# MARKET ACCESS AND EFFICIENCY IN SOUTH AFRICAN AVOCADOS: CHALLENGES, OPPORTUNITIES AND POSSIBLE INTERVENTION MEASURES

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## KEY POINTS

- Additional investment in the South African avocado industry is necessary, given the potential to boost farmers' revenue and ensure the year-round availability of this healthy product to consumers.
- The investment should be directed towards improving outdated infrastructure at National Fresh Produce Markets (NFPMs) and enhancing efficiency at ports.
- Government partnerships are essential to expedite the finalization of new market access protocols for avocados. This collaboration is crucial for ensuring that the industry diversifies its markets and seizes opportunities in the USA, Japan, China, India, South Korea and Taiwan.

## WHAT IS THE PROBLEM?

Horticultural farming stands out as a rapidly growing agricultural sub-sector with significant potential to drive poverty reduction among low-income smallholder households. Avocado, in particular, holds substantial economic value and is a key export-oriented crop. In South Africa, avocado production is anticipated to double to 15 704 hectares by 2030. This is likely to arise due to a potential shift from sugar cane production to avocado and the transition poses both opportunities and challenges. Currently, 29% of suitable avocado land is under sugar cane production (BFAP, 2023).

Despite this growth, factors, such as water availability, need careful consideration for the sustainable expansion of avocado production. Approximately 141 853 hectares of land suitable for avocados are either in current production or could potentially be converted, demanding government efforts to open new markets and sustain investments in the expansion of production areas. Successful expansion hinges on substantial investment in irrigation infrastructure and water rights to transition these hectares into avocado production. However, amidst the attention given to avocados, many smallholder farmers in South Africa face challenges limiting their significant participation in the value chain.

Concerns persist about the interlinkages between production, the agro-industry and markets within the avocado value chain. To eradicate poverty and promote economic growth among horticulture farmers and traders, a well-defined value chain is essential. Therefore, this policy brief sheds light on the challenges, opportunities and possible intervention measures needed to enhance market access and efficiency in the marketing of avocados in South Africa.

## KEY ROLE PLAYERS IN THE AVOCADO VALUE CHAIN IN SOUTH AFRICA

The main players in the South African avocado value chain are producers, processors, National Fresh Produce Markets (NFPMs), exporters, retailers, wholesalers and consumers.

***Producers*** comprise both large/commercial and smallholder producers. Smallholder producers primarily supply the local market, as opposed to large or commercial producers, who provide for both the local and export markets.

***Packhouses***, also known as processors handle the grading, packaging, cold storage and delivery of avocados for export, local, retail, processing and informal marketing.

***NFPMs*** are synonymously referred to as municipal markets. They are an essential component of fresh produce pricing, distribution and marketing in South Africa (NAMC, 2017). Wholesalers and retailers make up the key players in this fresh produce retail market. NFPMs are made up of various agencies that manage the sale of avocados for domestic and international export on behalf of South Africa's avocado producers.

***Exporters*** market and sell primary producers' products at the best market price that they can negotiate beyond the borders of South Africa. To achieve this, the exporters communicate with many of the participants in the logistics chain (including cold stores, transporters, shipping lines, port terminals, clearing and forwarding agents, the Perishable Products Export Control Board (PPECB), regional producer associations and special market inspectors).

***Wholesalers*** make bulk purchases directly from farmers and/or packhouses. Because wholesaling focuses on large-scale buying and selling, it is different from retailing.

***Retailers*** oversee the distribution of a significant amount of avocado produce to local consumers throughout the avocado value chain. They buy avocados directly from farmers, NFPMs, and/or wholesalers along the value chain. After the product is in their possession, they are able to market it to consumers.

## ACCESS TO THE AVOCADO MARKETS IN SOUTH AFRICA

Since avocado production in South Africa is export-oriented, most of South Africa's avocados have been sold on the international market, as depicted in Figure 1. What is sold through National Fresh Produce Markets (NFPM) follows the quantity marketed through export channels. The informal market channel ranks third (3rd) in absorbing South Africa's avocados. Other marketing channels include producers selling directly to retailers as well as some avocados being processed for extracting oil and guacamole.

