Horticulture

Agbiz Congress 2022

Bureau for Food and Agricultural Policy

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AAMP is a partnership model

Government

Private sector

Labour

AAMP vision

“Promote a meaningful **public-private partnership** designed to produce a world-class, competitive, dynamic, growing, ecologically sustainable, safe, fair and inclusive sector in 2030.”

AAMP theory of change

The co-existence of small, medium and large commercial farmers and agribusinesses operating in commercial and marginalized agricultural areas.

Dealing with key uncertainties first

Downside risk in global economic performance

- New wave of COVID-19 pandemic?
- Supply chain disruptions & high energy costs
- Geopolitical tensions

Weather conditions remain a concern

- Affecting supply response & global price outlook
- Long term climate impacts – extreme weather

Port and logistics performance is critical

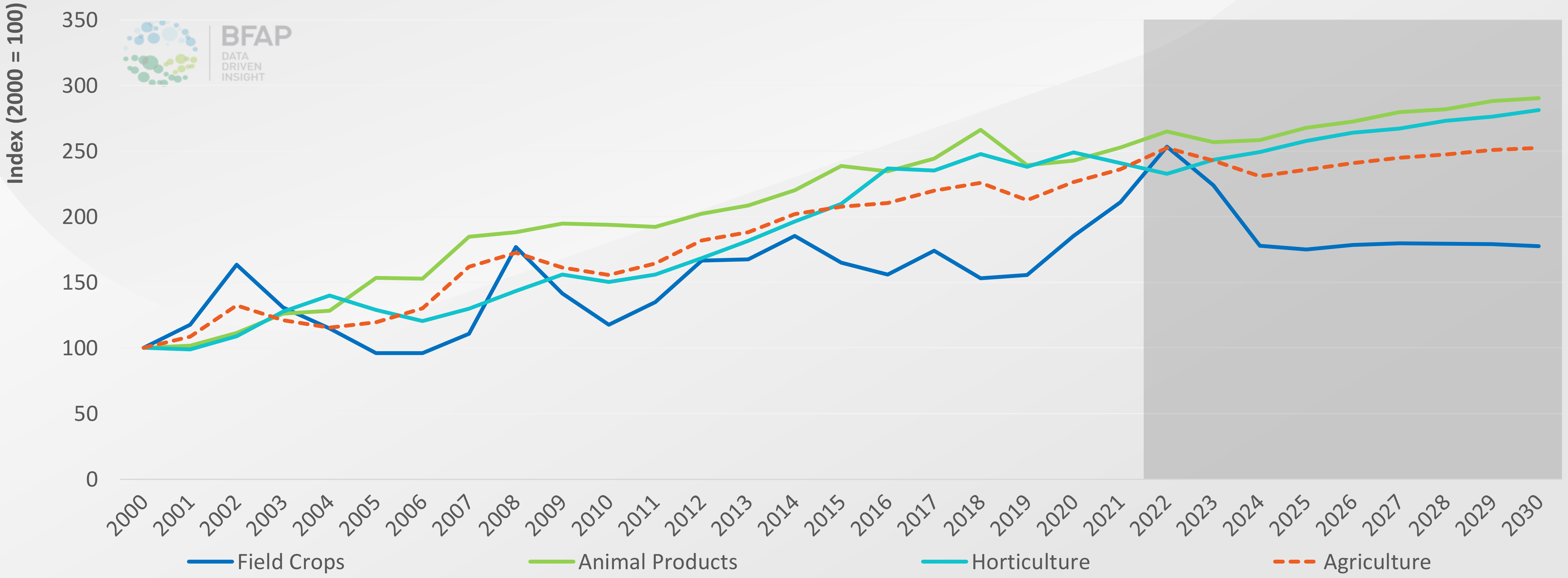
- Global constraints as pandemic lingers
- SA congestions & efficiency needs to improve
- Costs have increased substantially

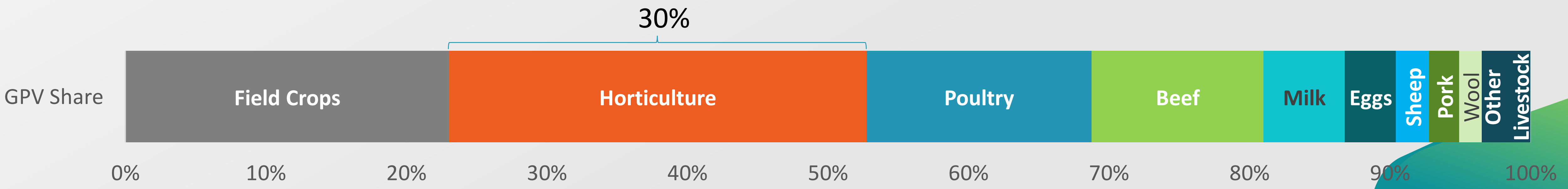
Expanded market access is critical

- Substantial volumes of fruit and nuts to enter market
- Sustainability of price levels will require wider access
- Coordination & queuing order in place – time is critical

Agriculture the shining star... but margins rapidly closing

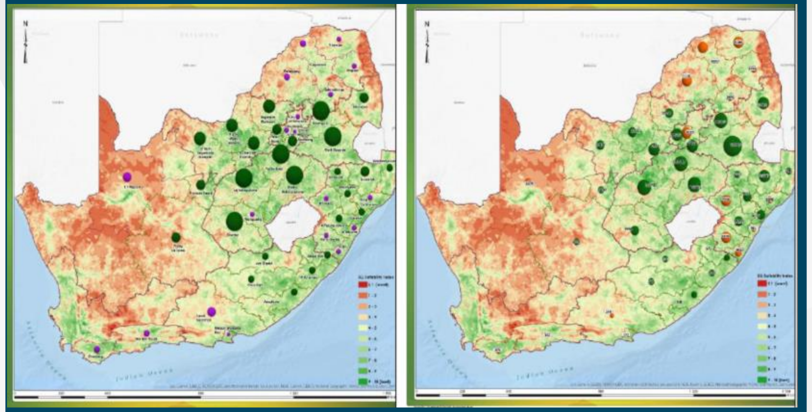
due to rise in production and declining prices, high input costs and weakening economy



