

Required Report: Required - Public Distribution

Date: August 03,2020

Report Number: SF2020-0043

Report Name: Raisin Annual

Country: South Africa - Republic of

Post: Pretoria

Report Category: Raisins

Prepared By: Wellington Sikuka

Approved By: Kyle Bonsu

Report Highlights:

Post forecasts that raisin production will increase by 10 percent to 88,000 Metric Tons (MT) in the 2020/21 MY, based on normal weather conditions, growth in area planted, new orchards coming into full production, improvement in yields, wine grapes being diverted for raisin production, sufficient availability of irrigation water, and minimal hail/rain damage. Investment in increasing processing capacity is now critical given the continued growth in production and that some processors are already operating at 97 percent capacity. The United States was the third largest market for South African raisin exports accounting for 9 percent of the total export market share in 2019. South African raisin exports enjoy duty free access to the United States under the African Growth and Opportunity Act (AGOA).

MY – Marketing Year (January to December)
MT – Metric Tons
Exchange Rate – 1US\$ = R16.51 as at July 29, 2020.

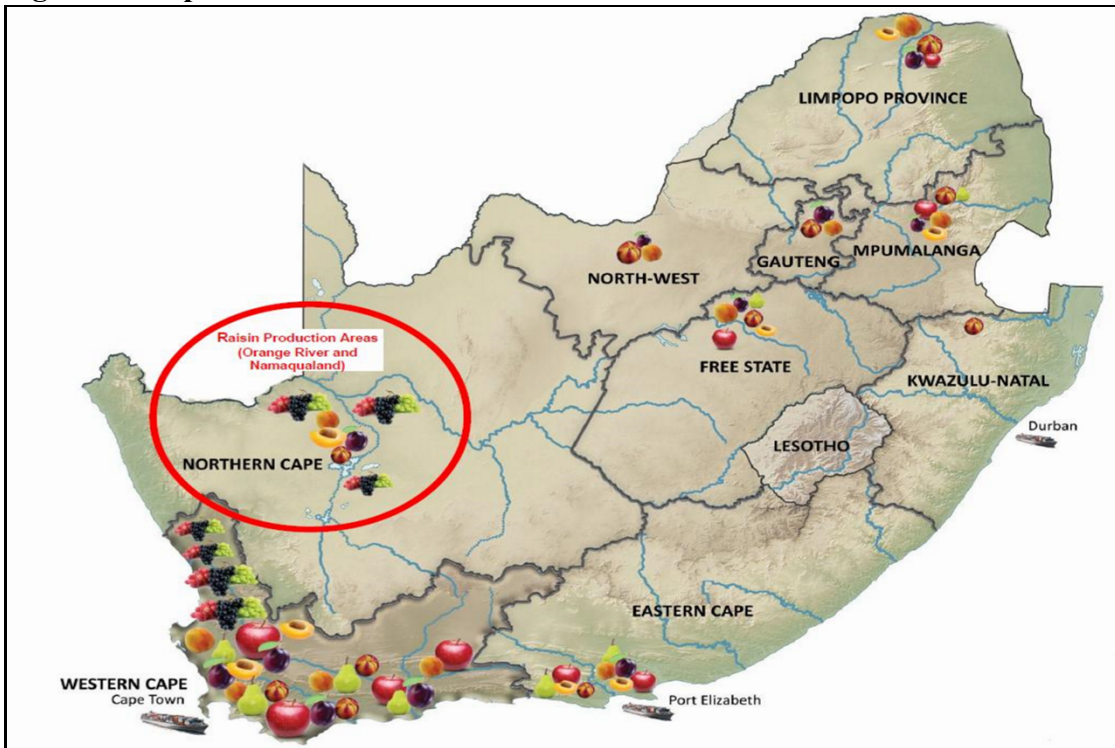
Sources:

Department of Agriculture, Land Reform and Rural Development - <https://www.dalrrd.gov.za/>
HORTGRO - <https://www.hortgro.co.za/>
Raisins South Africa - <http://raisinsa.co.za/>
South African Revenue Services - <https://www.sars.gov.za/>

Background

Raisin production in South Africa is concentrated along the Orange River, in the Northern Cape Province, accounting for at least 90 percent of the total annual production. The Western Cape accounts for the remaining 10 percent of the production. The Northern Cape Province is the main raisin production area, due to year-round availability of irrigation water from the Orange River, and its ideal climate (dry and hot) for growing and drying grapes. The Orange River is South Africa’s longest river spanning about 800 km (500 miles).

Figure 1: Map of Raisin Production Areas in South Africa



Source: HORTGRO

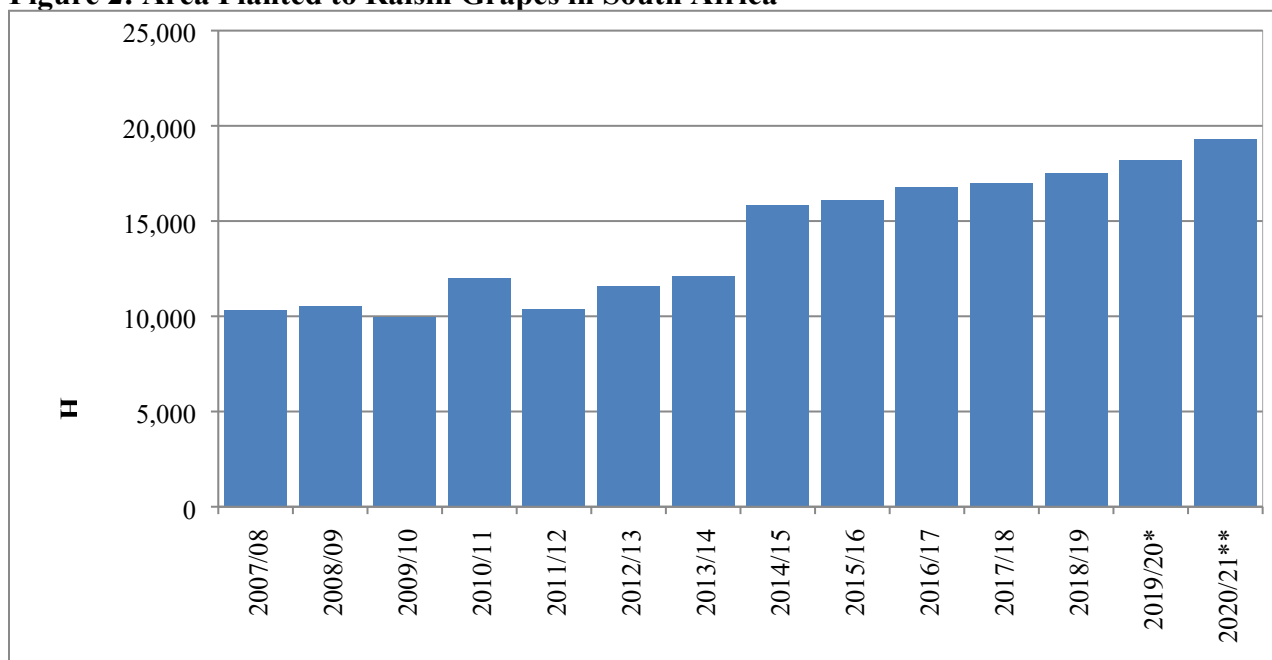
Similar to other agriculture commodities in South Africa, the raisin industry has a well-organized structure. [Raisins South Africa](#) represents the interests of raisin growers through its efforts in providing technical and marketing research, and leading development or transformation projects. There are about 1,000 raisin producers and seven raisin processors in South Africa. Growers are normally classified into

