Required Report - public distribution

**Date:**
**GAIN Report Number:**

# South Africa - Republic of

# Canned Deciduous Fruit Annual

# Production, Supply, and Distribution of South African Canned Fruit

**Approved By:**
Ross Kreamer

**Prepared By:**
Linda Siphugu

**Report Highlights:**
Post forecasts South Africa's fruit deliveries for processing for MY 2011/12 to increase nearly four percent overall as the crop recovers from the low 2010 season which was negatively affected by bad weather conditions during the early-to-peak harvest period in December and January. Apricot deliveries are forecast at 26,000 MT; Clingstone peach raw fruit deliveries at 92,000 MT and pear deliveries at 43,000 MT. About 90 percent of South African canned deciduous fruit is destined for the export market, and the remainder supplies the local market.

**Executive Summary:**

The South African Canning Industry consists primarily of deciduous fruit canners based in the Western Cape that are mainly export orientated, pineapple canners based in the Eastern Cape that are also export orientated, and Vegetable Canners based in various parts of the country.

About 90 percent of South African canned deciduous fruit is destined for the export market, and the remainder supplies the local market. The export orientation of the industry makes producers susceptible to foreign exchange rate fluctuations. Currently, the exchange rate against the dollar and pound is approximately at the same level it was a decade ago, however the South African inflation rate has been considerably higher than that of its trading partners. While the industry struggles to remain price competitive, the input cost of cans, sugar and electricity have increased significantly in recent years. However, the canned fruit industry is currently developing a domestic marketing campaign with the goal of utilizing 15 percent of production in the domestic market.

Post forecasts South Africa's fruit deliveries for processing for MY 2011/12 to increase nearly four percent overall as the crop recovers from the low 2010 season which was negatively affected by bad weather conditions during the early-to-peak harvest period in December and January. Apricot deliveries are forecast at 26,000 MT; Clingstone peach raw fruit deliveries at 92,000 MT and pear deliveries at 43,000 MT.

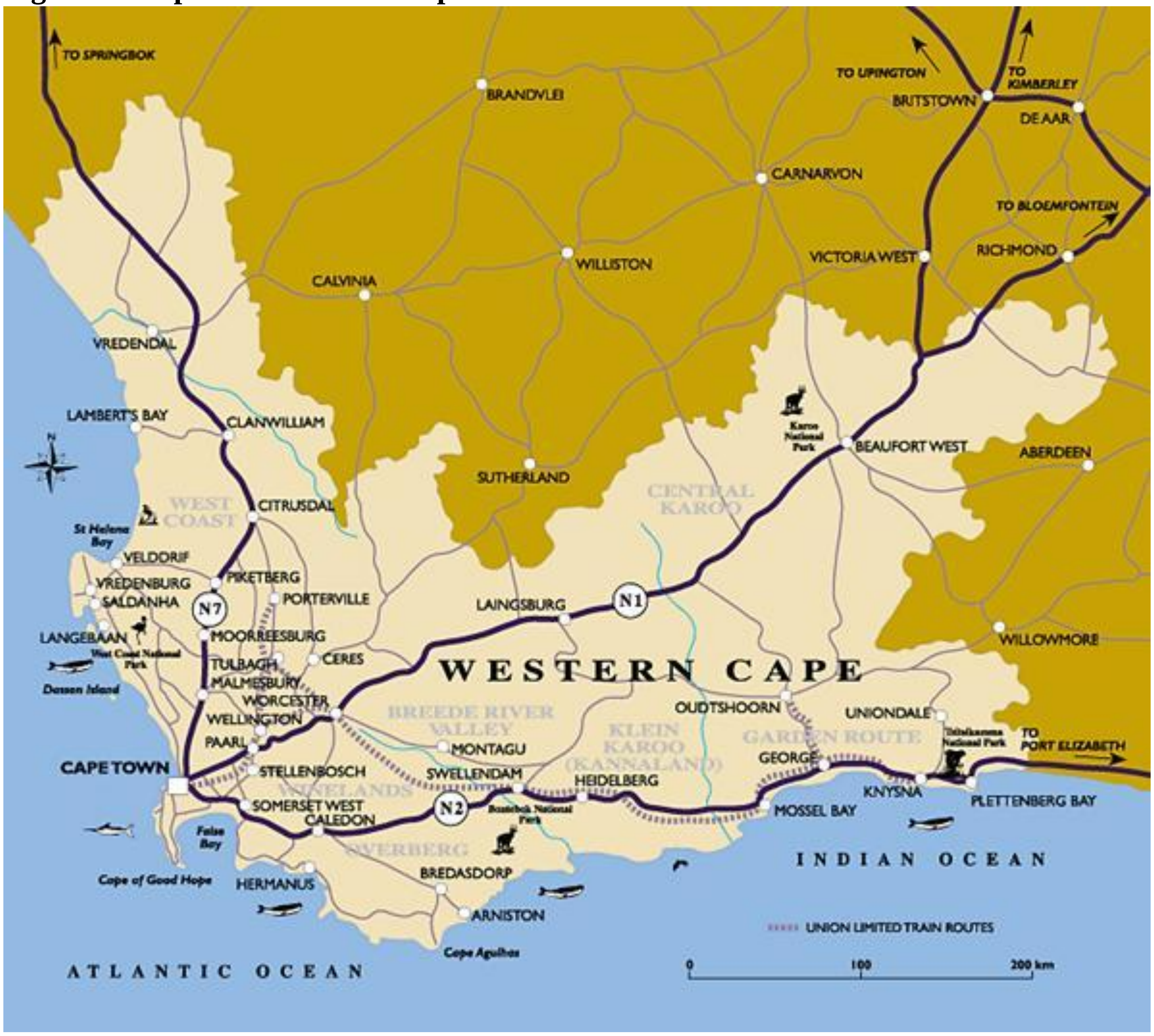
Unfavorable weather conditions throughout MY 2010/11 drove deliveries of deciduous fruit down, while global demand was weak in the face of a strong Rand. Regardless of these challenges, exports were buoyed by increased shipments to Russia, particularly for canned peaches and peach puree.

