Why an unusual global export industry keeps growing in a developing country

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The global citrus export industry based in South Africa is a surprising outlier in many ways, not least for its vigorous growth. Somehow, the diverse industry has emerged as the second biggest in the world after

Spain.

Researchers Shingie Chisoro and Prof Simon Roberts unpack the key factors driving this exceptional success in a study published in The European Journal of Development Research.

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Resilient coalition of growers

Most unusual among the agriculture industries in South Africa, the Citrus Growers' Association of Southern Africa (CGA) has managed to stay intact and align a coalition of 1,200 diverse growers.

It was founded in 1997, after shock liberalization by the first democratic government in South Africa. In the almost 30 years since, it has served all the export citrus growers—since exporting citrus growers are mandated to register with the CGA.

The ability of the growers to come together and align their interests, to form the CGA, with the common goal to be competitive in export markets, is a key success factor for the industry. That coordination and collective organization through the industry body is fundamental to the industry's success.

Growers driving their industry

Farming in African economies means struggle. All the risk and associated costs in the value chain ultimately goes back to the growers.

Fruit can obviously only be marketed if it has been grown. Growing requires upfront investment in land preparation, planting material, farm and irrigation infrastructure and systems, chemicals, and continuous improvements in farming methods and technologies to produce quality fruit.

The CGA is doing well in making sure the growers get to drive the industry and succeed.

Organization through the industry body has ensured that the interests of the most diversified and dispersed value chain participants are represented. Also, that they have collective "grower-power" to shape industry developments and investments for longer-term value creation.

Business and risk model

In value chains, stakeholders downstream from growers (logistics, sales and marketing) tend to appropriate more value, while the grower gets the least value despite often investing the most.

The CGA's pursuit of value for growers has however created a different business risk and opportunity model for citrus growers in South Africa, compared to other agriculture industries.

Citrus growers own their fruit right through the value chain up until the final sale to overseas export markets, which is different from the case of a dairy farmer or maize (corn) miller. It then follows that if there is a hailstorm, drought, or war, the risk goes back to the citrus grower. But if market prices increase, the grower benefits also.

The CGA is trying to develop the systems and structures to ensure that value goes back to the grower. They do this to improve transparency in the value chain, in the distribution of economic rents—those costs charged in the value chain without any accompanying productivity or value-add.

Independent resources mandated by the government

To fund industry activities, the citrus growers have collectively agreed to a statutory export levy mandated by the National Agricultural Marketing Council. This is similar to other industries such as wine exports from South Africa.

Each citrus exporter in South Africa contributes to the industry levy, charged per carton of exported fruit. In this way, the CGA has access to ongoing and independent resources.

At the time of writing the levy is ZAR 1,64 per 15kg carton, which equates to USD 0,09 per 33 pound carton.

Leveraging industry export levies, the CGA has been able to invest in research and development, market access, and key inputs for export success.

In-house R&D for entrepreneurial response

A very strong in-house technical and research capacity gives the CGA the ability to respond quickly and independently to the requirements and changes in export markets.

The CGA has placed research and development (R&D) at the center of the industry. They are also smart in how they leverage their R&D to be entrepreneurial in developing key inputs in new or improved cultivars, and crop protection products for established and new pests.

Given the high levels of concentration at the inputs level, the CGA keeps up its efforts to ensure competitive rivalry to bring somewhat cheaper inputs to the grower. It also means the CGA has to develop its own capabilities to play in this field.

Their in-house R&D means that they can more quickly respond to the demands of importing countries and concerns about possible pests and diseases that could block exports, compared to other industries in South Africa that outsource theirs to a government research institution.

Industry drives growth strategy

As an export industry, the CGA is dependent on the national South African government to open doors globally. Market access to export countries, ports, and logistics infrastructure all need to be facilitated by the government.

The collective organization through the industry body has served to strengthen the growers' position in relation to the government. This has ensured constructive engagement between the industry and the government.

The citrus export industry in South Africa drives its own growth strategy, in collaboration with the government. The industry has been proactive in driving industry developments and ensuring long-term value creation.

Responsive to government priorities

In South Africa, the form of segregation known as apartheid was dismantled with the first democratic election in 1994. However, the exclusion of Black people from financial, business and agricultural activities created by apartheid is still an unfortunate reality for many.

In this context, building a sustainable industry in South Africa required the inclusion of previously excluded Black farmers and the balancing of different interests, to sustain a broad and stable coalition of players and stakeholders.

In response, the CGA developed supporting structures and institutions to include Black growers. Not only for local production, but also to encourage them to supply to export markets.

A fifth of the government-mandated export levy goes to develop Black farmers. In this way, government priorities do influence the CGA's resources and activities. However, more needs to be done to include Black growers, but the industry is making progress.

Expanding from national to regional

The CGA has not only managed to stay intact since 1997, it has also grown beyond a national industry body, expanding into neighboring countries.

The CGA of Southern Africa serves Namibia, Botswana, Eswatini and Zimbabwe as well. The regional coalition allows for the transfer of knowledge and technology to the southern African citrus growers and their service agents, leveraging the technical capacity of the CGA.

The CGA as a regional coalition of growers serves to facilitate exports on a regional basis into global markets.

Furthermore, the regional coalition is important for ensuring the biosecurity of the Southern African citrus industry and to control for pests and diseases. For example, if there is a disease in Zimbabwe, it will not destroy South Africa and the other countries, because their biosecurity measures can curb it quickly enough, conclude Chisoro and

Roberts.

More information: Shingie Chisoro et al, Grower Power for Value Creation in High-Value Horticulture? The Case of Citrus in South Africa, *The European Journal of Development Research* (2023). DOI: 10.1057/s41287-023-00591-z

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