A report by
Pierre Gerbaud

Litchi

Contents

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The Southern summer, more marked in 2018 than the previous year, paved the way for better litchi production in the Indian Ocean zone. Lower temperatures favoured flowering and fruit-setting more in line with the average. The temperature and precipitation variations after fruit-setting then resulted in fruit sizing differing between origins and production regions. They also influenced the start period of the export campaigns, which was more or less the same as the previous year. In any event, this better litchi production helped Reunion make a comeback, after being practically off the scene in 2017-18.

Litchi – 2018-19 campaign
Madagascar
A poor campaign

by **Pierre Gerbaud**, consultant
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A brief and turbulent air-freight campaign

The first batches of Madagascan litchis were received by the European market in week 46, as in 2017-18. There were big volumes from the get-go (between 90 and 100 tonnes), making Madagascar the leading litchi supplier. The fruit proved to be of decent quality, but as often happens at the start of the campaign, its sizing was on the small side. It was quickly redirected to the various distribution sectors: national supermarket chains and wholesale markets. Some was shipped to Italy, Germany, the Netherlands and Belgium. The wide range of recipients helped these first shipments sell off quickly, with penetration prices similar to those from the previous campaign.

However this campaign began in a rather sluggish context, disrupted by considerable weather variations. From the second week on the market, rates dipped following the same profile as the previous year, though with smaller volumes, reflecting a lack of sales fluidity. The social movements in France (the "yellow vests") caused severe logistical disruption. Due to poor transport reliability, certain purchasing centres or foreign distributors cancelled their orders, which contributed to stocks forming. The situation proved to be similar on the wholesale markets, due to limited interest from purchasers, and the risks of shipment blockages. Besides the logistical difficulties, the social movements also caused other adverse effects for litchi sales. Fearing that they would be deprived of normal conditions, consumers put off or cancelled their planned purchases. The drop in visits to town centre stores or big supermarkets on the outskirts affected the sales tempo. In late November, the situation had hardly improved, with sales still suffering from a lack of market vitality. Rates saw a distinct deterioration. The poor sales from the previous weeks had led to a degree of market satu-


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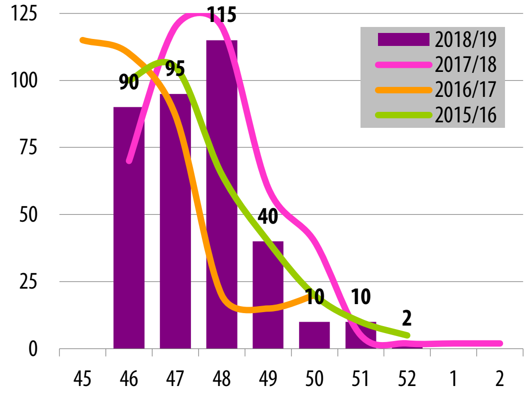
ration. This situation forced operators to make price concessions in an attempt to get sales moving and help sell off the produce. In this difficult context importers saw their supply programmes for the following weeks fall. The more perishable on-stem fruit saw a big devaluation, with sales from 4.00 euros/kg for maturing batches. Some organic and Fairtrade-labelled batches, normally earning higher prices (+ 1.00 euro/kg), sold on the same footing as conventional fruit. Yet in spite of the market's downward trend, litchis maintained high retail prices, which also fuelled the lack of vigour seen in sales.

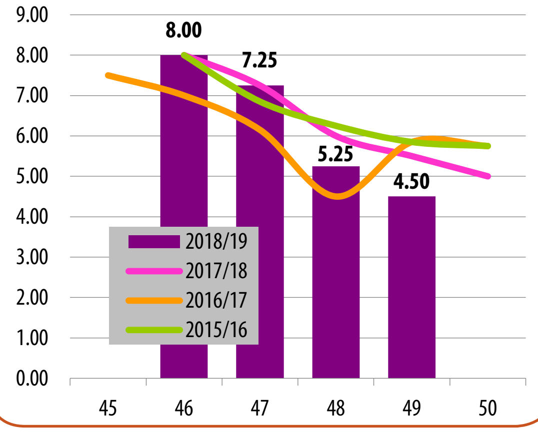
In early December, the situation continued to deteriorate due to stiff competition between the various Indian Ocean origins. The accumulation of tonnages from previous weeks contributed to an oversupply, in the face of mediocre demand, still disrupted by social movements. To ensure a smooth transition week to the sea-freight litchi campaign, the first shipment of which was scheduled for the second week of December, operators reduced air-freight shipments. Hence they anticipated the risk of campaign overlap, in the knowledge that the last air-freight litchis naturally see a big drop in value once the first sea-freight litchis appear. There was also a scheduled reduction in the last incoming air-freight batches, given the fall in rates, already verging on the profitability threshold. The difficulties in selling Madagascan fruit were accentuated by the aggressive prices charged by purchasers of litchis from other sources, with lower transport costs.

