The making of a world leader

A little more than 20 years after deregulation, and South Africa is counted as one of the world's biggest citrus exporting countries. GLENNEIS KRIEL talked to a few role-players to learn how the industry has managed this.

Louis von Broembsen is a consultant who has researched the history of the citrus industry and has been involved in the industry for many years.

South Africa's first orange trees arrived here from Saint Helena in June 1654, on a ship named "de Tulp". Citrus production was given priority, because scurvy was such a problem for seafarers arriving at the Cape. The trees, according to Jan van Riebeeck' s diary, were planted in the gardens of the Dutch East India Company, which very much served as experimental gardens to identify species and varieties that would flourish under South African conditions. By 1661, over 1 600 orange and lemon trees were planted in the gardens.

Louis von Broembsen, a consultant who has researched the history of the citrus industry and has been involved in the industry for many years, said citrus trees were spread throughout the country by trekkers and settlers between 1834 and 1890, but production was inhibited by limited local demand.

This changed around the 1890s, when South Africans heard about American growers' success in exporting citrus under refrigeration to Europe.

The first known record of citrus shipped to England from South Africa was in 1902, but the first substantial volume of 3 000 cases were exported to England in 1906/1907. Exports have since grown to an astronomical 123 million (15 kg) cartons, comprising an extensive range of varieties grown in widely different production zones, according to John Edmonds, information manager at the Citrus Growers' Association (CGA).

Whereas England used to be the main destination, fruit today is shipped to various destinations and the European Union, England, the Middle East, Asia, Russia and North America turned into our main destinations. The area under production has also expanded to over 72 000 ha. South Africa has, in effect, established itself as the second largest exporter of citrus in the world, and a leader when it comes to the quality of our fruit.

Co-operatives

So how did a small developing country like South Africa manage to become a world-leading citrus exporter? Von Broembsen believes there were four main contributors, namely, the cooperative systems, the strong emphasis on technical support and applied research, single channel marketing under the Outspan brand and deregulation.

In the early years, most growers had relatively small areas under production. Influenced by developments in California where the idea to create cooperatives had taken hold around the late 1880s and culminated in the formation of the Southern California Fruit Exchange after the Great War, South African growers started co-operatives in their production regions to share resources, gain access to packing facilities, reduce costs and gain economies of scale.

In the face of growing exports, the Fruit Growers' Co-operative Exchange was formed in 1922, to help coordinate shipping space and improve market prices for fruit in general. But citrus growers felt they were being neglected and therefore decided to establish their own cooperative, the Citrus Exchange in 1926.

The Exchange promoted the establishment of co-operative citrus pack houses, according to Von Broembsen, so that by 1939, more than 74% of South Africa's total crop was packed in eigth houses and the remaining 26% in no less than 528 pack houses.

Some of these cooperatives are still active today, such as the Kat River Cooperative which was started in the Eastern Cape Midlands around 1922. Others, such as the Citrus Co-operative, which was started in 1924 and has been renamed as the Sundays River Citrus Company, and the Good Hope Co-operative Citrus Company Limited, which was established in Citrusdal in 1926 and has since changed its name to Goede Hoop Citrus, have since turned into companies.

Single channel marketing

The Citrus Exchange's functions however did not stop there. It also played a major role in the distribution, marketing and coordination of fruit sales. With all South Africa's export citrus being sold through one channel, South Africa became an effective counter-seasonal supplier into the northern hemisphere markets, with much greater influence than other countries, such as Australia and America, where marketing was much more fragmented, according to Von Broembsen.

"Producers most probably only thought about the cost saving benefits when they started using co-operatives, but the co-operatives also helped to unify the industry, in terms of marketing, sales, quality control and so forth," Von Broembsen said.

The Exchange, for example, sold South African citrus under the Outspan brand from 1936 and in 1962, established its own office in England, and later sub-branches on the European Continent, to look after its interests in these regions. Their promotions in Europe and England around the 1970s, using Outspan Girls and customised Outspan Mini cars, resulted in the South African brand being highly recognisable and firmly associated with good quality citrus fruit.

Deregulation

While the co-operative system and single channel marketing helped to establish the South African industry as a major brand, Von Broembsen feels it was deregulation in 1997 that gave us wings and allowed us to significantly expand our export destinations.

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Customised Outspan Mini cars were used around the 1970s to promote South African citrus fruit.

many of the production practices being pioneered at the Riverside campus of the University of California during the first half of the 20th century. In 1931 the Exchange appointed its first technical officer and by the late 1950s, the technical staff consisted of 10 field advisors and a small entomology research unit," Von Broembsen said.

In 1973, the Exchange opened its doors of its own research facility, the Outspan Citrus Centre, and by the mid 1990s, the Exchange technical division employed over 120 staff members, comprising production research, field advisory services, the Citrus Improvement Programme, operations research and quality management. The research division under the Citrus Exchange was taken over by the CGA in 2001 and the name changed to Citrus Research International (CRI) in 2001.

involved in the industry for many years, agrees. "Deregulation caused a significant mind shift as growers were now exposed to a much more competitive environment. They not only had to compete against other countries, they also had to compete with their neighbours and themselves, for example by supplying differently branded fruit to the same market."

"They were in effect forced to improve and streamline marketing and production approaches that worked well in the past. They for example now started planting earlier and later varieties to hit the market at a more favourable time," he said.

