

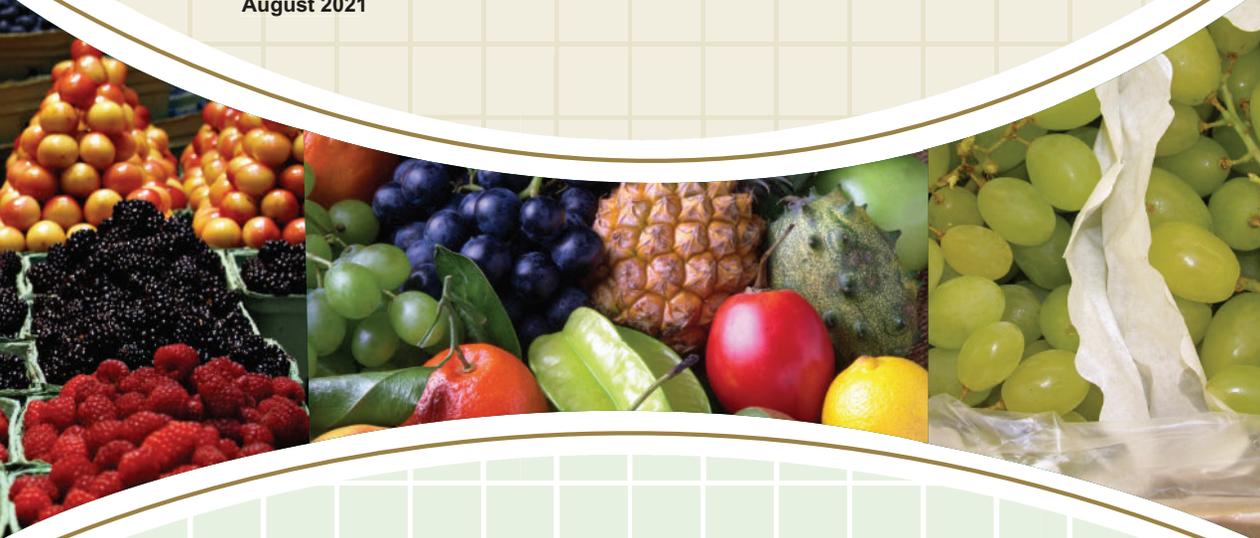
Step-by-Step

Export manual

For the

South African fruit industry

August 2021



agriculture, land reform
& rural development

Department:
Agriculture, Land Reform and Rural Development
REPUBLIC OF SOUTH AFRICA



fp^{ef}
fresh produce
EXPORTERS' FORUM
SOUTH AFRICA



STEP-BY-STEP MANUAL FOR EXPORTERS OF SOUTH AFRICAN FRESH PRODUCE

TABLE OF CONTENTS

Acronyms and abbreviations	2
Introduction	3
Chapter 1 Statutory registrations and compliance	4
Chapter 2 Packaging, marking and labelling	9
Chapter 3 Private food quality, food safety, social and environmental standards	10
Chapter 4 Shipping and logistics	12
Chapter 5 Trading Terms / Incoterms [®] , pricing, claims and agreements	14
Chapter 6 Export cost breakdown	16
Chapter 7 Industry associations	18
Chapter 8 Training and provincial support agencies	19
Chapter 9 Export market access for emerging farmers	20
Chapter 10 Finance	21
Chapter 11 Export readiness checker and other resources	24
Chapter 12 Export checklists	25

This manual has been compiled by the Department of Agriculture, Land Reform & Rural Development and every effort has been made to ensure the accuracy of the information contained herein. The Department cannot, however, be held responsible for any errors, omissions or inaccuracies in such information and data, whether inadvertent or otherwise. The Department of Agriculture, Land Reform & Rural Development therefore accepts no liability that can be incurred resulting from the use of this information. No parts of this document may be reproduced without the permission of the copyright holder.

ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and Opportunity Act
APAC	Agricultural Produce Agents Council
APS	Agricultural Product Standards (Act)
AQSIQ	Administration of Quality Supervision, Inspection and Quarantine
CBS	Citrus black spot
CCS	Commercial Cold Store
CD	Container Depot
CGA	Citrus Growers' Association
CIF	Cost Insurance Freight
Cites	Convention on International Trade in Endangered Species
CRI	Citrus Research Institute
CSIR	Council for Scientific and Industrial Research
DALRRD	Department of Agriculture, Land Reform and Rural Development
D: APIS	Directorate Agricultural Product Inspection Services, Dept. of Agriculture, Land Reform & Rural Dev.
D: FSQA	Directorate Food Safety and Quality Assurance, Dept. of Agriculture, Land Reform & Rural Dev.
D: ITR	Directorate International Trade
DIP	Delivered in Port
D: PH	Directorate Plant Health, Dept. of Agriculture, Land Reform & Rural Development
dtic	Department of Trade and Industry and Competition
ECIC	Export Credit Insurance Corporation Ltd
EBTIDA	Earnings Before Tax, Interest, Dividends and Amortisation
EC	European Commission
EFTA	European Free Trade Agreement
EMIA	Export Marketing and Investment Assistance
EU	European Union
FBO	Food Business Operator
FDI	Foreign Direct Investment
FOB	Free on Board
FPEF	Fresh Produce Exporters' Forum
GAP	Good Agricultural Practices
GSP	General System of Preferences
HACCP	Hazard Analysis Critical Control Points
HD	Historically Disadvantaged
Hortgro	Formerly Deciduous Fruit Producers' Trust (DFPT)
IPPC	International Plant Protection Convention (FAO)
IDC	Industrial Development Corporation
NEF	National Empowerment Fund (Trust)
NP	National Pavilions
NPPO	National Plant Protection Organisation
OIM	Outward Investment Missions
OSM	Outward Selling Trade Missions
PFMA	Public Finance Management Act
PHC	Pack-House Code
PIPAS	Provincial Investment Promotion Agencies
PMR	Primary Market Research
PPOCES	Processing Plant Code
PPECB	Perishable Products Export Control Board
PUC	Production Unit Code
QMS	Quality Management System
SA	South Africa
SAAGA	SA Avocado Growers' Association
SABS	South African Bureau of Standards
SACU	South African Customs Union
SADC	Southern African Development Community
SAECS	South Africa Europe Container Service
SAMAF	South Africa Micro Finance Apex Fund
SARS	South African Revenue Service
SATI	South African Table Grape Industry
SEDA	Small Enterprise Development Agency
SIZA	Sustainability Initiative of South Africa
SMME	Small, Medium and Micro Enterprise
SPS	Sanitary and Phytosanitary
TDCA	Trade, Development and Cooperation Agreement
TRANS	Transport Operator
US	United States
USDA	United States Department of Agriculture
UK	United Kingdom
WTA	World trade atlas
WTO	World Trade Organization

INTRODUCTION

WHY THIS MANUAL?

The Dept. of Agriculture, Land Reform & Rural Development's Directorate: International Trade Promotions receives many inquiries from potential traders ranging from how to export, where to export, what are the requirements needed to meet the standards of the importing countries and who to contact for such information. This manual aims to provide answers to exporters' questions regarding the requirements for exporting fresh produce.

FOR WHOM IS THE MANUAL?

Potential fruit exporters who want to know more about what to do and whom to contact about becoming a fresh produce exporter should find this information useful.

USING THE MANUAL

This manual is intended to provide a deeper understanding of processes and requirements applicable to fresh produce exporters in South Africa. It is structured as follows:

- **Chapter one** provides information on all the statutory requirements for fresh produce exporters (SARS, DALRRD, PPECB and APAC). It also gives information on export protocols for markets with specific phytosanitary requirements ('special markets'), registration for phytosanitary certificates and PPECB inspections.
- **Chapter two** has information on packaging, traceability, product labelling and fresh produce supply chain software.
- **Chapter three** is about standards that are required by private companies or individual retailers. These standards are not set through bilateral government-to-government agreements.
- **Chapter four** provides information about modes of transport that can be used when exporting and provides an overview of the role of logistics agents.
- **Chapter five** provides information on trading terms/Incoterms®, pricing, claims and agency agreements.
- **Chapter six** has an illustration of a cost breakdown of a shipment, showing percentages of money spent in different stages of a value chain.
- **Chapter seven** provides information on fruit industry associations that can assist one with more information and support on becoming export ready as a grower or export marketing agent.
- **Chapter eight** has a list and contact details of training and provincial institutions that can provide training and support in export-related topics.
- **Chapter nine** contains information on how to access export markets for emerging farmers.
- **Chapter ten** provides information about various sources of financial support available for exporters both in the government and private sector.
- **Chapter eleven** provides a checklist that potential exporters can use to check if they are ready to export their products and references to some databases that can be used for market analysis when searching for potential markets and when an exporter wants to investigate its competitors.
- **Chapter twelve** provides checklists for export documents required by the importer – either to satisfy the country's trade control authorities or to enable a documentary credit transaction to be implemented.

