

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **South Africa - Republic of**

### **Canned Deciduous Fruit Annual**

### **Canned Deciduous Fruit Annual**

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**Report Highlights:**

South Africa's canned peach and pear production will be down slightly at 89,200 MT for the January to December Marketing Year (MY) 2011 on a strengthening Rand that will push South Africa's exports of canned peaches and pears down two percent to 85,480 MT in MY 2011. Domestic consumption is expected to remain flat as consumer demand remains stable at current levels. Post recommends revisions in several areas of the Canned Deciduous Fruit Production, Supply, and Demand data series based on discussions with industry and a review of installed canning capacity.

### **Executive Summary:**

Post recommends revisions in several areas of the Canned Deciduous Fruit Production Supply and Demand (PSD) data series based on discussions with industry. The South African Deciduous Fruit Canning Industry states it does not maintain official stocks; however, we note that at the wholesale and retail level, there are carry over stocks. Typically inventories are cleared by the end of the marketing year. However, approximately one to two percent of production can carry over into the beginning of the next marketing year. Additionally, Post now utilizes official production data in the PSD. Post recommends zeroing stocks in virtually all years to reflect this new information from industry.

### **CANNED PEACH AND PEAR PRODUCTION DOWN ON STRONG RAND**

South Africa's canned peach and pear production will be down slightly at 89,200 MT for the January to December Marketing Year (MY) 2011 on a strengthening Rand that will push South Africa's exports of canned deciduous fruit down approximately two percent to 85,480 MT for both canned peaches and pears in MY 2011. Post revised the domestic consumption data beginning in MY 2010. The revised estimates are based on new statistical information from the South African canning industry on production and trade, and discussions with industry leaders. Industry reports domestic consumption of all canned fruit products (peach, pear, apricot, and mixtures) has been relatively flat in South Africa over the past ten years and averaged between 12 to 15 percent of production.

### **CHALLENGES AHEAD**

Challenges facing the South African canned fruit industry include a strong Rand, high tin-plate prices, and other increasing input costs such as electricity. Tin-plate prices, which constitute about 30 percent of canned fruit processing costs, increased as high as 55 percent in MY 2009 from the previous year.

### **CONSUMERS PREFER NON-METAL PACKAGING**

The trend towards convenient, user-friendly, non-metal packaging will continue due to increased demand from consumers. Plastic jars are perceived to be more environmentally and user friendly and offer more visual appeal to consumers.

### **PEACH PUREE PRODUCTION DOWN ON HIGH CARRY-IN STOCKS**

Post forecasts South African producers will reduce their production of peach puree to 9,000 MT given high stocks in South Africa and globally in MY 2011. Higher carry-in stocks will drive South African imports down to 400 MT in MY 2011. Post forecasts domestic consumption will reach 6,500 MT, which is roughly half of annual production in MY 2011. South Africa's exports of peach puree is expected to double to 3,500 (MT, net weight) on stronger regional demand to Mozambique and Zimbabwe in MY 2010. The pace of exports for MY 2010 was 2,900 MT as of July 2010, unchanged from the previous year.

### **Exchange Rate**

US\$1 = R6.97 (30 September 2010)

### **Conversion Factors**

Where total production is in expressed in cases (24 cans/ A2.5),

- 1MT net weight = 48.9911 cases
- Factor for converting the gross weight to net weight is 0.83
- Data are presented in metric tons (MT) net weight

**Commodities:**

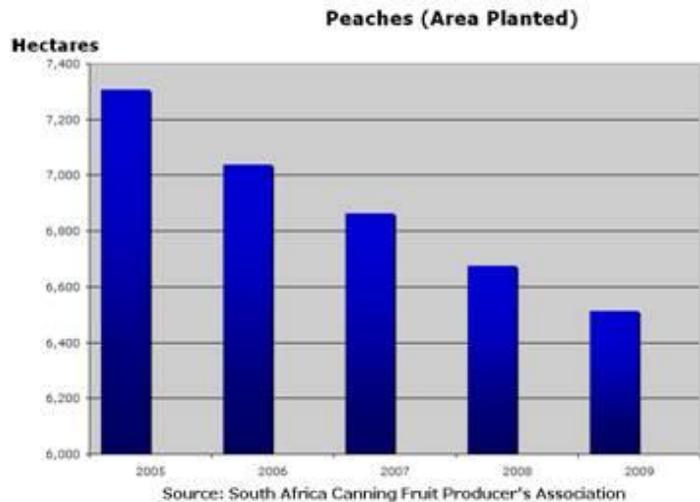
Canned Peaches; Canned Pears; Canned Apricots

