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Looking 10- years ahead

Global blueberry markets and what to expect from South Africa: 2023-2032



Bureau for Food & Agricultural Policy (BFAP)

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Main Talking Points

- Concerns about last years impact of global inflation on blueberry demand somewhat relieved, but a lot of uncertainty remain in global markets
- The same global market drivers (strong demand) still underpins optimism although our market window is flooded by Peru
- We anticipate more pain, but hopefully a turning point for the SA blueberry industry
- Some interesting changes to SA's marketing arrangements could further improve the 10-year Outlook, but time will tell..
- Driving better quality, improved labour productivity and better pack outs can improve farm-level profitability

Overview

The work we are presenting for the industry was commissioned by BerriesZA since 2021

- Assess the global market
- Sector-level analysis in which we do a 10-year Outlook for SA blueberries
- Farm-level and profitability Outlook
- Engagements on relevant policy topics such as employment, trade and others.

We want to also extend our gratitude to every farmer, business and stakeholder that provided data, insights and inputs in this process



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Global Markets

Update global production for
the 2022/23 season

Market movements

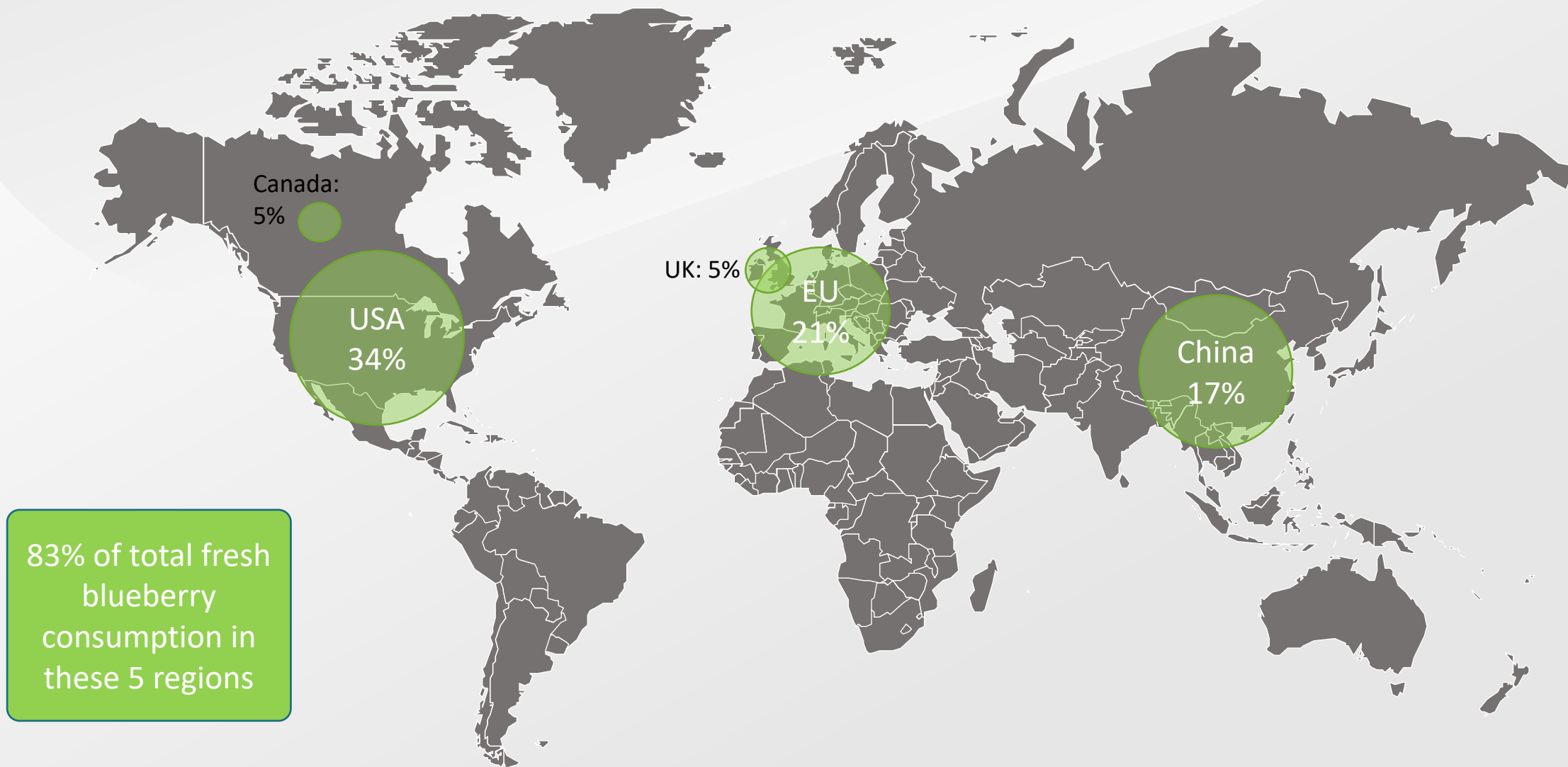
Price trends





Blueberry Trade Dynamics

Fresh Consumption in 2022



83% of total fresh blueberry consumption in these 5 regions

Blueberry Trade Dynamics

Is demand still growing?

