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Marketing Council**
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in dynamic global markets

SOUTH AFRICAN FRUIT TRADE FLOW

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1 Background

In the global market, South African fruits are popularly known for their exceptional quality coupled with sweet taste and appealing external appearance. The country has created a legacy of being a preferred supplier of premium quality fruits to a variety of export markets. Fruit producers across the country are continually ensuring that their produce meets the highest safety, ethical and environmental standards to meet consumer expectations throughout the globe. This has enabled the country to expand its fruit exports to the emerging markets of Asia, Africa and Eastern Europe, while maintaining its competitive position in traditional markets. The expansion of exports has meant more job opportunities back at home.

This publication aims to provide credible and up-to-date fruit exports and local market sales information, to better understand the trends within the fruit industry. It also functions as a platform for individual fruit industries to highlight the challenges facing them, and interacts with the NAMC on fruit trade and market related issues. The November issue provides an overview of the citrus, subtropical and pome fruit industries, which have just completed their 2010 season. It also includes the outlook for the table grape and stone fruit industries, which are due to commence their season in November 2010.

2 Overview of the citrus fruit 2010 season¹

The citrus industry consists of four fruit kinds, i.e. oranges, grapefruit, lemons and soft citrus fruits. The citrus season runs from March until October, producing quality fruits that are accepted at local and international markets. On average, the industry exports 65 % of total production, 25 % is processed and roughly 10 % is destined for local markets. The 2010 citrus season has produced a good quality crop that is 12 % higher than the previous season (see Figure 1). The increase in production led to an increase in exports as volumes to most export markets showed significant growth. Figure 1 shows the trend of citrus volumes per fruit type passed for exports in the past three years.

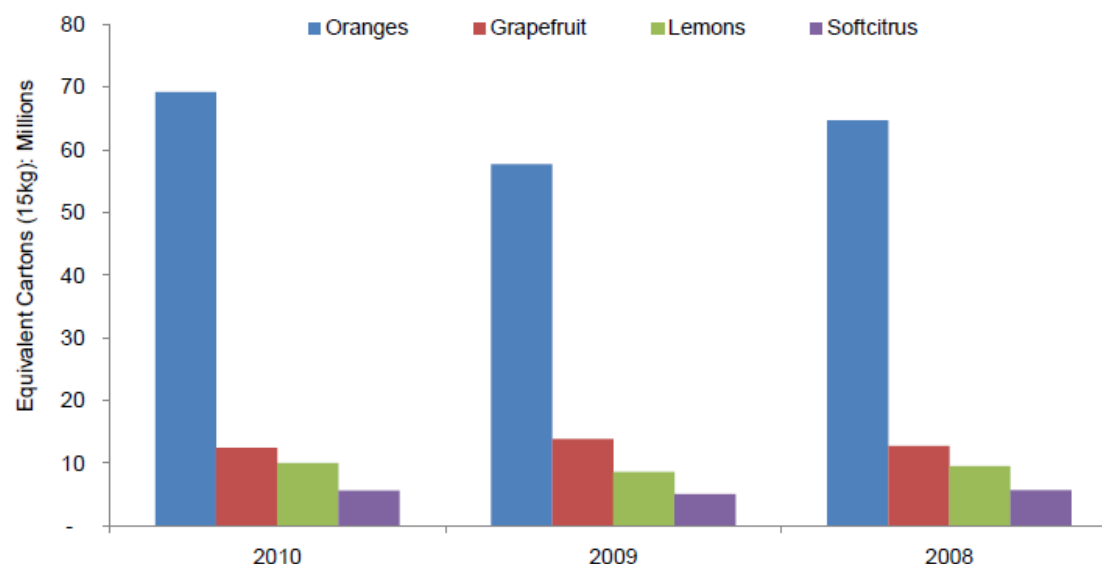


Figure 1: Citrus volumes per fruit type passed for exports

Source: CGA and PPECB, 2010

¹ Author wants to acknowledge John Edmonds of the Citrus Growers' Association; Nokuzola Raqa of the PPECB and Mahlatse Makaleng of DAFF for valuable information provided to compile this section.

The 2010 season also had a number of setbacks including: (i) the strong Rand, which affected the profitability of producers exporting to Northern Europe and United Kingdom (UK) markets; (ii) rain experienced during the first weeks of the harvesting season; and (iii) a disruptive strike that caused major delays of exports. The strike hampered efforts to take advantage of early season marketing conditions, which were much better than last year due to lower supply from other Southern Hemisphere suppliers. On the bright side, the strike reopened the debate on conventional versus container shipping. The current fruit export trend is towards container shipping due minimum handling advantages. Because the strike did not affect conventional shipping, it acted as a reminder to the industry to keep both shipping modes viable and operational.

2.1 Oranges

Oranges had a very good season when measured in terms of quality and quantity. The main varieties of oranges in South Africa include Valencia and Navel. The production of oranges was significantly higher than last year, largely due to good weather conditions. Figure 2 shows the major destination markets for South African orange exports. Northern Europe, the Middle East and Russia were the biggest importers of oranges in the 2010 season, collectively absorbing 62 % of total orange exports. A large volume of oranges was also exported to Asian markets, indicating a relatively well-diversified export distribution by orange producers.

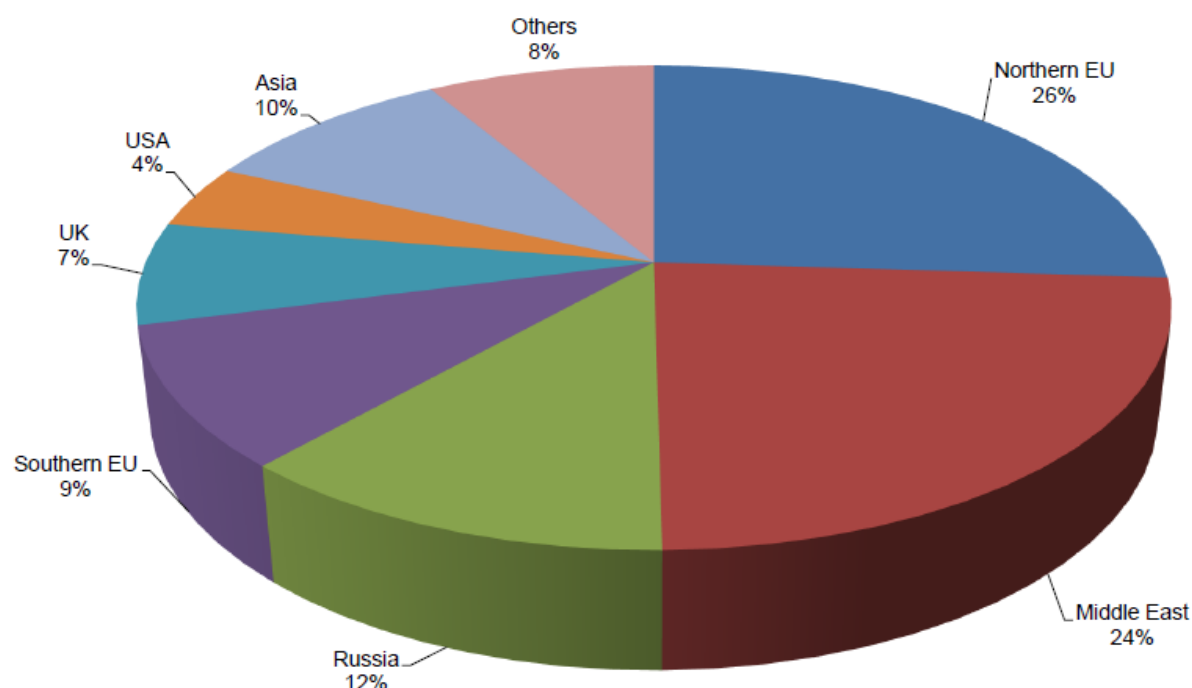


Figure 2: Orange export volumes per market: 2010

Source: CGA and PPECB, 2010

Figure 3 indicates the weekly intake of orange volumes passed for exports. The orange harvest reached a peak around week 30 and week 33. By the end of week 42 of the 2010 orange season, a total of 69.26 million cartons (15 kg) were passed for export, thus a 20 % growth as compared to the previous season. However, the growth margin is only 7 % higher when compared to the total number of cartons passed for exports in the 2008 orange season.

