Markets and Economic Research Centre

SA Fruit Trade Flow

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NAMC
Promoting market access for South African agriculture

SOUTH AFRICAN FRUIT TRADE FLOW

Issue No. 42: June 2021

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1. Background

South Africa's diverse weather and climatic conditions across provinces enable the country to cultivate and produce a variety of fruits. Globally, the country is known as a key producer and exporter of citrus, deciduous and subtropical fruits**.** This issue of the Fruit Trade Flow Report looks at deciduous fruit (cherries and pomegranates, berries), and subtropical fruit (litchis), with particular focus on the current season's performance of these fruits, for both export and domestic markets, in comparison with the previous season.

2. South Africa's domestic and export performance of selected fresh fruits, 2020/21 season.

The fresh fruit industry accounts for almost a quarter of total farming revenue in South Africa. The COVID-19 pandemic has intensified the demand for fresh fruits and other agricultural products because of their nutritional and immune-boosting benefits. The COVID-19 regulations exempted the agricultural sector to continue with its operations to ensure consistent supply of food during and beyond the pandemic. The globalisation phenomenon coupled with the growing middle-class in the world have stimulated the demand for fruit products. Since the deregulation of the South Africa's agricultural markets in 1997, fruit producers in the country have increasingly produced and exported a variety of high value fruits to the international markets.

2.1 Pomegranates

South Africa specialises in three main varieties of pomegranates planted, namely Wonderful (76%), Hershkovitz (9%) and Acco (9%). Wonderful and Angel Red accounted for the newest plantings in 2020. According to the latest available information, the Wonderful variety constituted about 74% of total exports in 2020, followed by Acco (13%), Hershkovitz (12%) and other varieties (1%). With 19% of the total pomegranate plantings in South Africa currently being planted in Limpopo, it is experiencing the fastest growth in the industry. The Limpopo orchards are still young but are expected to greatly influence the industry by shifting the South African season earlier. The export volume for 2020 was approximately 6% lower than in the 2019 season, with a total of 1 573 044 cartons (3.8kg equivalent exported). On a positive note, the industry has projected a growth of 651 845 cartons (3.8kg equivalent exported) by 2025* driven by access to the new markets on the African and other continents.

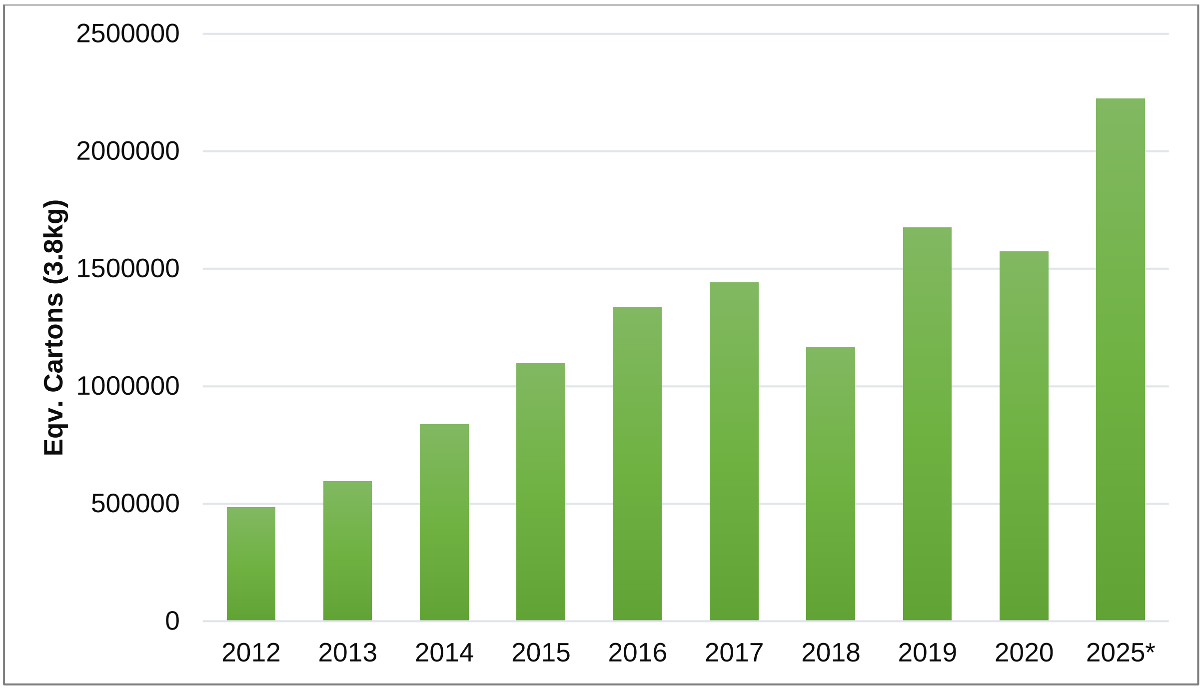


Figure 1: Total South African exports in 3.8kg equivalent cartons
Source: PPECB (2021)
**Estimate*

In terms of the different market segments, South Africa's pomegranates are mainly exported. Combining the 23% of the harvest exported as fresh fruit and the 29% exported for further processing gives a combined share of 51% of the exported output. South Africa's pomegranate market access improved by 225% in 2020 since 2012 and the main contributor to this high growth was through industry prioritisation of accessing new markets. The Middle East (ME) remains the main market and continues to grow. The ME market increased by 1720% between 2012 (49 465 cartons) and 2020 (900 310 cartons). The European Union (EU) is the next key destination, with a constituted share of 18%. However, this market's contribution declined by 4% between 2012 and 2020. The markets of interest that improved significantly between 2012 and 2020 include the United Kingdom (UK) (414%), Indian Ocean Islands (IOI) (125%) and Russia (110%), respectively. Africa and other markets experienced a huge blow of a declining market share.

