THE SOUTH AFRICAN CANNED FRUIT AND VEGETABLE INDUSTRY

by

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1. INTRODUCTION

From a humble beginning in the Western Cape at the turn of the last century, the South African Fruit & Vegetable Canning Industry has developed into an internationally renown business.

The Industry was involved in exporting in the early 1900's with the export of canned jams to Great Britain. Trade between South Africa and Europe flourished, but during the late 1980's South African canners faced sanctions and boycotts from consumers in Europe who were opposed to the previous government's racist policies. The industry was forced to concentrate on other export markets. However, despite these pressures Europe remained the South African Canning Industry's most important market.

The Canning Industry is of great importance to South Africa as it directly employs many thousands of people, mainly in rural areas. The foreign exchange earned by the industry's exports is important to South Africa as a developing country.

The South African Canning Industry consists of three main facets, namely:

a. Deciduous Fruit Canners – based in the Western Cape and mainly export orientated.
b. Pineapple Canners – based in the Eastern Cape and mainly export orientated.
c. Vegetable Canners – based in various parts of the country with sales focused on the domestic market and sub-Saharan Africa.

The Industry is co-ordinated by the South African Fruit & Vegetable Canners' Association (Pty) Ltd. This association was established in 1954 and is recognized both locally and overseas as the mouthpiece of the Industry.

The Industry, with an annual turnover of about US$3 000 million, is seasonal with 19 factories providing direct employment to some 20 000 factory employees. The factories are mainly situated in rural areas where little or no other employment opportunities exist. In addition, an estimated 673 000 farm workers are employed on the 2 500 farms which supply the factories with fresh fruit and vegetables for processing.

The Industry is an important customer of a number of other industries who supply the canners with other raw material and other inputs and services such as the fruit and vegetable growers, the sugar industry, the packaging industry, etc.

The major issues facing the South African Canning Industry as a whole include:

a. Trade barriers – these include market access and tariffs, overseas subsidies as well as non-tariff barriers. The Industry is otherwise competitive and generally regarded worldwide as a very efficient and quality conscious.

   The SA/EU Free Trade Agreement has brought some relief to the Industry but it is anticipated that further gains can be made in the WTO.

b. Cost of production – this includes main inputs as well as labour costs and level of productivity. Of importance are:

  - crop yields per hectare
  - local production of steel plating
  - investment in training the labour force
  - reduction of import tariffs on raw materials and other inputs
  - replacement of export sugar rebate with production based sugar rebate scheme
  - local equalization of VAT table

c. Social Upliftment Programmes – Since the South African Canning Industry faces intense competition from international competitors, the financial resources available to address this issue are limited. The Industry nevertheless makes a useful contribution to the social upliftment of the communities in the regions from which its labour is drawn and amongst others the following direct and indirect assistance programmes are in place:

  - staff training and advancement schemes
  - education bursary funds
  - community training schemes
  - community clinics
  - sponsorship of community and farm schools
  - sport sponsorships

In terms of promoting increased crop production both the South African Fruit & Vegetable Canners' Association and the Canning Fruit Producers' Association are shareholders in the New Farmers Development Company that has a number of projects in the Western Cape. The pineapple canners are involved in the rehabilitation of pineapple growing in the Peddie area of the Eastern Cape.

1.1. DECIDUOUS FRUIT CANNING INDUSTRY

The deciduous fruit canning industry is very significant to the economies of both South African and the Western Cape. It is an export driven industry, exporting more than 85% of its production and in the process earning more than US$130 million per annum.

The industry employers nearly 40 000 factory and farm workers, most of whom belong to the coloured and black communities. A large number of them are women. Dependent on this labour force are more than 160 000 people.

Capital investment in the Industry is very high. At farm level some 14 000ha of fruit have been planted at a value of about US$160 million. The replacement value of the canning factories is approximately US$120 million.

Deciduous fruit for canning includes apricots, peaches and pears. Canned products include halves, slices, quarters, dices, pulp and puree in different pack sizes. Mixed fruit includes fruit cocktail, fruit salad, two fruits and three fruits in different pack sizes. A variety of jams are also produced.

In 1968 the Deciduous Fruit Control Board was established by an act of parliament to regulate the South African deciduous fruit industry. One of the Board's functions, through its Marketing Committee, was to set the minimum selling prices for deciduous fruit on overseas markets. Under the Board's influence the deciduous fruit industry became very regulated and although each cannery did its own marketing the prices at which it sold its products on the overseas markets were fixed by the Marketing Committee. In 1997, as part of the deregulation process of the new government, the Deciduous Fruit Control Board was disbanded and the deciduous fruit canners now operate in an open market. However, the major canners still meet to set the prices of their products in order to prevent different canners from selling product to the same buyer at different prices.

During the 1997/1998 season, 1 100 registered farming units producing three or more tonnes of fruit delivered canning apricots, peaches and pears to various canning factories. The most important factories are:

MANUFACTURER	PRIME MARKET	MAIN PRODUCT`	BRAND
Ashton Canning	Local market	Deciduous	Client brands
	Export	Deciduous	
Del Monte Foods	Export	Deciduous	Del Monte
Giants Canning	Local market	Deciduous	Gants
	Export	Deciduous	
Tiger Brands	Local market	Deciduous	KOO
	Export	Deciduous	Naturlite
		Fruit Cocktail	
RFF Foods (Pty) Ltd	Local market	Deciduous	Rhodes
	Export	Deciduous	
S. A. Preserving Co	Local market	Deciduous	Client brands
	Export	Deciduous	

The amount of fruit produced for processing and the number of basic cartons packed during the 1995/1996 to 1999/2000 seasons are shown in the following two tables.

FRUIT VARIETY	FRUIT PRODUCED (IN TONNES)				
	1995/96	1996/97	1997/98	1998/99	1999/00
Bulida apricots	46 738	47 591	44 650	47 232	38 708
Clingstone peaches	117 238	124 738	99 060	116 533	107 026
Bon Chretien pears	63 309	70 788	59 162	52 674	58 776

FRUIT VARIETY	BASIC CARTONS PACKED (x 000)				
	1995/96	1996/97	1997/98	1998/99	1999/00
Apricots	1 502	1896	1 771	1 712	1 648
Peaches	4 190	4 700	3 811	4 312	4 122
Pears	1 770	1 449	981	1 313	1 004
Mixed fruit	3 197	2 669	1 593	1 771	1 470

It will be seen from the table below that South African Canners' shipments to Europe for 2000 are going relatively slowly compared to 1999, with peaches nearly 1 million cases down.

Shipments of Canned Deciduous Fruit : 1 January to 31 August 2000
(Figures in basic cartons x000)

	Apricots		**Peaches**		**Pears**		**Mixed Fruit**		**Total**	
Region	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000
Europe	930	807	1758	854	537	487	578	528	3803	2676
Far East	110	108	1065	1113	136	129	230	264	1541	1614
Rest of the world	46	57	204	205	80	91	245	197	575	550
TOTAL	1086	972	3027	2172	753	707	1053	989	5919	4840

It is hoped that the industry will be able to make optimum use of the 2000 EU Tariff quotas. This will depend on the need and the ability of the EU buyers to take shipment of and clear the South African imports by 31 December 2000 bearing in mind the reported carry-over of stock and the anticipated Greek pack.

In September 2000, the Grading Committee of the Deciduous Canning Industry released the grading regulations that will be applied to canned fruit during the 2000/2001 season. The complete document with the clauses and standards applicable to the grading of fruit destined for processing, as collectively agreed to by processors and producers, is given in Appendix 2.

In the case of peaches and apricots the grading regulations are the same as those applied during the previous season. Only a few changes have been made to the definitions to makes the clauses clearer and more practical. However, various changes have been made to the grading regulations for pears, the most important of which concerns the minimum diameter of pears –

(a) Canning Grade I – minimum diameter 60mm. For fruit between 57mm and 60mm an tolerance of 7.5% will be applied. All remaining fruit with be considered Canning Grade II;
(b) Canning Grade II – minimum diameter 57mm

Furthermore, the descriptions of light and medium intensity bruises and blemishes have been improved to include the depth in millimeters in the fruit surface.

As an Addendum to the grading regulations is a list of pesticides that may be used by the fruit canning industry. The maximum residue limits and recommended withholding periods for each chemical are indicated. During the 2000/2001 season samples will be taken from all fruit deliveries and analyzed. The international pressure from overseas consumers, agents and countries makes it essential to use the right chemical at the right concentration and at the right time. To emphasize the importance of using pesticides correctly, a full list of producers whose fruit contained chemical residues in excess of the maximum residue limits during the past season will be given to canners and agro-chemical companies so that pro-active remedial action can be taken.

1.2. PINEAPPLE CANNING INDUSTRY

During the 1980’s more than 200 000 tonnes of fresh pineapples were grown and supplied to five canneries in the Eastern Cape. However, between 1983 and 1993 South East Asian pineapple producers increased their production of pineapples threefold and flooded the world market causing a sharp decline in prices. This, together with sanctions against

South Africa, fluctuating exchange rates and the compulsory purchase by the South African Government of large areas of land under pineapple production for incorporation into the Ciskei homeland, contributed to the near collapse of the pineapple industry in the Eastern Cape.

By 1993 only three canneries remained in operation and the multinational owners of two of these sold out to local farmers. Of these three canneries, one closed in 1995. The two remaining canneries are both located in East London and are:

	1. Summerpride Foods	2. Collondale Cannery
Capacity	120 000 tonnes	40 000 tonnes
Current processing	107 000 tonnes	30 000 tonnes
Employment		
- Single shift	650	300
- Double shift	1 120	-

The ownership of these two canneries is vested in the pineapple growers and a few people close to the industry which means that they are vertically integrated. The industry employs about 1 420 workers in the factories with an additional 3 500 people being employed on the farms and ancillary industries. It is estimated that a further 35 000 people derive some sort of dependence upon the industry in the Eastern Cape.

Unlike the deciduous fruit industry, the pineapple industry was never regulated by an agricultural control board but it did have a pricing committee that set recommended minimum selling prices. However, since 1993 the number of pineapple canneries has fallen from five to two. The remaining two canneries do meet at regular intervals to discuss prices of their products for the export market and work closely together in this specific area.

Output in terms of world standards is measured in cases of 24 x A2½ cans. Based on the existing raw material supply the two canneries produce 1.9 million 24 x A2½ cases and 30 000 drums of pineapple concentrate. Of this output 31% is exported to Northern America, 15% to South America, 28% to EU/UK, 2% to the Middle East and 24% to the domestic market.

Prior to the imposition of sanctions, about 60% of the canned product went to the USA.

South African exports of canned pineapples represents only 3% of the world's production. This may seem insignificant but it is of major importance to the economy of the Eastern Cape.

The world market for canned pineapples is notoriously cyclical by nature mainly because of the dominance of South East Asia (Thailand, Malaysia, Indonesia and the Philippines) who produce 80% of the world's production. Any climatic or economic adversity in these areas produces a significant shift in the world supply. Furthermore, due to their tropical climate, these Asian countries can produce a pineapple crop in one year whereas in South Africa it takes at least two years to produce a crop.

During the past three years the processing facilities at both canneries have been upgraded to satisfy the demands of discerning overseas buyers.

South East Asian producers can come on stream much quicker than the South African industry and therefore are in a better position to take advantage of upswings in demand and higher prices., However, the South Africa industry does have a competitive advantage over East Asia when it comes to selling product to the Americas as the freight rates from South Africa are lower than those from Asia. The South African fruit is also well-known for its ”tartness” of taste as opposed to the superior colour but somewhat bland taste of the South East Asian pineapple. Certain markets prefer the South African pineapple and have become niche markets. The USA market, for example, prefers fruit packed in natural juice and not syrup.

1.3. VEGETABLE CANNING INDUSTRY

The South African Vegetable Canning Industry is mainly located in the Western Cape and Eastern Free State. The main products are based on tomatoes, beans and pasta, sweetcorn, a variety of different vegetables such as beet-root, pickles and asparagus, mushrooms and a wide variety of niche products. The Industry provides significant employment in rural areas where no other employment opportunities exist. In addition to those employed in the factories, many more are employed on farms and by rural support industries.

Unlike the deciduous and pineapple canning sectors, vegetable canners have never been regulated because the bulk of their produce is sold on the local market. Even today, the vegetable canners are very loosely grouped as members of the SA Fruit & Vegetable Canners’ Association.

South Africa produced in excess of 3.7 million tons of vegetables in 1996, of which approximately 1.67 million tons were potatoes. Of the remaining vegetables, approximately 46% are used for processing purposes and the remainder for fresh consumption.

