

South African citrus exports rise as stronger rand squeezes margins

South Africa's expanding citrus crop is expected to place pressure on growers as export markets approach saturation and the stronger rand reduces returns. An anonymous producer told Farmer's Weekly that margin pressure has intensified.

"Nobody's budget is balanced at this stage," he said. "The exchange rate will be our biggest challenge this season. Margins have been under pressure for many years, but farmers who exported could make up some margin off the back of a weakened currency."

"But with the rand strengthening against the U.S. dollar by around 25% over the last year, the margins are gone."

To avoid export losses, growers will need to focus on optimal sizing and pack-outs, leaving marginal fruit for alternative channels. However, juice values are also under pressure. "But juice prices are also under pressure, so there is a risk that farmers will rather take a chance on the export market with lower-quality fruit, which will hurt the whole industry."

South Africa is forecast to export around 206 million 15 kg cartons this year, up from 203,7 million cartons last season. Juan Winter, managing director of Source BI, said higher volumes typically support cost efficiency. "Nothing brings return on investment like volumes in the citrus industry. The higher the volumes, the lower the production cost per unit."

He noted that gross income peaked in 2020 at US\$7 207 per hectare and declined to about US\$6 667 per hectare last year. "This is a good number at which citrus production is profitable. The price pressure could, however, see this number dropping further."

In January, the U.S. confirmed that South Africa will continue to benefit from AGOA for at least 2026, although mandarins remain subject to a 30% tariff. In February, South Africa and China signed a Framework Agreement on Economic Partnership for Shared Prosperity, reducing import tariffs on South African goods

to 0%. Dr Boitshoko Ntshabele, CEO of the Citrus Growers' Association of Southern Africa, said the move improves competitiveness in China. "This could level the playing field and expand competition in one of the world's largest and most dynamic markets."

An Early Harvest Agreement is expected before the main citrus season. However, the farmer questioned the price potential in China, stating the market has been flat in recent years.

The CGA continues to prioritise market access and logistics efficiency. Ntshabele referenced port reforms and the joint venture between Transnet and International Container Terminal Services at Durban Container Terminal Pier 2 as supportive developments.

While the EU remains the main market, competition from Egypt has increased. Growers are assessing opportunities in Indonesia and Vietnam, although recent oversupply in Bangladesh and India has highlighted the need for volume discipline and quality management in expanding eastern markets.

Source: Farmer's Weekly (<https://www.farmersweekly.co.za/agri-news/south-africa/strong-rand-puts-damper-on-bigger-citrus-crop/>)

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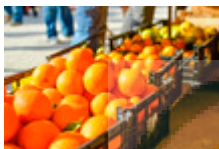
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