

Cape Town — Unifruco, the decision fruit marketer, has slammed as "farcical in the extreme" a claim of nearly R1 billion brought by Discount Tonnage Limited (DTL) against the company and Serva Ship, its subsidiary, for alleged breach of contract.

The claim stems from an alleged agreement between DTL, a Jersey-based shipping company, and Serva Ship.

DTL alleged that Serva Ship reneged on a contract to allow DTL to use the space on its empty homeward-bound fruit vessels to transport general cargo.

It also alleged that Serva Ship did not make its ships available and had signed a competing agreement with Safmarine. Unifruco is being sued for allegedly inducing Serva Ship to breach its contract.

The claims resulted in Serva Ship's vessel, Snow Delta, being attacked in Cape Town harbour yesterday.

Fred Meintjes, Unifruco's spokesman, said yesterday that his company and Serva Ship would defend any action brought by DTL and would move to recover any losses that could result from the decision to attach the Snow Delta.

He dismissed as groundless DTL's claims regarding breach of contract. "We question the sincerity of DTL which was, at its own request, still negotiating in good faith with Unifruco and Serva Ship while launching its proceedings to attach the Snow Delta."

Meintjes said DTL had formally cancelled the agreement between itself and Serva Ship at a meeting on Monday. He said DTL had offered to close the case if the Unifruco board was willing to compensate it for expenses incurred.

Meintjes said Unifruco's directors had intimated that though they were satisfied that Serva Ship was not in breach of its agreement with DTL and the allegations had not been proven or tested, they would re-examine the matter and respond to DTL after their next board meeting on October 9.

Meintjes said that when the contract between DTL and Serva Ship was signed in January last year, DTL had said it would be able to provide substantial volumes of southbound cargo. "But to date, only four small cargoes have been offered, only one of which has met the terms and conditions specified in the agreement."

He said the previous action brought against Serva Ship and Unifruco in the High Court in London failed recently, with costs being awarded against DTL.
Hanekom warns fruit export industry

PRETORIA — Agriculture and Land Affairs Minister Derek Hanekom warned yesterday that he would be un-sympathetic to requests to maintain single-channel marketing within the R3.8bn fruit export industry.

Hanekom told a Transvaal Agricultural Union fruit conference yesterday that government’s withdrawal from agricultural marketing would open the door to competition.

‘Unifruco and Outspan are the sole agents’ appointed by the Deciduous Fruit and Citrus Boards to handle exports.

The previous Agricultural Marketing Act, giving the two control over exports, is to be replaced later this year.
EU puts fresh squeeze on fruit exports

Samantha Sharpe

CAPE TOWN — The European Union (EU) has slapped fresh constraints on fruit and vegetable imports, sparking claims that this conflicts with its plans to offer SA a free trade agreement.

The restrictions, effective from September 1, force importers to seek import licences for a string of products, including citrus.

The licences — in place at least for the next year — were imposed despite protests by northern European countries following lobbying from southern Europe, which opposes opening the EU market to SA agricultural products.

The licensing requirement comes amid growing parliamentary discontent with the EU about its negotiations on a free-trade pact. The EU's negotiating mandate excludes about 40% of SA agricultural products.

Trade and industry department Eu-

Continued on Page 2

Fruit

Continued from Page 1

SA fruit exporter Unifruco said the licensing system was being justified as a monitoring system for agricultural import volumes into the EU, but could become a mechanism to apply quotas to SA exports.

Spokesman Fred Meintjes said the licences imposed "an extra bureaucratic burden" on traders and could eventually be used to penalise exporters.

ANC MP Rob Davies said the import licences illustrated the problem of protectionism in Europe.

"It shows the kind of thing we have to deal with in terms of talks with the EU. The playing fields are clearly not level," he said.
SA banana growers warned of viral disease

BY NORMAN CHANDLER
Pretoria Bureau

South Africa's banana industry has been alerted to a plant disease, which could cause widespread damage to the crop. Known as banana bunchy top disease (BBTD), it has been recorded in this country for the first time following scientific tests conducted overseas.

BBTD, which causes leaves to bunch up together in rosette form, is the most serious virus affecting bananas worldwide, and can 'speak to the Agricultural Research Council (ARC), have serious financial implications.

Widespread in the Pacific and Asia, the virus is transmitted by aphids. Although the virus has been detected previously in this country and is controlled in terms of the Agricultural Pests Act, BBTD was unknown.

"Because of the potential for BBTD to cause devastation to the banana industry, it is recommended that South Africa maintain quarantine legislation regarding the virus," says the ARC. In the last 60 years, the disease has caused great damage to Australia's banana industry.

The ARC has also suggested that major banana tissue culture laboratories re-test their material for plant viruses. Some tests recently completed on bananas from Hazyview, Tzaneen and Komati poort have been reported as negative, but vigilance is being maintained.
Plan to export apples kicks off this month

Louise Cook

A R4m farming scheme to export 20,000 tons of apples from the eastern Free State by 2004 will be launched at the end of the month.

The scheme, to be run jointly by the Free State provincial government, Sentraal Oos Co-operative of Bethlehem and the Bethlehem council, will accommodate 150 new black farmers.

Sentraal Oos manager Hans Meiring said that if the new farmers, still to be selected, farm successfully over the next three years, they would be able to buy their allotments.

Meiring said the Free State agriculture department had sunk R7.6m into training and site development. An undisclosed amount was also likely to come from the International Finance Corporation next year.
Unifruco to lose state protection

By Barry Streek

Cape Town — Unifruco, the deciduous fruit exporting company based in the Western Cape, will lose its statutory protection and will have to compete in the market. Derek Hanekom, the agriculture minister, said yesterday.

"The role of marketing boards will have to be strictly defined. There can be a role for the maize board or the meat board but it has to be very different," he said.

"There can be no argument for statutory protection powers for any company such as Unifruco. Unifruco could continue to exist but it would have to exist in a competitive environment."

He said some marketing boards would have to join those that had already disappeared. The government would no longer automatically intervene in agricultural marketing but would only do so if a strong case for intervention had been made.

He said the National Marketing Council would advise the minister. Any decision on statutory powers would be based on its advice, making decisions clear and transparent.

Hanekom also said most white South African farmers were not guilty of illegally evicting farmworkers and those who were doing so were tarnishing the image of the majority.
Cape Town—Unifruco, the private company owned by fruit growers, may have its contract with the Deciduous Fruit Board cancelled as a result of proposed changes to the Agricultural Marketing Act.

If the contract, which is for single-channel marketing of fruit overseas, is cancelled, the benefits of Unifruco's research might be restricted to its shareholders.

A spokesman said yesterday that Unifruco Research Services, a subsidiary company, researched changes in demand in different markets as well as plant breeding to produce new plant varieties.

"We project demand 15 years into the future and advise growers what varieties to plant. Our marketing research people test how new varieties are likely to fare in world markets," he said.

The spokesman said Unifruco had its own cold storage facilities in Cape Town harbour so that fruit could be kept under controlled conditions until it was loaded aboard ships.
Golden glow in the east

New deal gives smaller citrus exporters the pip

The transition period between the Marketing of Agricultural Products Act of 1996 — which took effect at the beginning of the year — and the previous Act is creating wobbly underfooting for smaller citrus exporters.

The latest agreement between Outspan, the official marketing agent of the Citrus Board, and Metro Cash & Carry pinpoints the problem.

Outspan entered into a joint venture with Metro International in Hong Kong. The joint venture will distribute product there, in the Pacific Rim and China. The new company, Metspan, is a similar operation to the joint marketing drive with Unifruco in western Europe called Capespan.

Now other smaller citrus producers are eyeing the market — hence the outcry. But, says Outspan GM (corporate marketing) Andre Venter, it’s a “free market. Producers who want to do their own exports can do so by applying for a permit. The demise of all the old agricultural marketing schemes at the end of this year means that it will then be a truly free market.”

All citrus exporters are shareholders in Outspan. Indications are that 90% of the shareholders would like to continue with the current arrangement. However, Competition Board chairman Pierre Brooks says “we have not yet had a formal complaint, but we will certainly look at this new arrangement.”

Whether the deal falls within the ambit of the Competition Board is another question, as the board is primarily concerned with domestic competition. “But,” says Brooks, “though the deal might be aimed at the export market, there may be domestic implications.”

Venter says: “the Far East has enormous potential — and it is for this reason that we have sealed our relationship of the past two years with Metro International of Hong Kong.” He adds that the current 3m-4m cartons exported to the East could be increased to 12m-14m cartons. Over the past two years the joint venture lifted exports 120% to Hong Kong and adjacent markets.

Chairman of the National Agricultural Marketing Council Eckart Kassier says “The interim phase before the new arrangements take effect is difficult to manage. But a return to single-channel marketing for agricultural products is highly unlikely.”

Piet Badenhorst
Cape fruit grower keen to establish new export channels, says chairman

LLEWELLYN JONES

Cape deciduous fruit grower WB Holdings is looking at establishing new export channels for its goods as early as next year, chairman Robert Silverman said at the company's annual general meeting yesterday.

WB Holdings owns five farms in the Villiersdorp and Grabouw areas, and produces apples, pears and plums for the export and local markets.

Mr Silverman said the company was always looking at ways to add value to its goods and, with the removal of statutory single channel marketing, it would look at ways to export its goods other than through Unifruco, the single channel marketing agent.

"I believe Unifruco has grown far too big with their wine selling and their Outspan selling. They are such a huge organisation that one wonders as to their ability to really look after the apple and the pear crop."

"But it is not as simple as that."

He said a co-operative had recently had to reduce the price of its goods sold in the Far East after a buyer realised he had paid more for his goods than a competitor had paid Unifruco for similar goods.

"So it is not an easy solution to go on your own, especially when you are dealing with a perishable article - that is why we are hesitating."

Mr Silverman told shareholders that this year was unlikely to be as good for WB Holdings as last year because of poor weather conditions.

Operations manager Riaan Botha said high rainfall in November and poor average sunlight hours in the Elgin area - 50 percent less than normal - had adversely affected the quality of the crops for the entire industry.

"The main issue for us is size," Mr Botha said.

"We are picking sizes that the European supermarket trade doesn't want - and so we have to sell outside the supermarket trade where the margins for us are lower."

The biggest impact had been in apples where the industry could not supply the spectrum of goods the market was looking for.

The apple crop had also been three to four weeks late, Mr Botha said.
Despite the good results, Langeberg Holdings chair Nick Dennis said that the market for canned fruit, especially in the UK, remained difficult. The international market has become more competitive due to a generally high level of supply, especially from countries in the Northern Hemisphere, which has led to lower export margins and increased competition. "The UK market," he said, "is the same as the rest of Africa."

In contrast, the domestic market has proven to be more stable. The company's profit margins improved due to the higher demand for canned fruit in the UK and the lower cost of production. Shareholders' funds increased by 10% to £2.5 million, per share.

"The company's performance is encouraging," Mr. Dennis said. "We are on track to meet our targets for the year."
CAPE TOWN — Fruit and vegetable processor Langeberg lifted attributable income 10.2% to R41.1m in the six months to March, despite tough international market conditions and a major reduction in the General Export Incentive Scheme (GEIS).

The growth in income was accompanied by a 10.4% increase in headline earnings to 26.5c a share — stripped of profits on the sale of fixed assets net income a share was 10.2% higher at 29.7c — and an interim dividend declaration of 5.5c, which was unchanged from the same time last year.

Langeberg chairman Nick Dennis warned that uncertainty in the export market could offset a continuation of good performances in the domestic market in the second half, with earnings for the full financial year forecast at similar levels to last year.

Turnover increased 24.8% to R569.5m in the review period following favourable conditions in the local market and increased market share for the Roo and All Gold brands.

However, fruit processing in the Western Cape was hampered by adverse climatic conditions, which affected supply to overseas customers, he said.

Dennis said this had been exacerbated by increased competitiveness in the international market, which had resulted in lower than expected group selling prices and margins. Operating income increased 10.9% to R56.5m.

A GEIS reduction from 14% last year to 6% this year also had a big impact on the bottom line.

Net interest paid of R1.2m from R3.2m at the same time last year brought net income before tax and abnormal items to R57.7m, 6.7% up on March last year. A marginally lower tax charge of R16.6m brought attributable income to R41.1m from R37.3m.

A R300 000 profit on the sale of fixed assets was reflected in headline earnings of R40.8m.

On the balance sheet, shareholders’ funds increased to R493.8m from R461.6m, while net asset value rose 7% to 308.6c a share. Borrowings of R2.9m translated to negligible gearing, with the group in a financially strong position, Dennis said.
MARKETING | Casualties likely as market is thrown open

Gloves will come off for SA's fruit export business

Cape Town — South Africa’s fruit export business, valued at R5.5 billion a year, was expected to attract aggressive competition and millions of rand of investment in the run-up to the abolition of single-channel marketing, Johann Laubser, the managing director of Longridge Winery, said yesterday.

"Everybody who takes on Outspan and Unifructo will have to prove to the producers that they are better. Many will not be and their operations will soon fold," he said.

The single-channel fruit marketing system, which is controlled by Outspan and Unifructo, will remain in place until September 1, when it will be thrown open to competition.

Laubser said the industry would attract some large players who were prepared to make significant investments, as well as lots of "rats and mice" operators, many of which would most likely only export a single container of fruit in a given year.

The more aggressive players were likely to invest in packing, warehousing and cold storage facilities, offshore offices and shipping operations.

The investment would flow not only from the liberalisation but also from sharply higher export volumes, which had already increased by about 10 percent a year, said Laubser.

An analyst, who asked not to be named, said the industry could attract investment of at least R50 million over the short term, with figures likely to climb as export volumes grew.

"Investment will also depend on the prices these exporters can achieve, which will also depend on the types of fruit they produce and the markets they plan to enter," the analyst said.

According to broad market speculation, Exatrade, the country’s largest import-export firm with an annual turnover of R3.5 billion, was positioning to become a meaningful player in the fruit export market.

Laubser said an official announcement on Exatrade, which owns a significant stake in Longridge Winery, would be made soon.
Producer will look for alternatives to Unifruco

Cape Town — WB Holdings, the JSE-listed deciduous fruit producer, would look at alternative export marketing channels to Unifruco next year, Alan Silverman, the managing director, said on Wednesday.

"Addressing shareholders at the company's annual meeting, Silverman said the company's apple, pear and plum crop was already committed to Unifruco this year but stressed that the marketing arrangement could be re-examined next year."

"We are looking to add value to our export crop but it's too early to say if there are viable alternatives to Unifruco. If there are good channels we will take advantage of these."

Robert Silverman, the chairman of WB Holdings, cautioned that it was not a simple matter for companies or fruit farming co-operatives to export on their own accord.

He said competition with Unifruco could be a problem.

"We are marketing perishable products and the buyer could play Unifruco and other parties off against one another ... this is why we are slightly hesitant to make decisions about marketing alternatives."

Silverman said, however, that there was a perception that Unifruco had become a bureaucratic organisation and had diversified into Vinfruco (wine exports) and Outspan (citrus products). "This has diluted their focus on the marketing of apples and pears overseas."
Langeberg has torrid time in export arena

Cape Town — Langeberg Holdings, the fruit and vegetable canner in the Tiger Oats stable, squeezed out a 10 percent increase in attributable earnings to R41.1 million after experiencing a torrid time in export markets in the year to March 31.

Headline earnings came in proportionally higher at 36.5c a share, but the dividend payout was kept at last year’s 8.5c level.

Nick Dennis, the chairman of Langeberg Holdings, said yesterday the results were satisfactory in light of competitive international market conditions, fluctuating currency markets and a reduction in the general export incentive scheme (GEIS) from 14 percent to 6 percent.

Langeberg’s production is split about 60/40 between local and international markets. About 45 percent of international sales are destined for Europe, and these transactions are settled in marks, which have weakened markedly against the rand.

Total turnover jumped 25 percent to R560 million as a result of strong growth in local sales as leading brands Koo and All Gold bolstered their market share.

However, the growth in operating profit was restricted to 11 percent at R56.5 million as trading margins were reduced to 10 percent from last year’s more than 11 percent.

Dennis said yesterday that though international sales had increased, the improved supply of canned fruit in the northern hemisphere meant a more competitive international market.

