Fruit SA visits retailers in the UK AND GERMANY

The high cost of compliance (think tax of compliance) associated with assurance schemes is a major concern for many fruit growers. By Paul Hardman

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Notwithstanding their commitment to food safety and true sustainability, fruit growers are taking strain under high compliance costs related to assurance schemes. In September 2023, Fruit SA visited retailers in the United Kingdom and Germany to raise these concerns and to find ways to reduce duplication and escalating costs.

Cost of Compliance

In 2022 Fruit SA concluded an independent study that revealed the cost to follow the assurance schemes, which is practically mandatory for growers. The study showed that the direct costs (i.e., membership, audit costs, etc.), indirect costs (i.e., human resources, systems, administration, etc.), and capital expenditures are substantial. For a small-scale grower (on 40 ha or less) the average annual costs amount to R202 000, and typically R1.8 million for larger scale growers.

While fruit growers understand the need to show compliance and transparency in the supply chain about the way food is produced and handled, there is frustration about duplication and how some aspects of the assurance schemes are entirely impractical. These factors can act as a barrier for some growers to join the assurance scheme and lose out on the opportunity to demonstrate the good work they might already be doing on the farm around aspects such as soil health, water efficiency and biodiversity.

Grower concerns triggered a call for Fruit SA to visit the retailers to alert them to growers' plight and try to explain why they might be getting "pushback" from growers when new requirements are placed on the supply chain.

Fhumulani Ratshitanga (CEO of Fruit SA), Derek Donkin (CEO of Subtrop), and Paul Hardman (COO of Citrus Growers' Association) represented Fruit SA on the trip, which started in the UK and moved across to Germany. Further discussions were also held at Fruit Attraction in Spain. John Valentine (Red Communications) and Michael Roos (Roos Agentur für Markenaktivierung) helped to set up the meetings and facilitated the engagements in the UK and Germany respectively, which was very much appreciated.

A number of key themes emerged from the retailer meetings

Each retailer shared their perspective on sustainability matters and the processes adopted to try to promote sustainability, but some key themes cut across all of them:

- In the retailing business, things are changing rapidly – not a new phenomenon – with an accelerated rate of change.
- All retailers have identified food supply availability as the number one priority, which is forcing them to concentrate on sourcing from a range of reliable regions with resilient supply chains.
- Logistics was identified as the most important reason why retailers consider buying from countries other than SA. The country supplies great produce at a reasonable price but has become a difficult supplier due to the uncertainty in the arrivals for deliveries. This is due to port congestion and missed shipping opportunities. It was clear to the Fruit SA team that everything possible must be done to improve the fruit flows. The team was able to share the work being done to attract additional shipping providers to South Africa and give updates on privatisation of the ports and railway networks.
- On sustainability specifically for the UK, many retailers are getting behind the LEAF Mark – an environmental standard developed with WWF UK. To great relief, SIZA and LEAF Mark announced just before the visit that SIZA had been benchmarked with the LEAF Mark Standard and was sufficiently equivalent for a single audit to be done, with minor additional checks, and duplicating averted. Retailers within the UK are seeking to reduce the number of standards, but it remains critical that the standards they adopt remain relevant and practical for African conditions.
- Of course, retailers are looking for common areas of sustainability monitoring such as soil health, fertiliser and pesticide use, water monitoring and efficiencies, waste, and carbon emissions. Waste is high on the agenda, given the rising and largely avoidable environmental costs that it incurs, especially in the context of prohibitive food inflation across the UK and EU (approx. 25%).
- It was clear that South Africa is well ahead of many of the other supply regions in implementing sustainability practices with the Confronting Climate Change initiative and SIZA. But resistance to completing the administration and reporting aspects of these schemes is a concern for retailers. This will need to change, as larger corporates and supply chains face statuary reporting obligations.
- German retailers were more open to engage than on previous occasions. This may also be due to shifts in supply availability, or new due diligence laws that compel retailers to be watchful over supply change practices.
- Retailers appreciated the engagement with Fruit SA and are keen to repeat such engagement on a regular basis (probably annually).
- Interestingly, the UK and German producers face similar challenges as Southern African producers and are equally frustrated with duplication and the value derived from compliance programmes.

In general, retailers demonstrated an understanding and willingness to work to try to reduce duplication and the creation of requirements that burden the supply base. Getting them to follow through on this direction will require a consistent effort from all stakeholders in the supply chain. Having now established key relationships with senior representatives, the opportunity to share information will be pursued going forward.

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