



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org



D02891



Distr. LIMITED

ID/WG.88/14

9 July 1971

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Expert group meeting on processing
selected tropical fruits and vegetables
for export to premium markets

Salvador, Bahia, Brazil, 25 - 29 October 1971

THE SOUTH AFRICAN CANNING INDUSTRY WITH PARTICULAR 1/
REFERENCE TO THAT SECTION CONTROLLED BY THE
SOUTH AFRICAN CANNED FRUIT EXPORT BOARD

by

N.J. Lawson
Manager

South African Canned Fruit Export Board
Cape Town, South Africa

V The views and opinions expressed in this paper are those of the author, and do not necessarily reflect the views of the secretariat of UNIDO. This document has been reproduced without formal editing.

1d.71-5784

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

TABLE OF CONTENTS

	<u>Page</u>
Production statistics	1
Export statistics	2
Topographical considerations	2
Canning fruits board	3
South African Department of Agriculture - Inspection Service	6
Apricot, Peach and Pear Growers' Association	6
Fruit and Food Technological Research Institute	7
Pineapple Growers' Association	7
South African Citrus Board	8
Deciduous Fruit Board	8
South African canned fruit specifications	8
Packaging and transportation	10
South African Fruit and Vegetable Cannery Association (Pty) Ltd.	12
South African Canned Fruit Export Board - Powers and Organization	13
South African Canned Fruit Export Board - Practical aspects of operation	16
Promotional activity	20
Co-operation with government and other bodies	20
Future prospects	22

As you will all be aware, the Republic of South Africa is one of the major canned fruit and vegetable exporting countries of the world, and I feel it might be of interest were I to preface my paper by way of giving certain statistics in connexion with the production and distribution of canned fruit from my country.

PRODUCTION STATISTICS

The production of all canned fruit in the Republic has risen from 6.3 million basic cartons^{1/} in 1960 to approximately 11.3 million basic cartons in 1969. Canned vegetable production has, over the same period, risen from 1.3 million basic cartons to some 2.9 million basic cartons and the production of canned fruit and vegetable juices, canned pulps and canned jams and marmalade has also increased during this period.

Of the canned fruits canned in South Africa, the major packs are Y.C. peaches which account for some 5 million basic cartons, pineapples accounting for 1.8 million cartons, pears $1\frac{1}{2}$ million basic cartons, and canned apricots just over half a million basic cartons.

Other fruits canned are grapefruit, guavas, oranges, mangoes, pawpaw, tropical fruit salad, certain berries and other smaller products which I will not mention in this particular paper.

The chief vegetable packs are baked beans and peas, the packs of which are approximately half a million basic cartons each. Then of course we have canned sweet corn, canned tomatoes, canned tomato paste, sauerkraut and so on, throughout the whole range of vegetable products, and details of individual production figures are available from "Fruit Intelligence" which is published monthly in London.

The major juices canned are grapefruit, orange, guava, pineapple and tomato; various nectars are canned in addition to juices.

The total production, therefore, of all canned fruit and vegetable products in the Republic of South Africa is some 15 million basic cartons per annum.

^{1/} The term "basic carton" applies to a carton containing 24 size A2½ cans, or 45 lbs. net weight of fruit.

EXPORT STATISTICS

I would now like to say a few words about the exportation of these products. Firstly, dealing with canned fruit, which is the major portion of the pack, I would mention that whereas some 12 years ago, 83% of the total production was exported to the United Kingdom market, in 1969 this percentage had fallen to 61%. This should not be taken to mean that a lesser quantity was exported to the United Kingdom, and indeed, quite the reverse is true, but it does indicate that there has been a considerable diversification of markets over the last few years. Of the remaining 39%, only 12% is utilized on the local market, the remaining 27% being exported to markets other than the United Kingdom, mainly in Europe and on the African Continent.

Whereas the bulk of the canned fruit production is exported, the position is reversed when it comes to canned vegetables in that the local market consumption accounts for some 86% of the production, the other 14% being exported to other countries, mainly the United Kingdom. The position is somewhat similar where jams, marmalades and juices are concerned, in that some 80% is consumed locally, 7% is exported to the United Kingdom, and the remaining 13% is exported to other countries, once again mainly in Europe and on the Continent of Africa.

I trust that the foregoing will give you a fair indication of the size of the South African production of the canned fruit and vegetable products and it could be added that it is expected that this production will continue to expand over the next few years.

TOPOGRAPHICAL CONSIDERATIONS

Climatic conditions within the Republic of South Africa vary considerably from area to area, and it will, therefore, be found that the demarcation of areas of production is in many cases quite distinct. Deciduous fruits such as apricots, peaches, pears and others such as guavas, are grown and canned mainly in the west of the Cape Province, which is in the south west corner of the Republic. Whilst certain vegetables are also grown in this area, the main processing area for vegetables is in the Transvaal, which is in the north of the Republic. Pineapples are grown mainly in the eastern areas of the Cape Province and Natal.

Canners of tropical fruits are also situated mainly in the Transvaal. It will, therefore, be found that in many instances canning factories tend to specialize in the processing of certain varieties of canned fruit, but often it is found more economic for canners to undertake the processing of minor packs during certain months of the off-season when the major production is not available.

Several larger canners have found it necessary to establish canning factories near the areas where the raw product is grown, rather than to transport the raw product over a distance to a central point for processing. With the very considerable distances involved, and the wide spread areas of production of the fresh product, this is obviously essential, not only from the point of view of cost, but from the aspect of getting the fresh product to the factory in as good a condition as possible.

