

# A FRUITFUL MARKET

Sub-Saharan Africa is seen by many as a land of promise for the juice and soft drinks industry. South Africa, with its multitude of established industry players, is in an excellent position to move into this growing market.



BY AMY BOOTH

**R**udi Richards, general manager at the South African Fruit Juice Association, says that Africa is “definitely a key focus” for the industry. Not only is it a growing market, it is in many ways more convenient than shipping across continents and oceans – but it comes with challenges, too.

“Usually we export concentrate globally. We export both concentrate and finished product to sub-Saharan Africa. The latter is more interesting because we can add the value here,” Richards said, speaking to *FOODNEWS* at HortGro’s Paarl headquarters in September. “The closer the market, the easier it is. Tanzania,

Angola, both Congos, Malawi, Ghana, Zambia, Mauritania, and Mozambique are our markets for finished product.”

One driver spurring expansion into the African market is barriers to trade elsewhere. South Africa is already a member of the Southern African Customs Union (SACU), which consists of South Africa, Namibia, Botswana, Swaziland and Lesotho. Richards said that the Southern African Development Community (SADC) members were South Africa’s “first port of call”.

Proximity is another key factor. “Freight from here to the US is very expensive. There are problems with distribution in Africa, but it is improving.

Regular rail and road services are developing all the time,” Richards said. “I wouldn’t say Africa is on the rise yet. That is perhaps too optimistic. But it is developing. There is a higher GDP and more education. As people’s incomes get higher, they can buy more packaged goods.”

South Africa is an attractive base for foreign companies. “It is a financial centre, so companies can easily set up head offices in Johannesburg or Cape Town and use the financial and regulatory network to move out into those countries,” said Richards. “A lot of international companies have put up regional offices in South Africa.”

Supermarket chains’ expansion

into Africa has been instrumental in helping South African manufacturers reach new markets. When retailers expand, they implement their own supply chain, which means that many of the logistical hurdles have already been tackled.

“We are following retailers as they expand. Shoprite has expanded strongly in Africa, all over the sub-Saharan region. Pick n Pay is very strong in Zimbabwe,” Richards said. “They may not always buy from South Africa, but the channel has been created. Take apples – you can’t grow apples in Nigeria or Ghana. They like to promote local products so that people buy local, but apples are unique to the



Rudi Richards

Mediterranean climate.”

The formal sector (retailers such as Shoprite) is the juice industry’s main channel. “Most companies would tend to have one importer-distributor in the country and then also sell to, say, Shoprite,” Richards explains. Shoprite buys centrally in Johannesburg, and products go through their distribution centre there. “Everything they source from South Africa would go via that channel.”

However, the informal sector is of huge importance, too. To access this channel, companies need feet on the ground in the form of an importer-distributor. “I would say most people sell through a supermarket and also an importer-distributor who sells to the informal sector. I think it’s going to be a while before that changes. There are a lot of potholes on the way,” Richards said.

“Maputo has a lot of South African jams, but they go through distributors to the informal sector,” Richards observed. “The

informal market in Maputo is a covered market. It’s very nice. You have everything from jams to fish. It’s informal, but structured. Each country is different, though. In Mauritius there is not much formal, in Zambia there is more and more formal, in Tanzania and Congo it is very much informal.

“As these countries develop, formal rises and informal declines. It is the same as the trend with supermarkets rising and corner shops declining.”

South Africa’s juice industry sells 80% of its products on the domestic market, exporting just a fifth of what it produces. It differs from the canned fruit industry in this regard, where these proportions are reversed.

Are there any markets the juice industry is hoping to enter? “It’s not as if there’s a place out there that we don’t know about and haven’t been to,” Richards said. “I think we generally export all over the world. In some markets, like Sub-Saharan Africa, we would like to grow. In some other

markets we would like to expand.” However, he pointed out that exporting finished juice products means paying to ship a lot of water and packaging.

The industry has not been immune from the effects of the idling global economy, either. “In the market, based on the recession, I think consumers in South Africa are struggling. There is higher unemployment and income levels are difficult, so I think juice prices, like in many places in the world, are under pressure, and therefore volume is under pressure.”

According to customs data, South Africa exported many thousands of tonnes of fruit juices to countries all over Sub-Saharan Africa in the first three quarters of this year. The table shows all African markets with recorded off-take of over 1,000 tonnes in the period: for these countries, the total is over 133,000 tonnes.

It is hard to gauge the extent of the growth: countries such as Namibia and Botswana have appeared on the export tables from nowhere, which appears to be down to a data reporting change. However, there is a marked trend of growth. ■

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South African juice exports to key African markets, Q1-3 2014	
HS2009	Volume (tonnes)
Namibia	26,954
Botswana	22,795
Mozambique	20,522
Zimbabwe	10,572
Zambia	9,345
Swaziland	6,411
Mauritius	5,867
Lesotho	5,848
Angola	4,394
Ghana	4,222
Nigeria	3,965
Gabon	3,182
Tanzania	2,575
Congo	2,474
Reunion	1,427
Malawi	1,302
Benin	1,259

SOURCE: GTIS, South African Revenue Service