

Are high lemon prices a thing of the past?

At the moment the Middle East market has volumes of Spanish and Turkish lemons and the new South African crop is not reaching the prices it has seen in previous years.

"The market is just not prepared to pay the high prices for South African lemons any more," explains a Middle East trader based in South Africa.

"Saying that, customers are now buying volumes at 17 dollars a carton FOB, more than 200 Rand, which is a very good price, but not very high compared to some other markets." There is a real fear that the market price will fall lower.

Currently selling in Dubai between Dhs 70-75/15kg carton.



The trader goes on to say that everyone is aware that there is going to be more than a million cartons of lemons out of South Africa this year, and 50% of these will go to the Middle East.

"Customers are concerned that they won't be able to sell lemons at the kind of premium (price) of previous years. Sales in the Middle East markets have been very slow in January, February and March and fruit is selling very slowly, this applies to all fruits.

There is less money available with the spending public, the majority of the population in the Middle East are workers and they have less money to spend. Inflation is on the rise and government employees are no longer subsidised; petrol prices have also risen.

Banks are no longer lending money. Major construction has all but stopped.

The person in the street has less money to spend and, bottom-line, this affects the purchasing power for fresh fruits.

"The price we are seeing now is what the price of lemons should have been a long time ago and I think the lemon volumes coming to the Middle East this year can be sustained at a decent price. It should be around the 14-16 dollars FOB per 15kg carton level.

"The prices should stay around that level and we'll see what happens then. We will stay supplying the same customers and give them what they want."

The trader reckons the same volumes of South African lemons will still go to the Middle East but they will get a lower price, "The growers are making phenomenal money on lemons and you can get a good tonnage per hectare and it is easy to make a profit even at much lower prices."

"There are still a lot of people planting new lemon trees in South Africa and, in 5 years time, the crop will go to over 30 million cartons; though some say it will eventually reach 50 million. People have planted all these lemons based on the high prices and, now that reality has hit, some of them will struggle."

What is going on is the 'onion farmer mentality' where everyone plants when prices are high, but unlike onions, fruit takes a few years to reach full production and by the time most of it does the prices have crashed so you are left with huge volumes and a market with low prices.

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