**Table 1. Deliveries for canning**

| Fruit type | 2008/09 | 2009/10 | 2010/11* | 2011/12** |
|---|---|---|---|---|
| Bulida apricot | 31,190 | 35,438 | 24,938 | 26,000 |
| Clingstone peaches | 95,481 | 99,119 | 88,559 | 92,000 |
| Bon Chretian pears | 45,467 | 51,190 | 41,924 | 43,000 |

**Source: Canning Fruit Producer's Association**
***estimate**
**** Forecast**

**Figure 1. Map of the Western Cape Province**



**Commodities:**
Canned Apricots

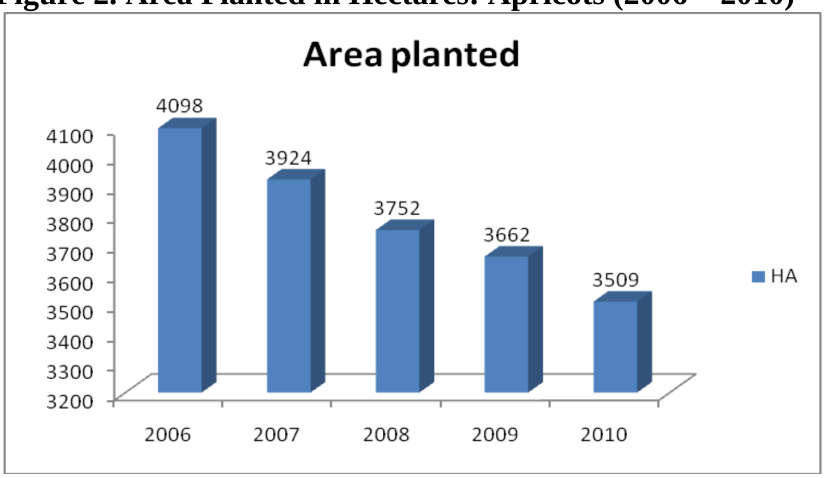
**Production:**
**Bulida apricots, Canned**

**Production**
Post forecasts total deliveries of Bulida apricots for canning to increase by four percent to 26,000 MT for MY 2011/12 as trees planted 2-3 years ago reach their bearing potential. Apricots are mainly grown in the Western Cape, which is the heartland of both pome and stone fruit destined for canning in South Africa. The Western Cape has a climate similar to the Mediterranean, which is favorable to apricot production.