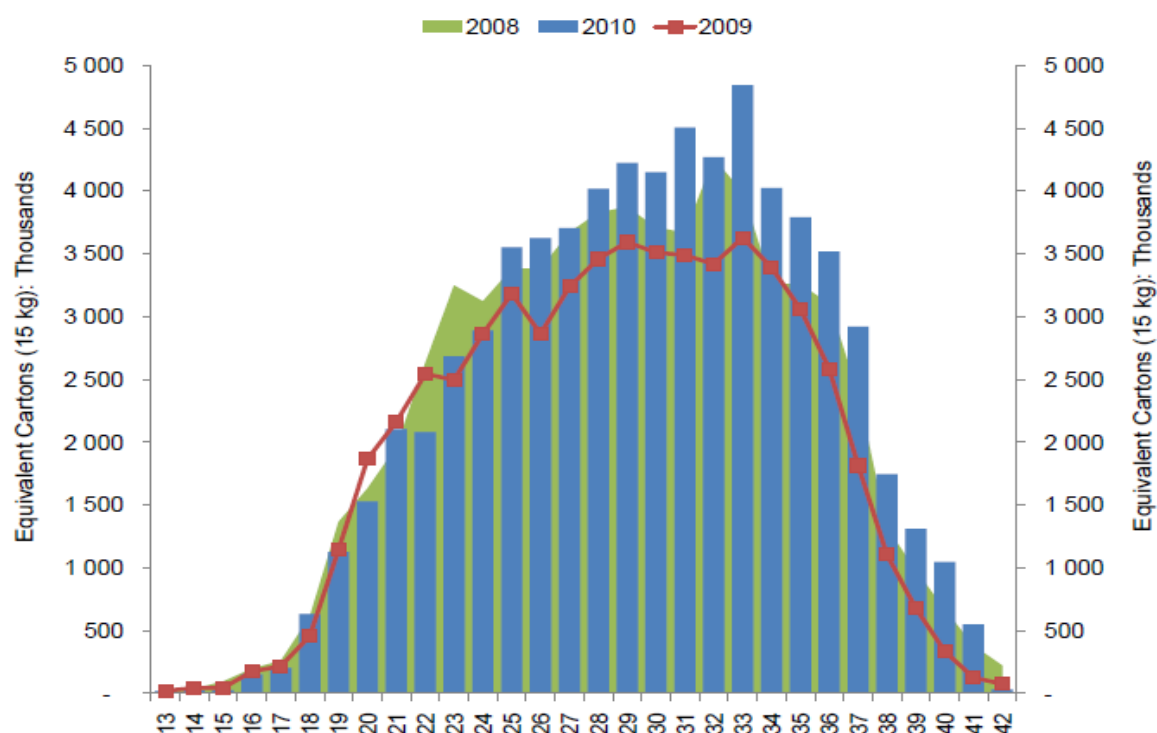


Figure 3: Weekly number of orange cartons (15 kg) passed for export in the 2010 season

Source: CGA and PPECB, 2010

Figure 4 shows the total volume of oranges sold in the national fresh produce markets between January 2010 and September 2010. It also indicates the price fluctuation over the depicted period. For every 1 600 tons of quantity increase in fresh produce markets, the price declined by 8 %, indicating an oversupply on the local market. Local markets transacted relative large volumes of oranges as compared to last year. This was caused by a strike and early season rain that resulted in a relocation of volumes that were initially intended for export markets. The World Cup also played a role in the increase of sales between June and July.

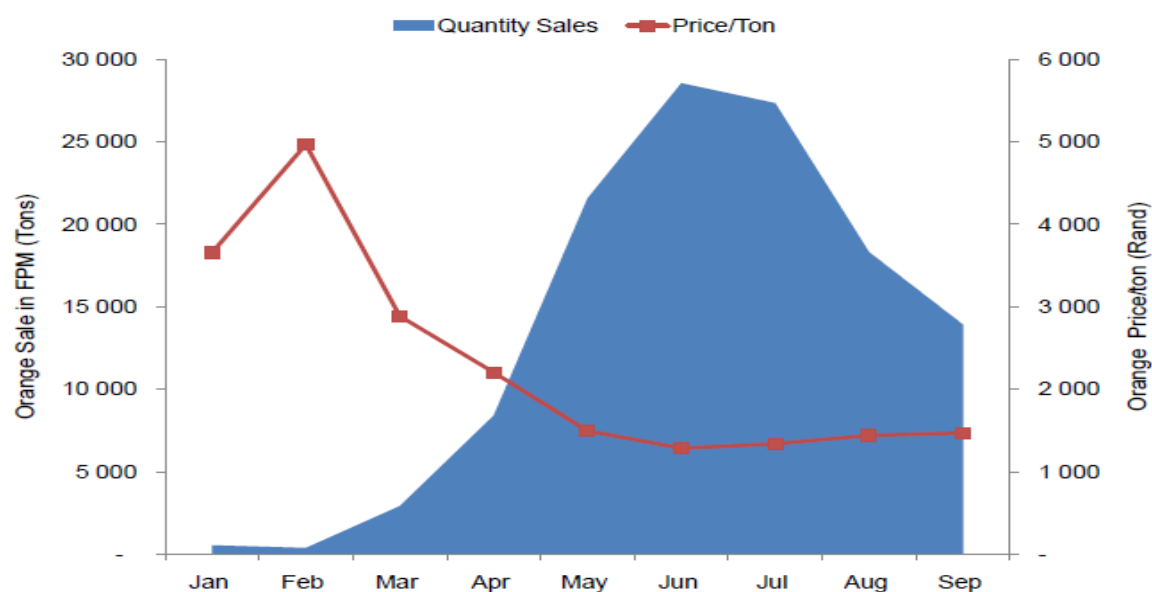


Figure 4: Local market sales for oranges in the fresh produce markets: 2010

Source: DAFF, 2010

2.2 Lemons

Argentina, the biggest supplier of lemons to Northern Hemisphere markets, experienced unfavourable weather conditions in the 2010 season, which resulted in a shortage of supply in the markets. This created an opportunity for South Africa to export more lemons than last year. A total of 10 million lemon cartons (15 kg) were passed for exports in the 2010 season, which was a 17 % increase in comparison to the previous season. Major importers were the Middle East, Northern Europe, Russia and the United Kingdom, collectively absorbing 84 % of total exports. Another 7 % of total exports was shipped to Far East markets (see Figure 5).

