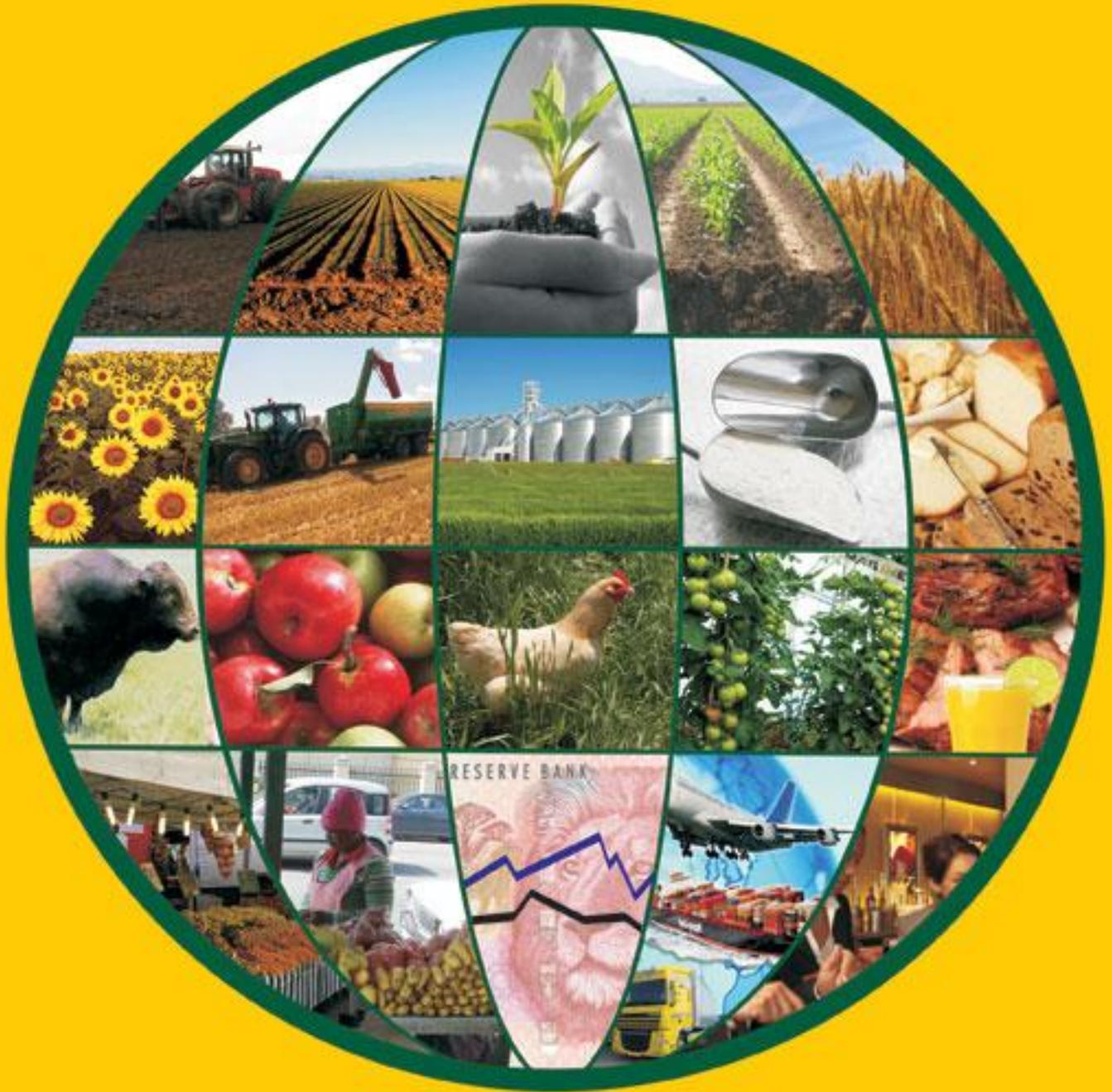


SOUTH AFRICAN FRUIT TRADE FLOW

June 2012



National Agricultural
Marketing Council
Promoting market access for South African agriculture



National Agricultural
Marketing Council
Promoting market access for South African agriculture

SOUTH AFRICAN FRUIT TRADE FLOW

Issue No. 6, June 2012



Beautiful country, beautiful fruit

Compiled by: Sifiso Ntombela
Senior Economist (NAMC)

Table of Contents

1. Background.....	1
2. Trends in South African fruits and vegetables: Export & Domestic Markets.....	1
2.1. Production.....	1
2.2. Fruit exports and domestic sales.....	2
2.3. Vegetables exports and domestic sales.....	4
3. Overview of the Subtropical fruit.....	5
3.1. Mangoes.....	5
3.2. Avocados.....	7
4. Citrus fruit season: 2012.....	8
References.....	9
Useful Links.....	9

1. Background

South Africa has diverse weather and climatic conditions which enables the country to cultivate a variety of fruits. The country is a globally known producer and exporter of citrus, deciduous, and subtropical fruits. In this issue of the Fruit Trade Flow, the focus is on the performance of the subtropical fruit industry, on both local and export markets. A preview of the citrus seasons that is currently underway is also discussed. The trends in fruit and vegetables production, export and domestic sales are also reviewed covering the period between 1996 and 2011.

