1. MAJOR GRAPEFRUIT MARKETS
Japan and Northern Europe are the major southern African grapefruit markets, accounting for approximately 70% of grapefruit exports, each absorbing 4 to 5 million 15 Kg cartons of grapefruit annually. Southern Europe, United Kingdom and Russia are the next most important with annual imports of around 10 million 15 kilogram cartons each.

Between 2004 and 2009 the percentage of southern African grapefruit imported by Japan, Northern Europe, Southern Europe and the United Kingdom has decreased; while exports to Russia as a percentage and in total volumes have increased over this period.

2. JAPAN MARKET
Japan has traditionally been southern Africa’s most important market. In particular this market continued to import white grapefruit after it had lost popularity in most other markets. More recently this has also changed, with an increased preference for pigmented grapefruit. Following a poor season in Japan in 2006, grapefruit growers commissioned a research study (jointly funded by Department Trade and Industry) to determine the future of that market, with particular emphasis on the merits of doing promotions in that market. The research concluded that promotions were recommended, and that a budget of $1 million should be considered.

During 2008 the results of the study were discussed at various grower meetings, and growers were asked to express their views on supporting a promotion campaign. All grower groups visited supported such a campaign, provided that it included a strategy of supplying good quality fruit, and monitoring delivery so as not to exceed market demand.

For the last three years the grapefruit focus group (GFG) has funded the monitoring and coordination of grapefruit shipments into Japan. This has included monitoring of size specifications, and the split between pigmented and white grapefruit. On a weekly basis information has been provided to the southern African grapefruit industry, and translated into Japanese and distributed to the trade in Japan.

3. UNITED KINGDOM MARKET
Grapefruit exports to the United Kingdom have declined from 2004 to 2009.

4. GRAPEFRUIT FOCUS GROUP
In 2008 CGA formed variety focus groups (VFG’s) in order to ensure that information needs of the different citrus sectors were addressed. Since then these VFG’s terms of reference have been expanded to consider quality standard specifications, assist Department Agriculture, Fisheries and Forestry (DAFF) with dispensation requests, discuss market conditions and advise on market development initiatives. All regions are invited to appoint a representative onto the five VFG’s (covering grapefruit, lemons, soft citrus, navels and valencia’s). The Grapefruit Focus Group (GFG) for 2010 is constituted as follows:
5. PROMOTION CAMPAIGN

The GFG asked Citrus Growers’ Association (CGA) to test grower support for a promotion campaign. In addition, importers in Japan were consulted on their opinion for such a campaign. All importers consulted were in favour of such a campaign, and agreed to assist in its execution. A GFG meeting was held in Nelspruit – the results of the research conducted in 2007 were discussed, together with feedback on the importer visits. In addition the meeting was exposed to the deciduous fruit industries’ campaign conducted by RED communications in the UK.

The Nelspruit meeting concluded as follows;

- Growers should be polled to determine their support for raising a statutory levy to fund grapefruit promotion campaigns in both Japan and the UK.
- For 2010 funds would be allocated in the ratio of 80% to Japan and 20% to the UK.
- The levy for 2010 would be based on 2009 volumes exported.
- Since increased consumption in one market alleviates supply pressure in other markets, all grapefruit exports should be levied.
- The levy rate per 15 kilogram carton would be 60 cents in 2010, 65 cents in 2011, 70 cents in 2012 and 75 cents in 2013.
- An application would be made to DTI for additional funding.
- RED communications would be contracted in the UK, so as to take advantage of the existing deciduous fruit initiative.
- Agencies in Japan would be approached to make presentations on how they would conduct such a promotion campaign.

6. GROWER REFERENDUM

During July and August 2009 all grapefruit growers were sent a referendum form to test grower support for a statutory levy to fund the campaign in Japan and the UK as described above.