Fruit processing in the Western Cape was hampered by adverse climatic conditions.

Langeberg looks set to match earnings for the year to March 31 1996. Dennis expected the company to continue its strong showing on the domestic market, but warned that prospects for exports remained uncertain, with a stable rand and the further reduction in GEIS likely to hinder profitability.

Langeberg’s balance sheet, however, remains sound, with borrowings of R2.9 million making for a favourable gearing ratio of only 0.6 percent.

Langeberg closed at R5.50 on Wednesday with 2,000 shares changing hands.

□ Business Watch
Citrus Board puts squeeze on exporters

ANN CROTTY

CONSUMER INDUSTRIES EDITOR

Johannesburg — With only a few weeks to go before the citrus season ends, there is still no sign of export permits being granted to independent parties in terms of the agreement between the government and the Citrus Board, industry sources said on Friday.

At a meeting held two months ago the Citrus Board agreed on the conditions and criteria according to which permits would be issued for a limited amount of the present season's crop. But although a considerable volume of this season's crop has already been picked and packed, none of the parties applying for export permits has received a response from the Citrus Board.

In terms of the old Agricultural Marketing Act, the Citrus Board has control over the granting of permits for the export of citrus fruit. Until this season, all exports to South Africa's main markets were undertaken by the Citrus Board's agent, Outspan.

Derek Hanekom, the minister of agriculture and land affairs, introduced a new agricultural marketing act which comes into effect in September. In terms of this new marketing act, the Citrus Board will be dissolved and Outspan will cease to have any legislative support for its monopoly agency position.

Under pressure from the government, the Citrus Board agreed to issue export permits, for a small percentage of this season's crop to parties other than Outspan. The board agreed that so-called independent exporters would be allowed to export a total of 6 percent of last season's crop volume. The permits were to be granted on conditions determined by the Citrus Board.

The conditions set included the provision of market-sensitive information to the board, which is seen by the "independents" as a competitor because of its long and close relationship with Outspan.

The board required that any party granted a permit had to report actual sales by volume and by market destination. In addition, the conditions stipulated that: "In the event of permits granted to new or niche markets, details relating to the nature of the niche market had to be provided."

Although the board is about to disband, any party granted a permit will have to pay a 2 percent "industry development charge" on the floor board value of the fruit to the board.

Despite the rapidly increasing time pressure on hopeful applicants, the board has so far not issued one permit and has not indicated reasons for the delay.
SA brands make their mark worldwide

Louise Cook

OUTSPAN, Appletiser and the Krugerrand are among the top 300 international brands, according to the latest edition of the UK publication, The World's Greatest Brands.

It is the first time SA brands have been rated in the top 300.

London-based brand evaluators Interbrand said "lots" of SA brands had been considered, but only Outspan, Appletiser and the Krugerrand had made the grade. "The three brands have tremendous international spread, the key to their selection," said Interbrand Africa's Jeremy Sampson.

Once again the world's top brand was McDonald's, followed by Coca-Cola, Disney and Kodak.

Sampson said Interbrand's evaluation methods went beyond brand equity to brand power. "Basically it covers not only what people feel about brands but also what brands can do. The recipe for success lies in consistency and building a strong relationship with the customer."

Outspan GM Arend Venter said the company was delighted and proud to be counted among the best known and best performing brands in the world. "Outspan's advertising and promotional campaigns have been aimed at building a brand based on consistent and reliable quality and service."

Appletiser SA international operations director Colin Grundling said to be counted among the top brands was testimony to years of consistent brand marketing. "We are the largest selling sparkling apple juice in the world."

Rand Refineries financial manager Johan Botha said the Krugerrand brand had always been synonymous with gold coins — and was one of SA's most famous exports.

Sampson said Interbrand's index was used all over the world, mainly by brand specialists. However, company managements had also started relying on the information to assess the performance of their products compared with those of the opposition.
Monopoly accusations greet Outspan's venture with Metro
Anger over dumping of plum crop

Johannesburg — Unifruco, the fruit exporting body, said yesterday it had dumped 100 000 cartons of plums in Europe earlier this year.

Plum farmers have disputed the amount dumped, claiming it was as much as 800 000 cartons, which they say resulted in many of them receiving R18 a carton instead of the R32 a carton they were promised at the beginning of the season.

Fred Meintjes, Unifruco's public relations manager, was adamant that only 100 000 of a total 2.1 million cartons of a particular cultivar had to be dumped with processors in Europe.

He said the plums had to be dumped because local climatic conditions had delayed the crop.

This meant it arrived in Europe at the same time as the Chilean plum crop.

Meintjes said there was excess supply of a product that had limited shelf life. "Two days either way can be disastrous," he said.

The situation was aggravated by a 40 percent larger than expected crop.

Industry sources and plum farmers said the 100 000 carton figure was nonsense and argued that the single-channel marketing system severely compounded the manageable effects of late rains. The avoidable consequence was the dumping in Europe of 800 000 cartons, they said.

One agent said the 36 percent drop in farmers' income from plums was proof that 800 000 cartons were dumped.

"If it was only 100 000 out of 2.1 million, then the farmers' income wouldn't have been so badly hit," he said.

A plum farmer, who is adamant he will never use Unifruco again, said the late rains were a small part of the problem. It was Unifruco's handling of the fruit which greatly aggravated the situation, he said.

"They could have put experts on the ships to ensure the conditions were right, that the temperature was appropriate and that the stacking and airflow was right.

"They could have paid those experts R40 000 a week and we'd all be better off now," he said.
End in sight for the lucky dip stranded
Centuries-old Morgenster estate to boost local olive oil industry

Samantha Sharpe

CAPE TOWN — SA's fledgling olive oil industry looks set for a substantial boost following the first olive harvest from virgin olive oil producer Morgenster.

Morgenster owner Giulio Bertrand bought the estate, which dates back to 1711, five years ago, subsequently planting extensive Italian olive cultivars new to SA in a bid to produce locally a high quality extra virgin olive oil.

The term virgin indicates the acidity-free quality of an olive oil, with the lower the acidity the healthier and softer the oil. Extra virgin oil has the lowest acidity.

Italian-born Bertrand said an anticipated 5 000 t of virgin olive oil was expected to flow from the farm's 25ha of olive trees, which would be increased to 40ha by the end of next year. While declining to disclose revenues from the harvest, he said a typical half-litre bottle retailed at between R55 and R60.

He said current table olive production in SA was estimated at between 2 500 and 3 000 tons a year, with olives for olive oil production at around 1 500 to 2 000 tons, producing around 300 tons of oil.

While it was difficult to forecast SA's future needs, with the olive oil market still in its infancy, its US counterpart had grown 20 times in the past 20 years following increased awareness of the product's health benefits — a trend which was fast catching on in SA, Bertrand said.

Morgenster expected to produce about 60 000 t of oil within the next five years, making up about 20% of SA's local production, with some of the product to be exported to Europe, the US and Far East.

About 60% of SA's olive oil is imported from Italy, Greece and Spain.

The farm was also producing new trees of which there were currently around 20 000, which would be offered for sale to encourage an Italian enhancement to locally produced olive oil.

"Healthy competition improves the product. If I can help in the right way, I'll be happy. If you know where you want to go, there is plenty of space for everyone," Bertrand said.

If the cultivation of olives signalled the coming of age of a civilisation, then the Cape was SA's cradle, with SA olive growers well positioned to benefit from the trend to an olive oil culture.

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Citrus Board agreement 'arrogant'

Johannesburg — The latest agency agreement between the Citrus Board and Outspan, the citrus marketing company, appears to contravene the powers held by the board as it gives Outspan ownership of all fruit delivered to it, an industry source said yesterday.

He said the tone of the agreement was indicative of the arrogant and cavalier manner with which the board and Outspan had run South Africa's citrus industry for years. "Not only does the board appear to delegate authority it does not have, its attitude to farmers is disturbing," he said.

Another industry source said yesterday that it seemed unlikely the board had the authority to hand over the ownership of the fruit.

A legal expert said the legal definition of an agent precluded the agent from assuming ownership. "An agent is a person authorised by another person to carry out transactions with third parties on their behalf."

The agency agreement says that to avoid doubt, and in terms of the act, "the ownership of products delivered to Outspan for marketing, in terms of this agreement, will, upon such delivery, vest in Outspan."

The fact that the agreement provides for Outspan to receive a subsequent commission adds to the confusion. "Outspan shall be entitled to charge a commission from exporters as agreed to from time to time by the Citrus Board to cover the expenses incurred in the execution of its duties of this agreement," it says.

Neil Coosthizen, Outspan's general manager, said the agreement superseded a previous agreement signed by the board and the Southern African Co-operative Citrus Exchange in 1965.

The latest agreement states that the board appoints Outspan "as its sole and exclusive agent, with all powers which the board is entitled to in terms of the act (the Marketing Act of 1966) and the scheme (the Citrus Scheme promulgated in March 1994) to delegate to such agent for the purpose of export marketing of each citrus fruit," he said.
Going for green-gold

Virgin olive oil sees Mediterranean culture take root in SA

The recent maiden pressing of Italian olive varietals at historic Morgenster Estate in Somerset West may signal that the fine olive oil culture of the Mediterranean is taking root in SA.

Certainly, this is the wish of expatriate Italian Giulio Bertrand, who in 1992 bought the 18th Century Morgenster homestead and half the 200 ha land from the Cloete family.

He recently bought the second half from Pieter Cloete for an undisclosed sum. This has reconstituted Morgenster Estate, which adjoins Anglo American-owned Vergelgen.

Bertrand, whose family fortune was made in textiles, decided to plant not only vines on the slopes framing the home of his semi-retirement but also five varieties of Italian olive tree. The 25 ha currently under olive trees will be increased to 40 ha by the end of next year, potential oil production is 60 000 l.

"SA may not have a traditional olive oil culture," says Bertrand, "but there is growing interest in the health benefits and fresh flavours of olive oil." He adds that 15 years ago few Americans were using it. "Today, olive oil consumption in the US is huge."

In the lead-up to the maiden pressing, which yielded about 5 000 l of extra virgin oil, Bertrand has pruned the market with the original recipe produced in central Italy where his family has farmed olives for generations. The 500 ml bottles of fruity, slightly peppery, green-gold oil are marked Morgenster Extra Virgin Olive Oil and sell at about R46 a bottle for six ex-estate and at R60 from some food emporiums.

Nor is Bertrand alone in encouraging epicures and health nuts (olive oil is low in saturates and the term "extra virgin" indicates an oil of the lowest possible acidity). Apart from the Costa family, who have included an extra virgin oil in their commercial Costas line, there are a number of boutique producers.

Hamilton Russell Vineyards (HRV), for one, sold out of the 4 800 375 ml bottles (R45 a bottle) produced last year of a lighter, less complex style of extra virgin oil than the Morgenster.

"Wine is a better business," says owner Anthony Hamilton Russell, "but not only do olive trees thrive in land unsuitable for vines, they spread labour over the year.

"Besides, if our industry continues to grow there may be export opportunities. We will be making fresh oil when European oil has already been in the bottle for six months."
Unifruco fights to stay on top in free market

Growers wooed to remain on board

C. Leveellyn Jones

Unifruco, which has been the sole legal exporter of deciduous fruit since the 1930s, is fighting to maintain its position as the country's main exporter of deciduous fruit in a deregulated environment.

On September 30, it loses its sole right when the Deciduous Fruit Board (DFB) is disbanded in terms of the new Agricultural Marketing Act, which was passed last year.

The DFB was one of many agricultural boards established under the old Agricultural Marketing Act in the 1930s to intervene in markets by removing surpluses or marketing products overseas.

The DFB took control of the export of deciduous fruit, ensuring that minimum quality standards were maintained and raised levies for research.

Most of these duties were administered by Unifruco, which also gained the contract as the sole export marketer of deciduous fruit. Now Unifruco is wooing growers to remain under the company's wing and continue supplying it with fruit.

But Unifruco was "completely at ease" with the deregulation of the industry, said managing director Louis Kriel. The board and management "fully accepted" the realities of deregulation and had no illusions about its changing status from "the industry's global player" to "the major global player of the industry".

"This nonsense that we are fighting off deregulation is simply not true," Mr Kriel said. But it was still vital for the deciduous-fruit growers to present a united front in the global marketplace.

He believed the South African industry should try not to repeat the mistake of deregulation in the Israeli fruit-growing industry.

"The Israeli industry has fragmented - it's an absolute disaster, with producers undercutting each other just to get on to supermarket shelves.

"Individual producers can only compete on lower cost or lower price if they have a strong trademark or a quality product for which customers are prepared to pay more."

Mr Kriel said Unifruco was looking for the voluntary support of at least 85 percent of the current 2 300 deciduous-fruit growers in the deregulated environment - a target he believed could be achieved.

"The 15 percent of growers he expected not to "come on board" involved 5 percent which gave the organisation 50 percent of its problems - "and we don't want them" - another 5 percent of growers which Unifruco "genuinely" wanted on board but were determined to go their own way, and the remaining 5 percent which were as yet undecided.

"We are very confident in our future - we don't think we have pie-in-the-sky ambitions and we have excellent relationships with our overseas customers," Mr Kriel said.

He also said that no one else had the infrastructure to carry out the large-scale marketing which Unifruco had handled until now.
Landmark decision on food, canning industry

'Tomato sauce, lemons not essential'

THABO NABASO
BUSINESS REPORTER

A 38-year-old provision in the Labour Relations Act (LRA) that deemed tomato sauce and lemons to be essential foods and banned strikes in the food and canning industry has been lifted following a landmark decision by the Commission for Conciliation, Mediation and Arbitration (CCMA).

The CCMA's Essential Services Committee ruled last week that the sector did not constitute an essential service.

The decision was the first to be taken by the committee which was set up last year to rule on which sectors of the economy constituted essential and non-essential services.

The CCMA defines essential services as those which, if interrupted, would endanger the life, personal safety or health of the whole or any part of the population.

Committee chairperson Dhaya Pillay told Business Argus that investigations had failed to reveal what reasons there were to deeming the food and canning industry to be an essential service.

"Nothing seems to make any sense. I think that it's quite hilarious because some of the commodities they declared as essential include tomato sauce and lemon citrus," Ms Pillay said.

"Nobody is going to die if they have tomato sauce."

Ms Pillay speculated that their inclusion on the list of essentials may have been part of a plan by the previous government to stem political demonstrations, which trade unions seemed to spearhead.

"I suppose it was also a political decision to protect farmers from workers who wanted to strike," Ms. Pillay added.

The LRA stipulates that workers employed in essential services cannot strike and that disputes must be referred for arbitration.

A spokesman for Langeberg Foods, one of the biggest canning plants in South Africa, said the company would not be affected by the ruling because it had not used the provision banning strikes.

The Food and Allied Workers' Union could not reach for comment.

The committee also ruled that the supply and distribution of petrol or other fuels to local authorities was a non-essential service.

The regulation and control of air traffic and the weather bureau, as a support service to air traffic control, have been declared essential services.

CCMA spokeswoman Happy Zondi said that the committee had also ruled the supply of electricity, water and sanitation and firefighting to see if they were essential or not.

"The determinations with respect to whether or not these industries are essential will be published shortly in the Government Gazette," Ms Zondi said.
A huge document is a pain. A huge document is a pain. A huge document is a pain. A huge document is a pain.
Johannesburg — The citrus industry has indicated it intends to apply for an intervention in the export of citrus as soon as the market is deregulated, John Stanbury, the managing director of Outspan, the citrus export agent, said yesterday.

Stanbury said although the new Agricultural Products Marketing Act would see the South African Citrus Scheme fall away by year-end, there was scope within the legislation to enforce a pooling system for the export of citrus fruit.

But industry sources said if a pooling system was enforced, it would result in a continuation of the statutory single channel export marketing scheme, which has come in for so much criticism from the new government. "It would be politically unacceptable and it would be unworkable," said one source.

But Stanbury believed if sufficient numbers of producers made a united application to the National Agricultural Marketing Council, they could establish a statutory backed pooling system for exports.

He said in terms of the new act a pool system could be imposed with four conditions — that it optimised total export earnings; that it ensured the long-term viability of the industry; that the structures involved in the pooling system be efficient and be open and accessible to all players in the industry; that it would have the support of as many as 80 percent of producers, it was likely they would get it.