Post estimates total deliveries of Bulida apricots for canning at 24,938 MT for MY 2010/11, based on revised industry reports. This represents a 30 percent decline on unfavorable weather conditions that occurred in the Western Cape, which is the main production region for apricots. Higher than average rainfall experienced in December, coupled with a heat wave in January, reduced the apricot harvest, which typically occurs in late November through December. Of the estimated 24,938 MT raw deliveries, 13,051MT of canned apricots was produced.

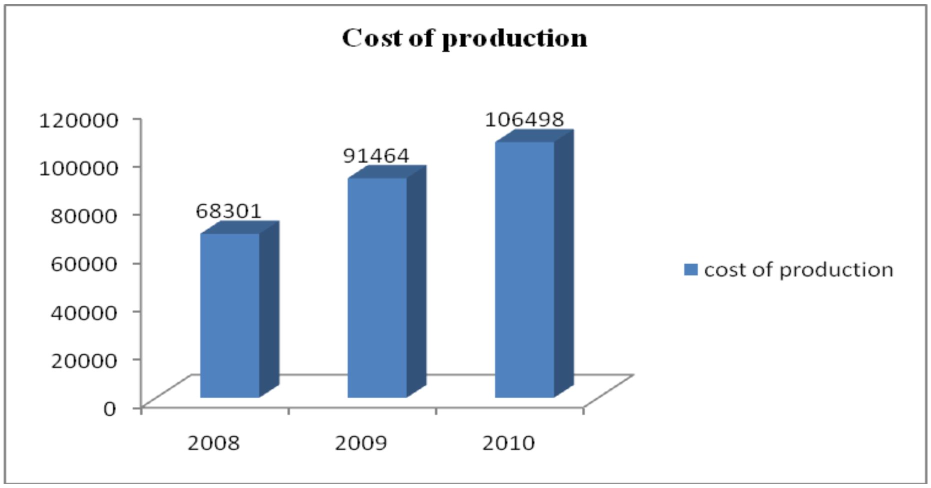
**Area Planted**
Post expects area planted to Bulida apricots to remain flat for MY 2011/12 as rising production costs and weak demand for apricots for canning has led to a decline in area planted for several years. The establishment of new orchards is taking place at a lower rate than the recommended replacement rate due to the high investment cost of replanting. The cost of establishing an apricot orchard has increased 56 percent from 2008 alone and is currently R106,498 ($15,214) to establish a hectare of apricots.

**Figure 2. Area Planted in Hectares: Apricots (2006 – 2010)**




**Source: Hortgro tree census 2010**

**Figure 3. Cost of Production for Apricots Per Hectare (2008 – 2010)**




**Source: Hortgro**

## Commodities:

Peaches, Canned

## Production:

## Production

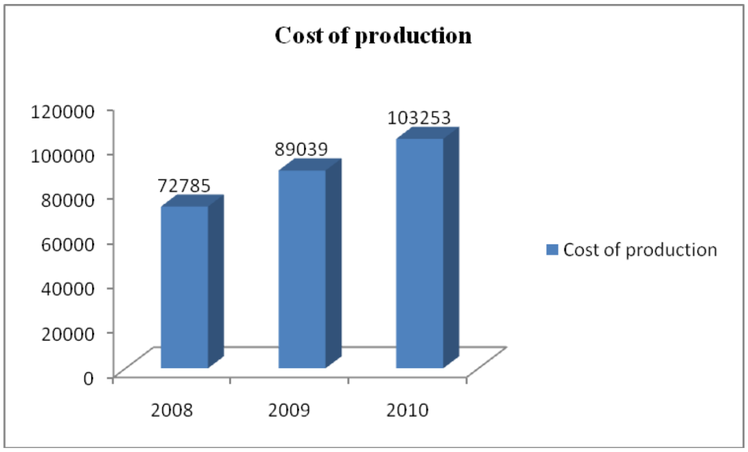
Post forecasts total deliveries of Cling peaches for canning at 92,000 MT for MY 2011/12, a four percent increase driven by an increased number of trees at the prime of production potential. 92,000 MT of peaches delivered should yield approximately 59,000 tons of canned product using an average conversion rate of 1.56:1.00.