The results of the referendum were as follows:

<table>
<thead>
<tr>
<th>Product</th>
<th>Total Export (cartons)</th>
<th>Export (cartons) voted</th>
<th>Industry Vote %</th>
<th>Cartons (Yes vote)</th>
<th>Cartons (No vote)</th>
<th>Yes vote % of total exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grapefruit</td>
<td>13 033 828</td>
<td>9 577 895</td>
<td>73.5%</td>
<td>89%</td>
<td>11%</td>
<td>65%</td>
</tr>
</tbody>
</table>

According to the above 65% of the total exports and 89% of the producers’ participating in the ballot, supported the application for the proposed new statutory levy. The referendum took place according to the production unit codes (puc’s) (also known as the farm codes) registered with DAFF. This indicated that the 136 puc’s voted representing 9.5 million cartons.

The 14 biggest puc’s, representing between 500,000 to 1 million cartons each, all voted in favour of the proposed statutory levy.

7. STATUTORY LEVY APPLICATION

On the basis of these results an application was lodged with the Minister of Agriculture, Fisheries and Forestry (DAFF) requesting that a levy be raised as outlined above, to be administered by CGA.

As part of the process, the National Agricultural Marketing Council (NAMC) calls for public comment, and then consider these comments and the application, before making a recommendation to the Minister.

After considering the application and comments, the NAMC decided to recommend approval to the Minister with two changes to the initial application;

- Growers who do not export to the UK or Japan can apply for reimbursement of the levy.
- The levy would be in place for two years (not four).

This amended application is now before the Minister.

8. APPLICATION TO DTI

The application to DTI received a favourable response and R2 million has been approved for the campaign.

9. CAMPAIGN AGENCIES

In the UK RED Communications was already engaged in a R20 million campaign for the deciduous industry. Under the “Beautiful Country, Beautiful Fruit” banner and using the “South Africa Alive with Possibility” logo, a comprehensive campaign was
launched in January 2010. The GFG decided to join this campaign and budgeted 120 000 GBP to this campaign.

In Japan four agencies were approached to make presentations. After considering all the presentations, it was decided to contract Market Makers to conduct the Japanese campaign with a budget of 500 000 US$.

10. UK CAMPAIGN
The UK campaign was launched at the Dorchester Hotel in London in January 2010, attended by UK buyers, retailers, South African exporters and growers, and the media.

The major thrust of the campaign is in-store tastings – supported by stand wraps, information and recipe booklets and branded hats and aprons. Internet advertising includes iVillage and Tesco.com. Morrison’s include an in-store radio jingle. A breakfast audit was conducted which determined British breakfast habits, and formed an important part of a radio interview with celebrity chef Sophie Michel. Branded South African grapefruit included a “win a holiday to South Africa” competition. A store staff poster was developed to educate staff about grapefruit. The trade press targeted news and feature articles, while consumer press included vibrant photography and recipes.

11. JAPAN CAMPAIGN
The Japanese campaign was launched with an importers workshop in May 2010. The main thrust of the campaign is in-store tasting, displays and advertising. This is complemented by a website and trade and consumer advertising. Once again the “Beautiful Country, Beautiful Fruit” banner was used and the “South Africa, Alive with Possibility” logo was used. The campaign in Japan was coordinated with the major importers of South African grapefruit, who assisted in identifying participating supermarkets. Part of the budget was also used to develop branded packaging material.

12. MID TERM RESULTS
The 2010 grapefruit crop is predicted to be substantially less than 2009 – and as such there is not much pressure on volumes in the market. In the Japanese market although the volume exported to date is lower than 2009, the percentage exported (33%) is similar to 2009 (32%). What is interesting is that sales rates have been higher than the three year average in three of the four weeks since the promotions began (since week 28).

In the UK the trend is the same with percentage of volume in 2010 being the same as 2009 (6%). The Fresh Produce Journal reports that price levels in 2009 for Marsh grapefruit in 2010 have been higher than the previous year. “This week” in the graph below refers to week 29. In addition, RED has reported a significant uplift in sales following the in-store promotions.

More information is available from CGA on request.

13 INVOICING
The CGA has provided cash flow for the initiative to date. In August grapefruit growers have been invoiced in order to recover the funds expended. A full report on the budget and expenditure will be provided to the GFG at the end of the campaign.

14 DOCUMENTS
Grapefruit growers are encouraged to contact CGA should they want any further information, or copies of any documents developed by CGA, RED or Market Makers.