NAMC

Promoting market access for South African agriculture

SOUTH AFRICAN FRUIT TRADE FLOW

Issue No. 43 | September 2021

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

www.namc.co.za

SOUTH AFRICAN FRUIT TRADE FLOW

Issue No. 43: September 2021

Compiled by Onele Tshitiza, Lucius Phaleng, Moses Lubinga and Sifiso Ntombela

Table of Contents

1. Background 1

2. South Africa's grapefruit and lemon exports ride on a growing global demand caused by the pandemic 1

3. South Africa's pome fruit anticipates a great production season in 2021 8

4. How South Africa's horticultural sector may reposition to benefit from the African market.....12

References 13

Useful Links 14

1. Background

South Africa's diverse weather and climatic conditions across provinces enable the country to cultivate and produce a variety of fruits for domestic and international markets. 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 **citrus fruit, specifically grapefruit and lemons, and pome fruit, in particular apples and pears**. The report assesses the performance of these fruits in the current season and unpacks factors that allow South Africa to successfully supply both domestic and international markets. The report follows a trend analysis approach, comparing the 2021 fruit season with the 2020 season.

2. South Africa's grapefruit and lemon exports ride on a growing global demand caused by the pandemic

by Onele Tshitiza

Citrus, especially lemon fruit, has gained popularity in the wake of the COVID-19 pandemic due to its associated nutritional benefits in fighting the coronavirus due to its vitamin C content. Although grapefruit is not lauded, it is associated with other health benefits such as weight loss. Lemons have come out as the stars of the citrus industry in terms of demand growth and popularity.

2.1 Grapefruit

The global production of grapefruit over the last four seasons is shown in **Figure 1**. Grapefruit production increased by 3% from 2016/17 from 6.56 million tons to 6.81 million tons in 2018/19 due to improving yields in China. Grapefruit was estimated to increase by 72 000 tons in the current season (Jan 2020/21) to a level of 6.859 million tons compared to the 2019/20 season. This was the initial estimation, and the global production was since marked down 126 000 tons in July 2021, mainly due to an estimated decline in production in the United States (101 000 tons) and Turkey due to unfavourable weather conditions (USDA, 2021a).

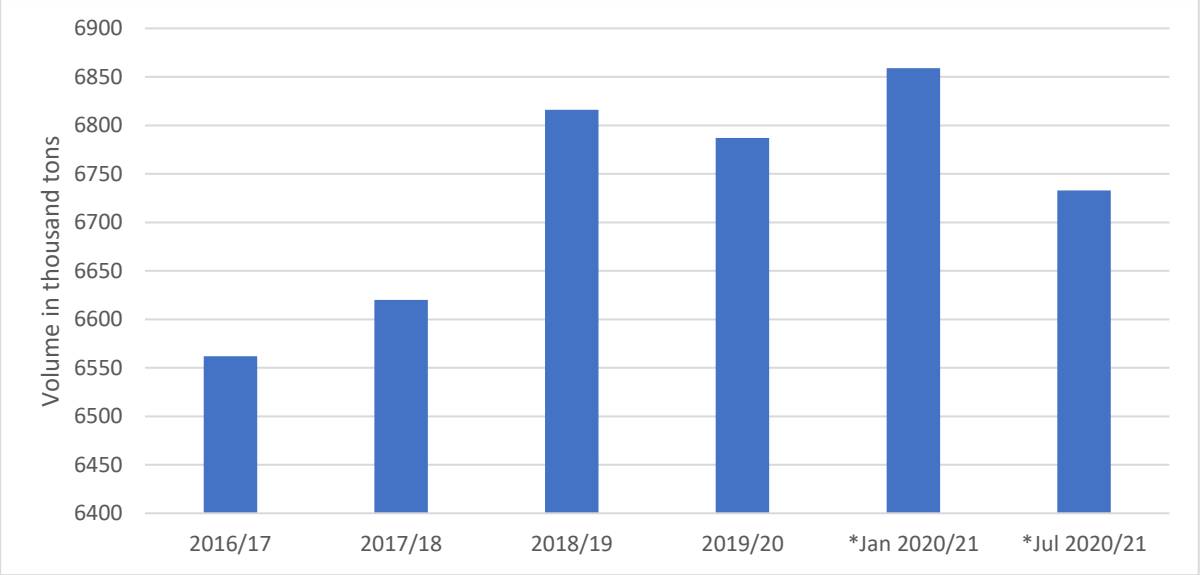


Figure 1: Global production of grapefruit, 2016/17- 2020/21

Source: USDA (2021b)

***Estimate**

The global trade of grapefruit has been relatively consistent over the years. **Figure 2** represents exports and imports of grapefruit in the world from the 2016/17 to the 2020/21 season. It can be noted that the largest exports and imports were experienced in 2017/18, with volumes of 878 000 tons and 786 000 tons respectively. Both exports and imports of grapefruit for the 2020/21 season are expected to increase to 837 000 tons and 759 000 tons, respectively. Exports are expected to increase by 21 000 tons due to an increase in exports originating mainly from South Africa and China. Imports are projected to increase by 28 000 tons as Chinese imports absorb the majority of these.

