

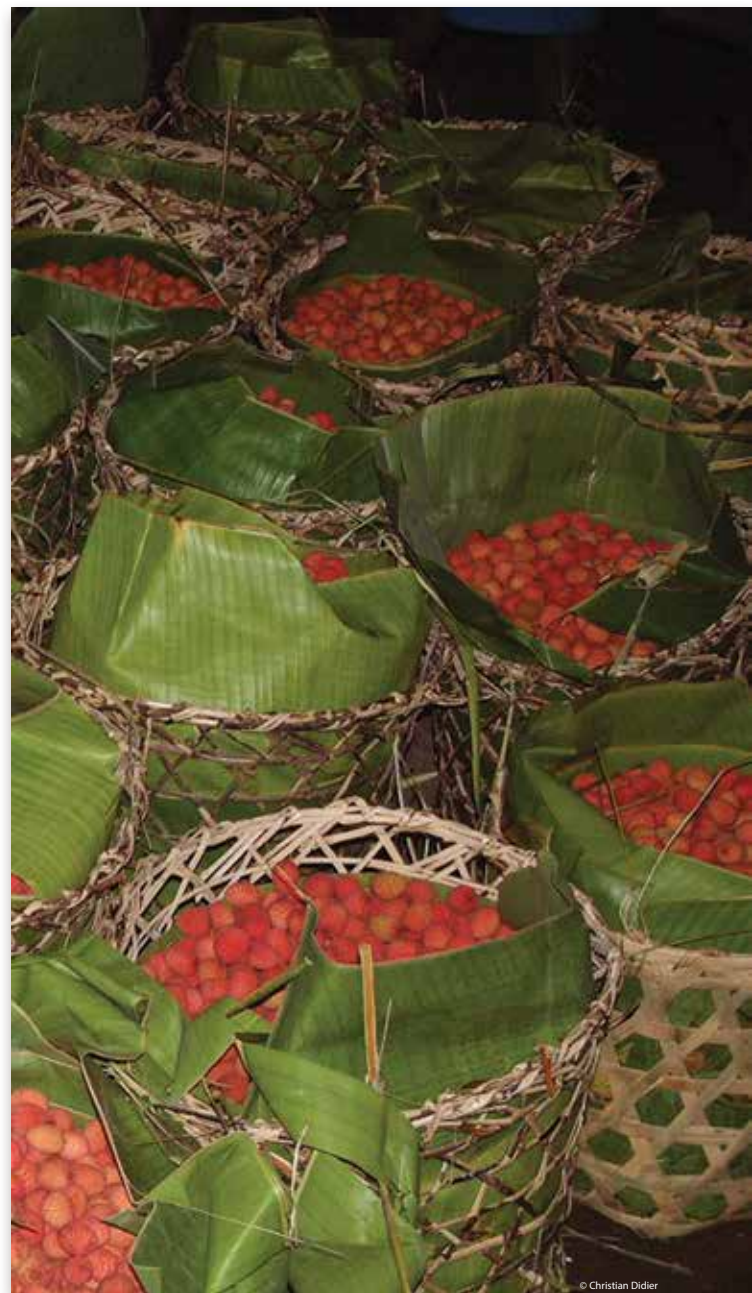
# Litchi

## Madagascar

### Caught between plague and cyclone

**Madagascar, the number one litchi supplier to the European market, registered a fairly similar 2017-18 campaign to the previous one in terms of volume. The estimated total for this last campaign was 18 220 tonnes, as opposed to 17 970 tonnes in 2016-17. This marginal difference highlights the great stability of the markets' absorption capacities of this product for the past six years, the overall rise being barely 2 000 tonnes, with slight fluctuations between campaigns. While the 2017-18 season seems to be a near-facsimile of the previous one, both in terms of volume and economic results, it is considerably different in terms of how it unfolded.**

**W**ith 18 220 tonnes of exports as opposed to 17 970 tonnes in 2016-17, the 2017-18 Madagascan litchi campaign was similar to the previous one in terms of volume. The breakdown by transport was as follows: 420 tonnes by air-freight, 15 600 tonnes by conventional sea-freight and 2 200 tonnes by containers, which equates to an additional hundred or so tonnes for sea-freight and fifty or so tonnes for air-freight. These small variations from the previous year nonetheless provide some indications on the market orientations over the last campaign. Hence we can note a slight comeback by air-freight litchis due to the shortfall from competing origins on this niche, mainly Mauritius and Reunion. The great stability in conventional sea-freight volumes confirms the concentration of sales over the end-of-year festivities, a trend which has constantly strengthened for nearly a decade. As for container exports, also stable, they attest to the difficulty of extending the campaign at the beginning of the year, a period of more intense confrontation with the South African competition.



