

COMPANIES

Squeeze is on SA lemon juice exporters after US sees possible dumping

Early indication is that imports of lemon juice from SA and Brazil harm the US industry materially

15 FEBRUARY 2022 - 11:15

UPDATED 15 FEBRUARY 2022 - 23:03

by MICHELLE GUMEDE



Investigators at the US trade watchdog have found a “reasonable indication” that imported SA lemon juice materially harms the industry in the US, the body said, opting to deepen anti-dumping investigations.

If dumping is found in the US and duties are imposed, it puts the lucrative export under threat as the excess SA volumes will be forced to move to smaller markets, further suppressing prices and increasing the probability of anti-dumping actions in those markets.

Key markets for SA citrus include China, India, the Philippines, Japan, Vietnam and the EU. But the US is the biggest aggregate market: R165m worth was exported from SA to the US in 2021, up 61% from R102m in 2018.

The initial investigation by the US International Trade Commission (USITC) kicked off in December after citrus juice giant Ventura Coastal, one of only two US producers of lemon juice, alleged unfair competition.

It called on the authorities to impose anti-dumping duties, or protectionist tariffs, on imports of the product from SA and Brazil.

After an exhaustive hearing in January and numerous consultations on prices of individual suppliers and stakeholders, specialist investigators in a variety of fields, including commission head Jason Kearns, voted last week in the preliminary phase to go ahead with an anti-dumping investigation.

“As a result of the commission’s affirmative determinations, the US department of commerce will continue its investigations of imports of lemon juice from Brazil and SA,” the commission said in a statement.

It said the department of commerce will continue investigations of imports over the next few months to determine if there is dumping and, if so, to what extent. If required, they will then consider protective measures.

“Our first reaction is obviously disappointment,” said the SA Fruit Juice Association’s Rudi Richards. He said details of what informed the preliminary affirmative determination are still scanty.

The association, which represents processing and packaging companies for fruit juice concentrate, pulps and purées that operate in both local and export markets, has until the end of March to respond to the second set of intensive questionnaires from the USITC, unpacking sales, costs and the pricing of its products.

“We could come out clean in this process and there will be either none or minimal duties,” said Richards. The industry group has not formally considered the worst-case scenario or implications at this early stage.

“The other possibility is that they would put in fairly high duties,” he said.

And in such a scenario, “we may have to look to redirecting our exports to other markets. But we are not even going to work on that

yet as we are too early in the process”, Richards said, emphasising that there is “hard work” ahead.

Lemon juice is typically extracted from fresh lemons that are not suitable for fresh markets, but it may also be produced from fresh lemons diverted from markets that have too much of the fruit. The US investigation covers lemon juice in all its forms, including the concentrated variety.

Citrus exports have been a green shoot for local growers in recent years. The Citrus Growers Association of Southern Africa, another industry group, estimated that the sector would export an unprecedented 158.7-million cartons in 2021. It highlighted that medium-term crop estimates indicate the citrus industry is expected to keep increasing its exports by another 300,000 tonnes over the next three years.

The California-based petitioner complains that SA producers have sold their lemon juice in the US at prices below market value, resulting in a dumping margin of 128.61%. It has lodged a similar complaint against Brazil, claiming its dumping margin is 555.22%. The US has previously imposed tariffs on imports of lemon juice from Argentina and Mexico.

Preliminary anti-dumping duty determinations are expected in early June.

gumedemi@businesslive.co.za