

The Growth and Development of the Horticultural Sector in Zimbabwe

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Executive Summary

This paper reviews the Zimbabwean horticultural sector's experiences. About 15% of formal employment in commercial agriculture are accounted for by the sector in addition to numerous up and down stream benefits. Production is fragmented giving rise to logistics problems. Whilst growers used to compete for the limited facilities, some of these problems have been overcome by increased cooperation and sharing of the limited resources. The major reasons for industry growth are also examined. Government support in terms of a favourable environment is a pre-requisite.

The role of investment and export incentives is covered in some detail, including financial arrangements. Availability of finance on competitive terms is a major driving force for the Zimbabwean horticultural industry.

The industry through its networks, especially with COLEACP (a Lome IV instrument for promoting trade amongst EU and ACP countries set up in 1973), UNCTAD, EU based importers, etc has been monitoring developments in international trade particularly regulations and major changes in Europe. These issues will determine the future of the industry and a dossier has been presented in the form of critical issues of concern. The threat of market entry restrictions through non-tariff trade barriers has been singled out as of paramount importance. However, most of the issues identified focus on the need for a free and fair trade environment.

Critical factors affecting the viability of the industry include;

- i. Quality of product and service***
- ii. Marketing arrangements***
- iii. Availability and cost of airfreight rates***
- iv. International market access***
- v. Image of industry***

Key success factors of the Zimbabwean horticultural sector in terms of favourable conditions and policies are reviewed in detail. This is followed by a set of recommended generic key success factors for any horticultural enterprise.

The paper also reviews some of the critical issues to consider in establishing vibrant horticultural trade in an increasingly competitive environment and concludes by recommending Zimbabwean and other African producers and exporters to determine their strategic posture in international markets in addition to increased cooperation on industrywide issues. Knowledge of markets is vital at all times. This could be achieved through networks with buyers, trade associations, COLEACP, UNCTAD, CDE, EU, WTO, SADC, COMESA, and other international trade facilitating agencies.

To be competitive African producers and exporters are encouraged to be responsive to market changes, know demand and supply trends, and produce outstanding quality consistently and reliably.

Chapter 1 - Introduction

1.1 Geography

Zimbabwe is situated in the south eastern part of Africa. The country 400 000 square kilometers is surrounded by South Africa, Mozambique, Zambia and Botswana. The country's population is estimated to be in the region of 13 million.

Most of the country is composed of plateaus at an altitude of between 1200 and 1800 metres above sea level. Its climate is mostly sub-tropical and the rainfall season runs from November to March. The mean annual rainfall is 800mm.

1.2 Background

Agriculture, one of the mainstays of the Zimbabwean economy, accounts for 20% of GDP, which rises to 60% when agri-based industries, including services, come into the equation. The sector ranks as the largest employer, with between 350 000 and 550 000 people directly employed, in which horticulture accounts for a 15% share.

Zimbabwe has experienced phenomenal growth in horticultural exports over the past decade. In 1999 alone, they trebled by volume and increased five-fold by value to 39 468 tonnes and US\$139.5 million respectively.

Since independence in 1980, there has been a growing awareness in Zimbabwe of the need to produce horticultural exports particularly by the large scale commercial farming sector. This is mainly because the industry is very capital intensive, complex and highly competitive in the international markets. This growth was also triggered by the farmers' desire to diversify from traditional crops whose real farm returns were declining due to the state controlled pricing system that was not market driven. Hence, this can be viewed as an economic driven diversification.

Up until 1990, both the agricultural and other sectors of the economy experienced acute shortage of foreign currency. Local money was becoming increasingly expensive due to shortage and high interest rates now in excess of 60%. As a strategy for accessing foreign currency and cheaper off-shore money, farmers diversified into more exportable products such as horticulture. By building up foreign exchange accounts and reserves, farmers were able to use them to qualify for off-shore financing. This move was therefore, financially motivated.

Starting in the early 1990s, Zimbabwe undertook a number of structural reforms to improve the market and external orientation of the economy. Under the Economic Structural Adjustment Program (ESAP, 1991 – 95), substantial progress was made in liberalising the trade and foreign exchange regime, deregulating agricultural marketing and opening up the financial sector. Parts of the economy responded very well to the reform initiatives. High rates of output growth were achieved in several sectors, in particular, in sectors that catered to the international market and had an equity base large enough not to be negatively affected by the domestic interest rates. Horticulture and private sector services, particularly tourism and transport, responded well to economic liberalization.

In the mid 1990s, it seemed that the short-term economic outlook was good. For instance, in 1996 the Zimbabwe stock exchange was ranked as one of the top emerging markets in the world. Quite a number of foreign players took up equity in public companies listed on the local stock exchange.

But then a number of unexpected external and internal developments exposed the fragility of the macroeconomic situation. The external developments included the devaluation of the South African Rand since the mid 1990s, which led to a reduction of competitiveness of Zimbabwe vis-à-vis one of its main trading partners. Another external factor was the impact of the Asian crisis. The direct impact of the Asian crisis was through the reduction of key export prices and the terms of trade loss. But the indirect impact marred too. International investors started re-assessing their exposure to emerging markets with the objective of reducing risk.

According to the World Bank, the chronic fiscal deficit also played a key role in undermining the macroeconomic and socio-political sustainability of the economic reform programs. The central government fiscal deficit averaged 8.2 percent of GDP during 1990-99. Domestic borrowing to finance these persistent large public sector deficits, coupled with liberalization of the financial sector, caused interest rates to rise and led the country into a domestic debt trap. Budgetary interest expenditure increased from 4.8% of GDP in 1990 to 10.0% in 1999, 83 % of which was for domestic debt.

In early 2000, the government prepared an 18 month economic recovery program – the Millennium Economic Recovery Program (MERP). The MERP contains useful medium term objectives. The program focuses on imposing price and administrative controls in a number of areas (interest rates, prices of basic commodities, and allocation of foreign exchange).

Some of the major issues to be addressed by the MERP include the following;

- ◆ Strengthening of fiscal policy by reducing expenditure and enhancing revenue.
- ◆ Reduce budget deficit by pursuing policies that enhance economic growth by creating a low inflation environment for business investment and trade thereby ensuring growth in tax revenues through a business upturn.
- ◆ The Privatisation Agency established in September last year should move with speed in privatising public enterprises placed on the fast track. This will free resources to other needy areas.
- ◆ Establishment of a clear national social contract to restrain spiral wage and price increases.
- ◆ Introduction of interest rate targeting to combat inflation.
- ◆ Stabilising the Zimbabwe dollar by adopting a banded exchange rate regime which will promote Zimbabwe's export competitiveness.

Export development, as mentioned earlier, has been stimulated through various schemes supported by Government and the World Bank, as part of a five year Economic Structural Adjustment Program (ESAP). There has been a relaxation on control of foreign exchange, and an attempt to improve the budget deficit, which has been due largely to subsidies to parastatal organisations. In the future, the government hopes that through its trade liberalisation policy it will be able to reduce budget deficit (11% of GDP in 1994/95) to around five percent in the next financial year and register a real growth rate of 6%. Exports are expected to grow at 10,5%.

In a developing country with a total population of around 13 million, income per capita of US\$465, there is much still to be done, but already the economy compares favourably with neighbours in the Central Southern Africa region. The contribution of a successful horticultural export industry into a huge and highly segmented worldwide market will help the country to achieve some of its aims.

Further growth is forecast following the introduction of a new national code of practice in September 1999 – an initiative of the Horticultural Promotion Council, in consultation with the UK based Ethical Trading Initiative, Natural Resources Institute, and French based COLEACP, an EU- funded horticultural trade development association between the EU and ACP countries. All exporters are encouraged to adhere to this code, which encompasses social, health, hygiene, environmental, energy and product safety concerns.

Alongside this, there has been continued investment in infrastructure and facilities, plus the adoption of an improved varietal mix, including better access to new varieties – which will be boosted further once Zimbabwe formally joins the UPOV convention.

Box 1: Zimbabwe's investment and export incentives for the horticultural sector

Zimbabwe welcomes foreign investment from any part of the globe. Investors are free to decide which sectors they would like to invest in. However in most horticultural projects local partners is a pre-requisite.

The Zimbabwe Investment Centre Act stipulates that within 45 days after receiving an application, a decision shall be made. However, Registration/Approval by ZIC may take between 48 hours and ten working days depending on the nature of the project.

All companies with a foreign shareholding are entitled to remitting 100% after-tax profits that are due to their foreign shareholders. Foreign investors are free to disinvest and externalise the proceeds of the disinvestment without restriction.

Zimbabwe does not stipulate minimum or maximum investment amounts except where the investor is seeking to take up residence in Zimbabwe.

Foreign companies are allowed to borrow on the local market for working capital purposes only.