2. Trends in South African fruits and vegetables: Export & domestic markets

Within the framework of the Industrial Policy Action Plan – IPAP 2, fruits and vegetables are the most important commodities in the agro-processing sector. Both are high-value crops and have large labour multipliers. They also constitute a significantly percentage of South African agricultural exports. The main fruits produced in South Africa include grapes, oranges, lemons, apples, avocados and mangoes. South Africa is also a major producer of vegetables such as potatoes, tomatoes, onions and cabbages. This article seeks to review selected trends (i.e. production, exports and domestic sales) on both fruit and vegetables for the past 30 years.

2.1. Production

Fruit production increased from 2.7 million tons in 1981 to 3.5 million tons in 1991, and 5.5 million tons in 2011, recording an average growth rate of 2 % year-on-year between 1981 and 2011 (see Figure 1). Fruit production only increased marginally between 1981 and 1996. However, after the fruit sector was deregulation in 1997, fruit production increased significantly. Production grew by an annual average rate of 3.16 % between 1997 and 2011. The latter growth can be attributed to (i) growing export opportunities in traditional export markets (e.g. the EU) and in emerging markets (e.g. the Middle East and Far East markets); (ii) better fruit production practices; (iii) improving export cold chain and efficient transporting systems.

Vegetable production has also experienced significant growth, particularly in the last eight years (see Figure 1). Vegetable production is largely driven by expanding domestic demand, which is derived from the increasing number of middle-class consumers in South Africa. Processing & storage technology improvements are also stimulating vegetable production.

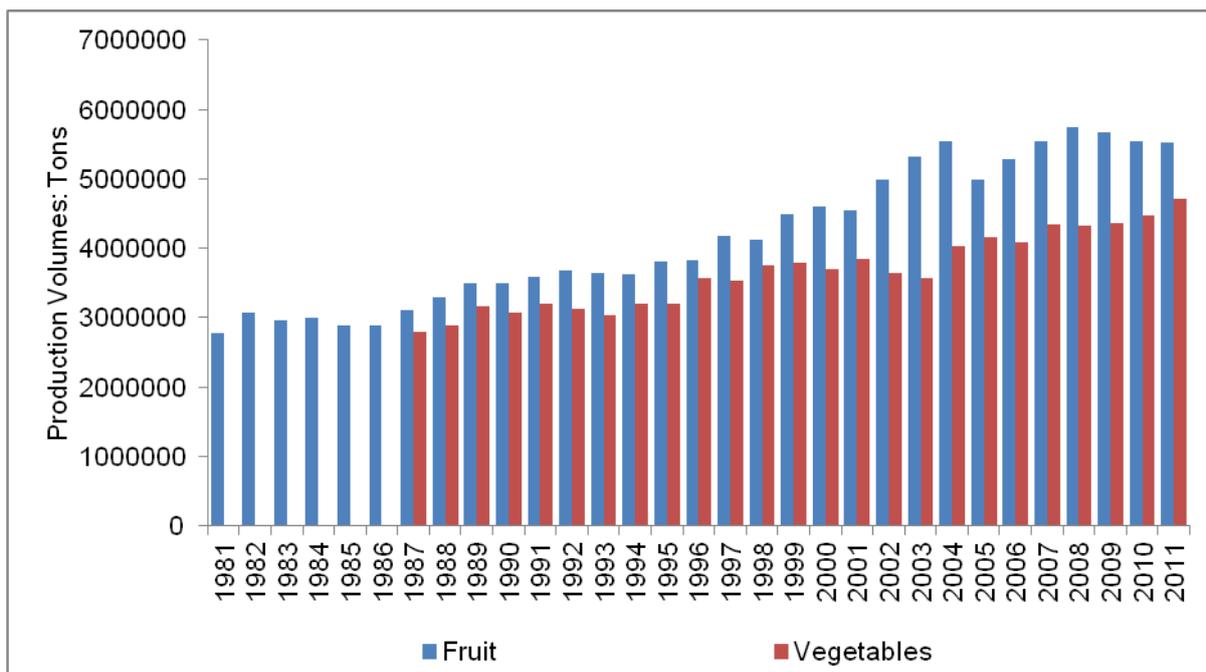


Figure 1: South Africa's fruit and vegetables production: 1981-2011

Source: DAFF agricultural abstract, 2011

Note: Vegetable data only available from 1986

2.2. Fruit exports and domestic sales

Figure 2 shows the trends in fruit exports and fruit domestic sales measured in value and quantity sold. It is clear that the bulk of fruit production is exported, mainly to European markets. However, in the last six years, exports to emerging markets (e.g. the Far East and Africa) have started to grow. Between 2002 and 2011, the value of fruit exports increased by an average rate of 12 %, while domestic value grew by 9 % rate year-on-year. The value of exports is influenced by external factors such as the exchange rate, competitors' marketing strategies, market saturation, market access conditions and product quality supplied. As results of these external factors, exports are much more volatile and tend to yield high returns as compared to domestic sales. The quantity of fruit sold in the domestic market over the reviewed period has remained relatively constant at 803 248 tons per year.

