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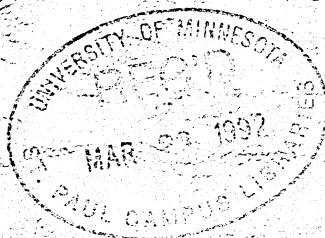
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AGRICULTURAL OUTLOOK CONFERENCE 1982

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PRESENTED BY -

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- Co-ordinating Committee of Control Boards
- Department of Agriculture and Fisheries



**CSIR - Conference Centre
Meiring Naude Road
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JANUARY 13 AND 14, 1982

THE SOUTHERN AFRICAN CITRUS INDUSTRY

(A brief assessment of present conditions and future prospects)

The citrus industry as an organised industry has been in existence in Southern Africa for well over half a century. This paper attempts to assess the recent history of the industry and make some projections as to the prospects in the medium and longer term - 5 to 10 years.

Please note that throughout, citrus has been interpreted as oranges, grapefruit and lemons. Naartjes are not included.

Furthermore Swaziland has been included because by agreement their entire crop is marketed by the S.A. Co-operative Citrus Exchange Limited, together with that of the Republic of South Africa.

1.0. The Size and Gross Value of Citrus Production 1974 - 1981

Year	PRODUCTION (000's x 15 kg. CARTONS)			VALUE IN R000's
	Local	Export	Total	F.O.R. Growers' Station
1974 Actual	20 784	23 268	44 052	53 158
1975 Actual	14 582	25 249	39 831	63 896
1976 Actual	17 288	26 185	43 473	58 192
1977 Actual	13 416	24 414	37 830	86 415
1978 Actual	16 789	28 148	44 937	100 522
1979 Actual	16 224	27 258	43 482	128 938
1980 Actual	13 144	28 879	42 023	114 985
1981 Est.	16 227	29 360	45 587	118 619

Notes :

1. The tree population during the past 5 - 7 years has been relatively static, implying that new plantings, certainly of oranges (78% of all citrus), have been mostly replacement plantings. However, lemons and grapefruit have been planted well in excess of replacement requirements resulting in considerable increases in production of these varieties, but relative to total citrus these increases are not very meaningful. The major production variations in the table above were consequently due to climatic conditions.
2. Gross farm value increased in line with inflation during the early and mid-70's. But in 1977, 1978 and 1979 dramatic increases in gross farm value took place. These increases were attributable in large part to crop setbacks by our competitors, though development of new markets helped to ease the volume pressures on our traditional markets so resulting in higher prices. Returns in 1980 reflect the return to normal levels of competition. During 1981 grapefruit returns from export were disappointing mainly due to increased competition and a negative effect from currencies.

2.0. Production Potential in the Medium and Long Term

Production of "conventional" citrus is expected to rise from 42,0 million cartons (15 kg) in 1980, to 49,5 million cartons in 1985, where it is expected to level off.

Any major increase beyond these figures will depend largely on our ability to find so-called feasy peeler" varieties (Tangerine types) of good quality and long shelf-life. Very extensive and intensive research is in progress by the Citrus Exchange and State to find varieties suited to our range of climates. Some results are encouraging and plantings have commenced on a small scale.

3.0. Historical Sales 1974 - 1980

3.1. Domestic market

Domestic sales 1974 - 1980 (000's x 10 kg. pockets)			
Year	Fresh Volume	Processed Volume	Total Volume
1974 Actual	13 054	19 407	32 461
1975 Actual	13 318	9 266	22 584
1976 Actual	10 462	16 312	26 774
1977 Actual	8 470	12 526	20 996
1978 Actual	8 776	17 339	26 115
1979 Actual	7 202	17 135	24 337
1980 Actual	7 178	14 853	22 031
1981 Est.	8 110	18 884	26 994

Notes :

1. Consumer demand for fresh citrus on the domestic market has grown in line with population increases, and has been adequately though perhaps not fully satisfied. This has been caused by growers maximising exports which return very favourable prices, whereas local sales are sub-economic.
2. Processor demand for oranges has been gaining rapidly since the implementation of the Citrusal registration campaign stimulated juice demand on the local market. Consequently processors have reduced their export juice sales and diverted these stocks to the local juice market.
3. Sales in 1981 are expected to be higher than 1980 and 1979 sales, but in line with 1978 sales.

3.2. Export markets

Export sales 1974 - 1980 (000's x 15 kg. cartons)			
Year	Exports to Europe	Exports outside Europe	Total Exports
1974 Actual	20 830	2 379	23 209
1975 Actual	20 572	4 794	25 366
1976 Actual	19 259	6 416	25 675
1977 Actual	17 438	6 979	24 417
1978 Actual	20 936	7 171	28 107
1979 Actual	19 700	7 552	27 252
1980 Actual	20 406	8 473	28 879
1981 Est.	20 157	9 203	29 360

Notes :

1. Demand for oranges and lemons from the traditional markets in Europe have been relatively static since 1974, whereas demand from the markets outside Europe, particularly the Oriental markets, has been very strong.
2. Limited supplies of large and medium sized Grade I fruit have resulted in the export of Grade 2 fruit in these size categories. Such Grade 2 sales have achieved good prices and have filled a gap in the market.
3. Although 1981 European sales are expected to be lower than in 1980, sales to markets outside Europe are expected to be significantly higher, resulting in a slight overall increase in exports.

