

# Apples and pears, from Elgin to the world

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Every year over seven million cartons of Two-a-Day fruit are consumed across five continents. Based in the Elgin Valley, this business has seen fantastic growth over the past 20 years and plans to increase 50% in size in the next decade. IndustrySA talks to MD, Attie van Zyl to find out more...

**Fruit export is one of the most valuable industry sectors in the South African horticultural environment.**

We have heard, so many times in the past that European, Asian and Far Eastern markets have developed a strong interest in South African grown fruits. Everything from citrus to bananas to grapes to stone fruits; international markets now place a huge level of demand on South African producers.

Maybe it's the favourable climate or the quality of the land that help SA's growers produce high class harvests year after year but one element that definitely contributes to the consistently high level of crop quality is the techniques used by the seasoned professionals in the industry.

Something that we have witnessed when speaking to

growers across the country is that both young farmers and industry veterans have such a vast amount of knowledge when it comes to farming techniques and this must be a driver behind the country's horticultural expertise.

Our focus this month is on apples and pears and one of the country's largest producers, the Two-a-Day Group and Managing Director, Attie Van Zyl explains that the company has its sights set firmly on growth.

"We will see growth of roughly 50% over the next eight to ten years," he says. "That is not just an estimated figure; it's based on the orchards that have been planted in the last couple of years. It takes four years for an orchard to come into production but it takes seven to eight years to reach full production. Our planned capital programme is around





R600 million in this period to help cope with this organic growth.

“We are looking to grow in Africa. In 2009, the percentage of our total volume that went to the African market was 5%. In 2013 it was 25%. We will definitely expand this further. If you look at our position geographically, we are situated perfectly to service the African market compared to our competition in the southern hemisphere.”

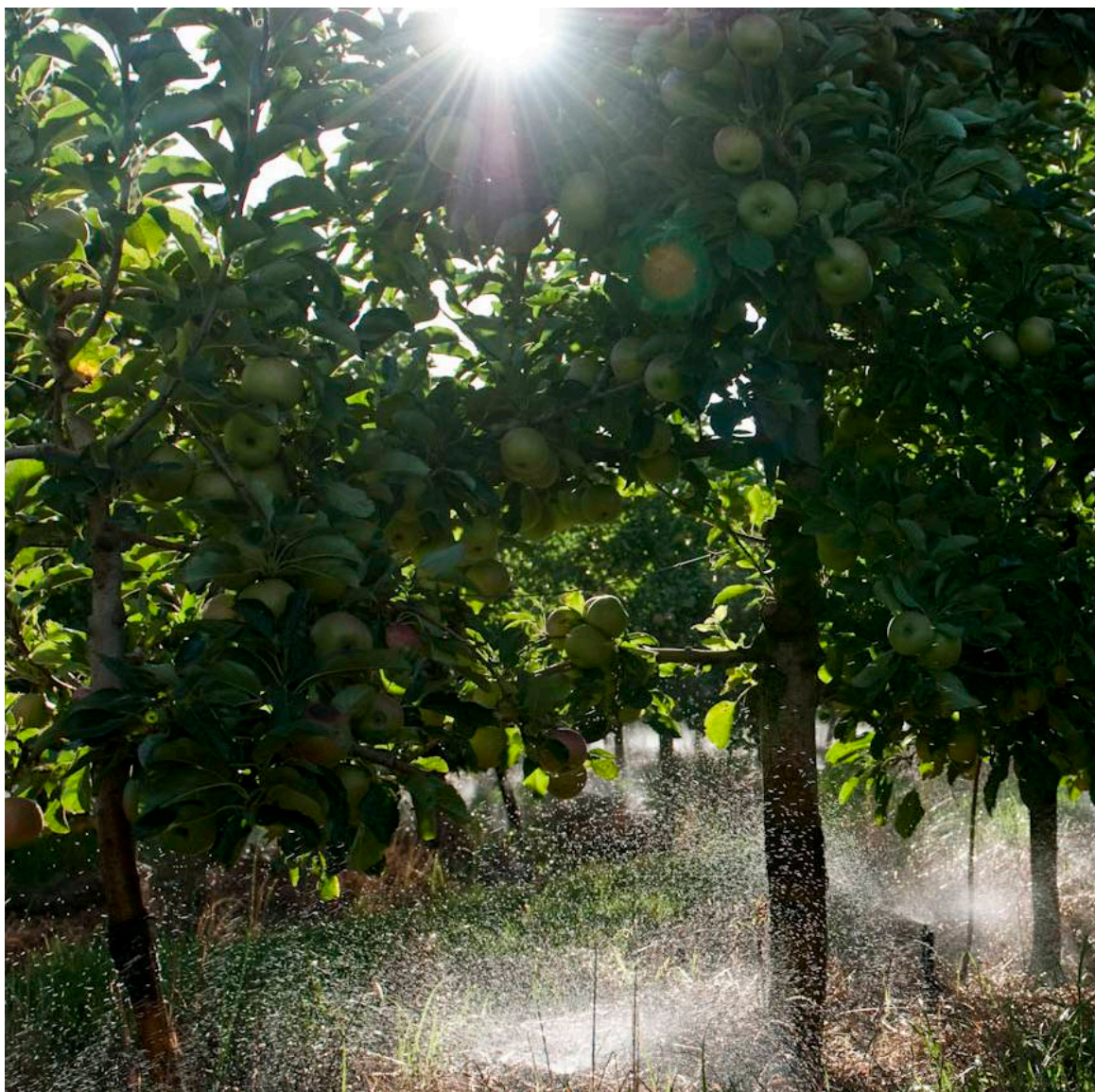
To bolster this growth in the African market, Two-a-Day, through their marketing company Tru-Cape, have recently invested in a new facility in Gauteng with the sole purpose of servicing markets across the border. Interestingly, the company splits its African markets into three distinct areas