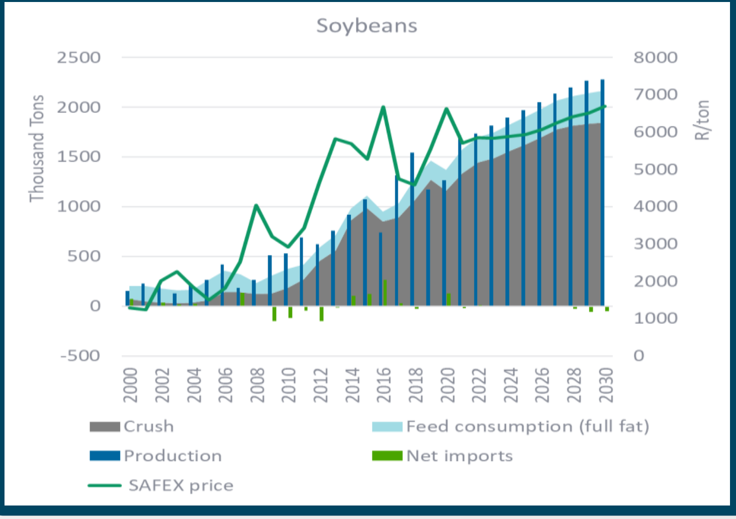


AAMP Value Chain Deep-Dive Analytics

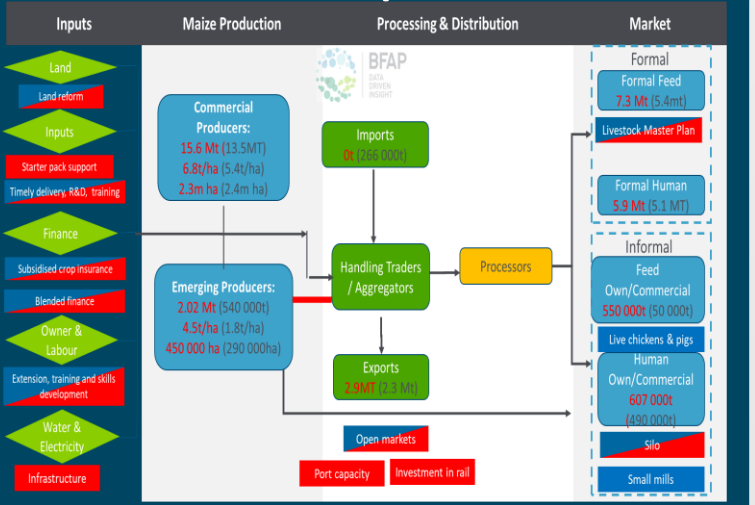
1. Spatial context (natural resource potential)
Focus on PLAS farms & under-utilsed land



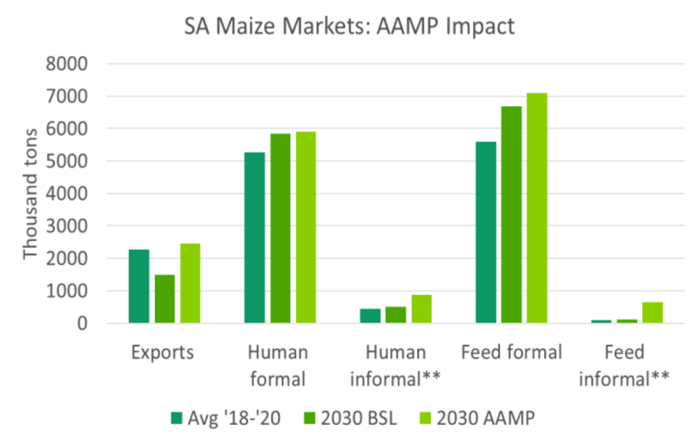
2. Market potential (domestic, regional, inter)



