

Economic  
Analysis of  
Long-Term  
Tree Crops

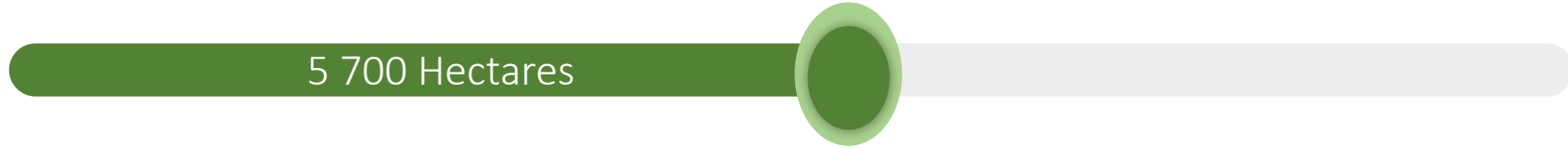
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# Benchmark Tool

Macadamias



Avocados



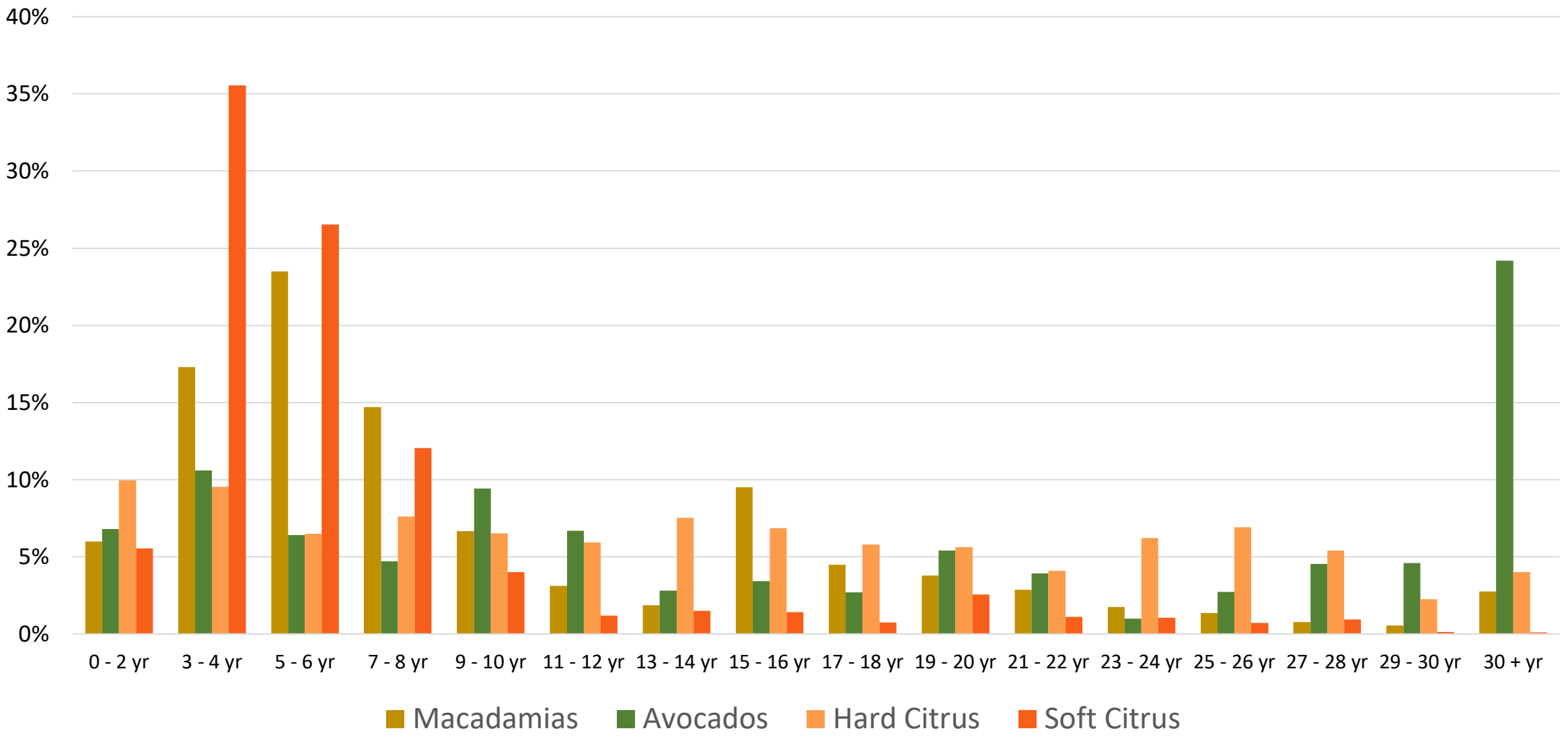
Hard Citrus



Soft Citrus



# Benchmark Summary: Tree Age Distribution



# Market Overview - Macadamia

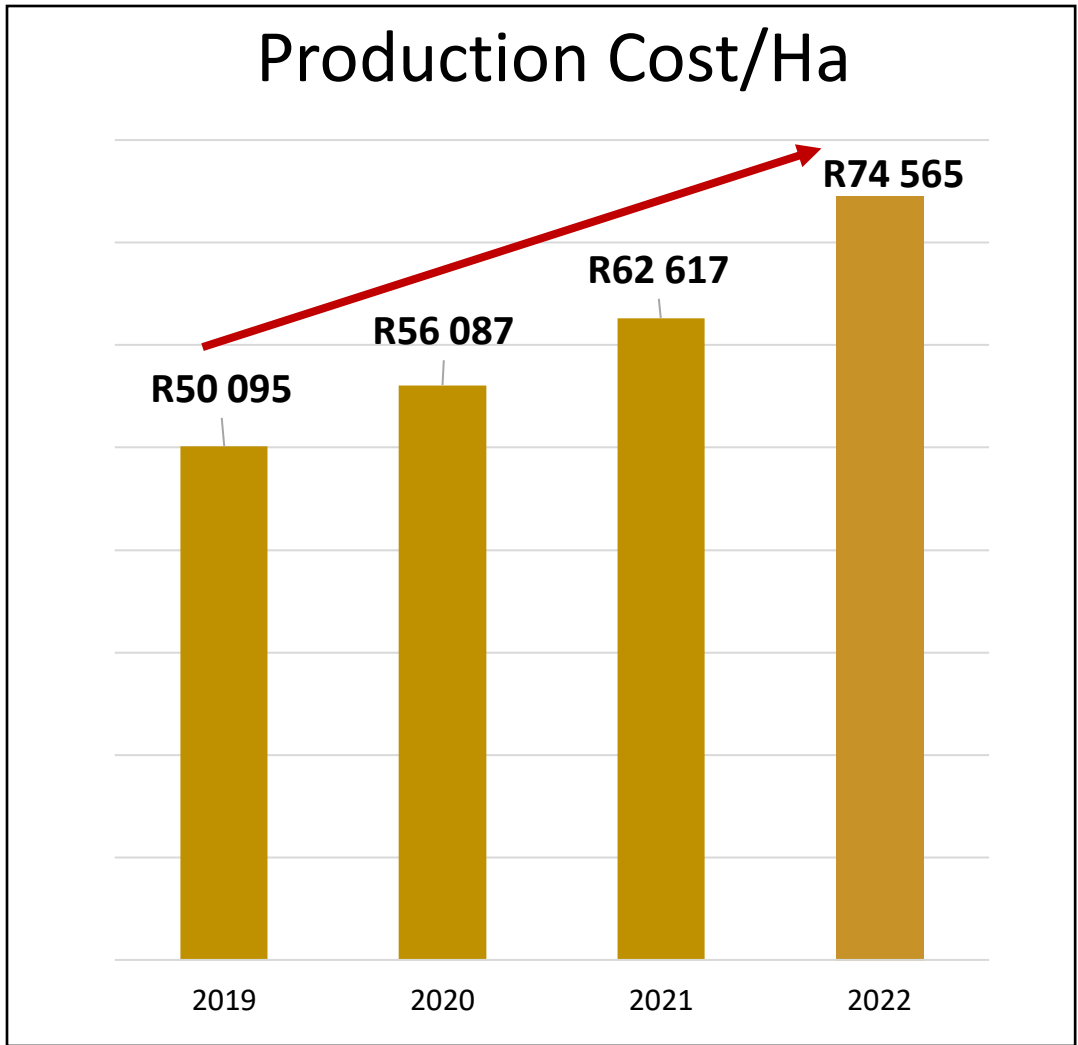