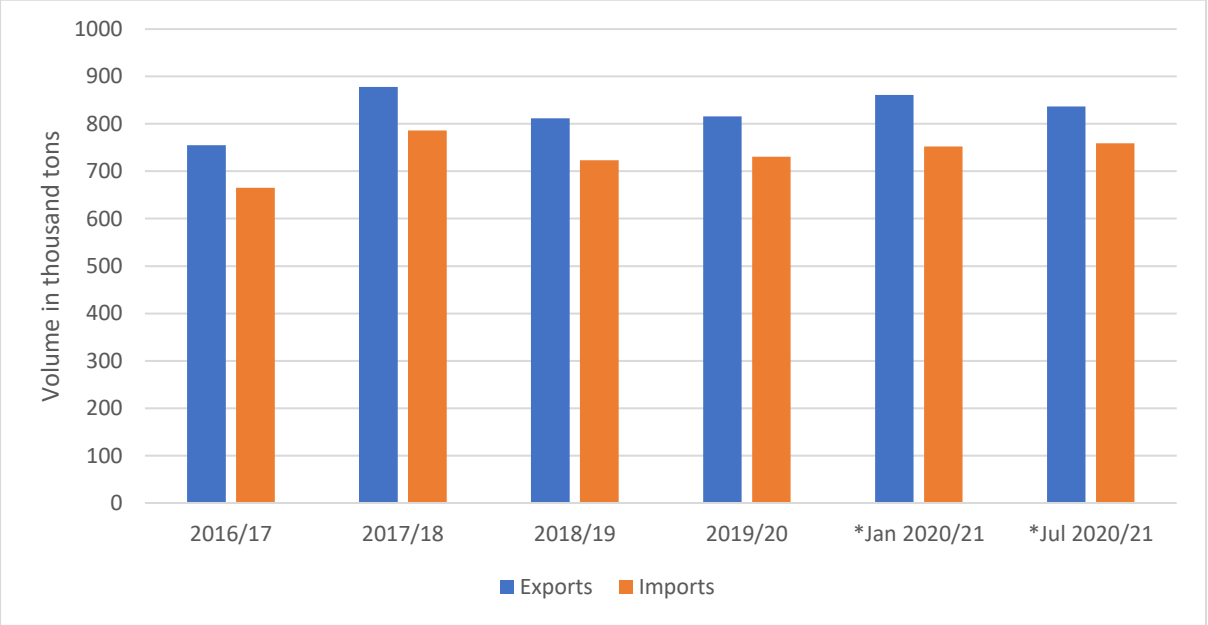


Figure 2: Global exports and imports of grapefruit, 2016/17- 2020/21

Source: USDA (2021b)

South Africa is the largest exporter of grapefruit, although it is the fourth largest consumer. It exports about 69% of what it produces. The unrest in the week of the 12th of July in KwaZulu-Natal disrupted and delayed shipments from Durban to international markets. Still, some producers redirected their produce to Cape Town, while others stored the harvested fruits in cold storage. The unrest settled by the 20th of July and operations resumed at the Durban port. Unfortunately, this was followed by a cyber-attack on Transnet systems, which slowed down operations for a few days. These challenges were overcome through government and private sector engagements in order to resolve and find solutions.

Figure 3 shows South Africa's production and exports over the last 4 seasons. It can be noted that South Africa produced the largest volumes of 403 000 tons in 2017/18 and the largest exports in the same year of 288 000 tons. It is estimated that South Africa will produce 373 000 tons of grapefruit in 2020/21 and export 260 000 tons.

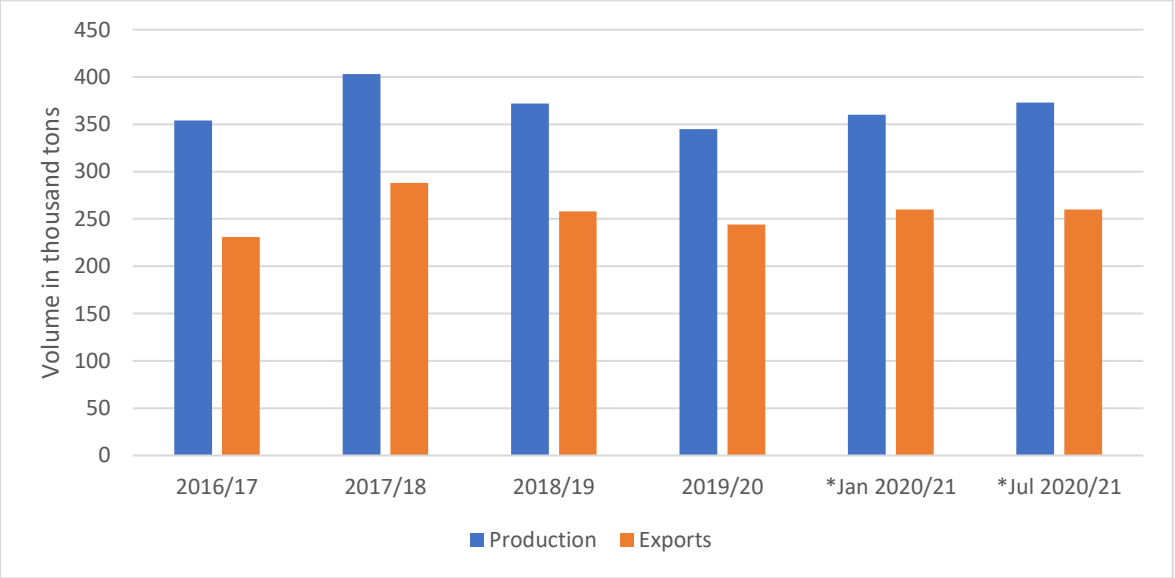


Figure 3: South Africa's production and exports of grapefruit, 2016/17-2020/21

Source: USDA (2021b)

South Africa's exports of grapefruit for week 36 are displayed in **Table 1**. So far, South Africa has exported 16.8 million cartons (15 kg cartons) compared to 14.04 million cartons exported in 2020 in the same week. It is estimated that 17.6 million cartons of grapefruit will be exported in 2021. Europe is still the leading importer of grapefruit from South Africa with a share of 35%, followed by South-East Asia and Asia at 34% and 12%, respectively.

Table 1: Week 36 of South Africa's exports of grapefruit and its markets (15kg cartons)

Region	Total exported	Total exported	Market share (%)	Estimated exports 2021
	2020	**2021**	**100**	
Europe	5,507,140	5,864,796	35	

South-East Asia	3,829,480	5,678,187	34	
Asia	1,901,574	2,077,186	12	
Russian Federation	1,237,766	1,207,537	7	
North America	642,412	947,827	6	
United Kingdom	611,862	672,150	4	
Middle East	278,733	382,841	2	
Africa and Islands	33,677	28,731	0	
Other	384	-	0	
Total	**14,045,048**	**16,859,255**		**17.6 million cartons**

Sources: Agrihub/CGA/PPECB (2021)

The price of grapefruit in local markets follows the principles of supply and demand, where in low-quantity months of supply, such as September to March, the price increases. The volumes of grapefruit and the average prices sold at the national fresh produce markets (NFPMs) are shown in **Figure 4**. The largest quantities were sold in August 2019 with the lowest price of R744.42/ton and 2 933 tons. So far in 2021, the quantities supplied have been lower than the other years from January to August and the average price relatively higher.