3. Market structure & product flows



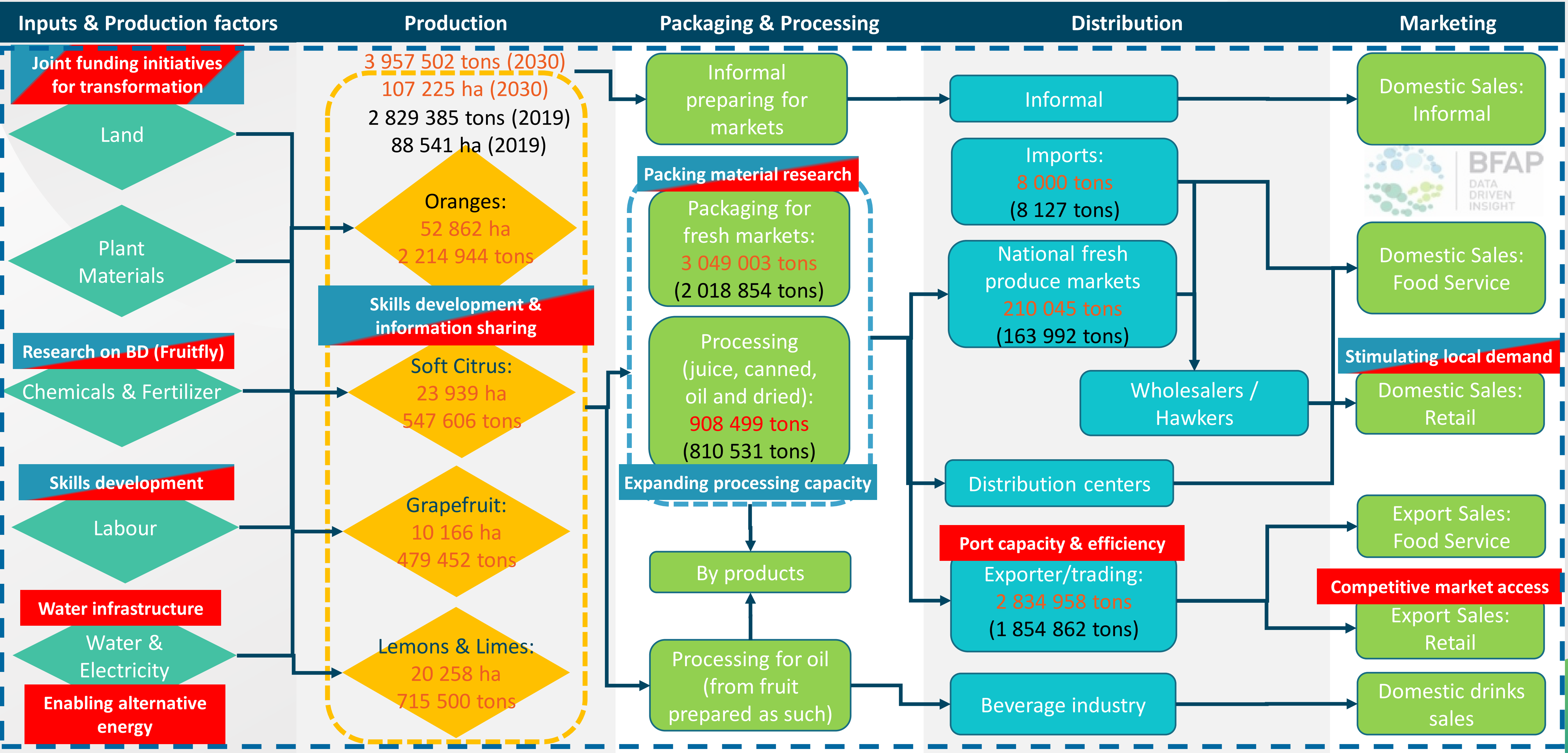
4. Economic feasibility & competitiveness



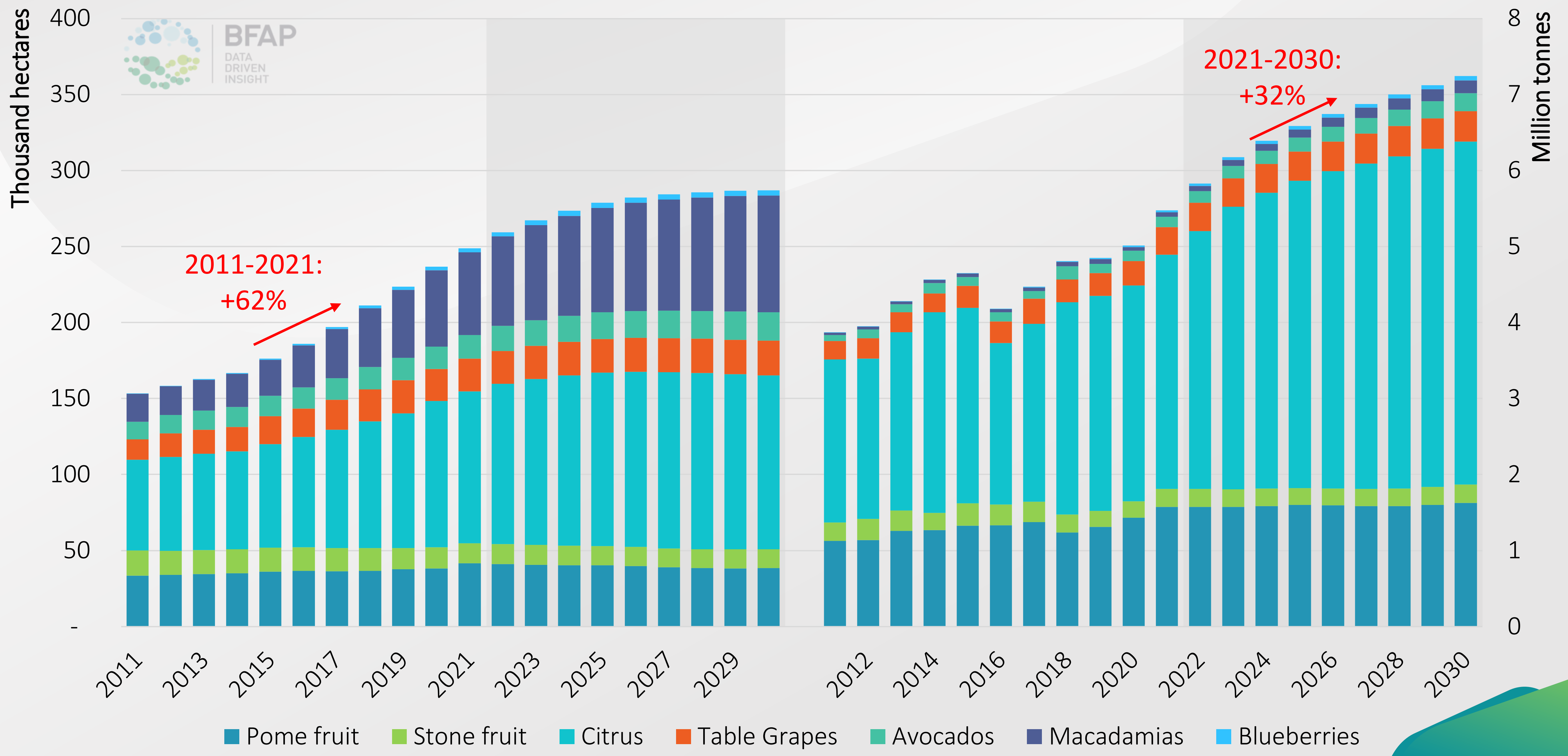
Value chain-specific policy and investment priorities