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## Will the litchi campaign take place?

It all started so poorly last season that this really was a reasonable question. Despite the Madagascan industry having consolidated with a proven organisation, major external factors have disrupted the campaign. In September and October, the plague flared up again in Madagascar. This endemic disease regularly reappears in this country where every year there are hundreds of cases. And in 2017, it was particularly virulent, with nearly 2 400 cases identified, and more than 200 dead within a few months. Unlike in previous years when the infection sites were mainly located on the high plateaux and in urban centres, the disease spread rapidly beyond there. While the suburbs of Antananarivo were very rapidly affected, the presence of proven cases in the Toamasina zone intensified fears relating to this scourge. Moreover, this year brought pulmonary plague, the most contagious form of the disease. The Madagascan authorities, supported by the WHO and Institut Pasteur, reacted rapidly, keeping a close eye on the extension of the disease, while masks and doses of antibiotics were shipped to the country in an attempt to contain the epidemic. Numerous sanitary measures were also taken to protect establishments receiving large numbers of people (schools, universities, markets, etc.). These actions were able to prevent the need to take more drastic safety measures in early November, which would have gone as far as population containment, preventing any travel by litchi industry players and therefore making harvesting, treatment and shipments impossible. Fortunately, the disease was contained in time, and did not impede the start of the litchi campaign, socially and economically important for the country.

At the end of the campaign, Madagascar was beset with misfortune once more: on 5 and 6 January, Cyclone Ava devastated the East Coast in the Toamasina region. 190 km/h winds, accompanied by tempestuous rains, caused the death of 50 people and injured tens of thousands. The damage caused by the rains and landslides proved particularly heavy (infrastructures destroyed, trees uprooted, etc.). As recently as March 2017, Cyclone Enawo had caused plenty of damage, extending the list of 45 cyclones and tropical storms that had hit the territory over the past decade. For the moment it is hard to determine the impact that Cyclone Ava will have on forthcoming litchi production.



## Limited production

Another disrupting factor was this year's mild Southern Winter in the Indian Ocean, which resulted in smaller and later production. The lack of a cool period, essential for litchi orchard flowering, and the uneven rainfall pattern delayed fruit bearing on the trees and fruit growth. This production delay of course had an impact on sea-freight exports, since the shiploads require homogeneous and massive maturity of the fruits. It was less crucial for air-freight shipments, with volumes much smaller. It is always possible to find a few hundred tonnes of fruits that have reached maturity even at the beginning of the harvest, but more difficult to find several thousand to feed the European supermarket sector in the run-up to the end-of-year festivities. In addition, this production offset varied between the main production regions (north and south of Toamasina), making it hard to set the official campaign opening date to provide the flows required to load the two scheduled conventional ships.

**Litchi – Madagascar  
Campaign opening date**

Campaign	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Opening date	17 Nov.	18 Nov.	17 Nov.	19 Nov.	12 Nov.	22 Nov.

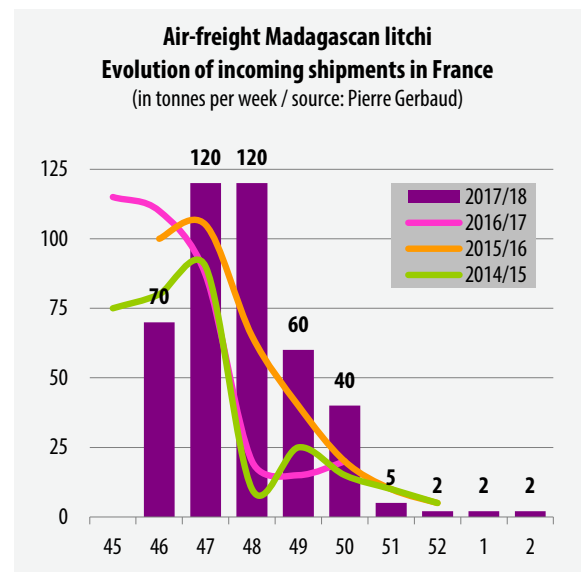
Professional sources

The campaign opening date indicated how the sea-freight litchis would perform on the European markets. Provided of course the volume and quality of the fruits are right, the merchandise reaches its destination at the best time for marketing. For several years, the opening date was set at between 17 and 18 November. In 2016-17, the quicker fruit maturation enabled a particularly early opening: on 12 November. During the last campaign, the less favourable meteorological conditions considerably delayed the setting. The opening date is important, yet its situation in the calendar is particularly so: this determines the arrival of the litchis on the shelves and governs sales during the weekends preceding the end-of-year festivities, which are consumption and promotion peaks for the product, and during which the supermarkets are generally open. The earliness of the 2016-17 campaign had helped sales extend over three weeks encompassing three weekends before the end-of-year festivities. In 2017-18, fruit sales extended over only two weeks and two weekends.