With nearly 380 tonnes of air-freight litchi sold, this campaign was down slightly on the previous one (approximately 420 tonnes). The market was not particularly receptive to the product at the beginning of the campaign. The social context in France also hit sales hard. Finally, the competition from other Indian Ocean origins counted against Madagascan produce, with its delivery costs often higher. Early campaign retail prices tend to limit consumer purchases, with product quality all in all no better than standard. Even if it means spending more, a group of consumers prefers to switch to fresh fruit from Mauritius or Reunion, especially in the run-up to the end-of-year festivities. Madagascar retains a clear export capacity, yet the fruit available does not always provide an attractive quality/price ratio. Attempts at diversifying to labelled fruit (organic, Fairtrade) are ongoing, though they remain marginal, and this is accessible only to elite consumers. Furthermore, we can see that in the case of market saturation as happened this year, these products struggle to earn value, and their price tends to align with that of conventional fruit. They earn more value in dedicated circuits, specialising in the distribution of labelled fruit.

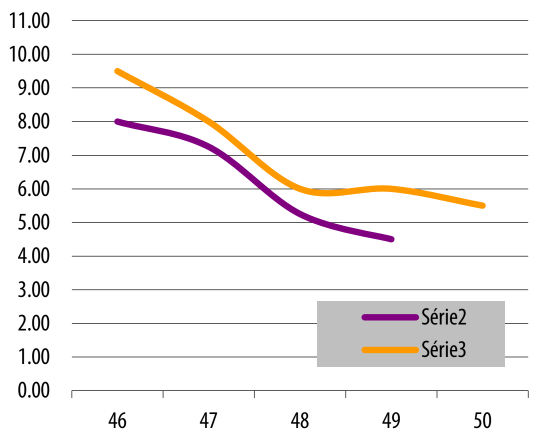
Air-freight Madagascan litchi
Evolution of incoming shipments in France
(in tonnes per week / source: Pierre Gerbaud)



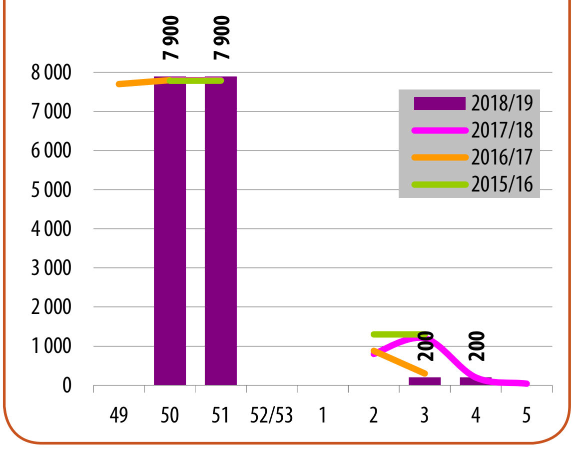
Air-freight Madagascan litchi
Evolution of average import price in France
(in euro/kg per week / source: Pierre Gerbaud)



