COMPARING SOUTH AFRICAN AND EGYPTIAN CITRUS

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Egypt is one of the largest producers and exporters of oranges globally. Egyptian citrus is also becoming more important on European markets. About 65 per cent of citrus and approximately 30 per cent of total fruit production in Egypt consists of oranges. Oranges make up about 95 percent of their citrus exports.

The Egyptian citrus production flourishes especially in the Nile delta, where water and fertile grounds are available. In addition to the delta, there is a large concentration of citrus production in the recent land reclamation areas, which are mostly located on the western side of the delta. Modern, large-scale farms produce here solely for export. The combination of a suitable climate and low labour costs makes Egypt a competitive exporter.

Several types of oranges are grown in Egypt. Valencia and navel oranges are the main export varieties, while the other varieties are mostly consumed locally.

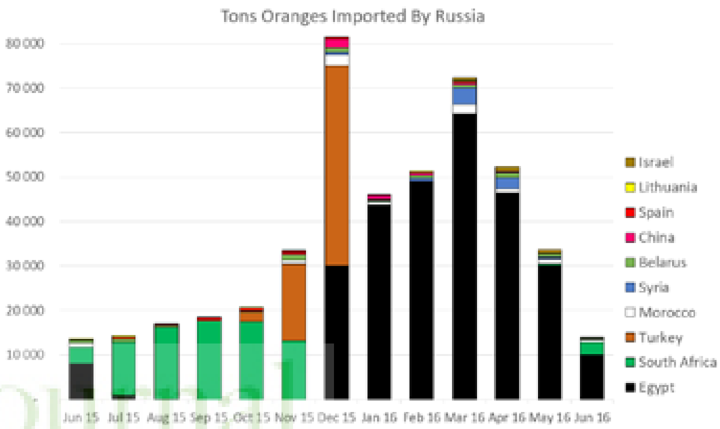
With its 94.8 million people Egypt is the 14th largest country in the world by population. It is the 30th largest country by area with 1 million square kilometres whilst with 56.5 million people South Africa is the 25th most populous country in the world and the 25th largest country by area with 1.2 million square kilometres.

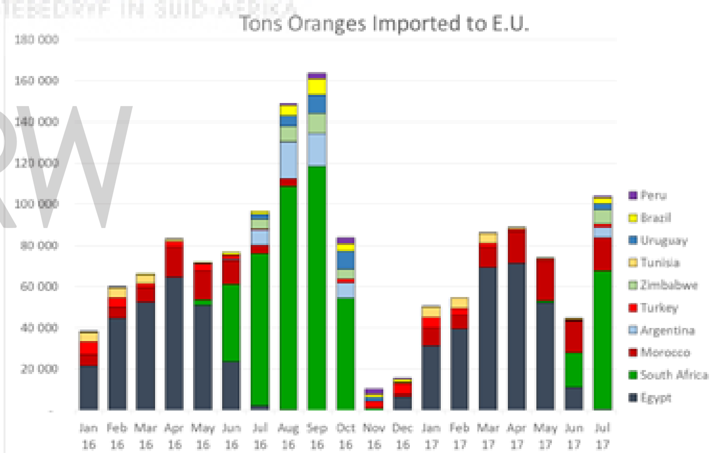
In terms of orange production and exports, Egypt has bigger total orange production at about 3 million tons whilst South Africa produces about 1.5 million tons. According to the United States Department of Agriculture (USDA), in 2016/17 Egypt was the sixth largest orange producer in the world. Depending on the source of information Egyptian orange exports are between 750 000 tons and 1.5 million tons whilst South Africa exports about 1.1 million tons.

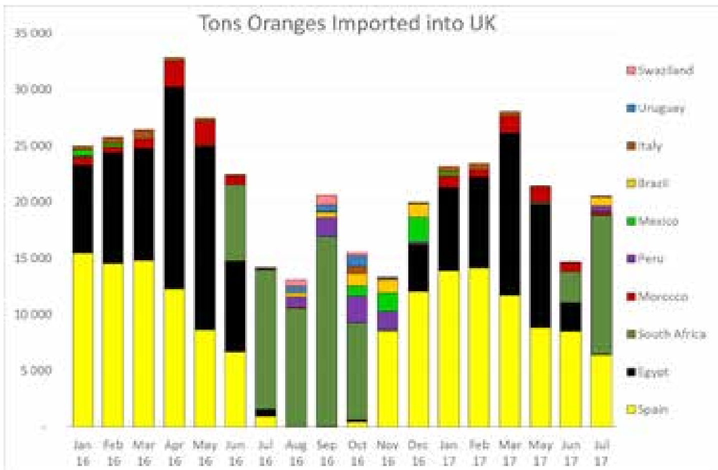
In both countries, citrus production is strongly weighted towards oranges; with oranges making up about 70% of the citrus production in each. However South Africa produces mainly Valencia type oranges whilst in Egypt, navel oranges are the predominant variety, representing 60 percent of all orange production.

