

afrifresh

AFRIFRESH GROUP

A FRESH APPROACH



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Afrifresh Group has developed an integrated agricultural business model that is improving farming and export efficiency in Africa

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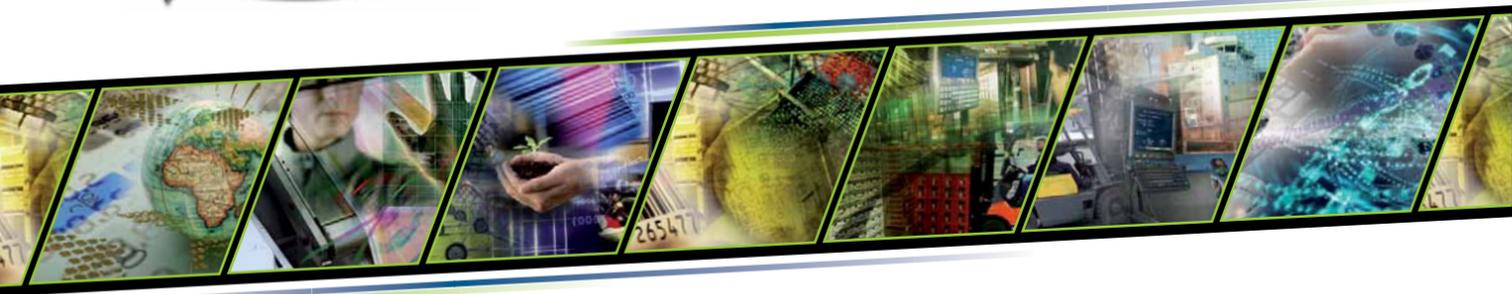
Citrus planting in
Western Cape



The South African fresh produce industry has changed beyond recognition since the introduction of the Marketing of Agricultural Products Act in 1997, with a proliferation of small entrepreneurial companies taking advantage of the deregulation and exporting locally grown fresh produce worldwide. In the citrus fruit and grape industries in particular, many of these companies have either closed down or remained relatively small and locked in to their original size and form.

Afrifresh is one company that has broken that restrictive mould. The company has grown exponentially since 1999 when two of these smaller entrepreneurial entities joined forces to develop a more powerful business. The original Afrifresh, owned and managed by Chris Conradie, who is currently the Group CEO, was launched in 1992 as a fruit importer and moved into exports in 1997 on deregulation. Sunpride, meanwhile, had been founded in 1997 by Roy Fine and the well known Fine Family in partnership with the international Gerber Group. The merger enabled the two entrepreneurs to bring together their extensive knowledge and experience of the Johannesburg and Cape Town produce markets, with over 100 years of family history in agriculture in South Africa, and develop both brands under the Afrifresh name. Together they have taken what was a citrus and grape export agency enterprise and turned it into a truly international integrated agricultural business with offices around the world.

At the heart of the group is a portfolio



- Paltrack (Pty) Ltd creates information technology solutions and provide these solutions to the fruit industry under license agreements. It is a wholly South African owned company with majority shareholder, the Imperial Group.
- Paltrack is the leading supplier of information systems and related services to the South African fruit export industry. A number of ancillary services have been established to compliment the software solutions. These services are mainly related to information provision and setting of standards to ease information exchange.