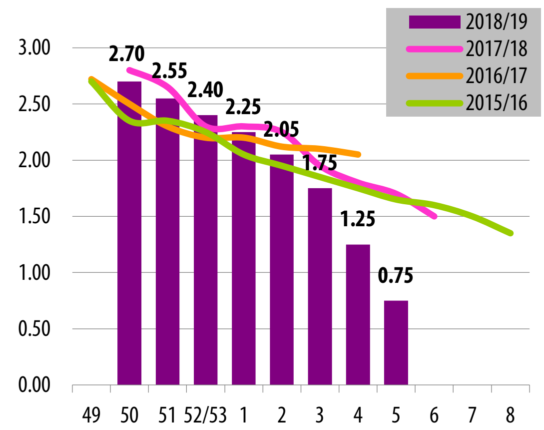
Air-freight Madagascan litchi
Average import price in France in 2018-19
(in euro/kg per week / source: Pierre Gerbaud)



Sea-freight Madagascan litchi
Evolution of incoming shipments in Europe
(in tonnes per week / source: Pierre Gerbaud)



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



Sea-freight campaign commercially curtailed

Sea-freight litchis had a particularly difficult campaign. The first trading handicap was the late start, at more or less the same date as the previous year (19 November as opposed to 22 November in 2017). Yet this had only little effect on the arrivals of the two scheduled conventional ships.

Conversely, the days of arrival may have been restrictive. The earlier in the week the ships are unloaded, the quicker the shops can be stocked. This is a particularly important aspect for weekend sales, which we know by experience represent a large proportion of fruit sales. In this configuration, the marketing conditions were less favourable in 2018 than in 2017. The arrival of the second ship is less crucial, insofar as the gap between the two ships (generally more or less one week) is not sufficient to fully exhaust the first shipment. The unloading of the second ship, completed at the earliest for Christmas, supplies the market for the end-of-year festivities to link up with the container litchis, the final phase of the campaign.

The first conventional ship arrived at Zeebrugge on Wednesday 12 December 2018. The good weather conditions and the efficiency of the port handling crews meant that the merchandise was rapidly available. In spite of arriving late in the week, the European distribution sector was able to procure to ensure sales over the weekend of 15/16 December. The schedules drawn up with the distribution sector aided vigorous demand, and helped some of the cargo sell off. Product promotions in the big European supermarket chains contributed to decent distribution of Madagascan litchis, though their quality was standard in terms of sizing and flavour. On arrival of the second ship at the end of week 50, it was estimated that two-thirds of quantities had already been sold off, pointing to satisfactory sales in the run-up to the weekend before Christmas. There were big sales over this weekend on the various European markets. They were aided by in-store promotions, where fruit was available at attractive prices (around 2.50 euros/kg). Some chains even registered sales at cost price. On the French market, disrupted by social movements as

Litchi – Madagascar – Ship arrivals

Campaign	First ship	Second ship
2017-18	December 11 (Monday)	December 19 (Tuesday)
2018-19	December 12 (Wednesday)	December 17 (Monday)

it was, sales nonetheless proved substantial. The week between Christmas and New Year's Day saw a slowdown in sales despite attractive prices, and the ongoing promotion campaigns. The fall in demand registered following on from Christmas took a distinct turn for the worse in early January, while the cargo from the second conventional ship was a long way from exhausted. Many European distribution chains halted their procurement at this period, or drastically scaled back, which led to the formation of large stocks, gradually deteriorating in quality. The market entered a cycle of poor sales detrimental to product quality, as well as a fall in prices. We need to go back to the sorry 2010-11 campaign to find such plummeting prices at the end of the campaign. Although there was less procurement of sea containers this year, they aggravated the market saturation. The sorting that the deteriorating fruit proved to be wishful thinking, given the flat refusal by the supermarkets, the only facilities capable of selling off large volumes. A lot of merchandise had to be withdrawn from sale, and fruit of market quality sold at miserable prices to any purchaser still showing interest in the product.

The concentration of the campaign was confirmed once again, reaching a crucial new stage. While the product is deliberately promoted by supermarkets for the end-of-year festivities, its delisting in January probably will entail looking into new strategies for the years to come. For the past several campaigns, the litchi has seen its appeal dwindle. The reduction in container shipments does not seem to have been sufficient to maintain the vitality of this market. Many questions are resurfacing in terms of calendar, volumes and price. Will scaling back volumes and a concentration over the end-of-year festive period help make for a more harmonious trading campaign? Will intensive work on the quality aspects of the fruit (size, taste quality, compliance with sanitary regulations) be feasible in the logistical context of such a particular campaign? Is the crisis of the end of the 2018-19 campaign a big event, like that of 2010-11, potentially causing a change in the Madagascan industry? ■