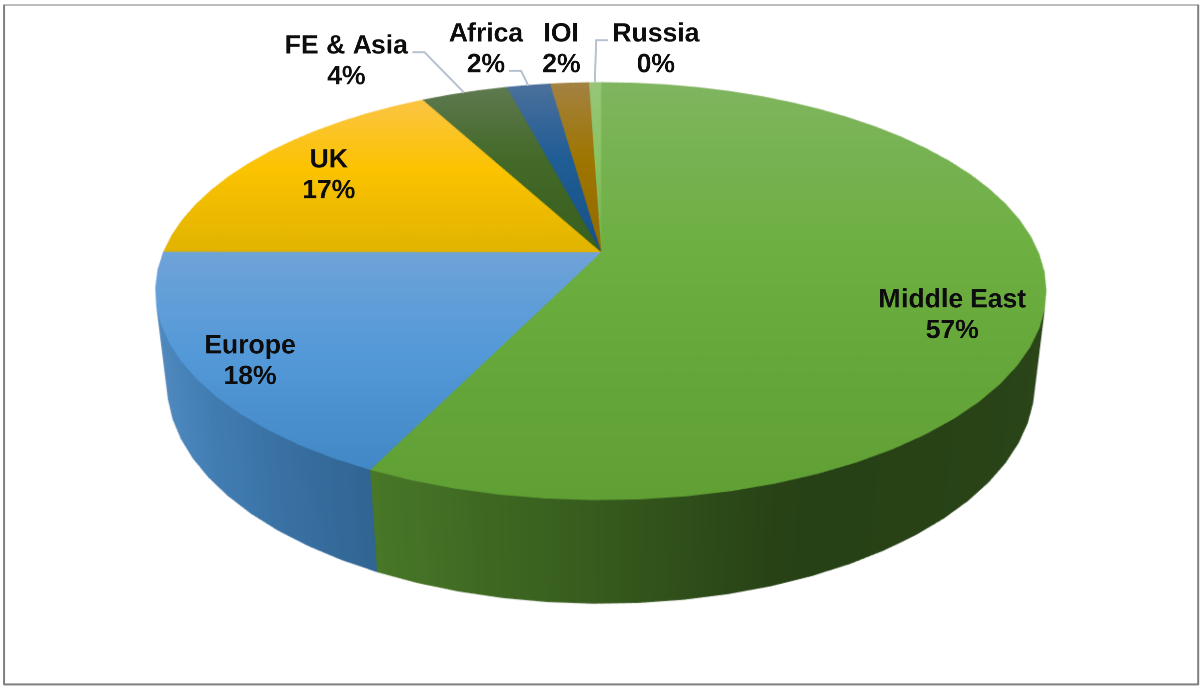


Figure 2: Market destinations for South Africa's pomegranates
Source: PPECB (2021)

The local fresh market is relatively small and absorbed around 5% of the total produce, with a further 11% being used for local value-added processing. The value-adding activities include the process of aril extraction and the use of the fruit in the baking and food products industries. Local sales of pomegranates fluctuated in the period under review; however, in 2020, it showed a significant growth of 11% compared to 2019 volumes.

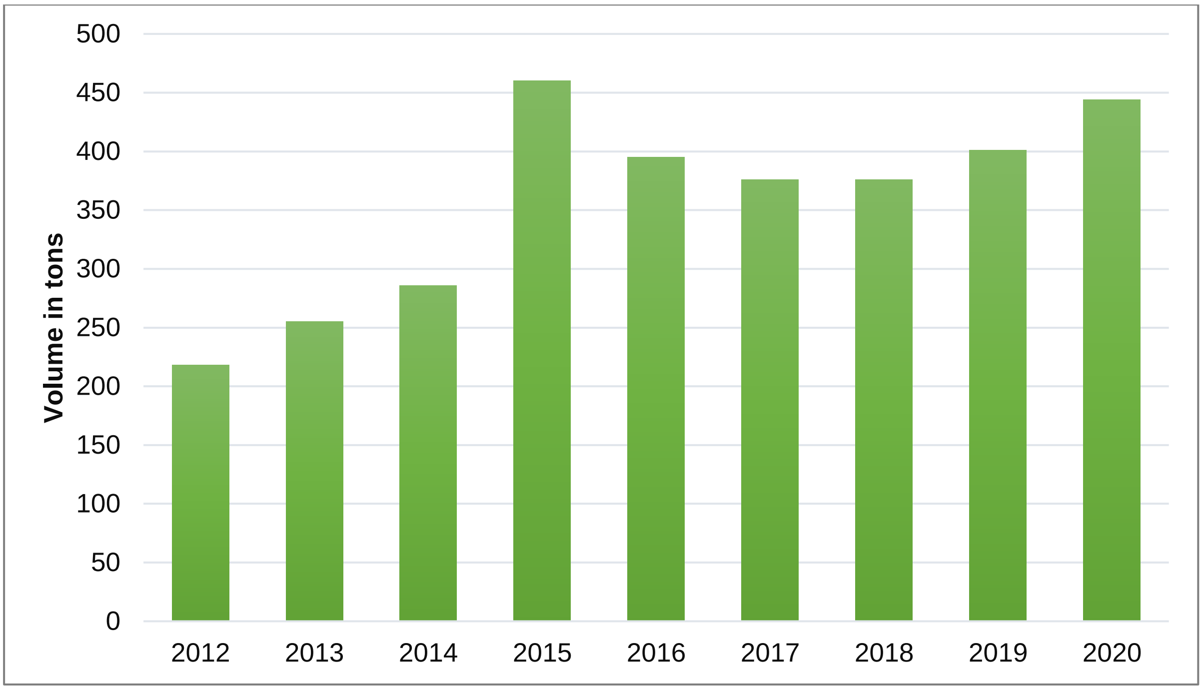


Figure 3: South Africa's local market sales
Source: DALRRD (2021)

2.2 Cherries

Cherry production in many countries has been hampered by poor weather conditions, with Spain being battered by heavy rains and pollination being affected by winds in North America. Other countries, however, have seen record productions, with South Africa experiencing its largest production of cherries ever. During the 2019/20 season, the total production was 624 tons, of which 23% was exported (less than the year before, 2018/19); 63% went to the local market and 7% to processing. In the five years leading up to 2020, there was a 98% growth in cherry hectares in South Africa. There are 520 hectares of cherries in South Africa, primarily around Ceres (Western Cape). South Africa's cherries passed for export have not performed well globally, especially in the last four seasons. South Africa exported 216 tons in 2019/20, 21% less than the 2018/19 exported volumes.

