

Agri-Business senior economist Paul Makube:

"Lower fruit exports may lead to prices dropping in local South African market

According to FNB Agri-Business senior economist Paul Makube, lower fruit export volumes may lead to surpluses being diverted to the local market. Apart from port problems in South Africa, the citrus fruit sector has warned that new EU regulations mean that some 20% of oranges destined for Europe may not make it out of the country this year. Normally, when export volumes contract in a high production season, the surplus is diverted to the local market. This leads to with significant downside pressure on prices.

Makube said this was particularly the case with fresh fruit and vegetables, and consumers benefited in the short term: "However, reduced earnings at farm level may discourage reinvestment and production expansion, which may result in shortages and another round of a surge in food prices in the longer term. So, there has to be some balance in the equation."

South Africa's agricultural exports fell by 2% year-on-year (y/y) in the first quarter of this year, to \$2.9 billion. However, the exports were up 5% from the last quarter of last year.

Source: iol.co.za

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