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S African citrus exports to EU recover to record levels as black spot 'compliance' improves

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Despite ongoing economic weakness in South Africa and parts of the European Union (EU), the 2015 trade performance has improved, with South African exports to the EU increasing 9.7% to R163.3-billion for the first nine months, while imports have risen 8.1% to R237.1-billion.

At least part of the improvement is attributable to record South African citrus exports, as the domestic industry acclimatises to the EU's controversial citrus black spot (CBS) measures.

The bilateral performance is better than South Africa's overall trade performance, with exports to the rest of the world rising 5.4% to R769.6-billion during the period and imports increasing by 0.5% to R807-billion.

Newly appointed EU head of delegation to South Africa Ambassador **Marcus Cornaro** notes that the EU accounted for 21% of South Africa's total exports, with the EU accounting for 29% of South Africa's imports.

By contrast, exports to China fell 0.9% in the fist nine months of the year to R72.6-billion and comprised 9.4% of South Africa's total export basket. South Africa imported R143.6-billion from China during the period, an 18.8% increase, representing 19% of total imports.

Cornaro says the weaker rand, as well as closer cooperation on the CBS issue, supported South Africa's exports to the EU.

During the 2015 citrus export season, which starts in late March and continues through to October, a record 700 000 t of South African citrus was exported, up from around 620 000 t exported during the 2014 season.

The EU accounts for about 40% of all South African citrus exports and comprises more than 50% of EU consumption during the European summer months, when import protection wanes in line with EU citrus production.

Official CBS interceptions also fell from 28 in 2014 to 15 this season, which compares favourably with other citrus exporters such as Argentina and Uruguay, which had 17 and 61 CBS interceptions respectively.

"I think the South Africa citrus industry may even acknowledge that it has been a useful process and not simply an artificial irritant, or trade barrier," Cornaro argues, adding that the higher levels of compliance from the South Africa exporters are emerging as a competitive advantage.

Citrus Growers Association of Southern Africa's special envoy for EU market access **Deon Joubert** acknowledges that the domestic "risk mitigation" actions taken have put the country in a stronger position relative to a number of other exporting countries.

However, he says that the framework has come at significant expense, with the domestic industry having invested about R1-billion to address and manage the EU's actions on CBS. The yearly turnover of the domestic citrus industry is around R9-billion.

The South Africa industry is still contesting the CBS science, arguing primarily that the disease is unable to establish itself in Mediterranean climates and that it can also not be spread from skin to plant, as it is carried in the leaves, which are not exported.

Nevertheless, the industry's "comprehensive intervention" to address the EU's concerns could also stand it in good stead should other phytosanitary trade matters arise in future.

The outlook for the 2016 season is positive, with rising demand for lemons and easy-peeling mandarin in particular.

But output could be affected by weather conditions in South Africa, with citrus production in some territories having been affected by either drought or hail.

Joubert expects that volumes could be lower in 2016, but that prices may also improve, owing to domestic supply constraints in the EU, as well as the fact that several exporters face CBS emergency measures. There is also the possibility that the Russian market for citrus could recover somewhat in 2016.

Overall, he says the trade framework is well entrenched and will be enhanced further in 2016 with the ratification and implementation of the much-delayed Economic Partnership Agreement (EPA) between the EU and the Southern African Customs Union, including Mozambique.

TRADE & INVESTMENT CLIMATE

The EPA should be ratified by the middle of 2016 and will place trade and economic relations on a "more modern and updated footing".

"It provides genuine new market access for South Africa products into Europe, notably in the agroprocessing sectors of fisheries, sugar and wine . . . while at the same time leaving a certain amount of protection for some of the more vulnerable South African products."

Cornaro, like his predecessor **Roeland van de Geer**, is "sanguine" about South Africa's controversial Protection of Investment Bill, which he says has been improved since Parliamentary hearings.

However, the EU remains uneasy about some of the language in the legislation, with the Bill preferring, for instance, "fair administrative" as opposed to the more internationally used "fair and equitable" treatment of foreign companies.

"The proof remains in how this will be implemented," Cornaro says.

But coupled with several other pieces of legislation, including proposed amendments to the Private Security Industry Regulation Act and the Expropriation Bill, some investors are taking a cautious approach.

The ambassador believes project, or brownfield investments will continue as bilateral trade missions show, but whether the "current climate is conducive enough to attract, in a bigger way, additional foreign direct investment, remains to be seen".

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