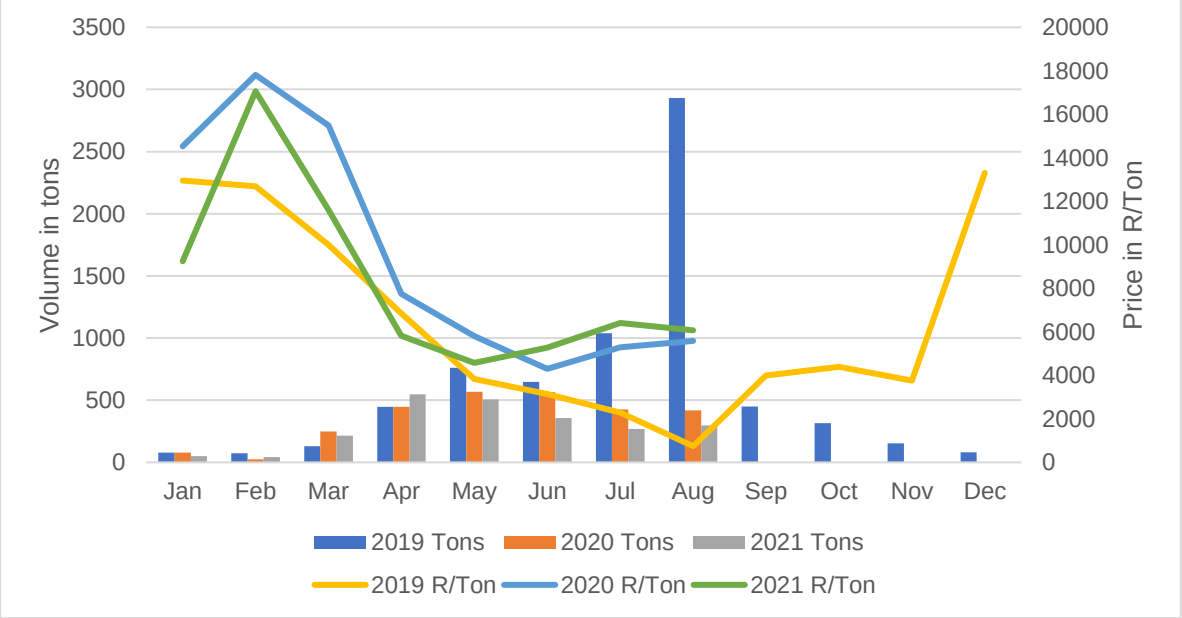


Figure 4: Local market sales of grapefruit, 2019-2021

Source: DALRRD (2021)

2.2 Lemons

The global production of lemons and limes is illustrated in **Figure 5**. Lemons have been gaining popularity since the start of the COVID-19 pandemic due to their high

vitamin C content and associated benefits in fighting the virus. The demand for the product has therefore increased in various countries. In January, the estimation for lemons and limes was that 8.31 million tons would be produced in the 2020/21 season. However, in July, the USDA estimated that global production would be slightly higher at 8.39 million tons. Despite this, global production is somewhat lower than the previous season of 8.41 million tons produced. The decline is attributed to the United States' production falling by 148 000 tons due to lower yields caused by drought. Production dropped by 341 000 tons in Argentina due to low spring temperatures and drought (USDA, 2021a).

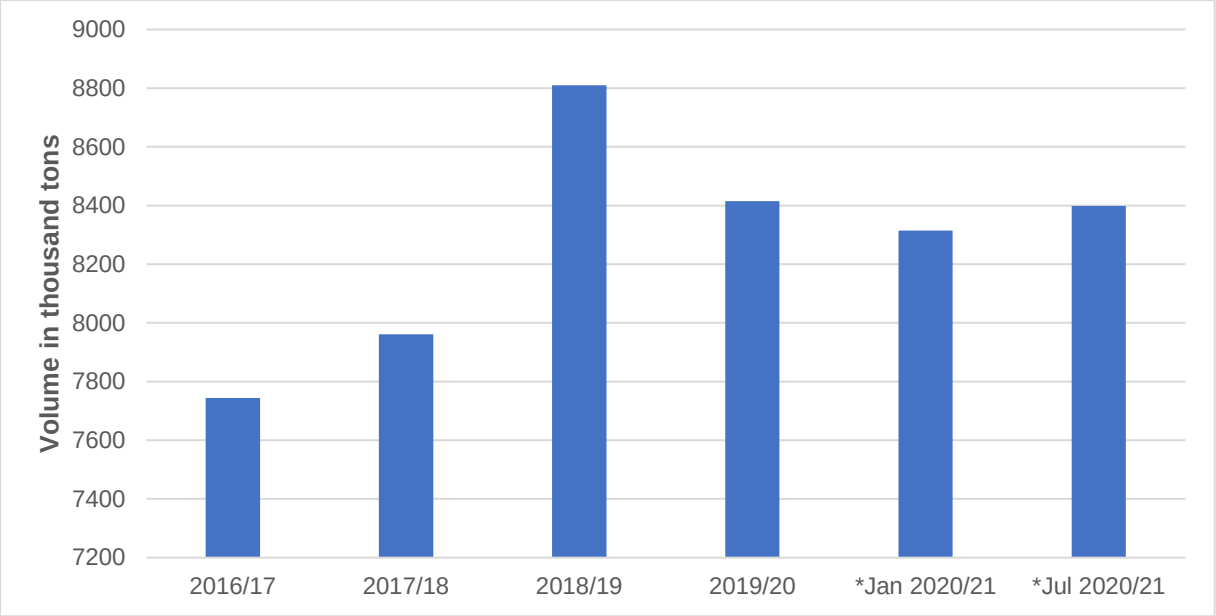


Figure 5: Global production of lemons

Source: USDA (2021b)

The global exports of lemons and limes are shown in **Figure 6**. It can be noted that more lemons and limes are projected to be exported in 2020/21 than in any other previous season. Exports are projected at 2.25 million tons, up by 159 000 tons from the previous season, while imports are expected to increase by only 10 000 tons to a total of 2.1 million tons. This season, more exports are expected from Turkey (188 000 tons) and Mexico (51 000 tons).