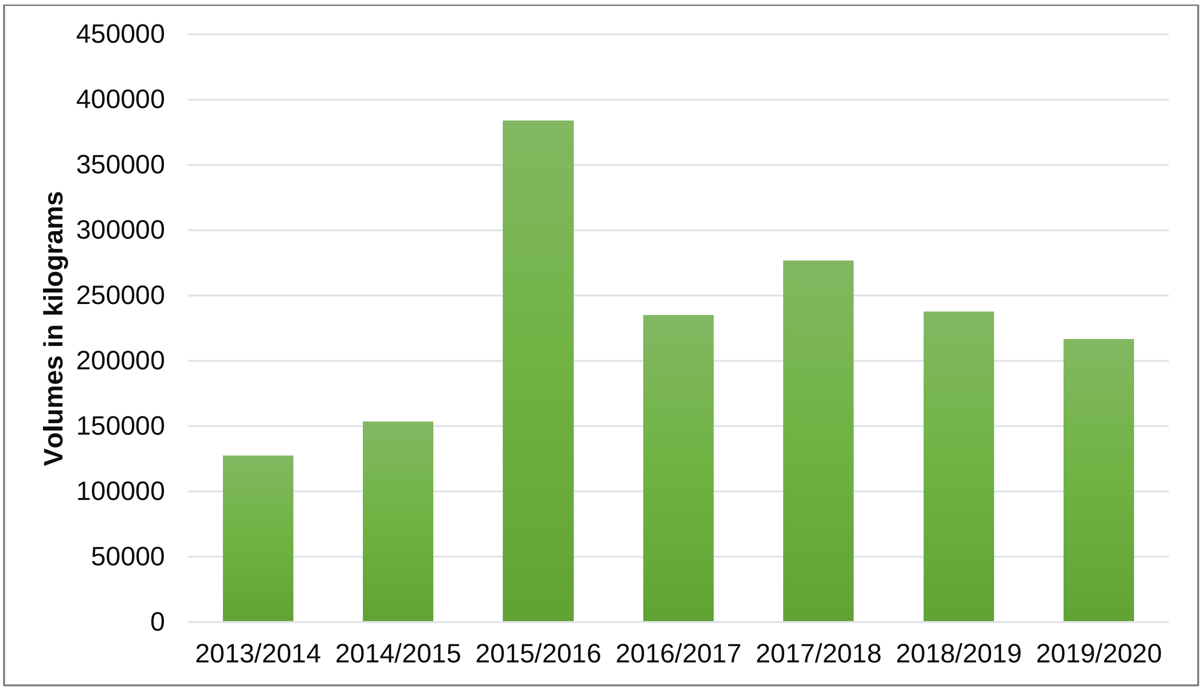


Figure 4: South Africa's cherries passed for export
Source: Hortgro (2021)

The total production for 2020/2021 was approximately 900 tons and exports around 440 tons – the biggest cherry crop South Africa has ever had. Most of the exports are to the UK, followed by Europe and the Middle East. A portion is also sent to Africa and the Indian Ocean Islands (IOI). According to Hortgro, about 54% of cherries went to the United Kingdom, 20% to Europe and 18% to the Middle East, and 4% to Africa and IOI each.

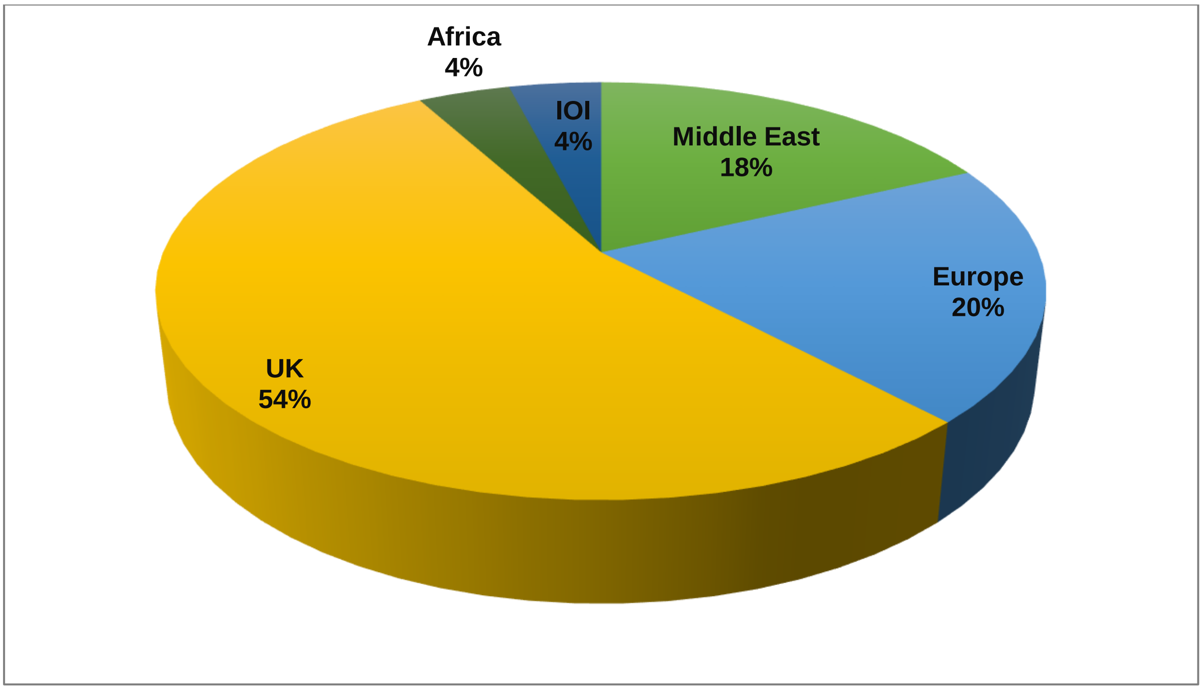


Figure 5: Export market destinations for South Africa's cherries
Source: Hortgro (2021)