Although there are 1,200 citrus growers and 250 packers in the export industry, 50 growers and packers account for about 83 percent of exports. Ahead of the deregulation deadline, Outspan is focusing on these players and attempting to tie them into three-year contracts.

Outspan sources said the board and management of the large packhouses would be key players in the new environment.
Outspan to scale new heights

CITRUS exporters Outspan International expected to ship a record of 50-million cartons to overseas destinations this year — topping the R2bn gross sales mark for the first time, the company said yesterday.

Exports handled by Outspan last year amounted to 45.5-million cartons netting R1.9%bn.

But MD John Stanbury warned in Pretoria that a deregulated fruit export market next year could see a price war between the new Exxaape Group and Outspan, hampering the development of overseas markets for citrus.

"Although Outspan would be surprised not to retain at least 60% to 70% of its current market share in citrus exports once the free market sets in, there will simply no longer be any cross-subsidisation of new markets by existing ones."

This year only 6% of exports were by agents operating under licence. So far Outspan has exported 16-million cartons with 42% of the crop expected to go

in July and August, Stanbury said.

"While the year-on-year increase in exports is positive in that it results in more stable employment and greater foreign exchange earnings for SA, there are several challenges; the world supply of citrus, especially that of southern Africa and other southern hemisphere countries, is increasing and fruit prices are declining in real terms on international markets."

This, together with the 48% subsidy, European Union producers receive, is putting pressure on southern Africa citrus growers and agents. Outspan said its strategy "took into account the limited absorptive ability" of western European markets now absorbing 52% of fruit compared to 74% 20 years ago. New markets included Eastern Europe, North America and the Far East.

Analysts said Exxaape Group's recent acquisitions in Cape Town-based Multiflower and Cape Town Cargo Terminal and its association with wine exporter Longridge Winery, was likely to pose a "formidable challenge" in the SA fruit export market next year.
Cape plantation to extend olive oil production

CAPE TOWN — Somerset West olive oil producer Morgenster has purchased an adjoining 90ha farm for R1.1m, restoring the 1711 estate to its original size and significantly boosting potential output.

The farm's 1997 olive oil production was estimated at about 5 000l of virgin olive oil, with volumes before the land acquisition expected to increase to about 60 000l over five years.

Morgenster owner Giulio Bertrand said the estate's total acreage had been extended to 200ha following the purchase, with the additional land to be used to extend the olive and vine plantations.

While it was still too early to gauge the effect the new land would have on the farm's production capacity, Bertrand said at least half of the land could provide soil conditions, which were suitable for further olive plantations. About 40ha would produce olive oil by the end of next year.
Cape weather pares fruit prices for exporters

Cape Town — WB Holdings (WBHold) — the apple, pear and plum exporter — suffered one of the worst deciduous seasons in two decades to slump R2.4 million into the red in the half-year to June 30.

The share price has peeled down to R2.60 from a January high of R6, indicating a significant loss for the full year to December 31. Stated net asset value is now R4 a share.

WBHold's interim turnover dropped 36 percent to R5.2 million while squeezed trading margins realised an operating loss of R2.2 million.

Alan Silverman, the managing director of WBHold, said yesterday the weaker trend would probably extend into second-half trading and that full-year turnover could be substantially lower.

He attributed the poor deciduous crop to unusually heavy rains and cold weather in the Western Cape spring and summer this year.

"The overall crop was 36 percent down in volume on the previous year, and a much larger percentages than usual consisted of small, poor-quality fruit, which was sent for juicing."

Silverman said the unusual weather conditions meant the picking season was three to four weeks late — resulting in the company's fruit arriving in Europe after its southern hemisphere competitors.

"As a result Cape fruit became a price follower and not a price setter."

Contrary to early industry indications, he noted average fruit prices were markedly down on last year — 34 percent for apples and 48 percent for pears.

Silverman said this year's budgeted capital expenditure had been reduced from R4.4 million to R3.1 million.

"Most of this was committed very early in the year to the development of nine hectares of pears and three hectares of proteas before the poor prices became evident."

He said no interim dividend was considered because the company would trade at a loss for the year.
A bunch of realities confront grape exporters

On September 1 Unifruco will cease to be the sole legal exporter of deciduous and other fruits from South Africa. A simple rule will then apply to exports of these products: anything goes.

This reality has struck home to the table grape producers of South Africa, among all the other farmers of internationally coveted export fruits from this country. The table grape industry is an interesting example because it has boomed recently. Plenty is at stake among farmers and exporters.

Unifruco was the exporter of table grapes, with a national total of some 21 million cartons a year.

The Hex river valley in the Western Cape, the traditional producer of table grapes, at present yields about 12 million cartons. The Orange river region around Upington-Kakamas produces about 5 million cartons, and the rest of SA (including areas of the Northern Province) 3 million cartons.

Producers expect prices this coming season will vary between R30 and R38 a carton. This is big money. Total gross value of table grape production in SA last year, according to the department of agriculture, was R1.2 billion.

There are no strict controls from any quarter on the number of hectares planted of this lucrative export crop. Consequently, the hectarage has increased dramatically in the Orange river region in recent years.

Some farmers have been enlarging their vineyards by 300ha a year. There is sufficient land available for further expansion in the region.

The Hex river valley is at a relative disadvantage as far as expansion goes, since not much more land is available in the area.

In addition, its production season is just too close to the production season of other table grape producing countries in the southern hemisphere.

The Orange river crop, by contrast, has an early production season. This places it perfectly to take advantage of scantily supplied northern markets of Europe, the Middle and Far East. The result is good prices for a product that is low in supply and high in demand.

Understandably, the Hex river valley producers are quite envious of their Northern Cape counterparts. At times they have been angry, especially when the end of the Orange river crop has been "rolled over" to ride on the back of the Hex river valley's early crop.

But all these industry conflicts are fading away before the prospects of an entirely deregulated export market.

Now the two groups of producers realise they are in the same boat. They rely on the same small group of active exporters. Unifruco and about five others are actively recruiting producers for the coming export season.

Reliance is the operative word. For the first time these producers are having to take exporters at their word, or rather the wording of their contracts.

There is no statutory regulation to protect producers. There is no state lifeboat to rescue a lost container. There is no government strong arm to crack down on unreliable agents.

Producers are torn between staying with Unifruco, signing a contract locking them in with this exporter for several years, or trying out a smaller, more streamlined but relatively untried exporter.

The promise is for lower overhead costs, more target marketing and quicker payments to producers.

One of this group is Cape-based New African Fruit Exporters. So far they have secured 800,000 cartons to market this coming season.

The changes are a headache for producers, but at R30 a carton (each one contains 5kg of grapes) it is a headache well worth producers bearing. That is, until the newly deregulated industry stabilises and independent exporters build up some kind of track record.
Deciduous Fruit Board makes business plan for own demise

Cape Town — The Deciduous Fruit Board announced yesterday it would submit a business plan to the agriculture ministry requesting its own demise.

The plan would make provision for the board and its advisory bodies and all current statutory intervention in the industry to terminate operations at the end of September.

The board said it had accepted that its mandate to develop a statutory intervention system had come to an end, with the industry's three producer associations able to take on any necessary responsibilities.

The associations had sufficient industry support to raise a voluntary levy and to fund essential services, including research and plant improvement, by the recently formed Deciduous Fruit Producer Trust.

The board said apart from the obvious abolition of the current deciduous fruit scheme, its dismantling meant no further export permits would be issued for the 1997/98 season. Nor would levies be raised. It would also not request any statutory intervention on behalf of the industry. Export regulations, standards and requirements administered in terms of the Agricultural Product Standards Act were still applicable.
Deciduous Fruit Board runs out of juice

Cape Town — The Deciduous Fruit Board would ask the minister of agriculture to abolish the board and the Deciduous Fruit Scheme next month, Deon Joubert, the general manager of the board, said yesterday.

This move would place even more power in the hands of producers. The decision followed a strategic work session in Kleinmond in the Western Cape last week between the board and the three producer associations — the SA Pome Fruit Producers, SA Stone Fruit Producers and SA Table Grape Producers.

Joubert said that, during the session, the producer associations informed the board that its mandate — essentially to develop a statutory intervention system — had lapsed.

The decision was another important step by producers ahead of the long-awaited "free exporting scheme", effective from October 1.

Deciduous fruit farmers would be allowed to export their fruit to a market of their choice, using an agent of their choice, for the first time since the 1930s, following recommendations from the National Agricultural Marketing Council in April.

Previously producers were hampered by a single-channel marketing system, which required all fruit destined for offshore markets to be distributed through Unifruco.

"Although the new fruit exporting scheme will free producers to sell anywhere in the world, the board still had some powers of intervention in terms of collecting compulsory marketing levies," Joubert said.

He said the board had accepted that its mandate had come to an end after the leadership structure of the producer associations assured it they had the support of the industry to raise a voluntary levy and fund essential services like research and information.

These essential services will now be entrusted to the recently formed Deciduous Fruit Producer Trust.
New exporter sees strong demand for SA fruit
Subtropico eyes international markets

Subtropico, the unlisted company which took over the assets of the Banana Board three years ago, was preparing to enter the export market this summer for the first time, Johan Herselman, the marketing director, said yesterday. He said it planned to export bananas to the Middle East. Competitors were too well established in Europe for Subtropico to enter that market.

Subtropico, which handled only bananas three years ago, has expanded into sales of other fruit and vegetables. Yesterday it reported a 29 percent rise in consolidated net income to R1 573 952 (R1 213 977). The dividend to be paid to its 400 shareholders will be 15.5 percent higher at 12c (15c) a share on turnover of R121 million (R96 million). Pat Roth, the executive director, said sales of fruit accounted for 72 percent of turnover. "Sales of vegetables have increased considerably, with potatoes now making up nearly 10 percent of total sales," - Andreus D'Angelo, Cape Town
Government asked to save 2000 fruit jobs

Cape Town — The government will be asked this week to take urgent action to help Cape-based Langeberg Holdings, the fruit and vegetable processing company, to weather the drastic cutbacks of traditional canned deciduous fruit exports to Europe.

Rob Davies, the parliamentary trade and industry committee chairman, said he would table a motion in parliament tomorrow calling for urgent short-term action to save about 2000 jobs. Jobs in farms and factories were threatened by Langeberg’s decision to phase out deciduous fruit processing at its Paarl factory and transfer it to its Ashton factory, he said. Fruit purchases would be slashed in the process.

Andries van Rensburg, the managing director of Langeberg, said last week the company would slash deciduous production to Europe by almost two-thirds.
Fruit bodies to play a key role in deregulation

ANN COTTY

Johannesburg — The Perishable Products Export Control Board and the independent Deciduous Fruit Producers’ Trust looked set to play a key role in overseeing the difficult transition period facing the deciduous fruit industry in the first year in which there would be no statutory regulation, sources said last week.

Professor Eckart Kassier, the chairman of the National Agricultural Marketing Council, said although there was no possibility at this stage of a single channel system being reinforced under the new regulations, there could be a single desk system that would allow for the co-ordination of exporting effort. “We would encourage something like a single desk system, but it needs to be set up quickly,” said Kassier. A single desk system involves five or six parties that are authorised to export.

Producers who have fought for a deregulated system are not prepared to entertain the notion of a single desk system which, they believe, involves too much authority and risks the creation of another monopoly.

But there is concern within the industry that the move from a highly regulated system to a completely deregulated one could result in confusion and undermine the country’s ability to export.

Kassier said an important objective of the new marketing act was optimising export earnings, and this required some co-ordination of export activities.

“Bottlenecks do exist in the system and we have arranged meetings with the board and other groups to see how the difficulties will be best resolved.”

Most parties involved have accepted there will be some short-term confusion that will weaken the export performance, but proponents of a deregulated system believe the longer-term effect will be positive.

In terms of the new Agricultural Marketing Act, deciduous fruit farmers who want to export part or all of their crop will no longer have to apply to the Deciduous Fruit Board for a permit to do so. Under the old legislation the export of deciduous fruit was regulated by the board, which passed on sole licence for export to Unifruto. This meant that over the years the board and Unifruto have built up a massive information-backed export body.

While many farmers have indicated they would continue to use Unifruto to export their fruit, a number of the larger producers have indicated they would use independent export agents.

But there is increasing concern that farmers will lose out in the confusion and decide to revert to Unifruto, in effect recreating it as a monopoly export body.

One of the independent producers said the extent to which confusion in the deregulated market could be minimised would depend on co-operation from Unifruto and the board.

“I would think that organisations that are in a privileged position would be accommodating in this regard but, of course, it would depend on the nature of the information,” said Kassier.
Louise Cook

A SLEW of new fruit exporters is set to emerge in a cutthroat market following yesterday’s demise of the Deciduous Fruit Board.

The board, which had a stranglehold on the fruit industry, for years gave Cape Town-based Unifruco a sole agency on deciduous fruit exports. For the past year the board has issued permits to other exporters, but only for markets designated “noncore”, such as the Far East and North America.

However, the market is open to all from today. Pierre van der Merwe, CEO of Cape-based Multifruit, said the demise of the permit system opened the way for Multifruit to become a “serious” exporter to Europe next year.

“We are very positive—a range of well-established European agents are keen to handle SA produce,” he said. Other newcomers include Grabouw-based Two-A-Day, Ceres Fruit Growers and Stellenpak. These companies are expected to find themselves in a price war when they start exporting to SA’s biggest fruit markets. Unifruco says prices in Europe have slumped by an average 20% this year.

Unifruco public affairs director Fred Meintjes said the company had exported 51-million cartons instead of an expected 56-million cartons to Europe this year compared with last year’s 50-million cartons.

The main reasons for strained conditions in Europe, especially in the pear and apple markets, were huge carryover stocks at the start of the SA export season. In addition, speculators held back large quantities of South American fruit supplies.

“The marketing season in Europe was considerably shorter due to a late season in all southern hemisphere countries. More fruit had to be sold over a shorter period,” Meintjes said.

A rise in the rand against most European currencies also resulted in lower returns to SA farmers.

The board’s CEO, Deon Joubert, said industry participants were discussing its future structure. A decision on the fate of the board’s R9.5m assets was expected in the next few weeks.
Big Three take stand on fruit exports

Louise Cook

THREE large fruit exporters in the Western Cape — Two-a-Day, Ceres Fruit Growers and Stellenpak — said yesterday they did not support independent fruit exports to SA’s prime European markets.

The companies said contrary to market speculation they had no interest in creating “conditions of destabilisation” in the European market and would export only to “non-core” markets, mainly North America and the Far East, through independent agents.

In the past Unifruco exported about 70% of SA’s deciduous fruit to Europe as the only agent allowed by law.

But with the demise of the Deciduous Fruit Board on Tuesday, exporters are free to break into international markets.

Indications are that about 20 agents plan to operate in Europe next year. But Two-a-Day, Ceres Fruit Growers and Stellenpak said they would continue to use Unifruco as their agent.

Two-a-Day MD Meirion Williams said: “Most SA producers are responsible and realise that price wars are not in their interests. New agents who trigger unrealistic price competition are likely to lose producer support.”

Plum packer and exporter Stellenpak MD Dawie Schultz supported this view, saying the company would focus on the Far East for independent exports but still use Unifruco in Europe.

However, Pierre van der Merwe, CEO of Cape-based Multifruit, another serious contender for the European market, said a recent trip to Europe had proved that a range of established European agents were keen to handle SA produce for the first time.

By January all control boards will have shut down and citrus fruit marketing will be free.
Unifruco chiefs quick to cash in on deregulation

FORMER Unifruco executives have wasted no time in taking advantage of the deregulation of SA's fruit industry, with confirmation yesterday that Cape-based food, fruit and flower exporter Fruveg, and the UK's largest fruit juice manufacturer, Gerbers Food Group, were close to finalising an export joint venture.

SA citrus and deciduous fruit marketing was opened to free trade this week after being restricted to a single channel—Unifruco—for decades.

A number of free agents have entered the market, but the Fruveg-Gerbers joint venture will establish a new company, headed by former Unifruco chairman Leo Fine and including former GM Denis Pearson, among others.