During 1996, South Africa produced an estimated 102 000 tons of canned vegetables of which approximately 5% was exported (mostly asparagus to EU/UK and sweet corn to the Far East). Beans contributed to nearly one third of the total production of canned vegetables. The local market demand for canned vegetables has remained fairly static over the last few years. Reasons for this include:

- A move towards convenient pre-prepared vegetables.
- Improved distribution of fresh produce in areas where deliveries were problematic in the past.
- The demand for canned vegetables is sensitive to the economic cycle and reacts strongly to changes in the per capita disposable income, although not to the same extent as canned fruit.

With specific reference to the catering market, the demand for canned vegetables is expected to continue declining. Canned vegetables are perceived to be an emergency ration. With improved distribution of fresh produce to outlying areas more catering establishments are relying on fresh produce.

The major South African vegetable canners are listed below.

MANUFACTURER	MAIN PRODUCTS	BRAND
Gaints Canning	All vegetables	Gants
Tiger Brands	All vegetables	KOO All Gold
Miami Canners	Tomato Products	Miami
Packo	All vegetables	Gold Dish Tomango Packo
RFF Food (Pty) Ltd	Tomato products	Rhodes

1.4. TRENDS AND GROWTH PROSPECTS

The South African market demand for canned fruit and vegetables has not risen dramatically in recent years due to a number of reasons:

- Worldwide consumers have moved away from canned fruit and vegetables to fresh produce. This is largely due to technological progress, as fresh produce can now be distributed around the world under controlled temperature and atmosphere conditions, thereby reaching its destination in good condition.

- Consumers prefer fresh fruit and vegetables, mainly for health reasons. Canned fruit has an unexciting processed (not fresh or natural) image and is often falsely perceived to contain preservatives that are bad for health.

- The industry is largely dependent on the South African market and therefore its prosperity is closely linked to the domestic economy. It is also subject to the political and social uncertainties of the future. In this context, the demand for canned fruit and reacts strongly to changes in the per capita disposable income. Consequently, the recessionary conditions in the country have had a marked effect on consumption.

- Canned fruit also has to compete with processed deserts such as ice cream and other convenience desserts. In recent years, a number of new exciting products have been launched into this market.

- The South African canning industry, however, anticipates a modest increase in sales over the next few years as the disposable income of the lower income groups starts to increase. As the effect of South Africa’s redistribution process begins to flow through all levels of society, the township market is emerging as a powerful consumer force. Already the previously disadvantaged sector of South African society accounts for more than 50% of the beverage, cigarette and tobacco, footwear, men’s and boy’s clothing, textiles and furniture markets.

- In the catering market, the demand for canned fruit is expected to decline. Canned fruit is perceived to be an emergency ration and with improved distribution of fresh produce to outlying areas, more and more catering establishments are relying on deliveries of fresh fruit and vegetables.

1.4.1. The South African/European Union Trade Development and Co-operation Agreement

The competition on world markets is fierce, particularly from highly subsidized canners within the EU. South African canners not only face increased competition on the export markets from subsidized EU canners but also on the South African domestic market, particularly for subsidized tomato products and other canned vegetables such as beans in tomato sauce produced in Southern European countries. If this EU subsidization continues, its harmful effect on the trade in the domestic market could well nullify any benefit that some South African canners may have obtained from the Agreement.

In addition to the EU subsidies, South African canners face a variety of EU import duties, some of which are in excess of 20%. It is here where the SA/EU Agreement will benefit the South African Canning Industry.

In general, exports from South Africa to the EU used to attract varying import tariffs but the majority of these were reduced to zero on 1 January 2000 or will be reduced to zero at different stages over the next 10 years. Thus by the year 2010, with few exceptions, all South African exports to the EU will be duty free. However, in terms of the EU's Common Agricultural Policy, the agriculture is traditionally the most protected sector in the EU and following intensive opposition from European canners, one of the exceptions to this zero rating is canned fruit .

The following table shows the main products exported to Europe by the South African Canning Industry.

**South African canned fruit and vegetables –
main products exported to the European Union**

Product	HS Code	EU/SA Trade Tariff
Pears	2008.40	50% of Most Favoured Nation on quota
Apricots	2008.50	50% of Most Favoured Nation on quota
Peaches	2008.70	50% of Most Favoured Nation on quota
Mixed fruit	2008.92	50% of Most Favoured Nation on quota
Pineapple concentrate	2009.40	50% of Most Favoured Nation on quota
Pineapples	2008.20	After 3 years 87% of Most Favoured Nation reducing to zero after 10 years
Jams	2007.99	Shall be reviewed periodically
Marmalades	2007.99	Shall be reviewed periodically

From the next two tables it will be noted that while by 2012 all the EU imports into South Africa will be duty free, only some of South Africa's exports to the EU will be duty free.

Duty reductions on South Africa exports to the European Union

Product	Import Duty
Apricots/Peaches/Pears	From January 2000 duty reduced by 50% on 40 000 tonnes gross weight (tonnage to be increased by 3% per annum).
Mixtures of fruit (other than tropical)	From January 2000 duty reduced by 50% on 18 000 tonnes gross weight (tonnage to be increased by 3% per annum).
Mixtures of fruit (tropical)	From January 2000 duty reduced by 50% on 2 000 tonnes gross weight (tonnage to be increased by 3% per annum).
Pineapple	Duty reduced to 87% of current levels in 2003, thereafter gradually reduced to zero by 2010.
Pineapple concentrate	From January 2000 duty reduced by 50% on 5 000 tonnes gross weight (includes apple, pineapple and mixtures). Tonnage to be increased by 3% per annum.
Other fruits/vegetables/ jams/marmalades	Varies from undecided to phased in as for pineapples.

Duty reductions on European Union exports to South Africa

Product	Import Duty
Tomato Sauce/Ketchup	Duty reduced by 25% in January 2000 and then phased down to zero by 2003.
Fruits and Vegetables	Duty reduced by 12% in January 2005 and then phased down to zero by 2012
Pineapples	Duty reduced by 33% in January 2003 and then phased down to zero by 2005

Statistics from the EU and confirmed by figures obtained from the South African Customs & Excise show that on average about 70 000 tonnes of canned deciduous fruit are exported to the EU per annum. The quota ceilings therefore equate to about 80% of current exports and are insufficient to cover all expected future sales to the EU. In addition, the Industry has been struggling to get duty free entry since the United Kingdom's accession to the EU in 1973. The South African Canning Industry will therefore be looking for ways, by means of negotiation, to implement and administer quotas in a transparent and equitable manner.

2. INDUSTRY ASSOCIATIONS

2.1. CANNING FRUIT FORUM

The Canning Fruit Forum is a non-statutory body with a voluntary membership. The Forum consists of growers, canners, labour and government representatives. The administration of the Forum is undertaken by the Canning Fruit Producers Association and the SA Fruit & Vegetable Canners' Association. The object of the Forum is to discuss matters of mutual interest.

Address: The Chairman, Canning Fruit Forum, P.O. Box 426, PAARL 7646.

2.2. CANNING FRUIT PRODUCERS ASSOCIATION

The Canning Fruit Producers' Association is a non-profit association for the producers of apricots, pears and clingstone peaches. The business of the Association is handled by 26 Board members that consist of representatives of the various production regions.

The aims of the Association are:

- To serve as an organization and mouthpiece for apricot, pear and peach growers.
- To promote and protect the interests of apricot, pear and peach growers.
- To strive for the development of the apricot, pear and peach industry and to promote the establishment of the necessary facilities and services.
- To keep apricot, pear and peach growers informed on matters that concern their industry and give guidance concerning the best methods to promote the industry.
- To strive for the orderly marketing of apricots, pears and peaches and to obtain fair prices.
- To co-operate with other similar organizations to establish a unified agricultural organization.
- To strive for the development of the agricultural industry, the protection of the soil and water resources, improvement of soil fertility and improved scientific production methods.

Address: Canning Fruit Producers Association, P.O. Box 414, Paarl 7620
South Africa.
Tel. +27 21 872 1401; Fax. +27 21 872 2675; email inmaak@mweb.co.za

2.3 S.A. FRUIT & VEGETABLE CANNERS' ASSOCIATION

The S.A. Fruit & Vegetable Canners' Association is the national organization for fruit and vegetable canners. Its main purpose is the advancement of the South African canning industry and it serves as a mouthpiece for the industry as a whole. In terms of its Memorandum of Association it is registered as a company with a wide range of responsibilities. In practice, however, the Association acts as a cluster secretariat and co-ordinates numerous activities for its three main canning sectors that are:

Deciduous Fruit Canners	- based in the Western Cape
Pineapple Canners	- based in the Eastern Cape
Vegetable Canners	- based in various parts of South Africa

The Association is financed by voluntary annual subscriptions fixed by the Directors on the basis of a budget. In terms of its Articles of Association, the Company is required to use its funds solely for investment or the promotion of its objectives.

Some of the Associations more important activities are:

- Negotiations regarding the availability of raw materials necessary in the canning process i.e. fruit, cans and sugar.
- Negotiations with regard to shipping charges.
- Negotiations with regard to labour affairs between the deciduous fruit canners and the Food and Allied Workers Union concerning matters such as minimum wages and other conditions of employment.
- Communicating, liaising with and assisting the South African Department of Trade and Industry and the National Department of Agriculture in matters relating to international trade.
- Technical matters concerning the industry such as health and labeling regulations as well as regulations for the packing and grading of canned fruit and vegetables.
- Making representations to the Department of Trade and Industry for financial and logistical support at important international trade fairs.
- Representing and promoting the industry's interests with government departments, politicians and the media.

Address: SA Fruit & Vegetable Canners' Association, P.O. Box 6175, Main Street Post Office, Paarl 7622. South Africa
Tel. +27 21 871 1308; Fax. +27 21 872 5930; email: safvpa@mweb.co.za

2.4. DECIDUOUS FRUIT CANNERS ASSOCIATION OF SOUTH AFRICA

In recognition of the specific needs of the deciduous fruit canners in the Western Cape, the Deciduous Fruit Canners Association of South Africa was recently established.

The four Western Cape deciduous fruit canning companies (Ashton Caning, RFF Foods, Tiger Brands and Del Monte), make up the membership of this voluntary association affiliated to and acting under the umbrella of the SA Fruit & Vegetable Canners' Association. The aims of this new body are to serve, promote and protect the interest of its members on both the national and international level.

2.5 MAJOR SOUTH AFRICAN CANNERS

2.5.1. Fruit Canners

MANUFACTURER	PRIME MARKET	MAIN PRODUCT	BRAND
Ashton Canning	Local market Export	Deciduous	Client brands
Collondale Consumer Products	Local market	Pineapples	Collondale

Del Monte Foods	Export	Deciduous	Del Monte
Tiger Brands	Local market	Deciduous	KOO All Gold
	Export	Pineapples Fruit Cocktail	Naturlite
Levubu Inmaak	Local market Export	Deciduous	Levubu
Patoma	Local market	Citrus	Patoma
RFF Foods (Pty) Ltd	Local market Export	Deciduous	Rhodes
Summerpride Foods	Local market Export	Pineapples	Summerpride

2.5.2. Vegetable Canners

MANUFACTURER	**MAIN PRODUCTS**	**BRAND**
CPC Tongaat Foods	Mushrooms	Denny Gable
Crossbow	Beans	Crossbow
Deemster Canning	Asparagus	Henry
Del Monte Foods	Asparagus	Del Monte
Dursot Foods Corporation	Asparagus Mushrooms	Dursot
Fine Foods	Pickled products Beetroot	Fine Foods
Gaints Canning	All vegetables	Gants
Tiger Brands	All vegetables	KOO All Gold
Levubu Inmaak	Tomato products	Levubu
Miami Canners	Tomato Products	Miami
Nestle	Tomato Products	Cross & Blackwell
Packo	All vegetables	Gold Dish Tomango Packo
Patoma (Pty) Ltd	Tomato products	Patoma
RFF Foods (Pty) Ltd	Tomato products	Rhodes
Sauce Master	Beans & peas Tomato products Mixed vegetables Beetroot	Sauce Master
Sunpride Products	Tomato products Mixed vegetables	Mr. Tom & Onion Mr. Mixed Veg

Most of the above brand names belong to local companies. There are, however, a few brand names such as Del Monte, Dursot and Goldreef that belong to foreign companies. There is also a lot of dealer branding where the canned product will be labeled with the brand of an overseas company, for example, a company in Japan.

2.6. Strategic Planning

In 1997, with the closure of the Deciduous Fruit Control Board, the SA Canning Industry held a series of strategic planing sessions to develop a strategic planning document to outline future action. The main stakeholders from the government, canners, producers, manufacturers, can and carton suppliers, shipping agents were invited to attend these strategic planning sessions. It was decided that on issues that affected the industry as a whole such as the price of sugar, sugar rebate, can costs and fruit prices the industry would stand together and collectively bargain. However, individually each member should continually examine its production costs and make the necessary changes independently.

