TRENDS IN SOUTH AFRICA VEGETABLE IMPORTS

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FPIA
Fresh Produce Importers Association SOUTH AFRICA

Taking Fresh TO THE Next Level

Trends in international trade

- Globalization of food value chain raising health and ethical issues and leading to increased food safety concerns
- Trade liberalization and regional integration (FTA's)
- Large markets create economies of scale – cheaper product
- Investment in processed food production
- Transfer of developed country economy trends to the rest of the world (eg. Supermarkets)
- High food safety standards dictated by retailers (buyer driven value chain)
- Increased incomes in developing economies leading to diversified diets, and demand for ready-made nutritious food and Value-added food products
- Climate change and pest introductions – food security
- Increased focus on NTB's as tariffs are reduced

The world fruit and vegetable market is expected to exceed $735 billion by 2015, representing 25% growth over five years. By 2015, the market is predicted to reach over 690 million tons in volume, up 5% compared with 2010(MarketLine).

Regional trends and opportunities

Global financial crisis left exporters in developing countries faced with shrinking or marginal export growth in many of their developed country markets and looking towards large emerging markets like South Africa that offer significant potential for exploitation by exporters in the developing world

South Africa imported 29 million US$ worth of vegetables from the African region in 2013 (dti).

In paper by ITC (2010) the market has room for new exporters in nearby countries of counter-season fresh produce like citrus, avocados, grapes, bananas and watermelons. It has also openings for dried beans, dehydrated vegetables and nuts, private-label canned vegetables and spice mixes, as well as chillies, turmeric, peppers and cumin.

Domestic market and consumer trends

Strong infrastructure, increasingly prominent middle class and fairly stable economy makes South Africa an important emerging market and export gateway to sub-Sahara region.

- Consumer segments with high standards of living are part of a growing middle class with growing demand for variety and ‘’out of season’’ product
- Increasingly urban consumers with more income and less time create demand for quality and convenience products
- Growth in tourism fueled a demand for more variety and growth of food service industry
- Increasing health awareness create opportunities for nutritional/ health and diet products

Domestic market and consumer trends

- Staple foods in traditional SA diet include meat, seafood, maize, vegetables and fruit
- Fresh food consumption is very high and expected to grow with fresh vegetables and fruit experiencing expenditure growth because increasing health awareness, quality and variety
- Small but growing trend toward organic products
- Food market developing in sophistication with well-developed formal retail market increasingly expanding into rural areas
- Growing retail industry with large supermarket chains expanding into other regions in Africa
- Country not fully sufficient in domestic agricultural production and supplements trough consumer-oriented and intermediate products

Domestic market and consumer trends

- Open economy with well developed import regulation standards implemented in accordance with WTO commitments, including reduction of tariff levels
- Modern infrastructure and best port system on continent allows efficient distribution to urban centers and offers strategic location to other SACU and SADC member countries
- Agricultural products must comply with national SPS laws and certification is required while regulations are based on guidelines of CODEX Alimentarius, IPPC and OIE
- Importers look for good quality, competitively priced product and well-established network of importers exist that provides successful entry strategy for products that are unprocessed or semi-processed

Evolving market place and consumer trends combine to provide number of opportunities for food exporters

