

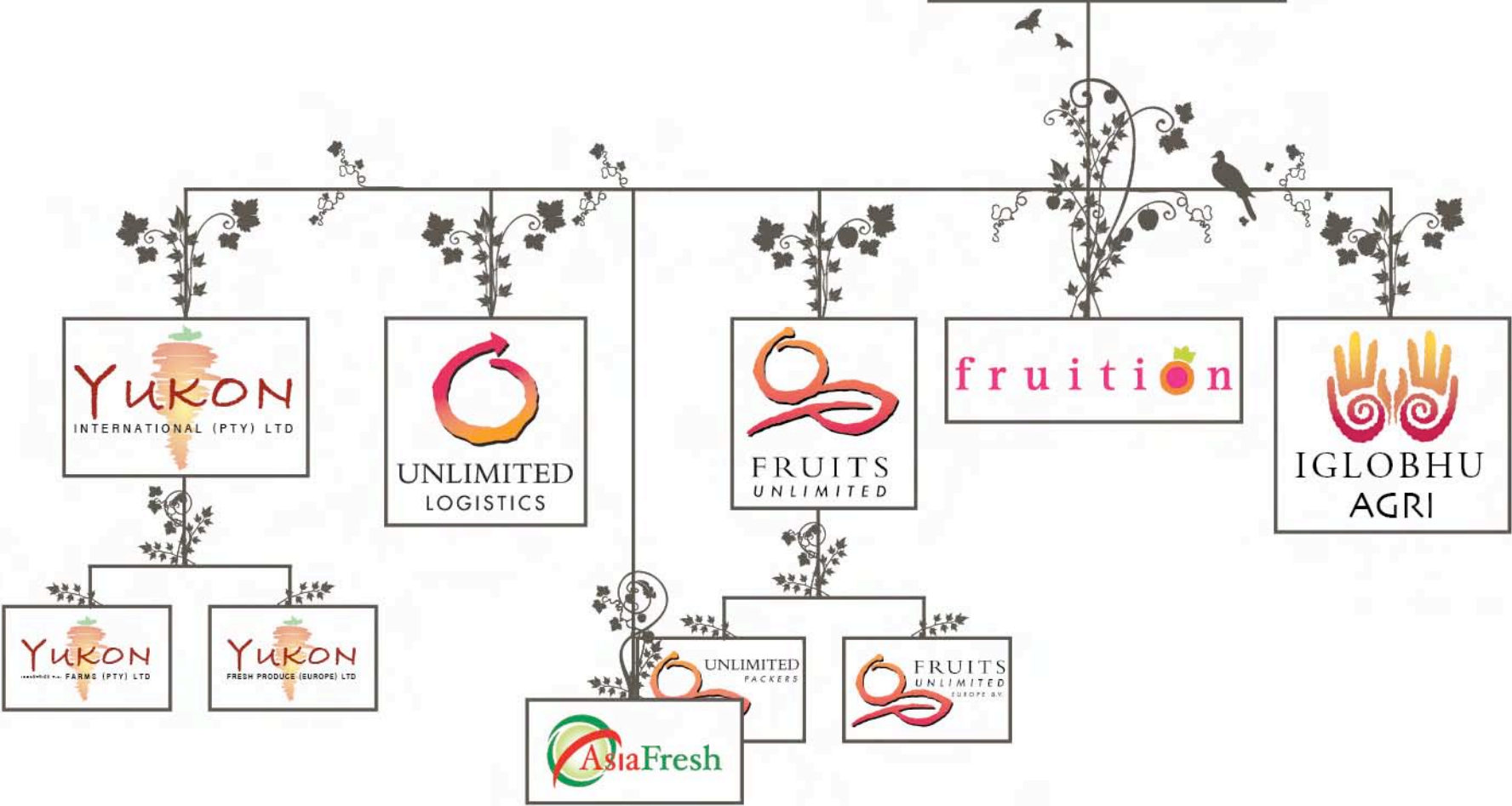
■ Going Green....

...AND THE ETHICAL
~TRADE CHALLENGES OF
THE SOUTHERN
HEMISPHERE SUPPLIER.

Riël Malan

*Unlimited Group – South
Africa*







Vertically integrated fresh produce group covering....

