Madagascan litchi
2020-2021 campaign review
A good campaign

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Every year when the litchi export campaign is taking shape, recurrent questions are raised over its organisation and the context. The relative fragility of the fruit, and the brevity of its production, are the fundamental factors in the deliberations of the industry's professionals. Late or early production, in bigger or smaller quantities, leads to the implementation of variable strategies in terms of the estimated or hoped-for market conditions. And this is without counting the external factors which regularly disrupt the campaign. Hence during the last decade, there were snow storms upon the arrival of the fruit into Europe, hauliers' strikes affecting the forwarding of the litchis, the silting of a ship loaded in the port of Toamasina, delaying its departure, the resurgence of a plague epidemic in Madagascar compromising the harvest and shipment of the produce, the presidential election held in Madagascar at the beginning of the campaign, etc. The 2020-21 campaign was not spared this infernal cycle of obstacles, with the Covid-19 pandemic. How would this trading campaign fare, in a world context that was in upheaval, to say the least?

Against all expectations, the 2020-21 campaign was doubtless one of the best this decade. However, the context of the pandemic meant some uncertainties for the upstream segment, in terms of local harvesting and merchandise transport capacities, labour organisation at the processing centres, packhouses and dispatch units. In the downstream segment, i.e. on European markets, it was really difficult to predict consumer reaction upon the announcement in the summer of the new wave of the pandemic, with its accompanying retinue of restrictions and possible lockdowns.

A few months before the start of the campaign, the harvest was set to be probably early, with the Madagascan litchi industry players laying the foundations of an organisation taking into account the context. They repeated several factors already registered in previous campaigns, concentrating the sea-freight shipments, to take advantage of production coinciding with trade over the end-of-year holidays.

The litchi, an out of fashion product?

The litchi market has been stagnating for several years. Has the trend that has been driving it since the early 2000s unravelled over time? That is the question that we can ask when we look at the evolution of the statistics over the past few decades. It seems a long time ago that this fruit was available practically year-round, albeit in variable quantities but still there. This supply employed numerous origins, given the product's high seasonality. This production seasonality was converted into consumption seasonality. Hence litchi trading on the European market was concentrated over the end-of-year holiday period, with a calendar extending from November to February. The Indian Ocean production zone (Madagascar, South Africa, Reunion, Mozambique and Mauritius) still supplies large quantities of litchi, but these are in long-term decline. This trajectory is primarily due to the decline in exports from Madagascar, the number one supplier to the European market. The production potential remains high, though the recipient markets are less enthusiastic. The litchi remains a fruit associated with the end-of-year holidays when consumption reaches its peak, but over an increasingly short period. Some restrained volumes are marketed in June/July from Vietnam, China and Mexico. Yet this period is unfavourable for litchi sales, at the height of the European-produced berry season. Hence the litchi found itself priced as an exotic, unaffordable compared to the end-of-year prices. Israel also maintains a summer supply, which also seems to decline year on year. The image of the litchi is being confirmed as a dichotomy between a period of widespread consumption at the end of the year, and a period of elitist consumption over the rest of the year.

The two conventional ships actually kept to their schedules in the context of a decreasing world reefer fleet. The two selected ships were the same as in previous years. This choice, driven by the dwindling numbers of this type of ship, was also made because of their technical specifications in terms of size, cruising speed and cold production capacity, essential for transporting litchis. Unlike other imported fruits, the short time period between picking and loading the merchandise does not enable prior cooling of the fruit. And the litchi is one of the few tropical fruits that requires transport at low temperatures (+ or - 1°C).

The operators also chose to reduce volumes traditionally shipped by sea-freight, in terms of the trajectory of the European markets, on which Madagascan litchi sales are increasingly concentrated with every passing year. This reduction of approximately 2 000 tonnes provided hopes, under the anxious market conditions, of guaranteed sale prices equal to or greater than in previous years. In a way, this was an adaptation of the supply to the assumed demand at this time of year.