Consumption and expenditure patterns

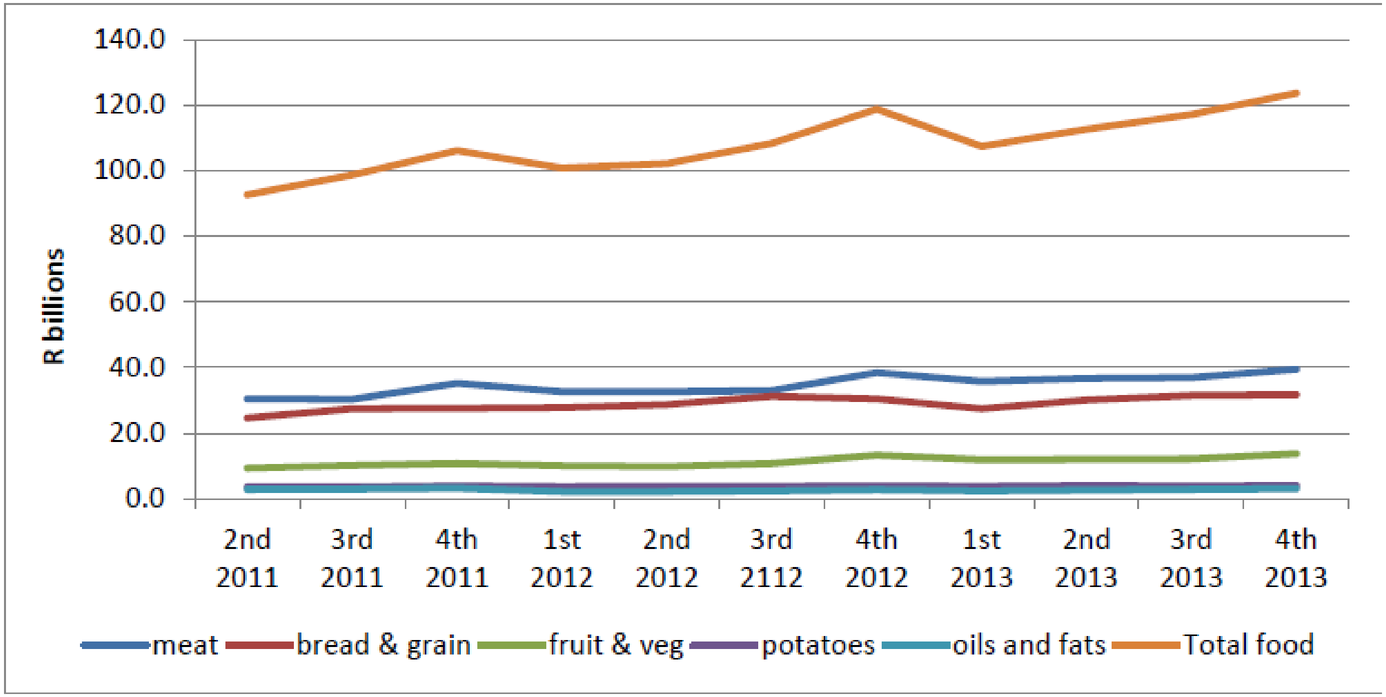
Private consumption expenditure on food reached R123,6 billion in the fourth quarter of 2013 compared to R117,1 billion in the third quarter, an increase of 5,6%.

Compared to 2012, private consumption expenditure on food increased slightly by 4,1% from R118,7 billion in the fourth quarter of 2012 to R123,6 billion in the fourth quarter of 2013.

The main expenditure item on a y/y basis was oils and fats which increased by 12,1%. Potatoes increased by 5,5% followed by expenditure on bread and grain which increased by 4,0%. The expenditure on fruit and vegetables increased by 2,9%, while the expenditure on meat increased by 2,7%. (Source: DAFF, March 2014)

