



LOW CHILL FRUIT INDUSTRY.

BY

ANDREW HACKING

AD LUCEM AGRICULTURAL SERVICES CC

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LOW CHILL AUSTRALIA
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EXPORT EXPERIENCES – SOUTH AFRICAN LOW CHILL FRUIT.

Introduction

Traditionally South Africa's principal stone fruit export market has been the United Kingdom. In recent years, that has changed to the European Union. As the season progresses more fruit is diverted from these markets to alternative markets, in an effort to stabilise the market and effectively the price. However at the start of the season, for the low chill component, the market is principally in these two regions.

South Africa's fruit spends 14 days on the water getting to the principal markets. All things being equal, the fruit is picked, packed, cooled and shipped within one week, so is 3 weeks old by the time it arrives in the market place.

As is the case with all marketing, one does not want to be part of the main stream production. The "returns" on a weekly basis decline as the volumes increase, so the low chill has the marketing potential and edge to do well.

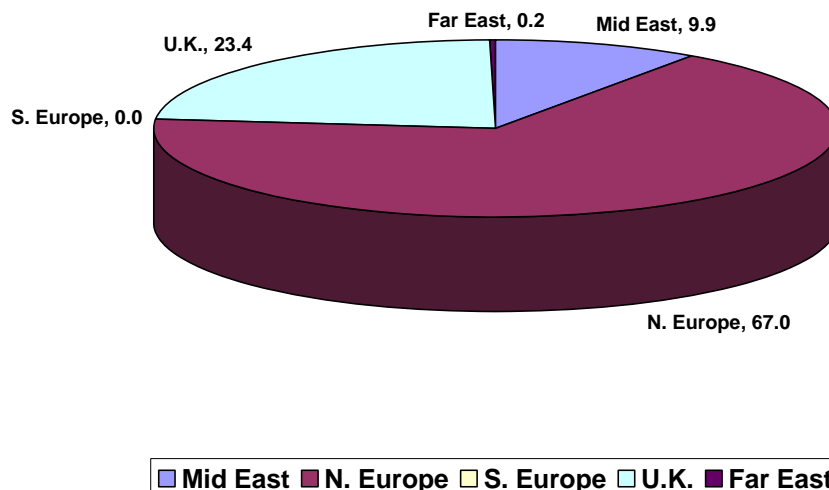
Market Share

For the purposes of this discussion, only the low chill component of the South African stone fruit crop will be used.

Apricots

Only about 5% of the total South African apricot crop is exported. The bulk of the crop is processed locally or dried. 58% of the total apricot exports fell into the low chill time frame this past season. The following chart shows the break down of the market sectors:

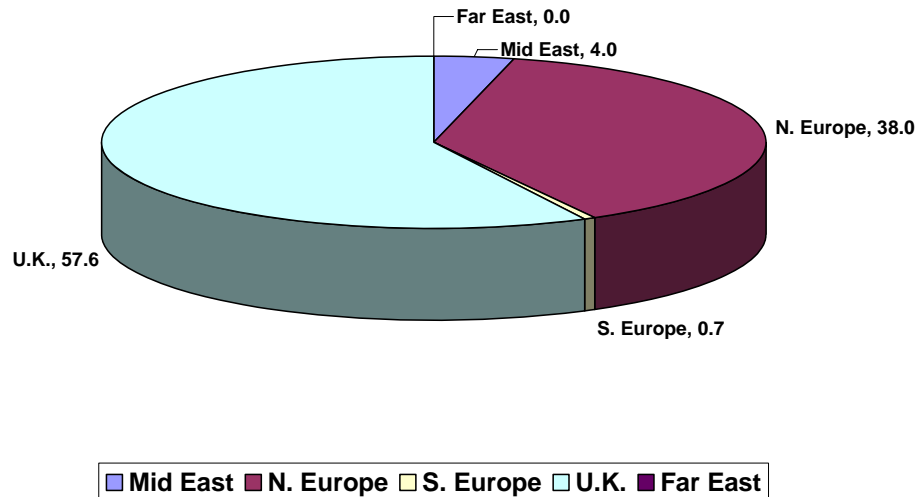
SOUTH AFRICAN LOW CHILL % APRICOT MARKET SHARE .



Plums

Approximately 2/3 of the South African plum crop is exported each year. This past season, the low chill plum market share made up only 9% of the total plum export crop. The following pie chart shows the main market share.

SOUTH AFRICAN LOW CHILL % PLUM MARKET SHARE

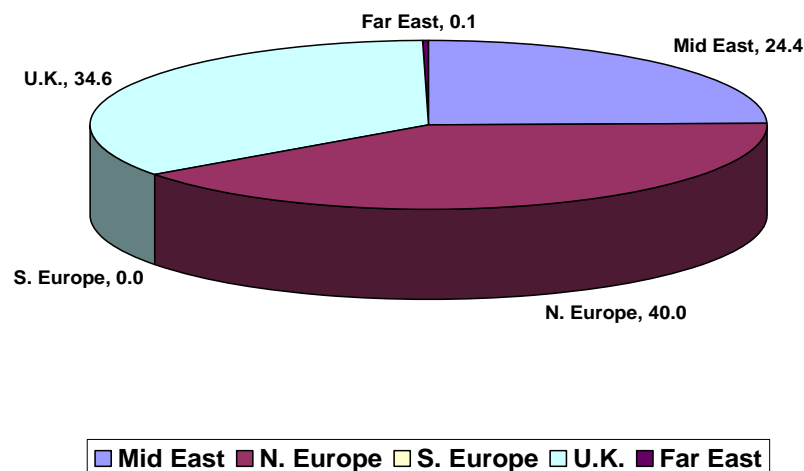


The U.K.'s low chill market share is almost double what it is for the entire season and Northern Europe's is also proportionately lower at this stage.

