

# **A PROFILE OF THE SOUTH AFRICAN TOMATO MARKET VALUE CHAIN**

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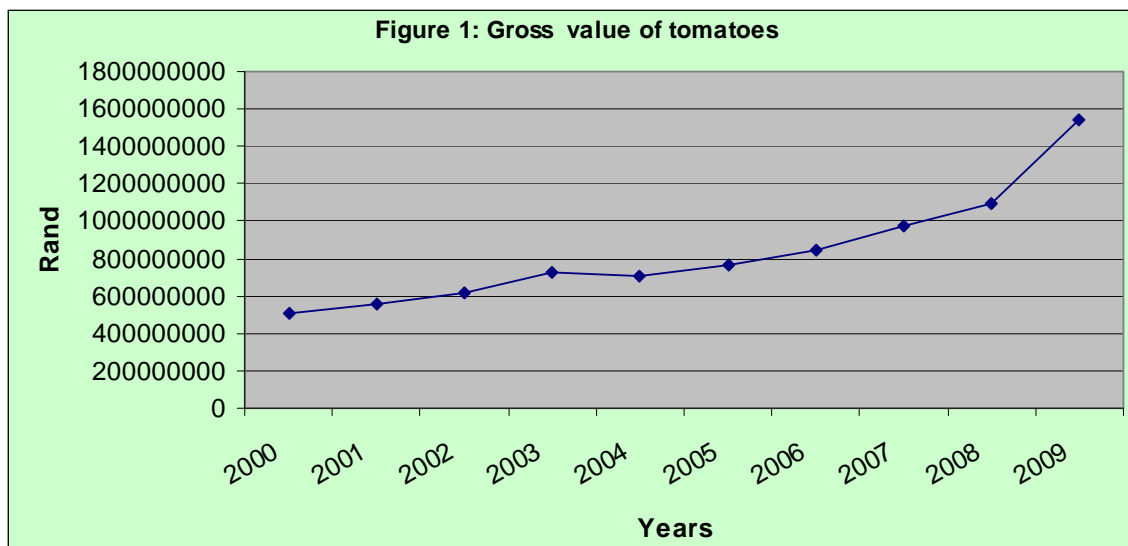
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## 1. DESCRIPTION OF THE INDUSTRY

The tomato (*Solanum lycopersicum*) is the second most important and popular vegetable crop after potatoes in South Africa. It is not only cultivated commercially but also commonly grown by subsistence, resource poor farmers and home gardeners. It contributed approximately 19% (excluding potatoes) to the gross value of vegetable production in 2009. Tomato is consumed in diverse ways including raw, as an ingredient in many dishes and sauces and also in drinks. In South Africa tomatoes are used in stews to complement the staple diet of maize meal. As a result, it is also one of the main vegetables used for hawking by small-scale entrepreneurs in the informal sector. Interestingly, although tomatoes are nutritionally categorized as vegetables, they are botanically classed as fruits.



Source: Agricultural Statistics

Figure 1 above illustrates the contribution of tomato industry to the gross value of agricultural production over the period of 10 years. The contribution of tomato industry has increased steadily from 2000 to 2003. In 2004, there was a 3% decrease in gross value due to increase in production which occurred while the producer price was not favorable. The contribution increased steadily from 2005 to 2008. The highest contribution was recorded in 2009 when the industry's contribution increased by 42% when compared to the previous season. The increase in contribution can be attributed to high production volume which occurred while the producer prices were still favorable.

## 1.1 Production areas

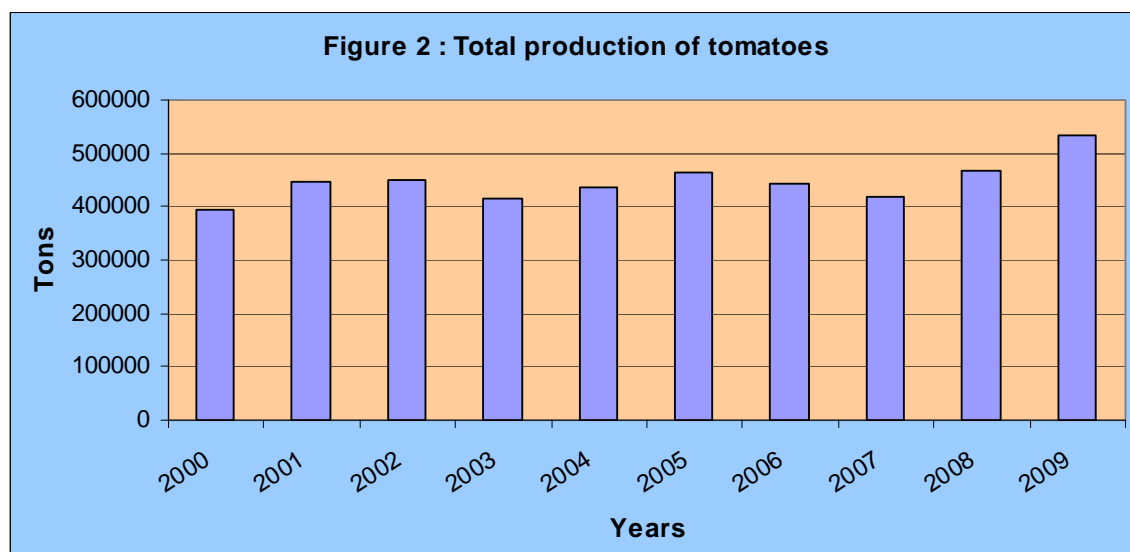
Tomatoes are produced in all South African Provinces. Limpopo Province is the major production area with 3 590 ha (Northern Lowveld at 2 700 ha and far Northern areas of Limpopo at 890 ha). The province account for more than 50% of the total area planted to tomatoes. The other main producing areas are Onderberg area of Mpumalanga Province at 770 ha and Border area of Eastern Cape Province at 450 ha. Production is very limited in winter months and tomatoes can only be produced in frost – free area during winter, or under protection like tunnels.

## 1.2 Production

There are approximately 695 producers in both commercial and emerging sector. The commercial sector contributes 95% of the total produce while the emerging sector contributes only 5%.

In 2009, tomato production increased by 13.8% from the 2008 figures. Over the past decade tomato production has maintained a fairly stable trend as shown in the figure 2 below. The highest production volume was recorded in 2009. The drop in production in 2006 and 2007 can be attributed to unfavorable climatic conditions and high production costs.

According to FAOSTAT, China is the largest producer of tomatoes in the world, followed by United States of America (USA), Turkey, India and Italy. These countries represent 56.7% of world tomato production. The tomato producing countries with highest yields per hectare are the United Kingdom (UK), Netherlands, Belgium and Sweden.



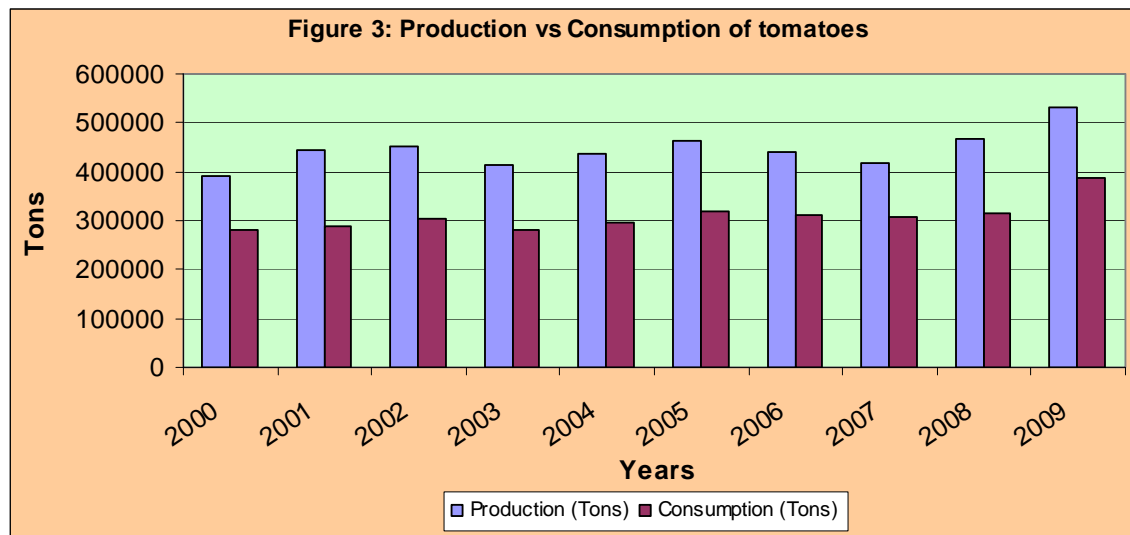
Source: Agricultural Statistics

### 1.3 Employment

The industry employs approximately 22 500 people with at least 135 000 dependents. Multipliers in the supply chains are the transport of the tomatoes to the fresh produce markets and processing plants, processing factories, fresh produce markets, independent traders, supermarket groups, packaging factories, informal traders and fast food outlets. A significant proportion of this total workforce was composed of low skilled, minimum wage labourers.

### 1.4 Consumption

The per capita consumption of tomatoes in South Africa is 12 kg per annum, compared to 32 kg in Europe. This 12 kg per capita consumption is only for metropolitan areas. Population growth, urbanization per capita income and the income elasticity of demand for tomatoes are important factors influencing the demand for tomatoes. The average household in South Africa consumes between five and ten tomatoes per week.



Source: Agricultural Statistics

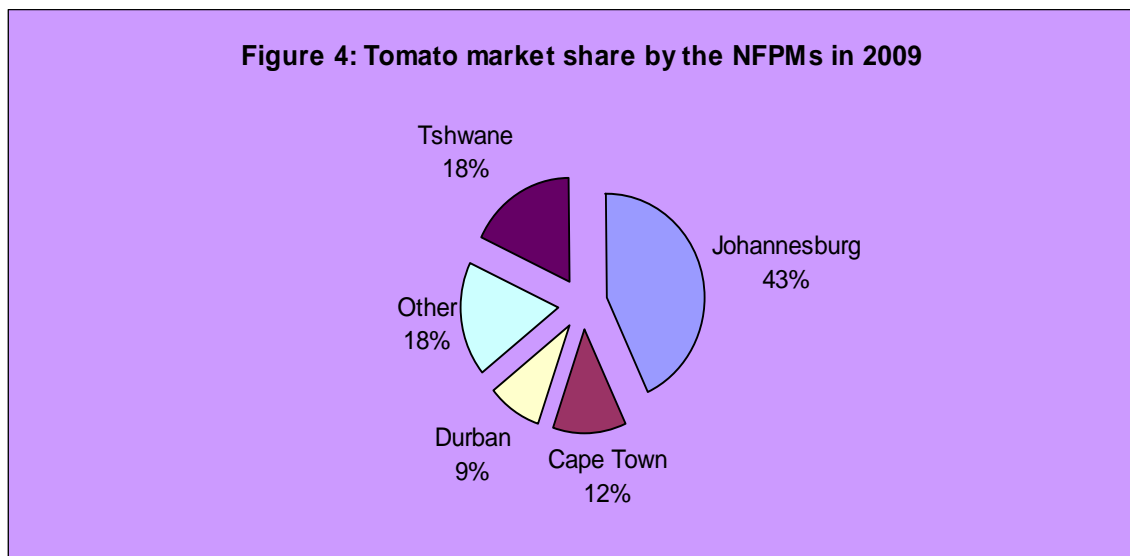
Figure 3 above, depicts local consumption of tomatoes compared to the production over the period of 10 years. The figure indicates that the production of tomatoes is fairly higher than consumption. This indicates that South Africa is self sufficient in terms of tomato production and surplus is also exported. In 2000 and 2003 there was a decrease in tomato consumption which can be attributed to the increase in tomato prices in the same years. In 2009, South Africa's annual fresh tomato consumption was approximately 309 623 tons per annum.

