

Table Grape Production Costs Structure:

The production cost in table grape industry has become more variable and complicated to manage. Packaging material and labour costs are top contributors to total production costs, the former accounts 22-25% and latter 32-38% depending on the production region. Fuel costs as well as spraying costs also increases the total product cost.

The price of raw material has increased significantly as a result of rising global trends. This has led to companies such Sappi, Mondi Paper and Sasol increasing cost of supplying raw material to manufacturing companies. Sasol supply plastic raw material and their supply costs increased by 30% in 2008. Sappi and Mondi Paper are the biggest producers of paper and in the country. The price of cartons increased by 15% in 2007 and by another 15% in 2008, giving a 30% increase in two years.

Pallet cost is also a big concern, the cost of wood used for the manufacturing of pallets increased by 50%. The cost of a pallet might get worse as the availability of timber is vanishing due to high rate of deforestation. Plastic pallets have been perceived as a better alternative to the wood-pallet. Plastic pallet offers an opportunity to be recyclable but there is a price difference of R50 that adds to the already high production cost.

The cost of spraying programs has also taken another turn because chemicals increased by 65%, while fertilizers increased by 40-60% in 2008.

Andre du Toit from Kaap Agri pointed out that production inputs use to increase on average by 5% per annum for packing material in the past years which had less effect on producers as the increases of the past two seasons. The impact of rising production inputs is much felt by emerging farmers and small-scale farmers. Large commercial farmers have economies of scale and can also access external financial supports much easier which help them mitigate the effect of rising production inputs.

Producers not only have to suffer the rising cost of inputs but logistic cost is also worsening the situation. A truckload full of inputs from Western Cape to Northern Cape (Augrabies) amounts to R 13 200/trip and to Limpopo (Marble Hall/Groblersdal) cost about R19 500/trip respectively. Constantly rising production inputs will result in job losses, as producers will try to cut down production costs in attempt to improve farm profitability.

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