A Matter of Jam:
Intaba Fruit Processing of South Africa

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Elouise Joseph sat in the company office on an early Monday morning, looking out a window upon the valley that supplied her Company with its fresh fruit. For Elouise, Intaba was a journey, a testament to her perseverance and an opportunity to affect the community in which she had always lived. Elouise, one of the nine partners of Intaba Fruit Processing (Pty) Ltd, waited to meet with Henry Leslie, another partner and acting head of the company. The two colleagues wanted to discuss the direction of the business, knowing that their decisions over the next few months would define the company's future. Their task was to position Intaba for sustainable success, while remaining loyal to their vision and corporate mission "to produce high quality products and create jobs that improve the livelihood of the community," (Intaba, 2002). The business had recently turned profitable, but the increasing pace of orders was proving too much for Intaba to handle.

Intaba— meaning 'mountain' in many indigenous South African languages—is a small enterprise that specializes in the production of jams, marmalades and preserves. The company is located on the Piketberg Mountain in the Western Cape Province of South Africa (see Exhibit 1). The abundance of fruit farms in the region makes it an ideal location for a fruit processing company.

Intaba opened its doors for business in 2002. During the first five years of production the company struggled to remain afloat. "There have been a lot of sacrifices made to keep the company running" Elouise explained. During the difficult years, several Intaba employees held other full-time jobs during the weekdays to support their families and worked at the factory only during the weekends. Recently, Intaba had secured a sizeable contract with the Woolworths Corporation, a high-end retail grocery chain with a significant presence in South Africa. The Woolworths contract surmounted other client opportunities, and required a massive increase in production for Intaba; in fact, production for Woolworths represented 95% of Intaba's revenue. Intaba projected it would need to double its production level to fulfill demand.

Opportunities to grow represented new challenges for Intaba; rapid expansion and the possible mechanization of various phases of production were of great concern to Henry and Elouise. "We want to be a profitable company, but our mission is also to create employment for the community," Elouise thought, and mechanization threatened to eliminate current employees. Nevertheless, the inadequate production conditions and inefficient processes affected Intaba's livelihood and potential for the future. Continued commercial success seemed to be in conflict with their community goals. Elouise let out a heavy sigh, as she stood up from the chair in her office, wondering whether Intaba could find a balance between profitability and community.

HISTORY

The beginning of a new millennium without apartheid was an important political and economic period for the country of South Africa. As part of the Black Economic Empowerment (BEE) initiative, the Western Cape government formed a committee to conduct a preliminary study on the feasibility of

establishing a community-owned enterprise on the Piketberg Mountain, a region afflicted with high unemployment. The program's primary goal was to increase the standard of living of rural communities, by establishing small enterprises that would provide previously disadvantaged communities with access to the burgeoning economic growth of South Africa and create local jobs, (Department of Trade and Industry, 2004).

In the post-apartheid era, South Africa adopted the Growth Employment and Redistribution Plan (GEAR), intended to alleviate the inequalities between population groups and reintegrate the country back into the global economy. This market-driven growth strategy was illustrative of the government's commitment to free markets, privatization, and the cultivation of an investment environment attractive to foreign funds. Although great strides have been achieved in national reconciliation, the institutional distortions between whites and non-whites over the course of time have resulted in glaring disparities between the two groups.

MACRO ENVIRONMENT OF SOUTH AFRICA

After apartheid was overturned, the government pursued initiatives to correct the inequalities in income and wealth distribution caused by years of institutionalized racism. The government sought to ensure that social programs provide basic services and opportunities to members of previously disadvantaged population groups. One such program is the BEE initiative, of which Intaba is a beneficiary (see Box 1). Other initiatives include efforts to provide universal access to clean water, electricity, formal housing, proper sanitation and primary health care to all throughout the country.

South Africa has the world's second largest population of individuals living with HIV/AIDS, with 5.7 million, and suffers the most annual AIDS-related deaths worldwide. UNAID's 2008 annual report revealed that 18% of the country's adults are living with the virus, with the infected largely concentrated in the KwaZulu-Natal and Gauteng provinces (Booysen, 2003). The effects of the virus are clear in the country's life expectancy statistics, at 48.98 years (Commission for Gender Equality). The prevalence of HIV/AIDS has had detrimental effects on the economy of the nation, most notably by reducing the labor force, increasing input costs of production, decreasing aggregate demand, and increasing government expenditure. In its 2008 publication, "Global Health Initiative: Private Sector Intervention Case Example," DaimlerChrysler of South Africa estimated that each new case of HIV/AIDS costs the government of South Africa $31,000 (World Economic Forum, 2002).

As of November 2009, South Africa's national unemployment rate was 23.6%, placing the country 173rd worldwide. Perhaps more revealing of the historical racial inequality, however, is the unemployment rate of white South Africans, which was 4.7% during the same period (Media Club South Africa, 2010). The priority Intaba placed on creating jobs for the local community can be better understood and appreciated within this context. The country has the 35th largest workforce globally at 17.32 million people, 65% of whom are in the services sector, 26% in manufacturing and 9% in agriculture. Nevertheless, nearly 50% of the population lives below the poverty line and 25% of South Africa's citizenry receives social grants.

South Africa exhibits characteristics typical of both industrial and developing economies: achieving sustained growth while struggling to improve the standard of living for the majority of its citizens. South Africa is rich in mineral resources, as the world's largest exporter of both gold and

platinum, and has a strong presence of Multinational Corporations (MNCs) operating within its borders. Although GDP growth averaged 5% from 2004 to 2007, the rate fell to 2.1% in 2008, a decline largely attributed to "power shortages, higher interest rates and weakening commodity prices" (Media Club south Africa, 2010).

