USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Voluntary - Public

Date: 7/24/2019
GAIN Report Number: SA1920

South Africa - Republic of

Post: Pretoria

New Markets Critical for the Growing South African Avocado Industry

Report Categories:
Avocado

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Report Highlights:
The production of avocados in South Africa is estimated to decrease by 25 percent to 127,000 Metric Tons (MT) in the 2018/19 Marketing Year (MY), due to the fall in yields, premature fruit drop, and the cyclical on-year and off-year nature of avocado production. South African avocado production has experienced exceptional growth in the past four decades, from 1,500 MT in the 1969/70 MY, to the peak production of 169,243 MT in the 2017/18 MY, primarily due to export demand. Due to the Free Trade Agreement (FTA), Europe remains the principal market for South African avocado exports, accounting for 96 percent of the total exports. South Africa is under increasing pressure to acquire new markets for its avocados, which currently explains efforts to gain market access in the United States, Japan, India and China. Doing so will help diversify exports from Europe, and to absorb the anticipated future increases in production.

Commodities:
Avocados, HS Code - 080440

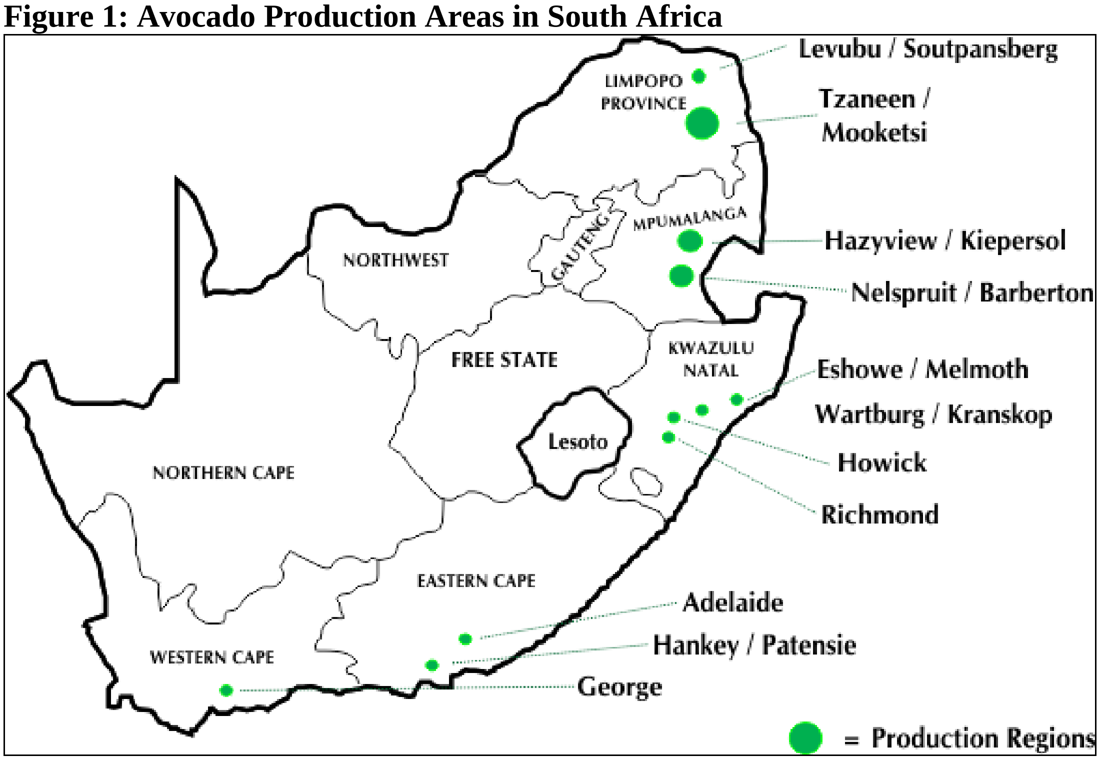
Exchange rate: US$/ Rand Exchange = 13.88
Marketing Year (MY) – January to December
Harvest Season – February to November

Sources:
South African Subtropical Growers Association - https://www.subtrop.co.za/
South African Avocado Growers Association - https://www.avocado.co.za/
South African Revenue Services - https://www.sars.gov.za/