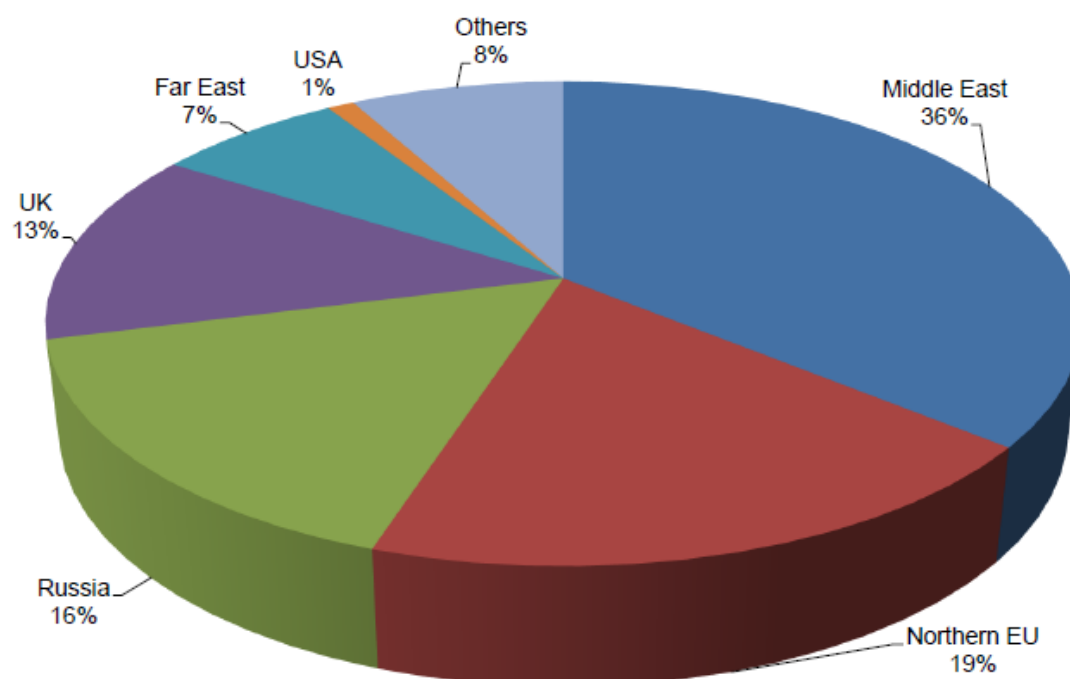


Figure 5: Lemon export volumes per market: 2010

Source: CGA and PPECB, 2010

Figure 6 indicates the weekly intakes of lemons from all producing regions in South Africa. Week 18 to week 21 was the peak harvest weeks during the 2010 season. Although the 2010 lemon crop showed a strong increase as compared to the 2009 season (i.e. 17% up), the growth was only 5 % when compared to the 2008 season.

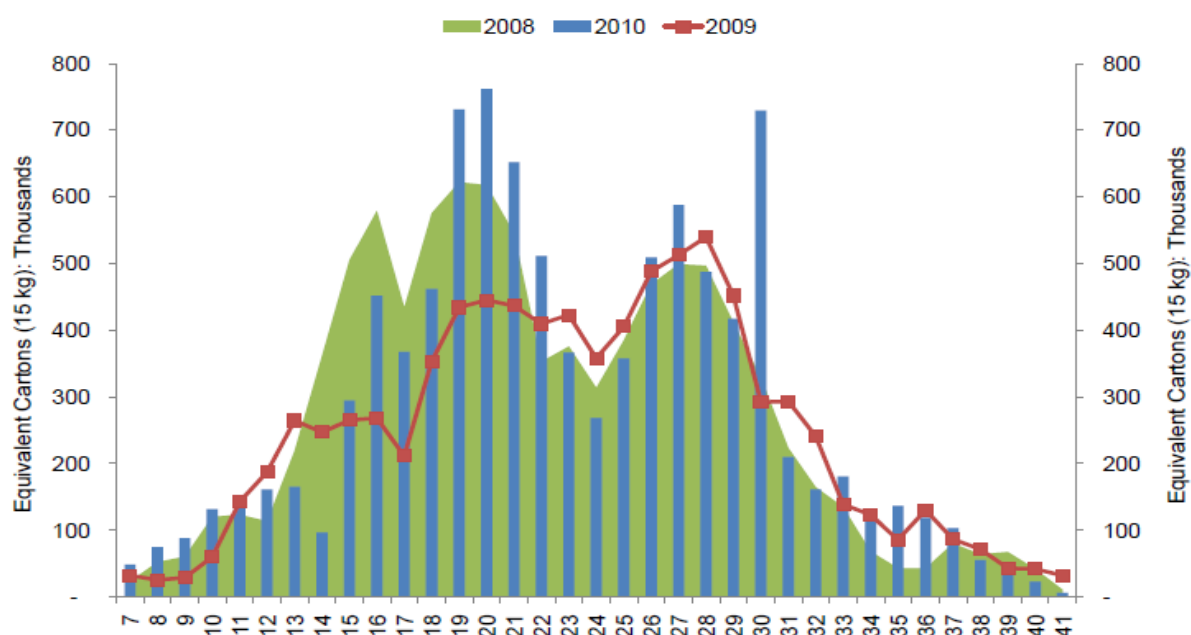


Figure 6: Weekly number of lemons cartons (15 kg) passed for export in the 2010 season
Source: CGA and PPECB, 2010

Figure 7 shows the local sales of lemons in the fresh produce markets. The local price of lemons decreased by 66 % from January 2010 to reach a lowest monthly price of R1 698 per ton in June 2010. The price drop can be attributed to a cold weather that lowers the demand for oranges. From July 2010 to the date of this report, the price has increased significantly to a high of R4 749 per ton. During this period the quantity of sales has remained relatively stable at 923 tons per month.

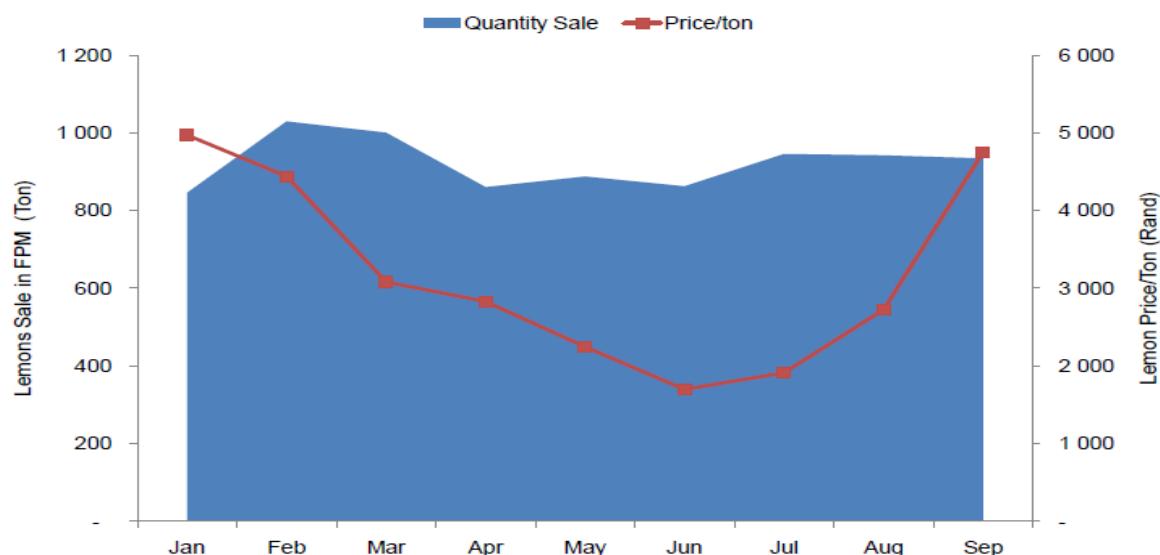


Figure 7: Local market sales for lemons in fresh produce markets: 2010
Source: DAFF, 2010

2.3 Grapefruit

A total of 12.5 million grapefruit cartons (15 kg) were packed and passed for export in the 2010 season, this is a 12 % decline in comparison to the previous season. Out of these 12.5 million cartons, about 40 % was white grapefruit, 6 % was rose and 54 % was of the red grapefruit type. Northern Europe was the main importer with an import share of 36 %. Japan was the second biggest

importer of South African grapefruit, absorbing approximately 30 % of total exports. Exports to Japan were one million cartons down in comparison to the previous year due to slow consumer purchasing power in the 2010 season. Russia was one of the strong markets, importing about 10 % of total grapefruit exports (see Figure 8).