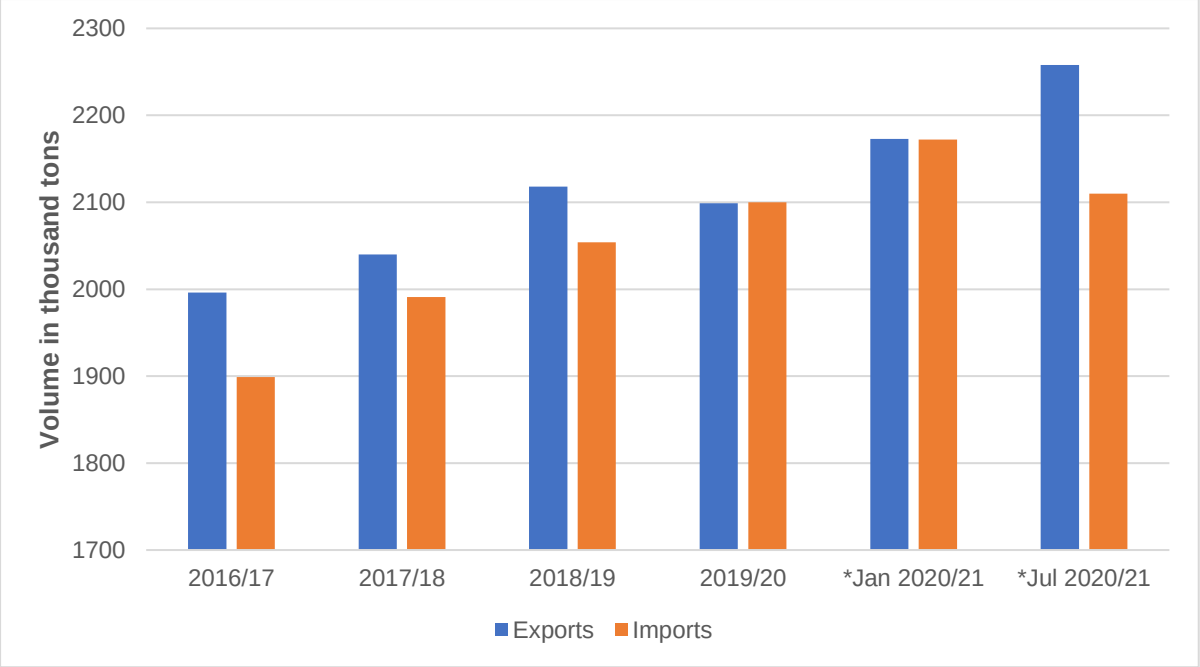


Figure 6: Global exports and imports of lemons and limes, 2016/17-2020/21

Source: USDA (2021b)

South Africa is expected to produce a little more than in the previous season by just 5 000 tons, making the production of lemons and limes 625 000 tons (**Figure 7**). South Africa's exports are expected to reach 461 000 tons this season. The demand for South Africa's lemons is growing. More markets in Asia are opening up, such as China and the Philippines, which were recently announced by the Department of Agriculture, Land Reform and Rural Development in 2021.

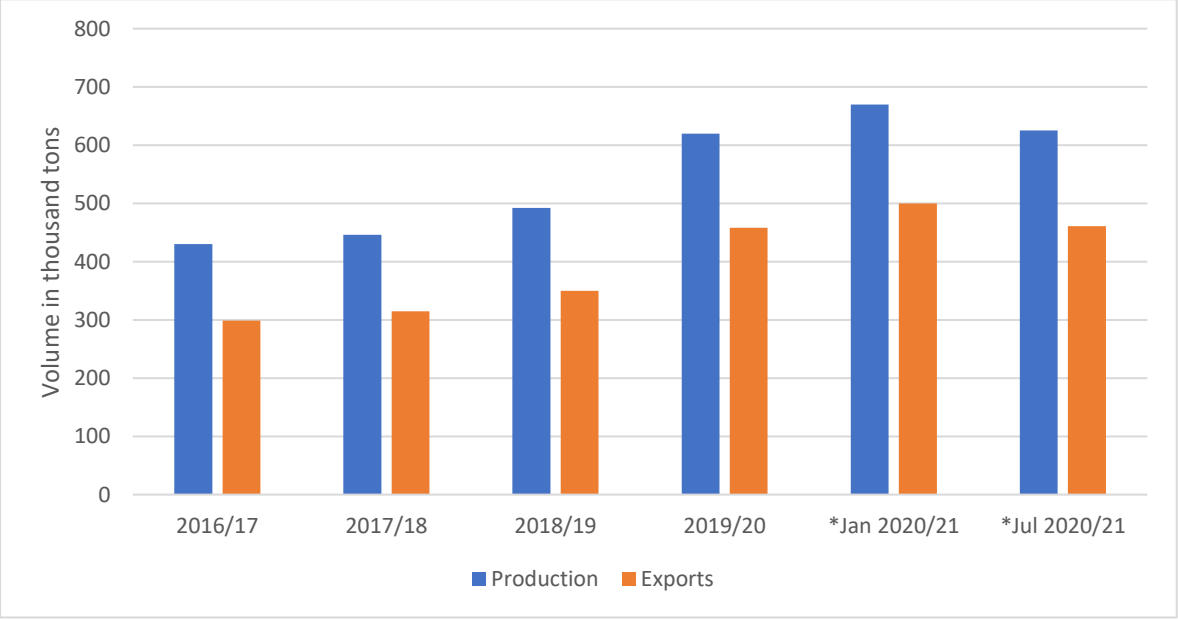


Figure 7: South Africa's production and exports of lemons and limes, 2016/17-2020/21

Source: USDA (2021b)

South Africa had exported 27.8 million cartons of lemons by the end of week 36 out of an estimated 30.4 million cartons to be shipped for the season (**Table 2**). South Africa will therefore increase its exports of lemons by 17% compared to 2020. Europe is still the largest market for lemons (39%), followed by the Middle East (31%) and Russia (9%).

