A PROFILE OF THE SOUTH AFRICAN TOMATO MARKET VALUE CHAIN

2013

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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 18% (excluding potatoes) to the gross value of vegetable production in 2012. 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. Figure 1 below illustrates the contribution of the tomato industry to the gross value of agricultural production over the period of 10 years.

![Figure 1: Gross value of tomato production](image)

Source: Statistics and Economic Analysis, DAFF

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. In 2009 the industry’s contribution surged by 42% when compared to the previous year. This can be attributed to 11% increase in production and favorable producer prices at the same year. The contribution increased further in 2010 and the contribution was 3% higher when compared to 2009. The increase in contribution can be attributed to high production volume, which occurred while the producer prices were still favorable. During 2011, the contribution dropped by 2% when compared 2010, and this can be attributed to a 6.6% decrease in production output in the same year. In 2012, tomato gross value increased by 10% when compared to the previous year.

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 75% 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 the winter months and tomatoes can only be produced in frost–free areas 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%.

During 2004, production output increased by 5.5% when compared to 2003 production output. In 2005, production output dropped by 4.5% and during 2007, the output dropped further by 5.1%. From 2008 to 2010, production output increased steadily until 2011. The production output dropped by 6.7% during 2011 when compared to the previous year. The highest production output was recorded in 2012, and the increase was 9% from the 2011 figures (see Figure 2 below). Over the past decade tomato production was stable above 40 000 tons per annum. The drop in production in 2006, 2007 and 2011 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 India, United States, Turkey and Egypt. These countries represent 63% of world tomato production. Egypt is the only African countries amongst top ten world tomato producers. The tomato producing countries with the highest yields per hectare are the United Kingdom (UK), Netherlands, Belgium and Sweden.

![Figure 2: Total production of tomatoes](image)

Source: Statistics and Economic Analysis, DAFF
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 is 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.

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 2003 there was a decrease in tomato consumption, which can be attributed to the increase in tomato prices in the same year. In 2012, South Africa’s average annual fresh tomato consumption was approximately 3,747,520 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 through fresh produce markets, exports, processing and direct marketing.

2.1 Domestic market and prices

National Fresh Produce Markets (NFPMs) remain 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. The Johannesburg Fresh Produce Market is the biggest market, followed by Tshwane, Cape Town and Durban markets. In 2012, Johannesburg commanded 50%, Tshwane 17%, Cape Town 11% and Durban 7% of tomato market shares sold at major fresh produce markets.

Figure 4: Tomato share by major fresh produce markets in 2012

Source: Statistics and Economic Analysis, DAFF

Figure 5 below illustrates sales of tomatoes at the major fresh produce market over ten years. In 2004, there was a 4% decrease in price due to a 5.9% increase in volume supplied across the markets. From 2005 to 2007, there was a steady increase in tomato price reaching peak price and in 2008, the market price surged by 55% when compared to the 2007 price. The quantity of tomatoes sold on the major NFPMs markets have increased by 1.7% in 2010 when compared to tons sold in 2009. At the same time, there was a 1.3% increase in tomato prices at the NFPMs. Tomato prices eased higher in 2011, despite a slight increased in volumes supplied across the markets. During 2012, market price increased by 3% despite a 5.9% increase in tomato supplied at the markets. This can be attributed to strong demand of tomatoes in the same years.
2.2 Exports

South Africa is not a major exporter of tomatoes with 17,288 tons exported in 2012. In 2012, South Africa’s tomato exports represented 0.03% of world exports and its ranking was number 47 in world tomato exports. South Africa has decreased its competitiveness in terms of export as in 2011, it was ranked number 45. Most tomatoes produced are destined for the domestic market and very little percentage of raw tomatoes and processed tomatoes are exported to other 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 2012, exporting over 1,018,955 tons a year and accounting for 22.5% of the world export market in tomatoes. Second was the Mexico with 21% market share, followed by Spain (14.8 %) and Morocco (7.1%). In 2012, Morocco was the fourth largest exporter of tomatoes in the world, the only significant exporter of tomatoes in Africa. Morocco has gained market share by 1.7% compared to the previous share of 5.4%.