- Production
 - Fruit (grapes, stonefruit, citrus & topfruit)
 - Specialized Vegetables
- Logistics
 - Sea
 - Air
- Import
- Export
- Distribution (Domestic & International)
- Marketing





OUR BRANDS



FRUITS
UNLIMITED



OUT OF
AFRIKA

BONCAP
SPECIAL FRUIT FROM SOUTH AFRICA

YUKON
INTERNATIONAL (PTY) LTD

The environment will be the major socio political issue to attract most attention from the public and politicians over the next five years.

- McKinsey Consulting, April 2008



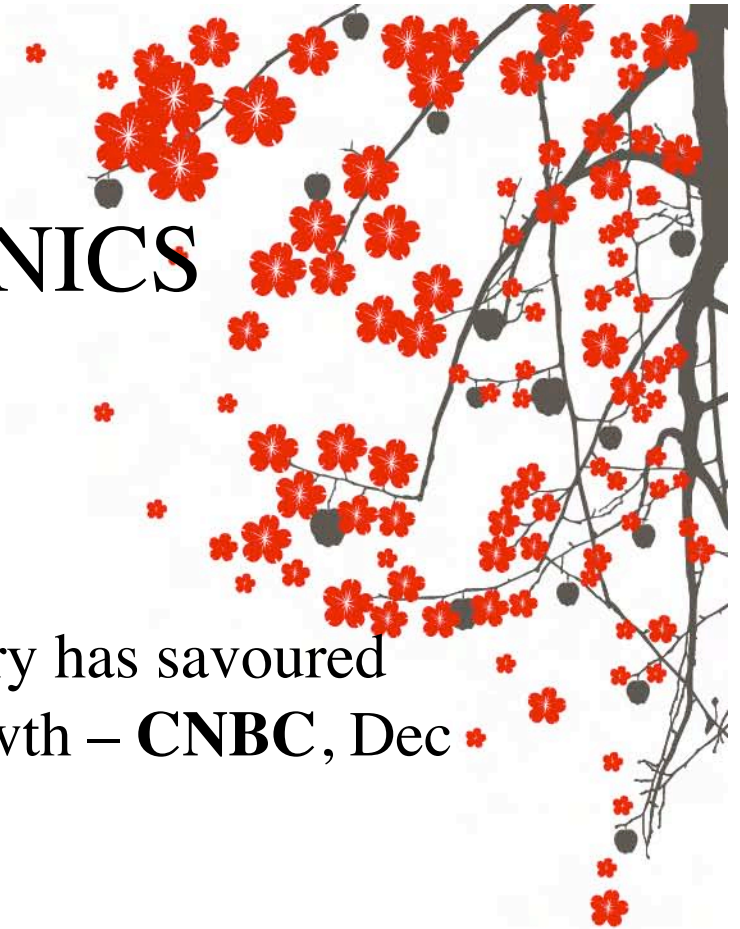
The study concludes that if businesses were to examine consumer needs at a very local level, they might be able to gain a competitive advantage as well as address global environmental problems.

- McKinsey Consulting, April 2008



RISE OF ORGANICS

- Conventional food is producing an unappetizing 2 to 3 percent annual growth rate, while the organic industry has savoured several years of 17 to 20 percent growth – **CNBC**, Dec 2004
- UK Sales for the year to August 18 grew by 19 percent to around 1.48 billion pounds (US\$2.99 billion), down from a 20 percent rise in the prior year – **Reuters**, *Sep-07*



“Credit crunch hits organic sales”

– The UK Telegraph, 24 November 2008

- As a result of the current economic climate, almost half - 48per cent - of all organic shoppers say that they will reduce or even give up buying organic food.
- "Organic food is facing increasing competition from other ethical choices including welfare, fair trade and locally sourced foods."



“Credit crunch hits organic sales”

– The UK Telegraph, 24 November 2008

- The consumer research shows just how low a priority organic is for today's shopper, as . . .
 - only 21 per cent home in on organic produce when out buying food.
 - This is compared to 33 per cent who look for locally sourced goods
 - 26 per cent who seek out products that are fair trade. In fact, locally sourced is the number one ethical concern when it comes to grocery shopping.



ETHICAL TRADE ISSUES

- Ethical trade subjects – not cut and dry - ?
- Pressure to differentiate in commodity market throughout the chain.
- Pressure from retail on suppliers to offer ethical products to differentiate.
- Long term & “big picture” advantages are clear
- Advantages not always visible\accessible to Southern Hemisphere suppliers.