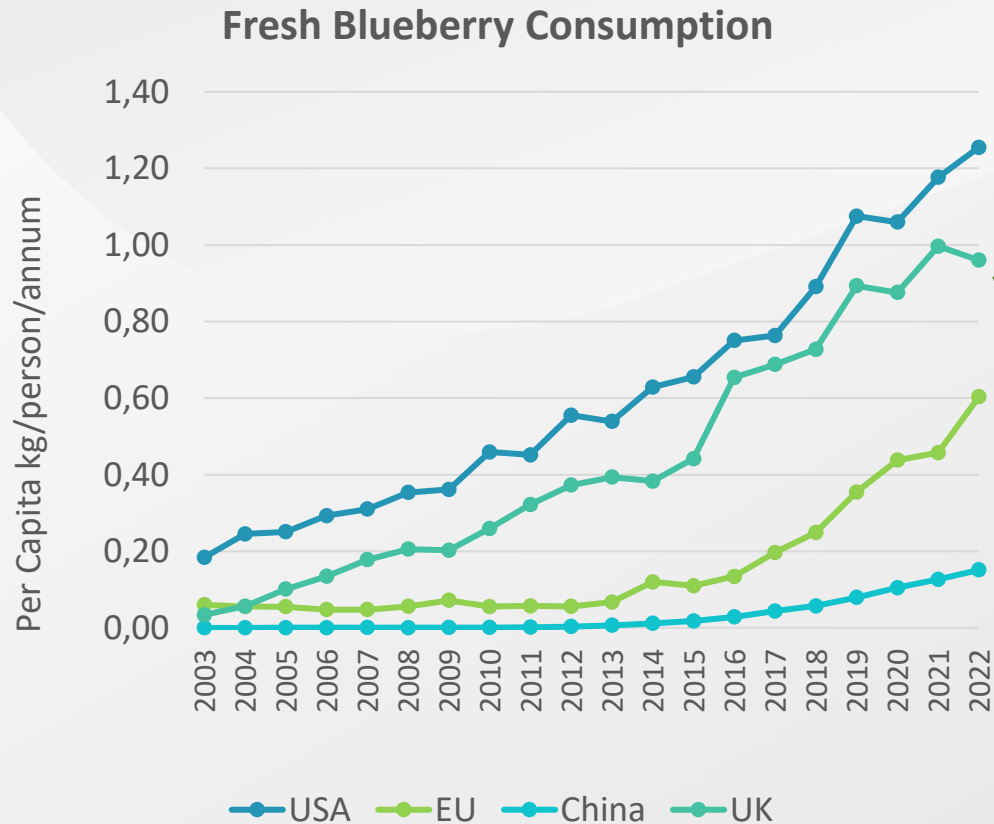
Answer is yes!

Still very strong demand, despite record extremely high food inflation globally, which did affect prices

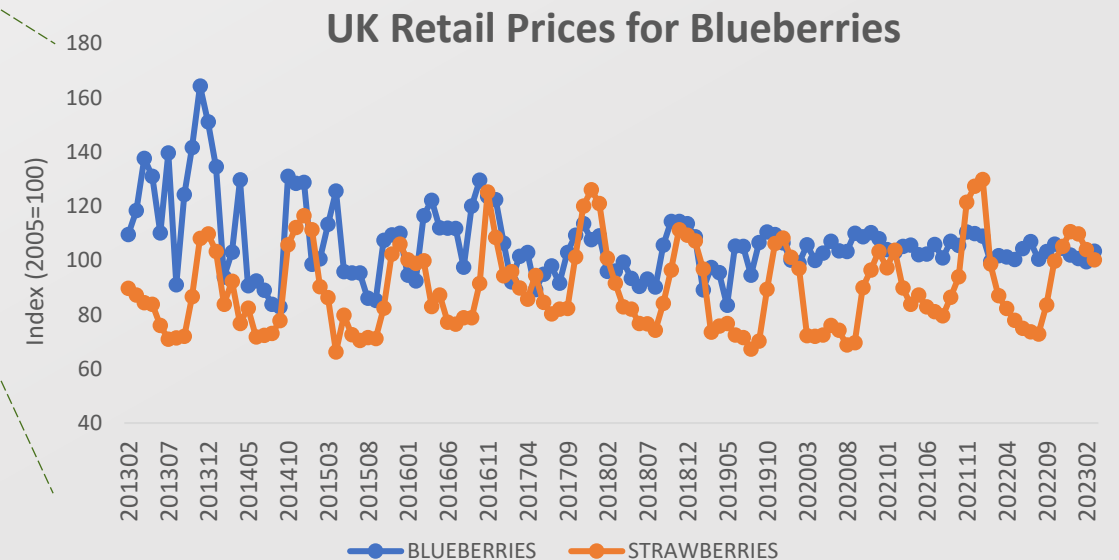
More people are consuming berries and those that are consuming eat more over time