Roy Fine, MD of Fruveg, which has been involved in cut flower and fresh produce exports from SA for 80 years, said SA fruit would be sold on the prime European and UK markets under the brand name Sunpride from next year. Sunpride was well-established in Europe and the UK as Gerber's choice fruit juice brand, he said, which would give the company a head start when breaking into the market.

The deal with Gerbers would establish a new company, also to be called Sunpride, and was close to being finalised. Gerbers would be a minority shareholder in the venture, which would target Europe but also seek to enter other international markets.

"Sunpride is being formed to take advantage of the newly deregulated export market, and is designed for the producer who wants his own identity without any pooling system," he said.

Fine would not disclose the expected cost of setting up the new company, saying negotiations on such details would be completed this week. But turnover of about R150m was expected next year through the export of 3 million cartons of citrus and deciduous fruit. "This will be a major breakthrough. SA fruit will be marketed under a brand name associated with choice fruit juices in Europe and the UK," he said.
Johannesburg — An estimated 3,000 tons of deciduous fruit exported to Europe, the Middle East and North America this season will earn South Africa about R3 billion in foreign currency, Unifruco, the fruit company said at the weekend.

Marthinus Strauss, Unifruco's producer services technical manager, said the company had already succeeded in securing almost 65 percent of the total volume of deciduous fruit exports from South Africa.

"We believe that a very positive season will herald the new era of deregulation, but the actual volume that can be exported by us is in the hands of nature," Strauss said.

Unifruco kicked off the new fruit exporting season on Friday when a consignment of Early Grand peaches destined for markets in Britain and Germany left aboard a South African Airways flight.

"Max le Roux, Unifruco's northern region area manager, said the extreme heat in that region would probably result in an increase in exports of stone fruit, particularly peaches and nectarines, due to the acceleration of the ripening process.

The company said prospects for the coming season looked promising in the Western Cape with good blossoming reported in orchards in most of the fruit-producing regions.

"Everything points to a normal season, with good crop yields expected, particularly in the Elgin, Grabouw and Villiersdorp areas," Le Roux said.

The first Cape peaches would be harvested in the next few weeks while the picking of early plum and grape varieties started in November, he said.
New plans for deciduous fruit industry

FRANK NXUMALO

Johannesburg — The Deciduous Fruit Board (DFB) said yesterday it would submit a business plan to the minister of agriculture as soon as possible to request that the Deciduous Fruit Scheme and the Deciduous Fruit Board be abolished and replaced by a new Deciduous Fruit Producer Trust.

Deon Joubert, the DFB’s executive manager, said the decision followed a strategic work session held in Kleinvlei last week between the DFB and the three producers’ associations implementation — has lapsed,” said Joubert.

The DFB was originally established during the countrywide DFB and producers’ associations meetings held between May 5 and 14 this year as well as during the three DFB advisory meetings held on May 19 and 20.

“The DFB says it has accepted that its mandate has come to an end after the leadership structure of the producer associations assured the board that they have the support of the industry to raise a voluntary levy and to fund essential services such as research, plant improvement and information through the recently formed Deciduous Fruit Producer Trust,” said Joubert.

Joubert said closing down the board had a number of implications. Key among these was that it will not issue any permits for the 1997-98 season from October 1 or raise any levies for the export of deciduous fruit.
FRUIT EXPORTS

Core business set for growth

But grapefruit gets sour European reception

Fruit farmers face mixed fortunes this year. Exports of deciduous fruit are expected to leap 20% while citrus remains at 1996 levels.

Deciduous fruit exporter Unifraco says favourable early-season production and marketing trends point towards a possible R500m jump in export revenues to R3bn for the current season.

"In the season which has just begun we expect to handle about 85% of deciduous fruit exports, with the balance expected to go through about 140 newly independent individual exporters," says Cape Town-based Unifraco public affairs GM Fred McIntjies.

Though Unifraco's single-channel export powers have not yet been officially deregulated, farmers in provinces north of the Vaal River, who are now bringing in early-season fruit, are already acting as independent exporters, says a spokesman for the National Marketing Council. The single-channel export marketing scheme is expected to fall away by the end of the year.

On a more sombre note, single-channel exporter Outspan International says citrus export sales are equal to, at best, last year's R1.93bn foreign revenues.

Outspan's exporting season is now coming to an end, with 40m cartons of fruit — representing 90% of the crop — already shipped out to markets in western and eastern Europe, North America and the Middle and Far East. Outspan MD John Stanbury says exports should equal last year's 45.5m cartons — which is about 10% down on early-season estimates of 50m cartons.

"The reduction in the original expectation is due to two factors. First was the late start to the season as a result of unseasonably warm weather, which meant fruit coloured up late. Second, the heavy rains affected the percentage of the crop available for export," says Stanbury.

Grapefruit, especially, had a disastrous export season. Arriving late on the European market, the crop collided head-on with a bumper European melon crop, which pushed SA grapefruit off Continental breakfast tables. This led to a 40%-50% drop in grapefruit export prices.

Outspan International, still acting as a single-channel exporting agent for the Citrus Exchange, is expected to continue operating until the end of the marketing season next March. "But," says a spokesman for the National Marketing Board, "as the new Marketing Act also provides for certain levels of intervention, on condition that the majority of farmers support such measures, the continuation of a form of single-channel marketing is not out of the question.

As irrigation dams in the Western Cape's winter rainfall area and in the mainly northern summer rainfall area are full, the coming summer's El Niño-induced drought is not expected to affect crops. Arnold van Wyksteen

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FRUIT and vegetable processor Langeberg was hit hard by slack trading conditions in Europe to post a widely expected 34% drop in attributable income to R32.7m for the year ended September.

Langeberg chairman Nick Dennis said the group would withdraw from exporting to unprofitable areas, particularly in Europe. This would lead to rationalisation of the group’s deciduous fruit-processing operations.

Headline share earnings, affected by a higher effective tax rate, fell 27% to 36.3c. A final dividend of 2.75c was declared, bringing the total dividend to 8.25c, down from 16c in 1996.

Dennis said although exports to the Far East had increased, oversupply of canned deciduous fruit in Europe had led to lower prices and sales volumes, exacerbated by the earlier-than-expected phasing out of the general export incentive scheme (GEIS).

These factors contributed to a sharp reduction in export profits.

The disappointing results seen internationally were reflected in a 19% drop in Langeberg’s operating income to R88.9m.

"In light of the (European Union’s) persistent refusal to grant Lomé concessions to SA-produced canned fruit, and the phasing out of GEIS, it is expected that structural imbalances will continue in the foreseeable future."

Losses of R4.1m are related largely to fruit-processing rationalisation costs.

Dennis said, however, that reasonable volume growth was seen locally with profit margins and market shares holding up. Despite an increase in the cost of new product launches, Africa saw satisfactory profit growth.

The group’s balance sheet showed cash and deposits had fallen to R3.9m from R15.7m, but there were no borrowings. Shareholders’ funds increased to R501m from R461.6m the previous year.

Looking ahead, Langeberg MD Andries van Rensburg said international marketing conditions were expected to improve in the current year following reports of lower deciduous fruit crops in Europe. However, exports still reflected depressed prices and export margins would remain under pressure into next year.

He said an increased focus on margin management and the growth of new product categories should ensure satisfactory results for the Africa business.
Task team proposal to save jobs in canning trade

EU must waive tariffs on fruit
Namibia anxious as talks break off

SA-NU members fear imminent free trade pact between SA and the EU will undermine customs income

African Business
Crookes hit by low prices and deregulation

Shirley Jones

Durham — Disastrously low prices for export grapefruit and the negative effects of deregulation of the grain industry had dealt a double blow to Crookes Brothers, the diversified farming group, in the six months to September 30.

Dudley Crookes, the managing director, said yesterday that despite a 17 per cent rise in revenue, the revised estimate of headline earnings of R15.5 million for the full financial year, the same as for the previous year, was disappointing.

Crookes said problems with the group's citrus operations centred on grapefruit exports, where prices were below the previous season. He said this was because South African fruit ripened two weeks later than usual, reducing demand and resulting in a clash with Spanish and American fruit. As a result, a large portion of the crop had to be sold for fruit juice at reduced prices.

Orange prices had remained at the same levels as predicted in March, which could signal some recovery in this area for the full financial year.

Crookes said a combination of reduced grain yields and quality had compounded the problems experienced as a result of deregulation of the industry.

He said the group's sucrose unit had done better than last year and the banana units were faring extremely well.

Crookes Brothers had also recently embarked on a number of expansions and new investments. He said, despite the past hardships, he was optimistic.
Exporters in price war

Business Day Reporter

INDICATIONS were that local fruit exporters, which have mushroomed since the scrapping of single-channel fruit exports of UNIFRUCA and Outspan, were locked in a fierce price war.

Deciduous Fruit Trust chairman Peter Dall said SA fruit was being offered on overseas markets at discounts of up to 40% by about 132 local exporters.

He advised farmers to acquaint themselves with exporters’ affairs and pricing.
**Langeberg goes East for growth**

**Exports on the rise**

**Aug 15/1997**

**BUSINESS REPORTER**

Fruit and vegetable processing company Langeberg is looking for new markets in the Far East to counter difficult trading conditions in Europe which saw the company's profits take a heavy knock in the year to September.

Moving the company's export emphasis to the Far East comes too late for the thousands of workers that have been already been retrained in the company's efforts to re-engineer the business and cut costs, but would give the company's export arm a strong boost for future growth and profitability.

In the annual report, Langeberg chairman Nick Dennis said plans to develop Far Eastern markets were well advanced and would contribute significantly to the group's strategic objectives.

"Langeberg is well equipped to satisfy demand from these markets with high quality products," Mr Dennis said.

"Special attention has been given to these markets in the restructuring of the international arm of the business."

He said export shipments to the Far East and Japan had already increased, with profit margins benefiting from stable prices and a stronger US dollar.

Import duties in excess of 20% on canned fruit sold into the European Union, and continued agricultural subsidies in the major producing countries such as Spain and Greece, had seen Langeberg's export profit margins dwindle and more and more.

The "premature and rapid" phasing out of the General Export Incentive Scheme (Geis) had only exacerbated the situation for Langeberg.

The result was that Langeberg decided to rationalise its deciduous fruit processing facilities, closing the Paarl plant and consolidating all the company's deciduous fruit processing operations at its Ashton plant.

This resulted in the loss of some 120 permanent and, at the peak of season, 3,000 temporary jobs.

Mr Dennis expected that the loss of Geis would be difficult to overcome, notwithstanding the company's operational restructuring.

Further initiatives to lessen the impact of European Union tariff structures elsewhere in the group had also resulted in the decision to relocate Langeberg's asparagus processing plant from Picketsburg to Lesotho, thus providing Lomé Convention benefits on exports to Europe.

"With Europe being the predominant market for asparagus, this initiative will improve our competitiveness and should lead to growth in this category," Mr Dennis said.
Facility bolsters trade links with Angola

Global from 65-m Warenhouse

Franchshok Valley Truf: goos
AGRICULTURE - (3FRUIT)

1998
Heat last week put the Cape crop on crest of a wave

Heat has Cape fruit

Lufucho sees boost for exports

At 8/148
Fruit Exports

Pithy start to new season

Growers expected to cash in on sliding rand 21/9/1998

The fruit industry is expecting a R700m jump in 1998 export revenues with both Unifruco (deciduous) and Outspan International (citrus) predicting 16% earnings growth. This will boost combined 1998 fruit export revenues to a total of R5bn.

Rand-based fruit export revenues could well be further enhanced, should the rand continue its current decline against the US dollar.

The expected growth in forex income should also help compensate for the forecast drop in maize export revenues, if El Niño produces the predicted late-season drought in the summer rainfall region.

Deciduous fruit producers are looking forward to a bumper export season. This follows last year’s dismal performance, brought on by a combination of bad weather and marketing woes, with European market prices depressed by big domestic and imported fruit surpluses.

This year, it’s a different story. Unifruco GM, operations, Anton du Preez says: “After a cold, wet winter, we’ve experienced a good early export season, giving SA producers a valuable 10-14 day marketing window of opportunity against other southern hemisphere producers.

“While fruit quality is better than last year, we also expect export volumes to be boosted by more than 20% — to about 60m-62m cartons.”

This, combined with an expected 10%-15% increase in average rand price revenues, should boost forex earnings to about R2,8bn from last year’s R2,4bn.

But, adds Du Preez, while industry volumes should show substantial growth, Unifruco no longer represents the whole industry.

With export deregulation effective from last October, several independent exporters have filled the gap.

Cape Town-based independent deciduous fruit exporter Multifruit joint MD Pierre van der Merwe says his group, which should export about 3m cartons this year, has obtained higher export prices for its clients — disproving the prediction by the fruit industry’s protectionist lobby that the single channel system would lead to cutthroat competition and reduced export revenues.

Van der Merwe foresees substantial growth for independent exporters.

“Independents should handle 10m-12m cartons of deciduous exports this year. In future I expect Unifruco to control about 50% of the export crop, the balance being handled by independent exporters. But Unifruco must remain an essential role-player in the deciduous fruit export industry,” he says.

The recent R42m purchase of a Cape apple farm by the UK-based Albert Fisher group adds further muscle to the independents, while others like Prueveg also contribute to the growing tally. Van der Merwe expects the current 25-odd “active” independents to be reduced to 5 or 6 within a few years.

Outspan International CE John Stanbury anticipates the 1998 citrus export crop will be about 10% higher than last year’s, following a strong increase in plantings over the past 5-6 years.

“With dollar-based freight rates expected to drop by about 10% this year, the rand value of the export crop should grow to about R2,2bn, from last year’s R1,9bn,” he adds.

Arnold van Ruysteen

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Cost hurdles in Europe

The company has been reshaped, but limited profit growth is expected.

With the stock price plunging to record lows, Langeberg investors may be wondering how much further it could fall. The company has taken much of the pain of poor canned-fruit export markets on the chin, but concerns persist about the pace of its recovery.

At 270c a share, the fruit and vegetable processor's market value has been almost halved in the past year. Its rating is at a sharp discount to the food sector, previously they correlated closely.

Higher profits this year depend on improving European sales margins, deepening the penetration of new markets and consolidating its still strong local market share. While earnings may increase, the lift is unlikely to be large, which means the share price will remain under pressure.

MD Andries van Rensburg has spent much effort positioning Langeberg as a globally competitive processed food company. His toll has been uphill in a hostile trade environment.

Government has phased out export incentives quicker than expected to comply with World Trade Organisation commitments. That damaged Langeberg's competitive position in its key European export market. In addition, European Union governments maintained protection of their agriculture, with production supports of 18%-24%.

That's resulted in Langeberg facing a cost disadvantage of about 35% in Europe. In the longer term, Langeberg is unlikely to gain significant access to this market, as the EU denies SA access to the beneficial duties of the Lomé Convention. Ironically, Langeberg is shifting its modestly profitable asparagus processing operation from Ficksburg, Free State, to Lesotho, a member of Lomé.

The inequitable duty and subsidy structure in the EU has prompted Langeberg to stop processing deciduous fruit at its Paarl, Western Cape, factory and to shift its marketing focus to other, more profitable markets, mainly in the East.

Van Rensburg says a European marketing agreement with Dole has been struck as the US company was unable to make inroads into the retail sector.

'The elimination of loss-making sales and the lower cost structure which should result from the revised relationship with Dole will enhance prospects next year as profits will still be affected by large inventories of canned deciduous fruit this year, he says.

Improving exports to Africa and domestic market strength should produce earnings growth this year, though the pace is likely to be curbed by weak economic growth.

While Langeberg's stock has weathered most, if not all, of the downturn, it's probably not about to recover quickly, given existing trade agreements and slack economic demand. With the share trading at about a 15% discount to NAV, patient investors could take an early bet on Langeberg's recovery.
Langeberg gears for continued pressure on exports

Cape Town — Langeberg Holdings, the Cape fruit and vegetable processing company in the Tiger Oats stable, expects continued pressure on export margins in the first half of the year and will continue to steer clear of European markets in favour of other spots such as the far east.

After a series of structural hitches, the company experienced a topsy-turvy time in export markets last year, leading to a decision to slash its export production to Europe by almost two-thirds.

Nick Dennis, the chairman of Langeberg Holdings, said in the 1997 annual report that long-term growth would be achieved by successfully developing new markets and pursuing new trends in packaging and products.