In an effort to transition from the old economic system, the South African government focused on reducing its role in the economy and promoted private sector investment and competition. To ensure that it can meet its target trade and investment goals, South Africa has lowered its import tariffs, increased its export subsidies and enforced intellectual property laws more rigorously (Department of Trade and Industry, 2007). The major destinations for South Africa's exports are Japan (11.1%), the U.S. (11.1%), Germany (8%), the United Kingdom (6.8%) and China (6%).

THE AGRICULTURE INDUSTRY IN SOUTH AFRICA

Accounting for 8% of the country's exports, South Africa's agricultural sector consists largely of wine and fruit juice production, citrus, grapes, sugar, maize and deciduous fruits. The Marketing of Agricultural Products Act of 1996 deregulated markets in the industry, "by closing agricultural marketing boards, phasing out certain import and export controls, eliminating government subsidies, and introducing import tariffs to protect South African farming from unfair international competition" (Agriculture, SouthAfrica.org).

In the OECD Review of Agricultural Policies, it was reported that although the agriculture sector contributes less than 4% to national GDP, approximately 10% of the population is employed in this sector. (OECD, 2006) The agricultural sector can be divided into two distinct segments: commercial farming (industrial) and subsistence production (developing).

South Africa benefits from its counter-seasonality to Europe (primary market), its diversity of domestic climates, its competitive input costs and numerous trade agreements that allow unfettered access to key markets. Prominent trade agreements include the South African Free Trade Agreement with the European Union, signed in the year 2000 and expected to run through 2012. The conditions of these trade terms aid South Africa's export-oriented agriculture industry, as 95% of the country's exports to the E.U. are liberalized in accordance with the agreement. The South African Department of Trade and Industry identified main weaknesses of the industry to be as follows: lack of export infrastructure for perishables, high port charges, long distances to international markets, small domestic market demand, and an overall lack of managerial skills among production managers (Department of Trade and Industry, 2010). To address these inadequacies, the government launched a series of policies to encourage private investment and managerial training. Two such initiatives are the Critical Infrastructure Program, which provides grants of 10-30% for qualifying costs related to infrastructure projects of significant technological advance, and the Skills Support Programme, which covers the costs of up to 50% of certifiable education and training for managers of Small and Medium Enterprises (Department of Trade and Industry, 2010).

AGROPROCESSING SECTOR

Intaba is in the agroprocessing industry, which contributes R124 billion to South Africa's GDP and accounts for 16.4% of national manufacturing sales annually. The industry is highly consolidated

due in part to the presence of MNCs, with 10 companies responsible for 70% of the sector's revenue (Department of Trade and Industry, 2010). (See Exhibit 2 for agroprocessing wage rates.)

The South African fruit processing industry exports 85% of its collective production (Ross, 2007). The top five export destinations for agro-processed products are the United Kingdom (R1,971 million), the Netherlands (R1,546 million), Belgium (R908 million), Japan (R898 million) and Mozambique (R889 million). South Africa ranks among the top three global exporters of avocados (1), clementines (1), ostrich products (1), grapefruits (2), table grapes (2) and plums (3). (See Exhibit 3 for a trend chart of agroprocessed exports)

Within the deciduous fruit processing industry specifically, South Africa is internationally competitive due to lower input costs and generally superior product quality. The industry's producers and manufacturers, however, lack industrial policy support from the government. The decline in export profitability has been largely attributed to the capture of margins by retailers (Ross, 2007).

INSIDE INTABA

INTABA'S FORMATION

Henry Leslie, an engineer who had previously worked for an aircraft manufacturer, played a pivotal role in the formation of Intaba. In 2001, Henry was part of a governmental committee established to study the feasibility of a community-owned enterprise in the Piketberg region. The committee realized great potential in helping members from the local community establish a fruit processing company on the Piketberg Mountain, which is surrounded by abundant fruit farms and available labor. Interviews were conducted among members of the Piketberg community and 21 people were selected as ownership candidates of the Company. The committee was looking for people with "qualities of leadership, initiative and perseverance" explained Henry After a second round of interviews, eight members from the Piketberg community were selected to join Henry to become shareholders of a fruit processing company. "Intaba was formed out of an idea and a need to create jobs; there was no capital at the beginning to make this vision a reality," Henry described. Elouise Joseph was one of the eight local community members selected by the committee for her display of aptitude and passion to embark on this venture. She had been unemployed at the time of the interviews; a common trend in the Piketberg region, as most of the women work only during the fruit-picking and fruit-packing seasons. Elouise is now Intaba's second in command. She has lived on the Piketberg Mountain all her life, "this is where I grew-up, where I went to school, where my family lives and where my children go to school; I care a lot about this community," (Intaba interview, 2010).

FROM VISION TO REALITY

Intaba was officially established in 2002 with a grant of R300,000 from the Izandla Women's Initiative, a group dedicated to building foundations for sustainable income-generating projects in rural South African communities (Vuya! Investments, 2008). This grant enabled the Intaba team to purchase their future factory, a dilapidated mountaintop school owned by the Moravian church. Members from the Intaba team met with the local director of the Moravian church, and the building was ultimately purchased for a price well below the market and asking value. With the remaining funds, Izandla contacted the Agricultural Research Council (ARC) to provide technical training to the

Intaba team at a highly-subsidized rate. The ARC trained the group in the manufacturing of jams, chutneys and dried fruits, as well as the regulatory procedures for handling food products. Intaba then used the rest of the grant money to purchase 7- liter cooking pots and gas burners, which could be used for small-scale production. At the time, the existing facilities and equipment allowed the team to produce approximately 200 units of output per day.

