Scott Dowle - Cape Citrus

South African lemons do well, Navels will be back

With the increased popularity of lemons, the citrus industry in South Africa has put a lot of its efforts behind growing and promoting that product. That's in contrast to Navel oranges, which seem to be getting less attention from growers and shippers. But Navel shippers, especially those that deal in premium fruit, can still find favourable markets in Europe, the Middle East and Asia.

“It's almost impossible to turn on the television and watch a cooking show without seeing lemons,” said Scott Dowle of Cape Citrus. “It's a lifestyle change that's driving a lot of the skyrocketing global consumption of lemons. It's used in cooking, in drink and in everyday life, so I think global consumption will continue to increase.” That's allowed countries with strong lemon production, such as Argentina, to gain a bigger foothold in European markets, and it's also focused South African citrus growers' attention on that commodity.

The benefits of lemons, when compared to oranges, are a few. For one, the perceived health benefits of lemons mean that consumers are more willing to buy fruit with cosmetic imperfections, whereas lower-classed oranges are much harder to sell. The returns per hectare are also more favorable when it comes to lemons. But despite those challenges, Scott believes that there's still much potential for Navels in South Africa and abroad.

“Volumes, especially with navels, will start to erode, yes,” he said. “But I think that, at some stage, that trend will start to reverse. It won't turn around and reach levels that lemons now enjoy, but it will turn around.” The majority of Cape Citrus' business has to do with high-quality eating oranges. Of the 1.5 million boxes of citrus that the company packs and ships every year, about 1.0 million boxes are oranges. That's because the company mainly dealt with the best quality of oranges when it first started, and the rest of its citrus line-up branched off from there. Scott still sees a good future for the type of premium citrus his company handles, though there are challenges this year.

“The drought in the North has been a problem for us this year,” he noted. “It could bring down production by as much as 40 percent in some areas.” Aside from putting pressure on the demand side, the drought has also taken a toll on sizing in the north. With respect to the Eastern Cape in 2015 sizes were larger than normal but this year the fruit will be more in line with historical averages.

“There are only so many markets that can accommodate the smaller sizes,” said Scott. “That makes us nervous about the Middle East, because although that market likes smaller sizes, prices will come down once they have enough small fruit to cover their needs.”

Production costs are also a concern, especially with inputs, like fuel and fertilizer, tied to the U.S. dollar rather than the South African rand. That's a problem because of the tumble the local currency has taken over the years. But Scott is still hopeful about the future of oranges, especially since demand for the kinds of oranges Cape Citrus ships often outstrips what supply is available.

“It's difficult to get any new market segments to eat a lot more oranges, but there are certainly still niche markets,” he explained. “As a country, South Africa produces about 120 million cartons of citrus every year, and only one million of those cartons are oranges that we ship. We specialize in specific varieties and calibre sizes.”

Importance of brand varies by region
About 35 percent of what Cape Citrus handles is from its own production and made ready for export in the company's packing house in the Eastern Cape. The rest is sourced from growers throughout South Africa. A good

deal of what the company can offer, to both growers it works with and the people to whom it ships fruit, is the value of the brand that guarantees premium quality.

“The way we add value to growers is how we can sell more classes of fruit,” said Scott. “Many people like going to China, but they will only pay for the top 20 percent of the oranges. We work closely with partners in Spain who we have been working with for the past 15 years, they load the special select fruit, but they will also load the first ans second grade fruit. Adding value through branding can commonly be mistaken for only putting stickers on fruit, but it involves choosing the right product for the right market, and that varies from region to region. The differentiating point will be the Rand per tonne returned to the farm that shows our true colours to the growers with whom we work closely.

“There are more specialist brands in Europe,” he noted. “It's mostly the retailer having his own label, because consumers usually don't notice the difference between South African and Spanish fruit. Within Asia we promote our own Cape Citrus brand “Suncape”; we have a good reputation for grapefruit and Midnight oranges in China.”

Response to market needs is the future
For Scott, the future of Cape Citrus involves securing more production under our control as well as branching out into other commodities that his customers are looking for. Over the last 10 years, the country's citrus industry has consolidated considerably. The herd of small, fly-by-night importers of the late 90s / early 2000´s has thinned, and the people left now have trusted relationships with long-term trading partners. The next step is to work with those partners to see what, other than citrus, markets around the world need.

“We have good customers in the Middle East, but the problem is that we work with them for six months and then we disappear for six months,” said Scott. “We don't want to be a one-stop shop, but we need to build on our relationships to identify products that they also want.” It's about responding to market needs, and that's something that's also applicable to the local market and local production.

“We need more control of our production,” said Scott. “That doesn't mean we have to buy farms, but it means we have to be able to steer what growers plant. Spanish growers, for example, are very good at growing specific sizes and varieties that the market wants. We need to get growers to supply exactly what the end consumer demands.”

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