Figure 6 below shows tomato exports from South Africa over the period of 10 years. During 2004, South Africa’s tomato export dropped by 17.5% and in 2005 the export volumes dropped to its lowest volumes in a ten year period. The decrease in 2005 represented 92.7% and despite the high production volumes during the same year. During 2007, export volumes increased significantly by 64.8% despite 5.1% decrease in domestic production output. High tomato exports were recorded in 2010 and 2011. During 2012, the export volume dropped by 14.4% when compared to 2011 exports despite a 9% increase in domestic production output. In 2005, 2008 to 2009, it was more profitable to export tomatoes since higher export values were recorded for volumes exported. During other years, 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 South African tomato exports with 75.3% share, followed by Angola with 7.7% and Zimbabwe with 6.9% share. For the South African tomato exports to grow there should be attempts to diversify into other markets. In 2012, 1.3% of South African tomato exports remained in the ship stores and bunkers (This is the place where products without proper documents are held). Their share has increased when compared to 0.9% of tomatoes left in ship store and bunker in 2011.

Source: International Trade Centre (ITC)
The performance of the South African tomato exports during the year 2012 is further illustrated in Table 1 below.

Table 1: South Africa’s tomato exports in 2012

<table>
<thead>
<tr>
<th></th>
<th></th>
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<td>-24</td>
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<td>195</td>
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<td>3</td>
<td>1</td>
<td>-35</td>
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<td>887</td>
<td>215</td>
<td>191</td>
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<td>-55</td>
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<tr>
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<td>-1</td>
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<td>-20</td>
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<tr>
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<td>-17</td>
</tr>
<tr>
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<td>32</td>
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<td>-47</td>
<td>6</td>
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<tr>
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<td>12</td>
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<td>136</td>
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</tr>
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<td>129</td>
<td>28</td>
<td>47</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: International Trade Centre (ITC)

Table 1 above indicates that during 2012, South Africa exported higher quantities of tomatoes to Mozambique, Zimbabwe and Angola. Mozambique commanded the greatest share of South Africa’s tomato exports with 75.3% followed, by Zimbabwe with 7.7% and Angola with 6.9%. South Africa’s tomato exports left in ship store and bunkers have increased by 6% in value during 2011-2012 period. South Africa tomato exports to the world have decreased by 27% in value during 2011-2012 period. South Africa tomato exports to Mozambique have increased by 26% and 27% in terms of value and quantity during the 2008-2012 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, Germany and Netherlands) and Asia. Considerable volumes of tomato exports were not allocated to any region while from 2007 to 2011, a sizeable amount of tomatoes were exported to Oceania region. During 2011, there were no tomato exports to Americas region while exports to Europe were less significant. In 2012, countries in African region (Mozambique, Zimbabwe and Angola) continued to be the preferred tomato export market from South Africa. South Africa also exported considerable volumes of tomatoes to Oceania region (Papua New Guinea).
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 2010, it was less profitable to export to Oceania region since low values were recorded for high volumes exported. It was more profitable to export to the European region since high values were recorded for low volumes exported. During 2011; it was more profitable to export to Europe and Asia. In 2012, it was more profitable to export tomatoes to Asia and unallocated exports recorded higher value while, Oceania region was the least profitable market.
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 sources of tomatoes destined for the export markets. Firstly, the fact that R10 373 148 worth of tomatoes exported in 2012 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 and Cape Town harbours respectively.

Highlights of the tomato exports in Figure 10 were that the three provinces of the Western Cape, KwaZulu Natal and Gauteng were consistently the top tomato exporting provinces of South Africa over the last decade. In 2010, Limpopo and Mpumalanga registered considerable export values. Other provinces featured intermittently, but usually registered zero trade. During 2011, Limpopo and Mpumalanga recorded no trade in tomatoes. In 2012, considerable tomato export values were recorded for Free State, North West, Mpumalanga and Limpopo. High export value for Mpumalanga and Limpopo can be attributed to high export to neighboring countries (Mozambique and Zimbabwe). In the same year the export value for Western Cape, KwaZulu Natal and Gauteng have dropped significantly.

The following figures (Figures 11 - 17) show the value of tomato exports from the various districts in all the provinces of South Africa.
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 2011, there was a 23.4% decrease in value of tomato exports the City of Cape Town Municipality. Export values recorded for Eden municipality were insignificantly low during the period under review. In 2010, Cape Winelands also contributed to tomato exports from Western Cape province. During 2011, the export value for Eden has increased significantly while Cape Winelands has a recorded zero trade. In 2012, there was a further 70% decrease in export value recorded for the City of Cape Town Municipality. In the same year the export value recorded for Eden has also dropped by 30%.