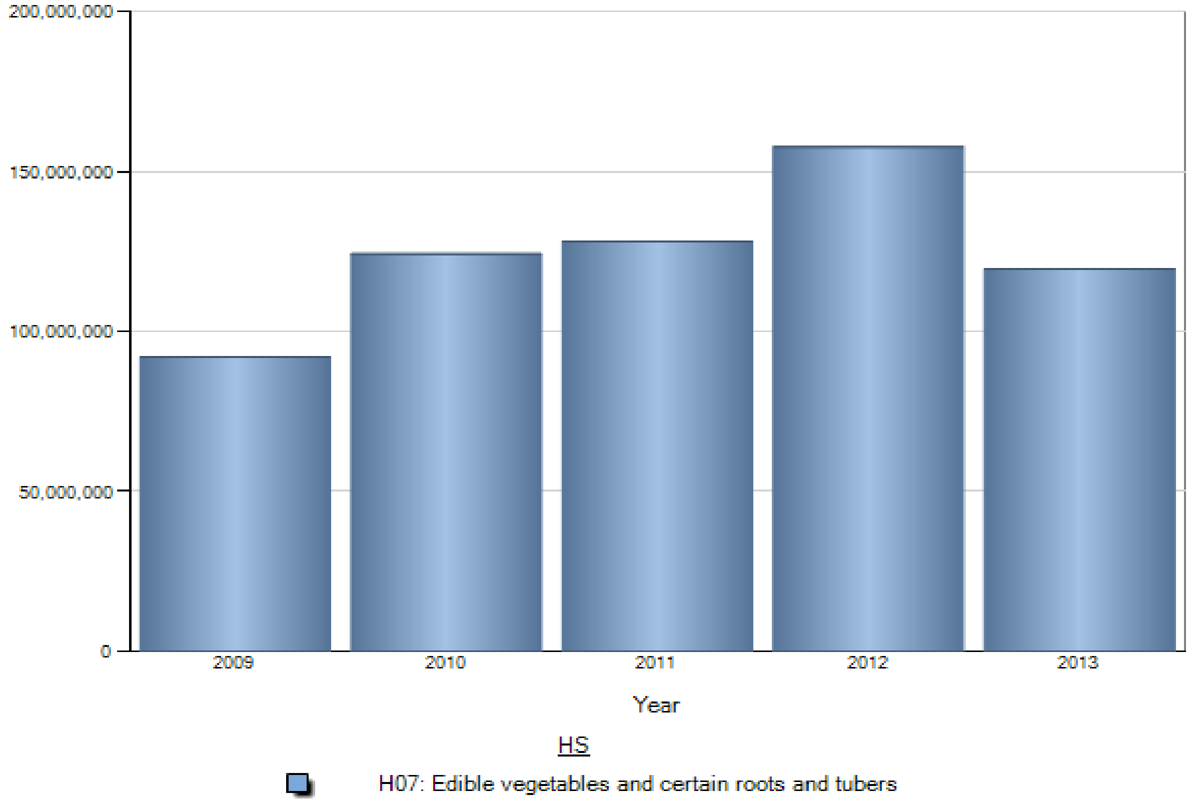
Consumption patterns

Private consumption expenditure between 2011 and 2013



Trade statistics

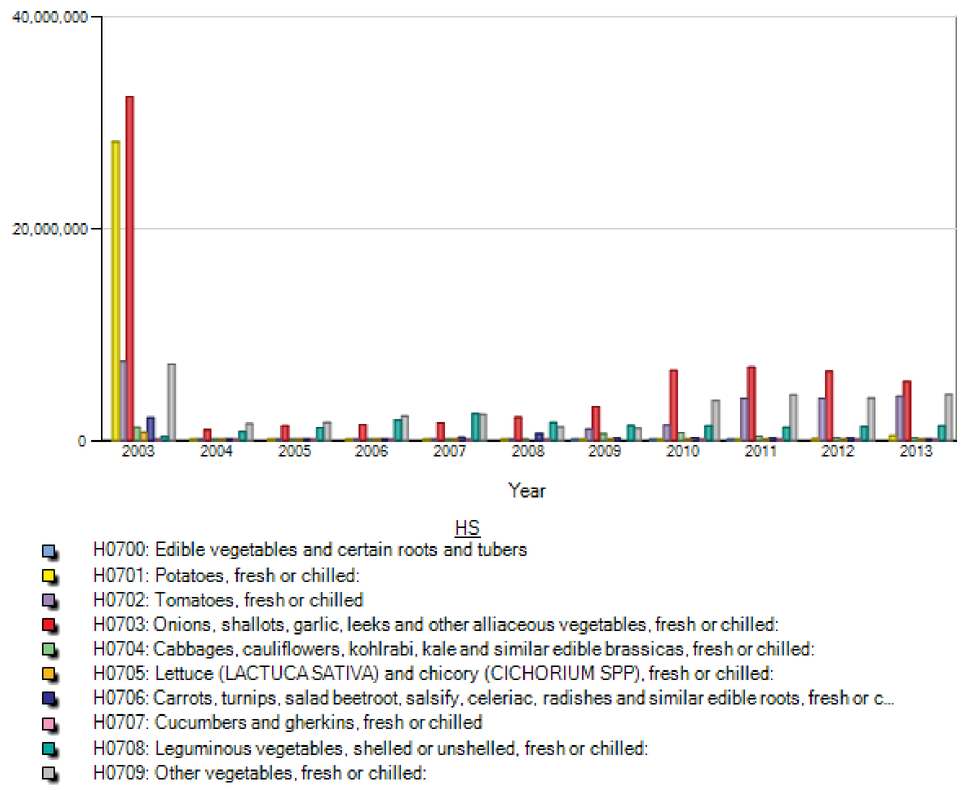
SA vegetable imports from the world – value in US$



