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Report on possible markets for Zanzibari fruits, spices and essential oils in Southern Africa

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Summary of key findings

(i) Southern African countries are unlikely to provide Zanzibari exporters with a large or fast growing market because:-

(a) The distances are great.

(b) Transport links are underdeveloped.

(c) Competitors within country or traditional supply sources are strong.

(d) Competing produce is competitively priced.

(ii) Target markets should be South Africa, Botswana, Mauritius and Zimbabwe. However, opportunities to supply Mozambique by dhow should not be neglected, but it is thought that textiles rather than produce or spices may be the basis of that trade.

(iii) Efforts should be made to sell dry, dehusked coconuts and cloves to all the regional markets. (The South African import market of at least 800 tonnes of coconuts and 160 tonnes of cloves in 1988 is obviously worthwhile).

(iv) The traditional supply links between Western India and Indians in Southern Africa trading, processing and consuming spices will be difficult to overcome in both the Republic of South Africa and Mauritius.

(v) It is important to note that coastal Kenya, Mauritius, and to a lesser extent, coastal Natal, have broadly the same climate and growing conditions as Zanzibar. Mozambique threatens to add further competition if the recently signed peace agreements hold.

(vi) The purchasing power in the region has been eroded by the 1990-1992 drought and by a number of continuing devaluations. Consumers with the purchasing power for exotic produce are only a limited number.

(vii) Target markets for further investigation are listed below with the suggested transport mode:-

<u>Mozambique</u> - All fruits/essential oils, (Dhow or coastal vessel)

<u>Mauritius</u> - All fruits and chillies, cloves, ginger and turmeric, (Air freight).

<u>Republic of South Africa</u> - Coconuts, mangoes and Rambutan, cloves, chillies and ginger, (Air and sea freight dependent on type of produce).

<u>Botswana</u> - All fruits and selected vegetables, cloves, chillies and ginger (Sales prospects depend on air freight availability).

<u>Zimbabwe</u> - Mangoes, rambutan and coconuts, cloves, chillies and ginger, (Air freight for fruit produce, road for spices).

(viii) It must be emphasised that these markets are small and local suppliers and traditional sources will not accept an expansion of Zanzibari produce easily, however if transport can be arranged and costs contained, there are some prospects of additional exports, particularly to the Republic of South Africa.

Introduction

1. An earlier investigation has been undertaken on the markets in mainland Tanzania and coastal Kenya. A series of studies on West Asia/Gulf markets is being undertaken by consultants and will be completed before the end of 1992. This preliminary desk study is designed to examine whether there are possible regional markets, for Zanzibari produce, particularly spices and essential oils (see Appendix 1).

2. The markets in Southern Africa suffer from many inhibiting factors, which will make it extremely difficult for Zanzibar to deliver profitably to them:-

(a) Distance

(b) Transport links

(c) Quality criteria

(d) Strength of competitors

(e) Traditional supply sources

(f) Limited purchasing power

(g) Access to mainland transportation links

(h) Weakness of regional currencies

(i) Low prices of competing produce.

3. Not all markets suffer from all the negative factors listed above, but combinations of these factors would make volume trade extremely difficult to achieve even if the farming and grading systems were operating satisfactorily in Zanzibar and Pemba.

Distance and transport links

4. The islands lie between 5-7 degrees south of the equator just north of Dar es Salaam. The climate is tropical and fresh produce must be moved quickly to market at ambient temperatures or be handled at controlled temperatures throughout its marketing chain. The distances involved are formidable and approximate mileages are listed below:-

Seychelles	1000 miles
Mauritius	1600 miles
Mozambique in the nearest mainland market	
Nacala	700-800 miles
Beira	1000 miles
Maputo	1200-1300 miles
Zambia	
Lusaka	800-900 miles
Ndola/Kitwe	1000-1200 miles
Zimbabwe	
Harare	1400-1500 miles
Botswana	
Francistown	1600 miles
Gaborone	1800 miles
Republic of South Africa	
Johannesburg	2000 miles
Durban	1880/2000 miles
Capetown	2500 miles

5. These countries are only the most obvious targets. Very small markets such as Swaziland and Lesotho and very distant markets such as Angola and Namibia have been eliminated for the purposes of this study. Long distances reduce the chances of moving fresh produce by boat, train or truck and the cost of air transport is increased by the need to arrange transhipment between Zanzibar and Pemba and Dar es Salaam airport as there are at present very few direct flights from Zanzibar to international destinations.