In the current season, high volumes and demand for the cherries are expected for both local and export markets. The national fresh produce markets (NFPMs) are an important segment for South African cherry producers as they constitute 63% of the total production. Large volumes of cherry are sold through the Johannesburg FPM (43%), followed by Tshwane FPM (30%) and Durban FPM (19%), with other FPMs constituting only 8% of total local sales. During 2019/20, the local sales in the NFPMs declined by 53% compared to 2018/19 sales.

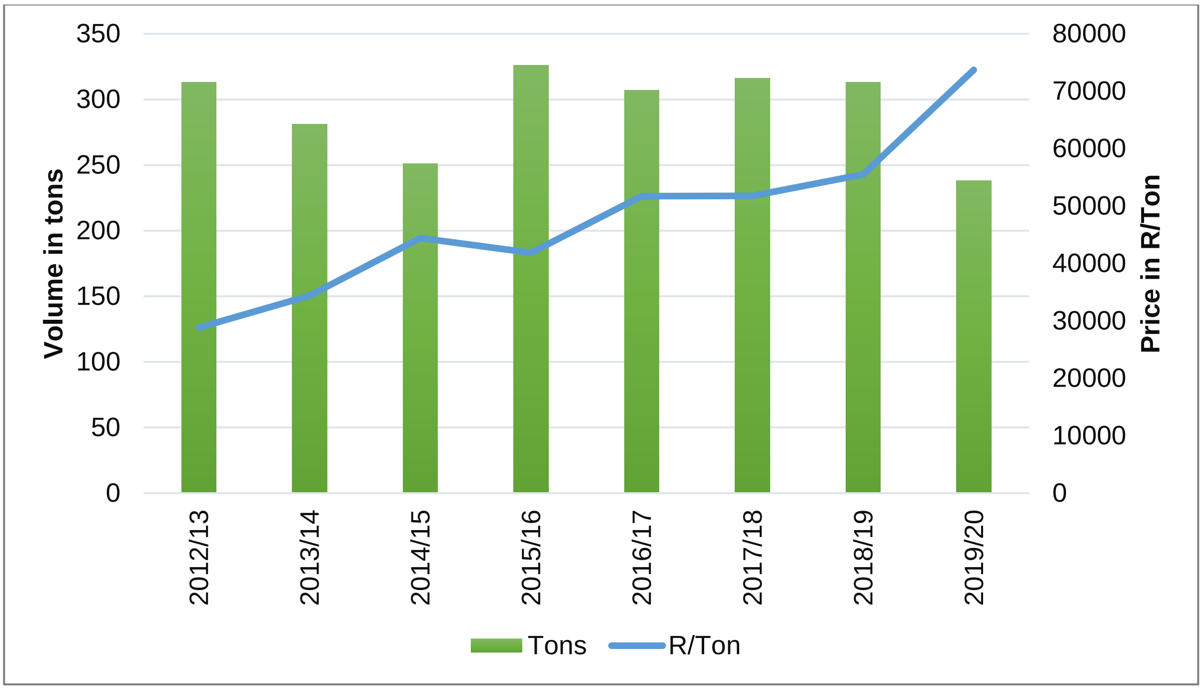


Figure 6: South Africa's local market sales for cherries

Source: Hortgro (2020)

2.3 Litchis

The plantings of litchis and production of litchis is concentrated in the Mpumalanga province, representing 67% of the South African litchi industry (1034 ha). Onderberg in Mpumalanga is the largest production region in South Africa, with 59% of total plantings. Limpopo contains 28% of South Africa's plantings, of which 23% are situated in Letaba. KwaZulu-Natal makes up 5% of the industry (73 ha). Different selections and cultivars of the two main types are produced in the subtropical regions of South Africa. Mauritius is the most planted litchi variety in South Africa, representing 75% of the total plantings, and McLeans Red is the second most planted litchi variety. However, 72 ha of this are situated in the Letaba region of Limpopo.

