

Markets and Economic Research Centre



ISSUE 36/December 2019

This report is released on a quarterly basis by the Trade unit of the Markets and Economic Research Centre.

For more information contact Sifiso Ntombela at Sifiso@namc.co.za

Visit the NAMC Website: www.namc.co.za



NAMC
Promoting market access for South African agriculture

SOUTH AFRICAN FRUIT TRADE FLOW

Issue No. 36: December 2019



Beautiful country, beautiful fruit

Compiled by: Lucius Phaleng, Onele Tshitiza, Zosuliwe Kala, and Moses Lubinga

Table of Contents

1.	Background	3
2.	Overview of citrus fruit for the 2018/19 season	3
2.1	Preview of global citrus production for the 2018/19 season	3
2.1.1	Global trade in citrus for the 2014/15 – 2018/19 seasons.....	4
2.2	Preview of South Africa’s citrus production season, 2018/19.....	5
3.	Overview of South Africa’s subtropical fruits for the 2018/19 season.....	8
3.1.	Preview of South Africa’s avocado production for 2013 – 2018.....	8
3.2.	South Africa’s trade in avocados.....	9
4.	Overview of exotic fruits for the 2018/19 season.....	11
4.1	Overview of South Africa’s strawberry production for 2003/04 – 2017/18.....	11
4.2	Overview of South Africa’s strawberry trade	11
5.	Fruit industry perspectives.....	13
5.1	South Africa’s avocado wholesale prices are less competitive in the US market. Why?.....	13
	REFERENCES.....	17
	USEFUL LINKS.....	17

1. Background

South Africa's diverse weather and climatic conditions enable the country to cultivate and produce a variety of fruits. The country is known globally as a producer and exporter of citrus, deciduous and subtropical fruits. This issue of the Fruit Trade Flow report looks at citrus fruit (oranges and soft citrus), subtropical fruit (avocados) and exotic fruit (strawberries). The main focus is on the analysis of the current season's performance of these fruits, for both the export and domestic markets, in comparison with the previous seasons. This report also assesses the global production of these fruits, giving a perspective on South Africa's production and export rankings (as a share of global production and exports).

2. Overview of citrus fruit for the 2018/19 season

Citrus fruits generated the highest value foreign exchange of all fruit crops, especially in terms of international trade. Citrus fruit is produced throughout the tropical and subtropical countries of the world. Citrus products play an essential role in human diets, containing high levels of vitamin C. The industry comprises four broad categories, namely oranges, easy peelers (soft citrus), grapefruit, lemons and limes. The next section focuses on the global preview of citrus fruit with the main emphasis on oranges and soft citrus.

2.1 Preview of global citrus production for the 2018/19 season

Global orange production for 2018/19 was forecast to surge by 6.3 million tons to 54.3 million tons – the highest level in eight years – and this is due to favourable weather leading to more abundant crops in the United States (US) and Brazil. About 54 279 000 tons of oranges were produced during the 2018/19 period and Brazil continues to be ranked as the largest orange producer in the world, with 20 155 000 tons. China was ranked as the second-largest producer of oranges with 7 200 000 tons produced, followed by the European Union (EU with 6 525 000 tons), the US (4 833 000 tons) and Mexico (4 630 000). South Africa is ranked as the eighth largest producer of oranges, and the volume produced increased by 3% as compared to the 2017/18 production period.

On the other hand, soft citrus production for the 2018/19 season was forecast to increase by 1.9 million tons to a record 32 million tons. Larger crop production in China and the EU offset a decline in Turkey. During the 2018/19 season, about 32 001 000 tons of soft citrus were produced, and China remained the key contributor towards positive growth globally. China produced about 22 000 000 tons of soft citrus, followed by the EU (3 438 000 tons), Turkey (1 650 000 tons) and Morocco (1 375 000 tons). South Africa is ranked ninth among the top soft citrus-producing countries in the world.

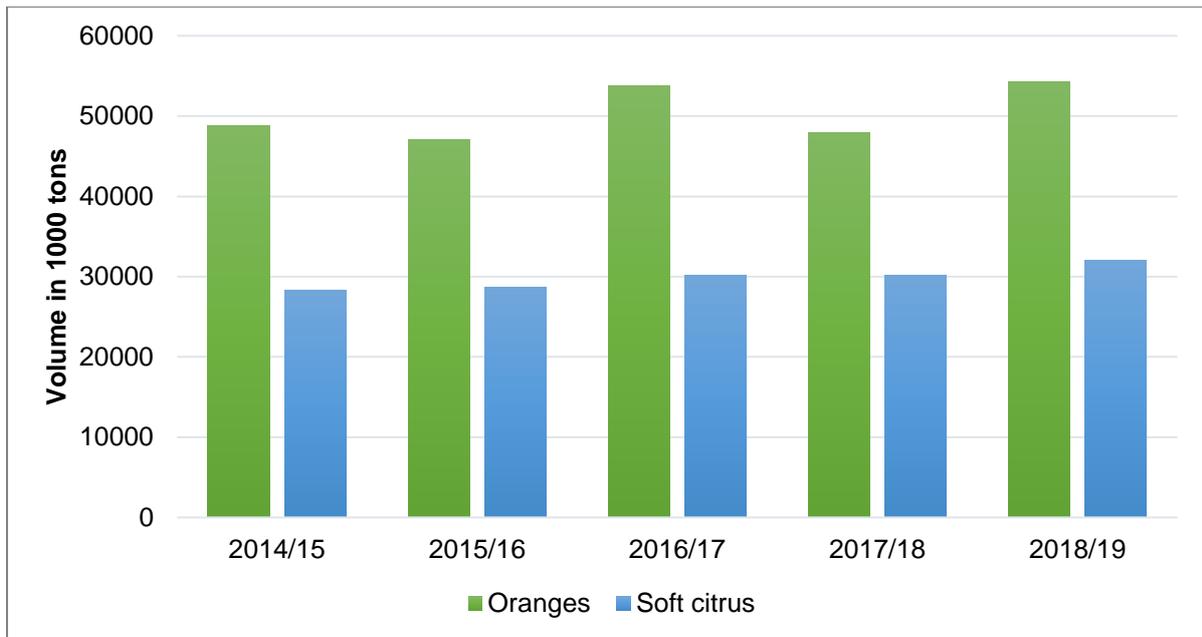


Figure 1: Global production of oranges and soft citrus, 2014/15 – 2018/19

Source: USDA (2019b)

2.1.1 Global trade in citrus for the 2014/15 – 2018/19 seasons

Globally, there are more volumes of oranges imported than those of soft citrus. About 4 459 000 tons of oranges were imported globally during the 2018/19 season, which reflects a decline of 64 000 tons when compared to the 2017/18 period. The EU continues to import larger volumes of oranges, constituting about 23.5% of total imports. Russia was the second-largest importer with 480 000 tons imported, followed by China, Saudi Arabi, Hong Kong and Iraq. Russia has been ranked as the largest importer of soft citrus in the world with a contributed share of 34%, followed by the EU (460 000 tons), the US (345 000 tons), and Ukraine (170 000 tons).

