



## Free State



## Province

### THE FREE STATE AGRO-INDUSTRY

#### EMBRACING GLOBALISATION

In recent years, global awareness of health and environmental issues has increased strongly, and sustainability has become the key word in discussions on economic development. The international community is becoming more and more conscious of these issues. This calls for pro-activeness in terms of focusing on organic horticulture and other forms of sustainable agriculture.

The opportunities are about finding niche products for niche markets; moving up the value chain through processing and diversification; responding to the ever-rising demand from consumers for higher quality standards; entering brand-new markets like services; or shortening the distribution chain to capture a greater share of the value.



#### COMPETITIVE ADVANTAGES

The South African agro-food complex has a number of competitive advantages, making it both an important trading partner and a viable investment destination, namely:

#### WORLD-CLASS INFRASTRUCTURE

South Africa has three deep-water ports, three international airports, a network of roads and railways, well-developed cold chain facilities, and a well-developed financial sector. The principle growing areas of the Free State are within 2-3 hours drive from direct daily flights from Johannesburg International Airport to Europe.

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### SCIENCE AND TECHNOLOGY

#### AFRICA'S FIRST GENETICALLY MODIFIED ORGANISM (GMO) TESTING FACILITY

The inception of international regulations on GMOs has created a niche for South Africa in the non-GMO market that did not exist previously and which producers are uniquely able to take advantage of. This facility is located in the Free State Province (Bloemfontein)

The Free State has an excellent pool of scientific expertise available. University agronomists are available to perform site visit tests and consulting services.

#### COUNTER SEASONALITY TO EUROPE

Counter-seasonality to Europe, the primary SA export market for horticultural and floricultural products, is in itself a competitive advantage. South Africa is the closest major Southern Hemisphere producer of horticultural and floricultural products to Europe – and has significantly shorter shipping times.

#### PREFERENTIAL TRADE ARRANGEMENTS

South Africa has entered into preferential agreements with the US (Africa Growth and Opportunity Act), EU (South Africa Free Trade Agreement) and sub-Saharan countries. These agreements confer generous trade benefits that will ensure better market access and will also create a large export market for trade between these countries. Africa is a fast-growing and largely untapped market with high urbanization growth rates. SADC member states cannot supply this growing need – providing South African food exporters with a considerable array of market opportunities.

The demand for food products in South Africa is expected to increase by 27% over the next 10 years, not only due to overall population growth and rising income, but also as a result of an expanding tourism industry and growth into African markets. The focus areas of the Free State agro-industry can be divided into a number of sub-sectors, namely: (1) Fruit & Vegetables; (2) Floriculture and (3) Essential oils etc. to name only a few.

#### FRUIT AND VEGETABLES

The Free State Province produces several varieties of fruit & vegetables. It yields approximately 100,000 tons of vegetables and 40,000 tons of fruit each year. Results from the 2002 Agricultural Census revealed that the gross income farmers in the Province received from the production of vegetables and fruit amounted to R182 million and R53 million respectively.

The temperate climate in the Eastern Free State lends itself to production of deciduous fruits such as apples, berries, cherries, peaches, plums and apricots.

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The main vegetable crop is asparagus, which is grown in both white and green varieties. Consumer demand has changed in recent years from traditional bundles of non-trimmed spears to trimmed spears and tips, both in pre-packs. These pre-packed variations are becoming increasingly popular among European consumers to combine with eggs for quick meals. This sub-sector is increasingly export orientated and expanding as indicated in the following export and Import Figures:

**EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS**

EXPORTS	2004	2005
National Total	280,546,213	262,457,404
Free State Total	11,749,164	10,991,612

**EDIBLE FRUIT AND NUTS, PEEL OF CITRUS FRUIT OR MELONS**

EXPORTS	2004	2005
National Total	7,567,922,932	8,015,369,721
Free State Total	2,227,517	2,359,217

**PREPARATIONS OF VEGETABLES, FRUIT, NUTS**

EXPORTS	2004	2005
National Total	3,924,981,930	4,243,153,334
Free State Total	8,372,417	9,051,111

Source: Annalie Marais, Free State Department of Agriculture

Although some processing infrastructure exists, most produce still leaves the province unprocessed. It is estimated that only 11% of all value added to agricultural produce produced in the Free State is done within the borders of the Province. This leaves a scope for further investment in the processing side of this sub-sector, supported by the forecast of increase in consumption of fruit and vegetable juices by the United Kingdom market, this represents an excellent export opportunity.

The structure of the growing season is such that each variety of fruit grown in the Free State arrives on the Northern Hemisphere markets about 3 weeks ahead of those from other Southern Hemisphere competitors, thus yielding premium prices. Land is plentiful, water resources are good and soil conditions are amongst the best in South Africa. This sector is economically significant because of the abundance of agricultural resources and products.

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The high level of agricultural expertise in South Africa guarantees Free State farmers' access to agricultural scientists from the Free State and other provinces.

***Opportunities exist for expansion in the cultivation & processing of various apple varieties; blueberries, blackberries, raspberries, cherries and green asparagus for export as fresh produce, as well as cherries for glazing and bottled asparagus.***

### Floriculture

Due to the opposing seasons, Southern Hemisphere cut flower producers are competitive in European markets during the southern summer. In the case of the Free State Province, soil conditions in several areas are ideal for floriculture. South Africa also has advantages in production technology and quality control.

Floriculture is highly knowledge-intensive, depending heavily on close phytosanitary monitoring and control both for efficient production and to comply with the stringent entry requirements in principal export markets. It is estimated that South Africa exported 6 849 tons of cut flowers and flower buds for bouquets, fresh or dried to the value of R155.8 million in 2005.

South African sun conditions generally give Free State floriculturists adequate light intensity, which is a key requirement of the industry.

### Essential Oils

The annual world market for products using essential oils is U\$ 300 billion and the fine essential oil market itself is U\$ 10-12 billion. In 2005 South Africa exported only 2 297 tons of oils at a value of R61.5 mil. But we still import 370 tons at a value of R58 mil.

***Opportunities exist for the production of the following essential oils: organic geranium, spearmint and peppermint.***

Exports of processed agricultural products amounted to approximately R12.3 billion in 2004.

Various investment and procurement opportunities exist across the agricultural sector in processing and the exporting of fresh produce. A wide range of opportunities exists in the cultivation of herbs and spices, baby vegetables and indigenous (exotic) South African flowers.

The agro-food complex (inputs, primary production, processing) contributes approximately R124bn to South Africa's GDP and employs 451 000 people in the formal sector. Exports of processed agricultural products amounted to approximately R17.5 billion in 2002.

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