The main distinction between the two countries with regard to citrus is that local consumption plays a much larger role in the Egyptian industry than that of South Africa. According to USDA data, around 46 percent of the orange production in Egypt is consumed fresh, 51 percent is exported and 3 percent is used for processing. South Africa on the other hand, exports upwards of 75 percent of its orange production.

Russia, Saudi Arabia, Netherlands, China, United Arab Emirates, Bangladesh, United Kingdom, Kuwait, Iraq and Ukraine are Egypt's top ten export destinations. Russia and Saudi Arabia absorb roughly







43 percent of Egypt's total orange exports. Spain, South Africa, Turkey and Morocco are Egypt's main competitors in the international marketplace.

In Russia, South Africa, Turkey, and Morocco are Egypt's main competitors but Egypt dominates with 217 988 tons exported in 2016/17 tons with Turkey exporting 96 397 tons, South Africa with 70 711 tons and Morocco at 13 353 tons. Turkey saw a 39 percent recovery after a ban imposed for downing a Russian jet in January 2016 was lifted in October 2016. However, the ongoing 2014 ban on the EU and USA in retaliation for economic sanctions imposed due to the crisis in Ukraine will be of benefit to Egyptian exporters.

South Africa is Egypt's main competitor in the Saudi Arabian market but Egypt leads with total 164 741 tons in 2016/17, versus South Africa's 79 599 tons.

Spain and South Africa are Egypt's main competitors in the Netherlands. South Africa's total exports of oranges in 2016/17 was 283,967 tons, followed by Spain with 140 647 tons and Egypt with 120 655 tons. Egypt has a competitive position on the European market where it competes against Spain with lower costs and consequently price.

In China; South Africa (106 284 tons), United States (70 852 tons) and Australia (44 069 tons) were Egypt's (99 930 tons) main competitors in 2016/17. Egypt sees an opportunity from China's challenges from the ravages of citrus greening disease as Egyptian oranges are available in the same period of Chinese local production.

In the United Arab Emirates, South Africa is Egypt's main competitor exporting 80 594 tons in 2016/17 versus 69 998 tons exported by Egypt.

Egypt's orange exports have increased significantly in certain markets in 2016/17. Exports to China increased by 204 percent to reach 99 930 tons and exports to Hong Kong increased by 123 percent to reach 44,228 tons.

Other growth markets include Iraq; 1314 percent to reach 30 252 tons; Turkey, 932 percent to reach 26 026 tons and Italy 222 percent to reach 19 205 tons.

Egypt's orange industry is growing. Since 2006 the area planted with oranges increased by 41 percent or 42 567 ha to reach 146 950 ha estimated in 2016/17. Orange production has increased significantly in the last ten years. Production increased by 64 percent or 1.170 million tons to reach 3 million tons in 2016/17 versus 1.830 million tons in 2006/07. The USDA forecasts the 2017/18 total planted area to oranges at 154 200 ha, a five percent increase from the previous year.

Efforts by the government and private sector in gaining access for Egyptian oranges in new markets, and the devaluation of the Egyptian pound have resulted in higher international demand for Egyptian oranges.

In October 2017, Egypt decided to take extra steps to improve the quality of fruits and vegetables from pesticide residues and diseases. Egypt's Agricultural Export Council and MALR announced plans to mandate that orange farms comply with a new food safety system. The USDA Foreign Agricultural service forecasts total exports to increase by five percent or 80 000 tons to reach 1.6 million tons in 2017/18.

Historically the two countries have not competed head to head to any great extent as Egypt's main markets are those in close proximity to it. Egyptian Navel oranges are exported from October to around March the following year, whilst their Valencia types run from January to July. Competition with South Africa has been limited because the South African Valencia harvest season is in the July-September period. However South African navels exports do overlap with Egyptian Valencia in June and July in some markets. The main potential for competition exists in some markets in the month of June with remaining stock affecting South African exports in July as can be seen in the charts below with data from Comtrade. The organic growth of Egypt's orange production together with their efforts to improve their export quality is resulting in increased competition for South Africa's oranges in 2018 and likely to continue in the years ahead.