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Looking 10- years ahead

Global blueberry markets and what to expect from South Africa: 2024-2033

Bureau for Food & Agricultural Policy (BFAP)

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BerriesZA Annual Technical & Trade Symposium

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Main Talking Points



- Why are blueberry growers smiling for the first time in 5 years?
- Last year I again made the point that demand for blueberries are strong, 2023 provided a nice case study of global blueberry market dynamics
- Peru and China's (supply and demand) growth prospects will drive price movements in the next 10 years
- SA blueberry value chain had an extremely good year, but it does not make up for the losses of the past three years – Be careful about 2024!
- We present the global and SA Outlook, but focus on 2 additional scenarios
 - 1) Peru bounces back more than expected and returns to their normal window
 - 2) Peru continues to struggle, and seasons stays later than SA
- Farm-level profitability is impacted by wage adjustments, quality considerations and efficiency gains (yield and cost management)

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 2023/24 season

Market movements

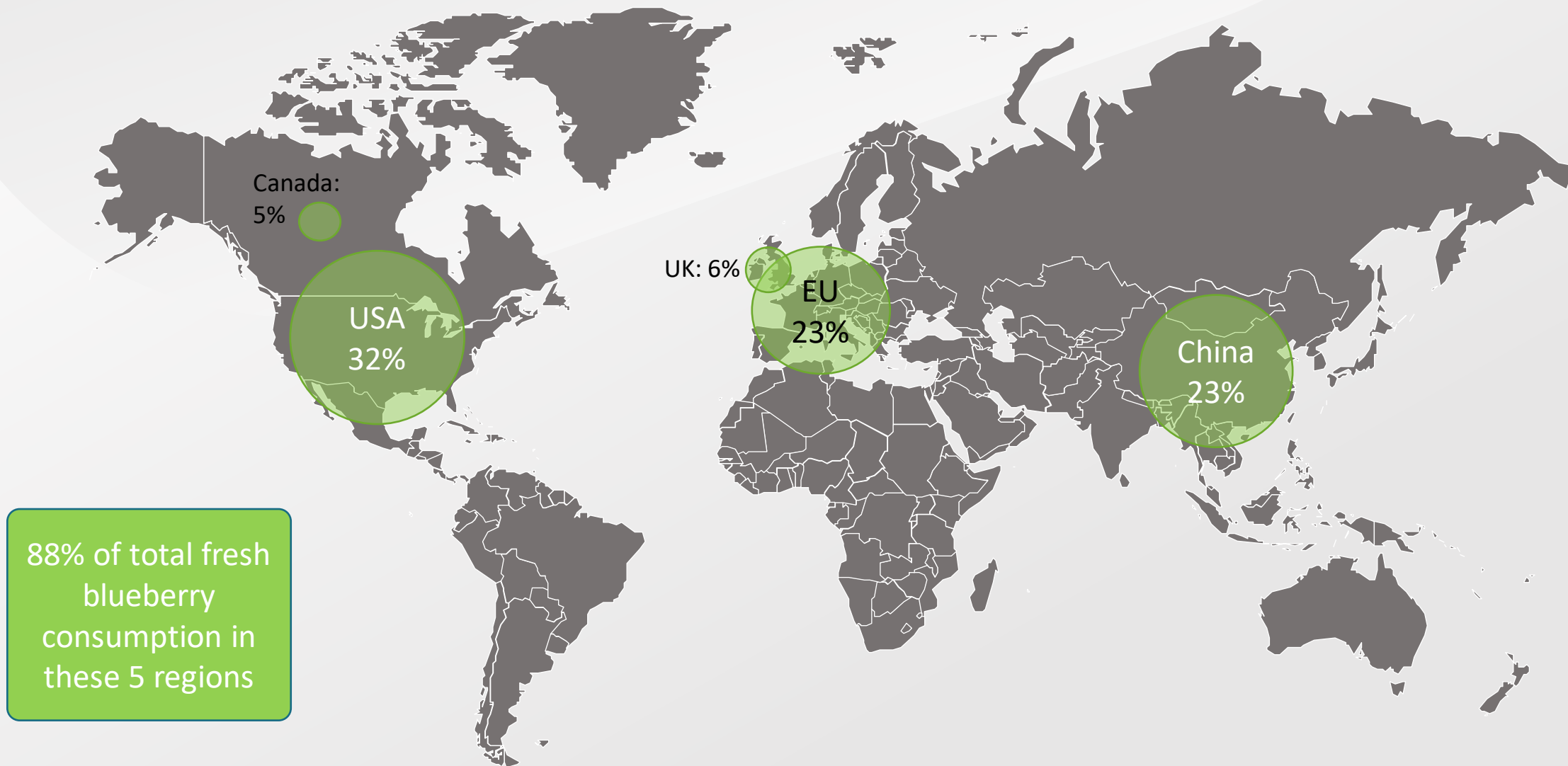
Price trends





Blueberry Trade Dynamics

Fresh Consumption in 2023



88% of total fresh blueberry consumption in these 5 regions

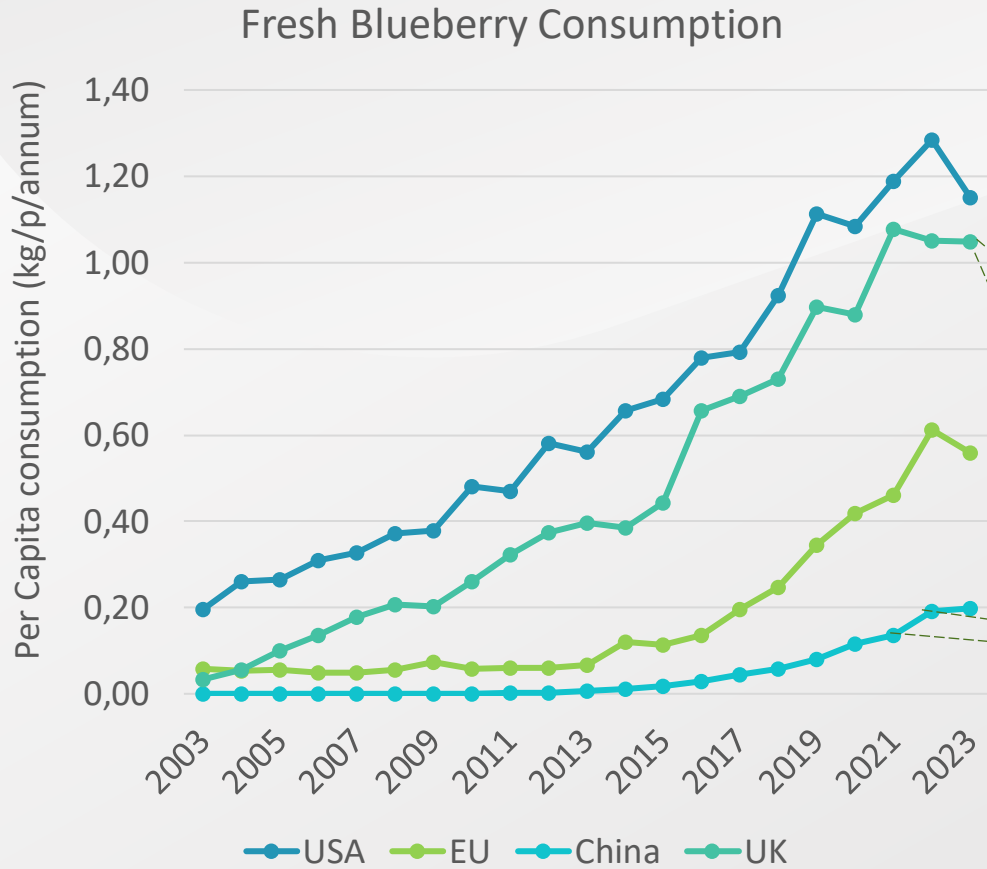
Blueberry Demand

Is demand still growing? Yes, but prices in 2023 confirmed this

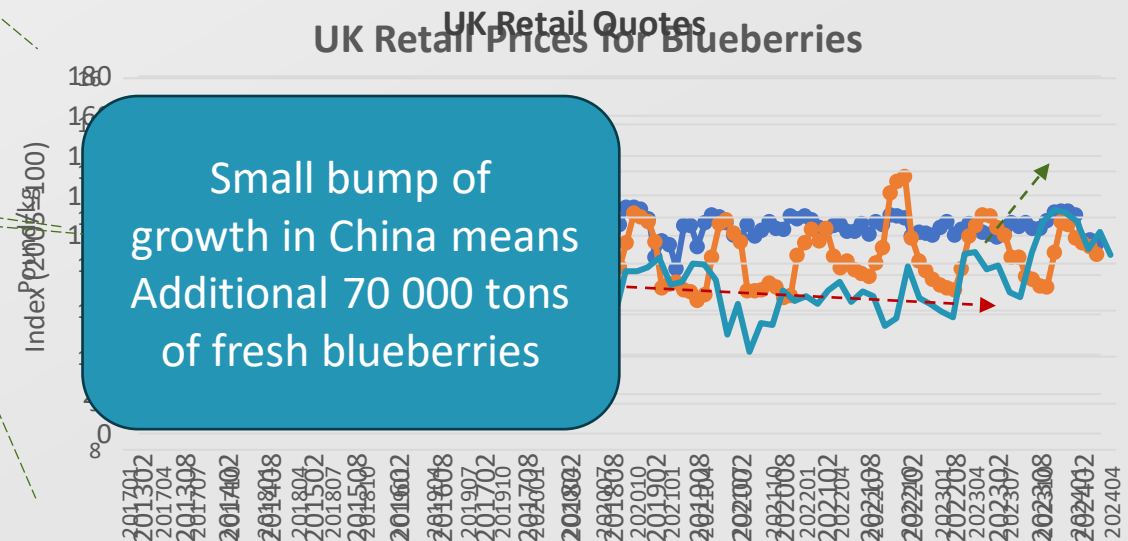
Strong demand per capita continues, but for the first time in a while there was a supply-side shock (El Nino)

A short market solves many problems 😊

- Suddenly quality claims are negligible
- Retailers respond just to get stock (despite high inflation)
- Importers are scrambling and many market options
- Flight option comes into play (travel time)



Source: Own Compilation from various

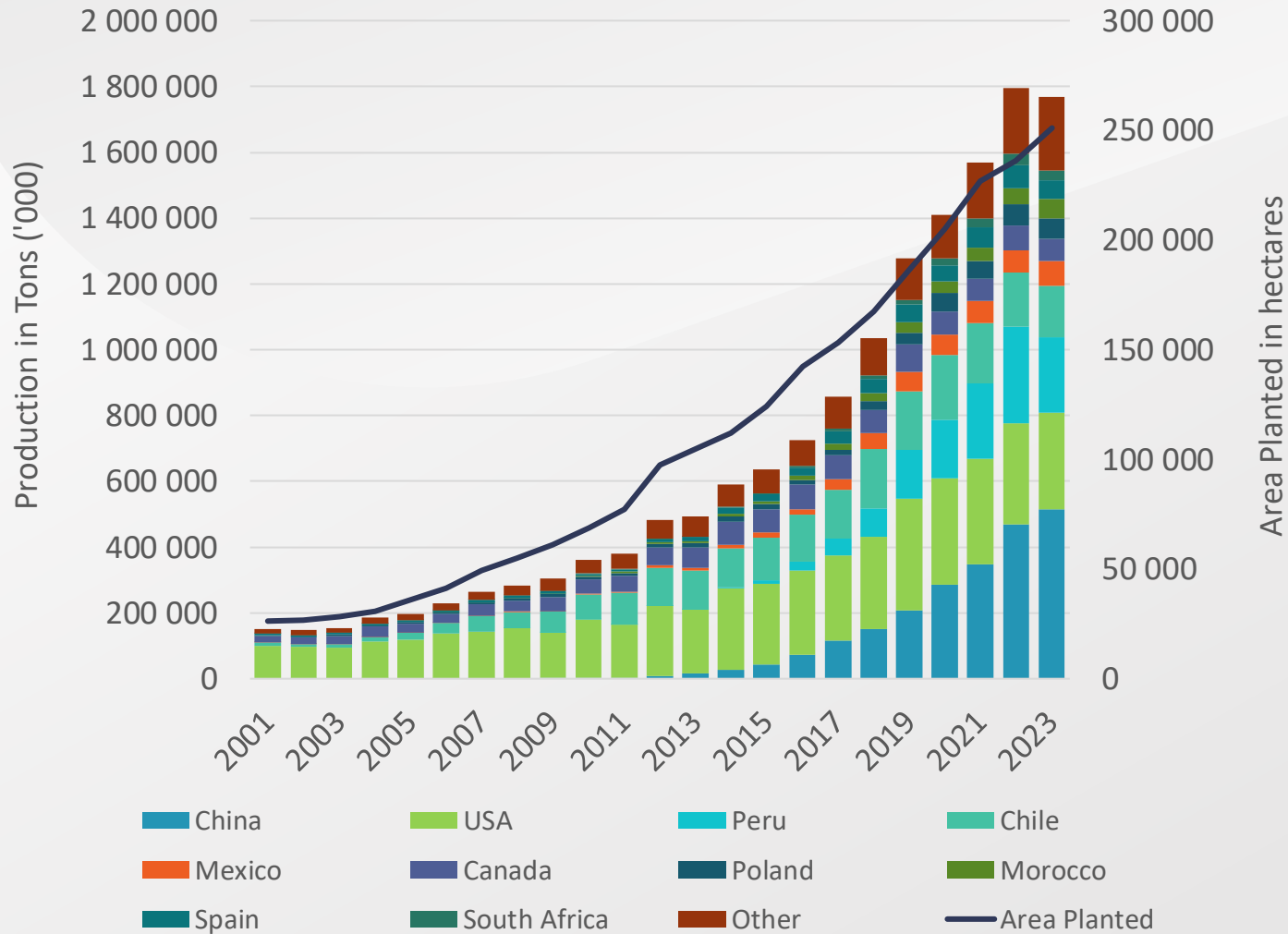


Small bump of growth in China means Additional 70 000 tons of fresh blueberries

Source: ONS, 2023

Blueberry Global Supply

Supply concentration and growth determines the Outlook



Global production updates:

- First time in 22 years that global production decline in a year
- Global production declined by 26 000 tons. Thus, instead of growing by 13% in 2022, production declined by 1.5%
- Peru decline – 292 584 t to 229 390 (21% decline)
- US, Canada, Chile & Poland were all down (single digits)
- Yet, China still growing fast (note data issues)
- Canada and Poland had a good seasons
- SA production also significantly down (20%)

