

The future role of Quality Assurance in the South African citrus industry

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CGA CITRUS SUMMIT

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Quality Assurance in the South African citrus industry

- Quality -

Q[∞]

- to the power of infinity -

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Scope of today's presentation

- In the context of CGA's strategy and long-term vision, and within the context of the objectives of this inaugural Citrus Summit and relative to this session:
 - To promote Grower profitability on a sustainable basis
 - Gaining, retaining and optimising Market Access
 - To support product and quality assurance
 - Streamline the export process and facilitate trade
 - Cut red tape, improve cost of doing business
- Focus is on product quality aspects (not Phytosanitary and Food Safety issues)

RSA's competitive advantages?

- What are the competitive advantages in the production and supply of South African citrus fruit?
 - Wide range of markets (west and east)
 - Distance to markets (relative to South America)
 - Cost of production per unit carton (partly due to higher yields)
 - Product quality (generally well received, consistent, good specs)
 - Value (good quality:price balance)
- Therefore, SA citrus is attractive to Customers
- How do we maintain this perception of being a good quality supplier (vs. our competition)?
 - Price differential above competitors (\$ value attached to quality); better vs. lower quality suppliers

What is Quality Assurance (and not)?

- Quality Assurance addresses the APS Act of 1990 related to “standards and regulations regarding the control of the export of citrus fruit”
 - Specifically, internal & external fruit quality, packaging & labelling (Food Safety aspects excluded in this discussion)
 - Quality refers to both cosmetic appearance and eating quality
 - Quality requirements of Customers often focus more on the cosmetic appearance of fruit rather than on eating quality – the former attracts the consumer, the latter leads to return purchases

What is Quality Assurance (and not)?

- Overall endeavour
 - Surely, we want consumers to eat more fruit and to increase per capita consumption of citrus fruit
 - Therefore, while cosmetic appearance is important, so too is internal fruit quality (Brix, min/max acidity, ratio, seed, etc.)
 - There should be equal emphasis on IQ and EQ
- Quality Assurance is not a high priority for survival, nor is it a limitation for Market Access, yet it is an important component in retaining and gaining Market Access, and affects sustainability
- Quality Assurance typically plays second fiddle (and rightly so) to Phytosanitary and Food Safety issues & regulations

Why have Quality Standards?

- To get the right fruit into the right market
- To provide assurance to buyers and consumers
- To provide a minimum level of acceptable quality (cf. SABS)
- To ensure that inferior product does not enter the market
- To ensure that fruit are harvested at optimal maturity (and not immature fruit into the market)
- Quality Standards need to reflect market requirements
- Balancing act of optimising returns (for marginal quality fruit)
- Dilemma: top quality vs. not best tasting or best looking fruit!

Market- vs. Production-driven?

- Historically developed from Grower needs
 - Do the current standards reflect a market- or producer-driven philosophy?
- Ideally should set the standards according to what the Customer wants and not on what the fruit can achieve
 - The alternative creates a lowest common denominator, e.g. a Grower demands exporting his fruit, no matter what, vs. supplying the market what it wants, thereby building and maintaining Brand SA
 - If a cultivar is produced in an area that is not well-suited (climatically or soil conditions affect rootstock choice), then suitability (aanpasbaarheid) must be called into question; standards should not be modified to accommodate such conditions = marginal/inferior quality
 - Exporter's role in accepting dubious quality product?

Setting Quality Standards

- Historically (single-channel, marketing board)
 - SACCE (Citrusbeurs) → Outspan International
 - Mr. Ian Moore's annual quality standards meeting
 - 1997 Outspan export standards
 - PPECB Inspection Services originated in a single-channel, regulated environment
 - Currently, a Quality Standards meeting in ±October
 - Modify standards (as necessary)
 - Promulgated by DAFF (Directorate: FS & QA) in ±Feb.
 - Citrus export quality standards (APS Act of 1990) are set by Government in consultation with the Citrus Industry
 - What role does Industry play in this process?
 - What role should Industry play in this process?
 - Stronger consulting role?