BUT

Retail prices has been flat due to supply response



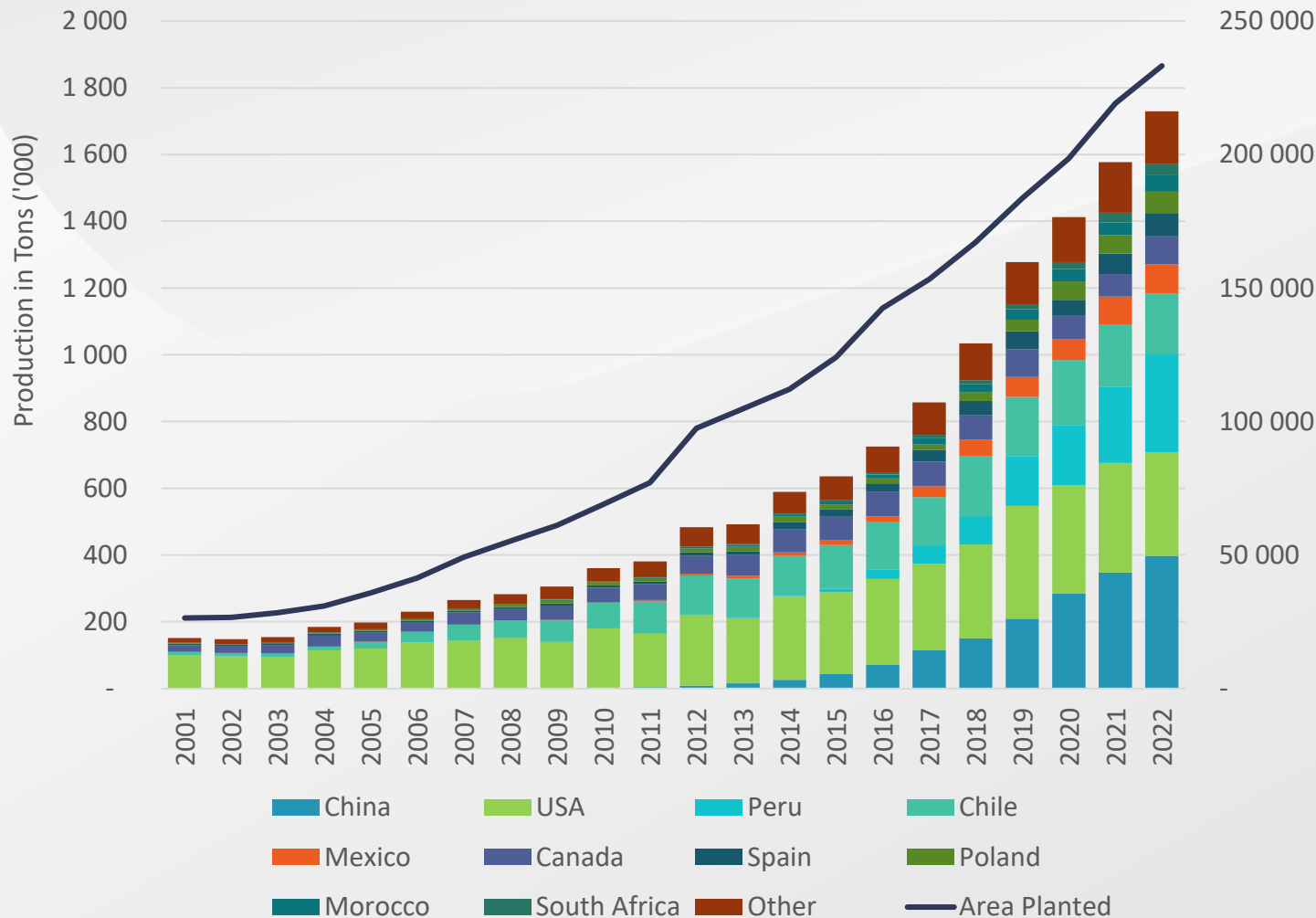
Source: Own Compilation from various



Source: ONS, 2023

Blueberry Global Supply

Supply concentration and growth determines the Outlook



Global production updates:

- Volume growth of 152 200 T in 2022 (+9.6%)
- China now the biggest blueberry producer globally and growing fast (14.5%)
- Peru grew by 28% (our estimate was 22%)
- Canada and Poland had a good seasons
- Morocco (24%) ; Spain (15%) ; SA (24.5%)

