

Required Report: Required - Public Distribution

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Report Name: Fresh Deciduous Fruit Semi-annual

Country: South Africa - Republic of

Post: Pretoria

Report Category: Fresh Deciduous Fruit

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Report Highlights:

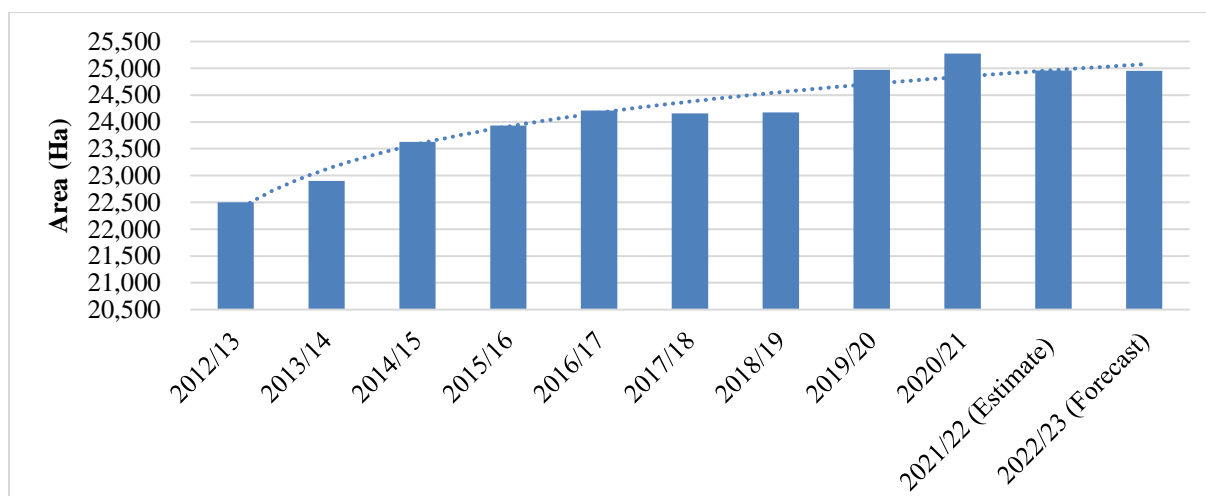
The production of apples, pears and table grapes is estimated to decrease slightly in the 2022/23 Marketing Year (MY), based largely on stagnated production area and a return to normal yields following record production for all three commodities. Apple and pear producing regions experienced hailstorms in November 2022 which damaged the crop, while the heatwave in January 2023 in the Northern Cape led to table grape losses. South Africa is self-sufficient in production of deciduous fruits and only imports small quantities to fulfill niche markets or to satisfy demand during the off-season when supply is limited. Lower exportable supply and challenges in port access are forecasted to reduce exports of apples, pears and table grapes in MY 2022/23.

Apples, Fresh

Area

The area under apple production has enlarged steadily over the past decade with an average growth rate of more than one percent per annum (see Figure 1). This positive trend has been driven by ongoing investments into the deciduous fruit sector on relatively high earnings and improved profitability from export markets. In addition, enhanced cultivars and better farming practices that included investment in netting, resulted in higher yields. However, despite excellent production seasons the area under apple production in South Africa is estimated to flatten in MY 2022/23 to 24,950 hectares (ha) or almost 36 million apple trees, with negligible new planting. Accelerating farming input costs, elevated costs of packaging materials and storage costs, high shipping rates and depressed markets are diminishing the profitability of apple and limiting continued investment in crop expansion. Ongoing shipping delays at the local ports are negatively impacting the quality of fruit to the export markets and ultimately lowering returns to growers. The industry appears to be in a consolidation phase, with growers focusing investments on increased yields, reliable sources of power and water, and vertical integration to offset high input costs.