Implementing Quality Standards

- Grower's role: grow for target market
- Packer's role: service provider
- Exporter's role: guide growers, inform re market specs; should not accept dubious product quality
- Inspection Services' role: stamp of approval
- Dispensation process
 - DAFF procedure is followed
 - *Grower, Exporter and Receiver should jointly motivate*
 - Capacity & competence to make correct decision
 - Importance of CGA's relationship with the Executive Officer, and CGA's role in assisting the EO

APS Act of 1990
"DAFF export standards"

Citrus Grower

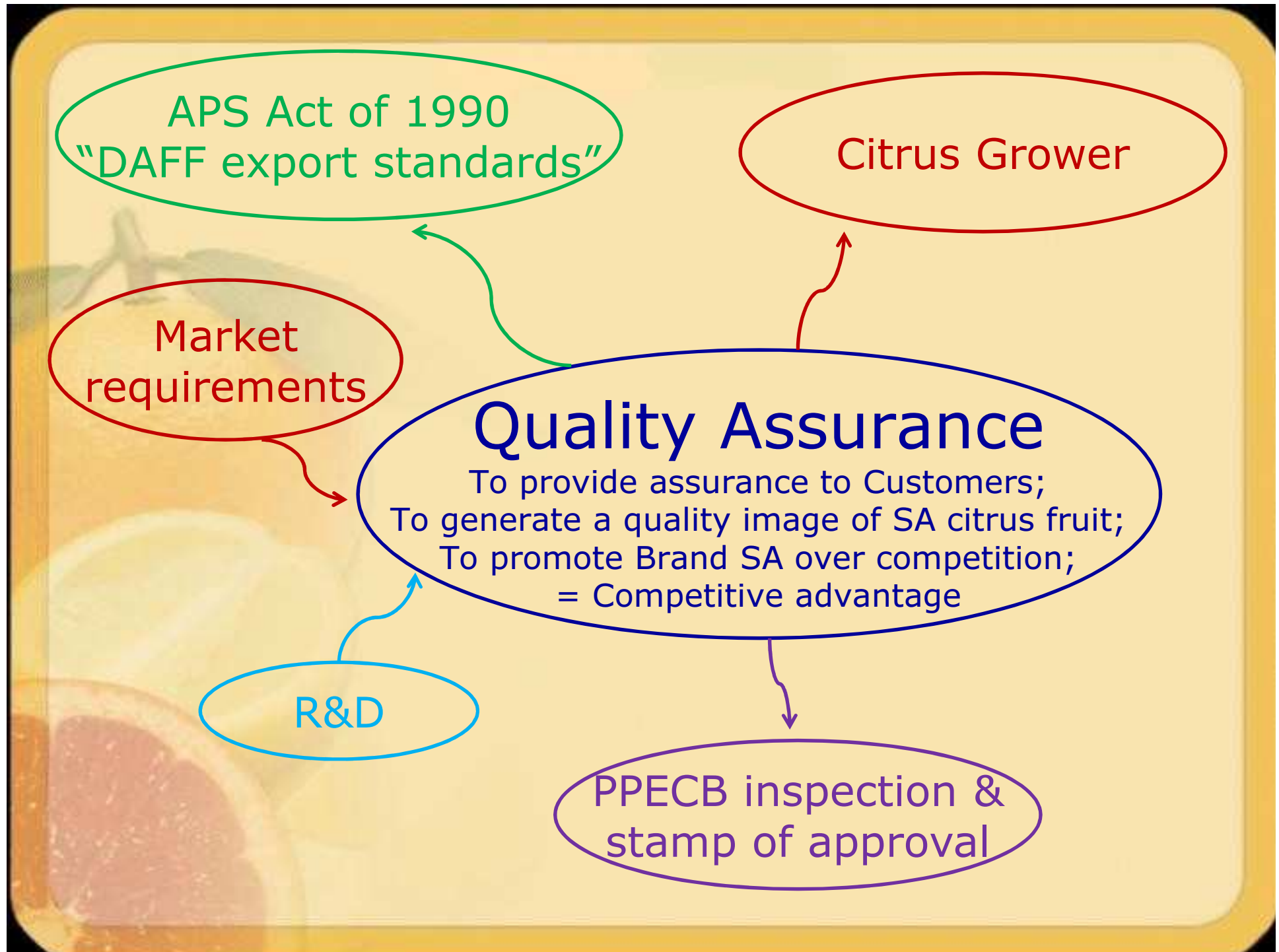
Market
requirements

Quality Assurance

To provide assurance to Customers;
To generate a quality image of SA citrus fruit;
To promote Brand SA over competition;
= Competitive advantage

R&D

PPECB inspection &
stamp of approval



Inspection & Quality Standards

- PPECB's stamp of approval provides assurance that fruit is packed according to the APS Act of 1990
 - PPECB tjam adds value to Brand SA; it's beneficial to have a respected, credible inspection service
- *Could an alternative inspection concept work?*
 - Many packhouses/exporters have excellent systems and could provide an opportunity for *self-inspection*
 - At the same time, need to ensure your neighbour does not undermine your quality image in the market by supplying sub-standard quality fruit
 - BUT, need to consider mechanisms to:
 - Reduce unnecessary costs in the value chain
 - Reduce unnecessary inefficiencies in the export process (optimise flow of compliant fruit)

“PPECB-audited QMS”: could this work?

- Status quo, i.e. end-point inspection service
 - Two cartons per pallet; ± 50 c/carton
- “PPECB-audited QMS”
 - Packhouse quality management system (QMS) would be an essential prerequisite
 - Packhouse needs to achieve a defined level of compliance in the end-point inspection process (take ownership of the process; incentive for less intense inspection)
 - Could the packhouse conduct self-inspection (following specific criteria as per DAFF export std.)?
 - If the packhouse is unsure of something, then revert to PPECB Inspector for assistance