Source: dti

Trade statistics

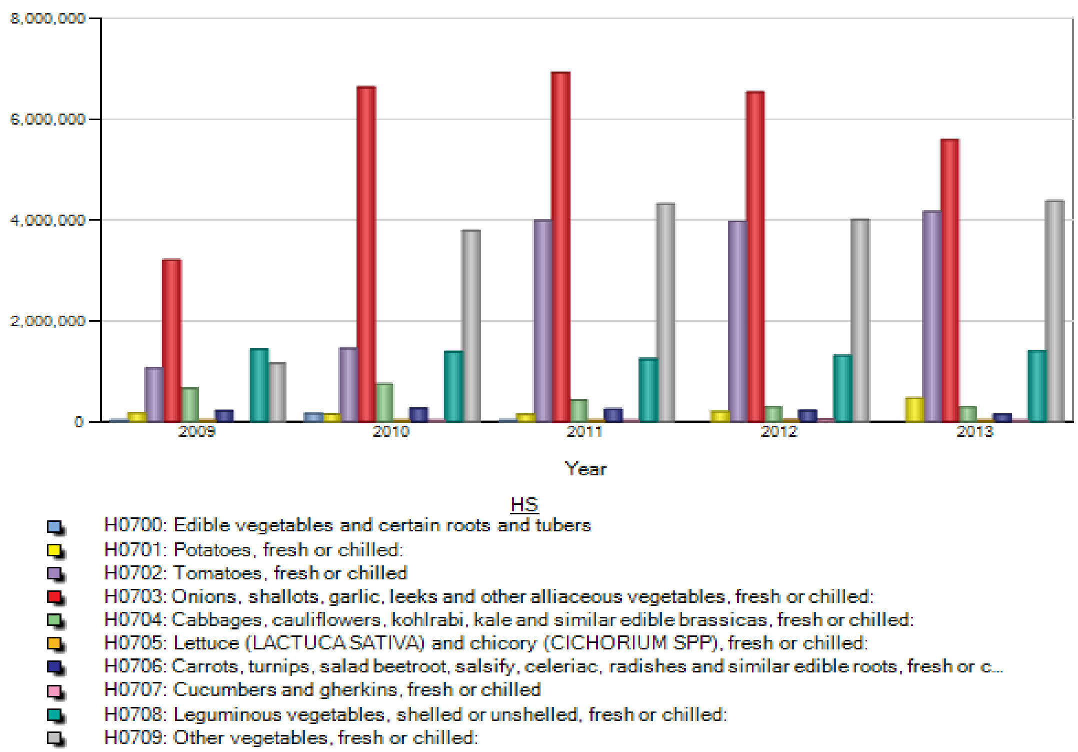
SA fresh vegetable imports from the world – volume (2003 – 2013)