Background

Avocados in South Africa are grown under drip irrigation in the Limpopo, Mpumalanga, Kwa Zulu Natal, Eastern Cape, and Western Cape Provinces. **Figure 1** shows the map of avocado growing areas in South Africa. The Limpopo province is the largest avocado production area accounting for 60 percent of the total production, followed by Mpumalanga (30 percent), and Kwa Zulu Natal (9 percent). The Eastern Cape and Western Cape account for only 1 percent of the total production. The Limpopo and Mpumalanga provinces have a warm subtropical climate which is better suited to the production of avocados. The Western Cape and Eastern Cape have a much cooler climate, and production increases from these areas are mainly targeted at supplying the domestic market during the off-season period of October to March.

Figure 1: Avocado Production Areas in South Africa



Source: https://www.avocado.co.za/avocado-production-regions/

The Hass avocado is the predominant variety planted in South Africa, accounting for 80 percent of the total area planted, while the Fuerte, Pinkerton, Ryan and Reed varieties make up the remaining 20 percent of avocado production. The harvest season for avocados in South Africa is normally from February until October, as shown in **Table 1**.

Table 1: Avocado Varieties and Harvest Seasons in South Africa

Variety	Harvest Season
Hass	February to May in the Limpopo Province. February to October in the Kwazulu-Natal Province.
Fuerte	March to May in the Limpopo and Mpumalanga growing regions. July and August in the KwaZulu-Natal Province
Pinkerton	June in the Limpopo Province. July in the Kwazulu-Natal Province.
Ryan	August and September in the Limpopo Province. October in the KwaZulu-Natal Province.
Reed/ Edranol	June in the Limpopo and Mpumalanga growing regions. Until late September in the KwaZulu Natal Province.

Source: https://www.avocado.co.za/varieties/

Similar to other agriculture commodities in South Africa, the avocado industry has a well-organized structure. The South African Avocado Growers' Association (SAAGA) represents the interests of the avocado growers through its efforts to gain access to new markets, technical research, provision of technical and marketing information, and generic promotion to develop the local market. The size of avocado farms in South Africa ranges from 10 hectares to 2,000 hectares. SAAGA is also part of the South African Subtropical Growers Association (Subtrop). Subtrop provides management and administrative services to the South African Avocado (SAAGA), Litchi (SALGA), and Mango (SAMGA). Subtrop's main objectives include serving as the liaison with government and relevant institutions on issues of importance to the member associations; research coordination; generic market development; facilitation of market access initiatives; and provision of market or technical information. The biggest avocado producers and exporters in South Africa include, Westfalia Fruit , ZZ2 , The Fruit Farm Group , and HL Hall and Sons.

