Competitiveness, Sustainability, Resilience …new challenges for the (Table) Grape industry

Johan van Rooyen & Andre Jooste

2022

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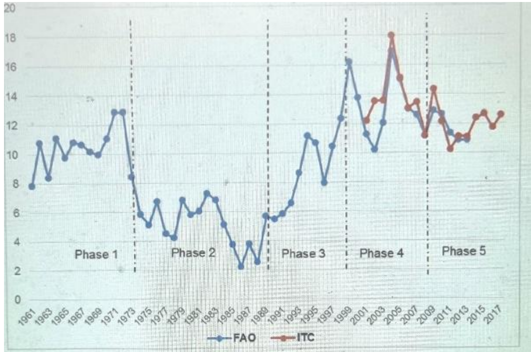


Figure 5.2: RTA values showing South African table grape trends

Towards the new Normal?
Fragility, break-downs in agri-food bus value chains

Meer skepe as ooit tevore het verlede jaar deur die Suezkanaal gevaar.

Die 20 694 skepe wat in 2021 deur die kanaal is, is 'n rekord, sê Osama Rabie, voorsitter van die Suezkanaal-owerheid (SCA).

Dit kom ten spyte van die voorval toe die 400 m lange *Ever Given* verlede jaar in die kanaal vasgesit en groot opeenhopings veroorsaak het. Die kanaal is van 23 tot 29 Maart versper en meer as 400 skepe kon nie daardeur vaar nie. Baie moes ander roetes om Afrika neem weens die gevolglike opeenhopings.

Die Covid-19-pandemie het ook nie die verkeer deur die kanaal geraak nie.

Die SCA sê $6,3 miljard is aan tariewe betaal om deur die kanaal te vaar en daar sal na verwagting nog meer skepe vanjaar daardeur vaar. Dit sal verder toeneem sodra die projek om die

Die *Ever Given* sit in 'n deel van die Suezkanaal vas wat 200 m wyd is, terwyl die skip 400 m lank is.

DIE BURGER

Sake

GEBREK AAN GROENKRAG KAN EKONOMIE KNEL

Kan SA uitvoer met 50% sny

SA moet teen 2050 koolstofneutraal w

William Horne

Suid-Afrika se oorgang na netto nul-kweekhuisgasvrystellings, oftewel koolstofneutraliteit, is nie net nodig vir klimaatsverandering nie, maar om ekonomiese ineenstorting te vermy.

So waarsku 'n nuwe studie deur vooraanstaande sakegroepe.

Ondanks Suid-Afrika se ernstige verantwoordelikheid om as een van die grootste besoedelaars ter wêreld teen 2050 netto nul-kweekhuisgasvrystellings te bereik, is die gevolge om dit nié te doen nie meer as die blote uitwerking op klimaatsverande-

studie uiteen hoe absoluut noodsaaklik dit is dat Suid-Afrika teen 2050 koolstofneutraal is.

Die grootste newe-effek om dit nié te bereik nie, is dat tot 50% van Suid-Afrika se uitvoer aan verwoestende tariewe onderworpe sal word.

Dit is omdat die Europese Unie en ander Westerse streke eersdaags omvattende invoertariewe op goedere gaan hef wat deur besoedelende ekonomieë vervaardig word.

Suid-Afrika is die tweede grootste besoedelaar in terme van koolstofvrystellings ter wêreld, gemeet teen ander ekonomieë wat meer as $500 miljard in bruto binnelandse produk (BBP)

mie verwoes, r... die studie.

"Die status ... en die oorgang ... energie kan 'n ... daardie veran...

As groenkrag ... ontplooi word, ... Suid-Afrika se ... lings verwyder ... in staat sal stel ... die Eerste Wêr...

Dit het Suid... tien jaa... as 5 000 ...

Chin... 120 000 ...

Volgens die navorsers ... wat moontlik is as die regte regulasies en politieke wil in plek is.

Die navorsers raam sowat

Realities: Reduce carbon footprints!!

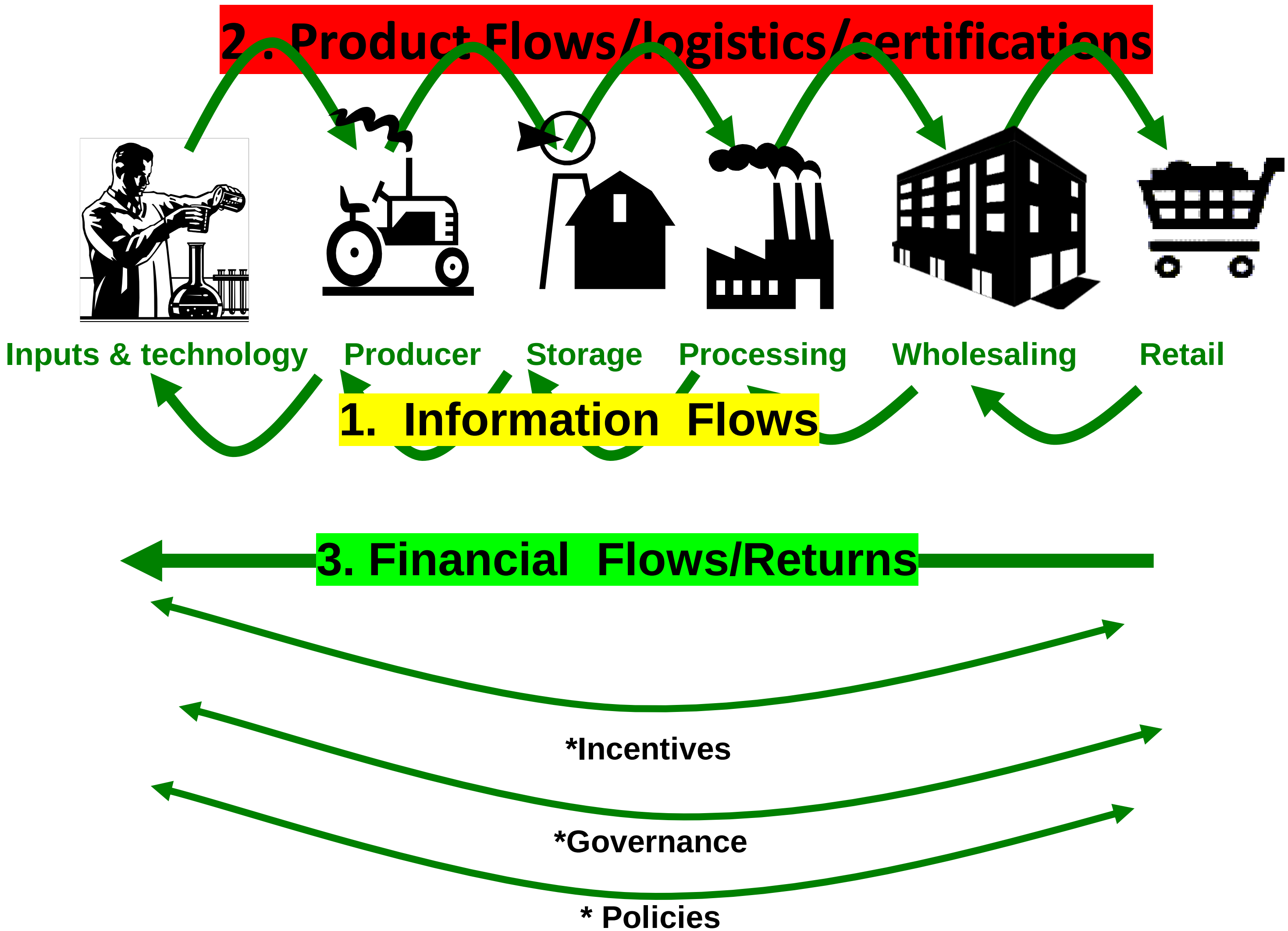
This talk is about 4 statements
on
Strategic Action
in the (Table) Grape Value Chain

1. Value Chain Competitiveness (Agri-Comp Matrix; Zyanda M Sc Agric research)

2. Dealing with the "new big issues" (WEF, "Green Deal", IMD, FAO, …)

- Environment sustainability
- Value Chain Resilience

Statement 1: Competitive value chains – the key to agribusiness success



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Value Chains are integrated and complicated but are the **Integrators** in the market:

Learn to participate and manage..
Be influential!!!

DEFINING AGRI-COMPETITIVENESS…

COMPETITIVENESS?

"THE ABILITY TO CONTINUE TO DO GOOD BUSINESS… GIVEN ALL ALTERNATIVES (INVESTMENT) ALTERNATIVES:

- **SIMILAR & OTHER PRODUCTS;**
- **OTHER INDUSTRIES- AGRIC & NON-AGRIC; - OTHER REGIONS AND COUNTRIES"**

- **GAINING COMPETITIVE ADVANTAGE**
  - **STRATEGY THE KEY (Porter, 1998)**

- **Competitiveness & Profitability?**

METHODOLOGY AND ANALYSIS:

MEASURING PERFORMANCE:

TRADE BASED MEASURES (opportunity cost based)

$$RCA_{ij} = RXA_{ij} = \left[\frac{X_{ij}}{X_{ik}}\right] / \left[\frac{X_{nj}}{X_{nk}}\right]$$

$$RMA_{ij} = \left[\frac{M_{ij}}{M_{ik}}\right] / \left[\frac{M_{nj}}{M_{nk}}\right]$$

$$\boldsymbol{RTA_{ij} = RXA_{ij} - RMA_{ij}}$$

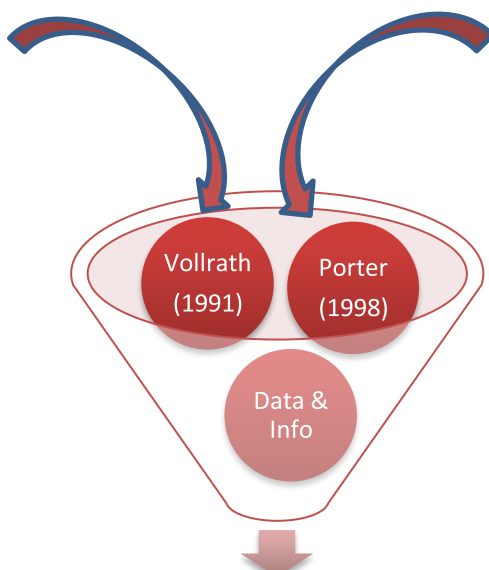
Imports and exports

(Balassa 1966, Vollrath 1991)

Data:

FAO STATS;

TRADEMAP



COMPREHENSIVE ASSEMENTS

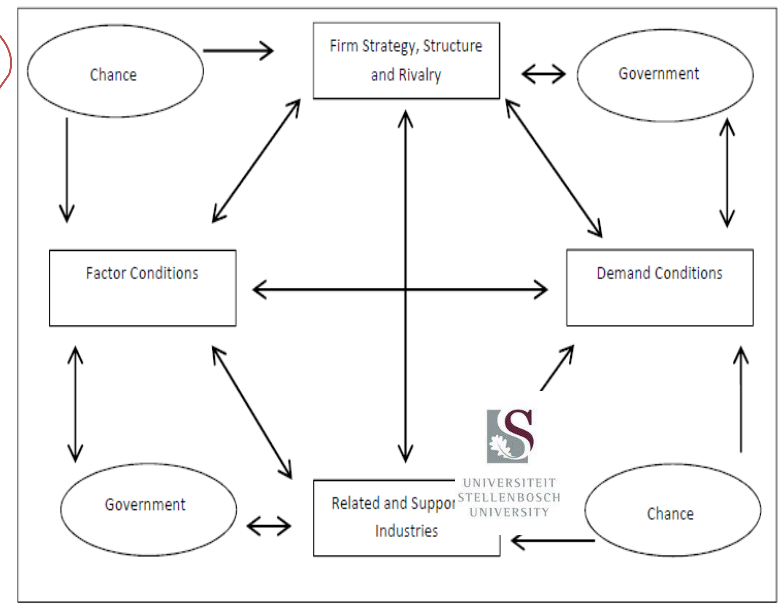
STRATEGIC ANALYSIS:

Objective measures-

- **Cost Measures**
- **Profitability**
- **Productivity and Efficiency**

Subjective opinions-

- **SWOT**
- **PORTER COMP DIAMOND**
- **EXEC SURVEYS, Delphi**



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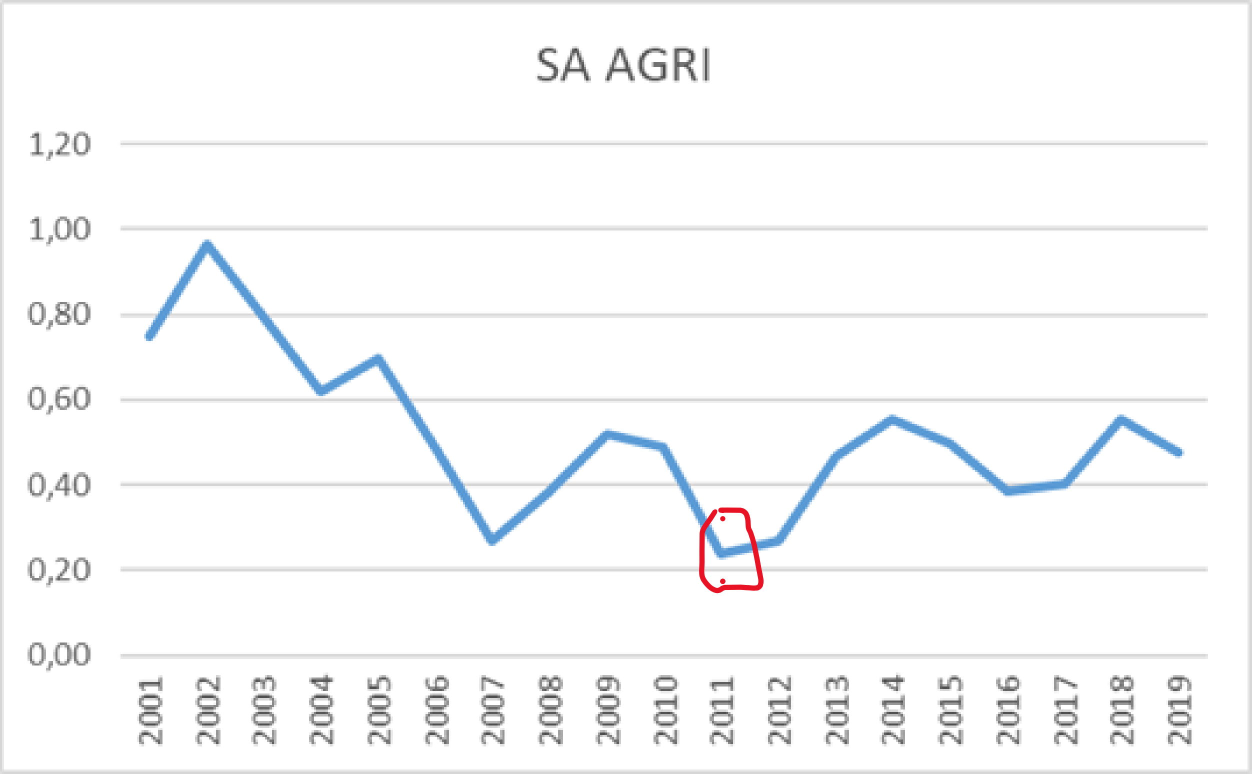
RSA Agri Competitiveness:

RTA>0

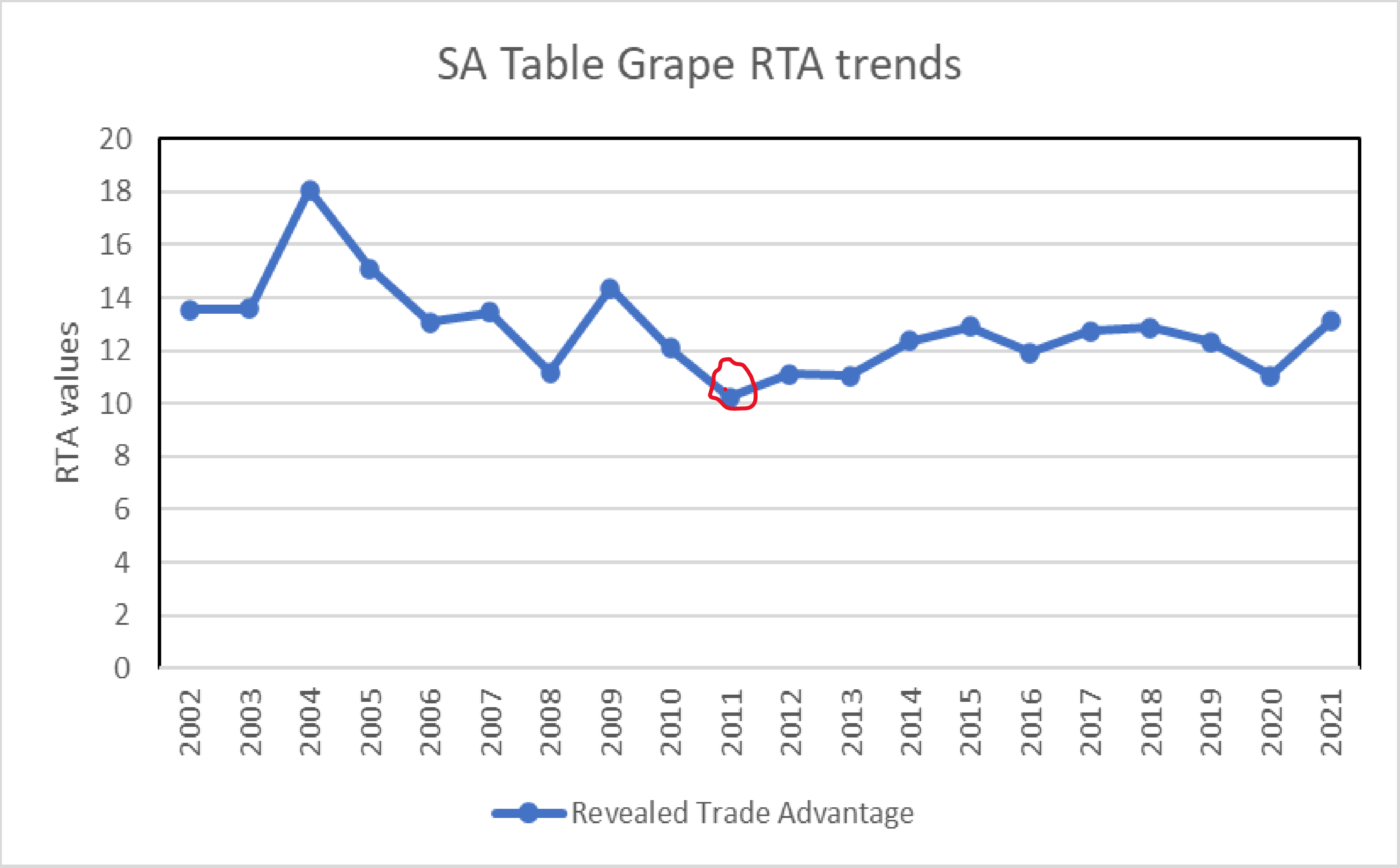
Competitive but marginal (ITC data 2001-



Measuring the competitiveness of RSA Grapes

Table grapes

Raisins


SA Table Grape RTA trends
RTA values
20
18
16
14
12
10
8
6
4
2
0
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Revealed Trade Advantage

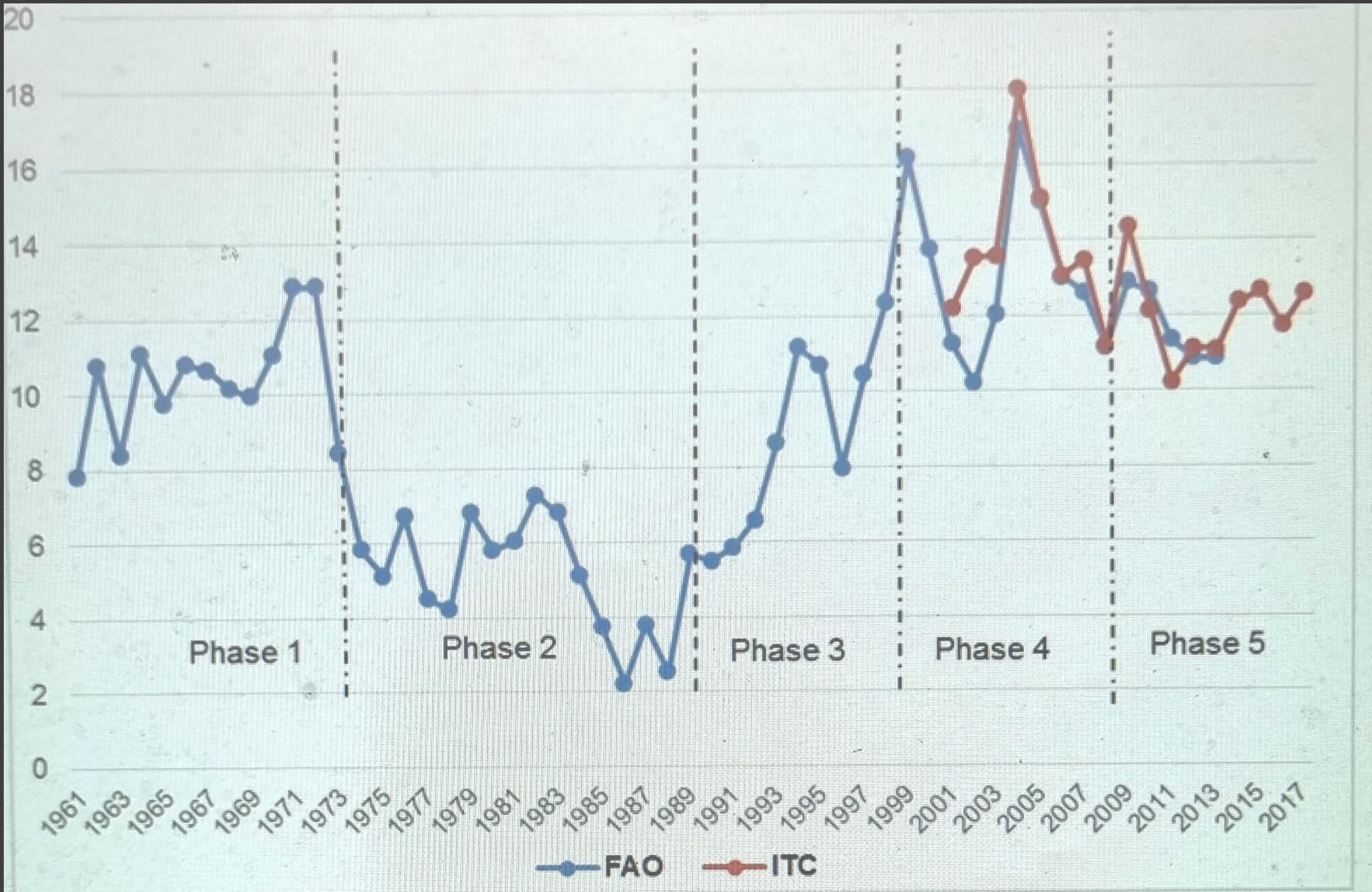
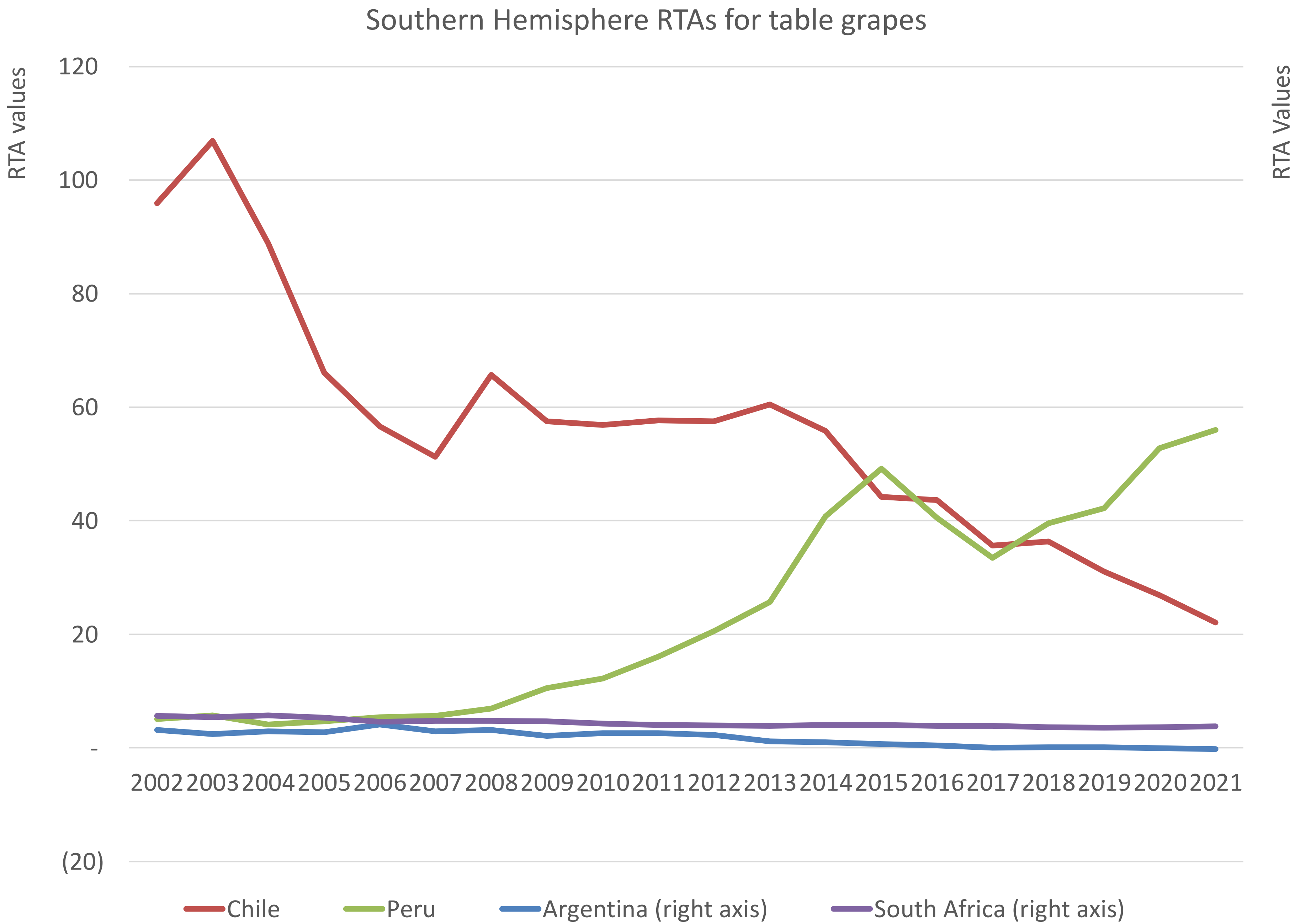


