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SOUTH AFRICAN FRUIT TRADE FLOW

Issue No. 48 |
December 2022

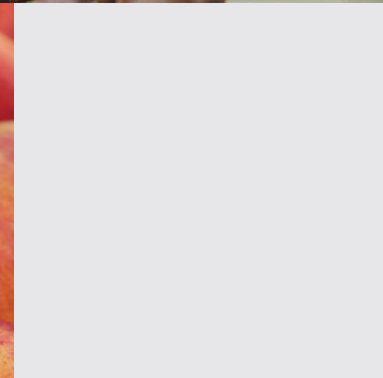


This report is released on a quarterly basis by the Trade Unit of the Markets and Economic Research Centre.

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SOUTH AFRICAN FRUIT TRADE FLOW

Issue No. 48: December 2022



Beautiful country, beautiful fruit

Compiled by Cindy Chokoe, Onele Tshitiza, Moses Lubinga, Bhekani Zondo
and Sifiso Ntombela

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1. Background

South Africa's diverse weather and climatic conditions across nine provinces enable the country to cultivate and produce a variety of fruits, vegetables, flowers, and nuts for domestic and international markets. The country is known as a key producer and exporter of citrus, deciduous, and subtropical fruits. Since early 2000s, the country has also become an important producer and exporter of pecan and macadamia nuts. This issue of the Fruit Trade Flow Report focuses on citrus fruit and raisins. 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 emerging non-tariff barriers (NTBs) in export markets are identified as challenges and their impact on South Africa's fruit value chains is analysed. The report follows a trend analysis approach, comparing the 2021/2022 fruit season with the 2020/2021 season.

2. South Africa's citrus industry performance during the 2021/22 season: A focus on oranges and soft citrus

By Bhekani Zondo

2.1. Introduction

In South Africa (SA), citrus production is widespread under the land of approximately 100 000 hectares (ha), which is largely dominated by the production of oranges and soft citrus (including tangerines/mandarins). South African production of oranges covers approximately 47% (about 46 809 ha) of land under citrus production compared to soft citrus which accounts for about 26% (26 151 ha) (CGA, 2022; USDA, 2022a). Globally, SA is ranked as the eighth and seventh largest producer of oranges and soft citrus, respectively (USDA, 2022a). According to the USDA (2022b), the production of oranges was estimated to reach approximately 1.6 million metric tons (MT) (a growth of 6% compared to the previous season) in the 2021/22 season. Whereas soft citrus production was forecasted to experience a 12% growth and reach about 660 000 metric tons. The South African citrus industry is export-orientated and in the 2020/21 season, the Citrus Growers Association of Southern Africa (CGA, 2022) reported that the industry exported 77% of citrus produced, about 18% was allocated for processing into juice and other by-products and about 5% was for local fresh consumption.

2.2. South African oranges and soft citrus production trends

Depicted in **Figure 1** below, is the comparison of South Africa's production of oranges and soft citrus *vis a vis* global production. In July of the 2021/22 season, the global production of oranges and soft citrus were estimated to be approximately 49 million MT and 37 million MT, respectively. Whereas South Africa's production of oranges and soft citrus fruits was estimated at 1.6 million MT and 660 000 MT in the same period, respectively. The increased production of oranges and soft citrus in SA represents a 6% and 12% growth rate from the previous 2020/21 season. According to the USDA (2022b), the increased global production of oranges is attributed to increased crop harvests in countries like Brazil and Turkey owing to favourable climatic

conditions enough to offset reduced production in countries like Egypt, European Union (EU), and the United States (US). On the other hand, the increased production of both oranges and soft citrus in SA is attributed to favourable rainfall throughout the season which ensured good conditions which supported fruit crop growth.