three categories; small scale farmers with less than 40 hectares (99 acres), medium scale farmers with 40 – 80 hectares (99 – 198 acres) and large scale farmers with typically between 80 - 220 hectares, or above (198 – 544 acres). The major raisin processors are the South African Dried Fruit Co-operative – SAD (Owned by [Pioneer Foods](#)), [Carpe Diem Group](#), Fruit du Sud (Owned by [BKB](#)), [Red Sun Raisins](#), [The Raisin Company](#), [Northern Cape Raisins](#) and Farmers Pride (Owned by [Orange River Cellars](#)). South African processors currently have a capacity of between 90,000 to 100,000 MT. Investment in increasing processing capacity and efficiencies is becoming critical for the South African raisin sector, given the continued growth in production and that some processors are already operating at 97 percent capacity. Hence, new or expansion of the existing processing facilities are urgently required in South Africa in order to facilitate the growth in raisin production.

Area Planted

Post forecasts that the area planted to grapes for raisin production will increase by 6 percent to 19,300 hectares in the 2020/21 Marketing Year (MY), from 18,200 hectares in the 2019/20 MY, based on new areas being established and some land being diverted from other crops such as wine and table grapes. This is due to the high prices being paid for raisin grapes relative to wine grapes and some farmers seeking to diversify from the high risks associated with table grape production. There is a growing trend of establishing pecan nut orchards in some raisin production areas in the Northern Cape, driven by suitable growing conditions, farmers diversifying their income and the high returns from pecans. If this trend continues, it may result in competition for land and water allocation in some raisin growing areas in the medium to long term. **Figure 2** shows that the area planted with raisin grapes has been growing since the 2007/08 MY.

Figure 2: Area Planted to Raisin Grapes in South Africa



*Estimate, ** Forecast

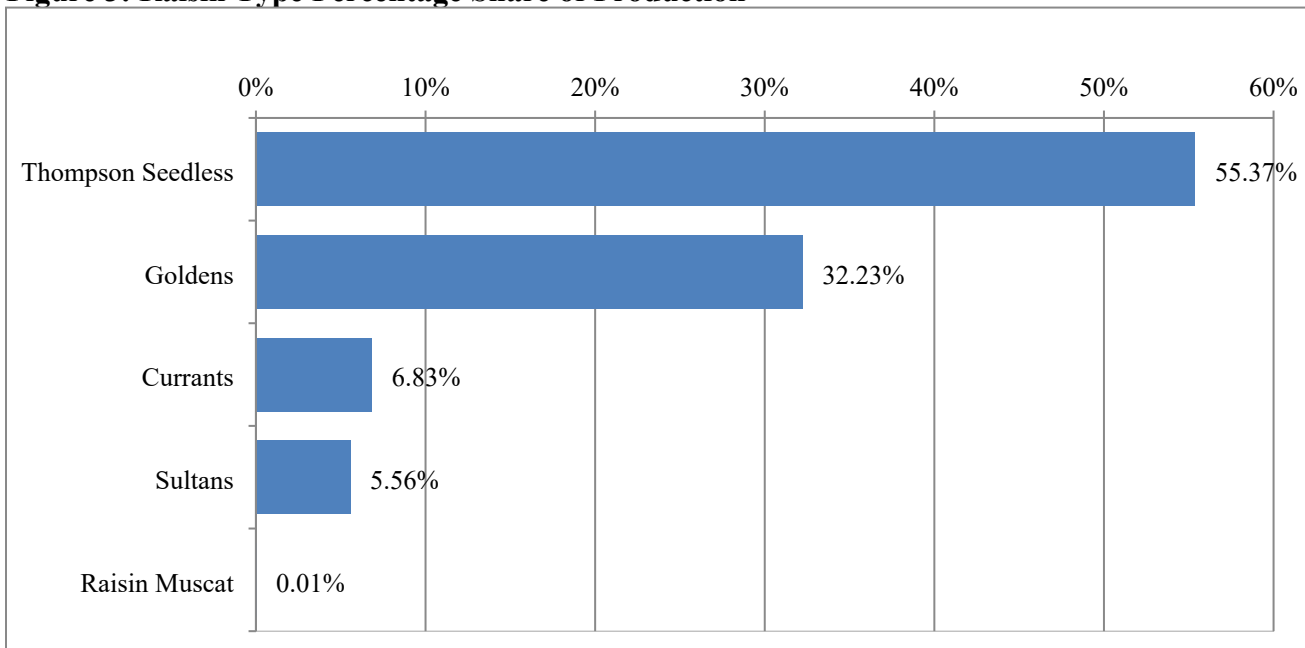
Source: HORTGRO, Raisins South Africa & Post Estimates.