Citrus: Current vs Preliminary Ideal State

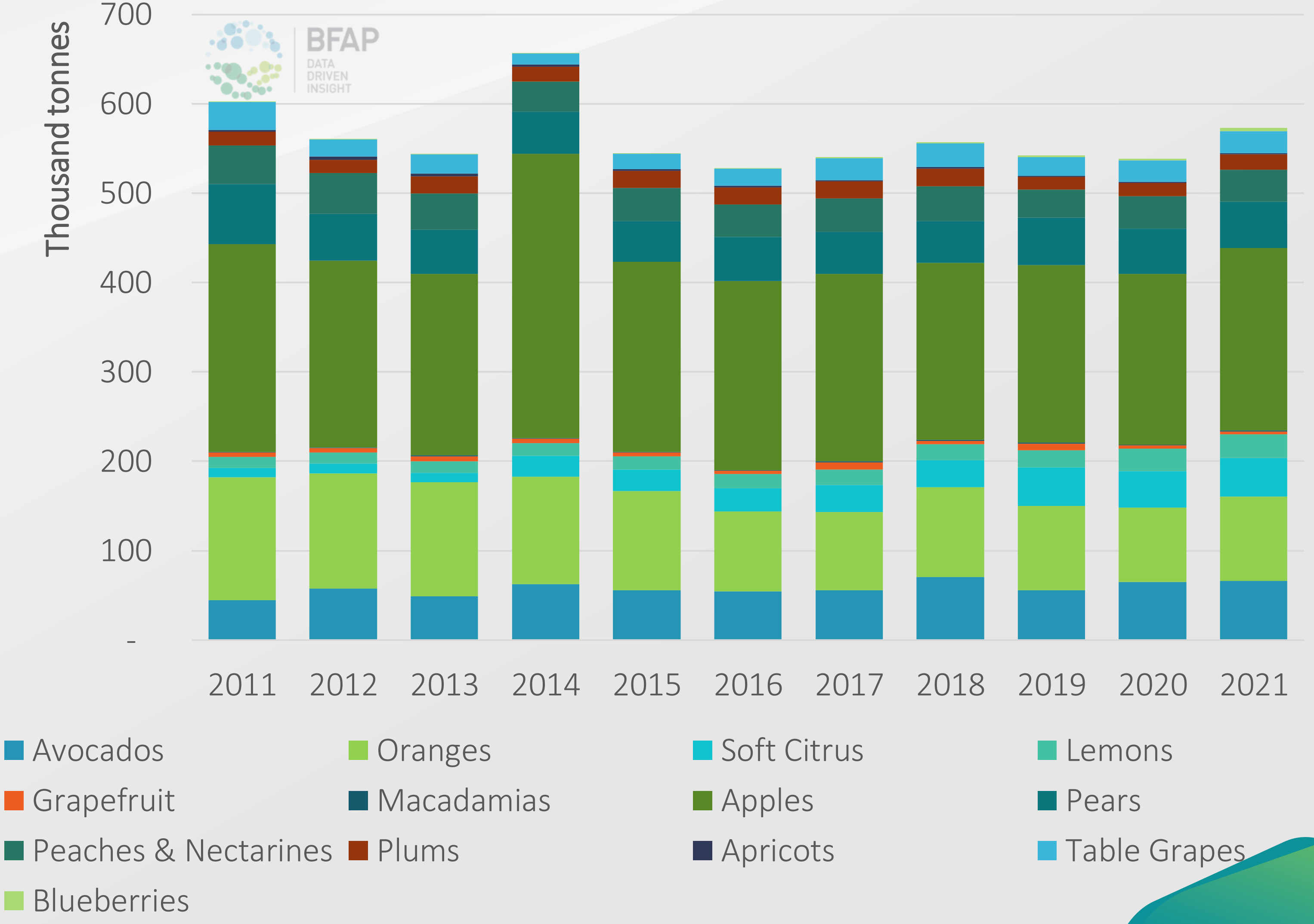
Government interventions
Industry interventions
Improved state 2030 (Current State)