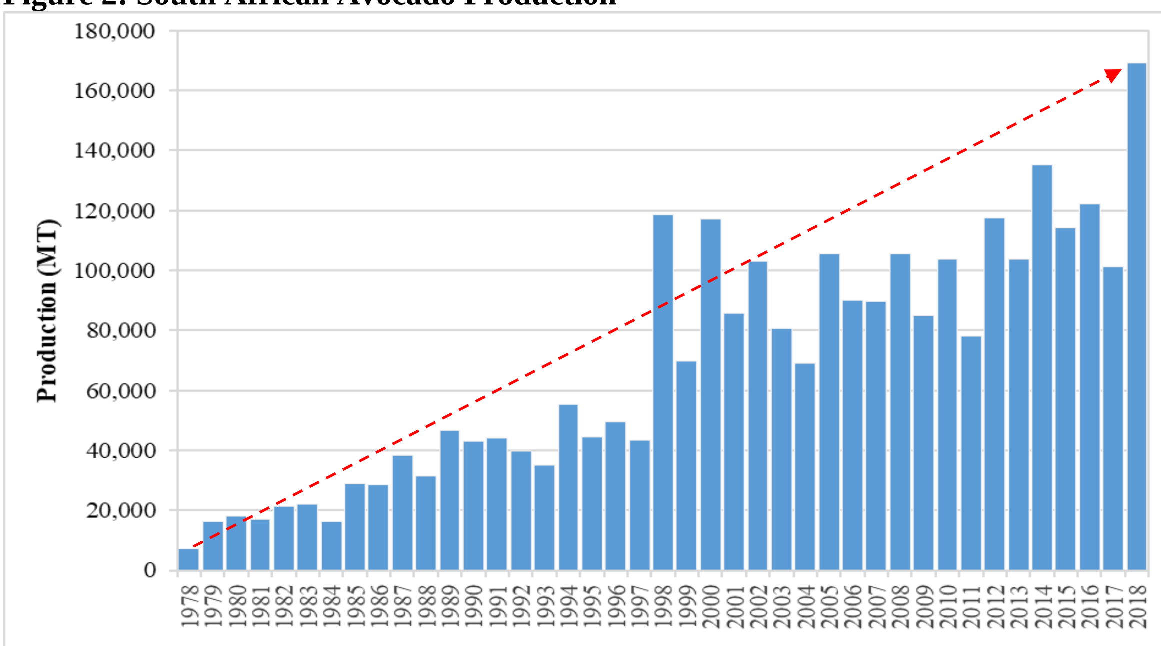
Production

The production of avocados in South Africa is estimated to decrease by 25 percent to 127,000 MT in the 2018/19 MY, from 169,243 MT in the 2017/18 MY. This is due to the fall in yields, the cyclical on-year and off-year nature of avocado production, and the heat wave experienced in October 2018 which resulted in large scale premature fruit drop. However, the decrease in the 2018/19 MY production of avocados was partially offset by new orchards coming into full production.

The South African avocado production has experienced exceptional growth in the past four decades as shown in **Figure 2**. Production has grown from 1,500 MT in the 1969/70 MY, to a peak of 169,243 MT in the 2017/18 MY. This is largely attributed to improved yields, better varieties, improved water management and agricultural practices, some farmers doing high density plantings of up to 475 trees per hectare (normal plantings is about 312 trees per hectare in South Africa), and extensive investments in new orchard plantings especially from the 2007/08 MY. The growing demand and high returns from avocado exports has also resulted in most farmers diverting land away from other crops such as bananas, sugar, mangoes and commercial timber/ forestry.

The area planted to avocados in South Africa is estimated to increase by 9 percent to 17,500 Hectares (HA) in the 2018/19 MY, from 16,000 HA in the 2017/18 MY. The growth in area planted is driven by land being diverted from other crops, new land developments, and under-utilized land especially communal projects being resuscitated through lease agreements with commercial growers.

Figure 2: South African Avocado Production



Sources: South African Subtropical Growers Association, & South African Avocado Growers Association

