

Building bridges: Groundnut industry receives Japanese group visit

Compiled by Adri Botha, chairperson of the Groundnut Forum

In what can be seen as a unique generic marketing opportunity, a Japanese groundnut study group visited the local groundnut industry from 28 August to 1 September 2017. The group of 14 consisted of representatives of not only medium to large groundnut importers, but also influential trading house delegates.

The trip to South Africa formed part of an ongoing effort by the study group to, over the course of a few years, visit major groundnut production and exporting countries. An interesting fact shared by some of the younger members of the group was that similar visits to South Africa had been undertaken many years ago by their fathers or other members of family businesses.

It highlights the long-standing relationship the local groundnut industry has with this important export market, specifically its traders and importers. In addition, the importance of understanding the structure of Japanese business and how it affects business relationships was once again confirmed.

The local industry, via the SA Groundnut Forum, requested support for the visit and with partial funding obtained from the Oilseeds Advisory Committee (OAC), the group was afforded the opportunity to get first-hand



Various sites were visited and the Japanese contingent were able to view some of the facilities currently used in the South African groundnut industry.

information relating to the industry, recent developments such as the application of technology at farm level, mass intake capabilities, capital investment, as well as possibilities with regard to future exporting opportunities.

The SA Groundnut Forum wishes to thank the OAC for their financial support that made

this visit possible. They also wish to thank all the parties involved for their professional conduct, which supports the notion of a generic marketing opportunity that focused on larger industry objectives.

A more informal approach

The Japanese group coordinator nominated

four selection facilities they wished to include in their tour, but due to time and travel constraints, there was regrettably no scope to expand the visit further. However, to ensure that the industry had the opportunity to participate, a general meet-and-greet session had been arranged at the offices of the oilseeds industry on the day of the group's arrival.

Presentations on matters such as the structure of the industry, quality



The visiting group in front of GWK's building in Douglas.

control and grading, laboratory services, crop estimates as well as producer and trade volume data had been prepared. Regrettably, flight delays caused by a typhoon in the Hong Kong region meant that the information had to be shared more informally during the trip.

Importance of the groundnut industry

Until 2007, South Africa had been the second largest exporter of groundnuts to Japan – admittedly not to the extent of the market leader China, but in terms of local supply, still a substantial and vitally important market for the industry. Up to that point, Japan had a very predictable annual import demand of 40 000 to 45 000 million tons which,

in just three short years, dropped to the current average of approximately 25 000 to 35 000 million tons.

One may speculate that the drop was due to decreased availability and/or acceptability of Chinese product and a move towards other snack options. In any event, South Africa was not able to fill the gap and our own exports to this market showed the same downward trend in terms of volume – from pre-1997 exports of a stable 10 000 million tons per year to our current margin of below 5 000 million tons per year.

Viewed against our total exports, volumes still reflect the importance of this market and in terms of percentage market share, our contribution remains relatively stable (see *Figure 1 and 2*).

As we are aware, larger crops in the United States (US) resulted in aggressive marketing in Japan, with Argentina coming to the fore as an alternative origin to South Africa. With the US and China competing for the top spots, South Africa finds itself just staying ahead of Argentina.

Regaining our competitiveness

In recent years, the South African industry (in contrast to the US and Argentina) had no basis from which to launch major generic marketing drives aimed at Japan, or any other destination for that matter. Our supply has been under pressure, or at best unstable, and we have only recently seen more investments being made by the industry, which will hopefully allow us to regain our competitiveness. However, it is mainly left to individual entities – each with its own interest and agenda – to market themselves, and by extension South Africa.

The visit by the Japanese study group offered a unique opportunity to showcase the entire industry and attract the attention of major role-players and prominent members of the Japan Nut Association. In contrast to other individual or company focused marketing visits, this group was interested in the challenges the industry had experienced in recent years.

It presented us with a chance to engage with them directly, and without the burden of sales negotiations, to ascertain what would be required to regain our earlier position in Japan, and to establish what the driving forces behind their import volumes and decisions are.

Accompanied by Gerhard Keun, CEO of the Oil and Protein Seed Development Trust, and Adri Botha, chairwoman of the SA Groundnut Forum and OAC member, the group left Johannesburg via bus for a three-day trip to RE Groundnuts in Viljoenskroon, Vaalharts Groundnuts Marketing and Golden Peanut and Tree Nuts Co in Hartswater, and GWK in Douglas.

A fresh perspective on the industry

The visits afforded these organisations and other exporters and traders the opportunity to make valuable contributions by means of sponsorships, as well as visiting with the delegates

Figure 1: Japanese groundnut imports.

