

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 12/11/2013

GAIN Report Number:

South Africa - Republic of

Fresh Deciduous Fruit Annual

South African Deciduous Exports Increase on a Weak Rand

Approved By:

Corey Pickelsimer

Prepared By:

Corey Pickelsimer

Report Highlights:

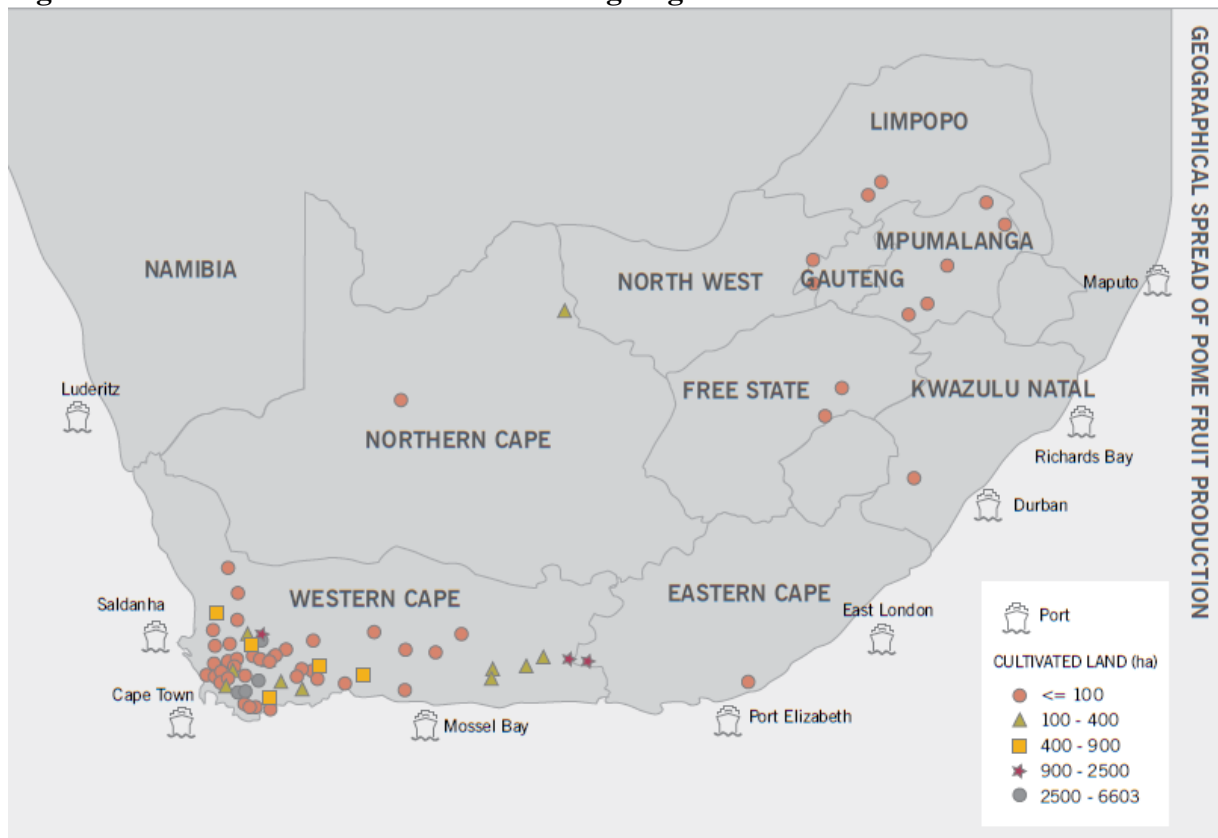
The South African deciduous fruit industry continues to grapple with escalating input costs and the rising cost of labor. The Western Cape suffered rampant labor strikes, which began in early 2013 and continued through the end of the year. Despite this, South African table grape exports are up over 15 percent on the year in 2013, likely supported by a relatively weak Rand. Meanwhile, post forecasts approximate three percent growth in production and exports for apples and pears.

Executive Summary:

Deciduous fruit is the largest sub-sector when measured in terms of hectares under plantation in South Africa. There are about 77,805 hectares of land carrying deciduous fruit in South Africa as reported in MY 2011 Hortgro Key Deciduous Fruit Statistics. Of the deciduous fruit grown about 33 percent are grapes (fresh and dried); the second most grown is apples at 29 percent; followed by pears at 15 percent; peaches (ten percent); plums (six percent); apricot (four percent) and nectarine (three percent).

The Western Cape is the traditional producer of deciduous fruit, however, in the past two decades; the Northern and Eastern Cape, and Limpopo provinces have become increasingly large producers of deciduous fruit. In terms of production ratings for Southern Hemisphere, South Africa ranks number four in apple production and number two in pear production.