Table 2: Week 36 of South Africa's exports of lemons and limes and its markets (15kg cartons)

Market Destination	**Total exported**	**Total exported**	**Market share (%)**	**Estimated exports 2021**
	2020	**2021**	**100**	
Europe	9,182,755	10,979,629	39	
Middle East	8,915,964	8,664,863	31	
Russian Federation	2,240,823	2,388,588	9	
United Kingdom	2,098,189	2,270,841	8	
South-East Asia	1,549,836	1,775,537	6	
North America	1,212,391	1,349,380	5	
Asia	109,663	209,273	1	
Africa and Islands	180,370	165,121	1	
Other	0	0	0	
Total	**25,489,991**	**27,803,232**		**30.4 million cartons**

Sources: Agrihub/CGA/PPECB (2021)

The average price and quantities of lemons sold at the NFPMs are shown in **Figure 8**. Lemons are at their peak at around July and August and the prices are relatively low. When comparing the years, more quantities were sold by the end of August 2021 than the other years, indicating that more lemons were directed to the markets due to demand and/or high production. A total of 17 277.05 tons of lemons have been sold at the NFPMs so far in 2021 at an average price of R 5 228.18/ton.

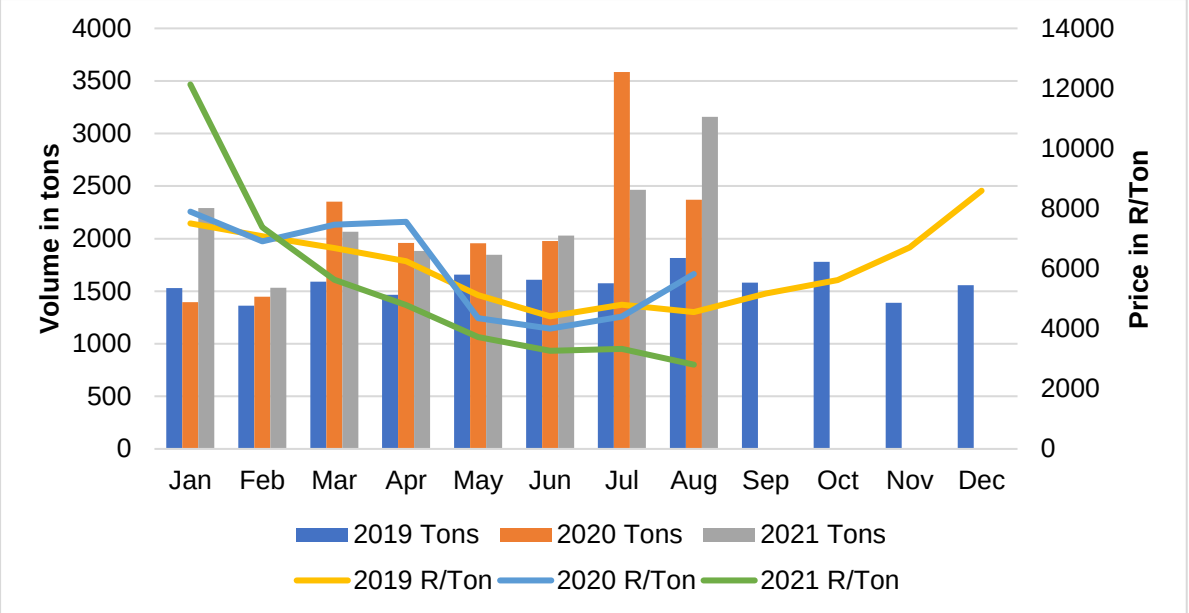


Figure 8: Local sales of lemons at the NFPMs, 2019-2021

Source: DALRRD (2021)

Conclusion

Citrus is one of the most high-value and export-oriented fruits in South Africa and accounts for the largest share of 17% in agricultural exports. As the industry grows its production, it will be important to reach new markets. Asia and the Middle East pose a great opportunity for South Africa's fruits while maintaining the existing markets such as the United Kingdom and the European Union. The citrus industry recently celebrated the signing of the South Africa-China protocol for lemons, which will open up more export opportunities for local citrus farmers – a great example of collaboration with the government. The industry also reached a milestone of exporting the first shipment of citrus to the Philippines. In order to supply these markets consistently, ports will need to be efficient, as the majority of citrus is exported through ships. Therefore, there is a need to maintain efficient systems for ports and ensure that those systems are fully functioning in peak export seasons. More foreign earnings will mean more jobs and the industry's contribution to the gross domestic product.

3. South Africa’s pome fruit anticipates a great production season in 2021

by Lucius Phaleng

Global apple production for 2020/21 is projected to decline by 3.6 million tons to 75.9 million tons due to a severe spring frost which significantly affected China's northwest provinces. Trade is also forecasted down on lower exportable supplies in the European Union and the United States. China’s apple production is estimated to drop by 1.9 million tons to 40.5 million tons. Not only are volumes expected to be low, but quality could be an issue that will impact the exports. Given the sensitivity to price

escalations of the South-East Asia customers, this region could see more volumes of apples exported.

EU apple production is expected to rise by over 500 000 tons to 12.2 million tons as greater supplies emanating from orchards that have reached a full bearing capacity improve yields and compensate for losses caused by bad weather in some parts of EU production zones. Exports are projected down by 135 000 tons to 880 000 tons on fewer commercial supplies. In comparison, imports are also expected to drop to 460 000 tons as reduced shipments from Eastern European suppliers more than offset supplies from the southern hemisphere.