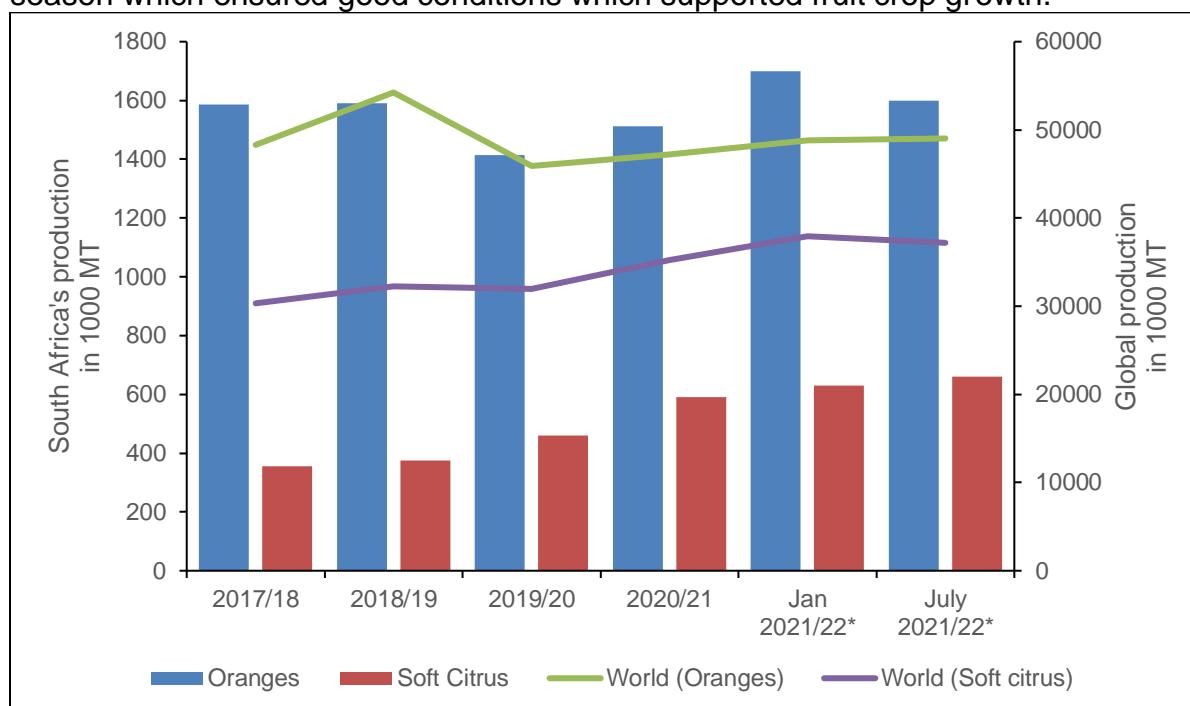


Figure 1: South African oranges and soft citrus production between 2017/18 and July 2021/22 compared to global production

Source: USDA (2022b)

*Estimate

2.3. South African oranges and soft citrus export performance

Figure 2 below illustrates the export performance of South Africa's oranges and soft citrus between the period from 2017/18 and July 2021/22. As of July, of the 2021/22 season, South Africa's exports of oranges and soft citrus were forecasted to be about 1.36 million MT and 570 000 MT, respectively; compared to 1.29 million MT and 507 000 MT in the previous 2020/21 season. During this period, SA was ranked as the second largest exporter of citrus oranges after Egypt with approximately 1.45 million MT of oranges exported. Despite the forecasted performance, the South African citrus industry continues to battle several challenges including the rising shipping costs, infrastructure challenges in domestic ports, the new sanitary and phytosanitary regulations imposed by the EU to control the spread of Citrus Black Spot (CBS), and False Coddling Moth (FCM).

All these challenges have a direct impact on citrus exports as they discourage investments in the sector and compromise farmers' profitability. Subsequently, recent statistics suggest that in the current 2021/22 season, South Africa's citrus exports experienced a 3.7% increase and reached 168 million cartons of 15kgs-size of all citrus fruits compared to 158 million cartons in the previous season. However, exports of oranges experienced a decline of 0.7% compared to lemons who had a substantial increase of 17% (Tridge, 2022). The decline in the export of oranges can largely be attributed to the abrupt enactment of the cold chain requirement SPS measures in the EU, which continues to be a key market for citrus from SA.