Source: Quantec Easydata
In the Gauteng province, there have been fluctuations in tomato export values for the past ten years (see Figure 12 above). The leading role players are City of Johannesburg and Ekurhuleni Municipalities. High export values were recorded in 2011 (for the City of Johannesburg) and 2010 (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 2010 the export values recorded for Ekurhuleni and City of Johannesburg municipality were incomparably higher compared to the previous year. In 2010, West Rand and City of Tshwane have contributed significantly to tomato exports from Gauteng Province. During 2011; the export value for the City of Johannesburg was higher while the Ekurhuleni value dropped. City of Tshwane has also increased its export contribution during 2011. In 2012, West Rand municipality recorded the highest export value for the first time in a ten year period and in the same year export values for the City Of Johannesburg, City of Tshwane have significantly dropped. Ekurhuleni municipality export value has also increased during 2012.

From Figure 13 below, it is clear that tomato exports from the Kwa-Zulu Natal province are mainly from the Ethekwini Metropolitan Municipality. High export values for the leading municipality were recorded in 2007. In 2010 there was a 42.6% decrease in tomato export value from Ethekwini and during 2011, there was a further 43% drop in export value. In 2010, UGu has registered a considerable value for tomato exports and the export value dropped significantly in 2011. 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. During 2012, Ethekwini continued to lead in tomato exports from Kwazulu Natal, at the same time the export value for Ugu has significantly dropped when compared to 2011 export value.

![Figure 13: Value of tomato exports by Kwazulu Natal Province](image)

**Source:** Quantec Easydata

Values of tomato exports from the Limpopo province are shown in Figure 14.
Figure 14 above illustrates that tomato exports from the Limpopo province were recorded in 2009 and 2010. From 2003 to 2008 and 2011, the province has recorded a zero trade. In 2010, Capricorn 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. During 2011, Limpopo has recorded zero trade in tomatoes. In 2012, Vhembe and Waterberg have recorded considerable export values. This is a good development as Limpopo province is one a leading producer of tomatoes.

Figure 15: Value of tomato exports by Mpumalanga Province

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 2012. In 2004,
2008 and 2011 the province has recorded a zero trade. In 2010, Nkangala district has registered tomato export value for the first time in a ten years period. Ehlanzeni has recorded a significant value for Mpumalanga, which can be attributed to high export destined to neighbouring Mozambique.

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. From 2008 to 2012 there were no export values recorded for Eastern Cape province.
Figure 17 shows that tomato exports from the Free State province are from the Lejweleputswa District Municipality. From 2004 to 2011 the province has recorded a zero trade. In 2012, Free State province exported tomatoes from Xhariep municipality for the first time in a ten year period.

2.4 Share analysis

Table 2 is an illustration of provincial shares 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 2011, Western Cape commanded 60.20% and Gauteng commanded 38.37% of the total South African tomato exports. During 2012, Western Cape export share dropped to 21.75% and at the same time, Gauteng export share has increased to 45.55%. Free State commanded 9.01% export share after eight years of recording zero trade. North West also commanded a 1% share of tomato exports for the first time in a ten year period.

<table>
<thead>
<tr>
<th>Year</th>
<th>Province</th>
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<th>2005</th>
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<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Western Cape</td>
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<td>31.44</td>
<td>36.07</td>
<td>59.82</td>
<td>60.41</td>
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<td>Free State</td>
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<td>Gauteng</td>
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</tr>
</tbody>
</table>

Source: Calculated from Quantec Easydata

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 total Western Cape provincial tomato exports (%)
Table 3 above shows that the City of Cape Town commanded the greatest share of tomato exports from Western Cape province during the period under review. Eden and Cape Winelands district’s contributions were less significant. High export share by City of Cape Town can be attributed to the Cape Town harbour which serves as an exit point. In 2011 and 2012, the City of Cape Town continued to be a leading municipality in tomato exports from Western Cape. During 2012, Eden district has increased its tomato export share from 0.23% to 0.54%.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>District</th>
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<td>10.87</td>
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<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec Easydata

Table 4 above indicates that City of Johannesburg and Ekurhuleni municipalities commanded the greatest share of tomatoes exported from Gauteng province. In 2011, City of Tshwane commanded 15.58% share of tomatoes exported in Gauteng province. Export share for Ekurhuleni has decreased significantly in 2011 when compared to 2010. The City of Johannesburg export share has increased to 71.49% in 2011. During 2012, West Rand municipality commanded the greatest share of the Gauteng tomato export share. At the same year export share for the City of Johannesburg has dropped from 71.49% to 26.02%. OR Tambo International Airport serves as an export exit point for exports from these municipalities.