In terms of pear performance, world production is expected to decline by 1.2 million tons to 22.1 million tons due to weather-related losses in China. China alone will experience a production decline of 1.3 million tons, but a slight production increase in Europe will safeguard the overall global decline. EU production is expected to grow by 280 000 tons, pushing its total production to 2.3 million tons. Despite greater output, exports are projected to be low, slowing by 270,000 tons due to hail and heavy rain.

Figure 9 highlights world pome fruit production between 2016/17 and 2020/21 Dec*, measured in thousand tons.

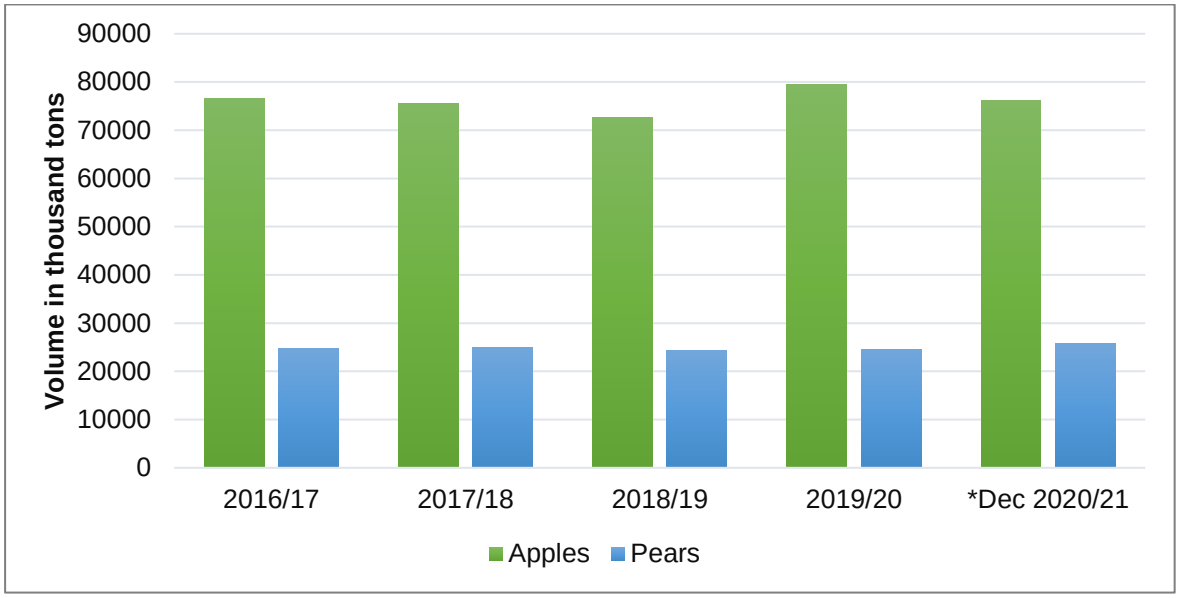


Figure 9: World pome fruit production, 2016/17 – 2020/21

Source: USDA (2021)

***Estimate**

South Africa's apple production is projected to rise for the third straight year, reaching 966 000 tons, which is underpinned by good weather seasons experienced in the Western Cape and other pome production areas. The surface area planted with pome fruit also increased mildly during the period under review, especially in the Northern Cape and other northern parts of the country. **Figure 10** highlights South Africa's pome fruit production from 2016/17 to 2020/21 (estimates). The higher production of apples is anticipated to lift exports to a near-record of 530 000 tons.

On the other hand, South Africa's pear production is anticipated to remain steady at 410,000 tons in good growing conditions. The growing area continues to recover from pre-drought levels as producers replace old trees removed during the drought. Parallel with production, exports are expected to remain firm at 230,000 tons on stable supplies.

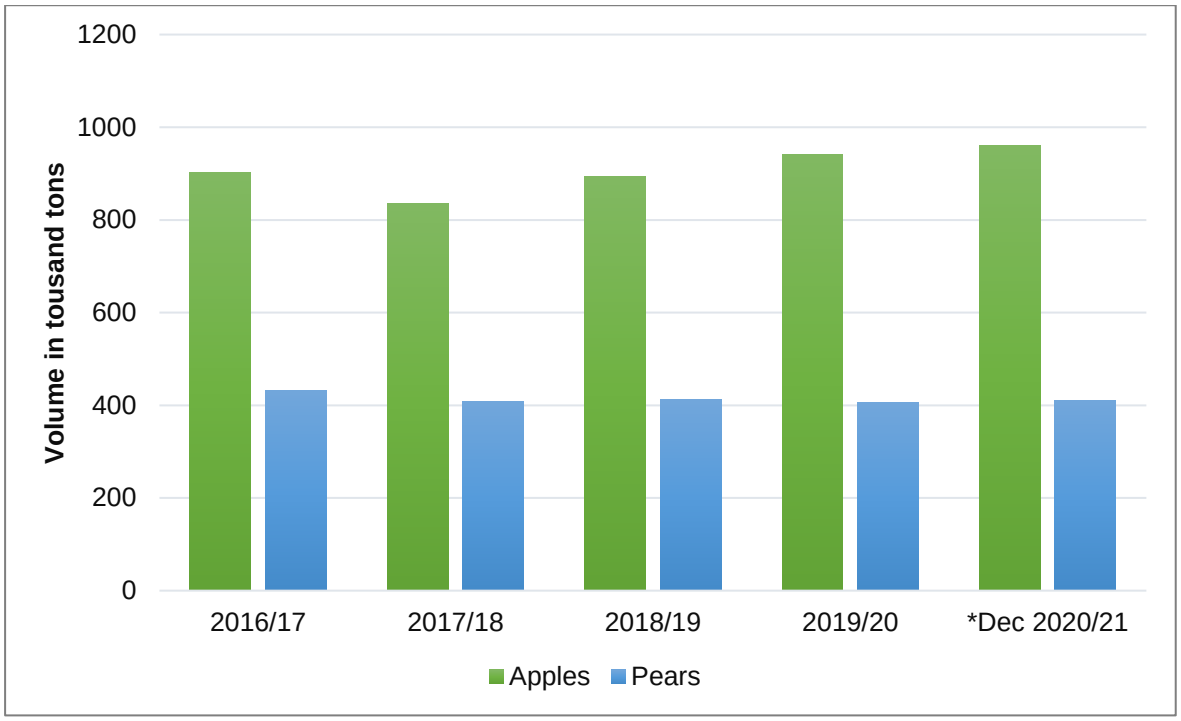


Figure 10: South Africa's pome fruit production, 2016/17 – 2020/21

Source: USDA (2021)

