

# PART B: OUR STRATEGIC FOCUS

## Vision

Enabling our clients to become preferred suppliers of perishable products worldwide.

## Mission

Empowering our people to execute the PPECB's mandate to give integrity to their clients' products.

## Values

### Professionalism

We aspire to do the job right the first time, while displaying a positive attitude towards and fostering our relationships with our clients, colleagues and stakeholders.

### Accountability

We proactively assume responsibility for all our deliverables and areas of influence by creating and maintaining an environment that fosters guidance and empowerment of employees to take ownership of their actions.

### Passion

We are driven and committed to continually serve our stakeholders with energy and enthusiasm.

### Integrity

We uphold the highest standards of honesty, impartiality and confidentiality in the execution of our duties and services and in our stakeholder relationships.

### Confidence

We believe in our people, our processes, proficiency and in-depth knowledge, which empower us to execute our duties and deliver our services with conviction and excellence.

### Collaboration

We actively engage in building and maintaining relationships in which we share information and exchange innovative ideas with all stakeholders.

## Situational analysis

Global perishable produce exports are becoming increasingly competitive as new entrants are accessing international markets and the drive towards safe and premium quality food continues. Non-technical trade barriers remain a matter of great concern and the provision of relevant export information has become more critical than ever before.

As an independent and impartial regulator for South African perishable exports for over 90 years, the PPECB focuses on delivering quality inspection, cold chain management and, to some extent, food safety certification services based on minimum South African export standards. Leapfrogging to an era where technological advancements will continue to disrupt the status quo, privileged information is readily available and consumers are spoiled for choice, the PPECB has no choice but to adapt to these rapid changes, or simply face becoming irrelevant.

Clients have come to expect increased efficiencies, seamless systems integration, the faster flow of information supported by proper business and, more so, market intelligence, as well as impeccable client service. It is evident that the PPECB's value proposition and role should change from merely a regulator to that of an enabler. The organisation should therefore seek ways to augment its current service offering with value-added services directed at increasing the competitiveness of South African perishable produce globally. An added advantage is that such services can create a further income stream for the PPECB, thereby relieving upward pressure on future levies.

The PPECB will therefore concentrate on the following strategic focus areas:

- Delivering an improved client experience through seamless integration with the PPECB systems (external)
- Providing relevant and timeous information on exports and market trends to enhance the competitiveness of the industry (business intelligence)
- Continuous improvement through a process of transformation, innovation and automation
- Revised business models through the introduction of digitisation and change in methodologies to increase efficiencies and contain cost
- Improved business sustainability for black smallholder farmers and suppliers.

## External environment analysis

The global economy is set to grow steadily at 3.5% for 2019 and 3.3% in 2020. Advanced economies remain subdued and forecasts show that it will contract even further to 1.7% in 2020. The International Monetary Fund (IMF) further forecasts that developing economies will continue their upward trend with 4.1% growth for 2019 and 4.7% for 2020. India led the way with 7.3% growth in 2018, which was expected to increase to 7.5% in 2019, but the country has lost its spot as the world's fastest-growing major economy after reporting slower than expected

growth for the first three months of 2019. Official data showed the Indian economy grew by 5.8%, which is slower than the 6.4% growth reported by China. Sub-Saharan Africa's economy is set to grow at 3.2% in 2020.

The South African economy remains under severe pressure and is forecast to level out at a meagre 0.9% growth in 2020. Inflation is estimated to stabilise at around 4.5% during 2020.

The battling economy had a negative effect on South Africa's unemployment figures for the third quarter of 2019, which printed at 29.1%, up 1.9% from the 27.2% reported in the second quarter of 2018. Overall unemployment numbers increased by 62 000 during the second quarter of 2019, with the agricultural sector shedding 38 000 jobs between the second and third quarter of 2019. This increase in unemployment comes as a further setback, with the NDP's unemployment target of 14% in 2020 seeming less achievable.