DIFFICULT TIMES AHEAD

Elouise recalls having to walk 8 kilometers while carrying her toddler in arms up the windy tarred road, to get from the town to the top of the mountain for work. "Those were some difficult times," Elouise reflected, "but I am still here on the mountain and at Intaba, and I want to take this business to the highest level possible so we are able to employ more people from the community." Initially, the company struggled to find buyers and meet financial obligations. During these difficult times, the team members often held other full-time jobs outside of Intaba and worked during weekends at the fruit processing company. A few orders for jams and chutneys were received, but these were small and irregular, barely generating enough revenue to cover the costs of raw material. "There were many times when we could not afford to pay a salary in cash. We often paid ourselves in the form of jams and marmalades, and tried to sell the merchandise on our own to get some cash," explained Henry (Intaba interview, 2010).

SEARCHING FOR CLIENTS

The Intaba team attended numerous agriculture and wine trade shows to showcase their products, but enjoyed little success in terms of sales from these events. Henry recalled one specific three-day trade show, *Bien Donne*, where the company suffered a major loss; their product sales could not even suffice to cover the expenses of attending the show, such as transportation and the participant admission fee. However, there was a positive outcome from this show: a year later, an agent from the Provincial Government of the Western Cape who had been highly impressed by Intaba's products and story, approached the Company with an offer to incorporate Intaba into a governmental program designed for job creation and sustainability. The program provided grant money to upgrade the facilities to food health standards and receive technical assistance and formal training for its team members. A representative from the Center for Scientific and Industrial Research (CSIR) was commissioned to oversee the project; the R1,000,000 grant was to be utilized strictly to upgrade the current building facilities and purchase modern equipment for production and a pick-up truck for transportation. Intaba leveraged the funds to purchase a new cooking pot with larger capacity for production, paint for the building facade, and other construction materials to upgrade the building facilities. The team performed much of the work themselves, including the painting and remodeling of the production building and office facilities.

In 2005, three people began working full-time at Intaba, earning a salary of R150 per week (equivalent to less than $20 USD). However, profits were negligible and inconsistent, and payment for employees during this period often continued to be in the form of jams and other manufactured products. Intaba persevered through its insolvency and continued to push its product into the marketplace. "We knew all along our product was unique, but we needed a big customer," Henry recalled. Intaba approached several major retailers in South Africa to get their jams on store shelves, but most grocery stores requested free products and slotting fees that Intaba could not afford.

In 2006, Woolworths placed an order for 2,000 jams and marmalades. Other similar orders followed, yet they were inconsistent and only for special occasions, such as Christmas, Mother's Day, and Valentine's Day. Although this generated business for the company, Intaba continued to struggle. Finally, in September of 2009, the order Intaba had been waiting for finally arrived. Vuya Investments (Pty) Ltd, a majority women-led BEE company that had recently become involved with Intaba, connected the Company with a Woolworths representative. Woolworths approached Intaba requesting 40,000 jars of product per month, far above their production capacity at the time.

INTABA: THE OPERATION

Intaba's location provides a rich variety and supply of fruits grown at neighboring farms to the factory. Intaba has formed relationships with the surrounding fruit farms through the Bo die Berg (community) Forum, which includes the Farmer's Association, unemployed community members and other residents. All of the suppliers grow their fruit according to stringent international quality standards, as fruit production in the area is highly export-oriented. Although Intaba demands a relatively small amount of fruit from suppliers on a volume basis, local orchards often store Intaba's purchased fruit in their own facilities, due to the Company's limited refrigerated inventory capacity. This allows Intaba to better ensure the high quality of their products by collecting only the quantity of fruit from farms that can be processed within each workday.

Management and Employees

The management team comprises Henry Leslie, Jenine Jansen, Elouise Joseph, and Soly Jansen. Henry functions as the CEO and primarily oversees daily operations, fruit purchasing, collection, delivery, and the company's finances. Although Intaba is a team–oriented operation, Henry guides and mentors the rest of the management, being its only formally educated and previously advantaged member. Elouise is second in command as Vice Chairman of the executive committee. Her main responsibilities are quality inspection, inventory management, and marketing. Soly serves as the Production Manager, and Jenine supervises labeling and packaging. Together, the four represent a capable and hard-working management group, but their main problem, as Henry described it, is that they "are so involved in the day to day operations that it's hard to find time to think about the big picture." The four managers spend most of their working day supervising factory production, rather than focusing on business development for the future. Production employees are hired from the local community in accordance with Intaba's mission, but they are generally without formal education and receive only basic, on-the-job training when hired. As a result, management must monitor progress in the factory throughout the day. Due to Intaba's made-to-order production schedule and the inexperience of employees, many of whom have never been employed full-time, the management is apprehensive to delegate the responsibilities of daily tasks to others.

Facilities and Capacity

There are currently 21 full-time employees at Intaba. The company produces 38 varieties of jellies, jams, preserves, and apple sauces. The current facilities, as Exhibit 4 depicts, include a production building, an office building and two large storage containers, one of which functions as the freezer and the other as a labeling and storage area. These facilities are located approximately one hundred meters from a tar road atop the Piketberg Mountain, allowing for only limited truck access.