South Africa's pome fruit harvest is underway with positive expectations for 2021. In 2020, South Africa experienced a better winter with enough rain in the majority of the production areas. Overall, most apple varieties are expected to increase on the 2020 harvest as young orchards came into production amid favourable weather conditions. **Table 3** shows the pome fruit export estimate for the 2021 season compared to the exports of the previous three years. The favourable weather has positively impacted the export crop estimate, of which a 4% increase is expected on apples and 2% on pears. The increase in pears can be attributed to Packham's Triumph volumes (+6%) and Abate Fetel returning to a normal yield. Early Bon Chretien pears have been negatively affected by russeting, and a decrease of 14% is estimated compared to the previous season.

Table 3: Pome fruit export estimate (12.5kg equivalent cartons)

Pome	2018	2019	2020	3-year average	2021 Est*	Est* vs 2020
Apples	31.45	33.87	36.71	34.01	38.07	+4%
Pears	16.91	17.09	16.82	16.96	17.14	+2%
Total	**48.42**	**50.96**	**53.53**	**50.97**	**55.22**	**+3%**

Source: Hortgro (2021)

South Africa's pome fruit exports are projected to increase in the 2021 season. Figure 11 and Figure 12 indicate the market destinations for both apple and pear exports. Large volumes of apples are being exported to the Far East & Asia with a total of 28%, followed by Africa (27%), the UK (18%), and Russia (9%). It is very interesting to see the African continent being an important market segment for South Africa's apple producers. Large volumes of apples exported by South Africa to the African continent are destined to West African countries. On the other hand, large volumes of pears are destined to European countries at a share of 27% (this is driven by existing trade arrangements), followed by Russia (21%), the Middle East and Far East/Asia, which constituted about 20% each, and UK (5%) respectively.

Figure 11: Apple exports per market segment

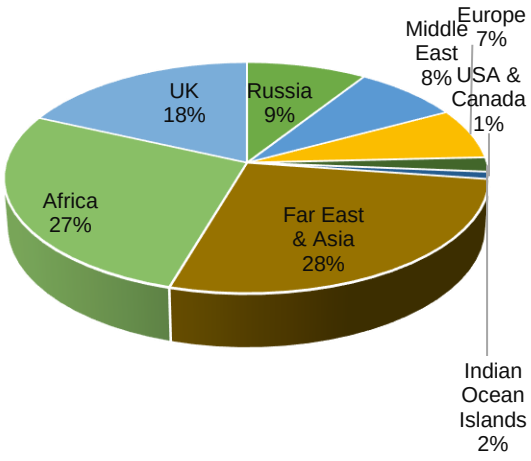
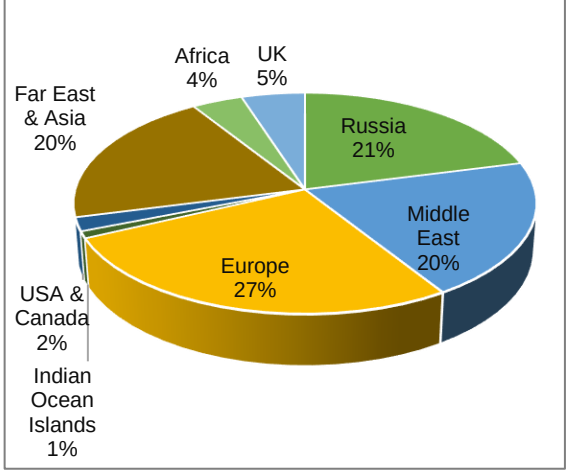


Figure 12: Pear exports per market segment



Source: Hortgro (2021)

Figure 13 highlights the volumes of pome fruits (apples and pears) sold in the local market with the average prices. More apples are being sold in the local markets as compared to pears. In 2021 (Jan – Aug), about 94 901.57 tons of apples were sold in local markets at an average price of R7 483.04 per ton, while approximately 31 266.10 tons of pears were sold at an average price of R6 745.05 per ton. The volume of pome fruits sold negatively correlates with the prices (i.e. law of demand and supply).

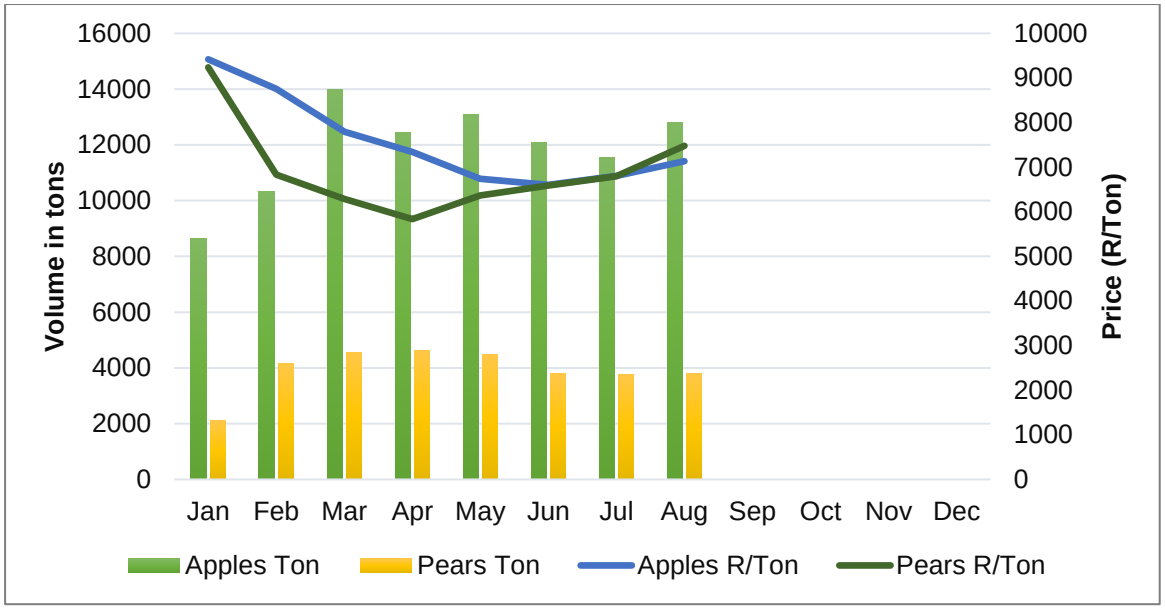


Figure 13: Pome fruits sold in the local market, 2020 (Jan - Aug)