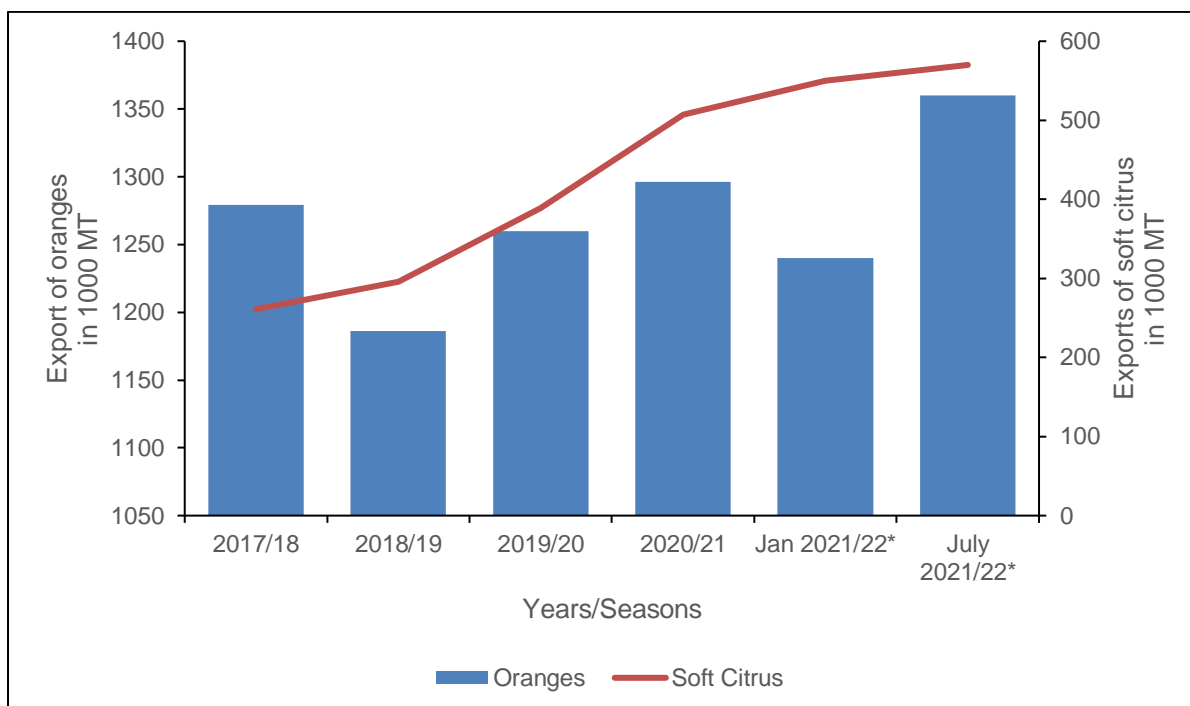


Figure 2: South African oranges and soft citrus export performance between 2017/18 and July 2021/22

Source: USDA (2022b)

*Estimate

Table 1 below depicts a list of the top ten destinations markets for South African oranges and soft citrus between the 2020/21 and 2021/22 seasons. The table shows that in the 2021/22 season, the leading market for South African oranges is the Netherlands accounting for about 240 684 MT of oranges from SA reflecting a decline of 9% from the 263 214 MT in the 2020/21 season. This decline is significant since the Netherlands forms part of the EU together with Portugal who imported 16% less of South African oranges exports compared to the 2020/21 season. Notably, exports of oranges to China followed by Bangladesh, the US, and the United Arab Emirates (UAE), increased drastically. In terms of soft citrus fruits, the Netherlands is also the leading destination market having imported about 97 659 MT, 6% less than the previous season. Soft citrus exports to countries like Malaysia, Russia, and the US also increased drastically.

Table 1: Top ten export destinations of South African oranges and soft citrus between the 2020/21 and 2021/22 seasons.

Oranges (Metric Tons)				Soft Citrus (Metric Tons)			
EXPORTS DESTINATIONS	2020/21	2021/22	GROWTH RATE		2020/21	2021/22	GROWTH RATE
Netherlands	263214	240684	-9%	Netherlands	103756	97659	-6%
China	68669	95456	39%	United Kingdom	82864	83036	0%
United Arab Emirates	76420	86670	13%	Russia	37305	49547	33%
Russia	63404	67135	6%	United States	40345	48820	21%

United Kingdom	59744	62293	4%	United Arab Emirates	37949	36877	-3%
Portugal	69407	57970	-16%	China	24098	22719	-6%
Saudi Arabia	59411	55993	-6%	Bangladesh	32009	21643	-32%
Bangladesh	40127	53495	33%	Canada	18885	21176	12%
United States	42478	53284	25%	Portugal	9637	10652	11%
Hong Kong	43035	44405	3%	Malaysia	5727	10086	76%
Others	316837	323691	2%	Others	88505	91462	3%
TOTAL	1102746	1141076	3%	TOTAL	481080	493677	3%

Source: USDA (2022a)

2.4. South African oranges and soft citrus domestic market performance

Figure 3 and Figure 4 below illustrate the sale of oranges and soft citrus (comparing quantities and prices) in the 20 (National Fresh Produce Markets (NFPMs)). In 2022, the reported total volume of oranges sold in the NFPM was about 112 080,98 metric tons compared to 94 767,50 MT in 2021. Whereas, the total volume of soft citrus sold was about 25 713,02 MT in 2022 compared to 18 060,59 MT in 2021. The largest quantities of oranges sold in both years were recorded in June, equaling 22079,03 MT at a price of R2 525,74/MT in 2022 compared to 18 813,20 MT priced at R3 259,46/MT in 2021. In addition, the largest quantities of soft citrus sold in 2022 were recorded in August while in 2021 they were recorded in July, equaling 5 081,59 MT priced at R4 913,09/MT in 2022 compared to 3 325,10 MT priced at R5 458,58/MT in 2021. These results also reflect an inverse relationship between the quantities sold and the prices. The analysis shows that, as more quantities of citrus are sold, prices per tonnage tend to be lower.