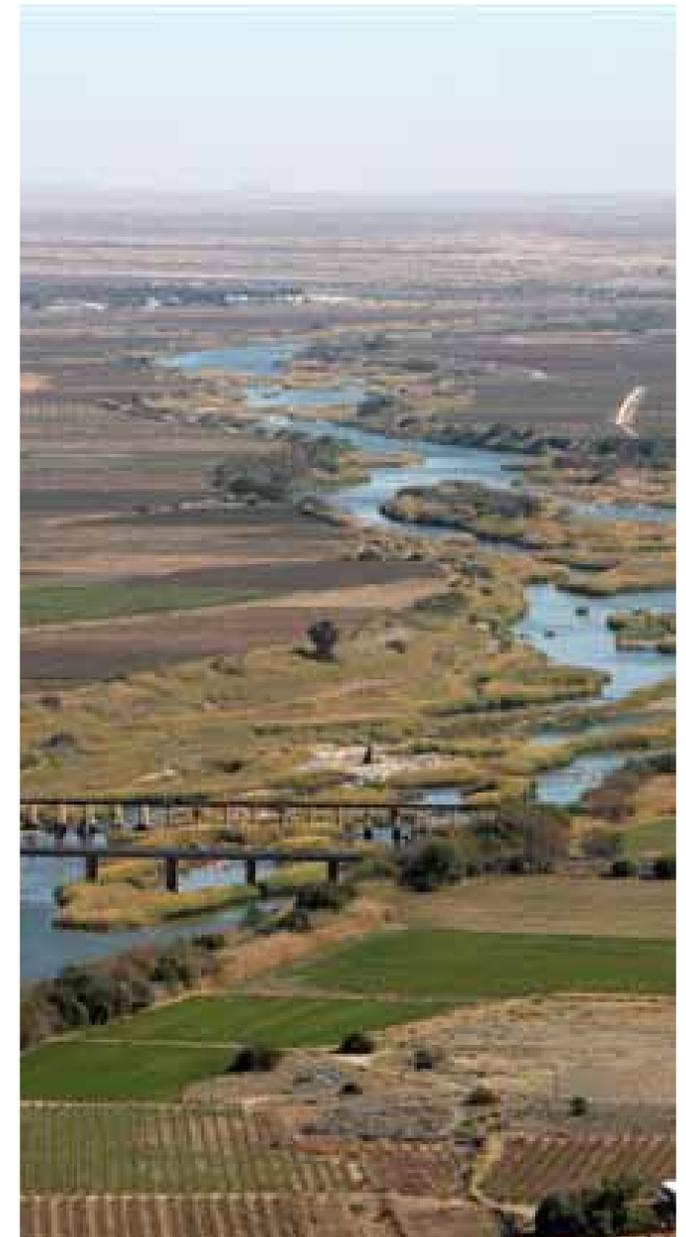


WE ARE
IMPERIAL
LOGISTICS

of 22 Afrifresh primarily citrus and grape farms that are spread across South Africa, a configuration deliberately designed to reduce climate related risk and extend the supply season. The farms, as well as a number of third party farms, are supported by a comprehensive centralised management framework that provides high levels of expertise and economies of scale. And this is where the strength of the Afrifresh business lies.

“Normally, a farmer would need to be a financial expert to deal with the banks, a technical boffin to understand technical issues, a marketing whiz to travel abroad and sell product and so on,” explained Roy Fine, development director at Afrifresh. “We’ve taken all of these administrative functions into a central point at head office so the farm managers can focus purely on product quality and tonnage / production.”

Significant investment has been made into the farming side of the business in terms of the latest product varieties, cold storage facilities, packing houses, equipment, support, training and materials. For example, a highly qualified team of technical experts is in continuous contact with the farms providing advice on the



Farming along the Orange River

“WE’VE TAKEN ALL ADMINISTRATIVE FUNCTIONS INTO A CENTRAL POINT AT HEAD OFFICE SO THE FARM MANAGERS CAN FOCUS PURELY ON PRODUCT QUALITY AND PRODUCTION”

latest farming methods, new varieties of products and ways of improving on quality and productivity.

The entire business derives strength from the expertise that has been cultivated across all disciplines at the head office. The procurement division sources everything the farms need from chemicals and fertiliser through to packaging and equipment, and has been able to reduce costs and wastage significantly through collective buying linked to accurate estimates of crop volumes which are produced through a purpose designed forecasting system.

The marketing division, meanwhile, sells around the world and is supported by a network of distribution and monitoring

offices located as far afield as Rotterdam in Holland and Shanghai in China. Many of these double as sales and quality control offices. Head office manages many other corporate disciplines including logistics, shipping, quality control and warehousing. In South Africa, packed produce is transported from the farms to one of a network of cold store warehouses where it is containerised and stored before being shipped.