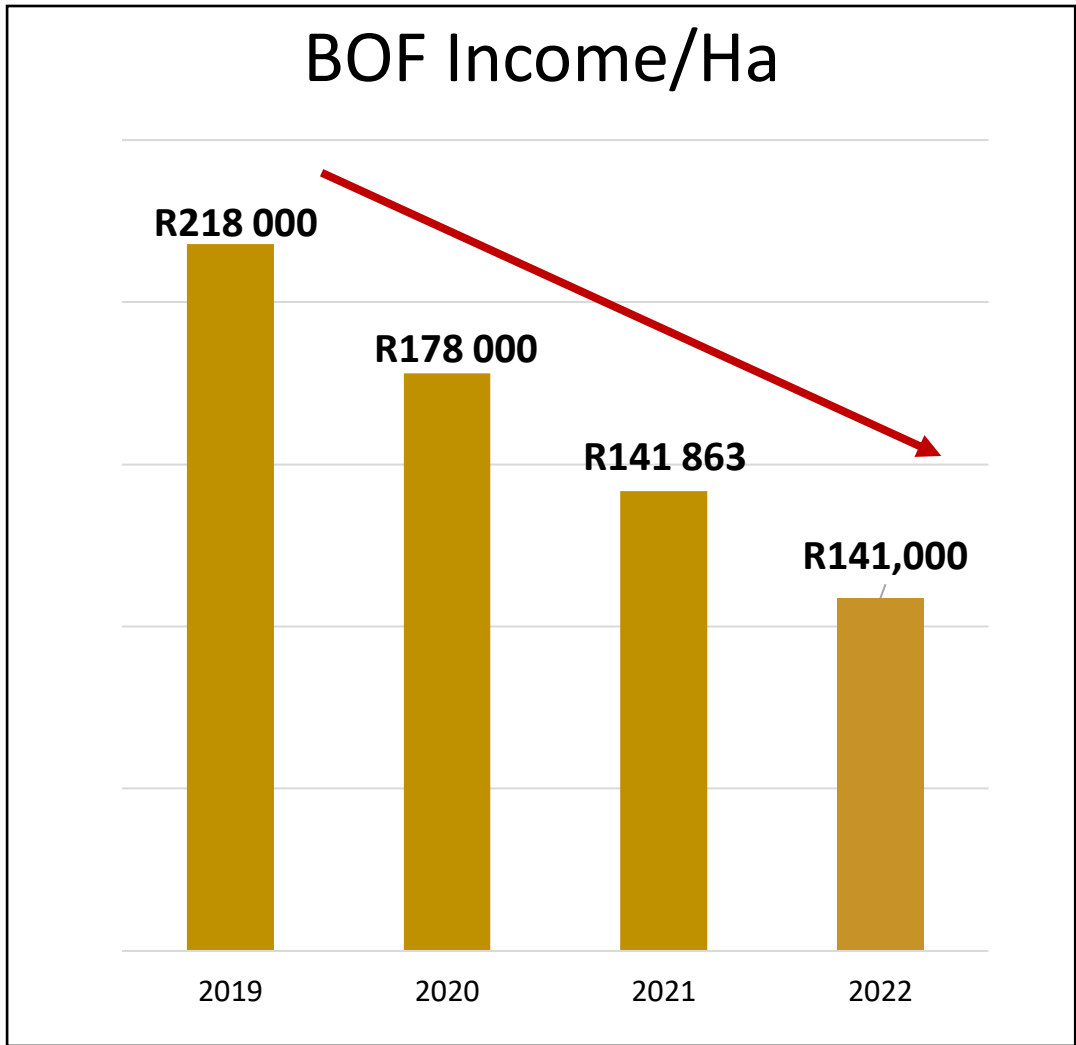
- Young industry with many export markets, but heavily weighted in China
- Severe price pressure – China oversupplied, spillover into kernel markets
- Higher yields offset price drop (2021 @ R68/Kg – 2022 @ R47/Kg)
- Significant increases in fertilizer, labour and energy cost.
  