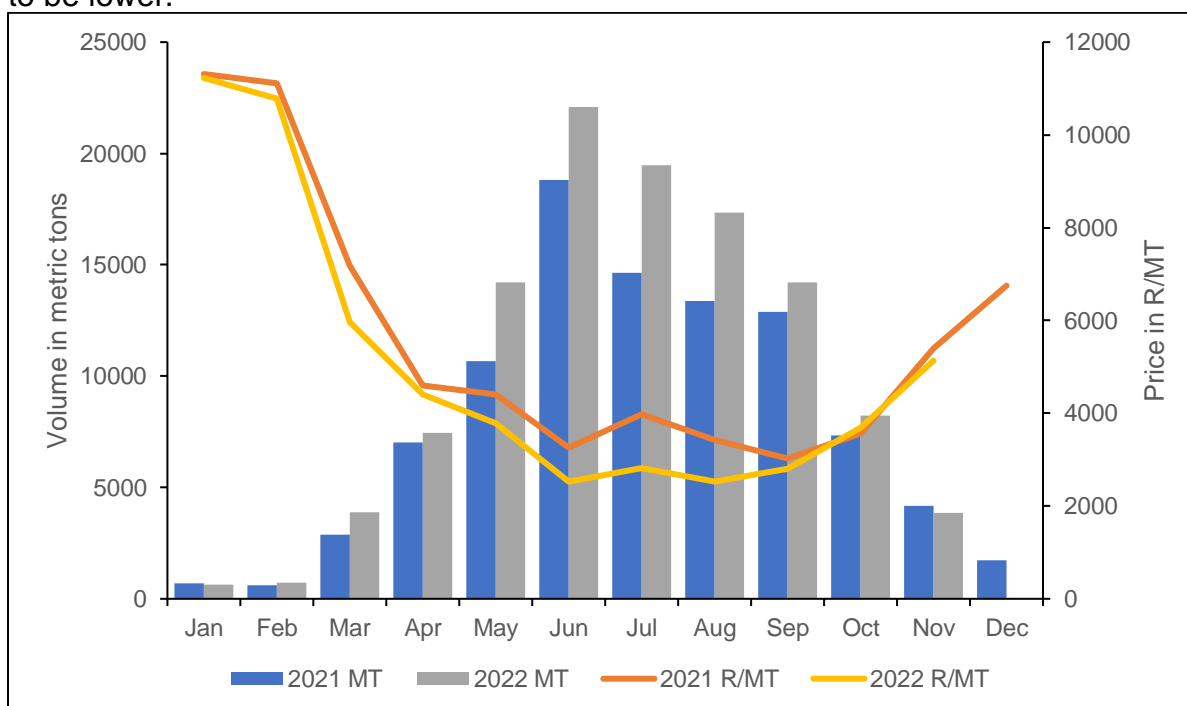


Figure 3: Sales of oranges in the South African National Fresh Produce Markets (NFPMs) during 2021 and 2022 (November)

Source: DALRRD (2022)