All companies operating in Zimbabwe are allowed to borrow offshore as long as this is done through authorised dealers. Loans of up to US\$5 million do not require approval from government.

All exporting companies are entitled to operate foreign currency accounts.

Import and export licences are not required for horticultural projects.

Zimbabwe allows for duty free importation of raw materials through the duty drawback and inward processing schemes.

Zimbabwe's nominal corporate tax rate is currently 37.5%. However, when various allowances are taken into account the effective rate becomes even lower.

Most capital goods and raw materials intended for export products can be imported duty free.

There is a comprehensive set of incentives for companies that apply for and are granted Export Processing Zone status such as;

- ❑ A five-year tax holiday after which tax on profits will be paid at a flat rate of 15%.
- ❑ Exemption from withholding tax on dividends
- ❑ Exemption from capital gains tax
- ❑ Exemption from customs duty in respect of capital goods, intermediate goods and raw materials
- ❑ Exemption from withholding tax on all management fees, licence fees and interest

Chapter 2 - Industry Overview

The Zimbabwean horticultural export industry continues to experience phenomenal growth since inception in the mid 1980s and is now the third largest agricultural commodity after tobacco and livestock. In addition, horticulture is acknowledged as the second largest foreign exchange earner after tobacco and accounts for approximately 3.5 <4.5% of GDP. Foreign exchange earnings have increased by an average of 30% per annum over the past ten years.

The success of the industry has been based on free market situation requiring considerable entrepreneurial flair from producers. Most exporters employ agents who act on their behalf, and some growers access expertise in the form of consultants.

The horticultural sector is considered strategic in terms of high employment opportunities since most production systems are labour intensive. On average a project creates an additional 25 to 30 jobs per hectare. There are also high employment opportunities for women, who tend to be the most underprivileged in the Zimbabwean society. Experiences have shown that women are more productive than men in harvesting, grading and sorting of products. The sector is also a significant earner of foreign currency thereby improving the country's terms of trade in addition to numerous downstream benefits in the packaging, processing, input suppliers and transport industries.

Horticultural production and exports have been the fastest growing sector in the Zimbabwean economy registering a growth rate in excess of 30% per annum (see attachments). In the last fifteen years horticultural exports have grown from US\$3.515 million in the season 1985/86 to US\$139.518 million in 2000/1. Prospects for continued growth are encouraging. Of significance is the fact that for all product groups, the most important export destination is the European community, with 99% of cutflowers, 89% of vegetables, herbs and spices, and 75% of citrus. Specific country breakdowns are given in the attachments. It is clear that the bulk of the cutflowers are destined for Holland (1999/2000 - 85.65%), the bulk of the fresh produce is destined for the United Kingdom (1999/2000 - 62.29%), whilst the citrus is less country specific, being destined mainly to France, UK, Germany and Holland (1999/2000 – 78.60%).

The extent to which the above projected growth can be sustained in the medium to long term period will depend on the identification of new markets and efficient marketing channels, and the alleviation of existing and new constraints facing the industry.

There is no doubt that the growth potential of the horticulture sector was well demonstrated during the 1992/93 season when exports generated US\$38 million despite the effects of the region's most severe drought in living memory.

The Horticultural Promotion Council (HPC), the national representative body recognised by the government of Zimbabwe and set up in 1986 to safeguard stakeholder interests has ensured that opportunities to use increased airfreight options and export mainly to Europe have been utilised. The HPC reviewed the business environment in June 2000 and compiled an industry strategic plan defining a strategic profile, create focus and seek to address the industry's key

constraints. The plan is in the process of being implemented to ensure sustained growth.

2.1 Local Production

Horticultural production in Zimbabwe can be conveniently grouped into three farming systems, namely large-scale commercial, small-scale commercial and communal. When classified by product type or sub-sector the main horticultural products are;

(a) Cutflowers

- ◆ Delphinium
- ◆ Euphorbia
- ◆ Liatris
- ◆ Roses
- ◆ Asters
- ◆ Chrysanthemums
- ◆ Carnations
- ◆ Ammi majus
- ◆ Statice
- ◆ Protea
- ◆ Chelone
- ◆ Lysimachia

(b) Fruit

- ◆ temperate fruits
- ◆ apple
- ◆ pear
- ◆ peach
- ◆ plum
- ◆ apricot
- ◆ nectarine
- ◆ grape

tropical fruits

- ◆ citrus
- ◆ kiwi
- ◆ lychee
- ◆ banana
- ◆ mango
- ◆ passion fruit
- ◆ pineapple

(c) Out of season fruit and vegetables

- ◆ Asparagus
- ◆ Baby carrots
- ◆ Baby corn
- ◆ Butternut
- ◆ Chilli
- ◆ Gem squash

- ◆ Fine beans
- ◆ Cherry tomato
- ◆ Courgettes
- ◆ Mange tout
- ◆ Sugar snap peas
- ◆ Melon
- ◆ Strawberry
- ◆ Sweet corn

2.2 Flowers

Floriculture has fast risen in stature as a valuable exporter of cut flowers. Today, it ranks as the second largest in Africa, behind Kenya, second amongst ACP exporters, and is the fifth biggest provider to the EU. Floriculture now accounts for 64 per cent of the total value of horticultural exports and 27% by volume. In the year ending June 2000, this amounted to 19 488 tonnes worth US\$89.65million – the latter marking a 24% increase over the previous season.

Currently, most exports, spanning a season mid September to late May, are channeled to the Dutch auctions, though the UK, France, South Africa and the United States are gaining in importance as direct destinations. The Far East and Australia have also been earmarked for expansion.

Roses spearhead exports, with the peak supply period between October and April, when European production is low. Approximately 86% of rose exports are channelled to the Netherlands and six per cent to South Africa, with the balance largely destined for Australia, the Far East, Germany, the UK and the United States. Overall, exports have risen by 21% annually over the last 10 years. In line with this, production has risen to around 400 hectares, with Zimbabwe now the largest rose producer in Africa.

Much success has also been achieved with asters and proteas – both of which are popular in Europe. To an extent, this reflects moves by growers to diversify their offer, combined with trends toward protected cropping, particularly under plastic, which could present new opportunities. At present, just 30% of crops are grown outdoors. In fact, the provision of speciality lines – many available on a year-round basis is seen as a way forward for the future, along with hand-tied bouquets.

To back these initiatives, greater focus is being placed on improving yields and quality, with more attention paid to direct marketing and attaining recognised eco-labels. Currently, the HPC code of practice, the Dutch MPS and the German flower label (BGI) are all well represented in Zimbabwe.

Against this backdrop, production is increasing, with total output – of which 99% is exported – predicted to rise by 15% alone in the 2000/1 season. Apart from in the south, plantings are fairly widespread, with the highest concentration in the Highveld and the Eastern Highlands.

In spite of the progress made, difficulties still remain. The industry is fragmented – over 250 growers involved – with the average size of holding estimated at 4 hectares. This has made distribution and logistics difficult. At the same time competition on the global market place has heightened, particularly from Kenya,

Israel and Colombia. Further concerns have surrounded high interest rates, rising inflation, high duties on inputs and the insecurity from land reform.

2.3 Produce

Zimbabwe's exports of fruit and vegetables are forecast to reach 17 417 tonnes by 2004, which represents a 43% increase over the 12 151 tonnes of 1999/2000 season. They already account for 19% of total exports by volume and 26% by value, and are growing at approximately 17.5% annually.

Large volumes of fruit and vegetables are produced for sale on the local and export markets. The export market is largely supplied by the large scale commercial producers while the local market is supplied by all sectors of the agricultural industry from multinational corporations to individual communal farmers. In recent years, high value out-of-season lines are fueling expansion, spearheaded by mange tout peas, sugar snap peas, runner beans, baby corn, sweet corn, other baby vegetables, courgettes, etc. Passion fruit, plums, mangoes, nectarines and raspberries have also been identified as export winners, while, new lines such as baby exotics and salad onions are being grown and exported in increasing volumes. In addition, new variations of presentation and processing are a focal point of the rapidly expanding market. Mixed packs, vegetables that are pre-washed, sliced, diced and ready to cook are being increasingly produced to customer specifications.

The deciduous fruit industry is concentrated in the Eastern Highlands. Sizeable volumes of mangoes, kiwi fruit, pineapples and bananas are grown throughout the country. The local market is complex and large but difficult to quantify since much of the produce moves on the informal economy.

At present, the UK is the biggest importer, taking 63% of total exports followed by the Netherlands on 15%. A further 5% goes to Germany, 4% to the RSA and 3% to Mauritius.

Growth follows heavy investment in infrastructure, especially high-care facilities, though this was tempered in 1999 mainly due to macroeconomic factors.