Source: dti

Trade statistics

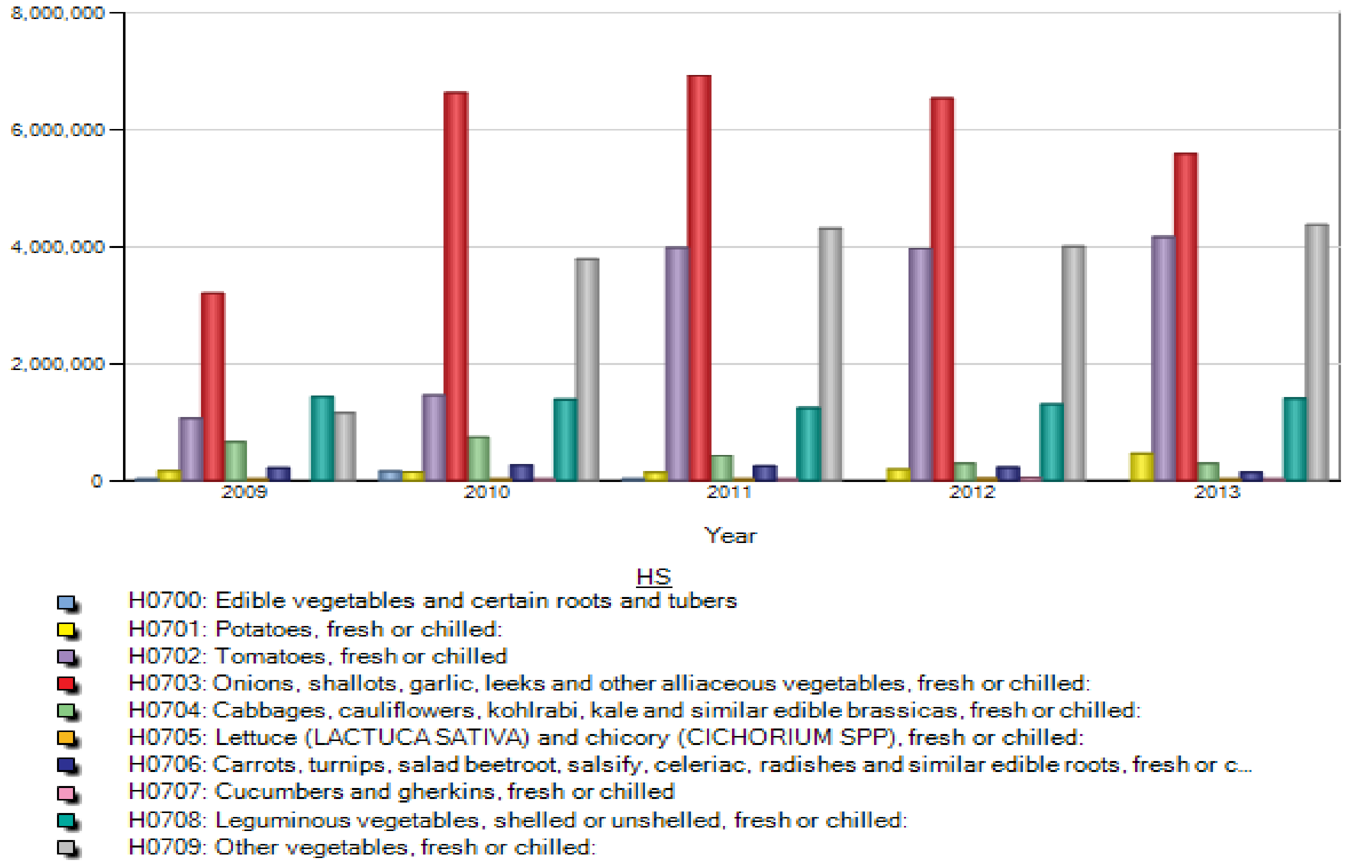
SA fresh vegetable imports from the world – volume (2009 -2013)



Source: dti

Trade statistics

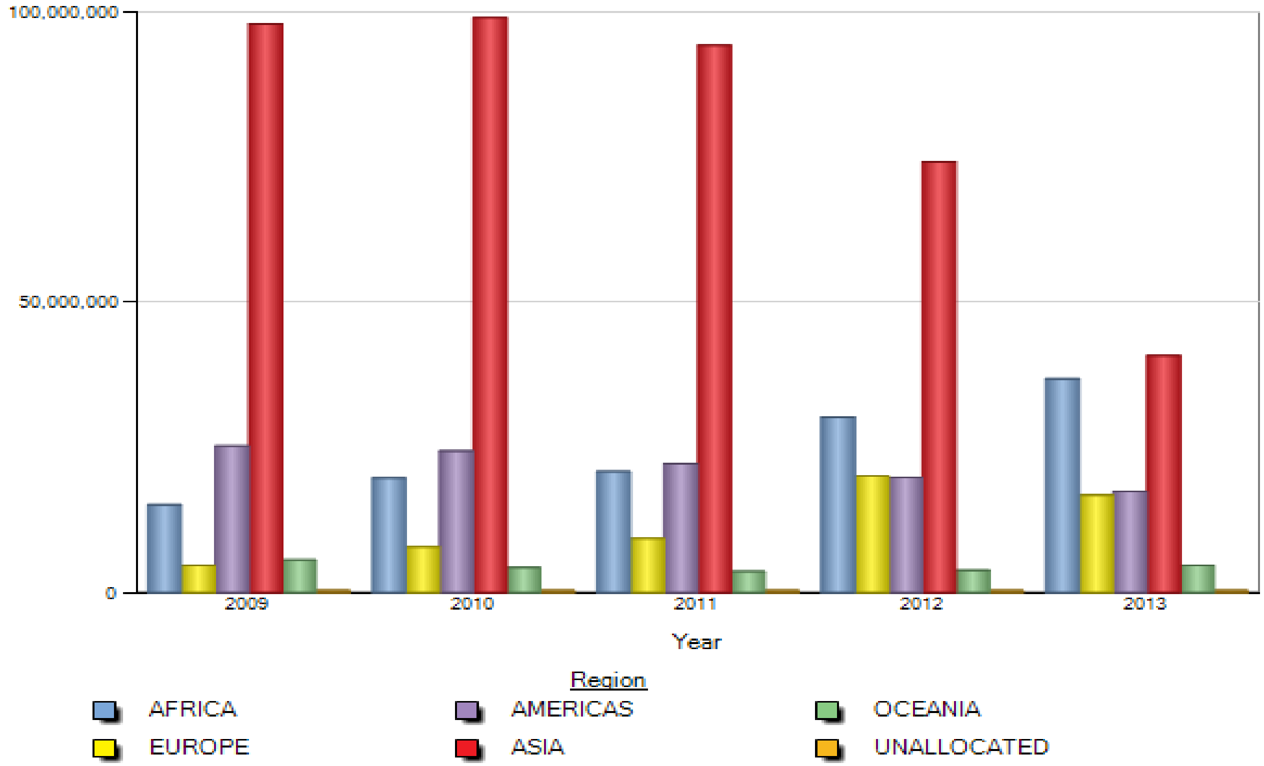
SA fresh vegetable imports from the world – value in US$ (2009 -2013)