During the 1997 strategic planning sessions the following profiles of the three sectors in the caning industry emerged:

2.6.1. Deciduous Fruit

Strengths – Reputation for high quality products on world markets.
Reliable supply of quality fruit and other inputs
Effective structures that facilitate healthy co-operation in industry
Long term international relationships
Relatively strong domestic market

Weakness – Skills shortage due to lack of educated and trained staff
Low productivity (yields per hectare)
Limited port capabilities
Idle capacity
Corporate baggage (high overheads, slow decision-making, restrictive corporate structure)
Monopolistic suppliers
Low domestic per capita consumption
Saturated domestic market exploitation
Limited potential for increasing raw material production
South African can makers do not have local access to Double Reduced tinplate

Opportunities – Comparatively low production costs
Competitive freight rates
Favourable access to important international freight routes
Flexibility which creates opportunities for niche marketing
Bi-lateral Agreements to promote exports
Moving out of traditional cans by introduction of innovative packaging and products
Improvement of customer orientation
Overcome EU sensitivities
Improve productivity
Transfer and/or introduction of technology

Threats – restrictive financial conditions such as high interest rates and inflation
Government policies and attitudes
Restrictive trade practices in primary markets
Oversupply of canned fruit (especially peaches) on world market
Too small to influence world market significantly

Economic conditions in South Africa
Possibility of "dumping"
Uneven playing field in word markets (especially EU)
Unfair application of VAT on domestic market (canned fruit vs fresh and frozen products)
Lack of effective "anti-dumping" measures
Increased demands of labour force.

2.6.2. Pineapple Industry

Strengths – Continuity of raw material supply
Vertical integration of industry
World class processing facilities
Spare capacity in the industry
Reputation for quality products
Good cooperation amongst structures: factories, farmers, suppliers
Good location and access to ports
Good market cover and representation

Weakness – EU competitivenss – duty structures
Labour demands
Lack of skilled and educated labour
Too many single suppliers
Saturated local market – low buying power
Slow cycle of pineapple growth makes production inflexible
Cost of further improving processing facilities

Opportunities – Spare capacity for expanded pineapple processing
Possibility of grower expansion with Peddie Pineapple Project
EU/SA Free Trade Agreement – possibilites
Improvement in productivity
More attention to customer service
Research to improve products, processes and packaging
Niche markets

Threats – Adverse climatic conditions
Economic status of growers
Financial constraints such as interest rates and inflation
Import competition with lowering of tariff barriers
Price determined by price on world market
Decline in the price of other canned fruit
Market cyclical – periods of oversupply

2.6.3. Vegetable Industry

Strengths – Value for money
Sophisticated infrastructure including national distribution network
Brands
Spare capacity
Quality of products
Robust and stable for Africa

Weakness – Discriminatory application of VAT in respect of frozen vegetables
Low productivity of labour
Perceptions regarding taste and freshness
Skills shortage
Sensitivity to tin content
Too many single suppliers
Perceptions regarding preservative and nutritional value

Opportunities – EU Free Trade Agreement for asparagus
Increased per capita consumption as income levels rise
Improved productivity
Innovation in terms of products and packaging
Application of technology
Urbanization and changing eating habits

Threats – Dumping of subsidized imported products
Quality downgrade through additives
Substitution of fresh products
High interest rates
Economic conditions in South Africa

3. MARKET ACCESS BARRIERS

The Uruguay Round of Multilateral Trade Negotiations concluded in April 1994 with the signing of the Marakesh Agreement. This Agreement established a number of multilateral trade agreements to which all Members of the World Trade Organization (WTO) committed themselves. One of these multilateral agreements was that countries agreed to reduce tariff barriers for many agricultural commodities so as to encourage free trade. As a result, non-tariff barriers became a real concern because they could be used to undermine the promotion of international trade if put into practice in an arbitrary or discriminatory way.

To address this concern, the WTO Agreement on the Application of Sanitary and Phytosanitary measures (the SPS Agreement) was drawn up to ensure that countries applied measures to protect human, animal and plant health based on the scientific assessment of risk. The SPS Agreement, therefore, is concerned with the safety aspects of foods in international trade.

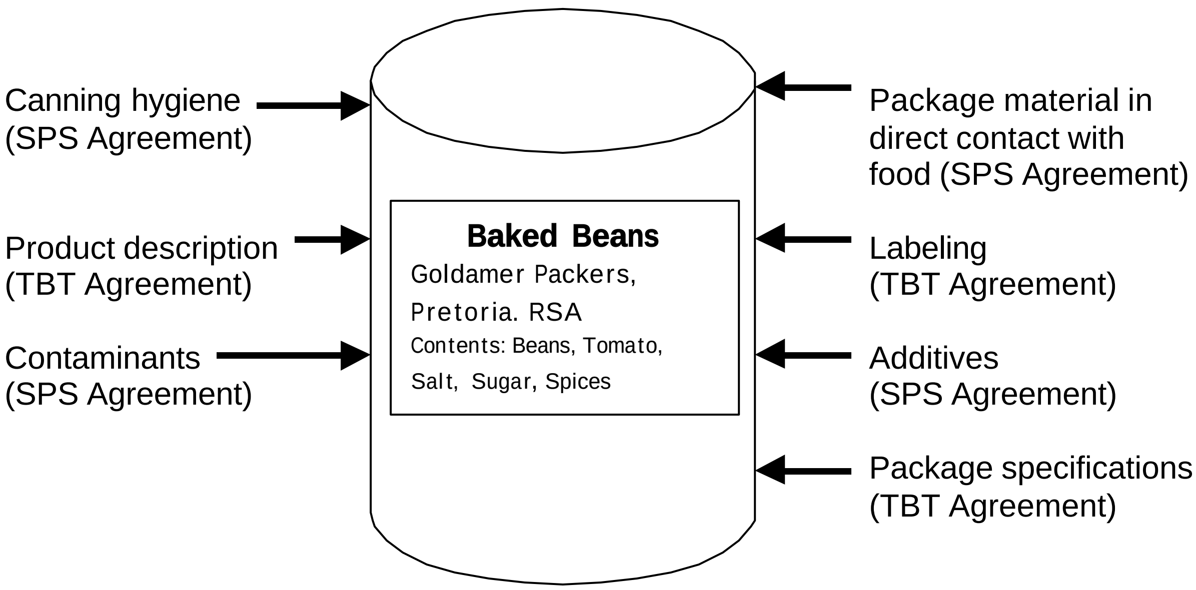
Another WTO agreement is the Agreement on Technical Barriers to Trade (the TBT Agreement). This agreement covers all technical requirements and standards such as labeling that are not covered by the SPS Agreement. The SPS and TBT Agreements can therefore, be seen as complementing each other.

One of the main objectives of the SPS Agreement is to protect human and animal health, and the phytosanitary situation in all WTO member countries. This is done through a multilateral framework of rules and disciplines that guide the development, adoption and enforcement of sanitary and phytosanitary measures and minimize their negative effects on trade. As a natural consequence, the SPS Agreement recognizes the standards and related texts of the Codex Alimentarius Commission as representing the international points of reference.

For developing countries, adherence to the SPS Agreement provides an opportunity to better protect the health of domestic consumers and improve confidence with regard to exported products. Moreover, if exporting developing countries base their sanitary and phytosanitary measures on international standards, there is less risk of arbitrary restrictions from importing countries. In this regard Codex Alimentarius has established a Code of Hygienic Practice for Canned Fruit and Vegetable Products (CAC/RCP 2-1969) as well as a number of standards for processed fruit and vegetables such as:

Canned tomatoes (Codex Standard 13-1981)
Canned peaches (Codex Standard 14-1981)
Canned grapefruit (Codex Standard 15-1981)
Canned green beans and wax beans (Codex Standard 16-1981)
Canned applesauce (Codex Standard 17-1981)
Canned sweet corn (Codex Standard 18-1981)
Canned pineapple (Codex Standard 42-1981)
Canned mushrooms (Codex Standard 55-1981)
Canned asparagus (Codex Standard 56-1981)
Canned green peas (Codex Standard 58-1981)
Canned plums (Codex Standard 59-1981)
Canned raspberries (Codex Standard 60-1981)
Canned pears (Codex Standard 61-1981)
Canned strawberries (Codex Standard 62-1981)
Canned mandarin oranges (Codex Standard 68-1981)
Canned fruit cocktail (Codex Standard 99-1981)
Canned tropical fruit salad (Codex Standard 99-1981)
Canned carrots (Codex Standard 116-1981)
Canned apricots (Codex Standard 130-1981)
Canned palmito (Codex standard 144-1985)
Canned chestnuts (Codex Standard 145-1985)
Canned mangoes (Codex Standard 159-1987)

In the food manufacturing sector there is often confusion as to what subjects are covered by the SPS and TBT Agreements. The SPS Agreement covers all those aspects related to health such as food additives, pesticide residues and hygiene practices. Aspects such as labeling and product description are covered by the TBT Agreement. For example,



As a general guide, if developing countries base their food regulations and export requirements on Codex standards, guidelines and recommendations, they will be fulfilling their obligations in regard to the SPS Agreement.

3.1. PRESENT BARRIERS TO TRADE

For the South African Fruit and Vegetable Canning Industry, the present barriers to trade include market access and tariffs, overseas subsidies as well as non-tariff barriers. The industry is otherwise competitive and generally regarded worldwide as very efficient and quality conscious.

The South African/European Union Free Trade Agreement has brought some relief to the South African canning Industry, but hopefully further gains can be made in the WTO.

The biggest threat to the South African canning industry is the unrealistically high subsides paid to producers and canners in other countries, especially the EU. On the one hand this makes it very difficult for South African peach and pear canners to compete with their European counterparts, on the other hand it allows overseas canners land products such as tomatoes and tomato paste in South Africa at a cheaper price than that of local producers.

3.1.1. Deciduous Fruit Industry

The South African Deciduous Fruit Industry receives no export subsidies or production subsidies. The industry, however, has to contend with overseas protectionism such as:

- Import tariffs into the European Union of up to 21.2%. As from January 2000, the Industry received a quota in terms of which 80% of the annual EU shipments are exported into the EU at 50% of the normal import duty rate.
- Production aid in competitor countries
- Export subsidies and soft loans in competitor countries
- Import tariffs in the United States and Canada of between 13% to 35%

To counter this protectionism, the South African Deciduous Fruit Canning Industry has set itself the following targets:

1. To actively participate in the WTO Round of Trade Negotiations by ensuring that the South African negotiating team is fully aware if the industry's viewpoints regarding EU market access.
2. To put renewed pressure on the EU regarding fraudulent practices in respect of subsidies. Investigate ways to pressurize the EU to tighten controls to eliminate the misuse of production aid.
3. Band together with other producing countries against EU subsidies. Align with other producing countries in putting pressure on Brussels to reduce excessive production aid in EU.
4. Utilize bi-lateral talks to achieve objectives. Make use of every opportunity created by bi-lateral talks between the South African government and other governments.
5. Utilize South Africa's membership of the Cairns Group of trading nations to ensure that the interests of the South African canning industry's are promoted in this body.

3.1.2. Pineapple Industry

Like the Deciduous Fruit Industry, the South African Pineapple Industry receives no export subsidies or production subsidies yet it has to contend with overseas protectionism such as that already listed for the Deciduous Fruit Canning Industry.

To improve its image on the world market, it has been agreed that South African pineapple processing plants must continue, within its financial ability, to upgrade certain areas of the production cycle to world class standards. Conforming to HACCP and food safety procedures is imperative as buyers are becoming increasingly insistent on these features

3.1.3. Vegetable Canners

Because very little of South Africa's canned vegetable products are exported the industry has not had a wide experience of the practical application of the WTO Agreement and related agreements. In the case of the limited exports of sweet corn and asparagus, the findings of the canners appear to be in line with those listed by the deciduous fruit canners. For example, the EU applies an import duty of 19.1% on canned asparagus to protect local producers. A Free Trade Agreement on this matter, either as a reduced tariff and/or an appropriate quota, could significantly enhance the competitiveness of the South African product.