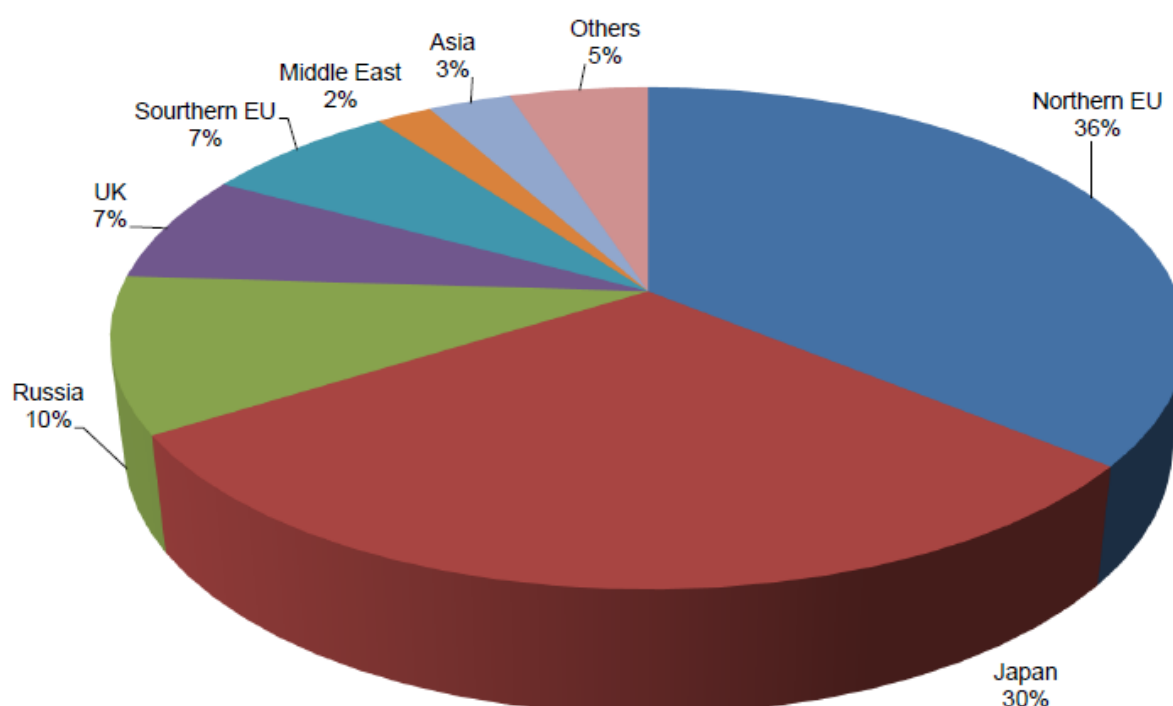


Figure 8: Grapefruit export volumes per market: 2010

Source: CGA and PPECB, 2010

Figure 9 represents the weekly intake of grapefruit from all South African producing regions. There was a similar trend over the past three years, where the cartons passed for export reached a peak level between week 18 and week 22. As mentioned earlier, the 2009 season's crop was slightly higher than that of the current season.

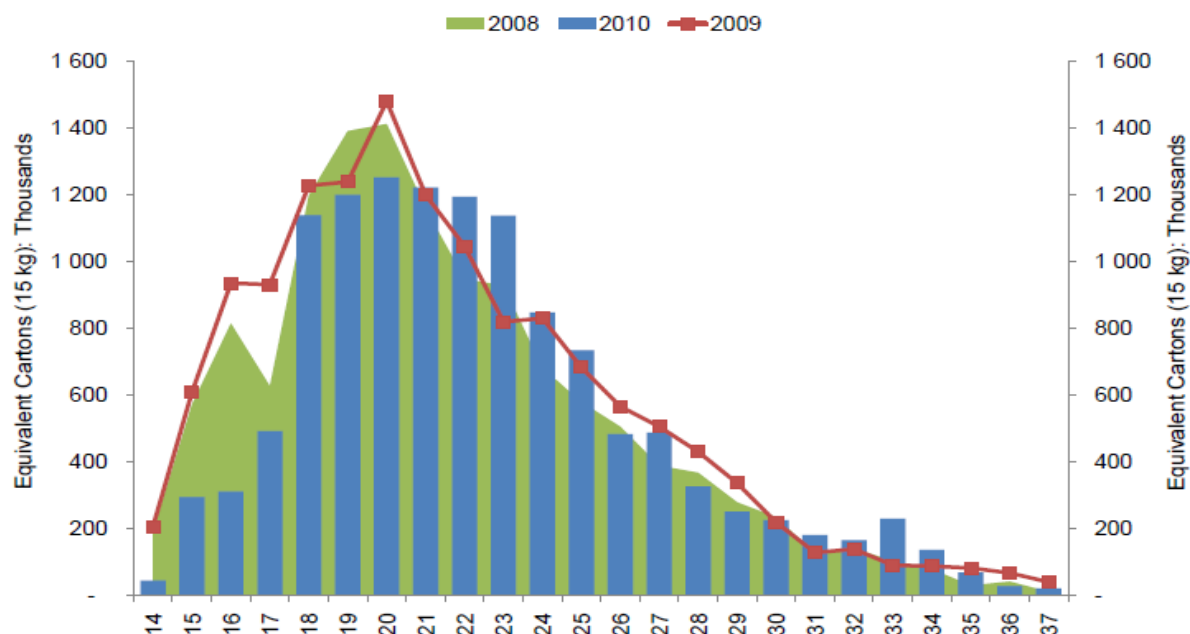


Figure 9: Weekly number of grapefruit cartons (15 kg) passed for export in the 2010 season
Source: CGA and PPECB, 2010

Figure 10 shows grapefruit quantity sales and price variability over the last nine months in the domestic market. The grapefruit season started well with high prices received in the first three months of 2010. The price then declined from R3 982 in January to low of R385 per ton in June 2010 largely due to high stock levels. In June the fresh produce markets recorded their highest monthly sales, amounting to a total of 2 901 tons. The grapefruit price has recovered somewhat from the low prices in June 2010.

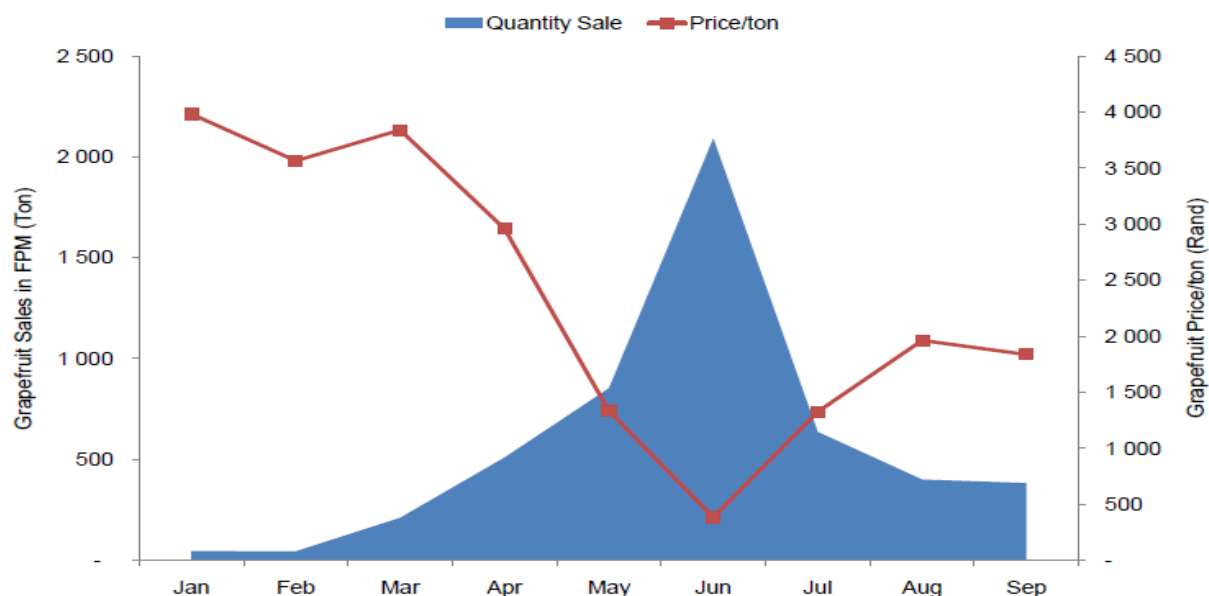


Figure 10: Local market sales for grapefruit in the fresh produce markets: 2010
Source: DAFF, 2010

2.4 Soft citrus

The exports of soft citrus started exceptionally well, with producers receiving good prices in Northern Europe and the United Kingdom. Good quality was the key factor success for soft citrus sales in these

export markets. A total of 5.6 million cartons (15 kg) of soft citrus were passed for export in the 2010 season; i.e. a 10 % growth as compared to the previous season. Soft citrus exports are relatively well distributed between emerging and developed markets. The United Kingdom was still the leading importer of soft citrus with an import share of 39 %, slightly lower than last year's share. The Middle East and Russia are increasingly becoming important consumers of South African soft citrus. In the 2010 season, Russia imported 11 % of the total exports, while the Middle East absorbed 9 % of the total crop available for export (see Figure 11).