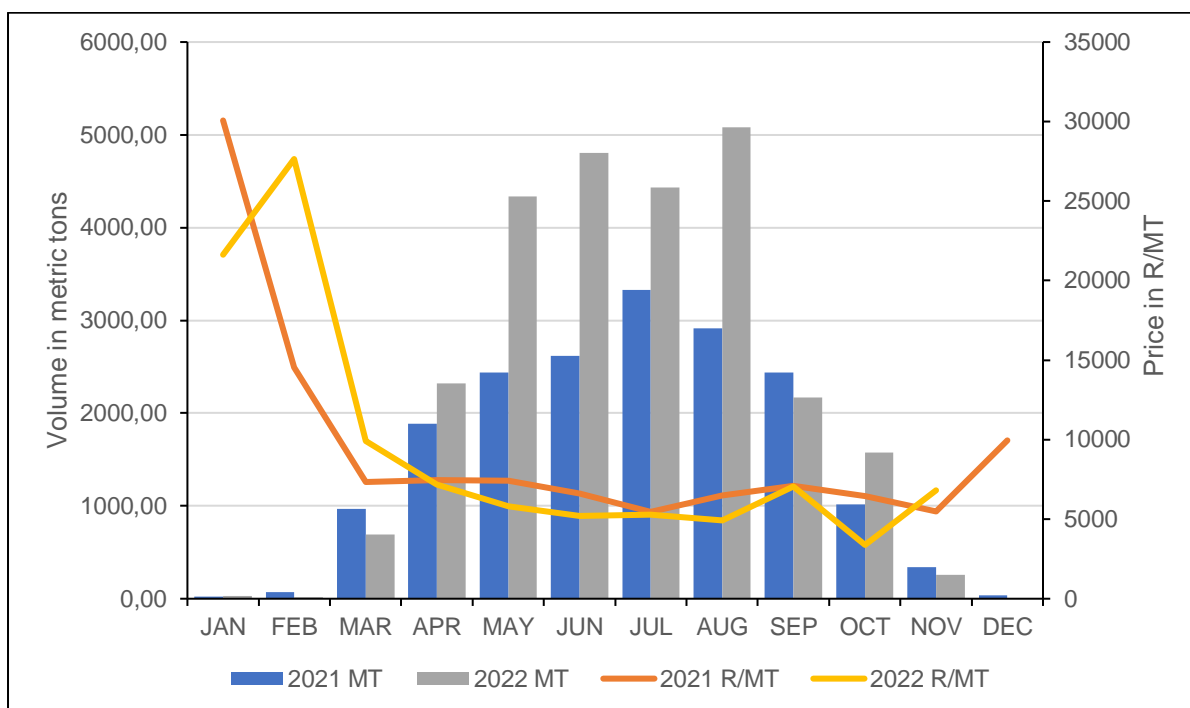


Figure 4: Sales of soft citrus in the South African National Fresh Produce Markets during the years 2021 and 2022 (November)
 Source: DALRRD (2022)

Conclusion

It is evident that the production of both oranges and soft citrus in SA increased immensely in the current season due to conducive local climatic conditions. However, the local industry role players are still troubled by several factors like local port inefficiencies, the SPS measures in key markets, high input costs, etc., compromising their profitability and potentially driving some out of business. As much as the new SPS measures in the EU led to a decline in their share of South African oranges exports, the citrus industry remained resilient and the overall exports of these commodities increased marginally. This is due to growth in other markets outside of the EU, such as China, the US, and Bangladesh, among others. Local sales have also increased significantly in 2022 compared to 2021. While the government and other local industry role players navigate and strengthen the ways of complying with SPS protocols in key markets, more efforts should also be oriented towards growing other potential markets. This will cushion the industry in any abrupt changes of regulations in major markets.

3. Europe remains South Africa's largest market for the raisin industry

By Cindy Chokoe and Onele Tshitiza

3.1 Overview of the raisins season 2022/23

The global production of raisins relies mainly on overall grape production, which was about 69 million metric tons (MT) in 2021 (International Organisation of Vine and Wine, 2022). Out of the total grape production, about 5.5 million MT of grapes (7.9%) was

used to produce about 1.38 million MT of raisins in 2021. Figure 5 shows the global total raisin production from 2011/2012 to 2021/2022. It shows that in 2017/2018, a total of 1 218 200 MT of raisins were produced worldwide. It further indicates that the figure has increased to around 1.33 million MT in 2021/2022 (Statistica, 2022). Turkey's raisin production is forecast at 330 000 MT in marketing year (MY) 2022/23, which is a 17% increase compared to the previous season, which can be attributed to favourable weather conditions (USDA, 2022c). In MY 2022/23, the raisin exports are forecast to rise to 280 000 MT in parallel with the increase in production. According to the United States Department of Agriculture (USDA, 2022d), China's raisin production is estimated to reach 170 000 metric tons in 2022/23, corresponding to a 6% reduction from the previous marketing year. The decrease is due to COVID-19 regulations, which are expected to have led to unharvested grapes and interruptions to raisin drying process. Chile's raisin production dropped by 1.5 % in the 2021/22 season, this was due to a decrease in table grape planted area as farmers switched to more profit-making crops such as walnuts, avocado, cherries, and citrus (USDA, 2022e).