Post estimates total deliveries of Cling peaches destined for canning at 88,559 MT for MY 2010/11. This 11 percent decline was due to the unfavorable weather conditions that occurred in the Western Cape during the early harvest period in December and January. Peaches are harvested from November to early January. Of the 88,559 MT of raw deliveries, 56,678 MT of canned cling peaches were produced.

### Area planted

Post forecasts the area planted for Cling peaches at 6,300 hectares, a decline of three percent as the area planted has been declining since 2007 on escalating production costs.
According to industry sources about 350 hectares are in need of replanting. In the past two years, two new varieties of Cling peach have been introduced to producers, Cascade and the Autumn Crunch. These new varieties have yet to impact production, but are expected to be high-yielding and excellent for canning.

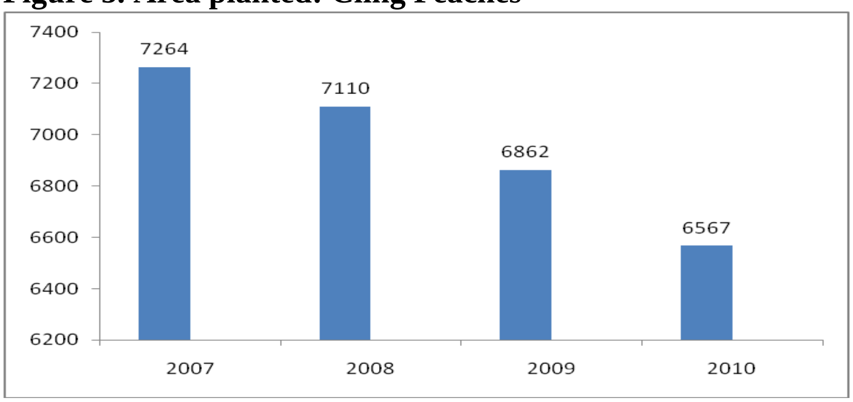
**Figure 4. Cost of Production Per Hectare of Peaches:**




**Source: Hortgro**

The cost of establishing a peach orchard has increased by 42 percent from 2008 and is currently R103,253 ($14,750).

**Figure 5. Area planted: Cling Peaches**




**Source: Hortgro tree census 2010**

## Trade:

### Imports

South Africa is not a major importer of canned peaches, but imports do come occur around the month of September with China being the major supplier. South Africa imported 176 MT of canned peaches in calendar year 2010.

### Exports

The main export markets for South African canned peaches are Russia, Japan, and Hong Kong. Historically, Japan has been South Africa's leading destination for canned peaches. However, exports to Russia jumped 220 percent in 2010, making Russia the largest export market for South Africa. A total of 63,559 MT of canned peaches were exported in 2010, and this represents an eight percent overall increase.

**Table 2. Export Trade Matrix, Canned Peaches: MY 2008-2010**

| South African Export Statistics<br>Commodity: 200870 | | | | |
|---|---|---|---|---|
| **Year Ending: December** | | | | |
| **Partner country** | **Unit** | **Quantity** | | |
| | | **2008** | **2009** | **2010** |
| Russia | MT | 3,153 | 2,649 | 8,478 |
| Japan | MT | 8,663 | 8,818 | 8,130 |
| Hong Kong | MT | 9,300 | 7,289 | 7,587 |
| UK | MT | 4,131 | 4,330 | 4,458 |
| US | MT | 705 | 1,615 | 2,264 |
| Other not listed | MT | 35,815 | 34,206 | 32,642 |
| **Grand total** | **MT** | **61,767** | **58,907** | **63,559** |

**Source:GTA**

**Production, Supply and Demand Data Statistics:**

| Peaches, Canned South Africa | 2009/2010 | | 2010/2011 | | 2011/2012 | | |
|---|---|---|---|---|---|---|---|
| | Market Year Begin: Dec 2009 | | Market Year Begin: Dec 2010 | | Market Year Begin: Dec 2011 | | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post | |
| Deliv. To Processors | 98,100 | 99,119 | 0 | 88,559 | | 92,000 | (MT) |
| Beginning Stocks | 5,160 | 5,160 | 5,660 | 0 | | 0 | (MT, Net Weight) |
| Production | 80,442 | 62,358 | 0 | 56,678 | | 59,000 | (MT, Net Weight) |
| Imports | 300 | 176 | 0 | 300 | | 200 | (MT, Net Weight) |
| Total Supply | 85,902 | 67,694 | 5,660 | 56,978 | | 59,200 | (MT, Net Weight) |
| Exports | 70,100 | 63,559 | 2,242 | 52,000 | | 54,000 | (MT, Net Weight) |
| Domestic Consumption | 10,142 | 4,135 | 0 | 4,978 | | 5,200 | (MT, Net Weight) |
| Ending Stocks | 5,660 | 0 | 3,418 | 0 | | 0 | (MT, Net Weight) |
| Total Distribution | 85,902 | 67,694 | 5,660 | 56,978 | | 59,200 | (MT, Net Weight) |
| TS=TD | | 0 | | 0 | | 0 | |