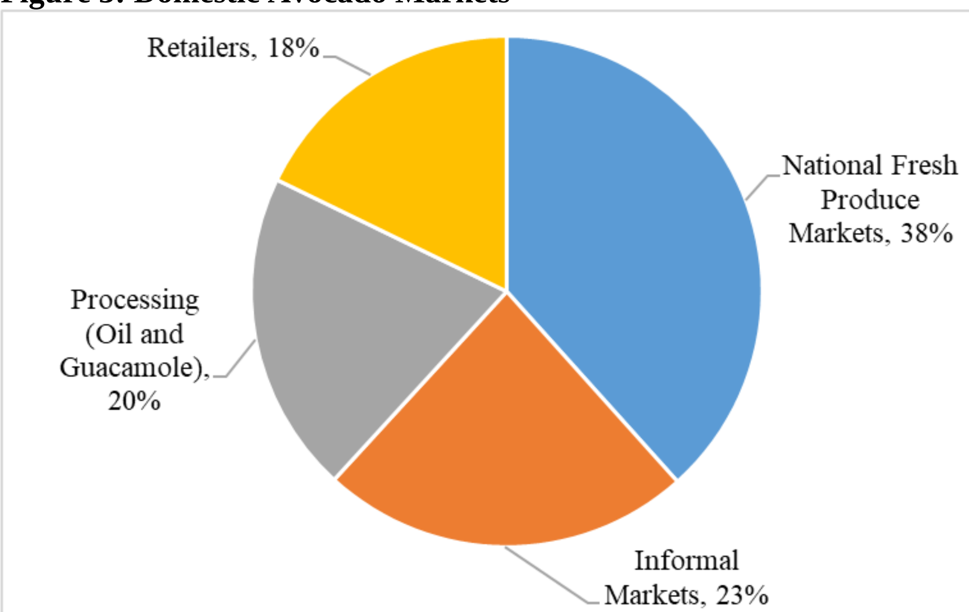
Consumption

The domestic consumption of fresh avocados is estimated to decrease by 23 percent to 50,000 MT in the 2018/19 MY, from 65,134 MT in the 2017/18 MY, based on the decrease in production, and the industry strategy of prioritizing export markets.

South African consumers generally prefer the Fuerte avocado variety which is "pear" shaped with a smooth thin skin that stays green colored when ripe and sometimes has a long thinner neck. However, other avocados varieties such as the Haas are easily available in the market especially during the harvest seasons from February to August. The domestic consumption of avocados has risen steadily over the past years, which has resulted in the growth and necessity of imports during South Africa's off-season.

Figure 3 shows that 80 percent of domestic consumption is fresh avocados and 20 percent are processed to mainly oil and guacamole. The national fresh produce markets are the leading channel through which fresh avocados are sold in South Africa accounting for 38 percent of the total domestic sales, followed by sales in the informal markets (23 percent), deliveries to processors (20 percent) and sales through retail supermarkets (18 percent).

Figure 3: Domestic Avocado Markets



Sources: South African Subtropical Growers Association, & South African Avocado Growers Association

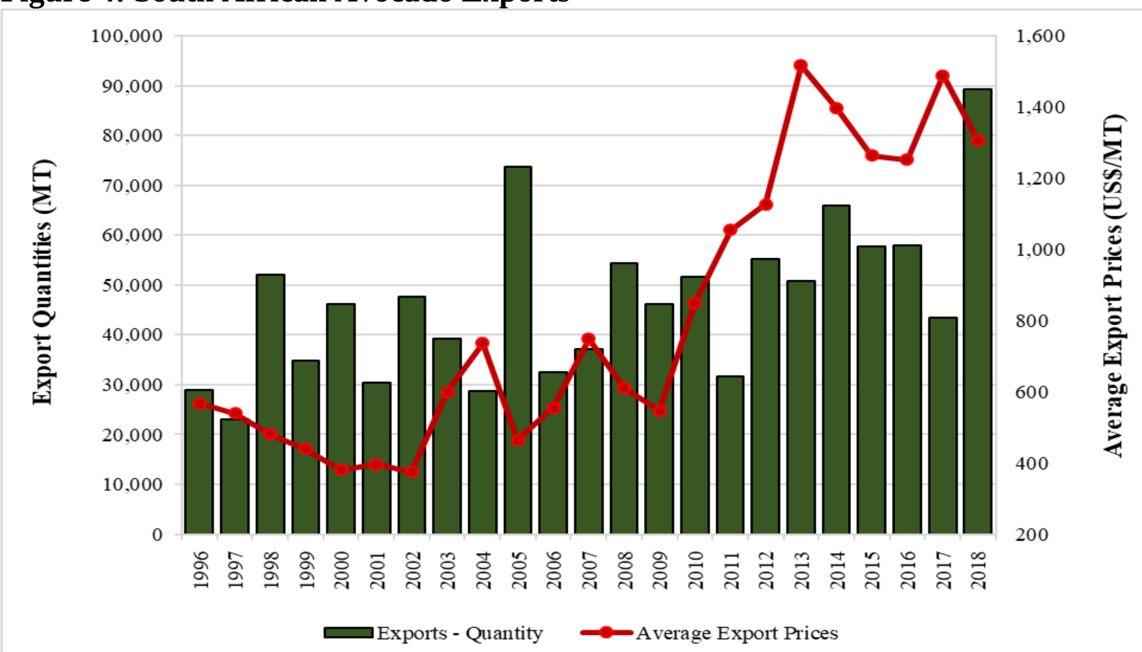
Trade:

Exports

Post estimates that the export of avocados will decrease by 22 percent to 70,000 MT in the 2018/19 MY, from 89,343 MT in the 2017/18 MY, based on the decrease in production and the pace of exports up to May 2019.