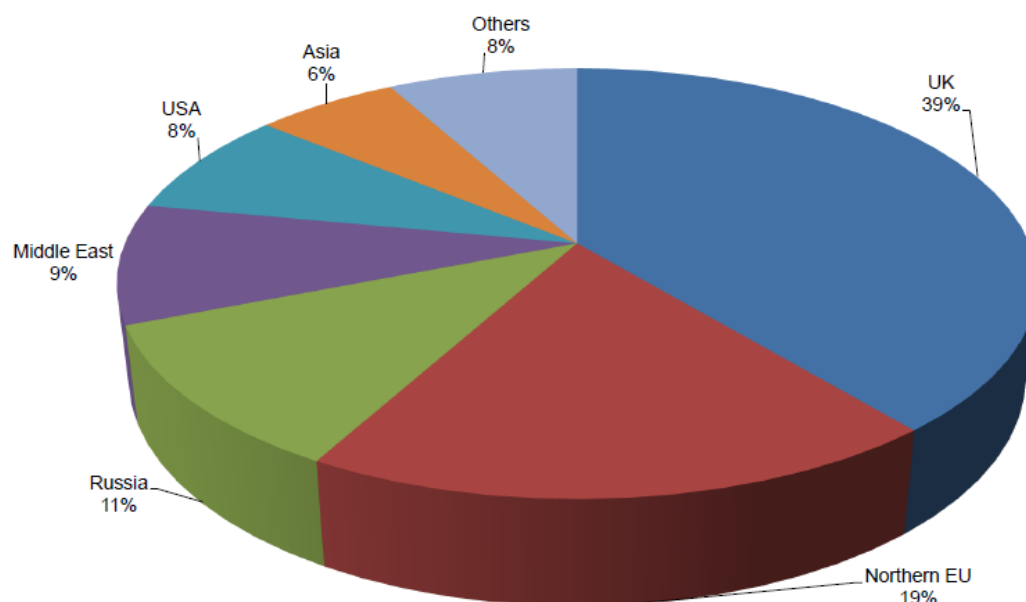


Figure 11: Soft citrus export volumes per market: 2010

Source: CGA and PPECB, 2010

3 Overview of the pome fruit 2010 season²

Pome fruits belong to the deciduous fruit group, and comprise apple and pear fruits. More than 42 % of the total production of apples is exported, 32 % is processed and 26 % is destined for local markets. In the case of pears 51 % of total production is exported, 33 % is processed and 13 % is destined for domestic market consumption. The South African pome fruit industry is in a consolidation phase and the hectares carrying pome fruit trees are expected to remain constant in the next three years.

Although export prices for apples and pears were slightly better than last year, the 2010 season was not one of the best seasons for many pome-producing countries. The European producing countries had relatively large pome fruit stocks, which overlapped with the Southern Hemisphere supply window. The first South African exports to Northern Europe and United Kingdom markets had to compete with this stock. Fortunately for South Africa, the volumes from competing Southern Hemisphere countries were down and late due to the combination of earthquakes and wet weather conditions. In addition, the South African pome industry had a consumer education campaign running in all major supermarkets in the United Kingdom and Germany. The campaign facilitated the sales of South African apples and pears, creating space for additional exports from South Africa. The fast movement of South African apples and pears on supermarket shelves caused a minimum variability on prices received.

² Author wants to acknowledge Erik van Papendorp of the Hortgro Service; Nokuzola Raqa of the PPECB and Mahlatse Makaleng of DAFF for valuable information provided to compile this section.

3.1 Apples

A total of 22.5 million apple cartons (12.5 kg) were passed for export in the 2010 season, i.e. a 12.5 % decline in comparison to last year. The lower production can be attributed to the effects of a heat wave that affected the production of apples in the Western Province. The heat wave resulted in a high incidence of sunburn on fruits. This led to a substantial proportion of the crop not meeting the minimum requirements for exports, which was subsequently absorbed on the local market. Figure 12 shows the main export destinations for South African apple exports. The United Kingdom and Northern Europe hold the largest share of 52 %, followed by Asian markets with 38 % of total exports. The large percentage (9 %) of apples going to African markets indicates that despite the underdeveloped infrastructure and formal retail sector in Africa, there are still large trade opportunities, particularly for less perishable fruit products.

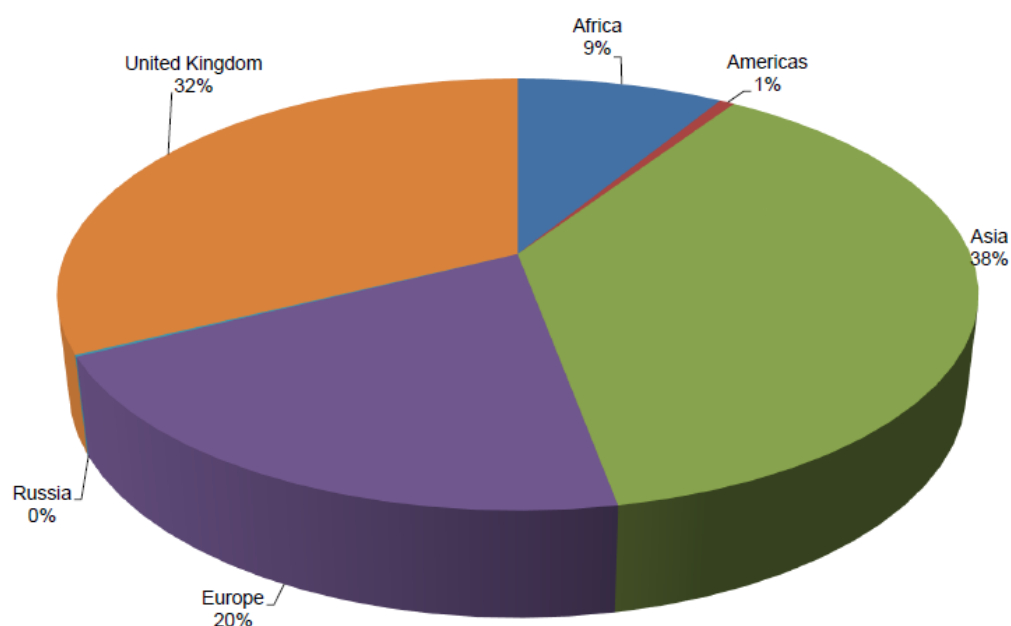


Figure 12: Apple export volumes per market: 2010

Source: Hortgro and PPECB, 2010

Figure 13 represents the weekly inspections of apples for the past three years. The 2010 apple volumes are lower than both 2009 (12 % down) and 2008 (13 % down) seasons' volumes. The 2008 season was an exceptional season for pome fruits, where producer profitability was high due to the availability of large export quantities and weaker exchange rates.