Last campaign's smaller production also had repercussions on conventional shiploads. True, Madagascar's production potential meant that the planned volumes were sent, yet the supply from the packing stations was distinctly disrupted. For the first ship, shipments to the stations were made from the zones closest to Toamasina, and loading was completed within the usual time frame (three days). Conversely, the supply for the second conventional ship was much slower, the harvest zones closest to Toamasina having been exhausted by the first ship, the collectors were forced to greatly extend their scope of operations, delaying the supply to the packing stations accordingly. The increased transport times to the stations considerably extended the loading operations for the second ship, to nearly six days. Although it hit this ship's arrival date in Europe, this delay was beneficial in resulting in a more leisurely timeframe for fruit treatment and packing at the station.

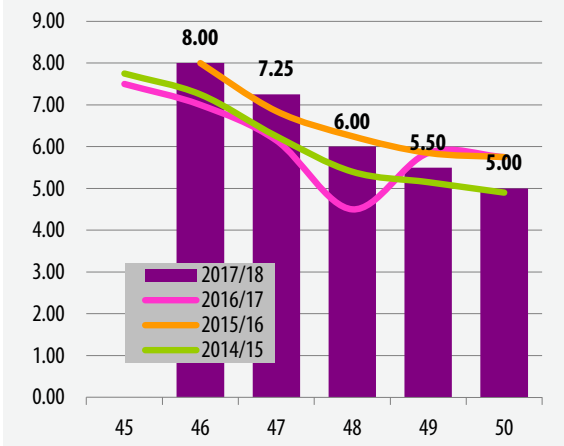
## A decent air-freight campaign

The first air-freight Madagascan litchi batches appeared on the European market in week 46, i.e. one week later than in 2016-17. Volumes quickly reached substantial levels, and the novelty effect of the product enabled high prices to be set. Given the smaller production, Madagascan exporters shipped destalked/treated fruits, but also larger quantities of on-stem fruits. The overall smaller production in the Indian Ocean zone, and therefore of its competitors too, benefitted Madagascar at the start of this campaign. Good fluidity of the merchandise could be observed, with moderate overall tonnages on a European scale.

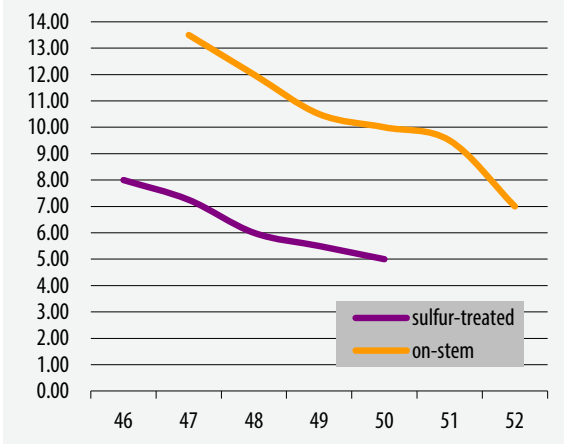




**Air-freight Madagascan litchi**  
**Evolution of average import price in France**  
 (in euro/kg per week / source: Pierre Gerbaud)



**Air-freight Madagascan litchi**  
**Average import price in France in 2017-18**  
 (in euro/kg per week / source: Pierre Gerbaud)



The campaign launch of the competing origins in week 47 swelled the supply, with Madagascar remaining the main player. This caused rates to dip, though they remained distinctly higher than the same time the previous year. While treated fruits sold steadily, fresh fruits had more difficulty selling. The very high retail prices put off a great many consumers. In week 48, the slump in prices continued for the same reasons. The wide range of products available (destalked/treated, on-stem, trussed) and the multiple origins dimmed the market's profile. On-stem litchis from Madagascar, despite unanimous recognition of their taste quality, increasingly struggled to sell. Their presentation and packing did not manage to match the quality management of Reunion and Mauritius. Out of favour, certain batches sold from 6.00 to 8.00 euros/kg, whereas competing produce did not trade at below 10.00 euros/kg. The ongoing high prices, although now on a downward trend, curbed sales in week 49. Fresh fruit of deteriorated quality sold on an individual basis. Prices of treated fruits, which kept better, dipped though they still remained higher than in the previous campaign.

