

South Africa: SRCC's 'one billion rand' citrus investment plan

A leading South African citrus exporter has recently opened a new packhouse in the Sundays River Valley as well as an office in Russia.

One of South Africa's top citrus exporters has successfully completed the first stage of an ambitious investment plan set out for the coming decade, in order to not only keep up with growing production but also with an increasing need for market flexibility.

Sundays River Citrus Company (SRCC) managing director Hannes de Waal tells www.freshfruitportal.com the phase involved a new packhouse building in Kirkwood with a capacity line for one million cartons.

"We will put in a second one million carton capacity line probably in two years from now, and then when that is done we intend in a two-year phase to have a similar facility," he says.

"We have an investment schedule which over the next 10 years will probably run into a billion rand (US\$75 million)."

Apart from Kirkwood, SRCC also has packhouses in Summerville and Hermitage, and it is in the latter where the next investment will take place.

"We're still deciding whether we'll do two mega capacity lines or smaller lines for more flexibility- that would be probably with four or five smaller lines because today you have to provide for markets with so many different requirements," he says.

"We not only want to cater for the volume we have to handle but the kind of flexibility our markets require from us. We're going through that teething process at this point."

"We've recently acquired for black economic empowerment purposes an 800 hectare farm which our growers are buying for their farmworkers, and that volume plus the growth we see from our growers at the moment will obviously get us to a point where we'll need to build another one or two million carton capacity."

He adds nurseries in the valley have doubled their capacity in the last decade and there are a lot of young trees in the ground, as part of aggressive growth in the sector and from SRCC's grower-owners.

"We exported 9.2 million cartons last year. We think it's going to come down to 8.3-8.5 million because of the drought, but the long-term growth that we are experiencing at this point will probably take us into the area of 12 million cartons in six years' time.

"We also have a cold store of 2,800 pallet capacity and we'll probably double it over the next 10 years to make sure we can cater to this growth, and to make sure we can handle the sterilization markets."

He says this is particularly the case for different Asian markets where cold treatment is sometimes required, especially in the orange varieties.

"Lemons are a different thing. You cannot sterilize lemons – nowhere in the world can take the regime of -0.5°C for 22 days, it just doesn't work," he says.

"At the same time, anything else that we did put through the treatment this year – oranges and Novas – we've had excellent results."

SRCC learned some of these lessons the hard way in its export program to China, with two or three years where the group got hurt by sterilization regimes and also had container failures.

In order to face this issue, in late last year the decision was made to hire an agronomist whose specialty was in post-harvest management. De Waal hasn't looked back.

"Between our logistics and cold store staff, agronomy and packing people, we got excellent results so far this year.

"It's not on a lot of fruit but we've convinced ourselves that we can go into the Chinese market on oranges."

He says the Chinese lemon market has been "pretty bad" in the past, and even though it's getting stronger there was a short while where it "didn't live up to expectation".

"No one really knows the Chinese domestic situation and that's hurting lemon producers all over the world – we work very well sharing information with the rest of the world, but in China at the moment no one is in control of the information.

"Unfortunately the lemon industry all over the world is going to have to sort out to supply the Chinese market efficiently – South Africa, the USA, Argentina, even Spain and others, we're going to have to make sure we know what China is producing."

Saint Petersburg opening

De Waal says SRCC sends around half of its fruit to the Middle East, working in an arrangement with major distributors that isn't going to change anytime soon. Europe will also continue to be a strong market, but the challenge of meeting black spot requirements – one that has pushed the company to adjust its processes "quite a lot" – means the group needs to look for new opportunities elsewhere.

Aside from South East Asia, one of the bright spots has been Russia.

"We've opened an office in Russia recently and we obviously will consider how we tackle distribution of fruit in the years to come," he says.

"We shipped three million cartons of lemons already [globally] and as you know it's become quite a powerful product to have in your basket, so we're thinking how we will do our marketing in the future.

"In the past we've very much left our marketing to the international big-name export-import companies – we're going more and more direct to market ourselves."

He says the office in St Petersburg was opened up with one of SRCC's smaller previous customers.

"What our staff there is doing is to get us orders and then we ship to the orders and they do the control for us," he says.

"They also give us access to retailers, and that's a fairly new scene in Russia – it's an open playing field, very competitive. We like Russia a lot and this is why we think it's opportune to take such a step right now. It's not the best paying market but we end up shipping in excess of a million cartons there every year.

"The development that we see will happen there in future will definitely make it one of the better markets, so while there is often political and financial uncertainty around Russia, if you look at the future and the people they have there, it's a good thing to look at it with a new set of glasses so to speak."

He says having people on the ground in Russia gives SRCC more control and confidence, highlighting most fruit exporters around the world who ship to the country have at some point experienced non-payment or poor business outcomes.

"We've all been hurt there. This [new office] does make a difference because you've got someone who can make sure the customers you work with are creditworthy, and that the terms of the deal will work.

"Make no mistake, it's not been the best market this year on oranges. If you compare it on oranges it's our worst market, but it's been a fantastic lemon market.

"This year that venture definitely worked for us – we'll see whether in another year, another season, when South African supply is back to normal but it also allowed us to put processes and procedures in place, to make sure the South African people and the Russian people understand one another in the different offices."

Overall, de Waal is very upbeat for the future.

"We are in a fantastic phase here in South Africa. We are a very well positioned organization – we've got wonderful new varieties coming on and we have a fantastic grower base and great customers.

"At this stage we're very happy with interest. For us the challenge is to stay ahead of the pack and to be able to compete with the best of the world, and we think we're taking the right steps to do that."

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