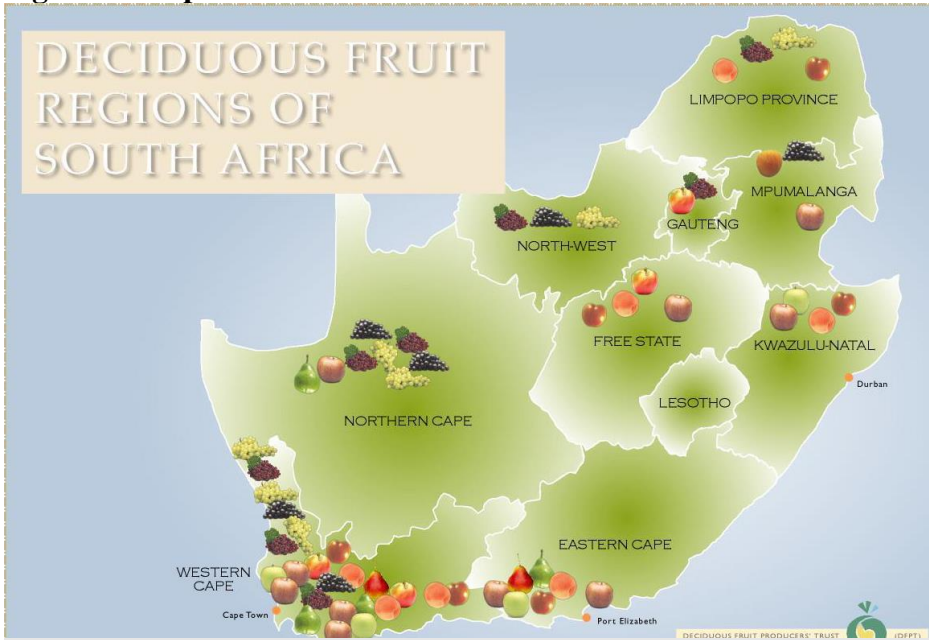
Figure 1: Area Planted and trendline to Apples in South Africa



Source: Hortgro

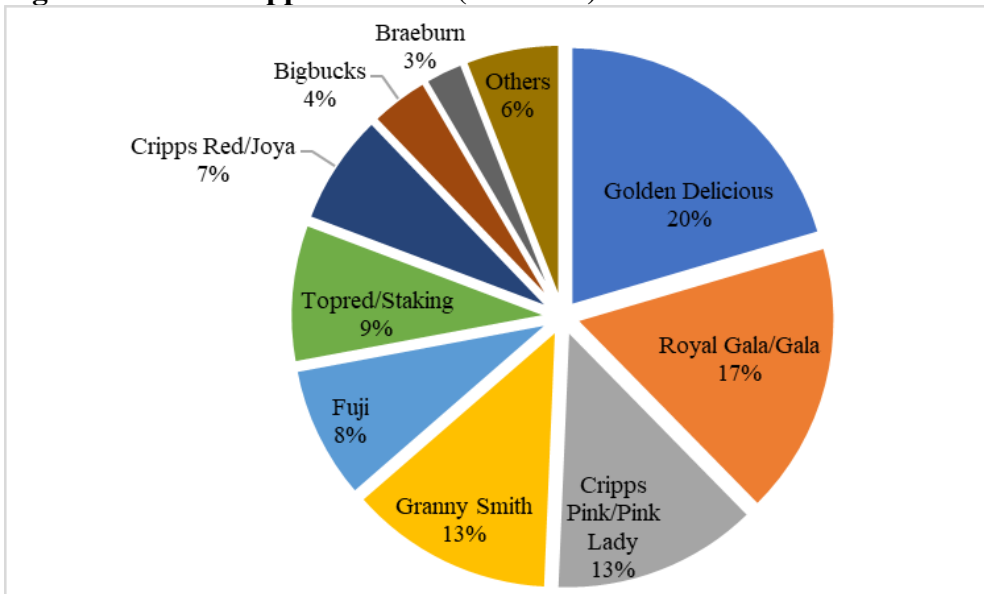
The Western Cape province is the largest apple producing area in South Africa, and together with the Eastern Cape province, accounts for more than 95 percent of the apple production (see Figure 2). Small, but growing production areas were established further north mainly in the Free State, Mpumalanga, and Limpopo Provinces. Harvest for South African apples typically begins at the end of January and runs through to June, with peak harvest times falling between February and April. Controlled atmosphere (CA) storage allows the industry to provide product to both the domestic and international markets year-round. Class 1 fruits are usually stored in CA for about 9 months, then released into Regular Atmosphere (RA) storage for a shorter term (3 months). Post contacts indicate that there is increased demand of cold storage and plans are underway to expand.