Source: DALRRD (2021)

In conclusion, South Africa's trade has faced many challenges this past year due to the COVID-19 pandemic and the effects of the accompanying regulations and given that pome fruits are export-oriented, the COVID-19-induced delays at the ports have impacted the industry's performance. Included in these delays are worldwide shipping delays and container shortages, with resulted in high shipping costs. However, the good weather, which resulted in higher volumes and fruit quality, has mitigated the pandemic's impacts on farmers' profitability. Pome fruit exports continue to increase even during the COVID-19 and have managed to withstand the effects of the outbreak. This is evident from **Table 3**, where pome fruits exports are estimated to have increased by 3% from the previous season.

4. How South Africa's horticultural sector may reposition to benefit from the African market

by Moses Lubinga

Over the years, the fruit industry in South Africa has built very strong trade relationships with the European Union, Asian and American markets. In recent years, there has been a growing increase in market access in countries/regions that may not be regarded as traditional trading partners, e.g. China and other African countries. The share of South Africa's horticultural exports destined for countries within Africa gradually declined from 13% in 2016 to 9.8% (lowest share) in 2020. Whereas the sharp decline recorded in 2020 might have been driven by the COVID-19 pandemic, the declining trend, in general, suggests that there are other underlying matters with which industry role players are battling. This school of thought goes far beyond the horticultural sector, evidenced by the exiting of the general merchandise Game and Shoprite stores in East and West Africa. Between August and September of 2021, Massmart declared its intentions to dispose of 14 stores across Ghana, Uganda, Kenya, Nigeria and Tanzania, citing that it is not profitable to operate in those markets.

This article provides insights into the identified factors associated with why Massmart opted to exit these markets despite South Africa's good intra-Africa trade performance in horticultural products. The article also offers suggestions on how the sector may reposition itself to continue benefiting from intra-Africa trade, especially under the Africa Continental Free Trade Area (AfCFTA) agreement.

The high volatility of local currency in the mentioned countries, with low consumer demand

To better reposition itself, the horticultural sector needs to understand the local dynamics within each targeted African country. For instance, the narrative that there is low consumer demand in any of the above-stated countries may not necessarily deter the flourishing South Africa's intra-Africa horticultural trade as long as the sector gets a clear understanding of the buying and consumption patterns in that market segment. Taking an example of Uganda and Kenya, while most of the population are smallholder farmers who rely on their own farm produce, the stocking of fruits and vegetables in upmarket stores like Game or Shoprite would command higher marketing costs, thereby eroding the profit margins. Therefore, it is commendable that South Africa's exporters of horticultural products to these countries partner with established local supermarkets to supply the products. This will enable South African counterparts to greatly reduce both capital and operational costs incurred in those markets.

Moreover, exporters should consider the pricing structure of horticultural products in those markets. In most instances, the pricing of commodities in South Africa is based on a grading system whereby a superior grade (e.g. “Grade A”) commands a higher price as compared to a lower grade (“Grade B”). Although grading is a good system, the sub-sector should minimise categorising horticultural products based on superficial attributes that do not necessarily compromise food safety and nutritional composition. In the long run, this is bound to influence affordable pricing structures for prices destined for markets within Africa. This article highly recommends the need for investment in infrastructure across the continent, which will greatly reduce the cost of doing business within Africa.

Conclusively, despite the declining share of horticultural exports destined for African countries amidst the exiting of South Africa's major retail stores (Game and Shoprite) from West and East Africa, the prospects of a flourishing trade in horticultural products from South Africa are still high, especially if traders/exporters work in partnership with local retail stores in those African countries.

References

Agrihub. 2021. *Exports of citrus*. Available online at: www.agrihub.co.za.

CGA (Citrus Growers’ Association). 2021. *From the desk of the acting CEO (35/21)*. Hillcrest: CGA.

DALRRD (Department of Agriculture, Land Reform and Rural Development). 2021. *Local market fruit sales data*. Pretoria: Directorate of Agricultural Statistics.

Hortgro. 2021. *Pome fruit (apples and pears): Production and export data*. Paarl: Information Market Intelligence Division.

PPECB (Perishable Produce Export Certification Board). 2021. Export statistics of perishable products. Cape Town: Perishable Product Export Control Board.

USDA (United States Department of Agriculture) Foreign Agricultural Service. 2021a. *Citrus: World markets and trade*. Washington, DC: USDA. Available online at: https://apps.fas.usda.gov/PSDOnline/CircularDownloader.ashx?year=2021&month=09&commodity=Citrus.

USDA (United States Department of Agriculture) Foreign Agricultural Service. 2021b. *Production, supply and distribution.* Washington, DC: USDA. Available online at: https://apps.fas.usda.gov/psdonline/app/index.html#/app/downloads.

Useful Links

Agrihub	*www.agrihub.co.za*
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 (Subtrops)	*www.subtrop.co.za*
South African Table Grape Industry (SATGI)	*www.satgi.co.za*

GET IN TOUCH

536 Francis Baard Street, Meintjiesplein Building, Block A, 4th Floor, Arcadia, 0007

Private Bag X935, Pretoria, 0001

012 341 1115 012 341 1811

info@namc.co.za www.namc.co.za

DISCLAIMER