This air-freight campaign earned a satisfactory balance if we consider the les volumes shipped, which were bigger than in previous years, when there was a downward trend. The more limited production was doubtless the cause. The rise in exports of fresh/on-stem fruit is undeniably a novelty for Madagascar. Besides the relative general quantitative shortfall which helped the rise of fresh fruit shipments, the good reception for these products represented a useful potential diversification for Madagascar, practically absent from this niche in the past. Exports of organic label destalked/fresh fruit also illustrate the quest for new outlets, although these products struggled to find their place on this specific market.

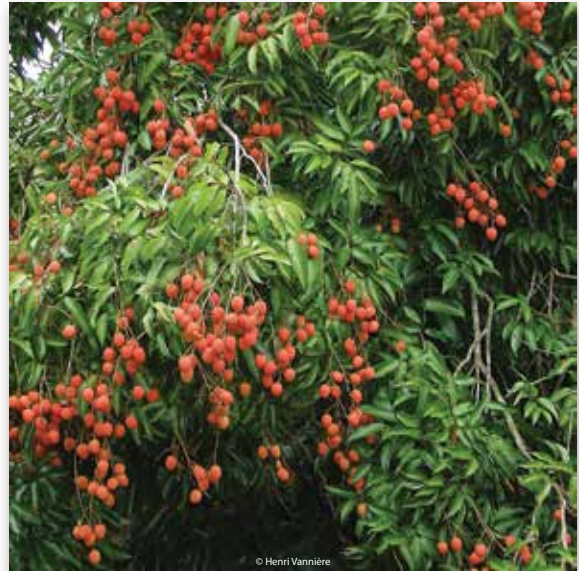
## A concentrated sea-freight campaign

### Tight logistics

The sea-freight campaign proved particularly tight this year for the reasons already mentioned, of smaller production and the late start to the harvest, not to mention the pre-campaign stress due to the pest epidemic flaring up. The opening of the campaign on 22 November resulted in a logistical adjustment to ensure the best possible market conditions in Europe. For the past seven years, operators favoured the Southern route, via the Cape of Good Hope, especially because of the security problems encountered in going via the Suez Canal. Acts of piracy, on the rise in recent years in the Gulf of Aden, increased transport times. Ships had to stop over before entering to Gulf to take on security personnel, and let them off after crossing this zone. These stopovers increased the sailing time by two to three days, i.e. the equivalent of transporting via the Southern route.

The additional cost due to additional stopovers and the premiums demanded by insurers convinced operators to abandon the Suez Canal route. This option seemed more appropriate in the absence of Mediterranean ports able to handle the litchi ships at this time of year, in a context of an early start to the harvest

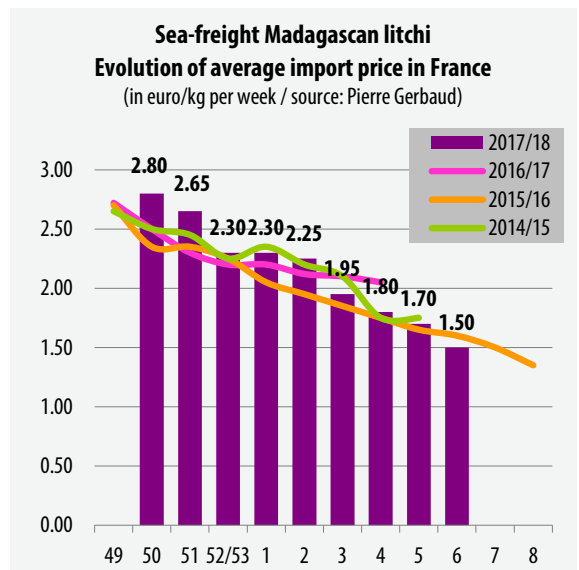
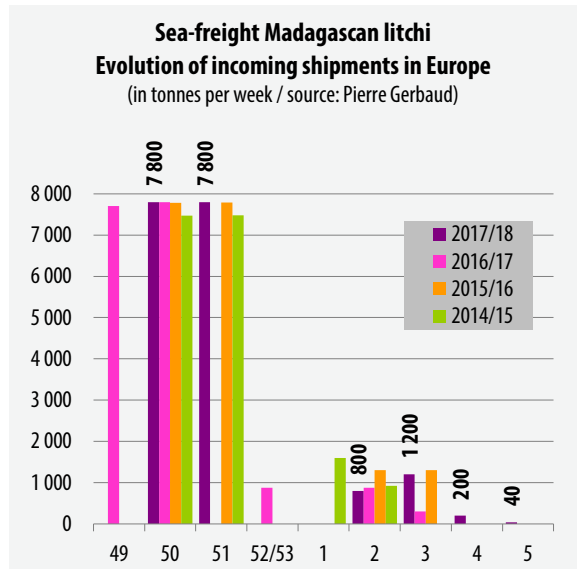
In 2017-18, the circumstances seemed different. The insecurity of the northern route has greatly eased since military ships have been regularly monitoring the shipping lanes. Hence the saving of three days at sea was a major factor for this late campaign. Furthermore, the port of Sète was able to receive and handle the first litchi ship under good conditions. Hurried due to the trading deadlines, the operators routed the first ship to Sète, while the second, whose arrival was less urgent, was able to take the usual shipping route to Zeebrugge.