The operators also agreed on the simultaneous start of the harvests, intended on the one hand for air-freight shipments, and on the other hand for loading the scheduled flights, a factor already applied during the previous season. Furthermore, all the measures aimed at guaranteeing fruit safety, implemented over the past several campaigns, were repeated and amplified. The monitoring of the residual sulfur dioxide content was particularly strong, both at the origin and upon receipt of the fruit in Europe.

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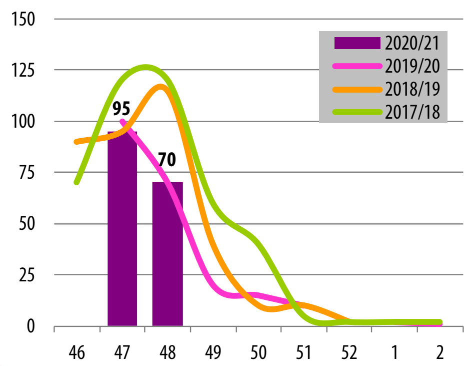
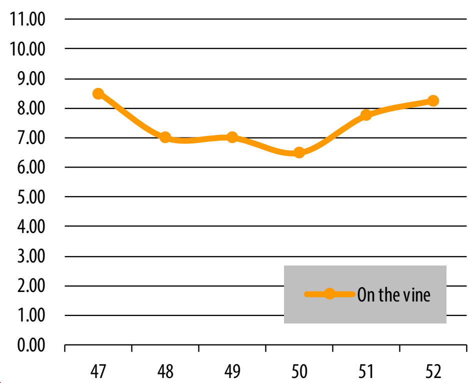
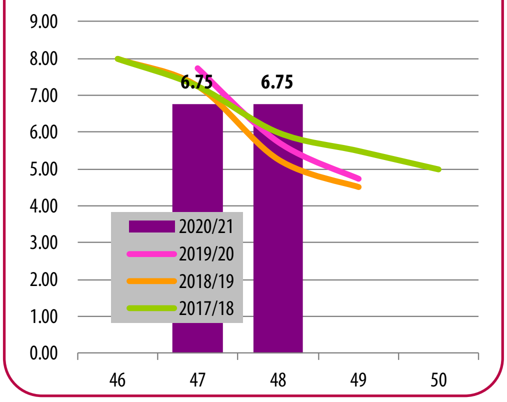
Air-freight Madagascan litchi
Evolution of incoming shipments in France
(in tonnes per week | source: Pierre Gerbaud)



Air-freight Madagascan litchi
Average import price in France in 2020-21
(in €/kg per week | source: Pierre Gerbaud)