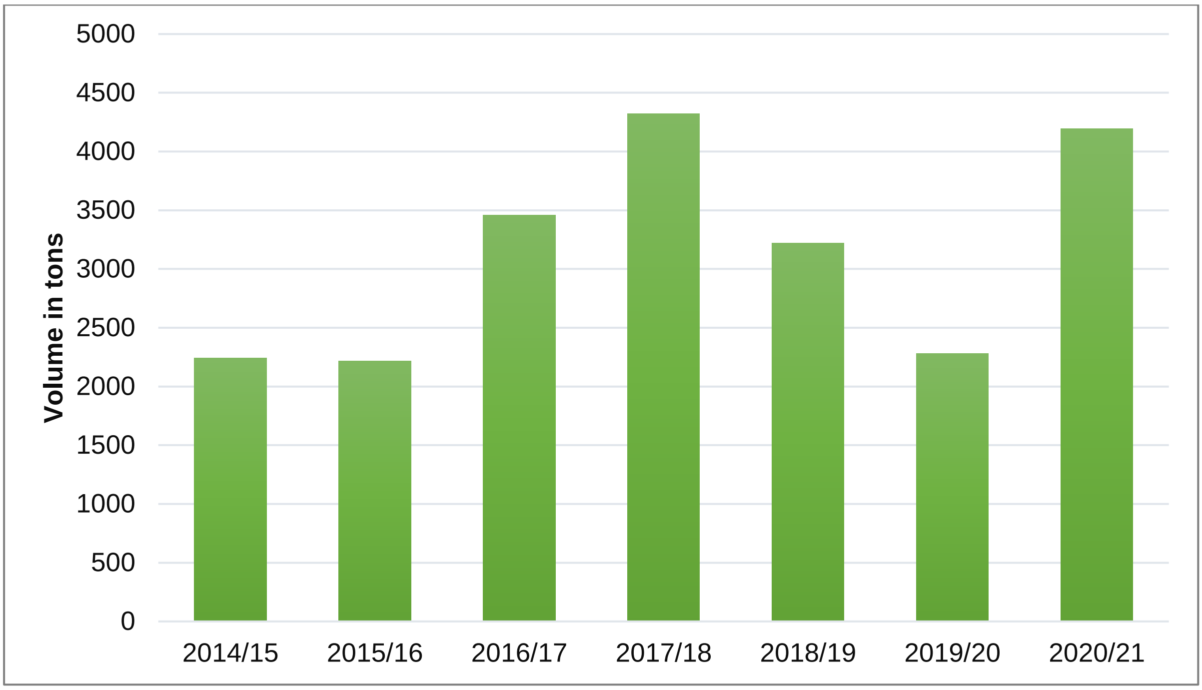


Figure 7: South Africa's litchis passed for export
Source: SALGA (2021)

Litchis are a speciality fruit that is slowly gaining popularity in Europe, although average consumption per capita is still limited. Litchis are most popular in France. Madagascar and South Africa supply the majority of litchis during the winter season (from October to February). Supply during the summer season is much more limited but offers opportunities for countries such as Vietnam, Thailand and Israel. The figure below highlights important markets for South African litchis during the 2020/21 season. Europe has been indicated as a major market for South Africa litchis, constituting about 40% of total exports. The European market has grown significantly over the partners, and traders have realised the potential of this market. The Middle East and the UK came after Europe as an important market with a share of 29% and 27%, respectively. The African Continental Free Trade Area agreement (AfCFTA) is expected to improve South African litchi exports in the African continent; Africa constitutes 5% of total exports. The USA, a five-year-old market for South African litchis, had the same volume of exports as the previous year, despite the stiff airfreight challenges of the season due to lockdown measures.

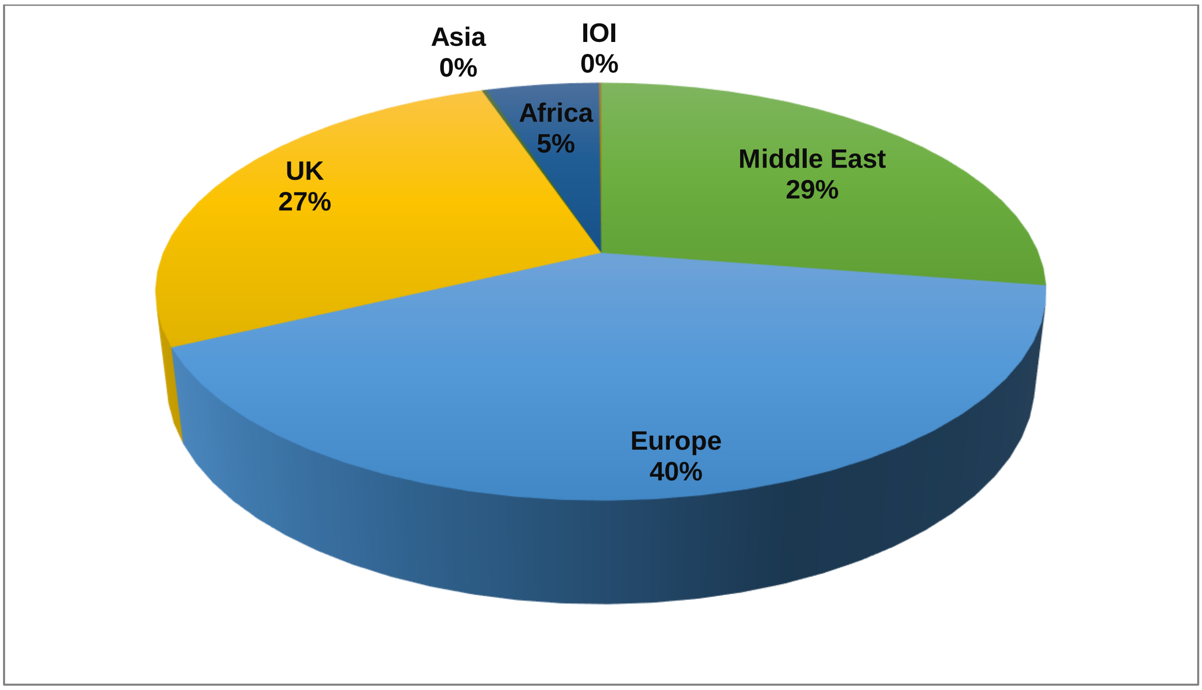


Figure 8: Export market destinations for South Africa's litchis
Source: SALGA (2021)

National fresh produce markets are the second largest market segment for the South African litchi industry. In the 2020/21 season, about 1 624 tons of litchis were destined for the local markets, constituting about 21% of total litchi production. The figure below highlights litchis' performance in the local markets (in terms of volumes sold and average prices) between 2013 and 2020. It can be observed that volumes destined to local markets fluctuated in the period under review, and in 2019/2020, the volumes dropped by 4% due to lower production. However, in 2020/21, the sales have improved by 1%, from 890 tons to 1 624 tons.