Figure 1. South Africa Deciduous Producing Regions



Source: Hortgro

Post expects domestic production of all deciduous fruits to remain fairly flat, as labor strikes and a weak Rand have affected investment in new vine plantings. However, the same currency issue has bolstered exports to Europe, Russia, the Middle East, and African markets, and is expected to continue through MY 2013. The increase in shipping cost by MERSK and SAFMarine did not negatively impact South African deciduous fruit exports in 2013.

The South African deciduous fruit industry has traditionally focused their marketing efforts on European markets, primarily the United Kingdom (UK) and Germany. But concerns over long-term weakened

demand in Europe have forced the industry to focus greater attention on Middle Eastern and Asian markets.

US \$ = R10.37 – 10 December, 2013

Sources:

Hortgro

South Africa Table Grape Industry (SATI)

National Agricultural Marketing Council (NAMC)

<http://www.hortgro.co.za>

<http://www.namc.co.za/>

<http://www.freshfruitportal.com/2013/11/12/south-africa-farm-strike-intensifies-in-western-cape/>

Commodities:

Apples, Fresh

Production

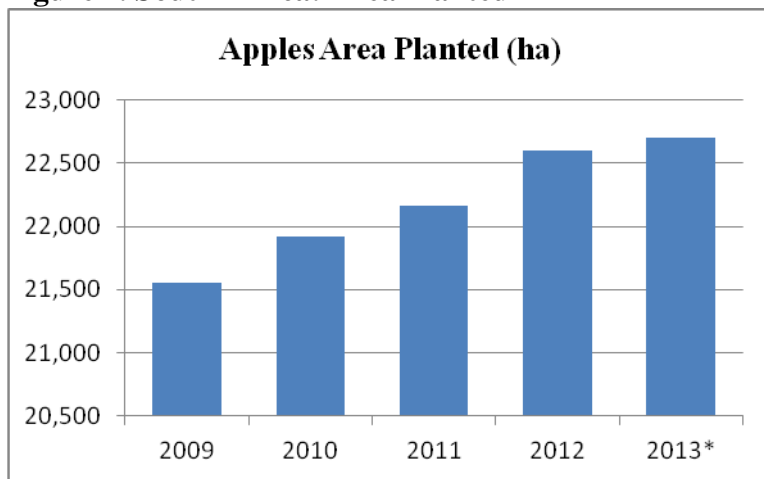
Post forecasts South Africa apple production at 817,000 MT for MY 2013 as more trees are reaching full bearing potential. This is based on a recent trend of area planted growing at least two percent annually. The MY 2012 official deciduous fruit industry data will not be published until early 2014. However, post estimates MY 2012 apple production quantities at 815,000 MT on good growing conditions throughout the season.

Post revised the South African MY 2011 total apple production at 790,636 MT on good growing conditions throughout the season. This revision represents a five percent increase compared to the 2010 quantity of 753,168 MT.

Apples are grown in several provinces around South Africa, but Cape Town, located in the Western Cape, is the heartland of deciduous fruit. The Western Cape is a winter rainfall area and has a climate similar to the Mediterranean, which is favorable for apple production. The most important apple growing regions are: Groenland, Ceres, Langkloof East, and Villiersdorp/ Vyeboom of Western Cape. Harvest for South African apples typically begins at the end of January and can run through to June, with the peak times between February and April.