**Author Defined:**
**Commodities:**
**Canned Peach Puree**

**Production:**
Post forecasts raw deliveries for peach puree at 31,000 MT on strong demand for MY 2011/12. This should yield approximately 17,000 MT of peach puree.

Post estimate 29,413 MT of peaches were sent for puree for MY 2010/11, which was a 37 percent increase compared to last year's deliveries for peach puree. The pricing and marketing of fruit puree have improved dramatically compared to previous years, with current industry reports showing strong demand at better price levels above those found in calendar year 2010. Lower than average supply in the Southern Hemisphere is increasing prices, with South Africa and Argentina expecting a smaller harvest of peaches, while Chile has struggled with drought.

**Trade**

**Imports:**

South Africa is a supplier of peach puree and typically only imports late in the season when supplies draw down. South Africa imported 1,150 MT of peach puree in calendar year 2010, mostly from Denmark.

**Exports:**

The main export markets for South African peach puree are Russia, Netherlands, Angola and Mozambique. As with canned peaches, Russia emerged in 2010 as South Africa's leading export destination. Currently (January – July 2011) peach puree exports are at 5,531 MT, which is nearly 50 percent more compared to the same period in 2010, and indicates South Africa will end the year with a higher volume of exports than in MY 2010/2011.

**Table 4. Export Trade Matrix, Peach Puree: MY 2008-2010**

| South African Export Statistics<br>Commodity: 200799 | | | | |
|---|---|---|---|---|
| **Year Ending: December** | | | | |
| Partner country | Unit | Quantity | | |
| | | 2008 | 2009 | 2010 |
| Russia | MT | 0 | 0 | 1,945 |
| Netherlands | MT | 560 | 111 | 1,763 |
| Angola | MT | 5 | 26 | 1,263 |
| Mozambique | MT | 1,406 | 642 | 821 |
| US | MT | 46 | 5 | 11 |
| Other not listed | MT | 1,348 | 914 | 1,910 |
| **Grand total** | **MT** | **3,365** | **1,698** | **7,713** |

**Source: GTA**

**Table 5. Production, Supply, and Demand Table: 2009/10 – 2011/12**

| Peaches Puree, South Africa | 2009/2010 | | 2010/2011 | | 2011/2012 | | |
|---|---|---|---|---|---|---|---|
| | Market Year Begin: Aug 2009 | | Market Year Begin: Aug 2010 | | Market Year Begin: Aug 2011 | | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post | |
| Deliv. To Processors | | 21,400 | | 29,413 | | 31,000 | (MT) |
| Beginning Stocks | | 0 | | 0 | | 0 | (MT, Net Weight) |
| Production | | 12,758 | | 16,000 | | 17,000 | (MT, Net Weight) |
| Imports | | 1,150 | | 300 | | 200 | (MT, Net Weight) |
| Total Supply | | 13,908 | | 16,300 | | 17,200 | (MT, Net Weight) |
| Exports | | 7,713 | | 10,000 | | 11,000 | (MT, Net Weight) |
| Domestic Consumption | | 6,195 | | 6,300 | | 6,200 | (MT, Net |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | Weight) |
| Ending Stocks | | 0 | | 0 | | 0 | (MT, Net Weight) |
| Total Distribution | | 13,908 | | 16,300 | | 17,200 | (MT, Net Weight) |
| TS=TD | | 0 | | 0 | | 0 | |