## 2 MARKET STRUCTURE

The industry uses four existing channels for the marketing of their product. The channels are as follows: local market, fresh produce market, processing and direct marketing.

### 2.1 Domestic market and prices

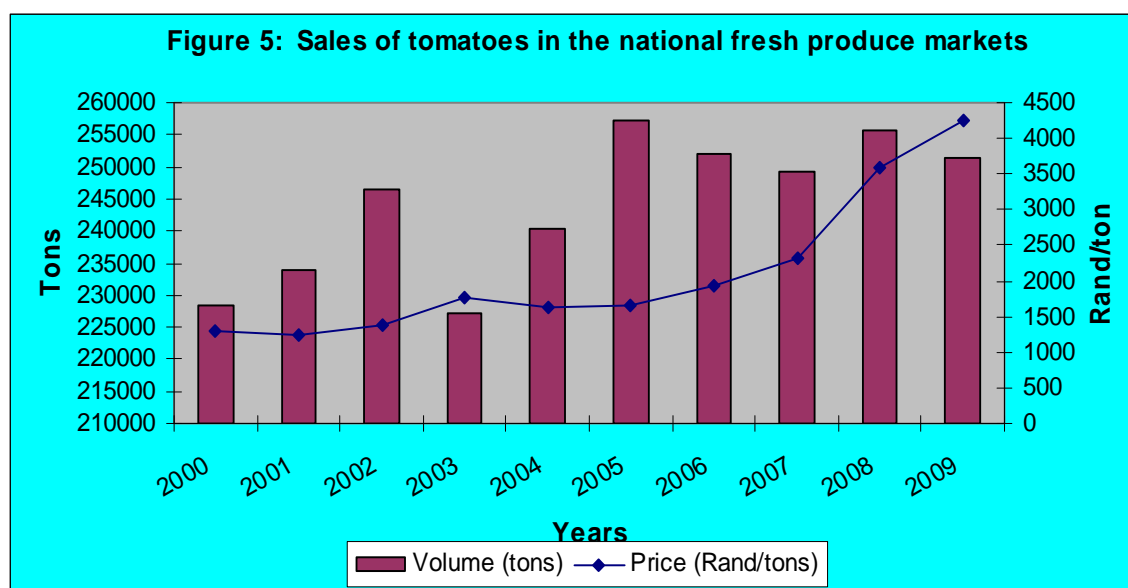
National Fresh Produce Markets (NFPMs) remains an important channel for the sale of tomatoes in South Africa. As a result the NFPMs prices are the benchmark used in all national tomato sales. The NFPMs are regarded as the preferred marketing channel for tomatoes. Johannesburg fresh produce market is the biggest market followed by Tshwane, Cape Town and Durban.



*Source: Agricultural Statistics*

The quantity of tomatoes sold on the major NFPMs markets decreased by 1.7% to 251 261 tons sold in 2009 from 255 805 tons sold in 2008 as depicted by the figure 5 below. At the same time, there was an 18.3% increase in tomato prices at the NFPMs.

There was a steady increase in tomato prices from 2005 to 2009. In 2004 there was a 4% decrease in price due to increase in volume supplied across the markets. From 2005 there was a steady increase in tomato price reaching peak price in 2009 due to decline in tomato volume supplied across the markets

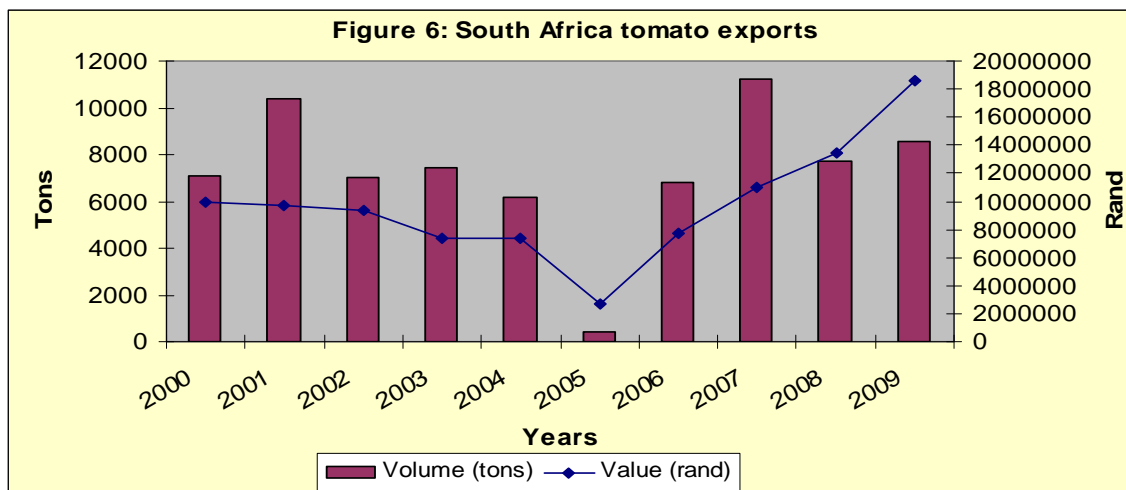


Source: Agricultural Statistics,

## 2.2 Exports

South Africa is not the major exporter of tomatoes with 8 579 tons in 2009. South Africa's tomato exports represent 0.03% of world exports and its ranking is number 48 in world tomato exports. Most tomatoes produced are destined for domestic market and very little percentage of raw tomatoes and processed tomatoes are exported to others countries. In terms of processed tomatoes, less than one percentage is exported to the other countries.

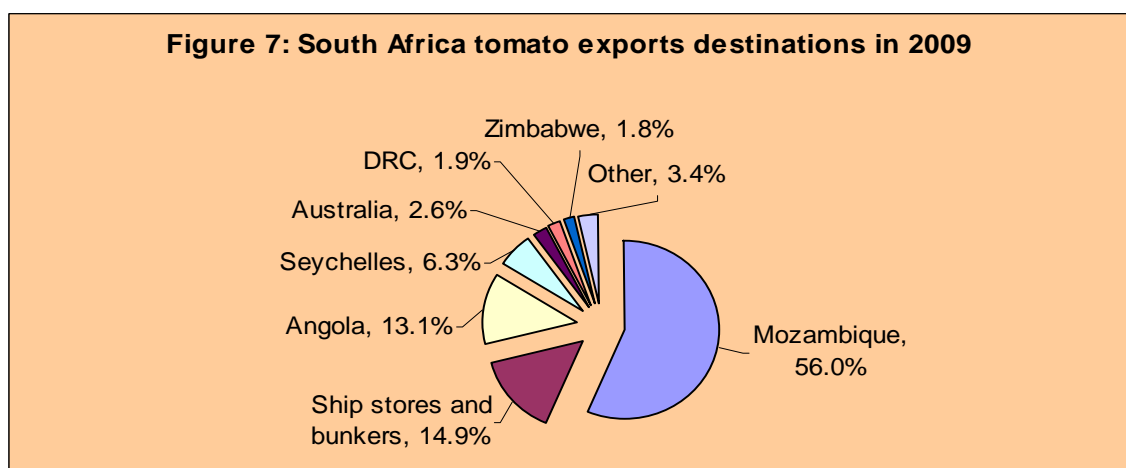
Globally, Netherlands was the biggest exporter of tomatoes in 2009, exporting over 962 750 tons a year and accounting for 23.1% of world export market in tomatoes. Second was the Mexico with 18.3% market share followed by Spain (16.1%) and Turkey (6.1%).in 2009, Morocco was the eighth largest exporter of tomatoes in the world, the only significant exporter of tomatoes in Africa. It accounted for 3.8% of the world export market in tomatoes. Morocco has lost market share by 1.83% compared to the previous share of 5.63% and it was ranked fourth largest exporter in the world.



Source: Agricultural Statistics

As figure 6 above shows, the tomato exports from South Africa over the period of 10 years. High tomato volumes were exported in 2001 and 2007. The lowest export volumes were recorded in 2005 despite the high production volumes. In 2005 and 2009 it was more profitable to export tomatoes since higher export values were recorded for lower volumes exported. In 2001, 2003 and 2007 it was less profitable to export tomatoes since low exports values were recorded for higher volumes exported.

According to figure 7 below, South Africa exports most of its tomatoes to the Southern African Development Community (SADC) countries. Mozambique is by far the largest market for the South African tomato exports with 56%. For the South African tomato exports to grow there should be attempts to diversify into other markets. 14.9% of South African tomato exports remained in the ship stores and bunkers (This is the place where products without proper documents are held).



Source: International Trade Centre (ITC)



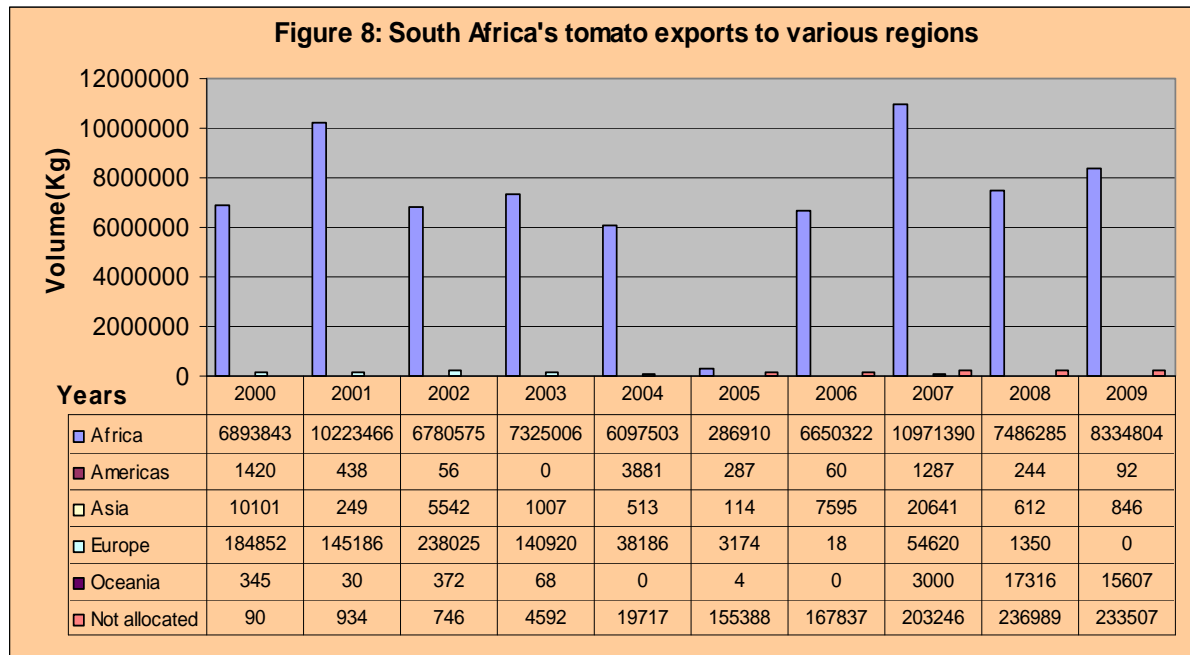
**Table 1: South Africa's tomatoes exports in 2009.**