There are five manufacturing staging areas inside the production building: receiving, the cloak room, preparation, cooking, and bottling. The cloakroom contains a sink for sanitization before entering the factory and lab coat storage. Once inside the factory, there are two specially designed steel tables for fruit preparation, one 480-liter steam cooker to make the jams and marmalades, one 480-liter pot for pasteurization, quality control equipment (for pH level and sugar content measurements), a trolley for transportation, and steel tables used for packaging. This equipment accounts for Intaba's operational assets.

Intaba is constrained by its current production facilities. Each batch of jam yields 500-600 jars, and from start to finish takes about 2 hours. The equipment is capable of producing 2,000 jars of jam per day**,** however, Intaba restricts the size of their batches, in order to ensure the quality of the product. Other equipment constraints include the freezer, which is too small to hold large quantities of fruit, and the lack of storage space to stock inventory. The highly labor-intensive process also inhibits greater production quantities. There is a single equipment line on which all fruit sorting, washing, peeling, bottling, and labeling is completed by hand. This creates physical crowding for the workers and general inefficiencies in the production process.

PRODUCTION

The production process starts in the receiving area, where the fruit is brought in wooden bins of 500 kg and inspected for quality before moving to the preparation area (Figure 1.1). The batches of fruit are brought with certificates of traceability from the suppliers, and Intaba's employees record every step of the production process on a job card, accounting for all costs incurred and specific batch measurements. This allows for precise traceability in case of a customer complaint or product recall. Once the fruit enters the preparation area, it is put into water pools in the center of specially designed tables, which is surrounded by 16 workers who peel, pit, and inspect the fruit against specified standards of quality (Figure 1.2). The accepted fruit is separated into 10 kg bags and each is marked with a batch tag specifying its date, weight, and supplier. Thereafter, the fruit is either taken to the cooking area for processing or to the freezer to be stored for later use.



Figure 1.1- Receiving Bin



Figure 1.2- The Washing Table

Once the cooking process concludes (Figure 1.3) and the batch meets quality standards it is ready for bottling. Bottles and caps are brought into the bottling area from one of the storage containers and, once the bottles are sterilized, approximately eight workers line up to begin the

process (Figure 1.4). This requires many hands, and it takes about 45 minutes to complete each batch. Once the bottling has been completed, the jars are pasteurized and placed back into the trolley with a batch tag, washed, cooled, and left to dry.



Figure 1.3- Cooking Equipment



Figure 1.4- Hand-filling Each Jar

When the bottles are ready to be labeled, they are tested for the correct sugar content, consistency, color, and texture. This very tedious labeling process is done by hand; it takes 4 people about one hour to label 170 jars. The jams or marmalades are then packaged into 12-jar boxes, 108 of which fit on one pallet. Intaba completes about 4 batches per day, and it generally takes four days to complete a typical Woolworths order. (See Exhibit 5 for a production flow chart.)

Developing the Flavors

Prior to working for Intaba, none of the employees or management members had any experience working in the agroprocessing food industry. After the team was initially trained to process fruit and make jams, they were left to innovate all of their unique flavors and recipes by themselves. The team develops each recipe with passion through an *ad hoc* process, and sends new products to be informally tested by "friend and enemies," as Henry explained, to ensure that they receive unbiased reviews. Some flavors were invented for practical reasons, such as the spicy fig jam, which was developed when Intaba had an excess fig supply. Others, however, such as the strawberry rose jam, were created for special occasions, including Valentine's Day and Christmas. Exhibit 6 shows a complete listing of Intaba's flavors and their corresponding harvest seasons.

WOOLWORTHS: A TURNING POINT FOR INTABA

The Relationship

In 2006, CSIR brought Woolworths to Intaba in hopes of piquing their interest. It took a full two years for Woolworths to contact Intaba to begin negotiating terms of business for holiday orders. For the following two years, Woolworths only placed two orders per year for special occasions. It was not until 2009 that Woolworths began to purchase regularly from Intaba. Today, Intaba sells the grocery chain a variety of products, which constitutes 95% of Intaba's business or 20,000 jars per

month. Woolworths would like to receive 40,000 jars per month, but Intaba cannot produce at a level to satisfy this demand. Woolworths has committed to helping Intaba expand gradually, with the goal of both fulfilling the complete Woolworths order and developing new retail channels. Woolworths has also supported Intaba beyond their corporate responsibilities. Ceri Coxon, Head of Trading at Woolworths, has become a personal mentor to Elouise through the development of their professional relationship.

Company Background

Founded in 1931, Woolworths has upheld a reputation of providing high quality products for monetary value. After 74 years of operation, they have 149 corporate-owned stores, 51 international franchise stores throughout Africa and the Middle East, and 69 South African franchises (Woolworths online). Woolworths targets the luxury class consumer by focusing on households of a Living Standard Measure (LSM) of 8 and above (South African Advertising Research Foundation). (See Box 3) They position themselves as an upscale supermarket chain in South Africa that promotes its social conscience. The majority of goods are sold under the Woolworths private label, including Intaba's products.

Woolworths has a highly selective vetting process for each potential new supplier to ensure that its values and culture are aligned with its own, which are based on factors that include quality, ingredient origin, health, and the environment. Once the terms of trade have been set, Woolworths displays unparalleled loyalty to their suppliers by investing in equipment and facility development, agreeing to flexible payment terms if necessary, and often helping them source governmental grants.

Currently, Intaba's only steady revenue stream is derived from Woolworths. Due to its production limitations, Intaba is restricted to serving this sole client. There is significant risk associated with its lack of client diversification. In fact, many consumers of Intaba's jams are unaware that they are 'eating Intaba', because Woolworth's uses its private-label on all Intaba products.