- 2023 season similar yields to 2022 but significant increase in national production as young trees are coming into production – massive increase in supply
- 2023 price pressure severe with average returns expected around R35/kg (50% price drop in 2 years)
- Serious profitability problems with cashflow under pressure as well as access to bridging capital from the banking industry as exposure and risk quite high.
- Fundamentals of macadamia farming still profitable, but 4-6 years needed for trees to get to full bearing status.

# Market Overview - Avocado

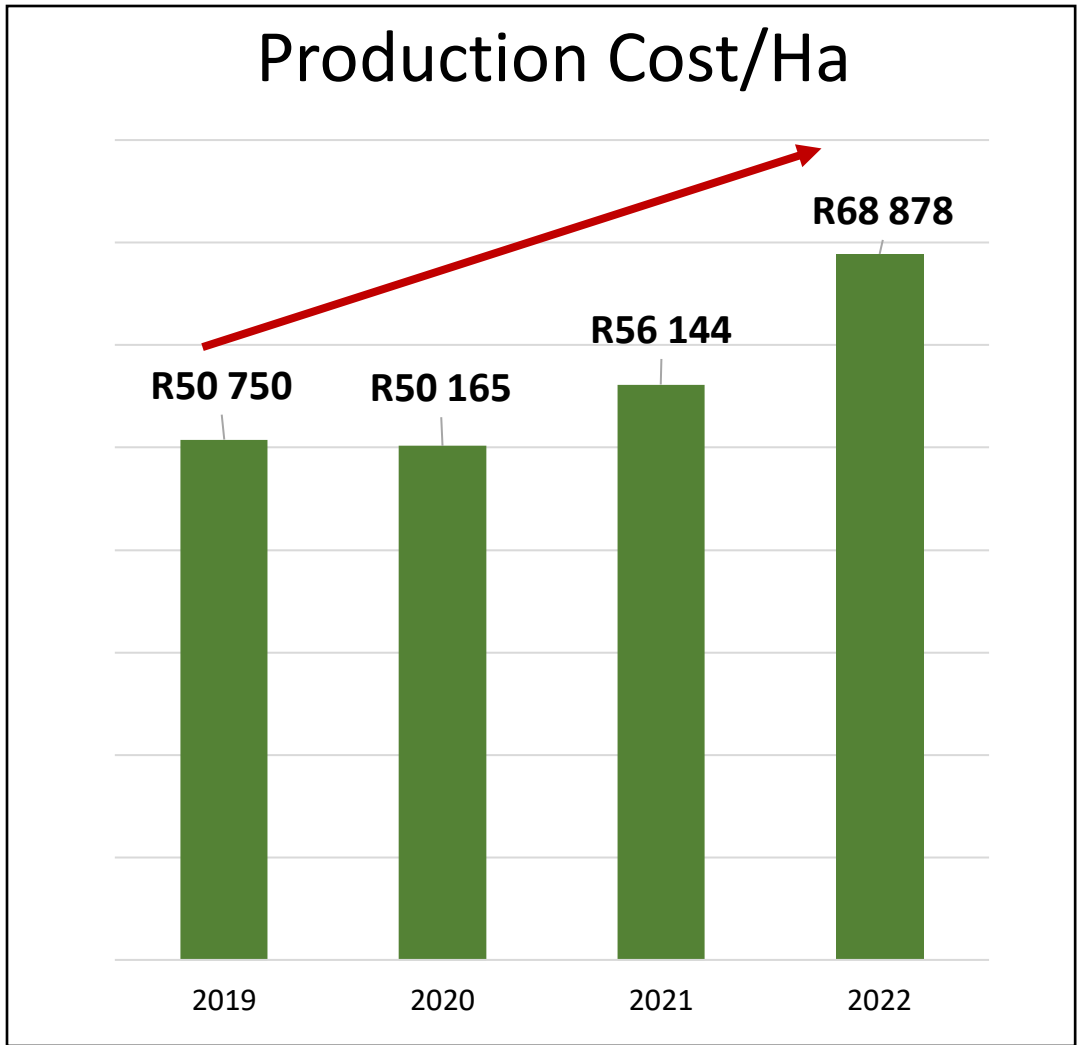
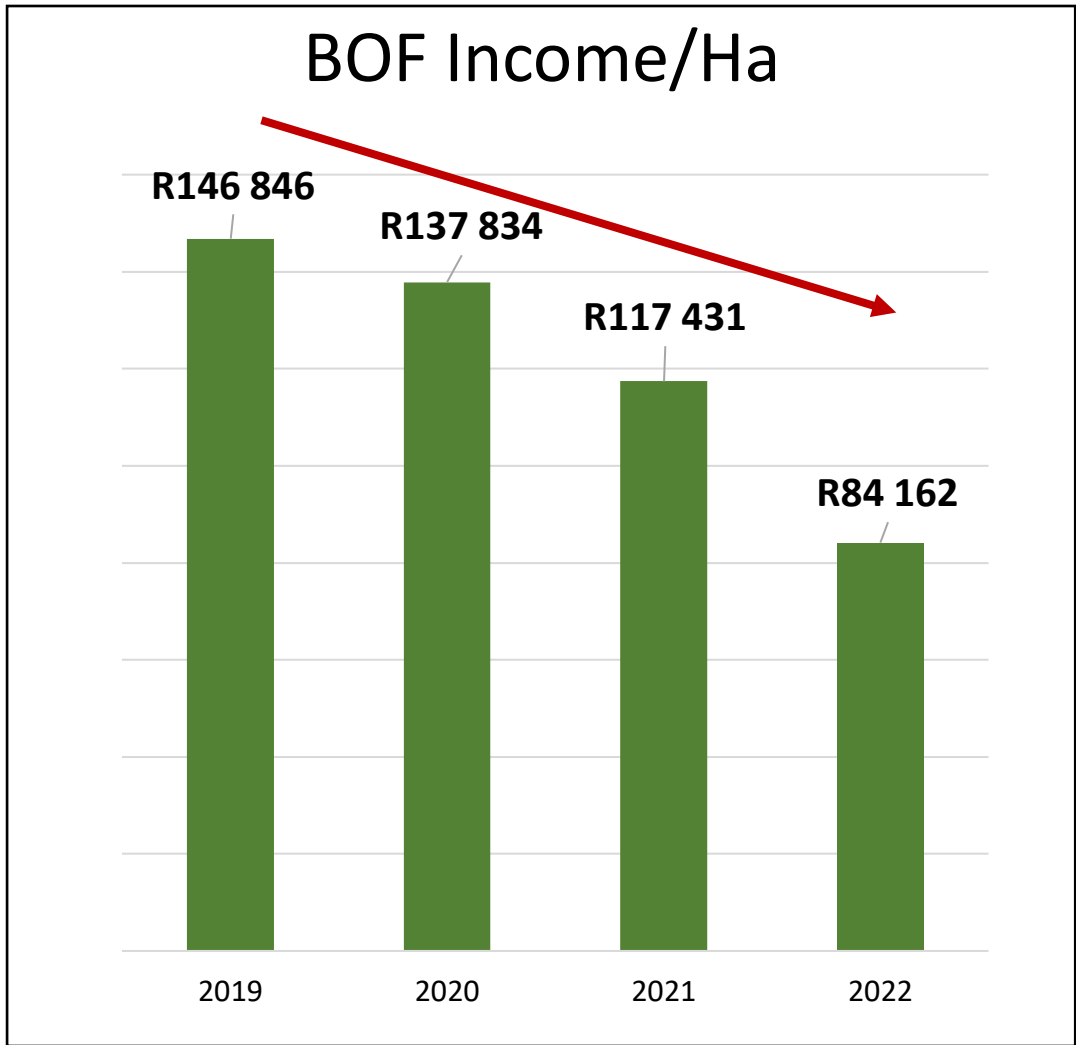
- Mature industry with limited export markets
  - 2022 - 25% higher than long-term average yields.
  - Cost of reefer containers significantly higher
  - Prices under pressure but offset by higher yields
  - Higher input cost a severe challenge (@R62 545 +12%)
- 
- 2023 turning out to be a much lower yielding season
  - Prices also still under pressure
  - Supply chain is less costly