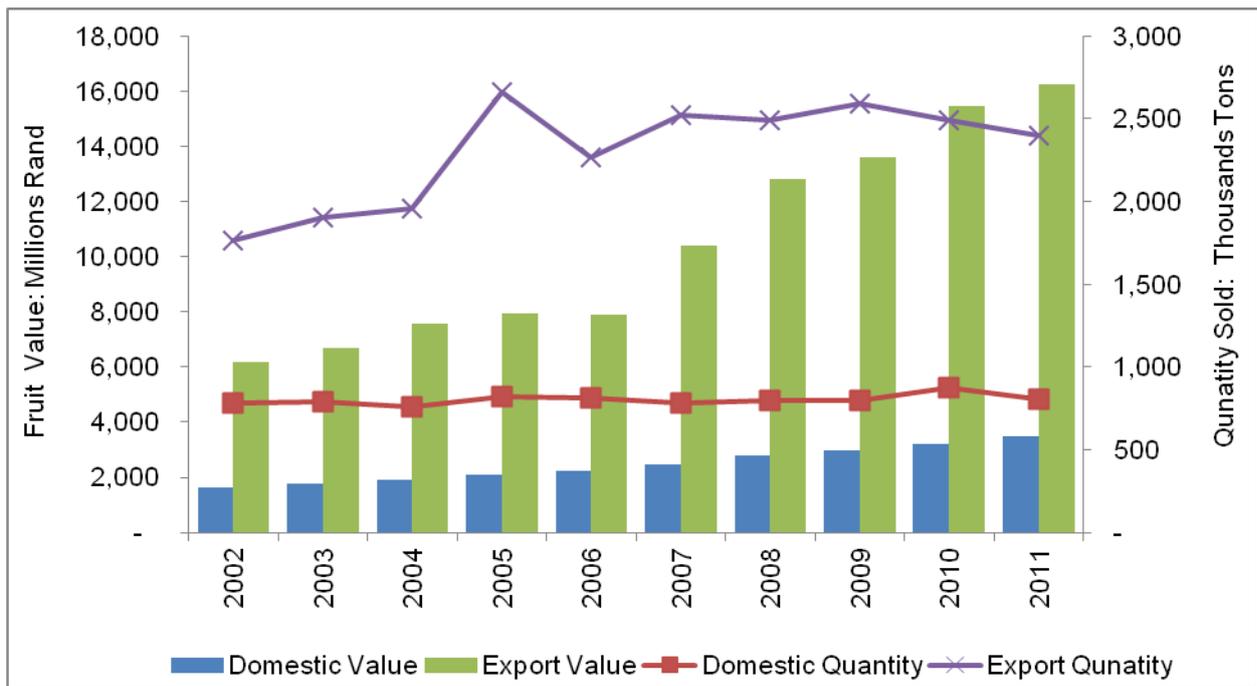


Figure 2: South Africa's fruit export and domestic sales
Source: DAFF agricultural statistics and WTA, 2012

The impact of the economic recession in Western countries resulted in the South African Rand losing strength against the Western countries' currencies, and subsequently the export price rose faster than the domestic price. This is evident when looking at Figure 3, where the gap between export price and domestic price rose from R448 per ton in 2005 to R1 633 per ton in 2008 and R2 526 per ton in 2010.