"Plans to develop markets in west Africa and the Middle East are well advanced," Dennis said.

"The far east, and especially Japan, are markets with significant potential."

"Special attention has been given to these markets in the restructuring of the international arm of the business."

Problems besetting the company in exporting to Europe last year included the import duties in excess of 20 percent on deciduous fruit, the continued subsidisation of Greek and Spanish producers and the abolition of the general export incentive scheme.

Langeberg said at the time that proposed cutbacks in deciduous fruit volumes would lead to a reduction of European volumes by 60 percent and a restructuring of its Ashton and Paarl factories.

Dennis said the decision to withdraw from unprofitable markets in favour of more attractive ones would inevitably result in a reduction of the packaging requirements for deciduous fruit.

"However, these steps are unavoidable and assistance will be given to producers to place the excess fruit elsewhere," Dennis said.

Efforts to increase the exposure in Africa of leading brands Koo and All Gold has been successful, and the Langeberg Foods Africa unit had performed well in local and other African markets, he said. The goal was to grow the categories of new products in Langeberg’s African business.

The launch of new products such as the Koo Frooze range was seen as good volume growth, he said.

Other new launches included All Gold Tomato Sauce, Hugo’s Mixed Fruit Jam and Koo Mayonnaise in sachets.

Koo Max-Mix, a mix of ready-to-eat beans and pasta in sauce, was also well received by consumers, Dennis said.

Langeberg’s brands include Koo, All Gold, GoldReef, Naturite, Silverleaf, Hugo’s and Helderberg.
Unifruco denies charges of grape price-cutting

CT (OR) 21/1/98

Johannesburg — Unifruco, which had a monopoly on the export of South African deciduous fruit to Europe until this season, is confident that it will return higher prices to its growers for this season’s seedless grape export crop.

Fred Meintjies, a spokesman for Unifruco, said that so far a higher sterling price had been received for this season’s seedless grape crop than in the previous season. Local farmers would also benefit from the rand’s depreciation against the pound in the past 12 months.

Meintjies was responding to industry charges that Capespan International, which handles exports for Unifruco, had been undercutting prices in the European market in an attempt to put pressure on the unexpectedly high number of farmers who had opted to use independent export agents instead of the former monopoly.

Independents charged that such price-cutting meant prices in Europe were lower than a year ago, despite considerably less competition from Chile and the fact that the early South African crop benefited from the important Christmas period.

Meintjies stressed that price-cutting was not part of Unifruco’s philosophy or its business policies. But he added that if South African competitors were undercutting Capespan, then Capespan was obliged to respond.

“We are now in a competitive situation and... have to react to developments in the marketplace,” he said.

Charges of price-cutting come with informal estimates that support for Unifruco has fallen far short of the 85 percent volume it had expected to retain in the deregulated environment.

An estimate from one independent grower put the level of Unifruco’s support at just over 60 percent. Meintjies acknowledged that the level of support had been below Unifrudo’s expectations, but the lack of centralised data meant it was impossible to get an accurate measure.

He added: “We are on target to reach our contracted 50 million cartons of deciduous fruit exports for this season.”

For grape growers, an early season and less-than-usual competition from Chile meant deregulation should have got off to a good start. However, the benefits of these positive factors could be undermined by the effects of price-cutting between suppliers.

In addition, there is the danger that if price-cutting resulted in reduced foreign exchange earnings for the country, the government could be persuaded to reintroduce some form of single-channel export system.

One European buyer said some price-cutting was to be expected in the wake of deregulation: “I had expected a Wild West situation in the initial period, but it hasn’t been that bad; there was some price-cutting but it seemed to come from Unifruco, not the independents.”
Pico reaping fruits of deregulation

Louise Cook

PAARL-based independent fruit grower, packer and exporter Pico has raised profit 50% since the deregulation of the fruit export market in November last year.

Pico MD Ben Potgieter said at the weekend that the higher profit was the result of marketing strategies which differed from Unifruco's, and tight product control.

Potgieter said: "We are getting better results (than last year when exports were controlled) because the growing, packaging and exporting is now all done by the same company. Until last year all deciduous exports by law had to be done through Unifruco. Pico's improved profit was largely the result of 300 000 cartons of fruit exported to Europe and the East.

Meanwhile, last week's trade delegation to Germany, Slovakia and Hungary, headed by Land and Agriculture Minister Derek Hanekom, held talks with European counterparts to focus on the high level of duties for out-of-season SA fruit to Hungary. Increased trade between SA and the European countries and quality and disease in farm products were also discussed."
Local Wines in Grip of Black GoO
Shortage unlikely to boost the pineapple industry

Nicolás Jervis

DURBAN — SA’s pineapple industry is not expected to benefit from an increase in pineapple prices caused by a worsening shortage of the fruit.

London’s Financial Times reported that processors estimated the juice concentrate delivered in Europe would be $1 750 a ton by year-end, a 35% increase in less than two years. Processor prices for canned pineapples were also climbing. Now $20 a case of 24 against $17 a year ago, they are expected to reach $34 by year-end.

Del Monte CEO and chairman Vivian Imerman said that internationally the industry was reaching “a critical shortage” and the prices would soon filter to the consumer. Del Monte processes about 25% of the world’s pineapples.

However, SA Pineapple Association chairman Juan Southey said the international price rises would not boost the local pineapple industry dramatically. The Eastern Cape accounted for 96% of SA’s production, but the industry has halved since its peak in the late 1980s. Lungeberg Holdings and Del Monte disinvested in the region in 1993.

Southey said canned pineapple prices had stabilised since the highs in July last year. The R150m SA pineapple industry accounted for only 2% of the international canned market.

Collendale Cannery chairman Corder Tilley said government was still fighting with the European Union (EU) to remove duties on imported pineapples. The local market faced duties of more than 20%, yet pineapples exported from Kenya and Swaziland entered the EU duty free.

During the general export incentive scheme, farmers had recouped a margin of the duties through compensation. Now, despite Europe not producing its own pineapples and hence not having an industry to protect, SA farmers struggled to export to the EU and preferred the US and South America.

ECN reports Eastern Cape agriculture and land affairs MEC Max Mmase said the Peddie area could outstrip Bathurst-Port Alfred when it came to pineapple production. He said the lack of basic infrastructure in the area meant, however, an investment of R150m was required before this could be achieved.
Olive-growing can diversify farming risk

Farmers diversify to spread their risk across several products. A particular incentive to diversify is that livestock theft is rife. When deciding how to thrive, obviously farmers think of exporting, but not all products are suitable.

Planting olive trees is one answer. The olive tree suits South Africa's water-poor environment. If farmers plant olive trees now, in five and seven years they will begin to harvest the benefits.

Local production now is 5 000 tons to 6 000 tons a year; some 30 percent of which becomes olive oil and 70 percent fresh olives. This is processed locally. The domestic market is wide open: about 30 percent of table olives consumed in South Africa and about 80 percent to 70 percent of olive oil, are imported.

Our local market is growing at 8 percent to 10 percent a year. The worldwide demand for olives is growing by 15 percent to 17 percent a year. This is thanks to increasing awareness of the health benefits of the product.

The accent in Europe is to produce olives suitable for oil production. There is a demand in Europe for table olives. Exporting olives from South Africa to Europe is a promising possibility, especially in view of a favourable exchange rate.

The US imports 78 000 tons of table olives a year, and Australia 18 000 tons, so these too are promising markets.

There are several marketing choices open to farmers who invest in olive production. They can deliver the harvested olives to local processors. The advantage here is that it is very little trouble. On the other hand, the farm may be far away from the processing plant, so transport costs will be high. Because the farmer has not added value to the olives, the return will be relatively low.

Farmers can market their olives on the central produce markets, just as they market onions and lettuce. The advantage of this is a potentially higher income without any processing involved. Disadvantages are that the olives need to be packed and transported, and selling on the central markets involves price uncertainty.

It is possible for farmers to process their own olives in 5kg and 20kg containers and supply these to restaurants, hotels and caterers. The advantages are a higher income, lower packaging costs and easier marketing. It will require research, though, to establish how to distribute the product effectively.

A fourth marketing possibility is processing, packaging and selling to the public at farm stalls and through supermarkets. This is labour-intensive, and obtaining shelf space in supermarkets is easier said than done. Supermarkets need constant supply too.

The most attractive possibility is for the farmer to process and pack the olives for export personally. They can be partly processed and exported for further processing overseas, or the farmer can create a fully processed, packaged and branded product for export.

Some advantages of exporting from the farm are high income and intensive labour use. The challenge is to maintain a regular flow of supply.

Olive farming is a fairly extensive type of farming. It requires little labour during the year. Seasonal workers take care of the harvesting.

To establish an olive orchard is not expensive. Simple irrigation methods are adequate because the trees need relatively little water, and when they reach fruition they can produce for a long time.

Anyone who steals olives off a tree and tries to eat them will be bitterly disappointed. In this sense olive growing is theft-proof.
Independent citrus fruit growers call for end to controls

ANN CROTTY

Johannesburg — Independent citrus fruit growers have challenged attempts by members of the old Citrus Board to secure a continuation of statutory controls on citrus fruit exports. They claim that Outspan, the industry’s sole export agent appointed by the board, has lost the support of between 20 percent and 40 percent of farmers.

The newly formed South African Citrus Growers’ Association (SACGA), which is described by analysts as a spinoff from the Citrus Board, has asked the National Agricultural Marketing Council (NAMC) for a continuation of some form of statutory export control, despite the enforcement of the Marketing of Agricultural Products Act 1996, which is aimed at abolishing statutory regulation in agriculture.

SACGA claims to have the support of 60 percent of citrus growers, but industry sources said there was evidence it had considerably less. It based its request for continued controls on an alleged agreement between itself, the South African Independent Fruit Growers’ Association and the Emerging Farmers, who, according to SACGA, have also agreed to the formation of the Citrus Export Co-ordinating Council (CECC). The apparent plan is for CECC to be registered as an section 21 company, which will manage the process of control.

Valdy Jensen, of the Independent Fruit Growers’ Association, said the only agreement between the three parties related to the creation of some form of loose association. He said there was no agreement on requesting continued controls on exports. Jensen urged all the parties to take one year to see how the deregulated system worked before considering reintroduction of any controls. In terms of the act, certain limited statutory measures may be introduced if they advance the objectives of the act and if affected groups are consulted.

The NAMC recently said: “to date statutory measures in respect of records and returns and registration have been introduced in the maize and wheat industries”. SACGA had made the only request for continued export controls. In terms of the new act, a request for some form of export control would need “sufficient support” to win the backing of the NAMC.
CITRUS FARMING

Citrus Board, Outspan are lemons in the basket

Ann Croatty

So far, in its first year of deregulation, not an awful lot seems to have changed in the citrus fruit export industry. Anyone listening to discussion between stakeholders in the industry could be forgiven for thinking that the Citrus Board and Outspan, its export agent, were still firmly in control and calling all the shots — and had the backing of legislation.

According to the National Agricultural Marketing Council, which is overseeing the deregulation process, the implementation of the Marketing of Agricultural Products Act 1996 is almost complete.

"Except for a few schemes which will remain in place in order to finalise certain outstanding issues — for example, levy collection and legal issues — and which will be managed by liquidation committees, all control boards ceased to exist on January 6 1999," the council said.

All except for the Citrus Board, that is.

In an address given at the recent TransAfrica conference, Valdy Jensen, the chairman of the South African Independent Fruit Growers' Export Association (SAIFGEA), said: "The Citrus Board and its sole agent, Outspan, contain elements which have not yet conceded the need for change and are involved in a dubious battle for continued statutory powers."

"The battle for the constitutional right to economic freedom is therefore not quite over for citrus producers and exporters."

Jensen has led that battle for a number of years, originally as a pioneer against a powerful foe who understood control over a multibillion-rand export industry was at risk, more recently as less of a lone voice.

Dawie Ferreira, the production research manager at Outspan International, said citrus constitutes almost 25 percent of the total commercial production of fresh fruit in South Africa.

"Of the 1,04 million tons of citrus produced in 1996, 65 percent was exported, accounting for 32 percent of total income for farmers," he said.

He said since 1989, when 31,2 million cartons of citrus were exported, exports have increased — "and it is expected that 75 million cartons will be available for export by 2007,"

Against the backdrop of this rise stand expected changes in the traditional export destinations. Demand in markets such as western Europe is expected to remain stable or even decline.

"This means that development of new markets will play an increasingly important role in marketing the increasing volumes over the next few years."

Davey Ferreira, the production research manager at Outspan International, said citrus constitutes almost 25 percent of the total commercial production of fresh fruit in South Africa.

"Of the 1,04 million tons of citrus produced in 1996, 65 percent was exported, accounting for 32 percent of total income for farmers," he said.

He said since 1989, when 31,2 million cartons of citrus were exported, exports have increased — "and it is expected that 75 million cartons will be available for export by 2007,"

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"This means that development of new markets will play an increasingly important role in marketing the increasing volumes over the next few years."

At stake is who will lead that development. Outspan believes it is best placed to play that role, although it has not said it in so many words. It is also backing itself with claims that it has the support of about 60 percent of exporting citrus farmers.

Independent farmers counter that Outspan's performance to date has been unimpressive. They criticise the organisation's inefficient handling of export markets and of suppliers.

They also claim Outspan, which derives its position from statutory controls, is not the appropriate type of organisation to make the most of opportunities in a free market.

Independent farmers say an increasing number of their peers are no longer keen to use Outspan and that the level of its support is closer to 50 percent than 60 percent.

The campaign being orchestrated by the Citrus Board and Outspan involves the recently created South African Citrus Growers' Association and the creation of a section 21 company called the Citrus Export Coordinating Council (CECC).

Ferreira said: "The mission of the CECC is to act as a representative national organisation on behalf of the citrus industry in promoting citrus exports through the collection of general marketing information, the provision of export permits and the enhancement of market access and international competitiveness through the funding of research, community assistance and new farmer development."

The CECC has already approached the marketing council for approval to put the necessary controls in place.

The proposal sounds laudable, and if it was presented by a new and independent group it perhaps would receive widespread support. But there is understandable nervousness that this is an attempt by key individuals to keep the old regime in place. The CECC would presumably use Outspan as its almost sole agent, which would secure Outspan's future and the jobs of its executives.

This should be seen in the context of a recent press release from the marketing council which said: "The future role of Outspan and its infrastructure is still to be determined."
Langeberg warns on interims

CT/OK 25/3/98

MARC HASENFLUS

Cape Town — Langeberg Holdings, the fruit and vegetable canner owned by Tiger Oats, warned shareholders yesterday that its earnings for the six months to March 31 would be significantly lower than the corresponding interim period last year.

This follows a dismal performance by Langeberg in export markets for the year to September 30, when bottom-line profits slumped from R39.2 million to R5.5 million.

Langeberg, which markets well-known brands like Koo and All Gold, advised yesterday that reduced volumes and the poor quality of the domestic deciduous fruit crop would have an adverse impact on profit.

The company cited continued depressed export contract prices as another negative factor.

Langeberg was confident export contract prices would firm in the second half of the year, but cautioned that the domestic market would remain under pressure.

The company's shares were untraded at R2.99 on the JSE yesterday, well off the annual high of R5.65.

Langeberg boasts a net asset value of R3.13 a share.
Fair weather expected to increase production levels by 10%  

WB Holdings faces more fruitful exporting season

MARC HASENPITTUS

Cape Town — WB Holdings, the deciduous fruit exporter which reported rotten results last year, had seen crop quality and size improving in the new season, Robert Silverman, the chairman, said yesterday.

The company, which is listed on the JSE’s Food board, reported a R4.7 million loss in the year to December 31 after adverse weather all but ruined the company’s apple, pear and plum crops.

Silverman said fair weather conditions during the blossom period this year had resulted in an expected increase in production of up to 10 percent.

"Less fruit is going to juice, and better first-grade packouts are being achieved." He said the current season was about two weeks early, which should yield better fruit prices for WBHold in the European market.

But Silverman said capital expenditure for this year’s season had been slashed from R4.4 million to R300 000. He said future planned expenditure would be reviewed only when results for this season became clearer.

On marketing, Silverman said the removal of Unifruco’s statutory right to market all local deciduous fruit would create a more competitive environment and benefit the industry.