It will be found that the majority of fruit canning factories in the Republic are situated reasonably close to the coast. There are, however, factories situated in the Transvaal, but the topography of South Africa is such that the fresh deciduous fruit is grown in proximity to the coastline, the Cape interior being arid and unsuitable for fruit production. There are exceptions to this but as pointed out previously those factories situated in the interior largely process vegetables or other products which are not exported by sea on the same scale as those grown near the coast. This feature obviates the necessity of a long rail or road haul of the finished product to the coast for export, a procedure which is costly in money and out-turn condition at port of destination;

Having given an outline of the productive capacity of the South African Industry, and the geographical areas into which it is divided, I feel it might now be of interest were I to summarize how the industry is organized as far as the supply of the fresh product is concerned.

CANNING FRUITS BOARD

The Canning Fruits Board is a statutory body established under an Act of Parliament, and is responsible for the overall organization of the supplies of fresh apricots, peaches and pears to canners. It is headquartered in the

Western Cape some 30 miles from Cape Town. In order to ensure the orderly marketing of the fresh product, it has been given powers and functions which are in certain instances subject to the approval of the South African Minister of Agriculture.

Subject to the approval of the Minister, the Board may, and does in fact, establish minimum prices for the fresh fruit, under its control, for sale to canning factories. To assist the Board in carrying out this function, it has power to establish special pricing committees for each of the three controlled fruit and the Members of these committees are appointed by the Minister, the Members thereof not necessarily being Members of the Board. It should be mentioned that on these committees, there is equal representation of canners and growers and when the pricing committee has agreed upon tentative minimum prices, these are put before the full Board for approval. Should this be obtained, the Minister is then requested to give his approval thereto prior to their being promulgated in the Government Gazette.

In order that growers and canners be able to organize their respective crop disposal and intake in advance, the Board has power to make the buying and selling of fresh fruit conditional upon the drawing up of seasonal contracts, which seasonal contracts must be registered with the Board prior to the commencement of the intake of the fruit; this power is exercised by the Board and lends to stability of annual supply.

In addition, the Board has power to prohibit the sale and purchase of certain grades of fresh fruit and during the past couple of years, has prohibited the sale and processing of under-grade fruit, as determined by the fresh fruit grading regulations. It is, of course, possible in the future, that such control may be extended to other grades and/or varieties should this be found necessary by the Industry.

In addition to its pricing function, the Board acts in an advisory capacity to the Minister of Agriculture regarding fresh fruit grading regulations and although the actual grading of the fresh fruit received by the canner is carried out by factory personnel, within the regulations laid down by the Minister of Agriculture, an Inspector of the Canning Fruit Board is on hand to ensure that there is a degree of uniformity from factory to factory.

Board funds are raised by means of levies on fresh fruit purchases by canners, and may be either a fixed amount per ton or a percentage of the purchase price. During the 1970/71 season, the Board took advantage of another provision in its Act, and has established a levy fund payable equally by canner and grower which fund may be used at the Board's discretion for certain specific purposes in future years.

It is obviously essential that canners be aware, as accurately as possible, of the crop of fresh fruit which will be available for processing in any one year, and this is a further function of the Canning Fruit Board. From returns made by canners and by farmers, the Board forecasts the annual crop and this is assisted by a full tree-survey which is carried out by the Board at regular intervals. This tree-survey is very comprehensive and gives full details by area and variety of the number of growing trees, bearing trees, their age and so on, and a projection of future production.

The Board itself consists of 12 members of whom 7 are growers, 4 are canner representatives (one of whom represents co-operative canners) and 1 is a representative of the Department of Agriculture. Nominations of the grower representatives to the Board are made to the Minister of Agriculture by the Apricot, Peach and Pear Growers' Association whilst those of the canner representatives are made by the South African Fruit and Vegetable Canners' Association.

It is obviously essential that the Canning Fruit Board and the South African Canned Fruit Export Board work in close collaboration and for this reason two members of the Canning Fruit Board attend meetings of the Export Board and, as was mentioned earlier, there are four canner representatives on the Canning Fruit Board. It is envisaged that the close liaison between these two Boards will increase in the future to the benefit of the South African Industry as a whole.

The actual setting of the minimum prices for fresh fruit as described in the foregoing, is further assisted by a cost investigation into the canning of fruit which is carried out each year by members of the South African National Marketing Council, and this cost investigation shows, industry-wise, the amount of profit or loss made in respect of the canning of each individual variety of fresh fruit. The results of this investigation are taken into

consideration by the Canning Fruit Board and by the Minister of Agriculture when setting the price for fresh fruit for the following season. In addition, consideration is also taken of the quantity of unsold stocks of canned fruit which may be held by canners in South Africa.

SOUTH AFRICAN DEPARTMENT OF AGRICULTURE-INSPECTION SERVICE

Inspectors of the South African Department of Agriculture, are situated in all canning factories in South Africa, and are responsible for ensuring that the canned fruit specifications as laid down by the Department of Agricultural Economics and Marketing are adhered to by canners. These specifications are mandatory and are promulgated by means of the Government Gazette; further details thereof will be given later in this paper.

Additionally, these inspectors are responsible, by arrangement between the Department of Agriculture and the Canning Fruit Board, for ensuring that the Board's requirements regarding fresh fruit diversion of, e.g. under-grade fruit, are carried out properly by the canner.