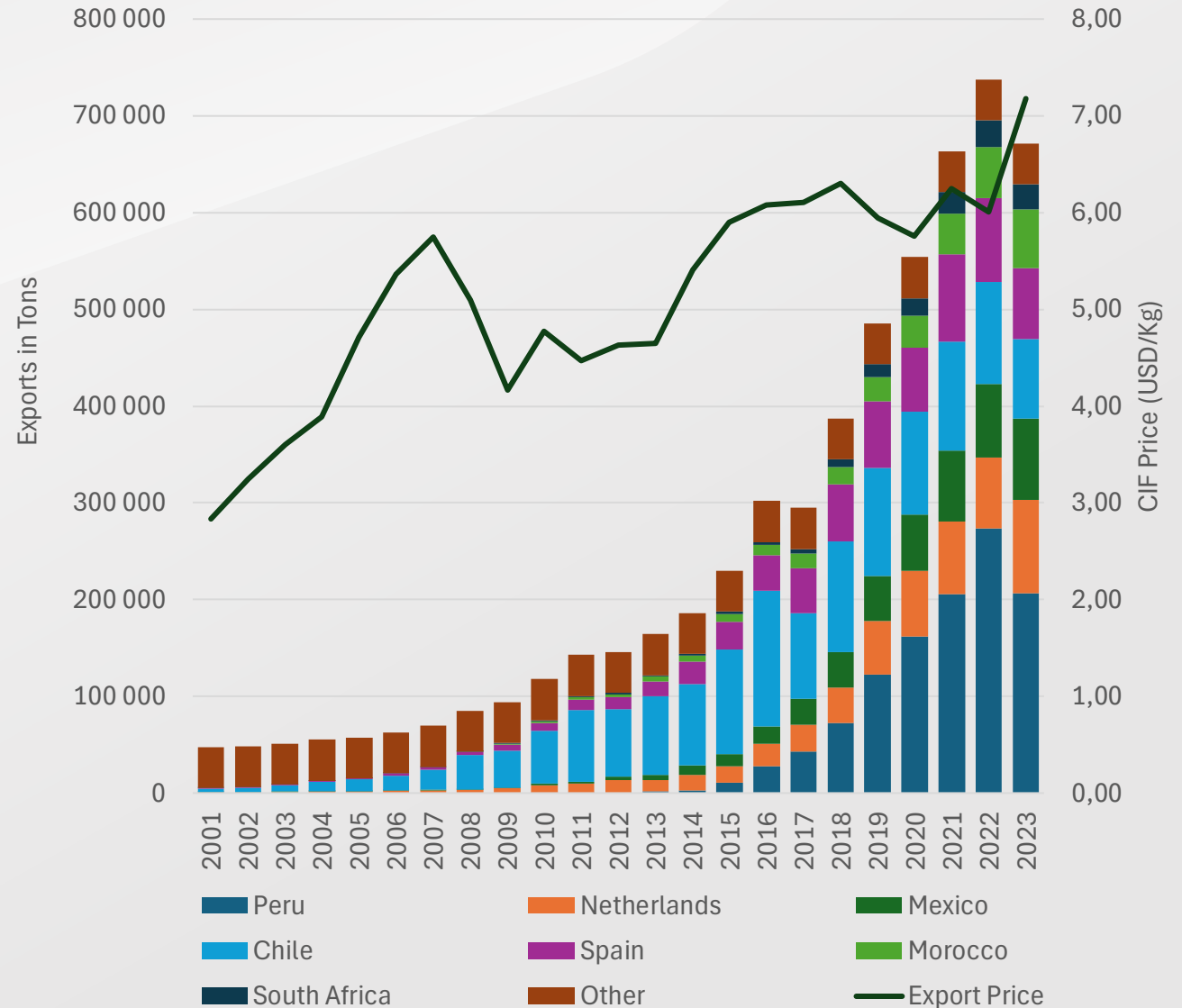
Blueberry Global Supply



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World export performance

- World exports decline 8.6% in 2023
- We use a CIF USA price, which reflects the price jump (19%)
- Peru still the world largest exporter, but exports decline 24%
- Mexico & Morocco was best performers in 2023
- SA also affected by lower production and exported 4% fewer (but these are re-export)
- SA-based export declined 12%, which implies a larger share was exported compared to other years