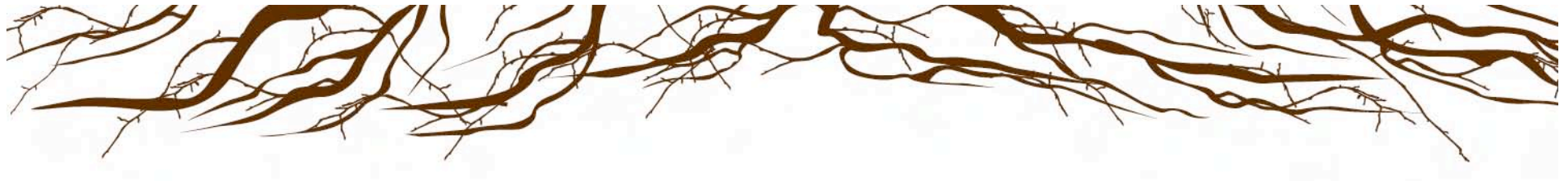
This is very confusing.....

CLIP



In a nutshell...

- The environment & food safety are the main concern of today's fresh produce consumer – is here to stay.
 - Credit crunch may delay...
- “Ethical” products increasingly come in various shapes and as such compete for the consumer's attention:
 - Organic
 - Locally Sourced
 - Carbon Monitored\Neutral
 - Fair Trade
 - Low\0 residue
 - Sustainable



- Assessing the lifecycle, sustainability and longevity of complying with the ethical consumer trend is crucial
- Learn from the past.
 - The landscape is littered with the skeletons of organic suppliers that misread the trend
- The challenge is to balance the consumer\retail demands & concerns with commercial reality as a Southern Hemisphere supplier to global markets

The reality is that in the short term, most “ethical” products are produced at a higher cost than current conventional products and as such dictate that the consumer will have to pay to have a conscience

GUIDELINES OF SUCESSFUL ETHICAL STRATEGY

- It should not increase risk of production, shipping or distribution
- It should not decrease production yield
- Any ethical trade strategy should preferably be pursued with
a committed retail partner
in mind – on board.