Canned fruit which is exported from South Africa, is not only inspected for quality at the factory by the Inspectors of the Department of Agriculture, but prior to export is subject to a further inspection, by sample, by officials of the Inspection Service at the port of exit immediately prior to shipment. All canned fruit which is exported from the country requires a certificate from the Inspection Service to the effect that it conforms to the Regulations regarding labelling, grading etc. as laid down in the Canned Fruit Specifications.

As the United Kingdom is one of the major markets for the export of South African canned fruit, an Inspector of the Department of Agriculture is also stationed in the South African Embassy in London and assists in the further inspection of canned fruit and in the settlement of any quality claims which may arise between canner and buyer.

APRICOT, PEACH AND PEAR GROWERS' ASSOCIATION

In addition to the Statutory Board, the growers in the Western Cape are organized under the Apricot, Peach and Pear Growers' Association which is

a purely voluntary body, and which deals with problems arising within the producing section of the Industry and the many technical matters connected with the cultivation of the fresh fruit. This body acts as a forum for discussion and enables growers to exchange ideas and to compare their problems one with the other. It also enables them to make a unified approach to the Department of Agriculture and other Government Departments and, where necessary, to have its problems investigated by the Fruit and Food Technological Research Institute which is attached to the University of Stellenbosch.

FRUIT AND FOOD TECHNOLOGICAL RESEARCH INSTITUTE

This Institute which is situated in Stellenbosch, some 30 miles from Cape Town, undertakes all necessary research into the growing of fresh fruit and has considerable acreages under cultivation experimenting with new varieties. It is able to give advice to growers on many of the problems facing them with regard to the cultivation of fruit trees. Not only does the Institute assist the grower, but it is also in a position to assist the canner, in that it has a model cannery within its jurisdiction and should a canner, or canners, experience certain difficulties, e.g. in the breaking down of certain types of fruit when canned, or in tin spoilage (or any such problem), the Research Institute can be called upon to investigate and give its findings in these regards.

PINEAPPLE GROWERS' ASSOCIATION

Pineapple growers are organised under the Pineapple Growers' Association which is situated in the Eastern Cape and embraces all farmers of pineapple. This body is relatively new, and is a sincere attempt to provide a forum for discussion similar to that which has been in existence in the Western Cape for apricots, peaches and pears. At this particular time, there is no statutory control board in existence in respect of pineapple, similar to the Canning Fruit Board.

S.A. CITRUS BOARD

With regard to the canning of citrus products such as grapefruit and oranges, the pricing of the fresh product to canners and the allocation of certain tonnages to canneries is undertaken by the South African Citrus Board. As stated in the foregoing the Canning Fruit Board does not undertake the allocation of apricots, peaches and pears to canners, but organises the intake by way of annual contracts. However, the S.A. Citrus Board actually allocates the fresh citrus to canners on an annual basis, and all negotiations for fresh citrus fruits are made between the canner and the Board - not direct with individual farmers. The Citrus Board is also the body responsible for the marketing of fresh citrus in the Republic and to export markets and here I am sure "Outspan" brand oranges etc. will readily spring to mind. In order to properly control the fresh exports and the canned quantities, the Board has its system of allocation to canners.

DECIDUOUS FRUIT BOARD

The export of fresh peaches, pears and apricots is not the responsibility of the Canning Fruit Board which, as its name implies, is a Board to deal solely with fruits for canning. Fresh exports of these three fruits are under the control of the Deciduous Fruit Board which, like the S.A. Citrus Board, is the sole marketing agent in the Republic.

S.A. CANNED FRUIT SPECIFICATIONS

Mention has been made in the foregoing of canned fruit specifications laid down by the Department of Agriculture. These specifications are extremely detailed and copies thereof can be obtained from the Government printer in Pretoria, South Africa. However, I feel that it may be of interest were I to give an outline of their content.

The specifications lay down the type of container which may be used for the packing of food stuffs and how these containers should be marked. It lays down regulations concerning the marking and labelling of containers, but it must, of course, be remembered that these are also subject to the conditions applicable in the country to which the goods are exported and provision is made for this in the Specifications. In addition to the general specifications

regarding labelling, thermophilic spoilage, syrup strengths, etc. detailed specifications for each type of canned fruit and vegetable product which is produced in the Republic are determined.

As an example, I will take the specifications for canned yellow clingstone peaches and give a synopsis of the various standards which must be complied with in accordance with such specifications. The first proviso states that the peaches shall be packed in certain ways, such as wholes, halves, quarters, slices or irregular pieces, and that there shall be three grades, namely Fancy, Choice and Standard grades (anything falling below Standard grade being classified as Sub/Standard grade which may only be exported from South Africa under certain stringent conditions.) Only canned peaches of similar varietal characteristics can be packed in the same containers and they must be cleanly peeled, halves being of normal shape, clean cut and there should not be any of the peach stone remaining in the canned product. Specifications are laid down concerning the minimum count in respect of halves, wholes, etc., the minimum drained weight of the product, the minimum average ingoing weight, the actual minimum ingoing weight, the minimum degree brix or cut out syrup strength, uniformity of size, colour, the number of defects, and the description of such defects, the degree of crushing which may be permitted in certain of the grades. Unless the canned product complies with all these specifications, it will not be given the grade which was intended by the canner.

It should be pointed out that in South Africa, these specifications are mandatory and must be complied with by all canners. This ensures a very high quality of canned product and is absolutely essential if an entire country's exports of canned fruit are to be recognised through the world as being of such quality.