2.4 Citrus

Citrus has been one of Zimbabwe's major successes. Today, the sector accounts for 55% of total horticultural exports by volume and 10% by value, which, in the year ending June 2000, amounted to 39 468 tonnes and US\$13.4 million respectively. The latter alone marked a 20% increase over the previous season. Generally, 60% of the crop is exported to Europe and the Middle East, though new markets in the Far East and North America could offer scope for further expansion in the long term.

Additional growth is forecast, especially since the Zimbabwean crop enters the market up to four weeks earlier than South Africa, and can supply product over an extended season. There has already been a 16% increase in exports annually over the last ten years. Impetus will also come from the introduction of industrywide minimum standards for product destined for export.

In line with this, production is rising and indications suggest a potential growth rate of 30% per annum to 2005. Already 3 000 hectares of new plantings have yet to reach full cropping capability, following considerable plantings both in traditional areas in the south, and the developing regions in the north. This is well illustrated in the Mazoe valley in northern Zimbabwe, where output is forecast to rise by 500% over the next 6 years, with emphasis on easy peelers and navels.

Allied to this has been new investment in modern facilities, particularly de-greening and storage, plus greater focus on research to improve marketing and post harvest handling. In addition, logistics have been improved. Rail freight has been re-introduced, since road capacity is currently insufficient to handle the increasing volumes of citrus coming forward, while sea freight capability has been strengthened – which is essential since Zimbabwe has no natural maritime access. A major initiative was a joint venture between Zimbabwean growers and the port authority at Beira, in neighbouring Mozambique. This development, whilst still in its infancy, provides a logical alternative to Cape Town and other South African ports which, apart from being 3 000km away, are becoming increasingly congested.

A summary of Zimbabwe's export performance is outlined in the attachments.

2.5 Small scale sector

This sector is viewed as vitally important in terms of poverty alleviation and the continued growth of the sector. Presently there are some 4 000 small scale growers out of an estimated 1.4 million communal farmers linked to established exporters, providing some 10% of total production. This can conceivably increase to 50%, hence doubling total production within a relatively short space of 5-7 years, providing appropriate markets can be found against a background of increasing competition.

Like all exporters, small scale growers are faced with limited access to finance and are being crippled by soaring inflation. The HPC through USAID has so far advanced ZW\$1.60 million to finance inputs to small scale growers as part of a program to create self sufficiency within the subsector.

2.6 Production Units

Although it is possible to find some very large horticultural units, particularly for citrus, deciduous fruit, and vegetables, all cutflower producers are relatively small intensive units, whilst many medium sized producers of vegetables operate as "outgrowers", to supply raw material to the major exporters. There is therefore a concentration of exports under the control of a small number of exporters. For citrus there are only five main exporters, whilst for cutflowers there are twelve and for vegetables there are twenty two. The majority of the exporters are also involved in production to a greater extent, and operate their own packhouses. "Outgrowers" of cutflowers have their own on-farm packing units, and deliver the finished, packed product to the exporter. Increasingly 'outgrowers' of citrus are setting up their own packing units as exporter's facilities cannot cope with expansion of production. In the vegetable sector the majority of 'outgrowers' deliver raw material to the exporter's packhouse, where it is cooled, graded and packed under strict, uniform control and under very hygienic conditions. Exceptional product is packed at the 'outgrower's' facilities and delivered as finished product to the exporter only in the case of flowers and citrus. Vegetable

importers, particularly in the UK, demand that all produce should be handled on a single packshed and conform to uniform specifications consistently throughout the season.

2.7 Seasonality

Most crops are grown for a specific window overseas, hence head-on competition with local European producers is avoided. For some products such as cutflowers, runner beans, and peas, there is an opportunity for supplying through the European summer as certain major European importers are now competitively positioned in the Far East. This helps Zimbabwean growers to maintain a twelve month business. Singapore, RSA, and Australia are other markets taking product throughout the year.

2.8 Image

Although the quality of fresh produce is acceptable there is still room for improvement on quality control and standards of packaging. The image of Zimbabwean fresh produce in Continental Europe is generally perceived as lower cost/higher quality. This competence has earned the country tremendous confidence with the multiples resulting in local exporters exploiting the opportunities of value adding at source. Several exporters now export high-care fresh produce in pre-packs labeled and bar coded in Zimbabwe. Very recently the floriculture sector has started exporting "bouquets" to European retail outlets.

2.9 Grower Base

There are in excess of 4 000 commercial farmers in addition to numerous smallholder producers. Approximately 4 000 communal farmers are currently actively growing export horticultural crops. With the high pressures on the world tobacco price in response to the anti-smoking lobby and the farmers' desire to diversify into export crops as most traditional crops face viability crises, the number of growers is expected to increase. Most of the growers are situated within a few hours driving distance of the country's only international airport in Harare.

2.10 Export Companies

The majority of the country's exports are handled by marketing agents. Most of the agents, particularly for the fresh produce sector have been operating for some time largely on direct marketing systems. Most of them started as individual growers who eventually took on outgrowers to get the critical mass, a key success factor in horticultural commodity trade. Most of the agents serving the cutflower sector are either owned by syndicates of local producers or off-shoots of Dutch based floricultural importing companies. In the latter case, the agents were very influential in promoting the floriculture sector locally by providing technical skills and knowledge to local growers. Export market penetration was facilitated by their parent companies in their desire to dominate the floricultural trade internationally.

2.11 Horticultural Processing

The current expansion of the horticultural sector is geared to open a lot of scope for processing. For instance, in the case of citrus fruit production, 60% of the crop is exported while the remaining 40% is for local sales and/or for processing into fruit juices.

The growth of processing facilities for horticultural produce has a positive impact on the expansion of production. Existing processing facilities include fruit and vegetable canning, freezing of fresh produce, fruit and vegetable dehydrating, preparation of fruit juices, extraction of oil from crops such as paprika and bouquet making in the floriculture sector.

Although there are in excess of 20 companies processing horticultural crops, there is still a huge requirement for additional facilities especially in the small scale sector. Several projects are still on the drawing board awaiting funding and a conducive investment climate.

2.12 Growth Prospects

Judging by the data that is available and evidence gathered from interviews, the importance of future growth and exports of horticultural production and exports cannot be over-emphasized as horticulture has several advantages over extensive agricultural production, *viz*:

- ◆ Low levels of land usage and irrigation water, particularly for crops grown under greenhouse protection;
- ◆ Good prospects for employment creation as production is labour intensive;
- ◆ High value to weight ratio for products with good prospects for value-added within Zimbabwe;
- ◆ Limited and generally beneficial impact on the environment;
- ◆ Good prospects for expanded foreign exchange generation.

2.13 Growth Options for Farmers

At present quite a challenging task for new horticultural farmers are the set of options they face in their entry into the higher growth and more lucrative export markets for their fresh produce. A two-tier strategy seems feasible, either through an integrated development of production areas, or through syndicates with established exporters who subcontract the former group's crops. The established exporters either buy the new farmers' crop at a price agreed between the two as in the outgrower schemes or undertake to market the latter's crop on a commission basis as in the pool market system.

These options mitigate to a certain extent some of the production and marketing constraints facing new horticultural growers. In the Zimbabwean case export opportunities of new farmers including the small scale sector have been explored through association with established large scale or a marketing group in two ways: -

- ◆ the promotion of outgrowers around a developed large scale horticultural farming enterprise;
- ◆ the promotion of produce deliveries by growers to a marketing organisation that runs a pool marketing system.

2.14 Outgrower Schemes

The outgrower scheme is the most important system involving the promotion of outgrowers, particularly the small scale farmers, around an established large scale farming enterprise. The commercial farmer or marketing agent is responsible for;

- ◆ The infrastructure required to store, handle and provide packing and post-harvest treatment;
- ◆ Providing technical advice and extension to the sub-contracted growers, conforming to the requirements of the market; and
- ◆ Marketing the crop.

At present about 4 000 small scale farmers are currently participating in this scheme that has been popularly promoted by the Horticultural Promotion Council as it offers tremendous benefits to both parties participating in terms of shared risks. The primary producer carries the production risk whilst the exporter faces marketing risks.

2.15 Pool Marketing System

In a pool marketing system growers consolidate their individual exports into a single consignment for a specific targeted market. One such scheme is operating in Zimbabwe where a local syndicate has about 50 small-scale growers out of which about 22 are full time. The syndicate exports roses, asters and a wide range of field flowers. To qualify under the pool system a grower must have at least one season of flower growing experience before they graduate into a full time supplier. The grower is directly responsible for production, packing and local transport to the agent coldstores located at the airport. The crop is therefore delivered ready for road-hauling or airfreighting to international markets.

Growers are invited to join this system on the following three criteria;

- ◆ varieties of flowers they grow;
- ◆ the quality of their production; and
- ◆ commitment to multiple marketing.