Source: dti

Trade statistics

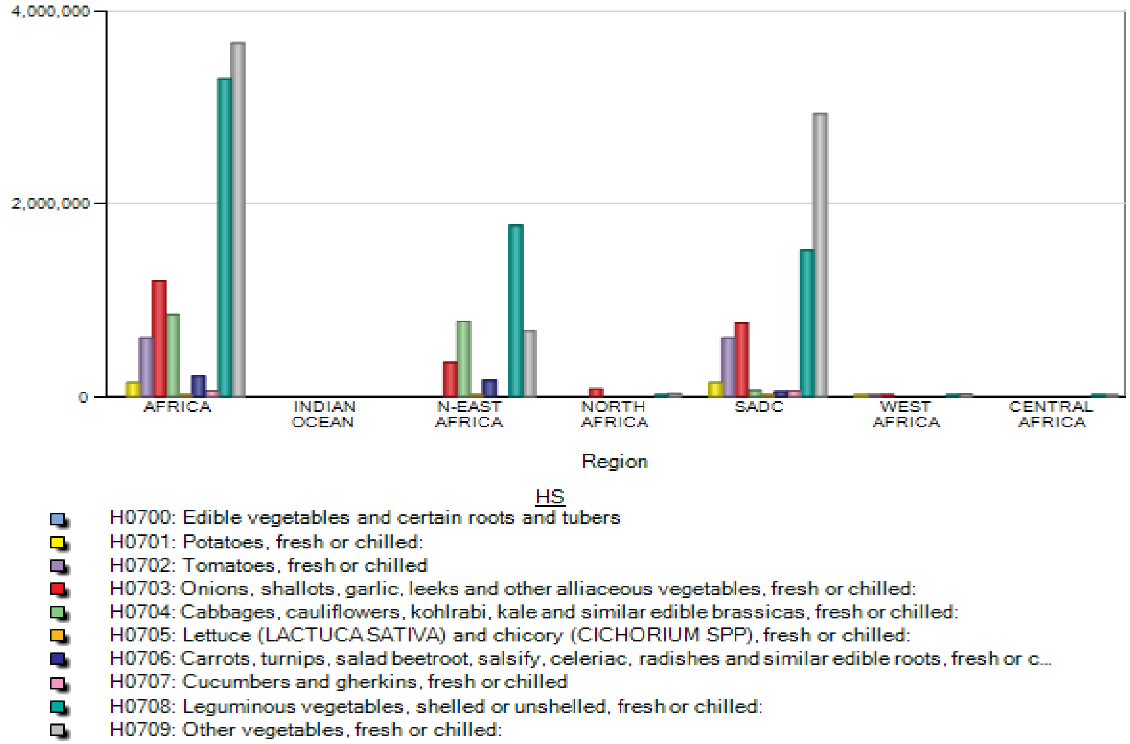
Imports from various regions - volume (2009 -2013)



Source: dti

Trade statistics

Fresh vegetable import from regions – value in US$ (2013)