CHAPTER 1

STATUTORY REGISTRATIONS AND COMPLIANCE

1.1 REGISTRATION WITH SARS AS AN EXPORTER

All exporters need to register with SARS, specifically with Customs and Excise, a division of SARS. SARS/Customs and Excise have a multitude of interconnected forms that must be completed for different requirements. Individuals, sole proprietors, companies, close corporations and trusts can all register as exporters. When you register, you will be issued with a customs client number and an exporter registration number.

SARS web address: www.sars.gov.za
 Head Office: 299 Bronkhorst Street, Nieuw Muckleneuk, Pretoria
 Telephone number: +27 12 422 4000
 Fax number: +27 12 422 6820
 Postal address: Private Bag X923, Pretoria 0001
 Business hours: Weekdays 07:30 to 16:15

Categories for which an exporter can register and their web links:

- (a) You want to register as a general exporter and do not plan to take advantage of any of the trade agreements that South Africa has in place.
 ⇒ www.exporthelp.co.za
 ⇒ *Export Documentation*
 ⇒ *Register as an exporter*
 ⇒ *(Choose option 1)*
- (b) You want to register as an exporter under the AGOA (African Growth and Opportunity Act) trade agreement (to the US).
 ⇒ www.exporthelp.co.za
 ⇒ *Export Documentation*
 ⇒ *Register as an exporter*
 ⇒ *(Choose option 2)*
- (c) You want to register as an exporter of GSP (General System of Preferences) goods to the following countries: the European Union, Norway, Switzerland, Russia and Turkey.
 ⇒ www.exporthelp.co.za
 ⇒ *Export Documentation*
 ⇒ *Register as an exporter*
 ⇒ *(Choose option 3)*
- (d) You want to register as an approved exporter in terms of the TDCA (Trade, Development and Cooperation Agreement) that exists between the European Community (EC) and South Africa.
 ⇒ www.exporthelp.co.za
 ⇒ *Export Documentation*
 ⇒ *Register as an exporter*
 ⇒ *(Choose option 4)*
- (e) You want to register as an approved exporter in terms of the SACU-EFTA (South African Customs Union-European Free Trade Agreement) trade agreement.
 ⇒ www.exporthelp.co.za
 ⇒ *Export Documentation*
 ⇒ *Register as an exporter*
 ⇒ *(Choose option 5)*
- (f) You want to register as an exporter in terms of the SADC (Southern African Development Community) trade agreement.
 ⇒ www.exporthelp.co.za
 ⇒ *Export Documentation*
 ⇒ *Register as an exporter*
 ⇒ *(Choose option 6)*

1.2 REGISTRATION AND INSPECTION SERVICES BY THE DEPT. OF AGRICULTURE, LAND REFORM & RURAL DEVELOPMENT (DALRRD)

1.2.1 Registration as a Food Business Operator (FBO)

All export marketing agents need to register with DALRRD as a Food Business Operator (FBO) and obtain a FBO code. Similarly, farms need to register with DALRRD as a FBO to obtain an agricultural Production Unit Code (PUC) and pack houses need to register to obtain a pack house code (PHC) to enable their produce to be exported to other countries including special markets. Those who have food business operations other than for exports must also register their businesses to obtain codes.

The various codes are:

PHC	Pack House (On-farm)/(Off-farm) Code
PUC	Production Unit Code
CCS	Commercial Cold Store Code
PPOCES	Processing Plant Code
CD	Container Depot Code
TRANS	Transport Operator Code.

This is mandatory and it is done at the Department of Agriculture, Forestry and Fisheries, Directorate Food Safety and Quality Assurance (D: FSQA). The FBO registration can be done by e-mail, faxes or on-line registration on the Department's website at:

⇒ www.dalrrd.gov.za

⇒ *Branches*

⇒ *Agricultural Production, Health & Food Safety*

⇒ *Food Safety & Quality Assurance*

⇒ *Food Business Operator Registration*

Contact the Director: FSQA at +27 12 319 7306 or email DFSQA@dalrrd.gov.za for more information, or alternatively contact +27 12 319 6387/6018/6070 or email BernardMA@dalrrd.gov.za, HanlieW@dalrrd.gov.za, codes@dalrrd.gov.za, AnsieE@dalrrd.gov.za or MarutlaS@dalrrd.gov.za

The department will issue a PUC and PHC code, which must be marked on every carton for products destined for sale in export markets. Each carton must be marked with the name and address of the producer, exporter or owner of the carton. This is done to facilitate traceability for food safety, quality, sanitary and phytosanitary reasons.

1.2.2 Phytosanitary registration and phytosanitary certificates

All fresh produce export consignments require a phytosanitary certificate to confirm that the shipment complies with the phytosanitary requirements of the importing country. Phytosanitary certificates are now issued via DALRRD's new electronic, paperless eCert platform. All exporters must therefore register as eCert users via the following link:
⇒ <https://ecert.co.za/getting-started>

The eCert website provides instructions on how to register and apply for phytosanitary certificates (ePhyto) via the following link:

⇒ <https://ecert.co.za/guides>

Please note that manual application for phytosanitary certificates is being discontinued and that in future all registrations and applications must be done through the eCert platform or third party applications, such as PPECB's TITAN system (refer to 1.3.1), which are linked to the eCert platform.

1.2.3 Registration for special markets

DALRRD has negotiated bilateral agreements (protocols) with various countries for different products. These specify the requirements to reduce the risk of quarantine pests and diseases. The information is accessible on the department's website.

An export agent, producer or pack house manager or inspection point manager who is intending to export fruit to special markets, must apply for phytosanitary approval and registration of their FBO (it applies for PUC and PHC only) at the Directorate Plant Health. Registration for special markets is now done through the online PhytClean platform, which can be found at (www.phytclean.co.za). Registration instructions are available via the following link:
⇒ <https://ecert.co.za/guides/how-to-apply-for-phytosanitary-special-markets-puc-user-guide>

Alternatively, contact the Director: Plant Health at +27 12 319 6529 or email: pa.dph@dalrrd.gov.za or dph@dalrrd.gov.za for further information. It is mandatory to apply for approval to export to special markets.

If exporters do not yet meet the requirements for the special markets they can direct their exports to other markets either locally or to countries with less stringent market requirements and not listed as special markets. Producers or exporters must obtain the official phytosanitary import requirements of the country to which they want to export through the relevant client or importer. Contact the department (Directorate: Plant Health) for assistance. Only pro-

duction units and pack houses (i.e. PUC and PHC) that are registered with the department (Directorate: Food Safety and Quality Assurance) and have registered FBO codes are allowed to apply for phytosanitary approval and registration for special markets. To verify if your PUC and PHC codes are updated or registered by D: FSQA please visit:

⇒ <http://fbo.dalrrd.gov.za>

⇒ FBO

⇒ index

The closing dates for applications for updating FBO codes or phytosanitary registration for special markets are indicated annually on the departmental website.

By registering for special markets, the FBO confirms that the production unit or pack house complies with the phytosanitary measures of the relevant importing countries. Compliance is the responsibility of the exporters, with the assistance of their representative commodity organisations (refer to chapter 7 for further details), e.g. the Citrus Growers' Association (CGA), the Fresh Produce Exporters' Forum (FPEF), the South African Table Grape Industry (SATI), Hortgro and the Subtropical Growers Association.

Application via eCert, does not guarantee automatic approval to participate in the export programme to special markets. All facilities (PUC and PHC) must go through the process of phytosanitary inspection and verification for compliance by the Directorate: Agricultural Products Inspection Services (D: APIS). Depending on the outcome of the inspection, the units may or may not be approved.

Confirmation of the approved facilities is sent to the relevant importing country for final approval. The Dept. of Agriculture, Land Reform & Rural Development's website is regularly updated in respect of PUCs and PHCs currently approved for export. A registration fee revised annually is payable into the department's bank account. Contact the Directorate: Plant Health (D: PH) for the amount and banking details or consult the departmental website.