Area Planted

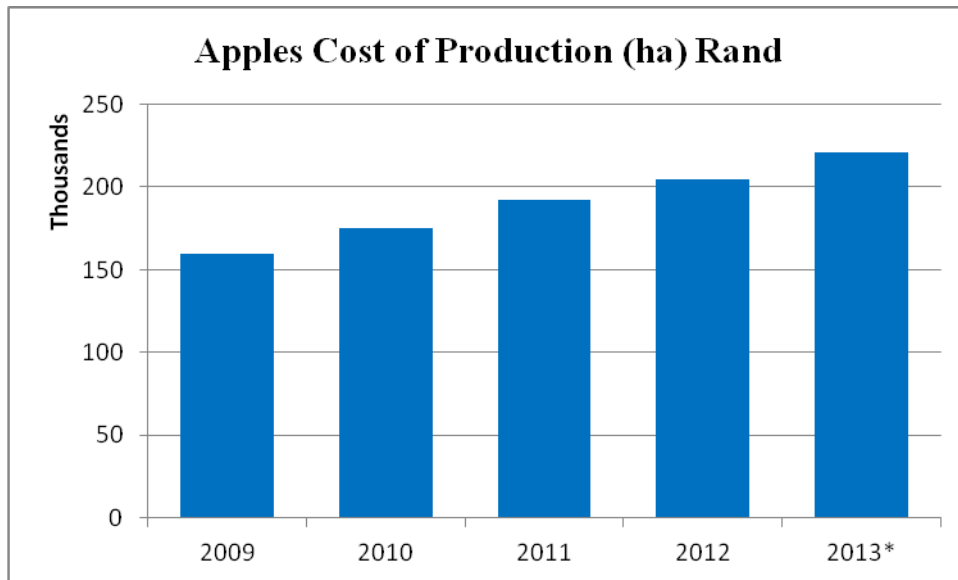
Figure 2. South Africa: Area Planted



Source: Hortgro

Post forecasts MY 2013 area planted at 22,700 hectares (ha), less than one percent growth as labor strike have affected stability in the major production regions. Post estimates area planted in MY 2012 to be 22,600 ha., as stated in the industry's 2012 tree census. The area planted to apples was over 23,000 hectares (ha) just over ten years ago, and Post expects the industry to reach this same level of production within the next few years. The Granny Smith variety has been favored by producers in recent years, but is now losing ground to Gala, Pink Lady, and Honey Crisp varieties.

Figure 3. South Africa: Apple Production Costs



Source: Hortgo

Most apple trees are aging, about 33 percent are over 25 years old, mostly being Golden Delicious and Granny Smith. The rising cost of establishing an apple orchard has been cited as the cause for slow tree replacement. The cost of establishing a hectare has been increasing since the global economic downturn of 2008. In 2012, the cost of establishing a hectare of apples was R204,607 (\$22,240). The cost of planting material for rootstock and seedlings, and the cost of trellising drove the increase in prices. Volatility in iron and petroleum prices, needed for trellising and the rising cost of electricity put upward pressure on producer costs.

The National Energy Regulator (NERSA) approved an annual price increase of 8 percent, requested by Eskom (South Africa's nationally owned Electricity Supply Commission). The price increase was granted for five years.

Consumption

Post forecasts MY 2013 domestic consumption to increase five percent to 230,000. The domestic market is relatively maximized with domestic product, with little opportunity to develop or segment the market along income groups. However, rising production and the possibility of a stronger Rand in the coming year could constrain export opportunities in MY 2013, shifting more product to the domestic fresh and processing markets. Post estimates MY 2012 domestic consumption at 220,000 MT on stable domestic demand. Continued growth of the middle class should keep the domestic market growing slowly over the next few years, given the consumer preference for fresh fruit over canned in the middle to upper-income brackets.

Apples are popular in South Africa and widely consumed throughout the year and they form part of the national food basket of goods which are monitored quarterly by the South African National Agricultural Marketing Council (NAMC) to track food price inflation. The Johannesburg Fresh Produce Market, a fresh produce market with an annual turnover of R2 billion, reports apples rank among the top five highly consumed fruits in South Africa.

Trade

Exports

Post forecasts MY 2013 South African apple exports at 435,000 MT on strong demand from the Northern Hemisphere and a relatively weak rand. The South African Rand has depreciated nearly 20 percent against the dollar in the past year alone, and is expected to slide further once U.S. quantitative easing policies are ended. Labor unrest in the mining and agricultural sectors has affected South Africa's economic growth, which slowed to 0.70 percent in the third quarter of 2013 over the previous quarter.

Post estimates MY 2012 South African apple exports at 430,000 MT on a relatively weak Rand, and strong demand in non-traditional African and Middle Eastern Markets. The EU, which is the world's second largest apple importer, is SA's largest traditional market with UK being the biggest individual market. Economic woes in Europe affected South African's exports to UK declined through 2011, but the market is beginning to pick up in 2012. Despite volatility in EU markets, South Africa hopes to find new export opportunities in Africa, the Middle East, and Asia in the coming years.

Table 1. South Africa Fresh Apple Export

South Africa Export Statistics			
Commodity: 080810, Apples, Fresh			
Year To Date: January – December 2010 - 2012			
Partner country	Quantity (MT)		
	2010	2011	2012
World	306,324	335,238	388,835
United Kingdom	88,252	85,327	98,049
Malaysia	36,841	38,153	41,042
Benin	20,555	25,891	29,770
Angola	9,461	16,768	21,928
United Arab Emirates	15,472	14,995	19,262
Others	135,739	154,102	178,779

Source: GTA

South Africa is a counter-seasonal producer, and is the Southern Hemisphere's most convenient source for EU importers based on its proximity to the EU, and historical trading patterns, compared to other deciduous exporting countries like New Zealand, Chile, Brazil and Argentina. Growth to African markets like Zimbabwe, Angola, Kenya, Zambia and Cameroon will be critical for South African deciduous fruit exports in the future as increased freight costs will put downward pressure on producer profitability.