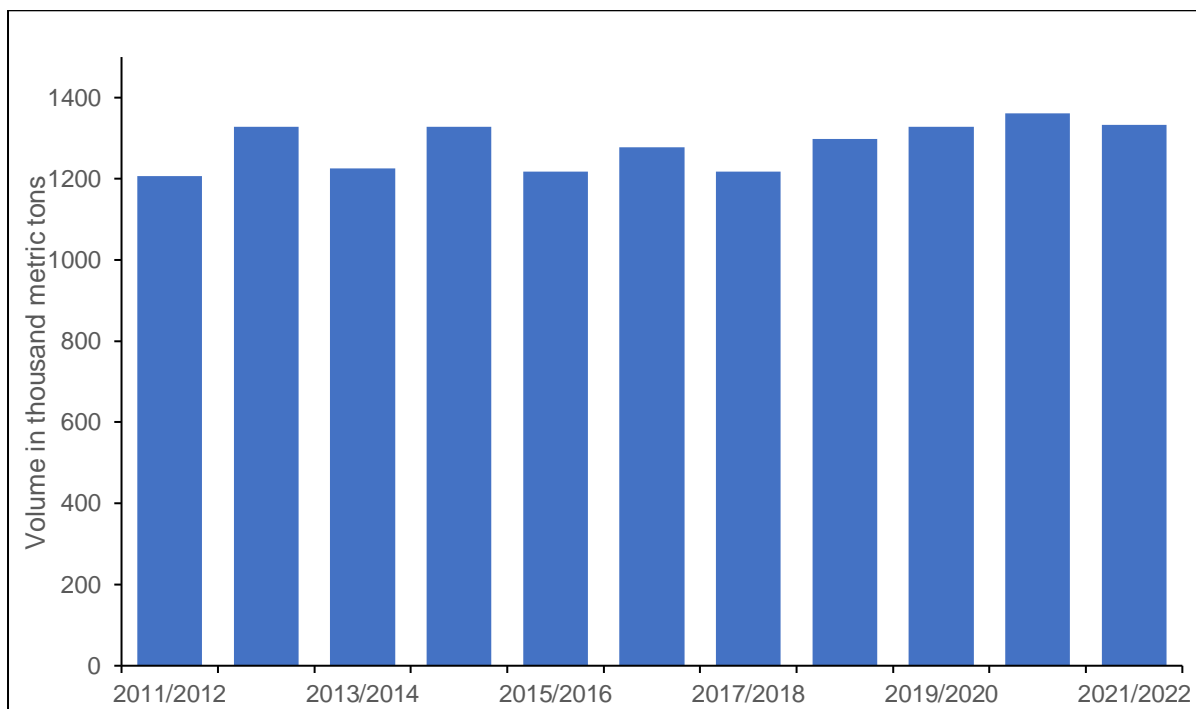


Figure 5: Total global raisin production from 2011/2012 to 2021/2022

Source: Statistica (2022)

3.2 South African raisin production estimates

South Africa raisins industry also relies on the production of grapes in the country. The dried fruit industry makes up 14% of the total production of grape. About 90% of South African total annual production of raisins is grown in the Northern Cape and some parts of the Western Cape which accounts for the remaining 10% of production. The Northern Cape Province is the main raisin production area, due to the year-round availability of irrigation water from the Orange River and its ideal climate (dry and hot) for growing and sun-drying grapes. Raisin production has almost doubled since the 2006-2007 season, with robust growth over the previous 5 years (American Vineyard,

2022). According to Raisins South Africa, the projection for the 2021-2022 season was 65 000 MT of marketable product, which was lower than the initial estimate of 78 000 MT due to flooding along the Orange River areas, but the yearly production is estimated to increase to an average of 100 000 MT by 2025. The industry further explained that this is because of the new plantings and the renewal of vineyards that started in 2014.

Figure 6 indicates the cultivar composition used for raisins. The most popular cultivar is Thompson Seedless with its close clone being the Sultana cultivar. These two cultivars contribute nearly 72% of all raisins produced in the country.