Table 5: Share of district tomato exports to total KwaZulu Natal tomato exports (%)  

<table>
<thead>
<tr>
<th>Year</th>
<th>District</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ugu</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>15.89</td>
<td>3.40</td>
<td>9.03</td>
</tr>
<tr>
<td>Uthungulu</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0.03</td>
<td>0.02</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ethekwini</td>
<td></td>
<td>100</td>
<td>100</td>
<td>99.97</td>
<td>99.98</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>84.11</td>
<td>96.60</td>
<td>90.97</td>
</tr>
<tr>
<td>Kwa Zulu-Natal</td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Calculated from Quantec Easydata

Table 5 above indicates that Ethekwini municipality commanded the greatest share of all tomato exports from KwaZulu Natal province during the ten year period. In 2011, Ugu district has commanded 3.40% and Ethekwini has commanded 96.60% share of tomato exports from KwaZulu Natal. During 2012, Ethekwini export share has dropped slightly from 96.60% to 90.97%, while Ugu district export shares have increased from 3.40% to 9.03%. Durban Harbor serves as an exit point for exports from this municipality.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>District</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vhembe</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>6.06</td>
<td>0</td>
<td>12.82</td>
</tr>
</tbody>
</table>

Table 6 above indicates that Vhembe district has commanded the greatest share of all tomato exports from Limpopo province during the ten year period. In 2011, Vhembe district has commanded 91.42% share of tomato exports from the province.
Table 6 illustrates that in 2009 Vhembe commanded a 100% of all tomato exports in Limpopo province. From 2003 to 2008, there were no tomato exports from Limpopo province. In 2010 Capricorn district has commanded the greatest share of tomato exports from Limpopo province. During 2011, Limpopo province has recorded zero trade in tomatoes. During 2012, Waterberg district commanded the greatest share of 86.61% of tomato export from Limpopo Province.

<table>
<thead>
<tr>
<th>Year</th>
<th>District</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>0</td>
</tr>
<tr>
<td>2004</td>
<td>0</td>
</tr>
<tr>
<td>2005</td>
<td>0</td>
</tr>
<tr>
<td>2006</td>
<td>0</td>
</tr>
<tr>
<td>2007</td>
<td>0</td>
</tr>
<tr>
<td>2008</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>100</td>
</tr>
<tr>
<td>2010</td>
<td>100</td>
</tr>
<tr>
<td>2011</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 7 shows that Ehlanzeni district municipality commanded greatest share for all tomatoes exported in Mpumalanga during the period under review. In 2004, 2008, 2009 and 2011, there was no tomato exports recorded for Mpumalanga province. In 2010, Nkangala commanded 5.01% of tomato exports from Mpumalanga. During 2012, Ehlanzeni continued to lead in tomato export and it has commanded 99.30% share while Nkangala export share was insignificant.

Table 8 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 to 2012, there was no tomato exports recorded for Eastern Cape province.

Table 9 above illustrates that in 2003, Lejweleputswa district municipality commanded a 100% share of tomato exports from Free State province. From 2004 to 2011, there was no tomato exports recorded for the Free State province. In Xhariep district municipality commanded a 100% share of tomato exports from the Free State province.
2.5 Tomato imports by South Africa

Figure 18 below shows that South Africa is self-sufficient in tomato production, hence there are comparatively low levels of tomato imports compared to exports. In 2012, South Africa’s tomato imports represented 0% of world imports and its ranking was 157. South Africa has improved its competitiveness as in 2011, it was ranked number 129 in the world importers. In 2012, South Africa imported 87.5% of tomatoes from Italy. Globally, the United States America with 23.6% share, Germany 16%, Russian Federation 10.7%, United Kingdom 7.9%, France 6.8% and Canada 4.6% were top countries importing tomatoes during 2012. Figure 18 below illustrates South Africa’s tomato imports.