Detailed information regarding the special markets and the requirements of each is accessible on the department's website by following these links:

⇒ www.dalrrd.gov.za

⇒ Branches

⇒ Economic Development, Trade & Marketing

⇒ International Trade

⇒ Trade Agreements

The following are countries with which South Africa has bilateral agreements (export protocols) or for which specific phytosanitary requirements are required:

Product Group	Country	Product Types
Citrus fruits	China	All types of citrus (mandarins, sweet oranges, lemons and grapefruit) produced in all provinces.
	EU/Trading partner	All types of citrus (mandarins, sweet oranges, lemons and grapefruit) produced in all provinces.
	Iran	All types of soft citrus, oranges, lemons and grapefruit produced from all provinces.
	Japan	Sweet oranges (Valencia variety, Washington variety, Tomango variety and Protea variety), lemons and grapefruit from SA and Swaziland.
	South Korea	Sweet oranges (Valencia and navel varieties) produced from all SA
	USA	All types of soft citrus, sweet oranges, lemons and grapefruit exported only from officially approved citrus black spot-free areas, i.e. from 28 magisterial districts in the Western Cape and two magisterial districts in the Northern Cape. Additional areas were approved in 2010. Contact the Dept. of Agriculture, Land Reform & Rural Development to get an up-to-date list of CBS-free areas approved by the USDA.
Deciduous fruits	China	Table Grapes
	Israel	Table grapes (produced from the Hex River Valley and Berg River Valley in the Western Cape and the Orange River Valley in the Northern Cape). Persimmons produced from the Greyton and Swellendam Warrenton districts. Additional areas are still under negotiation.
	Mexico	Apples and Pears
	Taiwan	Apples
	USA	Table grapes, apples and pears as well as specific stone fruit types (Prunus spp.) – produced in all provinces.

1.2.4 Application of GAPs for phytosanitary registration

An exporter has to apply Good Agricultural Practices (GAPs) and procedures for specific plant pests in order to be able to export to some countries. These phytosanitary GAP documents relate to the quarantine of pests concerned to the importing country, as listed in the relevant bilateral export protocol. Producers that are approved and registered to participate in the relevant export programme must apply the required GAPs. The Directorate: Plant Health can be contacted for more information.

1.2.5 Inspection of orchards and packhouses

After application for the phytosanitary registration of an orchard or pack house, the relevant unit will be inspected. The inspections are carried out by the Dept. of Agriculture, Land Reform & Rural Development's Directorate: Agriculture Products Inspection Services (D: APIS). The inspections are to ensure that the orchards and pack houses comply with the conditions of the relevant importing countries. For all special markets (including EU countries) the vineyards and orchards must be inspected and verified as being compliant.

Inspections can be booked via the PhytClean platform (www.phytclean.co.za) or via the eCert platform. Please see below a link with instructions for booking orchard inspections:

⇒ <https://ecert.co.za/guides/einspect-application-for-orchard-inspection-end-user/>

For further enquiries, contact the Director: APIS at email: dapis@dalrrd.gov.za or pa.dapis@dalrrd.gov.za.

1.3 PPECB REGISTRATION AND INSPECTIONS

It is mandatory for all fresh produce shipments to be inspected and passed for export by the Perishable Products Export Control Board (PPECB), as the inspection service appointed by DALRRD, and it is therefore mandatory for all fresh produce exporters to register with the PPECB. Details about the registration process can be found on the PPECB website via the following link:

⇒ <https://ppecb.com/registration-process>

The PPECB delivers inspection and food safety services assigned by DALRRD under the APS Act, No.119 of 1990. As a national public entity, the PPECB is also constituted and mandated in terms of the Perishable Products Export Control Act (PPEC Act), No 9, of 1983 to perform cold chain services. The presence of the PPECB in the export industry is furthermore enhanced by its recognition as an approved third country under the European Commission Regulation 543 of 2011. This agreement recognises the South African inspection systems as equivalent to that of the EU inspection bodies and therefore ensures less frequent checks at the port of import into the EU.

PPECB Inspectors, stationed across South Africa, are suitably qualified and extensively trained to deliver consistent quality inspection services on over 200 product types at more than 1 500 locations. Products approved for export carry the passed for export stamp, regarded as a symbol of quality assurance to clients and consumers around the world. As South Africa's official certification agency for perishable export products, the PPECB's impartial and independent services significantly reduces risks for producers and exporters.

The PPECB's services for exporters continues during loading and transportation. During loading the PPECB confirms the temperature of the product, inspects the physical condition of the pallets and ensures the container is set to the optimum carrying temperature for the specified product. When cargo is loaded onto the specified vessels the temperature of the vessel is determined at various points of the journey to ensure the optimum temperature is maintained.

1.3.1 TITAN Registration

Each export consignment must be inspected by the PPECB and requires an export certificate with an accompanying addendum to be issued by the PPECB. Applications for inspections and the issuing of documents are all processed via the PPECB's mobile technology platform, the TITAN system. TITAN, is aimed at eliminating the manual processes involved with quality inspections and export certification. The platform serves as a paperless system for inspections, export certification, and generating export addendums. Titan client registration can be accessed via the following link:

⇒ <https://titan.ppecb.com>

1.4 APAC REGISTRATION

It is mandatory (Section 16 (1)(a) of the APA Act) for all South African fresh produce exporters to be registered with the Agricultural Produce Agents Council (APAC). The application form and details about the application process can be found on the APAC website at:

⇒ <https://www.apacweb.org.za/export-agents>

1.5 COMPLIANCE WITH GLOBAL PESTICIDE REGULATIONS

To protect consumer health, most countries have maximum legal limits for pesticide residues in foods (MRLs). In addition to this, most countries also have a list of restricted or banned pesticides.

It is the responsibility of fresh produce exporters to know what pesticides are restricted or banned in the receiving country, to know what the MRLs are in the receiving country for the crop in question, and to ensure that the crop to be exported does not contain residues of any banned pesticides or exceed the MRLs. Commodity organisations (refer to chapter 7) assist exporters and growers in staying up to date in this regard.

Many receiving countries conduct random residue tests and should a consignment be found to contain residues of banned or restricted pesticides, or exceed the MRLs of the receiving country, the shipment will be destroyed. In some cases it may be possible to transfer the consignment to another country where the product complies with regulations.

In addition to national MRLs, some retailers have stricter MRL requirements which suppliers need to adhere to. At farm level, certification such as GLOBALG.A.P. is an important tool in proactively managing spray programmes and the application of pesticides to prevent MRL exceedance.

CHAPTER 2

PACKAGING, MARKING AND LABELLING

2.1 TRACEABILITY AND TRACKING

Traceability refers to the ability to trace all fresh produce in the value chain back to the farm it originated from FBO codes, pallet identification numbers, container numbers, amongst others, assist with tracking fruit through the value chain and to ensure that fresh produce can be traced back to the place where it originated from. A good traceability system links a food safety problem to a specific country, pack house, producer orchard or vineyard. This is important for a number of reasons:

- (a) A problem can be linked to one specific producer rather than a whole group.
- (b) It is a fast and accurate way to get to the source of the problem, which limits risks relating to health and diseases.
- (c) It limits unnecessary costs.
- (d) It limits public concerns and fears.

In South Africa all export cartons must carry certain markings on the packaging of fresh produce, which is used to provide the consumer with accurate and relevant information on the product, including information on where it was grown. Markings on the carton must, among others, include the following:

- (a) Produce of South Africa.
- (b) Class of the product, for example Class 1.
- (c) The name and address of the exporter and/or pack house.
- (d) The Producer Unit Code (PUC), now called the Food Business Operator (FBO) code, which is registered with the Dept. of Agriculture, Land Reform & Rural Development.
- (e) The product type.
- (f) The variety.
- (g) The count (or size) of the product.

2.2 FRESH PRODUCE SUPPLY CHAIN SOFTWARE

Export agents require software programmes to manage the tracking and traceability of fruit in the value chain and other operational processes such as managing stock and producer payments. There are a number of service providers in the industry who provide suitable software systems such as *Dipar*, *Farsoft* and *Prophet*.

2.3 WOOD PACKAGING / PALLETS

Wood packaging material is regulated in international trade to reduce the risk of introduction and/or spread of the associated quarantine pests. All regulated wood packaging material (e.g. wooden pallets) must be debarked, heat treated and bears the relevant IPPC mark to indicate that it complies with ISPM 15. The IPPC mark should be legible, permanent and not transferable, placed in a visible location, preferably on at least two opposite sides of the pallet.

2.4 MARKING AND LABELLING

There are certain requirements that producers or exporters have to fulfil on their marking and labelling for the various markets (special markets including the EU). For instance, the following information must be on the business end of each carton: PUC and PHC of the relevant facility approved and registered with the Dept. of Agriculture, Land Reform & Rural Development, as well as a date code. Each market has its own different marking and labelling requirements, which may change from time to time. To view the latest information visit the departmental website using the following links:

⇒ www.dalrrd.gov.za

⇒ Branches

⇒ Economic Development, Trade & Marketing

⇒ International Trade

⇒ Trade Agreements

Currently, for example, the following information must be on the business end of every carton of fresh fruit destined for China in terms of the relevant protocols 本产品输往中华人民共和国 (for the People's Republic of China) with the following in English: Place of production, the name or registered number of the vineyard, pack house and storage facility.