The agent on the other hand is responsible for;

- ◆ marketing the crop
- ◆ airfreight or roadfreight logistics
- ◆ export documentation
- ◆ technical consultancy; and
- ◆ promoting cohesion within the syndicate through field days once a month rotating the venue amongst all the growers.

In exporting a particular consignment one Master Airway Bill (MAWB) for each flight is cut for the whole group of exporters. This is done to reduce freight forwarders' costs to a minimum. The growers' individual flower exports are consolidated into a single consignment for a specific target market and exported under one brand name.

The price paid to the grower depends on the price fetched by the grower's product on the overseas market. The syndicate has its own coding system for its

growers which it uses in monitoring exports and is therefore maintained in all transactions.

The pool system's diverse marketing has the following advantages:

- ◆ Greater returns to the grower by not allowing the syndicate to be tied to specific buyers or wholesalers, thereby maintaining the right to pick the highest spot prices on the market.
- ◆ Ability to take advantage of all the airspace available out of Harare. This is possible because the syndicate has positioned itself in several and diverse markets.
- ◆ It maintains a longer season than the traditional 6 months European winter; in the off-season flowers can be sold to complementary markets such as South Africa and Australia.
- ◆ Growers do not incur huge marketing costs especially in penetrating new markets.
- ◆ The syndicate provides bridging finance for airfreight costs, thereby relieving the growers of the usual huge financial burden of raising airfreight costs. The grower only pays these costs on receipt of payment.
- ◆ The syndicate offers a cost effective trucking service to Johannesburg airport twice a week. This service is used for South African, USA , Australia and the Far East bound consignments.

The pool system is, however not without its disadvantages. The grower incurs all the total risks of the product until it is sold. The usual risk such as physiological damages to the product (eg. Frozen flowers, loss of quality due to delays and breakages of corrugated boxes); and collapse of the market are borne by the grower who has absolutely no control over the whole chain of the product delivery from the time it is taken from the farm. There is also the added risk of lack of a definite or guaranteed market as prices offered by importers are dictated by demand and supply rendering marginal products not viable when the markets are depressed.

Chapter 3 - Existing Production and Quality Strategy

The Zimbabwean production and quality strategy is based on the assumption that the quality of the product cannot be defined on its own. Moreover, any enterprise must be developed along with a reliable and consistent supply programme, with long-term goals and a promising future.

This type of endeavour requires commitments from growers, input from customers for planning purposes and trust from all parties involved. Important factors considered include product volume, quality, timing, price and payment.

Accurate records of planting to harvest times and adequate planning of planting are essential in order to obtain a quality product. Hence, all standards are documented and used to maintain or improve quality.

Superior production systems, harvesting procedures, post-harvest handling systems are implemented. Product quality is only one of the many factors considered. Another is the importance of rewarding the producers for their efforts.

Zimbabwean production is programmed to satisfy a predetermined “window of opportunity” in world markets. Hence the majority of exports are referred to in Europe as “out of season” produce. Growers and exporters have developed systems and procedures designed to boost the quality of products by channelling their resources towards attaining a quality product, a reliable supply system and developing a quality business with their customers.

Quality control hinges on the cooperation of growers and exporters. Quality itself is achieved by the following:-

- ◆ Orientating production towards customer specifications, which is ensured by a close liaison between the parties involved. Important factors considered are;
 - ❖ Crop protection and chemical residue limits,
 - ❖ The maturity stage,
 - ❖ Which variety and crop to grow,
 - ❖ Crop production and management techniques,
 - ❖ Post-harvest handling and storage,
 - ❖ Packing and presentation.
- ◆ Maintaining cold stores on farms close to the production site. Hence the cold chain starts immediately after harvest.
- ◆ Investing in insulated trucks and in transit cold stores at the airport, all geared to maintain the cold chain.

Most Zimbabwean exporters have developed their own quality standards and specifications based on the customer requirements for each distinct grade of a commodity. In most cases they are stricter than the basic EU standards in order to compete successfully in world markets. The quality of a product is measured and standards developed, especially for;

- ◆ Flavour/texture: usually determined by the variety, field management practices and maturity stage at harvesting.
- ◆ Internal sugar and soluble solids content.
- ◆ Physical appearance such as size, shape, colour and defects, largely determined by the production and grading systems used.

Most farms incorporate an internal quality assurance system in their management structures. There is also a considerable amount of liaison and consultation between the exporter and the overseas customer regarding trends in prices, supplies, changing tastes and preferences, product availability and quality requirements. Decisions on which crop and variety to grow are always based on market specifications. Hence, the production strategy is always market led.

Quality maintenance therefore starts as early as the time that the varieties are selected for Zimbabwe's growing conditions (climate), and the market. It continues through the field management procedures, such as nursery practices, establishing seed/plant sources and plant populations, the use of correct irrigation methods, and by applying fertilizer, pesticides, and herbicides at the right time and in the appropriate amounts.

It is also ensured in the latter stages of harvesting, post-harvest handling, and the selection of packaging material to suit the products and the targeted market's packaging and presentation standards.

Moreover, quality has become a way of life for Zimbabwean exporters who know and accept that it is their responsibility to provide consistently high quality produce. They realise that this can only be achieved by continual attention to detail right through from growing to the marketing stages.

Chapter 4 - Packaging and Presentation

Zimbabwe's packaging industry has also grown since there can be no exports or processing without packaging. Figures from the Packaging Association show that approximately 50 million US dollars worth of packaging material is produced every year. Imported packaging played a critical role in the early 1980s and its volume has shown a downward trend as local companies improved their products and production efficiencies.

Packaging in Zimbabwe is designed to fulfil the following functions;

- ◆ Protection and preservation, in which case the overriding consideration must be for the fresh produce to reach the consumer in as near perfect condition as possible.
- ◆ Packaging is designed to fit the exact weight or count of produce it is supposed to contain as accurately as possible, and external conditions must be in multiples which will conform to the standard 100cm by 120cm Europallet with which nearly all distribution and storage is done in Europe.
- ◆ Retail chains often impose their standardization on pack size and brand name to producers who pre-pack, bar code, airfreight and deliver the products directly to the retailer. This exercise requires a high degree of technical expertise, strict quality control, flawless timing and coordination.
- ◆ For some pre-packed products such as peas, beans, corn and asparagus tips, the retailers (supermarkets) insist that these be packed directly into retail punnets and trays. Bouquets in the case of fresh cutflowers are packed in flower sleeves. In this case, quality control and hygiene are of paramount importance as it is possible that the product will not be examined again before being offered for retail sale.
- ◆ Each carton must contain all the information required by the importer to describe the contents and the destination in the appropriate languages and must be easily visible when palletted. Each importing country has its own statutory requirements with which one must comply.
- ◆ The packaging is often used as a point of sale in terms of presentation. These points vary, but the packaging must always be suitable for the distribution and retail practices specific to that product.

The essential issue is above all, that ***packaging displays the image of the product, producer, and the retailer as well.***

The distances to the markets and the relatively high airfreight costs restrict the margins for error, implying that Zimbabwean produce will only be viable if it is at the top end of the market ie. ***Quality driven.***

Nearly every exporter has cold store facilities at the farm level. They are designed to eliminate the field heat by pre-cooling and storing the product at optimum temperatures to prevent physiological deterioration.

Substantial investments have been made in insulated trucks in an attempt to have a reliable local transport system. Exports are stored in transit cold rooms at

the airport. Products are therefore stored and remain in the cold chain through to the market.

New varieties are being developed all the time, new handling and packaging systems are being introduced, and new customers are always waiting to be supplied. Zimbabwean exporters are aware of the continuously changing, improved growing techniques and are informed of new developments by their customers and importers' organisations. In fact, most importers technical departments conduct audits of production, processing and handling systems regularly on technical, chemical usage, environmental, worker welfare and social issues. This aspect has been intensified in response to the "naming and shaming campaign" in the UK, Ethical Trading Initiative (UK), MPS (Holland) and BGI (Germany, Switzerland) flower labelling programmes (See attachments for more details on some of these schemes).

Growers also conduct a lot of on farm trials to select the right varieties for the market. These trials are conducted in the field and research continues through to shipping and sales with the guidance of importers and marketing agents.

In addition, the growers/exporters organise technical and marketing seminars, field days through the Horticultural Promotion Council or marketing agents where they share ideas and discuss problems. Individual farmers travel to the markets every year and also attend international seminars, fairs and shows.

Consultancy services are seen as one of the quickest and easiest ways to transfer technology from overseas and upgrade technical skills. They are offered by well trained and experienced specialists from Europe who are always in touch with the market.