 - Rating system, e.g. three levels (4, 2 or 1 PPECB audits per season), depending on packhouse ability to remain compliant

...

“PPECB-audited QMS”: could this work?

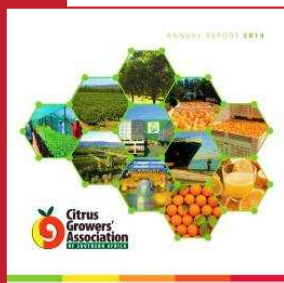
- “PPECB-audited QMS” ...
 - If the packhouse fails (one strike; specific criteria), then reverts to PPECB epi system
 - Therefore, incentive is to be 100% compliant to remain at 4, 2 or 1 PPECB audits per season
- *Concept proposal*
 - Suggest to roll out on *test-case basis*
 - However, phyto inspection must be considered
- Motivation for the concept: The purpose is:
 - To increase efficiencies in the South African citrus supply chain
 - To reduce unnecessary costs
 - To maintain high levels of QA for Brand SA

International quality standards

- Does the UN-ECE FFV-14 Standard affect our stds?
 - Currently dealing with on ad hoc fire-fighting basis
 - DAFF and PPECB on the front-line
 - Industry should be pro-active to support DAFF/PPECB
 - Need to create a process that can be agreed to, e.g. briefing and debriefing sessions before and after meeting
 - Industry participation is essential & should be more direct
 - Important to improve relationships with Government, and to align Industry and Government objectives
- Typically importing country quality requirements are achievable by South Africa citrus product
 - Problem is cold-steri affecting colour and rind quality or which cultivars can be steri'ed

Final thoughts

- In excess of 100 M cartons & >50% of SH supply
 - Over-produced commodity
 - Need to put competitive pressure on SH suppliers by being more competitive
 - Drive market demand for SA product iso alternative sources
 - Price, product quality, service
- Keep the end result in mind
 - Good quality fruit is non-negotiable for the long-term survival and financial sustainability of the South Africa citrus grower
 - Can be achieved by:
 - Maintaining (and strengthening) export quality standards
 - Ensuring that fruit “passed for export” exceeds the minimum export standard



Thank you

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