Source: ITC, 2023



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South Africa

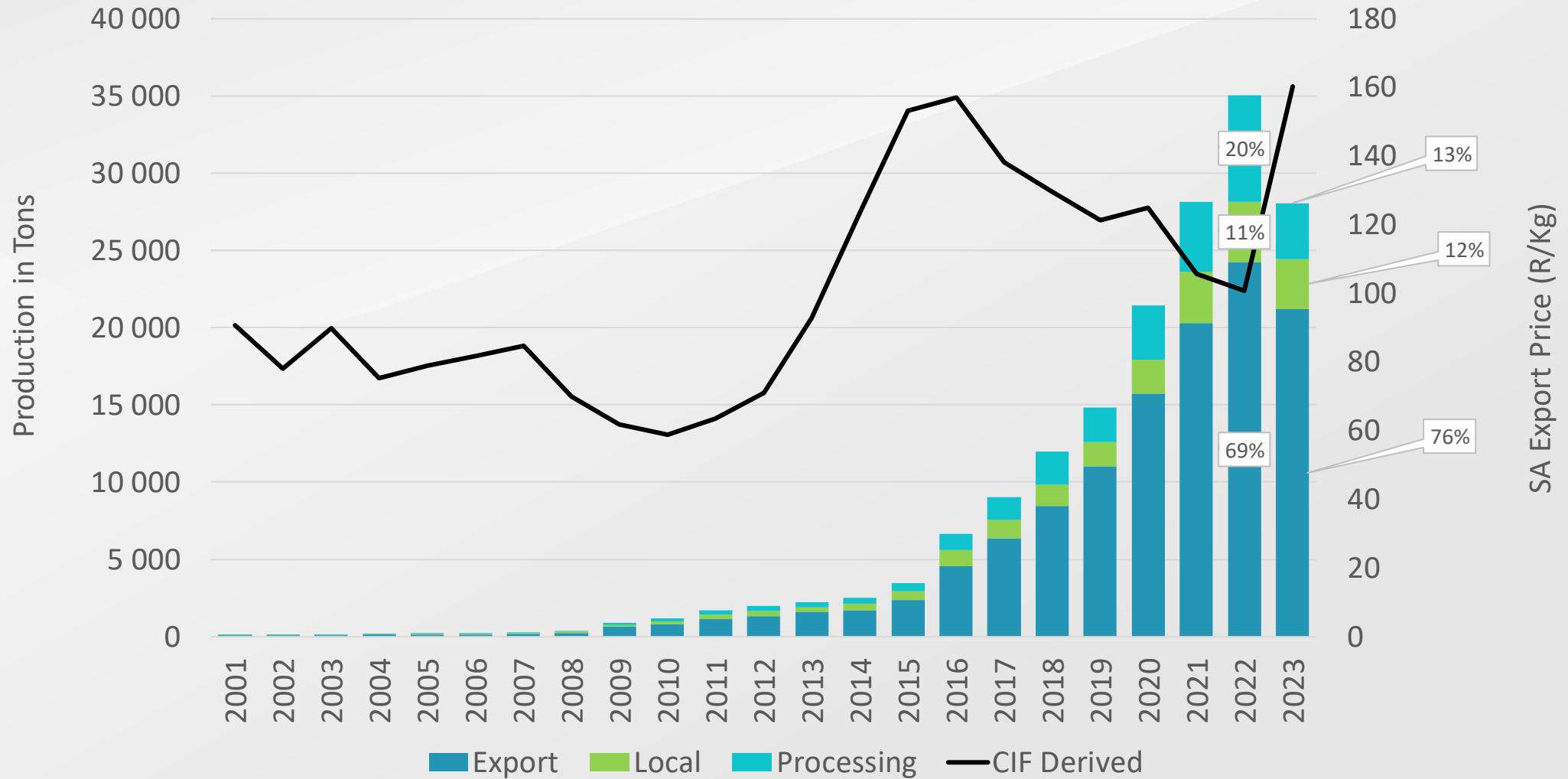
Review of the past season

10-Baseline for Blueberries

Farm-level updates

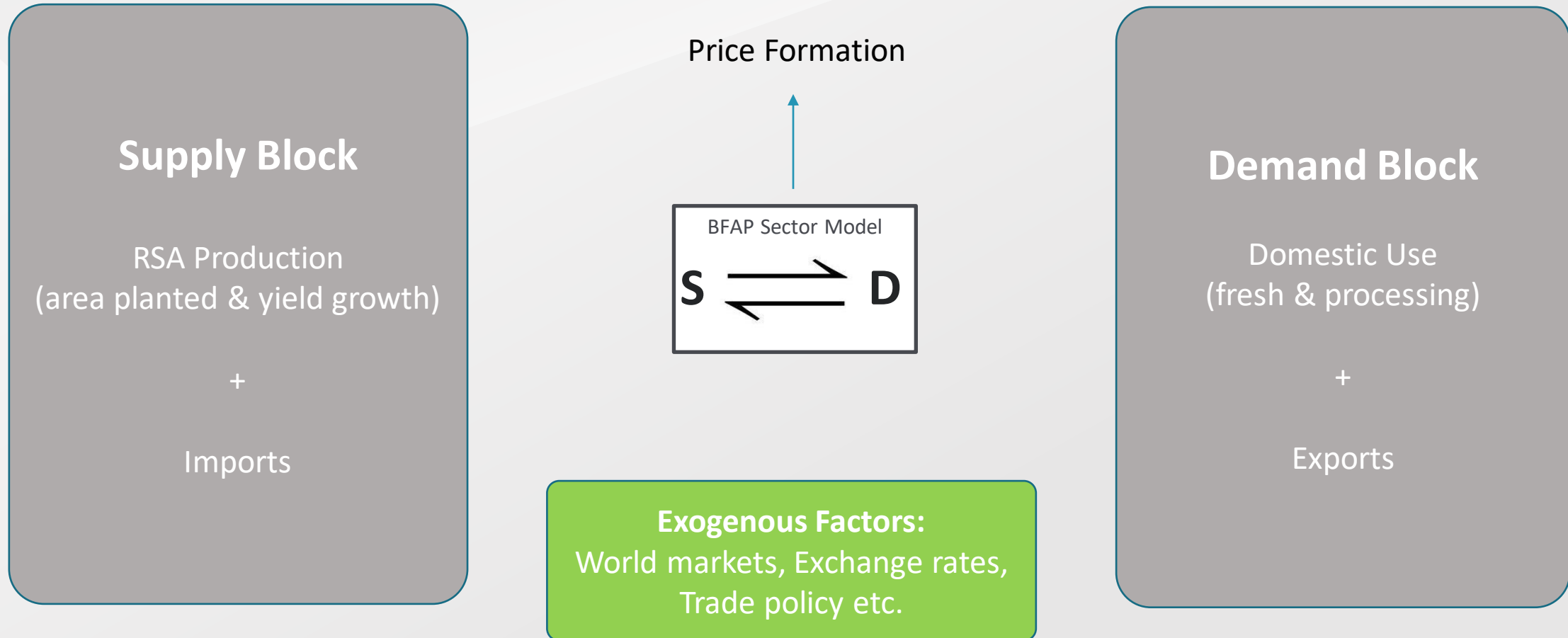


Review of 2023/2024 season



Partial Equilibrium Models

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



Outlook Assumptions



RSA Macro Assumptions towards 2033 with impact Blueberries: May 2024 Update

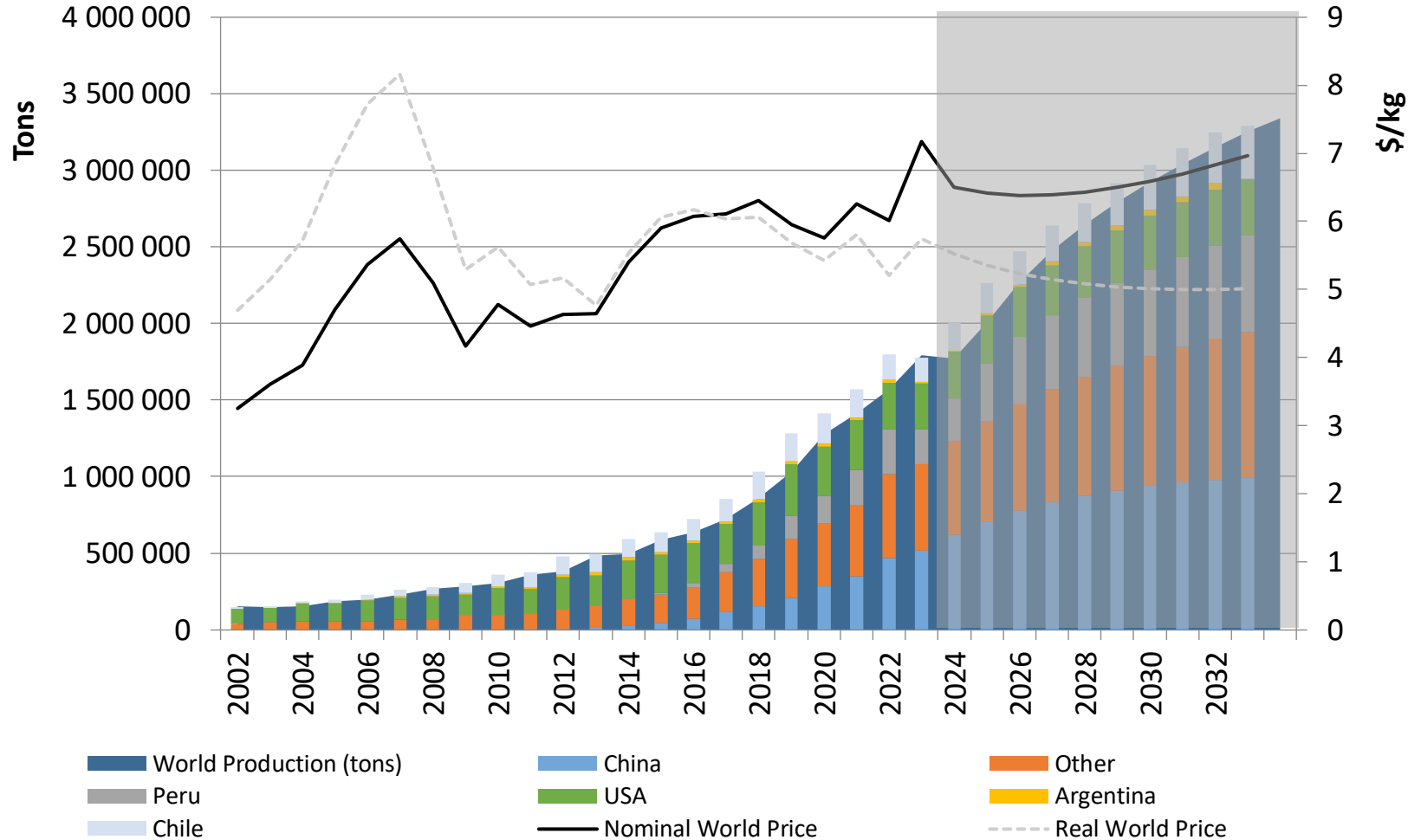
- We project a depreciating currency (good for export prices), but highly volatile (political)
- Local SA economy continues on slow growth path due to impact of loadshedding and other structural issues