### The Sète option

The unloading of the first ship at Sète was a logical necessity based on the decision to take the Suez route to reduce the transport time between Toamasina and Europe. Sète represented a good opportunity in the Mediterranean because of the presence of infrastructures suited to handling a conventional ship, and their availability at this time of year. The 23 000 m<sup>2</sup> cold storage warehouse was appropriate for housing 8 000 pallets of litchi received on 10 December. This warehouse, recently taken over by a company specialised in handling fresh produce from Dunkirk, had not been in operation for six years. The merchandise was unloaded by the port of Sète handling services, and then the merchandise was taken over by the forwarding agent /stevedore teams from Dunkirk.

Yet while the handling of the merchandise by the forwarding agent proceeded smoothly, the unloading of the ship's pallets was more complicated. The lack of experience among the dockers at the port of Sète in handling this type of ship (after six years out of service) greatly extended the unloading operations. The using of disproportionate lifting machinery slowed the unloading tempo, not because of the containers on-deck, but the pallets in the hold. The time from picking up the pallets from the hold to putting them down on the quay was doubled, or even trebled, compared to the same operation in other ports. The pallet trucks used in the hold were also unsuitable, too cumbersome and slippery on the grating in the ship's holds. In addition, poor weather conditions disrupted unloading: it started under a constant light rain which did not impede unloading of the containers, but did for the pallets. After a half-day's work (Sunday 10 December afternoon), a strong winds and flooding warning was issued for Monday morning, leading to the suspension of unloading. So it resumed on Monday afternoon, once again slowing down the handover of the merchandise





to the recipients. The unloading of the litchis was finally completed on Thursday 14 December. This year the litchi loading and unloading has been direct opposites between Madagascar and Europe. The first ship, loaded in three days, was unloaded in five days. The second ship, loaded in five days, was unloaded in two days!

In spite of these complications, the ease of unloading the containers on Sunday 10 December enabled the first lorries to be loaded in the evening, for delivery of the fruits on Monday to the markets closes to the receiving port. Subsequent shipments were made as unloading proceeded.

The slowness of unloading also caused fruit availability problems. Since loading in Madagascar is carried out in order of arrival at the port, the litchis are progressively stowed in the ship, with no separation of brands or packaging types. This system, proven in the case of rapid unloading, was problematic in the port of Sète. The arrangement of the pallets did not necessarily match the sales programmes of the importers to their supermarket sector customers. These problems were resolved in the course of unloading. The last major point of unloading at Sète was the post-forwarding mobilisation capacity to the supermarket sites. Clearly, for shipments to Spain, Italy and a large part of the French market, the geographic location of Sète is an asset. Conversely, for the shipment of merchandise to Northern Europe, the transport times have got somewhat longer. Nonetheless, the good motorway connections from Sète enabled the Madagascar litchis to be cleared satisfactorily.

The stopover at Sète fuelled a great many positive and negative comments given the pressure inherent in the arrival of the first litchi ship. The fact remains that this option, provided that easily achievable technical improvements are made, represents a genuine alternative to the usual routes, more particularly in case of a late harvest.