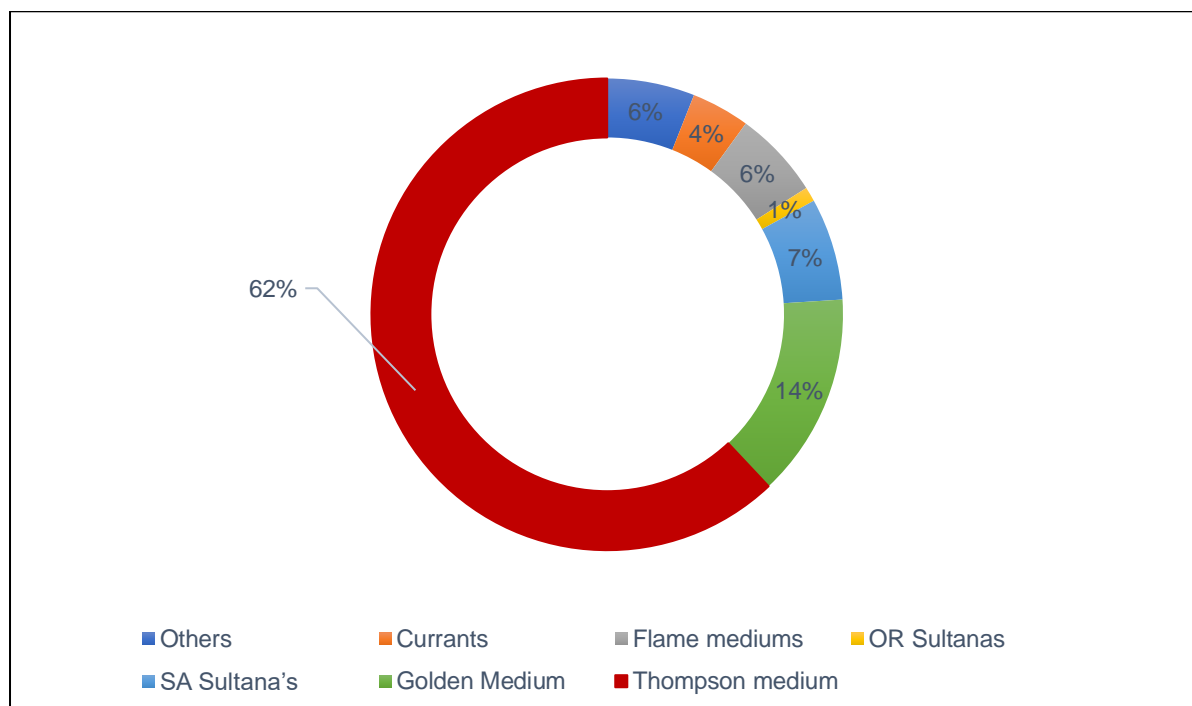


Figure 6: The make-up of the raisins crop 2022
Source: Raisins South Africa (2022)

3.3 South Africa's raisin export

Globally, South Africa is the 5th largest producer of raisins, after Turkey. According to Raisin South Africa, the industry has grown strongly over the years, and this growth trajectory is expected to continue over the short- to medium-term. This also makes South Africa the largest producer of raisins in the southern hemisphere. South Africa currently produces 6% of the world's raisins. About 90% of South Africa's raisins are exported to markets like the Northern Europe, the United States of America (USA) and Canada, as well as the UK and to some African states. Germany is the largest market for South African raisins exports, this is due to their strict standards on maximum residue limits, and South Africa's sun-dried raisins contain less residue (Fruitnet, 2022). Moreover, Germany is estimated to continue dominating the South Africa's raisin exports.

Figure 7 shows the destination markets for South Africa's raisins in 2022 (January to October). South Africa exported 47 228 MT of raisins in the reviewed period and the

major export markets were Europe (56%), the America's (30%), and Africa (8%). Germany imported 26.5% of the total exports from South Africa, while the USA imported 20% of the exports.