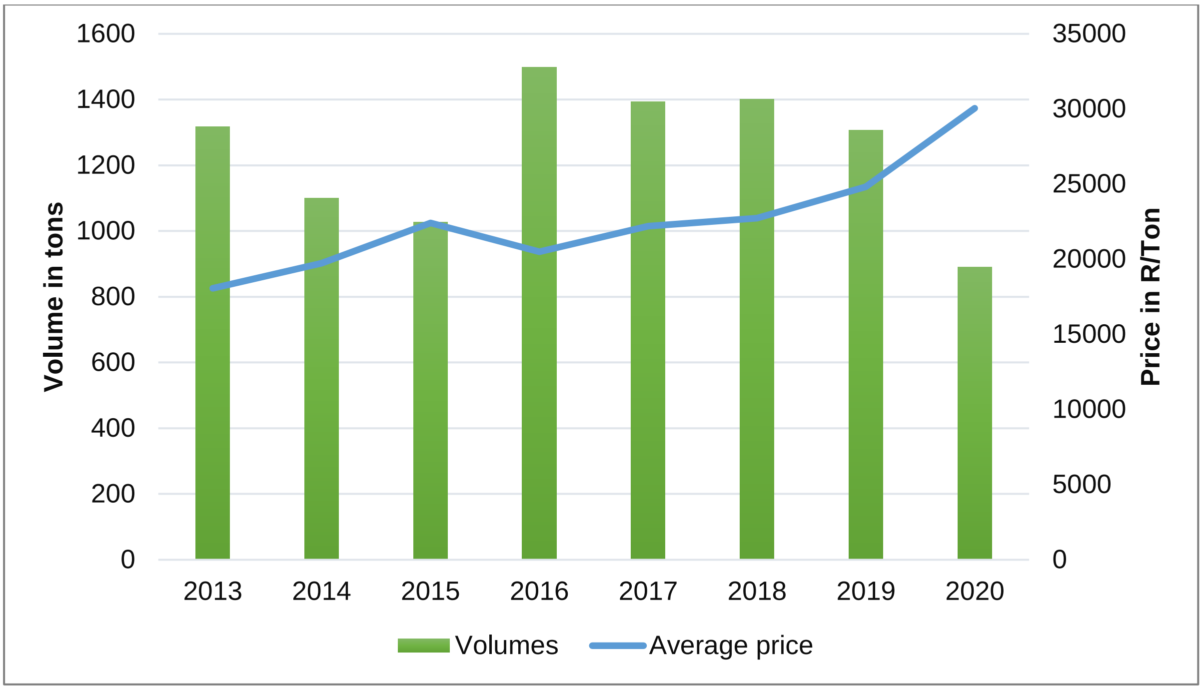


Figure 9: South Africa's local market sales of litchis
Source: SALGA (2021)

2.4 Berries

The production of blueberries is among the fastest growing in South Africa in terms of area planted and production. Berries are a high-value commodity that has been gaining recognition for their revenue potential. The industry is still growing, and prospects have not been fully explored yet. The growth of production over the years has been significantly large, corresponding to the growing hectarage in the country. Between 2014 and 2021, production has grown by more than 1445%. The production of blueberries was 36 000 tons in 2021 and is expected to rise to 49 000 tons in 2022. Production, therefore, grew by 80% from 2020 to 2021. The area planted for blueberries grew from 471 hectares in 2014 to 3322 hectares in 2021, indicating a growth of 620% between the years.

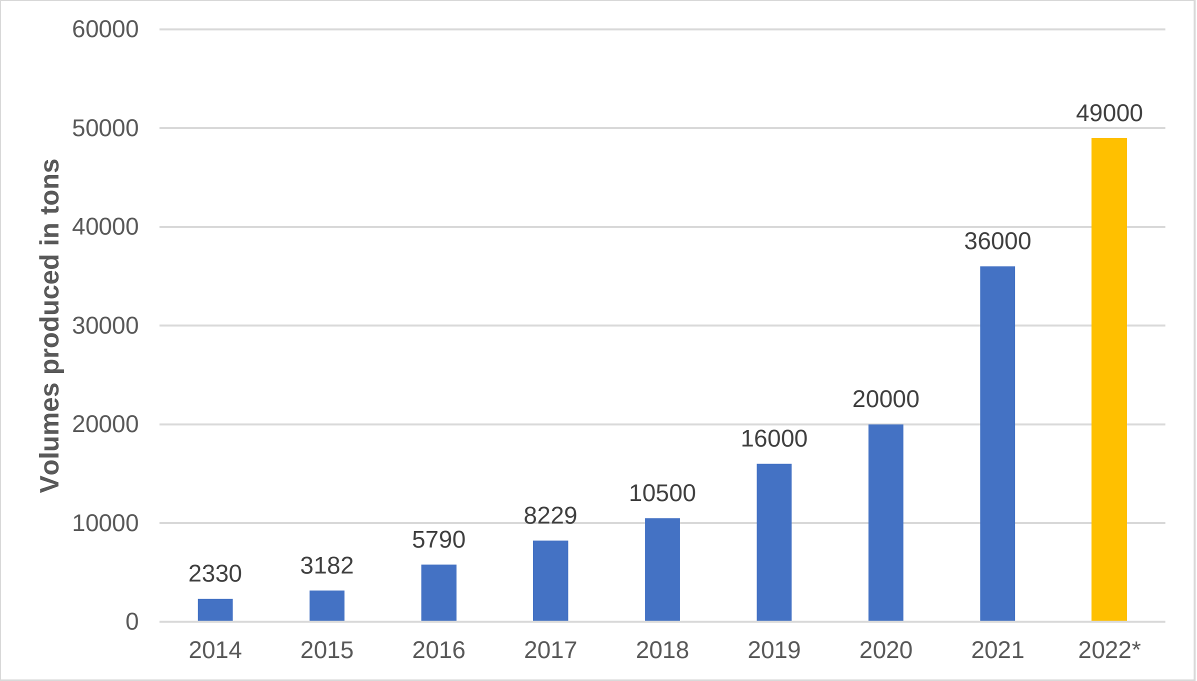
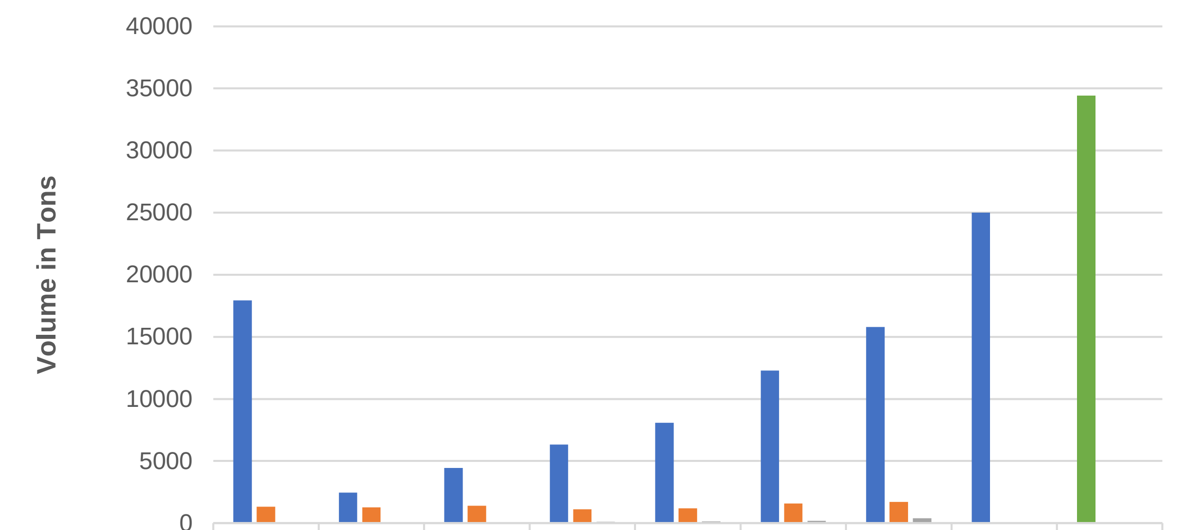