It might here be mentioned that considerable progress has been made with the drawing up of Codex Alimentarius which is a minimum specification for canned fruit and vegetable products which may or may not be accepted by the countries connected with these discussions, but it is felt that the South African specifications, which are possibly the most detailed mandatory set in the world, are, in every respect, able to meet the requirements of Codex Alimentarius and are, in fact, much more stringent.

Before giving details of how the canners in South Africa are organised, I feel it may be of interest to touch briefly on the packaging of canned fruit in the Republic.

PACKAGING AND TRANSPORTATION

Certain can sizes are recognised as standard throughout the world, such as the A.2 $\frac{1}{2}$ can size which is approximately 29 oz. weight, the A.2 which is approximately 20 oz., the No. 1 can size, which is the 15/15 $\frac{1}{2}$ oz., the buffet or approximately 8 oz. can size, and the A.10 can size which is used mainly for catering packs. As far as jams and marmalades are concerned, the 1 lb and 2 lb cans are probably the ones most normally used in the Republic and for export.

Unlike canners in other countries, the majority of South African companies do not operate and maintain their own can-making plant. To the best of my knowledge, there is only one company in South Africa which presently manufactures the majority of its own cans. Otherwise the cans are all obtained from one supplier, and this does, of course, make for uniformity of standard and economies of scale.

Again, canners do not undertake the printing of labels, this being the specialist printers province. It may here be stated that a large percentage of South African canned fruit is exported under buyer's own labels and in the more sophisticated canned goods markets this trend appears to be on the increase particularly with the growth of the supermarket chains.

The technical intricacies of labelling and cartoning etc. will most likely be dealt with by more qualified speakers than myself. However, I would mention that there does appear in South Africa, as far as exports are concerned, to be a gradual movement away from the traditional method of placing the cans in fibre or cardboard cartons for transportation. Shrink-wrapping on trays or shrink-wrapping within cartons or even shrink-wrapping onto a pallet is now gaining ground vis-a-vis the traditional method of loose cartons and whilst this necessarily requires specialised equipment to be installed in the factories, it is ideal for the new concept of the cash and carry wholesaler and, when operated properly and in reasonable volume, should not prove to be any more

expensive than the traditional methods.

Whichever method of wrapping, cartoning, shrink-wrapping and so on, is used, it is of vital importance that the cans themselves be protected from denting or damage. This is particularly important in view of the growth of the supermarket. The days of the family grocer seem to be fast disappearing and whether this is for good or for evil, is not for me to say, but, whereas in the past the housewife asked across the counter for a can of peaches and accepted what she was given by the grocer, she now picks her own cans from the supermarket shelf and it has been found from surveys that she will by-pass a can, which has been dented, or even one on which the label has been torn.

Great care must also be taken to ensure that rusting of cans does not take place and this is one of the aspects of shrink-wrapping which requires special attention due to condensation which can possibly occur and, I understand, it is even possible to have rusting of cans depending upon the type of glue used on the label.

You will probably all be aware that South African trade is not yet containerised and for this reason our products must necessarily be exported in the traditional type of ship. The movement of canned fruit in loose cartons entails a considerable amount of handling and each time a carton is handled, the chance of damaging the contents is, of course, increased. To overcome this, the Industry is, as far as it is practicable with the existing shipping facilities, attempting to palletise its goods for shipment to the United Kingdom and Europe and although nowhere near 100 per cent palletisation can be obtained, at this stage, it has been found, that that portion which has gone forward on pallets has had a much better outturn condition than that transported in a loose form. Obviously, goods which can be contained, will arrive in a much better condition, than those which are palletised and those which are palletised or unitised will be in a better condition than those which are not.

The South African Industry has made recommendations to its individual members regarding the strength of cartons which should be used for export and has assisted in drawing up recommended specifications for pallets which should be used in the export of canned fruit and it is felt that both of these measures have assisted in ensuring that South African canned goods arrive at their destination in as good a condition as is possible.

So far, I have outlined the productive capacity of the South African Industry, approximately where this production is sent, the organisation of the fresh fruit producing half of the Industry and have given a few details of developments with regard to packaging and exporting. The organisation of the "canning" side of the Industry will now be dealt with and it is here where particular mention will be made of the statutory Board which has been established by the South African Government to promote and control the export of canned fruit from the Republic.

S.A. FRUIT AND VEGETABLE CANNERS' ASSOCIATION (PTY) LTD

Before giving details of my Board's operations, it should be stated that canners have organised themselves voluntarily into a body which is known as the South African Fruit and Vegetable Canners' Association which is a forum for discussion for all canners of fruit and vegetable products within the Republic. The Association deals with any aspect of the canning of fruit which may arise and on behalf of the canners liaises with the South African Sugar Association, the Carton Manufacturers Association etc. It also deals with labour problems and, in general, advises its representatives on the Export Board and on the Canning Fruit Board as to the feeling of the canning industry in general.

Another of the Association's main functions, is to co-ordinate the shipping requirements of the Industry and to liaise with the South and South-East African Conference Lines to ensure that shipping space is available to canners as and when it is required. This is a most important aspect of the Association's work, in that it is obviously of vital importance that goods purchased be available to the buyer when they are required. Monthly meetings are held between the shipping companies and the Association and at these meetings, details of canners' estimated space requirements for the following months are given to the shipping companies and any points of difficulty fully discussed.

The Association also keeps complete records of canners' intake of fresh fruit by area and grade and full details of the exports of these products to various countries throughout the world. Its statistical information, which is normally published quarterly, is great assistance to the Industry as a whole.