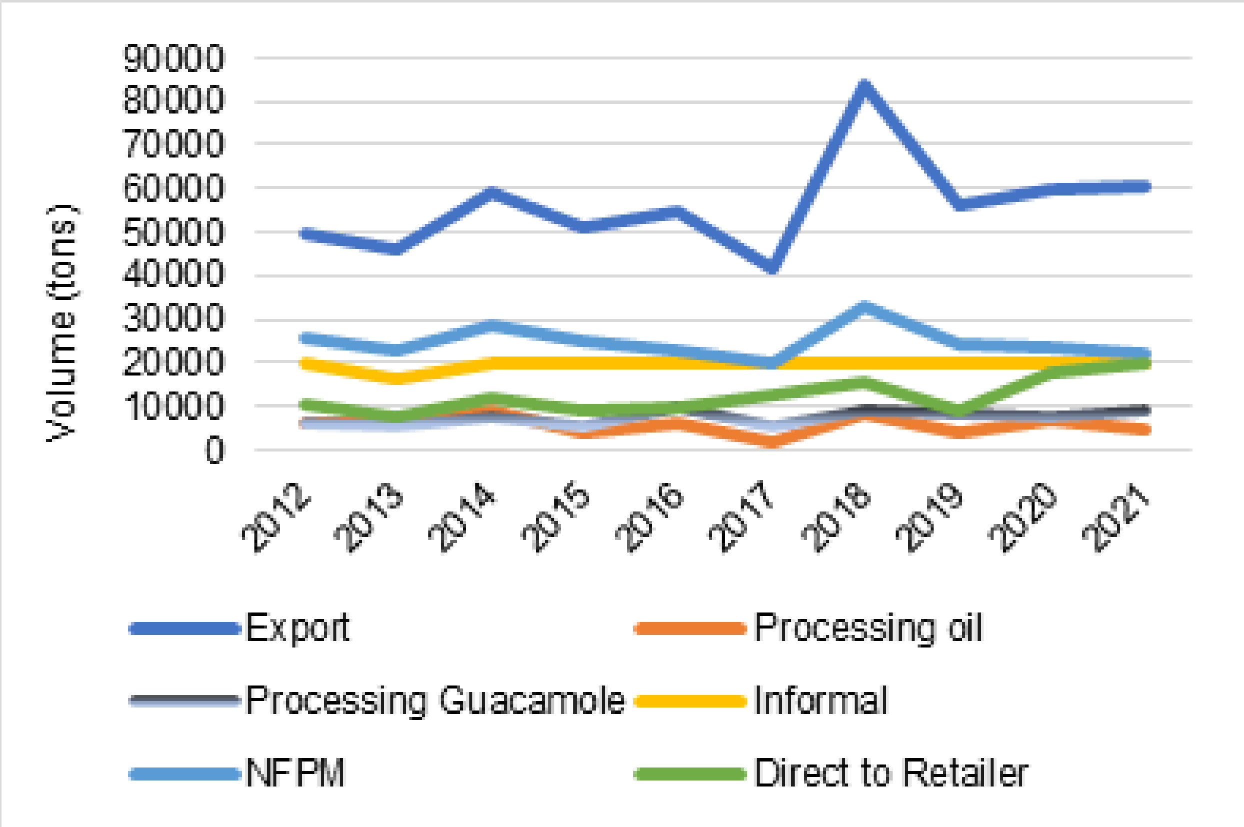


**Figure 1:** South Africa's avocado marketing channels
Source: SAAGA (2022)

**Figure 2** illustrates the growth in export volumes (tons) and export values (rand) of avocados between 2012 and 2021. Short-term fluctuations in exports are mainly due to the cyclical production of avocados and quality issues in some seasons. Despite Cape Town's long distance from some avocado-growing regions, such as Limpopo Province, which is about 1 800 kilometers (km) away, South Africa mainly uses Cape Town as the major export port for avocados. The value of exports has grown significantly from R506 million in 2012 to R1 631 million in 2021, at an average annual growth rate of 20.94% (ITC, 2022).