The increase in "green consumerism", particularly in Europe, is already an issue. European consumers are now far more aware of where products come from than they used to be, and more questions are being asked, particularly in relation to what is done to protect workers and consumers from the high levels of chemicals used. Consumer power in action has already been experienced as the supermarket buyers place stringent conditions on suppliers. The Netherlands perceived as the gateway into Continental Europe has launched the MPS flower labeling scheme, whilst Germany has the BGI scheme. In the UK, the naming and Shaming campaign designed to blacklist supermarkets and suppliers of crops with excessive chemical residues has launched the Ethical Trading Initiative (ETI). All these schemes promote good agricultural practices as defined in the EREPGAP code. Their objective is the same and an outline of the ETI principles has been attached to the report. The principles seek to define minimum standards for the crops and the growing and processing environment.

Conservation of the environment has become a critical issue and the EU is implementing directives aimed at harmonising pesticide registration, chemical residue limits, and phytosanitary requirements in member states. For countries outside the EU wishing to export agricultural products to the EU, this includes no admittance of products if

- ◆ Pesticides banned in the EU have been used

- ◆ Residue levels exceed the EU minimum residue limits for the crop/active ingredient in question.

These rulings apply to all horticultural products. In fact, government and consumer pressure is forcing Zimbabwean growers and exporters to the EU to move towards Integrated Pest Management and Biological Control. The Zimbabwean growers are being advised of the reforms to EU regulations by their importers and the COLEACP, through the EU funded pesticide initiative. These reforms are then incorporated in the National Agricultural Code of Practice based on statutory and market requirements. More details are contained in attachments.

A further consideration is the effect of global warming. Although there are rather wide confidence intervals on measurement of world temperatures over the past century, there is evidence showing an upward drift, consistent with the hypothesis that man-made emissions particularly of greenhouse/poly-tunnel gases into the atmosphere should cause the average world temperature to rise.

This global warming trend has led to much concern that human activity is having a marked effect on the climate, and this has raised questions over intensive horticultural practices worldwide. In the Netherlands where there is a huge glasshouse industry equipped with gas heating units, the lobbying against highly intensive horticultural practices has, apart from economic forces, caused the market to look to other sources of supply. The less developed countries such as Zimbabwe, Kenya and Zambia have been popular since they are endowed with cheaper resources, and the climate is much better.

Chapter 5 - Investment in Greenhouse Production

Despite the harsh economic environment, investments in floriculture is still on the increase for greenhouse crops illustrating the confidence of the business sector in horticulture. Most growers have switched from field flowers which are less capital intensive to greenhouse flowers while most new growers are investing in greenhouse crops. The numerous reasons for this switch include:

- ◆ Field flowers are subjected to a high risk of interference by weather and the consequent impact on shipping schedules.
- ◆ Field flowers are high volume – low value crops which contrasts, with the high value – low volume greenhouse crops. Hence the margin for error in field flower crops is very narrow.
- ◆ Greenhouse crops are grown in a controlled environment and hence production is predictable and therefore there is security of fulfilling the planned production schedules.
- ◆ There is less competition from other African producers in greenhouse crops.
- ◆ There is increased confidence in greenhouse production from the financial institutions, technical and marketing point of view.
- ◆ Greenhouse crops have increased investment and credit facilities, again due to greater confidence in the industry.

Chapter 6 - Major Reasons for Industry Growth

Major reasons for growth of the Zimbabwean horticultural sector include;

- ◆ Improved viability over traditional crops
- ◆ Government support in view of the economic and social benefits derived, in the form of;
 - Achievement of food self-sufficiency
 - Increased foreign currency earnings
 - Increased employment opportunities
 - Increased economic growth through up and downstream benefits
- ❖ Liberalisation of the economy including relaxation on control of foreign exchange
- ❖ Establishment of ZimTrade in 1992, a quasi-government organisation with the primary role of export promotion. This function is performed through industry driven export promotion activities such as attendance at specific international trade fairs and seminars, and in-ward and out-ward buying missions.
- ❖ Establishment of the Zimbabwe Investment Centre in 1992, another quasi-government organisation whose primary role is to encourage direct foreign investment through incentives.
- ❖ Export incentives such as concessionary pre and post shipment finance schemes and corporate tax savings.
- ❖ Effective dialogue between industry and government has resulted in a focused shared vision as enunciated in the Zimbabwe's Agricultural Policy Framework: 1995 – 2020. The Zimbabwe government's policies to encourage horticultural industry growth is stated in the same report as follows;
 - Develop potential in the smallholder sector to produce for the export market
 - Achieve market diversification to best advantage to promote export competitiveness
 - Adopt a least cost strategy for commodity products driven by volume and price
 - Adopt a focused differential strategy for niche products
 - Review export market requirements (legislation and regulations) to ensure industry compliance
 - Identify, adapt and implement internationally accredited phytosanitary inspection and quality control systems
 - Encourage contract growing
 - Focus on efficient irrigation systems
 - Encourage establishment of out-grower post-harvest cold rooms and packhouses
- ❖ The government in conjunction with all industry stakeholders agreed on a set of strategies to achieve these policies. These strategies enshrined in the Policy Strategies for Stimulating Agricultural Production and Food Security for the 1999/2000 Farming Season and Beyond prepared by government are as follows;

- Speedy rationalisation of the tariff structure for imported inputs to come in at a lower cost
 - Timely approval of export processing zones projects
 - Maintenance of foreign currency accounts
 - Effective implementation and promotion of the Code of Practice and labeling programs
 - Greater participation by emerging commercial and smallholder farmers
 - Intensification of water development and management, particularly in the smallholder sector
 - Strengthen information and technology transfer systems
 - Government to promote international markets through its various arms
 - Support post-harvest processing, preservation, utilisation and marketing at small farm/village level
- ❖ Tariff liberalisation. Essential inputs are imported at relatively low duty.
 - ❖ Minimal regulatory impediments
 - ❖ Shared vision between government and industry
- ◆ traditional links with the European Union
 - ◆ market- driven production strategy
 - ◆ high profile image, especially in Holland and UK
 - ◆ good track record of quality and service
 - ◆ good infrastructure in addition to abundant land and huge potential for irrigation water
 - ◆ favourable and diverse climate enables production of a wide range of crops year round
 - ◆ existence of effective grower based institutions
 - ◆ relatively cheap and very cost effective production systems give the producers a **cost advantage** in the market
 - ◆ improved EU market access due to Lome IV Convention and the subsequent ACP/EU partnership agreements preferences in the form of;
 - ❖ Duty free entry into EU for most crops
 - ❖ No quantitative restrictions
 - ❖ Subsidised technical and financial assistance through Lome iv instruments
 - ◆ investment incentives mainly in the form of tax concessions
 - ◆ Entrepreneurial flair of local community

Chapter 7 - Factors Affecting the Viability of Horticultural Exports

Returns realised by the Zimbabwean flower growers in the Dutch auctions and other overseas markets are a function of the following critical issues;

- ◆ Quality of airfreight service.
- ◆ Quality of technical advice and growing techniques.
- ◆ Marketing arrangements
- ◆ Level of competition in international markets
- ◆ International market access dependent on trade regulations reforms (such as phytosanitary requirements and quality standards) and non-tariff trade barriers in place.
- ◆ Zimbabwe's macro-economic management in relation to major trading partners especially on exchange rate and interest rates policies, in addition to inflation differentials.
- ◆ Level of value-addition at source.
- ◆ Competitiveness of Zimbabwean products
- ◆ Package of export of incentives in relation to competitors.

Historically airfreight availability has battled to keep pace with the growth of the horticultural exports. In addition the quality of service has remained sub-standard due to excess demand and lack of effective competition amongst carriers. In the current season, the sector has experienced severe shortage of airfreight space mainly due to;

- ◆ The withdrawal of most foreign passenger aircraft due to a decline in the tourism industry and diminishing southbound cargo.
- ◆ Reduction of in-bound cargo due to the current recession and limited foreign currency.
- ◆ Expensive fuel, ground handling and landing fees.

It is fair to say that the airfreight situation continues to inhibit growth in horticultural production, deterring the would be new growers and also existing ones from expansion.

Zimbabwe's relatively high transport costs work against local exporters, a situation that gives regional competitors a significant competitive edge. A comparison of the transport costs between Zimbabwe and her regional competitors for floricultural exports is outlined below;

Country	Airfreight rate in US\$/kg
Zimbabwe	1.90 to 2.20
Kenya	1.80
Tanzania	1.80
South Africa	1.80
Zambia	1.80 to 2.00

Source: Export Flower Growers Association of Zimbabwe

Floriculture industry growth is technology driven with growers relying heavily on the marketing agents and breeders' advice on what varieties to grow. However, some of this advice has landed some growers with relatively poor performing rose varieties in the market, a situation that forced most growers to re-appraise their varieties and replace them with marketable ones before the rose bushes complete the economic life of five years.