Figure 4 shows the growth in exports and average export prices since the 1995/96 MY. Short term fluctuations in exports are mainly due to the cyclical production of avocados, and quality issues in some seasons. South Africa uses Cape Town as the major export port for avocados, despite its long distance from some growing regions such as the Limpopo production regions which are 1,800 km away.

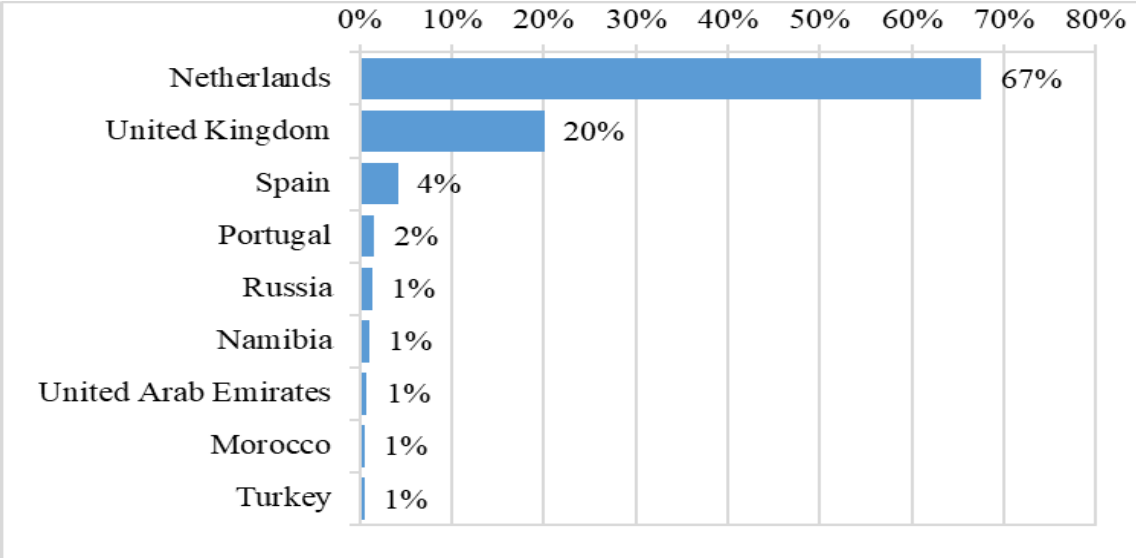
Figure 4: South African Avocado Exports



Source: Global Trade Atlas

Europe is the principal market for South African avocado exports, accounting for 96 percent of the total exports in the 2017/18 MY as shown in **Figure 5**. This is expected to remain the same in the 2018/19 MY, based on the Free Trade Agreement (FTA) between the European Union and South Africa, and the limited export market access for South Africa avocados in other countries.

Figure 5: South African Avocado Export Markets



Source: Global Trade Atlas

South Africa is in the process of negotiating market access to export avocados to the United States. The process is currently at a technical stage under the responsibility of the USDA Animal and Plant Health Inspection Service (APHIS). South Africa is also in the process of negotiating market access with Japan and India. Industry hopes that South Africa will obtain market access to Japan by 2020. South Africa also has its sights set on accessing the Chinese market in the future.