Imports

Post forecasts South African apple imports at 100 MT as domestic producer meet local demand, other than for niche high-valued apples imported by retailers. Although South Africa is not a large fruit importer on its ability to satisfy domestic market, imports of fruit have steadily increased in the past few years, which is likely attributed to the fact that consumers are becoming more sophisticated and global in their buying patterns.

Table 2. South African Import

South Africa Import Statistics

Commodity: 080810, Apples, Fresh					
Annual Series: 2008-2012					
Partner Country	Quantity MT)				
	2008	2009	2010	2011	2012
China	19	0	0	0	0
Germany	0	0	0	0	0
Malaysia	0	52	0	0	0
Mozambique	0	0	0	0	0
United States	0	183	374	145	0
Others not listed	76	0	0	0	0
Grand total	94	235	374	145	0

Source: GTA

Pest and plant disease restrictions

Apples from the Pacific Northwest may be exported to South Africa under the terms of the "Protocol of Phytosanitary Requirements for the Export of Apple Fruit from the United States of America, Pacific Northwest States of Washington, Idaho and Oregon (PNW) to South Africa". This protocol may be obtained from the Northwest Fruit Exporters (509/576-8004).

Table 3. Tariff Rates, Fresh Apples

Apples

Item	CD	Description	Unit	General	EU	EFTA	SADC
0808.10	9	Apples	kg	4%	free	4%	free

Source: SCHEDULE 1 - Customs & Excise Tariff

Table 4. PSD: Apples, Fresh

Apples, Fresh South Africa	2011/2012	2012/2013	2013/2014
	Market Year Begin: Jan 2012	Market Year Begin: Jan 2013	Market Year Begin: Jan 2014

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	22,300	22,166		22,600		22,700
Area Harvested	19,900	21,000		21,500		22,600
Bearing Trees	19,900	21,000		20,100		20,600
Non-Bearing Trees	2,400	1,166		2,500		2,000
Total Trees	22,300	22,166		22,800		22,700
Commercial Production	790,000	790,636		815,000		817,000
Non-Comm. Production	0					
Production	790,000	790,636		815,000		817,000
Imports	200	0		300		100
Total Supply	790,200	790,636		815,000		817,100
Fresh Dom. Consumption	235,200	228,167		220,000		230,000
Exports	340,000	388,835		430,000		435,000
For Processing	215,000	173,634		165,000		152,100
Withdrawal From Market	0					
Total Distribution	790,200	790,636		815,000		817,100
HA, 1000 TREES, MT						

Commodities:

Pears, Fresh

Production

Post forecasts South African MY 2013 pear production at 375,000 MT on favorable growing conditions throughout the Western Cape. Post estimates MY 2012 production at 370,000 MT. Production growth has been essentially flat, in-line with the slow replanting of trees in commercial orchards and weak domestic and foreign demand, South African MY 2011 pear production increased slightly to 360,854 MT, based on official industry figures.

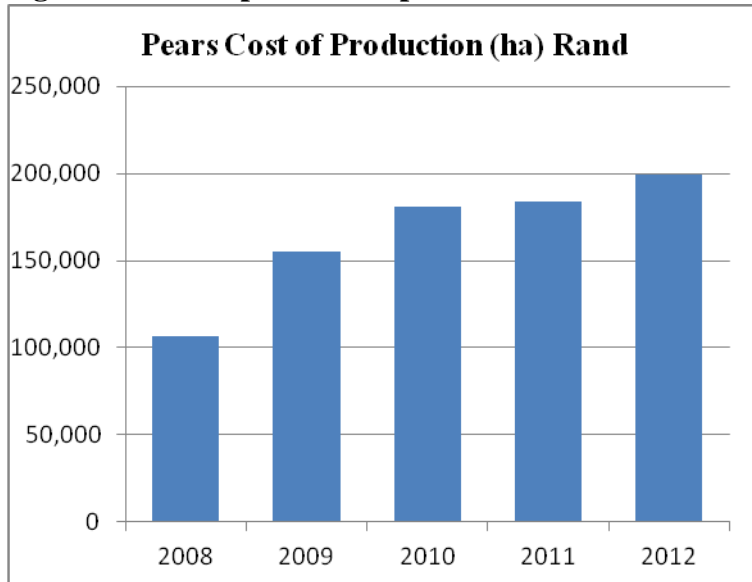
Pears are also mainly grown in Western Cape regions with the Ceres, Langkloof East Wosley/ Tulbagh, and Groenland, as major growing areas. Like apples, pears grow well in areas that do not have very high temperatures hence the Western Cape Pears are normally harvested from late December to early January so the rain just came around harvesting time and had very negative impact on the fruit.