CHAPTER 3

PRIVATE QUALITY, FOOD SAFETY, SOCIAL AND ENVIRONMENTAL STANDARDS

In addition to the statutory (minimum) standards prescribed by the APS Act, the various statutory SPS requirements and SA GAP, there are also private, commercial and retailer standards. These standards are set by global organisations or individual retailers. Farmers and pack houses can subscribe on a voluntary basis to these standards (e.g. GLOBALG.A.P.). Thus, growers and packers of fresh produce destined for many first world markets are continually subjected to proliferating and ever changing standards relating to food safety, good agricultural and environmental practices and social accountability. Despite several attempts from retailer groups to standardise one set of requirements, in many instances individual retailers continue to demand their own standards in addition to broader standards. This has a significant impact on small and especially new and developing growers, as they often lack the infrastructure to manage the multitude of requirements and are therefore compelled to limit their trade to customers with less stringent requirements.

To demonstrate proof of compliance with their specific quality standards, the relevant retailers require that their producers or suppliers be audited by third-party certification bodies. These audits are usually paid for by the grower. Therefore, the producer must analyse the costs involved in meeting the quality standards of the different market segments available to him/her, and determine the benefits of supplying that market segment. Such a cost-benefit analysis will help the producer to decide on the overall marketing strategy of his/her enterprise.

Certification can broadly be grouped into four main categories as follows; agricultural, packhouse, social and environmental Standards. However, note that many of these standards cover cross cutting issues, for example, GLOBALG.A.P. includes an element of environmental sustainability.

The following table provides an overview of some of the standards required by export customers:

Agricultural	Packhouse	Social	Environmental
GLOBALG.A.P.	BRCGS (formerly BRC)*	SIZA Social Standard	SIZA Environmental Standard
Tesco Nurture	IFS Food Standard*	SMETA / SEDEX	
LEAF (Waitrose)	*Based on HACCP principals	Ethical Trading Initiative (ETI)	
Field to Fork (M&S)	ISO 22000	SA 8000	
Albert Heijn Protocol		Fair Trade	
Filières Qualité (Carrefour)			

Further to the above agricultural standards, compliance for organic produce requires the following country specific certification:

- Soil Association (especially relevant in the UK);
- Naturland (Germany);
- BioSuisse (Switzerland).

3.1 RETAILER, INDUSTRY AND PRIVATE STANDARDS

3.1.1 GLOBALG.A.P.

GLOBALG.A.P. is the most widely accepted standard at farm level, to the extent that it has almost become a non-negotiable for any fresh produce farmer who wishes to be export ready.

GLOBALG.A.P. (formerly EUREPG.A.P.), comprises three categories of control points based on different required levels of compliance designed to promote and monitor Good Agricultural Practices (G.A.P.). These are the Major Musts (100% compliance required), Minor Musts (95% compliance) and Shoulds (recommendation level). The Major and Minor Musts constitute most of the food safety issues at the production sites with strong emphasis on the regulation of G.A.P. in the application of agricultural chemicals. Food producers are required to demonstrate their commitment to:

- Maintaining confidence in food quality and safety
- Minimising any detrimental impact on the environment, while conserving nature and wildlife
- Reducing the use of agrochemicals through the adoption of Integrated Production Systems
- Improving efficiency of use of natural resources such as soil, water, air and energy
- Ensuring a responsible attitude to worker health and safety, welfare and training

To receive and retain a GLOBALG.A.P. certificate, third-party verification by a certification body is required every twelve months. Verification is done by on-site audits. These audits usually take four to six hours.

In addition to the implementation of numerous standard operating procedures and implementing record keeping to prove that procedures have been followed, GLOBALG.A.P. requires that farm infrastructure, such as chemical store rooms, fuel storage tanks and staff toilets meet the minimum requirements. This often requires capital expenditure to upgrade infrastructure.

3.1.2 Retail G.A.P. Standards

Many retailers such as Tesco, Waitrose, M&S, Albert Heijn have their own G.A.P standards, which suppliers need to comply with (refer to the table above under the Chapter 3 Introduction). These generally have a large degree of overlap with the GLOBALG.A.P. requirements, together with a number of additional requirements.

3.1.3 Packhouse Standards

The main focus of packhouse standards is to ensure food safety. Similar to G.A.P's, they require that packhouses meet the minimum infrastructural requirements (eg screens over light fittings, insect proofing, suitable hand wash facilities etc) and the implementation and monitoring of food safety protocols. The two most commonly required packhouse standards mentioned below (BRSGS and IFS), are based on Hazard Analysis Critical Control Points (HACCP) principals, which essentially entail the identification of all possible food safety risks in the process and putting proactive measures in place to prevent the occurrence of events which compromise food safety. These standards are therefore designed to be proactive rather than reactive.

Most retailers in the UK require BRCS certification (formerly called the BRC standard). The BRC standard was initially developed by the British Retail Consortium in 1996, by retailers who wanted to harmonise food safety standards across the supply chain. In 2016 the standard was purchased by the LGC Group, after which it was renamed the BRC Global Standard (BRCS).

The IFS Food Standard is required by a number of retailers on the European continent, particularly in Germany. Similar to BRCS, food safety is a key focus of the standard, which also has a proactive approach to food safety risks.

3.1.4 SIZA Social Standard

The SIZA improvement process has been designed to ensure ethical trade compliance from all suppliers in South-Africa. The goal is to have a commitment to continuous improvement of labour and environmental conditions on all farms in a practical and comprehensive manner, which has the potential to benefit businesses and positively impact employees. The SIZA Social Standard is built on the following 8 principles:

- Commitment to implementing Management Systems
- No forced and Bonded Labour
- No Child Labour
- Freedom of Association & Collective Bargaining
- No Discrimination, Harassment & Abuse
- Health & Safety
- Working Hours
- Wages, Benefits & Terms of Employment

The SIZA standard was an initiative launched collaboratively by the South African fruit commodity organisations. A key goal of the initiative, which it has achieved, was to gain broad support for the standard from international retailers to avoid the need for compliance with multiple different retailer social standards.

3.1.5 3.5. SIZA Environmental Standard

Although compliance with specific environmental standards is not commonly required by most international retailers, there is increasing pressure from retailers for suppliers to reduce the environmental impact of their supply chains. Consequently, it is possible that retailers may start to require environmental certification in future.

SIZA has developed an environmental standard available to South African fruit producers, which provides a valuable tool for proactive producers who wish to reduce their environmental impact.

The SIZA Environmental Assurance model has been designed to assist growers in evaluating their current compliance and environmental risks, both at a farm and regional/catchment level. This process is accomplished through the completion of a Self-Assessment Questionnaire (SAQ), the results of which feed into a risk profile report, which can be used to address market requirements, whilst also informing the drafting of site-specific improvement plans and farm environmental management plan and monitoring system. The questions included in the self-assessment questionnaire runs from minimum legal requirements to leading practice across four main topics such as:

- Water
- Soil
- Energy, materials & waste; and
- Farm ecosystems & biodiversity

CHAPTER 4

SHIPPING AND LOGISTICS

4.1 4.1. SHIPPING: REEFER CONTAINERS VS CONVENTIONAL REEFER VESSELS

Since deregulation in 1997 a number of significant changes have taken place regarding the operation of the supply chain. Today's chain is technically advanced, market-driven, flexible, customer-focused and owner-controlled and provides door-to-door services. With this come advantages such as customisation, competition, choice and accountability.

The pattern of shipping mode usage has also shifted in keeping with worldwide trends. On a global basis, it is expected that the use of containers will continue to increase. Today over 90% of fruit exported from South Africa is exported in reefer containers with less than 10% shipped in reefer vessels.

Note that the industry uses the informal word "reefer" to denote refrigerated. Confusion arises when, for example, the phrases "reefer container" and "reefer vessel" are used. This is because the former refer to the container shipping industry while the latter refers to the conventional shipping industry – yet both have the word reefer in them. Reefer vessel means conventional vessel, whilst a reefer container is a refrigerated container.

4.2 CONTAINER SHIPPING

The expansion of the global container-shipping industry is a result of intense, inter-container liner competition, with governments subsidising their shipping and ship-building industries, the entrance of new, low-cost Asian shipping lines and the ease with which containers are able to be transhipped from one mode of transport to another.