Growth in area and volume – selected fruit & nuts

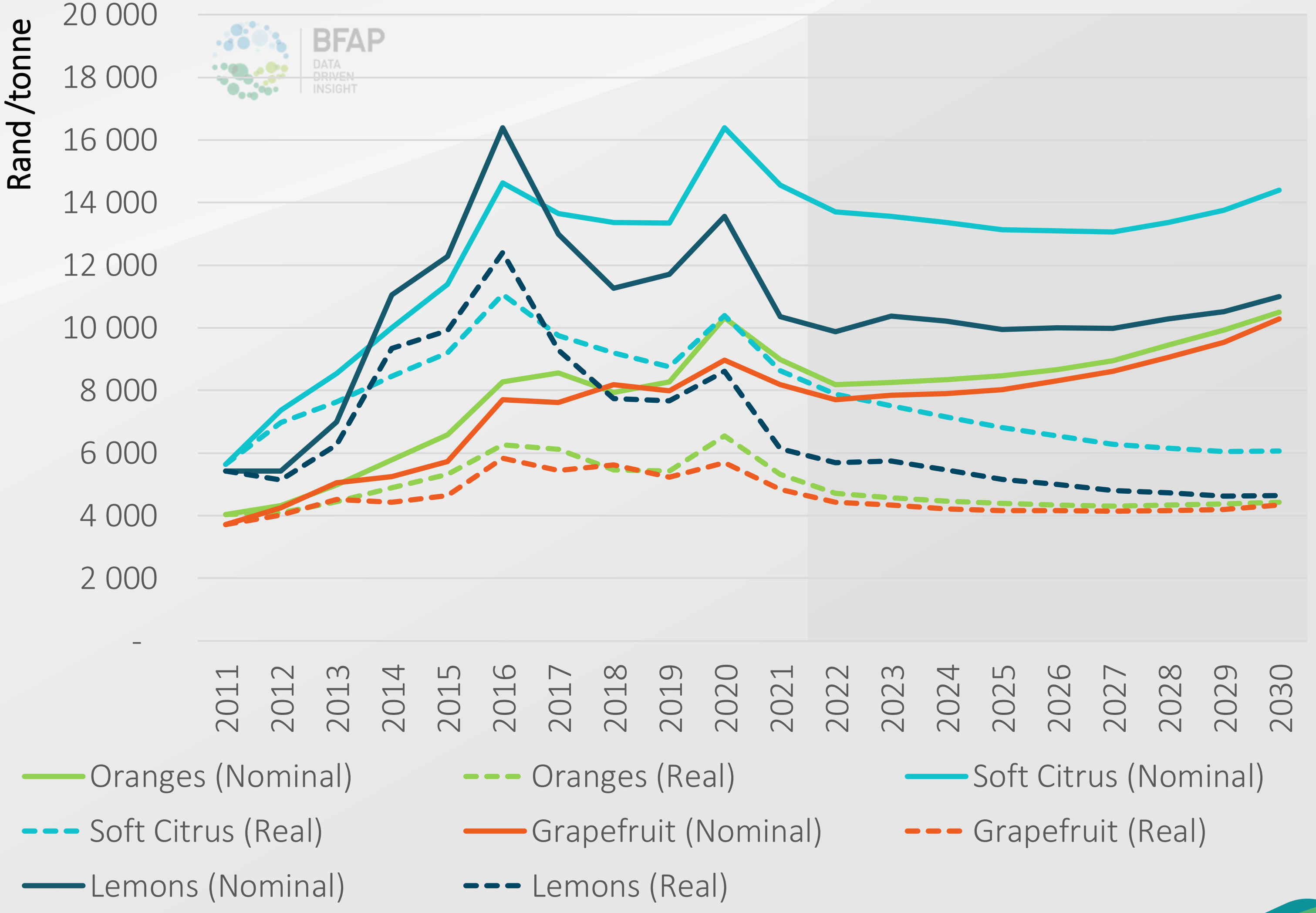


Local consumption of fruit & nuts



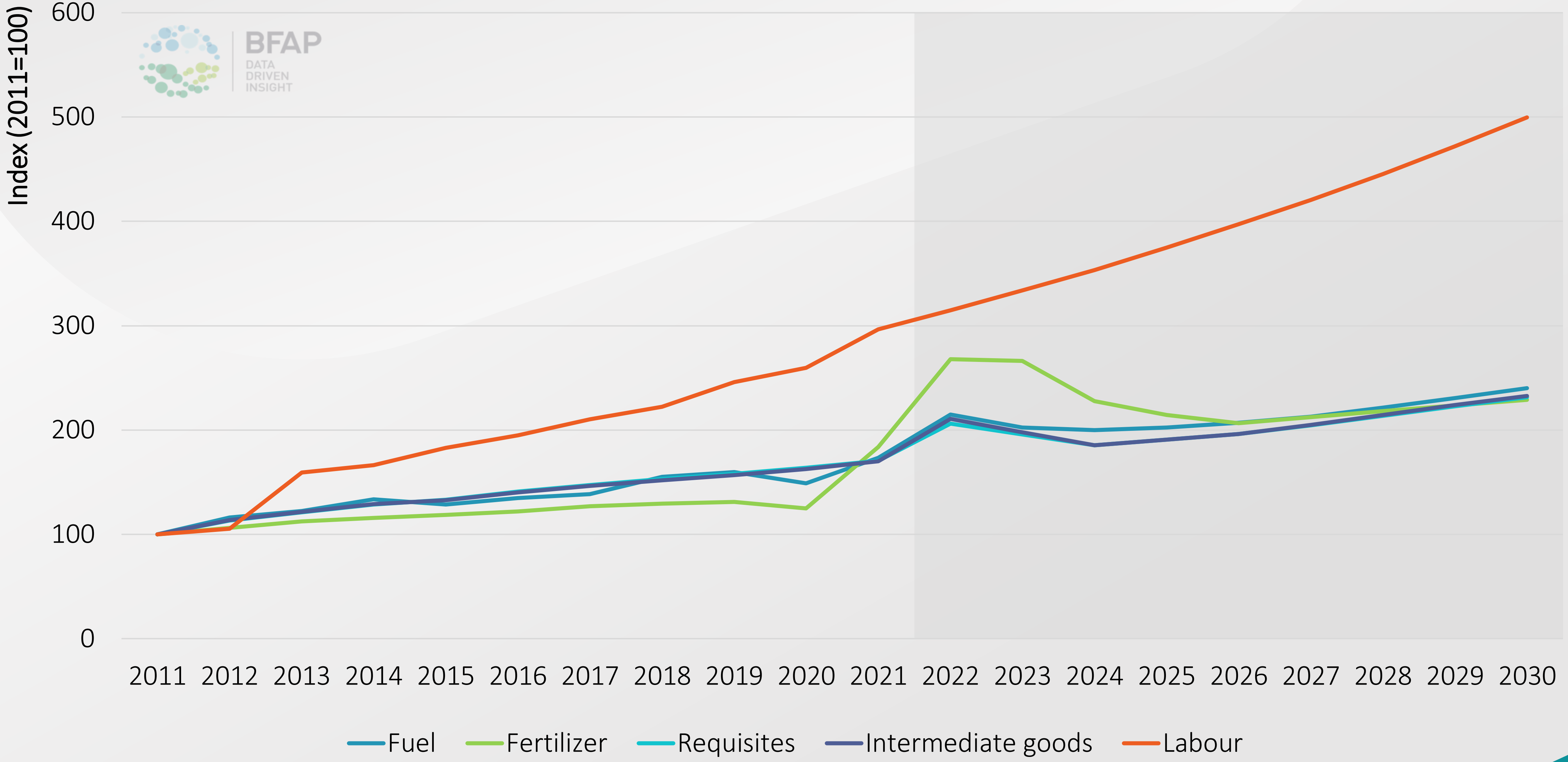
- Stable local consumption, despite growing population.
- Fruit expenditure – predominantly affluent households
- Lemon use increasing – 31% nominal local price decline from 2016 to 2021, allowing increased consumption.
- Relative product substitution from oranges to soft citrus.

