CGA Grower Development Company

MARCH 2023

newsletter

ED'S NOTE

IN THIS ISSUE

The March newsletter comes at a time when many growers have begun harvesting and packing their fruit ahead of the 2023 citrus season kicking off in earnest from next month.

In the past, the start of the export season would be marked with positive predictions of major growth in exports across all varietals and good returns for growers. However, the past two years has put a major dent in this positive trajectory due a number of challenges, which has also made the cost of getting fruit to market commercially unviable for many growers.

Sky rocketing farming input costs, astronomical shipping price hikes and the ongoing decay of public infrastructure including the ongoing bouts of load shedding since the end of last year, has squeezed the profit margins of all citrus growers.

However, these challenges have been most acutely felt by black development growers who have been less able to absorb these price increases and invest in solutions to overcome the challenges they face. As a result many black growers currently face an uncertain future.

The CGA Citrus Grower Development Company (GDC) remains committed to working with government and other stakeholders to ensure black growers survive these tough times and continue to make a real contribution to the industry, the jobs it supports and the revenue it brings into the economy.

In this regard, this month's newsletter provides more detail on support that has been provided to nine black citrus growers in KwaZulu-Natal to ensure their businesses become sustainable as well as presentations made CGA-GCD's extension officers to black farmers in the Northern Regions on preventing fruit fly outbreaks in their orchards.

The CGA-GDC is also focused on growing its team, so it can better support black growers to turn their businesses into thriving enterprises that export fruit to key markets across the globe. We are therefore excited to welcome Mr Nkwane Cano Mphahlele to the team as the newly appointed Business Support Assistant for the South Region. You can read more about Nkwane below.

However, we also recognise that critical to the survival of many black growers this year is urgent support from government through the provision of basic services such as water and electricity, funding, technical support and market access. This was discussed at the CGA Citrus Summit held from 15th to 16th of March, with more detail on the event provided below.

With the entire CGA-GDC team believing in the ethos "Leadership is service, not position", we are committed to doing all we can do provide assistance to black growers during the upcoming export season. This will include engaging with government at a local, provincial and national level to ensure that lifelines are provided to as many growers as possible, so their businesses remain viable. We will continue to keep black growers updated through this newsletter and our face to face engagements in the coming year.

Lukhanyo Nkombisa
General Manager of the CGA Grower Development Company

MESSAGE FROM THE CGA CEO

Ahead of the Southern African 2023 citrus export season kicking off next month, citrus growing varietal focus groups presented their predicted export volumes for the upcoming season at the Citrus Marketing Forum held last week.

The 2023 export season comes after an extremely tough year for growers, which resulted in 5.7 million cartons less cartons being packed for export in 2022 (164.8 million cartons in total), than what was predicted at the start of the season as well as only 1 in 5 growers making a positive return.

Many of the challenges faced by growers last season are expected to persist in 2023, with some even worsening, such as increased bouts of load shedding, ever-growing input costs and the new European Union False Coddling Moth regulations on oranges being enforced.

As a result, the estimates predictions for a number of varietals show only moderate growth or a decrease when compared to 2022. For example, current predictions show a 2.5 million decrease in (15kg) cartons of navels that will be shipped during the coming season, with 25.3 million cartons expected to be exported in total. Furthermore, an estimated 12.7 million (17kg) cartons of grapefruit is predicted to be exported, which is a 2.1 million decrease when compared to 2022.

Valencia exports will also only see moderate growth with 53.8 million cartons predicted to be exported, a 700 000 increase when compared to last year. However, feedback from some markets have revealed a decrease in consumption levels of citrus in some countries, which could impact the final amount shipped.

On a positive note, 37.3 million (15kg) cartons of lemons will be exported to key markets, which is an increase of 2.6 million cartons when compared to 2022 and is a result of younger trees coming into production across a number of regions.

It is clear that the sustainability of our industry, which sustains 140 000 jobs and brings in R30 billion is ta risk despite current forecasts predicting that exports could potentially continue to grow by 10 million cartons per year (on average) for the next decade, hitting 220 million tons being shipped overseas in the next 5 years and up to 260 million in the next ten years.