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

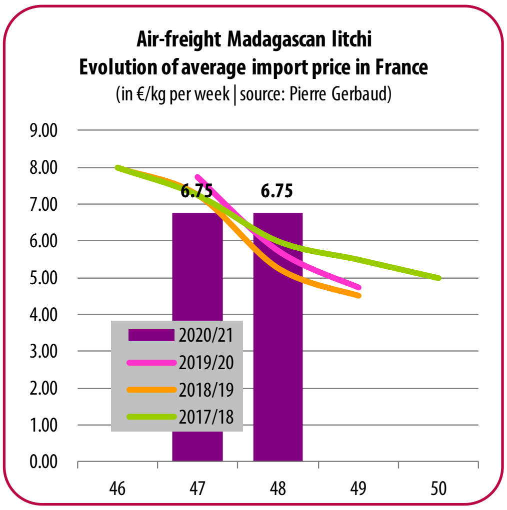


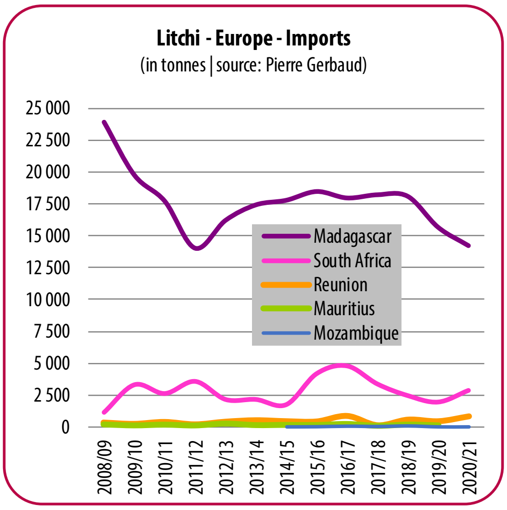
A short air-freight campaign

The official opening of the harvest on 13 November 2020, relating both to air-freight and sea-freight fruit, shortened the air-freight litchi trading period, which lasted barely more than two weeks. The previous year, the early start to the campaign had cut back the air-freight campaign to three weeks. On top of being ahead of schedule, there was the competitiveness of the other origins on the European markets. The distortions in cost price between the fruit origins was crucial in market placement. The dwindling air links, due to the context of the health crisis, and the increasing freight and transit prices, also need to be taken into account to explain how this first part of the campaign went. In spite of these constraints, Madagascan air-freight litchis traded rather well. Exports totalled approximately 240 tonnes, slightly up from the previous year, when they reached 220 tonnes. Despite the difficulty accessing air freight, the operators ultimately found solutions to transport their product to the European markets. Of the 240 tonnes counted, 165 tonnes were shipped during weeks 47 and 48, and comprised sulfur-treated de-stalked fruit. The campaign then continued with untreated on-stem fruit, until the end of the year. The tonnages concerned were no longer comparable, at around ten tonnes per week.

Apart from a few batches from Reunion and Mauritius received from week 45, initiating the air-freight campaign, the season only really started in week 47, with the combined arrival of volumes from Madagascar, South Africa and Mozambique. The large quantities suddenly available in week 47 on a fairly sluggish market caused a rapid decline in Madagascan litchi prices. While the first batches traded on a footing of €7.50/kg, prices gradually took a downturn to stabilise at around €6.50/kg at the end of the week. They held up the following week, especially thanks to the good fruit quality. The sizing of the Madagascan litchis, bigger on average this year, as well as their good taste quality (sugar content and flavour) were essential assets. Sales were made mainly to the supermarket sector, enabling it to start communication for this product for the end-of-year holidays. Trading of treated Madagascan litchis wound down at the end of week 48 and the start of week 49, before the arrival of the first scheduled conventional ship.

Meanwhile, fresh on-stem or trussed litchis, like the produce from Reunion or Mauritius, were also available, but in smaller quantities. The first shipments were concomitant with the treated fruit, but instead aimed at the traditional wholesale and retail stores. This also highlighted the good organoleptic quality of the Madagascan litchis, which represented an additional selling point. This year the shippers improved fruit packing, by moving closer to the methods used by the competing origins. Use of micro-perforated bags helped extend the lifetime of the fruit, though this was limited due to the often advanced maturity, given the earliness of the campaign. This fruit, sold on the same price footing as fruit from Reunion at the beginning of the campaign (€8.00-€9.00/kg), saw a considerable devaluation as shipments from competing origins increased. Prices constantly dropped to €7.00/kg, and even down to €6.50/kg in week 50. They recovered thereafter until the end of the year to between €7.00 and €8.50/kg, while the quantitative pressure from Reunion fruit dipped, and demand remained higher for the end-of-year holidays. Some batches of fresh fruit sold under the organic label were valued at the same time at slightly higher prices (€1.00 to €2.00/kg). During the heaviest laden period in terms of fresh litchis (weeks 48 to 50), organic litchis sold without any premium over real conventional fruit.



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A strategy that paid off for the sea-freight campaign

An early harvest and reduction in tonnages formed the foundations of the strategy implemented by the Madagascan litchi industry operators for the 2020-21 campaign, on top of the good fruit quality. These factors seem to have been pluses this season, one of the best this decade.