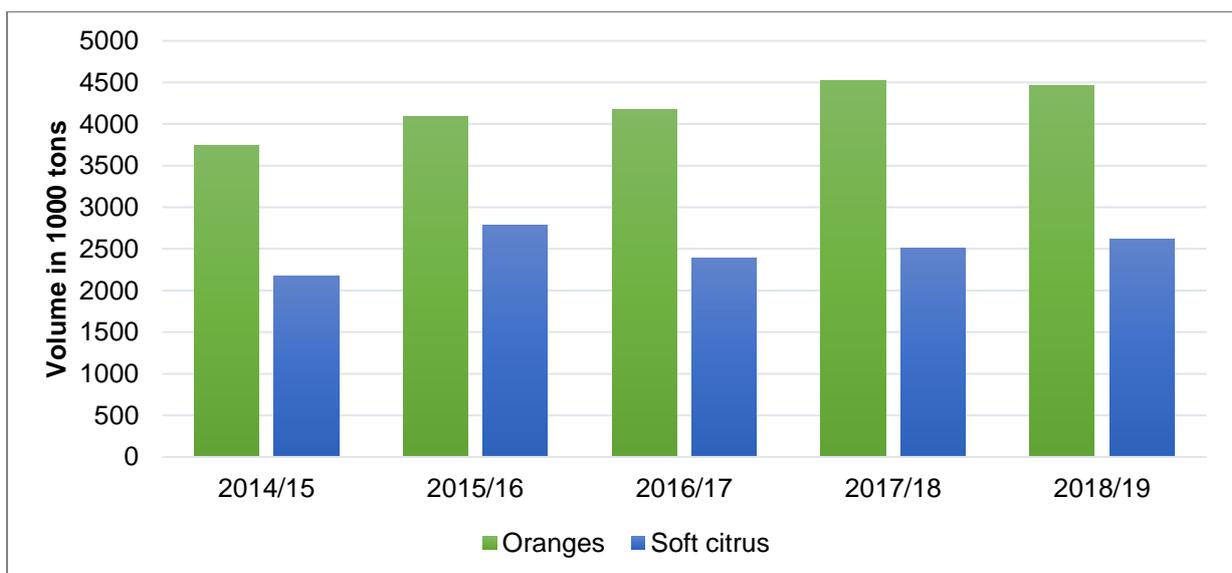


Figure 2: Global imports of oranges and soft citrus, 2014/15 – 2018/19

Source: USDA (2019b)

Global orange exports declined slightly as the gain in production primarily favours the processing of oranges. Much of the gain was in Florida (US) and Brazil where about 95% and 70% of the oranges respectively go for processing. About 4 734 000 tons of oranges were exported to the global market during the 2018/19 season and this shows a decline of 164 000 tons when compared to the 2017/18 period. South Africa ranked as the second largest exporter with 1 230 000 tons, after Egypt, which exported about 1 600 000 tons during the 2018/19 season. The US came third with 465 000 tons exported, followed by Turkey, the EU and Australia with 350 000 tons, 325 000 tons and 215 000 tons respectively. Generally, the consumption and export of soft citrus are at record levels with the gain in available supply (USDA, 2019). A total of 2 723 000 tons of soft citrus were exported during the 2018/19 season, an improvement of 227 000 tons when compared to the 2017/18 season. Turkey remained the leading exporter of soft citrus with a volume of 710 000 tons, followed by China (700 000 tons), Morocco (595 000 tons), South Africa (265 000 tons) and the EU (235 000 tons).

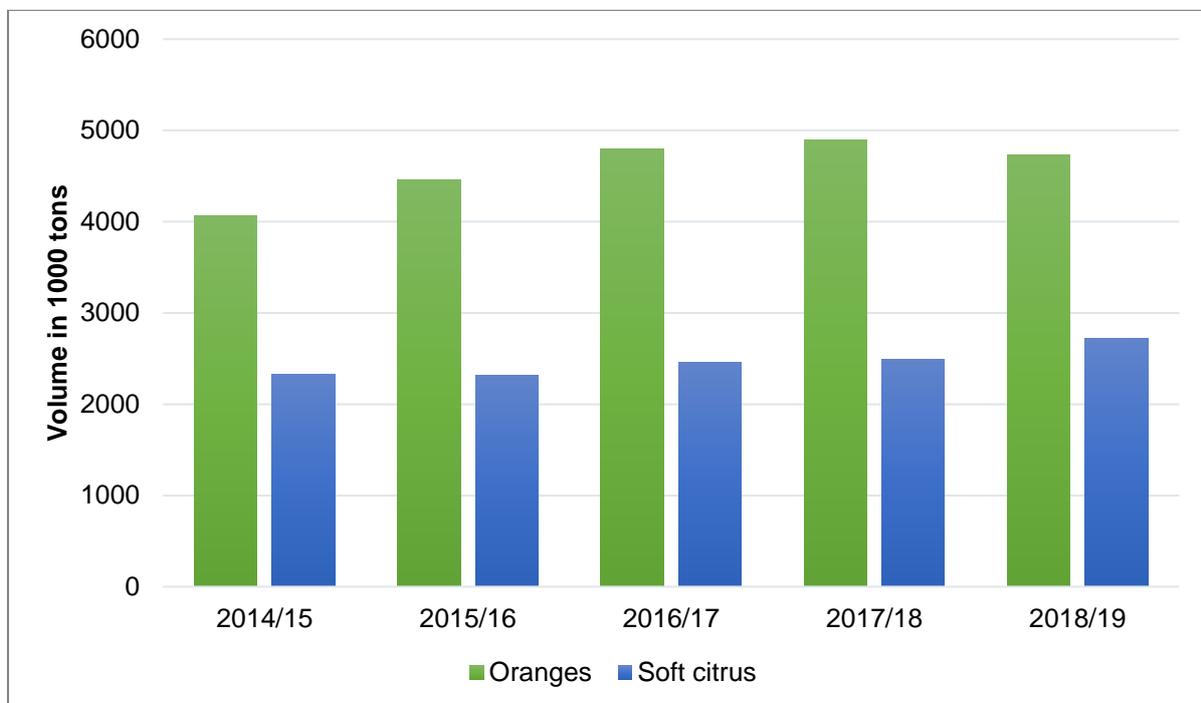


Figure 3: Global exports of oranges and soft citrus, 2014/15 – 2018/19

Source: USDA (2019b)

2.2 Preview of South Africa's citrus production season, 2018/19

Table 1 shows the original 2018 estimates, the actual volumes achieved, and the estimates for the 2019 season for oranges and soft citrus passed for export. In 2018, soft citrus passed for export was expected to be 14.7 million cartons (1 carton = 15 kg). Actual volumes were 16.2 million cartons, which show that it was underestimated, resulting in a 9.6% difference. Currently, 18.3 million cartons of soft citrus are estimated to be passed for export. The quantity of valentia oranges and navel oranges was estimated at 53.9 million cartons and 25.7 million cartons respectively in 2018. Still, the actual volumes resulted in a 0.9% and 4.1% difference for valentia and navel

oranges respectively. In 2019, the valencia and navel oranges estimated to be passed for export amounted to 52.9 million cartons and 26.9 million cartons respectively.

Table 1: Oranges and soft citrus passed for export (1 carton is equivalent to 15 kg)

Type	2018 Estimate (Cartons)	2018 Actual (Cartons)	% Difference (Actual vs Estimate)	2019 Estimate (Cartons)
Soft citrus	14 749 047	16 171 295	9.60%	18 303 160
Valencia oranges	53 927 194	54 417 509	0.90%	52 877 400
Navel oranges	25 670 000	26 731 377	4.10%	26 856 000

Source: CGA (2019)

Figure 4 highlights South Africa's orange export destinations during the period under review. Europe constitutes a larger share of oranges destined for export from South Africa, probably due to the existing trade agreement that is currently in place (i.e. SADC-EPA). Europe imported 33% of oranges exported by South Africa, followed by Asia and South-East Asia (25%), the Middle East (19%), Russia (8%), the United Kingdom (UK) (7%) and North America (7%). Other markets only constituted 1% of total exports.