**Commodities:**

Pears, Canned

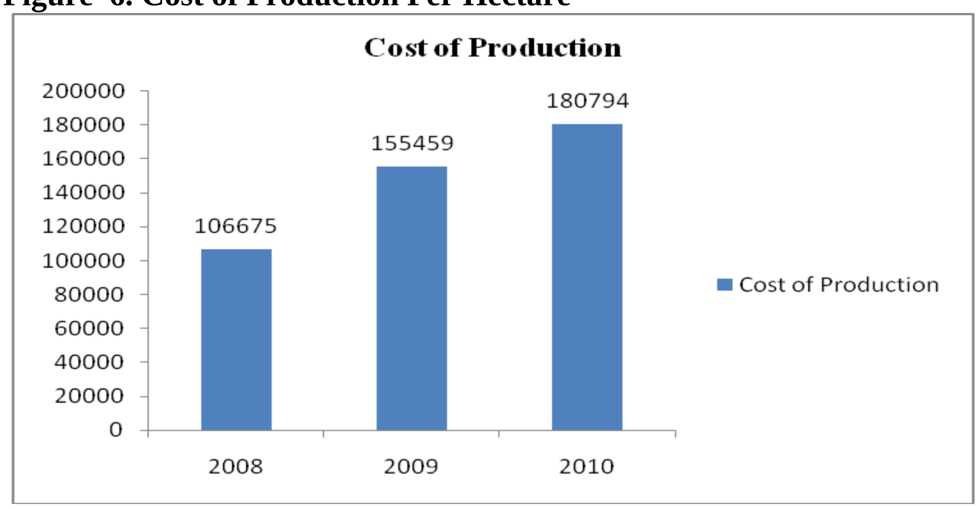
**Production:**
**Bon Chretien pears, canned**

**Production:**
Post forecasts total deliveries of Bon Chretien pears for canning to remain flat at 42,000 MT for MY 2011/12, on the high number of aged trees of the William Bon Chretien variety used in canning. In recent years, area planted has shifted more towards Early Bon Chretien, which is a fresh variety.

Post estimates total deliveries of Bon Chretien pears destined for canning at 41,924 MT for MY 2010/11. This represents an 18 percent decline on unfavorable weather conditions in the Western Cape that affected all fruit for canning.  Pears are mainly grown in the Western Cape region around the town of Ceres, the major production area. Pears are normally harvested from late December to early January.

**Area planted**
Post forecasts area planted for canning pears to remain stable at 11,400 hectares on demand for fresh pears compared with canned pears. There are two type of Bon Chretien pear varieties planted in South Africa: William Bon Chretien and the Early Bon Chretien. The William Bon Chretien is used for canning, while the Early Bon Chretien is mostly destined for the fresh market. Over the past three years, the area planted has shifted more towards pears for the fresh market where producers enjoy stronger prices as opposed to canning.

**Figure  6. Cost of Production Per Hectare**




**Source: Hortgro**

The cost of establishing one hectare of pears has risen 83 percent in the past three years, driven by the cost of planting materials and the cost of trellising. As a result, there are significant amounts of William Bon Chretien trees that are over 25 years of age and need replacement.

**Trade:**

**Imports**

South Africa is a supplier of canned pears and typically only imports late in the season when supplies draw down. During calendar year 2010, South Africa imported 42 MT of canned pears from Europe.

**Exports**

**Table 6. Export Trade Matrix, Canned Pears: MY 2008-2010**

| South African Export Statistics<br>Commodity: 200840 | | | | |
|---|---|---|---|---|
| **Year Ending: December** | | | | |
| **Partner country** | **Unit** | **Quantity** | | |
| | | **2008** | **2009** | **2010** |
| UK | MT | 5,823 | 3,812 | 5,477 |
| Germany | MT | 6,638 | 4,999 | 5,355 |
| Japan | MT | 2,517 | 2,644 | 3,262 |
| Russia | MT | 1,323 | 26,653 | 2,245 |
| US | MT | 460 | 257 | 521 |
| Other not listed | MT | 13,808 | 40,622 | 14,571 |
| **Grand total** | **MT** | **30,569** | **52,334** | **31,431** |