**Production:**

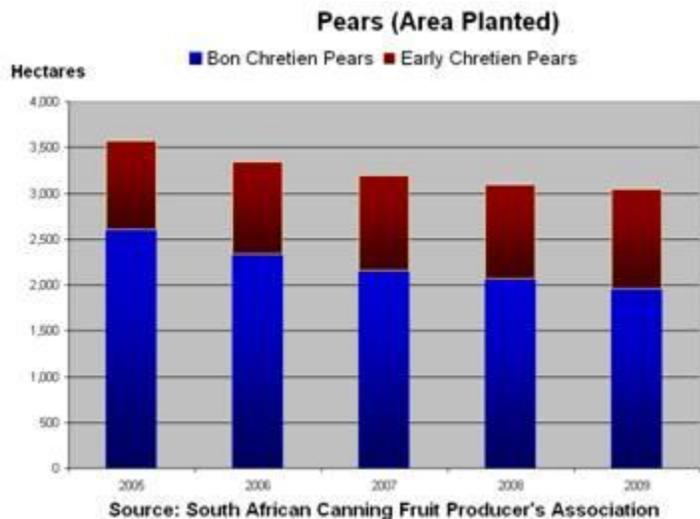
**Clingstone Peaches:** Post forecasts Clingstone peach deliveries for processing will remain flat at 99,500 MT in MY 2011. Peach deliveries MY 2010 reached 99,119 MT on static demand from canneries.

The area planted to Clingstone peaches declined 11 percent to 6,513 hectares during the period 2005 to 2009 as a result of high input costs such as fertilizer and other inputs. According to industry sources, about 350 hectares of the total production area must be replanted each year to replace older, less productive trees. Some modest investment has been made with the introduction of two new cultivars released to the industry in MY 2009: Cascade and Autumn Crunch. This new generation of canning peaches has higher yields and excellent canning and horticultural characteristics. However, these new plantings will not have matured in time to have an impact on MY 2011 deliveries for processing.

South African peaches are usually harvested between November and early January. Fruit size was reportedly smaller during MY 2010 harvest. Cold weather earlier in the year brought fruit size down to an average weight of 141 grams. Fruit fly damage was also higher than normal in all locations.



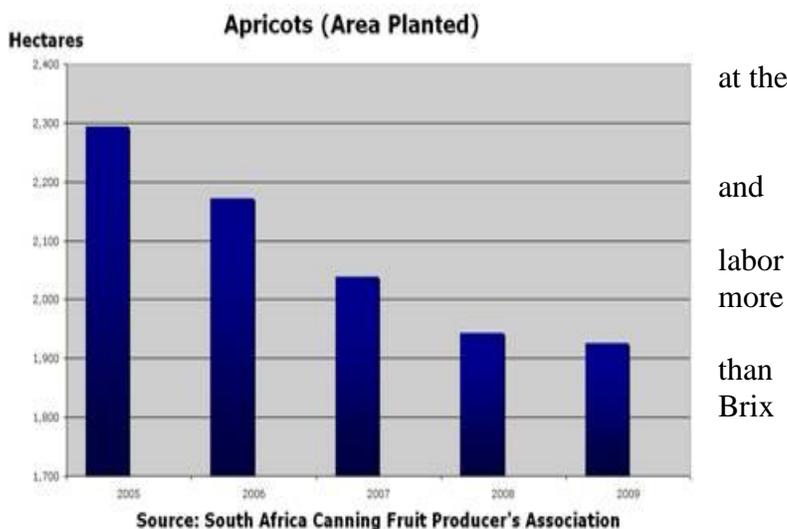
**Bon Chretien Pears:** Post forecasts that total deliveries of Bon Chretien Pears for processing will reach 53,000 MT, and production of canned pears will remain flat at 26,200 MT in MY 2011. Production of canned pears reached 26,188 MT in MY 2010.



The area planted to Bon Chretien pears has declined 25 percent to 1,951 hectares in MY 2009 as a result of high input costs such as fertilizer and planting material from the period 2005 to 2009. Industry sources indicate that the planting of Bon Chretien pears is shifting to Early Bon Chretien, which are mainly for the fresh produce market, as they expand sales opportunities for producers. South African pears are usually harvested around early to late January, but for MY 2010, the season started slightly later than normal but did not affect deliveries to canneries.