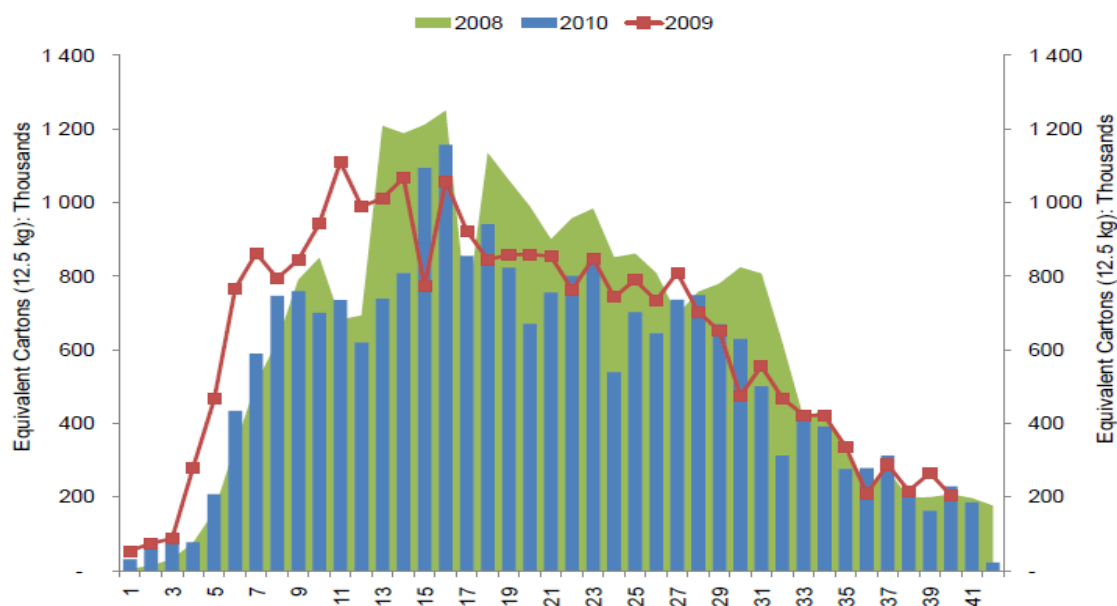


Figure 13: Weekly number of apple cartons (12.5 kg) passed for export in the 2010 season
Source: Hortgro and PPECB, 2010

Figure 14 indicates domestic apple sales in the national fresh produce markets. The apple price showed minimum fluctuations throughout the last nine months of the 2010 season. The minimum price variability under large stock indicates a strong domestic consumption of apples.

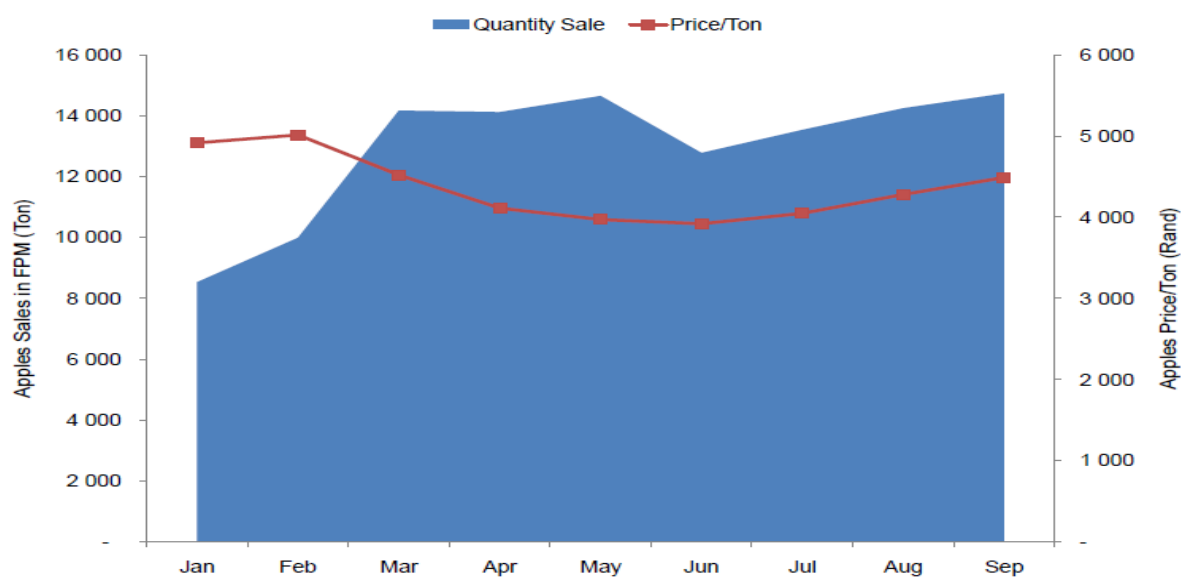


Figure 14: Local market sales for apples in fresh produce markets: 2010
Source: DAFF, 2010

3.2 Pears

The 2010 pear season showed no growth when measured in terms of volumes exported. A total of 14.5 million pear cartons (12.5 kg) were passed for export in the 2010 season. Figure 15 shows that Northern Europe and the United Kingdom are still the most important markets for South African pears. These markets collectively absorbed 70 % of total pear exports, followed by Asian markets with an import share of 25 %.

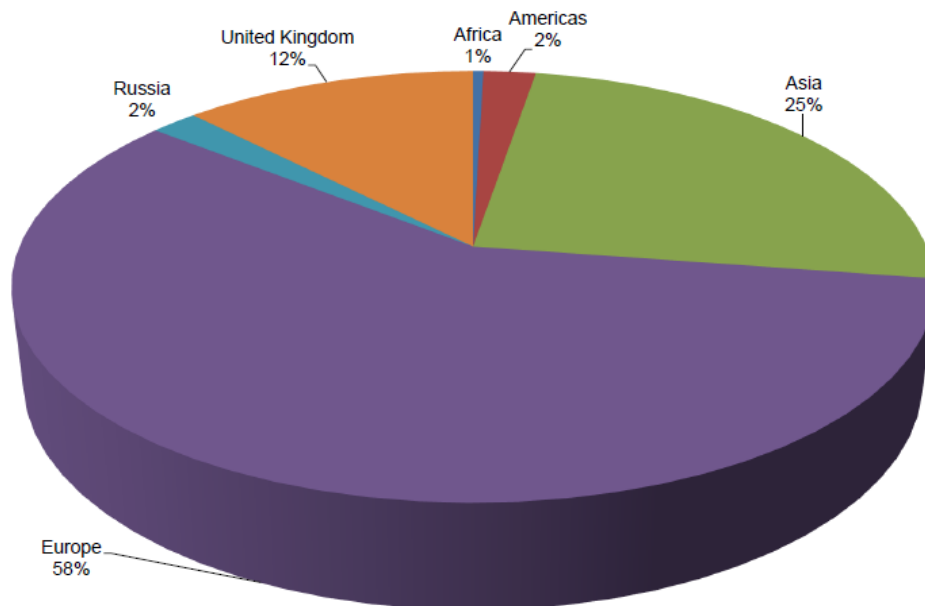


Figure 15: Pear export volumes per market: 2010

Source: Hortgro and PPECB, 2010

Figure 16 portrays weekly intakes of pears in the 2010 season. The pear season started at a similar pace as previous years, however, the pear harvest was affected by harsh weather conditions between week 12 and week 15, which led to lower volumes being exported during that period. Another bad harvest period was experienced between week 18 and week 19.