Export price projection

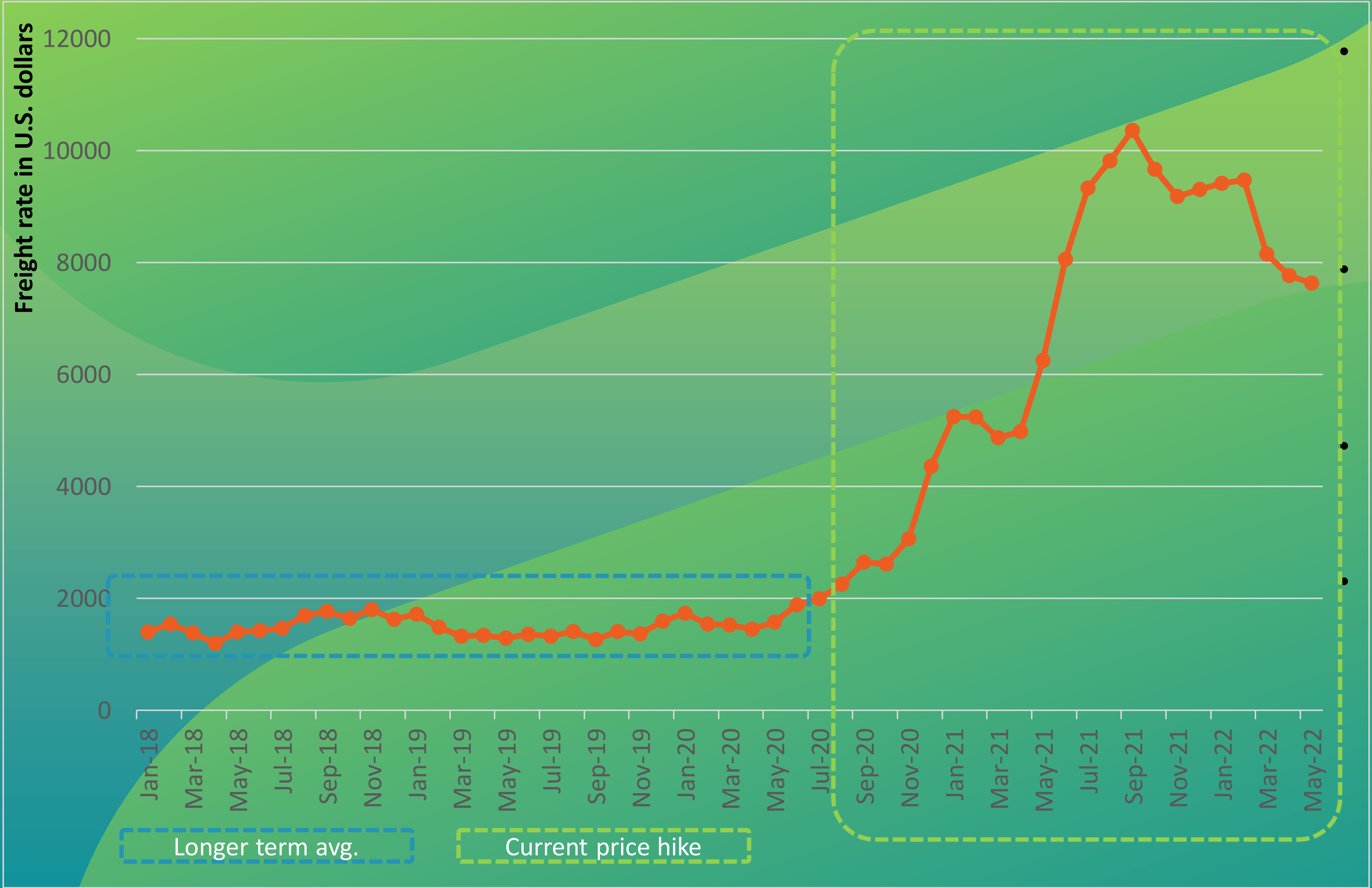


- Decline in real prices projected over the outlook period for all citrus commodities.
- Sideways movement in nominal soft citrus and lemon prices projected.
- Slightly upward nominal price projection for oranges and grapefruit.

