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South Africa, Republic of

Citrus

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Report Highlights:

South Africa's 2006 citrus production is expected to increase by 4.8% from last year because of enough rain and normal temperatures in most citrus fruit growing areas. Lemon and lime production is expected to amount to 0.2 million MT, oranges to 1.2 million MT, while the grapefruit harvest is expected to amount to 0.3 million MT, which are increases of 2%, 4.9%, and 6.2% respectively.

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Executive Summary

South Africa's 2006 citrus production is expected to increase by 4.8% from last year because of enough rain and normal temperatures in most citrus fruit growing areas. Old Clementine orchards are being removed and replaced, reducing the potential production for easy-peelers this year. Lemon and lime production is expected to amount to 0.2 million MT, oranges to 1.2 million MT, while the grapefruit harvest is expected to amount to 0.3 million MT, which are increases of 2%, 4.9%, and 6.2% respectively.

Production

BACKGROUND

Citrus is a winter crop, with trees taking about 7-8 years to reach a full production level of about 0.045MT a tree.

South Africa's citrus production regions are the Western Cape, Eastern Cape, Mpumalanga, Limpopo, Northern Cape, Kwazulu Natal, and the North West. A table below shows the citrus production areas in Hectares:

CITRUS PRODUCTION AREAS(HA) IN 2004						
DISTRICTS	Soft Citrus	Oranges		Grapefruit	Lemons & Limes	TOTAL
		Valencia	Navels			
Western Cape	2,798	2,260	3,845	17	953	9,873
Eastern Cape	1,860	4,026	5,600	304	2,437	14,227
Mpumalanga	395	4,957	2,300	2,815	468	10,935
Limpopo	199	9,368	1,114	1,975	652	13,308
Northern Cape	67	147	-	5	30	249
KZN	66	1,150	799	1,675	371	4,061
North West	7	-	-	-	20	27
TOTAL	5,392	21,908	13,658	6,791	4,931	52,680

Source: Citrus Growers Association

South Africa's citrus farm sizes average at about 700 Ha in the Western Cape, and about 2,000 Ha in other regions. Wine grapes compete for hectares with citrus, followed by rooibos tea and vegetables.

South Africa's peak production period is August, September and October. It takes maximum 6 weeks for weak varieties and about 11-12 weeks for strong varieties fruit from tree to export markets. Fruit takes 1-2 weeks to travel from trees to local retail markets.

The Western Cape is South Africa's main supplier of citrus destined for the U.S. market because of its black-spot free status. The Northern Cape was also accredited a blackspot free status two years ago, and is expected to slightly increase exports in the coming years.

DEVELOPMENT OF THE INDUSTRY

Farmer Associations are concentrated in the Western Cape, while the Northern regions are composed mainly of private companies.

Before the deregulations of the agricultural product markets in 1997, Capespan was a single-channel fruit market countrywide. Currently, it is now handling citrus exports of about 208 exporters, which is only 30% of the total production.

SPECIAL EXPORT PROGRAMS

South Africa's citrus products destined for the United States are mainly Clementines, Grapefruit, Lemons, Minneola, Navels, Satsuma, and Valencia (including Delta seedless and midnights).

Other special export programs are with the U.S., the EU, Japan (grapefruit, oranges, lemons) Navel Oranges), Taiwan (a quota of 1,000 MT – grapefruit, Navels and Valencias), Eastern Europe – Russia (95% are oranges, and 5% is shared between lemons and grapefruit), and South Korea (Valencia and Navels). New markets since 2001/2 are Thailand, Israel and China.

Inspections

Quarantine pests from South Africa's fresh citrus products destined for the United States are Mediterranean Fruit Fly, False Codling Moth, Citrus Black Spot, and Mealy Bug.

Fruit destined to the U.S., are inspected at the fruit port terminal; at Piketcor – closest to production areas; and at Swellendam- a cold harvest area. A total 8 U.S. APHIS inspectors a year conduct tests on farms, packinghouses, shipping vessels, and monitor temperature control. About 12 vessels in total leave the Cape Town port for the U.S. Main destination ports are Philadelphia, New York, and Boston. Transition vessel takes about 22-24 days to the U.S. at a required fruit temperature of –5 degrees Celsius at arrival.