Figure 5.2: RTA values showing South African table grape trends



Southern Hemisphere RTAs for table grapes
RTA values
RTA Values
120
100
80
60
40
20
-
(20)
2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
Chile
Peru
Argentina (right axis)
South Africa (right axis)

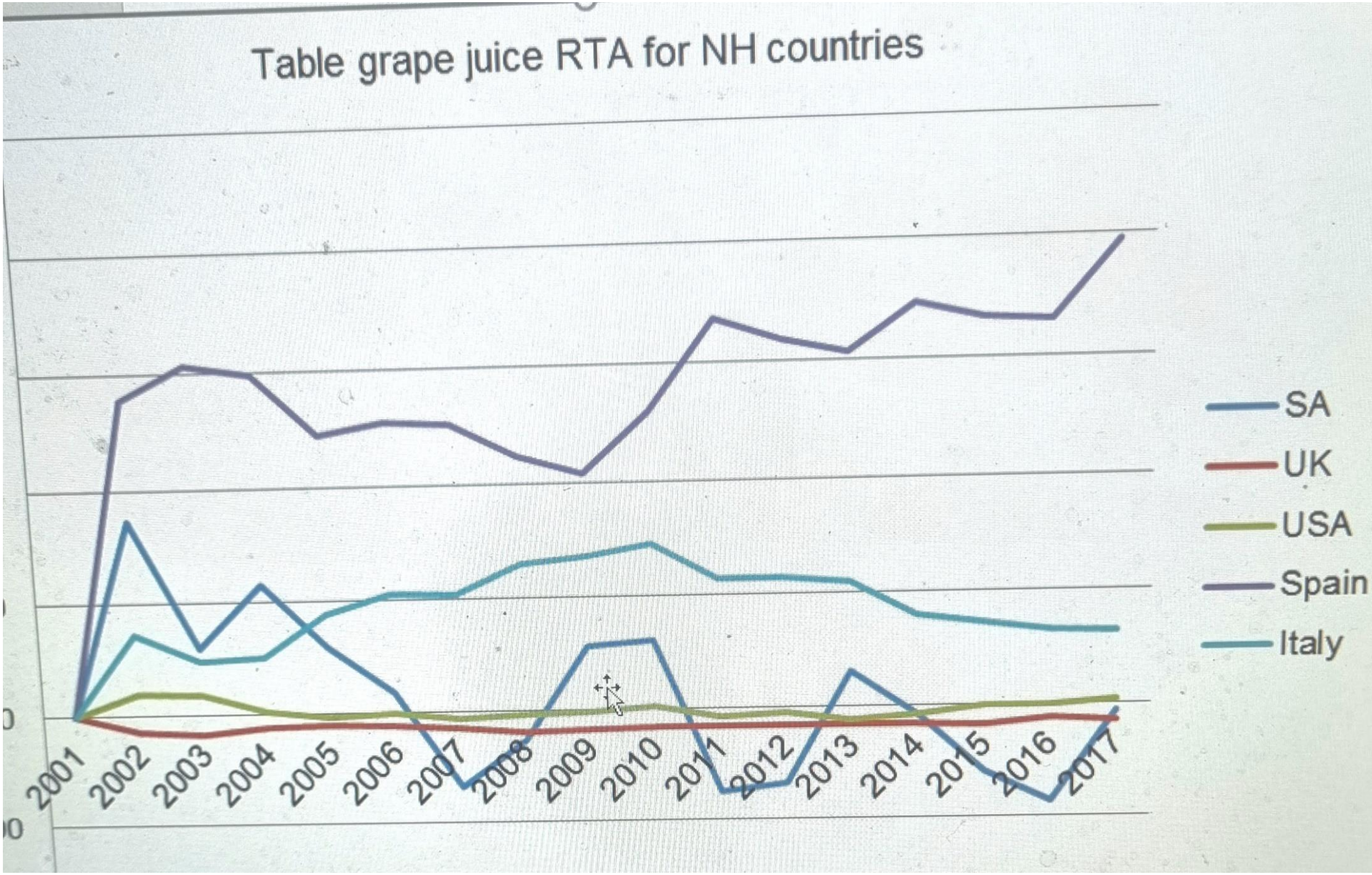
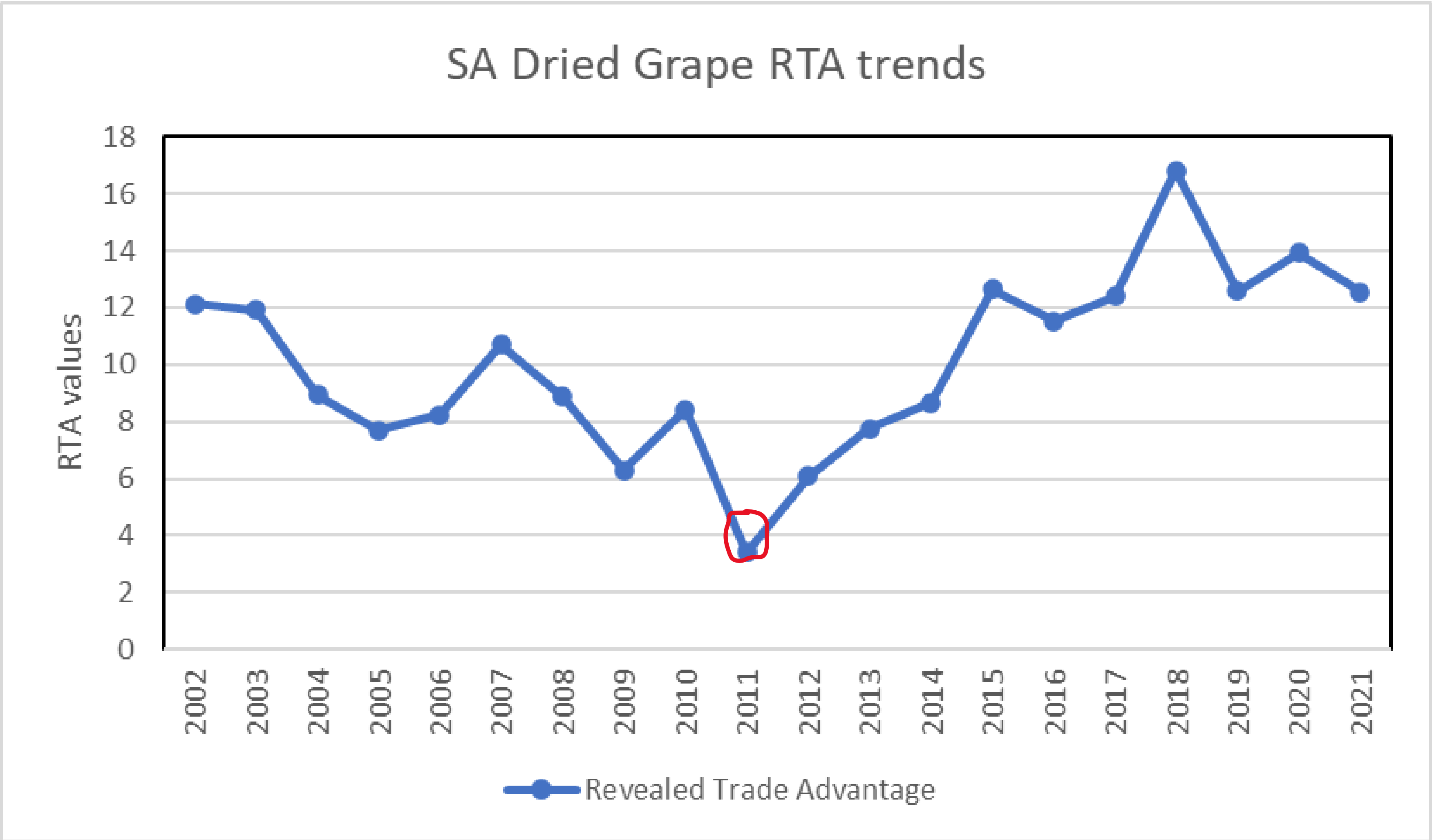


Table grape juice RTA for NH countries
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
SA
UK
USA
Spain
Italy

Gedroogte druiwe(Rosyntjies)



Explaining competitive performance:

Determinants & Factors of Competitiveness to gain Competitive Advantage

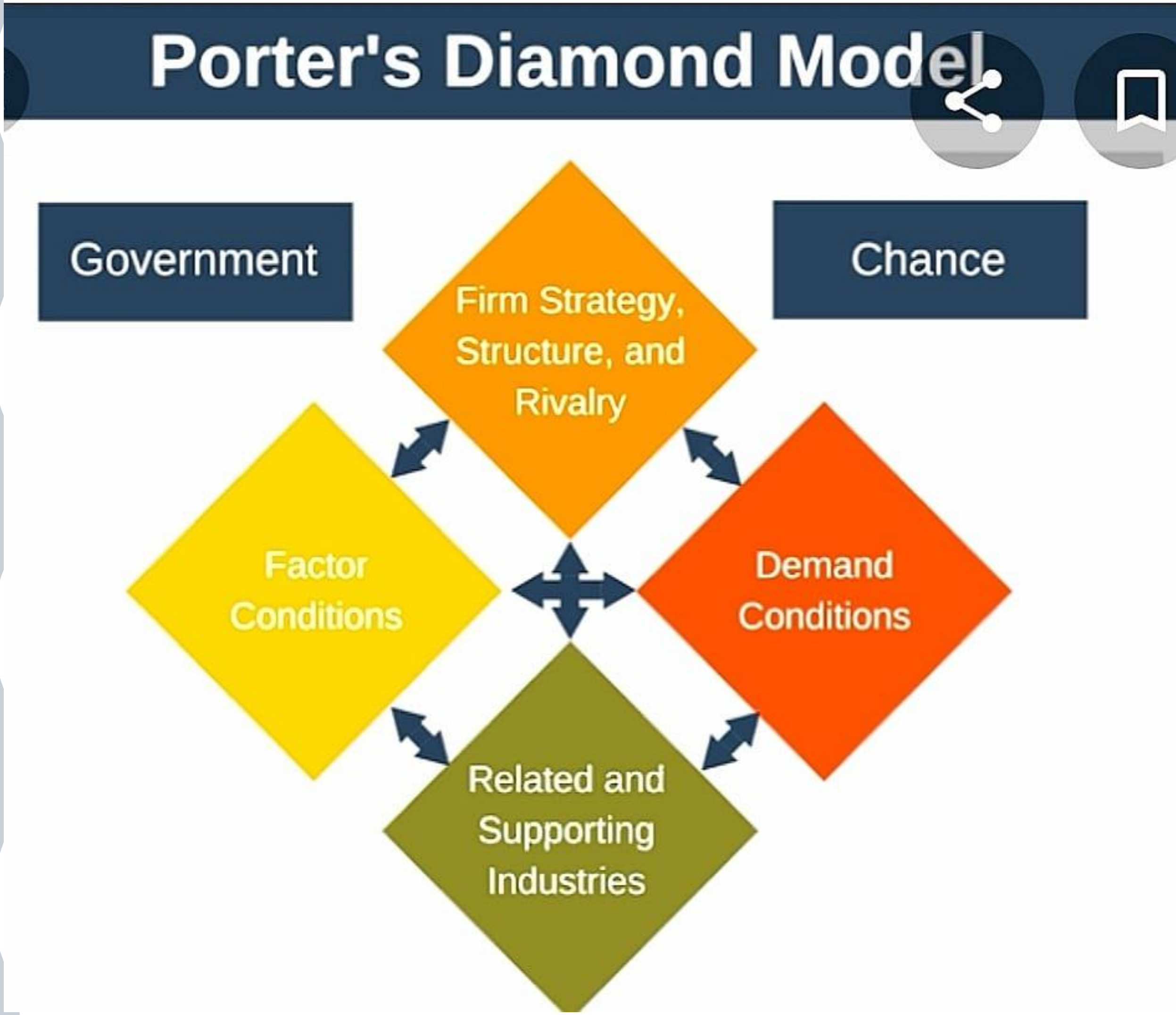
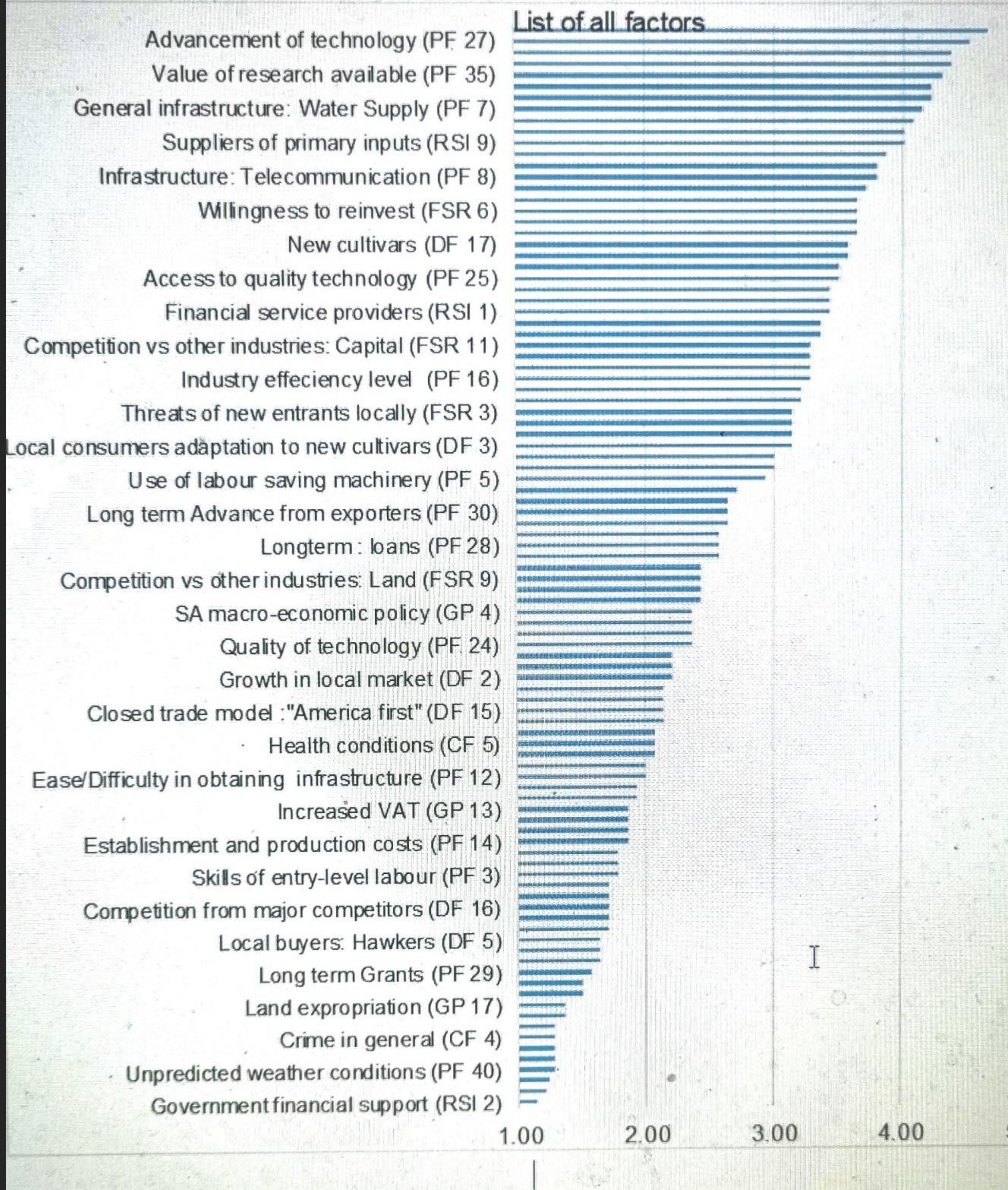


Table Grapes:

33 Factors constraining/ enhancing Competitive Performance (TGES, 2018/9): Note:
- **great variations**
- **consistency in value chain**



Agenda for Strategic Action: Porter Competitive Diamond

Note:

- 17 Constraints/ 13 enhancements
- Firm strategy most significant
- Unbalanced pattern

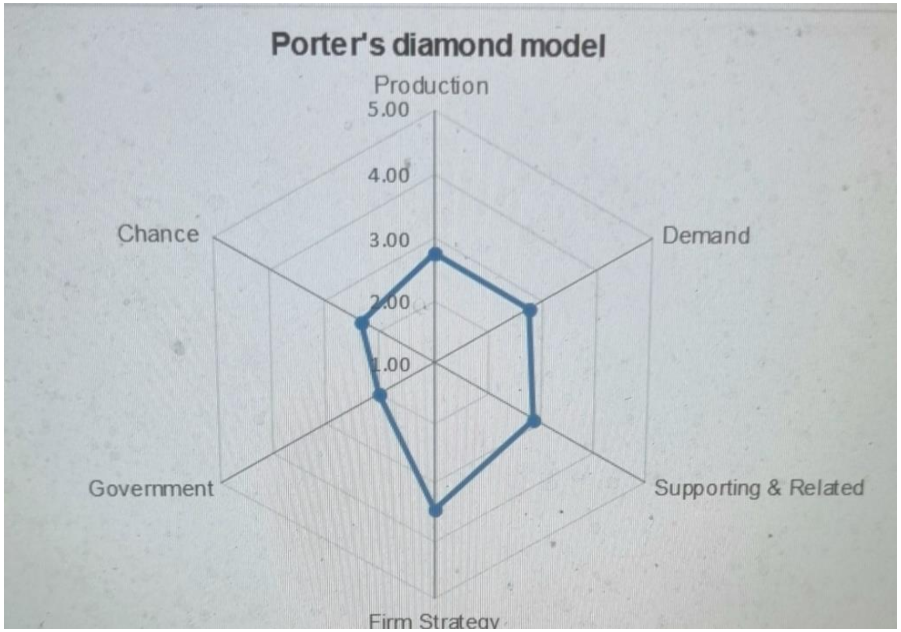


Table 5.2: Average impact scores of Porter's model determinants

Porter determinants	Average factor score
Production factors	2.78
Demand factors	2.75
Related and supporting industries	2.88
Firm strategy, structure and rivalry	3.45
Chance factors	2.3
Government support and policies	2

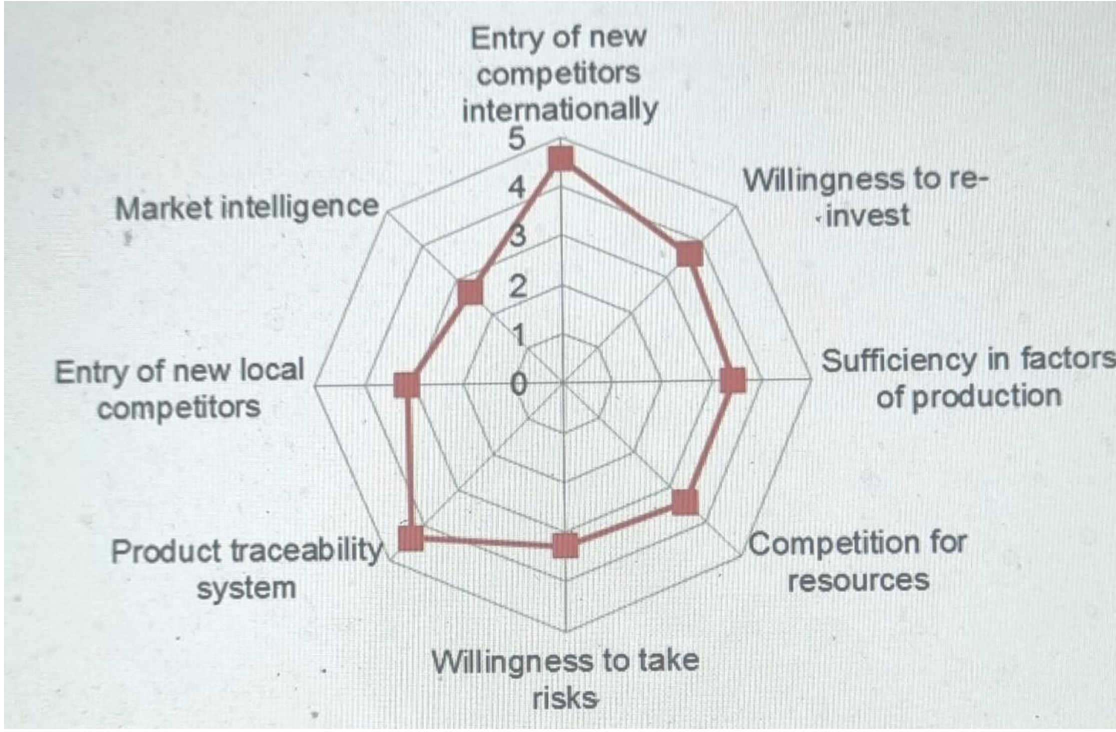
Industry structure and firm strategy 70/100