The official opening of the campaign on 13 November 2020 enabled loading of the first conventional ship - the Baltic Klipper – to get off to a quick start. Though limited overnight from the 13 to 14 November, the loading operation gathered pace in the following days, in spite of unfavourable weather conditions. A series of storms temporarily halted the site, which slowed down the loading operations. Given the early start to the campaign, a more extended time frame for loading the ship had been considered, enabling the operators to process and pack the fruit in less of a rush. In the end it took four days to load this ship, which put to sea early in the morning of 17 November. It took the northern route, via the Suez Canal, to reach Europe as quickly as possible.

In order to place the sea-freight litchi, the decision was made to stop in the port of Marseille, to feed the big supermarket chains. This was mainly to supply Southern Europe, but also Germany and other countries quickly accessible from the port of Marseille. The previous year, the first stop was made in the port of Sète at the beginning of December, but that option was not adopted this year, because of the increased traffic to this port at this time of year. The Baltic Klipper was received in Marseille on 30 November, the earliest arrival date in the history of the industry. Approximately one third of the cargo was unloaded in this port. This first shipment was primarily to supply the distributors which had scheduled their orders to promote this fruit with their customers. Placement at a price of €2.80-€3.00/kg created an incentive for consumers with little enthusiasm to purchase air-freight litchis, which were distinctly more expensive, especially since the sea-freight fruit had a good taste quality. The lively demand for the litchis unloaded in Marseille actually led to sales being refused due to lack of merchandise, or because of disruptions to post-forwarding logistics.

The Baltic Klipper reached Zeebrugge on 7 December 2020, and finished unloading on 8 December, enabling continuity in the supply for the weekend of 12 and 13 December. The litchi rate declined slightly in week 50 (€2.60-€2.90/kg), as could be expected after the first sales driven by the novelty effect. However it remained high, above the level at the beginning of the previous campaign.

The second conventional ship, the Atlantic Klipper, started loading on the evening of 16 November 2020, following on from the previous ship. The pallets were loaded under better weather conditions than for the previous ship, at a quiet tempo. The Madagascan operators enjoyed longer time frames for packing, especially since the fruit processing tempo had been set with the first ship. Also loaded in four days, this second ship put to sea on 19 November via the southern route (Cape of Good Hope), bound directly for the port of Zeebrugge. This slightly longer trajectory helped place the majority of the first ship's cargo, and receive this new ship, to provide the supply to the distribution sector for the end-of-year holidays.

Hence the Atlantic Klipper docked in Zeebrugge at the end of week 50. It was unloaded under good conditions between 14 and 15 December. Hence the litchis were made available for the weekend before Christmas. The average sale price, previously higher than the previous year, returned to this same level in week 52, in order to maintain distributor interest and aid promotions of the product (€2.45/kg). In week 53, it stabilised at €2.40/kg, as stocks rapidly dwindled. The remainder of the cargo of the second ship was placed at the start of the year, simultaneously with the sea container litchis, marking the final phase of the Madagascan campaign. Given the good fruit quality, some chains continued selling Madagascan litchis in January. Volumes became marginal, and the final shipments arrived in the first half of January 2021. Sales continued until the middle of the month at strong prices (€2.50/kg). True, some faster-developing or lower-quality batches traded at lower prices, but we did not see a continuous fall in prices, as in previous years. The limited competition from South African litchis, in mid-campaign, did not unduly hinder placement of Madagascan litchis.