International shipping is moving away from the traditional port-to-port services towards door-to-door solutions. The severe competition between container shipping lines has forced ship owners to adopt innovative, productivity enhancing and cost-cutting measures which include:

- Using larger vessels
- Participating in strategic alliances and mergers
- Reducing the number of port calls thus increasing the volume of transshipment cargo
- Developing a network of feeder services linking hub and regional ports
- Developing new types of shipping services

4.3 CONVENTIONAL SHIPPING

The fundamental reason for the decline in the conventional shipping sector is the fact that no new conventional vessels have been built in the sector in recent years. Also, existing fleets are ageing and older reefer vessels are being scrapped. Factors that favour conventional shipping include:

- (a) The combined shipping of cargo below deck and containers on deck
- (b) Self-contained vessels which have built-in cranes on the ship's deck, making them independent of shore crane equipment
- (c) Capacity to sail at high speed
- (d) Flexibility in terms of ports of loading and discharge (Transit times to certain markets on a conventional vessel are shorter than with the container lines, and cold sterilisation techniques used in conventional ships are more reliable than in container ships. In addition, break bulk ship loading can continue in high winds while container loading has to stop at a certain wind speed for safety reasons. Currently there is also the question of whether the container industry can manage the entire fruit export crop with the infrastructural limitations being experienced – particularly in the ports and including the shortage of container boxes to meet the rising demand.)
- (e) The general tendency to move smaller volumes of export products in containers, while larger volumes are moved in break bulk fashion (However, the mode of shipping employed also depends on the market being served and the exporter involved.)

4.4 AIRFREIGHT

Airfreight of fresh produce is expensive and has a high carbon footprint, however it is commonly used in two instances:

- For highly perishable products such as berries which have insufficient shelf life for long seafreight transit times (although many blueberry varieties now have a long enough shelf life for seafreight).
- In some instances when there is a shortage of product on the shelves, some retailers may ask for product to be airfreighted to keep the shelves stocked until seafreight product arrives.

4.5 THE ROLE OF LOGISTICS AGENTS

Logistics agents perform a number of key functions within the industry as service providers to fresh produce exporters. Larger exporters may fulfil a number of the logistics functions in house, while smaller exporters generally outsource the majority of the logistics functions. Logistics agents provide the following services amongst others:

- Pre-season booking of shipping volumes with shipping lines and negotiation of shipping rates and rebates

- Provide or broker road freight services for the transfer of fruit from one cold store to another and for the transport of containers to ports
- Co-ordination of road freight transfers including booking and collection of empty containers and co-ordination of loading at coldstores
- In season update of shipping volumes with shipping lines and container booking on vessels
- Co-ordination of port services and payment of cargo dues, plug in fees etc
- Logistics documentation, customs clearance and forwarding

4.6 DOCUMENTATION

Exporting requires an enormous amount of thought and attention to detail, especially documentation. If documents are missing or wrongly completed, the transaction the step-by-step flow of export documents. Some of the documents are the responsibility of the export agent, some the logistics agent and some the shipping line but all play a vital role in the export process:

- Export Certificate
- Export Addendum
- Phytosanitary Certificate
- Customs Invoice
- Loading Instruction
- Export Notification Q67
- Booking Confirmation
- Certificate of Origin
- Customs Declaration
- SARS SAD500, SAD507
- Cargo Dues Order
- Packing List
- Sea Waybill

CHAPTER 5

TRADING TERMS / INCOTERMS®, PRICING, CLAIMS AND AGREEMENTS

5.1 TRADING TERMS / INCOTERMS®

Incoterms® are standard trade definitions most commonly used in international sales contracts. Incoterms® are the terms of sale as agreed upon by the seller and buyer to facilitate the handing over of a consignment and to specify who is responsible for transportation costs up to a designated point and where the transfer of risk from one party to the other takes place. All Incoterms® are referred to by the recognised three-letter codes and mention the names and place of delivery. Visit www.iccwbo.org for more information on Incoterms®.

The Incoterms® you are most likely to use:

eXW	Ex works
FoB	Free on board
CIF	Cost insurance and freight
CPt	Carriage paid to
DDU	Delivered duty unpaid

The Incoterms® are grouped into four categories:

- The first, **E-group**, has only one trade term: Ex Works (EXW).
- The second, **F-group**, indicates the obligation of the seller to hand over the goods to a carrier free of risk and expenses to the buyer.
- The third, **C-group**, includes terms that indicate the seller's obligation to bear certain costs after main carriage, which is a critical point in the sales contract: the obligation to bear risks and costs change from one party to the other.
- The fourth, **D-group**, includes terms that prescribe that the goods must have arrived at a specified destination.

Group E: Departure

eXW ex Works

When goods are made available to the buyer at the seller's premises for collection with minimum obligation to the seller for transporting the goods to the buyer. At this point, the responsibility of risk is transferred to the buyer, who is obligated to clear the goods for export and pay all costs involved for transportation, including insurance if required.

Group F: Main carriage unpaid

FCA Free Carrier

The seller arranges delivery of the goods cleared for export to the appointed carrier as nominated by the buyer and is responsible for the risk and costs up to the named point of handover.

FAs Free Alongside ship

The seller delivers the goods alongside the vessel at the named port of shipment as nominated by the buyer. The buyer will be responsible for all costs and risk from point onwards.

FoB Free on Board

The seller is responsible for the clearing and delivering the goods for export on board the vessel to the nominated port of exit. Once the goods have passed over the ship's rail at the port of loading the risk is then transferred to the buyer.

Group C: Main carriage paid

CFR Cost and Freight

The seller is responsible for the cost and freight charges for delivering the goods to the named port of destination and bears all risks up to this point.

CIF Cost, Insurance and Freight

The seller is responsible for costs, insurance and freight charges for delivering the goods to the named port of destination and bears all the risks.

CPt Carriage Paid to

The seller undertakes to deliver the goods to their appointed carrier to the named port of destination at the seller's expense. The responsibility of risk is then passed onto the first carrier up to the named place of delivery and the cost of the goods are borne by the seller until they arrive at the named place up to where carriage has been paid.

CIP Carriage and Insurance Paid to

The seller undertakes to deliver the goods to their appointed carrier to the named port of destination, including insurance at the seller's expense. The responsibility of risk is then passed onto the first carrier up to the named place of delivery and the cost of the goods is borne by the seller until they arrive at the named place up to where carriage has been paid.

Group D: Arrival**DAF Delivered at Frontier**

The seller clears and places the goods for export at the buyer's disposal, unloaded at the named place of destination and bears all risks for transportation up to this point.

Des Delivered ex ship

The seller delivers and places the goods at the buyer's disposal, not cleared for imports at the named place of destination and bears the risk until they arrive at the named place of destination.

DeQ Delivered ex Quay

The seller delivers and places the goods at the buyer's disposal, not cleared for import on the quay side (wharf) at the named place of destination. At this point the responsibility of risk is on the buyer.

DDU Delivered Duty Unpaid

The seller undertakes to deliver the goods to the buyer's premises unloaded at the place of final destination, and bears all costs excluding any applicable duty and taxes.

DDP Delivered Duty Free

The seller undertakes to deliver the goods to the buyer's premises unloaded at the place of final destination and bears all costs including any applicable duty and taxes.

5.2 PRICING

There are three types of pricing arrangements commonly used by South African fresh produce exporters, both with growers and export customers:

- **Consignment**

In the case of consignment transactions, the foreign buyer does not commit to a price prior to shipment of the produce, nor does the exporter in turn commit to a price to the grower. After the foreign buyer has concluded the sale of the produce, they send the exporter an account sale detailing the sales price less all costs incurred by the buyer and the net payment due to the exporter. The exporter then in turn deducts all costs incurred including their commission and sends an account sale to the grower detailing the sales return, costs and the growers net return. Exporters must be transparent with growers regarding their commission and all deductions. Exporters commission is often around 8% of FOB value.

- **Fixed Price**

In the case of a fixed price transaction, the exporter agrees a fixed price in advance with the foreign buyer (either prior to the season or for each week or shipment) and will often also agree a fixed price with the grower. Fixed price transactions are becoming much more common than in the past where consignment business was the norm. It is important that all fixed price transactions are agreed in writing.

- **Minimum Guarantee Price (MGP)**

In the case of a MGP, the foreign buyer will commit to a minimum price and in some cases, any amount achieved in the market above the MGP will be shared equally between the exporter and the buyer.

5.3 CLAIMS

Due to the perishable nature of fresh produce, quality issues on arrival are commonplace. Upon arrival foreign buyers conduct an arrival quality inspection and based on the extent of the quality problems may institute a claim reducing the amount paid for the shipment or in some cases they may even reject the shipment.