The Association is the body which recommends to the Minister of Agriculture the names of the canner representatives on the Canning Fruit Board and in addition, is the body which is empowered to make recommendations to the Minister of Economic Affairs regarding the constitution of the South African Canned Fruit Export Board.

As the South African Canned Fruit Export Board does not have control over all canned fruit and vegetable productions from the Republic, the Association is also the forum of discussion for canners of other products who may wish to meet to discuss certain price levels (and related Terms and Conditions of Sale) which might be obtained on certain overseas markets. In this regard, however, it should be pointed out that the Association does not have any statutory powers and that any price agreements or other agreements which may be reached amongst its members are purely on a voluntary basis.

Because the Association and the Board are bodies consisting of canners, and the interests of the Association and the Board in many instances overlap, there is a very close collaboration between the two bodies which is beneficial to the Industry. Obviously, decisions taken by the Statutory Body can affect the remainder of the Industry not under its control and this aspect is one for liaison between the two organizations.

S.A. CANNED FRUIT EXPORT BOARD POWERS AND ORGANISATION

I now come to the South African Canned Fruit Export Board and would firstly state that this Board is very new indeed compared with many of the control Boards which have been in existence in South Africa for many years and indeed is very new in comparison with certain export boards which have been in operation in other countries. Indeed, the South African Canned Fruit export Act was passed in 1967 and the Board only commenced operations in July of 1968. During the remainder of 1968, the Board was, of course, settling in, and did not really commence to operate in terms of the Act until January, 1969 so that it is only during the past 3 seasons, that is 1969, 1970 and 1971 that the Board has exercised the powers given to it in the Act.

Perhaps, before going into the operations and powers of the Board, a little background information on its formation might be of interest. Prior

to the formation of the Board, for several years there had been in existence a voluntary marketing plan in operation as far as canned deciduous fruits to the United Kingdom were concerned, and this operated reasonably well until just prior to the devaluation of sterling in 1967. It was then felt by the South African Government that the marketing of canned deciduous fruit from South Africa should be rationalized and Act No. 100 of 1967 was therefore passed by Parliament. Because of the experience which had been gained by the voluntary export schemes in the exportation of canned deciduous fruits, it was decided that, initially, the Export Board would have jurisdiction over apricots, peaches, pears, fruit salad, fruit cocktail and two fruits which are basically canned deciduous fruits with the addition of pineapple as far as fruit salad and fruit cocktail are concerned. The power is, however, contained in the Act for the Board to be given jurisdiction over the exportation of all canned fruit from South Africa, and it may well be in the future that such may be the case.

The Act states that the object of the Board "shall be to control and promote the marketing of canned fruit on export markets" and to that end, the Board has vested in it certain powers, one of which is that it is a requirement that any one exporting canned fruit from South Africa under the control of the Board, must hold a licence, issued by the Minister of Economic Affairs under recommendation of the Board. Such Licensees are then subject to the Act and are compelled to conform with the terms of the Act and with any regulations which the Board may from time to time lay down in respect of specific markets. Further details of the actual section being taken by the Board on certain markets will be given later in this paper.

The Act further states that the Board shall consist of five members who are appointed by the Minister, four to represent private canneries and one to represent co-operative societies owning canneries. There are also alternates to each of the members and the period of nomination of Members and Alternates is decided by the Minister at the time of appointment. The Chairman of the Board is chosen from the Members appointed by the Minister and also holds that position for a period as decided by the Minister of Economic Affairs.

The funds for the operation of the Board are received by way of levies on the export of canned fruit from South Africa to any country which is covered by the Act, and, at the moment, the level of this levy is 1 cent per basic carton.

These funds can be utilised to defray its expenses, and in connection with the performance of this function.

Obviously, careful consideration must be given to the amount of any levy, this depending upon the purposes for which the levy is intended e.g. where it is envisaged by the Board that it intends to mount a massive advertising campaign in a particular country then the level which is the present level of the levy would be insufficient and it would be necessary for the Board to increase this levy in order to build up the necessary funds. Advance planning is, therefore, essential as it obviously takes a little time in which to build up the required amount of money to undertake any task envisaged.

The accounts of the Board are audited by the South African Comptroller and Auditor General and a copy of the Income and Expenditure Account and the Balance Sheet is attached to the Annual Report of the Board which is prepared by the Manager and the Secretary for submission to the Government, through the Department of Commerce.

It should here be mentioned that the Members of the Board are not personally liable for any act or omission of the Board where the Board acted in good faith in the exercise of its powers or the performance of its function.

The Act states that no person shall export for sale any canned fruit to any country or territory specified by the Minister of Economic Affairs from time to time by notice in the Government Gazette unless he is the holder of a licence which is issued under the section of the Act applicable thereto. This licence which is issued by the Minister is required in addition to any other licence or permit which may be required in terms of any other of the laws of South Africa such as the permit which is required from the Department of Agriculture, Economics and Marketing and which relates to the grading for export of canned fruit from the Republic.

Persons who wish to obtain a licence to export canned fruit as specified in the Act, must apply to the Board, such applications being considered by the Board and forwarded to the Minister of Economic Affairs who is the only person empowered to issue a licence. The Board may recommend that such a licence be granted or that such a licence be not granted, and to date the advice of the Board has been taken by the Minister in respect of all applications.