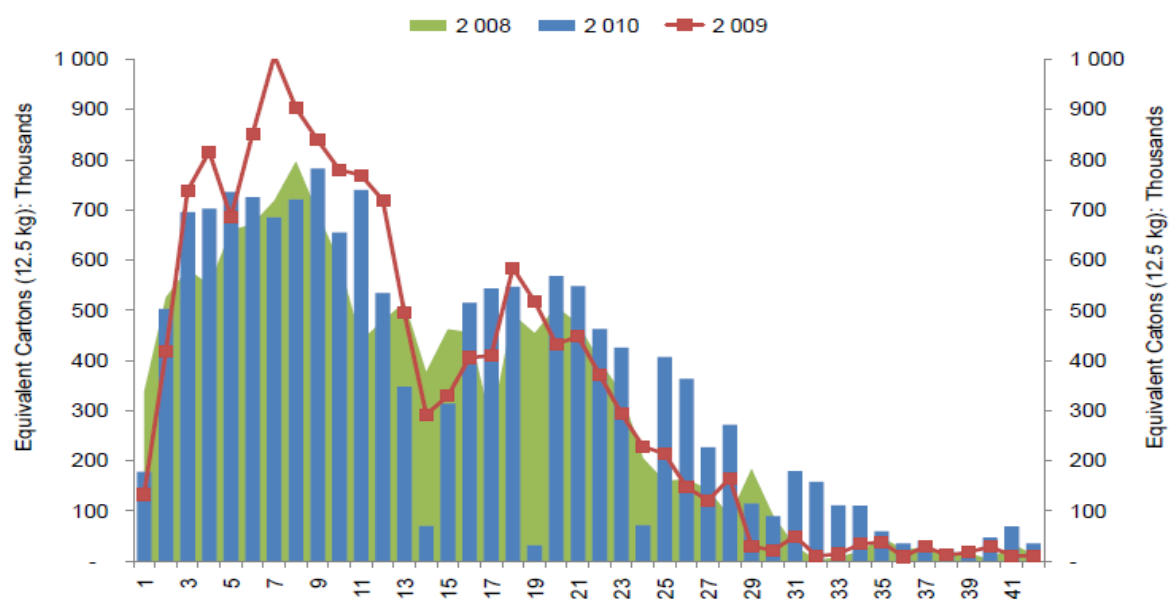


Figure 16: Weekly number of pear cartons (12.5 kg) passed for export in the 2010 season

Source: Hortgro and PPECB, 2010

Figure 17 shows pear sales in the domestic market. Pears have a very steady market, indicated by large quantities and increasing prices for the past eight months. The average monthly pear price increased from R3 284 in February to R4 588 per ton in September 2010. This emphasises the strong domestic demand for pear fruits.

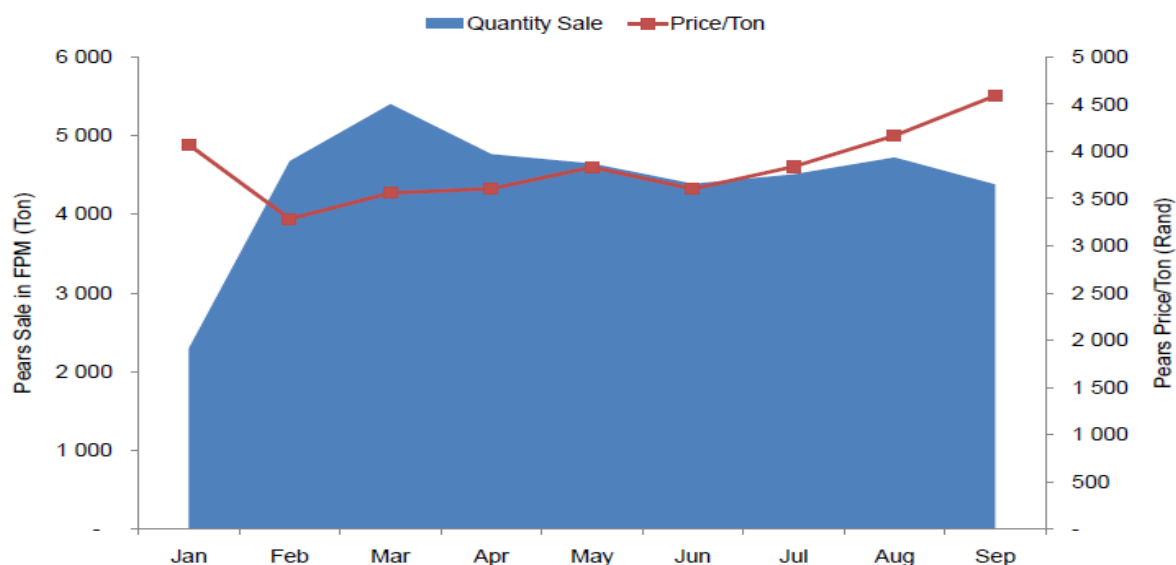


Figure 17: Local market sales for pears in fresh produce markets: 2010

Source: DAFF, 2010

4 Overview of the avocado 2010 season

According to the latest statistics from the subtropical fruit industry body,³ about 110 000 tons of avocados are produced yearly in South Africa. About 45 % of total production is exported, 15 % is processed and 25 % is destined for local markets. Another 15 % is sold in the informal market (popularly known as Bakkie Sales). In the 2010 season, a total of 11.92 million cartons (4 kg) were exported, showing a 22 % growth in comparison to the previous season's volumes. Figure 18 shows the weekly exports of avocados between week 13 and week 45 during the 2010 season. The effect of the Transnet strike in week 21 is reflected in week 23, where only 11 000 cartons (4 kg) were exported in that week.

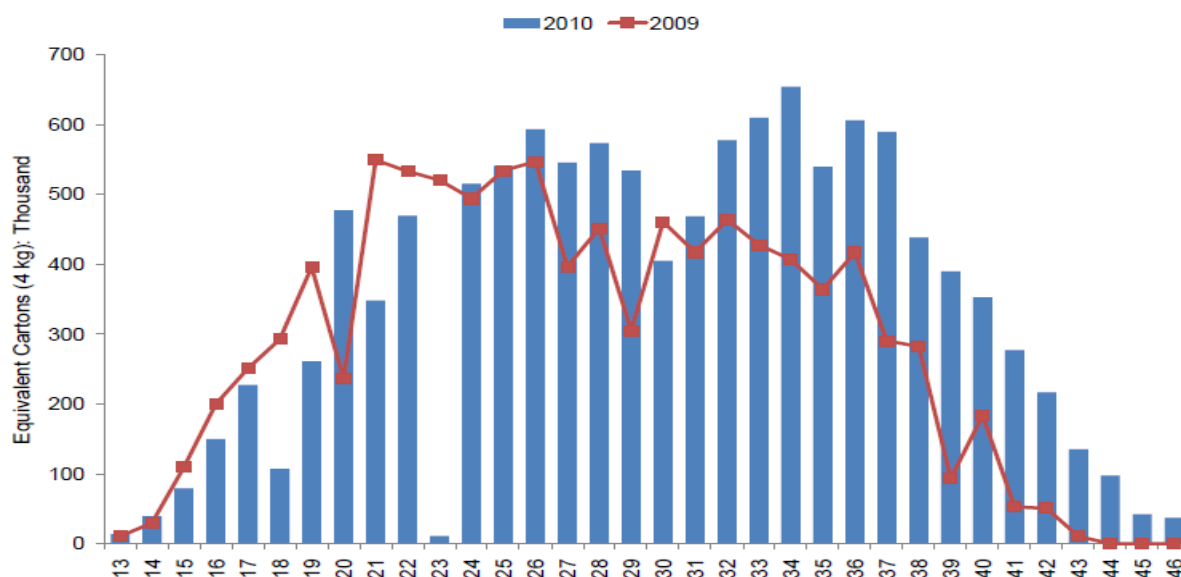


Figure 18: Weekly number of avocado cartons (4 kg) exported in the 2010 season

Source: Subtrop, 2010

³ Author wants to acknowledge Derek Donkin of the Subtropical Growers' Association; Nokuzola Raqa of the PPECB and Mahlatse Makaleng of DAFF for valuable information provided to compile this section.