Figure 2: Map of the Deciduous Fruit Production Areas in South Africa



Source: Hortgro

Figure 3: Planted apple varieties (Hectares)



Source: Hortgro Tree Census, 2021

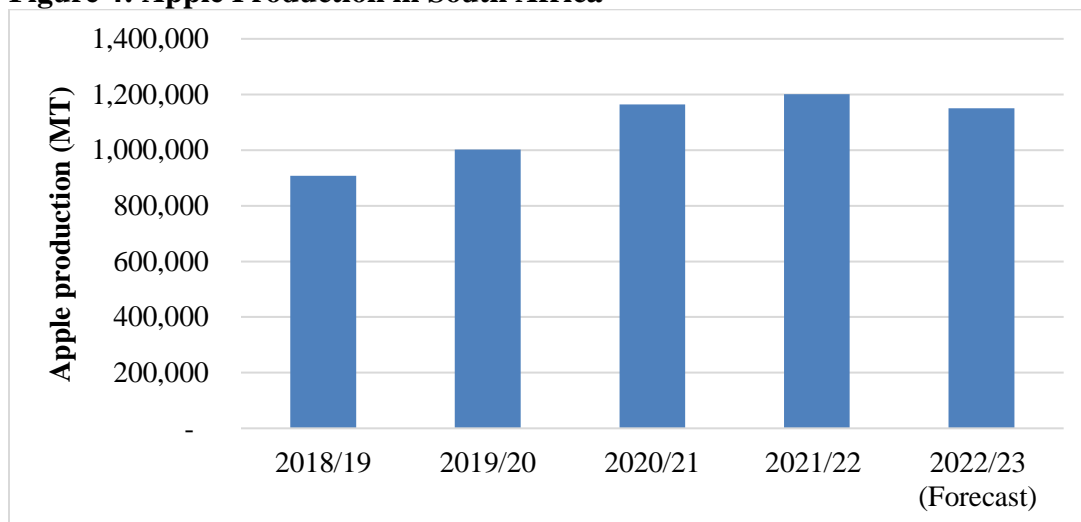
Six cultivars dominate apple production in South Africa and account for more than 80 percent of area planted. The cultivars of choice are mainly determined by consumer preference and demand in South Africa's export markets. However, plantings over the past five years have been driven by producers' desires to increase yields.

Production

Post forecasts that apple production in South Africa will drop by four percent to 1.15 million metric tons (MMT) in MY 2022/23 (see Figure 4). This forecast is based on a stagnated production area and a return to normal yield following record production in MY 2021/22. In November 2022 hailstorms in some areas of the Western Cape province damaged the crop. Growers in the region reported that their apples destined for processing increased from an average of 20-25 percent annually to 55-60 percent in MY 2022/23. Post contacts suggested that about 100,000 tons of apples that would usually be intended for fresh consumption have been diverted for processing in MY 2022/23. As a result, many juicing factories are at capacity for the season and closed doors to non-affiliated producers. Without a clear market for lower-quality product, Post forecasts that unharvested area will grow slightly in MY 2022/23, reducing production volumes.

In MY 2021/22, South Africa produced a record apple crop of 1.20 MMT. Favorable rains and adequate chill units during the winter of 2021, guaranteed that producers had enough water for irrigation and favorable fruit development. Conducive weather conditions continued throughout the season ensuring an excellent crop and fruit quality. In addition, more young orchards came into production, contributing to higher volumes.