The licence issued by the Board is a "general" licence empowering the company or person holding it to export the canned fruit controlled by the Board to any country throughout the world and it may be cancelled or suspended by the Minister after consultation with the Board for such period as the Minister may determine if the Minister is satisfied that the Licensee has committed an offence under the Act or has failed to pay any levy payable by him under the Act. This means in effect that should any licensee contravene any provision of the Act, or any provision contained in Directives, which are issued by the Board, his licence may be withdrawn by the Minister.

There are further penalties laid down in the Act in that if any Licensee exports or sells canned fruit contrary to any Notice or Directive issued by the Board he shall be guilty of an offence and is liable on conviction to a fine not exceeding R2,000 or in default of payment, to imprisonment for a period not exceeding 12 months.

It will be seen, therefore, that the Board has far reaching powers which have the full backing of the Government of South Africa.

SOUTH AFRICAN CANNED FRUIT EXPORT BOARD - PRACTICAL ASPECTS OF OPERATION

I will now try to outline the practical aspects of the Board's operations, and deal briefly with the controlling and promoting of the marketing of the canned fruit which is the concern of the Board.

Whilst the Board itself generally meets once a month, or more often as required, there has been established within the Board a committee which is known as the Executive or Advisory Committee and which is called together by the Chairman or the Manager as and when required to discuss specific matters prior to their being brought before the full Board. This Committee consists of four members and the Manager, and it is felt that it serves an extremely useful purpose in that it can prepare material for discussion at a full meeting of the Board and which has at least been examined by certain Members and is not entirely contrary to the feeling of the Board in general. A typical example of when this Committee would be called together would be when setting prices for the sale of canned fruit to a particular market; this

Committee would, on the basis of available statistics and using its knowledge of marketing conditions, set down certain tentative prices which would then be submitted to the Board for consideration and approval thus saving a considerable amount of time at Board meetings.

With regard to the actual marketing of Canned Fruit, individual canners or exporters are responsible for their own marketing in overseas countries. The Canned Fruit Export Board does not act in a similar manner to certain other export Boards in that it does not do the marketing for the licensee, but rather lays down Terms and Conditions of Sale under which he may operate. Individual Licensees are, therefore, responsible for their own production, their own selling, financing, shipping and distribution in overseas countries within the general control exercised by the Board. It will, therefore, be found, that South African Licensees appoint their own overseas agents, who in many cases must be approved by the Board before they are permitted to operate, and that they have their own shipping organisation in South Africa which liaises with the shipping companies to obtain the necessary space to the ports of destination. Because the Industry in South Africa is many years old, and the Board is comparatively new, it is considered at this stage inadvisable to interfere with established practices and methods of selling which have been in existence for some time, and although consideration is being given by the Board to a system of One Channel Marketing, it is doubtful whether this will be applied in the near future to any of the, what I shall term, established markets, such as the United Kingdom or Europe. One Channel Marketing may well be feasible on certain of the smaller markets in which no particular Licensee has a big stake, and it is impossible to say whether or not in the future such a system of marketing will be applied to these and/or to the larger established markets.

As pointed out earlier in this paper, the largest market for South African Canned Fruit is, of course, the United Kingdom, and in respect of this market, the Board has laid down stringent Terms and Conditions of Sale and Regulations in respect of the marketing of canned fruit: it also sets minimum c.i.f. prices which must be obtained by all Licensees operating in that market.

The Terms and Conditions of Sale control such matters as the maximum commission which may be paid to an Agent, the manner in which goods shall be sold, additional charges which may be levied upon buyers in respect of special

pack, shrink-wrapping and so on, and also lays down the deductions which may be made from the basic c.i.f. price in respect of buyers labels allowances, quantity discounts, early shipping allowances and so forth. 1971 is the third year in which the Board has undertaken the control of the sale of canned fruit to the United Kingdom Market, and it is felt that this has been largely responsible for the fact that a better return has been obtained from that market since 1969.

As South Africa does not sell canned fruit in isolation to the United Kingdom and must necessarily compete with other countries for its share of that market, a close watch is kept by the Board upon competitive activities, and liaison is maintained with the Australian Canned Fruits Board (as Australia is our main competitor in the United Kingdom) and with the Californian Cling Peach Advisory Board through the medium of Tripartite Conferences.

The Board has established, in London, a Committee consisting of certain of the Agents of the South African Licensees and this committee is able to report to the Board at frequent intervals, on the market conditions and competitor activity. The Board uses the committee to a large extent when establishing prices and Terms and Conditions of Sale, as the Agents are those in closest contact with the trade. Up to this stage, it has not been considered necessary by the Board to establish an office overseas, but this matter is presently under consideration, and it may well be possible that in the not too distant future, such an office will be established and would then act as a focal point for the dissemination and collation of information on the markets within its jurisdiction.

When prices have been established for the United Kingdom and individual canners have negotiated with buyers regarding sales of their canned fruit within the Terms and Conditions of Sale, full records of such sales are maintained by the Board's staff and collated details are available to the Board so that the Board is in a position to know how the Industry, as a whole, is faring on the particular market. Should any Licensee be experiencing particular difficulties in marketing, he is at all times enabled to bring such difficulties to the attention of the Board where they will be given due consideration on an Industry basis. It is felt that this latter point is particularly important in that the Board should not act on its own

behalf or on behalf only of its members, but on behalf of the entire industry, and that all Licensees both large and small be able to make their views known to the Board. This may be done either directly through a Member of the Board or his Alternate, or through the Manager of the Board who will then ensure that particular points are brought to the Board's attention.