Area Planted

Post forecasts area planted will increase to 13,000 ha., based on increased foreign demand for South African pears in the previous marketing year. MY 2012 area planted to pears is estimated to increase to 12,000 ha, a three percent increase, but growth is constrained by the high relative cost of establishing new trees. The cost of establishing one hectare of pears was R199,140 (\$21,185) in 2012. The cost of planting material has more than doubled since 2008 and the cost of trellising continues to increase. As a result of cost constraints, area planted to fresh pears has been fairly flat in recent years, growing no more than two percent annually. Currently, nearly 30 percent of all commercial orchards are over 25

years old. Approximately ten percent of trees are not bearing fruit yet, and up to seventeen percent in some commercial production areas.

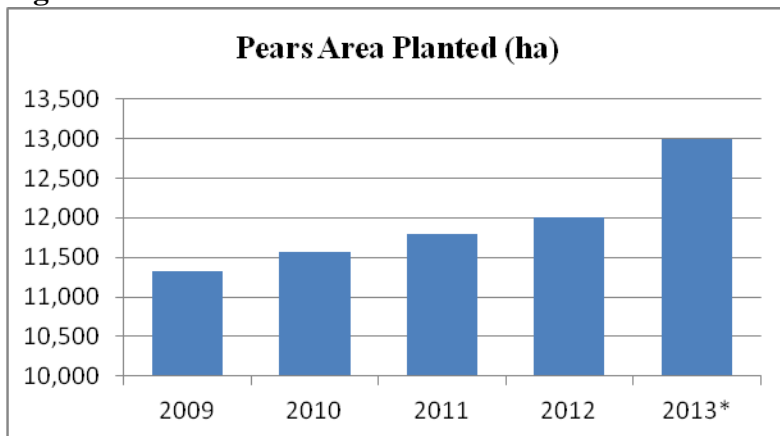
Figure 4. Cost of production per



Source: Hortgro

According to Hortgro tree census of 2012, which reflects the U.S. MY 2011, total pear area planted for 2011 was 11,790 hectares, with Packham’s Triumph still the most popular variety. Other popular varieties are: Forelle, William Bon Chretien, and Early Bon Chretien. However, the area planted to Bon Chrétien pears is shifting towards Early Bon Chrétien pears. Early Bon Chrétien pears mature in late December, which affords producers an opportunity to enter the market ahead of the Bon Chretien varieties that mature in March.

Figure 5. Fresh Pears Area Planted



Source: Hortgro

Consumption

Post forecasts MY 2013 pear domestic consumption at 50,000 MT on strong exports and relative available supplies. Post estimates MY 2012 pear domestic consumption at 45,140 MT on strong export demand from traditional markets, such as the UK and the Netherlands. Producers report the lack of new

pear varieties, compared to the constant cycle of new apple varieties, as being an impediment to developing the domestic and foreign markets for fresh pears. MY 2011 domestic consumption was 52,322 MT on relatively weak demand for pears, which function as a substitute for apples in the domestic fresh market. Although pears are generally more expensive than apples, domestic consumption of pears has grown modestly in recent years.

Trade

Exports

Post forecasts MY 2013 South African pear exports to increase nearly four percent to 200,000 MT, a two percent decrease from the previous year, based on available supplies and expectations that the Rand will strengthen slightly in the next 12 months. Post estimates MY 2012 South African pear exports to increase approximately four percent to 190,000 MT on increased available supplies from excellent weather conditions, despite having pest problems early in the shipping season. MY 2011 SA pear exports were 181,928 MT. The pear season started at a similar pace as previous years, however, the pear harvest was affected by harsh weather conditions between week 12 and week 15, which led to lower volumes being exported during that period. The EU is South Africa's biggest traditional market with the Netherlands and the UK having the largest market share.