The Issue of Branding

As a general practice, Woolworths uses its private label for the majority of the commodity and value-added products for sale in their retail locations. There is little information about the supplier on these jars and, in effect, Intaba's story is lost to the consumer. There is an Intaba label for jars sold outside Woolworths, but these can only be purchased from the factory store, which severely limits their exposure as an independent brand (see Exhibit 7 for images).

A rudimentary, self-made website currently exists through a free domain hosting site, which serves to market Intaba. The Company has some hesitations about improving the site due to its fear of inviting electronic order requests that they will not be able to satisfy, given their current production limitations. Otherwise, Intaba uses trade and food shows to gain exposure.

Perceived Quality and Pricing

Although Intaba has a unique product that is known for its premium quality, the jam market in South Africa is highly developed and competitive. Retail outlets containing jam and jam-like products

are likely to carry dozens of brands, each with multiple flavor options. The Case Study Team completed an informal study of perceived competitor quality, based upon the caliber of store in which competitive products were found, the number of varieties offered, shelf placement, featured marketing materials and packaging quality and design. Intaba products ranked 4th out of 13 brands surveyed, which included All Gold Brand, So!Go, Weigh-Less, Thistlewood Diabetic, St. Dalfour, Hillcrest Berry Orchards, Danish Choice, Ritebrand, and generic brands found at independent farm stands and wine outlets. Despite Intaba's high quality, its products were priced well below most of the competition based on comparisons of 100-gram units. See Box 4 for more information on Hillcrest Berry Orchards.

LOOKING FORWARD

"The necessity to grow is undoubted," Henry asserted, "but where do we begin?" "Regardless, we must not sacrifice our mission and our pledge to this community," Elouise added.

Ultimately, the two recognized the inherent risk of Intaba's dependence on a single buyer and the immediate need to find the next 'Woolworths' to add to their portfolio of clientele. Yet, the task for Henry and Elouise was to achieve two-pronged growth; both in production capacity and in brand/financial strength.

They sat and wondered if there was a single solution to their predicament. To what degree could Intaba mechanize and automate without losing its sense of identity? Should the company move to a larger location or attempt to maximize production on its current site? Did Intaba need professional management? How could the Company embark on sophisticated pricing and market strategies, considering its budget constraints? Was there another strategic partner in South Africa and, if so, should new business development come at the expense of Intaba's current relationship with Woolworths?

There was more than a Company at stake. An entire community looked to Intaba to embody the very ideals with which the country approached its reformation. It was a brand with a story – a company with a vision of community transformation that preceded its product. Could Intaba upgrade its efficiency without downgrading its founding ideals?

Glossary of Acronyms

ARC	Agricultural Research Council
CSIR	Center for Scientific and Industrial Research
LSM	Living Standard Measure
MNC	Multinational Corporation
OECD	Organization for Economic Co-operation and Development
PBBF	Piket-Bo-Berg Forum
PGWC	Provincial Government of the Western Cape

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SHADED BOXES

Box 1: Black Economic Empowerment (BEE)

Post-apartheid social development policy was directed by the Reconstruction and Development Programme (RDP), which addressed social and economic issues such as housing, land, health, education and services under the notion that these problems are interconnected and therefore must be approached through the linkages between reconstruction and development. BEE was established in the Broad-Based Black Economic Empowerment Act of 2003 as part of the RDP initiatives. The purpose of BEE is to increase the number of black South Africans who own, manage and operate private corporations. Beyond a "moral initiative" to address the wrongs of the past, BEE is a "pragmatic growth strategy" that seeks to fulfill South Africa's economic potential. The legislation includes codes to cultivate ownership through start-up grants and seeding, preferential procurement, socio-economic development and skills development. BEE ascertains that black economic development must be 1) broad-based 2) an inclusive process 3) associated with good governance and 4) integrated with South Africa's country level economic growth. Since its formation in 1998, the government agency set up to provide capital for BEE transactions, South Africa's National Empowerment Fund (NEF), has contributed almost R700-million toward economic reforms. The agency's main investment areas include "construction, information and communication technology and media, and food and agro-processing." By the end of March 2007, an investment portfolio of 102 transactions worth R692-million was approve, further ensuring the creation of 3 000 new jobs and while supporting 6 000 existing jobs in the countrv.

Sources: "Black Economic Empowerment." SouthAfrica.info. http://www.southafrica.info/business/trends/empowerment/bee.htm (accessed March 1, 2010).
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Box 2: Post-Apartheid Categories

The racial categories established by the apartheid era continue to be in use throughout South Africa today. The demographic patterns vary significantly by province. Among the nine provinces in South Africa, the Western Cape has one of the largest concentrations of Coloureds with 54%, compared to the national figure where Coloureds represent only 9% of the population. The concentration of Black Africans in the Western Cape is relatively less with only 27% (compared to 79% nationally) and 18.5% are white, significantly higher than the 9.5% nationally. Today in South Africa, whites continue to have control over most of the wealth; this often creates animosity between Black Africans and Coloureds who are left competing for jobs. "Economic and social realities are closely linked, and in turn, both derive from the province's history." For example, whites and Coloureds often share the same language (Afrikaans) and "belong to the same Dutch Reformed Church" whereas Black Africans in this region tend to speak Xhosa or other native African languages. (Tihanyi, K., 2006 pg. 17)

Source: Blending in the Rainbow Nation, The Racial Integration of Schools and Its Implications for Reconciliation in Post-Apartheid South Africa" (Tihanyi, K., 2006)

Box 3: South African Living Standard Measure (LSM)
The South African Advertising Research Foundation (SAARF) has been developing the LSM index since the late 80's. It began as a tool to segment the population into 8 LSM groups, with a high and low subset to each group, based on an initial list of 13 variables ranging from water and electricity access to employing a domestic worker-- each carrying a different weight. The LSM indicators have been continually adjusted since its inception and are now based on universally applicable variables.