"We said while most South African fruit would still be packed by Kromco, about 12 percent would go to an independent packhouse and marketed outside Unifruco."

"This will afford management the opportunity previously denied of having an alternative channel with which to compare Kromco and Unifruco’s performance," Silverman pointed out.

Business Watch, Page 2
Unifruco consolidates its social investments

Samantha Sharpe 20 April 1998

CAPE TOWN – Fruit exporting group Unifruco planned to consolidate all its social investment activities under the umbrella of a new foundation which would enjoy funding equal to at least 5% of Unifruco's net profits, the group said yesterday.

In terms of the group's latest set of financial results, this would translate into a budget of about R800 000 for the latest reporting period.

At the launch of the new foundation, Unifruco MD Louis Kriel said Unifruco and its deciduous fruit suppliers had been involved historically in a wide range of social investment activities.

It now has become necessary to consolidate all these activities to play a meaningful role in the development of the SA community, specifically the rural areas from which the group obtained most of its products.

Kriel said the basis of foundation support would depend on an individual project's role in terms of ownership and access to commercial agriculture for people in rural areas, as well as quality of life projects in rural communities.

Also eligible were projects involving education, training and cultural development, environmental protection, sport, recreation and healthy living. "We are committed to the transfer of skills and expertise to the people in our community and will join hands with our preferred suppliers and overseas clients in order to utilise any opportunity that may arise," Kriel said.

The foundation would be controlled by a board of trustees under the chairmanship of Unifruco director Fatima Allie, also deputy head of the centre for entrepreneurship at the University of Stellenbosch's postgraduate Business School.
The assets of Unifruco and Outspan are the focus of an informal investigation by the National Agricultural Marketing Council, an advisory body to the agriculture minister.

The council was instructed by Land and Agriculture Minister Derek Hanekom to look into the facilities of the two companies to ensure they will be available for use by all stakeholders in the citrus and deciduous fruit industries, including the emerging farmer sector.

Yesterday both Unifruco and Outspan denied reports that the assets had been targeted for an investigation similar to the forensic probe into the assets of KWV last year.

Unifruco spokesman Fred Meintjes said the marketing council had asked for information on various aspects of Unifruco's operations and the company was "only too happy" to co-operate.

Outspan director Peter Misslebrook backed this view, saying that information relating to the company's operations in a deregulated market had been supplied to the council. There was no formal probe into Outspan, he said.

National Agricultural Marketing Council member Eugene Brock said discussions with the two companies were taking place to ensure that facilities such as warehouses and cooling stores could be available for use by all roleplayers.
New forum to promote fruit-growing industry

Cape Town — The Deciduous Fruit Producers' Trust and the primary producers' associations had established a new industry forum that would have wide-ranging functions in the deregulated environment, Peter Dall, the chairman of the trust, announced at the weekend.

The Deciduous Fruit Producers' Industry Forum, formed as a section 21 company after protracted discussions, comprised exporters, labour, trade, new farmers, the government and the Stonefruit Producers' Association, the Table Grape Producers' Association and the Apple and Pear Producers' Association.

Dall said the purpose of the forum was to ensure that issues of a common interest were addressed in a more effective and transparent manner:

"It will act as a representative national organisation of the deciduous fruit industry to promote the common interests of the industry," he said.

The most important function of the forum would be to co-ordinate and facilitate relations between directly affected groups in the deciduous fruit industry, Dall said.

"If necessary, it will also serve as the body through which limited statutory powers of the Marketing Act will be motivated."

A follow-up meeting of the Deciduous Fruit Producers' Industry Forum is scheduled for May 6 in Elgin.
Citrus estate negotiates R12m loan

THE 60-year-old Zebediela citrus estate owned by the Northern Province is negotiating a R12m loan over three years from the Land Bank to stave off bankruptcy.

Estate manager Kas van Niekerk said the estate, which produced oranges for the export market, had suffered a series of droughts and strikes.

He confirmed that Zebediela chairman Alidzulubwani led talks with the Land Bank last week to secure the loan which would be paid to the estate's sole shareholder, the Agricultural and Rural Development Corporation.

The estate has been under the management of the corporation for several years.
Fresh Del Monte Produce buys Trifrutas

MARC HASENFUSSE

Cape Town — Fresh Del Monte Produce, one of the world's largest marketers of bananas, pineapples and melons, had acquired Trifrutas Holdings, a Franschhoek-based company that trades as Frutopia, for an undisclosed sum, the companies said yesterday.

The deal gives Fresh Del Monte Produce, which has no links with the JSE-listed Del Monte Royal Foods, a key foothold in the South African fresh fruit industry.

Mohammed Abu-Ghazaleh, the chief executive of Fresh Del Monte Produce, said the strategic acquisition of Trifrutas was part of the company's continued push to identify, develop and bring to market new value-added products.

"This investment allows us to broaden our non-core product lines to include apples, pears, grapes and citrus fruits, which will be exported worldwide."

He said Fresh Del Monte Produce, which is listed on the New York Stock Exchange, expected to leverage the Trifrutas investment quickly and grow the business significantly next year and beyond.

François Conradie, the managing director of Trifrutas, said the deal was in the best interests of Trifrutas' growth.

"We look forward to becoming a part of the Fresh Del Monte Produce family. This is a very significant event and it will impact positively on the recently deregulated South African fruit industry."

He said a newly formed entity would trade as Del Monte Fresh Produce (South Africa).

Conradie said the acquisition of Trifrutas, which is privately owned, was settled by a share swap, but he declined to give the deal's value.
Top fruit firm aims for W Cape pickings

FRESH Del Monte Produce, one of the world's largest marketers of bananas, pineapples and melons, has secured a key foothold in the Western Cape fresh fruit industry by snapping up Trifutas Holdings, the Franschhoek-based company which trades as Frutopia.

The strategic acquisition allows the New York Stock Exchange-listed company to broaden its non-core product lines to include apples, pears, grapes and citrus fruits. These lines will be exported worldwide.

Mr Mohammad Abu-Ghazaleh, the chief executive officer of Fresh Del Monte Produce, said the Trifutas business would be grown significantly next year and beyond.

Trifutas has mostly been involved in the value-added segment of the domestic fruit market but recently made an aggressive foray into export markets.

Mr Francos Conradie, the managing director of Trifutas, described the deal as a very significant event that would impact positively on the recently deregulated South African fruit industry.

The new company will trade under the Del Monte Fresh Produce (South Africa) banner.
EU aid to exporters hits Langeberg’s results

SUPPORT for European Union exports and the uneven competition that this created for food and vegetable processor Langeberg was the main reason for its continued poor results, analysts said at the weekend.

Langeberg’s headline earnings fell 40% to R15.3m in the six months to March. Turnover rose 7.6% to R603.6m. Operating income fell by 35.4% to R36.5m. No interim dividend was declared.

SA’s R1bn-a-year canning industry has been under pressure as a result of the phasing out of government’s Export Incentive scheme (Geis) in recent years.

Last week, parliamentary hearings discussed government incentives for local exporters, but indications were that stakeholders in secondary agricultural products, like food processing, might not benefit as much as manufacturers from government’s Export and Marketing Industrial Assistance which replaced Geis.

Langeberg MD Andries van Rensburg said other reasons for the company’s dismal results included pressure on local volumes and resultant high overheads. Prices on international market, which took up 35% of Langeberg’s production, were under pressure, mainly due to SA’s disappointing deciduous fruit crop last year.

Nonetheless, export prices of SA canned fruit were likely to improve in the next six months due to European fruit crop production problems, he said.
Cape Town — Fruitopia, the Franschhoek-based fruit exporter recently bought out by Del Monte Fresh Produce, faces a multitude of litigation suits from local farmers who are claiming significant losses after inaccurate fruit counts, Chris Smith, a fruit farmer, said yesterday.

He said that last season Fruitopia had provided farmers with conflicting and inaccurate counts after a fruit sorting and grading machine went out of calibration.

"Farmers are aware that variances do occur from year to year, but it is certainly not normal for first grade counts to vary by more than 50 percent," he said.

Smith, who represents 10 Franschhoek farmers whose claims against Fruitopia range between R100 000 and R500 000, also questioned whether full disclosure of these potential claims were made to Del Monte during takeover negotiations.

The American multinational acquired Frutitas Holdings, the holding company for Fruitopia, with effect from this month. Fruitopia now trades as Del Monte Fresh Produce (South Africa).

Smith said farmers were concerned that three months after delivery Fruitopia could not provide an accurate count and there was still a significant difference between the quantity of fruit delivered and the quantity sorted.

"This represents a significant loss to farmers who wish to be paid on the basis of an accurate count of the total quantity of fruit delivered," he said.

Del Monte Fresh Produce (South Africa) said this week that management could not comment.
Citrus growers' body to discuss levy

Louise Cook

THE Southern African Citrus Growers' Association, representing 2,000 to 3,000 growers, will meet in Pretoria today following the withdrawal of an application to the National Agricultural Marketing Council for renewed statutory levies on citrus farmers.

The application failed to win the council's approval on the grounds of insufficient support from producers.

In terms of recent changes to marketing legislation, statutory levies can be imposed on agricultural produce if all affected parties agree — including farmers, labour, traders and consumers — and several other requirements are met. A statutory levy also needs backing from the marketing council and Parliament's standing committees on agriculture.

Association chairman Willem van Staden said producers at today's meeting would have to decide whether a levy was justified and if so, whether it should be voluntary or imposed by law.

A levy would not be used for any marketing related purpose. Van Staden said the association was "neutral" concerning exporters, and would not favour one of them over another.
Citrus and deciduous fruit had a disastrous year

Crookes boosted by sugar, bananas

Shirley Jones

KwaZulu Natal Editor

Durban — A disastrous grapefruit export price and a disappointing deciduous fruit crop were offset by record sugar and banana yields, enabling Crookes Brothers, the agricultural group, to lift headline earnings 8 percent to R16.22 million (R15.34 million) for the year to March 31, Dudley Crookes, the managing director, said yesterday.

Crookes Brothers lost over R3.6 million on citrus and deciduous fruit. However, revenue from sugar before the deduction of administration costs and tax had escalated from R49 million to R88 million and profits from bananas had increased from R10.7 million to R15.9 million.

Overall group revenue rose 14 percent from R82.49 million to R93.68 million. Pretax income was up to R33.99 million from R23.46 million. Income after tax was R27.71 million (R15.47 million). Attributable income was R26.46 million (R15.47 million).

Headline earnings a share were up 5 percent to 135.5c (127.8c). Earnings a share were 237.5c (128.9c). The group declared a 37.5c a share dividend, bringing the total dividend for the year to 52c, 13 percent higher than last year's 46c.

Crookes said prospects for the current financial year were encouraging. Another record sugar crop was expected, and a good performance from the company's banana interests was again expected to deliver improved earnings.

The company increased capital expenditure from R11.62 million to R31.59 million, the majority of which went towards converting virgin land for additional sugar and banana plantations in Mzimela.

The disastrous performance of citrus in the last financial year was largely as a result of poor marketing by Outspan, which had even resulted in the dumping of fruit.

Prices for Marsh, or white grapefruit, were R7.94 a carton from R14.11 the previous year and R16.71 in 1996. Similarly, the R11.24 a carton for Star Ruby grapefruit was less than half the R23.67 last year and R25.05 in 1996. However, two weeks into the current grapefruit season Crookes was optimistic that prices for 1999 would again match those of previous years.

He said the losses on deciduous fruit were largely the result of poor weather which affected quality and volumes.

He expected new apple and peach varieties to begin to deliver increased profits in the financial year to March 1999.
Americans may be given a taste of SA pineapples

Simon Barber

WASHINGTON — SA pineapples, barred from the US market since the imposition of sanctions in 1986, may be allowed back following a US agriculture department’s finding that they pose no threat of disease or competition to US growers.

The department said it expected SA to export up to 2,000 tons of the fruit to the US “depending on demand and available airfreight space”.

This represented less than 1% of US production — mostly in Hawaii — and only 1.5% of consumption.

Ronald Campbell of the department’s animal and plant health inspection service could not explain yesterday what had led to pineapples being kept off the list of fruit SA may export to the US. However, a recent pest risk analysis had identified no “pest of concern” lurking in SA pineapples, so the department was proposing to lift the ban, requiring only that they be inspected on arrival.

European Union and Asian countries are taking about 4,000 tons of SA pineapples a year. SA’s annual production is 46,000 tons.

In 1986 the Comprehensive Anti-Apartheid Act banned imports of all SA agricultural products. With the lifting of the sanctions — seven years ago now — SA had to get its fruit and vegetables recertified as pest- and disease-free to resume shipments to the US, a trade specialist at SA’s Washington embassy said.

“SA apples, asparagus, ginger, grapes and plums may currently be exported to the US if the importer obtains a permit, according to an agriculture department list. Negotiations are continuing on mangoes.”

Louise Cook reports that local pineapple growers stand to make a further R6m if the proposals by the US agriculture department to lift the 12-year ban go through.

Local exporters and market agents yesterday were cautious about the proposal, saying that the significance of the proposed move would depend on what health and quality requirements were laid down, as well as consumer reaction in the US.

Fedma exports MD Caio Cabral said US consumers were used to the Cayenne type pineapple, while SA exported Queen Victorias, which were smaller, yellow instead of white and sweeter than Cayennes.

“Depending on consumer reaction to a different fruit, the US could turn out to be a good market for SA pineapples.”

“It will also depend on the phyto-sanitary requirements put on SA. We will first have to wait and see,” said Cabral.

SA market agent Mike Lotfe said pineapples were potentially easy to export because they were available throughout the year.
Exports boom for Cape fruit farmers

Weak rand creates bonanza

Carol Campbell
Special Writer

The slide in the rand could mean dramatic growth for the fruit industry in the Western Cape as “cheap” South African exports are snapped up overseas and local growers develop the confidence to expand.

Unifructo spokesman Fred Meintjes said the major growth areas were table grapes and stone fruit like plums.

The industry was also seeing a steady growth in the demand for some varieties of apples and “blushed” pears.

Unifructo handled about 83% of the deciduous fruit exported from South Africa this season – 40 million cartons. The crop was slightly smaller than usual.

Fruit production remains one of the biggest areas for job creation in South Africa.

The industry can create 10 jobs at the same cost as one in the industrial sector.

Mr Meintjes said higher earnings for exporters through the fall of the rand would restore some confidence in the industry, particularly among apple and pear growers, whose past two seasons were not good.

“This confidence will inspire farmers to plant new varieties and renew old orchards, which will benefit exporters in the long term. It is still a bit too early to speculate on the real potential for growth.”

But, while exporters count their profits, the drop in the rand will mean some increased costs.

Freight is paid in US dollars at South Africa’s major shipping ports and, although the industry paid some of these costs in advance, farmers were protected only until the end of the season.

The cost of production inputs like machinery, fertilisers, packaging and, of course, interest rates on crop finance, are all expected to rise.

The fall in the rand happened near the end of the fruit season.

At this stage only some 12% of Unifructo’s exports this year had yet to be sold – and this fruit was expected to reap substantial benefits for farmers because of the current exchange rate, Mr Meintjes said.

“The total benefit will depend on the performance of the rand during the next two months,” Mr Meintjes said.

The deciduous fruit industry employs about 280 000 people – of whom 75% live in the Western Cape.

Most fruit is exported to Western Europe in a trade relationship which has lasted for well over a century.

Within the European market the United Kingdom is the biggest buyer, followed by Germany – where seeded grapes are most in demand.

Huge volumes of fruit are also sold to Scandinavia and Eastern Europe.

Buyers in North America and the Far and Middle East are fast learning that South Africa produces high-quality fruit, which is good value for money, and these markets are also growing. Unifructo’s fruit is sold in 60 countries.

“Right now we are looking to expanding our position in all our markets,” said Mr Meintjes.
Samantha Sharpe

CAPE TOWN — The Deciduous Fruit Producers' Trust would stop all deciduous fruit promotional activity in the local market — undertaken by promotional company Fresh Concepts — because of a funding shortage after the industry's deregulation, the company said yesterday.

Trust GM Anton Rabe said deregulation of the industry and the accompanying adoption of a system based on voluntary funding had drawn producers' attention to the various promotional activities to which they were contributing. "Producers reacted very positively to the continued funding of research, plant improvement, product development, production and marketing statistics, the provision of production, packaging and economic parameters as well as a general industry presence via the Deciduous Fruit Producers' Trust and the three producers' associations."