In order for growers to survive over the short and long-term, the CGA needs to work with government and value chain stakeholders to overcome the challenges mentioned above and, most importantly, to optimise, secure and retain as many market access opportunities as possible. This includes working through the CGA-GDC and with other role players to ensure the continued inclusive growth of the sector and ensuring that black growers are provided the support they need to remain productive and profitable during these tough times.

BLACK CITRUS GROWERS' SIGNIFICANT CONTRIBUTION IN KZN

By Zamazima Njili

Within the current challenging environment, the Citrus Growers' Association Grower Development Company's (CGA-GDC) continues to support black citrus growers. Nine growers in KwaZulu-Natal (KZN), grouped into KZN Midlands and Nkwaleni Valley, are amongst the recipients of this much needed support.

The four growers in Nkwaleni Valley are situated in Nkwaleni and Melmoth and the five in KZN Midlands are situated in Estcourt, Greytown and Ixopo. They have mainly planted orange and grapefruit varieties, owing to climatic conditions and soil texture. Ecouragingly, three of these growers are currently exporting their fruit to overseas markets such as the EU, China, South Korea, Thailand and the Philippines.

The CGA-GDC has provided support these growers in the form of study groups focused on teaching overall orchard management to those with limited experience in citrus production. Focus areas include canopy management, irrigation management, sanitation, soil management and plant nutrition, scouting, pest and diseases management; business management, technical and production support to ensure further development. The ultimate goal is to transform these black citrus farms into sustainable enterprises.

The South African citrus industry takes pride in being the second largest citrus exporter in the world, owing to exceptional quality produce and the volumes that citrus growers produce. The CGA reported a total of 7 706.5 ha under citrus production in 2022. As the fifth largest citrus producing province out of eight producing provinces in the country, KZN growers contribute 2 440 ha to this number, which includes 706.5 ha farmed by black citrus growers. This impressive contribution is due to the persistence and determination show by black growers in recent years to transform their agribusinesses into profitable commercial farms.

In this regard, growers in this province are focused on improving their production, regardless of the difficult circumstances of past seasons, like droughts, floods, riots, local protests, the cyber-attack on Transnet and the strike that disrupted farm and packhouse operations, and logistics of perishable produce and export quality levels. Their goal for the 2023/24 season is once again to achieve production of outstanding quality with soaring volumes of citrus fruit.

Nkwaleni and Melmoth farmers and DALRRD (Department of Agriculture, Land Reform and Rural Development) extension office.

CGA GROWER DEVELOPMENT COMPANY HOLDS NORTHERN REGION VHEMBE CITRUS STUDY GROUP

By Melton Mulaudzi

As part of its support and assistance for black growers, the CGA-GDC's Northern Region's extension officer recently presented a study on fruit flies during a presentation for local farmers and their district extension officers to become aware of the severity and impact of critical pests on citrus - specifically focusing on this quarter of the season.

The Mediterranean fruit fly (medfly) and Natal fruit fly both pose a serious threat to fruit crops including citrus in Southern Africa, with both species being considered phytosanitary pests to the EU market. If there is not an immediate and significant improvement in fruit fly control at farm level, this situation will have a serious transmission effect on the marketing of navels and later varieties, causing subsequent loss of income to South African citrus growers.

The following key elements were stressed during the presentation:

1. It is essential that activity of local fruit fly pests be monitored from late summer to autumn. This must be initiated before colour-break in each orchard, meaning more than two months prior to the projected harvest date. It is highly recommended to have both Capilure and Questlure baited traps in a fruit fly monitoring programme since thresholds have been developed for these two lures - and the lures are also specific to Medfly and Natal fly, with trap thresholds being adhered to. For Medfly, the threshold in a Capilure-baited trap is four flies per week. For Natal fly, the threshold in a Capilure baited trap is two flies per week.