Another major weakness with the current floriculture export system has been the involvement of marketing agents in consultancy or extension services with fees being deducted from sales in Europe. There are about six major Dutch agents buying cutflowers from Zimbabwe, and most of them sell the crop to the auction floors, wholesalers and retailers or re-export them. This practice results in external marketing costs ranging from 20% to about 33% of gross selling prices, in spite of the fact that auction fees only account for about 12% of gross sales. Thus while foreign consultants have played a key role in stimulating the development of the industry, most flower growers feel that this service must not be linked to the marketing function. Instead, growers feel that the service must be available to them as and when required and be paid for accordingly on a user-basis without any conditionality to market access.

Chapter 8 - Key Success Factors of the Zimbabwean Horticultural Sector

8.1 Favourable Conditions

- ◆ Suitable agro and climatic conditions
- ◆ Sub-tropical and counter-season type production
- ◆ Abundance of land
- ◆ Dynamism of agriculture
- ◆ Consistent and reliable supply system
- ◆ Diverse product/ variety mix/ grade mix
- ◆ Joint strategy between producer and distributor/ marketing agent
- ◆ High profile image in Holland and the UK
- ◆ Presence of agents of major importers and international plant breeders
- ◆ Relatively high level of farm management enables production of top quality crops and demonstrates great awareness of market demands
- ◆ Necessary inputs can be purchased locally
- ◆ A large, well educated, productive and efficient labour force is available
- ◆ Airfreight space to Europe and other destinations is available on a regular basis, thus ensuring reliability and continuity of supply
- ◆ Growers have formed effective production and marketing groups to maintain quality control and utilize the benefits of economies of size and scale.

8.2 Policies

- ◆ Financial support to exports (such as access to trade finance on favourable terms).
- ◆ Attraction of foreign investors facilitated access to European technology, know-how and markets
- ◆ Exports to various markets (US, Japan, South East Asia, Europe, Middle East, Australia, South Africa, etc)
- ◆ Presence of relatively strong and well networked professional associations
- ◆ Focused export promotion activities through Zimtrade, the national export promotion agency
- ◆ Investment incentives administered by the Zimbabwe Investment Centre and the Export Processing Zones Authority
- ◆ A stakeholder driven national air transport policy established in December 1999

Chapter 9 - Critical Issues of Concern

Critical issues of concern to exporters include the following issues;

- ◆ Impact of trade liberalisation will threaten ACP EU market access dispensations.
- ◆ Commitment to Common Agriculture Policy reforms and subsequent non-adherence to WTO commitments by Continental Europe will give their producers an unfair competitive advantage.
- ◆ Increased competition from other suppliers.
- ◆ Possible trade diversion away from Africa
- ◆ Cost implications of Ethical Trading requirements
- ◆ Fragmentation between EU member states Ethical Trading initiatives and contradictions with local socio-political, cultural norms and values
- ◆ EU pesticide legislation – (Maximum residue limits set at Limit of Determination for most exotic crop/active ingredient combinations without consulting African producers)
- ◆ Some buyers' practices perceived as unethical in Africa (eg rebates for multiples)
- ◆ Complex supply chains (production, post-harvest, processing, transport and logistics, marketing, innovation and audit/monitoring).
- ◆ Compliance of input and service suppliers to ethical trading practices
- ◆ Threat of non-tariff trade restrictions in the following areas;
 - ❖ Social issues
 - ❖ Environmental issues
 - ❖ Worker Welfare
 - ❖ Food Safety
 - ❖ Chemical Residues
 - ❖ Anti-dumping measures
 - ❖ Packaging Regulations
 - ❖ International trading practices
 - ❖ Phytosanitary and other trade regulation reforms
 - ❖ Labeling Schemes
- ◆ Transparency and 'fair play' by developed countries in terms of:
 - ❖ Market price support (fixed target prices, government stock accumulation for food security purposes)
 - ❖ Direct payments (investment and export subsidies)
 - ❖ Reduction in input costs (loan rates, subsidies on farm inputs, etc)
 - ❖ General services (research, training, extension, marketing and promotion)

- ❖ Quantitative restrictions
- ❖ Phytosanitary issues
- ❖ Income support measures (natural disaster relief, income insurance and safety net programmes, structural adjustment assistance, and certain specific payments)

Trade in agriculture remains subject to profound and costly distortions. Protectionist policies have severely hampered economic growth and damaged employment. In 1998, agricultural support within the OECD totalled some US\$362 billion – higher than the US\$326 billion provided when the Uruguay Round began.

Trade liberalisation in the horticultural sector due to the GATT Uruguay Round, is expected to reduce the preferential margin of African horticultural exports over industrialised countries. This is likely to lead to fiercer competition in international markets and possible trade diversion away from Southern Africa countries. In fact, most developing country governments, with encouragement from the international community, are giving high priority to changing domestic agricultural policies and also seeking the diversification of commodity exports. Hence, structural adjustment programmes are currently being implemented, or in the planning process in most developing countries in order to establish an environment perceived to sustain development due to major macro-economic policy reforms. Quite a number of ACP countries are aggressively investing in horticultural trade to earn foreign currency, generate employment and achieve food self-sufficiency goals.

Whilst complete deregulation of world trade is the prime vision of WTO by the year 2000, characterised by a substantial and progressive reduction in tariff and non-tariff barriers, trade distorting subsidies, and harmonisation of health and sanitary standards across countries, very little progress has been realised to date, and a major worry to exporters. Of major concern to us is the potential use of non-tariff trade barriers to restrict trade in the form of social, environmental, and labour issues in terms of market access. Anti-dumping, food hygiene, food safety, packaging regulations, and customs valuation procedures are being tightened. Both the EU and USA horticultural industries are guided by complex domestic support measures. Only direct payments in the form of subsidies are set in terms of an ad valorem measure. How then is the world to “level the playing field” when confronted with this complex mix of programmes?

Furthermore, several studies have argued that the growth and per capita income effects of rising international prices induced by complete deregulation of world trade would be small for most developing countries. Hence, temporary special programmes of assistance to the poorest net buyers of food should be considered. It has also been shown that compensation to the poor cannot be made by taxing the gainers since their income gain is less than the loss for the poor.

The Lome Convention has been a unique and effective framework for North-South co-operation. The spirit of this instrument should be preserved, and its functions and instruments should also be preserved and adjusted to meet the new challenges. In fact, developing countries provide substantially less support for agricultural producers than developed countries.

Our experience has shown that structural adjustment programmes take far too long to function optimally in developing countries. In fact, infant exporting industries such as horticulture, that may not have substantial comparative advantages may be able to acquire sustainable comparative advantages if given a sheltered period during which to train labour, adapt technology, and develop a home market adequate to provide an economical scale of operation. The protection should compensate for the high start-up costs.

Contrary to the arguments above, the recent Northern Enlargement of the EU might bring more positive news for the current and potential horticultural exporters as they will enjoy Lome liberalisation and pressure put on the EU to globalise the Lome Convention, together with the poor evidence that ACP exporters might be better off relying less on the preferences and improving their competitiveness, for instances by overcoming infrastructural and trade policy obstacles, in order to get ready for the increased competition for horticultural products in the EU market.

Chapter 10 - Critical Issues to Consider in the Horticultural Export Trade Business

These include the following;

- Knowledge of market –
 - tariff and non tariff barriers,
 - product preferences and end usage,
 - procurement requirements (scale, variety, quality, seasonality & costs),
 - Quality control procedures,
 - statutory requirements (normally superseded by commercial specs),
 - volume and continuity of supply,
 - terms of trade,
 - CIF and wholesale trends,
 - export logistics,
 - promotional support,
 - how is the market regulated- is there any lasting advantage,
 - who is the competition and how/why have they been successful/unsuccessful,
 - how do we fit in,
 - can we compete,
 - what are the realistic prospects

Chapter 11 - Recommended Key Success Factors for African Producers

- ◆ Favourable macro-economic policy environment
- ◆ Suitable agro and climatic conditions
- ◆ Availability of finance
- ◆ Reliable and cost effective transport logistics
- ◆ A range of core products
- ◆ Diversification on international markets
- ◆ Relatively high professionalism of staff
- ◆ Decentralised decision making
- ◆ Time-based decision making
- ◆ Prudent marketing strategies
- ◆ World class production and marketing systems
- ◆ Outstanding quality of goods and services
- ◆ Internationally acceptable packaging
- ◆ Consistent and reliable supply system
- ◆ Reliable freight routing
- ◆ Controlled cooling chain
- ◆ Effective communication within the company and at national level
- ◆ Teamwork – shared vision and export culture
- ◆ Speed of information
- ◆ Maximise added value options
- ◆ Diverse product/ variety mix/ grade mix
- ◆ Flexibility of distributor
- ◆ Joint strategy between producer/distributor

To be competitive African producers/ exporters must:

- ◆ ***Know demands of various market places***
- ◆ ***Produce outstanding quality of variety of horticultural products***
- ◆ ***Be consistent***
- ◆ ***Be reliable***
- ◆ ***Must have an extremely efficient and fast distribution system***
- ◆ ***Must be willing and able to change***

How?