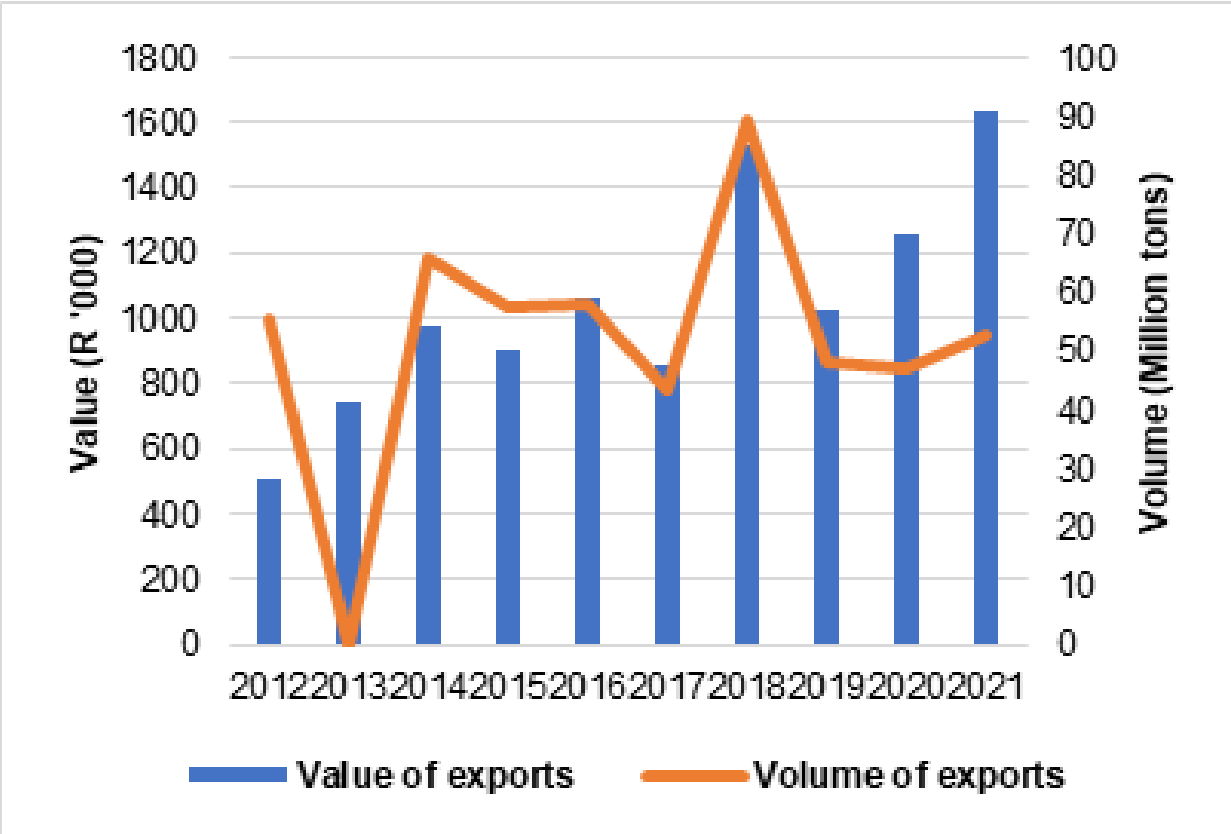


**Figure 2:** South Africa's avocado exports
Source: ITC Trade Map, 2022

### OPPORTUNITIES FOR SOUTH AFRICAN AVOCADOS

In 2021, the Netherlands, the United Kingdom (UK) and the Russian Federation emerged as the top importers of South Africa's avocados, accounting for 33 000 tons, 9 571 tons, and 2 747 tons, respectively. Notably, Namibia and Botswana were the sole African countries among the top ten importers, importing 895 tons and 488 tons of avocados, respectively. A significant portion of South Africa's avocado exports, accounting for about 60% by value in 2021, was destined for the European Union (EU), primarily entering through Dutch ports before being re-exported to other EU nations.