<b>Importers</b>	<b>Exported value 2009, USD thousand</b>	<b>Share in South Africa's exports, %</b>	<b>Exported quantity 2009 (tons)</b>	<b>Unit value, (USD/unit)</b>	<b>Exported growth in value between 2005-2009, %, p.a.</b>	<b>Exported growth in quantity between 2005-2009, %, p.a.</b>	<b>Exported growth in value between 2008-2009, %, p.a.</b>
World	2191	100	8579	255	44	83	33
Mozambique	1226	56	7879	156	135	173	26
Ship stores and bunkers	327	14.9	233	1403	21	12	21
Angola	286	13.1	214	1336	18	13	46
Seychelles	138	6.3	58	2379	59	22	29
Australia	58	2.6	10	5800			100
DRC	41	1.9	37	1108	5	1	21
Zimbabwe	39	1.8	63	619			1200
Nigeria	37	1.7	18	2056			363
Congo	13	0.6	8	1625	86	68	333
Gabon	7	0.3	6	1167	0	-5	40
Saint Helena	7	0.3	5	1400	-1	-8	-22
Zambia	5	0.2	33	152		79	0
Malawi	3	0.1	7	429			
Ghana	1	0	0		-41		
Mauritius	1	0	1	1000			

Source: International Trade Centre (ITC)

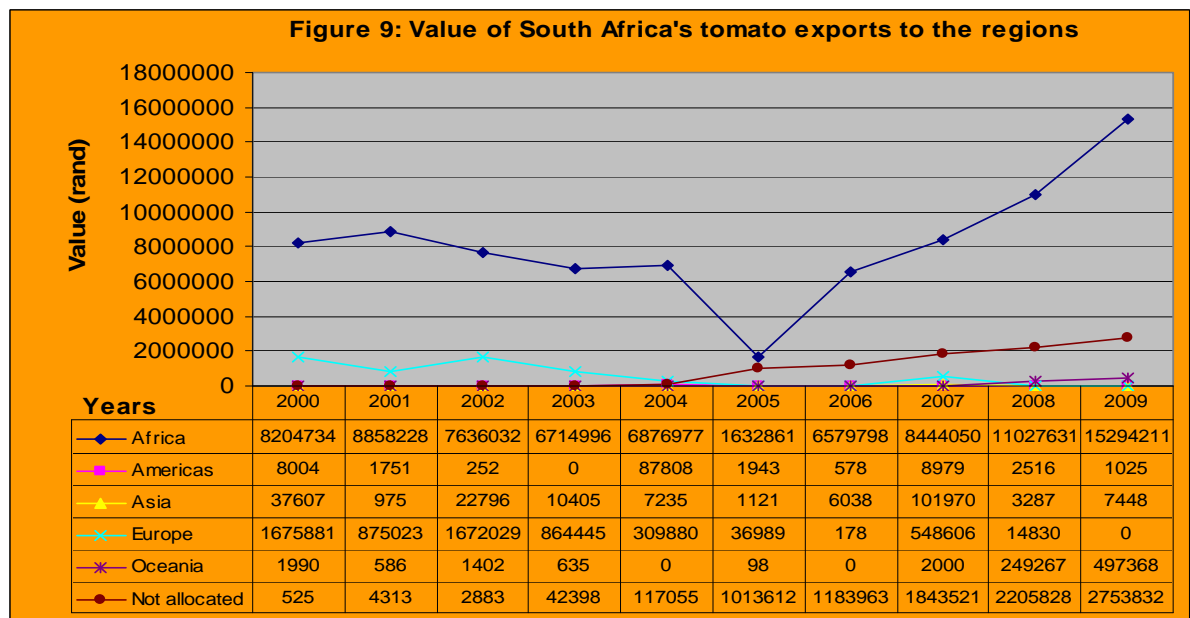
Table 1, above indicates that during 2009, South Africa exported higher quantities of tomatoes to Mozambique, Angola, Seychelles and Australia. Mozambique commanded the greatest share of South Africa's tomato exports with 56%, followed by Angola with 13.1% and Seychelles with 6.3%. South Africa's tomato exports to Gabon have decreased by 5% in quantity during 2005-2009 period. South Africa tomato exports to world have increased by 33% in value during 2008 - 2009 period. South Africa tomato exports have increased by 44% and 83% in terms of value and quantity during 2005-2009 period.

Figure 8 below illustrates South Africa's tomato exports to the different regions during the past 10 years. It is clear that South Africa exports high quantities of tomatoes to the African region (Angola, DRC, Mauritius, Mozambique, Seychelles, Zambia, Zimbabwe, Nigeria, Ghana and Saint Helena). South Africa also exported tomatoes to Europe (France, United Kingdom and Netherlands) and Asia. A fraction of tomato exports was not allocated to any region while from 2007 to 2009 a sizeable amount of tomatoes were exported to Oceania region.



Source: Quantec Research

Figure 9 below illustrates the value of tomato exports to the regions in a period of 10 years. Africa region has recorded high export values since high quantities of tomatoes were exported to that region. In 2009, it was more profitable to export to Oceania region since high values were recorded for low volumes exported.

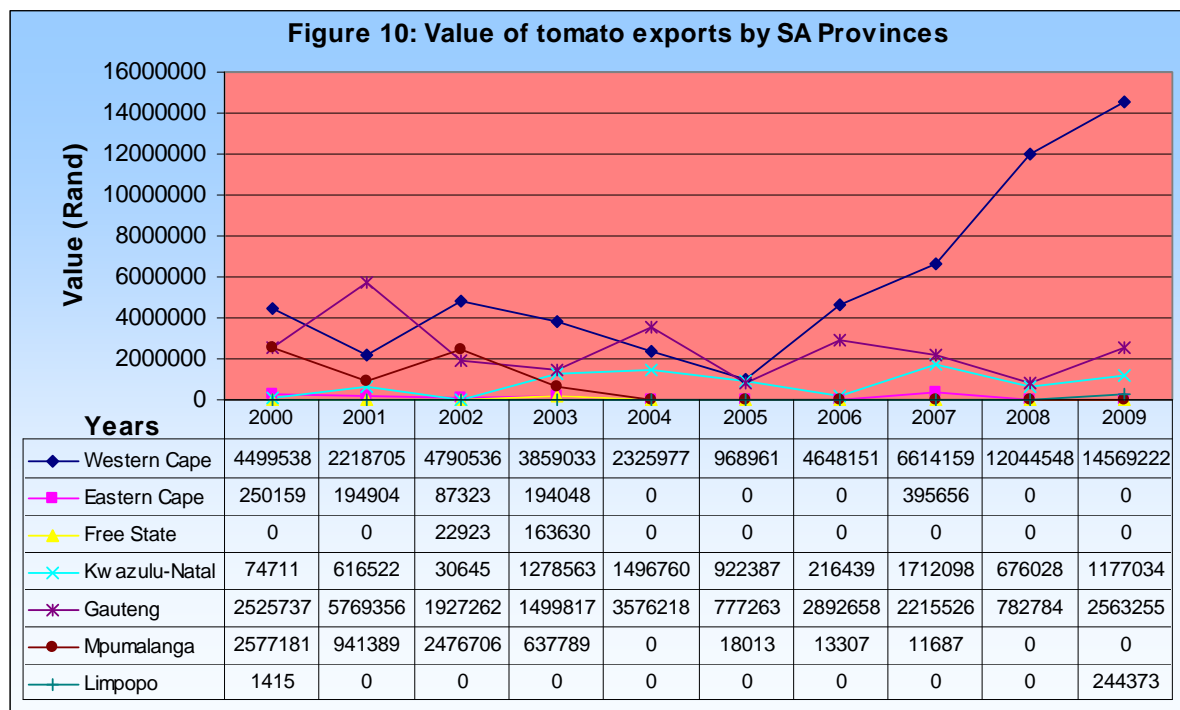


Source: Quantec Research

## 2.3 Provincial and district export values of South African tomatoes

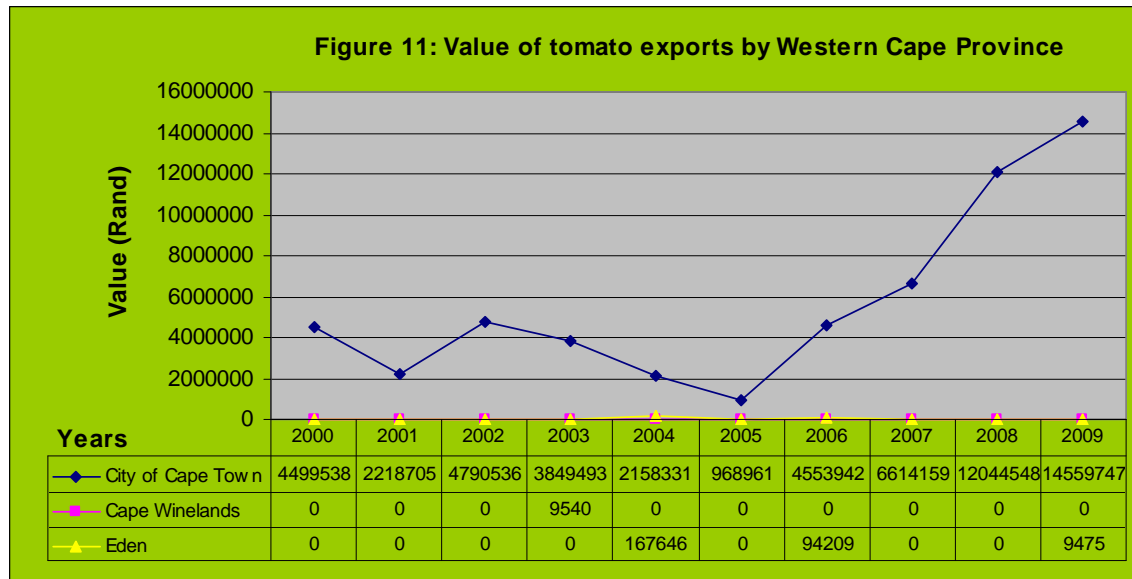
A review of provincial level trade data presents an interesting but somewhat misleading view of the source of tomatoes destined for the export markets. Firstly, the fact that R2 563 255 value of tomatoes exported in 2009 was from Gauteng Province does not imply that the tomatoes were produced there but that the registered exporters were based in Gauteng. Secondly provinces like Kwa-Zulu Natal and the Western Cape serves as exit points for tomato exports through the Durban harbour and Cape Town harbour respectively.

Highlights of the tomato exports in figure 8 were that the three Provinces of Western Cape, Kwazulu Natal and Gauteng were consistently the top tomato exporting Provinces of South Africa over the last decade. In 2009, Limpopo registered a considerable export value. Other Provinces featured intermittently but usually registered zero trade.