The early harvest, moderate volumes shipped, adjusted logistical scheduling and good fruit quality represented the main factors behind the smooth running of the Madagascan litchi trading campaign. These various vectors strung together well, without suffering unforeseen obstacles which are unfortunately all too familiar for the Madagascan litchi industry. The 2020-21 campaign will remain a benchmark ■

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Litchi – Indian Ocean – EU estimated imports

Transport	Air-freight		Sea-freight	
Seasons	2020-21	2019-20	2020-21	2019-20
Mauritius	100	120		
Reunion	860	450		
South Africa	350	250	2 900	2 000
Madagascar	240	220	14 240	15 460
Mozambique	40	40	100	80

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Litchi – Madagascar – Sea-freight exports

Conventional vessels	Baltic Klipper		Atlantic Klipper	
Seasons	2020-21	2019-20	2020-21	2019-20
Date of departure	17 November	20 November	19 November	1 December
Date of arrival	Marseille 30/11 Zeebrugge 07/12	Sète 03/12	Zeebrugge 14/12	Zeebrugge 13 /12
Volumes in tonnes	2 400 + 5 200	5 800	5 300	8 800
Seasons	2020-21		2019-20	
Containers	900		1 000	

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South African litchi

2020-2021 campaign review

A mixed campaign

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With estimated exports of 2 900 tonnes in 2020-21, South Africa remained the number two litchi supplier to the European Union for the winter season. This origin exports fairly variable volumes according to the year, generally situated at between 2 000 and 3 000 tonnes, with the exception of a few record years (4 000 to 5 000 tonnes in 2015 and 2017).

A two-phase air-freight campaign

South Africa made its first air-freight shipments from week 48, comprising sulfur-treated destalked fruit, which added to the Madagascan merchandise available from the previous week. They continued until week 50, especially on the French market. Some batches were available on other European markets until the end of the year. The South African litchi rate held up at between €6.00 and €7.00/kg during this short air-freight campaign, and more or less followed the prices applied to all the origins on the market. This trend was aided by the moderate volumes shipped by Madagascar. The two competing origins on this commercial niche both had assets to boost their product's value. The Madagascan fruit enjoyed a unanimously recognised taste quality, while South African fruit had better sizing, a point which remains the origin's privilege.

The early arrival of the first Madagascan sea-freight litchis limited the length of the trading period of sulfur-treated air-freight litchis. From week 50, South African operators modified their shipments, favouring fresh on-stem or trussed fruit. In so doing, they were adapting to demand, following the lead of the Reunion and Mauritian operators. Initially comprising the Mauritius variety, South African shipments diversified at the end of the year, with fresh Red McLean

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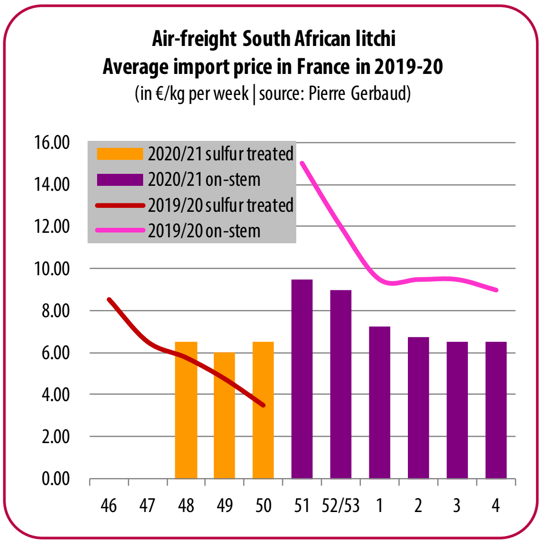