- Interest rate remain high, affecting decisions for replanting & establishment

Indicator	2019	2020	2021	2022	2023	2024	2025	...	2033
Real GDP Growth (%)	0.2	-6.4	5.4	1.9	0.2	0.6	1.5		2.3
CPI (%)	4.9	3.3	6.4	6.9	6	5	4.6		4.8
Prime Interest Rate (%)	10.14	7.86	7.03	8.64	11.4	11.5	10.5		10.5
Exchange Rate (ZAR / USD)	14.55	16.46	14.51	16.43	18.41	18.50	17.90		21.34
Brent Crude Oil (USD / Barrel)	65	43	71	99	82	81.5	79		72.6

Looking Ahead 10-Years

Global blueberry Outlook 2024-2033

Blueberry Global Outlook (2032)



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

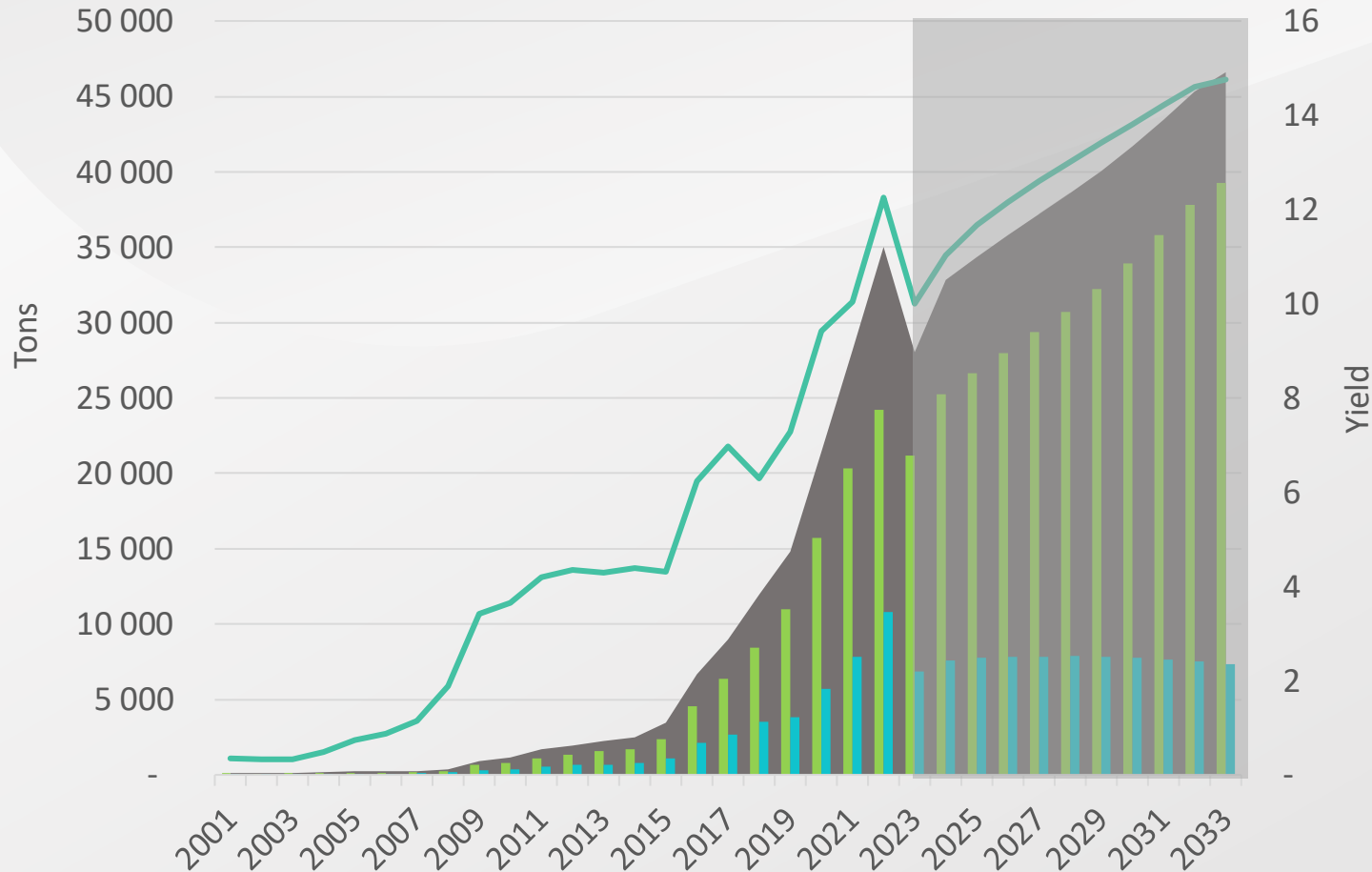
Our price projection is slightly more subdued from last year due to China's growth

Demand remains strong, despite large production expansion.