Figure 4: Apple Production in South Africa



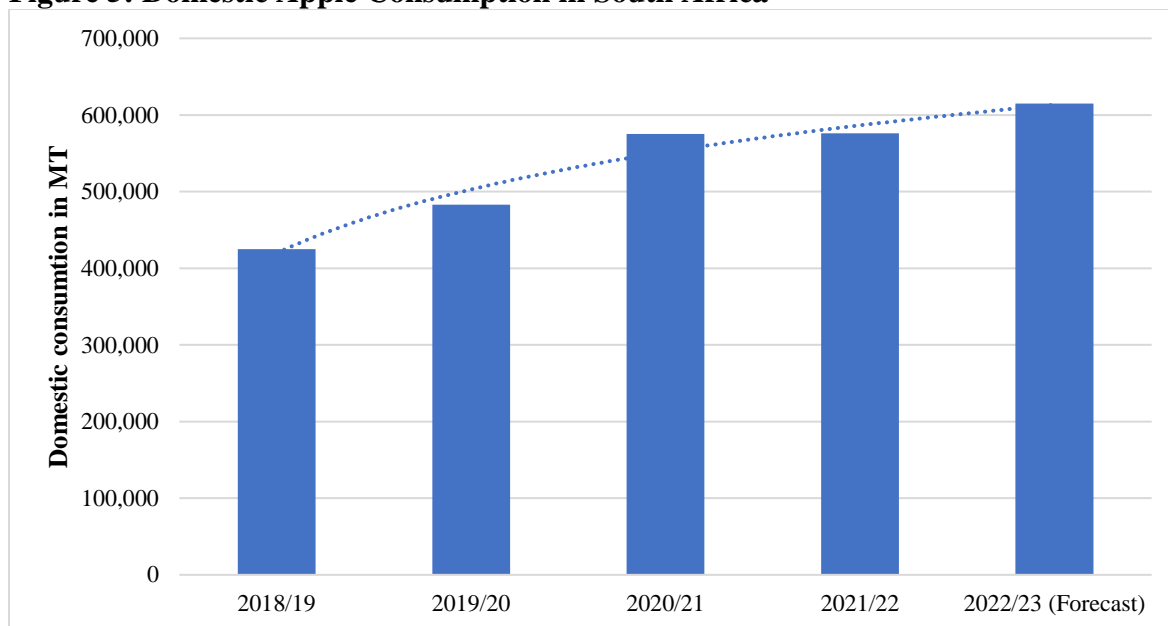
Source: Hortgro and Post estimates

Consumption

Apples are popular in South Africa and are widely consumed throughout the year. Hailstorms in MY 2022/23 increased supply of non-export quality apples and apple juice in the local market. High costs of cold storage fueled by loadshedding and pressure on coldstore capacity also contributed to a significant volume of apples (largely goldens) appearing on the local market immediately following harvest. The increased supply and lower prices are expected to drive many South African consumers to apples, an affordable fruit, as they seek options to maintain healthy diets despite high food inflation. As a result, Post revises consumption upwards to 615,025 MT in MY 2022/23. Local consumption of apples is

expected to increase by 7 percent in MY 2022/23 to 615,025 MT up from 576,022 MT in 2021/22 (see Figure 5). Consumption figures include fresh market sales, as well as apples destined for processing.

Figure 5: Domestic Apple Consumption in South Africa



Source: Hortgro and Post estimates

In MY 2021/22, local apple consumption remained constant at 576,022 MT. Stagnation in consumption was due to relatively higher production of exportable apples and declined supply and increased prices in the domestic market. Additionally, slow economic growth and inflationary pressure led to a decline in disposable income of consumers and drove consumer purchase towards food staples as opposed to apples (see [South Africa: Food and Fuel Feed Rising Inflation](#)).

Exports

Post revises the export forecast downwards to 535,000 MT in MY 2022/23 on lower production of export-quality apples due to hail in major growing region. South Africa's apple exports are forecasted to drop by 14 percent to 535,000 MT in MY 2022/23 down from 625,103 MT in 2021/22. In MY2021/22 apple exports increased by six percent to 625,103 MT on a record crop. The growth rate could have been larger, but South Africa's exports of apples in MY 2021/22 were under pressure due to raising shipping cost, local port challenges, the impact of the Russia-Ukraine conflict on established trading patterns and inflationary pressure in the United Kingdom (UK).

Exports to Africa are largely driven by strong demand (especially for pink lady, gala, and golden delicious varieties), limited competition in these markets, and apples' ability to endure suboptimal handling conditions. However, exporting to African countries is limited by the high cost of trade and logistical challenges. South Africa has free trade agreements with both the European Union (EU) and the UK, and benefits from duty free exports in these markets.