## A contracted trading window

In spite of the unloading delays at Sète, the European market retained a decent supply thanks to intense work by the various operatives. The one less trading week than in the 2016-17 campaign concentrated sales over a short period, but with equivalent volumes. The merchandise from the first ship enjoyed good uptake by European demand. From 2.75 to 2.85 euros/kg for the first shipments, prices then settled at 2.50 to 2.80 euros/kg, a higher level than in the previous campaign, especially because of re-evaluation of cost prices. The good reception of the product by consumers favoured fluid sales of the volumes available. After offering Madagascan litchis at around 5.00 euros/kg in the first trading week, many supermarket chains lowered the price to around 3.00 euros/kg in week 51. Consumers naturally switched to the attractive sea-freight litchi supply in the run-up to the end-of-year holidays, given the high retail price of air-freight litchis. Merchandise from the first ship sold especially quickly since the fruits exhibited satisfactory quality (good coloration and decent taste quality). In week 52, the trade continued with fairly fluid sales accompanied by a slight dip in rates (2.20-2.40 euros/kg), logical after the efferves-



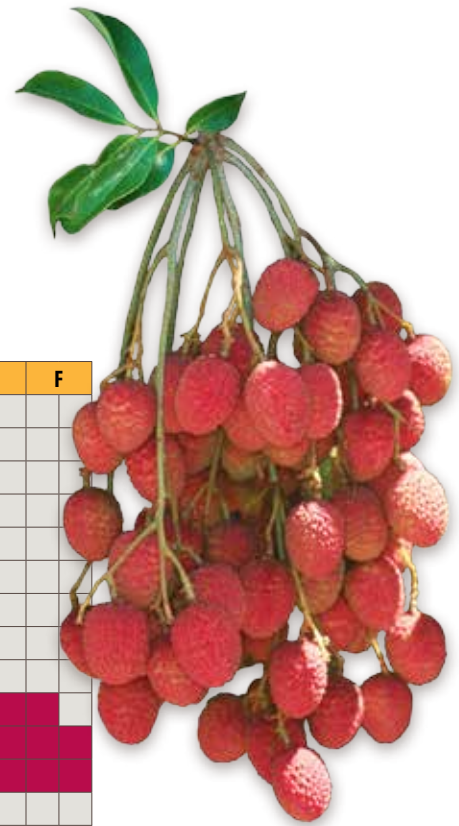
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cence of the end-of-year festivities which generally mark the campaign consumption peak.

The cargo of the second ship received in Zeebrugge on 19 December, well underway at the end of the year, provided a fluid overlap with the container sea-freight litchis in the middle of January. In early January, the market, although distinctly less lively, held up in terms of price. In the middle of the month, prices took a more marked downturn, because of lack of interest from supermarkets and consumers and the greater qualitative fragility of the fruits. The second half of January, which marked the end of procurement and sales, saw more mixed conditions, with more distinct price falls than in previous years. Numerous batches had to be sorted before marketing, and the lack of public interest was confirmed more strongly than before. This downward trend was not unique to Madagascan fruits, with the South African litchis simultaneously present following the same trajectory.

This campaign will be remembered for the Madagascan litchi industry, despite the many obstacles which arose, once again managing to obtain good overall results, a sign of its vitality and efficiency. However, the many problems encountered revealed the fragility of a system constantly facing new or recurrent trials. In terms of the product, the standard quality of the fruits held up and the increasing emergence of new niches (Fairtrade and organic label fruits, fresh on-stem fruits, diversification of outlets) provides room for relative optimism for the coming campaigns, albeit still marginal avenues ■

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**Litchi — European Union — Import calendar**

Sources		M	A	M	J	J	A	S	O	N	D	J	F
Asia	China												
	India												
	Taiwan												
	Thailand												
	Vietnam												
	Nepal												
	Bangladesh												
Indian Ocean	Reunion												
	Mauritius												
	Madagascar												
	South Africa												
Others	Australia*												
	United States												
	Mexico												
	Israel												

\* Australia: Queensland: from the beginning of November to the end of January / New South Wales: from the beginning of January to the end of February

**Litchi — Indian Ocean — European Union estimated imports**

Tonnes	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Total</b>	<b>23 445</b>	<b>20 955</b>	<b>16 350</b>	<b>20 510</b>	<b>20 560</b>	<b>20 480</b>	<b>22 020</b>	<b>20 666</b>	<b>21 570</b>
Madagascar	19 750	17 715	14 040	16 220	17 430	17 790	18 475	17 970	18 220
South Africa	3 340	2 660	2 000	3 600	2 450	2 030	2 900	4 200	3 000
Reunion	240	400	200	420	540	460	440	885	150
Mauritius	115	180	110	270	140	160	150	250	100
Mozambique						40	55	106	100

Professional sources, data collected and processed by P. Gerbaud