Nel said that the Citrus Growers' Association, which was established in 1997, played a huge role in helping to navigate the industry through the new regime, by helping to coordinate marketing efforts, research and technical support services.

Justin Chadwick, CEO of the Citrus Growers' Association, and Dr Vaughn Hattingh, the CEO of the Citrus Research International and their teams as well as service providers on all levels of the new value chain, made huge contributions to the industry's success. One would expect a CEO to give guidance and introduce processes that streamline operations, but these two have done far more than that. They are not mere CEOs by South African standards, they are world class leaders."

Technical support

Without technical support and research, the industry however would not have been where it is today. "Initially, South African citrus producers, through the co-ordinated effort of the Citrus Exchange, adopted

Nel said the beauty of the research done in the industry, was that it primarily consisted of applied research, in other words, research that in some way directly benefited the competitive advantage of growers in the highly competitive world markets. Growers have also from the onset been involved in setting research priorities.

"The fact that South African citrus enjoys access to most of the prime global markets, albeit sometimes under duress of strict handling procedures, is directly attributable to the invaluable research done on phytosanitary pests and their management. Without this research, South Africa might have lost or never gained access to certain markets," he said.

"Some of the research is more production focused; our researchers for example played a huge role in the development of the sterile insect technique to manage false codling moth and the development of other biological control methods to combat pests and diseases. Our research teams have also developed new pesticides to overcome resistance to older products, whilst we are also considered to be the world citrus industry leaders in applied virology and horticultural technology development," he said.

Dr Wilma du Plooy, post harvest disease research and programme coordinator at the CRI recently did a presentation on the development of postharvest disease management in the industry. According to her, research has always been a high priority for the industry. The Citrus Board awarded its first bursary in plant pathology in the 1950s to Cameron McOnie. They followed up sending Ian Gilfillan and Toit Pelser to do their PhDs in California in the 1960s.

Dr Wilma du Plooy is the post harvest disease research and programme coordinator at the CRI.

The postharvest research capacity was fostered even more determinedly in the 1970s, with the likes of Chris Kellerman and Anton Hough. The eventual development of strong plant pathology centres at several South African Universities meant that highly qualified researchers could be pursued closer to home.

"The ground-breaking work of these research pioneers was followed by numerous other Southern African 'shining stars' in the global citrus research and technology transfer world, rendering Southern African experts highly sought after 'fair game' in competitive and commercial industries," Nel said.

Citrus Improvement Scheme

The industry's cultivar improvement scheme, which forms part of technical services, according to Von Broembsen, also resulted in South Africa being able to produce high volumes of good quality fruit.

The Citrus Improvement Scheme was launched in the mid-1980's, and its functions and those of Citrus Foundation block were taken over by the CRI after deregulation. "The scheme resulted in citrus growers using high quality planting material, which along with improved nursery tree quality, good production practices and new technologies, has resulted in the average yield of exportable citrus, across all the South African citrus varieties, increasing from between 20 tons/ha and 30 tons/ha to between 40 tons/ha and 50 tons/ha over the last two or so decades," Von Broembsen said.

The industry however not only benefits growers, it has over time become an important generator of gross domestic product and forms the backbone of many rural communities in the country. The industry employs over 125 000 people and contribute to around R1,6 billion in wages and salaries per year. It is also estimated that the industry can create one permanent employment opportunity for every R400 000 investment.

Where to now?

The Citrus Growers' Association (CGA) has this year celebrated its twentieth anniversary. Justin Chadwick, CEO of the CGA, said that association was put on the right course during the formative years with the help of some "extremely patient growers and mature team members."

This is reflected in the first issues that were identified during those first meetings, according to Justin, which included the development of emerging growers, granting of bursaries, the Citrus Journal, nursery tree certification, accreditation and shoot tip granting, tree census, citrus industry research, market development, market access and market coordination, as well as quality standards, local market issues and the affiliation to organised agriculture.

Justin said the initial goal of the CGA was to preserve the research capacity in the citrus industry, so as to ensure continued market access: "The CGA never got involved in the marketing, as the free market took care of that. It got involved where there was no other service provider – for example, for research and information, or where it made sense for collective growers to do things together."

Additional functions were added over the years, as growers identified a need, and added resources to CGA to be able to address that need. Examples are transformation, industry information and industry representation. "Transformation is essential to be a relevant industry in a changing South African context – especially with regard to black grower development and human skills development. The industry has various programmes aimed at empowering workers and emerging farmers," Justin said.

Relevant industry information was important, because it assisted growers in making informed decisions. He added that the citrus industry was the leading industry in terms of agricultural jobs and export earnings: "It is important that the citrus voice is heard in all spheres of government and society. Good communication with grower members and other stakeholders ensures that the industry message is always heard, and that issues are collectively addressed."

Justin sees growth in volumes of citrus exported; the number of students who have studied with Citrus Academy bursaries; gaining retaining and optimisation of market access; united grower fraternity; good communication systems and the fact that the CGA is recognised as representing the citrus industry as some of the main accomplishments of the association over the past twenty years.

He identified research capacity, unity, systems for phytosanitary controls, logistics and information as the industry's main strengths. In contrast he identified the misalignment of certain government department activities and strategies with those of industry and increased technical barriers to trade as the the greatest challenges.

The outlook for the industry is good, with Chadwick foreseeing the association becoming more involved in stimulating demand in markets, black growers becoming more competitive and sustainable and government and the industry becoming better aligned over the next five years.