- Mature industry with many export markets
- Russia/Ukraine and the significantly higher cost of reefer containers had a major effect on returns
- Pack-outs at packhouse level was affected together with lower yields (-300 cartons/ha)
- Grapefruit returns under severe pressure
- Mandarin and Clementine prices under some pressure but holding up well
- 2022 SC - 13% lower than medium-term average yields and 14% lower quality
- Higher input cost a severe challenge (R92 700/ha **+14%**) (R146 789/ha **-4%**)
  
- 2023 a good yielding season
- 2023 Prices recovering very well for most produce types with significant market intervention and action plans by growers. Spreading GF volume over to decrease peak volume.
- Supply chains less costly
- EU market phytosanitary regulations a major challenge, with potentially spilling over volume into other markets and creating price pressure.

# Benchmark Summary **Macadamias 9yr + Trees:**

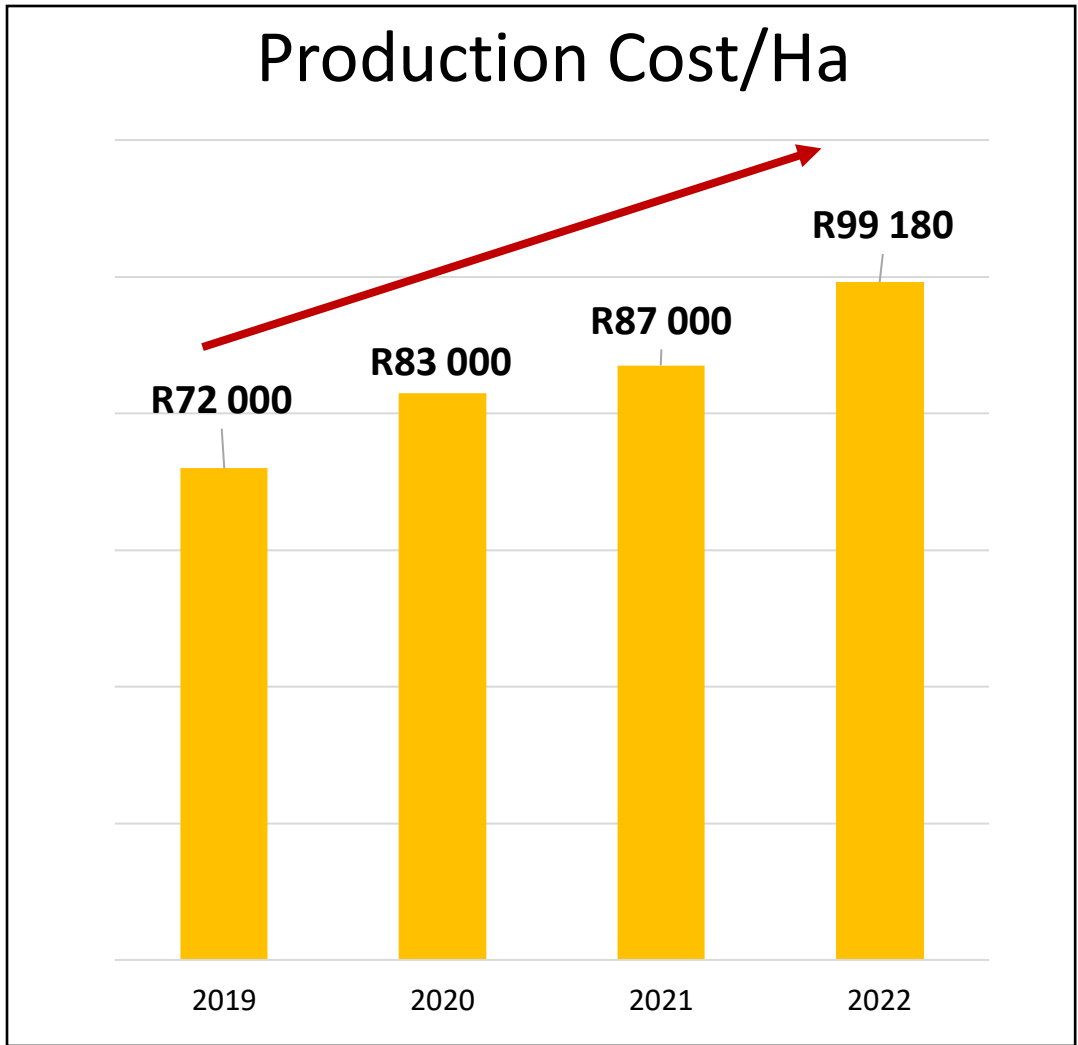
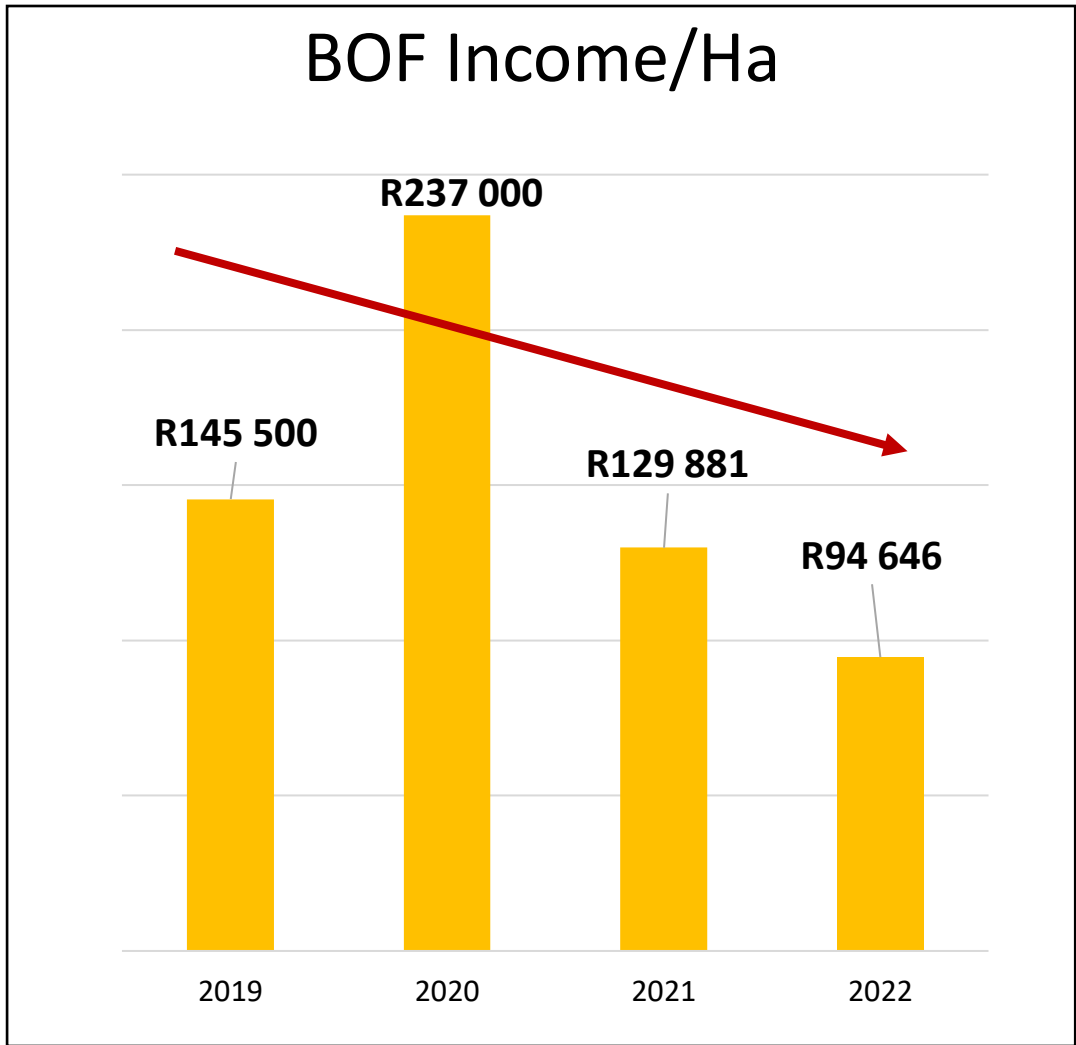