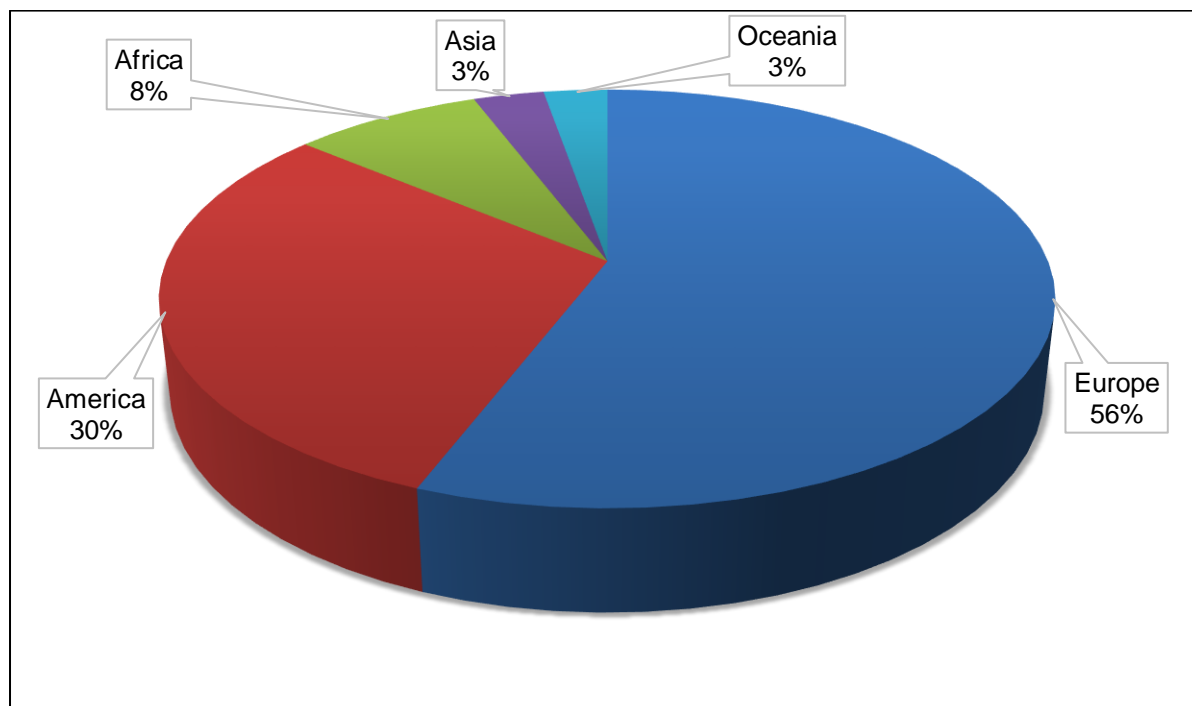


Figure 7: Export markets for South Africa's raisins in 2022 (January- October)
 Source: SARS (2022)

Conclusion

According to industry trends, Europe is the largest market for South Africa's raisins. This is partly due to long trade-relations between Europe and South Africa, which are now boosted by the growing number of health-conscious consumers in the EU who prefer sustainably produced fruit products. Food safety remains the priority for markets such as Germany and the South Africa's raisins industry continues to uphold high standards in order to access these markets. With the existing relationships built with trading partners, it will be important for the industry to strengthen these by continuing to supply quality products, while looking to diversify into new markets. Investments such as improved plant material and certification will become important in the future as they become important to consumers (Fruitnet, 2022), while partnerships with government and other funders will be key to growing the industry, in particular to enhance the participation of small-scale raisins producers.

4. International market access challenges encountered by South Africa's citrus: What are possible interventions

by Moses Lubinga

Over the years, South Africa's citrus industry has recorded growth in exports and in the marketing year 2021/22, exports are anticipated to reach 2.7 million metric tons of citrus (USDA and GAIN, 2022). Notwithstanding the growth in citrus exports, the

industry also is also faced with market access challenges in international markets. This article provides insights into challenges constraining the industry's access to specific markets and possible interventions as articulated by industry experts.

First, phytosanitary challenges are a major challenge in accessing a number of countries. For instance, South Africa's citrus has no access to the Vietnam while in India, no in transit cold treatment is allowed. India only allows in transit cold treatment on land. In the case of Japan, industry experts noted that market access is only granted amongst mandarins, market access is granted to clementines. Moreover, it is long overdue for Japanese counterparts to accord attention to the revised cold treatment conditions. On the other hand, Thailand also revised cold treatment conditions and the South African citrus industry is in the process of aligning itself accordingly. In the United States of America, access to this market is limited to South Africa's citrus sourced from only two provinces, *i.e.*, Northern Cape and the Western Cape. In the recent past, the European Union (EU) imposed scientifically unjustified trade regulations in a quest to contain the introduction and spread of the False codling moth (FCM), as well as the Citrus Black Spot (CBS). FCM is a polyphagous native pest to South Africa which may infect and impact export-oriented host crops, including citrus, stone fruit, avocados, pomegranates, persimmons, macadamias, and hot peppers. On the other hand, CBS is a fungal disease caused by *Phyllosticta citricarpa*. According to the California Department of Food and Agriculture (2022), CBS affects all commercial varieties of citrus but lemons and late maturing varieties are the most vulnerable.

Second, industry experts reckon that South Africa's internal regulations might lead to the withdrawal of certain plant protection products (PPPs) essential for the control of phytosanitary pests, coupled with the continued reduction of PPPs globally. Third, unlike South Africa's competitors which have preferential trade agreements (PTAs) and free trade areas (FTAs) with many Asian countries, South Africa does not have PTA or FTAs with Asian countries thereby putting the citrus industry at a competitive disadvantage, especially in the case of South Korea, India, China and Thailand which subject South Africa's citrus to high tariff rates. Furthermore, increased farming input costs, inflationary pressures on consumers in key markets, and inefficient infrastructure are all impeding South Africa's citrus exports.

Based on the above highlighted challenges, engagements with the players in the citrus industry suggests the following intervention measures:

- For phytosanitary related challenges and high tariffs faced by South Africa's citrus, government departments, most specifically the plant health directorate of the Department of Agriculture, Land Reform and Rural Development (DALRRD) must become more agile and effective in facilitating investment in advanced biosecurity measures while the Department of Trade, Industry and Competition (DTIC) should consider engaging with trading partners in Asian countries to (re)negotiate applicable tariffs and better access conditions.
- With regards to sanitary issues, there is a need for intergovernmental working groups to ensure that new or revised regulations are evaluated technically basing on science.
- For inefficient infrastructure, there is a need to strengthen public-private partnership (PPP) so as to invest more in ports, roads and railway network. In so doing, ports will become more efficient ports and in the long-run improve upon

shipping efficiency at lower costs.

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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



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