2. Baiting must be conducted weekly (unless M3s are being used), even if trap counts are zero. If weekly bait sprays or M3 fruit fly bait stations are not sufficient to drop flies below the thresholds, then control actions must be increased. In farms where only bait sprays are applied, sprays may have to be conducted twice weekly if trap thresholds are exceeded. In farms where only M3 fruit fly bait stations are applied, additional GF-120 bait sprays might be required to bring the fly population down if trap thresholds are exceeded. This is a standard recommendation and is not indicative of product failure. It is something which will normally only be necessary in seasons where pressure is abnormally high. Aerial bait sprays (using mixtures of Malathion and HymLure or LokLure, or alternatively GF-120) are very effective in bringing high fruit fly population down. For most markets, mixtures with malathion should not be used during the last 4 weeks before harvest.

3. In order for fruit fly control products to be effective, they must be applied correctly.

4. Fruit fly baiting must always be combined with good orchard sanitation and proper management of other insect pests, such as FCM, which also damages mature fruit. This is why it is imperative that fruit must be covered with a layer of soil as a means to avoid creating breeding ground for pests.

Local farmers and district extension officers in the Northern Region attended the Vhembe Citrus Summit Group

CGA GROWER DEVELOPMENT COMPANY WELCOMES NEW SOUTH REGION BUSINESS SUPPORT ASSISTANT, MR NKWANE CANO MPHAHLELE

By Yolanda Ntlakaza

The CGA-GDC is excited to welcome Mr Nkwane Cano Mphahlele to the team as the newly appointed Business Support Assistant for the South Region, which covers all the Cape provinces and KwaZulu Natal.

Born in Polokwane, Limpopo, Nkwane holds a BSc in Agricultural Economics from the University of Limpopo. Commenting on the reason for his interest in agriculture as a career path, Nkwane said: "Agriculture has been a significant part of my life as I grew up on a mixed farm operation. My experiences on the farm are valuable because I had the opportunity to discover what agriculture was about first-hand. I had the opportunity to learn about agriculture from the most important people in my life, my family. I believe that my home roots play an important role in my passion to become more involved in the agriculture industry."

The role of a business support assistant for the CGA-GDC is to ensure that all enablers are in place for a farm to be run as a business. These include ensuring that business plans are in place and that farms are assisted in accessing available funding and financing opportunities.

The CGA-GDC has various support mechanisms that are implemented though various projects, which includes encouraging participation by the business support assistant in supporting the farmers across the project cycle management in the region. This also includes coordinating the processing of agreements in connection with funding opportunities and ensure timely follow-up in terms of submission of reports.

Furthermore, it also requires managing, maintaining and retaining existing relationships with stakeholders including representing the company different structures.

As a young person himself, Nkwane will also advocate for more youth participation in farming and growing, as it is a significant job creator in the agricultural sector. Nkwane emphasized the the importance of youth participation by commenting: "I believe that the youth should be encouraged to participate in agriculture with the right support and that, despite their scepticism, many do consider it an accessible livelihood important to a nation's development. I see the youth as agents of change as they can be able to introduce new innovations in the sector. Technology is pivotal to this transformation as it can help agriculture by improving both how it is perceived and its productivity. Technology can be used as a tool to leapfrog the mission to end hunger and poverty while caring for the earth.

Young people, supported to innovate and overcome barriers, have the potential to repair food systems; reduce hunger and unemployment; and secure a sustainable, promising future for communities around the world. Key to this is the provision of financial support, training and enabling the integration of technology to unlock opportunities."

CGA-GDC welcomes new South Region Business Support Assistant, Mr Nkwane Cano Mphahlele

CGA CEO Justin Chadwick at the CGA Citrus Summit

CGA

CITRUS SUMMIT FOCUSES ON KEY ISSUES IN INDUSTRY AND OPPORTUNITIES FOR FURTHER GROWTH

The CGA Citrus Summit took place in Gqeberha from the 15th to the 16th of March. Usually held every second year, this year's event was the first Summit held since 2019 due to the Covid-19 pandemic. The gathering, held in partnership with Standard Bank, saw over 500 delegates attend including growers, government representatives and other stakeholders from across the citrus value chain.