During 2004, tomato imports were incomparably higher when compared to the previous year. In 2007, South Africa’s tomato imports were significantly low despite the lowest production output in the same year. Highest import volumes were only recorded in 2009, despite high domestic production in the same year. This can be attributed to cheaper tomato import in the same year. In 2011, the imports dropped by 115% when compared to 2010 imports. During 2011, tomato imports dropped by 36% despite a slight decrease in domestic tomato production and the imports dropped further by 90% during 2012. The decrease in tomato imports during 2012 can be attributed to 9% increase in domestic tomato production output. It was also more expensive to import tomatoes during 2012 when compared to the other years, since low volumes were imported at high values.

Figure 18 below illustrates South Africa’s tomato imports from the various regions in a period of 10 years. From 2004 to 2006 and 2010, South Africa imported considerable quantities of tomatoes from the European region. In 2003, 2008, 2009 and 2010, South Africa imported high volumes of tomatoes from the African region. Tomato imports from Americas region were only in 2008 and the volumes were insignificantly low. In 2010, South Africa imported 60% of tomatoes from Italy, 36%
from Zimbabwe, and 4% from Nigeria. During 2011, South Africa’s tomato import was sourced mainly from Italy. In 2012, Italy remained the main supplier of South Africa’s tomato imports by supplying 87.5% of imports. In the same year there were no tomato imports from Africa and Americas region.

**Figure 19: South Africa’s tomato imports from the regions**

![Graph showing tomato imports from different regions from 2003 to 2012](image)

Source: Quantec Easydata

Figure 20 below illustrates South Africa tomato import values from the various regions from 2003 to 2012 period.

**Figure 20: Value of tomato imports by South Africa**

![Graph showing the value of tomato imports from different regions from 2003 to 2012](image)

Source: Quantec Easydata

In 2003, 2004, 2010 and 2011, it was expensive for South Africa to import tomatoes from European region. During 2009 and 2010, it was less expensive to import from African region since low value were recorded for high volume imported. It was also expensive to import tomatoes from Americas.
region during 2008. During 2012, it was more expensive to import tomatoes from Europe when compared to 2011 imports from this region.

2.6 Processing

Processing of tomatoes consists of canning, freezing, dehydration and juice production. Tomatoes are processed into whole peeled, tomato and onion bruises, paste, shredded, puree and paste concentrate. The industry experienced an increase in growth mainly from canning. In the 2012 production season, 111 845 tons of tomatoes were canned (see Table 10 below). That represents a 29% increase from the 86 853 tons canned in 2011. In 2009, 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 2010 there were no volumes recorded for freezing activities. During 2012, there were no volumes recorded for juice and freezing while there were no volumes recorded for dehydration activities since 2005. In the same year 56 tons were recorded for freezing activities. In 2012, total processing accounted for 20% and 6.3% of the tomato’s total volume and value respectively.

