

■ OPINION

JUSTIN CHADWICK: Urgent action required to keep telling a citrus good news story

Government needs to work in partnership with industry to optimise, secure and retain market access opportunities

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Picture: SUPPLIED

Is the glass half empty or half-full? This proverbial phrase is often used rhetorically to help us understand that any given situation or set of circumstances can be interpreted through either an optimistic or a pessimistic worldview.

When it comes to the citrus industry in Southern Africa, there is much to be optimistic about when looking at the future growth trajectory. However, at the same time this growth presents a major existential threat to the future profitability and sustainability of growers, due to a confluence of challenges facing the industry.

Over the past few years the sector has achieved remarkable growth, which has positioned the local industry as a major economic contributor, sustaining close to 140,000 jobs and generating R30bn in revenue last year alone.

This astounding success is the result of significant levels of investment made by local growers into research and quality assurance programmes, totalling R150m a year, to ensure exported fruit is of the highest quality. The sector has also prioritised inclusive growth, with a focus on the development of black citrus growers.

Citrus Growers Association (CGA) of Southern Africa members invest R50m annually towards the transformation of the sector, and as a result, there has been a steady growth in the percentage of citrus under cultivation and exported by black growers in SA.

The innovation, quality and resilience of our citrus industry is heralded throughout the world. However, it now requires help to survive and thrive due to it facing a perfect storm of challenges, including increased production levels with less market access to sell the fruit that is grown, a surge in farming input prices, decaying public infrastructure, erratic electricity supply, astronomical shipping costs and a devastating decline in real export prices.

While the predicted export figures for 2022 (166-million cartons) still reflect positive growth, the challenges the industry faces may threaten to collapse the sustainability of the sector, the jobs it sustains and the export revenue it generates.

Southern African citrus is exported to a number of overseas markets, but numerous blockages are restricting wider access to absorb the increased production of fruit. Key markets that offer major potential for expansion but where barriers exist include the US, India, Vietnam, Japan and Thailand. In most instances these obstacles can be resolved at a diplomatic level with governmental representatives from trading countries.

Another major threat is the protectionist phytosanitary measures enforced by the EU when it comes to citrus black spot and false codling moth. In particular, the new, discriminatory false codling moth regulations passed in June that will require mandatory cold treatment of SA oranges entering EU markets. This despite our world-class and highly effective risk management system, which prevents the establishment and spread of both citrus black spot and false codling moth.

There have also been exorbitant price hikes across a number of inputs, with fertiliser prices increasing just more than 56% from 2020

to 2021, due to tight supplies, rising raw material costs, increased demand, logistics constraints and high freight rates. Of greatest concern though are soaring freight costs, which increased 128% between the first quarters of 2020 and 2022.

These difficulties have been compounded by the country's collapsing power system, affecting growers' ability to irrigate, harvest and pack citrus; inhibiting cold stores' ability to store fruit and the ports' ability to process and ship citrus to overseas markets.

These challenges mean local growers are already faced with the real prospect of significant earnings losses in 2022. Experienced industry commentators are of the view that less than 20% of citrus growers are likely to achieve above break-even returns at the end of the current season.

At the same time, the latest forecast predicts that exports will continue to grow by 10-million cartons per year (on average) for the next decade, hitting 200-million tonnes due to be shipped overseas in the next five years. This means the industry could sustain a further 100,000 jobs and generate an additional R20bn in annual revenue for our country.

But these economic wins will be lost if we don't turn the current situation around. Thankfully, there are steps the industry can take in partnership with the government and other stakeholders to address many of these challenges. At the farm level growers are making their businesses more resilient by reducing the amount of citrus produced by removing older orchards, erecting netting over orchards to improve pack-out percentages, reducing production yields while increasing fruit sizes that are favoured for exports and increasing yields to reduce the unit cost of production.

At an industry level, more than R1bn will be invested in the next five years into research and innovation, to continuously improve efficiency of production and ensure the long-term competitiveness of our citrus in overseas markets.

The CGA is also investigating the feasibility of collaborating with other fruit sectors to take control of their shipping, to guarantee some price stability and better service in future. This research should be completed by the end of the month.

At a government level it is critical that improving the operations at SA ports remains a top priority, including speedily resolving the Transnet strike. Funding also needs to be allocated to upgrade and repair port infrastructure, while the process to bring in public-private partnerships into Durban and Ngqura ports needs to be concluded as soon as possible.

However, most importantly, we need the government to work in partnership with our industry to optimise, secure and retain as many market access opportunities as possible, so we avoid an oversupply of local citrus in overseas markets and a drop in fruit prices.

Key markets that offer major potential for expanded access and require particular attention ahead of the 2023 season are the US, India, China, Japan, Vietnam and the Philippines.

This is the only way the predicted growth of the industry can be viewed through the glass-half-full prism so it remains a major agricultural exporter and employer in years to come.

• *Chadwick is CEO of the Citrus Growers Association of Southern Africa.*

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