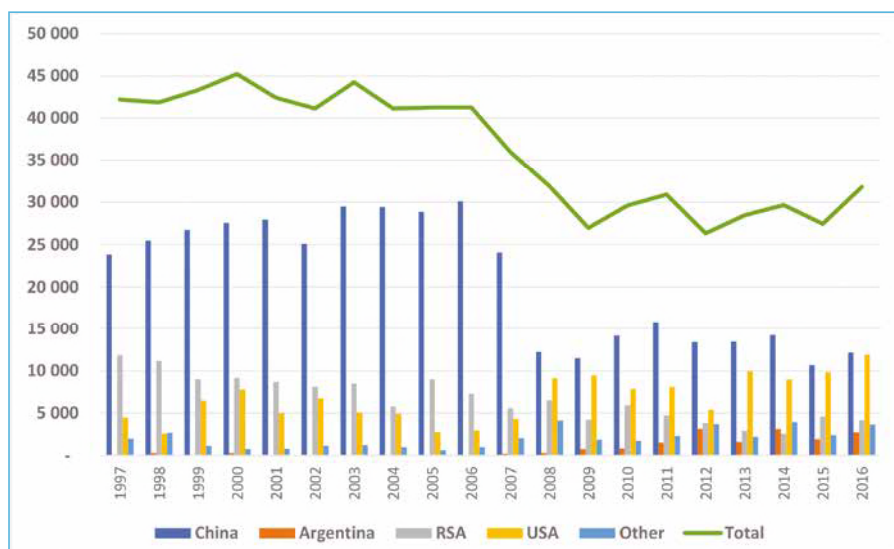
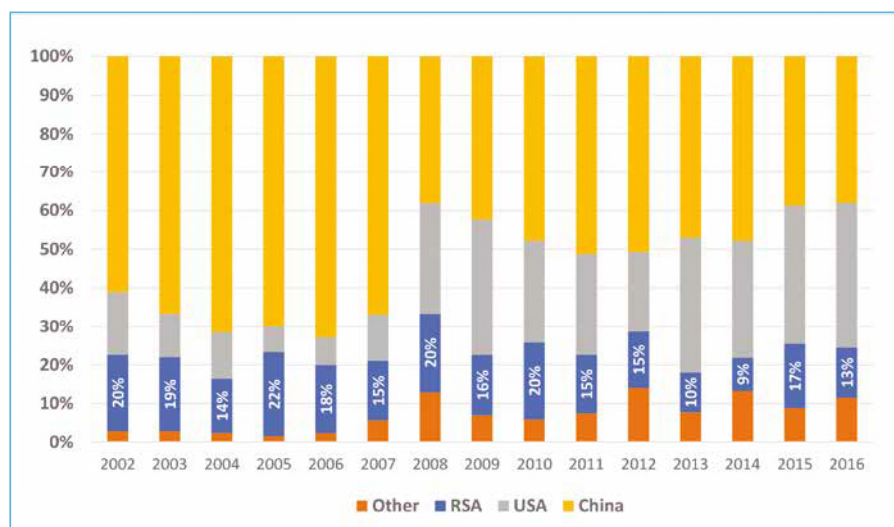


Figure 2: Major exporting countries market share.



to provide a fresh and personal perspective on the whole industry.

During the facility visits, each professional had the opportunity to explain the reason behind their passion for the industry and their unique view on the process of supplying quality products, which will continue to be the best the world has to offer, to our markets.

Matters of particular interest included aflatoxin control (from farm to export), chemical use management, foreign matter, cultivar choice (including the growing demand for high oleic varieties to compete with other varieties), as well as general food safety and the need for a continued and stable supply from South Africa.

Grading and certification

Peet van Heerden of the Perishable Products Export Control Board (PPECB) joined the group during the facility visits and was on hand to explain

how export grading and certification are executed in terms of the relevant regulations and as additional safeguard for our international buyers.

The group was interested in the challenges the industry had experienced in recent years.

The general feeling at the end of the tour was that, although the local groundnut industry certainly faces particular challenges, a willing market remains in place. Additionally, it is left to us to ensure that we can supply both stability and the historically high-quality standards that South Africa's groundnut industry has traditionally been famous for.

This visit broadened the opportunity

for future generic marketing efforts to be aimed at the Japanese market. It was also decided between the group and the industry representatives that due consideration should be given to an industry tour to Japan in the near future.

Feedback received from all parties was positive, and although no measurable business can be linked directly to the visit, there is no doubt that the goodwill created during this visit will certainly pave the way for individual negotiations, and a renewed interest in South African produced groundnuts.

In the months to come, industry role-players ought to build on this opportunity. They must discuss and agree on ways to expand and maintain the relationships already built and, by default, the sound reputation of the local industry. The work done will not only be aimed at strengthening ties with the Japanese market, but will also provide a platform for re-introducing ourselves to our other main market – Europe. 🌍



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