- Volume CAGR ~ 6.5%

Looking Ahead 10-Years

SA blueberry Outlook 2024-2033



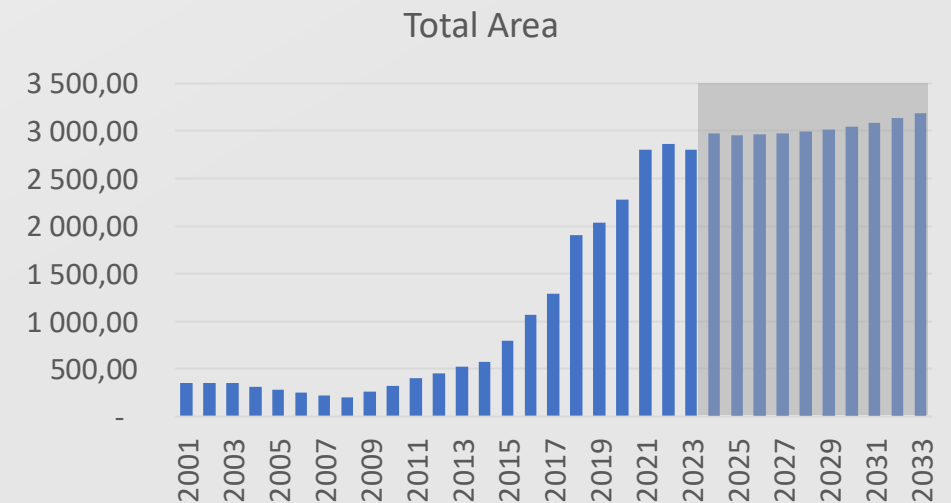
SA production growth continue, but area planted is much less than before

End Baseline at 3150 hectare

Yield 14.8 T/ha

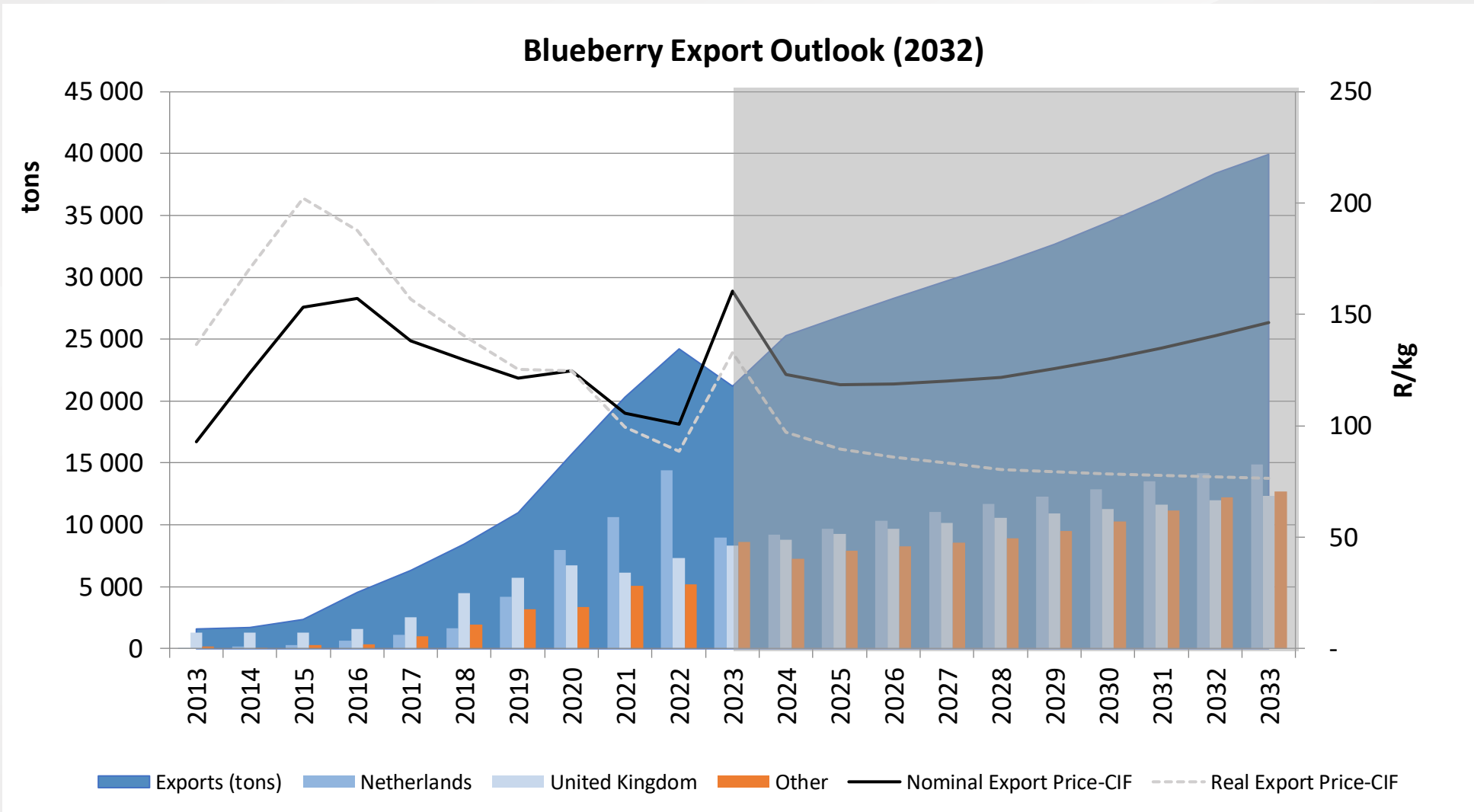
- Existing orchards have yield improvement
- Outlook of 46 700 Tons in 2033