Peaches

Approximately 2% of the total peach crop is destined for export each season. Of the total peach exports, the low chill component makes up 70% of the peach exports. The following chart shows the associated market share, which is very much in line with the entire peach marketing season:

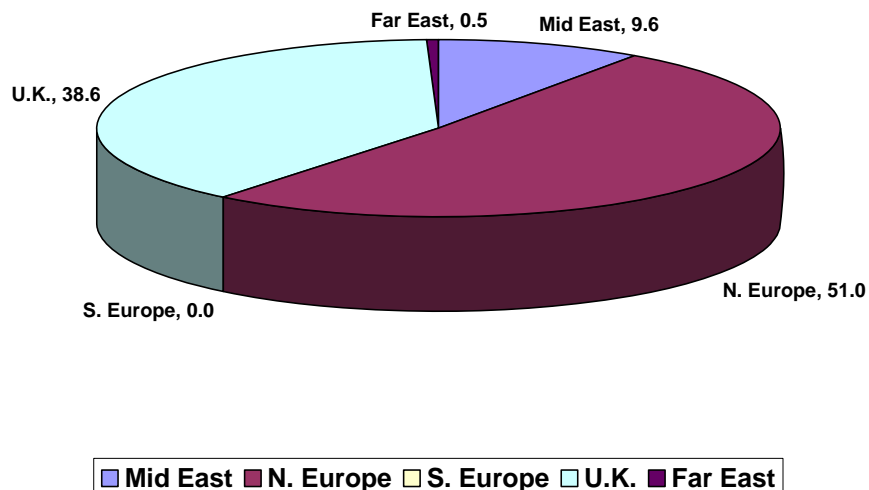
SOUTH AFRICAN LOW CHILL % PEACH MARKET SHARE.



Nectarines

Approximately 2/3 of the total nectarine crop is destined for export. A very much higher proportion of the crop is harvested before Christmas each year. The following pie chart shows the major low chill market share:

SOUTH AFRICAN LOW CHILL % NECTARINE MARKET SHARE.



These figures are also a fair representation of the total nectarine marketing status. Only 44% of the total exported nectarine crop falls into the low chill category at this stage.

Financial Status

The following average DIP (Delivered in Port) prices per carton have been returned to the growers this past season:

<u>Fruit Type</u>	<u>DIP R/Carton</u>	<u>DIP R/Ton</u>	<u>DIP A\$/Carton</u>	<u>DIP A\$/Ton</u>
Apricots	58.11	11 622	12.50	2632
Peaches	35.67	14 268	7.67	3068
Nectarines	41.15	16 460	8.85	3540
Plums	62.50	11 364	13.45	2445

A conversion exchange rate of R4.65 to A\$1.00 was used.

At the start of the marketing season, in the earlier weeks' sales, basically the apricots and plums achieve R10.00 (Aus\$2.00) per carton more than the average and the final weeks' sales return R10.00 (Aus\$2.00) per carton less than the average. The peach and nectarine returns vary by R5.00 (Aus\$1.00) per carton off the average, being R5.00 (Aus\$1.00) more than the average at the start and R5.00 (Aus\$1.00) less than the average at the end of the season. All of these figures equate to R2.00 (Aus\$ 0.40) per kilogram variation.

The following deductions from the South African gross selling price determine the net farm income per carton:

	<u>Plums</u>	<u>Peaches & Nectarines</u>	<u>Apricots</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Gross Price	100	100	100
Import Duty	5.0	11.0	10.5
Importers Commission	6.5	6.5	6.5
Overseas Handling	8.0	6.3	7.5
CIF	80.5	76.2	75.5
Insurance	0.8	0.6	0.7
Sea freight	11.9	12.0	12.0
FOB	67.8	63.6	62.8
Loading & Port costs	2.8	5.0	2.0
Exporter's Commission	4.1	3.8	4.1
D.I.P.	60.9	54.8	56.7
DFPT Levies	0.6	0.4	0.6
PPECB	0.4	0.4	0.3
Tpt to Port	1.3	1.0	1.2
Prod. & Pack Costs	55.6	42.2	41.6
Net Farm Income	3.0%	10.7%	13.0%

CIF (Cost, Insurance & Freight); FOB (Free on Board); DIP (Delivered in Port).

Royalties

The way these are levied, could have a very severe impact on the financial stability of the growers concerned. In South Africa at present, we have various ways in which the royalties are funded. They are either levied once off on a per tree basis at planting time, or per tree plus royalty on a carton basis (which is ongoing). We also have levies on a tree basis plus an amount per hectare per year (does not penalise good producers) and we have a format where royalties are collected on a per hectare basis for the first 4 years.

Conclusion

Looking at the net farm income figures from South Africa, it is obvious there is not a lot of room to move. Without the entrepreneurial farmer, there is no industry. My concern is what the payment of royalties is going to do to the net returns. Sure, we need the nurseryman to produce the winning cultivar to create the win/win situation. I would prefer to see the royalties linked to the premium a cultivar returns in the market **above** the average market price and not to the gross selling price.

Acknowledgements

1. Optimal Agricultural Business Systems (OABS)
2. Deciduous Fruit Producers' Trust (DFPT)
3. Perishable Products Export Control Board (PPECB)

Both verified and unverified sources have been used to compile this document.