Source: http://www.saarf.co.za/

Spotlight on a Competitor: Hillcrest Berry Orchards

One notable competitor that is an exemplar in the industry is Hillcrest Berry Orchards. As a family owned company established in 1989, they have built a strong "reputation for attention to detail, innovative ideas, and exceptional service." Their farm shop sells a wide range of products including fresh berries, frozen berries, jams, dessert toppings, relishes, jellies, berry vinegars, and liquored berries, and they have a restaurant and tea garden on their premises. They have a well developed website: http://www.hillcrestberries.co.za/ that showcases their relevant certificates for food safety inspection standards and Black Economic Empowerment ratings, as well as their product lines categorized as fresh, frozen, jams and honeys, gifts, hospitality, and condiments. Additionally, Hillcrest Berry Orchards has published books, recipes, and created a partnership with the Carlsbad Cottages, a resort nearby the premises.

As a result of their highly developed image, Hillcrest Berry Orchards is able to set a higher price point than Intaba. They employ marketing schemes such as selling three jam gift sets of small 30 gram tasting sizes, allowing them to charge more per gram than typical 320 gram jars.

Exhibit 1: Map of South Africa



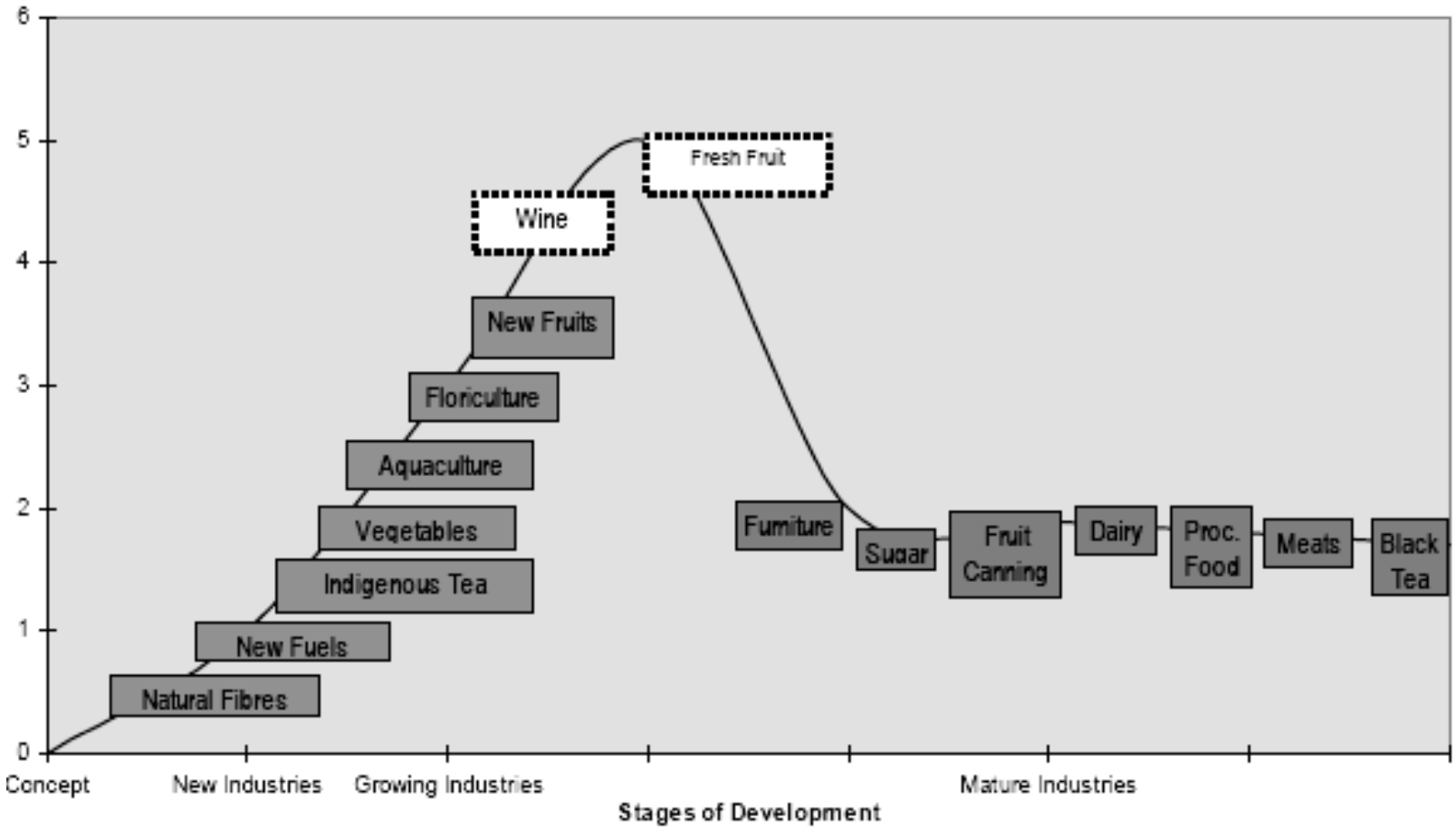
Source: "The Nine Provinces of South Africa." SouthAfrica.info. http://www.southafrica.info/about/geography/provinces.htm (accessed March 1, 2010).