Production

Post forecasts that raisin production will increase by 10 percent to 88,000 Metric Tons (MT) in the 2020/21 MY, from 80,000 MT in the 2019/20 MY. This is based on normal weather conditions, increase in area planted, new orchards coming into full production, improvement in yields due to new varieties and production practices, wine grapes being diverted for raisin production, sufficient availability of irrigation water, and minimal hail damage. The 2019/20 MY raisin production was slightly revised upwards to 80,000 MT, based on updated industry data, and higher than expected diversion of wine grapes to raisin production. The wine industry and wine grape producers are under pressure from decreasing margins, lower prices, and the impact of COVID-19, which has significantly contributed to some wine grapes being diverted to raisin production. The impact of COVID-19 to raisin production is expected to be minimal because the main raisin growing region of the Northern Cape has one of the lowest infections in South Africa, and the industry has already completed harvesting and drying of the grapes in 2020. The raisin production figures are based on dried raisin weights.

The Thompson Seedless raisin is the predominant cultivar produced in South Africa, and accounted for 55 percent of the total production in the 2019/20 MY, followed by the Goldens (32 percent), Currants (7 percent), and Sultanas (6 percent), as shown in **Figure 3**. The Golden raisins are usually sulphur treated and dried using ventilation facilities, which is quite an expensive method. Sun drying is the most common method used in South Africa because it is cost effective, quicker and the weather in the Northern Cape is suitable for producing the ideal quality of raisins. For example, the Thompson Seedless dark raisins usually take two weeks to dry in the sun under the normal weather conditions of 40 - 42°C and 7 – 8 percent humidity in the Orange River region.