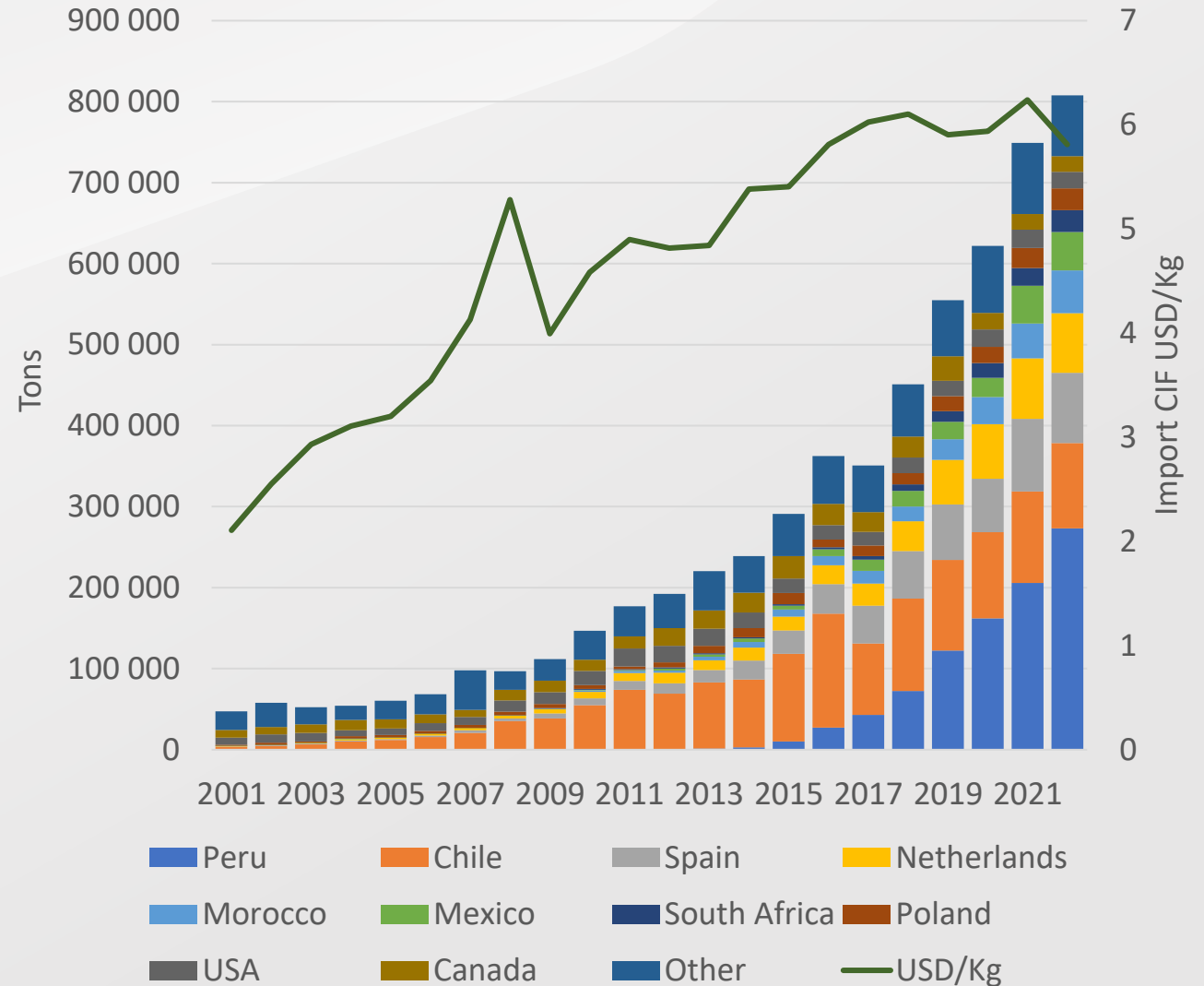
Blueberry Global Supply

World export performance

- World exports expanded 58 600 tons
- Peru dominating the market 33% of total
- Chile & Spain had lower exports
- Big 2022 harvest and more exports led to a drop in import CIF price



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South Africa

Review of the past season

10-Baseline for Blueberries

Farm-level updates



Review of 2022/2023 season

Quick Review of last year's Baseline Projection vs Actuals:

Items	2022/23 Tons		Deviation (%)
	BFAP Proj-Jun22	Actual	
Total Production	33 249	35 053	5.42
Exports	25 004	24 235	-3.07
Local Fresh	3 365	3 916	16.38
Processing	4 881	6 902	41.41

Was a good season in terms of yields with 5% higher than projected total harvest

Exports slightly lower, with quality issues and port strike in Oct 2022 making an impact

Quality and price pressure meant more produce diverted to local market, but ultimately ending up in processing

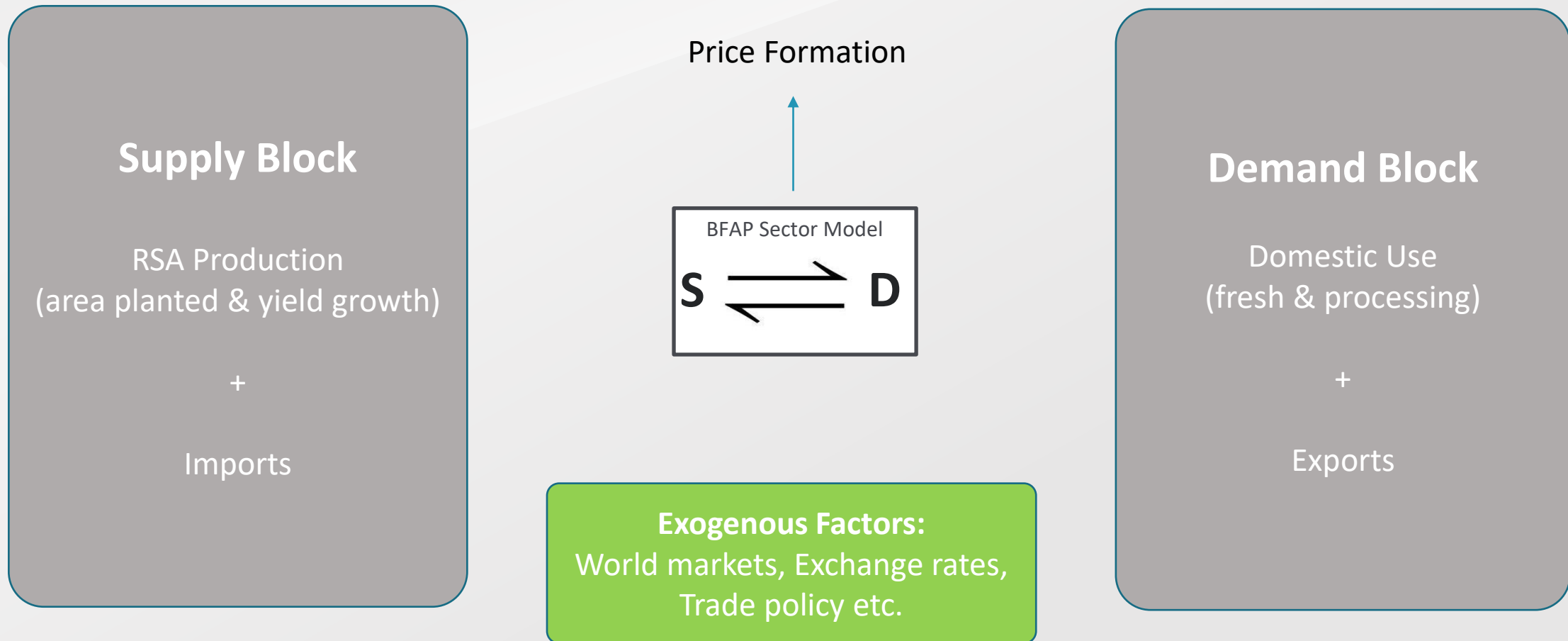


Current season we estimate the impact of export CIF price Sound vs Unsound to be around **14%**