Exhibit 2: Approximate Monthly Wages of the Agro-Processing Sector

Subsector Farm	Primary Production	Processing/Packhouse
Meat	R2000-00	
Dairy		R2650-00
Wines	R1100-00	R1400-00
Flowers	R800-00	R1200-00
Fisheries	R5000-00(crewman)	R1892-00

Source: "The Agroprocessing Sector." Department: Trade and Industry of the Republic of South Africa. http://www.dti.gov.za/publications/agroprocessing.htm. (accessed March 1, 2010).

Exhibit 3: South African Fruit Processing Industry Exports



Courtesy of: "The Agroprocessing Sector." Department: Trade and Industry of the Republic of South Africa. http://www.dti.gov.za/publications/agroprocessing.htm. (Accessed March 1, 2010).

Exhibit 4: Facilities Plan

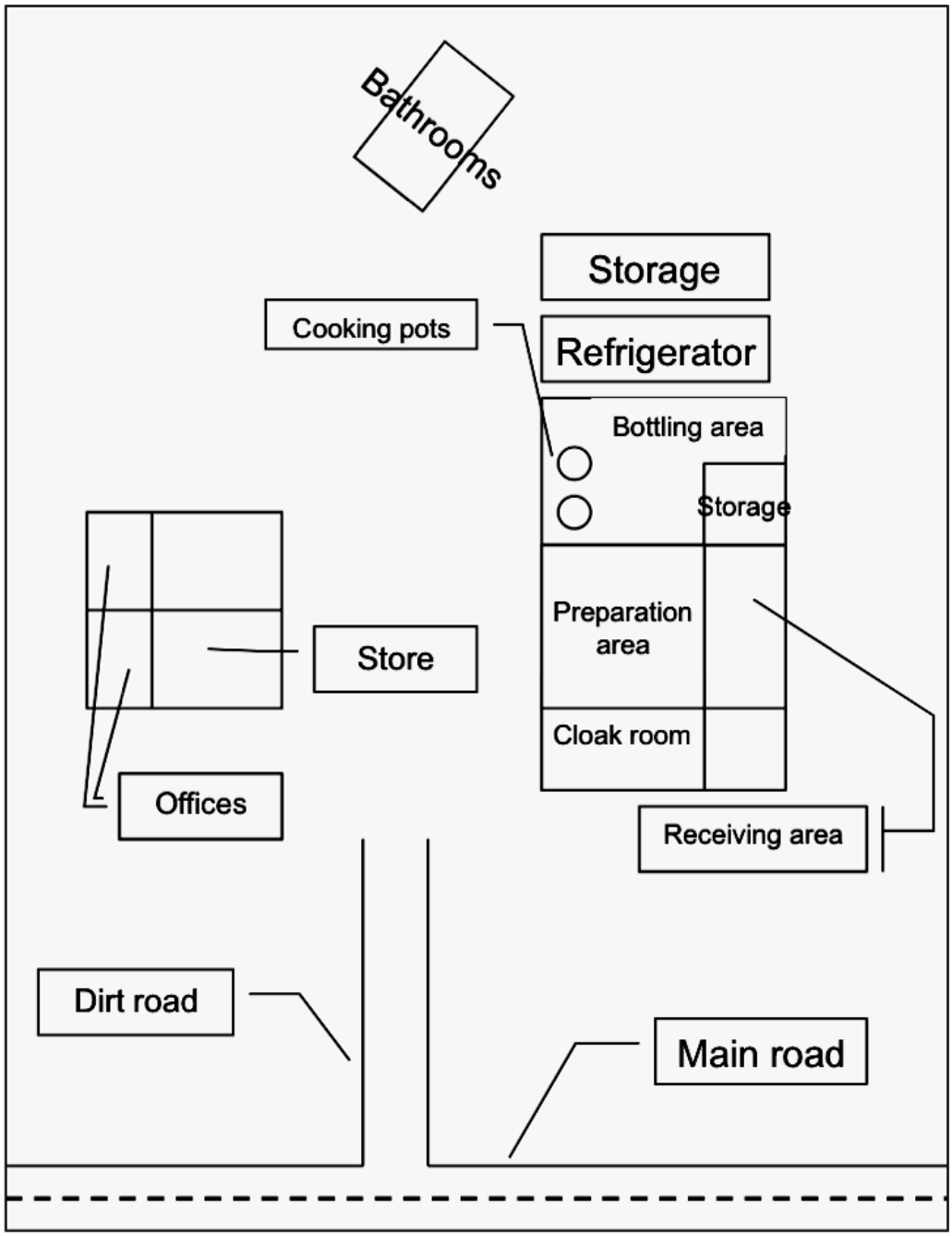


Exhibit 5: Production Flow Chart

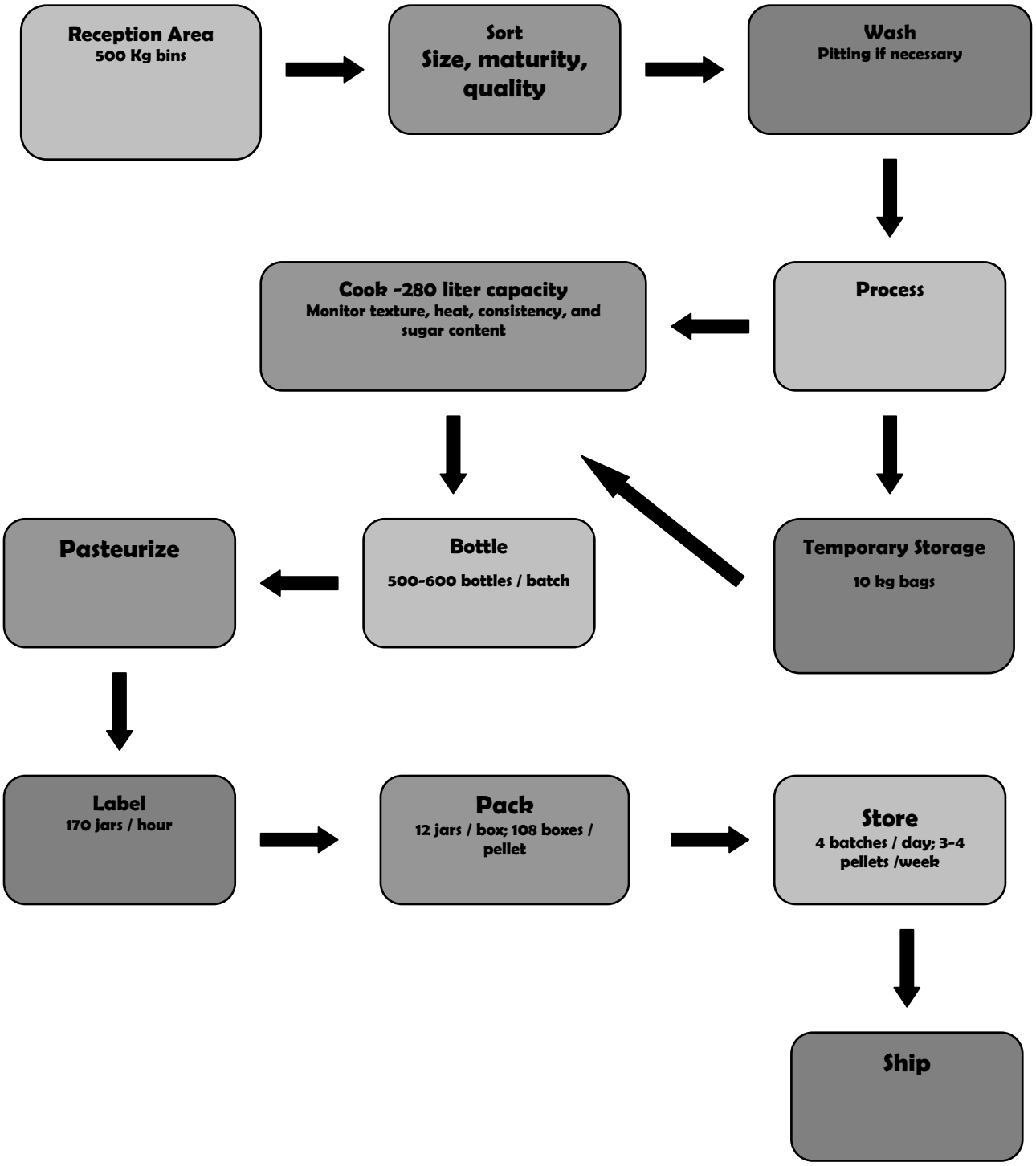


Exhibit 6: Product List with Corresponding Harvest Seasons

Product	***Price***	Production Months
Apple & Cinnamon Jam	R14.00	March, April, May
Apple & Ginger Jam	R14.00	March, April, May
Apple & Plum Chutney	R14.00	March, April, May
Quince And Honeybush	R14.00	March, April
Lime Marmalade	R14.00	June, July, August, September
Orange Marmalade	R14.00	June, July, August, September
Buchu Marmalade	R14.00	June, July, August, September
Three Citrus Marmalade	R14.00	June, July, August, September
Green Fig, Pear & Honeybush Jam	R14.00	October, November