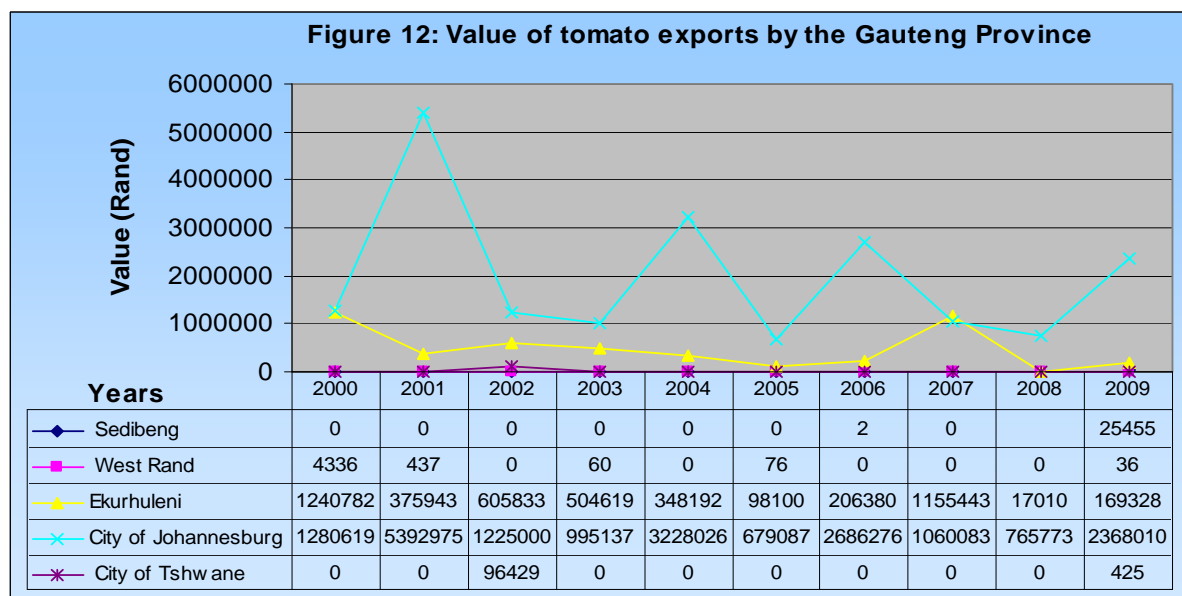
Source: Quantec Research

The following figures (Figures 10-17) show the value of tomato exports from the various districts in all the Provinces of South Africa.



Source: Quantec Research

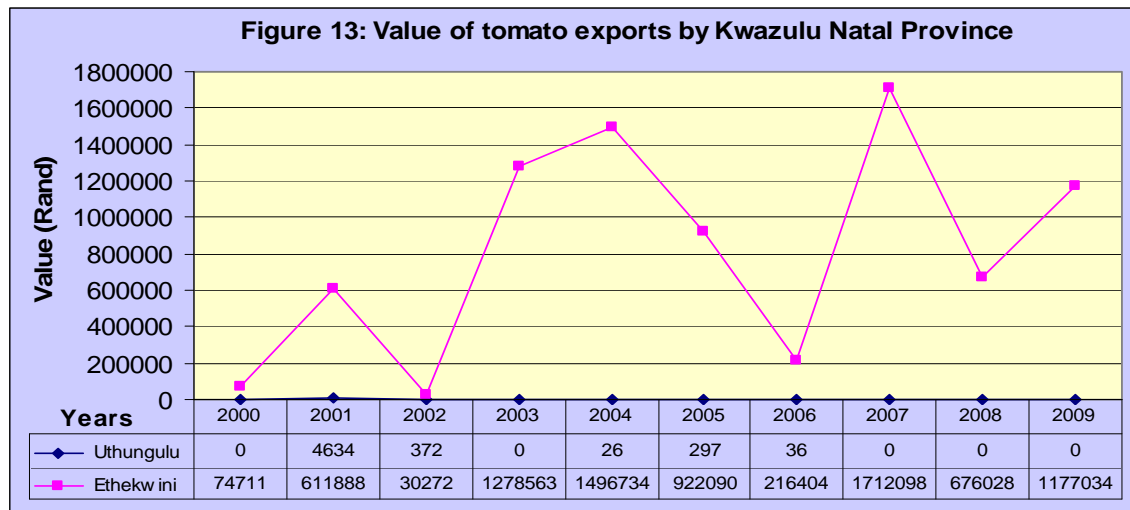
From figure 11 above, it is clear that tomato exports from the Western Cape Province are mainly from the City of Cape Town Metropolitan Municipality. In 2009 there was a 20.8% increase in value of tomato exports from the City of Cape Town Municipality. Export values recorded for Eden municipality were insignificantly low during the period under review.



Source: Quantec Research

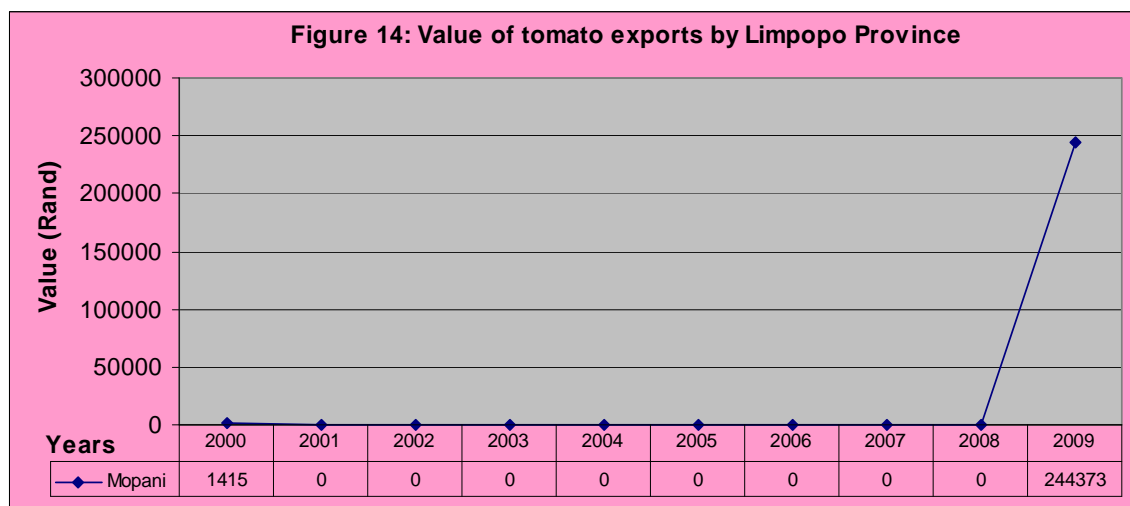
In the Gauteng Province, there have been fluctuations in tomato export values for the past ten years. The leading role players are City of Johannesburg and Ekurhuleni Municipalities. High export values were

recorded in 2001 (for the City of Johannesburg) and 2000 (for Ekurhuleni). However, in 2007 and 2008 there has been a significant drop in tomato export values from the City of Johannesburg Metropolitan Municipality. In 2009 the export values recorded for Ekurhuleni and City of Johannesburg municipality were incomparably higher compared to the previous year.



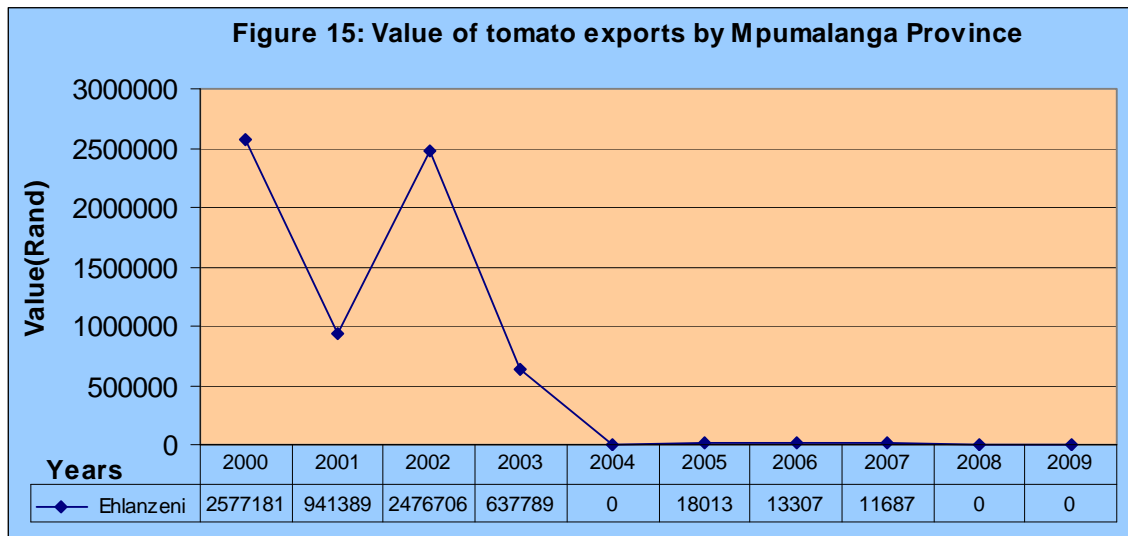
Source: Quantec Research

From figure 13, it is clear that tomato exports from the Kwa-Zulu Natal Province are mainly from Ethekwini Metropolitan Municipality. High export values for the leading municipality were recorded in 2007. In 2009 there was a 74% increase in tomato export value from Ethekwini. The use of the Durban harbour as an exit point may have played a major role in the Ethekwini municipality being a leader in the export of tomatoes from the Kwa-Zulu Natal Province.



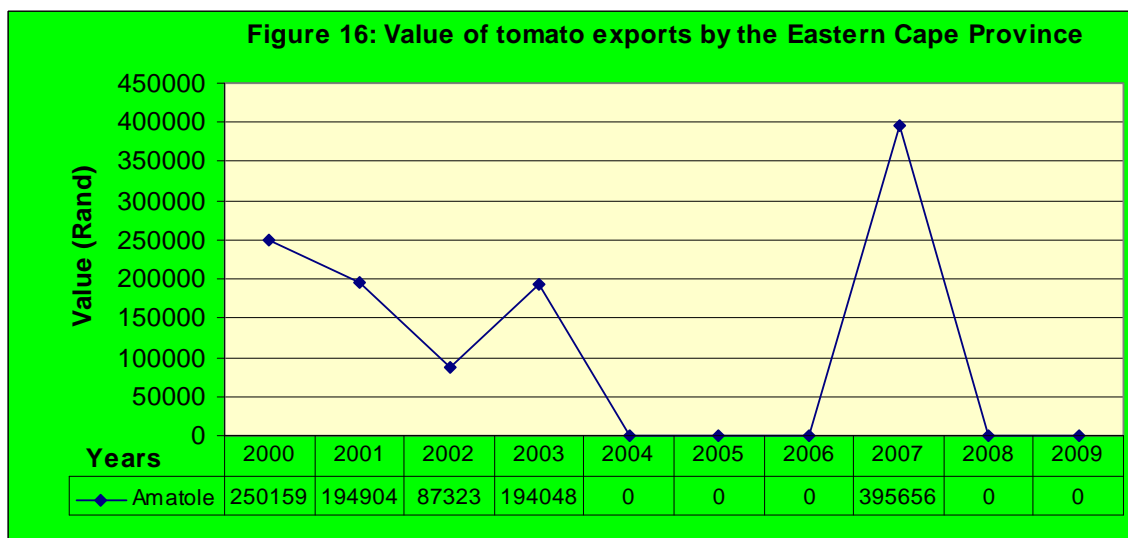
Source: Quantec Research

Figure 14 above, illustrate that, tomato exports from the Limpopo Province were in 2000; from 2001 to 2008 the province has recorded zero trade. In 2009, Mopani recorded a considerable export value for the Limpopo Province. This is in spite of the fact that the province is one of the leading producers of tomatoes.