If the result of the quality issue is a latent defect which originated on the farm but was not visible at the time of packing, the grower is normally responsible for the losses resulting from a claim. If the quality claim resulted from a problem during the logistics chain after the produce left the packhouse, such as a temperature problem in a container, the exporter is responsible to carry the losses resulting from the claim.

5.4 AGENCY AGREEMENTS

It is important that exporters conclude written agency agreements with growers covering key aspects such as commission, risk transfer, payment terms, delivery terms etc. This serves to clarify the expectations for both parties and to protect both the producer and exporter in the case of a disagreement.

CHAPTER 6

EXPORT COST BREAKDOWN

6.1 COST BREAKDOWN EXAMPLE OF A SPECIFIC SHIPMENT

It is vital for exporters to understand all the cost elements associated with each customer, market and Incoterm® combination in order to calculate and negotiate competitive prices in relation to alternative market options and to maximise returns to growers.

The example below illustrates the costs and returns for a 12.5 kg carton of apples shipped to a European retailer to serve as an example of what a typical export cost chain looks like. All costs are illustrated per 12.5 kg carton.

From the example it can be seen that the consumer paid an equivalent price of R342 for 12.5 kg's of apples. The biggest cost in the value chain in this example is the retailer margin at 28% of the retail price. Retailers typically take a margin on the retail sales price of between 20 – 35%, with premium retailers taking a higher margin than “discounters”. After all the costs have been deducted as detailed in the illustration the grower received R94 per carton, which is 27% of the retail sales price.

It is important to remember that each player in the value chain offers a service for the cost incurred. It is therefore not possible to remove a player in the value chain without replacing the service they provide. It is the exporters responsibility where possible to select service providers who offer good value for money. It is a highly competitive industry with relatively low margins and there is therefore little room for value chain players who do not offer value for money services.

FRUIT EXPORT COST CHAIN : POME FRUIT TO EU - 12.5 KG CARTON			
DESCRIPTION	PERCENTAGE	CURRENCY	RAND VALUE
Retail selling price	100,00%	EUR	342.00
Retail margin	28,41%	EUR	97.18
Europe transport	2,12%	EUR	7.25
Free on Truck (FOT) value	69,47%	EUR	237.58
Less costs	11,34%		38.79
Importer's commission (7% FOT)	4,86%	EUR	16.62
Europe logistics	6,48%	EUR	22.16
Cost insurance freight (CIF) value	58,13%		198.79
Less costs	9,36%		32.02
Freight	8,99%	USD	30.75
Insurance	0,37%	USD	1.28
Free on board (FoB) value	48,76%		166.67
Less costs	5,24%		17.91
Exporters commission	3,90%	ZAR	13.34
Port cost	1,13%	ZAR	3.85
Wharfage – conventional	0,21%	ZAR	0,72
Delivered in port (DIP) value	43,52%	ZAR	148.85
Less costs	2,07%	ZAR	7.09
Transport to port	1,06%	ZAR	3.63
Finance charges & interest advances	0,50%	ZAR	1.70
SPT levies	0,29%	ZAR	1.00
PPECB / Inspections	0,22%	ZAR	0.75
Ex pack house (Ex-works) value	41,45%		141.77
Less costs	13,84%		47.34
Packing materials	7,55%	ZAR	25.82
Packing charges (tipping cost)	6,29%	ZAR	21.52
Back to Farm	27,61%		94.43

6.2 INSURANCE

Insurance provides an important risk management tool for exporters and it is important that exporters take out the necessary insurance to protect themselves and producers. The following insurance is vital:

- Marine Insurance: covers cargo losses (for example breakdown of refrigeration units on containers) or damage caused to ships
- Credit Guarantee Insurance*: Covers exporters resulting from loss if a foreign buyer does not pay for goods.

Note: In some instances it is not possible to get credit guarantee insurance in high risk markets, in which case it is highly recommended to require that customers pay a percentage of the shipment value in advance.

*The Export Credit Insurance Corporation Ltd (ECIC) is an independent, limited liability company with the government of South Africa, through the dtic, as the sole shareholder. The principal objective of the corporation is to facilitate and encourage South African export trade by underwriting bank loans and investments outside the country, in order to enable foreign buyers to purchase capital goods and services from the Republic. To achieve this objective, the corporation evaluates export credit and foreign investment risks and provides export credit and foreign investment insurance cover on behalf of the government.

In terms of the Export Credit Agreement concluded between the government and the ECIC, the corporation was mandated by government to enter into contracts of insurance with or for the benefit of persons carrying on business in South Africa in the course of trade with countries outside South Africa, primarily for medium-term and long-term export credit and investment insurance.

To meet its obligations in terms of the Export Credit Agreement in a responsible manner, the corporation performs the following functions:

- It formulates an export credit underwriting policy.
- It evaluates potential projects.
- It establishes rationale for support.
- It assesses export credit risk.
- It structures securities to mitigate risk.
- It sets country and sector credit limits.
- It manages and diversifies the export credit risk portfolio.

For more information visit www.thedtic.gov.za

CHAPTER 7

INDUSTRY ASSOCIATIONS

The South African fresh produce export sector is represented by a number of industry/commodity associations. In all cases except for the FPEF, they are statutory bodies with statutory levies. FPEF membership is voluntary, however the FPEF has over 140 members representing over 90% of the fresh produce exported from South Africa. All the commodity organisations fall under the umbrella organisation Fruit South Africa. The structure is illustrated below.



The purpose of the commodity organisations is to represent their members in areas of common interest such as transformation, gathering and dissemination of industry information (technical, phytosanitary, legislative, markets etc), research, market access, market development, statutory compliance and industry collaboration with local and national government.

The following table summarises the crops covered by each industry organisation together with contact details:

ASSOCIATION	CROPS / MANDATE	TEL	EMAIL & WEB ADDRESS
Fruit South Africa	Umbrella organisation	+27 12 433 6402	ceo@fruitsa.co.za www.fruitsa.co.za
Fresh Produce Exporters' Forum (FPEF)	Exporters – all produce	+27 21 526 0474	info@fpef.co.za www.fpef.co.za
Agricultural Produce Agents' Council (APAC)	Agents' Council – all produce	+27 11 894 3680	lizel@apacweb.org.za www.apacweb.org.za
Citrus Growers' Association of Southern Africa (CGA)	Citrus	+27 31 765 2514	info@cga.co.za www.cga.co.za
African Table Grape Industry (SATI)	Table grapes	+27 21 872 1438	info@satgi.co.za www.satgi.co.za
Hortgro	Apples, pears, stone fruit	+27 21 870 2900	info@hortgro.co.za www.hortgro.co.za
Subtrop	Avocados, mangoes, litchis	+27 15 307 3676	info@subtrop.co.za www.subtrop.co.za
Berries ZA	Blueberries, raspberries, blackberries, strawberries	+27 82 411 0500	elzette@berriesza.co.za www.berriesza.co.za

CHAPTER 8

TRAINING AND PROVINCIAL SUPPORT AGENCIES

8.1 FRESH PRODUCE EXPORTERS' FORUM (FPEF)

The FPEF provides training on the entire fresh produce export value chain from field to fork through its Top of the Class training programme. For more information contact:

Tel: +27 21 526 0474

www.fpef.co.za

8.2 PROVINCIAL INVESTMENT PROMOTION AGENCIES (PIPAS)

Eastern Cape

Tel: +27 43 704 5600

Eastern Cape Development Corporation

www.ecdc.co.za

Free State

Tel: +27 51 400 0802

Free State Development Corporation

www.fdc.co.za

Gauteng

Tel: +27 11 883 8750

Gauteng Growth and Development Agency

www.ggda.co.za

KwaZulu-Natal

Tel: +27 31 368 9600/7050

Trade and Investment KwaZulu-Natal

www.tikzn.co.za

Limpopo

Tel: +27 15 295 5171

Limpopo Economic Development Agency (LEDA)

www.Lieda.co.za

Mpumalanga

Tel: +27 13 752 6413

Mpumalanga Economic Growth Agency

www.mega.gov.za

North West

Tel: +27 18 381 3663/4/5

North West Development Corporation

www.nwdc.co.za

Western Cape

Tel: +27 21 487 8600

Wesgro (Western Cape Investment and Trade Promotion Agency)

www.wesgro.co.za

8.3 ADDITIONAL RESOURCES

For more information on private training institutions visit www.exporthelp.co.za

CHAPTER 9

EXPORT MARKET ACCESS FOR EMERGING FARMERS

There are two key factors that farmers need to take into consideration when considering export market access, the first is their state of **export readiness** and the second is considering the **risk and cost against the reward**.