Enhancements:

- Entry into global markets..90%
-Traceability system..80%
- Willingness to invest

Constraints:

- Market intell..28%



Production Factor Endowments 56%

Enhancements:

- Industry infra-90% cold storage, transp
- Tech innovation
- Access to R&D
- Entry level labour

Constraints:

- Access to water 40%
- High cost -$/R -technology- 30%
- Entry level skills
- Ocean cargo costs 45%

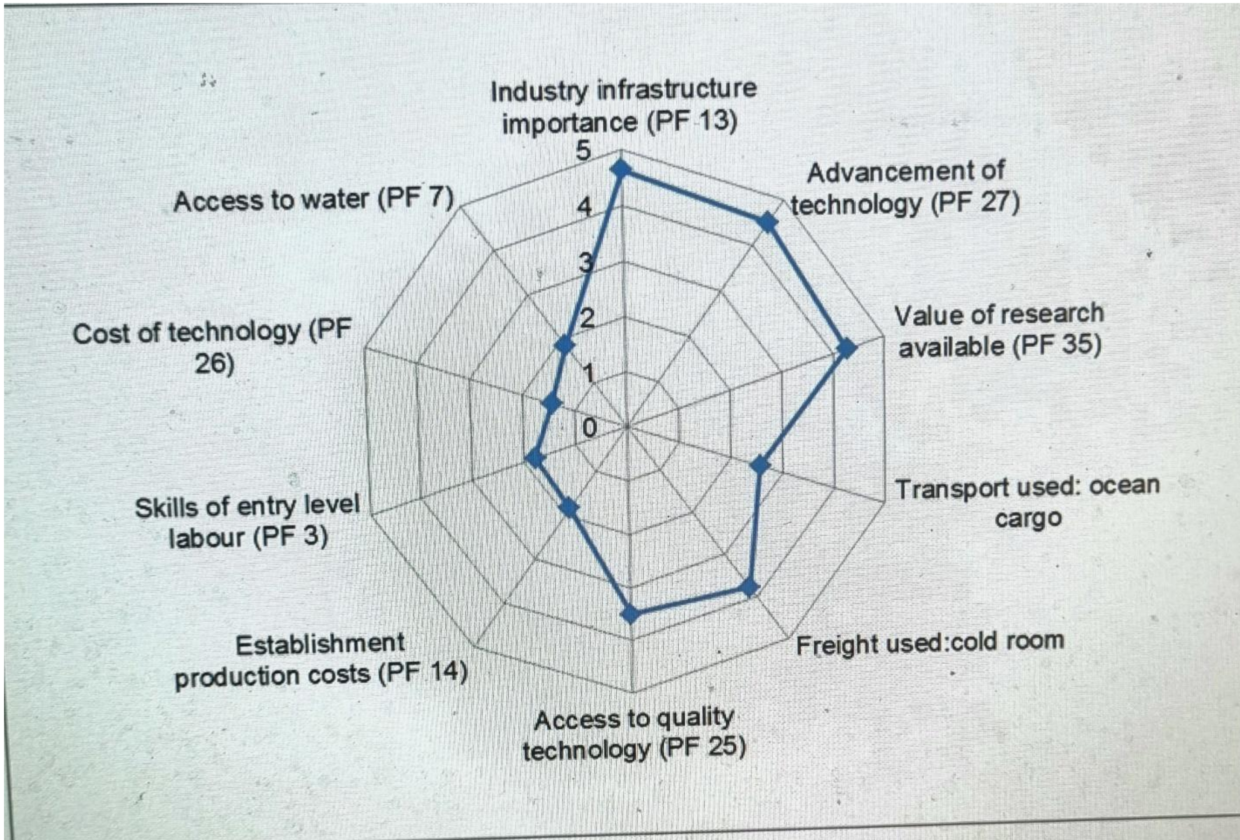


Figure 5.9: Production factors determinant directing the competitive status of the industry

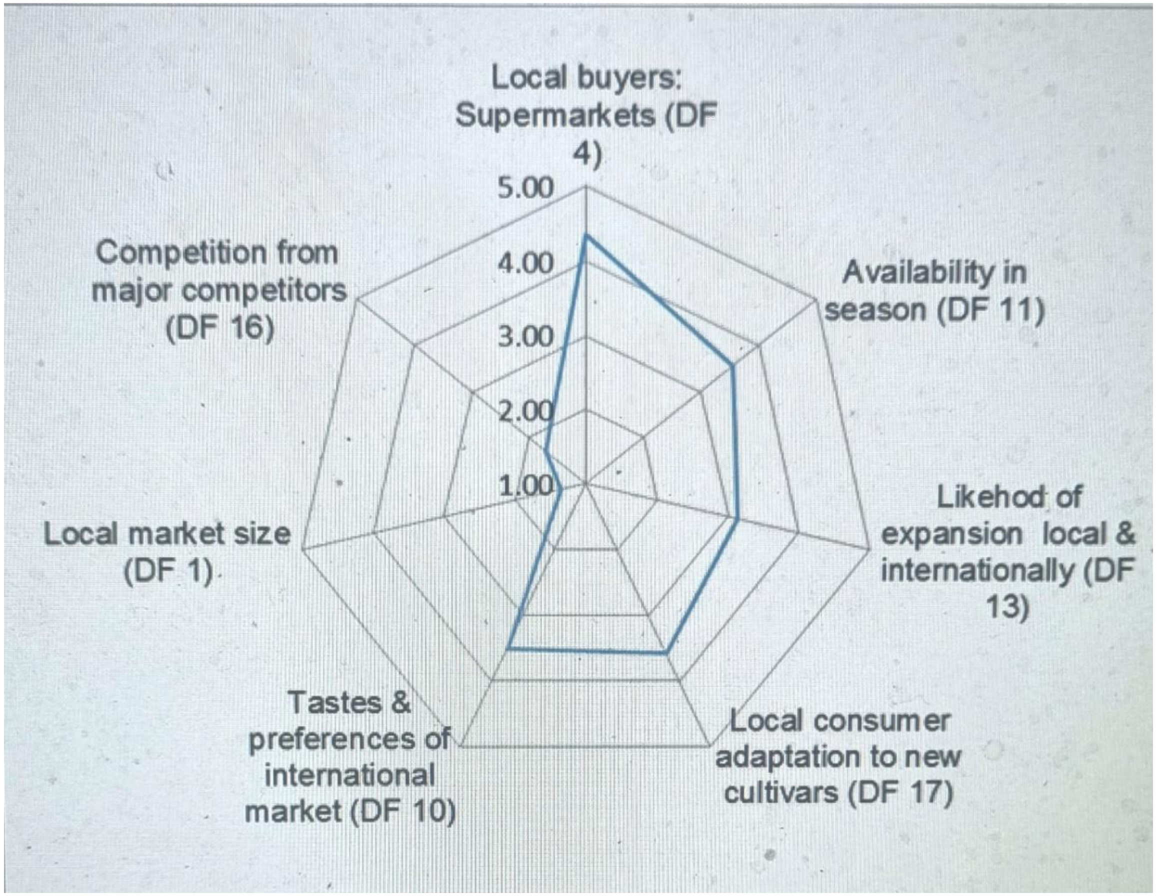
Demand and Markets 55/100

Enhancements:

- Understanding global markets 70%
- Local retail markets 88%

Constraints:

- Local market size 20%
- Global competitor actions ? 30%



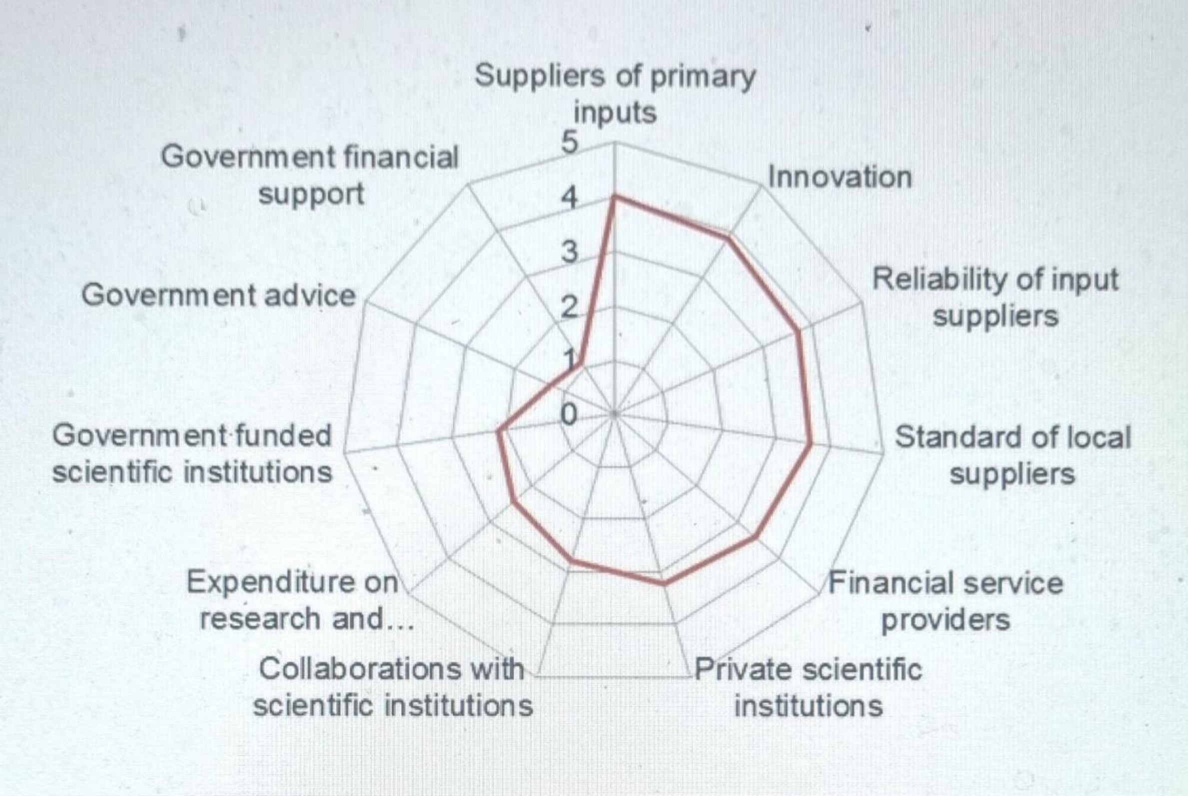
Supporting industries & agencies 58/100

Enhancements:

- Local systems (R&D, fin, supply, inputs...) 70+%

Constraints:

- Gvt support agencies (R&D, fin, info & advice, promotion..) 40-%



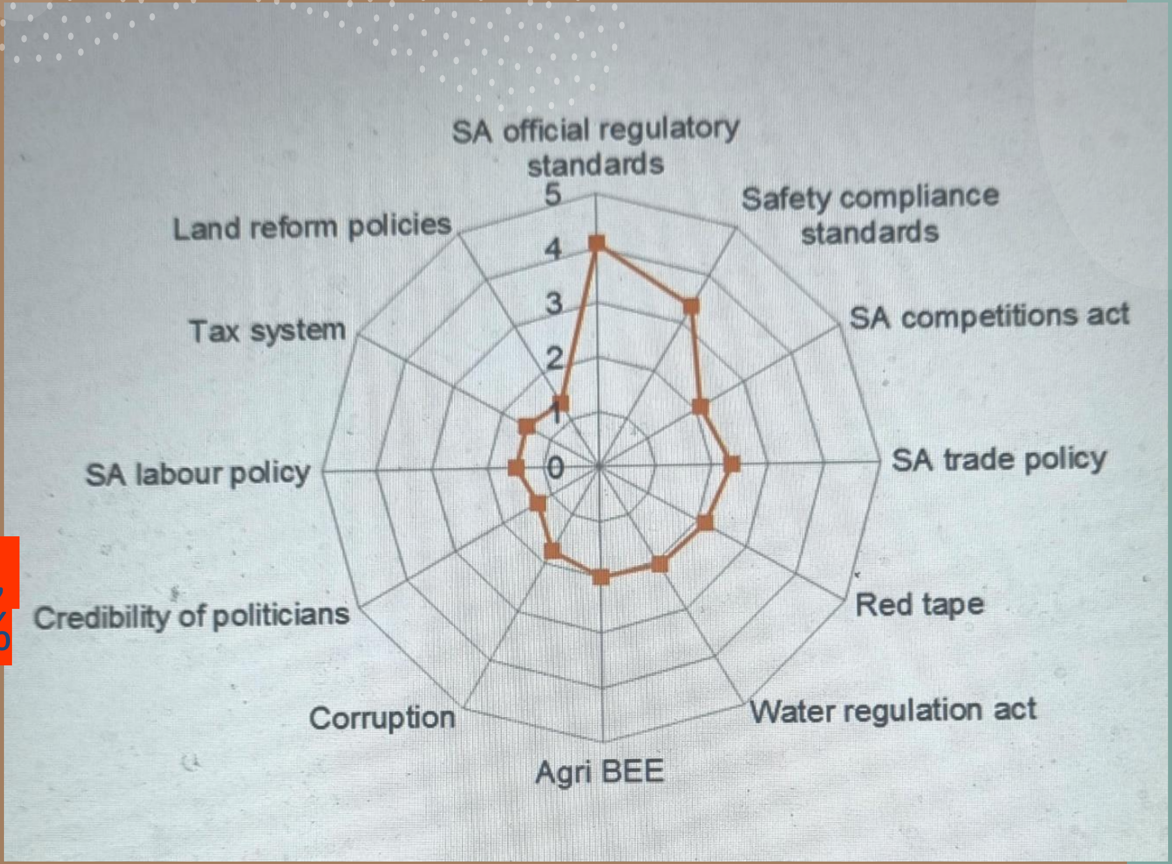
Government & Policy 40%

Enhancements:

-Regulatory standards 85%

Constraints:

- Red tape admin 40%
- Policies-Labour, Land, BEE, Water,Trade 30%
- Corruption, political credibility



80%

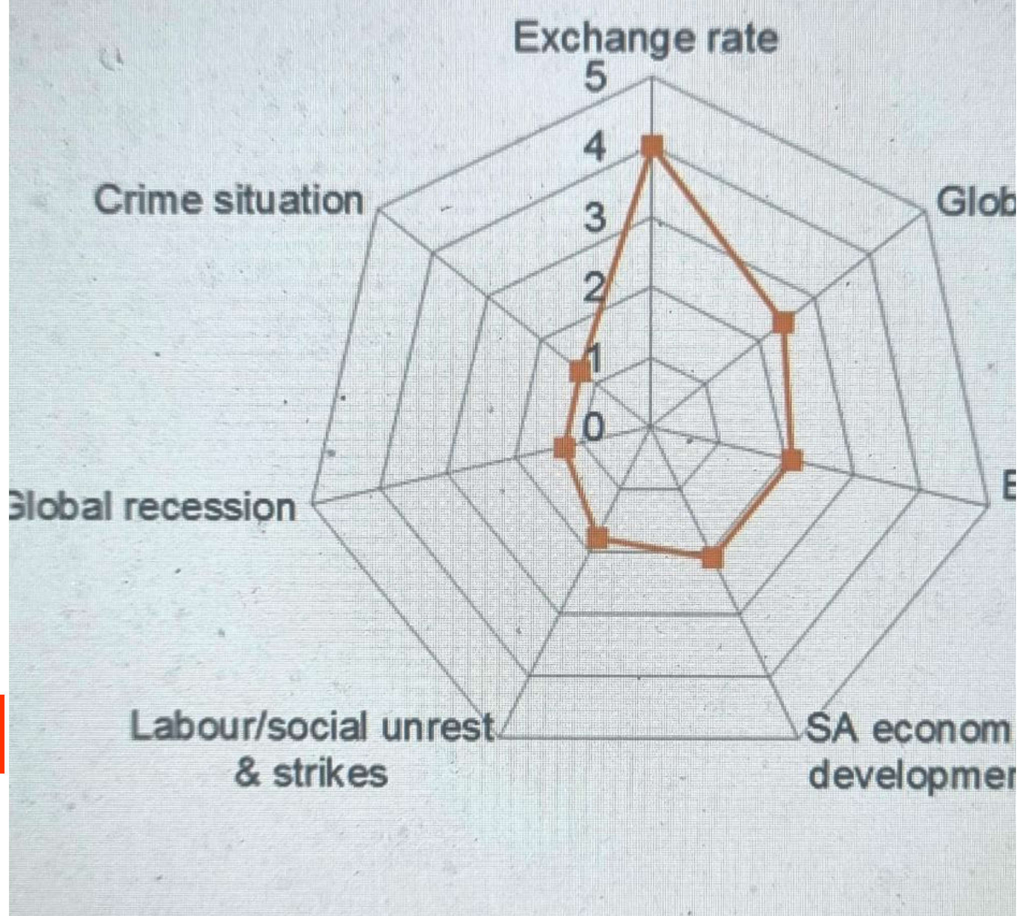
Managing chance factors 46/100

Enhancements:

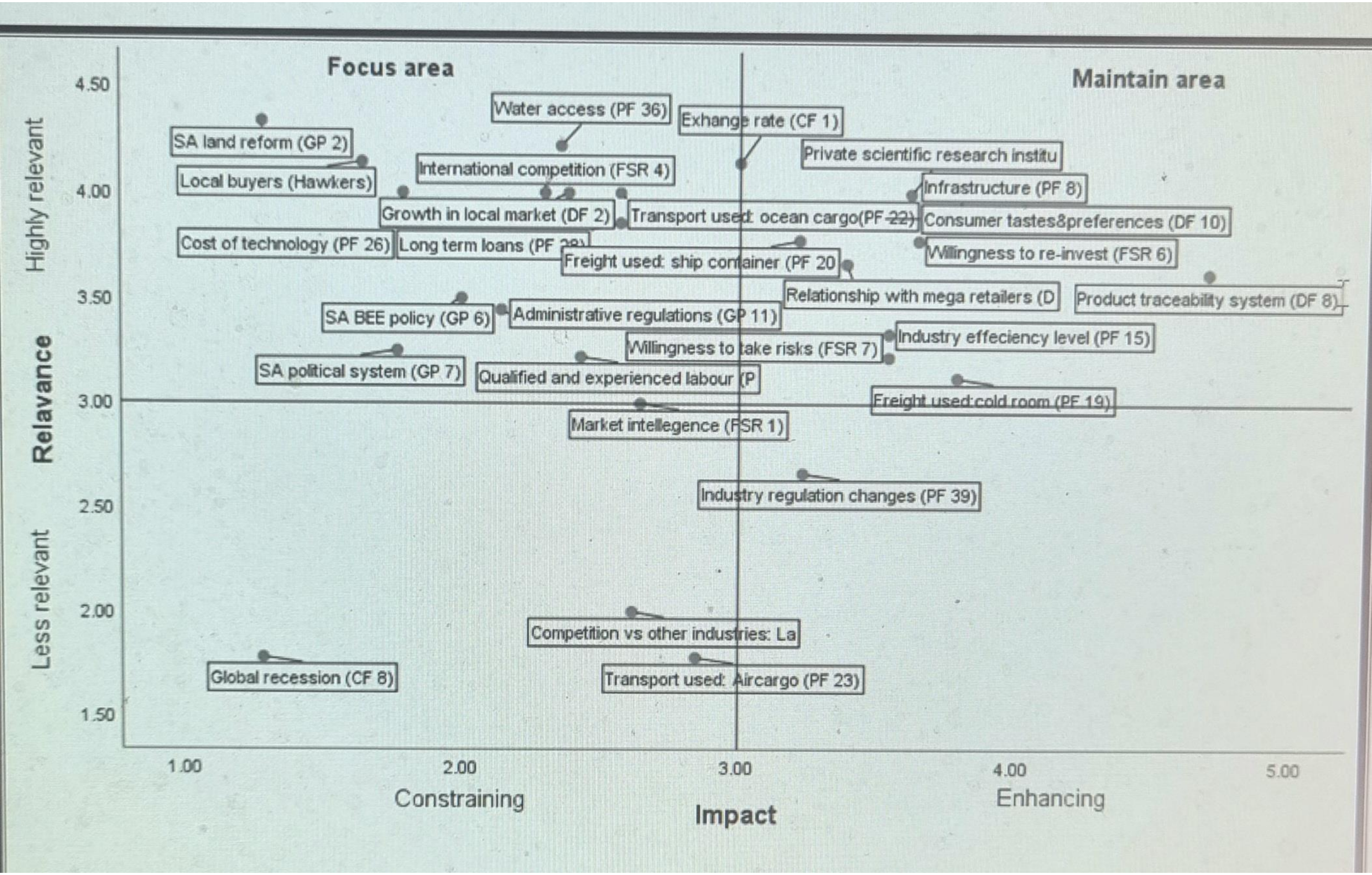
- Low exchange rate 80%

Constraints:

- Global recession, impacts 25%
- Labour uncertaint. 35%
- Exchange rate fluctuations 40%
- Crime 22%
- Social unrest 35%



14: Chance factors determinant directing the co industry


Focus area
Maintain area
Water access (PF 36)
Exhange rate (CF 1)
SA land reform (GP 2)
Private scientific research institu
International competition (FSR 4)
Local buyers (Hawkers)
Infrastructure (PF 8)
Growth in local market (DF 2)
Transport used: ocean cargo(PF 22)
Consumer tastes&preferences (DF 10)
Cost of technology (PF 26)
Long term loans (PF
Willingness to re-invest (FSR 6)
Freight used: ship container (PF 20
Relationship with mega retailers (D
Product traceability system (DF 8)
SA BEE policy (GP 6)
Administrative regulations (GP 11)
Industry effeciency level (PF 15)
Willingness to take risks (FSR 7)
SA political system (GP 7)
Qualified and experienced labour (P
Freight used:cold room (PF 19)
Market intellegence (FSR 1)
Industry regulation changes (PF 39)
Competition vs other industries: La
Global recession (CF 8)
Transport used: Aircargo (PF 23)
Highly relevant
Relavance
Less relevant
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
2.00
3.00
4.00
5.00
Constraining
Impact
Enhancing

Towards the future:

Strategic Action by the Table Grape industry:

1. Focus on competitiveness:
   - Activate the **'Porter Competitive Diamond"** analysis- ask the right Q's:
   - id relevant Constraints and Enhancements
   - Consider short & long term impacts
   - Seek **Industry Value Chain Co-operation** on priority industry actions
   - Sharpen **firm level strategies** – product focus, markets, regulations, relationships

2. Dealing with the "new big issues"
   - **Environmental sustainability**
   - **Value chain Fragility & Resilience**

Statement 2:

“Value chains will have to be much more environment sustainable” (WEF; Paris Agreement)

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studie uiteen hoe absoluut nood-

reld, gemeet teen ander ekonomieë wat meer as $500 miljard in bruto binnelandse produk (BBP)

mie verwoes, reken die studie.

"Die status quo móét verander en die oorgang na hernubare energie kan 'n katalisator vir daardie verandering wees."

As groenkrag op groot skaal ontplooi word, kan 60% van Suid-Afrika se koolstofvrystellings verwyder word, wat hom in staat sal stel om steeds met die Eerste Wêreld handel te dryf.

Dit het Suid-Afrika tot dusver tien jaar geneem om net minder as 5 000 MW se groenkrag te bou.