Lower than last year's projection



Looking Ahead 10-Years

SA blueberry Exports and Price Trends



Scenarios

Introducing two scenarios for Peru

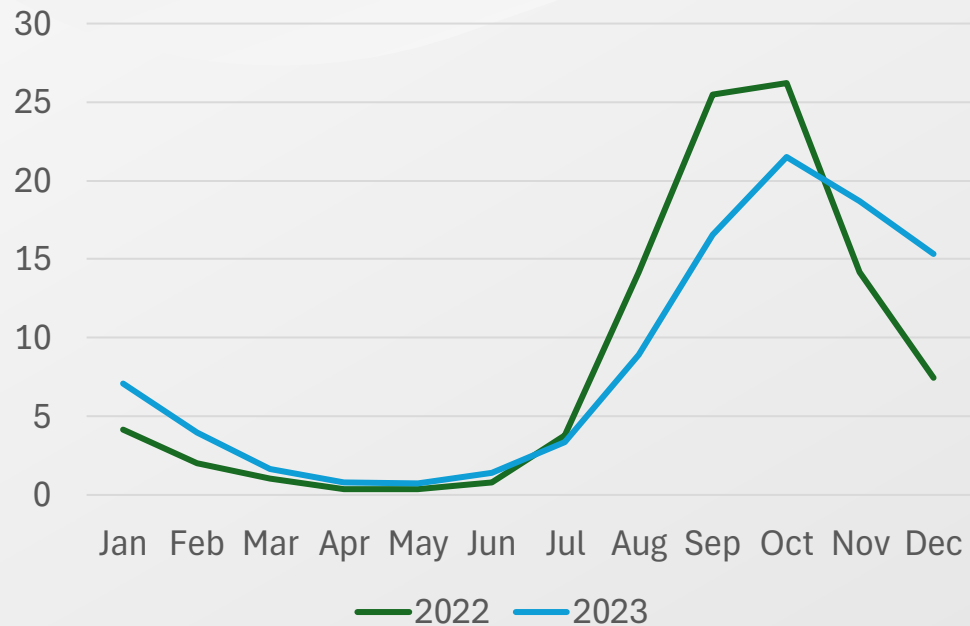
Baseline 2033

Scenario 1: Peru strong rebound +back on SA window

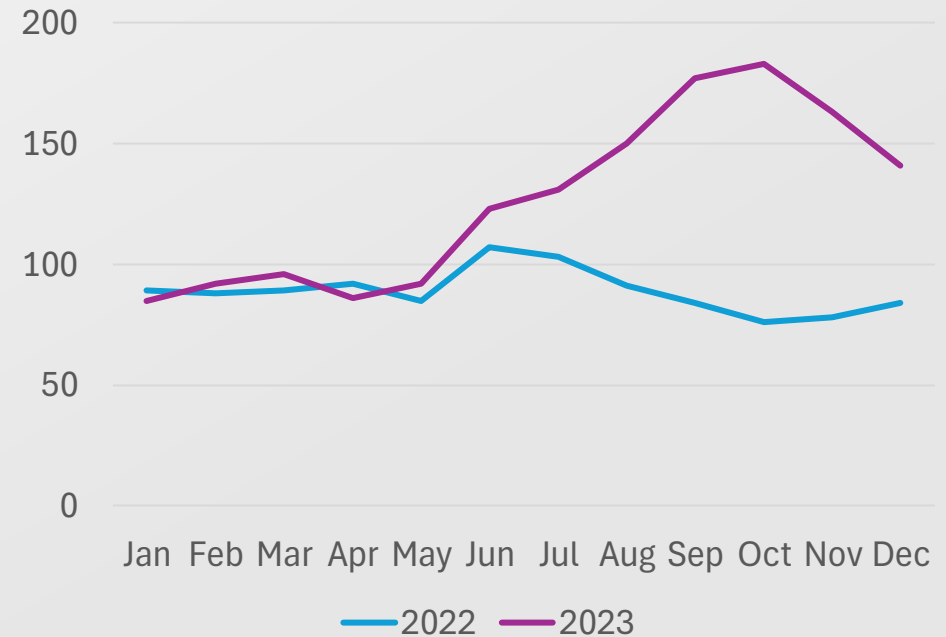
Scenario 2: Peru weaker production + later than SA window



Volumes



Price



Scenarios

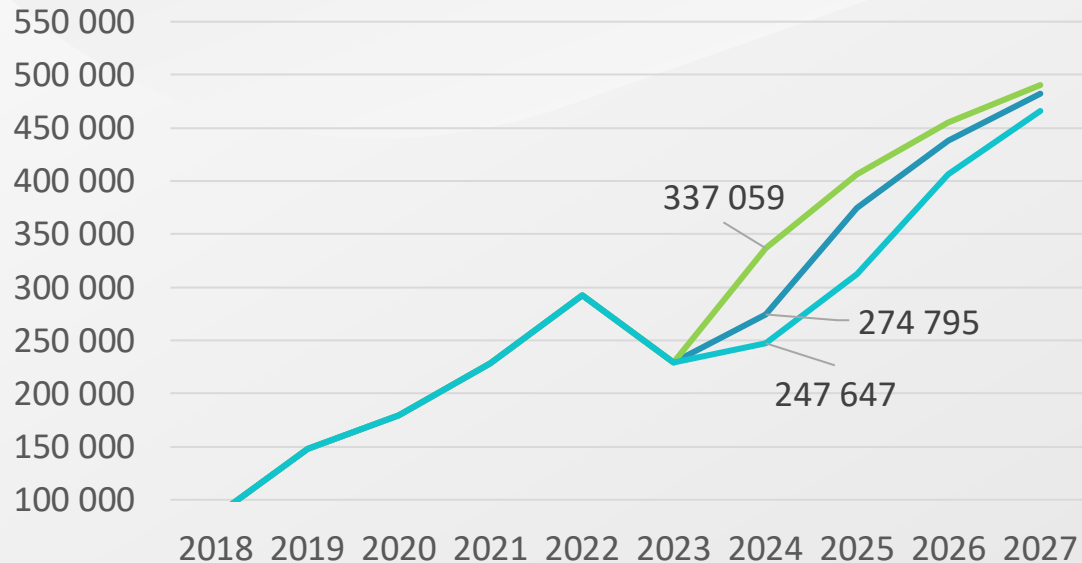
Estimated impact on SA CIF Price

Baseline

Scenario 1: Peru strong rebound +back on SA window

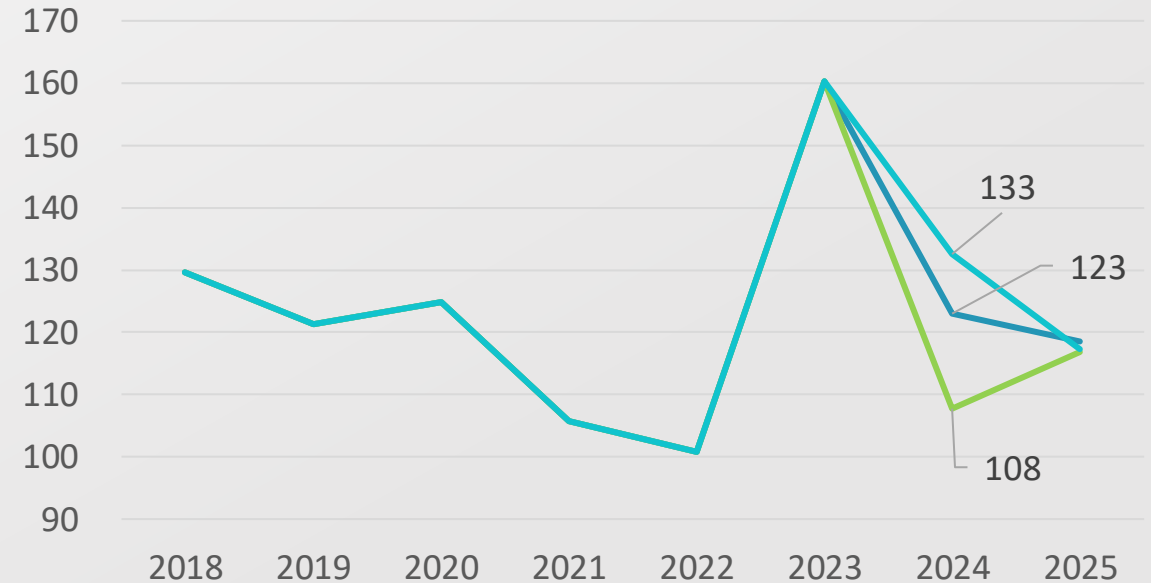
Scenario 2: Peru weaker production + later than SA window

Production



- Baseline
- Scenario 1: Peru strong rebound +back on SA window
- Scenario 2: Peru weaker production + later than SA window

Price



- Baseline
- Scenario 1: Peru strong rebound +back on SA window
- Scenario 2: Peru weaker production + later than SA window

Farm profitability

Update on typical farm financial models 2023



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)	22 (27)

WC Extensive Farm

Open-air	70%
Shade-netting	30%
Plastic tunnel	0%
Substrate in pots	0%
Soil	100%
Avg. yield (ton/ha)	10.3 (12,6)