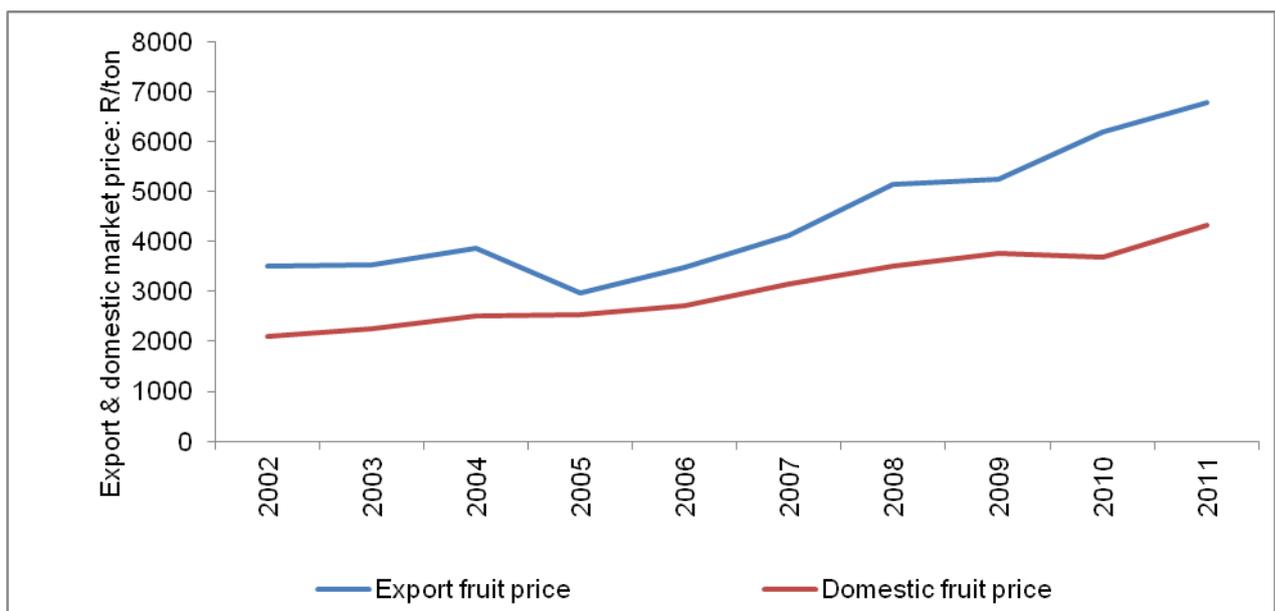


Figure 3: Difference between fruit export price and domestic price
Source: DAFF agricultural statistics and WTA, 2012

2.3. Vegetable exports and domestic sales

The bulk of vegetable production is sold on the domestic market and only a small portion is exported annually (see Figure 4). Although the quantity of vegetables sold in both domestic and export markets remained relatively constant, the value of domestic market sales increased significantly between 2006 and 2011. Consumer preferences towards healthy products have stimulated vegetables sales. Another factor contributing to an increase in the value of vegetables is improved processing technologies.

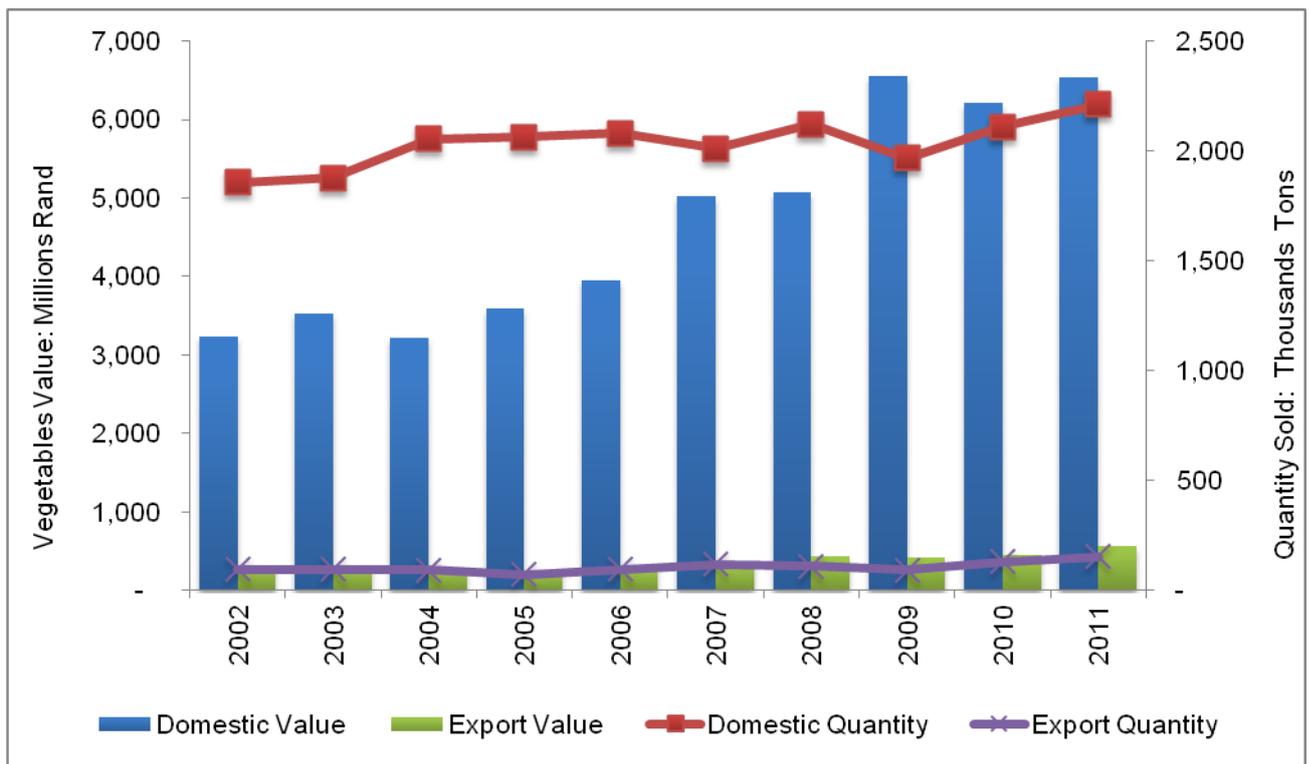


Figure 4: South Africa's vegetables export and domestic sales

Source: DAFF agricultural statistics and WTA, 2012

Figure 5 shows that the gap between the price of vegetable exports and domestic sales is narrowing. This suggests that domestic market prices have gained significant strength in recent years.