During the 2020 State of the Nation Address, President Cyril Ramaphosa reiterated Government's commitment to economic growth that translates into job creation and structural transformation. The following areas were highlighted by the president:

- Some of South Africa's state-owned enterprises remain in distress
- The effect of load-shedding on the economy
- Irregular expenditure in Government

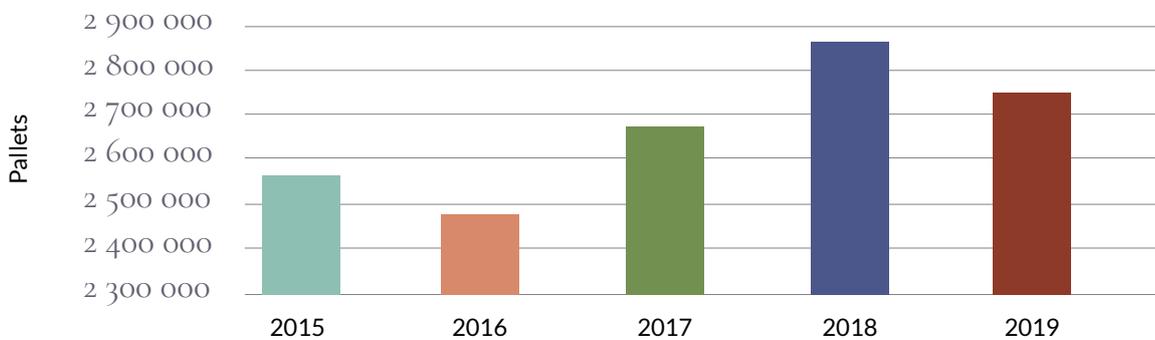
- Congestion in South African ports, especially Durban
- The high unemployment rate
- The potential of agriculture in South Africa for job creation.

The agricultural sector in South Africa has great potential to support Government's objective of stimulating economic growth and fast-tracking job creation. Following the devastating drought over the past two to three years, the production and export of main fruit commodities are seemingly on the mend. With South Africa exporting roughly 60% of all fruit produced, the sector's potential for job creation is not limited to primary production, but further down the value chain as well, in fields such as marketing, transport, clearing and forwarding and related professional services, among others.

During 2018, South African perishable produce exports increased by 11.5% to 2.9 million tonnes exported to 92 countries. Year-on-year growth on this front has been steady, except for 2016 when export volumes reduced by 4%. Although positive growth was achieved during 2018, volumes generally remained below true export potential, except for citrus fruit where export volumes increased by 10% compared to the previous year. Deciduous fruit exports were on average down by 7.6%, while avocado exports increased by 81% on the previous year. Maize exports increased from 1.7 million tonnes to 1.9 million tonnes.

Below is a graphical depiction of perishable produce pallets exported over a five-year period:

**Perishable produce exported**



Lower volumes among major export commodities, in particular citrus and avocados, became apparent for the period 1 April 2019 to 31 July 2019. Avocados have seen significant growth of 70% up until 2018, but in 2019 volumes decreased primarily due to persistent drought and unfavourable market conditions. Citrus on the other hand is set to grow by 4% in comparison with the previous year. The upward trend for both these products is expected to continue over the medium term due to new plantings and favourable market forces.

Notwithstanding the positive growth, the impact of the recent drought remains a huge concern, especially in the Eastern Cape

and Northern parts of the country, which produce around 80% of the total citrus fruit exports, and should the situation not improve, it certainly will have an impact on the citrus volumes for the 2020 season. The situation in the Western Cape is significantly better in 2019 than in 2018. At the time of writing this report, dam levels were already at 82% on average, compared to just above 60% at the same time in 2018. If the Western Cape experiences a normal rainfall season, deciduous fruit volumes are expected to normalise for the coming season.

From a market perspective, the EU excluding the United Kingdom of Great Britain (UK) remains the biggest importer of

South African fruit with 35% of fruit volumes exported to this region during 2018. The UK took a further 14% of South African fruit volumes. Based on reported figures, it appears that Brexit had little effect on export volumes to date.