Items	Price Index			Deviation (%)
	2021	BFAP Proj-June	Actual	
Export CIF	100.0	98.6	85.3	-12.9
Local Fresh	100.0	99.9	98.6	-0.3
Processing	100.0	102.6	108.0	5.2

Partial Equilibrium Models

The basic setup of Sector models is based on the fundamental principle that supply = demand



Outlook Assumptions



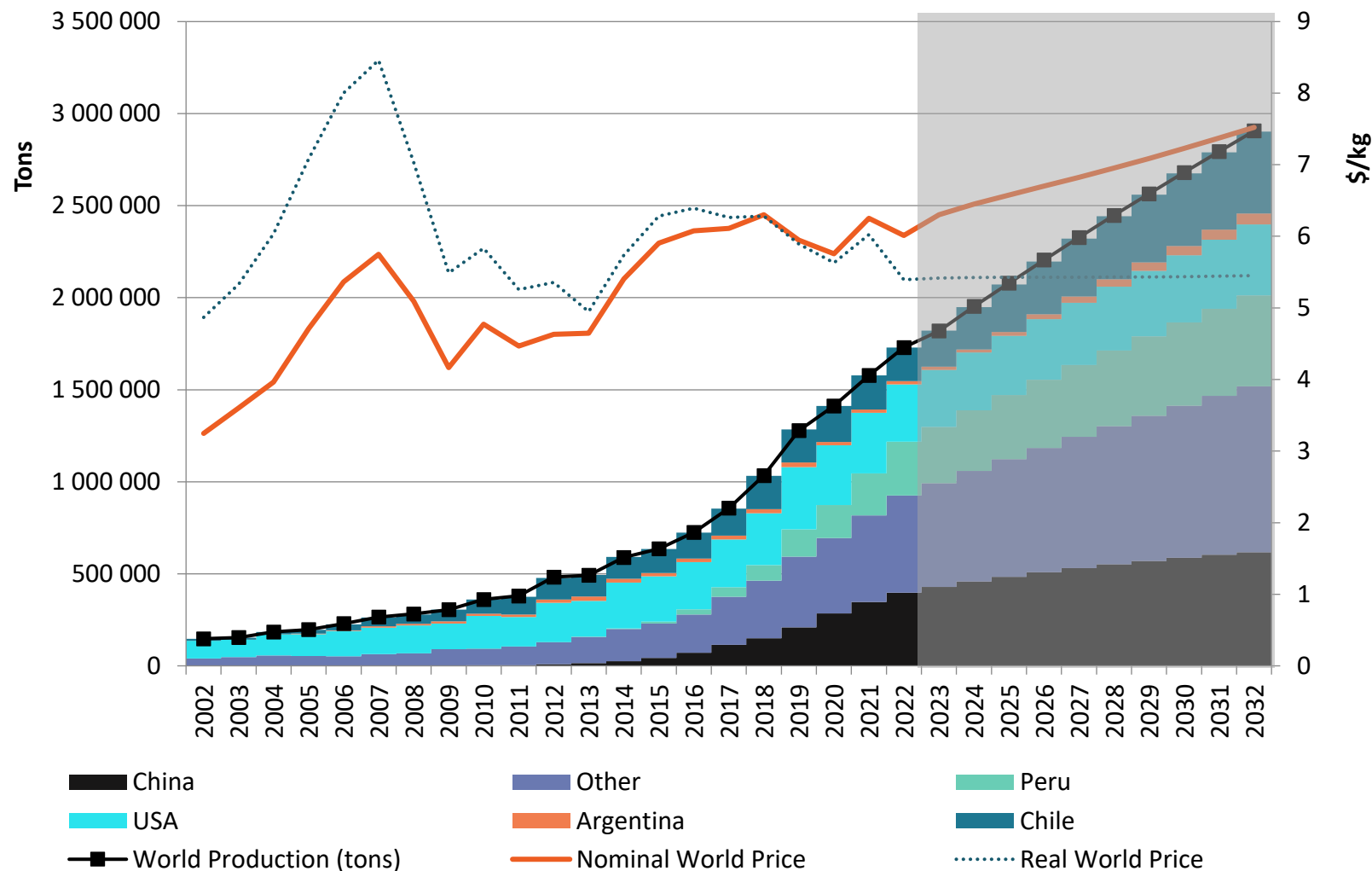
RSA Macro Assumptions towards 2032 with impact Blueberries:

- We project a depreciating currency (good for export prices), but highly volatile (political)
- Local SA economy continues on slow growth path due to impact of loadshedding and other structural issues
- Interest rate remain high, affecting decisions for replanting & establishment

Indicator	2018	2019	2020	2021	2022	2023	2024	...	2032
Real GDP Growth (%)	0.8	0.2	-6.4	5.4	2.3	0.2	1.4		2
CPI (%)	4.7	4.9	3.3	4.6	5.7	6.2	4.8		4.5
Prime Interest Rate (%)	10.09	10.14	7.86	7.03	8.64	10.74	10.69		10.5
Exchange Rate (ZAR / USD)	13.23	14.55	16.46	14.51	16.43	17.04	16.92		20.06
Brent Crude Oil (USD / Barrel)	72	65	43	70	105	85.5	76		72.21

Looking Ahead 10-Years

Global blueberry Outlook 2023-2032



Global prices for blueberries are still projected to grow in nominal terms, but flat in real terms

Demand remains strong, despite large production expansion.