South Africa holds advantageous trade agreements, such as the Economic Partnership Agreement (EPA) Free Trade Agreement with the EU and a Free Trade Agreement with the Economic Free Trade Area (EFTA) states, including Iceland, Norway and Switzerland. These agreements, featuring zero import tariffs have been instrumental in sustaining large-scale avocado exports to Europe. The United Kingdom (UK) is also a noteworthy recipient, accounting for 19% of South Africa's avocado exports under the Economic Partnership Agreement (EPA) between the Southern African Customs Union (SACU) member states, Mozambique and the UK.

Despite the above-stated success, there are unexhausted potential markets. For instance, the United States of America (USA), Canada, Japan and China present export market opportunities. Moreover, in the recent past (August 2023) China granted permission to South Africa to export fresh avocados into their territory as long as they meet the stipulated sanitary and phytosanitary (SPS) requirements. This milestone was an outcome of a long period of negotiations seeking China's approval of South Africa's market access protocols. Recently, Japan lifted its ban on Hass avocados from South Africa, effective November 30, 2023. This follows the Department of Agriculture, Land Reform and Rural Development, South Africa (DALRRD) and the Ministry of Agriculture, Forestry and Fisheries, Japan (MAFF) approving a work plan that ensures proper implementation of export protocols for the product from South Africa to Japan. It is noteworthy that South Africa currently enjoys preferential tariff market access to the USA under the Agricultural Growth and Opportunities Act (AGOA). Therefore, exploring and establishing SPS protocols with other markets exhibiting realistic untapped potential is crucial to further diversify markets for South Africa's avocado exports and enhance its global market presence.

## CHALLENGES FOR THE SOUTH AFRICAN AVOCADOS

Despite South Africa's good trade performance in international markets, the avocado industry faces numerous challenges:

- South Africa contends with competition from major avocado exporters such as Mexico, Peru and Spain, who collectively hold the largest share of the global avocado market.
- The industry grapples with high local demand coupled with insufficient supply by local producers during off-season periods.
- The limited export market diversification poses a significant obstacle, especially as the European Union (EU), a primary destination for avocado imports, becomes increasingly saturated.
- A substantial quantity of avocados in South Africa is lost due to criminal activities, particularly theft.
- The fruit industry, in general, faces challenges due to poorly maintained ports, thereby affecting the efficiency of transportation and export processes.
- The outdated infrastructure of local municipal markets which serve both the domestic and Southern African Development Community (SADC) markets hinders the effective preparation of avocados for the buyers. Fresh produce municipal markets with dilapidated infrastructure include Tshwane, Durban, Cape Town and Johannesburg.
- Climate change poses a significant threat to avocado production, influencing various aspects of cultivation and yield.

## CONCLUSION

In conclusion, the avocado value chain comprises producers, who either operate at a commercial or small-scale basis. Small-scale producers primarily supply the domestic market while commercial producers can supply both the local and international markets. Exporters are major value chain actors, most especially since the industry is export-oriented with more the 40% of the produce being exported.

To secure international markers, exporters leverage on other institutions including the Department of Agriculture, Land Reform and Rural Development (DALRRD), PPECB and logistics firms which render supportive services. Other key value chain actors mapped out include national fresh produce markets (NFPMs), packhouses, processors, wholesalers and retailers. The avocado value chain predominantly uses five marketing channels. Most of the avocado is sold through international markets (by exporting), followed by NFPMs which account for 61% of all avocados sold. Selling directly to retailers and informal sales account for equal proportions – 15% each while avocado used for processing into oil and guacamole accounts for a 9% share.

The USA, Canada, Japan and China are some of the markets with large untapped market opportunities for South Africa's avocados even when South Africa, irrespective of whether SPS market access protocols in place or not. Whereas the EU remains the major market for South Africa's avocado and many other competing countries, there is uncertainty and risks, especially with the likelihood of imposing new stricter SPS rules by the EU. Notwithstanding the risks, further development of the avocado value chain presents more benefits to South Africa, including increased opportunities for job creation as well as attracting more foreign direct investment into the industry, among others.

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