Within South Africa, however, there are a number of concerns such as:

a. A discriminating tax on canned vegetables. Currently VAT is applied to canned vegetables and baked beans while frozen vegetables are not subject to VAT. The frozen products therefore have a price advantage. This creates unfair competition as both products are sold to similar consumers and have similar nutritional benefits.
   To counter this the South African Fruit & Vegetable Canners' Association is lobbying the South African Revenue Service to remove the discriminatory zero VAT rating on frozen vegetables.

b. The importation of canned products at very low prices as a result of overseas subsidization and/or dumping. This practice can undermine local production and lead to job losses and even factory closures.
   To counter this the South African Fruit & Vegetable Canners' Association is negotiating with the South African Department of Trade & Industry to ensure that a basic tariff structure is in place and that adequate measures are available to allow swift action to be taken against dumping.

4. IDENTIFYING MARKET OPPORTUNITIES

4.1. ARE YOU READY TO EXPORT?

It has been the experience of the South African Canning Industry that there is a marked difference between selling products on the domestic market and developing a successful export market for those products. All too often the bewildering complexities of exporting, the lack of market information and unfamiliarity with export marketing procedures has lead to the failure of the export venture. However, these obstacles can be overcome and while there is no single method used by the South African Canning Industry as a whole, in general the prospective exporter or exporting cannery usually goes through the following steps:

Step 1. Is the canner ready to export?

Consider and evaluate the organizational and product readiness of the company to enter the export market. Company executives should ask themselves whether their company has:

a) the capacity to supply the domestic market as well as the future demand anticipated from the foreign market?
b) enough staff to handle the additional responsibility and administration of export sales?
c) the financial resources to undertake market research, promotion and distribution in the foreign market?
d) the technical staff to undertake product development and adaptation for the foreign market?
e) sufficient knowledge of the market requirements of the importing country? For example, check the quality and health requirements of the importing country. Does you product comply with their regulations?
f) set realistic goals and priorities for the domestic and export market?
g) the resources to focus on one or two countries at a time?
h) the commitment and the dedication to succeed? In this regard, clear objectives and strategy are very important.

As a general rule, if the product selected for export is successful on the domestic market, competitively priced and appealing to the selected market segment then the chances are that it is ready for export. However, to assess the product's readiness for export, it is recommended that the canner carry out a SWOT analysis to evaluate the product's strengths, weaknesses, opportunities and threats. This analysis should include the target export market and/or potential importer.

In planning their export programme into Africa, Tiger Brands made a survey of those African countries that desk research had indicated were potential markets for their products. For each of the countries selected, a study was made of their demographics, income profiles, political and financial conditions. The company then held a workshop at which representatives of the marketing, sales and management divisions worked through all the collected information and drew up a short list of four or five African countries considered to be the most suitable and profitable for the company's products.
The Workshop set the objectives of:

a) within 12 months penetrating 60% of the market segment and distributor network in the identified countries;
b) within the first year, the company's products should occupy 25% of the shelf space in major retail outlets.

Step 2. The decision to export

After assessing organizational and product readiness for export, the canner should make a firm commitment to export or not. If the decision is to export then an export strategy must be formulated. In South Africa, the canners are not only responsible for canning the fruit but also for loading the cans into the container and shipping the container to its destination.

Step 3. Establishment of an export strategy

The export strategy forms the basis for the exporting canner's activity. It sets out where the canner is going and how he is going to get there. Once a canner has decided that he is ready to export to a particular market the next task is to decide the most effective way of entering that market. In this regard the canner should consider:

a. Direct or indirect exporting from a domestic base. Most South African canners operate on this basis.
b. Joint ventures. At present no South African canner is involved in a joint venture.
c. Direct investment in the foreign market. The only South African canner that has an interest in this type of investment is Del Monte which is an international food company.

Each succeeding strategy involves more commitment, risk and profit.

Step 4. Draw up an export marketing plan

An export marketing plan is a step-by-step guide on how to implement the export strategy. It specifies target dates and provides detailed budgets for each step. It includes the sales strategy as well as the lay-out and penetration of the market. It should address all questions on how the export strategy is to be implemented. The export marketing plan and the export strategy are closely interrelated and there should be a continuous interaction between the two as the various steps are put into action. Since a plan is only as good as the quality of the basic data gathered and the analysis undertaken during the planning process, it is important to obtain the participation of all levels of management in this process.

In drawing up an export marketing plan it is important to take into account shipping dates because payment is often calculated from the date of shipment. In most overseas countries warehouse costs are expensive so most buyers require to be supplied on request when consumer demand is at its highest, usually early summer and Christmas. The date of shipment is also important because it determines the rate of exchange that will be applied to the settlement of accounts.

A typical marketing plan focuses on the following elements:

a. Marketing objectives.
b. Market research and selection
c. Product types and characteristics
d. Distribution channels
e. Export pricing
f. Market communication strategies
g. Sales plan with measurable objectives and actionable standards.

In drawing up an export plan it is very important to consider the sales plan. For their African export plan Tiger Brands scanned the list of distributors in the target countries. Interviews were then held with each distributor on the short list and only those with the necessary connections and infrastructure were included in the export plan.

Step 5. Carry out the export market plan

The export sequence should be an important part of the market plan. The following is an example of an export sequence:

a. Canner receives an inquiry
b. Canner acknowledges receipt of inquiry
c. Canner conducts feasibility study of potential transaction. At this point the canner should check the requirements of the importing country/inquirer regarding labelling, quality standards, canning specifications, syrup strength, can size and construction, etc.
d. Canner sends pro-forma invoice/quotation to inquirer
e. Enquirer accepts quotation and sends a firm order to canner
f. Canner confirms acceptance of order subject to conditions stipulated
g. Enquirer establishes irrevocable Letter of Credit (L/C) or other form of payment that is acceptable to the canner
h. Canner checks L/C and confirms acceptance
i. Canner applies for export permit
j. Canner submits order to supplier
k. Canner reserves space with freight forwarder depending on conditions of Incoterms
l. Canner arranges for inspection certificate
m. Canners packs and marks product for export
n. Canner issues forwarding instructions
o. Canner acquires any special certificates
p. Canner may arrange export credit insurance
q. Depending on the Incoterm, canner may take out marine insurance
r. Canner completes foreign exchange control declaration
s. Canner provides freight forwarder with copies of all relevant documentation
t. Consignment dispatched
u. Canner submits required documentation, as stipulated by L/C to bank for payment
v. Most South African canners exporting into Africa require full payment with order or at least part payments plus insurance on the outstanding balance.

Step 6. Control the export market plan

The purpose of controlling the export marketing plan is to ensure that the company will achieve its export objectives in its target foreign market. Many surprises are likely to occur in the market place during the export drive and these will require an ongoing review of performance and control. Re-planning or adapting the existing plan to meet the new circumstances is a vital element to a successful marketing plan.

Tiger Brands found that after 12 months, one of their distributors in an African country was not performing as required. This distributor was quickly replaced with a more dynamic one.

Where the company had more than one brand name for the same product, such as jam, the company had to decide whether to use all or only one brand name.

Market control is far from being a single process. Canners should exercise the following types of control:

a. An annual review of the marketing plan – check the ongoing performance against the plan and take corrective action where necessary.
b. Profitability control – determine the actual profitability of the product, the market and the trade channel.
c. Strategic control – examine and evaluate the overall performance of the exporting company in relation to the marketing environment and the opportunities.

4.2. MARKET SELECTION

An export marketing plan is incomplete until the target market has been identified. Countries are not the same, furthermore, each country has consumer groups that have different incomes, lifestyles, occupations and levels of education. Any large market has a variety of market segments which differ considerably from one another. Therefore, one of the most important elements of the export marketing plan is to accurately identify the export market and specific segment within the market that the exporter intends to reach.

The canner can undertake the market selection himself or commission a market screening investigation to determine which potential markets are the most promising. Market screening is usually based on desk and/or field research depending on the availability of information, the nature of the product, the available finances and time constraints.

4.2.1. Desk Research

Desk research usually consists of four stages.

Stage 1 – Eliminate those markets that are ruled out by the company's own constraints or by its own governments trade laws and regulations.

Stage 2 – Eliminate those markets that have little potential or are unattractive. In this regard consider the potential country's import statistics, trade barriers, legal restrictions, currency and payment problems.

Stage 3 – Take a closer look at the remaining potential export markets and get a better idea of the market size and outlook. In this regard consider aspects such as political stability, demographics, consumption trends, exports, internal competition, the size of the market segment you wish to sell into, the future economic value of this segment for the company and the overall economy of the country.

At this stage the potential market may not be very clear but unless conditions are particularly severe, the countries on the short list must be weighed against each other before a decision is taken to eliminate countries (markets). The following additional factors should be taken into account - distance between importing and exporting countries, language difficulties and company's previous experience and information from contacts. The translation of your brand name into the local language is also important to ensure that there is no threat of the brand name being offensive in the local vernacular.

In planning its export programme into Africa, Tiger Brands needed to consider what brand name to use. The KOO brand name was felt to be acceptable for most countries but for countries where a large proportion of the population spoke Arabic this brand name was considered unacceptable. Apparently, in Arabic KOO means "backside", "arse" or "rectum". For Arabic-speaking countries, therefore, Tiger Brands chose to use the brand name All Gold

At this point the canner may have gone as far as it can through desk research and field research may be necessary to get the rest of the information. If more countries remain on the short list than can be investigated with field research, the canner should try and eliminate the least promising countries on the basis of the information already available.

Stage 4 - The factors that limit the effective size of each market for a specific product must now be investigated. Some of this data can be obtained by corresponding with potential importers in the foreign market.

a. Product acceptability – send potential importers some product literature or even samples. By studying catalogues, magazines and obtaining samples of related products already on the market an idea can be obtained of product acceptability to consumers.
b. Distribution channels - establish the nature of the distribution channels handling a product, the number of companies involved and the mark-ups at each level. This information will help the prospective exporter to calculate landed prices.
c. Prices – try and establish the prices of similar products and the taxes and duties payable on the exported product
d. Target segment – gather population and economic data on the importing country. This will allow the canner to make an initial estimate of the size of the market that might purchase his product.
e. Smuggling is also of concern in certain countries and the canner should have a strategy to implement if/when it happens. In some countries, as soon as a brand name becomes prominent in the market, local traders find ways to smuggle the product into the market at much lower prices which then negatively affects the canners' sales, brand name and profitability.

Sometimes, disadvantaged retailers in the importing country will contact their agents in South Africa and request them to source and buy the same canned products on the local market at the lowest possible price. Such product may be old stock or stock that is close to its expiry date. The agent then ships these products to the retailer who sells it at a much lower price than can be offered by the South African canner. This has happened with tomato sauce and beans.

f. In some countries there is the possibility that local canners may introduce imitation products and brand names.

Tiger Brands has experienced a number of instances where small canners in the importing country, having seen the success and popularity of the imported brand among local consumers, have developed and sold a similar product with a similar label and brand name. When the imported product and the local imitation appear on the same shelf in the store the consumer becomes confused.

When undertaking desk research the following sources of information should be considered:

Import statistics	United Nations trade statistics National trade statistics
Production statistics	Official statistics from embassy Trade associations United Nations Statistical Yearbook Monthly Bulletin of Statistics
Tariffs and quotas	Embassies Chambers of Commerce
Currency restrictions	Banks Embassies
Political situation	Banks Press reports
Economic situation	Banks Economic and Financial Journals Newspapers IMF reports
Product consumption	Official statistics, Trade and Commodity Journals Trade associations
Identification of agents, Importers or producers	Trade directories Trade associations Trade journals
Information on specific companies	Banks Trade directories Company literature
Credit terms	Bank
Transport costs	Freight forwarders
Packing requirements	Department of Trade

	Purchasing Officer
	Department store/Supermarket buyer
	Importers
Prices	Catalogues and price lists
	Trade press reports
Competing products	Press advertising
	Catalogues and product literature
	Trade journals
Population	Statistical yearbooks
Geographic features	Atlases
	Encyclopedia/Internet

4.2.2. Field Research

At some point the canner will have collected all the information obtainable through desk research and may then find it necessary to conduct field research within the potential market of the importing country. It is not easy to define the precise point at which desk research ceases to yield results and field research becomes necessary. In some cases the canner may be able to obtain all the information he needs about a market without leaving his desk. In other cases, there may be no information apart from some vague statistics.

Field research is expensive and should be reserved for those markets that offer the best prospects for the product in question. Before planning field research, therefore, the canner must decide on which market he should concentrate his final and most expensive effort, what specific information he requires and how much his company or government is prepared to pay for it.

The canner can use a variety of techniques to gather information in the field. However, many of these techniques may be impractical for most prospective exporters because they are costly or highly sophisticated. There are four basic techniques that are used:

a. personal interviews
b. telephone interviews
c. postal surveys
d. store checks

All the above-mentioned techniques can be used at either the trade or consumer level. A well designed questionnaire is recommended for the first thee techniques.