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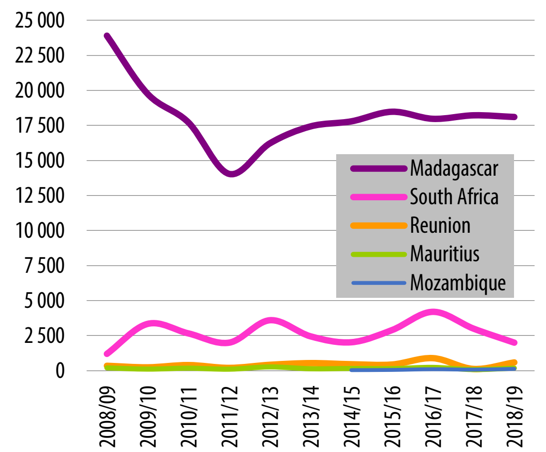
Litchi - Europe - Imports
(in tonnes / source: Pierre Gerbaud)



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	2018-19
Total	**23 445**	**20 955**	**16 350**	**20 510**	**20 560**	**20 480**	**22 020**	**20 666**	**21 570**	**21006**
Madagascar	19 750	17 715	14 040	16 220	17 430	17 790	18 475	17 970	18 220	18 100
South Africa	3 340	2 660	2 000	3 600	2 450	2 030	2 900	4 200	3 000	2 000
Reunion	240	400	200	420	540	460	440	885	150	591
Mauritius	115	180	110	270	140	160	150	250	100	185
Mozambique						40	55	106	100	130

Professional sources, data collected and processed by P. Gerbaud

Litchi – 2018-19 campaign
South Africa

Losing speed

by **Pierre Gerbaud**, consultant
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South African litchi was seemingly disrupted by weather vagaries during the vegetative period, as well as during the harvesting and shipments. The forecasts were originally substantial, but actual volumes were below these initial estimates.

The air-freight campaign started in early November, at the same time as Mauritius, but for different products. These were primarily treated litchis of the Early Delight variety, which sold on a footing of 9.00 euros/kg. Generally coloured and still with a sour flavour, they did not generate enthusiasm among purchasers. Instead their sales were aided by harnessing the early campaign effect. Volumes on the market rapidly swelled, with a varietal change to the Mauritius variety. In the face of the logistical problems mentioned above and the overall increase in volumes available, the rate steadily dropped to 4.50 euros/kg on average in early December. This fall was also fuelled by strong competition from Madagascar, on a market where supply often remained in excess of demand. Prices stabilised for the following three weeks, after which this first phase of the campaign came to an end. The air-freight supply resumed at the beginning of the year, with fresh on-stem litchis of the Mauritius variety, soon followed by Red McLean until late January, which initially traded at around 7.00 euros/kg, quickly falling to between 5.00 and 6.00 euros/kg.

The sea-freight campaign did not start until the very end of the year, with moderate shipments. Prices, initially higher than for Madagascan fruit, took a downturn until it was practically aligned with the latter from mid-January. Poor sales of Madagascan produce, and the weight of volumes available, explained the price trend of South African litchis, which in addition were of fragile quality. The campaign continued until early March, with rates strengthening given the disappearance of any competition ■


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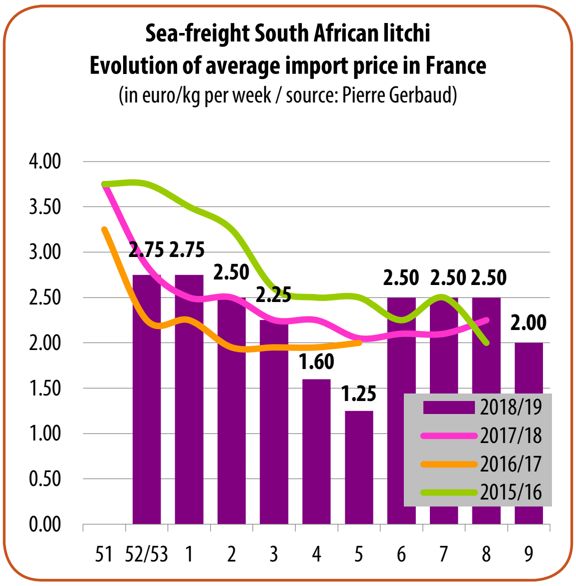