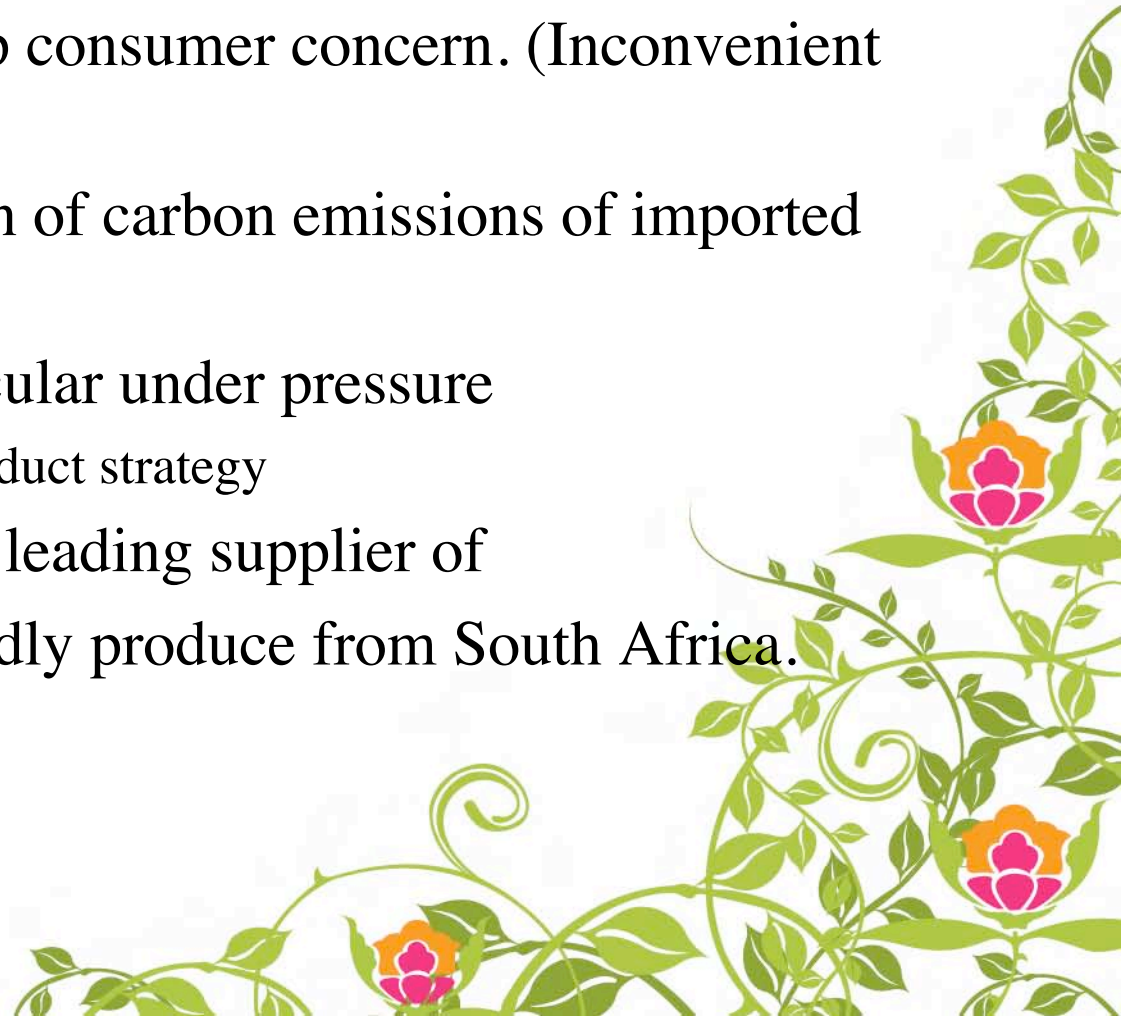


CARBON FOOTPRINT



Motivating Factors

- Global warming is top consumer concern. (Inconvenient Truth)
- Perceived contribution of carbon emissions of imported produce
 - Airfreight in particular under pressure
 - “Locally sourced” product strategy
- Our vision to become leading supplier of environmentally friendly produce from South Africa.



Carbon ladder...



Carbon positive

CO₂ managed, reduced and the balance offset

Influences employees, customers and suppliers

Carbon neutral

CO₂ managed, reduced and the balance offset

Strategic decision with commercial benefits

Carbon managed

CO₂ known – baseline carbon footprint

Focused energy reduction

Carbon unknown

Random energy efficiency projects

CO₂ unknown

Going carbon neutral...

- Project initiated in October 2006
 - Promethium Carbon
 - Food & Trees for Africa
- Determining a credible baseline footprint
 - ISO 14064 part 1 “GHG quantification”
- Reduce
 - **Energy Efficiency:** achieving the same performance / service with smaller energy use.
 - **Business process & employee engagement:** changes in working practices which reduce travel and energy use.
 - **Renewable Energy:** either on company property and/or purchased from suppliers.



CARBON OFFSET

- Buying emissions reduction certificates on the global market – carbon credits
- Investing in offset projects





OFFSET PROJECTS





OFFSET PROJECT

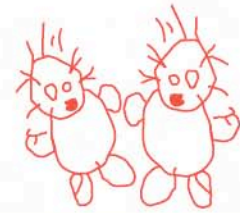
- Planted trees with FTFA, a UN sponsored NGO focusing on urban greening in poor communities
- Various other offset programs
- Fruits Unlimited first South African export company to achieve a carbon neutral status in 2007



OTHER BENEFITS

- Forced us to look intensively at our processes and systems - efficiency
 - Carbon emission = cost
 - Carbon reduction = savings
- Actively jointly pursuing a worthy cause that our staff and stakeholders believe in holds advantages that are difficult to quantify.





MAKING A DIFFERENCE...



Some big picture ideas...

- As a fresh produce industry, we are at tremendous risk with global warming
 - Climate change
 - Desertification
 - Volatility in weather patterns
 - Water
- Vested interest in being green and promoting sound green strategies



Some big picture ideas...

- Consumer perceptions regarding imported produce is skewed and needs a co-ordinated Southern Hemisphere effort to be corrected
 - Imported vs. locally produced produce energy requirements and CO2 emissions
 - Open field vs. greenhouse production etc.
- Southern Hemisphere suppliers are particularly vulnerable to this consumer perception
- Need to partner with retailers to correct these perceptions – change needs investment





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