**Bulida Apricot:** Deliveries of Bulida apricots for processing are forecast at 37,000 MT in MY 2011, slightly higher than MY 2010. Bulida apricots delivered for processing reached 35,488 MT in MY 2010, and canned production is expected to remain flat at 26,100 MT based on static consumer demand. Total planted area for Bulida apricot declined 16 percent from 2005 to 2009. The high cost of planting material and fertilizer drove the cost of establishing new apricot orchards up from R68,301 in 2008 to R91,464 in 2009, according to the Deciduous Producers Fruit Trust. Industry sources report that approximately 100 hectares of land needs to be replanted each year to maintain current production levels.

For MY 2010, apricot harvesting began normal time during the last week of November. This year's fruit experienced a colder growing season was smaller in size, at an average of 36 grams. The small fruit size increased costs for picking the fruit, as there were apricots per tree due to reduced pruning. Although the fruit was smaller desired, canners were happy with the value, as it was relatively high.



**Consumption:**

Post revised domestic consumption data to reflect more accurate and complete statistics obtained from the South African canning industry on production, trade, and stocks. Industry reports domestic consumption of canned fruit across all commodities has been relatively flat in South Africa over the past ten years and averages between 12 to 15 percent of production. Domestic consumption for canned pears, apricots, and fruit cocktail is approximately 8,000 MT annually.

Post forecasts domestic consumption of canned peaches will decline 19 percent and canned pears will decline 32 percent in MY 2011. Retail prices for canned fruit have nearly doubled over the past two years and low-income consumers have responded by reducing consumption. Upper-middle to high income consumers are shifting toward more fresh fruit as they perceive the canned product to be less healthy and visually unappealing. The industry is considering options to promote the health benefits of canned fruit in the diet as a means of addressing this concern.

**Table 1: Retail Pricing for Canned Deciduous Fruit, 2008 – 2010**

Type of Fruit	South African Brands for Canned	Company Name	Pack Size	Price (Rands) Mar	Price (Rands) Jun	Price (Rands) Sep
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	<b>Deciduous</b>			<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Peaches</b>	Del Monte peach halves	Del Monte South Africa (Pty) Ltd	420 grams	6.29	7.59	11.49
	KOO peach halves	Tiger Brands Ltd	410 grams	7.99	7.99	10.99
	Rhodes peach slices	Rhodes Foods (Pty) Ltd	410 grams	-	6.99	6.59
	Weigh – Less peach halves	Weigh – Less	400 grams	8.99	9.19	11.99
<b>Pears</b>	Rhodes pear halves	Rhodes Food Group (Pty) Ltd		9.79		10.99
	Naturlite pear halves		410 grams	9.79	10.79	13.99
	No Name Pear	Pick 'n' Pay Retailers (Pty) Ltd	410 grams		14.99	11.99
<b>Apricot</b>	Weigh- Less apricot halves	Weigh- Less SA (Pty) Ltd	400 grams		11.95	11.99

### Trade:

Post trade data differs slightly from GTA data based on inconsistencies in data to certain markets and differences with the South African Revenue Service data. A strengthening Rand will push South Africa's exports of canned deciduous fruit down approximately two percent for both canned peaches and pears in MY 2011. Post forecasts South Africa will export 61,000 MT of canned peaches and 25,700 MT of canned pears in MY 2010. South Africa's largest traditional market is the EU, which imported 21,472 MT of canned peaches and pears in MY 2009. South Africa supplied approximately 11,464 MT of premium canned peaches and pears to Japan, its second largest market, in MY 2009.

A strong Rand will continue to affect South Africa's competitiveness in the global market through MY 2011. On 31 September 2010, the Rand reached its strongest point of the year, 6.9, vis-à-vis the U.S. dollar. The industry is concerned that while the exchange rate against the dollar is at the same level it was a decade ago, South Africa's inflation rate has been considerably higher than its trading partners. Further, higher input costs such as the increased cost of cans and electricity will drive up the cost of South Africa's products making it less competitive in the global market.

**Table 2: Export Matrix of Canned Peaches and Pears**

Peaches, Canned - HTS 200870

<b>Partner Country</b>	<b>Units</b>	<b>Time Period: Jan - Dec</b>	
		<b>2008</b>	<b>2009</b>
Japan	MT	8,663	8,818
Hong Kong	MT	9,300	7,289
Germany	MT	5,256	6,863
Netherlands	MT	4,754	4,862

U.K.	MT	4,131	4,330
Australia	MT	1,928	2,862
Russia	MT	3,158	2,649
Canada	MT	3,045	2,383
US	MT	705	1,615
Others not listed	MT	20,827	17,236
Grand Total	MT	61,767	58,907