Table 8. Export Trade Matrix, Fresh Pears: 2010-2012

South African Export Statistics			
Commodity: 080820, 080830 Pears, Fresh			
Year To Date: January – December			
Partner country	Quantity (MT)		
	2010	2011	2012
World	181,287	177,526	181,928
Netherlands	57,152	60,109	50,520
United Kingdom	24,391	20,102	17,785
Russia	16,893	13,224	16,180
United Arab Emirates	8,441	9,896	15,457
Germany	11,286	9,945	7,770
Others	63,123	64,250	74,216

Source: GTA

Imports

As the second largest pear producer behind Argentina in Southern Hemisphere, South Africa imports small quantities of pears from China as the source Ya pears (white colored Chinese pears). Imports from China began after a 2007 agreement that allowed imports of Chinese pears into the South Africa market; see protocol: http://www.nda.agric.za/daoDev/sideMenu/plantHealth/docs/protocol_pear_China.pdf

Table 9. South Africa Import Statistics

South Africa Import Statistics			
Commodity: 080820, 080830 Pears And Quinces, Fresh			
Year Ending : December			
Partner country	Quantity (MT)		
	2010	2011	2012
China	185	200	244

Source: GTA

Table 10. Tariff Rate, Fresh Pears

Pears and quinces

Item	CD	Description	Unit	General	EU	EFTA	SADC
0808.20	3	Pears and quinces	kg	4%	free	4%	free

Source: SCHEDULE 1 - Customs & Excise Tariff

Table 11. PSD: Pears, Fresh

Pears, Fresh South Africa	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Planted	11,790	11,790		12,000		13,000
Area Harvested	10,900	10,900		11,000		11,500
Bearing Trees	10,900	10,900		11,000		11,500
Non-Bearing Trees	850	890		1,000		1,500
Total Trees	11,750	11,790		12,000		13,000
Commercial Production	366,000	360,854		370,000		375,000
Non-Comm. Production	0	0		0		0
Production	366,000	360,854		370,000		375,000
Imports	200	244		140		0
Total Supply	366,200	361,098		370,140		375,000
Fresh Dom. Consumption	68,200	52,322		45,140		50,000
Exports	172,000	181,928		205,000		200,000
For Processing	126,000	126,848		120,000		125,000
Withdrawal From Market	0	0		0		0
Total Distribution	366,200	367,100		370,140		375,000
HA, 1000 TREES, MT						

Commodities:

Grapes, Table, Fresh

Production

Post forecasts MY 2013 table grape crop to reach 295,000 MT, despite lower production volumes from the Orange River area. Production is expected to increase with expanded export opportunities to the United States, under the USDA Preclearance Program. Additionally, South African table grapes enjoy strong demand in Europe, Russia, and the Middle East.

Post estimates the MY 2012 table grape crop to reach 300,000 MT, driven by strong export demand and a relatively weak Rand. Total grape production was up in MY 2012, with reports that South Africa would have its third largest wine grape harvest on record. MY 2011 table grape production reached 285,810 MT as the table grapes industry estimates that production volumes have recovered from Orange River flooding in 2010, and expanded in recent years. Growing conditions, since the flooding, have been favorable and have allowed volumes to increase at a greater rate than the recovery to area planted.