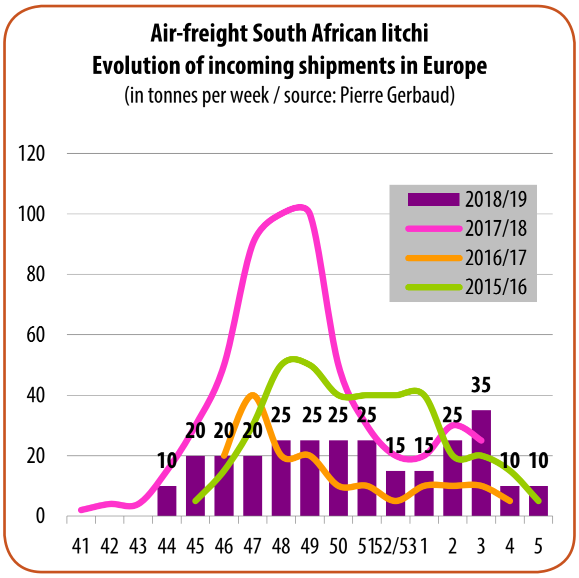

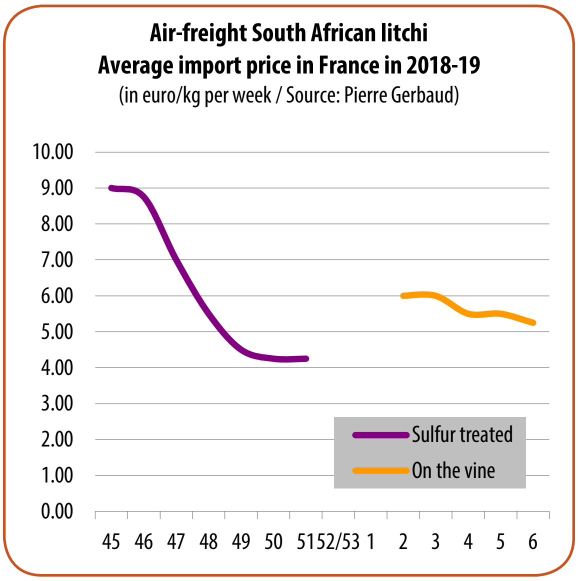

Mozambique

Alongside the South African shipments, Mozambique also supplied some litchis. This emerging origin had a sluggish campaign, subject as it was to competition from other origins. The price of air-freight fruit available from week 47 to week 50 rapidly aligned with South African litchis. The same was true for sea-freight fruit between weeks 51 2018 and week 5 2019, which obtained at best the same results as South African fruit, though often slightly lower prices due to fragile quality.

Litchi – 2018-19 campaign
Reunion

A tough comeback

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After being practically off the scene in 2017-18, Reunion made a comeback in 2018-19 with more substantial shipments (590 tonnes), albeit without regaining its exceptional mark from 2016-17 (nearly 900 tonnes). The better weather conditions during the vegetative period indicated production equivalent to the years 2013 to 2016, a big rise from the start of the decade. The first batches were received in France from week 45 (early November), somewhat ahead of schedule. Yet this was an unrepresentative start to the campaign, with marginal quantities selling at extremely high prices (from 16.00 to 18.00 euros/kg). It was only from week 47 that the Reunion supply increased, and still modestly given the local market's strong demand for this early fruit. Incoming shipments then grew until Christmas Eve, before rapidly dipping at the end of the year. The campaign finished in mid-January with falling tonnages.