In 1970, the Board assisted in the establishment of recommended prices for the sale of canned fruit in other than consumer sizes to the United Kingdom and also assisted in the recommendation of prices with regard to sales in the European Economic Community and certain smaller markets. These prices were, in the main, adhered to by all Licensees, and, in 1971, it was felt that this matter could be taken a stage further and recommended prices could be changed to "fixed" prices with related Terms and Conditions of Sale in a similar manner to the control exercised in the United Kingdom but in lesser detail to conform with trade practices in such markets.

With regard to the E.E.C., the Board has for 1971, therefore, established certain minimum prices in respect of canned peaches in certain grades and can sizes, which must be obtained by all Licensees, and it has further directed that sales of superior grades must not be made at a net price below those which have been set in respect of the lower grades. This has set a floor price in respect of canned peaches and has assisted in raising the general level of prices to a more economic level.

The Board has also established mandatory prices in respect of sales made to certain smaller markets and the Board's staff ensure that such prices are adhered to by all Licensees. However, it is felt important that if prices are set, or even recommended, they should not be maintained rigidly if it is found that Licensees cannot operate thereunder. As stated above, all Licensees have access to the Board and if it is reported to the Board, and such reports are substantiated, that it is not possible to make sales at the prices laid down or under the Terms and Conditions specified by the Board, it is within the Board's power to alter the prices accordingly, and this has, in fact, been done in certain instances in the past. It must also be remembered that it is within the power of the Board to increase prices where necessary and where it is felt that the market can bear such an increase, and this power has also been exercised by the Board in the recent past.

PROMOTIONAL ACTIVITY

With regard to promotional activities, - because of the facts that individual canners do their own marketing, and that a substantial proportion of the sale of South African canned fruit is made under buyers' labels, it is not easy to undertake promotional activity as a Board or as an Industry.

However, each individual Licensee is at liberty to advertise and promote his own label provided such activity is within the Terms and Conditions of Sale specified by the Board. In this regard, it should be pointed out that under no circumstances must any of the promotional activity be in a form in which a direct monetary advantage is made available to a particular buyer.

The Canning Fruit Board has mounted a promotional campaign within South Africa in an effort to increase the sales of canned fruit by means of films, demonstrations, etc., and it is hoped that this will have the effect of increasing the local South African Market which, at this stage, only accounts for a small percentage of the sales of total production.

Having given an outline of the activities and formation of the South African Canned Fruit Export Board, I will now turn attention to assistance which is given by various Government Departments to the Canning Industry of South Africa with particular reference to the export aspects thereof.

CO-OPERATION WITH GOVERNMENT AND OTHER BODIES

Firstly, as far as export transportation rates are concerned, i.e. shipping rates, the canned fruit industry does not receive preferential treatment in the case of the establishment of such rates. The rates of freight between South Africa and the United Kingdom are determined by the South African Shipping Board in collaboration with the South and South-East African Conference Lines. The present freight rate from South African ports is £7,00 Sterling on a weight or measurement basis per long ton of 2240 lbs.

It should be added that the Conference Lines do not grant to the South African Canning Industry any rebate on goods which are palletised for shipment, but have agreed that during 1971 they will exclude the measurement of the pallet for the purposes of freight calculation.

However, the South African Railways do apply a lower than normal railage rate in connection with canned fruit which is forwarded from an inland depot to a port for export than that which is normally applied to movements for sales on the local market. The difference in rates depends upon the distance which the goods are carried, but would appear to be somewhere, on average, of approximately 30% less than the rates applied to the local market.

The South African Government does not make available to the South African Canning Industry any funds in respect of promotional activity or other means of furthering exports of canned fruit from the Republic. There are certain export incentives which have been made available by the Government to industry in general and these are, of course, available to the fruit canning industry

- (a) The South African Government maintains commercial offices throughout the world which are in a position to advise industry on specific problems affecting the market within their jurisdiction.
- (b) The Department of Commerce often arranges participation of South African goods in foreign trade fairs and exhibitions and individual canners do take advantage of such opportunities as exist for the advertising of their product.
- (c) Market development expenditure incurred in obtaining orders in foreign countries are deductible from taxable income of companies.
- (d) In addition to the deduction of the actual expenditure on export development, a further allowance is made on the variable scale of 50%, 75% and 100% respectively, depending on export turnover during the tax year concerned as compared with the previous year. If no increase in exports took place, the allowance may be claimed at the rate of 50%. If export turnover increased between 10% and 25%, the rate is 75% and if export turnover increased by more than 25%, the rate is 100%. Under this particular allowance classified as market development expenditure are:
 - (i) cost of market research,
 - (ii) export consultants' fees
 - (iii) agent remuneration
 - (iv) advertising
 - (v) trade fair participation
 - (vi) and various other expenses

The South African Fruit and Vegetable Cannery Association annually negotiates with the South African Sugar Association, a price which is paid by] canners for sugar used in canned fruit and vegetable products exported. As this rate is usually lower than that which applies to sugar used in canned products marketed in the Republic, a system of rebates has been instituted in an effort to equate the price paid by canners for sugar used in their exports with that which would be obtained by the South African Sugar Association were the sugar to have been exported on its original form on the world market. This type of internal agreement is common amongst countries which export canned fruit and merely brings the price of sugar used in exported canned fruit into line with that paid by competitive countries.

With regard to finance, there is no specific government assistance whatsoever to the canning industry as far as its borrowing and overdraft rates are concerned; individual canners obtaining finance at the best possible rate on the commercial market.