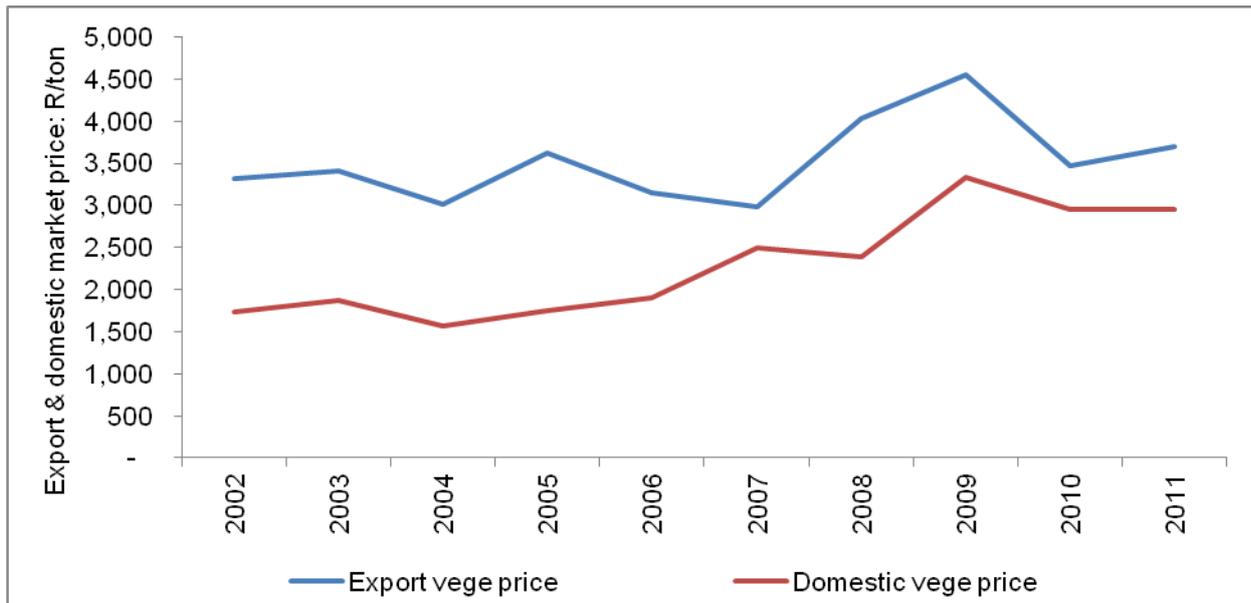


Figure 5: Difference between vegetables export price and domestic price
Source: DAFF agricultural statistics and WTA, 2012

In summary, fruit export returns are higher than domestic returns due to the influence of the exchange rate and other external factors. This gap between prices obtained on the export market versus the local market has encouraged producers to rather export their fruit than sell it locally. Rising consumer incomes in South Africa are expected to stimulate consumers' spending ability and subsequently trigger consumer preferences towards healthy and fresh products. Rising consumer incomes will likely increase domestic sales, especially in vegetables where the gap between export and domestic prices is narrowing.

3. Overview of subtropical fruit

3.1. Mangoes

Mango production in South Africa has recovered from the low crop in 2008/2009 season. The 2010/2011 season was a reasonable good season for the mango industry registering around 45 000 tons (see Figure 6). The collection and credibility of mango volumes and other production information for South Africa was excellent in the past season. The improved information collection system was help by the introduction of a statutory levy applicable to all fresh mangoes delivered for processing. Mango export volumes increased significantly from the mid-1990s until the early 2000s. After that, mango exports sharply declined from 17 337 tons in 2002/2003 season to less 640 tons in 2010/2011 season. At present, about 99 % of South Africa's mango production is currently consumed locally as fresh produce, processed juice, atchar pickle and dried fruit. Production volumes within the industry have been relatively stagnant over the last three years, due to no significant new plantings taking place.