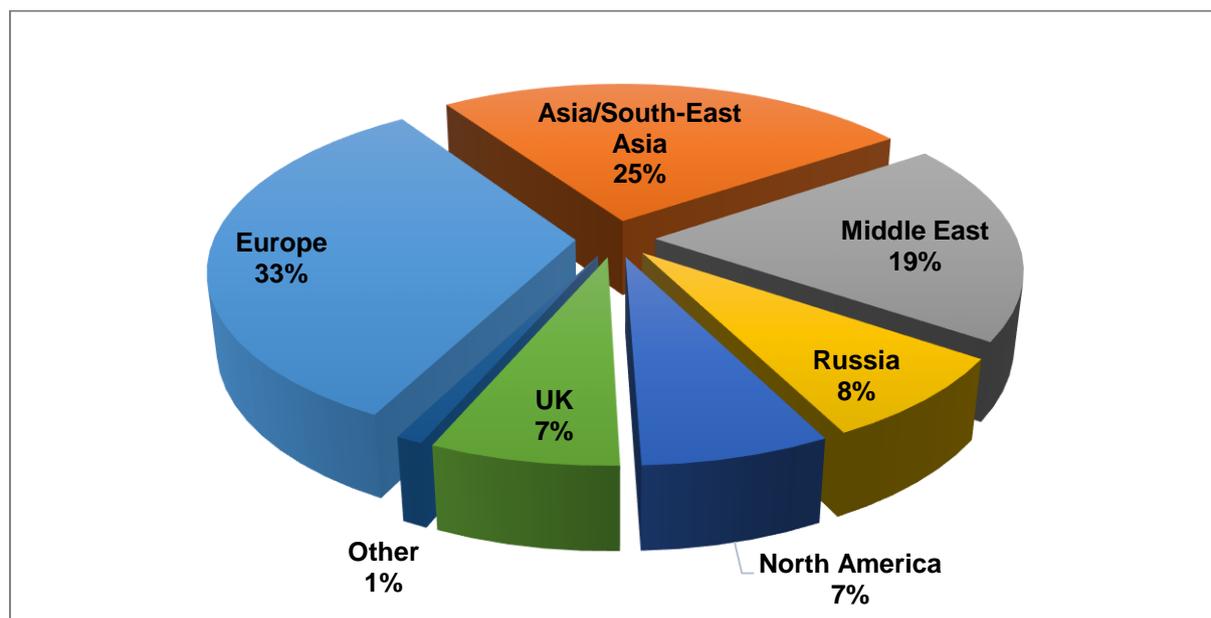


Figure 4: South Africa's export destinations for oranges, 2018/19

Source: CGA (2019)

Figure 5 highlights the main markets for South Africa's soft citrus exports during the 2018/19 period. The UK ranked as the main importer of soft citrus from South Africa with a share of 29%, followed by Europe (25%), Asia/South-East Asia (14%), Russia (11%), North America (10%), the Middle East (8%) and other markets with only 3%.

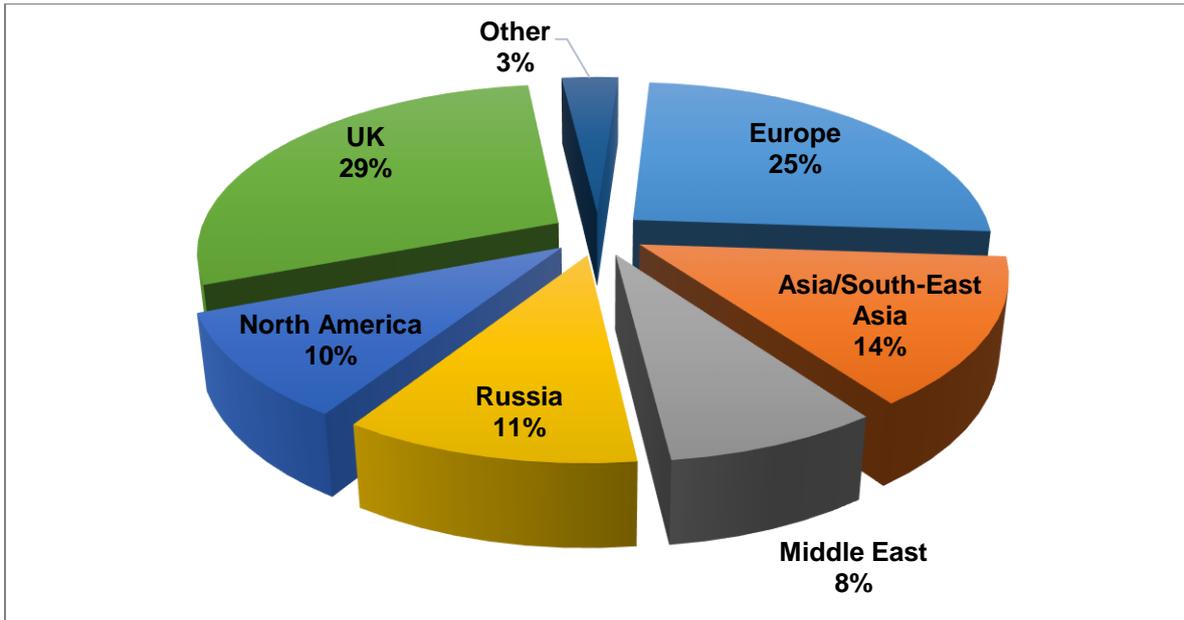


Figure 5: South Africa's export destinations for soft citrus, 2018/19

Source: CGA (2019)

Figure 6 highlights the volume of oranges sold in South Africa's national fresh produce markets (NFPMs) in relation to the particular price trends for 2018 and 2019 (Jan – Oct). It is important to note that prices dropped when the volume supplied increased. In 2018, about 100 268 tons of oranges were sold in the NFPMs, reaching a peak in June at 20 792.45 tons. In 2019 (Jan – Oct), 91 144 tons were sold in the NFPMs, reaching the highest point in July at 19 042.96 tons. The average price for 2018 was R4 389 per ton, while for 2019 the average price was estimated at R4 664.27 per ton.

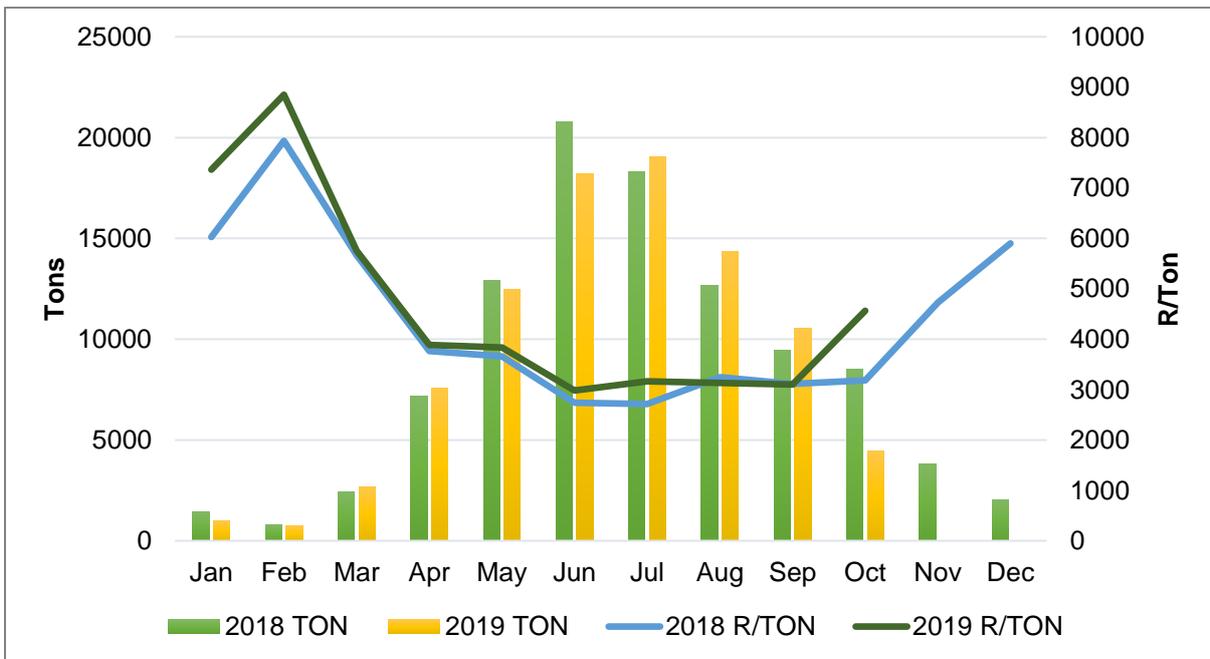


Figure 6: Oranges sold in the local market, 2018 – 2019

Source: DAFF (2019)

Figure 7 illustrates the national fresh produce sales of soft citrus and the price trends for 2018 and 2019 (Jan – Oct). A total of 12 968 tons were sold in the NFPMs in 2018, at an average price of R8 834 per ton. In 2019, 16 754 tons were sold in the NFPMs, at an average price of R9 586 per ton. More sales of soft citrus in the NFPMs are experienced between the months of March and October, with peak sales being experienced in May.