FUTURE PROSPECTS

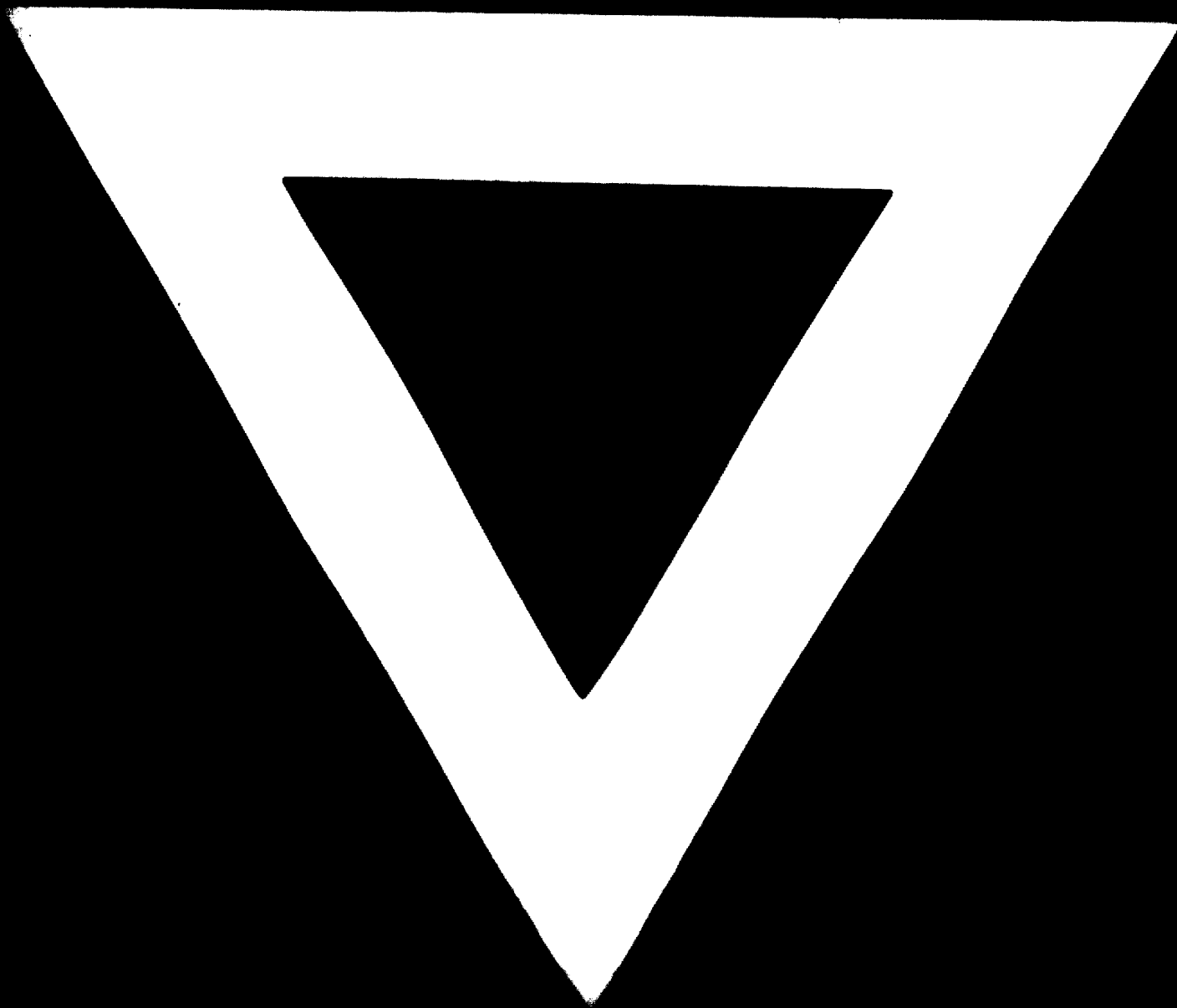
In conclusion, a few words about the future of the South African Canning Industry. It is increasingly being recognised that the producer and the canner are both part of the same industry and what is good for the canner is eventually also good for the producer. It is for this reason, as I stated earlier, that there is a very close liaison between the Canning Fruit Board in South Africa and the Canned Fruit Export Board and it is felt, in the long term interests of the Industry, such a liaison is essential. It is also considered essential that there be continuous dialogue with competitive countries with particular reference to shared major outlets. Market intelligence from all available sources is of vital importance to the organization of any industry and in this regard the Board operates as a focal point for the gathering of such information from Licensees, Agents and Government Agencies throughout the world.

Although we are told from time to time that there is an over-production of this or that commodity in the world, especially when it comes to food-stuffs and particularly canned fruit, it is apparent to me that with the increasing world population, there will also be an increase in outlet for all food-stuffs providing such can be marketed at an economic level both to the supplier and to the consumer. The South African Canning Industry is planning ahead in this regard and is increasingly examining its costing structure to ensure all the

economies, which can be made within the frame-work of present conditions, are made. There is scope within the Republic for a continued growth of the canning industry and provided the economic climate is not unfavourable, this growth is seen as continuing.

South African Cannery, Growers, and the Industry as a whole are, therefore, looking to the future with optimism and the knowledge that it is well able to stand on its own feet in the hurly-burly of world competition and that, through the Statutory Bodies which have been set up by the South African Government to promote and control the Industry, it will be able to meet any competition which may be forthcoming.





74.09.13