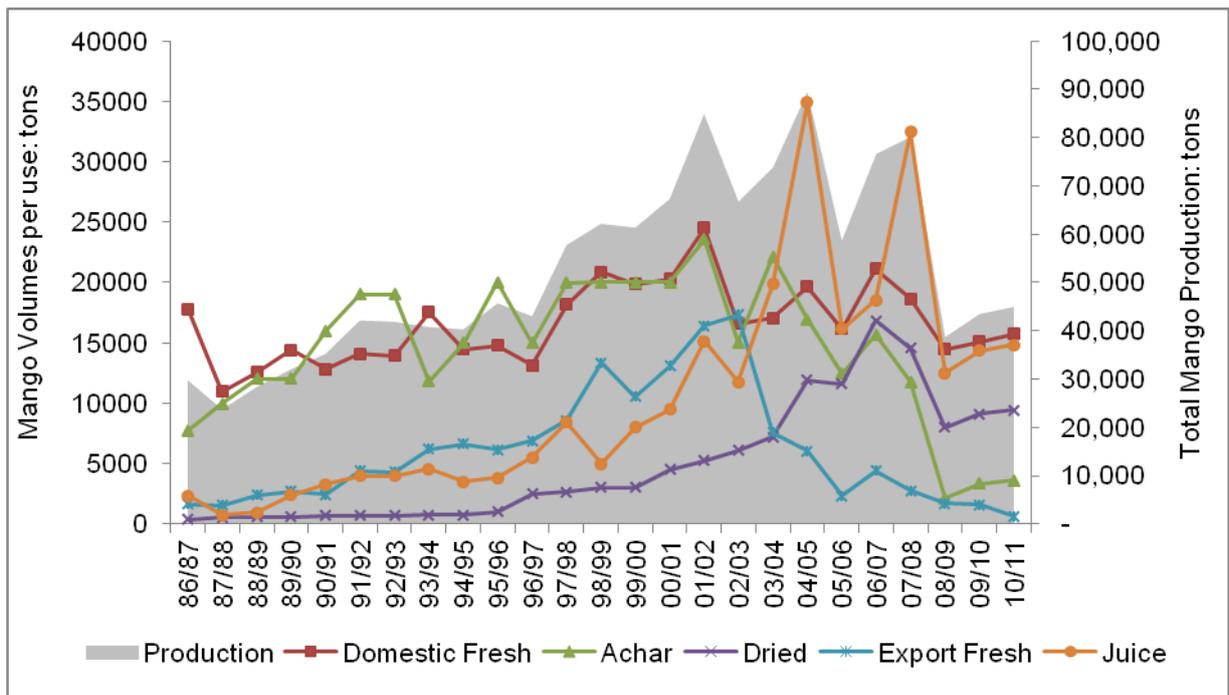


Figure 6: South African mango production and usage
Source: Subtrop, 2012

Figure 7 shows the price trends of mangoes on the National Fresh Produce Markets (NFPMs) between January 2010 and March 2012. In 2010, the average price per month was R6 388 per ton and this increased to R7 506 per ton in 2011. The 2012 price for the first three months was slightly above the price of the previous two years (see Figure 7)

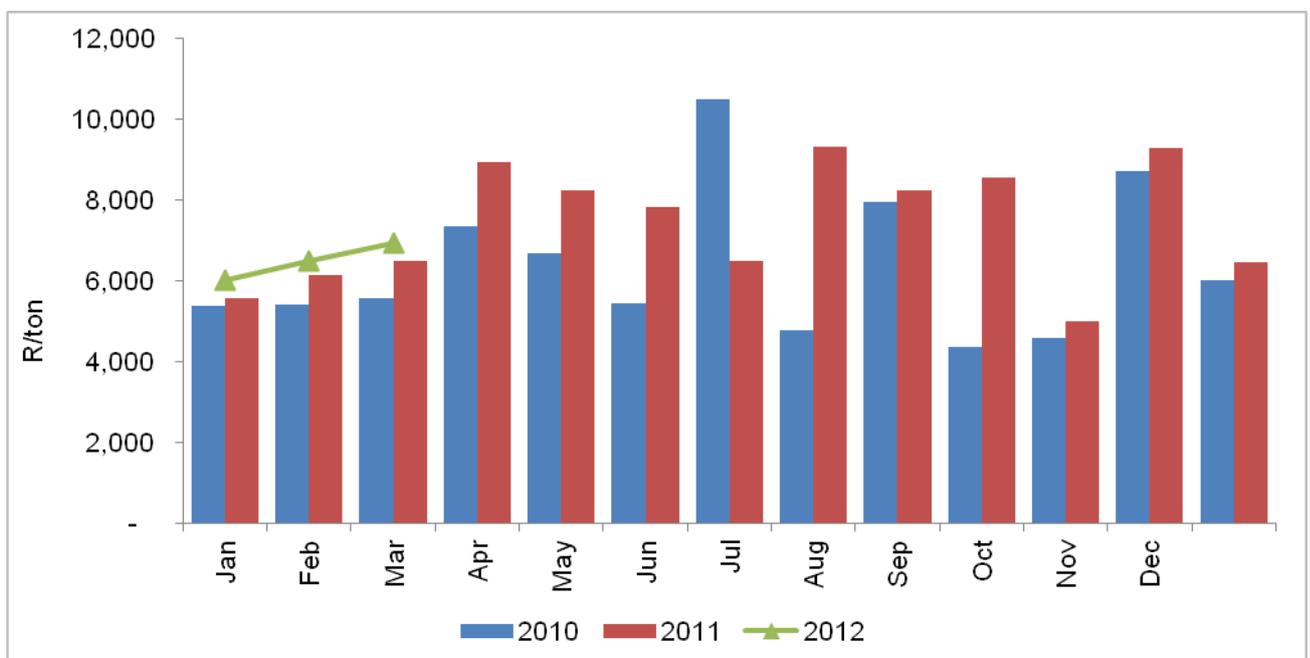


Figure 7: Local market sales for mango through the NFPMs
Source: DAFF, 2012

3.2. Avocados

Over the last three years, the estimated new plantings for avocados have been around 250 hectares per annum. Currently South African avocado production in a good year is around 105 000 to 110 000 tons. The subtropical industry, specifically avocado producers, expects the annual production to increase beyond the current level of 110 000 tons per year, due to the new plantings that are taking place. Figure 8 shows the crop distribution, where 53 % of total crop is sold domestically as fresh produce, 42 % is exported and the remainder of the crop is processed.