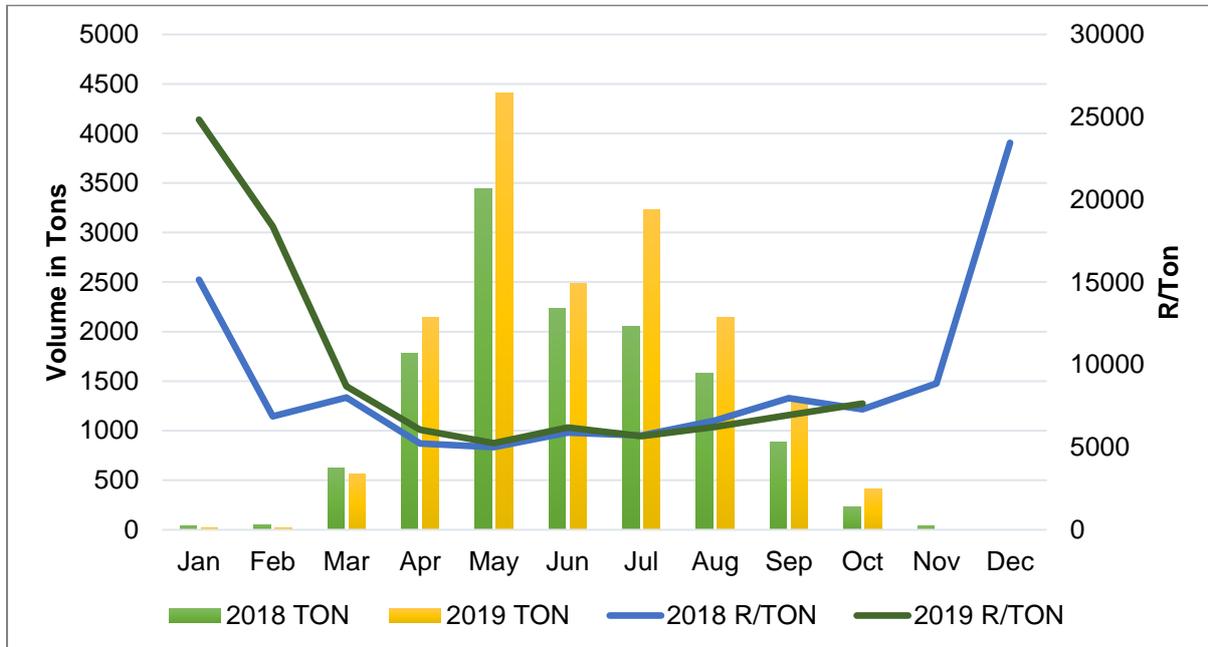


Figure 7: Soft citrus sold in the local market, 2018 – 2019

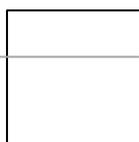
Source: DAFF (2019)

3. Overview of South Africa’s subtropical fruits for the 2018/19 season

Subtropical fruits consist of fruits such as bananas, avocados, litchis, and mangoes, which require warmer conditions with stable temperatures. This report focuses on avocados. The following section provides an overview of avocado production, export markets and the volumes sold through the NFPMs.

3.1. Preview of South Africa’s avocado production for 2013 – 2018

Avocados are subtropical fruits and therefore thrive in warmer conditions. The main producing regions in South Africa are Limpopo and Mpumalanga, followed by KwaZulu-Natal, the Eastern Cape and the Western Cape (Subtrop, 2019). The most-produced cultivars are the Hass (80%), which are dark-skinned, and the greenskin. Currently, about 17 500 ha are under avocado production. The production trend of avocado in South Africa is illustrated in **Figure 8**. It should be noted that production increased by 66% from 101 377 tons in 2017 to 169 243 tons in 2018, however, this growth was coming from a low base after the industry suffered production decline due to dry weather and orchards replacements. The positive strong growth is due to better weather and the increasing new area planted by the industry, where it seeks to grow



its area planted by 1 500 ha annually. Also, growing international demand has led to an increase in production in other parts of the country. However, the estimates for 2018/19 show that South Africa's production might decrease by 25% from last season due to lower yields and the effects of a heatwave experienced in October 2019.

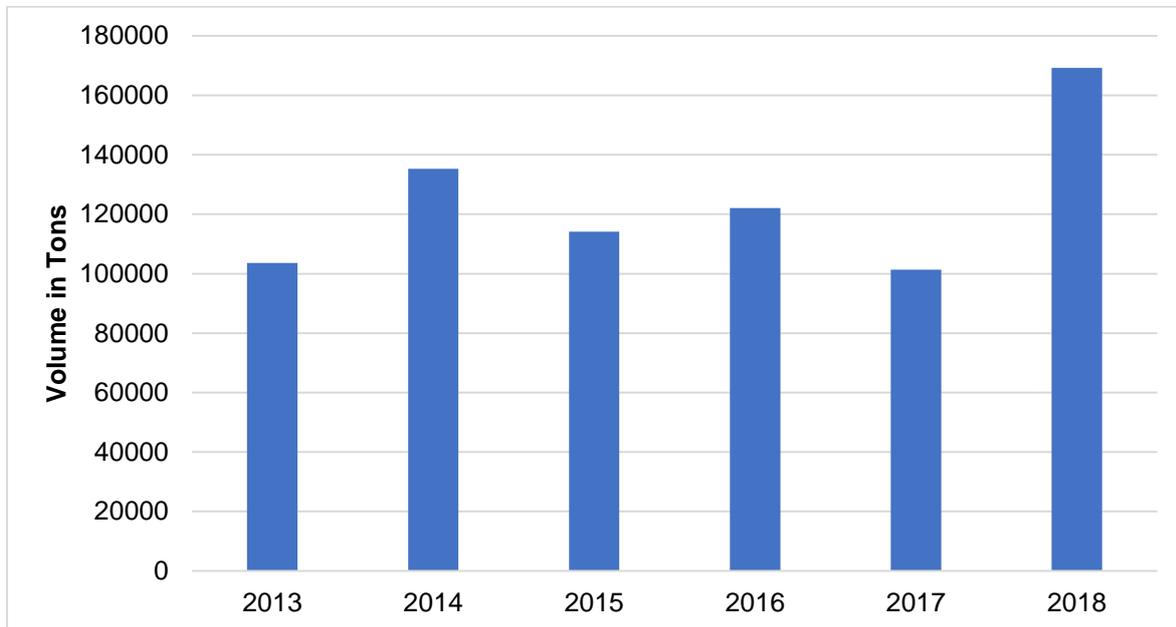


Figure 8: Production of avocados, 2013 – 2018

Source: Subtrop (2019)

3.2. South Africa's trade in avocados

South Africa's avocado market is export oriented. Forty-nine per cent (49%) of South Africa's avocados were exported in 2018, while the rest was sold in local fresh produce markets through direct sales and for processing (oils, guacamole). The Netherlands was the largest importer of avocados from South Africa in 2018, constituting about 42% of the share of avocados, followed by the UK (23%), France (16%) and Germany (8%) (**Figure 9**). The country exported about 22 493 000 cartons (1 carton = 4 kg) by the end of 2018. According to estimates, the exports for 2018/19 may be lower because of decreased production.