With citrus exports expected to grow by 10 million (15kg) cartons per year for the next decade, hitting 260 million cartons by 2032, the event focused on what opportunities needed to be leveraged and challenges overcome to ensure this increased production could be shipped and absorbed by key export markets so that the industry remains profitable and sustainable over the short and long-term. Currently, the sector sustains 140 000 jobs and brings in R30 billion in export revenue annually. The industry could potentially sustain a further 100 000 jobs and generate an additional R20 billion in annual revenue should the ten-year 260 million carton projection be achieved.

Opening the Summit, Agriculture, Land Reform and Rural Development Minister Thoko Didiza acknowledged the many challenges faced by growers over the past year including load shedding and the new False Coddling Moth regulations passed by the European Union (EU), which threatens orange exports to the region. Referring to the quote "tough times never last, only tough people last," she reiterated government's commitment to supporting the industry through broadening its multilateral relations with Vietnam, Philippines, and Singapore to promote greater market access, while also working closely with the Load Shedding Response Task Team recently established by her department in order to come up with solutions to mitigate the impact of power outages on the agricultural sector.

A panel discussion on increased market access was also held, which highlighted that prioritised markets for expanded access over the next few years were the United States, European Union, Thailand, South Korea, India, Japan, Vietnam Philippines, and Thailand. However, the leading discussion topic was the impact of the EU FCM regulations during the upcoming season which could result in additional costs and loss of income of more than R500 million for growers this year.

Achieving greater transformation in the industry was another key focus area of the Summit with this panel discussion being led by Agbiz Chief Economist Wandile Sihlobo and including black growers from across South Africa. Wandile, highlighted the key advantage of agriculture over non-agriculture sectors when it comes to reducing poverty for the poorest individuals in society and extending to other critical welfare outcomes, including ensuring food security and the proper nutrition of citizens.

Speaking on specific challenges faced by black growers, Mme Louisa Maloka-Mogotsi, a grower in the North West, expressed her frustration with the lack of funding support provided by government and financial institutions. She said: "I belong in this country. I need this country to look after me. We want to farm, but we need financial assistance." Another grower from the Eastern Cape, Eric Nohamba, also added that the Agriculture and Agriprocessing Masterplan must be more than just paper – it must actually be implemented to support black growers.

The last area of focus on day one of the Summit was the importance of well-functioning South African ports and broader logistics, which pose a serious challenge to the ability of growers to get their fruit to global markets. CEO of Transnet Portia Derby shared the state entities vision to support industry growth, specifically focusing on the challenges of rail and operational challenges at ports. Critically, she confirmed that private sector participation in Durban and Gqeberha ports would be finalised in April 2023.

The final focus area of the Summit was sustainability and energy resilience in the context of the growing demand globally for citrus. Specific topics of discussion were on the European Green Deal, the South African energy outlook, as well as global changes in the citrus industry and areas for innovation.

Speaking on the CGA Citrus Summit and Vision260, CEO Justin Chadwick said: "Vision260, and the purpose of this summit is not only to develop a plan for future growth, but to also come together to create opportunities and more prospects for development of our inclusive growth plan, which will empower especially black growers."

Chadwick further concluded: "This forum had a fantastic turnout of growers and industry experts in citrus. The CGA remains committed to working with all role players to ensure the continued inclusive growth of the sector and, in turn, the creation of more jobs and revenue for the country."

LOCAL

CITRUS INDUSTRY FACES A TICKING TIME BOMB WITH THE UNJUSTIFIED, DISCRIMINATORY EU REGULATIONS AGAINST ORANGES EXPORTS TO THE REGION

Last year was an extremely challenging export season for South African citrus growers who were hit with a myriad of challenges all at once. Some of these could be foreseen such as the ongoing decay of public infrastructure such as roads, rail and port operations and an erratic electricity supply. Others could not, such as the Russian invasion of Ukraine which resulted in a surge in farming input prices and transport costs or shipping prices hitting record breaking highs.