Table 10: Processed tomatoes

<table>
<thead>
<tr>
<th>Year</th>
<th>Canning Volume (Tonnes)</th>
<th>Canning Value (Rand)</th>
<th>Juices Volume (Tonnes)</th>
<th>Juices Value (Rand)</th>
<th>Freezing Volume (Tonnes)</th>
<th>Freezing Value (Rand)</th>
<th>Dehydration Volume (Tonnes)</th>
<th>Dehydration Value (Rand)</th>
<th>Total Processing Volume (Tonnes)</th>
<th>Total Processing Value (Rand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>123 539</td>
<td>67 124 388</td>
<td>1 880</td>
<td>1 052 495</td>
<td>0</td>
<td>0</td>
<td>73</td>
<td>53 791</td>
<td>125 492</td>
<td>68 230 675</td>
</tr>
<tr>
<td>2004</td>
<td>131 732</td>
<td>73 896 626</td>
<td>1 290</td>
<td>752 084</td>
<td>87</td>
<td>74 113</td>
<td>41</td>
<td>25 946</td>
<td>133 150</td>
<td>74 750 769</td>
</tr>
<tr>
<td>2005</td>
<td>141 872</td>
<td>84 081 047</td>
<td>1 877</td>
<td>1 091 804</td>
<td>123</td>
<td>108 203</td>
<td>0</td>
<td>0</td>
<td>143 872</td>
<td>85 281 055</td>
</tr>
<tr>
<td>2006</td>
<td>123 081</td>
<td>72 343 889</td>
<td>0</td>
<td>0</td>
<td>80</td>
<td>47 515</td>
<td>0</td>
<td>0</td>
<td>123 161</td>
<td>72 391 404</td>
</tr>
<tr>
<td>2007</td>
<td>99 445</td>
<td>61 098 928</td>
<td>0</td>
<td>3.4</td>
<td>195</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>99 445</td>
<td>61 099 123</td>
</tr>
<tr>
<td>2008</td>
<td>144 524</td>
<td>103 058 063</td>
<td>0</td>
<td>0</td>
<td>53</td>
<td>53 691</td>
<td>0</td>
<td>0</td>
<td>144 578</td>
<td>103 111 753</td>
</tr>
<tr>
<td>2009</td>
<td>135 782</td>
<td>150 828 518</td>
<td>0</td>
<td>110</td>
<td>412 54446</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>135 892</td>
<td>151 241 064</td>
</tr>
<tr>
<td>2010</td>
<td>124 384</td>
<td>128 242 634</td>
<td>0</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>124 384</td>
<td>128 242 634</td>
<td>124 384</td>
<td>128 242 634</td>
</tr>
<tr>
<td>2011</td>
<td>86 853</td>
<td>78 067 003</td>
<td>6</td>
<td>6 442</td>
<td>134</td>
<td>174 249</td>
<td>0</td>
<td>0</td>
<td>86 994</td>
<td>78 247 694</td>
</tr>
<tr>
<td>2012</td>
<td>111 845</td>
<td>109 083 075</td>
<td>0</td>
<td>56</td>
<td>97 198</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>111 902</td>
<td>109 180 273</td>
</tr>
</tbody>
</table>

Source: Statistics and Economic Analysis, DAFF

3. MARKET INTELIGENCE

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. In 2012, South African tomato exports represent 0.03% of
world exports and its ranking on the world exports was number 47. South Africa has lost its competitiveness as it was ranked number 45 in the previous year.

As depicted in Figure 21 below, South African tomato exports are growing faster than the world imports into the Democratic Republic of Congo and Zambia. South Africa’s performance in these countries is regarded as a gain in dynamic markets. South Africa tomato exports to Angola, Mauritius, Papua New Guinea, Saint Helena, Seychelles and Ghana 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 world imports are declining into Mozambique. South Africa tomato exports declining while world imports are growing into Congo.

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 with 75.3% share of exports. In terms of market size United States of America (USA), Germany, Russian Federation, United Kingdom (UK) and France are the leading markets/importers of tomatoes.

Whilst five countries dominate world tomato imports, it is interesting to note that countries like Mauritius, Zimbabwe, Papua New Guinea and Congo have experienced higher annual growth rate in value from 2008–2012. Mauritius experienced an annual growth rate of 217% and Papua New Guinea has experienced an annual growth rate of 110% annual growth rate. Papua New Guinea and Congo have experienced 74% and 61% annual growth between 2008 and 2012. These countries represent possible lucrative markets for South African tomato producers.
Figure 21: Growth in demand for tomatoes exported by South Africa in 2012

Source: International Trade Map (ITC)
Figure 22: Prospects for market diversification for tomatoes exported by South Africa in 2012

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 Africa 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. Tariffs applied by the various markets to tomatoes originating from South Africa during 2010 and 2013 are shown in Table 11 below.
Table 11: Tariffs applied by various export markets to tomatoes from South Africa