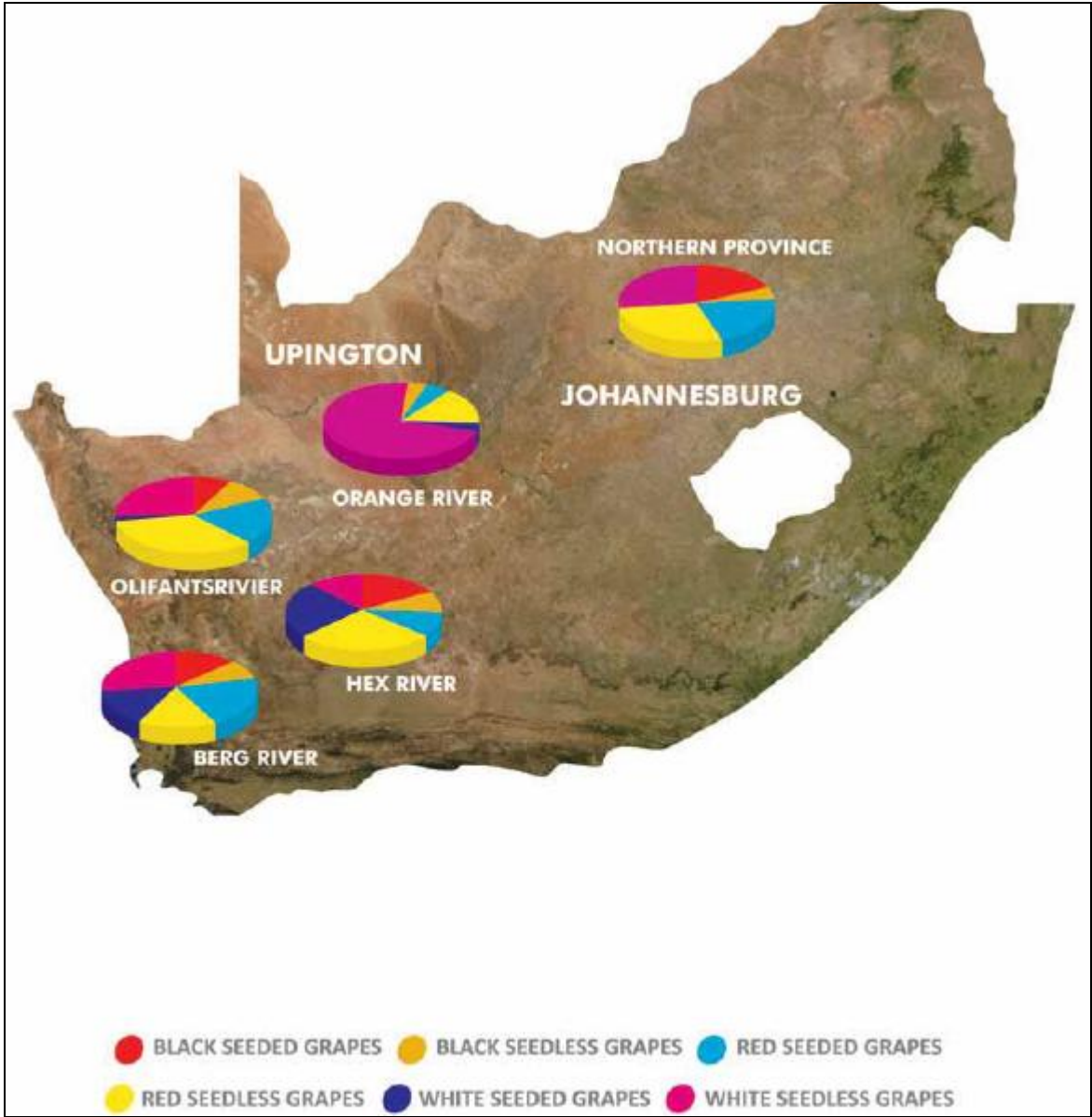
Globally, South Africa is the third largest exporter of table grapes, by volume, and fifth largest by value in 2012, and is also the second largest producer in the Southern Hemisphere, next to Chile. Table Grapes in South Africa are mainly produced in Northern Cape and Western Cape provinces along the river valleys of Berg, the Hex, the Olifants and Orange. South Africa has the longest supply season starting from October till May; harvest starts in week 43 in the Northern Cape region followed Orange River region and the first grape crop are supplied to the market by November. Hex river valley region is the last region for table grapes intakes.

Area Planted

Post forecasts MY 2013 area planted at 16,000 hectares as area planted should remain flat with the previous year. Massive labor strikes throughout calendar year 2013 and a relatively weak rand have created a disincentive for new plantings. Post estimates MY 2012 area planted at 16,000 hectares as area is driven by strong returns in export markets. MY 2011 area planted reached 15,484. The rapid recovery in area planted has been driven by non-prohibitive costs for new vine establishment, as the Rand was 20 percent stronger against the dollar than in calendar year 2013, and the successful implementation of Black Economic Empowerment programs, which increased the number of black table grape producers in South Africa. The South African Table Grapes Industry Association reports that the current production cost for establishing a new hectare of table grapes is R123,356 (\$13,122).

There were 361 table grapes producers in South Africa in 2012, a decline of five percent, as greater consolidation in South Africa's commercial agricultural sector continues in-line with other developed commercial agricultural sectors around the world. The South African Table Grapes Industry will publish statistics for 2013 in the first quarter of 2014. Total area planted estimated for MY 2012 is 16,000 ha. More than 60 percent of the vines in South Africa are between 4 - 15 years of age. The leading varieties of South African Table Grapes are Crimson Seedless, Thompson Seedless, Prime, and Flame. The cultivar profile in the South Africa has changed in recent years: seeded cultivars are declining on a yearly basis in the last three years (2008 - 2012) as consumers prefer seedless grapes and production of black and red seedless varieties has increased. The popularity of seedless cultivars stems from characteristics such as large berry size (with elongated or oval berry shapes), favorable texture (crunchiness), and good eating qualities.