The market campaign was strewn with pitfalls. After the high prices of the first batches, rates for Reunion litchis kept on falling. From week 46, while volumes were still very limited, sales were made from 9.00 to 14.00 euros/kg. In week 47, the situation greatly deteriorated. Shipments sent at the beginning of the week were reaching the market, yet the social movements on Reunion closed the airport, and thereby excluded any chance of getting litchis out. In addition, the social movements stopped the harvesting and packing operations. The reopening of the airport meant that shipments could resume in week 48, though sales proved difficult that batches outstanding at the point of departure were in the end shipped. The quality variations in the fruit affected prices, which settled at 6.00 to 10.00 euros/kg according to the presentation and keeping of the products. In addition, in week 49 the big increase in export volumes delivered to a disrupted and sluggish market generated intense commercial pressure, accompanied by another fall in prices (4.50 to 9.00 euros/kg according to presentation and quality). Despite improving demand in the run-up to Christmas, the magnitude of the quantities and the quality disparity of the fruit again weighed down on prices (5.00 to 7.00 euros/kg). Still of fragile


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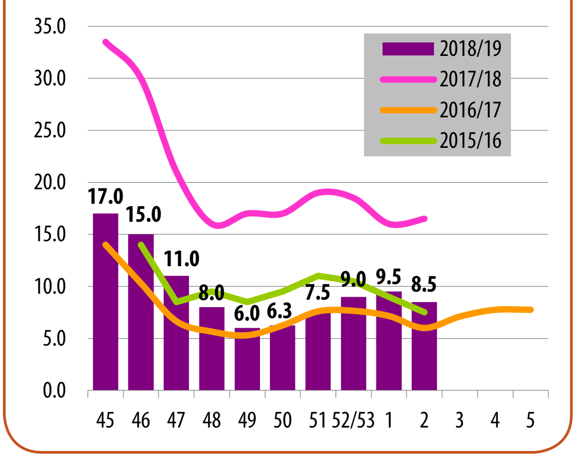
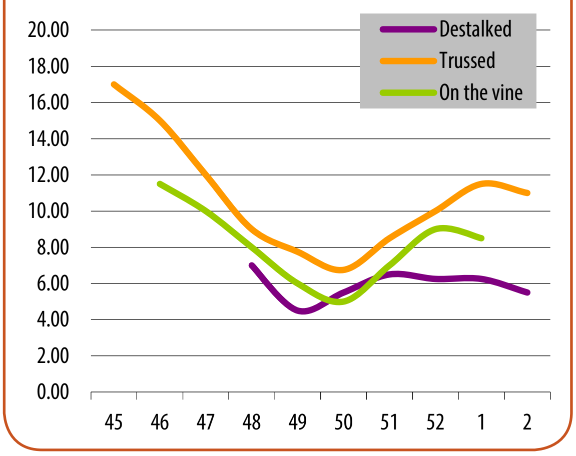
quality, Reunion's litchis sold more fluidly over the festive period, with prices strengthening (6.00-9.00 euros/kg). Between Christmas and New Year's Day, rates for good quality fruit rallied (8.00-12.00 euros/kg), but fruit of more irregular quality traded at distinctly lower prices (4.50-5.00 euros/kg), and was even sold on commission on the wholesale markets. Rates strengthened in the first half of January for batches of good quality, though with steeply falling volumes heralding a rapid end to the campaign.

What we will take away from this campaign are the big disruptions from the social movements, both locally and on the Mainland, which made this season particular in terms of price evolution and probably economic results. On top of the social and logistical problems there was fragile fruit quality, which, according to the operators, was keeping less well than in previous years. In this gloomy overview of the Reunion campaign, we can note one positive point: a return to normal production for this origin, which nonetheless dominates the fresh air-freight litchi segment ■

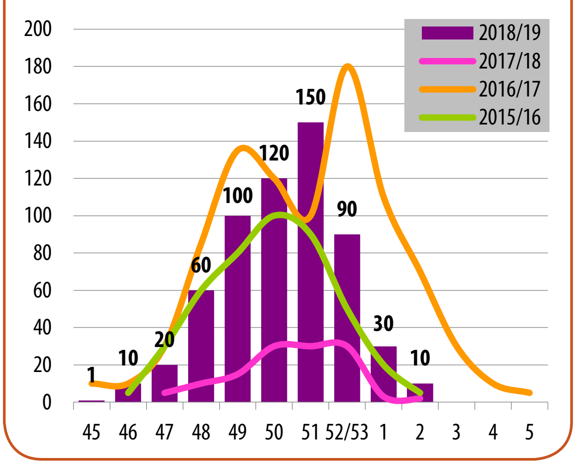
Air-freight Reunion litchi
Evolution of average import price in France
(in euro/kg per week / source: Pierre Gerbaud)