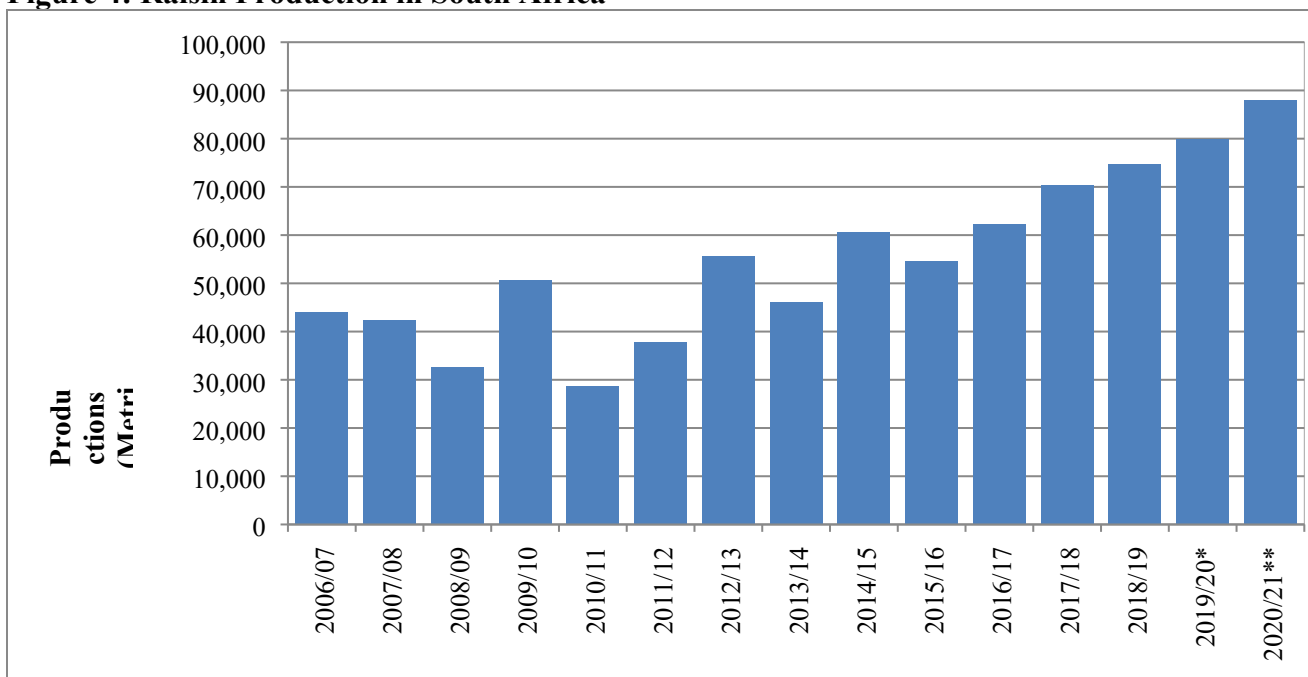
Figure 3: Raisin Type Percentage Share of Production



Source: Raisins SA

Figure 4 shows that raisin production has generally increased in the past decade. Growth in production over the last four seasons was mainly driven by increases in area planted, improvement in yields, demand from processors and favorable prices for raisin grapes when compared to the wine industry. There is a growing trend of raisin producers striving to produce raisins without chemicals and some being certified organic. Currently, there is only one processor who handles organic certified raisins and growers. Some processors are offering premium payments to encourage growers to produce raisins without chemicals, and if possible to obtain organic certification.

Figure 4: Raisin Production in South Africa



*Estimate, ** Forecast

Source: HORTGRO, Raisins South Africa & Post Estimates

Consumption

Post forecasts that the domestic consumption of raisins in South African will increase by 6 percent to 18,500 MT in the 2020/21 MY, from 17,500 MT in the 2019/20 MY. This is based on the strong demand from the confectionary and baking industry, growth in the health snack food market, and increase in production. The 2019/20 MY domestic consumption of raisins was revised upwards to 17,500 MT, due to the rise in home baking and healthy snacking during the national lockdown to reduce COVID-19 infections. Raisins are considered affordable and are a popular healthy snack and baking ingredient in South Africa.

The confectionary and baking industry is the largest consumer of raisins in South Africa for products like biscuits, cakes, and buns that are consumed during festive times such as Christmas, Easter and Ramadan. Sweet sultana raisins are ideal for baking while the golden–yellow sultana variety are sweet-sour and well suited for salads and cooking. Raisins are also consumed as snacks, and it is foreseen that the demand for raisins as a snack will continue to improve as consumers’ preferences are moving

towards healthier and natural choices. **Table 1** shows some of the common raisin snacks sold in retail supermarkets in South Africa.

Table 1: Raisin Products in one of the South African Retail Supermarkets

Thompson Seedless Raisins – 500 Grams	Peanuts & Raisins – 450 Grams
	
Price – R46.99 (US\$2.85)	Price – R46.99 (US\$2.85)

Source: [Woolworths](https://www.woolworths.co.za/)

Closing Stocks

South Africa usually has minimal or no closing stocks at the end of each marketing year as raisin production is largely contracted and considered sold at the end of the season. Raisin producers always aim to sell all their produce to processors and packers within the season of their production. However, due to the rise in production and low global prices in 2019, raisin processors are starting to carry-over an increased amount of stock. Post adjusted closing stocks to 10,933 MT in the 2020/21 MY, and 12,533 MT in the 2019/20 MY, based on the increase in production, and depressed prices for Thompson raisins in the global market in 2019. These closing stocks will be held by processors. Closing stocks are expected to continue in the coming years due to the increase in production, until South Africa aggressively grows its export markets.