After a canner has done desk and possibly field research, the next step is to select an export market segment. Therefore the target market must be researched carefully to identify the differences in preferences and requirements between customers at home and those in the target market. The canner usually has to decide between three broad market selection strategies – undifferentiated, differentiated or concentrated marketing.

a. Undifferentiated marketing – the canner chooses not to recognize the various market segments but tries to formulate a product and marketing programme that will appeal to the widest number of buyers. It relies on many distribution channels, mass advertising and universal themes. Undifferentiated marketing is very cost effective and several South African canners have adopted this strategy.

b. Differentiated marketing – the canner decides to operate in only two or more segments of the market and designs separate products and/or marketing programmes for each segment. By offering product and marketing variations, the canner hopes to attain higher sales and a larger share of each market segment. By attaining a larger share in several segments, the canner tries to ensure that his company's name is associated with a certain product field.

   Total sales are generally higher when using differentiated marketing rather than undifferentiated marketing but the costs may be greater because:

   - Product modification costs – modifying a product to meet different market segments usually involves some research and development.
   - Production costs – it is usually more expensive to produce 100 units of ten different products than 1 000 units of one product .
   - Administrative costs – differentiated marketing requires separate marketing plans for the separate segments of the market. This, in turn, requires extra market research, sales analysis, promotion, planning and management.
   - Inventory costs – it is more costly to manage inventories of differentiated products than an inventory of only one product.
   - Promotional costs – differentiated marketing involves trying to reach different market segments with each segment requiring separate creative advertising campaigns and promotion costs.

   Since differentiated marketing not only leads to higher sales but also to higher costs, this strategy should be very carefully studied before being implemented. It is very easy to over-differentiate, fewer brands each appealing to a broad consumer group seems to be the best strategy.

c. Concentrated marketing – this strategy is especially appealing when the exporters resources are limited. Instead of targeting a small share of a large market, the exporter targets a large share of a small of one or a few sub-markets. In essence this strategy consists of making the product suitable for the market.

   Through concentrated marketing the canner may achieve a strong market position in the specific segment owing to his greater knowledge of the segments needs and the special reputation he acquires. If the segment of the market is well chosen, the canner can makes large profits. At the same time, concentrated marketing involves a high risk. Demand in a specific market segment can suddenly decline or a competitor may decide to enter the same segment. For these reasons, many canners prefer to diversify in several market segments.

In conclusion, it should be stressed that the identification and selection of an export market should be the result of extensive desk and sometimes field research. With desk research the canner explores various markets through screening in a series of stages in order to eliminate potential markets at each stage. Screening is primarily based on the collection and evaluation of information from documentary and published sources. When a canner reaches the limitations of what he can learn by collecting information through desk research, he may then find it necessary to conduct field research, which will actually be carried out within the potential export market.

After research has been conducted, the canner should choose an export market segment strategy, either ignoring segment differences (undifferentiated marketing), developing different products and marketing programmes for each segment (differentiated marketing), or targeting only one of a few segments (concentrated marketing). It has been found that no particular strategy is superior in all circumstances. Much depends on company's resources, its product homogeneity and competitive marketing strategies.

5. BUILDING AN IMAGE.

There is no longer any argument about the value of branding to a company. Great names like Coca-Cola, McDonalds, Castle and KOO are brand names that are major assets to the companies that own them - not the secret of the cola formula, the hamburger, the beer or the fruit in the can.

In South Africa, fruit producers have no direct role in the development of a brand. Brand development is undertaken by the canner. The producer sells fruit of the right quality (see Appendix 2) to the canner who is then responsible for processing, canning, marketing, branding and selling of the canned product.

There are four key pillars on which successful brands are built and they are:

a. Difference – a brand needs to stand out from its competitors (Fig. 1). What makes it different, distinct and unique? Difference defines its reason for being. If there is no intrinsic difference you have to develop an extrinsic difference.

Figure 1: A selection of South African canned vegetable products.

b. Relevance – The difference must be relevant or meet an appropriate consumer need.

c. Esteem - this is derived from a mixture of personal regard, quality and popularity. Brands that are admired are seen as being quality brands and they in turn are perceived as growing in popularity

d. Insight – Insight is the result of successful branding, it is not the beginning. It is more than a mere awareness of a brand. Many canners have similar amounts of knowledge about a market, but it is the insights that a canner obtains from this knowledge that gives him the sustainable, long-term advantage over his competitors.

The dynamics of brand positioning are shown in the following illustration.

BRAND STRENGTH HIGH

A brand with high strength but low stature is a brand with unrealised potential. Develop esteem for the brand while making it more accessible to the consumer. Above-the-line marketing required.

A brand with high strength and stature is a leadership brand. Keep the brand in this dominant position through vigilant marketing.

BRAND STATURE LOW

BRAND STATURE HIGH

A brand with low strength and stature is a new brand trying to establish itself in the market place or a niche brand.

A brand with low strength but high stature is a famous brand whose strength has been eroded in the mind of the consumer because other more interesting brands have entered the market. Also, very typically where a lot of “me-too” brands have entered the market at low prices.

BRAND STRENGTH LOW

Building a brand is about building an identity and a personality, not only for the product but also for the company producing the product. By aggressively competing on quality and price alone, it is difficult for many canning companies to create meaningful and lasting differences from their competitors. It usually leads to depressed profitability and, over the long term, of a market where the product is seen as a commodity.

Customers benefit from “price wars” by saving money but they also get confused when choice is confined to price. The customer is merely buying a commodity and has no sense of the “difference” that a particular brand offers. Today, a number of South Africa canning companies run brand campaigns to differentiate their products from those of other companies in the market. Companies such as Tiger Brands, Nestle and Gants have dynamic branding programmes to create a positive corporate image for their products. However, branding is not only for large companies, although these are the ones that get most of the publicity by hiring large advertising agencies to help them with their branding campaigns. In truth, every company should have a basic branding strategy as part of their marketing programme to ensure long term survival and growth..

A branding strategy is the start of all customer contact activities. Initially it should be the centre of all sales, customer service and public relations efforts. Later, as the budget allows, the branding strategy should become the basis for marketing communications such as advertising, direct mail, trade shows and expanded public relations activities such as rewarding the shopper/consumer for his/her loyalty to the brand..

The branding strategy should communicate to the target segment what the company would have them see and the brand's personality and characteristics.

It is important to understand that a brand is not just a logo, picture or trademark. These are all graphical parts of the brand identity and are often incorrectly referred to as "branding". There is a much broader definition of branding. A brand should be found in the feelings and minds of customers and potential customers. It should be a summary of their experience and perceptions of the product and the company that produces it.

Successful brand managers understand the needs and wants of customers and prospective customers. They understand how to meet these needs in such a way that it motivates the customer to seek their product. They apply this by initiating strategies that start within the company and extend outwards to every point of public contact – marketing communications, customer support and sales.

It is important to remember that a product will be "branded" by customers with or without the company's participation. It is up to the company to be pro-active in shaping the identity and strength of its brand image.

A successful brand can benefit the company in several ways:

- It separates a company and its products from other competitors in an unique way that is relevant and motivating to the company's customers. It gives the company value and makes it special.
- It enhances the company's perceived value and thereby supports premium pricing
- It provides resilience in times of negative press
- Enables a company to launch new products more quickly and cost effectively

Listed below are number of steps that can lead to successful branding. Many of these steps have been followed by South African canning companies:

1. The company – understand the company's history, its culture, products, senior management's objectives, their view of the market and their commitment to branding. To succeed, the branding programme must have management's understanding, support and commitment.

2. The competition – audit the marketing communications of major competitors to establish their range of values, how they position themselves and what positions they claim. Also try and determine their share of the market and the segments that they are positioning themselves in.

3. The customer –develop a questionnaire from steps one and two above. Interview key customers and prospects to gauge their awareness of the companies and products in the market. Establish what "brand values" are most important to them. Determine how your company and its products together with those of your competitors are rated on these values.

4. Develop a brand strategy – from the information gathered in the above three steps develop a brand position, objectives and a strategy that is achievable, differentiating, compelling and likeable. This will ensure real top-line growth and long term profitability.

5. Sell the branding strategy to the company – inform top management and all those departments that have outside public contact of your proposed brand and branding strategy. Gain their support and commitment.

6. Develop and integrated communications plan – this communications plan should not only apply to the company but extend to the relevant outside agencies and distributors as well. Also look at possible applications to the Internet. You should also do below-the-line work to ensure that there has been no brand-switching at the shelf in-store.

7. Execute – at this stage firm control is necessary to ensure adherence to the brand and the branding strategy. The question to be asked is, "Do we brand or do we sell product?" The answer to both these questions should be "Yes!".

8. Build in continuity – be consistent in the use of the media. Don't plan a branding campaign for 2 or 3 months and then do nothing for the rest of the year.

9. Measure your performance – obtain feedback by setting up a response analysis system and objectively measure your effectiveness in the market.

10. Continuously evaluate and improve – learn from your mistakes and make the necessary changes. Have the faith, courage and patience to let your marketing programme build the brand. An important tool is to have an objective measure of the performance of your branding programme in creating awareness, attitude and product acceptance in the market. In this regard senior management may need to exercise patience.

6. BRAND DEVELOPMENT

In South Africa fruit producers do not usually link themselves with a brand name. The brand name and its development is seen as the responsibility of the canner.

To develop a successful brand name requires substantial financial investment. This investment is committed to what is called above-line and below-line communication:

1. Above-the-line (ATL) communication includes the communication of the brand on TV, radio and in magazines. The main thrust is to promote the extrinsic features of the brand and associated product. For example, the homeliness of the canned product, how the product can improve or contribute to family health and canned fruit as a healthy, high quality food (Fig. 2).

2. Below-the-line (BTL) communication includes such things that can be touched, felt or seen such as in-store demonstrations, taste-tables and competitions. Consumer education is also important. Consumers need to know the advantages and convenience of canned fruit and vegetable. In fact in South Africa it has become as important to inform consumers as to why canned fruit and vegetables are not harmful. Consumer concerns include the role of monosodium glutamate, salt, added sugar, sweeteners, colourants such as tartrazine and GMO's (Geneticaly Modified Organisms).

Figure 2. A brand developed by Tiger Brands for the health conscious consumer that contains no added cane sugar or artificial flavourants.

Some of the critical factors in the success of South Africa's branding include:

1. Supply – the ability to ensure that the right product is available at the right price at the right place. It has been found that the average South African consumer spends about 1 min in the canned fruit and vegetable section of a store. During this time the brand must stand out on the shelf and the pack design must not clash with the ATL communication. The pricing must be in line with the brands' positioning and the consumers' budget.

2. Correct pack size – the can size required by single person is different from that of a family of four or a restaurant. The product must be packed and branded in the right sized can. In this regard the correct nutritional information should appear on the label.

3. Ease of use – this includes cans that are quick and simple to open.

4. Versatile packing – this includes packs that can be used for more than one purpose such as canned mixed vegetables, onion and tomato mix, baked beans and vienna sausages.

5. Strong brand image – The brand should be immediately recognizable, appropriate and attractively displayed at the point of purchase. In the mind of the consumer the brand on the can should immediately relate to the message conveyed by the above-line communication activities.

6. Product development – a strong brand is only maintained by the continual development of new products and improved labeling. The consumer must become excited about a brand and look out for it on the supermarket shelf . For

example, when a consumer wishes to purchase baked beans she does not merely write “baked beans” on her shopping list but “KOO baked beans”.

In South Africa, the price of canned fruit and vegetables is consumer driven rather than product driven. In general, the price is calculated at cost plus 35%. This price is then tested by means of a consumer survey. If consumers consider the price acceptable then marketing will commence, however, if the price is found to be unacceptable the price will be re-calculated, not launched or discontinued.

In South Africa brand development is seen as a long term marketing strategy. From time to time distributors do appear and attempt to cut prices but consumers have become wary of buying “cheap” products because they are considered to be of an inferior quality to the well-known name brands.

7. ADVANTAGES AND CHALLENGES

Looking at the South African Caning Industry as a whole, a number of advantages can be identified –

(a) South Africa is one of the few countries in the world that is subject to government regulations that impose a strict quality inspection of canned products before they are approved for export. These regulations, contained in the Agricultural Product Standards Act (Act No. 119 of 1990), are important in maintaining an export product of consistent high quality and long-term customer confidence.

(b) South African canners are able to produce product of a consistently high quality and so supply buyers with the product they require at the price they expect.

(c) South African fruit costs are amongst the lowest in the word. However, many of the other production costs are similar or higher than those of canners in other parts of the world.

(d) South African canners have established, over many years, a network of agents in many overseas countries. The canners have a close and long term relationship with their overseas agents who in turn remain loyal to the canner.