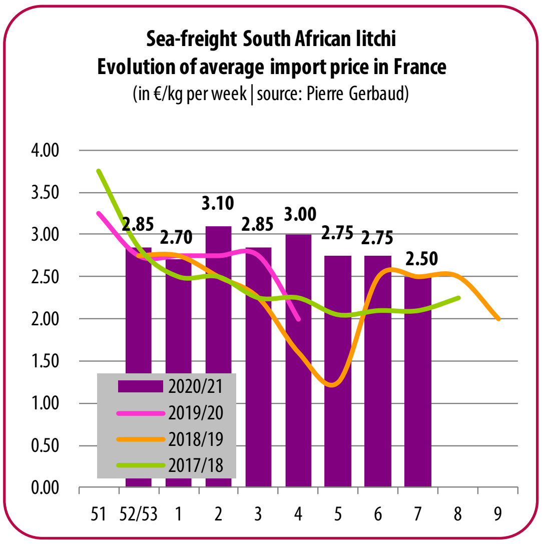


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variety litchis. Both varieties were placed simultaneously between the end of the year and the beginning of 2021, with a dip in quantities for Mauritius and rising volumes of Red McLean, which had the advantage in terms of lateness, enabling exports to continue, and a particularly attractive coloration. Conversely, their taste quality proved less popular among consumers. The transition between the two varieties can be illustrated by a gradual but considerable fall in prices. This price change was not due solely to the varietal aspect. Demand at the beginning of the year was much more moderate, with the litchi remaining a product associated with the holiday period. Moreover, the quality of the produce received was more fragile, a phenomenon which also weighed down on prices.

A contrasting sea-freight campaign

The sea-freight campaign began later, probably in order to avoid direct confrontation with the Madagascan competition during the end-of-year holiday period, which often causes a fall in rates. The South African campaign was also extended by a wider distribution of the production zones, which were not active at the same time. The first South African containers arrived in Europe at the very end of the year (week 53). The placement enjoyed satisfactory conditions, insofar as the pressure from Madagascan volumes proved lower than in previous years. The earliness of the Madagascan fruit harvest, and the reduction in volumes shipped by this origin, allowed the South African operators greater latitude. At the beginning of 2021, Madagascan litchis transported by conventional ships had nearly sold out, and the container campaign that followed was insignificant. As such, South African litchis actually obtained price increases during January. However, in the middle of the month, demand became less insistent, and the quality of the South African litchis turned fragile. The great diversity of fruit coloration, and its variable lifetime, put purchasers off the product. Price ranges widened according to batch quality. The appearance of mould forced incoming handlers to sort the merchandise prior to placement. Experience from previous years has shown that mould on the fruit most often leads to it being withdrawn from sale, since despite sorting, the mould returns to the products very quickly. So the second part of the South African campaign proved inconsistent and unprofitable. Only fruit of decent quality and coloration still found takers until the second half of February, when the supply came to a halt.

The campaign of neighbouring Mozambique, shorter and smaller-scale, ran in parallel with the South African campaign. One week earlier for air-freight shipments, it obtained equivalent sale prices to South Africa. The same applied for the sea-freight campaign, which finished in mid-January ■

Reunion litchi
2020-2021 campaign review

Back to the heights

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After a particularly lean 2017-18 campaign (125 tonnes), in 2018-19 Reunion regained a shipment tempo more in line with the average from previous years (460 tonnes). Shipments for the 2020-21 season, estimated at 860 tonnes, mark a return to the 2016-17 record (895 tonnes). This surge in volumes came in the context of an early campaign, like the other Indian Ocean origins. The first batches were received in week 44, kicking off this fruit's trading campaign. The quantities (less than one tonne), symbolic at that point, sold "under the table" at high prices of between €20.00 and €24.00/kg. The following week, availability remained extremely low, with the fruit selling at between €15.00 and €20.00/kg on a market still open to festive products. In week 46, the supply stepped up more significantly, accompanied by another fall in prices (€8.00-€12.00/kg). The profile for the Reunion campaign altered considerably in week 47, with massive shipments (100 tonnes), which pushed down prices to €6.00-€9.00/kg, still for trussed fruit, the dominant presentation for Reunion litchis, and often imitated by neighbouring origins. At this period still a long way off the end-of-year holidays, demand for Reunion litchis remained hesitant, given the retail prices. It was during weeks 48 to 50 that Reunion reached the peak of its campaign, with shipments of between 150 and 200 tonnes per week. At this point the origin found the flip side of its early harvest, with the period of massive shipments coming before the traditional take-off in demand for the end-of-year holidays. The accumulation of merchandise, in the face of demand which was there but not yet at its maximum level, caused the price range to widen. The lower sales fluidity caused the formation of stocks, which was detrimental to fruit quality, thereby generating sales at prices lower than stated here.