**Source: GTA**

**Production, Supply and Demand Data Statistics:**

**Table 7. Production, Supply and Demand Table: 2009/10 – 2011/12**

| Pears, Canned South Africa | 2009/2010 | | 2010/2011 | | 2011/2012 | | |
|---|---|---|---|---|---|---|---|
| | Market Year Begin: Dec 2009 | | Market Year Begin: Dec 2010 | | Market Year Begin: Dec 2011 | | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post | |
| Deliv. To Processors | 52,000 | 51,190 | | 41,924 | | 42,000 | (MT) |
| Beginning Stocks | 10,928 | 10,928 | | 0 | | 0 | (MT, Net Weight) |
| Production | 33,800 | 26,188 | | 22,400 | | 22,500 | (MT, Net Weight) |
| Imports | 90 | 42 | | 100 | | 100 | (MT, Net Weight) |
| Total Supply | 44,818 | 37,158 | | 22,500 | | 22,600 | (MT, Net Weight) |
| Exports | 31,100 | 31,431 | | 20,000 | | 20,500 | (MT, Net Weight) |
| Domestic Consumption | 3,790 | 5,727 | | 2,500 | | 2,100 | (MT, Net Weight) |
| Ending Stocks | 9,928 | 0 | | 0 | | 0 | (MT, Net Weight) |
| Total Distribution | 44,818 | 37,158 | | 22,500 | | 22,600 | (MT, Net Weight) |
| TS=TD | | 0 | | 0 | | 0 | |

**Consumption:**

Domestic consumption of canned products is relatively flat in South Africa averaging 10 percent of production as reported by the canned fruit industry.  The balance is destined for export markets. Canned fruit is viewed as a lower quality good compared with fresh fruit, and is consumed mainly by lower-income consumers. The South African canning industry is currently developing a marketing campaign with the goal of expanding the domestic consumption by five percent.

**Marketing:**

The South African fruit canning industry is largely controlled by Del Monte South Africa, Maxims Packers, Goldcrest Foods, Tiger Brands Ltd, Pick' n' Pay Retailers (Pty) Ltd, Rhodes Food Group, and Weigh-less South Africa.

**Table 8. Price Statistics: Canned Peaches and Pears**

| | | | **June 2010** | **June 2011** |
|---|---|---|---|---|
| **Brand** | **Company** | **Pack size** | | |
| Del Monte peach halves | Del Monte SA | 420 grams | R4.99 | R10.99 |
| Farmgirl peach slices | Maxims Packers (Pty) Ltd | 410 grams | R8.99 | R6.89 |
| Farmgirl peach in syrup | Maxims Packers (Pty) Ltd | 410 grams | R4.99 | R6.89 |
| KOO peach slices | Tiger Brands Ltd | 410 grams | R7.49 | R9.49 |
| KOO pear halves | Tiger Brands Ltd | 410 grams | R12.99 | R13.99 |
| Naturlite peach slices | Tiger Brands Ltd | 410 grams | R14.99 | R13.99 |
| Naturlite pear halves | Tiger Brands Ltd | | R14.99 | R13.99 |
| No name pears | Pick'n'Pay Retailers (Pty) Ltd | 420 grams | R10.99 | R11.29 |
| Rhodes peach slices | Rhodes Food Group (Pty) Ltd | 410 grams | R8.79 | R9.49 |
| Weigh- Less Peach halves | Weigh- Less (Pty) Ltd | 400 grams | R10.95 | R15.45 |
| Weigh- Less pear halves | Weigh- Less (Pty) Ltd | 400 grams | R10.95 | R15.45 |

**Source: Euromonitor**

**International Trade**

The EU is South Africa's largest trading partner in canned fruit for both imports and exports. South Africa and Europe have a Trade Development and Cooperation Agreement (TDCA) where the EU enjoys free access to the South African market for its canned fruit, vegetables and jam products while South African canned fruit face duties and quotas to the EU. Despite Europe being the leading market historically, the South African canning industry has positioned itself to supply other major markets, such as Japan.

**Table 9. Duty Reductions on South African Exports to the European Union**

| Product | Import Duty |
|---|---|
| Apricots/Peaches/Pears | From January 2000 duty reduced by 50% on 40 000 tons gross weight (tonnage to be increased by 3% per annum). |
| Mixtures of fruit | From January 2000 duty reduced by 50% on (Other than tropical) 18 000 tons gross weight (tonnage to be increased by 3% per annum). |
| Mixtures of fruit (tropical) | From January 2000 duty reduced by 50% on 2 000 tons gross weight (tonnage to be increased by 3% per annum). |

**Source: DAFF**