Input costs have already increased sharply



Global container freight rate index: Jan 2018 - May 2022

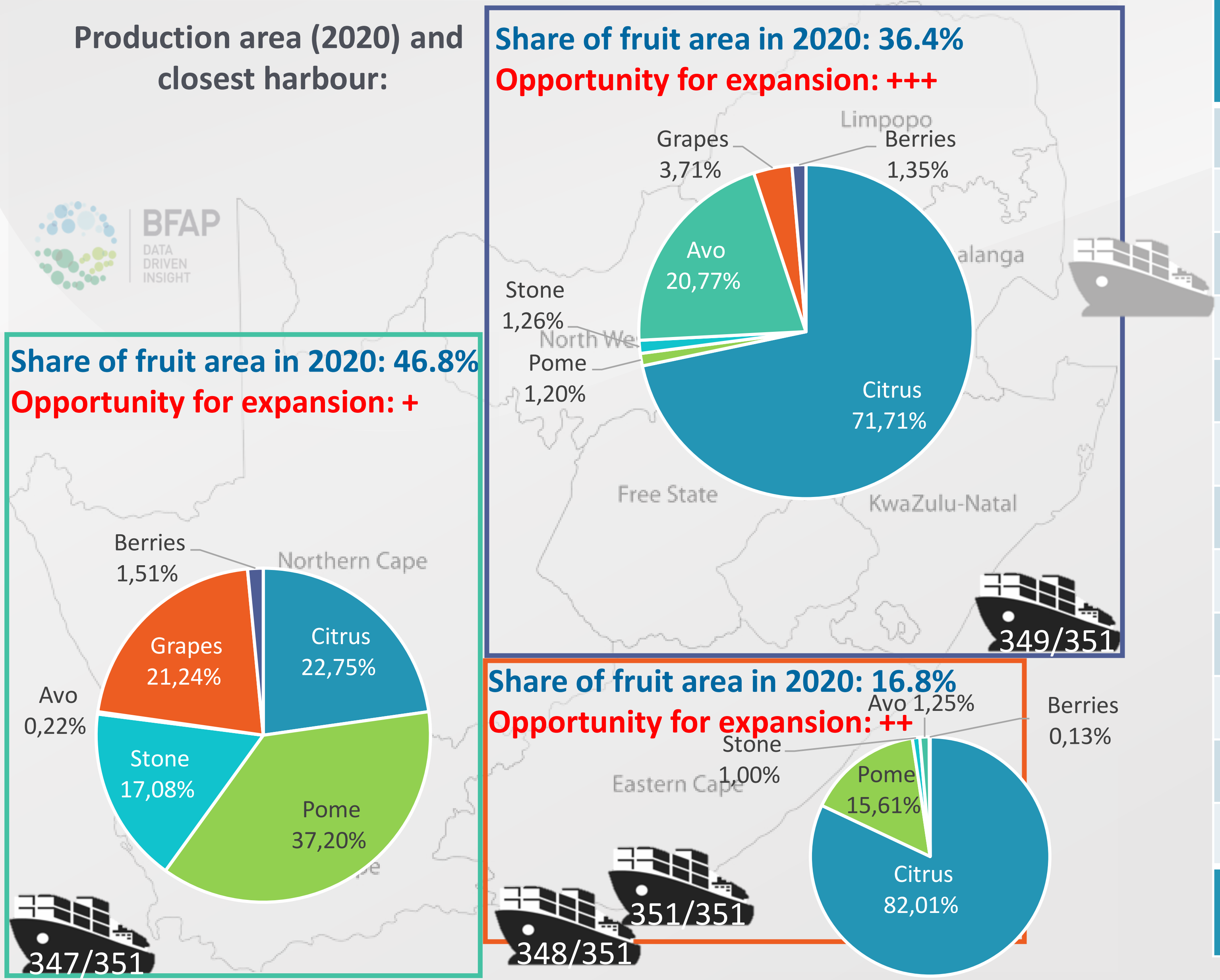


- Although the index is moving in the right direction, it is not even remotely close to recovering to normal, longer term average levels in the near future.
- In 2021, the number of container vessels ordered surpassed 2017, 2018, 2019, and 2020 combined.
- Clarkson Research calculated that a total of 4.2 million TEU of capacity was ordered in 2021.
- That would bring the total orderbook for containerships to a total of 5.7 million TEU, which represents a quarter of the total containership capacity.

Maritime-executive (2022); Statista (2022)

Resources & infrastructure in major fruit producing areas

Production area (2020) and closest harbour:



Commodity	Export Cartons 2021	Export Cartons 2030	Equivalent carton size
Apples	40 118 160	42 664 948	12.50kg
Pears	17 542 720	18 527 076	12.50kg
Peach&Nect.	8 229 731	9 923 863	2.50kg
Plums	13 856 171	16 424 701	5.25kg
Apricots	642 074	544 131	4.75kg
Oranges	78 204 533	101 216 312	15.00kg
Soft Citrus	31 134 667	41 793 057	15.00kg
Grapefruit	15 027 412	15 185 171	17.00kg
Lemons	30 761 867	49 899 050	15.00kg
Table Grapes	72 183 686	77 559 333	4.50kg
Avocados	15 123 500	30 250 144	4.00kg
Blueberries	20 013 000	40 964 300	1.00kg
Total	342 837 520	444 952 087	+29.8%