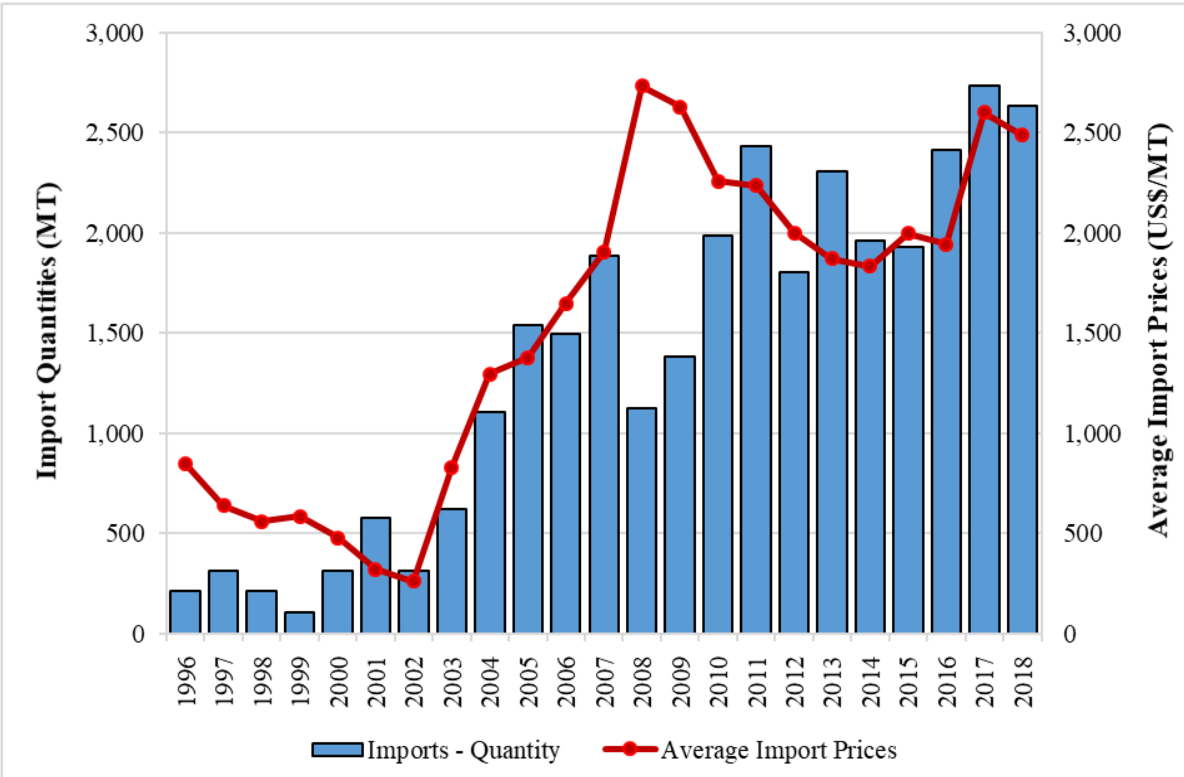
Imports

Post estimates that avocado imports will increase by 14 percent to 3,000 MT in the 2018/19 MY, from 2,633 MT in the 2017/18 MY, based on the low available supply and pace of imports up to May 2019.

While avocado imports are still relatively low in quantity, they have grown significantly from 211 MT in the 1995/96 MY, to 2,633 MT in the 2017/18 MY, as shown in **Figure 6**. Post expects that avocado imports will continue to grow due to the rising demand from the domestic market and lack of local supply during South Africa's off-season.