Figure 10: South Africa's production of blueberries
Source: Berries ZA (2021)

South Africa's berry exports are expressed in Figure 11. Blueberries naturally had the largest exports, followed by raspberries and then blackberries. South Africa exported 69% of what was produced of blueberries, which could indicate that producers prefer the price they receive in international markets and the available demand for their products. South Africa exported 25 000 tons in 2021, 58% more than in 2020. According to Berries ZA, this was not without challenges, such as the pandemic affecting global ports, cold at the start of the season, rain in week 40 of the export season, and limited or no flights from Cape Town. Market access into countries such as China remains desired as the industry seeks to diversify. More stringent requirements and regulations could threaten market access, as more steps need to be followed to export.



	2014	2015	2016	2017	2018	2019	2020	2021	2022*
Blueberries	17922	2448	4454	6330	8069	12282	15800	25000	34400
Raspberries	1317	1257	1385	1122	1198	1569	1701		
Blackberries	12	2	50	114	122	193	399		

Figure 11: South Africa's exports of berries
Source: Berries ZA (2021)

The largest destinations for blueberries are represented in Figure 12. The European Union remains the largest market for South Africa's blueberries, taking up 51% of the share, followed by the United Kingdom (36%), the Far East (9%) and the Middle East (4%).

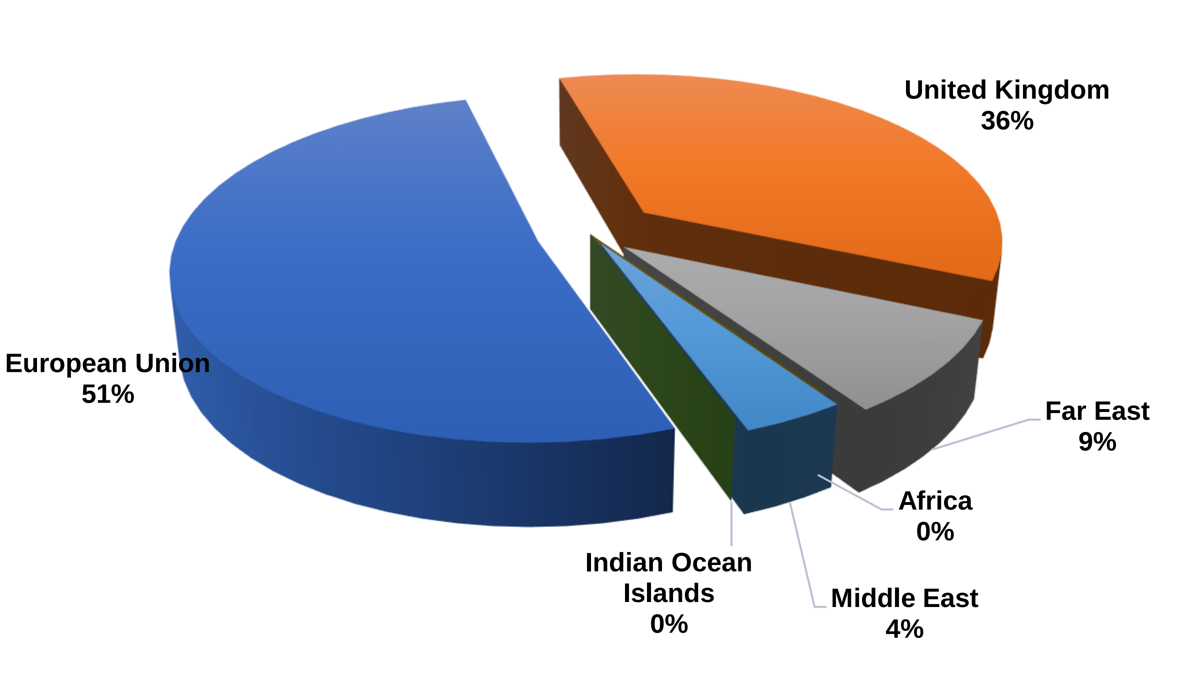


Figure 12: Destination markets for South Africa's blueberries in the 2020/21 season
Source: Berries ZA (2021)

Figure 13 shows the volumes of raspberries sold at the national fresh produce markets, as well as the average prices per month in 2019, 2020 and 2021 (Jan to

May). The NFPMs had sold a larger volume of raspberries by May 2021 than the total volumes in the other two years. By May 2021, the markets had sold 202.03 tons at R27 086/ton, the lowest average price of all the years, indicating that the producers directed more volumes towards the local markets than the other years. In April 2021, the NFPMs sold the largest volumes for all years, with 68 tons sold at R17 492.46/ton. The prices are usually at their highest during the off season, between July and October.