- ◆ ***Do not make the same mistakes as other once dominant countries***
- ◆ ***Use examples of Colombia, Israel and Mexico. They have their own floricultural importing companies in the United States and Europe.***
- ◆ ***Build an image***
- ◆ ***Provide the very best:***
 - ❖ ***Quality***
 - ❖ ***Price***
 - ❖ ***Consistency and reliability***
 - ❖ ***Service***

Chapter 12 - Conclusion

In view of the above analysis, Zimbabwean and any other African growers/exporters must determine their strategic posture in international markets. This vision must be supported by all players and championed by an industry representative body serving as the link between industry, government and the international community and facilitating strategy implementation. The direct marketing approach currently being promoted by Zimbabwean exporters calls for the creation of an image which says “**these are quality horticultural products from Zimbabwe**” rather than just another shipment of African horticultural products. Once again, this can only be achieved if growers ,exporters and service providers have a **shared vision, collaborate and share information and expertise** especially on quality (of product and service) and phytosanitary controls. Industry wide constraints and international competition should be tackled jointly, especially on;

- ◆ domestic macro-economic policy reforms,
- ◆ transport logistics
- ◆ packaging and presentation quality
- ◆ monitoring and enforcement of reputable quality and phytosanitary standards
- ◆ keeping abreast of technological developments including varieties and growing techniques
- ◆ monitoring of chemical usage and residue limits
- ◆ monitoring of worker welfare and environment issues
- ◆ international trade regulatory and market reforms
- ◆ Major changes in international markets.

These critical issues constitute the major driving forces in horticultural development. Individual countries can therefore earn themselves higher and favourable profile and subsequently sustainable competencies in these areas and enhance their competitiveness in international markets.

Furthermore, the Horticultural trade is increasingly getting into fewer hands (ie multinational corporations and food retail supermarkets) and becoming inter-regional. Hence establishment of strategic alliances is vital particularly in the region in order to get the critical mass that is necessary for positioning commodity products internationally that are volume driven.

ZIMBABWE'S ANNUAL HORTICULTURAL EXPORTS												
Narrative	Mass in Metric Tonnes				Estimated C & F Overseas USD\$ (000'S)				Estimated FOB (On farm) Ex Harare USD\$ (000'S)			
	Flowers	Produce	Citrus	Total	Flowers	Produce	Citrus	Total	Flowers	Produce	Citrus	Total
1985/86	338	396	2,272	3,006	1,555	1,188	772	3,515	777	594	386	1,758
1986/87	593	610	5,026	6,229	2,728	1,830	1,709	6,267	1,364	915	854	3,133
(a) 1987/88	1,326	748	7,352	9,426	6,100	2,244	2,500	10,843	3,050	1,122	1,250	5,422
1988/89	2,411	1,413	7,848	11,672	11,091	4,239	2,668	17,998	5,545	2,120	1,334	8,999
1989/90	2,872	2,823	8,780	14,475	13,211	8,469	2,985	24,665	6,606	4,235	1,493	12,333
1990/91	3,722	4,215	6,300	14,237	17,121	12,645	2,142	31,908	8,561	6,323	1,071	15,954
1991/92	4,758	4,354	8,930	18,042	21,885	13,063	3,036	37,984	10,943	6,531	1,518	18,992
1992/93	5,206	3,999	10,753	19,957	23,948	11,996	3,656	39,599	11,974	5,998	1,828	19,800
1993/94	5,770	5,202	12,948	23,920	26,541	15,607	4,402	46,550	13,270	7,803	2,201	23,275
1994/95	9,095	8,989	15,591	33,675	41,839	26,967	5,301	74,107	20,920	13,484	2,650	37,054
1995/96	11,630	10,202	18,773	40,605	53,497	30,605	6,383	90,485	26,748	15,302	3,191	45,242
1996/97	13,832	9,792	22,606	46,230	63,628	29,377	7,686	100,691	31,814	14,689	3,843	50,346
1997/98	14,729	12,245	27,220	54,195	67,753	36,736	9,255	113,744	33,877	18,368	4,627	56,872
1998/1999	15,756	14,096	32,777	62,629	72,477	42,288	11,144	125,909	36,238	21,144	5,572	62,955
Est 1999/2000	19,488	12,151	39,468	71,107	89,646	36,453	13,419	139,518	45,719	18,591	6,844	71,154
Est 2000/2001	20,132	10,370	47,361	77,863	90,593	30,073	16,103	136,768	47,108	15,638	8,374	71,119
Est 2001/2002	23,427	11,612	56,597	91,636	103,077	32,514	19,243	154,834	54,631	17,232	10,199	82,062
Est 2002/2003	27,146	13,056	67,350	107,553	116,728	35,252	22,899	174,879	63,033	19,036	12,366	94,435
Est 2003/2004	31,321	14,739	79,810	125,871	131,549	38,322	27,135	197,007	72,352	21,077	14,925	108,354
Est 2004/2005	36,027	16,666	101,758	154,451	151,313	43,332	34,598	229,243	84,735	24,266	19,375	128,376

NOTES

- 1) A year relates to Jul to Jun
- 2) Exports expressed as Gross Proceeds inclusive of AIRFREIGHT and commission which represents approximately 50% of Total Costs
- 3) Citrus figures have been revised
 - (a) May figures not included in 1987/88 figures
- 4) Updated 05 Dec 2000

HORTICULTURAL PROMOTION COUNCIL
AIRFREIGHTED HORTICULTURE BY DESTINATION

Destination	Nov 1999 to Oct 2000					
	Kg's			Percentages		
	Total	Flowers	Produce	Total	Flowers	Produce
Netherlands	17,855,670	16,191,058	1,664,612	61.27%	86.21%	16.07%
United Kingdom	7,016,724	267,422	6,749,302	24.08%	1.42%	65.14%
RSA	1,635,605	1,173,861	461,744	5.61%	6.25%	4.46%
Germany	826,697	493,864	332,833	2.84%	2.63%	3.21%
Mauritius	362,288	-	362,288	1.24%	0.00%	3.50%
France	301,794	20,564	281,230	1.04%	0.11%	2.71%
Australia	252,189	137,882	114,307	0.87%	0.73%	1.10%
Belgium	182,815	46,591	136,224	0.63%	0.25%	1.31%
Italy	148,541	143,233	5,308	0.51%	0.76%	0.05%
Switzerland	121,529	104,977	16,552	0.42%	0.56%	0.16%
Kenya	91,171	-	91,171	0.31%	0.00%	0.88%
Less than 0.05%	71,500	60,842	10,658	0.25%	0.32%	0.10%
Singapore	50,117	-	50,117	0.17%	0.00%	0.48%
Namibia	39,866	39,866	-	0.14%	0.21%	0.00%
Zambia	38,642	38,642	-	0.13%	0.21%	0.00%
US	25,791	25,791	-	0.09%	0.14%	0.00%
Bulgaria	18,708	18,708	-	0.06%	0.10%	0.00%
New Zealand	18,604	-	18,604	0.06%	0.00%	0.18%
Malaysia	17,216	-	17,216	0.06%	0.00%	0.17%
Ireland	16,937	-	16,937	0.06%	0.00%	0.16%
Botswana	16,686	16,686	-	0.06%	0.09%	0.00%
Sweden	11,514	-	11,514	0.04%	0.00%	0.11%
United Arab Emirates	10,925	-	10,925	0.04%	0.00%	0.11%
Saudi Arabia	9,671	-	9,671	0.03%	0.00%	0.09%
	29,141,200	18,779,987	10,361,213	100.00%	100.00%	100.00%
	100.00%	64.44%	35.56%			
Same Period Prior Year	31,082,038	16,952,963	14,129,075			
Variance on Prior Period	(1,940,838)	1,827,024	(3,767,862)			
Percentage increase /(Decrease) on prior year	-6.24%	10.78%	(26.67%)			
Prior Comparative Period Increase/(Decrease)	12.63%	20.94%	4.04%			

Exports by Top Five (5) Destinations	%age of Total	Flowers	Produce
Netherlands	61.27%	86.21%	16.07%
United Kingdom	24.08%	1.42%	65.14%
RSA	5.61%	6.25%	4.46%
Germany	2.84%	2.63%	3.21%
Mauritius	1.24%		3.50%
Italy	0.51%	0.76%	
	95.55%	97.28%	92.37%

APPENDIX 3: HORTICULTURAL PROMOTION COUNCIL CODE OF PRACTICE FOR HORTICULTURAL EXPORTERS

AN INTRODUCTION TO THE CODE OF PRACTICE

Why do we need it?

What does it consist of?