With citrus black spot (CBS) still an unresolved issue in the EU, the South African citrus industry remains on high alert. During 2019, South Africa recorded nine CBS interceptions in the EU, up from two the previous year. The outbreak of the disease is mainly attributed to adverse weather conditions. False codling moth (FCM) was declared a regulated pest in the EU in 2017 with 19 interceptions recorded in the region in 2019. Last year fruit fly was also declared a regulated pest in the EU on citrus, peaches, nectarines and mangoes.

Asia remains a market with huge potential, with 21% of fruit exported to this region during 2019, up from 20% in 2017. With Asia's economy set to grow at 5% for the remainder of 2019 and 2020, the importance of increased market access to this region cannot be overemphasised. With Europe currently being the main market for South African avocados, this region will soon not be able to absorb the additional avocado volumes currently being produced.

However, avocados have become very popular and trendy in China, a market that will easily absorb the increased volumes from South Africa. It is therefore essential that efforts to create market access for South African avocados be stepped up to avoid a devastating impact on local producers and exporters.

Other high-value products are also increasing volumes significantly, e.g. macadamia and pecan nuts, where exports have increased from 34 498 tonnes in 2017/18 to 35 239 tonnes in 2018/19. These products are reportedly becoming extremely popular, rendering them of great value to South Africa due to their high returns.

With the role of SOEs under review, Government's vision for SOEs to play an even greater role in helping it achieve its objectives will give impetus to the PPECB's strategy to pursue additional mandates with a strategic fit. In 2017, DAFF handed the PPECB the mandate to manage the phytosanitary programme for citrus exports to the EU. What was originally a temporary mandate for one year has since been extended until the 2020 citrus season.

International markets have become extremely competitive, especially in view of the influx of new entrants into the markets, which has provided consumers with more options in terms of the availability of fresh produce. Many new entrants can land their products at a lower price and often at a similar quality. An example is the 2018/19 grape season, where competing southern hemisphere countries caused an oversupplied market, resulting in below par financial returns. South Africa therefore needs to differentiate itself by ensuring a better quality and delivering to the right markets

at the right time. Quality inspection standards, speed to market (given all the trade barriers) and up-to-date export information are critical.

The introduction of stricter international import regulations and requirements puts a lot of pressure on South African perishable product export systems and processes to ensure compliance and continued market access. These policy changes often require additional checks and validations, contributing to an already overburdened exporting system. In January 2018 FCM was declared a regulated pest for exports to the EU. This necessitated the introduction of additional controls for exports from South Africa, making it even more challenging to access this anchor market. Further policy changes are expected over the medium term, requiring the SA export industry to become even more flexible.

Major fruit products saw an upswing in volumes over the past two years, mainly due to new plantings. Citrus fruit exports have grown by 7% from 2017 to 2018 while avocado exports have increased by 24% over the same period, with volumes expected to continue growing, putting additional pressure on ailing export infrastructure, systems and processes. Furthermore, export volumes of emerging products like blueberries and macadamia nuts are expected to increase dramatically as their popularity surges in Eastern markets.

The need for increased connectivity and mobility has significantly increased the risk of cyber attacks and data breaches over the last few years. It is therefore no surprise that both cyber attacks and data breaches have catapulted to among the top five risks globally, with South Africa having the third highest number of attacks. This immediately places the credibility of systems in the spotlight as data breaches may have far-reaching implications.

While the US remains the world's largest economy, the rise of the East cannot be ignored. China, the world's second largest economy, advanced by 6.4% in 2018 (its worst growth rate in 24 years), compared to the US's 2.6% for the same period. Europe, South Africa's anchor market, grew by a meagre 1.9% on average during 2018. With a population of nearly 1.4 billion, the buying power in China and surrounds is beyond measure. The barriers to entry and the distance from South Africa remain a great concern.

It is believed that the following external factors will shape the business environment over the next three years:

- Client needs
- Technological advancements
- A competitive market environment
- Policy changes
- An increase in fruit export volumes
- Information security
- Change in the world order.