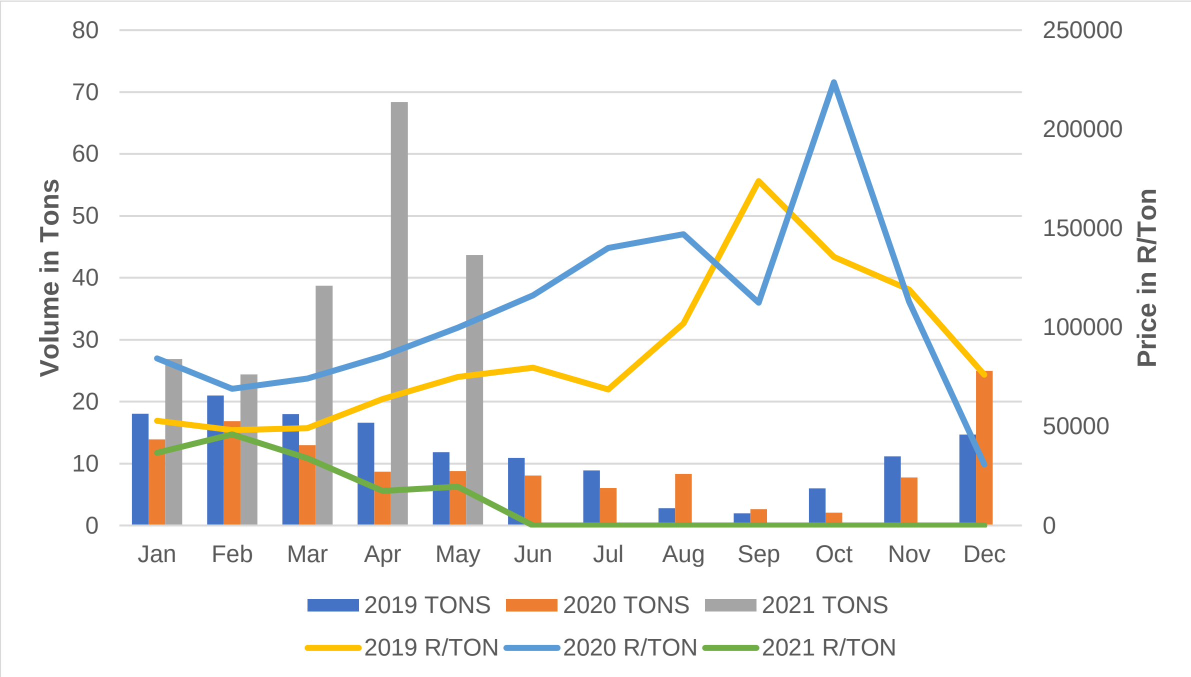


Figure 13: Sale of raspberries at the NFPMs
Source: DALRRD (2021)

3. 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.

3.1 Africa as an alternative market for South Africa's fruit industry

Over the years, South Africa has established very strong trade ties with countries in the West, most especially Europe and United States (US). Not so long ago, markets have also been opened up in Asia and other countries in the far East. Currently, over 60% of South Africa's fruit exports are destined for developed markets and the Far East. Less than 10% of all fruit exports are destined for markets within Africa. Thus, the key question – "*Following the enactment of the African Continental Free Trade Area agreement (AfCFTA), can Africa be an alternative market of interest for South Africa's fruit exporters?"* Some proponents argue that the AfCFTA is overly ambitious, with possibilities that the anticipated benefits may not be realised.

In this article, an effort is made to provide insights into South Africa's intra-Africa trade in berries. Insights might provide some light into what is required to optimise benefits through the AfCFTA regime. It is important to note that trade under the AfCFTA arrangement took effect on 01 January 2021. Based on 2020 trade statistics, 6% of South Africa's fresh berries were destined for markets within Africa, with Mozambique assuming the largest proportion (1.5%), followed by Kenya (1.0%). Other markets include Botswana, Mauritius, Namibia, and Uganda, among others. When we look at the proportion of South Africa's intra-Africa exports to Africa's imports from the rest of the world, it was observed that South Africa's intra-Africa fresh berries exports by value are 30 folds more than what is imported from the rest of the world. Given that there is both intra-Africa trade and imports of berries from outside of Africa, this implies that there is a growing market for fresh berries within the continent. This is an opportunity that South Africa's exporters of this product need to harness. With regard to price, the average global price was about 4-folds than the average price paid for a ton in Africa but most markets for South Africa's fresh berries paid by far a higher price when compared to the African average (US$ 1 059). Seychelles, Malawi, Eswatini, Nigeria, and Madagascar for instance paid more than twice as much as the average price for Africa. It is in countries like Mozambique, Uganda, Kenya, Lesotho, and Egypt where prices for South Africa's berries were below Africa's average price. In Kenya for instance, the low price was due to competition from berries supplied by Egypt and Uganda, which account for about 28% and 15% of all imports, respectively.

Such wide differences in prices even within the same trade block like Southern Africa Development Community (SADC) suggest that the product is well appreciated in some countries than others, among other factors. Thus, existence of a market for South Africa's berries on the continent is eminent, despite issues like high tariff rates in countries like Uganda, Kenya and Angola. However, given that the AfCFTA provides for reduction of tariffs to a bare minimum with a 5-year period, it is anticipated that this will further smoothen South Africa's intra-Africa trade in berries withstanding all the other trade facilitation challenges that are likely not to be address within a short to medium term. Therefore, the enactment of trade under the AfCFTA presents an opportunity for South Africa's berries industry to bolster intra-Africa trade, especially through the proposed tariff reductions in the short-term but in the long-term, there is a strong compelling need to address trade facilitation bottlenecks. This will spur intra-Africa trade for all other goods and services.

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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*

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