How do we go about implementing it?

The Need

It is a truism to say that the customer is always right, but whether they are right or wrong, the only way to successful business in the modern market is to provide the customer with what they require to meet their expectations.

Our horticultural export market is essentially in the First World and primarily into UK and Europe. Over the last ten years the European customers perception of what they require from all household purchases, but particularly in the horticultural sector, has become very focussed on and concerned with the production methods and systems used.

This has nothing to do with "quality" as normally understood : in today's competitive market, good quality is taken as the norm or starting point; our customer of the year 2000 is concerned with the environmental impact of the chemicals we use, they are concerned as to how we dispose of our wastes such as empty containers and plastic sheeting, how we cope with and accept our responsibilities towards our employees and whether we have systems and records that allow us to trace the exact origin and history of one pack of mange tout in the event of a complaint.

This philosophy is summed up in the phrase Ethical Trading and this is now the guiding principle of all the major supermarket and trading groups in UK, Europe and further afield. It is also fuelled by various human rights and environmental pressure groups and NGO's, who, funded by governments and foundations, wield much power and influence.

We have two options as to how we cope with this changed market scene. We can accept the dictates of these overseas groups and follow their requirements regardless of our local situation or we can be proactive, recognise the need for action and change, and establish a common minimum standard right across our Zimbabwean horticultural industry.

This is what the HPC has done in introducing the Code of Practice for Exporters. At this time we cannot guarantee that it will obtain better markets for you but it will enable us to speak with common purpose and to show our customers, new and old,

that we are responsible producers who recognise and accept our commitment to the concept of Ethical Trading.

What is the Code of Practice?

The Code of Practice is a dynamic, living document that will be constantly revised and updated as the industry develops and we become more expert and aware in meeting market realities. At this time it consists of the following sections.

Labour, Employment and Social Issues
Environmental Impact
Chemical Usage and Safety
Product Origin and Traceability
Packhouse Health and Hygiene
And various appendices

90% of the labour/social aspects are already covered by national legislation or are dealt with in the ALB handbook.

The same goes for chemicals and the aspects of storage, spray operator safety, disposal of waste and containers and good housekeeping in general are covered by legislation which was originally introduced in 1972.

The other three sections are based on knowledge of what is currently expected by the market.

In addition to the Code of Practice document there is a self Audit Questionnaire which enables the grower to make his own assessment as to where he stands against the required standard.

Implementation

At this time the CoP staff consists of a Co-ordinator, a Field Officer and a shared Secretary at HPC.

The first requirement is that a prospective entrant to the CoP be a paid-up member of HPC either by subscription or by payment of levies.

The registration fee to enrol in the CoP will be \$2 500.00 (US\$125 w.e.f. 1.11.99) This will entitle the member to a copy of the Code and the SAQ and to up to three visits from the CoP staff plus an unlimited amount of discussion, advice and information by telephone or appointment at HPC.

At joining, or shortly after, a staff member will take the grower through the SAQ and establish what has already been achieved, what weak areas exist

and how and by when these can be improved to the required level. There is, at present, no time limit for achievement of the full standard.

At the second or third visit the CoP staff member may carry-out a mock audit to verify that the project is up to a standard acceptable to an independent auditing authority. Once the independent audit has been satisfactorily completed the successful grower will become an accredited member of the Code of Practice and will be entitled to display the CoP symbol on their product.

The exact method of obtaining an outside and independent audit has still to be finalised but is being investigated at this time. The costs and fee for this audit will be additional to the registration fee noted earlier.

If a registered member requires more than three visits from the CoP staff the additional costs will be based on a tariff to be established.

Conclusion

There is no force or pressure from HPC to join, it is totally voluntary. The pressure will come from your markets and from your own sense of pride in belonging to a recognised, ethical group devoted to establishing the good name of Zimbabwean horticultural product. We should be able to say with pride and conviction "I am a responsible grower".

June 1999

Appendix 5: Role of Trade Associations in Zimbabwe

HORTICULTURAL PROMOTION COUNCIL

The fundamental objective of the Horticultural Promotion Council (HPC) is to group together, promote and represent the interests of all producers of horticultural producers and to liaise with the processors, exporters, traders and shippers of such produce as well as all other players involved in the horticultural industry in Zimbabwe.

Started in 1986, the HPC has been an effective, independent and central co-ordinating body of the horticultural industry in Zimbabwe. It plays a catalytic role in focusing on the creation of an enabling environment in which the industry can develop, representing the interests of the horticultural industry as a whole, without becoming involved in commercial activities.

A major proportion of both the human and financial resources has, in the past, gone into the organisation of logistics of exports, facilitating sourcing of foreign inputs, facilitating off-shore financing schemes and infrastructural development.

The HPC has accomplished most of its objectives on inception and is now in the process of working out a new set of strategic goals in view of the changing deregulated and highly competitive business environment both locally and internationally.

The mission of the HPC was recently defined as a "To be the Zimbabwean producer-based association whose primary role is to create and sustain an enabling environment for the maintenance and expansion of horticulture by promoting the development of markets and taking action necessary to maintain acceptable standards to secure and protect these markets."

The HPC Executive seeks to achieve this by:-

- Formation of Specialist Associations, presently consisting of:-
 - i. Deciduous Fruit Growers' Association (DFGA),
 - ii. Citrus and Sub-Tropical fruit Growers' Association (CSFGA),
 - iii. Export Flower Growers' Association (EFGAZ),
 - iv. Fresh Produce Producers' Association (FPPA),which fall under the HPC and are represented on the HPC Executive Committee.
- liaising with Government and formulating or participating in the formulation of national policies, objectives and standards pertaining to the production and marketing of all forms of horticultural produce within Zimbabwe and abroad.
- administering the collection of levies and Reserve bank Balance of Payments returns;
- advising and improving packaging and processing equipment and transport links for the distribution and export of horticultural produce;
- assisting producers to secure suitable seed, seedlings, clones, cultivars and plants and to acquire all irrigation and mechanical requisites, fertilisers, pesticides and finance necessary for the growing and harvesting of horticultural products and to assist those involved in the packaging and processing of horticultural produce to acquire all the plant, machinery, finance and materials necessary for them to carry out those functions in a manner best suited to the export of horticultural produce;
- assisting Zimtrade in establishing appropriate export promotional activities;

- collating and processing production and export statistics as well as market trends;
- compiling and distributing the Horticultural Quarterly Magazine and appropriate airfreight newsletters where necessary;
- co-operating with NGO's and interested third parties on the monitoring and evaluation of ethical trade policies and improvement of worker welfare;
- determining and instituting minimum standards for quality control and packaging;
- establishment of linkages to enable small scale growers to create synergies with established exporters and subsequently benefit from access to export markets;
- facilitating quality and diversity. The HPC is working on the establishment of an EU-accredited official Quality Control Inspection Authority to be initiated by donor funds;
- generally promoting every aspect of the industry and attending, where financially possible, exhibitions promoting horticulture and Zimbabwe in selected markets.
- identifying and selecting appropriate targets for marketing Zimbabwe's horticultural produce and to encourage the production of crops relative to selected target markets;
- implementing an industry wide Code of Practice to assure foreign markets that horticulture is grown in accordance with internationally accepted norms concerning ethical, social and environmental concerns;
- in conjunction with Zimtrade, co-ordinating market research and the systematic collection, analysis and dissemination of market information;
- maintaining a close liaison with the three Farmers' Unions especially on national issues;
- portraying a favourable public image. HPC plays the industry spokesperson role;
- providing appropriate technical assistance to growers, processors, packers and exporters;
- providing appropriate technical, financial and managerial advice to growers, processors, packers and exporters of horticultural produce;
- International networking such as representing members' interests on influential national institutions such as donors, World Bank, IMF, embassies and international institutions;

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APPENDIX 4 : UK ETHICAL TRADING INITIATIVE INDICATORS



Ethical Trade Indicators

- ◆ World trade has grown 12 fold in the post war period, and is now worth over 4 Trillion US dollars per year, and is expected to rise at 6% per annum for the next 10 years. [UN Human Development Report 1997]
 - ◆ 92% of British Consumers think British companies should have a minimum standard of labour conditions for their Third World Suppliers [CAFOD/MORI poll 1997]
 - ◆ The companies involved in the Ethical Trading Initiative have a combined turnover of over 50 Billion pounds
 - ◆ The companies involved in the Ethical Trading Initiative each deal with between 2000 and 5000 suppliers - many of these are agents and middlemen who in turn subcontract to upwards of five million factories, farms and plantations in 50 countries.
 - ◆ The Non-government Organisations involved in the ETI have have over a million members and supporters in the UK. The TUC represents over 6 million trade unionists in 73 affiliated unions.
 - ◆ ICFTU affiliated trades unions represent 124 million workers worldwide.
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