To promote exports of South African products the Department of Trade and Industry (DTI) organizes and helps fund International Trade Initiatives (ITIs) to various targeted countries. The most recent ITI delegation visited the Russian Federation. CGA (Paul Hardman) participated in this delegation as part of ongoing efforts to optimize trading conditions in key export markets such as Russia. This report provides an overview of the Russia Federation, historic citrus exports, and opportunities and challenges going forward.

South African fruit exporters have traded with Russia since the late 1990’s when market access was granted following the ground work by Outspan. Since those early days the Russian market has emerged as a significant receiver of citrus from South Africa – now roughly about 10% of exports or 9 million cartons – worth approximately R400 million in 2008. (Table A) When driving around Moscow the number of new and expensive cars is noticeable, along with the absence of older vehicles. Traffic congestion is a problem. Many old buildings are being revamped and upgraded. The overall standard of living seems high in and around Moscow.

**HISTORIC SA CITRUS EXPORTS TO RUSSIA:** Figure 1 below shows the total volume (in 15 kg cartons) and the percentage of the total crop exported to Russia from 2001 to 2008. Being an FOB market the volumes exported into Russia are sensitive to prevailing prices offered by the market.

**NORTHERN AND SOUTHERN HEMISPHERE RIVALS:** Key Southern Hemisphere competitors in Eastern Europe (which includes Russia, Ukraine and Baltic States) are Argentina, Uruguay and Peru. Table B shows the tons of fruit shipped to Eastern Europe by these competitors. Argentina depends heavily on the Russian market as an export destination; particularly relevant for lemons and oranges (their largest export varieties). In recent years SA has been able to successfully muscle market share away from Argentina in the orange market. In the long-term Peru could be a greater threat for Soft Citrus producers than the current figures might suggest.

From a Northern Hemisphere perspective the Mediterranean citrus producing countries are equally reliant on the Russian market as their Southern Hemisphere counterparts. This trend could be deepening as Morocco, Spain and Turkey sent significantly more Soft Citrus to Russia in 2007 than in 2006 from Figure 3.

![Image](image-url)
THE TRADING ENVIRONMENT: South Africa has successfully maintained a high quality “brand” and retained the status of “market leader” in this regard. Commensurate with the higher quality SA fruit typically receives prices between 5 and 10 percent higher than that from rivals Argentina, Chile and Morocco and Turkey. A Free-on-Board (FOB) market typically provides a clear signal to the seller of what returns to expect. However, during discussions with agents the Global Credit Crunch was mentioned on a number of occasions along with the concern about the ability of importers to pay growers the money owed to them for the 2008 season. As a country that derives much of its wealth from selling energy (coal, oil and natural gas) whose prices have declined significantly, in addition to limited access to credit, there is a concern that the purchasing power of ordinary Russians will in turn also decline, and sales of imported fruit will drop off. This suggests a tough trading environment over the next year or two as citrus is probably perceived as a luxury food item.

PHYTOSANITARY AND SANITARY CONSIDERATIONS: With only WTO “observer” status Russia is not obliged to adhere to WTO rules, making the Russian model for facilitating trade rather flexible. Beginning 2006 Russia began engaging with major trading partners in order to raise concerns about pesticide (PPP) residues in imported food. This process has subsequently led to significant trade disruption in 2008 between Russia and the EU, Turkey and Argentina. The causes of the problems have been attributed to 1) Russian national MRLs are typically well below the tolerances of other countries, including Codex MRLs, 2) no import tolerance regulation which leads to incomplete lists of MRLs for commodities not grown in Russia, 3) Russian monitoring programme for imported commodities has been extremely expanded over the last 3 years, and 4) Russia uses these violations in order to build up political pressure on countries if trade issues in other fields of international commerce emerge.

The Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoznadzor) is the governmental department handling such issues. While in Moscow a meeting was held between CGA, DoA and Rosselkhoznadzor counterparts to exchange information. It became clear the Russians would be compelling SA citrus producers to adhere to the same requirements as those applied to other trading partners. On returning to SA DoA have called for discussions with SA fruit industries around how best to approach Rosselkhoznadzor requirements and how to practically implement them. CONTINUED ON PAGE 24
WAGENAAR & HOBBS BENEFITS FROM CGA & NAMC OPPORTUNITIES

HANNES HOBBS

Wagenaar & Hobbs is the 100% owner of Welverdiend Farm, operating as Wagenaar & Hobbs Citrus in the Sundays River Valley. This citrus farm was purchased in 2002. The family owned business is managed by Stephen Wagenaar and his son-in-law Hannes Hobbs.

Stephen has over 45 years experience in Citrus farming and is responsible for the production and quality at the farm whilst Hannes handles the sales and financial management. The farm is Globalgap & Nature’s Choice accredited and the farm’s produce is marketed for export to the Middle & Far East, Europe, UK & Russia through the Sundays River Citrus Company.

The managers of Wagenaar & Hobbs Citrus are not immune to challenges and difficulties faced by other new farmers, particularly those linked to accessing export markets and the ability to operate and market in these environments. All the farms marketing is currently handled by the Sundays River Citrus Company and as a result the managers are not exposed to the procedures that comprise the supply chain of citrus fruit.

The CGA & NAMC selected and jointly funded Hannes Hobbs on an Agri Match Mission to Europe in September 2008. Two countries were visited namely the UK & The Netherlands. The purpose of the trip was to expose participants to the agricultural markets in these countries and to introduce them to the EU market from a customer/buyer perspective. The mission exposed them to the different markets in the EU as well as to the complete supply chain from loading of citrus produce right up to its display on the supermarket shelves.

This two week programme started with a training session in Cape Town on pricing, costing & logistics as well as on the importance of the cold chain in fruit exports.

The highlight of the tour was the visit to a TESCO supermarket where participants could monitor how many customers were buying South African citrus products, how the supermarkets shelves were displayed as well as the quality of South African citrus in comparison with other citrus producing countries.

A workshop facilitated by the British Agrifood Consortium, focusing on imports of fruit into the UK from a buyer perspective was also attended and the following observations were made:

- That quality is not an issue; quality is the basis
- That food safety protocols are a necessity
- That logistics are the deciding factor

We certainly feel proud to be able to contribute our little bit to the successful export of quality South African citrus into discerning markets such as Europe & the UK. Thanks to the CGA, NAMC and the SA Agri Academy for making this possible.

H Hobbs, N Mbilafa, S Ndlangalavu, L Mgadle (Eastern Cape citrus farmers) and E Grifford (Western Cape citrus farmer) during the AgriMatch Mission to Europe.

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PARTING THOUGHTS: To successfully operate in Russia export agents/growers are required to be tough, show a strong presence and commitment, and be prepared to negotiate on every aspect of the business.

The rise in Russian living standards is noticeable and makes this an attractive market for the future. The technical trade requirements remain a concern because it is uncertain to what extent these will impact on volumes of citrus going to Russia, however, South Africa could be well placed to take advantage of this situation given the organization and discipline of the SA citrus industry.

APPRECIATION: CGA appreciates the funding contributed by DTI towards this ITI, and the planning of the trip from the DTI staff in SA. In addition the author thanks the CGA for affording him this opportunity to visit this fascinating country.