Source: South African Revenue Service

Pears, Canned – HTS 200840

Partner Country	Units	Time Period: Jan - Dec	
		2008	2009
Germany	MT	6,638	4,999
United Kingdom	MT	5,823	3,812
Libya	MT	1,408	2,995
Japan	MT	2,517	2,644
Netherlands	MT	2,826	1,605
Russia	MT	1,323	1,400
US	MT	460	257
Others not listed	MT	9,574	9,369
Grand Total	MT	30,569	27,081

Source: South African Revenue Service

### Marketing:

South Africa's canned fruit industry's long-term strategy is to increase the consumption of canned fruit in the domestic and regional markets by presenting canned fruit as a healthy alternative to other prepackaged snack foods. The trend towards convenient, user-friendly, non-metal packaging will continue to attract consumers. Plastic jars are perceived to be environmentally and user friendly. Jars also enable the contents to be chilled more easily after opening and offer more visual appeal to consumers.

### Production, Supply and Demand Data Statistics:

Peaches, Canned Africa South	2008/2009			2009/2010			2010/2011			
	Market Year Begin: Aug 2008			Market Year Begin: Aug 2009			Market Year Begin: Aug 2010			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Deliv. To Processors	95,481	97,900	95,481	98,100		99,119			99,500	(MT)
Beginning Stocks	12,500	8,860	0	8,578		0			0	(MT, Net Weight)
Production	80,278	80,500	62,168	80,442		62,358			63,000	(MT, Net Weight)
Imports	300	300	106	300		130			100	(MT, Net Weight)
Total Supply	93,078	89,660	62,274	89,320		62,488			63,100	(MT, Net Weight)

Exports	65,500	65,500	60,727	70,100		61,000			60,200
Domestic Consumption	19,000	19,000	1,547	10,142		1,488			1,400
Ending Stocks	8,578	5,160	0	9,078		0			1,500
Total Distribution	93,078	89,660	62,274	89,320		64,598			63,100
TS=TD			0			0			0

(MT, Net Weight)  
(MT, Net Weight)  
(MT, Net Weight)  
(MT, Net Weight)  
(MT, Net Weight)

Pears, Canned South Africa	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Dec 2008			Market Year Begin: Dec 2009			Market Year Begin: Dec 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Deliv. To Processors	45,467	87,700	45,467	52,000		51,190			50,000
Beginning Stocks	12,960	8,862	4,960	10,928		0			0
Production	29,554	57,000	25,317	33,800		26,188			26,200
Imports	60	70	22	90		100			100
Total Supply	42,574	65,932	30,299	44,818		26,288			26,000
Exports	25,121	48,400	29,222	31,100		25,700			25,280
Domestic Consumption	6,525	14,500	1,077	3,790		588			720
Ending Stocks	10,928	3,032	0	9,928		0			0
Total Distribution	42,574	65,932	30,299	44,818		27,201			26,300
TS=TD			0			0			0

(MT)  
(MT, Net Weight)  
(MT, Net Weight)

**Peach Puree:** Unlike canned fruit production in South Africa, peach puree producers maintain stocks on an annual basis. Post forecasts South African producers will reduce their production of peach puree to 9,000 MT given high stocks in South Africa and globally in MY 2011. Higher carrying stocks will also drive South African imports down to 400 MT in MY 2011. Post forecasts domestic consumption will reach 6,500 MT, which is roughly half of annual production in MY 2011. South Africa's exports of peach puree are expected to double to reach 3,500 (MT, net weight) on stronger regional demand to Mozambique and Zimbabwe in MY 2010. The pace of puree exports for MY 2010 was 2,900 MT as of July 2010.

Peach Puree South Africa	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post

Deliv. To Processors	0		27,750			21,400			19,000	(MT)
Beginning Stocks	0		0			6,344			10,723	(MT, Net Weight)
Production	0		13,458			12,758			9,000	(MT, Net Weight)
Imports	0		1313			1,500			400	(MT, Net Weight)
Total Supply	0		14,771			20,602			20,123	(MT, Net Weight)
Exports	0		1,698			3,500			3500	(MT, Net Weight)
Domestic Consumption	0		6,729			6,379			6,500	(MT, Net Weight)
Ending Stocks	0		6,344			10,723			10,123	(MT, Net Weight)
Total Distribution	0		14,771			20,602			20,123	(MT, Net Weight)
TS=TD			0			0			0	

**Notes:**

- Industry export figures are used in the PSD tables and vary slightly from South African Revenue Service figures.
- Exports and imports for canned peach puree- HTS 200799 are less than 500 MT; therefore, the matrix is not listed as per reporting instructions.