SOUTH AFRICA'S CITRUS EXPORTS TO THE U.S.						
COMMODITIES	2003		2004		2005	
	MT	US\$	MT	US\$	MT	US\$
ORANGES	25,589	10,341,624	24,077	14,240,282	29,796	18,260,535
MANDARINS:	9,365	8,175,6452	10,374	10,163,564	11,709	12,358,499
LEMONS & LIMES	1,044	558,130	551	289,506	422	297,947
GRAPEFRUITS	371	101,358	70	21,667	4,800	7,778

SOUTH AFRICA'S EXPORTS OF EASY PEELERS' CITRUS TO THE U.S.		
	2004	2005
	MT	MT
CLEMENTINES	9,141	54,287
MINNEOLAS	945	2,055
MANDARINS	46	252
TOTAL easy peelers	10,132	56,596

Source : CGA's Citrus Special Export Programs

Production Subcategory

South Africa's production of Valencia oranges is declining, and overtaken by Clementines, at an annual increase of about 10% per year.

South Africa, Republic of Oranges, Fresh							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Area Planted	36350	36350	36700	36700	0	36700	(HECTARES)
Area Harvested	26670	26670	26800	26800	0	26800	(HECTARES)
Bearing Trees	11480	11480	11500	11500	0	11500	(1000 TREES)
Non-Bearing Trees	3960	3960	4000	4000	0	4000	(1000 TREES)
TOTAL No. Of Trees	15440	15440	15500	15500	0	15500	(1000 TREES)
Production	1130	1144	1140	1210	0	1170	(1000 MT)
Imports	10	8	10	10	0	10	(1000 MT)
TOTAL SUPPLY	1140	1152	1150	1220	0	1180	(1000 MT)
Exports	760	784	760	820	0	800	(1000 MT)
Fresh Dom. Consumption	170	243	170	260	0	250	(1000 MT)
Processing	210	125	220	140	0	130	(1000 MT)
TOTAL DISTRIBUTION	1140	1152	1150	1220	0	1180	(1000 MT)

South Africa, Republic of 65 Degrees Brix Orange Juice(MT)							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Deliv. To Processors	210000	125000	220000	140000	0	130000	(MT)
Beginning Stocks	6003	6003	6503	2511	6803	2111	(MT)
Production	22200	14000	22500	16000	0	15000	(MT)
Imports	300	637	0	800	0	720	(MT)
TOTAL SUPPLY	28503	20640	29003	19311	6803	17831	(MT)
Exports	9500	10129	9500	10000	0	9000	(MT)
Domestic Consumption	12500	8000	12700	7200	0	7000	(MT)
Ending Stocks	6503	2511	6803	2111	0	1831	(MT)
TOTAL DISTRIBUTION	28503	20640	29003	19311	0	17831	(MT)

South Africa, Republic of Lemons, Fresh							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Area Planted	3800	3800	3800	3800	0	3800	(HECTARES)
Area Harvested	2670	2670	2670	2670	0	2670	(HECTARES)
Bearing Trees	1410	1410	1410	1410	0	1410	(1000 TREES)
Non-Bearing Trees	1200	1200	1200	1200	0	1200	(1000 TREES)
TOTAL No. Of Trees	2610	2610	2610	2610	0	2610	(1000 TREES)
Production	180	199	190	203	0	203	(1000 MT)
Imports	10	0	10	0	0	0	(1000 MT)
TOTAL SUPPLY	190	199	200	203	0	203	(1000 MT)
Exports	120	102	130	103	0	103	(1000 MT)
Fresh Dom. Consumption	20	20	20	20	0	20	(1000 MT)
Processing	50	77	50	80	0	80	(1000 MT)
TOTAL DISTRIBUTION	190	199	200	203	0	203	(1000 MT)

South Africa, Republic of Grapefruit, Fresh							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Area Planted	6900	6900	6910	6910	0	0	(HECTARES)
Area Harvested	3910	3910	3990	3990	0	0	(HECTARES)
Bearing Trees	1570	1570	1600	1600	0	0	(1000 TREES)
Non-Bearing Trees	1080	1080	1050	1050	0	0	(1000 TREES)
TOTAL No. Of Trees	2650	2650	2650	2650	0	0	(1000 TREES)
Production	250	290	260	330	0	310	(1000 MT)
Imports	2	2	2	2	0	2	(1000 MT)
TOTAL SUPPLY	252	292	262	332	0	312	(1000 MT)
Exports	200	223	210	290	0	260	(1000 MT)
Fresh Dom. Consumption	7	7	7	10	0	10	(1000 MT)
Processing	45	62	45	32	0	42	(1000 MT)
TOTAL DISTRIBUTION	252	292	262	332	0	312	(1000 MT)

Consumption

South Africa's total citrus local consumption is expected to increase by 7% to reach 288,000 MT in 2006 because of a rise in total production.