# Benchmark Summary Avocado 4yr + Trees:

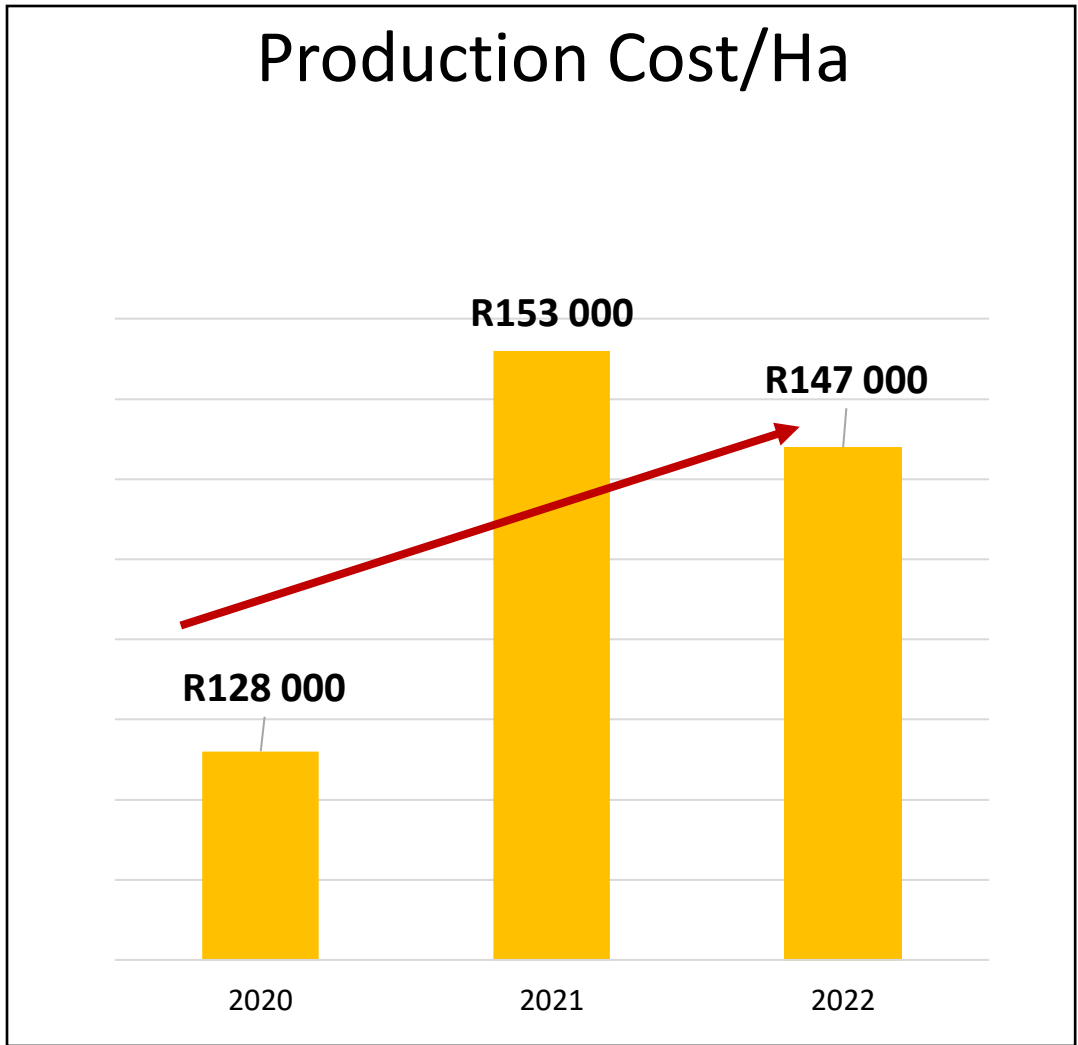
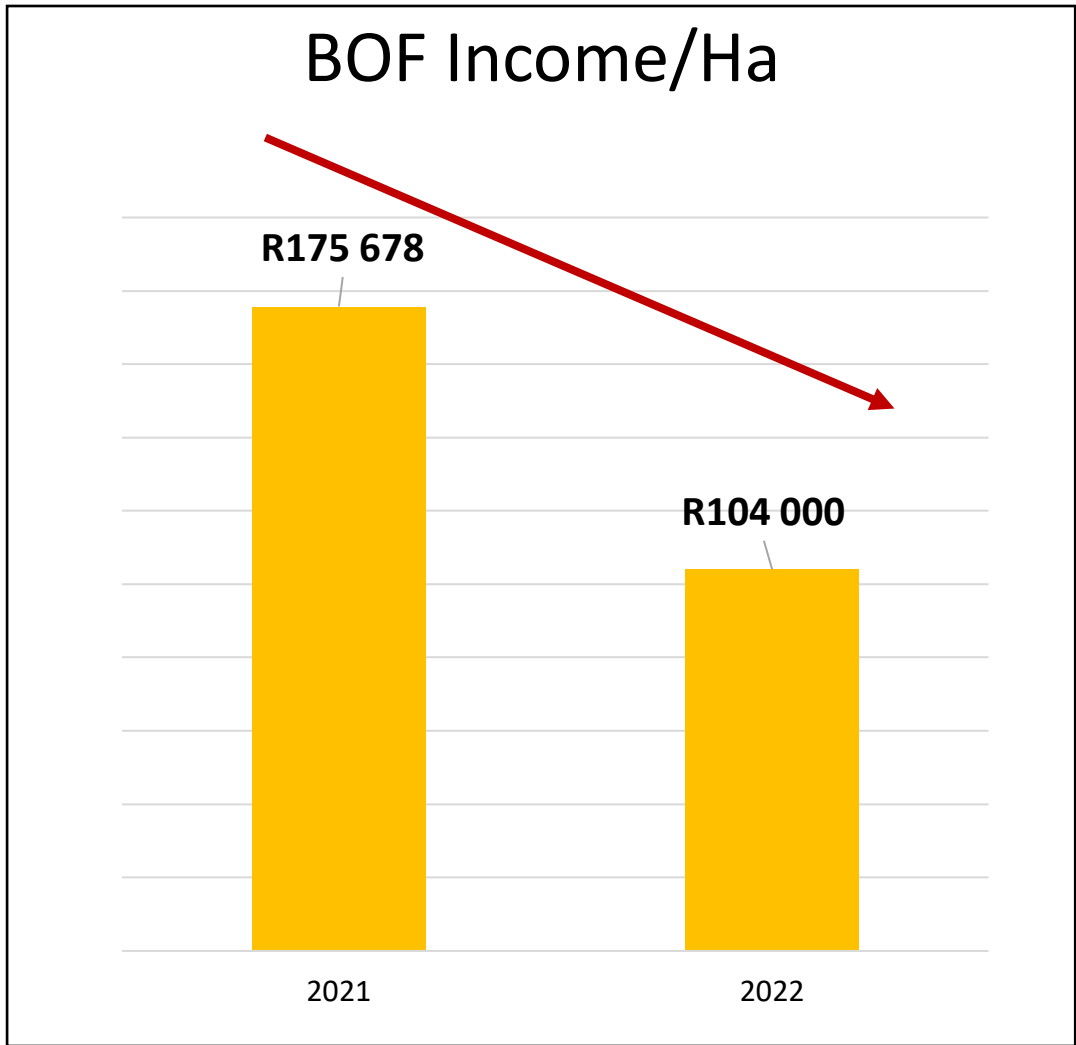




