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**REDSUN RAISIN REPORT #9 -2021 October
 SOUTH AFRICAN RAISIN CROP**

HIGHLIGHTS OF THIS REPORT

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The start of the 2022 crop

The new crop is now on its way. Reports are very positive with a very fertile fruitset about to happen. Redsun Technical Services Manager, Stryss Strauss, is positive about what he is seeing in the vineyards of the 263 farmers that supplied Redsun during the 2021 crop. 90,000mt of dried grapes is the estimated 2022 crop for South Africa at this stage.



New growth on the vines near Keimoes.

| HISTORICAL DRIED GRAPE CROP SIZE IN SOUTH AFRICA | |
|---|--------------------------------|
| CROP YEAR | METRIC TONS DIED GRAPES |
| 2019 | 74,830 mt |
| 2020 | 85,080 mt |
| 2021 | 71,655 mt |



| | |
|------------------|-----------|
| 2022 (estimated) | 90,000 mt |
|------------------|-----------|

As we know, a lot can happen between now and when the crop is delivered to packers. This time in 2020, Redsun was similarly optimistic about the upcoming crop. Due to a wet drying season, the crop was reduced to pre-2018 levels.

The growth of the crop is coming from new plantings, wine grape replacement and table grape farmers converting part of their crop to raisins.

How are we going on the sale of 2021 crop?

We have been unable to source accurate “carry-over stock” levels from the 2020 crop as at 1 January 2021. The estimate is about 20,000mt, making total supply for South Africa 2021 crop at 91,655mt.

As at 31 August 2021, South Africa had sold 46,499 mt or 50% of the supply. 88% of this volume was exported. The destination was mainly European Union (53%) and then USA (14%). 5,537mt of the 2021 crop has been sold within the SA domestic market, representing 12% of sales to date.

There remains 4 months of 2021 to ship the balance of the crop. Traditionally the last 4 months of the year record higher sales than any other 4 month period of the year. We can anticipate an average of 6,800 mt exported per month, resulting in a further 27,200mt to be shipped before the year end. That means we anticipate 18,000 mt carry over into 2022.

Freight rates and Shipping delays

Redsun continues to experience delays in securing delivery of food grade containers and bookings. At this stage, the greatest uncertainty is with MSC as they are giving reefer containers with fresh fruit preference. Therefore, there are frequent occasions, where Redsun must roll over bookings on the next available vessel. DAL is taking the majority of our containers at present due to space availability.

Delays up to 45 days exist for a booking on some containers. Others move quickly if there is a co-incidence of a vessel arriving shortly after packing that can clear the Redsun store. At any one time Redsun has 28 containers in our store waiting food grade containers or vessel arrival.

Freight rates seem to be reasonably consistent. They have increased by USD700 per 20” FCL and USD1000 per 40” FCL.

South African crop 2022 projection. Jumbos and bolds

There will be more jumbo and bold size of raisins produced in South Africa. Traditionally, South Africa used to produce about 15% of its total crop as jumbo or bold, coming typically from the table grape industry. In 2022, there will be a higher percentage of jumbos and bolds due to a growing number of table grape farmers, entering the raisin business, with a portion of their crop because,

There is a lower price expectation, but greater certainty of market returns in the raisin industry compared to table grapes, this is a permanent shift.

The shipping rates have escalated at unprecedented rates on reefer containers, the required transport vehicle for table grapes.

The table grape farmers have invested in SA GAP accredited grape drying facilities, and the principles applied to producing high quality raisins are clearly understood and applied.

We do not see any movement in the selling price of jumbos and bolds compared to 2021 crop.

South African crop 2022 projection. Flame medium

There will be more flame mediums produced. The fresh grape market is demanding new varieties and the farmers have Flame grape varieties in the ground producing well. They will not treat these Flame grapes to sell as fresh grapes, and therefore these farmers will use these hectares as a source of flame medium.

Flame is also a suitable drying variety giving good yields and resistance to rain damage. Therefore, raisin farmers are selecting Flame as a variety of choice. The market popularity for Flame mediums is growing, as a good substitute for Thompson medium in certain circumstances.

We do see an increase in the price of Flame mediums in line with the Thompson medium price

South African crop 2022 projection. Thompson medium

The Thompson medium will increase in price considerably on the back of movements in the USA market. We can see prices in the region of USD2300 per mt. This is up considerably from price levels of 2021 which started at USD 1900 per mt.

As Thompson mediums usually make up about 45% of the South African crop, we anticipate that this share will increase as the Thompson becomes the "raisin of choice" for farmers and packers due to strong demand. It is possible that 55-60% of the SA crop will be made to Thompson medium. (54,000mt based on present projections).

South African crop 2022 projection. Golden medium

South African farmers can make a good quality golden sultana. Over the 2020, and 2021 season, the market for goldens has been slower than normal. In our opinion, that is caused by the moving date on the Ramadan celebration. In 2022, Ramadan will commence on 2 April 2022. There cannot be any South African goldens from 2022 crop in that market due to the timing of the new crop. It is possible that product can be stored from the previous crop in cooling facilities to maintain the premium colour.