PROCESSING

South Africa's citrus fruit is processed into juice, liquor, oil and cattle feed. Citrus oil, which is used as a base for industrial flavors and perfumes, is extracted from the peel using U.S. imported FMC machines with special centrifuges for maximum extraction. The peel is further processed through drying and used as cattle feed and molasses.

Juice concentrates are mainly stored in 200 Litre steel drums or tanks in refrigerated rooms of a temperature of -15 degrees Celsius.

South Africa's processors are expected to comply with the following accreditations: HACCP - for traceability from the farm to the final product; ISO 9001:2000 (SGS) - for quality standards; ISO 18,000 - for food safety, and ISO 14,000 - for environmental safety. Extra accreditations that may be required special markets are SGF-IRMA - a German based quality controlled system; Kosher; and Halaal.

Trade

South Africa's citrus exports are estimated at about 52% of the total Southern Hemisphere's market shares.

According to Citrus Growers Association's statistics, in 2005, South Africa became the second biggest citrus exporter globally. She followed Spain and was above the U.S., largely because of the previous year's poor weather conditions in Florida.

About 700,000 MT of oranges are exported annually, mainly to China, Russia, Eastern Europe, and the U.S.

In 2006, the industry expects a lower production of citrus and changes in sugar levels because of water deficiency in some regions.

Trade Subcategory

TRADE LOGISTICS

Geographically, South Africa is closer to the E.U. than to the U.S. South Africa's loading ports for citrus are: Cape Town (23% of total citrus fruit), Durban (49%), Maputo (8%), and Port Elizabeth (21%).

South Africa's annual citrus exports to China starts in July and ends in November. 44% of the total citrus exports to China are transported through the Eastern Coast, while the rest goes through the Western Coast. A total of about 95,000 MT are usually exported to China, of which 30,000 MT are Navels, 18,000 MT are oranges, 6,000 MT are Midnights, another 6,000 MT are Clementines, and about 35,000 boxes are lemons. South Africa's citrus exports to Australia are transported through the Western Coast.

COLD TREATMENTS AND TEMPERATURE CONTROL

Temperature requirements differ between countries. Although majority of countries requires a normal refrigeration temperature of 4 degrees Celsius, others require much lower temperature. Lemons, because of their cold sensitivity that degrades their quality, are not easy to export, hence their volumes are expected to remain constant from 2006. Even locally, lemons are not easily marketable because there are more bad years than good for production. The U.S. has been receiving about 36,000 MT yearly of lemons from South Africa.

Export Trade Matrix			
Country	South Africa, Republic of		
Commodity	Oranges, Fresh		
Time Period	Jan-Dec	Units:	MT
Exports for:	2004		2005
U.S.	24,077	U.S.	35,753
Others		Others	
Netherlands	121,192	Mid.East	168,154
Russia	69,002	S.Europe	87,804

U.K.	61,397	U.K.	84,651
Spain	59,619	Russia	59,981
Italy	56,276	Hong Kong	28,289
Saudi Arabia	46,947	Canada	25,512
HongKong	33,464	Far East	14,448
Belgium	32,216	Japan	11,174
U.A.Emirates	31,621	China	1,095
Canada	27,786	Korea	903
Total for Others	539520		482011
Others not Listed	172,994		266,236
Grand Total	736591		784000

Source: 2004 data= WTA, 2005 data=CGA

Export Trade Matrix			
Country	South Africa, Republic of		
Commodity	Grapefruit, Fresh		
Time Period	Jan-Dec	Units:	MT
Exports for:	2004		2005
U.S.	70	U.S.	
Others		Others	
Japan	68,474	Japan	98,380
Netherlands	40,910	U.K.	19,726
Mozambique	22,988	S.Europe	18,519
U.K.	17,402	Far East	6,007
Italy	10,098	Canada	4,165
Belgium	9,862	N.Europe	2,881
Spain	5,647		
France	5,146		
Russia	3,532		
Germany	2,940		
Total for Others	186999		149678
Others not Listed	10,613		140,322
Grand Total	197682		290000

Source: 2004 data= WTA, 2005 data=CGA

Policy**CHALLENGES**

International fruit quality restrictions are a major problem for South Africa's citrus exporters, and the industry indicates that the U.S. is posing more SPS restrictions compared to its 62 other exporting countries.

