

Costs continue to increase in South Africa

By [Fred Meintjes](#) | 17 August 2022

News that the prices of container board products will rise is another blow for the country's fruit export industries

South African fruit growers and exporters, like their counterparts in other regions around the world, are facing huge obstacles to survive in a fresh produce exporting world that has changed significantly since the arrival of Covid-19, as well as other events that have affected normal business.

Now it is clear that there will be another significant cost that they will have to factor into their planning for the new season, which is due to start in a few months.

The advisory to customers that SAPPI, South Africa's supplier of material for the manufacture of cartons, will increase the cost of container board products by between 20-22 per cent comes as a hammer blow to growers already reeling from the impact of increased freight rates, input costs and the ongoing EU citrus situation.

This is the view of Justin Chadwick, chief executive of the Citrus Growers' Association (CGA) in South Africa.

"It is often said that the product pays – but what happens when the product cannot pay?" said Chadwick. "Along the supply chain input suppliers and service providers are price takers – they estimate their costs and then add on their required margin which is then presented to the customer to pay.

"With all costs in the chain increasing at double digit amounts, the announcement by SAPPI is seen as opportunistic; most agricultural sectors have indicated that they simply cannot afford such a price increase," he explained.

While this may be affecting Chadwick's constituency directly, it is a problem for all South Africa's export industries.

Fresh fruit exports represent 35 per cent of South Africa's agricultural exports, with a value of R48.3bn or around US\$3.3bn.

EUROFRUIT port of 3.2m tonnes of fruit to 100 countries, according to FPEF, the country's Fresh Produce Exporters' Association.

It is hard to establish exactly how many cartons are used each year to send South Africa's fresh produce to both export and local markets, but it is fair to assume that it is probably between 500m and 750m cartons.

That paints a picture of the serious nature of the increases for the fresh produce industry.

Chadwick said that when growers could not earn enough money for their product to cover the increases they had to dig into their reserves, if they could, or they borrowed to cover the cost. If they could not they would simply go out of business.

"It is time for those along the supply chain to rethink their view on returns in 2022 and beyond; otherwise, they may not have customers in the years to come," said Chadwick.

These views were echoed by leading growers in other industries.

Chadwick noted that South Africa's citrus exporters were now in survival mode. "Input suppliers and service providers should assist them in this survival – in that way they will secure their own sustainability."

He pointed out that the carton supplier was a good partner to the citrus industry, as a lead sponsor of the Citrus Symposium, and in the testing of cartons.

"SAPPI have defined their commitment and support to the citrus industry – now is the time to sharpen pencils and ensure that the citrus industry continues from strength to strength."

The other fruit export categories are reeling from a wide range of cost increases affecting the delivery of their products to the world's markets.

Around the world fruit growers and exporters have the same problems, with growers in Europe now also having to contend with droughts and changing weather patterns, recognised as the effect of global warming, which will affect their long-term sustainability and ability to supply their consumers the same way as in the past.

The cost burden is an additional factor in the world of fresh produce production that will affect growers everywhere.