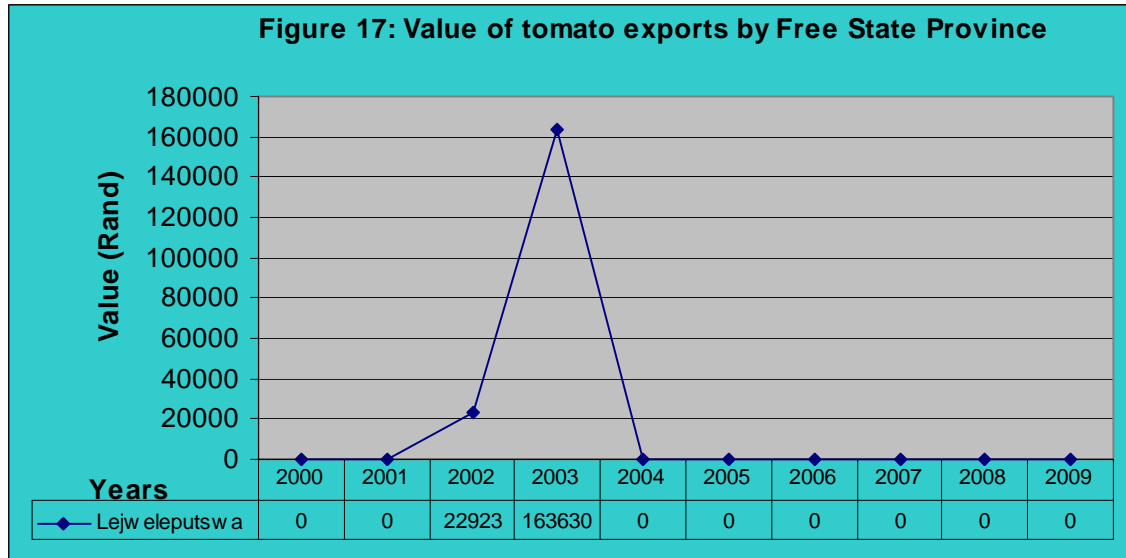
Source: Quantec Research

From figure 15, it is clear that tomato exports from the Mpumalanga Province are from Ehlanzeni District Municipality. High export value for the leading municipality was recorded in 2000. In 2004, 2008 and 2009 the province has recorded zero trade.



Source: Quantec Research

Figure 16 above shows that, tomato exports from the Eastern Cape Province were from Amatole district municipality and high export values were recorded in 2007 and 2009 there was no export values recorded.



Source: Quantec Research

Figure 17, illustrate that tomato exports from the Free State Province are from Lejweleputswa District Municipality. High export value for the leading municipality was recorded in 2003. From 2004 to 2009 the province has recorded zero trade.

## 2.4 Share analysis

Table 2 is an illustration of provincial share towards national tomato exports. It shows that Western Cape together with Gauteng and Kwa-Zulu Natal Provinces have commanded the greatest share of tomato exports for the past ten years. This is in spite of the fact that Limpopo, Mpumalanga and the Eastern Cape Provinces are the leading producers of tomatoes. As explained earlier, this means that the leading export Provinces (Western Cape, Gauteng and Kwa-Zulu Natal) derive their advantage from the fact that the registered exporters are based in their provinces and they also have exit points for tomato exports.

The above scenario raises concerns about the availability of marketing infrastructure and agro-logistics in the major tomato producing provinces of South Africa. In 2009, Western Cape commanded 78.52% and Gauteng commanded 13.82% of the tomato exports.

**Table 2: Share of provincial potato exports to the total RSA tomato exports (%)**

Year Province	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Western Cape	45.32	22.78	51.32	50.56	31.44	36.07	59.82	60.41	89.20	78.52
Eastern Cape	2.52	2	0.94	2.54	0	0	0	3.61	0	0
Free State	0	0	0.25	2.14	0	0	0	0	0	0
Kwazulu-Natal	0.75	6.33	0.33	16.75	20.23	34.33	2.79	15.64	5.01	6.34
Gauteng	25.44	59.23	20.64	19.65	48.33	28.93	37.23	20.23	5.80	13.82
Mpumalanga	25.96	9.66	26.53	8.36	0	0.67	0.17	0.11	0	0
Limpopo	0.01	0	0	0	0	0	0	0	0	1.32
RSA	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec Research

The following tables (table 3-9) show the share of provincial tomato exports to the total national tomato exports.

**Table 3: Share of district tomato exports to the total Western Cape provincial tomato exports (%)**

Year District	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City of Cape Town	100	100	100	99.75	92.79	100	97.97	100	100	99.93
Cape Winelands	0	0	0	0.25	0	0	0	0	0	0
Eden	0	0	0	0	7.21	0	2.03	0	0	0.07
Western Cape	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec Research

Table 3 above, shows that City of Cape Town commanded the greatest share of tomato exports from Western Cape Province during the period under review. Eden district municipality has contributed to a lesser extent. High export share by City of Cape Town can be attributed to the Cape Town harbour which renders exports exit point.

**Table 4: Share of district tomato exports to the total Gauteng provincial tomato exports (%)**

Year District	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
West Rand	0.17	0.01	0	0	0	0.01	0	0	0	0.99
Ekurhuleni	49.13	6.52	31.43	33.65	9.74	12.62	7.13	52.15	2.17	0
City of Johannesburg	50.70	93.48	63.56	66.35	90.26	87.37	92.87	47.85	97.58	6.61
City of Tshwane	0	0	5	0	0	0	0	0	0	92.38
Gauteng	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec Research



Table 4 above indicates that City of Johannesburg and Ekurhuleni municipalities commanded the greatest share of tomatoes exported from Gauteng Province expect for 2009. In 2009, City of Tshwane commanded 92.38% share of tomatoes exported in Gauteng Province. OR Tambo International Airport renders export exit point for exports from these municipalities.

**Table 5: Share of district tomato exports to the total Kwa-Zulu Natal provincial tomato exports (%)**

Year District	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Uthungulu	0	0.75	1.21	0	0	0.03	0.02	0	0	0
Ethekwini	100	99.25	98.79	100	100	99.97	99.98	100	100	100
Kwa Zulu-Natal	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec Research

Table 5 above indicates that Ethekwini municipality commanded the greatest share of all tomato exports from Kwazulu Natal Province during the ten year period. Durban Harbor serves as an exports exit point for exports from this municipality.

**Table 6: Share of district tomato exports to the total Limpopo provincial tomato exports (%)**

Year District	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Mopani	100	0	0	0	0	0	0	0	0	100
Limpopo	100	0	0	0	0	0	0	0	0	100

Source: Calculated from Quantec Research

Table 6, illustrate that Mopani commanded 100% of all tomato exports in the years that Limpopo province has recorded exports. From 2001 to 2008, there were no tomato exports from Limpopo province.

**Table 7: Share of district tomato exports to the total Mpumalanga provincial tomato exports (%)**

Year District	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Ehlanzeni	100	100	100	100	0	100	100	100	0	0
Mpumalanga	100	100	100	100	0	100	100	100	0	0

Source: Calculated from Quantec Research

Table 7 shows that Ehlanzeni district municipality commanded 100% share for all tomatoes exported in Mpumalanga during the period under review. In 2004, 2008 and 2009, there was no tomato exports recorded for Mpumalanga Province

**Table 8: Share of district tomato exports to the total Eastern Cape provincial tomato exports (%)**

<b>Years District</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Amatole</b>	100	100	100	100	0	0	0	100	100	0
<b>Eastern Cape</b>	100	100	100	100	0	0	0	100	100	0

*Source: Calculated from Quantec Research*

Table 7 shows that Amatole district municipality commanded 100% share for all tomatoes exported by Eastern Cape during the period under review. From 2004 to 2006 and 2009, there was no tomato exports recorded for Eastern Cape Province

**Table 9: Share of district tomato exports to the total Free State provincial tomato exports (%)**

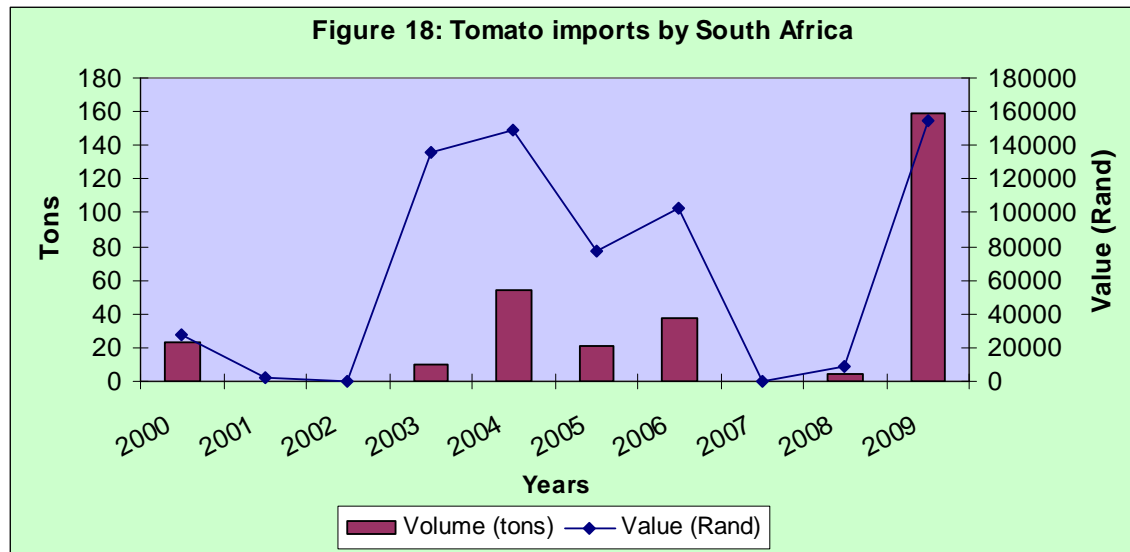
<b>Year District</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Lejweleputswa	0	0	100	100	0	0	0	0	0	0
<b>Free State</b>	0	0	100	100	0	0	0	0	0	0

*Source: Calculated from Quantec Research*

Table 9 above illustrate that in 2002 and 2003, Lejweleputswa district municipality commanded 100% share of tomato exports from Free State province.