(e) South African canners have negotiated very competitive freight rates with shipping companies.

Among the challenges that face South African canners are:

(a) the difficulty to open new markets because of a loyalty to traditional buyers and agents, many of whom operate in a number of countries.
(b) the lack of potential in South Africa to grow more fruit for processing. This is due in part to a lack of water (erratic rainfall) and lack of soil suitable for growing fruit. The industry is of the opinion that it would not be able to double its production of pears, peaches and apricots even if new markets could be opened up.

(c) in South Africa, fruit yields per hectare are generally low. For example the average yield of peaches is 22 t/ha whereas in Chile and the USA it varies from 35 t/ha to 45 t/ha.

APPENDIX 1

A LIST OF SOUTH AFRICAN CANNERIES

Anievaal Boerdery, P.O. Box 5507, Kocks Park 2523. Tel. 27-18-294 6685; Fx. 27-18-294 6685
Ashton Canning Company (Ltd.), Private Bag, Ashton 6715. Tel. 27-23-615 1140; Fx. 27-23-615 1992
B.J. Barnard, P.O. Box 8, Talton 1749. Tel. 27-11-952 1300
Bonanza Dried Fruit, P.O. Box 115, Hoedspruit 1380. Tel. 27-1528-35161/2; Fx. 27-1528-35163
Boundless Trade (Pty) Ltd., P.O. Box 174, Ficksburg 9730. 27-51-933 2141; Fx. 27-51-933 2143
Bronpro, P.O. Box 42, Nelspruit 1200. Tel. 27-13-753 2318; Fx. 27-13-753 3377
Bull Brand Foods (Pty) Ltd., P.O. Box 241, Krugersdorp 1740. Tel. 27-11-953 2334; Fx. 27-11-660 2380
Can Food King (Pty) Ltd., P.O. Box 8640, City Deep 2049. Tel. 27-11-623 2929; Fx. 27-11-623 2986
Chef's Delight, P.O. Box 110, Marble Hall 0450. Tel. 27-12020-2123; Fx. 27-12020-3096
Collondale Cannery, P.O. Box 7225, East London 5200. Tel. 27-43-736 9677; Fx. 27-43-736 9675
Colman Foods, P.O. Box 4717, Cape Town 8000. Tel. 27-21-507 7111; Fx. 27-21 531 1595
Covelle Food Development, P.O. Box 8429, Greenside 2034. Tel. 27-11-646 7969; Fx. 27-11-646 7970
Darsot Food Corporation, P.O. Box 100. Eikenhof 1872. Tel. 27-11-948 9949; Fx. 27-11-948 8059
Deemster (Pty) Ltd, Private Bag, Ficksburg 9730. Tel.27-51-933 2368; Fx. 27-51-933 3082
De Georges Processing, P.O. Box 202, Ficksburg 9730. Tel. 27-582- 754; Fx. 27-582-757
Denmar, P.O. Box 35, Slabberts 9703. 27-58-303 2149; Fx. 27-58-303 6636
Denny Mushroom (Pty) Ltd.m, (Head Office), P.O. Box 5353, Johannesburg 2000. Tel. 27-11-700 8400; Fx. 27-11-467 2276
Denny Mushroom (Pty) Ltd., P.O. Box 5050, West Krugersdorp 1742. Tel. 27-11-416 1053; Fx. 27-11-416 1052
Dickon Hall Products (Head Office), 12 Mount Road, Southdale 2091. Tel. 27-11-680 2537
Dickon Hall, P.O. Box 8, Mataffin 1205. Tel. 27-13-752 7280; Fx. 27-13-752 7288
Esmefour Preserving cc, P.O. Box 565, Messina 0900. Tel. 27-15-534 3357; Fx. 27-15-534-2286
Gateway Farms Holdings, P.O. Box 144, Thornville 3760. Tel 27-332-510060; Fx. 27-332-510687
Giants Canning (Pty) Ltd., P.O. Box 6480, Dunswart 1508. Tel. 27-11-894 8261
Giants Canning (Pty) Ltd., Private Bag, Louis Trichardt 0920. Tel. 27-15-966 4342; Fx. 27-15-966 4032
Hilton Honey Farm, P.O. Box 549, Hilton 3245. Tel. 27-33-330 5072; Fx. 27-33-330 5075
Honingklip Canners, P.O. Box 7099, Krugersdorp 1741. Tel. 27-11-956 6579
Indimex, P.O. Box 10, Waterpoort 0905. Tel. 27-15-575 1001; Fx. 27-15-575 1001
Kausies Kitchen, P.O. Box 6, Desainagar 4405. Tel. 27-32-944 4114; Fx. 27-32-944 1686
Kerkstraat 22, P.O. Box 282, Montagu 6720. Tel. 27-23-614 2719; Fx. 27-23-
Letaba Citrus Processors, P.O. Box 72, Letaba 0870. Tel. 27-152-303 1751;

Fx. 27-152-303 0905
Levubu Inmaak, P.O. Box 83, Levubu 0929. Tel. 27-15-583 0039; Fx. 27-15-583 0039
Levubu Kooperasie, P.O. Box 70, Levubu 0929. 27-15-583 0192; Fx. 27-15-583 0196
Lisbon Estates, Poste Resta, Clanor 1351. Tel. 27-13-735 5466; Fx. 27-13-735 5600
Marine Products, P.O. Box 203, Velddrift 7365. Tel. 27-22-783 1103; Fx. 27-22-783 0125
Matana Dried Fruit, P.O. Box 876, Tzaneen 0850. Tel. 27-152-307 3718;
Fx. 27-152-307 1106
Magalies Citrus Cooperative, P.O. Box 106, Sonop 0258. Tel. 27-1211-566 703;
Fx. 27-1211-566 769
Miami Canners, P.O. Box 83, Letsitele 0085. Tel. 27-15-386 8664; Fx. 27-15-386 8669
Misty Height Farm, P.O. Box 54, Camperdown 3220. Tel. 27-31-785 1271;
Fx. 27-31-785 1762
Montrose Farms, P.O. Box 2585, Kocksvlei 1764. Tel. 27-11-698 1694;
Fx. 27-11-698 1705
Nero Italian Food Products, P.O. Box 16669, Doornfontein 2028. Tel. 27-11-334 5895;
Fx. 27-11-887 2200
Nestle, P.O. Box 519, Duiwelskloof 0835. Tel. 27-15-309 9417; Fx. 27-15-309 9808
Nokland Foods, P.O. Box 68, Dordrecht 5435. Tel. 27-45-941 1017; Fx. 27-45-941 1017
Northern Canners (Pty) Ltd., P.O. Box 19, Politsi 0851. Tel. 27-152- 305 3217;
Fx. 27-152-305 3177
Onderberg Verwerkings Ko-op., P.O. Box 543, Malelane 1320. Tel. 27-13-790 1146;
Fx. 27-13-790 1148
Oos-Vrystaat Vrugte, P.O. Box 58, Bethlehem 9700. Tel. 27-58-303 7878;
Fx. 27-58-303 5130
Pakco (Pty) Ltd., P.O. Box 65, Verulam 4340. Tel. 27-32-533 1050; Fx. 27-32-533 2681
Patoma, P.O. Box 11, Kaapmuiden 1295. Tel. 27-1313-616/7; Fx. 27-1313-916
Riverside Processors, P.O. Box 286, Malelane 1320. Tel. 27-13-790 3015;
Fx. 27-13-790-0072
RFF Foods (Pty) Ltd., Poste Resta, Groot Drake 7680. Tel. 27-21-870 4000;
Fx. 27-21-874 1445
Rosemary’s Canning, P.O. Box 847, White River 1240. Tel. 27-13-751 1525;
Fx. 27-13-750 0370
Robertsons (Head Office), Durban. Tel. 27-31-369 9691; Fx. 27-31-307 6869
Robertsons, P.O. Box 1187, Tzaneen 0850. Tel. 27-152-303 1303; Fx. 27-152-303 2799
Sauce Master CC1, P.O. Box 70, Malmesbury 7300. Tel. 27-22-482 1144;
Fx. 27-22-482 4154
South African Preserving, P.O. Box 53, Tulbach 6820. Tel. 27-23-230 1061;
Fx. 27-23-230 1068
St. Helena Bay Fishing Ind., Poste Resta, Stompneus Baai 7382. Tel. 27-22-742 1611;
Fx. 27-13-790 1148
Sugarbird (Pty) Ltd., P.O. Box 70, Malmesbury 7300. Tel. 27-22-482 1144;
Fx. 27-22-482 4154
Summerpride Foods Ltd., P.O. Box 507, East London 5200. Tel. 27-43-731 1770;
Fx. 27-43-731 1544
Sunpride Products, P.O. Box 382, Lydenburg 1120. Tel. 27-13-235 4181;
Fx. 27-13-235 1657
Sutton Trading, P.O. Box 383, Maidstone 4380. Tel. 27-32-945 1164; Fx. 27-32-945 3440
The Pickle Pot, P.O. Box 358, Merrivale 3291. Tel. 27-33-997 0687; Fx. 27-33-997 0687
Thistlewood Products cc, P.O. Box 599, Hilton 3245. Tel. 27-33-397 0208;
Fx. 27-33-397 9544
Tiger Brands, P.O. Box 219, Boksburg 1460. Tel. 27-11-914 2200; Fx. 27-11-914 1284
Tiger Brands, P.O. Box 527, Suider Paarl 7624. Tel. 27-21-860 1127; Fx. 27-21 863 3011

Tiger Brands, P.O. Box 444, Messina 0900. Tel. 27- 1533-40730; Fx. 27-1553-40869
Tiger Brands, P.O. Box 363, Lutzville 8165. Tel. 27-2725-71735; Fx. 27-2725-71518
Tiger Brands, P.O. Box 1, Ashton 6715. Tel. 27-234-51120; Fx. 27-234-51307
True Taste Foods, P.O. Box 655, Nigel 1490. Tel. 27-11-624 2381; Fx. 27-11-624 2382
Utopia Asparagus Farms, P.O. Box 58, Bethlehem 9700. Tel. 27-58-303 7878;
 Fx. 27-58-303 5130
Valor Central Co-operative, P.O. Box 2071, Noordeinde 6056. Tel 27-41-486 2146;
 Fx. 27-41-486 2112
Woodberry's Jams and Preserves, P.O. Box 1236, Knysna 6510. Tel 27-44-532 7991;
 Fx. 27-44-532 7997
Werda Vacpack, P.O. Box 335, Bonnievale 6730. Tel. 27-23-616 2140;
 Fx. 27-23-616 2194

APPENDIX 2

THE SOUTH AFRICAN GRADING STANDARDS FOR FRESH APRICOTS, PEACHES AND PEARS FOR CANNING

1. APRICOTS

1.1. Definitions

In these clauses, unless inconsistent with the context, a word or expression have the following meaning –

"apricots" means the fruit of the tree *Prunus armeniaca;*

"blemishes" means external or internal visible defects caused by extraneous factors such as insects, fungi, bacteria, frost, hail, wind, orchard or handling practices or transport and for which trimming is required;

"bruises" means large pressure or other wounds impairing the quality of the apricots;

"chemical residues" the remainder of any chemical substance present on or in apricots as determined by analysing samples of fruit destined for canning purposes;

"clean" means free from excessive dirt, dust, visible spray residues or other excessive foreign matter;

"colour card" mean the deciduous fruit industry's colour card for Imperial apricots (AP.1) is used;

"consignment" in relation to apricots mans a quantity of apricots of a specific cultivar delivered at any one time under cover of the same consignment note, delivery note or receipt note;

"diameter" means the greatest diameter of the apricot, measured at right angles to the longitudinal axis;

"insect infestation" in relation to apricots means internal or external infestation by insects, excluding Oriental Fruit Moth, notwithstanding the fact that larvae may not be present;

"light intensity" in relation to blemishes and bruises, mans that the blemishes and bruises lye peel clean;

"medium intensity" in relation to blemishes and bruises, means that the blemishes and bruises are less than 25% of the fruit and not deeper than 5mm;

"over-ripe" means a stage where the apricots show signs of deterioration, softness, browning or tissue decline on both halves;

"ripe" in relation to apricots means a stage of development which the fruit when delivered has reached which will ensure proper completion of the normal canning procedure;

"sound" means free from insect damage, decay or waste, physiological decline or from visible external or internal physiological disorders which may appreciably affect the quality of the processed product;

"soft ripe" means that the apricot is soft on the one half but firm on the other half;

"straight or mixed packs" means canned fruit packs containing apricots, peaches or pears in the form of whole fruit, halves, quarters, sluices or dices and packed separately or collectively with one or more other fruit type, in the same container, in one of the mentioned forms;

"trimming" in relation to –

(a) Bulidas and Super Gold mans the removal of a blemish after the apricot has been lye-peeled; and

(b) other cultivars, means the removal of a blemish

"true to cultivar" means that the apricots of a specific cultivar shall have all the characteristics, typical of the cultivar concerned;

"well formed" means the normal shape of an apricot of any cultivar, typical of that cultivar.