9.1 EXPORT READINESS

The following factors need to be taken into consideration when a farmer evaluates whether they are export ready:

- **GLOBALG.A.P. Certification**
Many export markets require GLOBALG.A.P. certification and as a result it is often a minimum requirement with respect to export readiness (refer to chapter 3). GLOBALG.A.P. certification will ensure that all the important food safety protocols are in place such as spray programmes with registered chemicals, spray records, correct harvest intervals and hygiene practices. Further to this it will ensure that adequate worker safety measures are in place and that key environmental factors are taken into consideration in keeping with the requirements of export markets.
- **Variety selection and quality**
Growers need to ascertain whether they have the right varieties in terms of export market demand and they need to produce fruit of a quality suitable for export markets in terms of attributes such as size, colour, blemishes and pest and disease infestation.
- **Access to a suitable export ready packhouse**
Growers need to have access to a packhouse which can pack their fruit to the required export standards and compliance requirements.
- **Economies of scale**
It is often not practical and viable for small scale farmers to produce fruit for export markets due to insufficient economies of scale. Factors which play a role in this regard are the additional cost of implementing the measures required to become GLOBALG.A.P. compliant and the necessity of traceability, which requires that each batch of fruit be run separately over a packline, which is not cost effective and practical for small batches. In some instances it may however be possible for small scale growers to aggregate their fruit and or/production units with growers in their vicinity to improve economies of scale.

9.2 RISK AND COST VERSUS REWARD

In most instances, if growers have fruit varieties which are sought after by export markets and the fruit is of a suitable quality for export markets, the grower will achieve a better return in the export market than the local market. However, the risks relating to exports are far greater than the local market, particularly for fruit of marginal quality, as quality problems often develop in transit during the long seafreight voyage. In such instances, when quality issues are related to inherent fruit quality defects, the grower is liable for any customer claims, which in some instance can even lead to negative returns when the net return is lower than the export shipping and associated costs.

Further to this, as highlighted above under 8.4 for smaller farms the cost of becoming export compliant may exceed the benefit of higher prices achieved in export markets.

Finally, growers need to take into consideration the cashflow implication for the farm as export markets have much longer payment terms, often up to 90 days, whilst local market payment terms are often shorter than 14 days.

9.3 PREPARATION FOR EXPORT READINESS

All the primary producer organisations listed under chapter 7, have support structures to support emerging farmers in becoming export ready. Producers who wish to receive support to become export ready can use the table in chapter 7 to contact the relevant commodity organisation for the product/s they grow. Note that two of the commodity organisations have entities within their structure established specifically to support emerging farmers. These are:

- **CGA** - Citrus Growers Association Grower Development Company (CGA-GDC) <http://cga-gdc.org.za/contact-us>
- **Hortgro** - Deciduous Fruit Development Chamber (DFDC) enquiries@dfdc.org.za

9.4 ACCESSING EXPORT MARKETS

Most commercial growers make use of export marketing agents to access export markets rather than exporting on their own directly due to the complexity, cost, and risks associated with export marketing. Further to this it is difficult without adequate economies of scale to export cost effectively and gain access to many markets which require length of season and a comprehensive range of products and varieties.

If you are an export ready grower and wish to access export markets, the FPEF can put you in touch with their members, who can provide export market agency services with market related returns.

CHAPTER 10

FINANCE

10.1 BANKS

Obtaining finance or resources for your exports

One of the most common ways of financing exports is by obtaining credit from commercial banks (much like you would finance your domestic activities). This tends to be a traditional source of finance. This credit may be in the form of an overdraft that you negotiate with the bank or it may be a loan for a specific project, although the banks prefer not to finance individual orders as they prefer to establish an ongoing business relationship with customers. Another common finance instrument used in the fresh produce export sector is pre-shipment finance, which is a short term loan whereby the produce itself is used as security.

Banks are the key source of export finance around the world. Banks are not reluctant to provide financing. Indeed, providing financing or credit is one of the main ways for them to earn income. At the same time, banks do not want to simply throw their money away and so they take great care in considering and analysing the requests for financing that they receive from prospective exporters. In so doing they take many factors into consideration.

Why do you need finance?

When your export plan is in place and you are ready to start, perhaps the first step on the road of exports is to give consideration to how you will finance your exports. Exporting is a complicated and expensive process. It requires time, considerable planning, extensive research (much of it overseas), highly skilled staff, product adaptations, international travel, expensive international promotions and management involvement. At the same time, your prices (and margins) are often keener in export markets and your payment terms may mean that you only get paid in 30, 60, 90 or 120 days. Together, this translates into high expenses and slow income. Cash-flow is often a major problem facing the smaller exporter.

When do you need finance?

You will need financing almost from the moment you decide to get into exports. These financing requirements can be divided into four parts (the first three are the pre-contract phases, while the last stage is the post-contract phase):

- (a) Financing to do some research on the internet and spend some time with your planning and cost and benefit analysis. Your expenses are related more to the time you need to put into the planning and preparation process than to actual outlays on travel, research and promotion. You should be able to cover these financing outlays yourself.
- (b) Financing to help you with your export marketing research efforts. This is the stage where you may take a lot of time and effort to select your target countries and gain a better understanding of the target market you wish to enter. Your expenses will probably be related to a fairly extensive desk-research effort (which may involve buying various trade magazines, directories, newspapers and other sources of information), as well as at least one visit to the target market where you may spend a week or more researching the market from within, speaking to industry associations, chambers, potential buyers and, more than likely, visiting a trade fair or two. If you plan your research carefully, you may be able to achieve all of your in-market research goals in one visit. A second visit may, however, be desirable, while larger companies may want to acquire the services of professional research agencies which would push up the price considerably. It is very difficult to estimate accurately what a trip like this would cost, but a realistic estimate would be between R25 000 and R50 000 (2009) for ten days to two weeks of in-market research. At this point you may already need to consider finding financing for this research (the dtic provides assistance for smaller exporters for their in-market research efforts).
- (c) Financing to help you implement your export plan. Based on the research you have done, you will prepare an export plan. Your next step is to implement this plan – this is where you are now! This is another expensive step in the export process. It will involve promoting your products over the internet, via direct mail, through advertisements in trade magazines, taking part in one or more trade fairs and visiting potential buyers. It is highly unlikely that you will be able to achieve your objectives without visiting the market in question. Indeed, it is suggested that you will need to undertake at least two or three visits to the market before your marketing has any effect. The cost of these trips could easily amount to R25 000 per trip, with three trips costing you R75 000 or more. If you add to this the advertising you have done, then it is not unrealistic to consider spending R100 000 to R120 000 during this phase of the export process.
- (d) Financing to help you achieve your contractual obligations. Assuming that your marketing effort has paid off and you have secured a contract, your next step is to produce the goods, package and label them, ship them off to the customer, provide the agreed-upon service and wait for payment. This is perhaps the costliest part of the whole process and is very difficult to estimate. It may cost you hundreds of thousands to millions of rands. This will be the stage where your financing needs are the most acute. It is also likely that this will only take place about two years or so from starting down the road of exports and you may find that you have already spent R100 000 to R250 000 (and more) to secure the order.

10.2 SMALL ENTERPRISE DEVELOPMENT AGENCY (SEDA)

The Small Enterprise Development Agency (SEDA) is the Department of Trade and Industry's agency for supporting small business in South Africa. SEDA offers the following services:

- (a) Business registration (close corporations, cooperatives, patents)

- (b) Business planning and management
 - Business plans
 - Feasibility studies
 - Costing systems
 - Financial management – bookkeeping and accounting
 - Human resource management – policies, performance management, employee contracts
- (c) Marketing – research, planning
- (d) Facilitating access to finance
 - Submission to the banks – preparation
- (e) Assistance with access to market
 - Promotional material
 - Export assistance
 - Business-to-business facilitation
- (f) Trade exhibitions
- (g) Technology access
 - Product testing – SABS
 - Product development – CSIR, laboratories and universities
 - QMS – implementation and certification
 - Productivity improvement – layout, process flow, problem-solving techniques
- (h) SMME training
 - Basic business skills
 - Export training
 - Cooperatives training – management of cooperatives

For more information visit www.seda.org.za or call +27 12 441 1000

10.3 EXPORT INCENTIVES

Export marketing and investment assistance (EMIA) scheme

The purpose of assistance under the EMIA scheme is to give partial compensation to exporters for costs incurred in respect of activities aimed at developing export markets for South African products and services and to recruit new foreign direct investment into South Africa.