"However, although there initially appeared to be some industry support for the continuation of an awareness and education campaign for consumers ... no consensus could be reached after an extensive consultative process within the industry to ascertain the level of producer support."

Rabe said it had been concluded that it would be prejudicial to unity within the industry to maintain a promotions levy after September 30 this year. It had been decided, therefore that the Deciduous Fruit Producers' Trust would not commit itself to the further funding of Fresh Concepts beyond that date, he said.

"To continue to expect funding from producers beyond that date would be to highlight widespread dissent within the producer core concerning the need for and value of generic promotional activities."
Producers reluctant to fund Fresh Concepts

The deciduous fruit producers' Trust would stop its generic promotional activities and development of the local market through Fresh Concepts, a wholly owned company formed for the purpose, because producers thought to go on funding it. Anton Rabe, the trust's general manager, said yesterday. He said because of the deregulation of the industry and the adoption of a system based on voluntary funding, producers were made more aware of the various functions to which they have contributed in the past.

"Producers reacted very positively to the continued funding of research, plant improvement, product development, production and economic parameters, and the provision of production, packaging, and economic services," Rabe said. However, no industry consensus could be reached on willingness to fund the work of Fresh Concepts, which would cease operations after September 30. A spokesperson for the trust said Fresh Concepts would be wound up.

Audrey d'Angelo, Cape Town
Battle looms over market share in eastern Europe

Fruit exporters tangle

AUDREY D'ANGELO

Cape Town — A battle for market share in eastern Europe may be fought between South African fruit growers who still export through Unifruco and independent producers who choose to use channels offered by the Hamburg Port and Warehouse Company, it emerged this week.

A delegation from the port, which Unifruco stopped using in favour of the rival port of Bremerhaven, told independent growers this week they could sell 100 000 tons of fruit in eastern Europe.

The delegation was accompanied by Piotr Ptak Jawiwak, a leading Polish fruit importer and a director of Blue Net (SA) and Prestige Fruits (SA), who said his company imported 40 000 tons of fruit a year into Poland from Spain, Italy, Morocco and Argentina.

After a year, he was confident the market for South African fruit could be built up to 500 000 tons a year. Its quality was better than fruit from Argentina, and the weak rand gave South African exporters an advantage.

Jawiwak said the Polish economy was booming and there was a demand for South African grapes, soft fruit and citrus fruit.

He and Ulrich Gross, a director of the Hamburg Port Company, claimed that Unifruco had lost market share in eastern Europe because of trade politics.

But Eric van Vlaveren, the managing director of Unifruco in South Africa, said it had achieved "a very successful year in eastern Europe, with significant growth". He said about 7 or 8 percent of total exports of 700 000 tons went there.

"Russia is our third biggest apple market, and a lot of citrus goes to eastern Europe through Capespan," Van Vlaveren said.
INSIDE AGRICULTURE

Avocado growers enjoy Sunny perks

T
echnological advances in agriculture range from engineering new machinery to genetically altering plants and animals. South African avocado growers are now enjoying the benefits of a particularly pleasing technological innovation that increases yields by more than 30 percent.

Without the new system, avocado orchards are inclined to become overcrowded when trees reach maturity. The trees grow up to 10m tall. Their growth is rapid and abundant, and pruning merely stimulates growth. This makes pest control difficult.

A new plant-growth regulator called Sunny, discovered in Japan and perfected in Israel, has the approval of leading South African avocado growers.

Avocado trees are cut into pyramid shapes using a special pruning machine, then the regulator is sprayed into the trees.

This spray arrests the vegetative growth of the trees, making the orchard more manageable. The trees also receive more sunlight, which increases their productivity.

The fruit, particularly of cultivars like Fuerte and Pinkerton, is better shaped and better sized.

The improvement in Hass cultivars has been so marked that a greater percentage can be exported.

The benefits of the system are so significant that prominent avocado growers, who are usually reluctant to endorse products, have praised Sunny.

Tommie van Zyl is the chief executive officer of ZZ22 estates at Moletsane near Tzaneeen, Northern Province. He says using improved pruning techniques and the plant growth regulator could help the industry improve yields from less than five tons/ha to about 18 tons/ha, making South Africa competitive in the world marketplace. Competing growers overseas produce an average of between 15 and 20 tons/ha.

Applying a well-considered pruning programme, then spraying with Sunny, has delivered huge dividends for ZZ22.

The production of Fuerte this year was 21 tons/ha compared with 12.5 tons/ha last year, when Sunny was not used. The lowest yield at ZZ2 was 15 tons/ha and the highest 30 tons/ha. Yields of one cultivar increased from 7.4 tons/ha to 15 tons/ha.

Van Zyl says an improvement of 1.5 tons/ha is enough to justify the costs of using Sunny.

Anton Hough, who produces avocados from 25,000 trees on the farm Hokszaal near Nelspruit, says his production has increased to 30 tons/ha thanks to Sunny.

"By applying the regulator, production can be doubled in a poor year. In a good year, it means an improvement of anything between 30 percent and 50 percent," Hough said.

Philip Deetles, of the farm Bergplaas near Barberton, sprayed all 24,000 of his avocado trees with Sunny this year.

"The improved fruit quality means we produce an additional 37,000 cartons of avocados, over and above the usual 75,000 cartons per season," he said. "At about R9 a carton, this means an extra R337,500 income."

The introduction of Sunny, which is marketed by Sasolchem, follows the development of a phosphoric acid product that is injected into the trunks of avocado trees to prevent root rot.
Unifruco suffers setback in court

Louise Cook

The legal battle between SA fruit exporter Unifruco and Sun World of California over plant propagation rights has stepped up a notch following a Cape High Court decision that gives the US company the right to backdate a possible damages claim to 1992.

Sun World contends that Unifruco infringed its exclusive right to propagate the seedless table grape known in the US as Sugraone, by growing the same plant and exporting its fruit under the name Festival Seedless.

Technical

Independent DNA analysis had established that the Festival Seedless and Sugraone grapes were "one and the same", Sun World said.

However, Unifruco did not believe the court's latest decision would be significant to the outcome of the case, calling Sun World's position a "technical and procedural argument on the admissibility of an amendment to (the) particulars of claim".

Unifruco legal counsel Brian Mackinnon said: "The court's decision does not extend to the merits of the case as a whole."

"Litigation is still in the very early stage and contrary to Sun World's claims, the judgment does not rule that it has a valid damages claim against Unifruco. It merely extends the ambit of a claim we plan to contest."

The SA company argued that any damages claim — the potential amount has not yet been quantified — should not be allowed further back than 1996, when the case had been first brought to court.

Sun World said it had developed the Sugraone variety and it was therefore its property.

The early ripening, white seedless grape commands "premium" prices in the UK, Europe and North America and in terms of international plant propagation agreements, Sun World had the sole right to grant licences allowing other growers to produce the Sugraone grape.

"The grapevine was smuggled into SA, where it has been planted and grown without Sun World's authorisation."

Damages

"It is believed that at least 700ha have been planted throughout the Orange River and Western Cape producing areas," a spokesman said.

Sun World said last week that, as a result of the High Court ruling, it could now seek damages against Unifruco.

This would include royalties on its sales of Festival Seedless grapes as far back as 1992, although the size of the potential claim has not been calculated yet."
The war of the grapes

US firm presses on with legal battle

BOBBY JORDAN

A seedless "wonder grape" called Sugaone, slightly bigger and crisper than normal grapes, is at the centre of a legal battle that could have a costly impact on the Cape deciduous fruit industry.

California-based Sun World International, who claim exclusive rights over the popular table grape, this week said they were a step closer to claiming millions of rands' damages from the South African fruit industry.

According to a recent High Court ruling, Sun World has been given the go-ahead to seek damages for all alleged "illegal" sales of Sugaone in South Africa since 1992.

The ruling went against Cape-based fruit marketing company Unifruco, who had asked the court to limit the potential damages to fruit sales made since 1996.

Sun World claims Sugaone was smuggled into America during the 1980s — when US owners refused to license it to Cape growers due to sanctions — and was soon covering about 700ha of Cape vineyards. The local seedless variety was dubbed "Festival Seedless".

Cape grape producers say it will be difficult to prove exactly how or why "wonder grapes" ended up in this region — despite DNA tests that showed "Festival Seedless" and "Sugaone" are one and the same.


"From a farmer's point of view they've got plant material from wherever they've got it," said Unifruco's legal advisor Brian MacKinnon.

"There's no real track of the sources from where the plant material came. (Sun World) are still a long-way from proving that each clump of vines is necessarily the same cultivar — that's the main reason they're resorting to press statements," MacKinnon said.

One of Sun World's legal representatives, Bastiaan Koster, said Sun World was determined to enforce its rights.

"Sun World is trying to make farmers aware that the company wants to settle. Royalties will have to be payable on both the vines and fruit, but there must be some compensation for what happened in the past," Koster said.

Farmers in the Western Cape would be given the option of buying a Sugaone-Festival Seedless settlement licence, Koster added.
PRETORIA — Outspan is planning to merge its local operations with the Cape-based fruit exporting company Unifruco, says Outspan MD John Stanbury.

He said Outspan and Unifruco — which deal in citrus, deciduous and subtropical fruit exports — would sell their business to a new yet-to-be-established company, Capespan, in exchange for shares in a new holding company, Capespan Group.

The R400m deal was pending shareholders’ approval later this month, he said.

If the deal went ahead, Prusal, a Unifruco subsidiary which handles subtropical fruit exports, would also be incorporated into Capespan.

Unifruco’s Cape Town offices would become the new head office while Outspan would phase down its operations in Centurion as far as what would be required to provide vital services to citrus producers in southern Africa.

Stanbury expected that staff numbers would be cut by up to 25%.

“The combining of the two businesses would put the new company in a favourable position to compete against multinationals that have entered the fruit exporting arena since deregulation formally set in October last year,” he said.

“The new company would be in a position to use the synergies from its combined forces to generate turnover of about R8bn or more a year.” As separate companies, the current combined annual turnover was R5bn.

Stanbury said Outspan and Unifruco would hold annual general meetings later this month to determine whether shareholders supported the proposed move. In both cases approval of at least 50% of shareholders was required.

The companies’ overseas marketing company, Capespan International, would increasingly focus on developing niche markets for products sourced from different countries.

“We are confident about remaining a world player in the supply of fresh produce.

“The proposed strategy is aimed at optimising returns in a deregulated market and providing acceptable dividends to shareholders.”

Unifruco was not available for comment, but said in the October edition of its monthly publication, Cape Express, that “undisciplined competition” on overseas markets from SA fruit exporters had prompted a spiral of falling prices, with some German supermarkets putting up their margins by 200%.

“We are about the only country exporting agricultural produce without any form of government support,” Unifruco MD Louis Kriel said.

The effect of the drop in the value of the rand would be fully evident only in the coming fruit export season and “more realistic” prices were also likely to come from health-conscious consumers.
Johannesburg — Plans to merge the operations of Outspan and UniFruco into a powerful international organisation called CapeSpan Group could precipitate a repeat of the courtroom battles that two years ago dogged KWV's efforts to convert itself from a cooperative into a private company, industry sources said yesterday.

In a joint statement issued yesterday, UniFruco and Outspan said the shareholders of both groups had approved the proposed merger of the worldwide interests of the two groups.

"The new organisation, CapeSpan Group Holdings Limited, to be controlled on an equal basis by Outspan and UniFruco fruit producers, will utilise assets of more than R400 million for the international marketing of nearly 100 million cartons of fresh fruit, wine and juice," said the statement.

CapeSpan would be one of the five biggest fruit marketing companies in the world, it added.

But a number of citrus producers have challenged the legality of the move and said that it had been done without proper consultation with the producers.

A spokesman said the ministry of agriculture was watching developments closely but at this stage believed the move would be resolved by the producers.

The merger could also run foul of the proposed competition legislation which caps a company's share of one market at 35 percent.
FRUIT

1999
FRUIT EXPORTS

CAPESPAN FEASTS ON THE RUSSIANS’ APPETITE

SA to press its demands for tariff reforms in upcoming talks

Russia’s winter has famously defeated the invasions of Napoleon and Hitler. But there’s one invader the snow and cold have never been able to repel: fresh fruit. It cannot be grown in Russian orchards and hot-houses and must be imported from abroad. It is this appetite for fruit on which SA’s leading fruit exporter is banking.

Capespan has ambitious plans for Russia as the main market for SA fruit in the eastern EU. It’s a trade worth at least US$40m annually. To push beyond that, Capespan has started planning for a new state-of-the-art fruit terminal in St Petersburg port — an investment that may cost $30m.

The company’s ambitions survived the serious setbacks of last year, when deregulated export marketing prompted SA fruit growers to flood western Europe to such an extent that prices collapsed. That binge cut volumes available to Capespan to trade to its eastern European buyers, says the company’s former eastern Europe marketing manager, George Toens. “We should have kept our commitments in eastern Europe and predicted what happened,” he says.

What might have been a windfall for price-conscious Russian buyers didn’t turn out that way. Because in mid-August, the Russian government abandoned the rouble, defaulted on its treasury bonds and drove the commercial banking system into bankruptcy. The import trade in fruit and most other foodstuffs virtually halted in Russia until November.

At its peak in 1997, Capespan sold 85 000 t of citrus, grapes, apples and pears worth about $40m to Russia. In 1998 its trade volume fell by almost half.

Capespan didn’t lose money from defaulting buyers, as did many other traders, but the Russian crisis, followed by food price rises across the board, put a crimp in Russian consumer demand for fresh fruit.

Analysts are predicting stable demand for fruit in 1999, but with higher prices and sales revenue.

“This year we will work according to the circumstances,” says a Capespan representative. “The grape season has started, and usually SA grapes sell well in Russia in February and March. When prices go down in western Europe, apples and pears bought are likely to be the first to go. But if the Russian demand is normal, as SA’s leading exporter, Capespan would do well.”

Capespan wants to increase its 1997 volumes, because SA’s market size is less than before, but the company already has its own terminals in the UK, Germany and the Netherlands. A terminal in Russia would enable it to complete SA fruit exports.

Capespan is also considering supplying fruit to some of the countries that will be part of Russia in the future, such as Ukraine and Georgia. They are in need of fruit too.

To cover the possible shortfall of fruit imports from Russia, if one or two of Russia’s growing volumes, such as sugar and meat, is cut, Capespan executives are conducting informal market research in Russia and will also be considering supply from other countries. In the long run, they say, SA’s fruit volume is not likely to be affected by Russia’s problems. The country, they say, will continue to import fruit.

In the short term, Capespan has to be flexible in its approach to Russia. It is also considering other countries in Central and Eastern Europe that may be interested in South African fruit. The Russian market, however, is the one with the most potential for growth.

A new terminal in Russia could cost $30m, a small amount of money compared to the amount Capespan has already invested in its eastern European business. The company is looking at ways to recoup its losses in Russia and ensure a stable supply of fruit to its European customers.
Capespan gains EU fruit niche

LYNDA LÓXTON
PARLIAMENTARY CORRESPONDENT

Cape Town – South Africa’s presence in the European fruit market received a boost when the European Commission yesterday gave the green light for the acquisition of a 50 percent shareholding in Capespan International by Pyffes, the Irish fruit trader.

The commission said the link-up between the two companies did not raise a competition threat within the European Union (EU).

Their combined share of the EU market for fresh fruit would be less than 5 percent and they faced strong competition from rivals such as US groups Dole and Del Monte, the commission said.

Capespan International is a subsidiary of South Africa’s Capespan Group, which will retain a 50 percent stake. The Capespan Group and Dublin-based Pyffes will have a 10 percent stake in each other.

The link-up between the two companies, first announced late last year, follows the EU’s approval last month of a free trade deal with South Africa. This deal is expected to come into effect by the end of the year. It is expected to boost South African exports to Europe even though a range of fresh and processed fruit products are not covered by it.

Fred Meintjes, the Capespan spokesman, yesterday welcomed the decision as an important step forward in trade relations between the EU and South Africa.

Capespan Group is controlled on an equal basis by Outspan and Unifruco fruit producers through their interests in Unifruco Limited and Outspan International.