Source: dti

Major trade partners

Top 10 Trade Partners	Total imports (US$ Thousands)	Top 3 Imported products
China	41,775	Dried and frozen vegetables, onions, garlic and leeks (fresh or chilled)
Kenya	8,643	Dried vegetables (shelled), Leguminous vegetables (shelled or unshelled and fresh or chilled), Cabbages and cauliflowers (fresh or chilled)
Canada	7,320	Dried vegetables (shelled), Frozen vegetables
USA	6,389	Dried vegetables, Dried vegetables (shelled), Frozen vegetables, vegetables (fresh or chilled)
Ethiopia	5,987	Dried vegetables (shelled), Leguminous vegetables, shelled or unshelled, fresh or chilled, Dried vegetables
Belgium	5,465	Frozen vegetables, vegetables (fresh or chilled)
India	5,070	Dried vegetables (also shelled), Frozen vegetables, Vegetables, provisionally preserved (unfit for immediate consumption)
Mozambique	4,613	Dried vegetables (shelled), Frozen vegetables, Fresh vegetables, Leguminous vegetables, shelled or unshelled, fresh or chilled
New Zealand	2,805	Frozen vegetables, Dried vegetables (shelled), Onions, garlic and leeks, fresh or chilled
Malawi	2,616	Dried vegetables (shelled), Leguminous vegetables, shelled or unshelled, fresh or chilled

Market access – fresh vegetables

Product	Countries
Capsicum spp (pepper/ chilli)	ISRAEL, MOZAMBIQUE Pest Free Area, Netherlands
Cucurbita spp (pumpkin)	Namibia
Lactuca spp (lettuce)	Egypt
Lycopersicon spp (tomato)	Mozambique Pest Free Area
Solanum melongena (sweet potato)	Namibia
Solanum tuberosum (potato)	Namibia, Botswana
Abelmoscus spp (baby okra)	All African countries
Beta spp (beetroot)	All African countries
Cyamopsis spp (guar beans)	All African countries
Daucus spp (carrots)	All African countries
Phaseolus spp (bean)	All African countries
Pisum spp (pea, mange tout)	All African countries
Raphanus spp (radish)	All African countries
Spinacia spp (spinach)	All African countries
Vigna spp (choria)	All African countries
Zea mays(maize)	All African countries
Allium spp (onion)	All countries
Brassica spp (cabbage)	All countries
Asparagus spp (asparagus)	All countries

Market access opportunities

- Supply out-of-season or counter-season
- Organic food trending especially in retailers
- Raw materials for food processing sector – dried beans, dehydrated legumes, dehydrated vegetables, nuts
- Manufacture of products that carry private or own brands of large retailers – fine vegetables
- Spices – chillies, turmeric, peppers, cumin
- Value added product – currently bulk is raw or unprocessed – ‘’ready made” and ‘’ready to eat”
- Africa – fine vegetables (long-stem broccoli, fine beans, snap peas, mangetout and baby corn)
- Price-sensitive though quality-conscious bulk retail but market expanding for more sophisticated products among affluent segment
- Preferential Trade Agreements and tariff reductions to zero

Market access challenges and risks

SPS requirements, compliance challenges and bio-security risks

- Regulatory capacities importing and exporting countries

- Agricultural Pest Act (Act 36 of 1983) - DAFF
  - ❑ Pest Risk Analysis (PRA)
  - ❑ Climate change and effect on pest distribution/ outbreaks
  - ❑ Phytosanitary Certification
  - ❑ Food safety requirements (NT)
  - ❑ Diagnostic and quarantine capacities

- Agricultural Product Standards Act (Act 119 of 1990) – DAFF
  - ❑ Grading, packing and marking – vegetables, potatoes, tomatoes, garlic, onions and shallots

- Foodstuffs, Cosmetics and Disinfectants (Act 52 of 1972) - DoH
  - ❑ Labeling requirements