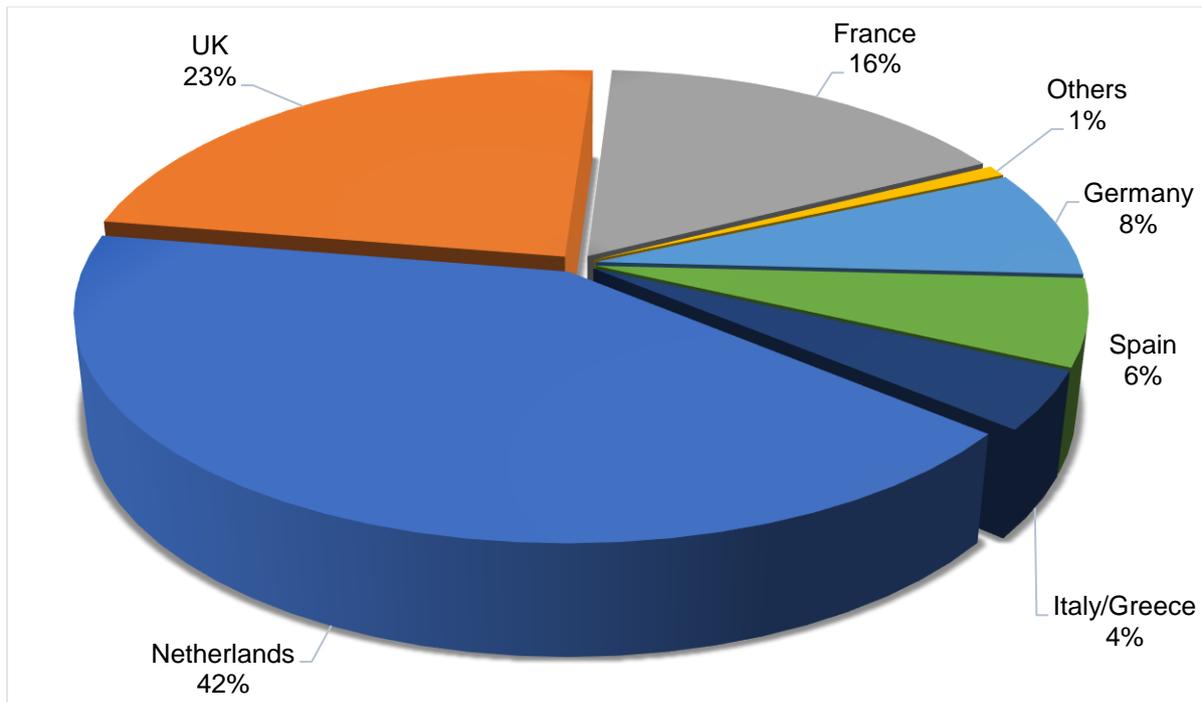


Figure 9: Avocado exports by destination, 2018 season

Source: Subtrop (2019)

Figure 10 shows the prices and the quantities sold through the NFPMs from 2017 to 2019 (Jan – Oct). It should be noted that avocado sales were the highest in 2018 because of higher production than in other years. The largest quantity sold was 4 088 tons in August 2018, at a price of R7 914/ton. The lowest supply of avocados was in January (2018 and 2019) and February due to the fruit being out of season. The prices ranged between R14 947/ton and R28 899/ton in the lower months.

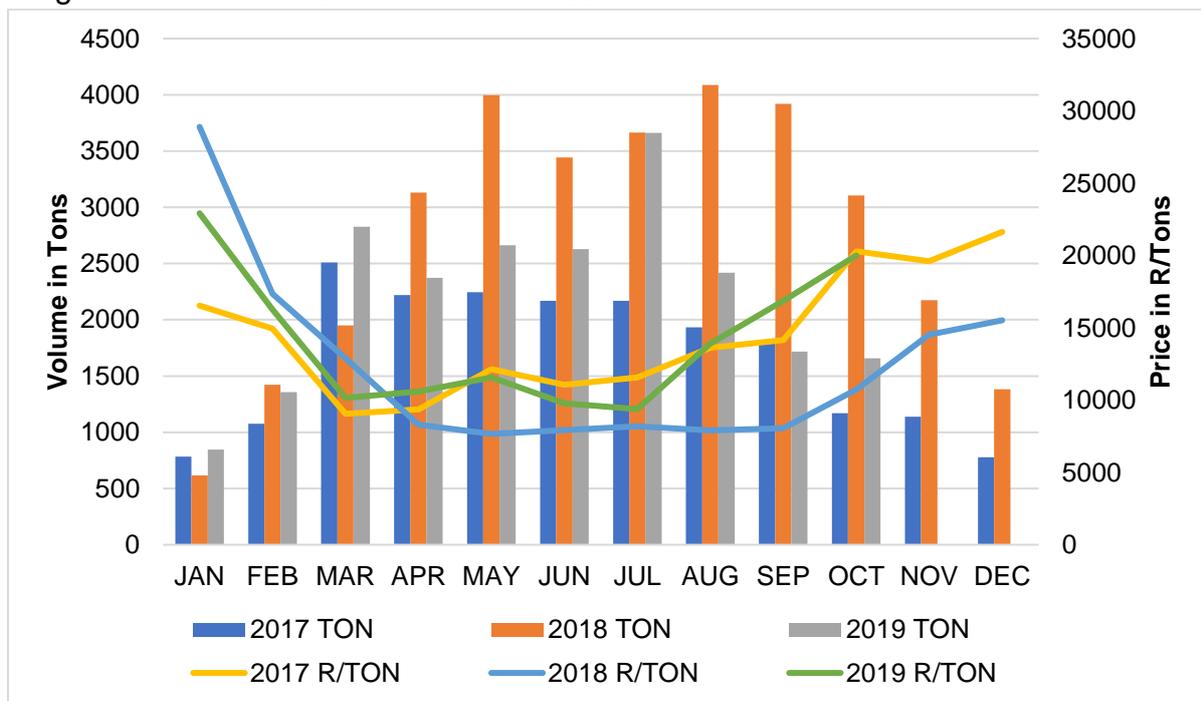


Figure 10: Avocados sold in the local market, 2017 – 2019

Source: DAFF (2019)

4. Overview of exotic fruits for the 2018/19 season

Exotic fruits are those which are not native to South Africa but have been adopted in the country. The exotic fruit industry is comprised of fruits such as figs, kiwi fruit, pomegranate, berries and cherries. The focus of this section is on strawberries.

4.1 Overview of South Africa's strawberry production for 2003/04 – 2017/18

South Africa is not a global market leader in strawberry production; however, strawberries have been planted and produced on a commercial basis in the country since the beginning of the 20th century. Farmers grow the crop as a niche product, mostly for the local markets. **Figure 11** illustrates the distribution of strawberries produced in South Africa over the past 15 production seasons. Strawberry production in South Africa has experienced steady growth since its cultivation from the early 1900s. In 2017/18, South Africa produced about 8 415 tons of strawberries. It is worth noting that large volumes of strawberries are consumed in the local markets, with 48% being sold in the NFPMs, whereas 20% is purchased for processing and the rest is exported.