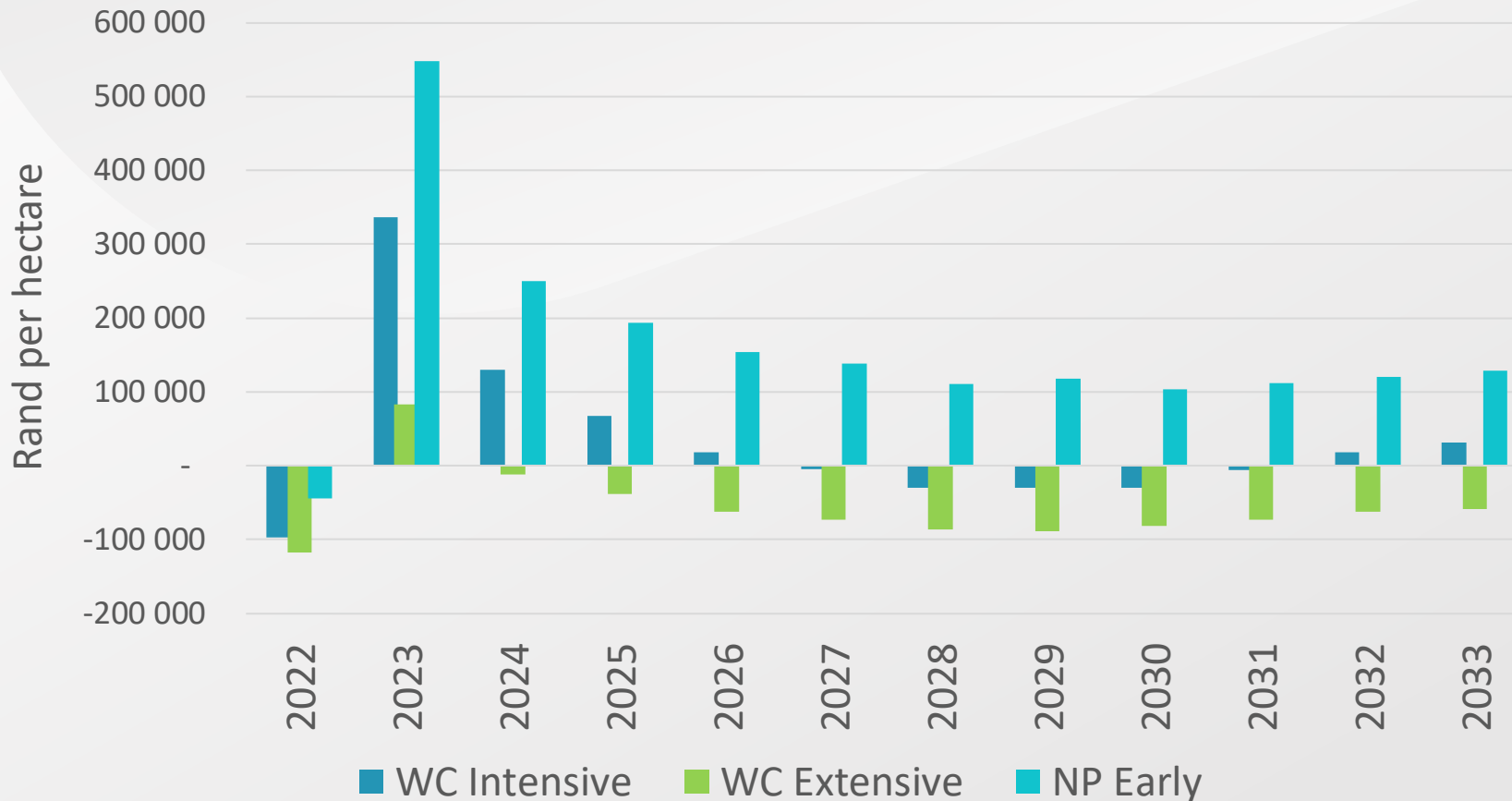
Northern Early Farm

Open-air	30%
Shade-netting	50%
Plastic tunnel	20%
Substrate in pots	70%
Soil	30%
Avg. yield (ton/ha)	18.2 (20)

Farm profitability

Update on typical farm financial models 2023

EBITA Outlook



Asides from better prices, several cost items had declining prices

- Fertiliser (international decline)
- Lower yield in 2023, meant lower labour spend
- Diesel prices are slightly down
- Due to margin squeeze many decided to spend less on repairs & maintenance
- Pack-out were much better

Comment from last year:

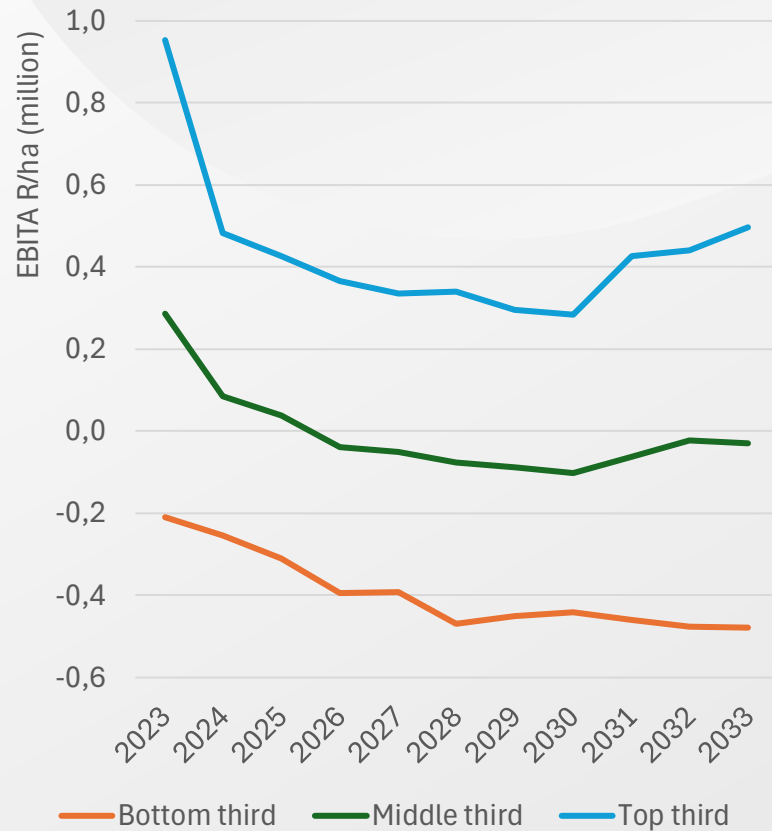
Suspect halt in replacement to manage cash flow in the medium term.

Q: What will farmers do in 2024?