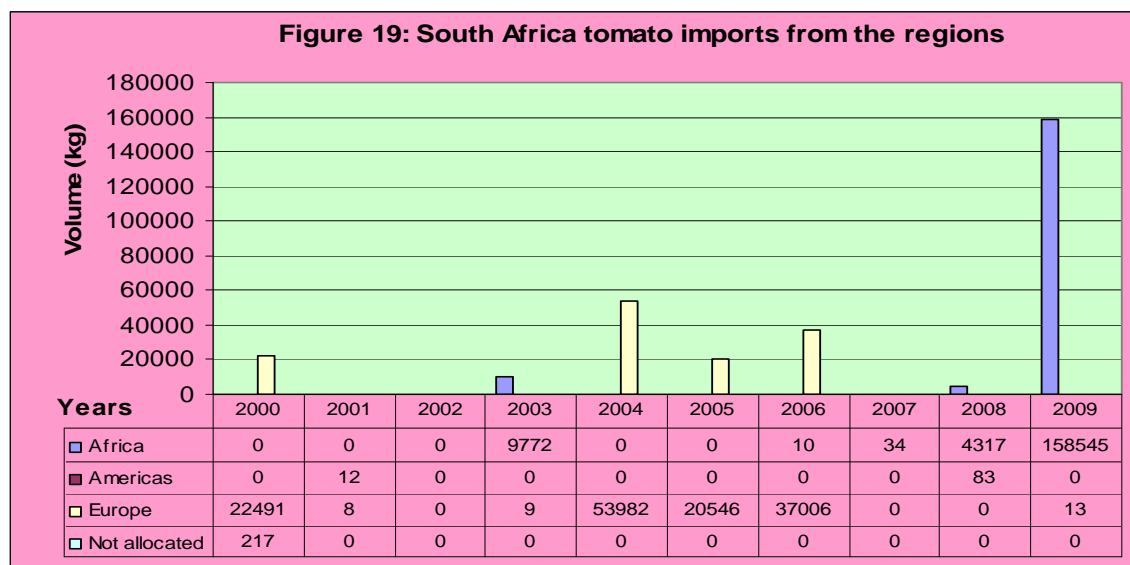
## **2.5 Tomato imports by South Africa**

Figure 18 below, illustrates that South Africa is self-sufficient in tomato production hence there are comparatively low levels of tomato imports compared to exports. Considerable import volumes were only recorded in 2000, 2004 to 2006 and in 2009, there was a significant increase in tomato import volume despite high production in the same year. This can be attributed to cheaper tomato import in the same year. It was also more expensive to import tomatoes from 2003 to 2006, since low volumes were imported at high value. South Africa imported tomatoes from Germany, France, United Kingdom, Italy and Zimbabwe. Globally, USA, Germany United Kingdom, Russian Federation, France and Netherlands are top countries importing tomatoes.

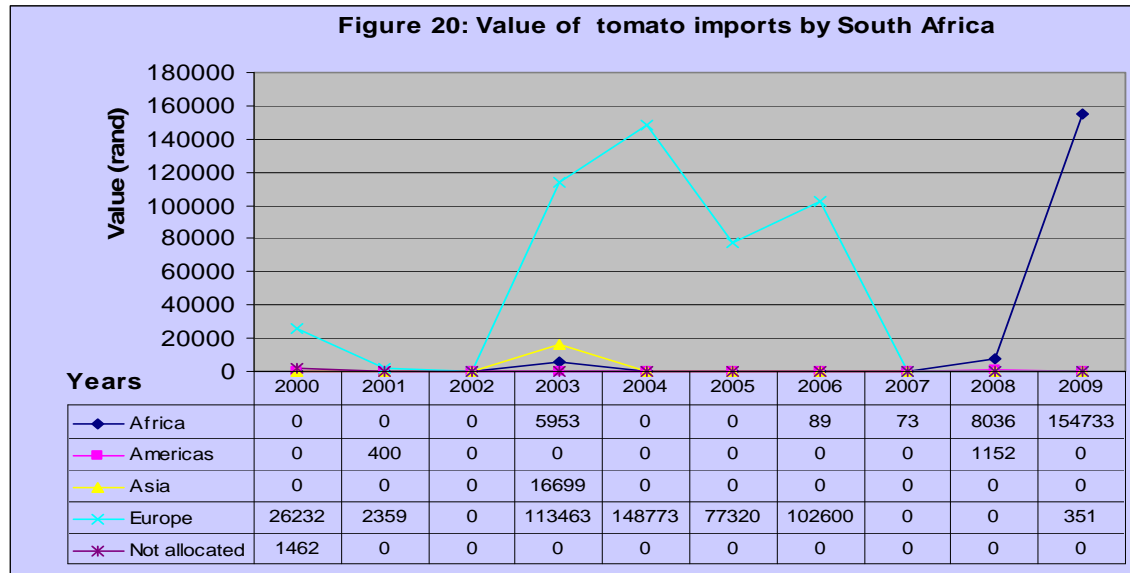


Source: Quantec Research

Figure 19 below illustrates South Africa's tomato imports from the regions in a period of 10 years. In 2000, 2004 to 2006 South Africa imported considerable quantities of tomatoes from the European region. In 2003 and 2009 South Africa imported tomatoes from the African region. Tomato imports from Americas region were insignificantly low.



Source: Quantec Research



Source: Quantec Research

Figure 20 above illustrate South Africa tomato imports value from the region from 2000 to 2009 period. It was expensive for South Africa to import tomatoes from European region. In 2009, it was less expensive to import from African region since low value were recorded for high volume imported.

## 2. 6 Processing

Processing of tomatoes consists of canning, freezing, dehydration and juice production. Tomatoes are processed into whole peeled, tomato and onion bruises, pasta, shredded, puree and pasta concentrate. The industry experienced an increase in growth mainly from canning. In 2009 production season, 135 782 tons of tomatoes were canned. That represents a 6% decrease from the 144 524 tons canned in 2008. There was a significant increase in volume and value in tomato freezing. This can be attributed to increasing consumer demand of convenient ready to eat vegetables. In 2009, total processing accounted for 25% and 9.8% of tomato's total volume and value respectively.

**Table 10: Processed tomatoes**

Year	Canning		Juices		Freezing		Dehydration		Total Processing	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
	(Tonnes)	(Rand)	(Tonnes)	(Rand)	(Tonnes)	(Rand)	(Tonnes)	(Rand)	(Tonnes)	(Rand)
<b>2000</b>	103 155	39 474 890	99	43 240	82	53 681	263	120 279	103 599	39 692 090
<b>2001</b>	144 548	62 947 048	0	0	310	152 004	309	143 539	145 167	63 242 591
<b>2002</b>	138 480	64 508 750	0	0	0	0	58	35 670	138 538	64 544 420
<b>2003</b>	123 539	67 124 388	1 880	1 052 495	0	0	73	53 791	125 492	68 230 675
<b>2004</b>	131 732	73 898 626	1 290	752 084	87	74 113	41	25 946	133 150	74 750 769
<b>2005</b>	141 872	84 081 047	1 877	1 091 804	123	108 203	0	0	143 872	85 281 055
<b>2006</b>	123 081	72 343 889	0	0	80	47 515	0	0	123 161	72 391 404
<b>2007</b>	99 445	61 098 928	0	0	0.4	195	0	0	99 445	61 099 123
<b>2008</b>	144 524	103 058 063	0	0	53	53691	0	0	144 578	103 111 753
<b>2009</b>	135 782	150 828 518	0	0	110	412 54446	0	0	135 892	151 241 064

Source: Agricultural Statistics, Department of Agriculture, Forestry and Fisheries

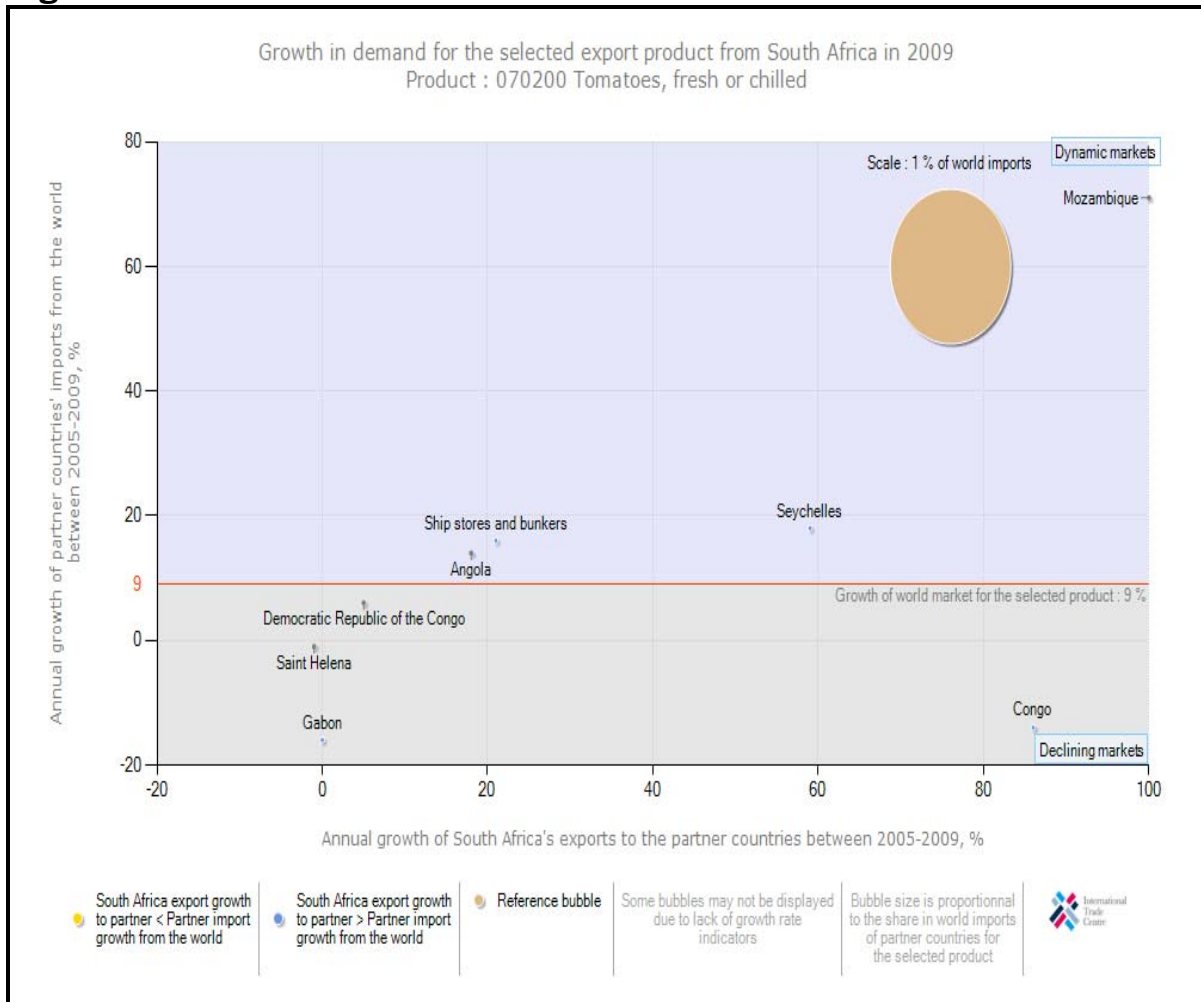
### 3. MARKET INTELLIGENCE

#### 3.1 Competitiveness of South African tomato exports

Competitiveness is described as an industry's capacity to create superior value for its customers and improved profits for the stakeholders in the value chain. The driving force in sustaining a competitive position is productivity that is output efficiency in relation to specific inputs with regard to human, capital and natural resources. South African tomato exports represent 0.03% of world exports and its ranking on the world exports are number 48. South Africa has improved its competitiveness as it was ranked number 52 in the previous year.

