



## *I.1 Objectives*

**To grow enough high quality product to satisfy market demand for South Africa products whilst complying with the underlying principles of the two internationally recognised eco-label programmes**

## *I.2 Background*

Current floricultural production in South Africa is characterised as follows:

- Production is unfocused and not linked to market demand
- Products are perceived by the marketplace as poor/lower quality due to the lack of eco-label or other quality mark, as well as inefficient post-harvest handling
- Production is unstructured in terms of planning
- Floricultural production is not considered a good, safe investment opportunity from a financial standpoint
- Production is insufficient to meet market demand (particularly for indigenous products)

The market analysis also indicated that floricultural products are not competing on cost issues relating to production, but rather on non-price factors such as image, shelf-life, and ease of traceability, factors which up to now have not been the primary concern for South African growers.

In terms of production, therefore, South Africa needs to develop further the world-class standards required to compete in the international floricultural market by focusing on producing high quality products and delivering consistent volumes to customers.

## ***1.3 Areas for strategic focus***

### **1.3.1 Specific initiatives**

**1. INCREASE  
PRODUCTION  
VOLUMES**

**2. COMPLY WITH  
ECO-LABEL  
STANDARDS**

#### **Initiative 1: Increase production volumes**

##### ***Context***

As detailed in the *Markets and Products* section, there is tremendous demand in the international floricultural market for novelty products, which lends well to South Africa's diverse indigenous product portfolio. In fact, there is currently more demand in European markets for South Africa indigenous products (from fynbos to foliage) than South Africa is able to supply. Although ultimately South Africa wants to be a diversified supplier, offering both indigenous and traditional greenhouse varieties of product, the short term focus needs to be on gaining critical mass with indigenous products in order to develop a strong enabling environment capable of supporting both traditional greenhouse exports as well as indigenous products.

Once the market demand for these products has been satisfactorily serviced and the South African floricultural industry is recognised as a high quality and consistent volume supplier, South Africa can start introducing a wider product range and export more traditional greenhouse products. Therefore, while initial production increases will concentrate on indigenous products, in the long run it will be critical to also ramp up production of traditional greenhouse products.

##### ***Key action steps***

The strategy for production "ramp up" of indigenous products is two-fold:

- Maximising export of current production volumes (naturally grown)
- Increasing the amount of product in cultivation (commercially grown) both of which offer significant opportunities for employment creation

In order to maximise the export of current indigenous volumes, South Africa must export as much of its naturally growing foliage and fynbos as possible. This may involve entering into joint-ventures between large owners of forest land (Mondi, Sappi, SAFCOL) and growers/harvesters to gather existing volumes of foliage within South Africa's pine forests, as well as fynbos growing naturally on mountainsides. Several small-scale agreements of this type already exist and preliminary indications are that large landowners are open to expanding the scope of this type of work.

Additionally, new farms are needed to increase the amount of foliage and fynbos hectares under cultivation.

### **Initiative 2: Comply with eco-label standards**

#### ***Context***

**Experts predict that within 5 years eco-labels will be a prerequisite for all floricultural products sold in Europe** with eco-labels then effectively working as a non-tariff barrier. For this reason, and due to the favourable characteristics associated with participation in an eco-label (high quality, reliability and traceability), it is imperative that the South African floricultural industry participates in an eco-label scheme.

There are currently two recognised international eco-labels for floriculture, the Dutch based Milieu Project Sieertelt (MPS) and the German-based Blumen Label (FLP). Although they began as two differently focused systems, (MPS heavily environmentally oriented but with a social chapter and FLP with an emphasis on the social environment but retaining an environmental element), the two systems have evolved to the point where now place equal emphasis on both the social and environmental aspects of floriculture production. For this reason, the two systems have entered negotiations to merge within the next six months to a year. See DFD for more detail.

The root of the quality problem lies in the post-harvest handling practices currently in use both in terms of on the farm treatment and equally as important, the physical handling of the product (for more on the physical handling see Logistics section). In order to improve the situation and therefore the quality of the product, industry must lay down guidelines and ensure consistency of all South African floricultural products in terms of post-harvest handling.

**Key action steps**

The ongoing merger discussions of the two programmes buys much needed time for the South African floriculture industry to put a framework in place which would allow it to be awarded membership in the merged eco-label. The aim of this eco-label framework should be compliance with the overlapping principles and procedures of the two systems including:

- Monitoring and recording of all chemicals, pesticides, fertilisers, etc used
- Movement towards efficient use and reduction of all chemicals, water potentially harmful to environment or needed by the population
- Standard labour contracts stipulating salary and working hours
- No child or forced labour
- Provision of a safe, clean working environment

For full details of eco-label requirements see the DFD.

Furthermore, this framework must include management of results for independent auditors. Relatively speaking, the eco-label initiative is a low-cost, high value added way to bring the industry in line with international standards and best practices.