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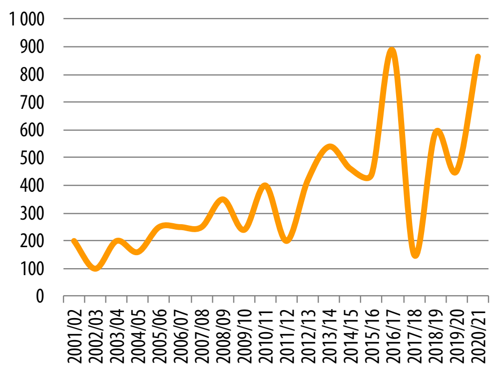
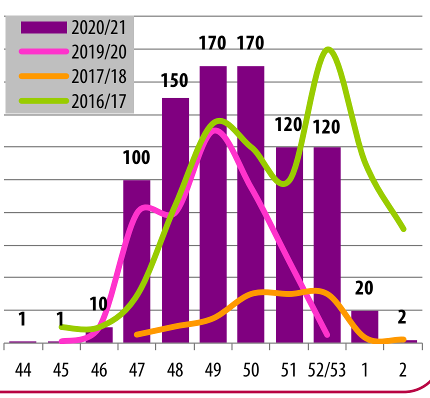
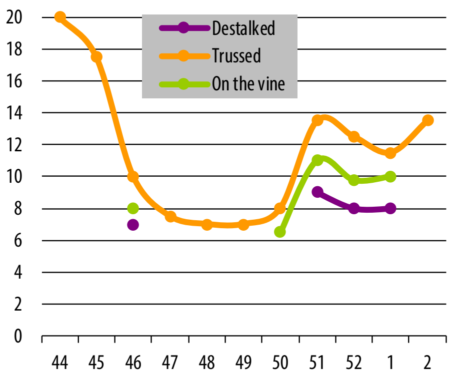
Reunion litchi
Evolution of exports to Europe
(in tonnes | source: Pierre Gerbaud)





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



Air-freight Reunion litchi - Average import price in France by presentation in 2019/20
(in €/kg per week | source: Pierre Gerbaud)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The major concern of the operators at this point was the capacity of Reunion shippers to continue their shipments to cover the festive period. A similar situation, albeit less severe, had arisen in the previous campaign. However Reunion's operators maintained a substantial flow by harvesting from high-altitude orchards, which bear fruit later. From week 51, the volumes received were dropping, as demand rose during the holiday period. In this context of demand/supply imbalance, prices strengthened considerably, exceeding the €10.00/kg mark. The upward trend was confirmed, though this hid inequalities, since the later fruit exhibited a more fragile quality, requiring quick sales and thereby limiting the recovery in rates. The quantities shipped at the beginning of 2021 rapidly shrank, but sold at strong prices for fruit with a good shelf life.

On-stem fruit, scarcer than trussed fruit, generally traded at lower prices (€2.00 to €3.00/kg). On-stem fruit topped up the shipments from Reunion, but this was more aimed at the supermarket sector, presented in 500 g punnets. These products often were subject to programmes pre-established with certain chains for the purposes of on-shelf product promotions. Trade prices below the €8.00/kg average were registered on the wholesale markets.