In the past, South Africa has supplied 8,000mt of golden sultanas per year to the North African Ramadan market

Pricing has been depressed at about USD2600 per mt, lower than traditional levels. We believe it is possible that the prices for the golden medium choice may lift slightly by about USD200 per mt. This is due to the lift in the Thompson price that that will reduce the volume of goldens made. Farmers need an additional margin to make goldens over the cost of making Thompson. There will probably be fewer goldens available.

There are now also rumours that the availability of the sulphur used to make the goldens will be limited due to Covid 19 factors.

South African crop 2022 projection. Currants

The currant market is the one dried grape variety that has been badly affected by the COVID 19 shut down of the food service industry. Large catering functions, restaurants and hotels are traditionally the large users of currants, either directly or via bakeries.

The South African currant crop of 2021 was 3,502mt. The size of the Zante currant variety most common in SA is a 1100 berries per 100gr. This is substantially different to the main Greek currant variety at 550 berries per 100gr.

We predict that the crop size will increase slightly in South Africa as more farmers have increased the hectares planted. The price will be lower than 2021 levels due the higher carry



South African Zante currants

over quantities in Greece and South Africa.

South African crop 2022 projection. Sultana (SA Sultana and OR Sultana)

The price of the SA Sultanas is aimed at being competitive to the Turkish #9 RTU. At the present the low price level of the Turkish #9, it is unlikely that South African farmers will use their grapes to make SA Sultanas if one considers the anticipated price for Thompson medium choice at USD 2300 per mt. If the farmers can secure a price within USD100 per mt of the Thompson medium price, then they will make SA Sultanas. WE think this is unlikely from the customer's perspective.

OR Sultanas will be consistent with the previous year's production volume. It is a difficult product to make and needs specific infrastructure, which is not used for other varieties.



Or sultana medium drying rack

South African crop 2022 projection – Organic raisins

For 4 years Redsun has been paying farmers a premium price for Thompson medium “chemical free”. The premium is given only if the samples from the farmer’s stock batch is proven to be “chemical free” by a laboratory test. There are now so many farmers claiming the chemical free premium, and succeeding in delivering chemical free product, that Redsun has now restricted to volume of raisins on which the “chemical free” premium will be paid to 1500mt.

The purpose of the “chemical free” strategy is to develop more farmers to become certified organic raisin producers. In 2022, Redsun anticipates to have 50 hectares of vines certified organic. We expect these vines to produce about 190mt of organic Thompson medium raisins. In 2022, Redsun will assist additional farmers to secure organic certifications- At present there are 280 hectares under conversion. Organic vines produce about 3,8mt per ha. Therefore, during the 2023 crop, Redsun is anticipating to have 1,000 mt of organic raisins available to sell.

There is, of course, always going to be Thompson medium “chemical free” raisins available in addition to organic. The cost of chemical free is USD 150 per mt on top of the conventional raisins. This product is then delivered with a chemical free laboratory certificate.

Redsun Food Safety Refit to our washing line.

During November 2021, Redsun will be refitting our raisin washing line with new scanner technology, which will go very far to guaranteeing absolute removal of all foreign objects. This is an essential part of “food safety” we offer to our customers.

The proven most effective sorter for raisins is the lazer scanner. This machine has a versatile capacity in terms of colour and foreign object sorting at high capacity. However, there are two limitations, we must be aware of,

1. If the defect level is higher than 15% of through put volume, the effectiveness of the scanner reduces and it lets through defects
2. If the defect has the appearance of a raisin, but it is not a raisin, the scanner works on visual appearance, and it will allow the defect through.

The CIT (Chemical Imaging technology) scanner does not replace the lazer scanner, but will work in series after the lazer scanner. Foreign bodies or defects that would be completely invisible to the naked eye can be detected purely on the basis of the chemical composition of the raisins, and then removed from the raisin product stream.

Therefore, the Redsun process will involve the following processes that will follow the one after the other

1. Lazer scanner for visual defect removal (bulk of defects) and includes colour defects, (capacity 5 mt per hour)
2. CIT Scanner to remove defects based on the chemical make up of the product. If it is not the chemical make up of a raisin, even if it looks like a raisin, it will be removed. Limited volume aimed at food safety. (capacity 5 mt per hour)
3. Xray scanner will look through the raisin, to see if there is any defect, buried within the raisin, which will not be seen by the previous two scanners, the Xray will remove. (very limited volume of defects aimed at food safety) (Capacity 8 mt per hour)

In our opinion, the key to the effective operation of these machines is to operate them at below their maximum capacity. Therefore, Redsun will operate the washing and packing line at the rate of 4,5mt per hour.

We look forward to using this technological innovation to secure the highest possible level of food safety.

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