Exports

Post forecasts that raisin exports from South Africa will increase by 11 percent to 72,000 MT in the 2020/21 MY, from 64,900 MT in the 2019/20 MY, based on the increase in production, and minimal impact of COVID-19 on supply chains, ports and global demand. The 2019/20 MY exports were revised upwards to 64,900 MT based on the pace of exports up to May 2020 and limited shipping delays due to COVID-19.

Europe remains South Africa’s largest market for raisins accounting for 63 percent of the export market share. Germany is the largest single market for South African raisin exports and accounted for 34

percent of the total exports in 2019, followed by Algeria (10 percent), United States (9 percent), Netherlands (8 percent), Canada (7 percent), France (6 percent), United Kingdom (6 percent), and Denmark (2 percent). **Table 2** shows South Africa’s export markets for raisins. Notably, South Africa enjoys preferential market access to the European Union as a party to the Economic Partnership Agreement between the European Union and the Southern African Development Community (EU-SADC EPA). South African raisin exports also enjoy duty free access to the United States under the African Growth and Opportunity Act (AGOA).

There are eight countries competing for majority shares of the global raisin market, namely, Australia, Chile, Greece, Iran, Mexico, South Africa, Turkey and the United States. In the Southern hemisphere (Argentina, Chile and South Africa), fruit is largely harvested from January to March, with products coming to market late in April to May. Greece, Turkey and the United States harvest their raisin grapes in late August and September, with availability beginning in September. Raisins can be stored for up to eighteen months, and in seasons where there is an oversupply or depressed prices such as in the 2018/19 MY, processors can hold on to stock and wait for favorable prices. Global demand for raisins has largely been flat, and there is growing interest in pursuing a global generic marketing initiative to grow demand and also address some negative media reports on the impact of raisin consumption to teeth decay.

Table 2: South Africa Raisin Exports

South Africa Exports to the World							
Commodity: 080620, Grapes, Dried (Including Raisins)							
Calendar Year & YTD							
Partner	Unit	Calendar Year					
		2015	2016	2017	2018	2019	2020*
World	T	52,897	46,393	48,888	61,162	47,430	23,638
Germany	T	12,261	16,708	12,866	15,994	15,957	7,839
Algeria	T	6,752	3,104	4,773	5,681	4,868	4,000
United States	T	4,829	2,744	5,033	8,443	4,101	1,824
Netherlands	T	5,247	3,534	5,116	4,856	3,971	1,567
Canada	T	5,223	4,443	4,061	4,521	3,460	1,707
France	T	3,059	2,822	3,440	3,116	2,788	952
United Kingdom	T	2,361	3,279	2,849	3,898	2,702	1,613
Denmark	T	669	597	871	1,390	1,123	422
Belgium	T	1,349	606	640	801	870	395
Sweden	T	1,173	907	267	341	508	293
China	T	184	93	231	927	492	71
Switzerland	T	478	509	833	601	486	103
Spain	T	1,268	281	558	1,625	470	269
United Arab Emirates	T	456	151	293	502	386	213
Ethiopia	T	120	211	163	144	378	0
Portugal	T	547	286	416	369	364	35
Japan	T	349	221	218	560	333	125
Australia	T	616	1,411	1,699	1,140	321	253
New Zealand	T	297	452	416	282	293	178

Norway	T	521	374	320	597	279	48
--------	---	-----	-----	-----	-----	-----	----

*Export Figures up to May 2020

Source: Trade Data Monitor (TDM)

Imports

South Africa is not a major importer of raisins as it produces in excess of domestic demand. Namibia enjoys duty free access based on its membership in the Southern African Customs Union (SACU) and is the traditional exporter of raisins to South Africa. However, in the past two years imports from Turkey have grown due to low prices of Turkish raisins and oversupply.

