Upgrading a pack house – options to consider

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During the past year several representatives from the Australian litchi industry visited South Africa. These include Tibby Dixon, Ian and Sandy Groves who have been generous in sharing some aspects of litchi farming in Australia. It is apparent that Australian growers face many challenges, and that South African growers often take things for granted. For instance, the bird pest problem in Australia forces them to cover their crop with nets; the labour laws that are so strict; minimum wages of approximately R200 per hour, etc.

One aspect of Australian litchi farming that South African growers are reluctant to adopt is their method of picking and treating of the fruit. They pick their fruit in the early hours of the morning, anything from before dawn until 09:30 at the latest. The reason for this is to reduce moisture loss in the fruit. Furthermore, fruit are then rapidly hydro-cooled, apparently with modified instruments that are used in the dairy industry to cool milk. In essence, this method allows the fruit to stay fresh, unsulphured, for up to 14 days and they get a premium price for fresh litchis.

Of course there is little incentive to change current pack house structures and procedures. For this reason I would like to highlight a Department of Trade and Industries subsidy programme. What this means, in essence, is that pack house upgrades of R500 000 and more qualify for up to 50% cash back from the Government. Below are details of this programme.

MCEP SUBSIDY PROGRAMME FOR FRUIT PACKING

The aim of the programme is to induce firms to upgrade their production facilities, processes, products and people, by providing enhanced subsidy support, to sustain employment and maximises value-addition. The MCEP contains the following components:

Capital investment grant: A cost-sharing grant towards investment in upgrading capital equipment and expansion of productive capacity. Cost sharing will be between 30 and 50% of the investment, with smaller firms receiving a larger percentage of their investment.

Green technology upgrading grant: A cost-sharing grant towards investment in technology and process that will result in cleaner production and improved energy efficiency. Cost sharing will be the same as above.

Enterprise-level competitiveness improvement grant: A cost-sharing grant towards investment in the adoption of world-class manufacturing practices such as ISO, improved packaging design and acquisition of IT software systems. Cost sharing will be between 50 and 70% of project costs.

Feasibility studies grant: A cost-sharing grant towards developing a bankable feasibility study for new projects. Qualifying costs will include engineering design costs, EIA costs and other relevant consulting fees. Cost sharing will be as for competitive improvement.

Cluster initiatives grant: A cost-sharing grant towards support for cluster initiatives to improve competitiveness, innovation and access to new markets. Access is subject to a defined project idea and minimum number of five firms and cost sharing will be 80% of qualifying project costs.

Main requirements for entry would be:

- in operation for 12 months;
- to be Level 4 BEE/ or to convince DTI that firms will get there within two years; and
- to maintain the present number of jobs.

Components of the MCEP

- A non-taxable cash grant based on the above percentages but capped according to a percentage of the manufacturing value addition (sales less material input costs);
- the applicant will have two years to spend the MCEP grant.

Grant payments can be claimed as soon as an application is approved and the new investment commissioned. May this incentive aid in making that decision to expand a pack house – perhaps even to do away with sulphur… For more information contact Izak Smit at ismit@mweb.co.za . ST