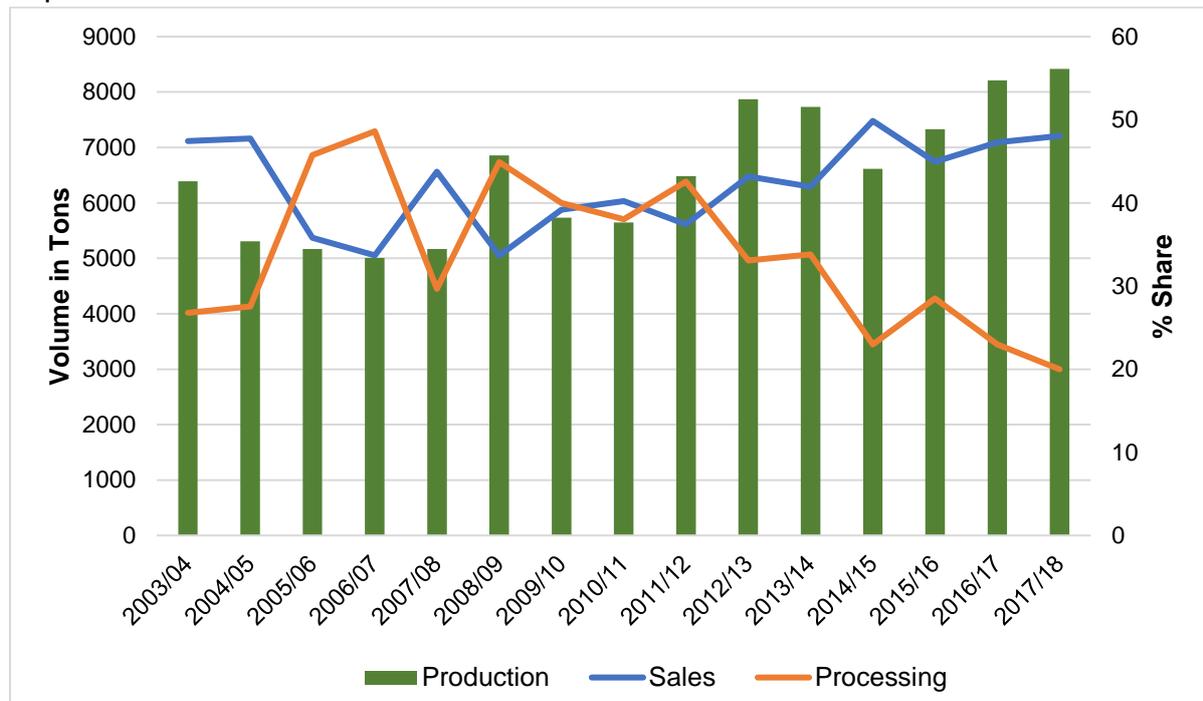


Figure 11: South Africa's strawberry production distribution, 2003/04 – 2017/2018

Source: DAFF (2019)

4.2 Overview of South Africa's strawberry trade

The strawberry industry is a growing market in South Africa due to the country's climatic diversity. Local breeding programmes have contributed to the development of cultivars that are suitable for climatic conditions in South Africa and have reinforced the development of the industry. Exports of South Africa's strawberries are therefore increasing, resulting in a positive trade balance since 2018. **Figure 12** highlights the main importing countries for South Africa's strawberries. Of all the countries, Namibia

was the largest importer of strawberries exported by South Africa in 2018, representing a 96% share, followed by Swaziland (3%) and Lesotho (1%).

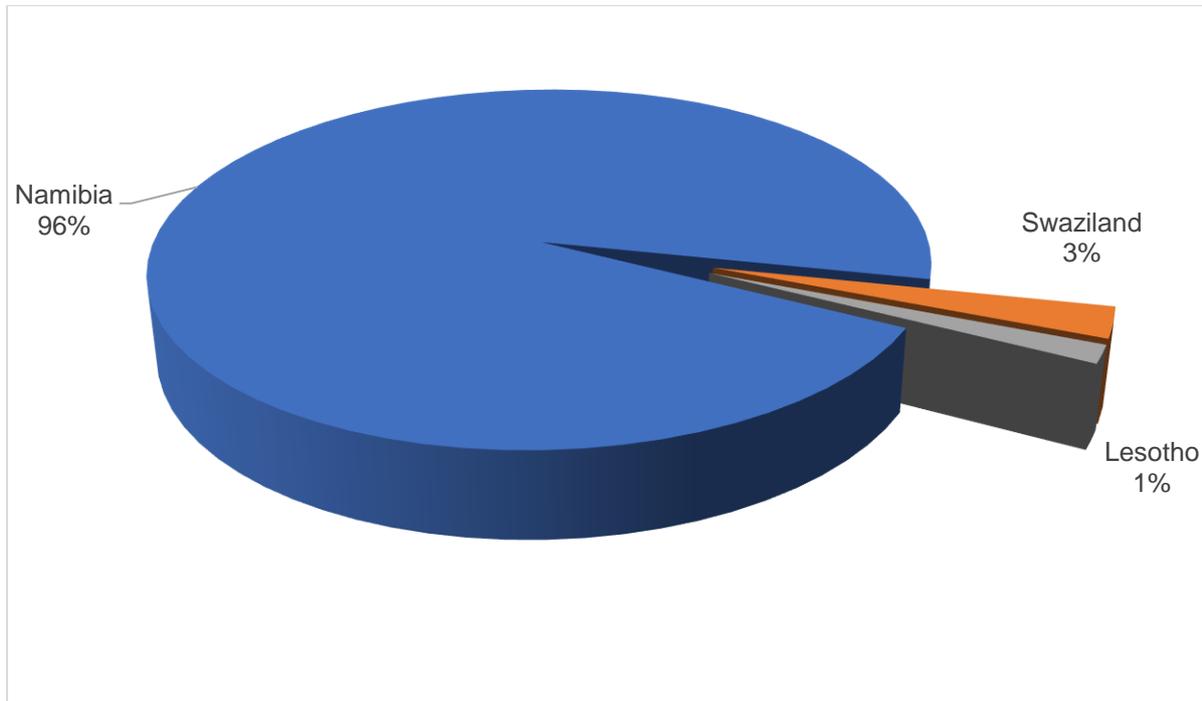


Figure 12: Export destinations for South Africa's strawberries, 2018

Source: SARS (2019)

Figure 13 shows the volumes of strawberries sold in the domestic market through the NFPMs. A total of 4 093.79 tons of strawberries were sold through the NFPMs at the end of 2018. In 2019 (Jan – Oct), 3 190.59 tons of strawberries were sold in the NFPMs. The average monthly price for strawberries in 2018 was R32 422 per ton. However, it should be noted that sales reached their peak of 727.85 tons in September 2018.

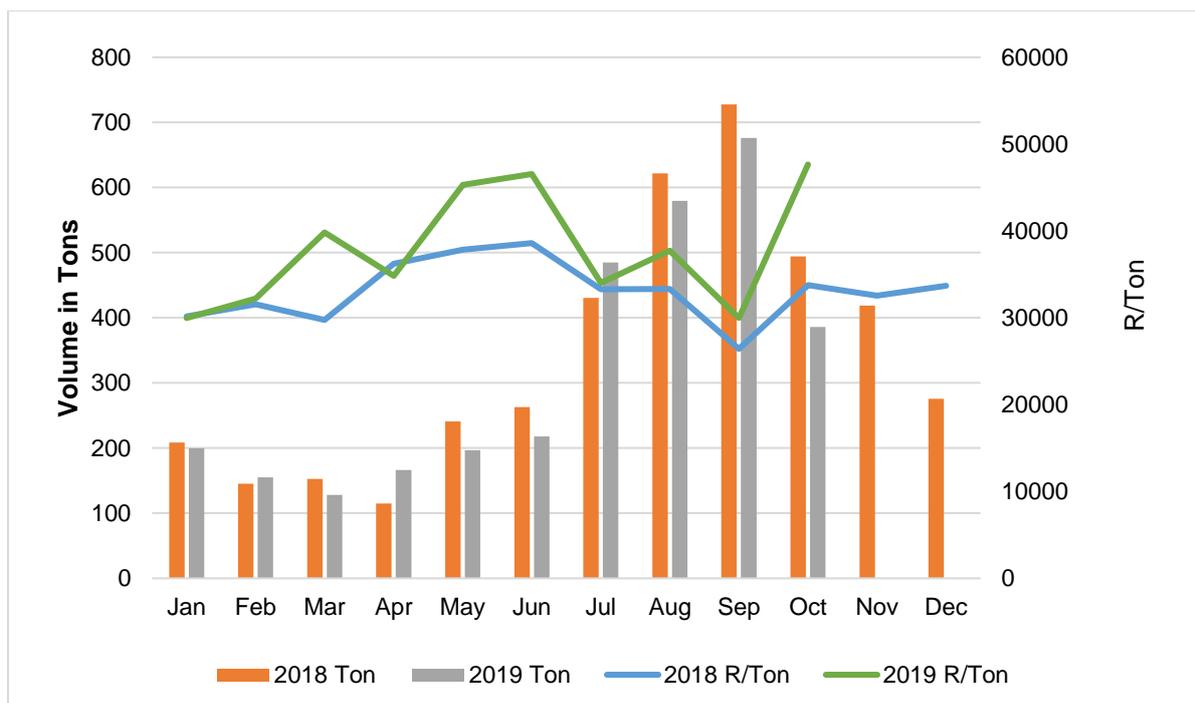


Figure 13: Local market sales of strawberries, 2018 – 2019

Source: DAFF (2019)

5. Fruit industry perspectives

The following section focuses on current issues affecting the fruit industry, and also provides an analysis of how the industry is performing in terms of addressing developmental issues and where it could improve. In this issue, the focus is on avocados in the US market.