# Benchmark Summary **Hard Citrus 4yr + Trees:**

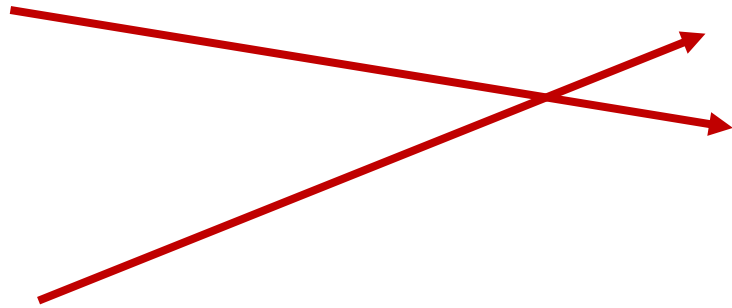


# Benchmark Summary **Hard Citrus 4yr + Trees:**



# Gross Margins

Income



Production Cost

Macadamias: Gross margins positive for full bearing orchards. Margins deteriorating rapidly where supply outweighs demand.

Avocados: Gross margins positive but not covering overhead cost

Citrus: Negative gross margins for second consecutive year for >40% of benchmark sample  
Positive outlook for 2023

# Forecast

- Macadamias: Price under severe pressure for 2023. South Africa to produce > 90,000 tons by 2024. Added price pressure likely
- Avocados: Lower yield year, but price forecast looks stable
- Citrus: Price forecast looks stable with Spain out of the market earlier and smaller fruit produced by the Northern Hemisphere. Opening of China and decreasing shipping rates, and current exchange rate adding to positive outlook for price returns
- All export commodities – cost squeeze likely to decrease competitiveness

Thank you

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