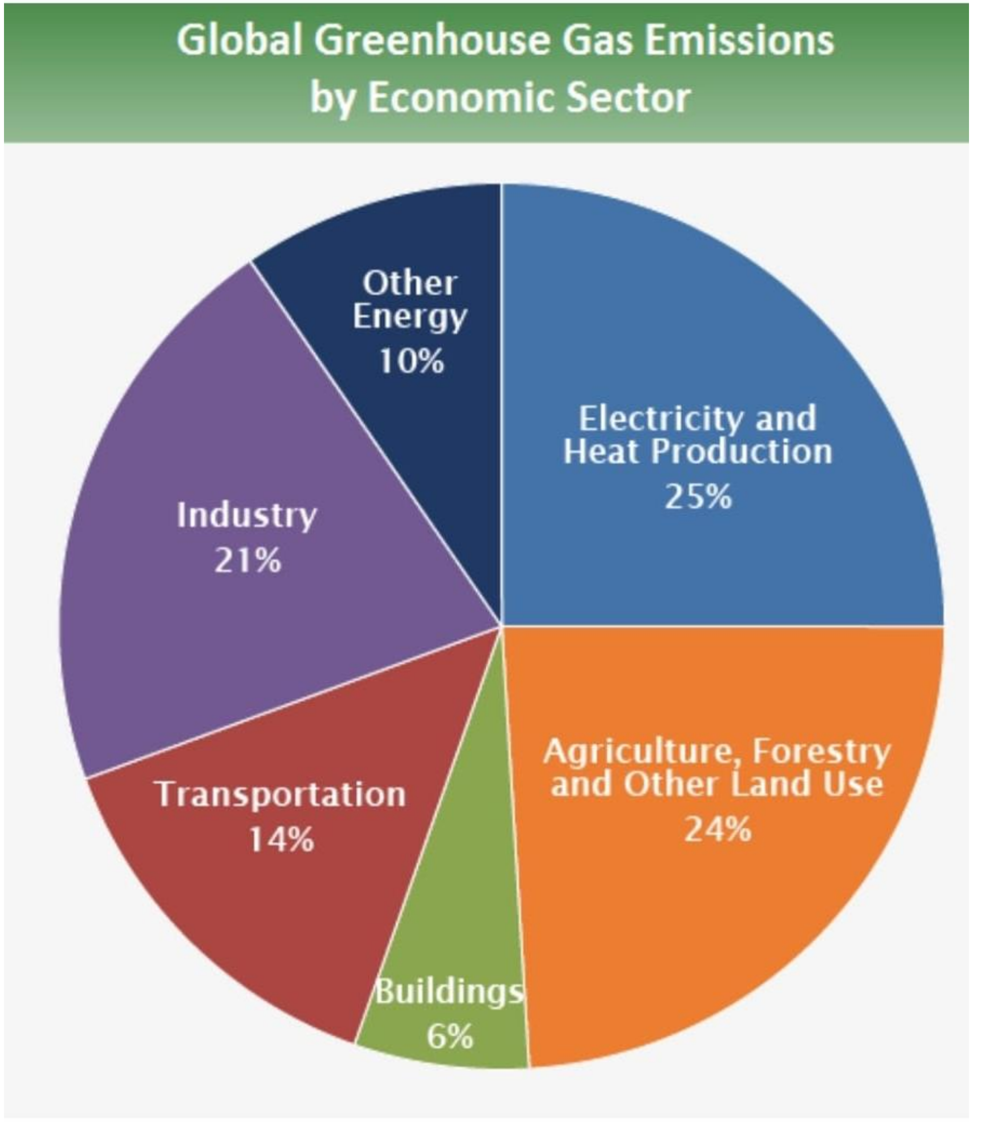
China het net in 2020 120 000 MW se groenkrag gebou.

Volgens die navorsers wys dit wat moontlik is as die regte regulasies en politieke wil in plek is.

Die navorsers raam sowat

.....and they are measuring!!

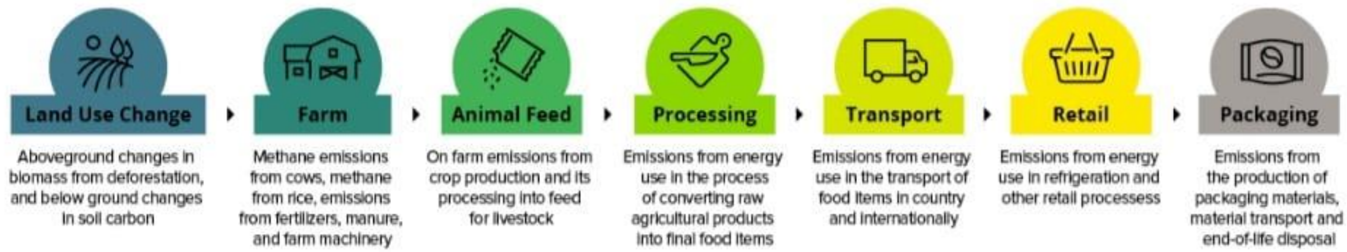
UN, FAO, WEF, Governments, Activists, Supermarkets, Research Political groups Financial agencies

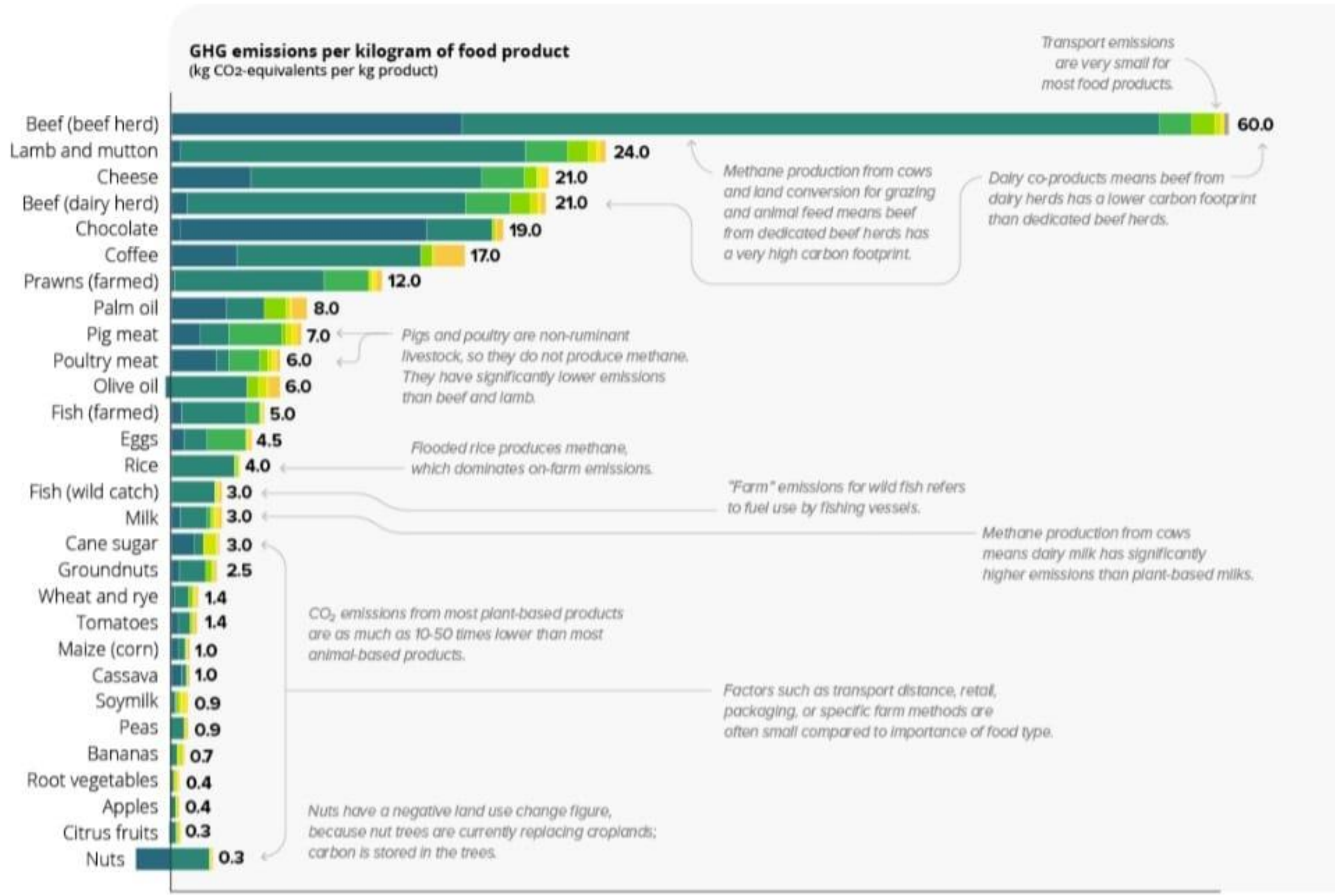


FOOD / Greenhouse gas emissions across the supply chain

Our World in Data

There is a vast difference in greenhouse gases (GHG) that are produced across various food types.



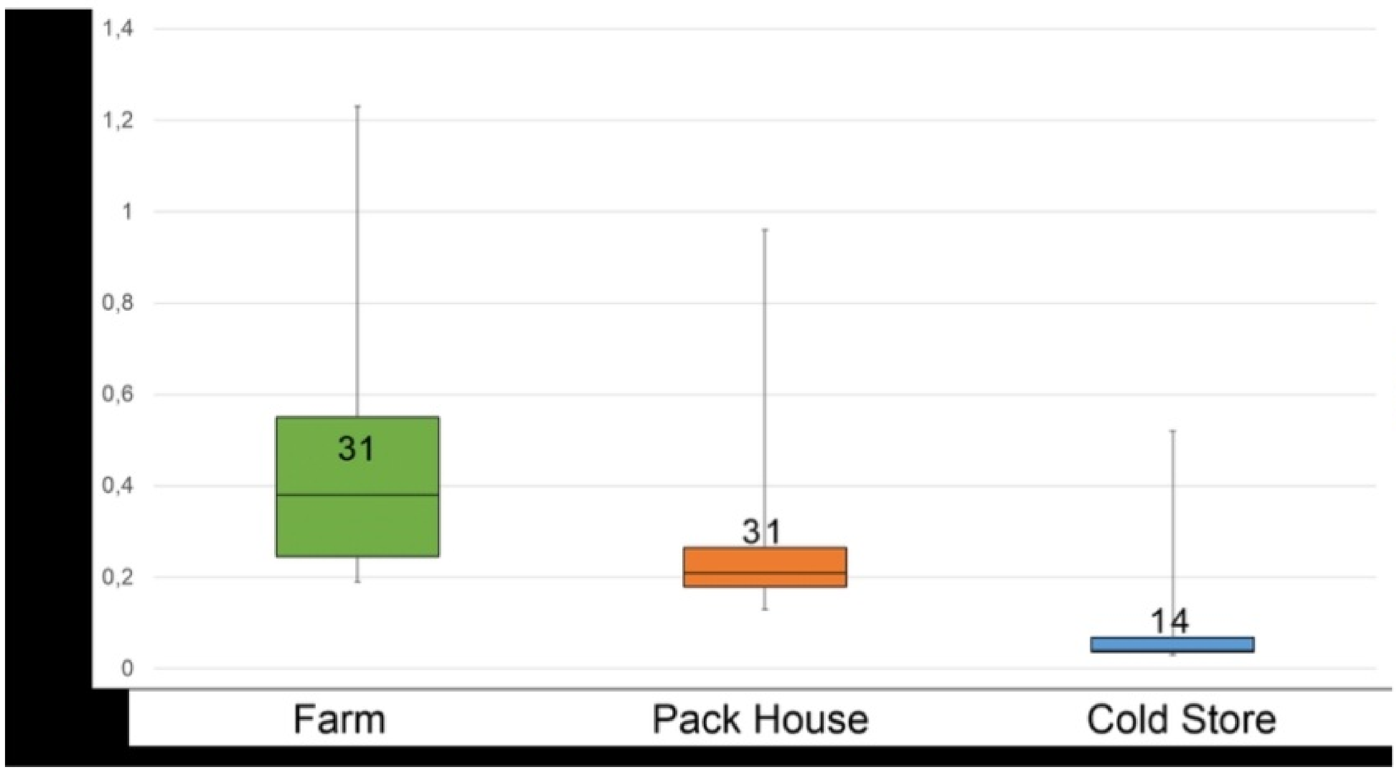


CARBON FOOTPRINT: TABLE GRAPES

carbon footprints Gg CO_2 e) using CCC

	Estimate	Range
Other Fruit	390	250-470
Table Grapes	110	62-140

Carbon Footprint: Table Grapes value chain



CCC carbon footprint for Western Cape table grapes

- **Take Note: The Paris Agreement on Climate Change is serious:**

  - Regulatory pressures are increasing….WEF, **EU Green Deal**
  - Companies are now **targeting carbon neutrality dates - 2030 to 2050 …. 90 top agri-food companies already committed!**
  - Pressures from **buyers and consumers, activist groups, political parties-targeting supermarkets, schools, univ**…

- A key step now for industries:
  - To quantify & report emissions across value chains..