Figure 6. Table Grape Production Regions



Source: SATGI

Table 12. Popular Table Grape varieties

Season	White	Black	White seedless	Red
Early	Victoria,	Dan – ben – Hannah	Muscat Seedless	Flame seedless
	Queen of the vineyard	Alphonse Lavallee	Sugraone	
	Muscat Supreme	Ronelle	Sultanina	
	Bien Donne	Prime		
	Regal seedless			
Mid	Bellevue	La Rochelle		Sunred Seedless
	Waltham Cross	Bonheur		Red Globe
	Majestic	Bonita		
Late	Dauphine	Barlinka		Crimson Seedless

Source: SATI

Consumption

Post forecasts MY 2013 domestic consumption of fresh table grapes at 25,000 MT, even with the previous year estimate. South African table grape exports should remain strong on a relatively weak Rand. Post estimates MY 2012 domestic consumption of fresh table grapes at 25,000 MT, a three percent decline over the previous year as more grapes will be destined for export markets. MY 2011 domestic consumption of fresh table grapes reached 25,864 MT, on greater available supplies. The local market for table grapes is small at less than 30,000 MT annually with 65 the majority of grapes sold through the National Fresh Produce Markets. The industry estimates 34 percent of South African table grapes are sold through retailers and one percent being sold through informal market.

Trade

Exports

Post forecasts MY 2013 South Africa table grapes to reach 275,000 MT as production quantities have been ideal in the past few years, and demand for South African table grapes remains strong in Europe and the Middle East, particularly on the back of a relatively weak Rand. Post estimates MY 2012 South Africa table grapes to reach 280,000 MT as exports grew significantly in the previous marketing year. However, increased production and shipping costs could slow export growth in the coming marketing year. MY 2011 South African table grape exports were 264,079 MT based on official customs data that shows trade grew just over six percent from the previous year. Much of the growth occurred in Hong Kong, Russia, and the United Arab Emirates.

The EU is the leading historical export market for South African grapes. South Africa benefits from a shorter shipping distance than other Southern Hemisphere competitors, strong demand for seedless varieties, and a free trade agreement with the EU. Exports have also benefitted from a weaker Rand against the Euro.

While South African table grapes enjoy strong sales to Europe, the industry is shifting its marketing focus from the traditional markets to Asia and Middle Eastern markets, which appear to show strong growth potential. The attractiveness of these markets is due to their less stringent non tariff measures (ethical; sanitary and Phytosanitary; Technical Barriers to Trade), when compared to the EU.

Table 13. Export Trade Matrix, Fresh Grapes: 2010 – 2012

South African Export Statistics			
Commodity: 080610, Grapes, Fresh			
Year To Date: January – December			
Partner country	Quantity (MT)		
	2010	2011	2012
World	259,836	248,494	264,078
Netherlands	116,469	115,097	119,408
United Kingdom	50,472	48,110	47,446
Hong Kong	11,920	15,905	19,545
United Arab Emirates	8,356	6,920	10,717
Russia	8,682	7,570	10,210
Others	63,935	54,890	56,751

Source: GTA

Table 14. Tariff Rates, Fresh Grapes

Fresh

Item	CD	Description	Unit	General	EU	EFTA	SADC
0806.10	1	Fresh	kg	4%	free	4%	free

Source: SCHEDULE 1 - Customs & Excise Tariff

Imports

South Africa is not a major importer of table grapes, except to make up for out-of-season demand, with Egypt and Spain being the major suppliers. Year-to-date trade shows South African table grape imports are up 10 percent in 2012.

Table 15. South African Import Statistics

South Africa Import Statistics			
Commodity: 080610, Grapes, Fresh			
Year To Date: January - December			
Partner country	Quantity (MT)		
	2010	2011	2012
World	2,209	2,949	4,133
Spain	1,227	1,687	2,749
Egypt	743	981	1,187
Israel	236	279	177
Kenya	1	0	0

Source: GTA

Table 16. PSD- Grapes, Fresh

Grapes, Fresh South Africa	2011/2012	2012/2013	2013/2014

	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	14,000	15,484		16,000		16,000
Area Harvested	12,700	14,000		14,500		15,000
Commercial Production	265,000	271,000		300,000		295,000
Non-Comm. Production	0	0		0		0
Production	265,000	285,810		300,000		295,000
Imports	2,000	4,133		5,000		5,000
Total Supply	267,000	289,943		305,000		300,000
Fresh Dom. Consumption	12,000	25,864		25,000		25,000
Exports	255,000	264,079		280,000		275,000
For Processing	0	0		0		0
Withdrawal From Market	0	0		0		0
Total Distribution	267,000	289,943		305,000		300,000
HA, MT						

Policy:

Labeling requirements

Fresh, unprocessed fruit is exempt from consumer labeling requirements.

http://www.nda.agric.za/doaDev/sideMenu/foodSafety/doc/localImportRegulations/Apples_regulations.pdf

Licenses and quotas: None

Currency Issues: None

Export standards & requirements of Deciduous Fruit: <http://www.daff.gov.za/>

The route is as follows:

Divisions → Food Safety and Quality Assurance → Exports Standards → Deciduous Fruit.