EMIA is broadly divided into two types – individual participation schemes and group schemes:

- (a) Individual Participation Incentive Schemes
 - Individual Exhibitions and In-Store Promotions
 - Primary Market Research (PMR) and Foreign Direct Investment (FDI)
 - Individual Inward-Bound Missions
- (b) Group Participation Incentive Schemes
 - Group Inward Buying Trade Missions
 - Group Inward Investment Missions
 - National Pavilions
 - Outward Selling Trade Missions and Outward Investment Missions
 - Sector-Specific Assistance

For more information visit www.thedtic.gov.za/trade_investment/emia

10.4 DEVELOPMENT FINANCE INSTITUTIONS

Khula Enterprise finance

Khula Enterprise Finance Ltd (Khula) was established in 1996 as an independent agency of the Department of Trade and Industry. As the flagship development finance institution focusing on small businesses, Khula has for more than 10 years operated as a financial facilitator for the development of the rapidly growing Small and Medium Enterprise (SME) sector of the South African economy.

For more information on Khula Enterprise Finance products call 0800 11 88 15 or visit www.khula.org.za.

South Africa Micro-Finance Apex Fund

The South Africa Micro Finance Apex fund (SAMAF) is a wholesale funding institution formally established in April 2006. Prior to its establishment the wholesale funding concept was incubated at Khula Enterprise Finance Limited. SAMAF as a trading entity is governed by the Public Finance Management Act (PFMA) of 1999 and is accountable to the executive authority of the dtic. Its mandate is to facilitate the provision of affordable access to finance by micro, small and survivalist business for the purpose of growing their income and asset base. It also has to act as a catalyst in the development of a vibrant micro-finance industry.

For more information visit www.samaf.org.za.

National Empowerment Fund (NEF)

The National Empowerment Fund Trust (NEF) will be a catalyst of Broad-Based Black Economic Empowerment in South Africa. The NEF enables, develops, promotes and implements innovative investment and transformation solutions to advance sustainable black economic participation.

The NEF was established by the National Empowerment Fund Act (Act No. 105 of 1998) for the purpose of promoting and facilitating economic equality and transformation. The NEF operates under the umbrella of the dtic. The NEF's objectives are:

- To redress the economic inequalities bequeathed by apartheid by providing historically disadvantaged persons (HDPs) with opportunities to acquire shares in both restructured state-owned assets and private business enterprises, and by encouraging a culture of savings and investment among HDPs and fostering entrepreneurship.
- To achieve its goals of sustainable empowerment and transformation by promoting and supporting business ventures pioneered and run by HDPs.
- To promote a better universal understanding of equity ownership. Each of its activities is calculated to redress the inequalities of the past, and promote a competitive and efficient economy capable of generating employment opportunities.

For more information visit www.nefcorp.co.za

Industrial Development Corporation (IDC)

The IDC is a self-financing, state-owned development finance institution whose primary objectives are to contribute to the creation of balanced sustainable economic growth in Southern Africa and to further the economic empowerment of the South African population, thereby promoting the economic prosperity of all citizens.

Established in 1940, the Industrial Development Corporation of South Africa Limited (IDC) provides financing for entrepreneurs engaged in competitive industries. Even though IDC is state-owned, it functions as a private enterprise, following normal company policy and procedures in its operations, paying income tax at corporate rates and dividends to its shareholder, while reporting on a fully consolidated basis. Core strategies:

- Maintaining financial independence.
- Providing risk capital for the widest range of industrial projects.
- Identifying and supporting opportunities not yet addressed by the market.
- Establishing local and global involvement and partnerships in projects that are rooted in or that benefit South Africa, the Southern African Development Community (SADC) and the rest of Africa.
- Investing in human capital in ways that systematically and increasingly reflect the diversity of South Africa's society.

For more information visit www.idc.co.za

Micro Agricultural Financial Institutional Scheme of South Africa (MAFISA)

For more information on this scheme contact the Director: Agriculture Development Finance at +27 12 319 7324/7295 or email dadf@dalrrd.gov.za or pa.dadf@dalrrd.co.za

Alternative Sources of Financing

For more information on alternative sources of financing visit www.exporthelp.co.za.

CHAPTER 11

EXPORT READINESS CHECKER AND OTHER RESOURCES

13.1 IS YOUR PRODUCT READY TO BE EXPORTED?

Whether or not your product is export ready is a function of the buyer's needs, your product's ability to meet those needs and how your product will shape up against international competition. Your product's exportability would also be dependent on your business's ability to export.

In order to determine export readiness, you need information on the target market, potential competitors and the buyers themselves. Your product may also raise specific questions relating to that industry. For more information on the export readiness checklist visit www.exporthelp.co.za/tools/checker and refer to the statutory requirements outlined in chapter 1 of this document.

13.2 DATABASE FREQUENTLY USED BY THE DIRECTORATE: INTERNATIONAL TRADE PROMOTIONS

World Trade Atlas

www.gtis.com/english/GtIs_WtA

(Not Free – Contact gtis or the Dept. of Agriculture, Land Reform & Rural Development for information)

The Directorate: International Trade (D: ITR) subscribes to the WTA database, which is based on SARS customs data. South African trade data are available and are based on the Harmonised System.

CHAPTER 12

EXPORT CHECKLISTS

12.1 BASIC EXPORT DOCUMENTS

Following is a list of basic export documents required by the importer – either to satisfy the country’s trade control authorities or to enable a documentary credit transaction to be implemented. Many exporters find it more convenient to control the volumes and variety of paperwork and related matters by designing a file folder that has printed on the covers the entire control procedure covering documentation, payment, shipping instructions, etc. (although paperless systems are also becoming popular). The following checklist provides for road, air and sea freight.

DOCUMENT	ROAD FREIGHT	AIR FREIGHT	SEA FREIGHT
Invitation to quote	X	X	X
Quote	X	X	X
Pro forma invoice	X	X	X
Order confirmation/acknowledgement	X	X	X
Packing list	X	X	X
Airway bill		X	
Sea waybill			X
Insurance policy (marine and credit guarantee)	X	X	X
Commercial invoice	X	X	X
Certificate of origin	X	X	X
Specification sheet	X	X	X
Export certificate and addendum	X	X	X
Phytosanitary certificate	X	X	X
Customs invoice	X	X	X
Customs Declaration: SAD500 and SAD507	X	X	X
CCA1 form	X		

12.2 CHECKLIST FOR COMMERCIAL DOCUMENTS

Packing List

An inventory document showing the net quantity of goods, number of packages, weight and total measurement.

Pro forma Invoice

This is a form of quotation by the seller to a potential buyer. It is the same as the commercial invoice except for the words “Pro Forma Invoice”.

Certified Invoice

A certified invoice may be an ordinary signed commercial invoice specifically certifying that the goods are in accordance with a specific contract or pro forma, that the goods are, or are not, of a specific country of origin and certifying any statement the buyer requires from the seller.

Commercial Invoice

The following details must appear on a commercial invoice:

- Names and addresses of buyer and seller and date
- Complete description of goods
- Unit prices where applicable and final price against shipping terms
- Terms of settlement
- Transport mark and number
- Weight and quantity of goods, and name of vessel if known and applicable.

12.3 OFFICIAL DOCUMENTS

Export Permit

An export document issued by the Dept. of Agriculture, Land Reform and Rural Development for the importation of certain commodities that must be submitted for customs clearance.

Phytosanitary Certificate

A document that shows the origin of the shipment and confirms inspection in the source country by the member of the importing country NPPO.

Customs Invoice (This is absent if the consignment is not for sale)

A commercial invoice issued by the seller to a buyer declaring such information as:

- Shipper and consignee physical address
- Description of goods
- Quantity and value of consignment
- Shipping/Incoterms®

CCA1 Form

A formal customs document that must be completed for all products that are not documents and that are shipped within the SACU region.

Certificate of Origin

These constitute signed documents evidencing origin of the goods and are normally used by the importer's country to determine the tariff rates. They should contain the description of goods and phytosanitary inspection signature.

Customs Declaration (SAD500 and SAD507)

Documents used to SARS to control the receipt of export proceeds.

12.4 INSURANCE DOCUMENTS**Letter of Insurance**

This is usually issued by a broker to provide notice that insurance has been placed pending the production of a policy or a certificate.

Insurance Certificate

These are issued by insurance companies to embrace either open covers or floating policies.

12.5 TRANSPORT DOCUMENTS**Airway Bill**

This is a non-negotiable airline document that covers the transportation of cargo from a designated point of origin to a named final destination, whether it is an international or a domestic consignment. It states all details of cargo loaded on board an aircraft.

Sea Waybill

This is a legal contract between the owner of the consignment and the shipping line or agent to transport consignments. It states all details of cargo loaded onto a vessel.