Market access and challenges

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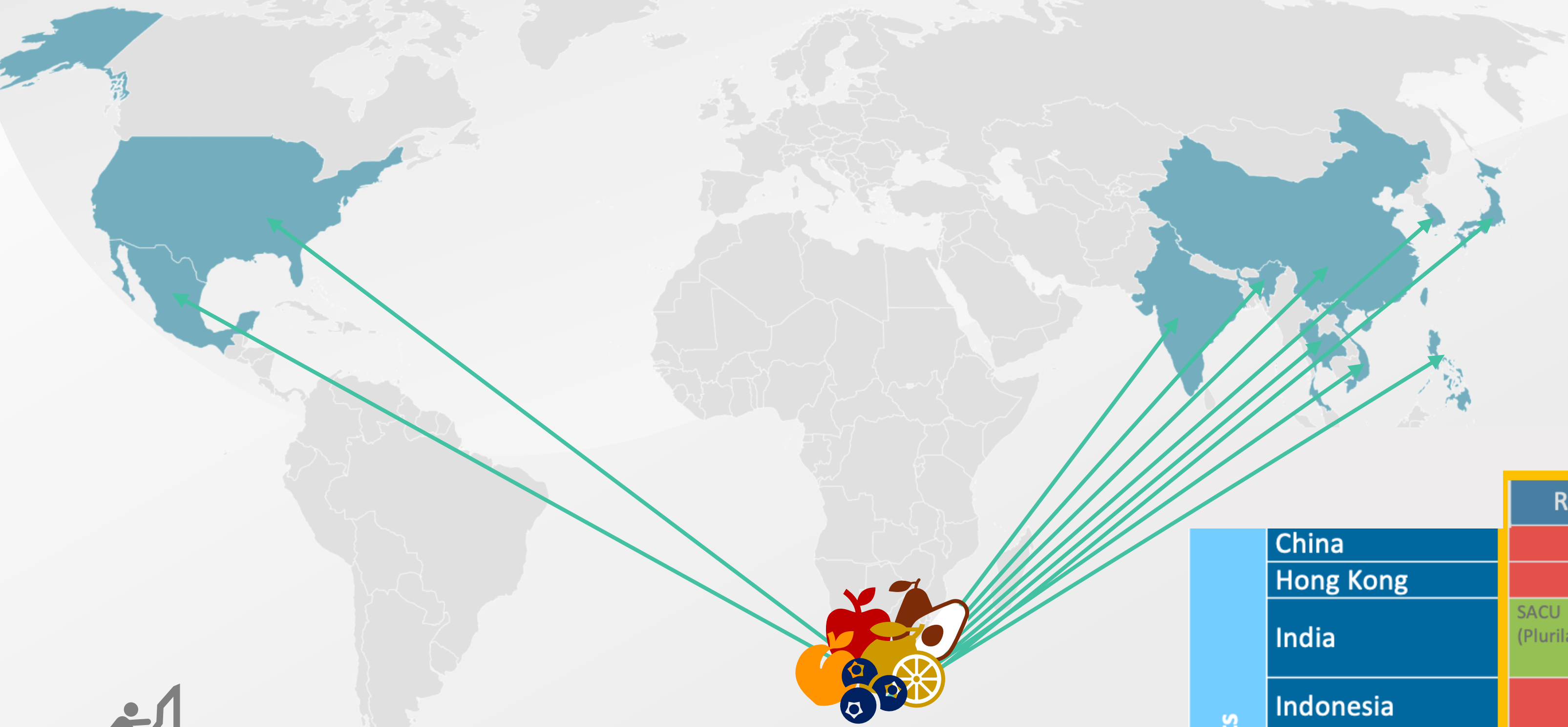
Market access priorities for South Africa fresh fruit: 2021



New access recently achieved

- Philippines – Citrus
- Viet Nam – Table grapes
- China – Pears

Almost complete: Table grapes into South Korea and Philippines

Protocol change for lemons in China

Strategic Markets	RSA	RSA's Competitors: Australia	New Zealand	Peru	Chile	Argentina	Uruguay
China		Bilateral	Bilateral	Bilateral	Bilateral		
Hong Kong					Bilateral		
India	SACU (Plurilateral)			GSTP	Bilateral GSTP	GSTP Mercosur-India Bilateral	GSTP Mercosur-India Bilateral
Indonesia		ASEAN-Australia-New Zealand	ASEAN-Australia-New Zealand	GSTP	GSTP	GSTP	
Japan		Bilateral		Bilateral	Bilateral		
South Korea		Bilateral		Bilateral GSTP PTN	Bilateral GSTP PTN	GSTP	PTN
Malaysia		Bilateral ASEAN-Australia-New Zealand	Bilateral ASEAN-Australia-New Zealand	GSTP	Bilateral GSTP	GSTP	
Philippines		ASEAN-Australia-New Zealand	ASEAN-Australia-New Zealand	GSTP PTN	GSTP PTN	GSTP	PTN
Thailand		Bilateral ASEAN-Australia-New Zealand	Bilateral ASEAN-Australia-New Zealand	GSTP	GSTP	GSTP	
Vietnam		ASEAN-Australia-New Zealand	Bilateral ASEAN-Australia-New Zealand	GSTP	Bilateral	GSTP	

Challenges:

- Slow pace of gaining access is restrictive for growth
- Lack of favourable agreements in Asian markets
- Time to full bearing is long and producers need to decide on cultivars without clarity on market access

SHAFFE (2018) & FruitSA (2021)

Feedback

- Questions
- Comments
- Considerations for further improvement
- Discussion

Thank you

See you at Baseline 2022

17 August

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