4.0. Estimated Market Potential - Medium and Long Term

Obviously any look into the future is, at best, an educated guess. One only has to think of our sales to Iran to appreciate the difficulties and dangers of future projections - in a five year period the sales went from Zero to 3 million cartons, and back to Zero !

4.1. Domestic market potential

Projected domestic sales 1980 - 1990 (000's x 10 kg pockets)			
	1980	1985	1990
Oranges	17 695	23 200	25 500
Grapefruit	3 163	5 100	6 000
Lemons	1 173	1 850	2 000
TOTAL *	22 031	30 150	33 500
*Ratio:			
Fresh	33%	28%	28%
Processed	67%	72%	72%

Notes :

1. It should be noted that the local market is a residual market and that the availability of fruit to the local market is the inverse function of overseas demand and quality produced.
2. Fluctuations in climatic conditions or natural disasters can cause severe fluctuations in availability in the short term.

4.2. Export market potential

Projected export sales 1980 - 1990 (000's x 15 kg cartons)			
	1980	1985	1990
Oranges	21 927	24 428	24 595
Grapefruit	5 400	5 643	6 153
Lemons	1 552	2 525	2 545

Notes :

1. 1980 figures for reference only. 1985 and 1990 figures are based on critical assessment completed by management in June 1980.
 2. The critical assessment of 1985 market prospects highlighted :
 - a slow increase (3 - 5% p.a.) in demand for "conventional" oranges in Europe, Middle and Far East.
 - a very strong and growing demand in all markets for "easy-peeler" and good quality late-Navel varieties.
 - a static demand for Marsh grapefruit in all export markets, but strong demand for Rosé (Red) grapefruit in Europe and Canada.
 - strong demand (10%) for lemons in all export markets.
 3. Increasingly the consumer and trade will demand large and medium size counts. Consequently small and very large fruit will have to be promoted, and discounted, and in the worst cases prorated out.
 4. Competition in the world citrus market is expected to increase if plantings in the major citrus exporting countries are any indication. Fortunately, with the major exception of Brazil, most of these plantings are in the northern hemisphere, which theoretically should not influence us as southern hemisphere growers
 5. Costs of distribution will continue to rise rapidly. (Reconfirmed during 1981). Obviously attempts will be made to recover such increases from the market but consumer resistance to this can be expected. Consequently growth in grower returns will most likely suffer.
 6. The risk of boycott is always with South Africa, and particularly with Outspan. The Industry has survived boycotts before and is still doing so.
- 1981 : During 1981 cost increases combined with varied but deleterious currency fluctuations in Europe underscored the point made in 5. above.

5.0. Producer Price and Consumer Price Trends 1974 - 1981

Year	PRODUCER PRICES		WHOLESALE PRICES		
	Export (per 15 kg)	Local (per 10 kg)	Export (per 15 kg)	Local Fresh (per 10 kg)	Local Processor (per 10 kg)
1974 Actual	R1,88	R0,27	R3,81	R0,66	R0,31
1975 Actual	R2,21	R0,27	R4,42	R0,54	R0,36
1976 Actual	R1,86	R0,32	R4,33	R0,85	R0,31
1977 Actual	R3,17	R0,38	R5,90	R1,12	R0,27
1978 Actual	R3,21	R0,37	R6,29	R1,09	R0,35
1979 Actual	R3,98	R0,43	R7,22	R1,30	R0,39
1980 Actual	R3,18	R0,50	R7,00	R1,49	R0,31
1981 Est.	R3,67	R0,40	R8,74	R1,23	R0,41

Notes :

1. Producer prices have been calculated F.O.R. growers' station. Wholesale prices have been calculated as follows :-
For export market calculated at point of first sale ; for local fresh at major municipal markets ; for local processors at railhead nearest grower's station.
2. The subeconomic level of local market sales is clearly highlighted in the table above. Until such time as the local prices - fresh and processor rise dramatically, growers will continue to maximise fresh export sales.

6.0. Citrus Substitutes6.1. Oranges.

Substitutes for oranges range from other fresh fruits, sweets and confectionary through to processed fruit juices and drinks. But fortunately an orange is an orange and as such it has its unique place in the daily diet of most households in the developed world. Obviously there are times when the consumer purchases the fruit in season, e.g. peaches, cherries in order to introduce some variation in the diet. Indeed the consumer would be unwise not to do so considering the heavy overproduction of such soft fruit in Europe often causes prices of such fruit to fall to ridiculously low levels.

In the less developed world, however, fruit in general and citrus in particular, is regarded as a luxury. Consequently when disposable income is limited high bulk, high carbohydrate products are purchased in preference to oranges and other fruit.