Figure 19 shows the main destinations for South African avocado exports in the 2010 season. European markets (i.e. the United Kingdom and Northern EU) were by far the biggest importer of avocados, absorbing 96 % of total exports. The rest of avocado exports were shipped to Asian markets. South Africa holds a 24 % market share in Europe, competing with other Southern Hemisphere suppliers such as Peru, Chile, Argentina and Brazil as well as Kenya. According to the Subtrop industry, Europe prices were fairly stable in comparison to previous years. However, the returns on farm per unit were lower due to the strength of the Rand.

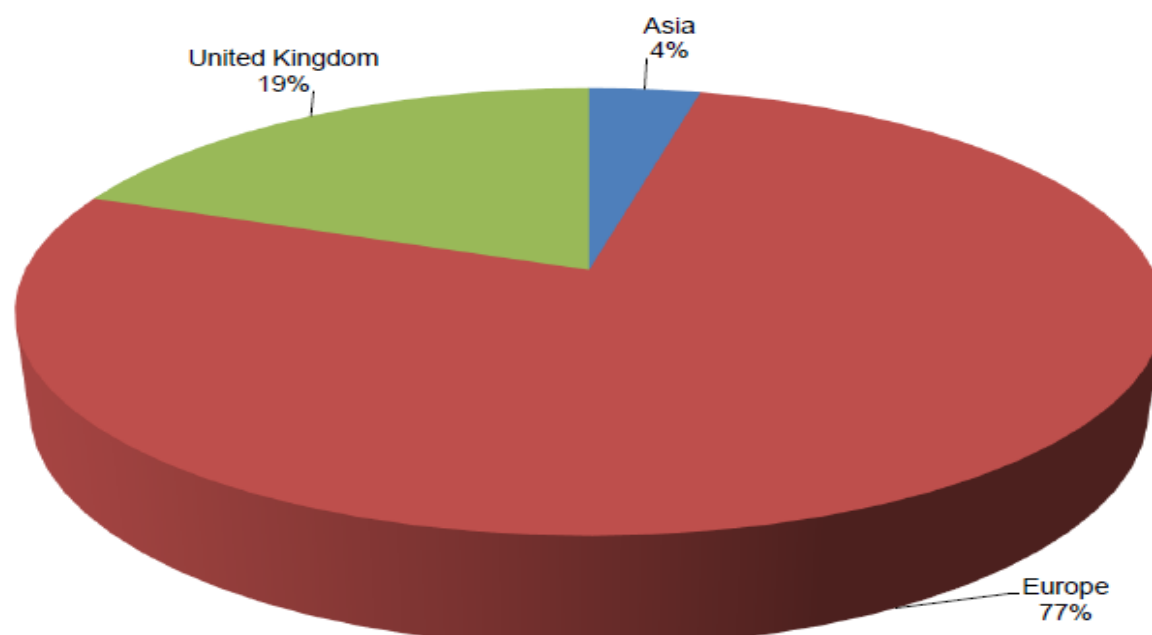


Figure 19: Avocado export volumes per market: 2010

Source: Subtrop and PPECB, 2010

Figure 20 shows the local sales for avocados in the fresh produce markets. It is evident that prices varied quite substantially, ranging from R5 310 in February 2010 to R6 243 in April, then down again to R5 462 in July 2010. The avocado price fluctuation is highly correlated to stock availability. For example, in April 2010, the lowest avocado volumes (1 720 tons) were sold in fresh produce markets and the price reached its highest point during that month.

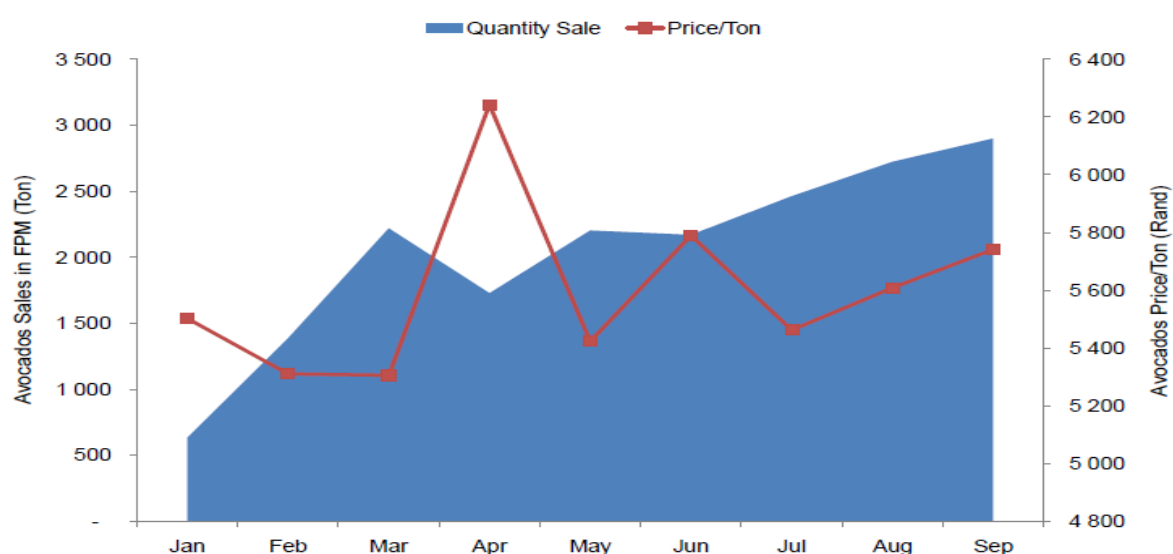


Figure 20: Local market sales for avocados in fresh produce markets:2010

Source: DAFF, 2010

5 Outlook for the table grape season 2010/2011

Table grape production in 2009/2010 in South Africa was the highest since the start of the deregulated era, registering around 60 million cartons (4.5 kg). Initial estimates for the 2010/2011 season indicate a slight decline in total production. The forecast shows a relatively small reduction in early volumes originating from the Northern Province and Orange River regions due to the cyclic hot and cold spells experienced during the last three months (i.e. August to October 2010). A likely increase is predicted in the Olifants River boosted by varieties such as Thompson Seedless and Crimson Seedless (see Table 1). The 2010/2011 season is expected to be a difficult one for South African producers due to high volumes expected from other Southern Hemisphere countries (e.g. Peru, Brazil, Chile and Argentina) coupled with a strong Rand against the European currencies.

Table 1: Initial table grape estimates for the 2010/2011 season

Region Name	Actual Cartons Passed for Exports: 2009/2010	Estimates Cartons Passed for Exports: 2010/2011
	Million (4.5kg cartons)	
Northern Province	4.3	4 - 4.5
Orange River	16.7	15.5 – 16
Olifants River	1.8	2.2 – 2.5
Berg River	11.5	11.5 – 13
Hex River	18.5	18.5 – 19
Industry Total	53.2	51 - 55

Source: South African Table Grape Industry (SATI), 2010

6 Outlook for the stone fruit season 2010/2011

Table 2 presents the crop estimates for stone fruits. Plums are the biggest fruit type within the stone fruit industry and estimates indicate that volumes could increase by 7 % in the 2010/2011 season. The peach crop is expected to grow by 6 % and nectarines by 8 % as compared to the previous season. In contrast to other fruit types, apricot volumes are expected to be slightly lower than last season, i.e. 1 % decline as compared to previous season.

Table 2: Stone fruit initial estimates for 2010/2011 season

Stone Fruit	Carton Size (kg)	Actual 2007/2008	Actual 2008/2009	Actual 2009/2010	3 yr Average	Estimates 2010/2011
APRICOTS	4.75	813 444	1 035 392	975 783	941 540	970 182
NECTARINES	2.5	1 953 724	1 969 146	2 561 305	2 161 392	2 762 779
PEACHES	2.5	956 088	942 370	1 134 277	1 010 911	1 207 632
PLUMS/PRUNES	5.25	8 836 747	8 896 927	7 893 681	8 542 452	8 484 033

Source: Hortgro Service, 2010

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