As depicted on figure 21 below, South African tomato exports are growing faster than the world imports into Mozambique and Seychelles. South Africa's performance in these countries is regarded as a gain in the dynamic market. South Africa tomato exports to Angola and Democratic Republic of Congo are growing slower than the world imports into these countries and South Africa's performance is regarded as a loss in dynamic markets. South Africa tomato exports are growing while the world imports are declining into Gabon and Congo.

**Figure 21**

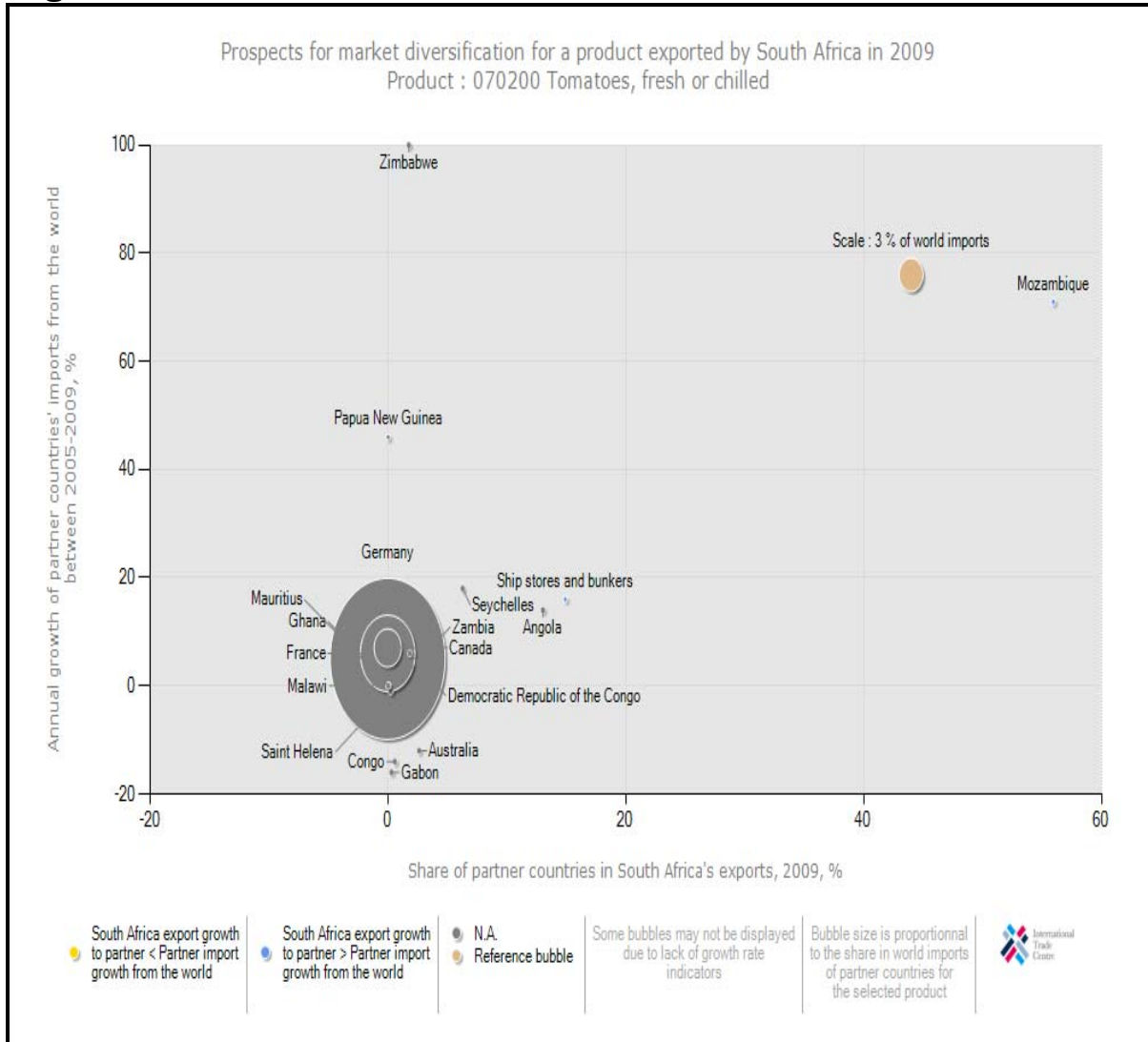


**Source: International Trade Map (ITC)**

Figure 22 below, illustrates prospects for market diversification by South African exporters of tomatoes. Mozambique holds a bigger market share of South African tomato exports. In terms of market size United States of America (USA), Germany and United Kingdom (UK) are the leading markets/importers of tomatoes.

Whilst three countries dominate world tomato imports, it is interesting to note that countries like Zimbabwe, together with Papua New Guinea have experienced higher annual growth rate in value from 2005 – 2009. Zimbabwe experienced an annual growth rate of 139% and Papua New Guinea has experienced an annual growth of 46% annual growth rate. These countries represent possible lucrative markets for South African tomato producers.

**Figure 22**



**Source: International Trade Map (ITC)**

#### 4. MARKET ACCESS

Barriers to trade can be divided into tariff barriers (including quotas, ad valorem tariffs, specific tariffs and entry price systems) and non tariff barriers (sanitary and phytosanitary measures, labels, etc). The main markets for vegetables (including tomatoes) employ various measures, both tariff and non tariff to protect the domestic industries. Whilst many of the non tariff measures can be justified under the auspices of issues such as health and standards, the tariff measures are increasingly under the scrutiny of the World Trade Organization (WTO), and as such are gradually being phased out. Nevertheless, exporters need to be aware of

all the barriers that they may encounter when trying to get their produce on foreign shelves.

#### **4.1 Tariff, quotas and the price entry system**

Tariffs are either designed to earn government revenue from products being imported or to raise the price of imports so as to render local produce more competitive and protect domestic industries.

Quotas can be used to protect domestic industries from excessive imports originating from areas with some form of competitive advantage (which can therefore produce lower cost produce). Tariffs and quotas are often combined, allowing the imports to enter at a certain tariff rate up to a specified quantity. Thereafter, imports from that particular region will attract higher tariffs, or will not be allowed at all.

The entry price system, which is used in many northern hemisphere markets, makes use of multiple tariff rates during different periods when domestic producers are trying to sell their produce, and lower the tariffs during their off-season. Alternatively, the tariff rate can be a function of a market price – if the produce enters at a price which is too low (and therefore likely to be too competitive), it qualifies for a higher tariff schedule.

Whilst tariff regulations can be prohibitive and result in inferior market access, it is often the non tariff barriers that restrict countries like South from successfully entering the large developed markets. Many of these barriers revolve around different types of standards, including sanitary and phytosanitary standards (SPS), food health and safety issues, food labeling and packaging, organic produce certification, quality assurance and other standards and grades.



**Table 11: Tariffs applied by various export markets to tomatoes from South Africa**

COUNTRY	PRODUCT DESCRIPTION	TRADE REGIME	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF	APPLIED TARIFFS	TOTAL AD VALOREM EQUIVALENT TARIFF
			2009		2010	
Angola	Tomatoes, fresh or chilled:	MFN duties (Applied)	15.00%	15.00%	15.00%	15.00%
Belgium	Tomatoes, fresh or chilled: Cherry tomatoes	Preferential tariff for South Africa	2.40%	2.40%	0.00%	0.00%
DRC	Tomatoes, fresh or chilled	MFN duties	10.00%	10.00%	10.00%	10.00%
Germany	Tomatoes, fresh or chilled:	Preferential tariff for South Africa	2.40%	2.40%	0.00%	0.00%
Ghana	Tomatoes fresh or chilled	MFN duties (Applied)	20.00%	20.00%	20.00%	20.00%
Mozambique	Tomatoes, fresh or chilled:	Preferential tariff for South Africa	15.00%	15.00%	15.00%	15.00%
Netherlands	Tomatoes, fresh or chilled: Cherry tomatoes.	Preferential tariff for South Africa	2.40%	2.40%	0.00%	0.00%
Nigeria	Tomatoes, fresh or chilled	MFN duties (Applied)	20.00%	20.00%	20.00%	20.00%
Russian Federation	Tomatoes, fresh or chilled	General tariff (MNF applied)	\$111.83/ton	20.10%	\$104.83/ton	21.17%
		Preferential tariff for GPS countries	13.16	17.55%	13.16	17.55%
Seychelles	Tomatoes, fresh or chilled:	General tariff	0.00%	0.00%	0.00%	0.00%
Sweden	Tomatoes, fresh or chilled: Cherry tomatoes.	Preferential tariff for South Africa	2.40%	2.40%	0.00%	0.00%

Switzerland	Tomatoes, fresh or chilled: entered during October 21 to April 30	Preferential tariff for SACU countries	0.00%	0.00%	0.00%	0.00%
United Arab Emirates	Tomatoes, fresh or chilled	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
United Kingdom	Tomatoes, fresh or chilled:	Preferential tariff for South Africa	2.40%	2.40%	0.00%	0.00%
France	Tomatoes, fresh or chilled	Preferential tariff for South Africa	2.40%	2.40%	0.00%	0.00%
Gabon	Tomatoes, fresh or chilled:	MNF duties (Applied)	30.00%	30.00%	30.00%	30.00%
Zambia	Tomatoes, fresh or chilled:	Preferential tariff for South Africa	15.00%	15.00%	15.00%	15.00%
Zimbabwe	Tomatoes, fresh or chilled:	MNF duties (Applied)	40.00%	40.00%	40.00%	40.00%
USA	Tomatoes, fresh or chilled,	Preferential tariff for AGOA countries	0.00%	0.00%	0.00%	0.00%

Source: Market Access Map

The most lucrative export markets for tomatoes from South Africa are the EU countries (Belgium, Germany, Italy, Netherlands, Sweden and United Kingdom) since they apply a preferential tariff of 0.00% to tomato exports originating from South Africa due to EU-SA Free Trade Agreement (FTA). EU countries have reduced their preferential tariff from 2.40% to 0.00%. Furthermore, South Africa has access to the US market under the AGOA which significantly lowers the tariff barriers for South African tomatoes. Switzerland also has a GSP system in place, for which South Africa qualifies. Zimbabwe applies 40%, Angola and Zambia applies 15% tariff to tomato exports from South Africa despite SADC-FTA.

In reality, the tariffs are likely to be far lower for South Africa when considering the preferential agreements, but at the same time, most tariff structures are particularly complex, with quotas, seasonal tariffs and specific tariffs (an amount per unit rather than a percentage of value) all contributing to many different tariff lines and often higher duties payable than one might have anticipated initially. One must also bear in

mind that most tariffs are designated to protect domestic industries, and as such are likely to discriminate against those attempting to compete with the domestic producers of that country.

## **5. DISTRIBUTION CHANNELS**

There are roughly three distinct sales channels for exporting vegetables. One can sell directly to an importer with or without the assistance of an agent. One can supply vegetables combined, which will then contract out importers/marketers and try to take advantage of economies of scale and increased bargaining power. At the same time combined vegetables might also supply large retail chains. One can also be a member of a private or cooperative export organization which will find agents or importers and market the produce collectively. Similar to combined vegetables, an export organization can either supply wholesale market or retail chains, depending on particular circumstances. Export organizations will wash, sort and package the produce.