6.2. Grapefruit

This fruit is undoubtedly a luxury product for which there is a limited market. Fortunately many grapefruit consumers are committed consumers, who consume it for health/medical/dietary reasons. Consequently there is limited substitution amongst regular grapefruit consumers.

6.3. Lemons

If an orange is an orange, all the more is a lemon a lemon ! There is no substitute for a lemon - only a lemon can add lemon flavour to fish, to tea, to agin and tonic !

7.0. The Future Role of Citrus within the Southern African Economy in General and the Agricultural Sector in Particular.

7.1. Citrus as a contributor to South Africa's economy

In 1979, the latest year of audited citrus figures, citrus contributed about 8% of the agficulture's exports, which in turn contributed about 16% of total South African exports. In the same year citrus contributed about 7% to the net (monetary) income of the agricultural sector.

As agricultural output per se increases in the coming years, so citrus is expected to continue to contribute towards this output in both monetary and volume terms.

7.2. Citrus as a generator of foreign exchange

Sales of citrus are made in most major currencies i.e. Sterling, U.S. Dollars, German Marks, French Francs, Japanese Yen, etc. Over the past few years the value of such foreign exchange has totalled in Rand equivalent R142,4 million in 1979 ; R129,1 million in 1978 ; R98,4 million in 1977 and R72,9 million in 1976.

As a percentage of agriculture's foreign exchange earnings citrus represented 7,4% in 1978.

7.3. Citrus as a contributor to South Africa's food basket

Vitamin C is an essential element in a healthy diet - and citrus provides Vitamin C in a natural easily digestible form. As such it is imperative that South Africa should be self-sufficient in citrus. This is certainly the case at present - in fact South Africa is producing far more than her domestic requirements of both fresh and processed citrus, as exports indicate. This self-sufficiency in citrus is expected to continue well into the 1990's.

7.4. The citrus industry as a market for products and services offered by South African Commerce and Industry

The figures below give examples of the extent to which the citrus industry has supported South Africa's industry. This support is expected to continue and expand in the coming years.

(a) Payments to the Railways and shipping sectors

Year	Net Railage payments to SAR (R000's)	Net freight payments to S.A. shipping companies (R000's)
1976 Actual	6 062	3 429
1977 Actual	7 445	2 075
1978 Actual	9 194	2 830
1979 Actual	8 606	3 145
1980 Actual	10 914	2 500
1981 Est.	13 613	3 444 ?

(b) Payments to the South African packaging industry in 1980

Cartons	approximately R 15 400 000
Pockets	approximately R 850 000
Wrappers	approximately R 3 000 000

7.5. Citrus as a factor in the Politico-economic Development of Neighbouring States

1. Citrus production in Gazankulu, Lebowa and Ciskei

Relative to the economies of these states, citrus plays a major part as is indicated by the production figures below. Citrus is expected to play an increasingly more important part in the coming years.

State	1980 (000's x 15 kg. Cartons	(a) 1985 (000's x 15 kg. cartons)	(b) 1985 (000's x 15 kg cartons)
Gazankulu	1 000	1 090	1 390
Lebowa	214	240	3 500
Ciskei	58	52	264

Note :

- (a) Presents estates only ;
- (b) with consolidation of estates such as Zebediela, Gillimberg, etc.

2. Citrus production in Swaziland, Mocambique and Zimbabwe

Outspan has for many years, before and after independence, handled all or most of the export sales of these countries, e.g. 2,5 million cartons ex Swaziland; 0,6 million ex Mocambique ; 0,4 million ex Zimbabwe in 1980.

When one considers the pressure placed on the producers within these countries to break away from South Africa and "go-it alone", it is satisfying that the spirit of co-operation has prevailed over racial and regional politics. Hopefully this will continue to be the case.

7.6. Citrus as a Social Force

1. Exact figures are not available but rough estimates indicate over 1 300 whites and over 400 000 non-whites are in the fulltime or seasonal employ of the industry in Southern Africa - often in economically depressed areas such as Ciskei, Lebowa etc. Considering the labour intensive nature of citrus production, particularly the picking and packing functions, and considering the relatively unsuccessful developments in the mechanisation of these functions, it appears that the above employment figures will not decline and may even increase in future.

2. As an educator

The Industry has met and will continue to meet its obligations towards society in the educational field. Examples of such contributions can be seen in the numerous farm-schools, the sponsorship of scholarships for both white and black university students and in the donation of funds for the erection of primary schools in Mamelodi and Soweto.

7.7. Conclusion

The South African citrus industry has had a long history. While adverse conditions have been experienced on numerous occasions in the past, the industry has survived and prospered. This ability to survive and prosper can be attributed largely to the people within the industry who have shown remarkable resilience, wisdom and adaptability.

Undoubtedly the industry will face enormous challenges in the future, not the least of these being cost escalation. But despite the uncertainty of the future, the industry is in a healthy state, optimism is high and its human, financial and technical resources are such that it is very well equipped to deal with these future challenges.

Consequently the industry will in all probability continue to play a very important part in the South African and Southern African agricultural economies.