and is looking for growth in all of them.

“At the end of 2013, we made an investment in a new facility in Johannesburg so that we will be able to triple the volumes that we sell over border,” explains Van Zyl.

“We divide the African market into three geographical areas. There is what we call over border, which is Namibia, Botswana, Zambia, the DRC, Zimbabwe and Mozambique and countries just to the north of us. For these markets we will use road transport,” he says. “We have looked at opportunities to build or buy a facility in one of these countries but after looking at all the pros and cons we decided to rather do it in the north of South Africa. We feel that we can increase over border sales significantly. Because of the facility that we have built, we will be able to handle





much more volumes.

“The second area is West Africa which is from Angola upwards to Nigeria and Ivory Coast and the whole western part of the continent. The taste profile there is very different to our third area, the Eastern part of Africa, which includes Uganda, Kenya and countries in that region.

“In the very north of Africa, countries like Egypt and Libya, we see that as part of our Middle Eastern market.”

The African market is easily accessible from South Africa because of the country’s strong infrastructure set-up and apples and pears are not grown on a mass scale in other parts of the continent. These are just two reasons why the company’s fruit is popular in Africa.

“There are really only three regions in sub-Saharan

Africa where you can grow apples. It’s not like bananas or mangoes which will grow almost anywhere in Africa because of the sub-tropical climate.

“From a logistics point of view, we are well set up to service our customers, either by road or ship. Shipping is only a short leg; it takes just a week or two to get product into the farthest parts of Africa,” says Van Zyl.

Importantly, Two-a-Day is a large scale producer of Golden Delicious apples and Van Zyl says that this is one of the most popular products in the African market.

“You have to consider taste profiles. If you look at where most of our volumes are moving, it’s more of a sweeter taste profile like a Golden Delicious, of which we grow a significant proportion. I would say roughly 25% of our

total production is Golden Delicious. That is Africa's number one choice in terms of apples."

## TECHNOLOGY

The amount of technology used by businesses in all industries is always on the rise and in farming and fruit growing this is no different.

Two-a-Day constantly invests in new technology to ensure that their operations are as efficient as possible and in its many years of operation, the company has seen vast changes in the way that technology is used. Even in the past two decades, Van Zyl says that technology has changed dramatically.

"I've been with the company for 21 years. I started off in the finance division and I've worked in various departments before I became the MD around five years ago.

"We've more than doubled our volumes in those 21 years and I think the main thing that has changed is technology. Technology is now a huge driver of the business. The definition of technology is widening; for example, we use mobile devices throughout the business even at orchard level. In the factories, the technology is so different from what we had just ten years ago. Importantly, technology

in the orchards, horticultural technology, has advanced greatly. For example, water usage has become much more efficient.

"We embrace the science of fruit growing from a technology point of view and that is what is going to help us drive the business forward in the next 20 years."

The two most recent investments for the company have been technological and have surrounded the pack house equipment and the cold storage facilities. Both were implemented to improve efficiency and effectiveness of operations as Van Zyl explains.

"With the pack house technology, the machinery that we had was old and we've put in machinery that can do weight sorting, diameter sorting, colour sorting and defect sorting. In the past, the old machines only did weight sorting so this makes a huge difference. This will help us to drive productivity and will also allow for increased accuracy in packing thanks to much more precise weighing technology," he says.

The new machinery can, remarkably, also sort fruits according to their colour and blemishes, detecting any potential defects such as bruising. Even internal fruit quality such as brix, water core and internal browning can



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be sorted in the future if the need arises.

“It takes 70 photos per fruit and they are all HD photos,” Van Zyl explains. “The machine turns the fruit and turns all the photos into a stream and builds an image of every fruit, looking at colour intensity and blemishes. It is software driven so can pick out bruises or wind marks. It is wonderful technology that will definitely help us a lot.”

The cold storage facility was completed at the end of 2013 and is now helping to keep products in optimum condition right up until they are sent out to customers

around the world.

“We’ve made a 10,000 bin, controlled atmosphere cold store investment and that is now up and running and has increased our controlled atmosphere capacity by roughly 5%. We have also invested in Dynamic Controlled Atmosphere (DCA) technology. This is because the chemical DPA (Diphenylamine), used to keep apples fresh during storage, is banned in continental Europe so we had to invest in DCA so that we can store products during their marketing window.”