The 2011 year was an exceptionally challenging year for the avocado industry. Apart from 2011 being an alternatively bearing year after the good crop of 2010 (i.e. 11,9 million 4 kg cartons were exported during 2010), the industry was also hit by successive hailstorms in most of its major production areas. This resulted in a 40 % drop in the export crop, with only 6.9 million cartons exported from South Africa in 2011. In 2012, a total of 12.5 million cartons (1 carton equivalent to 4 kg) are expected to be exported. The biggest challenge for this season will be to manage the crop in such a way as to ensure that the industry gets the best returns possible for its product. The South African Avocado's Growers' Association (SAAGA) is running an extensive local and international marketing campaign aimed at increasing the consumption of avocados and maintaining the avocado price at a competitive level.

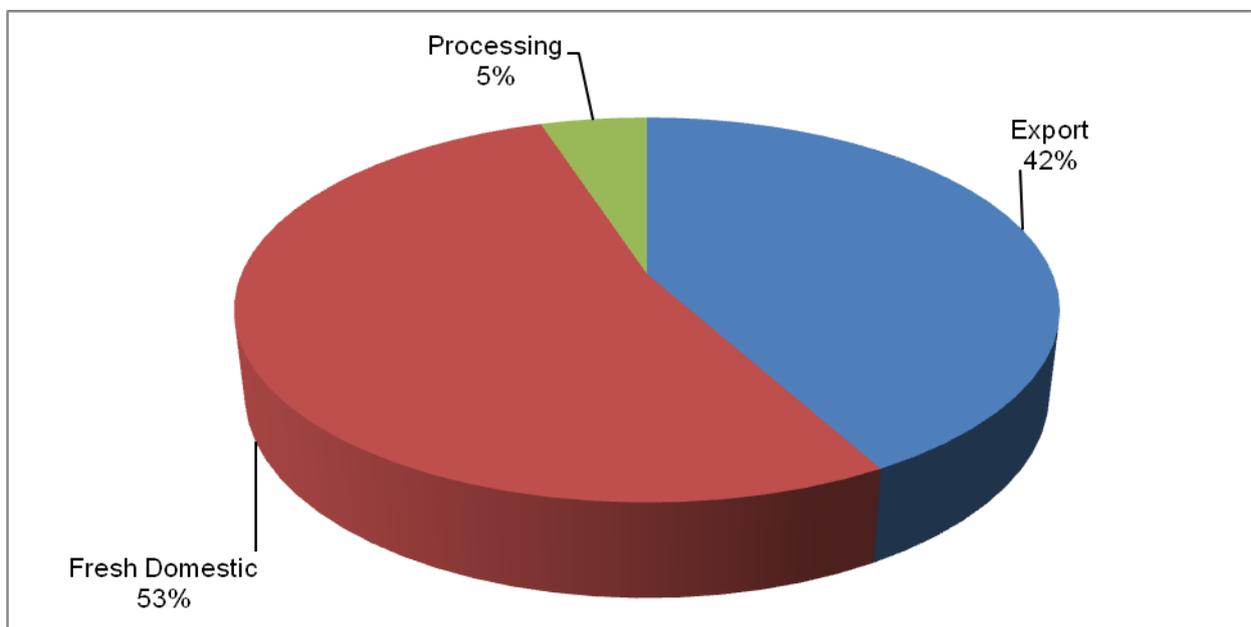


Figure 8: Avocado crop distribution patterns in the last 5 years
Source: Subtrop, 2012

Figure 9 shows the price trends of avocados on the National Fresh Produce Markets between 2010 and 2012. Between 2010 and 2011, avocado prices registered an impressive growth of 36 %, moving from R6 070 per ton to R8 242 per ton. In the first two months of

2012, the avocado price was much higher as compared to 2011 and 2010. However, the 2012 avocado price decrease from R14 000/ton in January to less than R6 000/ton in March 2012.