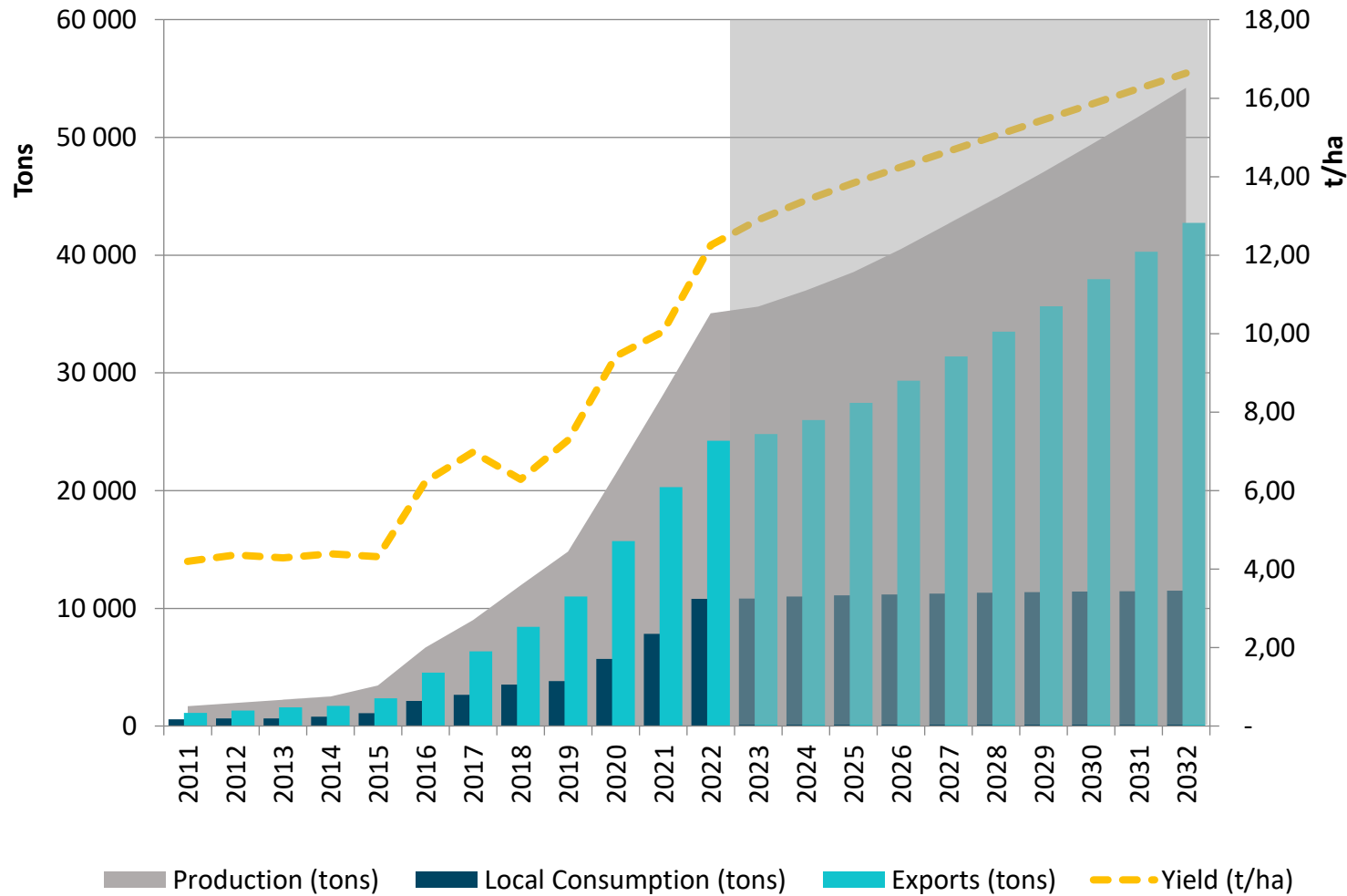
- Volume CAGR ~ 5.32%
- Area Planted CAGR ~ 4.05%
- Yields CAGR ~1.3%

Stronger demand is satisfied with both scaling own consumption (China) and increased exports to the world

Peru's growth is projected slightly lower due to orchard replacement (move towards better cultivars) rather than area expansion. Interest rate in South America also slows plantings