6. The volumes of produce sold in Mauritius and the Seychelles (largely to tourist hotels) are small, but both are regularly supplied from Zimbabwe, Kenya and South Africa (Zimbabwe and Kenya have almost the same growing season as Zanzibar).

7. The markets in the port cities of Mozambique would be worth investigating if regular dhow or coastal vessels can be arranged to ship fruit and vegetables. (The Mozambique currency is convertible). There might also be openings for small sales of selected spices and essential oils, but it will be a further 2-3 years before the

Mozambique economy begins to grow significantly if the peace agreement holds.

8. Zambia cannot be realistically supplied with perishables along the Tanzam railway, but small volumes of spices could certainly be sold to Indian grinders and manufacturers of curry powder.

9. Zimbabwe can only be supplied with produce by airfreight (Bellyload) and could offer a small market on the basis of countertrade, which is handled by ZIMTRADE in Harare, but the spices market is small with chillies being grown in country and local production of citronella and lemongras soils supplying domestic demand.

10. Botswana is a market that can only be supplied by air with a limited demand for fruit in Gaborone, but Kenya and Zimbabwe will offer the most severe competition. Selling the Botswana will require the arrangement of small consignments linked to the scheduled departure of Air Botswana and Air Tanzania aircraft. Transit through Johannesburg or Nairobi airports if required would add significantly to time and cost. Bulk supply to Botswana is from the Republic of South Africa.

11. The largest and potentially the most lucrative market is the Republic of South Africa. There is a large Indian community on the coast of Natal around Durban, but the biggest market is inland at Johannesburg where the bulk of the food processing industry if concentrated. Durban can be supplied by ship, but the distances involved are considerable and the volume of imported fruit is very low. Realistically air freight is the only way to reach the market and South African quarantine laws are strict. South African importers are used to getting road transported goods through Zimbabwe across the Beit Bridge border or receiving some exotic fruits from Mauritius by air.

12. The best markets in terms of purchasing power are the most distant, Zimbabwe, Botswana and South Africa and all these markets with the possible exception of Durban will require air freight space from scheduled airlines (Limited bellyload capacity).

13. Spices and essential oils can move by sea, road and rail, but the quantities involved in these markets are small and the logistics will be very difficult. All goods could be supplied to Indian merchants in Durban by ship (if there are regular sailings from Dar es Salaam), but the distance would be too great for uncooled produce and the supply of spices other than cloves at present is limited. Even sales of 50-150 tonnes of cloves in South Africa and Zimbabwe combined will mean meeting the prices of their current suppliers in the Comores and Malagasay.

Quality criteria

14. The standards to be achieved in terms of quality in the South African markets are demanding.

Zanzibar supplies would have to meet Zimbabwe and Kenya export grades in fruit, Indian standards of f.a.q. or better in spices and the essential oils would be sold to international firms such as BUSH, BOAKE, ALLEN or TEUBES on the basis of grade.

15. Markets such as Zambia and Mozambique may well accept lower quality given their current scarcities, but these items are unlikely to be priority purchases for local importers, who have only limited access to expensive foreign exchange. Zanzibar quality (other than coconuts and cloves) will initially be an unknown quantity and exporters will do well to trade in line with their competitors' quality, grading and packing.

16. It will not be easy for new exporters to offer produce suitable for the South African and Zimbabwean supermarket buyers. Matching competitors' quality on a regular weekly basis within the season will be difficult for Zanzibari exporters already facing formidable logistics hurdles.