## Internal environment analysis

During 2019, the PPECB Board approved a business strategy in support of the PPECB's medium-term objectives. The strategy is aimed at facilitating the organisation's transition from a regulator to an enabler and further supports the PPECB's drive towards digitisation in order to enhance efficiencies.

The least clients expect is a consistent, professional service offering. Most clients operate globally, therefore mobile interaction is crucial to the success of their businesses. Over the past few years clients have also become accustomed to individualised service offerings, online interactions, and up-to-date information at their fingertips. Self-service functionalities have become the norm rather than the exception.

During the period 2010 to 2015 global investment in agricultural technology increased by 82% (World Government Summit, 2018). Drones, robotics, the internet of things (IoT), to name a few, have become common practice in agriculture, even in South Africa, and it is expected that the need for human intervention will be reduced and replaced by machine learning. Businesses are therefore under pressure to respond to this change and integrate with such systems for an enhanced client experience and improved efficiencies.

As a regulator of perishable produce destined for export, the PPECB has a national footprint, it holds critical export information, it is internationally renowned and optimally positioned to provide its clients with additional service offerings to support the competitiveness of their respective businesses and South Africa as a whole. The PPECB will therefore endeavour to remain relevant and successful as an entity over the next three years by:

"Embracing technology to ease interaction and establishing ourselves as the industry leader for the provision of intelligent market information. We will further review our operational model to allow for digitisation and change in methodologies, whilst continuing to ensure compliance. We are committed to improve the overall client experience through innovation and continuous improvement."

The PPECB must adapt its products, services and processes to make it more user-friendly and easier to do business. We will further introduce more products and services over and above our core services, which will increase our overall value proposition to Government and the industry.

On an organisational as well as an individual level, the emphasis needs to be on continuous skills development. Individuals will need to develop a new set of competencies covering behavioural, technical and practical skills to enable them to cope with digitalisation. This means having the knowledge will no longer be sufficient; application also becomes important. In the age of Rapid Reskilling unlimited, unrestricted access to learning is becoming the game changer. However, for us to harness the benefits of this unlimited, unrestricted access to learning, we need to develop into self-directed, agile learners with a strong growth mindset.

The organisational culture required is one that promotes lifelong learning. All generations and types of employees will need to be given the opportunity to upskill themselves. This implies that learning will have to be on demand, bite-sized and in different formats to accommodate any type of learning style. The policies and procedures that are put in place should enable and encourage the unlimited, unrestricted access to learning that is required. Innovation should be encouraged, and people should be allowed to explore, experiment and fail without fear of being punished. Employees should also be given the space to un-learn redundant competencies and re-learn what is relevant for the future.

The PPECB thus needs to evolve, but this cannot be achieved by operating and behaving like an island. Collaboration internally and externally is key, and it is important that the PPECB's evolution is a journey that includes all its ecosystem members – suppliers, clients, DAFF (now DALRRD), service providers, processes and services – who, together, must move beyond silos to innovate and co-create new value-enhancing opportunities. To facilitate this we, as enablers, need to establish the relevant business platforms.

The PPECB could potentially be an ecosystem hub for the industries it serves. In a sense this is already happening, but more through instinct than with purpose. Examples include the assistance the PPECB is providing to DAFF (now DALRRD) and the various industries with regard to market access and the collaborative approach to research and development. Through self-organisation and a more focused approach this can be improved to reach its full potential.

To create value for our ecosystem members we need to do the following as a baseline:

- Increase our infrastructure stability and connectivity
- Strengthen our business intelligence (BI) capacity and knowledge to provide accurate and complete information on time
- Properly integrate innovation into the business
- Speed up procurement
- Properly understand stakeholder needs – internally as well as externally
- Deliver TITAN 2.0® and enterprise resource planning (ERP) on time
- Ensure seamless integration between PPECB and client systems (ERP, TITAN 2.0®)
- Develop new business models to deliver services cost-effectively and quicker.

With these enablers in place more doors will open in future, which will add to the PPECB's future sustainability.