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PRODUCT DESCRIPTION</th>
<th>TRADE REGIME</th>
<th>APPLIED TARIFFS</th>
<th>TOTAL AD VALOREM EQUIVALENT TARIFF</th>
<th>APPLIED TARIFFS</th>
<th>TOTAL AD VALOREM EQUIVALENT TARIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2011</td>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Angola</td>
<td>Tomatoes, fresh or chilled:</td>
<td>MNF duties (Applied)</td>
<td>15.00%</td>
<td>15.00%</td>
<td>15.00%</td>
<td>15.00%</td>
</tr>
<tr>
<td>Belgium</td>
<td>Tomatoes, fresh or chilled:</td>
<td>Preferential tariff for South Africa</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>DRC</td>
<td>Tomatoes, fresh or chilled:</td>
<td>MFN duties</td>
<td>10.00%</td>
<td>10.00%</td>
<td>10.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Germany</td>
<td>Tomatoes, fresh or chilled:</td>
<td>Preferential tariff for South Africa</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>Tomatoes fresh or chilled</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Tomatoes, fresh or chilled:</td>
<td>Preferential tariff for South Africa</td>
<td>15.00%</td>
<td>15.00%</td>
<td>15.00%</td>
<td>15.00%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Tomatoes, fresh or chilled:</td>
<td>Preferential tariff for South Africa</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Mexico</td>
<td>Tomatoes, fresh or chilled:</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Russian</td>
<td>Tomatoes, fresh or chilled:</td>
<td>General tariff (MFN applied)</td>
<td>105.60$/ton</td>
<td>15.00%</td>
<td>105.60$/ton</td>
<td>15.00%</td>
</tr>
<tr>
<td>Federation</td>
<td></td>
<td>Preferential tariff for GPS countries</td>
<td>79.20$/ton</td>
<td>11.25%</td>
<td>79.20$/ton</td>
<td>11.25%</td>
</tr>
<tr>
<td>Seychelles</td>
<td>Tomatoes, fresh or chilled:</td>
<td>General tariff</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Tomatoes, fresh or chilled:</td>
<td>MFN duties (Applied)</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>Tomatoes, fresh or chilled:</td>
<td>MFN duties (Applied)</td>
<td>40.00%</td>
<td>40.00%</td>
<td>40.00%</td>
<td>40.00%</td>
</tr>
<tr>
<td>Spain</td>
<td>Tomatoes, fresh or chilled:</td>
<td>MFN duties (Applied)</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Tomatoes, fresh or chilled:</td>
<td>Preferential tariff for South Africa</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>France</td>
<td>Tomatoes, fresh or chilled:</td>
<td>Preferential tariff for South Africa</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Gabon</td>
<td>Tomatoes, fresh or chilled:</td>
<td>MFN duties (Applied)</td>
<td>30.00%</td>
<td>30.00%</td>
<td>30.00%</td>
<td>30.00%</td>
</tr>
</tbody>
</table>
During 2012, Mozambique was the biggest export market for tomato originating from South Africa and this country applies 15.00% tariff. South Africa also exported to Angola and Zimbabwe and these markets are protected by 15.00% and 40.00% tariff despite SADC-Free Trade Agreement (FTA). Morocco is ranked number four in the world tomato exporters and its domestic market is protected by high tariff of 49.00%. Zambia has reduced its tariff from 5.00% to 0.00% preferential tariff for tomatoes originating from South Africa.

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 designed 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 in 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 and vegetable produce.
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 (see Figure 23) 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 i.e. wholesale, wholesale-retail, retail, processing and intermediaries.
Figure 23: Simplified tomato food value chain

- **PRODUCERS**
  - Large-scale farmers
  - Small-scale farmers

- **WHOLESALE**
  - 17 national fresh produce markets (FPM)

- **OTHER INTERMEDIARIES**
  - Exporters
    - Direct sales
    - Export Agents

- **WHOLESALE-RETAIL**
  - Distribution Centres
  - Satellite Produce Markets
  - Chains e.g. Fruit & Veg City.

- **RETAIL**
  - Supermarkets
  - Hawkers
  - Greengrocers
  - Tuckshops (siphaxis)

- **FURTHER PROCESSING**
  - Catering
    - Restaurants
    - Fast-food
    - Functions & Events

- **Hospitality**
  - Hotels
  - Bed & Breakfasts
  - Lodges

- **INSTITUTIONS**
  - Corporate
  - Government
  - Hospitals
  - Prisons

- **FINAL CONSUMERS**
  - Local consumption
  - Foreign markets (mainly regional)
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.

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 2.6, 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:

- Competing against subsidized products from the developed countries;
- The strengthening of the Rand against other major trading currencies like the Euro and the US dollar; and
- 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 are available on supermarkets shelves.
10. ACKNOWLEDGEMENTS

10.1 The following industries are acknowledged

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10.1.3 Limpopo Tomato Growers Association (LTGA)
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10.1.5 Quantec Easy Data
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10.2 TOMATO PROCESSORS

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