1.2. Scope of clauses

These clauses shall apply to apricots, sold by or on behalf of producers thereof to a canner or manufacturer.

1.3. Grading

(1) Apricots intended for processing into straight or mixed packs shall be graded according to the specifications of three grades, namely Canning Grade 1, Canning Grade 2 and Undergrade.

(2) The specifications for Canning Grade 1 and Canning Grade 2 are as follows:

Quality Factor	Canning Grade 1	Canning Grade 2
(a) Cultivars	Bulida and Super Gold	As for Canning Grade 1
(b) Minimum diameter	36mm	34mm
(c) Trueness to cultivar and shape	True to cultivar and well-formed for the cultivar concerned	As for Canning Grade 1
(d) Colour	No fruit section greener than colour card No. 8 Bulidas and No. 11 with Super Gold	No fruit section greener than colour card No. 5 with Bulidas and No. 9 with Super Gold
(e) Ripeness	Ripe	Soft-ripe but not over-ripe
(f) Insect infestation	None, provided that (i) in respect of insect infestation a consignment shall contain not more than 2% insect infested fruit; and (ii) such percentage of fruit shall be graded as Undergrade	None, provided that (i) with regard to insect infestation, a consignment may not exceed 3% insect infested fruit; and (ii) such percentage of fruit be graded as Undergrade
(g) Blemishes and bruises		
- light intensity	Allowed	Not applicable
- medium intensity	None	Allowed
(h) Chemical residues (refer to paragraph 1.7)	None provided that (i) the maximum allowable chemical residue in respect of canning fruit as stipulated in paragraph 1.7 is not exceeded; and (ii) if such maximum is exceeded, the whole consignment shall be rejected.	As for Canning Grade 1

(3) No consignment of apricots intended for processing into straight or mixed packs shall contain less than 80% Canning Grade 1 fruit. If a consignment contains less than 80% Canning Grade 1 fruit, it shall be taken in as Canning Grade 2;

(4) Undergrade shall consist of –

(a) apricots which do not comply with the minimum requirements prescribed for Canning Grade 1 and Canning Grade 2;

(b) any consignment of apricots containing more than 15% of the fruit mentioned in paragraph (a);

(c) any consignment of apricots containing more than 3% of insect infested fruit.

1.4. Packing

Apricots intended for processing, irrespective for what purpose, shall be packed separately according to the cultivar in bulk containers,
All containers of each consignment shall at delivery be properly identified, i.e. producer name/number, cultivar and date of delivery.

1.5. Sampling fruit for grading purposes

In order to determine the percentage of fruit contained in a consignment of apricots according to the different grades as prescribed, a final sample, taken in the following manner, shall be examined:

(a) Take from a consignment a preliminary sample at random of –

(i) at least 10kg apricots from a container, if the consignment consists of twenty or less bulk containers; and

(ii) at least 20kg apricots from different containers, if the consignment consists of more than twenty bulk containers.

(b) Take from the preliminary sample a final sample at random of at least 10kg apricots;

(c) Take at least one further sample at random in the case of insect infestation being found in the first sample;

(d) If a producer requests the grading of a second sample, then the average result of the two gradings should be taken into consideration.

1.6. Handling of fruit samples destined for chemical analysis

Take from the preliminary sample as described under paragraph 1.5 above, a sample of approximately 1kg of fruit and place it in a plastic bag. The bag should then be tied, numbered and stored. The origin of the samples is registered in the prescribed record book and a copy of this list is then handed over with the samples to the person collecting the samples at the depots. The samples are then taken to the Laboratory of the Department of Health for analysis.
If a consignment of fruit is found to exceed the recommended maximum residue levels of certain chemicals as indicated in Addendum 1, two additional samples shall be taken of that particular cultivar in the presence of representatives of the Canning Fruit Producers Association, the processor and producer and sealed before sending it to the Laboratory of the Department of Health for analysis. If the results of the tests are positive, no further consignments of that particular cuiltivar will be accepted until the fruit of that particular orchard complies with the

prescribed requirements. Thereafter every consignment of that particular producer shall be sampled for analysis for the account of the producer. If the residue levels if the samples again exceed the prescribed recommended maximum levels, two samples shall be taken for analysis. If the tests are again positive, no fruit of that particular cultivar grown by the particular producer will be accepted during the season.

1.7. Maximum allowable chemical residues

No producer shall sell and no processor shall purchase for processing in a factory locally produced fresh apricots that contain –

- (i) more than the maximum amount of residue of any chemical substance mentioned in Addendum 1;
- (ii) more than 0.05mg/kg of any other chemical registered in terms of Act No. 36 of 1947.

2. PEACHES

2.1. Definitions

In these clauses, unless inconsistent with the context, a word or expression have the following meaning –

"blemishes" means external or internal visible defects caused by extraneous factors such as insects, fungi, bacteria, frost, hail, wind, orchard or handling practices or transport and for which trimming is required;

"bruises" means large pressure or other wounds impairing the quality of the apricots;

"chemical residues" the remainder of any chemical substance present on or in apricots as determined by analysing samples of fruit destined for canning purposes;

"clean" means free from excessive dirt, dust, visible spray residues or other excessive foreign matter;

"colour card" mean the Canning Fruit Producers' Association colour card for clingstone peaches is used;

"consignment" in relation to peaches mans a quantity of peaches of a specific cultivar delivered at any one time under cover of the same consignment note, delivery note or receipt note;

"diameter" means the greatest diameter of the peach, measured at right angles to the longitudinal axis;

"firm" in relation to peaches, means firm-ripe but not over-ripe;

"fruit" means fresh peaches intended for processing in a factory.

"insect infestation" in relation to peaches means internal or external infestation by insects, excluding Oriental Fruit Moth, notwithstanding the fact that larvae may not be present;

"light intensity" in relation to blemishes and bruises, mans that the blemishes and bruises lye peel clean;

"medium intensity" in relation to blemishes and bruises, means that the blemishes or bruises require trimming but in total do not exceed 25mm in diameter and are not deeper than 5mm;

"over-ripe" means a stage where the peach show deterioration resulting in wilting, softness, browning or tissue breakdown;

"peaches" means the clingstone fruit of the tree *Prunus persica*;

"processing" means canning or manufacturing of processed foodstuffs;
"ripe" in relation to peaches means a stage of development which the fruit when delivered has reached which will ensure proper completion of the normal processing procedure;
"sound" means free from insect damage, decay or waste, physiological decline or from visible external or internal physiological disorders which may appreciably affect the quality of the processed product;
"straight or mixed packs" means canned fruit packs containing canning apricots, clingstone peaches or pears in the form of whole fruits, halves, quarters, slices or dices and packed separately or collectively with one or more other fruit type, in the same container, in one of the mentioned forms;
"trimming" means the removal of a blemish after the peach has been lye-peeled;
"true to cultivar" means that the peach of a specific cultivar shall have all the characteristics, typical of the cultivar concerned;
"well formed" means the normal shape of a peach of any cultivar, typical of that cultivar.

2.2 Scope of Clauses

These clauses shall apply to peaches, sold by or on behalf of producers thereof, to a canner/manufacturer.

.3 Grading

(1) Peaches intended for processing into straight or mixed packs shall be graded according to the specifications of three grades, namely Canning Grade 1, Canning Grade 2 and Undergrade.

(2) The specifications for Canning Grade 1 and Canning Grade 2 are as follows:

Quality Factor	Canning Grade 1	Canning Grade 2
(a) Diameter (minimum)	57mm	55mm
(b) Trueness to cultivar and shape	True to cultivar and and well formed	As for Canning Grade 1
(c) Colour (refer to paragraph 2.7)	Light yellow to deep yellow No section greener than colour card No. 4	Light yellow to deep yellow No section greener than colour card No. 3
(d) Ripeness	Firm and ripe	As for Canning Grade 1
(e) Insect Infestation	None, provided that - (i) in respect of insect infestation a consignment shall contain not more than 2% insect infested fruit; and (ii) such percentage of fruit shall be graded as Undergrade	None, provided that – (i) with regard to insect infestation, a consignment may not exceed 3% insect infested fruit; and (ii) such percentage of fruit be graded as Undergrade
(g) Blemishes and bruises		
- light intensity	Allowed	Allowed
- medium intensity	Not allowed	Allowed

(h)	Chemical residues (refer to paragraph 2.8)	None provided that - (i) the maximum allowable chemical residue in respect of canning fruit as stipulated in paragraph 2.8 is not exceeded; and (ii) if such maximum is exceeded, the whole consignment shall be rejected.	As for Canning Grade 1

(3) No consignment of peaches intended for processing into straight or mixed packs shall contain less than 80% Canning Grade 1 fruit. If a consignment contains less than 80% Canning Grade 1 fruit, it shall be taken in as Canning Grade 2;

(4) Undergrade shall consist of –

(a) peaches which do not comply with the minimum requirements prescribed for Canning Grade 1 and Canning Grade 2;

(b) any consignment of peaches containing more than 15% of the fruit mentioned in paragraph (a);

(c) any consignment of peaches containing more than 3% of insect infested fruit.

2.4. Packing

Peaches intended for processing, irrespective for what purpose, shall be packed separately according to the cultivar in bulk containers,
All containers of each consignment shall at delivery be properly identified, i.e. producer name/number, cultivar and date of delivery.

2.5. Sampling fruit for grading purposes

In order to determine the percentage of fruit contained in a consignment of peaches according to the different grades as prescribed, a final sample, taken in the following manner, shall be examined:

(a) Take at random from a consignment a preliminary sample of –
(i) at least 20kg peaches from a container, if the consignment consists of twenty or less bulk containers; and
(ii)at least 40kg peaches from different containers, if the consignment consists of more than twenty bulk containers.

(b) Take at random from the preliminary sample a final sample of at least 20kg peaches;

(c) Take at least one further sample at random if an insect infestation is found in the first sample;

(d) If a producer requests the grading of a second sample, then the average result of the two gradings should be taken into consideration.

2.6. Handling of fruit samples destined for chemical analysis

Take from the preliminary sample as described under paragraph 2.5 above, a sample of approximately 1kg of fruit and place it in a plastic bag. The bag should then be tied, numbered and stored. The origin of the samples is registered in the

prescribed record book and a copy of this list is then handed over with the samples to the person collecting the samples at the depots. The samples are then taken to the Laboratory of the Department of Health for analysis.
If a consignment of fruit is found to exceed the recommended maximum residue levels of certain chemicals as indicated in Addendum 1, two additional samples shall be taken of that particular cultivar in the presence of representatives of the Canning Fruit Producers Association, the processor and producer and sealed before sending it to the Laboratory of the Department of Health for analysis. If the results of the tests are positive, no further consignments of that particular cuiltivar will be accepted until the fruit of that particular orchard complies with the prescribed requirements. Thereafter every consignment of that particular producer shall be sampled for analysis for the account of the producer. If the residue levels if the samples again exceed the prescribed recommended maximum levels, two samples shall be taken for analysis. If the tests are again positive, no fruit of that particular cultivar grown by the particular producer will be accepted during the season.

2.7. Determination of minimum colouring

The Canning Fruit producers Association colour disc shall be used to determine the minimum colouring of peaches.

2.8. Maximum allowable chemical residues

No producer shall sell and no processor shall purchase for processing in a factory locally produced fresh clingstone peaches that contain –

(iii) more than the maximum amount of residue of any chemical substance mentioned in Addendum 1;
(iv) more than 0.05mg/kg of any other chemical registered in terms of Act No. 36 of 1947.