Perhaps one of the biggest curve balls to hit growers, was the new False Coddling Moth (FCM) regulations passed by the European Union (EU) in the middle of the export season, which resulted in over R200 million in additional costs to the industry in order for citrus already shipped to be cleared at borders.

These new regulations require extensive changes to the current applicable phytosanitary (pest control) requirements, with all oranges shipped to the EU now needing to be precooled to below 2 degrees Celsius and then maintained for 20 days.

In order to comply, growers will have to use extremely costly, specialised and severely short-supplied container equipment which will also not be able to accommodate the huge volumes of fruit exported from South Africa to the EU. Compounding this problem even further is the impact of ongoing load shedding on the citrus value chain. While the CGA welcomes the decision by national government to exempt ports from power cuts under the current National State of Disaster, cold stores located outside of the port terminals will struggle to precool oranges below 2 degrees Celsius and maintain this temperature before the containers enter the ports and are shipped off to the EU.

A recent study conducted by the Bureau for Food and Agricultural Policy (BFAP) estimates that should these new regulations be enforced in the 2023 export season, additional costs and loss of income will amount to more than R500 million this year alone, while an investment in cold storage technology and capacity of nearly R1.4 billion will be required to enable full compliance.

This poses a major threat to the future sustainability and profitability of the industry and the 140 000 jobs it sustains, as well as the R30 billion in export revenue it brings in annually.

The new regulations also undermine South Africa's existing rigorous Risk Management System which has been highly effective in protecting European production from the threat of pest or disease, including FCM. This system ensures that 99.9% of oranges entering the EU are pest free (with only 2 FCM interceptions detected in the over 400 000 tons of oranges shipped to the region in 2022).

The CGA position remains that the new regulations are contrary to scientific evidence, making it an arbitrary, unjustified and unnecessarily trade restrictive measure and accordingly contravenes international requirements for such phytosanitary trade regulations.

It is clear that the new regulations have been driven by the Spanish citrus producers in order to block fruit from Southern Africa entering the region. However, statistics released by Freshfel, the European Fresh Product Association representing European fruit and vegetable sectors, reveals that South Africa does not compete with domestic European production.

In fact, from January to May (which is the peak production period for Spanish citrus producers) there are no South African oranges in the EU market. Rather Spain, Italy, Greece and Egypt are competing with each other with small volumes of oranges from Morocco, Tunisia and Turkey also being shipped to the region. South African orange volumes to the EU only pick up in July, supplying through to October, which is in fact the off season for European citrus producers.

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LOCAL

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The reality is that while consumers are often faced with many options in the fresh produce aisle, they can only buy what is available on the day. If oranges aren't available due to a gap in supply to the region, they will more than likely purchase an alternative fruit which creates a real risk that when oranges are available again, they stick with the alternative fruit because they had a good eating experience.

For this reason, one would think that the top two suppliers of citrus in the world, namely Spain and South Africa, who are also clearly not competitors, would work together to ensure consumers are able to choose excellent quality, safe, nutritious and healthy oranges all year round.

It is clear that the new regulations make no sense. The CGA therefore welcomed the action taken by the Department of Trade and Industry (DTIC) in July last year requesting consultations at the World Trade Organisation (WTO) level with the European Union (EU) over the new regulations. However, despite months of consultations between the South African government and its EU counterparts, with the matter even being raised at Ministerial and Presidential engagements, no progress has been made when it comes to agreeing on a new set of regulations that is mutually agreeable to both parties.

The clock is ticking and if the issue does not get resolved before the 2023 export kicks off at the beginning of April, growers could face hundreds of millions in losses putting the future sustainability of the entire industry at risk.

The CGA has therefore called on national government to draw a line in the sand by urgently requesting the establishment of a World Trade Organisation (WTO) Panel to adjudicate on the matter. We believe this is the only way in which the current stalemate will be resolved and citrus will continue to be exported to the EU during the coming year. It would be unconscionable if political agendas result in large gaps in the global supply chain; higher prices for European consumers and most devastatingly, job and revenue losses in the local industry.

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