The group plans to use assets of over R400 million for the international marketing of nearly 100 million cartons of fresh fruit, wine and juice a year. It is one of the largest fruit marketing companies in the world. Its expected turnover for 1999 is R4.6 billion.

Capespan Group provides an improved year-round service in the provision of deciduous, citrus and sub-tropical fruit. This is expected to result in significant cost savings and increase the competitive advantage of South African fruit export industries.

Capespan has a supply base of about 4 000 deciduous, citrus and sub-tropical growers who are expected to pack nearly 50 million cartons of deciduous fruit, 40 million cartons of citrus and 5 million cartons of sub-tropical fruit and vegetables in 1999.

Wine exports were expected to total 10 million litres.
Mondi factoring Safcol into its plans

Robyn Chalmers

PULP and paper maker Mondi has proposed selling up to a quarter of its plantations to take advantage of the privatisation of the SA Forestry Company’s (Safcol’s) forests by creating bundles of assets that could fetch higher prices.

The unlisted group has issued a memorandum regarding the sale to a number of merchant banks to test the waters with international and local investors. Depending on their reaction, Mondi says it could follow the opposite route and increase its forestry holdings by bidding for Safcol assets.

The memorandum proposes that Safcol’s 120 000ha of forest in Mpumalanga be combined with Mondi’s 143 000ha of forest in Mpumalanga and Swaziland. Seven Mondi sawmills could be up for sale.

The document indicates that Mondi has begun rationalising local assets to focus on its core business: pulp, paper and packaging. Due to capital constraints, a timber market slump and the need to focus on core areas, “Mondi has decided to reduce its exposure to the solid wood sector”. The sawmilling sector has been through tough times recently, with falling demand for sawn timber and sharply higher sawlog prices. One in three sawmills in the formal sector is estimated to be operating at a loss.

Mondi corporate finance manager Gordon Carrhill said at the weekend that some form of rationalisation in the industry was inevitable. “We are prepared to be involved in this either through the consolidation in Mpumalanga, in other words as buyers (of Safcol assets), or at an appropriate price we would be sellers.”

He said a combination of Mondi and Safcol assets would result in added value for potential investors. “The forestry packages up for sale by government may not be large enough to attract international investors to SA. This could change if some of the assets are combined.” The entrance of international bidders is likely to drive up the price for the forests.

Carrhill says Mondi is prepared to consider selling its Mpumalanga and Swaziland forests and sawmills, or retaining a minority interest in a combined business. In addition to its Mpumalanga and Swaziland forests, Mondi has 460 000ha of plantations in SA, which it will retain to supply its pulp and paper operations.

Government has received 23 non-binding bids for 332 000ha of commercial forests and Safcol assets valued at between R1bn and R1.5bn.

Public enterprises office chief director Lydia Bici said at the weekend that government would issue a short list of potential bidders this week. Only four bids are believed to be for the entire Safcol business — the remainder being for one or more of seven forestry packages up for sale. The smallest package is 14 000ha and the largest includes Safcol’s 120 000ha of plantations in Mpumalanga.

The Mpumalanga and Swaziland timber businesses of Safcol and Mondi make up 263 000ha of planted forest land, of which 135 000ha is softwood plantations and 68 000ha hardwood plantations. There are eight associated sawmills.

The memorandum indicates that many Safcol and Mondi plantations in these areas are adjacent and create management units in concentrated areas.

“The combination of the two plantation resources provides the critical mass required, with security of supply, to establish a world-class processing facility in the region. This would enable the production of high-quality products at sufficiently low cost for international markets.”

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Short list made up for forestry sale

Few global companies sign on as potential bidders

Robyn Chalmers

GOVERNMENT has short-listed 16 parties to bid for its commercial forestry assets, with a diverse group of local players, but few big international hitters on the list.

The big local players in the forestry industry, Sappi and Mondi, along with trade union consortium Union Alliance Holdings, have all been short-listed. Stand-alone international firms on the list are the Swedish defence and car group Saab, Indonesia's Barito Pacific; Timber and Saudi Arabia's Parn Al-Zahid Group.

Industry analysts said yesterday that while the sale had attracted a high number of potential bidders, it was disappointing that none of the big US or other international forestry groups had come on board. "One really wanted to see the likes of Weyerhauser, Rayonier or Georgia Pacific (US forestry companies) looking to enter the market, so that is a disappointment," said one analyst.

However, government indicated yesterday that the short-listed parties could enter into consortia, with an investor in order to meet all government's criteria when submitting a binding offer.

One industry source said this indicated that the state was leaving the door open for one of the big forestry players to enter the market.

Two other foreign companies, which have entered into consortia with local entities, also appear on the short list. These are the Londolozi Eco-African Forest Holdings consortium, made up of Italy's Gruppo Mauro Saviola, Magnaboard Holdings and Formalchem Holdings; and the Madiba Forestry Consortium, which includes the York Timber Organisation, Portugal's Sonae Industria and empowerment group Madiba Mills.

The sale of 332 000ha of commercial forests, valued at between R1bn and R1.5bn, is being overseen by Water Affairs and Forestry Minister Kader Asmal and Public Enterprises Minister Stella Sigcau.

Bidders can bid for the asset as a whole, or for any one of seven packages that have been identified, or for any combination of packages. The underlying land will not be sold, instead the assets will be offered on a long-term lease.

Asmal and Sigcau said that following a due diligence, the short-listed parties would be invited to submit binding offers by July 30. Other short-listed parties are the African Forestry Corporation, Alistair Stewart, the Amathole Timber Consortium, the Eastern Cape Forestry Consortium, Ikheze Investment Holdings, Imbokodvo Lemabalaba, Thesen & Co with the Industrial Development Corporation and Uhambo Timber industries.

Sappi predicts shake-up: Page 21
**Capespan citrus exports booming**

**Claire Pickard-Cambridge**

MAPUTO — Citrus exports from Maputo by marketing company Capespan are set to double this year after repairs to the port's citrus terminal and improved co-operation with independent marketers.

SA-registered Capespan, the product of Unifrico and Outspan's merger, has two Mozambican subsidiaries, Mozambique Produce Terminal and Matola Cargo Terminal, with assets worth R20m.

Capespan Mozambique GM Jacey Strauss says Capespan, which took over management of the citrus terminal in 1996, has done repairs to the terminal and upgraded its cooling facilities.

"A growing number of independent marketers have also been exporting through our Maputo terminal, which makes sense because it is close to growing areas in SA's lowveld. Other traffic has been diverted from Durban because Maputo is the nearest port."

The increase in traffic is also attributable to an arrangement between Capespan and the customs authorities for "express lane management" of truck loads through the border roads, he says.

Capespan is scheduled to export 50 shiploads of citrus this year against 25 last year, and between 30% and 40% of new business is expected to come from independent marketers. Fruit is largely exported to Europe, the Middle East and Far East, and Capespan Mozambique is examining the possibility of exporting to Japan via Maputo.

Capespan's activities have not been affected by the delay in talks with the preferred bidder — a consortium led by the UK's Mersey Docks & Harbours and including SA shipping group Grindrod Unicorn — for privatisation of overall port management. Mersey is reportedly reluctant to sign the deal until concessions are granted, preferably to Spoornet, to upgrade and manage the rail link to SA.

Strauss says Capespan has not found the service of state-run railway CFM to be a problem. "Although CFM is heavily criticised by other businesses, and may have resource-based problems, we have found the service satisfactory."

The company says other options being investigated for Maputo include the export of subtropical fruit from the lowveld and the diversion of some Zimbabwean fruit normally exported through Durban.
'Faithful' get share in farm

ERIC NTABAZALILA

ALG FARMS, one of the leading citrus producers in the Western Cape, has rewarded their "most faithful and reliable farm workers" by presenting them with a share in a prime citrus farmland in Citrusdal.

In a joint venture between ALG Farms and ALG Workers' Investment, Minister of Agriculture and Land Affairs, Derek Hanekom, presented the 36 farm workers with the title deeds to 40 hectares of the prime land which is on the banks of the Olifants River Valley in the hub of the Western Cape's citrus industry.

The venture was not only hailed as the first citrus land reform project in the Western Cape, but was also a successful reflection of the government's land reform policy, and set new standards for the collaboration between farmers and their workers.

The venture will be registered and managed as Cedar Citrus (Pty) Ltd, and no outside shareholder will be able to own more than 50% of the shares.

The farm workers are going reap good crops as the land is ideally situated for optimal citrus production. They will also plant subsistence crops between the citrus fruit trees. They will have access to the latest technology in terms of drainage systems, soil preparation, computerised irrigation systems and the methods of planting new trees.

Gerrit van der Merwe, co-owner of ALG Farms, who has been appointed Cedar Citrus' chairperson, said a high level of technology was essential in the production of a profitable, world-class product.
Retail monopolies put fruit producers at risk

Only 50 players worldwide handling more than 85 percent of South Africa's fruit exports," said Karsten.

"In the UK, where we sell 60 percent of our country's seedless grapes, six big retailers handle 80 percent of our sales. At the same time, the number of small retailers has declined dramatically. Of the 36,000 corner shops operating in the UK at the beginning of the 1990s, there are now only 6,000 left."

In addition, retail groups worldwide were expanding across borders to consolidate their positions. "Dog eat dog is the order of the day. Emphasis has shifted away from quality to-price wars to increase market share. Quality and service-oriented retailers are coming under pressure from discounters who today count among the world's biggest retailers."

Although price deflation was a trend, retailers still emphasised service and continuity of supply, he said. "Retailers will seek alliances with organisations which can satisfy their requirements." Karsten said supplier power had been diluted by deregulation, and big, single-channel marketing organisations no longer existed.

South African producers were now competing head-on with one another to supply an increasingly smaller market.

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No easy ride for fruit exporters as tough markets take their toll

Louise Cook

THE abundance of fruit exporters, which mushroomed after government freed up farm markets two years ago, are diminishing mainly because of tough trading conditions in the market, according to industry sources.

Fynn Csizmadia, fruit exporter BCP's director of agrifood, said yesterday that most independent exporters went out of business in the past year because of the sheer complexity of sourcing, logistics and international marketing.

"At least 170 independent exporters set up business and in little over a year there are less than 20 reputable exporters."

Other exporters disagreed, saying the numbers were inflated. Ceres Fruit Exports MD Koos Snyman said several players had folded or stopped doing business, but said that there were still at least 50 to 60 reputable exporters doing business.

A fruit producers' trust spokesman backed Snyman, saying 50 to 60 operators, of which Capespan was the biggest, were still active in the local market. However, the number could come down next year if trading conditions and prices remained under pressure.

So far, only one fruit exporter, Johannesburg-based Intertrading, is listed on the stock exchange.

After the demise of the decision and citrus boards and freeing of farm markets two years ago, a string of new exporters emerged. Previously, the former Unifruco and Outspan were the boards' sole export agents in the country.
Angry independent fruit producers set for battle

A tussle over assets could see Capespan facing a court challenge, writes S’THEMBISO MSOMI

Dissatisfied independent fruit producers and exporters have joined forces to wrestle with industry giant Capespan over assets currently under the ownership of the former state monopoly.

Capespan, which came about when SA’s former sole export agents Unifruitco and Outspan merged late last year, controls over 50% of the industry and owns most of the port facilities used by all fruit exporters.

Small exporters have revived the Independent Fruit Exporter/Producer Association and threatened to take legal action to have ownership of the assets reversed. It is has already made appeals to government to intervene in the matter.

The resuscitation of the association could mean an end to the all-inclusive Fresh Produce Exporters’ Forum formed in 1997 after the deregulation of the industry. At its inception the forum was envisaged as a lobby group that would represent the industry to government, but the smaller exporters now claim that it only serves Capespan’s interests.

When government did away with the Deciduous and Citrus Boards as part of the deregulation process, most of the assets were left under the control of the former export agents.

“These include port facilities in Cape Town, Durban and Port Elizabeth as well as a computer system developed for the fruit industry. These were purchased over the years with our own money as producers. As growers we had to pay statutory levies to government, and we want to know how assets bought with our own money ended up with a private company that is now making a lot of profit by charging us for their use,” said association spokeswoman Mullen Hoekstra.

She said the forum had failed to resolve the issue as Capespan was intent on holding onto the assets. Now the forum was contemplating taking legal action against the company.

However, Capespan’s executive director Peter Misselbrook said that his organisation was not worried by the new association.

“As far as Capespan is concerned, there is no question as to the ownership of its assets, and it is therefore business as usual,” Misselbrook said.
Competition Tribunal faces its first test

Dispute between two raisin producers could have a wider impact, writes S'THEMBISO MSOMI

The legal dispute between two raisin producers, currently before the Competition Tribunal, could have a serious impact on other major companies who have dominated the agricultural sector since it was deregulated.

The conflict is between SAD Holdings, which controls most of the raisin market in SA, and South African Raisins (SAR), a fairly new company which exports locally produced raisins.

SAR has filed a complaint to the Competition Commission alleging that several agreements between SAD and grape producers have had the effect of excluding it from the market, and that SAD and its subsidiary, SA Vine Products, have abused their dominant position in the market.

SAD Holdings was established in the wake of the demise of the Dried Fruit Board after the repeal of the Marketing Act, which encouraged single-channel marketing in the agricultural sector. Prior to the repeal of this Act, the processing and marketing of dried fruit was the exclusive statutory preserve of the SA Dried Fruit Co-operative, which acted as the agent of the board.

Now SAR claims that although the industry has been deregulated, SAD and SA Vine Products have been guilty of prohibited restrictive practices.

Similar claims were made two weeks ago by the Independent Fruit Exporter/Producer Association against industry giant Cape-span. SAD and SA Vine Products MD Daniel van Schoor told the Competition Tribunal last week there would be serious consequences for other leading agricultural companies should SAR's application succeed.

The tribunal, established as the adjudication agency in terms of the Competition Act, will announce its decision on Wednesday on SAR's application for an interim relief against SAD and its subsidiary. This is the first case to come before the tribunal since it was established in September and its CE, Shan Ramburuth, says the tribunal wants to use it to create a reputation of being quick and responsive.

In terms of the new law, a complainant can apply for interim relief if it believes it will continue to suffer irreparable damage in the course of investigations by the commission.

In its application, the SAR wants the tribunal to suspend those parts of the articles of association entered into by SAD and grape producers which prohibit the latter from selling their products to any other raisin distributor.

Most local producers are SAD shareholders and are therefore obliged to sell their grapes to the company. SAR claims that several of these producers have indicated their willingness to sell grapes to the new company but fear being penalised by SAD.

But Van Schoor argued before the tribunal — consisting of chairman David Lewis, Christine Quinta and Prof Frederik Fourie — that shareholders were free to sell their stakes if they wanted to sell their products elsewhere.

SAR's legal representative, Advocate Lionel Bowman, said many could not afford to do so because of a ruling by SAD that a shareholder who wanted to leave would have to settle any loss he may have with the company in full.

SAR also wants the tribunal to order SAD to allow its members the freedom to use its existing storage containers even if the grapes are to be sold to another company. SAR says the containers were bought with compulsory contributions by producers.
abusing their position in the market
Thermal, Solar and Subsidy

Rasini Producer Group Order

A RASINI, Producer Group of Rasini, is a smallholder producer group located in the far northern part of Kenya. The group is composed of around 150 smallholder farmers who grow a variety of crops, including pineapples. The group was founded in 2010 and has since grown in size and reputation.

The group produces a wide range of products, including pineapples, bananas, and maize. The group has established a strong reputation for producing high-quality, organic produce. The group is committed to sustainable farming practices and has implemented various initiatives to promote environmental sustainability.

The group has also been involved in various community development projects, including the construction of classrooms and the provision of clean water to the local community. The group is committed to improving the lives of its members and the wider community.

The group has been recognized for its commitment to sustainability and community development. It has received several awards and accolades for its work, including the prestigious Award of Excellence in Sustainable Agriculture.

The group is owned and run by its members and is governed by a democratically elected committee. The group is committed to ensuring the fair and equitable distribution of benefits among its members.

In recent years, the group has faced challenges, including increased competition from larger, more established producers. Despite these challenges, the group remains committed to its mission of providing high-quality, organic produce to the local community and beyond.