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Minister Gordhan visits the fruit industry value chain

The growing challenges of South Africa's (SA) port logistics have become very apparent in recent months, with growing backlogs in the ports, especially Durban and Cape Town, largely due to old equipment breaking down, availability of spares, deferred maintenance and insufficient equipment to handle the demands of exporters and importers. At the Port of Durban particularly this had led to significant queues of ships at anchor, awaiting their turn to berth and take on or offload cargo. With some of these ships en route to ports in the Eastern Cape and the Port of Cape Town before sailing to overseas markets, further delays are triggered. Although the logistics crisis has been growing for years, it has accelerated as equipment has moved ever further past its end of life.

The recent announcement by Treasury of funding support for Transnet, linked to a turnaround plan, will hopefully allow for planned equipment replacement, spares and maintenance contracts to proceed. These are elements of growing private sector involvement and support, with some notable examples being the tender announced for Durban's Pier 2. However, no similar tender and concession is currently planned for the Cape Town Container Terminal (CTCT). This is something Agbiz and agri exporters have pushed for, believing that for the Port to handle the sector's growth, private sector participation (PSPs) is necessary to catapult SA's ports from their current low rankings globally and sustain further growth. The fruit industry for example expects production growth of 33% by 2029 (from 2019). In the 2023 export season alone table grapes delivered 12% more export volume, apricots 24%, nectarines 19%, pears 17%, and apples 4%.

Agbiz has promoted consistently a strong agricultural focus under the National Logistics Crisis Committee (NLCC), set up by the Presidency in conjunction with organised business. This has resulted in an expanded focus to include both eastern and western agri logistics corridors, as well as intra-corridor primary and processed product flows. To support this focus within the national logistics debate, and the urgency felt by the agricultural sector, some interesting statistics can be noted for fruit and wider agriculture.

SA agri commodity global rankings of interest, 2021/22

The fruit industry exports the majority of its production, and has over the decades built up an enviable reputation. SA is the world's:

- **2nd largest** citrus exporter
- **4th largest** pear exporter
- **6th largest** table grape exporter

- **6th largest** apple exporter
- **9th largest** avos exporter
- The sector contributes 29% towards national agricultural employment totals.

Looking to other agri sectors, the dynamism continues, with SA being the world's:

- **largest** macadamia nut exporter;
- **largest** chicory root producer;
- **largest** Maize meal exporter;
- **3rd largest** abalone producer;
- **6th largest** wool producer (clean equivalent); and the
- **8th largest** wine producer.
- The SA agri sector has further run a positive and increasing trade balance for over 15 years, and exports to the Americas, Europe, Africa and Asia.

Accumulating financial impact - fruit

All of these rankings depend on efficient logistics. SA's agricultural production remains healthy, and market demand globally is there, the missing link is poor logistics. In essence we have developed a homegrown non-tariff barrier. The impact of the decline has been most keenly felt by perishable products like fruit. In 2021/22 season the table grapes industry lost an estimated R600mln and the deciduous fruit industry R1.5 bln (late arrivals in market, reduced prices/reduced quality, overlapping seasons and market crowding). Additional deciduous industry losses of R50mln occurred through the need to use other ports/trucking. Similarly, citrus growers in the Eastern Cape spent an additional R250m in trucking product to DBN and CT. As an emergency measure, some commodities have even switched to neighbouring ports such Walvis Bay in Namibia, Maputo in Mozambique and Port Louis in Mauritius. Containers exported via ports in other countries however means a loss of income for the South African ports. The inconsistent supply of all South African fresh fruit commodities to the international market also leads to reputational damage for South Africa, loss of market share and thus loss of repeat income for the industry – threatening its sustainability.

Relative value of fruit and agricultural exports

What is often overlooked is the weighting of agricultural products in SA's export basket. This makes the sector a key stakeholder in the current NLCC process, alongside other valuable sectors such as mining and manufacturing. This underpins Agbiz's consistent participation and articulation of agricultural interests in the NLCC. When calculated by export value:

- remarkably, citrus, grapes, apples, and pears together are slightly higher in value than manganese or chrome; and
- total SA agricultural exports are nearly twice iron ore's export value; four times that of chrome; and three times that of manganese. Total exports are additionally nearly twice the value of SA's iron & steel exports; or SA's machinery exports; and are slightly higher in value than even SA's automotive exports.

Industry Tour

With this in mind, the fruit industry met with Minister Pravin Gordhan, acting CEO Michelle Phillips and senior Transnet officials in November, to outline the urgent concerns of the industry. The Minister then accepted an invitation to visit a fruit packhouse and cold store, so as to see the extremely tight timelines involved in the export value chain. Fruit has to travel from farm to supermarket within a narrow window so as to be attractive to the retail chain buyers and consumer. Buyers also require proof that the cold chain has remained intact.

The industry was therefore pleased to host Minister Gordhan and Transnet colleagues on 11 December in Cape Town, with a visit to a packhouse (Franschhoek Vrugte Pakkers / Freshness First) and cold store (SAFT Atlantic). Minister Gordhan highlighted the need for accelerated solutions to the current crisis, and emphasised the need for government, Transnet and industry to work closely and rapidly, to increase operational capacity at the Ports, and preserve investment and jobs across the sector. The role of investment and the private sector was discussed, especially with regard to equipment, both to address the current crisis and to build a solid foundation for further growth. The Minister for example highlighted the arrival of seven Rubber Tyred Gantries (RTGs) from the US, to increase capacity at the Port of Cape Town.

The fruit industry confirmed its willingness to assist Transnet in ensuring efficient port operations. Such collaboration and partnership between government and industry is essential and desirable. To partner is to prosper. Productive and effective relationships already exist at all levels with Transnet colleagues, and at operational level the fruit and wider agricultural industry work closely with the respective divisions of Transnet where possible. The path forward will be built firstly on this practical collaboration, and secondly on forging a consensus on where the private sector can come alongside government to support efforts to rebuild the logistics network. The multifaceted work of the NLCC, which is unfolding, will offer an effective channel for this partnership. Discussions will have to focus on urgent, immediate solutions as well as where we see SA's ports, rail and roads in 5 to 10 years time.