They will also market the goods under their own name or on behalf of the member, which includes taking care of labeling, bar-coding, etc. Most of the time, export organizations will enter into a collective agreements with freight forwarders, negotiating better prices and services (more regular transport, lower peak season prices, etc). Some countries have institutions that handle all the produce (membership compulsory) and sell only to a restricted number of selected importers.

Agents will establish contacts between producers/export organizations and buyers in the importing country, and will usually take between 2% and 3% commission. In contrast, an importer will buy and sell his/her own capacity, assuming the full risk (unless on consignment). They will also be responsible for clearing the produce through customs, packaging and assuring label/quality compliance and distribution of the produce. Their margins lie between 5% and 10%. The contract importers of fruit combines market and distribute the produce of the combines, clear it through customs and in some cases treat and package it.

Only few exporters have long term contracts with wholesale grocers who deliver directly to retail shops, but with the increasing importance of standards (EUREGAP, etc) and the year round availability of fruit, the planning of long term contractual relationship is expected to increase.

## **6. LOGISTICS**

### **6.1 Mode of transport**

The transport of vegetables falls into two categories namely ocean cargo and air cargo. Ocean cargo takes much longer to reach the desired location but costing considerably less. The choice of transportation

method depends, for most parts on the fragility of the produce and how long it can remain relatively fresh. With the advent of technology and container improvements, the feasibility, cost and attractiveness of sea transport have improved considerably. With the increased exports by South Africa, the number and the regularity of maritime routes have increased. These economies of scale could benefit South Africa if more producers were to become exporters and take advantage of the various ports which have special capabilities in handling fruit produce (Durban new fruit terminal).

## **6.2 Cold chain management**

Cold chain management is crucial when handling perishable products, from the initial packing houses to the refrigerated container trucks that transport the produce to the shipping terminals, through to the storage facilities at these terminals, onto actual shipping vessels and containers, and finally on to the importers and distributors that must clear the produce and transport it to the markets/retail outlets. For every 10 Degree Celsius increase above the recommended temperature, the rate of respiration and ripening of produce can increase twice or even thrice. Related to this are increasing important traceability standards which require an efficient controlled supply chain and internationally accepted business standards.

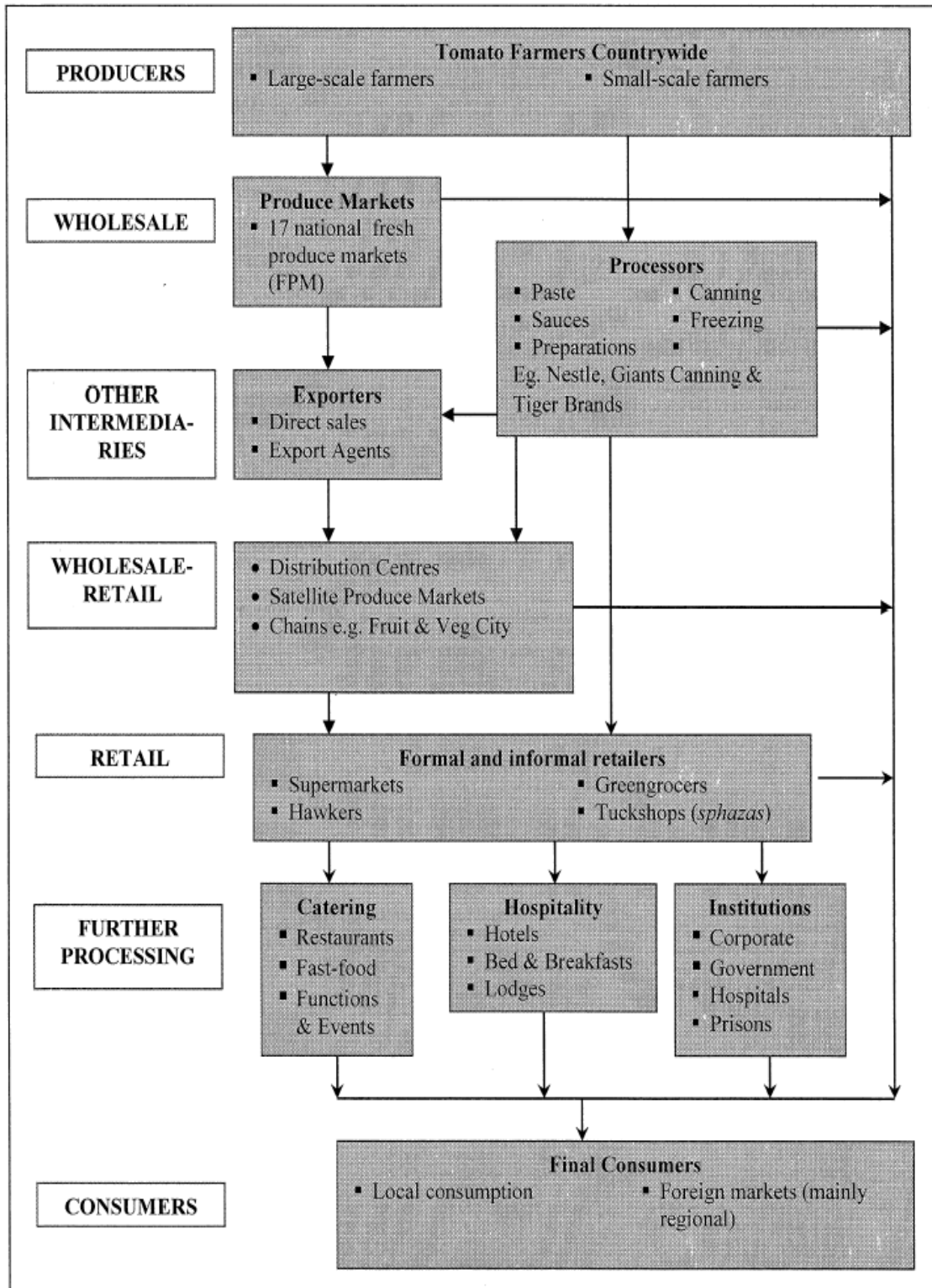
## **6.3 Packaging**

Packaging can also play an important role in ensuring safe and efficient transport of a product and conforming to handling requirements, uniformity recyclable material specifications, phytosanitary requirements, proper storage needs and even attractiveness for marketing purposes.

## **7. SIMPLIFIED TOMATO FOOD VALUE CHAIN**

The simplified tomato food value chain diagram is referred to as a simplified model because numerous interconnections were omitted and the size, levels of control and importance of each of the links and flows could not possibly be shown in a single diagram. Also of note is that horticultural produce value chains have a similar structure. The following discussion will focus on the main segments of the tomato value chain, wholesale, wholesale-retail, retail, processing and intermediaries.

**Figure 23: Simplified tomato food value chain**



## **7.1 Wholesalers**

FPMs are the dominant player and form of wholesaling in the South African tomato and fresh fruit and vegetable (FFV) sector. However other wholesale forms do exist including independent wholesalers, contract buyers, supermarket wholesaling subsidiaries, as well as farmer sales direct to retailers and to consumers.

Being the largest wholesalers, the FPMs have emerged as the FFV price-setters or, as nicknamed, the "fresh produce stock exchange. The prices at the FPMs are arrived at through a bargaining process mediated by market agents who have a dual objective to collect the best prices (and hence commission) for sales while ensuring that the highly perishable stocks are cleared. These prices are then used as reference prices even in private transactions outside the FPMs. Due to this importance; the *modus operandi* of the FPMs is the subject of a current Section 7 Committee of the National Agricultural Marketing Council (NAMC).

In the wholesale environment tomatoes are typically sold in bulk with a minimum of 10kg cartons and because price is negotiable, high volume buyers generally secure better deals than their small-scale counterparts.

## **7.2 Wholesale-retailers**

These businesses operate in the niche between wholesaler and retailer format stores and are classified as wholesale-retailers because their clientele include both final consumers and smaller retailers and food outlets (e.g. restaurants and caterers). Wholesale-retailing is relatively new in FFV with examples including the Fruit and Veg City chain (established in 1993), Evergreens in Pretoria (since 1994) and FPM satellite markets. Being one of the top FFV lines, tomatoes form a major part of wholesale-retailers' businesses and are sold in a variety of packages from bulk packs to loose singles. Tomato sales here are at predetermined prices.

## **7.3 Retailers**

South African tomato retailers exist in both the formal and informal sectors. In the former this includes formally registered retail chains, supermarkets and neighbourhood stores. The latter covers tuck shops (*sphaza*), and hawkers. In this environments tomato sales are at predetermined prices and typically individually or in small packages.

## **7.4 Processors**

As explained in 2.2, processing of tomatoes consists of canning, freezing, dehydration and juice. Tomatoes are processed into whole peeled, tomato

and onion bruises, pasta, shredded, puree and pasta concentrate. The leading players in the tomato processing industry are Tiger Brands, Nestle and Giants Canning.

There is also a set of further processors not captured in the group above. These entities use tomatoes (and tomato products) in food preparations. This includes caterers, hospitality and other institutions such as corporate, government institutions like hospitals, prisons, etc.

## **7.5 Intermediaries**

Intermediaries occur throughout the tomato value chain and perform the important function of facilitating transactions. Prominent examples include export agents, van buyers, contract buyers and market agents. The common element in these businesses is that for a fee, they enable other market players such as farmers or restaurateurs to focus on their core functions (tomato production and food preparation in this case) rather than on the often complex processes of exchange or international trade.

## **8. STRATEGIC CHALLENGES**

With the opening up of markets, tomatoes like all other commodities are influenced by international factors such as:

- 8.1 Competing against subsidized products from the developed countries
- 8.2 The strengthening of the Rand against other major trading currencies like the Euro and the US dollar
- 8.3 Poor climatic conditions over many tomato producing areas.

## **9. TRANSFORMATION**

In Limpopo Province, tomato farmers with the assistance of provincial agriculture have organized themselves successfully into Limpopo Tomato Growers Association (LTGA). LTGA is a business association committed in transforming small holder farmers to commercial producers for creation of wealth, employment and ownership of the industry. LTGA facilitates the growth and development of its members through unique training, mentorship programmes, access to finance, access to markets and business exposure.

LTGA members have a major stake in food processing plant that produce a range of products under their brand name. The brand name is APOL, which stands for Agro-Processors of Limpopo. Foods such as APOL whole peeled tomatoes, tomato sauce, puree and onion mix will be available on supermarkets shelves.



## **10. ACKNOWLEDGEMENTS**

### **10.1 The following industries are acknowledged**

#### **10.1.1 Tomato Producers Organization**

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#### **10.1.2 Directorate: Agricultural Statistics**

##### **National Department of Agriculture, Forestry and Fisheries**

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0001  
Tel (012) 319 84 54  
Fax (012) 319 8031

#### **10.1.3 Limpopo Tomato Growers Association (LTGA)**

Chairperson: Mr. Walter Mocketla  
Tel (015) 305 3261  
Cell No: 083 770 7878

## **11.2 TOMATO PROCESSORS**

#### **11.2.1 Tiger Food Brand Limited**

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Tel (011) 840 4000  
Fax (011) 514 0460

#### **11.2.2 Giants Canning**

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### **11.2.3 Ashton Canning Company (Pty) Ltd**

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