5.1 South Africa's avocado wholesale prices are less competitive in the US market. Why?

Why do South Africa's avocados fetch such low wholesale prices compared to avocados from other competitive counterparts like Mexico, Chile and Peru, despite the growing global demand? Consumers' awareness of the benefits of avocado due to its rich source of vitamins such as A, B, C, E and K is attributable to the growing consumption trend globally. Furthermore, because of its phytochemical attributes like antioxidants, avocado has become a highly sought-after organic ingredient used in the cosmetics industry. The US is the leading global importer of avocado, accounting for a 40.6% share in world imports, followed by the EU, collectively commanding the second largest share. South Africa's imports only account for a 0.1% global share. In contrast, exports account for 2.1% of global exports, with an estimated untapped trade potential worth US\$ 89.97 million.

Within the US market, South Africa's untapped potential trade in avocado is valued at US\$ 4.13 million. South Africa's major competitors in the US market are Mexico, Peru, Chile, the Dominican Republic (DR) and Colombia. Mexico has the highest untapped trade potential (US\$ 922.87 million), while Peru's and Chile's untapped trade potential is exhausted (zero), which is advantageous for South Africa. The DR and Colombia

access the US market duty-free, just like South Africa, yet they have large untapped trade potential, i.e. US\$ 8.68 million and US\$ 9.05 million respectively. This article aims to identify the unique factors influencing the price of South Africa's avocado imports into the US in comparison with the other key avocado suppliers.

Variety and packaging

Based on type, two avocado varieties, i.e. Hass and greenskin, are the most common varieties imported into the US by the top suppliers. However, Peru and South Africa also supply Fuerte among other varieties. With regard to packaging, particularly for the Hass variety which is supplied by all competitors, it was noted that South Africa only uses 4 kg and 10 kg containers, while in contrast, competitors use various types of packaging, i.e. 25-pound (lb) cartons loose (approx. 11 kg cartons), 10 kg containers, 4 kg containers, cartons 1 layer, cartons 2 layers, cartons 15 1.25 (4 count) mesh bags, and loose cartons. A variety of packaging presents an opportunity for the buyers to buy avocados as per their needs.

Wholesale price received and packaging type

By comparing prices received on 4 kg and 10 kg containers, **Figure 14** shows that Peru received the highest price for Hass avocados packaged in 4 kg containers, while South Africa received the lowest price. From January until December 2019, the average wholesale price for a 4 kg container (Hass) received by Peru was US\$ 14.73 per container, followed by Mexico (US\$ 14.61), while avocados from South Africa cost US\$ 11.43 per container.

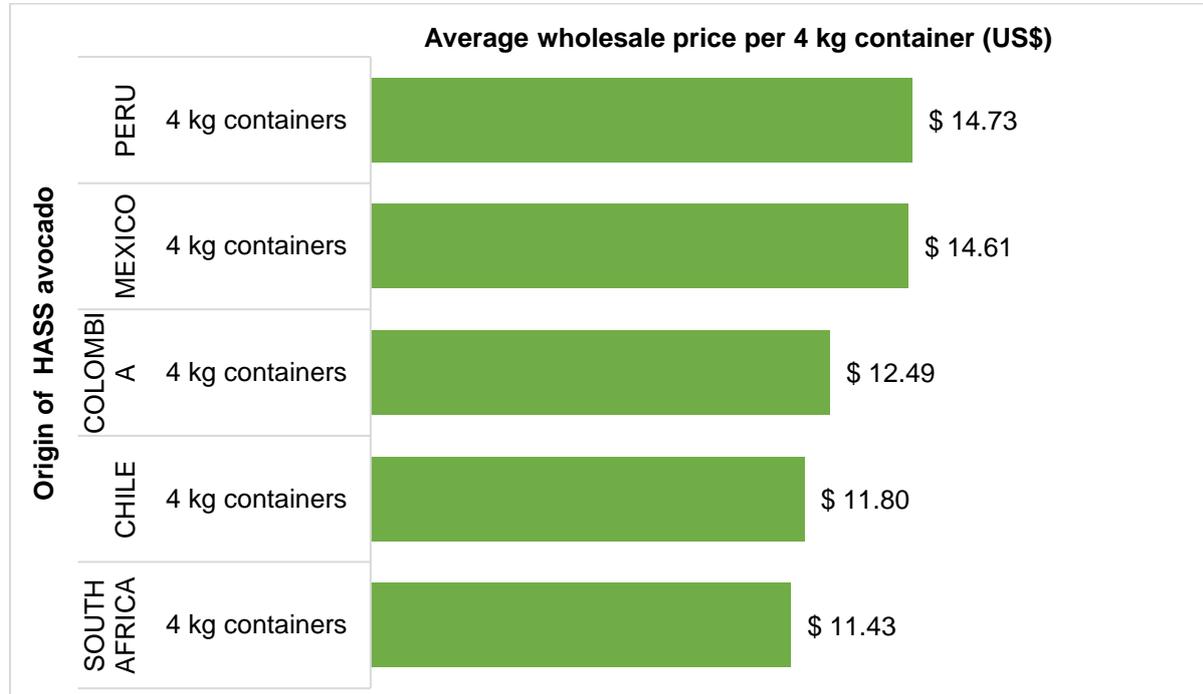


Figure 14: Average wholesale price of Hass avocados in the US (4 kg container)

Source: Fresh fruit portal (2019)

In the case of the 10 kg container of Hass avocados, Chile received on average the highest price (US\$ 27.95) per container, followed by Mexico (US\$ 25.15). In contrast,

South Africa still received the lowest price (US\$ 14.79) among the competitors (**Figure 15**).

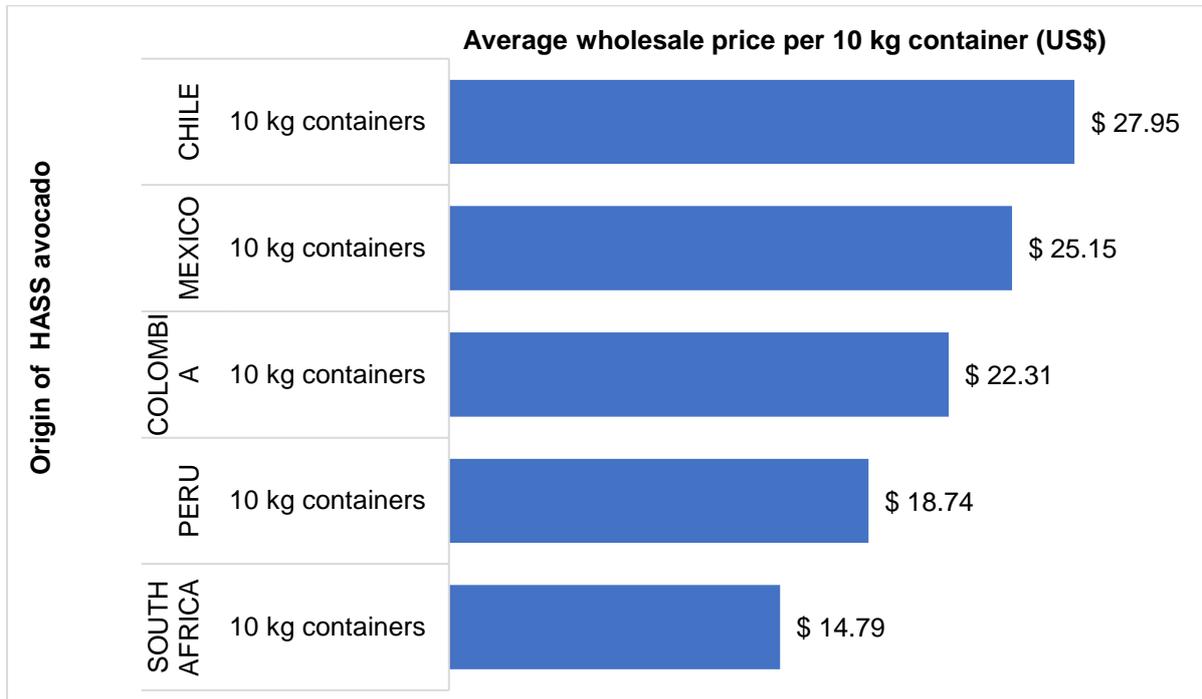


Figure 15: Average wholesale price of Hass avocados in the US (10 kg container)