Policy Subcategory**Marketing**

Sales of South Africa's citrus in the U.S. are most difficult around July, which is during the U.S.'s back-to-school programs. At this period, prices of South Africa's citrus are lower because of competition with the alternative products, the U.S.'s local peaches and melons. South Africa also avoids competition with Californian citrus by avoiding the market during California's peak period.

SPECIAL MARKETS

South Africa citrus exporters consider the U.S. as a high-value market, although its production costs are also high, averaging between 35-40% of the revenue. A suitable grower for export to the U.S. is specifically trained to serve this market, and his farms are registered with the Department of Agriculture. The Department of Agriculture also conducts tests for SPS and specific grading.

Normal trade to the U.S. is difficult for the South African citrus exporters. They therefore employ U.S.- based fruit buyers, to guarantee supply to supermarkets. Other strategies used to draw retailers' and buyers' confidence are: tailor-made programs, knowledge building, and South African branding.

In the last 2-3 years, the South African exporters report that their trade with the U.S. had been difficult mainly because of the implementation of the Bio-terrorism Act and stricter Sanitary and Phyto-Sanitary measures.

Marketing Subcategory

The South African fruit exporters are concerned about the growing demand of U.K. retailers' food safety specifications against usage of plant protection products (PPP), which are additional restrictions from the EU pesticide regulations, and are also beyond both the EU's Maximum Residue Level (MRL) and South Africa's MRL legislation.

The UK retailers demand a grower commitment prior to the production period to use a predetermined and reduced range of pesticides. The UK Consumer groups also put pressure on growers through food chain supply chain to use fewer pesticides. Some of the retailers are said to be aiming at zero tolerance residue levels within the next 15 years. The country's CGA and CRI are negotiating for a reduction of the restriction with the UK retailers.

The Southern African Citrus industry compiled a quarterly food safety risk management model, 'the Recommended Usage Restrictions For Plant Protection Products On Southern African Citrus'. This model specifies the most recent MRL changes in key markets, and the appropriate usage restrictions that help the growers to meet the MRL targets. This model can be accessed at: www.cga.co.za

RESEARCH TO SATISFY MARKETING TRENDS

South African citrus researchers plan to develop new varieties of Navels and easy-peelers to maintain existing major citrus markets. According to the citrus exporters, the U.S. consumers base their citrus buying decisions on color, sugar, and seedless, while acid levels are most important for the U.K markets. Also, European and U.K. consumers demand an improved 'eating orange'.

As a follow-up from the citrus industry plan to access new markets, the South African citrus researchers are working at producing hardy fruit with long shelf-life for new markets that lack refrigerated storage facilities, like India.

Citrus researchers also plan to develop cultivars that mature very early or late in the season, to avoid competition from other existing cultivars. Their aim is to improve quality niche market cultivars – like,

- Seedless, easy-peeling citrus fruit with excellent internal and external qualities;
- 'Lunch-box' fruit, which is a miniature variety with good internal qualities; and
- GMO fruit with disease fighting properties are also future considerations.

COMPETITIVENESS

South Africa's citrus producers do not receive government subsidies. Farmers complain that they incur higher transaction costs. Their annual costs increase average between 15-35% for transport and between 15-35% for cold storage of the total logistic costs.

Land costs depend on farm profitability and location. For example, in 2005, an established orange farm in the Western Cape, which has an economic value expanding to 25 years, was estimated at about US \$ 2,380-00 to US \$ 11,111-00/Ha.

LAND

Water allocation is included in the title deed. Water levy is paid to the local municipality. A farmer may build a storage dam, which is a huge capital investment, when no surface water is available.

ITEMS	COSTS Rand/Ha/annum	
Labor	20,000/ha	
Land	30- 70,000/Ha	
Irrigation (100ha)	0 – 3,000/annum	Allowable: 12,000 m3 & store 6,000m3
Fertiliser	6,000 – 9,000	
Energy	8,900	
Equipments	1,500	

Source: Citrus Industry Representatives

The citrus industry's promotional programs are also free from government subsidies. Exporters are therefore lobbying to government against stiff global competition from subsidized citrus products.

2006 APPLIED TARIFF RATES FOR CITRUS PRODUCTS		
HS#	COMMODITY	TARIFFS
080510	Oranges	5%/kg
080540	Grapefruit	5%/kg
080550	Lemons	5%/kg
200911	Fresh Concentrated Orange Juice	25%/Litre
200919	Orange Juice, not frozen	25%/Litre

Source: Jacobsen's Book of Tariffs