Strength of competition

17. Both the Republic of South Africa and Zimbabwe share broadly similar seasonal conditions with Zanzibar, but Zanzibar has true wet tropical growing conditions with a climate reflecting sea level temperature and rainfall. South Africa apart from the Natal coastline is sub-tropical to temperate and most of the best growing land in Zimbabwe is at 3000-5000ft (1000-1500m). The most important competition for Zanzibari produce comes from Coastal Kenya, the Natal coast of South Africa, Mauritius and in spices: India.

18. The bulk demand in both Zimbabwe and South Africa is not for the range of exotic fruit produced in Coastal Natal, Coastal Kenya or Zanzibar, is for standard vegetables (beans, peas, tomatoes, potatoes, cabbage etc.) and for citrus, apples, pears and grapes.

19. There is a regular demand of Coconuts and a winter season demand for pineapples, mangoes etc. However, Zanzibar is not really equipped to compete with Mauritius in true exotics (eg lychee, rambutan etc) and the Natal Coast for the range of standard exotic items, particularly as it will suffer from a severe disadvantage in transport costs. Zimbabwe can be more easily supplied from South Africa than from Zanzibar or Mombasa and the market is significantly smaller than that in South Africa with only 100,000 whites, less than 50,000 Asians and a relatively small number of affluent urban Africans, who have the income levels for supermarket shopping in the major cities.

Traditional supply sources

20. The region is not a large importer of tropical fruit and vegetables or spices.

21. Mauritius is supplied by India, Zimbabwe and South Africa, although it makes every effort to grow more of its own produce for the tourist trade and for export. The Seychelles is too small a market to justify a major effort, but there is a very small market available through the tourist hotels.

22. Mozambique has no natural supplying market for tropical produce and spices, but it is a market with minimal purchasing power at present and the main centres are much closer to Zimbabwe (Beira) or South Africa (Maputo) than to Zanzibar.

23. The Central African countries (Zimbabwe, Zambia and Botswana) are all currently within the South African trading zone. Botswana could certainly be a small target market with a strong currency, but both Zimbabwe and Zambia are much more likely to take tropical produce from the Natal coast than Zanzibar.

24. South Africa is the largest potential market and will grow rapidly if the present troubles involved in political transition can be overcome. South Africa is self-sufficient in citrus, bananas, pineapples, mangoes, guavas and papayas, but in 1988 imported some 11,500 tonnes of "other fruits" and 821 tonnes of coconuts in shell. There is a small market for tropical fruits.

25. South Africa is also a significant importer of spices: 1000mt of pepper (mainly white), 300mt of cinnamon and cassia, 160mt of cloves, 30 mt of cardamom, and 90 mt of Dried Ginger. There are also imports of over 1,500 mt of spice-seeds (for the manufacture of curry powder for consumption with mealies and maize porridge) (see Appendix 3). Zanzibar is clearly in a position to supply a larger proportion of the cloves to South Africa and some of the ginger, but will meet competition from Comores and Malagasy in cloves and through Mauritius Indian spices from the Western Indian suppliers of pepper, cardamom, ginger and all the spice seeds required as curry powder ingredients. Indian suppliers are likely to retain the bulk of the trade in spices.

26. Botswana imports 4000 mt of potatoes, 3700 mt of dried beans and nearly 500 mt of onions together with 7500 metric tonnes of other vegetables. There are also imports of 2200mt of citrus and 5000 mt of other fruit (with no breakdown). Apart from the beans which are sourced in USA, 90 per cent of all the fruit and vegetable imports are sourced in South Africa. There is only a market for tropical fruit if an airfreight link can be established between Gaborone and Dar/Zanzibar.

27. In spices Botswana imported 526 mt in 1988 (522mt from South Africa, but did import 3.3 mt of Tanzanian cloves. Essential oils in 1988 were all imported from South Africa.

28. Zimbabwe remains potentially the second largest market for fresh produce and spices, but imports in 1990 were very low. Only USD1 million for vegetables and fruit with South Africa as the bulk supplier and USA as the main supplier of beans. Fruit imports were largely restricted to South African citrus. Spice imports are only some USD 273,000 with USD 148,000 supplied by Mauritius. Zimbabwe only imported 3 tonnes of cloves in 1990.