## HISTORY

Although only gaining its current identity in 1993, the history of Two-a-Day group goes back a long way. The business has always operated in the style of a traditional cooperative and has always operated out of the Elgin district of the Western Cape.

“The company started in the early 1920’s when three growers came together to do their packing and cold storage as a group. In 1948, Elgin Fruit Packers was founded as an agricultural cooperative and in 1993 it was changed to a private company, the Two-a-Day Group, and that is where we are today,” says Van Zyl.

“The first apple orchards were planted in this area at the turn of the century. By the early 20’s there was a handful of growers who had planted apples and they realised that infrastructure costs were expensive. Instead of each going and building a pack house and cold store, they realised it would be beneficial to do it together.”

The company has dabbled with various different products but overall its attention has remained on its traditional produce.

“The business has always surrounded the production of apples and pears,” says Van Zyl. “At one stage there were also plums and nectarines, in relatively small volumes, but we have always focussed on our primary product and that is

apples and pears.

“70% of our product is exported. We are selling in 65 countries.”

Under the Two-a-Day umbrella, there are a number of companies that service various parts of the value chain. Tru-Cape Fruit Marketing is the group’s sales and marketing arm; Elgin Fruit Juices produce apple and pear concentrates for leading brands of fruit juice, cider and baby food, both local and international; APL Cartons was founded to offset the high cost of packaging and has become a major player in the South African packaging industry and Link Supply Chain Management supplies global shipping, logistical and transport services.

“All of the companies are partly owned by the Two-a-Day Group,” says Van Zyl. “However, each company has a board and a Managing Director. Our input into those companies comes from our shareholding and our board positions.

“The objective of all of these companies is exactly the same – to maximise the bottom line of the growers.

“If there is ever a conflict of interest between our companies we just ask, ‘what is going to be best for the grower’s bottom line?’ That is the reason for the existence of all of these companies.”

The distinctive business model has proven to be a

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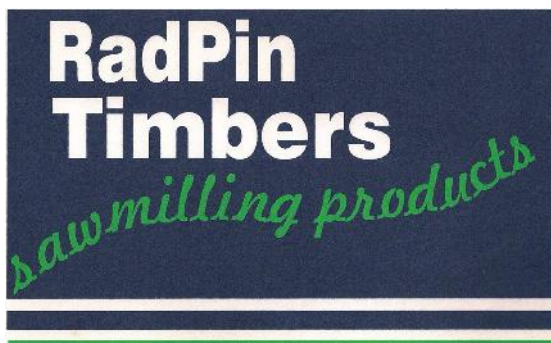
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success over the years and the focus on the growers' bottom line is a factor that has seen Two-a-Day become one of the successful companies in its industry.

"I would think that most years we are in the top two biggest companies in our industry," says Van Zyl. "Our business model is unique, it is a typical cooperative model but we run it as a commercial company. The main difference in this model is that the whole business belongs 100% to the growers and the growers take control of the value chain. This allows them to take control of their own destiny. Any savings in the value and supply chain is passed on back to the growers."

## FUTURE PLANS

Alongside expansion of its physical footprint in South Africa and the growth in markets in Africa, Two-a-Day will be looking to open up new markets around the world and develop its impressive product portfolio.

One market in particular that has been a target for some time is China – the world's most populous country with over 1.3 billion inhabitants.

"The one market that we don't have access to

currently is China. We've been struggling for close to 15 years now to supply our apples and pears in China," say Van Zyl.

"Apple production in China counts for 45% of the world's apple production and South Africa counts for perhaps 2% so we are a small part of total global figures. The Chinese taste profile is very specific so we won't be able to sell all varieties there and this means China will not be a massive part of our global footprint initially but I see no reason why it cannot grow to perhaps 5-10% of our global footprint."

As far as new products go, Van Zyl suggests that there will be some new releases for the market but apples and pears will still form the primary offering with innovations coming through in the form of new packaging.

"There will be new products but they will still be apples and pears," he says. "There will be new packaging and we are busy experimenting with different packing types. It is easy for us to do this as we have a carton manufacturing company with an R&D department that focusses very heavily on innovation.





“Within our horticultural department we have an applied R&D division which comes up with ideas that we can apply in the orchards in a relatively short time frame.”

Thanks to investment like this we are undoubtedly going to see the Two-a-Day business grow over the next decade. The company's focus on technological advancement and efficiency is just one of the reasons that the company continues to hold a position at the forefront of the fruit export market.

Van Zyl concludes by saying that the company will embrace technology and because of this, become more efficient and this will be of huge benefit to the growers.

“As a grower, to be sustainable, you have to be able to increase your production significantly on existing hectares. If we are able to that, and I'm sure we are by embracing technology, then our growers will be sustainable for at least the next 20 years.

“Our business model, the fact that we embrace technology across our different divisions, our global reach and our adherence to world class standards are really the keys to our success.” ●



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