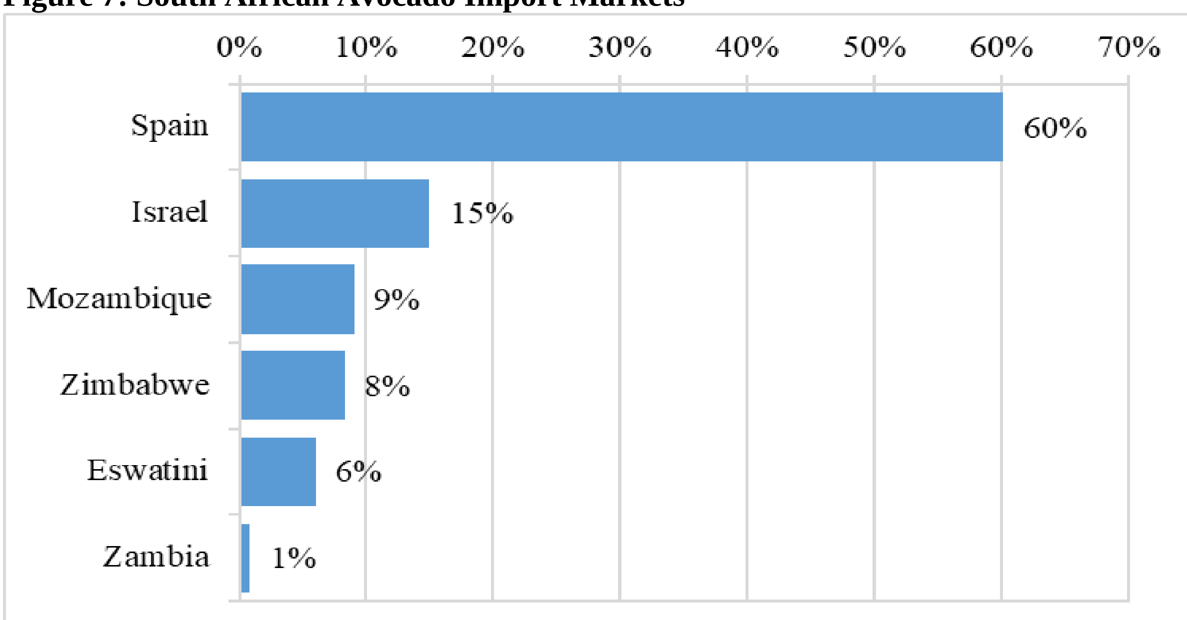
Spain is the leading supplier of avocados to South Africa accounting for 60 percent of the total imports, followed by Israel (15 percent), Mozambique (9 percent), Zimbabwe (8 percent), Eswatini (6 percent) and Zambia (1 percent) as shown in **Figure 7**.

Figure 6: South African Avocado Imports



Source: Global Trade Atlas

Figure 7: South African Avocado Import Markets



Source: Global Trade Atlas

Table 2: Production, Supply and Demand of Avocados in South Africa

Avocados, Fresh	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2019	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	15000	0	16000	0	17500
Area Harvested	0	12750	0	13600	0	14875
Bearing Trees	0	4396200	0	4689280	0	5128900
Non-Bearing Trees	0	775800	0	827520	0	905100
Total No. Of Trees	0	5172000	0	5516800	0	6034000
Production	0	101377	0	169243	0	127000
Imports	0	2733	0	2633	0	3000
Total Supply	0	104110	0	171876	0	130000
Exports, Fresh	0	43492	0	89343	0	70000
Fresh Dom. Consumption	0	52914	0	65134	0	50000
For Processing	0	7704	0	17399	0	10000
Total Distribution	0	104110	0	171876	0	130000
(HECTARES) ,(1000 TREES) ,(MT)						

Regulations and Trade Policies:

South African Customs Duties

United States avocado exports face a 5 percent customs duty in South Africa. **Table 3** reflects the applicable custom duties when exporting avocados to South Africa

Table 3: Custom Duties Applicable to Exports to South Africa

HS Code	Article description	Unit	Rate of Duty				
			General	**EU**	**EFTA**	**SADC**	**MERCOSUR**
0804.40	**Avocados:**						
0804.40.10	Fresh	kg	5%	free	5%	free	free
0804.40.90	Other	kg	5%	free	5%	free	free

Source: South African Revenue Services (SARS)

South African Import Regulation

The following links provide useful resources and regulations pertaining to exporting avocados and its products to South Africa:

Table 4: South African Import Resources and Regulations

Name	Website Link
Export Procedures to South Africa	Download.
Maximum Residue Limits	Download
Regulations relating to the grading, packing and marking of avocados intended for sale in the Republic of South Africa	Download

Source: South African Department of Agriculture, Land Reform and Rural Development

European Union and South Africa Free Trade Agreement

South Africa and the EU have a Free Trade Agreement under the SADC/EU Economic Partnership Agreement. As a result, Europe is the leading trading partner for South African avocados.

South Africa's Pending New Market Access Requests

South Africa is in the process of negotiating market access to export avocados to the United States. The United States is one of the leading importers of avocados globally, and imported a total of 1 million MT avocados in the 2017/18 MY. The United States presents great potential for South Africa, especially in years when leading suppliers such as Mexico, Peru, Chile and the Dominican Republic have decreased production.

South Africa is also in the process of negotiating market access with Japan and India. Industry hopes that South Africa will obtain market access to Japan by 2020. South Africa also has its sights set on accessing the Chinese market in the future.