29. The dominance of traditional suppliers is related to the absence of established low cost transport links (particularly for air freight), the weakness of payments mechanisms and in spices the dominance of the Indian community linked to Mauritius and Western India as traders, processors and consumers. The level of tariffs is not a factor, particularly for South African and the other members of the Southern African Customs Union (Botswana, Lesotho and Swaziland):-

- Coconuts are imported free of duty

- All fruits attract only a 5 per cent duty

- There are specific duties on onions, leeks, (R850/mt), onions (R440/MT) and Garlic (R110/MT), but all other vegetables are free of duty.

30. All spices can be imported free of duty with the exception of coriander, which attracts a small specific duty and essential oils are zero rated.

31. Zimbabwe allows duty free imports of all fruits, spices and essential oils, but detailed exchange control may restrict levels of imports and there is a 20 per cent duty on crushed and ground spices and spice mixtures, (ie Curry powder, Ground mixed spice etc). It is essential that all potential Zanzibari exporters secure the latest information on phytosanitary regulations, licensing requirements and the rates of duty in 1992 before planning any trial shipments of produce. The International Trade Centre (UNCTAD/GATT) Geneva, Switzerland, is the best source for this information.

Importer purchasing power

32. Whatever the level of consumer demand in Southern Africa there is no doubt that shortage of foreign exchange and the limited income levels of most African urban workers forces down the level of imports.

33. A further complicating factor in 1992 is the impact of the worst drought for 90 years, which has caused a stubborn, sustained and rapid inflation. This inflation worsened in 1992, but poor rains in 1990 and 1991 had already led to a deterioration in consumer incomes after purchasing basic staples. The largest and most important market in terms of supermarket purchasing power is South Africa, but only the small economy of Botswana sustained by mining is still in a position to continue its past consumption patterns.

34. Purchasing power in Southern Africa is much more limited than that in the Gulf and Saudi Arabia and analysis of crude population figures are no substitute for purchasing power analysis.

Access to mainland transport links

35. Zanzibar produce (other than cloves) is directly competitive with fruit grown in coastal Kenya and in the Natal Coast. Zanzibar spices compete with production in Comores, Seychelles, Malagasy Republic and India. The cost of transport by airfreight will always be high and the distances to be covered by sea or rail are substantial. Short journeys to Mozambique by dhow may be feasible, but there is little long distance coastal shipping calling at Zanzibar.

The options are:-

(i) Transhipment at Dar es Salaam harbour for onward transhipment by sea.

(ii) Transhipment at Dar and transport by rail to Zambia.

(iii) Transhipment after air transport from Zanzibar to Dar es Salaam International airport.

36. All transhipment will add to the cost and uncertainty and the year-round high temperatures at Dar harbour and airport will worsen the chances of produce arriving in top quality condition.

37. Transhipment of spices is a much less serious problem, provided they are properly packed, but transhipment of small parcels will undoubtedly increase shipping costs and the complexity of delivery arrangements.

38. It is extremely difficult to imagine delivery of either of these groups of products by road, although rail delivery is possible to Zambia. In order to avoid transhipment Zanzibar will be forced to rely on coastal shipping. Transhipment is the only option for air freighting through Dar or for sea freight through Dar es Salaam harbour. Dhows are not a realistic option for any market other than Mozambique.

Weakness of regional currencies

39. It is not sufficient to export: it is essential to get paid for goods shipped.

40. All the countries in Southern Africa are suffering from currency pressures and shortages of foreign exchange. Only Mauritius and Botswana have adequate reserves and resilient currencies. The South African rand is partially convertible and the commercial rand at R 2.80 - 2.90/USD is artificially strong when the financial rand trades at R 4.20/4.25/USD. The Zimbabwe dollar at 5.50/USD is vulnerable to further devaluation in 1993. The Malawi kwacha is supported at a high level, but is vulnerable to substantial devaluation while the Zambian kwacha is subject to regular devaluations. The fall in the value of the Tanzanian shilling has undoubtedly helped maintain competitiveness over the last five years, but only South Africa, Botswana and Mauritius and to a lesser extent Zimbabwe can be said to have strong currencies. The level of tariffs may be low, but exchange control and regulation will add complexity to regional export shipments.