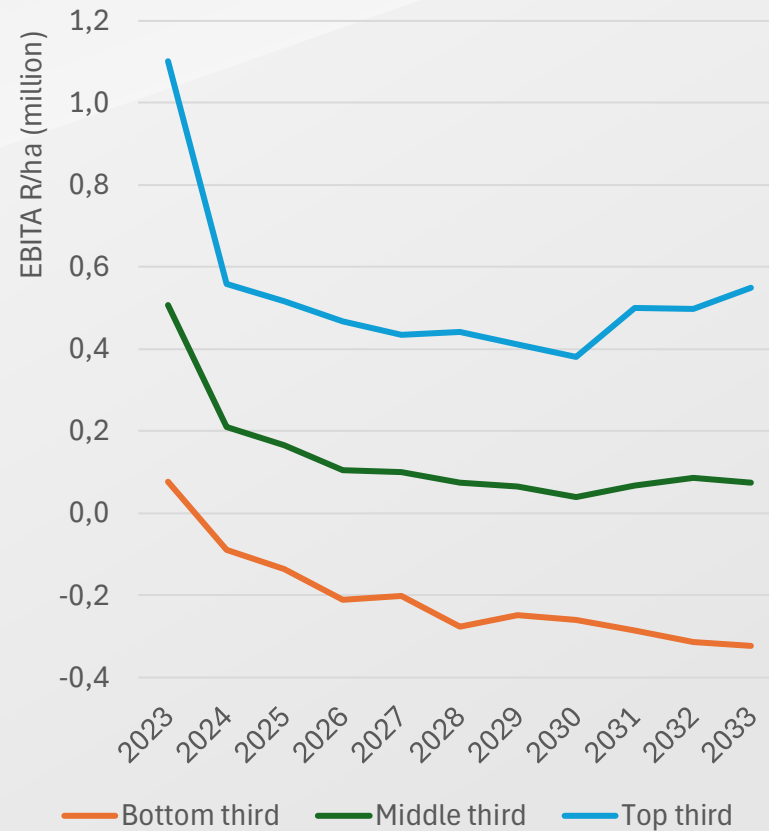
Probability of Returns

Introducing a band of different scales

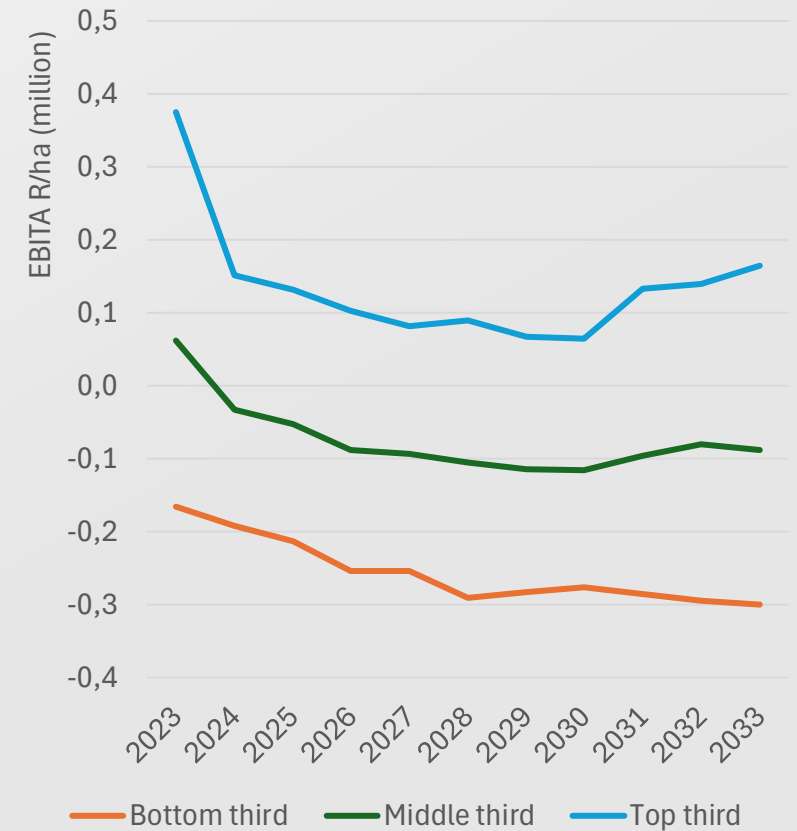
WC Intensive: Median per group based on probability of returns within a band determined by historic variability



NP: Median per group based on probability of returns within a band determined by historic variability



WC Extensive: Median per group based on probability of returns within a band determined by historic variability



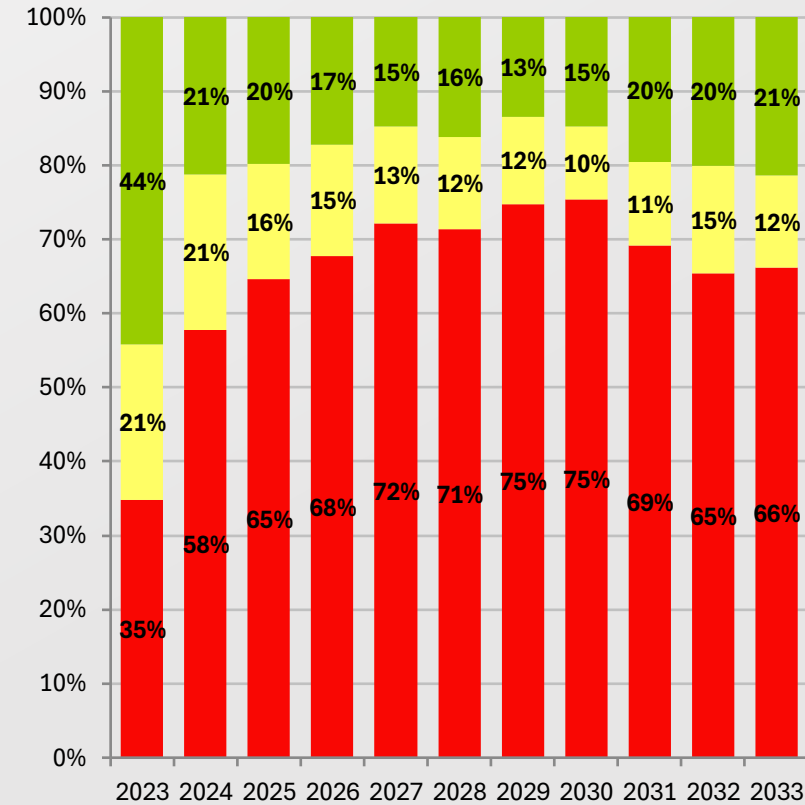
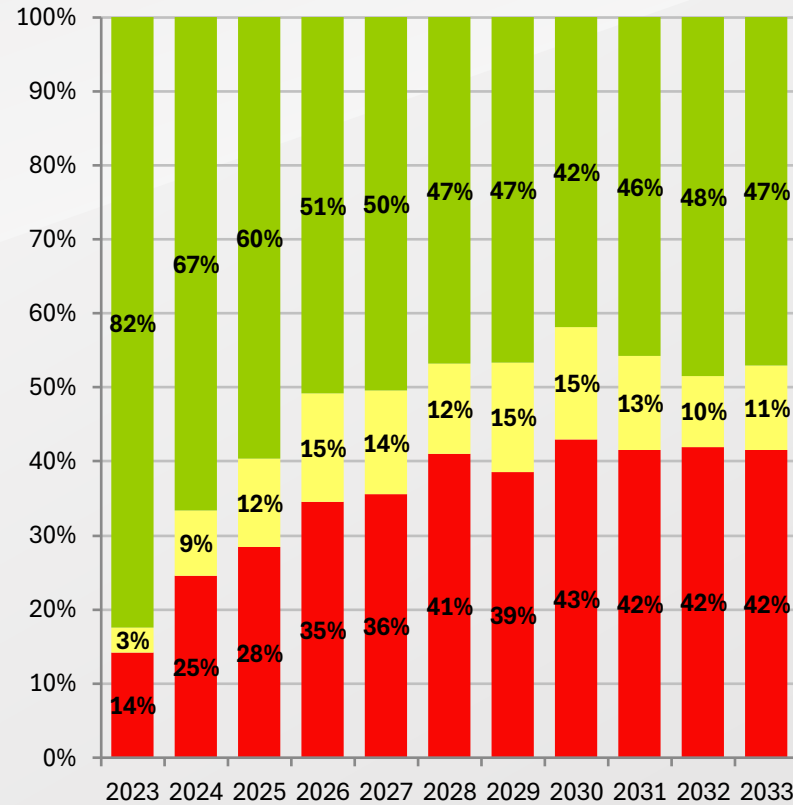
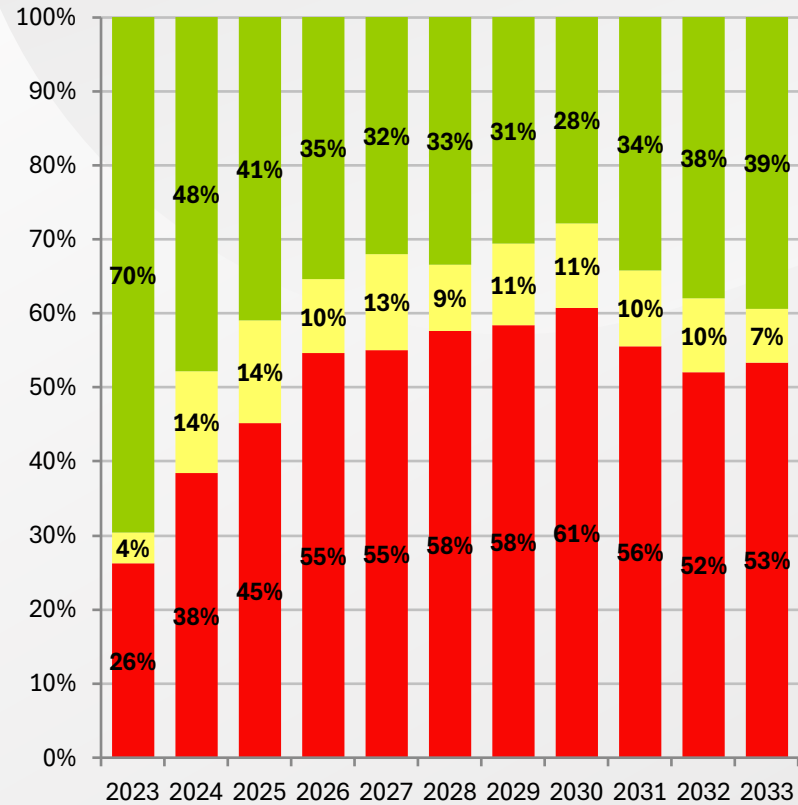
Introducing Risk

Stochastic modelling doing 500 iterations

WC Intensive stoplight chart: probability of returns within a certain bracket

NP stoplight chart: probability of returns within a certain bracket

WC Extensive stoplight chart: probability of returns within a certain bracket



- EBITA (normal replacement) > R100 000/ha
- R0/ha < EBITA (normal replacement) < R100 000/ha
- EBITA (normal replacement) < R0/ha

- EBITA (normal replacement) > R100 000/ha
- R0/ha < EBITA (normal replacement) < R100 000/ha
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Thank You