From the outset, Conradie and Fine, together with their strong and experienced senior team, had a strong vision for growing the business into a global enterprise, and quickly identified agro-processing as a viable opportunity for diversifying and developing a further product stream from

“WE TAKE SUN DRIED RAISINS FROM OUR OWN AND THIRD PARTY FARMS, SORT, GRADE AND PACKAGE THEM AND SUPPLY THEM BOTH FOR EXPORT AND FOR THE LOCAL MARKET”

the existing farm produce. Today, around 70 per cent of farm output is still exported. The remainder is either sold into the local market or now goes into the lucrative agro-processing arm of the business. The company began this trend by diversify into wine making in 2002 when it launched its own wine business, African Pride Wines, from Stellenbosch, one of the three major

centres in South Africa’s world renowned Cape winegrowing region.

Building on the success of this enterprise, the company has moved into a fruit juice production business, together with a long established operator. Rather than discarding fruit that had perhaps been marked and was not considered suitable for export or the local market, it is converted into juice at a factory in Cape Town and distributed to restaurants, hotels and the retail sector. The business plans to open another plant in the Johannesburg area in the near future.

A further agro-processing venture began in 2008 with the acquisition of a raisin business, Desert Raisins. Then in 2011 the company acquired Fruits du Sud, a major state-of-the-art raisin factory and combined the two businesses into a single large raisin sorting and packaging concern. “We now have a large raisin packaging factory in Upington in the Northern Cape where we take sun dried raisins from our own and third party farms, sort, grade and package them and supply them both for export and for the local market.”

According to Fine, the strategy going forward is to continue growing and diversifying the business. “We have recently acquired significant farm holdings in



Farming in the Northern Cape



Packhouse

“WE ARE LOOKING TO ACQUIRE PROCESSING BUSINESSES WHERE WE CAN PROVIDE SECURITY OF SUPPLY FROM OUR OWN FARMS”

Zimbabwe where we’re growing a variety of new products including macadamia nuts, tea and other fruits such as apples and bananas, and we’re planning to expand further into sub-Saharan Africa. At the moment we’re looking at opportunities in Kenya, Zambia, Mozambique and Tanzania where we’ll be broadening our product base, as we have in Zimbabwe.”

From the agro-processing perspective the company is always looking for further opportunities to add value to its existing

product range. “So we are looking to acquire processing businesses where we can provide security of supply from our own farms, and enhance the global reach of the product through our marketing capabilities,” he continued.

Afrifresh also has a commitment to working with its local communities. “Our aim is to uplift the whole community and create jobs and income opportunities,” Fine explained. An excellent example of this is the community farming initiative in South

Africa. Supported by the International Development Bank as well as the Landbank and other funders, the company is working with several local groups to develop community land for farming, including a massive 500 hectare project in the Kakamas area on the Orange River in the Northern Cape, enabling the local people to be trained, given work on the land, produce food and export it to generate revenue.

Since its inception as a group in 1999, Afrifresh has grown on the back of a passionate and dedicated team with enormous Intellectual Property, from a turnover of approx R400 million to over R1.6 billion today. “The driver behind that growth is a fundamental belief that the supply of food is a major issue in the world

today,” Fine said. “The global population is growing incredibly rapidly and there is a strong emerging market in many third world countries where people are earning more and moving from the consumption of cereals to fresh fruit, vegetable and proteins. Against this urgent need, you have diminishing arable land and water availability.”

The Afrifresh growth plans are strong in all these areas, even to the extent that the company is beginning to look into protein farming to produce beef and lamb, and has acquired two large units already. Farming permanent crops, as opposed to cash crops such as cereals and potatoes, however, requires commitment, planning and patience. With macadamia nuts, for example, it takes six years of careful cultivation before a new tree will begin to bear, and the time scale can be longer for some fruits. “Farming is a long-term and capital intensive business, and we’re in it for the long term.

“Our group is always looking for new opportunities and to do joint ventures with investors, funds and international agricultural companies. We also manage farms on behalf of land-owners, communities and investors,” Fine concluded. **BE**

For more information about Afrifresh Group visit:
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