41. Zanzibari trader should attempt to secure payment in either U.S. dollars or South African rands as convertibility continue to be a problem for some years.

42. It will also be essential for some provision to be extended to cover produce and spice exports through export credit insurance. Non-payment in regional trade can be a severe problem. Buyers will be particularly reluctant to pay for produce and may refuse to make payments if transport difficulties and breakdowns cause delays in shipment and result in lower than specified quality on delivery.

Low prices of competing produce

43. The level of produce prices in the South African market are very competitive (see Table A below). Low prices of standard produce make it very difficult for exotic fruit to secure more than a small niche market.

Table A:
Republic of South Africa
Average retail price of Fruit and Vegetables
(May 1990 and May 1991)

(Rands/Kilo)

	May 1990	**May 1991**
Potatoes	1.57	1.48
Onions	1.92	1.39
Tomatoes	2.57	2.74
Pumpkin	1.16	1.83
Oranges	1.78	2.51
Bananas	1.53	1.78
Pineapples	2.49	1.91

Note: US$ 1.00 = 2.85/2.90 South African Rand

Source: Central Statistical Service
RSA Monthly Retail Index

44. The Republic of South Africa has suffered from a severe drought throughout 1992 and prices of some commodities have risen, but these retail prices imply lower wholesale prices and extremely competitive producer prices.

Limitations of the Study

45. This study is limited by lack of information on the volumes and quantities of produce, spices and essential oil available for export. It has no information on likely price levels which would be attractive to Zanzibari exporters on the dock or at the airport. It has only limited information on the qualities and grading undertaken to achieve export grade produce. Finally it has no detailed information on transport routes available and transport costs over those routes whether by land, sea or air from Zanzibar to overseas markets.

46. It should be stressed that after availability of a certain quantity of produce of exportable quality is ascertained, it is transport rather than price, payment terms etc which will determine whether Zanzibari exporters can sell in Southern African markets.

47. Individual exporters may be able to consign small quantities of produce or spices, but worthwhile traded volumes will await direct airfreight or seafreight shipment from Zanzibar to the target markets. Immediate gains may be possible in the more robust products such as cloves, chillies and dry dehusked coconuts which can be transported over long distances by sea without suffering any ill effects if properly packed.

Appendix 1
List of Products researched

Fruit	Mango Rambutan Mbungo Durian Plantain	(Coconuts)
Spices	Black Pepper Cardamom Ginger Chillies Turmeric Cinnamon	(Cloves)
Spice-seeds	Coriander Seed Cumin Seed	
Essential Oils	Lemongrass Citronella	

<u>Coconuts</u> and <u>Cloves</u> have been included in the study because:

1) There is significant volume production in Zanzibar.
2) They are relatively easy to transport.
3) There are worthwhile opportunities in key Southern Africa markets.

Appendix 2
Information Sources

- South African Import Statistics 1988

- South African Customs Union Tariffs on Imports 1990/91

- Zimbabwe Imports 1990
taken from U.N. Commodity Statistics (Microfiche)

- Botswana External Trade Statistics 1988

- Zimbabwe Tariffs 1986 and 1990

- Botswana Agricultural Statistics 1990

- Mauritius External Trade Statistics 1989

- South African Average Retail Prices: Monthly Index 1990
and 1991 RSA Central Statistical Service

(It is regretted more up-to-date Trade Statistics and Customs Tariffs were not available in London).

Appendix 3

South African Imports of Spices
(Volume and Value), in 1988

	Volume (MT)	Value (Rands)
Pepper	1000	12,000,000
Vanilla	0.3	50,000
Cinnamon and Cassia	316	1,344,000
Cloves	160	800,000
Cardamom	30	411,000
Spice-seeds	1500	3,688,714
Ginger	90	430,000
Curry Powder	-	-
Other Spices	-	-
Spice Mixtures		5,000,000

Source: South African Import Statistics 1988