SA citrus market share increases despite high costs: Dr Paul Cluver discussed how South African citrus growers and exporters managed to increase their global market share despite soaring cost inflation compared to nominal price inflation, during the past 10 years.

In 2009 South Africa was the second largest citrus exporter in the world, accounting for 17% of global citrus trade. This was achieved by implementing new technology production methods and through corporate integration, said Dr Paul Clüver at the Global Citrus Conference.

Input costs have increased greatly over the past 10 years, while price inflation for all oranges sold in the UK from 2001 to 2009 increased by only 10.5%, with the price inflation for South African oranges sold in the UK during this time improving by a mere 7.2%.

Despite this, said Dr Clüver, South African citrus exports between 2001 and 2009 grew by 57% compared to countries like Spain whose exports increased by only 7% and the USA whose exports declined by 29%.

This was not merely due to a favourable exchange rate, he added. “This success was achieved by implementing technology-driven production practices which resulted in farmers farming more productively.”

Farmers also converted to big farming units that are geographically spread and there was a large degree of forward integration onto packaging and marketing. This resulted in shorter, more direct supply chains.

Those in the citrus industry should now look at the possibility of establishing a multinational integrated listed corporation, suggested Dr Clüver.

“Such a structure should be implemented in order to restore the balance of power between retailers and producers. The industry will benefit from greater access to capital as well as reduced political, climatic and exchange rate risk.”

Pierre Escodo spoke on Citrus opportunities in Russia and the Middle East

“The retail sector in Russia will increase by as much as 15% a year and the citrus industry should jump to claim its share.

“Citrus growers should move fast to secure their share of the growing consumer demand for fresh fruit and vegetables in countries like Russia, Saudi Arabia and the United Arab Emirates,” he said. “The modern retail sector in Russia is comparatively young – it’s only about 15 years old – and expanding very quickly. The top 10 Russian grocery retailers say their sales may double by 2015, but they’ll remain low compared to most European countries,” said Escodo.

Sales figures from one supermarket in Russia indicated that avocado and mango sales increased by 400% in five years. During the same period strawberry sales doubled every year and there was a massive jump in raspberry sales. And there’s no reason why citrus should not also follow this trend, Escodo told conference-goers.

“Expectations are that the modern retail sector will continue to grow by as much as 15% a year and the citrus industry should jump to claim its share of this growing market before competing fruit exporters fill the gap with other fruit types.”

In the Middle East, meanwhile, the global economic downturn did not halt the 10% expansion of the retail sector and many international players are looking at setting up shops here, said Escodo.

We already have a foothold in some of these markets, with South Africa the main supplier of oranges to the United Arab Emirates, exporting just over 63 000 tons of oranges there per year. And SA exporters should use this advantage to further increase sales here and in other Middle Eastern countries, suggested Escodo. Saudi Arabia, for instance, has one of the largest Middle Eastern markets with a fast developing agricultural industry. The country imported 319 000 t in 2009 (50% of this was from Egypt) while lemon imports jumped from 43 000 t to 130 000 t last year.

New citrus varieties could help sector to expand

Etienne Rabe of Biogold USA and Paramount Citrus spoke on the global perspective of Citrus varieties

“Growers should consider improvements that bring higher yields, better colour and longer post-harvest shelf-life” he said.

South Africa is one of the world’s foremost producers and exporters of quality citrus produce and significant opportunities exist for local citrus fruit growers to introduce new varieties to the market, Valencia and navel oranges currently account for 67% of citrus acreage in South Africa, which is ranked 12th in the world for production volume and is second only to Spain for
export volume, according to 2006 data. “The world is changing and in all instances consumers have an ever-growing variety of products available to them. If citrus does not follow suit, the category will be viewed as unimaginative and unexciting,” said Rabe.

“Apart from new tastes, ease of peel and seedless fruit, which are more consumer-type attributes, growers should also consider improvements that bring higher yields, better colour and longer post-harvest shelf-life.”

According to Rabe, the key to successfully introducing new varieties in a sustainable way lies in selecting appropriate variety management models, as well as effective branding and trade marketing. “Pink Lady apples and Cuties California mandarins are good examples of brands that have leveraged product features such as peelability, eating quality, seed content, novelty and colour,” he said.

Before planting, growers need to consider how variety will be managed – will it be through grower clubs, or controlled acreage? They should also consider rootstock choices, production technology and climatic adaptation. There also needs to be an increased focus on consistent eating quality, added Rabe.

“There are considerable risks involved,” he said. “The most important thing is that the management and royalty structure of a new variety needs to be such that the grower is reasonably assured the risk will pay off.”

Eric Imbert, Researcher in Economics, Cirad and Chief Editor of Fruitrop in France, spoke knowledgably on the international fresh citrus market. Citrus production in the southern hemisphere, especially for oranges and lemons, is developing faster than trade opportunities for these products. As a result, southern hemisphere countries increased local sales and more fruit was being used for processing, but a better solution to high production volumes would be to find new markets or to increase exports to already existing markets, said Imbert. According to him, world citrus trade amounted to 5.4 million tons per year, with the southern hemisphere responsible for 2.4 million, or 44%, of this. Leading world exporters were Spain, with 25% of the market share, followed by South Africa with 17%, Egypt (15%), USA (10%) and Morocco (4%).

With the EU market stabilising and citrus imports now competing with European-produced summer fruits and Mediterranean citrus producers, Imbert encouraged exporters and producers to explore new markets and new opportunities in existing markets.

“Market growth can be expected mainly in the upper/middle-income countries. Since production cost prices are increasing, though, it’s necessary to work on the margin of growth of the high added-value markets by investing in promotion to exploit the potential in the Northern EU,” said Imbert at the recent Global Citrus Conference recently held in Cape Town.

However, he also noted there’s been almost no increase in consumption in the 100 000 t/year Eastern European market, which is highly susceptible to cheap local fruits from Poland and Hungary.

Stuart Symington, CEO of Fresh Produce Exporters’ Forum made was a very good choice for Master of Ceremonies with his knowledge of the citrus industry and the South African and overseas markets. Stuart was hard to miss in his silk SA Flag shirt!

CGA thanks Farmers Weekly for their permission to use their article by Denene Erasmus on the Global Citrus Conference.