Reunion remains the spearhead of the air-freight fresh litchi market, still regarded as the benchmark for this product. This image is the result of strict selection of exported fruit, but also innovations. Hence micro-perforated bags, enabling a longer lifetime for this fragile fruit, have increased the volumes on the market. This success has quickly spread among the Indian Ocean producer countries. Later, the trussed presentation, to boost the fruit's value and facilitate the creation of an exotic atmosphere in retail stores, was also imitated by the competing origins. This year, Reunion's operators created a new packaging to further boost the fruit's value. The concept adopted seems to be aimed at a more luxury image for the fruit. These are transparent "crystal" bags containing higher-quality destalked fruit, with a marked coloration and large size. The bags are sealed with tape, as with confectionary. Generally 400 g in weight, they give the fruit a bonbon look, and also represent a good-sized sale unit. This new presentation, though marginal compared to the total volumes shipped, was valued at €11.00-€12.00/kg throughout the mid-campaign period, enabling particular selection of irreproachable quality.

While the earliness of the campaign seems to have been a crucial factor for a country such as Madagascar, we can observe that it was not so favourable for Reunion. It actually triggered the volumes peak at a time when demand was on the rise, but not yet at the heights of the end-of-year holidays. Nonetheless, this year Reunion retook the lead in terms of fresh litchi suppliers to the Metropolitan market. The perishability of the merchandise does not enable forwarding of large volumes to external markets. It is also this factor which is one of the commercial constraints of the product, which limits finer matching of supply to demand ■

Mauritian litchi
2020-2021 campaign review

A top-up origin

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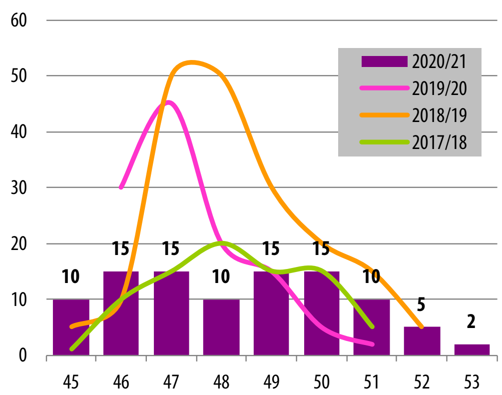
Like the other Indian Ocean origins, Mauritius enjoyed an early litchi harvest in 2020. The first shipments were made at the same time as from Reunion, in week 45. They mainly comprised trussed fruit, a mode of presentation in increasingly common use by the origins occupying the air-freight litchi niche. It seems that this presentation was favoured this year by Mauritian exporters, over sulfur-treated destalked fruit. On the French market, trussed and/or on-stem litchis made up the bulk of Mauritian exports. The sulfur-treated destalked litchis seem to have been aimed instead at the North European markets (the Netherlands and Belgium). Mauritian litchi rates followed the general market trend, with a gradual deterioration as tonnages progressed. From week 45 to week 49, prices halved, going from €15.00/kg to €7.00/kg, due to the competition from Reunion and the air-freight supply peak across all origins between weeks 47 and 49. Prices recovered just as strongly as they had collapsed, back up to €10.00-12.00/kg at the beginning of the year. The rapid decline of Mauritian volumes definitely aided this price recovery during the end-of-year holidays period. The Mauritian campaign finished at the end of the year, with insignificant quantities. Mauritian exports were estimated at about the same level as during the previous campaign, probably between 150 and 200 tonnes.

Mauritius remains a top-up origin on the end-of-year litchi market. While volumes remain moderate, we can note a qualitative improvement in the fruit, in no way inferior to its direct competitor. The adoption of the same type of packaging and presentation as litchis from Reunion enabled them to maintain level terms with this origin. These suppliers are separated only by the differences in volumes shipped. As such, Mauritian litchis will always be exposed to the weight of exports from Reunion, which are distinctly bigger. It is only the timing of the campaigns which might boost or burden Mauritian operators. Their responsiveness to market demand also represents an asset for maximising their product's value. Finally, their competitiveness can also play in their favour, if it is not counteracted by structural modifications to the aid that the various Indian Ocean suppliers to the European market can obtain ■

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



Mauritian on-stem litchi
Evolution of average import price in France
(in €/kg per week | source: Pierre Gerbaud)