Table 3: South Africa Raisin Imports

South Africa Imports from the World							
Commodity: 080620, Grapes, Dried (Including Raisins)							
Calendar Year & YTD							
Partner	Unit	Calendar Year					
		2015	2016	2017	2018	2019	2020*
World	T	304	657	732	1,345	1,163	849
Namibia	T	264	458	353	579	554	660
Turkey	T	0	0	347	639	473	188
Afghanistan	T	0	0	0	60	133	0
United States	T	0	95	1	0	2	0

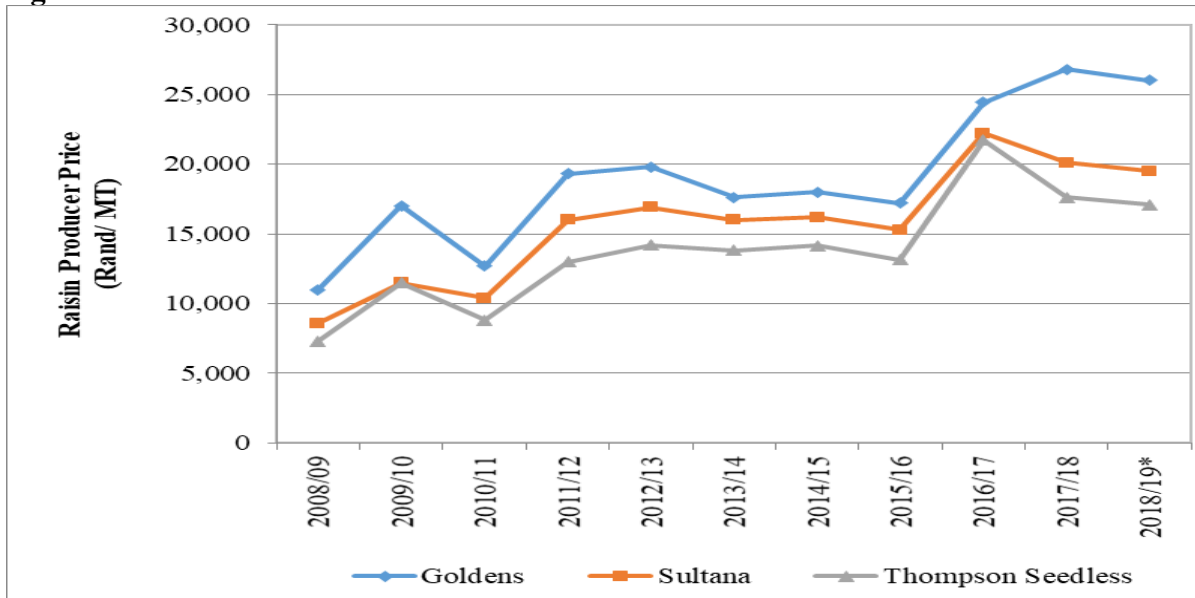
*Import Figures up to May 2020

Source: TDM

Producer Prices

The producer prices for raisins are sensitive to supply and demand factors, and the foreign exchange rate. Producers agree on price and supply contracts with raisin processors in advance of each season. The prices for surplus raisin production are open for negotiation between producers and processors each season. **Figure 5** shows the historic raisins producer prices since the 2007/08 MY.