The industry needs to draw up a document explaining the overlapping principles of the two systems and the steps that growers need to take in order to comply with these requirements.

In terms of the post-harvest handling done on the farm, the eco-label programme should help to standardise the use of chemicals, fertilisers, etc across the farms. However, there needs to be a programme of associated training to facilitate improvements in the current treatment of plants after harvesting. This programme, similar to the overall eco-label training programme, should be aimed at both management and labourers.

### **I.3.2 Key responsibilities**

<b>Lead</b>	Growers	<p><u>Production volumes</u> – Expand current production rapidly if indigenous grower. If traditional grower expand more gradually and explore diversification options.</p> <p><u>Eco-label</u> - Start efficiently adhering to overlapping principles of eco-label systems, devise a way to ensure consistent compliance across the farm by training management and field workers about the necessary components of the programme. Share individual experiences in terms of treatment of product and shelf-life improvement etc.</p>
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Whilst the ultimate responsibility for the physical increase in product lies with the growers, they will need significant support in terms of product knowledge, market knowledge and skills transfer from other stakeholders in the industry.

<b>Support</b>	Industry-wide bodies	<p><u>Production volumes</u>- SAFIC to provide growers with information on markets, products and training available for managers and field employees on production issues. SAFIC should liaise closely with the ARC to ensure that adequate production volume increase take place for the highest demand products.</p> <p><u>Eco-label</u> - SAFIC should take the lead in informing the industry about the requirements of the eco-label and answering enquiries from abroad about certification of specific farms.</p>
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Several government departments should also play a critical role in supporting the production strategy.

The ARC is the practical link enabling growers to cultivate products with the best possible results whether it be an expansion of existing production, diversification or starting up a new business.

Each Provincial Department of Agriculture must hold the information about what types of product are being grown for export in the region and the contact details of the growers, as well as knowledge about arable land available and optimal conditions needed for each type of product.

Support	Government	<p><u>Production volumes</u> - ARC to provide technical production information including matching suitable products and climates, as well as helping growers to learn what the optimal growing conditions are for maximum yield, etc. Provincial Departments of Agriculture need to communicate the opportunity in flowers to the local growers as well as to any perspective growers or investors within a province. Department of Water and Forestry Affairs to continue in its efforts to contract out harvesting of foliage and fynbos on suitable land and encourage/facilitate similar agreements between private sector land owners (Mondi, Sappi, etc) and growers/harvesters.</p> <p><u>Eco-label</u> - ARC to provide technical support, field visits, and training for adherence to the eco-label principles as well as advice in designing an accurate reporting system. ARC to help with training and transferring technical information about post-harvest treatment on farms and should tie this assistance in as part of the eco-labelling initiative.</p>
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Lastly, labour and related industries such as the chemical and transport industries can also help support production initiatives.

Support	Labour	Labour to disseminate information about new production methods and opportunities for start up/equity programmes and to design training courses to support the increased production volumes, eco-label compliance, and the new post-harvest handling protocol.
	Related industries	<p><u>Chemical</u> – Work with the industry to further develop and spread knowledge regarding environmentally safe chemicals and pesticides for floricultural production.</p> <p><u>Transport</u> – Freight forwarders and airports to develop better guidelines and take greater responsibility along the distribution chain for quality issues.</p> <p><u>Forestry</u> – Private companies to open dialogues with SAFIC about harvesting programmes to support demand for indigenous foliage.</p>

### ***1.4 Implications for other agricultural sectors***

The following production issues should be explored from a pan-agricultural perspective:

- **Eco-labels**

*Quality perception*

Essentially, South African floricultural products need to participate in an eco-label system in order to rectify lower quality perception in the marketplace.

- Is there a similar low quality perception in other agricultural sectors?
- In other agricultural sectors, are there eco-label or other quality control programmes that can rectify this misperception?

*Non-tariff barrier*

It has been predicted that eco-label participation will be a pre-requisite for conducting business in the European market within the next 5 years, effectively acting as a non-tariff barrier.

- Are other agricultural sectors also affected by quality control programmes acting as non-tariff barriers?
- What other kinds of quality-related non-tariff barriers are being used?

*Reporting infrastructure*

In order to administer and comply to the regulations of an eco-label, an efficient reporting structure needs to be put in place, not only on individual farms, but also on an industry-wide basis. A mechanism needs to be developed whereby industry associations co-ordinate the collection of all participating farms' monthly records for pesticide use, etc, required for eco-label compliance. The industry association can opt to do that itself, or it can be outsourced to a government body such as the PPECB.

An efficient reporting system is key to participation in an eco-label because, for the floricultural labels, for example, a report must be sent monthly to an independent auditing body in Switzerland who regulates compliance measures and monitors the certification eligibility of each farm based on those reports on an ongoing basis.

Investment in a complex reporting system will be more economically viable and beneficial on a pan-agricultural basis.