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By Fred Meintjes

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Trade issues create challenges

Dealing with external trade factors will be great challenge for South African grape growers this season



With the new Southern African table grape season some three months away, there are clear indications that the so-called US trade wars are having an impact on normal trading patterns. This, and tough seasons over past two years, are causing major concern.

All things being equal, with better rains in the western part of the country, dams are fuller than last year. It is a cold winter and that generally results in better crops.

The South African table grape industry is in a rapid phase of growth and it has the potential to deliver a crop of around 70m cartons this season. If this happens, it will be around 10m cartons more than last year. Growers will need a good season to set them on an upward curve again.

Reality, however, tells us that the experiences of the past seasons will not simply go away because of a better crop. Cash-flow will be tight, and the

early-season UK and European markets are likely to have major implications for the industry.

The reason for this is that South Africa still markets around 76 per cent of its total export volume of table grapes in Europe and the UK.

Last season, exporters faced a scenario that they had no control over. The effect of Trump's trade wars with China, and other countries, left huge volumes of Californian grapes in US cold rooms at the end of their season. These grapes had to be sold locally and this removed any early season prospects for Peruvian grapes and other South American suppliers in the US.

These grapes mostly ended up in the UK and Europe, and the inevitable pressure on returns followed.

As we approach the new season, the question is what will happen this year. It is the kind of scenario from which no grape grower in Southern Africa and South America can benefit.

A further 10 per cent of trade tariffs has been announced by the Trump administration on Chinese goods. The Chinese are retaliating and this is likely to add to instability.

At this stage it is doubtful whether this season will offer better export prospects for Californian grape growers, and Peruvian growers may well decide to test the waters elsewhere again.

South African growers across the industry say they battled through last season, some more heavily than others. Those directly in the firing line were growers in the early regions, as well as those in Namibia.

So far, the South African export industry has stayed on the sidelines as far as the other threat is concerned, namely Brexit, which is now set for end of October. Deal or no-deal, as the new British prime-minister promised, Britain will leave the EU on 31 October. This will be at the start of the South African stonefruit and table

grape season, as well as the time the

Infrastructure across the country may not

This is not unique to the table grape sector

<http://www.fruitnet.com/americafruit/article/1474/parts-of-san-diego-quarantined-as-psyllid-count-mounts>

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country starts shipping its berries and cherries.

South Africans hope that there will be a deal, and that there will be a smooth transition which will not affect their shipments.

Across the industry there are few who, at this stage, clearly want to venture an opinion of what they will face if there is a no-deal exit. Those who do have an opinion, say that perhaps both Britain and the EU, specifically under pressure of the southern European countries who have huge trade with the UK, will realise that it is in everyone's interest to find a deal. In this respect they say they hope the 'Boris factor' surprises everyone.

Then, there are questions inside South Africa to answer.

be able to cope with the rapid increases in exports of a number of fruit categories in the medium term. A declining economy and political instability, with all the uncertainty it brings, does nothing to support a stable fruit export trade.

The fallout of last season is not behind us yet and will undoubtedly result in further developments as we move forward. Growing table grapes is a long-term business and decisions on what to plant, how much to plant and how to manage these investments over 15 to 20 years are taken with the best information and forecasting.

The question is how growers who perhaps over-committed themselves will deal with the situation.

– all the South African export categories have to deal with these scenarios.

While in terms of table grapes, Europe and the UK will remain very important for the success of the South African industry, it is reasonable to expect a much more aggressive move by the country into eastern markets this year. They look to bring more stability to their business and overcome the setbacks of the immediate past two seasons.

It is true to say that South African growers, and growers in other countries, will face uncertain times as long as political agendas continue to disrupt trade.