Figure 5: Raisins Producer Prices



Source: HORTGRO

Exchange Rate – 1US\$ = R16.51 as at July 29, 2020

Table 4: Production, Supply and Demand (PSD) of Raisins in South Africa

Raisins	2018/2019		2019/2020		2020/2021	
	Jan-19		Jan-20		Jan-21	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
South Africa						
Area Planted	0	17,500		18,200		19,300
Area Harvested	0	15,900		16,400		17,000
Beginning Stocks	0	0		13,933		12,533
Production	73,000	74,830		80,000		88,000
Imports	1,000	1,163		1,000		900
Total Supply	74,000	75,993		94,933		101,433
Exports	60,000	47,430		64,900		72,000
Domestic Consumption	14,000	14,630		17,500		18,500
Ending Stocks	0	13,933		12,533		10,933
Total Distribution	74,000	75,993		94,933		101,433

(HA) ,(MT)

Policies and Regulations:

Import Duties

Table 5 shows custom duties applicable to South African raisin imports. United States raisin exports face a 10 percent customs duty in South Africa. Under the EU-SADC EPA (as mentioned above), the EU's exports to South Africa are duty free.

Table 5: Tariff Rates, Dried Grapes

	Description	Unit	General	EU	EFTA	SADC	MERCOSUR
0806.20	Dried grapes	kg	10%	free	10%	free	10%

Source: South African Revenue Services (SARS) Customs schedule

Import Procedures, Quality Standards and Labelling Regulations

The Department of Agriculture, Land Reform and Rural Development is responsible for regulating raisins in South Africa. The applicable procedures to be followed when importing plants and plant products into South Africa can be found on the following link, <http://www.nda.agric.za/daoDev/sideMenu/plantHealth/docs/importProcedure.pdf>. The regulations relating to the quality, packing and marking of dried fruit intended for sale in South Africa can be found on the following link,

<https://www.dalrrd.gov.za/Branches/Agricultural-Production-Health-Food-Safety/Food-Safety-Quality-Assurance/Local-and-Import-Regulations/Processed-products>. Post also publishes the [Food and Agricultural Import Regulations and Standards \(FAIRS\) Country Report](#) and the [FAIRS Export Certificate Report](#), to assist U.S. exporters with the relevant regulations, certificates, permits and procedures. The FAIRS reports are publicly available for download on the following GAIN link, <https://gain.fas.usda.gov/#/search>.

Price Support Policies

South Africa has no price support policies for raisin producers. South African has a mandatory statutory levy payable by raisin producers to provide financial support to Raisins South Africa for functions deemed essential to the industry, namely, research, training, plant improvement and development of the raisin industry.

United States African Growth and Opportunity Act (AGOA)

South African raisin exports enjoy duty free access to the United States under the African Growth and Opportunity Act (AGOA). The African Growth and Opportunity Act (AGOA) is a United States Trade Act, enacted on 18 May 2000 as Public Law 106 of the 200th Congress. AGOA has since been renewed to 2025. More information on AGOA can be found on the following link, <https://agoa.info/about-agoa.html>. The legislation significantly enhances market access to the US for qualifying Sub-Saharan African (SSA) countries, including South Africa.

European Union Economic Partnership Agreement (EPA)

The European Union (EU) is South Africa's traditional export market for most agricultural products. South Africa is party to a free trade agreement with the EU under the European Union - Southern African Development Community (SADC) Economic Partnership Agreement (<https://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc/>). The member states included under the EU - SADC EPA are Botswana, Lesotho, Mozambique, Namibia, South Africa and Eswatini (formerly Swaziland). As a result, South Africa benefits from duty free access for raisins under this Agreement.

The UK and Southern African Customs Union (SACU) and Mozambique EPA (SACUM-UK EPA)

South Africa's duty free access to the United Kingdom (UK) continued after BREXIT, based on the previous SADC-EU EPA arrangements. In 2019, the UK, Southern African Customs Union (SACU) member states (Botswana, Lesotho, Namibia and South Africa) and Mozambique signed a new free trade agreement, the SACUM-UK EPA. This is expected to take effect from 1 January 2021. As a result, South Africa's duty free access to the UK were not affected by BREXIT and will not be affected in future.

Attachments:

No Attachments