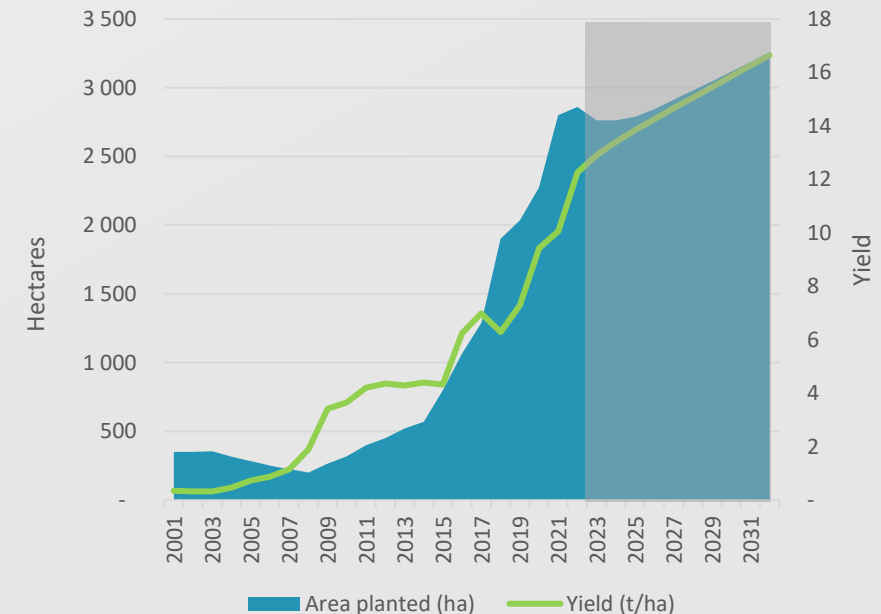
Looking Ahead 10-Years

SA blueberry Outlook 2023-2032



SA production growth continue, but area planted stalls in the next 2-3 years

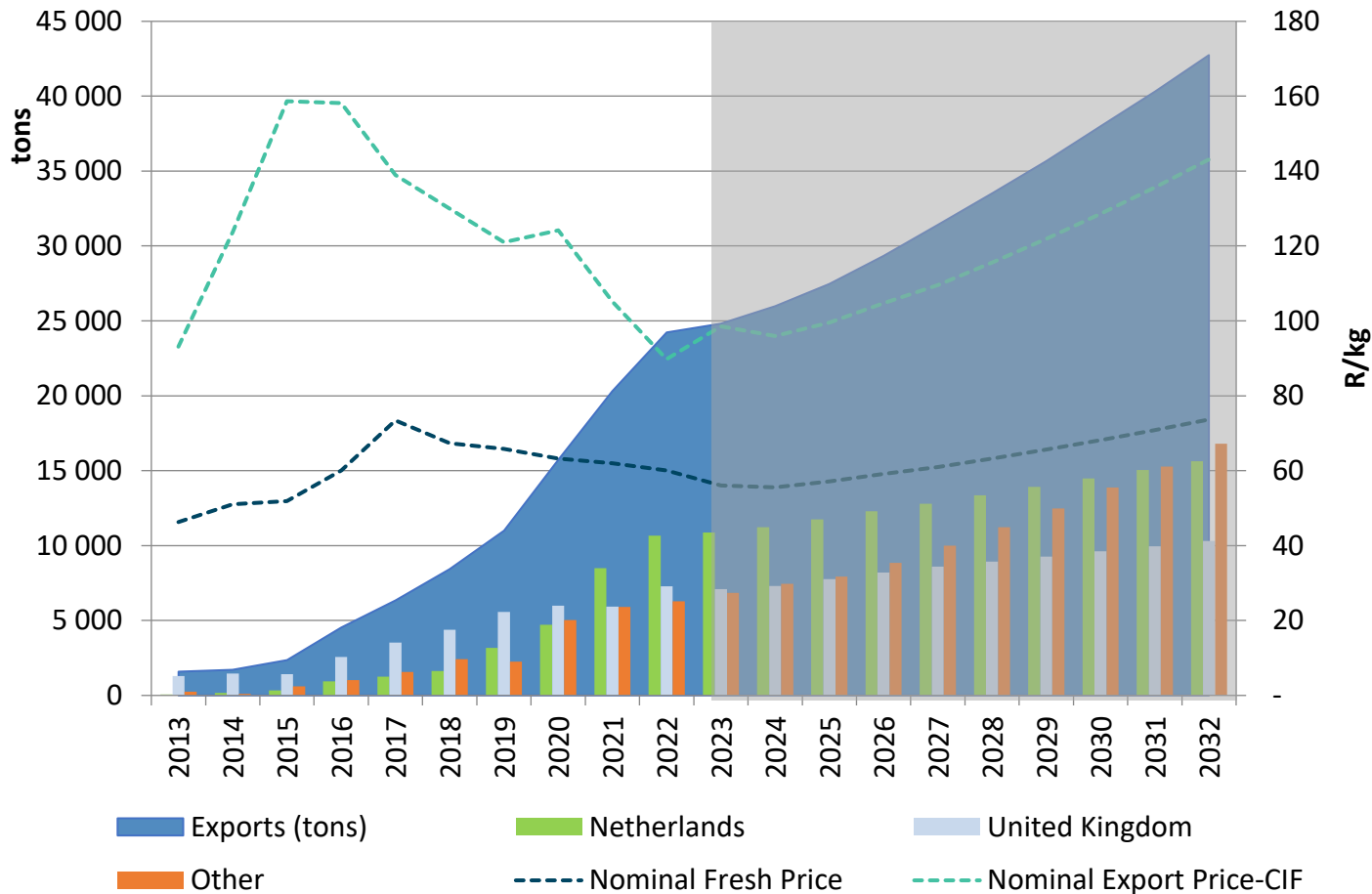
- Existing orchards have yield improvement
- Outlook of 54 200 Tons in 2032 different pathway than last year



Looking Ahead 10-Years

SA blueberry Exports and Price Trends

Blueberry Export Outlook (2032)



Nominal CIF price is flat but increasing over the Baseline

- Rand depreciation
- Larger share of export basket move to non-traditional markets
- In the short term, pending quality considerations, we think prices will marginally increase in 2024

But, compared to last year, we think local fresh market price will be under pressure

- High food inflation
- Interest rate hike and lower spending
- Additional cost in the value chain due to loadshedding needs to be absorbed.