3. PEARS

3.1. Definitions

In these clauses, unless inconsistent with the context, a word or expression have the following meaning –

"blemishes" means external or internal visible defects caused by extraneous factors such as insects, fungi, bacteria, frost, hail, wind, orchard or handling practices or transport and for which trimming is required;

"border-line fruit" means pears which exceed the minimum or maximum pressure of a cultivar concerned as prescribed in clauses 3.(2)(f) and (g), by not more than 0.9kg;

"brix" means the percentage of sugar as measured by a refractometer corrected for temperature;

"bruises" means large pressure or other wounds impairing the quality of the pear;

"card" means that the deciduous fruit industry's colour cards for pears as described, are used

"chemical residues" the remainder of any chemical substance present on or in pears as determined by analysing samples of fruit destined for canning purposes;

"clean" means free from excessive dirt, dust, visible spray residues or other excessive foreign matter;
"consignment" in relation to pears means a quantity of peaches of a specific cultivar delivered at any one time under cover of the same consignment note, delivery note or receipt note;
"diameter" means the greatest diameter of the pear, measured at right angles to the longitudinal axis;
"fruit" means fresh pears intended for processing in a factory.
"insect infestation" in relation to pears means internal or external infestation by insects not withstanding the fact that larvae may not be present;
"light intensity" in relation to blemishes and bruises, means that the blemishes and bruises shall machine-peel clean i.e. that the depth of blemishes and bruises must not exceed 1.6mm from the surface of the fruit;
"medium intensity" in relation to blemishes and bruises, means that the blemishes or bruises require trimming but in total do not exceed 25mm in diameter and are deeper than 1.6mm, but not deeper than 5mm on fruit surface;
"pears" means the fruit of the tree *Pyrus communis*;
"pressure" means pressure tension as determined by means of a Ballauf pressure tester fitted with a plunger of 8mm in diameter;
"processing" means canning or manufacturing of processed foodstuffs;
"sound" means free from insect damage, decay or waste, physiological decline or from visible external or internal physiological disorders which may appreciably affect the quality of the processed product;
"straight or mixed packs" means canned fruit packs containing canning apricots, clingstone peaches or pears in the form of whole fruits, halves, quarters, slices or dices and packed separately or collectively with one or more other fruit type, in the same container, in one of the mentioned forms;
"trimming" means the removal of a blemish after the pears has been peeled;
"true to cultivar" means that the pear of a specific cultivar shall have all the characteristics, typical of the cultivar concerned;
"well formed" means the normal shape of a reasonably symmetrically formed pear of any cultivar, typical of that cultivar.

3.2 Scope of Clauses

These clauses shall apply to pears, sold by or on behalf of producers thereof, to a canner/manufacturer.

3.3 Grading

(1) Pears intended for processing into straight or mixed packs shall be graded according to the specifications of three grades, namely Canning Grade 1, Canning Grade 2 and Undergrade.

(2) The specifications for Canning Grade 1 and Canning Grade 2 are as follows:

Quality Factor	Canning Grade 1	Canning Grade 2
(a) Diameter (minimum)	60mm	57mm
(b) Trueness to cultivar	True to cultivar	As for Canning Grade 1

(c) Shape		
(i) Symmetry	Card P19 with maximum colour print No. 4	Card P19 with maximum colour print No. 4
(ii) Deformed calyx ends	Temporary cards for deformed calyx ends on proposed Bon Chretien with maximum colour print No. 4	Temporary Bon Chretien card with maximum colour print No. 5
(d) Insect Infestation	None, provided that - (i) in respect of insect infestation, a consignment may not exceed 2% (m/m) insect infested fruit; and (ii) such percentage of fruit shall be graded as Undergrade	None, provided that – (i) with respect of insect infestation, a consignment shall not contained more than 3% insect infested fruit; and (ii) such percentage of fruit be graded as Undergrade
(e) Blemishes and bruises		
- light intensity	Allowed	Not applicable
- medium intensity	None	Allowed
(f) Pressure (kg)	Minimum kg (lb) / Maximum kg (lb)	
(i) Bon Chretien	7.2 (16) / 10.4 (23)	Minimum pressure 6.3kg (14)
(ii) Beurre Hardy	3.6 (8) / 6.3 (14)	As for Canning Grade 1
(iii) Clapp's Favourite	5.4 (12) / 8.6 (19)	As for Canning Grade 1
(iv) Packhams Triumph	4.5 (10) / 7.7 (17)	As for Canning Grade 1
(g) Border-line fruit	None provided that - (i) a deviation of not more than 5% (one fruit) will be allowed; and (ii) if the 5% is exceeded, the whole consignment will be graded as Canning Grade 2	None provided that – each fruit lower than 6.3kg (14 lb) represents 5% Undergrade
(h) Chemical residues (refer to paragraph 3.8)	None provided that - (i) the maximum allowable chemical residue in respect of canning fruit as stipulated in paragraph 3.8 is not exceeded; and (ii) if such maximum is exceeded, the whole consignment shall be rejected.	As for Canning Grade 1

(3) No consignment of pears intended for processing into straight or mixed packs shall contain less than 80% Canning Grade 1 fruit. If a consignment contains less than 80% Canning Grade 1 fruit, it shall be taken in as Canning Grade 2;

(4) Undergrade shall consist of –

(a) pears which do not comply with the minimum requirements prescribed for Canning Grade 1 and Canning Grade 2;

(b) any consignment of peaches containing more than 15% of the fruit mentioned in paragraph (a);
(c) any consignment of pears containing more than 3% of insect infested fruit.

3.4. Packing

Pears intended for processing, irrespective for what purpose, shall be packed separately according to the cultivar in bulk containers - provided that the degree of ripeness of pears in the same container shall not vary abnormally
All containers of each consignment shall at delivery be properly identified, i.e. producer name/number, cultivar and date of delivery.

3.5. Sampling fruit for grading purposes

In order to determine the percentage of fruit contained in a consignment of pears according to the different grades as prescribed, a final sample, taken in the following manner, shall be examined:
(a) Take at random from a consignment a preliminary sample of –
(i) at least 20kg pears from a container, if the consignment consists of twenty or less bulk containers; and
(ii)at least 40kg pears from different containers, if the consignment consists of more than twenty bulk containers.
(b) Take at random from the preliminary sample a final sample of at least 20kg pears;
(c) Take at least one further sample at random if an insect infestation is found in the first sample;
(d) If a producer requests the grading of a second sample, then the average result of the two gradings should be taken into consideration.

3.6. Handling of fruit samples destined for chemical analysis

Take from the preliminary sample as described under paragraph 3.5 above, a sample of approximately 1kg of fruit and place it in a plastic bag. The bag should then be tied, numbered and stored. The origin of the samples is registered in the prescribed record book and a copy of this list is then handed over with the samples to the person collecting the samples at the depots. The samples are then taken to the Laboratory of the Department of Health for analysis.
If a consignment of fruit is found to exceed the recommended maximum residue levels of certain chemicals as indicated in Addendum 1, two additional samples shall be taken of that particular cultivar in the presence of representatives of the Canning Fruit Producers Association, the processor and producer and sealed before sending it to the Laboratory of the Department of Health for analysis. If the results of the tests are positive, no further consignments of that particular cuiltivar will be accepted until the fruit of that particular orchard complies with the prescribed requirements. Thereafter every consignment of that particular producer shall be sampled for analysis for the account of the producer. If the residue levels if the samples again exceed the prescribed recommended maximum levels, two samples shall be taken for analysis. If the tests are again positive, no fruit of that particular cultivar grown by the particular producer will be accepted during the season.

3.7. Determination of ripeness

The ripeness of pears is determined by examining 20 fruit taken at random from a sample of 20kg drawn at random from a consignment.
A thin layer of skin shall be peeled from a small area of the two opposite sides of each fruit in the final sample of 20 fruit. The pressure of the flesh of each fruit is determined by taking pressure readings with a Ballauf pressure-tester on the areas where the skin is removed.
The pears in a consignment are regarded as having reached the correct stage of ripeness if the average of the two pressure readings of each fruit tested in a sample complies with the requirements prescribed in relation to pressure as specified in clauses 3.2.(2)(f) and (g).

3.8. Maximum allowable chemical residues

No producer shall sell and no processor shall purchase for processing in a factory locally produced fresh pears that contain –

(iii) more than the maximum amount of residue of any chemical substance mentioned in Addendum 1;

(iv) more than 0.05mg/kg of any other chemical registered in terms of Act No. 36 of 1947.

ADDENDUM 1

Maximum residue limits and recommended withholding period for deciduous fruit intended for processing purposes

Chemical Name (Active ingredient)	Fruit Type	Maximum Residue (mg/kg)	Withholding period (days)
Abamectin	Pears	0.01	14
Alpha-cipermtherin	Pears	0.05	28
	Peaches	0.10	14
Azinophos-methyl	Pears	0.40	3
	Peaches	2.00	3
	Apricots	2.00	3
Azocyclotin	Pears	2.00	3
	Peaches	1.00	14
Benomyl	Pears	2.00	21
* Application only	Peaches	0.10	*
during flowering	Apricots	0.10	*
Betacyfluthrin	Pears	0.05	28
	Peaches	0.05	35
Bifenthrin	Pears	0.05	60
Bitertanol	Pears	0.05	28
	Peaches	0.05	49

	Apricots	0.05	49
Bupirimate	Peaches	0.05	35
Captab	Pears	3.00	35
	Peaches	3.00	35
	Apricots	3.00	35
Carbaryl	Pears	0.05	42
Chinomethionate	Peaches	0.30	21
Chlorpyrifos	Pears	0.00	Winter spray
	Peaches	0.00	Winter spray
	Apricots	0.00	Winter spray
Copper Oxychloride	Pears	20.00	14
	Peaches	20.00	14
	Apricots	20.00	14
Cyfluthrin	Pears	0.05	28
Cyhexatin	Pears	2.00	3
	Peaches	1.00	14
Cyanamide	Apricots	0.05	Winter spray
Cypermethrin	Pears	0.05	28
	Peaches	0.10	14
Deltamethrin	Pears	0.10	Winter spray
	Peaches	0.05	42
Demeton-S-methyl	Pears	0.40	21
	Peaches	0.40	21
	Apricots	0.40	21
Dicloran	Peaches	1.00	2
Dicofol	Pears	2.00	21
	Peaches	2.00	21
	Apricots	2.00	21
Difenoconazole	Pears	0.05	56
Dimethoate	Pears	0.10	21
	Peaches	0.10	35
Dinocap	Peaches	0.10	28
Dithianon	Pears	2.00	14
	Peaches	2.00	14

	Apricots	2.00	14
Endosulfan	Pears	0.50	14
	Peaches	0.50	14
	Apricots	0.50	14
Esfenvalerate	Pears	0.50	14
Fenamiphos	Peaches	0.05	100
Fenbuconazole	Pears	0.10	14
	Peaches	1.00	1
	Apricots	1.00	1
Fenbutatin-oxide	Pears	2.00	14
	Peaches	2.00	21
Fenthion	Pears	1.00	10
	Peaches	1.00	10
	Apricots	1.00	10
Fenoxcarb	Pears	0.05	40
Flufenoxuron	Pears	0.05	75
Flusilazole	Pears	0.05	14
Formothion (Break down to dimethoate)	Pears	0.10	10
	Peaches	0.10	10
Hexaconazole	Pears	0.05	21
	Peaches	0.05	56
	Apricots	0.05	Application only during Flowering
Iprodione	Pears	0.05	Not after 75% petalfall
	Peaches	5.00	3
Lymbda-cyhalothrin	Pears	0.05	42
	Peaches	0.05	60
	Apricots	0.05	35
Mancozeb	Pears	2.00	21
	Peaches	2.00	35
	Apricots	2.00	35
Mercaptothion	Pears	0.50	10
	Peaches	0.50	10
	Apricots	0.50	10

Methidathion	Pears	0.02	42
	Peaches	0.02	42
	Apricots	0.02	42
Metiram	Pears	2.00	21
	Peaches	2.00	21
	Apricots	2.00	21
Methomyl	Peaches	0.20	16
Mineral Oils	Pears	0.00	Winter spray
	Apricots	0.00	Winter spray
Myclobutanil	Pears	0.05	28
Nitrothal-isopropyl	Peaches	0.05	21
Oxydemiton-methyl	Apricots	0.40	21
Penconazole	Pears	0.10	14
Pirimicarb	Peaches	0.05	42
Prochloraz	Peaches	0.05	Use only during flowering
	Apricots	0.05	Use only during flowering
Propargite	Pears	0.00	After crop treatment
	Peaches	2.00	21
Propiconazole	Peaches	0.05	28
	Apricots	0.05	Use only during flowering
Procymidone	Pears	0.05	-
	Peaches	10.00	7
Prothiofos	Pears	0.00	Winter spray
	Peaches	0.00	Winter spray
	Apricots	0.00	Winter spray
Sulphur	Pears	50	0
	Peaches	50	0
	Apricots	50	0
Taufluvalinate	Pears	0.05	60
	Peaches	0.05	60
Tebufenozide	Pears	1.00	28
Tetradifon	Pears	1.50	21
	Peaches	1.50	42

Thiram	Pears	2.00	21
	Peaches	2.00	21
	Apricots	2.00	21
Tralomethrin	Pears	0.10	7
	Peaches	0.05	42
Trichlorfon	Pears	0.20	10
	Peaches	0.20	10
	Apricots	0.20	10
Triforine	Peaches	1.50	5