



Keimoes-Uppington N14, 2km, Keimoes, Northern Cape, South Africa
PO Box 767, Keimoes, 8860, South Africa
Tel: +27 (0)54 337 8660
Email: info@redsun.co.za www.redsun.co.za



REDSUN RAISIN REPORT #13 – 2020

SOUTH AFRICAN RAISIN CROP NOVEMBER 2020

Highlights of this report

What does the South African 2021 raisin crop look like?

Redsun's views on the prices for 2021 crop with the farmers.

Raisin drying facilities and processing capacity in SA

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Sale of raisins from the 2020 crop

What does the South African 2021 raisin crop look like?

The 2021 South African raisin crop is developing well. Crop estimates now range between 83 – 85,000 mt of farmer's stock. The quality looks good since the frost from 29 September 2020 slowed the fruit development down. Less fruit, better quality. Without the frost, a crop of 90,000mt was in sight.

Most farmers who deliver wine grapes have received very little money from the wine cellars for their grape deliveries in February and March 2020. Wine sales have been seriously reduced due to lock down regulations in South Africa. Wine cellars have not been in a position to sell their product, and therefore, farmers have not been paid. To our knowledge, all raisin packers have paid farmers everything they are owed from 2020 crop, and the commercial banks have been co-operative in extending loans to farmers to assist in cash flow needs.

Redsun's views on the prices for 2021 crop with the farmers.

Farmer meetings have been held at Keimoes and in the Western Cape at Vredendal. Both meetings were well attended by farmers. The purpose of this information is to share possible prices with farmers to enable them to prepare business plans for their crop. There can be no commitment to prices as yet, because the intake will only start in February.



Redsun farmer's evening in Keimoes November 2020

We were giving the following rough ideas to the farmers,

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|------------------------------|--------------------|
| 1. Thompson medium choice | USD 1850 - USD2000 |
| 2. Golden medium choice | USD 2500 |
| 3. Flame medium choice | USD 1950 |
| 4. OR Sultana medium choice | USD 2400 |
| 5. SA Sultanas medium choice | USD 1750 |
| 6. Currants choice | USD 2450 |

Based on these prices, the farmers will be able to work out preliminary business plans, and decide what the varieties of raisins are that they will make for the crop 2021.

We think there will be fewer golden mediums made. There is at present about 10,000mt of stock of 2020 crop which must be exported. That will depress the price of goldens. However, we encourage farmers to make golden mediums, provided they can be reasonably sure the quality of their grapes will deliver a "choice" golden grading. If they receive a "standard grade" rating on delivery to factories, then they will be losing money. They should have made a Thompson.

We think there will be about 20,000 mt of golden mediums made in 2021. (2020 there was 25,000mt made.) The quality should be good.

Thompson medium will remain the majority of the product made (about 35,000mt or 42% of total crop). The pricing remains uncertain between USD 1850 which we have heard from some sources and USD 2000. In the end, the determining factor will be the prices being paid to farmers at February and March 2021.

SA Sultanas will enjoy a bumper year at Redsun for the first year of introduction. Redsun is encouraging farmers to produce the SA Sultana which is a good quality sultana of even colour and free flowing. The price will compete with the Turkish #9. The most important difference compared to Turkish will be the low MRL counts on the product.

After several years of crippling drought, the currant producing region will produce yet another record crop during 2021. The quality is looking very good, and we expect a crop of over 5000mt of currants. 2020 currant crop was 4,523mt.



2021 currant crop in development.

Raisin drying facilities and processing capacity in SA

There is another sequence of audits that will be conducted on all raisin drying facilities in South Africa during 2021 drying season. We think the processing capacity for raisins in South Africa is now in line with the farm production of raisins. In the past, there was fierce competition between factories for farmer's stock. That caused the prices to farmers to lift. We do not think that fierce competition will exist for 2021 crop farmer's stock. That will open the opportunity for additional investment in raisin processing capacity in South Africa.

A Uniform raisin grading system for buying farmer's stock

Farmers have often complained regarding the different grading methods for incoming farmer's stock between the factories. Raisins SA have now convinced 6 (including Redsun) of the seven factories to use a standardised airtunnel method for grading. The intention is to standardise the effectiveness of the grading between factories. Redsun has invested in 4 wind tunnel sorting machines.

The idea is that all farmers should receive the same quality grading for his deliveries, irrespective of the factory where he delivers his crop. Although this system was developed at the request of farmers, there are many farmers who are now unhappy with the new plan,

because they believed there was a competitive advantage in delivering to one factory before another due to the grading process being “kind” to the farmer.

In the end, there is an appeal system, which will finally decide the grading for a farmer’s delivery, which result is binding on both farmer and packer.



The new grading windtunnel



Uncle Jan Schwartz with his 2021 crop

Redsun business plan for 2021 crop

Redsun intends to buy 15,000mt of 2021 crop raisins. So far, everything looks favourable. However, as we all know, much can happen between now and when the raisins are delivered in February and March 2021. We look forward to buying from 288 different farmers. Their farms are located from Prieska in the east through to Vredendal in the west. Roughly 1000km from one end to the other. Our factory is in Keimoes, roughly in the middle.

Sale of raisins from the 2020 crop

Raisin sales from South Africa year to date (31 October 2020 therefore 10 months) is 52,675mt. That is 17,964mt more than this time in 2019. All the Thompson mediums are sold out, but there remains about 8,000mt of goldens. There are also currants and jumbos of Thompsons and Black varieties.

The South African domestic market consumed 6,759 mt over the same period.(not included in previous export figures) This is surprisingly little. There should be a greater effort made by processors to develop a market for raisins domestically.

If one takes into account that the SA crop of 2020 was 85,080mt, plus there was a carryover of about 12,000mt, there are approximately 100,000mt of raisins to sell. There are two more months left to the end of the year and therefore we project there will be about 25,000mt carry over into the new year, and by the time the new crop is in at end February 2021, we expect a carry over stock of 15,000mt. That is more or less in line with the beginning of 2020.

Peter Kuilman
peter@redsun.co.za