Farm profitability

Update on typical farm financial models



The Baseline Output is now used to update and assess future profitability. These farms have slight differences:

- Location
- Intensity and size
- Capital base
- Packout and pricing
- We update the Outlook with cost drivers

Note: These farms have a fairly high share (87%) of area under bearing hectares, but this varies considerably between different farms.

WC Intensive Farm

Open-air	0%
Shade-netting	20%
Plastic tunnel	80%
Substrate in pots	70%
Soil	30%
Avg. yield (ton/ha)	27

WC Extensive Farm

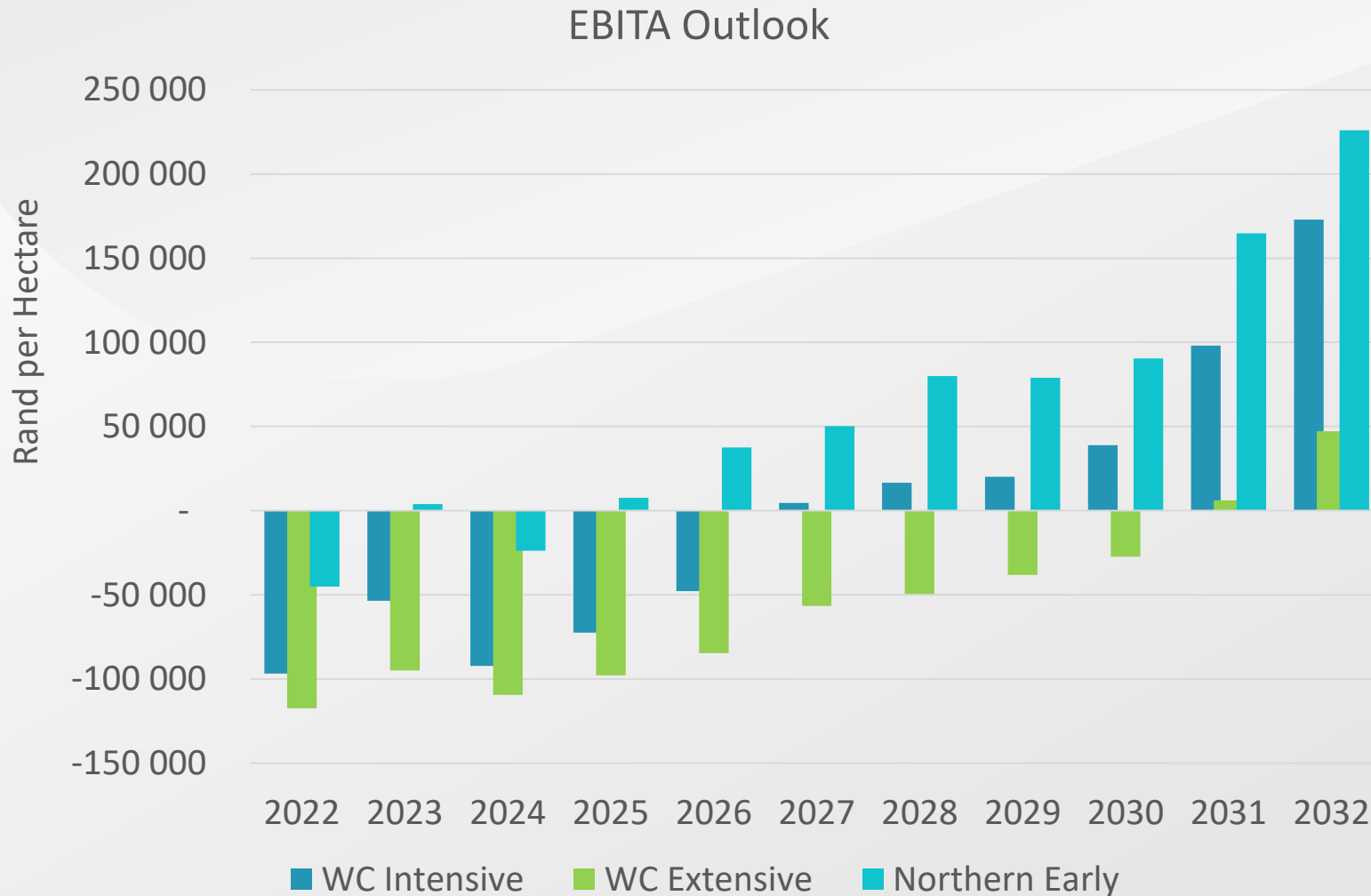
Open-air	70%
Shade-netting	30%
Plastic tunnel	0%
Substrate in pots	0%
Soil	100%
Avg. yield (ton/ha)	12,6

Northern Early Farm

Open-air	30%
Shade-netting	50%
Plastic tunnel	20%
Substrate in pots	70%
Soil	30%
Avg. yield (ton/ha)	20

Farm profitability

Update on typical farm financial models



The farm-level analysis pointed a bleak picture again, but improves over the Outlook

Depreciation and Replacement on full production cycle

Critical profitability drivers are:

- Labour management
- Product quality
- Seasonal timing
- Pack-outs

Suspect halt in replacement to manage cash flow in the medium term.



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Thank You