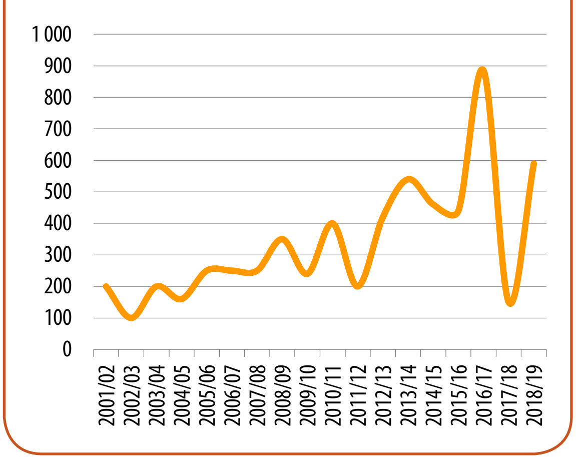
Air-freight Reunion litchi - Average import price in France by presentation in 2018/19
(in euro/kg per week / source: Pierre Gerbaud)



Air-freight Reunion litchi
Evolution of incoming shipments in France
(in tonnes per week / source: Pierre Gerbaud)



Reunion litchi
Evolution of exports to Europe
(in tonnes / source: Pierre Gerbaud)



Litchi – 2018-19 campaign
Mauritius

A fragmented comeback

by **Pierre Gerbaud**, consultant
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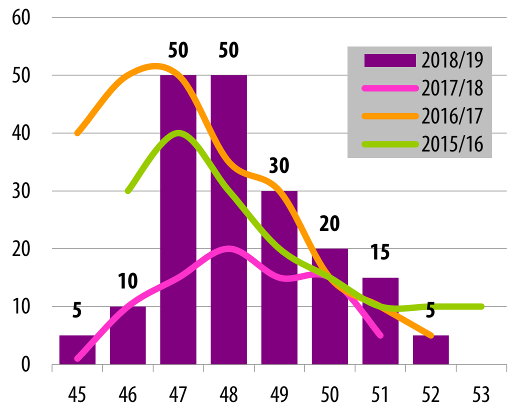
During the 2017-18 campaign, Mauritius was handicapped by lean production, just like Reunion, with exports estimated at around one hundred tonnes. In 2018-19, better weather conditions enabled more abundant production, as shown by exports of around 180 tonnes. The first batches were received on the European market in week 45. These smaller quantities of fruit, of variable quality and barely mature, sold at high prices (16.00-18.00 euros/kg) thanks to the novelty effect. Prices rapidly dipped as the supply increased, while the market still had little interest in this fruit, retail prices of which were putting off customers. They dropped further in the following weeks, given the logistical and distribution problems, more particularly on the French market. In the face of competition from other origins, the price of destalked/treated fruit took a downturn, albeit less marked than for untreated fruit, of more fragile quality. However, in order to stand out from the competition, Mauritian operators suspended their treated fruit shipments in week 48 and concentrated on trussed fresh fruit, generally selling at higher prices. Unfortunately, the saturation of the market with eminently perishable produce prevented the product from earning good value, with its price continuing to drop until week 49 (early December). After a stable week 50, rates strengthened slightly just before Christmas and the following week, while incoming shipments dropped, heralding the end of the origin's campaign.

In spite of difficult market conditions over a short period, we can note that, apart from the first average-quality shipments, Mauritian litchis were overall of satisfactory quality. The trussing of the fresh litchis and better packing than in previous campaigns mean that it is at least the equal of Reunion's produce. The adoption of protective packing bags extends the product's lifetime, and therefore its marketability. This improvement has helped Mauritius keep its place in the leading pack of litchi suppliers, in a context which is more competitive every year ■

Mauritian litchi
Evolution of incoming shipments in Europe
(in tonnes per week / source: Pierre Gerbaud)



Mauritian litchi
Evolution of average import price in France
(in euro/kg per week / source: Pierre Gerbaud)