Peach And Honeybush Jam	R14.00	December, January
Plum & Honeybush Jam	R14.00	December, January, February
Granny Smith Apple Sauce	R14.00	April, May, June
Pink Lady Apple Sauce	R14.00	April, May, June
Grape Fruit Marmalade	R15.00	May, June, July
Apple & Rooibos Jam	R16.00	March, April, May
Apple Basil Jelly	R16.00	March, April, May
Apple Mint Jelly	R16.00	March, April, May
Apricot Jam	R16.00	November, December
Quince Jelly	R16.00	March, April
Wild Watermelon Preserve	R16.00	April, May, June, July
Tomato And Basil Jam	R16.00	April
Persimmon and Ginger	R16.00	April, May
Ginger Marmalade	R16.00	June, July, August, September
Whole Kumquat Jam	R16.00	July
Apricot & Honeybush Jam	R16.00	November, December
Blackberry Jam	R16.00	October, November
Blackberry & Apple Jam	R16.00	October, November
Whole Green Figs	R18.00	October, November
Spiced Figs	R18.00	January, February
Raspberry Jam	R18.00	October, November
Aloe Marmalade	R20.00	June, July, August, September
Strawberry And Rhubarb Jam	R20.00	November, December
Strawberry & Rose	R20.00	September, October, November, December
Blueberry & Marula Jam	R20.00	November, December
Blueberry and Rhubarb Jam	R20.00	December
Cherry & Strawberry Jam	R20.00	November, December
Blueberry & Raspberry Jam	R20.00	October, November

Exhibit 7: Intaba Packaging



Intaba Private Label



Woolworths Label

Exhibit 8: Intaba Logo