Source: Fresh fruit portal (2019)

Beyond the size of the packaging used, it was also noted that the number of avocado pieces packed in each container mattered. Generally, a 4 kg container should carry between 18 and 24 avocados – if there are more than that, they are smaller than the desired size on the market. Therefore, the likelihood of receiving lower prices increases, as illustrated for South Africa, Peru and Chile in **Figure 16**.

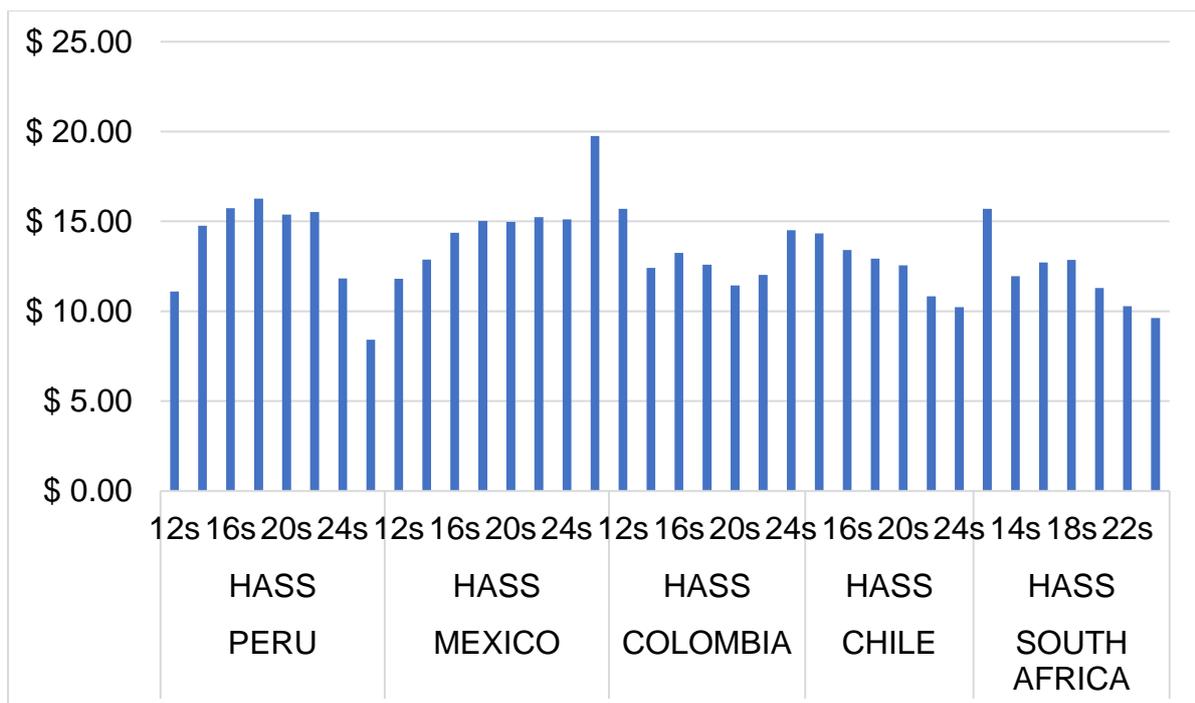


Figure 16: Average wholesale price per the number of Hass avocados in a 4 kg container
 Source: Fresh fruit portal (2019)

Similarly, the US market does not need avocados so large in size, which implies that very few pieces would fit in a 4 kg container. South Africa received an outstandingly high price with 12 avocados in a 4 kg container, which was due to the timely supply of the fruit into the market, coupled with good quality and good condition. Other countries that supplied during the same time included Colombia and Chile, and they also received good prices, as can be seen on the graph. South Africa's timely supply occurred at the end of March 2019.

Conclusion

South Africa could receive better prices for avocados by using packaging of various sizes, given that they cater to a wide spectrum of buyers at wholesale markets (especially Rotterdam). Therefore, diversifying the packaging sizes used could be another avenue through which South Africa may boost its competitiveness in the US market. In addition, the size of avocados packed in the 4 kg and 10 kg containers is a key determinant in terms of the price received. If avocados are very large, very few pieces can be packed into a container, while the reverse is also true. Hass avocados originating from Mexico, Peru and Chile were in most instances rated to be of fair quality, in good condition and of good appearance. Avocado producers and exporters should, therefore, ensure that size is uniform (not too big and not too small), with minimal damage to the surface and a fine appearance. During transportation, avocados should also be handled with care under cool temperatures to avoid deterioration.

REFERENCES

- CGA (Citrus Growers' Association). 2019. *Annual report: Citrus Growers' Association of Southern Africa*. Hillcrest: CGA.
- DAFF (Department of Agriculture, Forestry & Fisheries). 2019. *Local market fruit sales data*. Pretoria: Directorate of Agricultural Statistics.
- Fresh fruit portal. 2019. Available online at: freshfruitportal.com.
- SARS (South Africa Revenue Service). 2019. Trade statistics data. South Africa. Available online at: <https://tools.sars.gov.za/tradestatsportal/Download.aspx?&c=1>.
- Subtrop. 2019. *Production, local market and exports (destinations)*. Tzaneen: Subtrop.
- USDA (United States Department of Agriculture) Foreign Agricultural Service. 2019a. New markets critical for the growing South African avocado industry. *Global Agricultural Information Network No. SA1920*. Washington, DC: GAIN.
- USDA (United States Department of Agriculture) Foreign Agricultural Service. 2019b. *Production, supply and distribution*. Washington, DC: USDA. Available online at: <https://apps.fas.usda.gov/psdonline/app/index.html#/app/downloads>.

USEFUL LINKS

Bureau for Food and Agricultural Policy (BFAP)	www.bfap.co.za
Citrus Growers' Association (CGA)	www.cga.co.za
Department of Agriculture, Forestry and Fisheries (DAFF)	www.daff.gov.za
Food and Agriculture Organisation (FAO)	www.fao.org/docrep/
Fresh Produce Exporters' Forum (FPEF)	www.fpef.co.za
Hortgro Services	www.hortgro.co.za
National Agricultural Marketing Council (NAMC)	www.namc.co.za
Perishable Products Export Control Board (PPECB)	www.ppecb.com
Quantec Easy Data	www.quantec.co.za
South African Subtropical Growers' Association (Subtrop)	www.subtrop.co.za
South African Table Grape Industry (SATGI)	www.satgi.co.za

© 2019. Published by the National Agricultural Marketing Council (NAMC).

DISCLAIMER

The 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 no infringement of third-party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus, is given with respect to the contents of this document in hard-copy, electronic format or electronic links thereto. References made to any specific product, process or service by trade name, trademark, manufacturer or another commercial commodity or entity are for information purposes only and do not imply approval, endorsement or favouring by the NAMC.

For Correspondence:

Dr. Sifiso Ntombela
(+27) 12 341 1115
Sifiso@namc.co.za

Private Bag X935
Pretoria, 0001