Market access challenges and risks

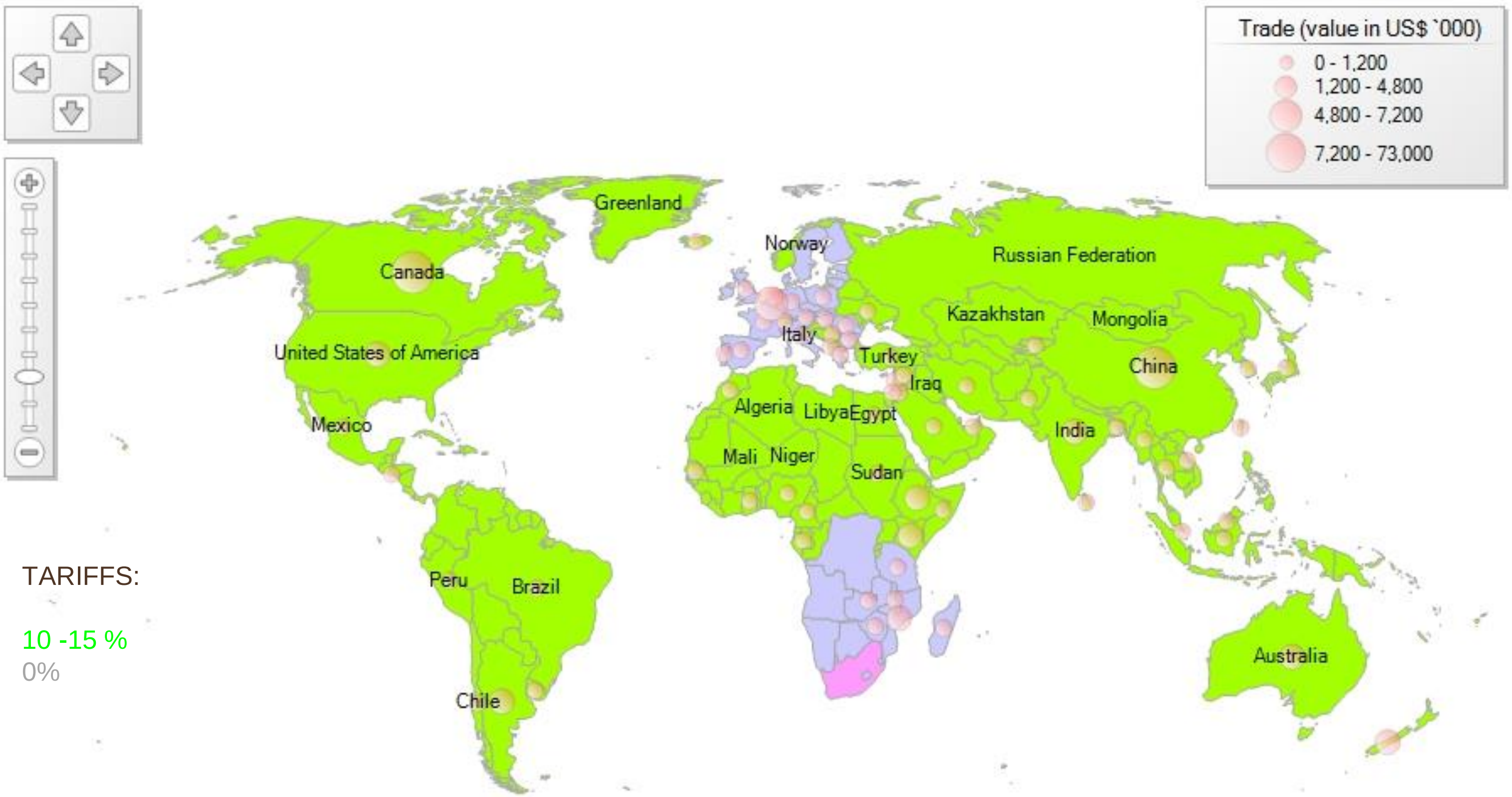
Example of phytosanitary risk:

2005 detection of *Bactrocera invadens* in Africa led to immediate suspension of host material (incl. pepper, chillies, gourd, cucumber, pumpkins and tomato) from Kenya, Ghana, Mozambique, Namibia, Zambia, Zimbabwe and Botswana.

Other challenges:

- High costs of road transport (regional imports)
- Border control delays
- Freight forwarding – cold chain requirements and shelve-life
- Currency fluctuations
- Market intelligence and communication
- Tariffs

Tariffs applied to imports



TARIFFS:

10 -15 %

0%

Source: TradeMap

Future focus of import sector

- Regional trade focus
- Imports will continue to increase in volume and variety as local demand grows and the population expands
- Environmental considerations and climate effects
- Bio-security and food safety
- Public private partnerships to enhance regulatory capacities and improve compliance
- Strengthening SPS capacities to ensure an effective import regulatory system that will allow safe and sustainable imports

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