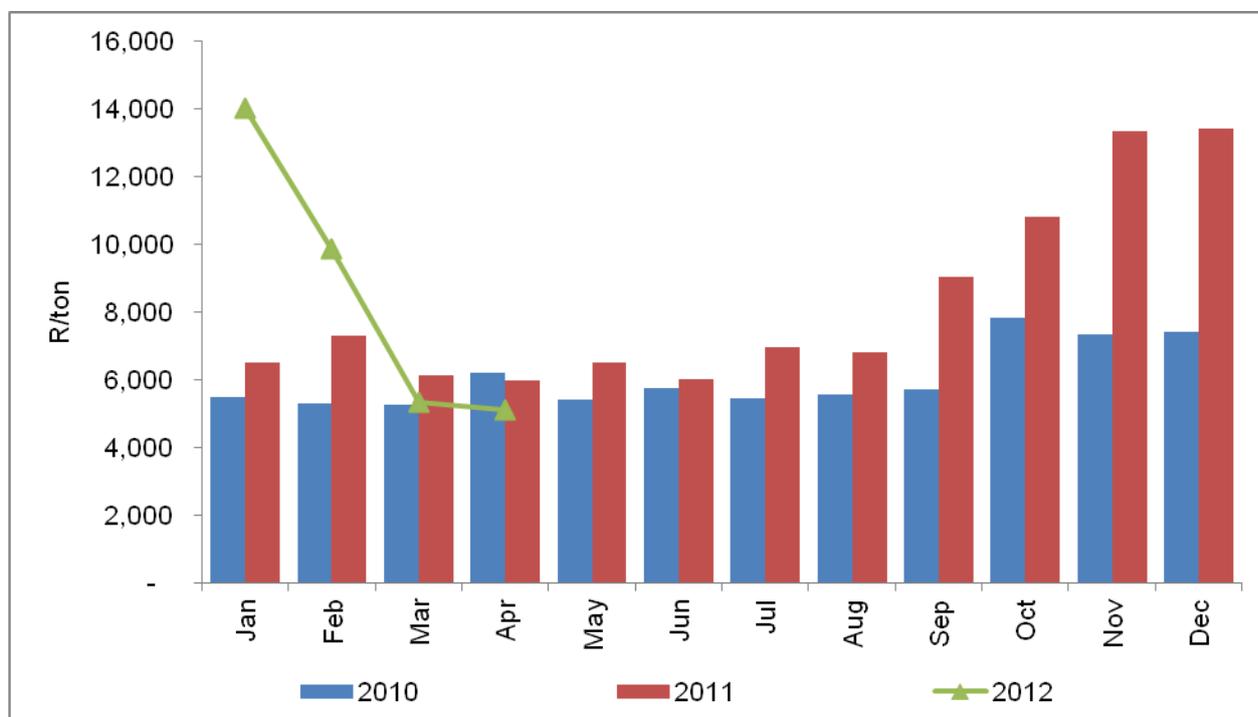


Figure 9: Fresh avocados prices at the NFPM
Source: DAFF, 2012

4. Citrus fruit season: 2012

The Citrus Marketing Forum has confirmed and released the citrus crop estimates for the 2012 season. Table 1 shows the expected number of cartons (1 carton is equivalent to 15 kg) to be packed and passed for exports in 2012 season. A total of 102.9 million cartons will be passed for export in 2012, which is a 4 % growth from the previous year, which registered 99.3 million cartons exported.

Table 1: Citrus crop estimates: 2012 season

Fruit Type		Actual 2009	Actual 2010	Actual 2011	Estimate 2012
Grapefruit		15 m	13.4 m	16.2 m	15.2 m
Soft Citrus		6.8 m	7.5 m	6.9 m	7.6 m
Lemons		8.6 m	9.6 m	10.8 m	11.1 m
Orange	Navels	19.4 m	22.9 m	21.2 m	22.9 m
	Valencia	38.4 m	48.3 m	44.2 m	46.1 m
Total		88.2 m	101.7 m	99.3 m	102.9 m

Source: CGA, 2012

Note: Estimates represent Southern Africa total: including Swaziland, Zimbabwe and Mozambique

References:

Citrus Growers' Association (CGA). (2012). Citrus fruit data. Information and Market Intelligence Division. Hillcrest, RSA.

Department of Agriculture, Forestry and Fisheries (DAFF). (2012). Local market fruit sales data. Directorate of Agricultural Statistics. Pretoria, RSA.

Subtropical Industry. (2012). Avocado and Mango fruit data. Industry Affairs Division: Tzaneen, RSA.

Useful Links:

National Agricultural Marketing Council (NAMC): www.namc.co.za

Dept of Agriculture, Forestry and Fisheries (DAFF): www.daff.gov.za

Perishable Products Export Control Board (PPECB): www.ppecb.com

South African Table Grape Industry (SATI): www.satgi.co.za

Citrus Growers' Association (CGA): www.cga.co.za

Hortgro Services: www.hortgro.co.za

South African Subtropical Growers' Association (Subtrop): www.subtrop.co.za

Fresh Produce Exporters' Forum (FPEF): www.fpef.co.za

Disclaimer

Information contained in this document results from research funded wholly or in part by the NAMC acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises, or guarantees about the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the content thereof. No warranty of any kind, implied, expressed, or statutory, including but not limited to the warranties of non-infringement of third party rights, title, merchantability, fitness for a particular purpose or freedom from computer viruses is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Reference made to any specific product, process, and service by trade name, trade mark, manufacturer or another commercial commodity or entity is for informational purposes only and does not constitute or imply approval, endorsement or favouring by the NAMC.