- **Reporting on 3 "scopes":**
  - Scope 1 & 2: **internal emissions** of buildings, vehicles, electricity, heating, cooling.
  - Scope 3: **value chain emissions* released upstream and down stream in manufacturing/production process.**

* **Value chain emissions** (can) account for **up to 50-90%** of a company's total emissions (Oliver Wyman, IMD, 2022).

5 Steps to VC Sustainability (WEF,2022)

1. Establish transparency across all stakeholders in the value chain: Chain transparency allows a company to see the situation faced by all parties involved in the production of its goods. Using the information this reveals, stakeholders can then align and synchronize activities to reach common sustainability goals. For example, bigger firms can educate smaller suppliers on sustainability practices and commit to large volumes when sustainability expectations are met or share the additional cost required to put those standards in place.

2. Standardize Scope 1, 2 , 3 measurements: Standardizing measurements of Scope 1 and 2 emissions is straightforward. However, with no reporting standards for Scope 3, companies must spend a lot of time obtaining exactly what is needed from their upstream and downstream partners, who may not be able to supply the data required. Standardized measurements for all scopes would save time and deliver the exact data required.

3. Report on reduced emissions across Scope 1, 2, 3: The **GHG Protocol** advises all companies to report on their Scope 1 and 2 emissions, yet states that Scope 3 emissions are optional to report, even though these may comprise the biggest share of their emissions. While many companies have already started reporting Scope 3 emissions, it will soon be made mandatory for all companies.

4. Overcome the data challenges (protocol) for sustainability accounting: Apart from transparency and standardized reporting, companies should have a centralized system for reporting and analyzing emissions from all sources. Digitalizing data collection and processing can help overcome this challenge.

5. Embed sustainability in day-to-day operations:

- Making sustainability part of a **company's culture** will lessen potential conflicts of priorities with other strategic imperatives. If sustainability measures are key performance indicators (KPIs) that all departments must report on, a company can sync its sustainability practices across its operations.
- Getting serious about sustainability is both a leadership challenge and a supply chain challenge. Having **senior chain leaders** on your management team that can handle this has to be a top priority for all businesses.

Need for resilience:
Fragility, break-downs in agribus value chains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Die SCA sê $6,3 miljard is aan tariewe betaal om deur die kanaal te vaar en daar sal na verwagting nog meer skepe vanjaar daardeur vaar. Dit sal verder toeneem sodra die projek om die

Die *Ever Given* sit in 'n deel van die Suezkanaal vas wat 200 m wyd is, terwyl die skip 400 m lank is.

Statement 3:
"We now need more Resilient Value Chains to manage unpredictability& fragility" (WEF, 2022; IMD-WCI,2022)

- **Competitive agri-value chains are required to:**
  - Deliver customer needs- safety & integrity certifications.
  - Coordinate flows: reliable info-, product- and return/value
  - Sustain chain relationships- personal, legal, contractual…..
  - **Perform** as **investments** - opportunity costs threats

BUT:

- **Fragile chains: Risk & uncertainty increasingly impact chain performance:**
  - More frequent a typical events: Health scares, Suez blockage, Covid, unpredictable weather, social unrest, Ukrainian war………
  - "Bull Whip" effects- greater disrupting impacts - quality, quantity, safety…
  - **Costs< and Profits>**
  - **Brand reputations ruined chain relations crash!**

COMPETITIVE, RESILIANT VALUE CHAINS THE KEY

....and the “most fragile/vulnerable” value chains are:

- **Tightly aligned efficient VC (high traceability, certifications, efficiencies) most vulnerable = greater interdependency = greater fragilities = new & greater strategic risks..**

= Table grapes, fruit meat, wine, vegs, bev, oils, food….

- **Integrated and responsive VC management systems increasingly required- sharing intelligence and decisions &**
- **Focusing on biggest risks & relationship break downs**

Value Chain Fragility

Statement 4: Manage Value Chain Resilience .. the "Business Continuity Plan (BCP"

Creating a management system of RESILIANCE to ensures that:

- Inputs, strategies mobilised from key chain stakeholders
- Risks are id-ed and analysed: natural disasters—fire, flood; weather-related events; social disruptions, wars, pandemics, cyber attacks..; crime and corruption; internal production processes; changing demand/markets….
- Personnel and assets are protected and able to function in the event of a disaster.
- Find the "weakest links"

Competitiveness, resilience and sustainability in the Grape Value Chain

- **Towards a "new (Table) Grape Industry Strat (Plan)" to manage:**
- **Value Chain Factors** – create a "Grape Value Chain Agenda"
- **Internal/firm factors** - establish Internal performance indicators (to fit ethical/environmental regulations, and related standards- carbon foot prints, etc)
- **External Factors** – monitor/engage government actions, world events, regulatory bullying…
- **Lobby smart**…. Focus on right questions/issues…and get industry & govt to "bring sy kant" …sometimes they can!!!

Sitrusdispuut: Boere, DA verwelkom staatsingryping

Francois Williams

Die DA het die regering se besluit verwelkom om 'n handelsdispuut met die Europese Unie (EU) by die Wêreldhandelsorganisasie (WHO) te verklaar.

Dit gaan oor die EU se staande komitee oor plante, diere, kos en voer se besluit om Suid-Afrikaanse sitrus aan uiterste koue behandeling te onderwerp in 'n poging om die besmetting van valskodlingmot te bestry.

Die plaaslike sitrusbedryf is baie besorg oor dié besluit weens die inkomsteverlies en moontlike werkverliese.

Volgens Mat Cuthbert, DA-woordvoerder oor handelskwessies, kan die EU-besluit ernstige gevolge vir die bedryf inhou as dit nie betwis sou word nie.

Die DA het selfs 'n brief aan pres. Cyril Ramaphosa geskryf om by die kwessie in te gryp.

Die EU is die grootste handelsvennoot van Suid-Afrika en die handelsverhouding is meestal opbouend en wedersyds bevoordelend, maar sitrusuitvoer is steeds 'n verdelende kwessie, waarsku Cuthbert.

Dit blyk ook uit die uitgerekte verskille tussen Suid-Afrika en die EU oor die beste fitosanitêre maatreëls om swartvlek by sitrus te bestry.

Justin Chadwick, uitvoerende hoof van die Sitruskwekersvereniging van Suid-Afrika, verduidelik in sy jongste nuusbrief dat lede van die WHO instem om nie teen invoer van verskillende lande te diskrimineer of om sanitêre en tegniese versperrings teen handel in te stel wat diskriminerend is of nie op internasionale standaarde of gesonde wetenskaplike bewyse gegrond is nie.

Volgens hom is dit duidelik dat die EU se jongste invoerreëls vir Suid-Afrikaanse sitrus rondom valskodlingmot juis hierdie voorwaardes oortree.

Suid-Afrika het 21 aspekte in die EU se nuwe reëls gevind wat nie konsekwent is en nie volgens die WHO-riglyne is nie.

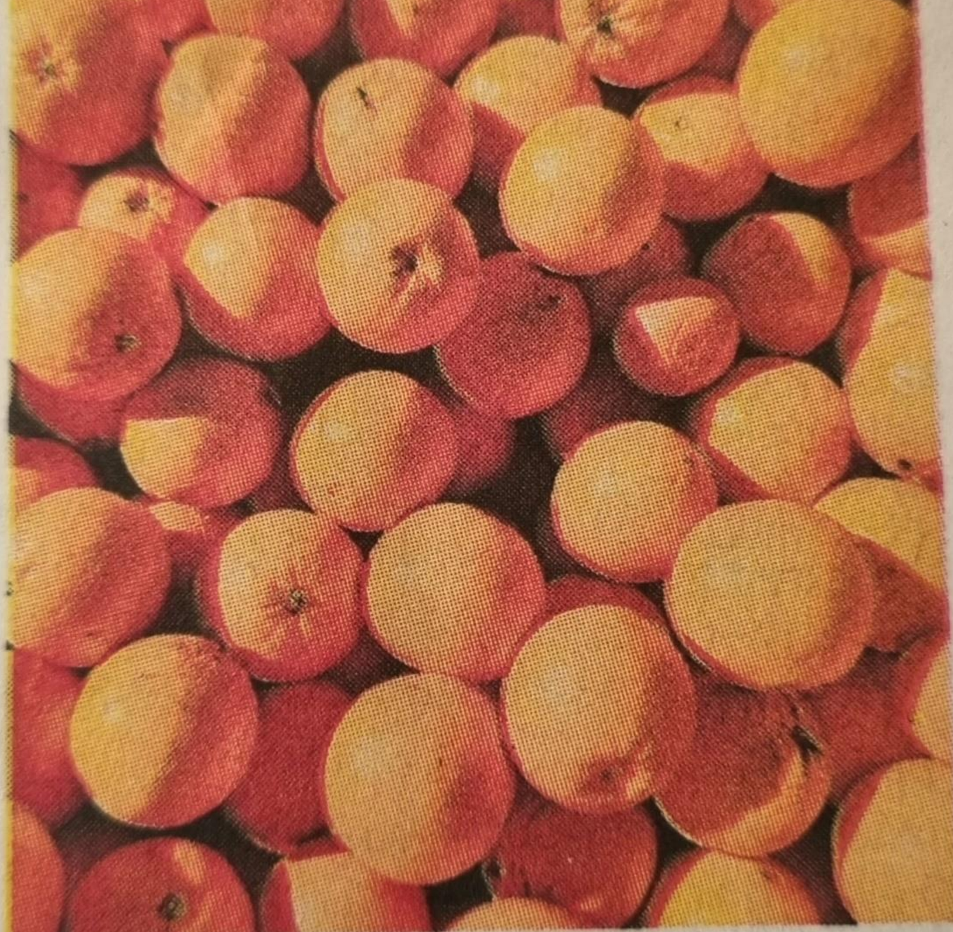
Tot 3,2 miljoen kartonne sitrus ter waarde van R605 miljoen is reeds deur die nuwe EU-reëls geraak en daar kom berigte van honderde vraghouers van Suid-Afrikaanse sitrus wat met hul aankoms in Europa deur amptenare teruggehou word, het Chadwick gewaarsku.

As daar nie politieke ingryping is nie, bestaan die gevaar dat dié besendings sitrus vernietig sal word.

Die Sitruskwekersvereniging het ook die regering se ingryping verwelkom.

Spanje is die grootste sitrusprodusent in Europa, gevolg deur Italië, Griekeland, Portugal en Ciprus.

Dit blyk Spanje het al sedert Oktober verlede jaar met sy plan begin om 'n stokkie voor Suid-Afrikaanse sitrus te steek.



Die departement van landbou, grondhervorming en landelike ontwikkeling het 'n ooreenkoms met die Europese Unie aangegaan wat die uitvoer van sitrus betref.

Thank you