

# Madagascan litchi 1999-2000

## On the razor's edge

**With 16 000 tonnes of fruits shipped (+ 40 percent in comparison with 1998-1999!), medium quality and the freighting of six conventional ships instead of two as before, the 1999-2000 season could have been a disaster. It is true that the financial performance is well below that of the preceding season but a catastrophe seems to have been avoided.**

While the last pallets of Madagascan litchis are being taken out of cold store, we can make a preliminary review of the season. The figures are impressive (cf. *Litchi monitoring* - 1999-2000 season - COLEACP). Madagascar exported 16 000 tonnes of fruits to Europe in comparison with slightly less than 11 500 tonnes a year ago. No less than six conventional vessels (reefers) were loaded with litchis—four more than last season. The financial balance would seem more mixed. The first fruits sent by sea changed hands at FrF11 to 12 per kg FOT Europe against FrF13-14 in 1998-1999. Likewise the end of season prices which did not fall below FrF7-8 in 1999 are now no more than FrF6 per kg.

It is easy to see the link with the explosive increase in the quantities of fruits put on the market and the decreases in price. However, this explanation is too simple.

One of the causes doubtless lies in pre-season anticipation. The quantities announced—cumulated shipping intentions totalled 9 200 tonnes for Europe before Christmas—enabled much-approached European distributors to play on a downward price

trend. Even though the quantities that actually arrived were 2 000 tonnes less than those announced, the damage had been done.

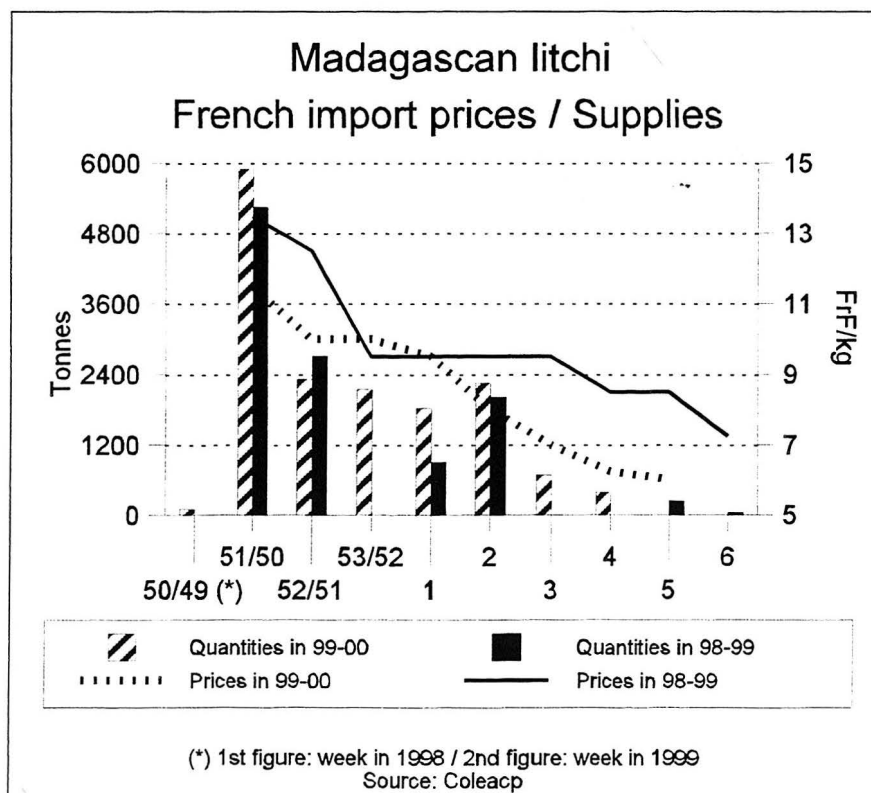
The causes were different in the second part of the season. The accumulation of tonnage in the first fortnight in January (more than 3 000 pallets were held in warehouses at the end of January) triggered the fall in prices, especially as the quality of Madagascan litchis was not always up to standard. The arrival of fruits from South Africa also contributed to a certain loss of interest in Madagascan litchi.

The scheduling of marketing is also involved. A commercial catastrophe was only just avoided during the preceding season. The late arrival of a container ship—which should have slipped in between two conventional ships—meant that the rate of supply was practically perfect. Substantial risks were taken this year once again, with a larger number of reefers (three times as many as last year), competition for loading between the various loaders and charterers (because port capacity is limited), overbidding in the 'fruit hunt' in Madagascar, where the price of litchis delivered to packing stations was an average of 50 percent up on last year at FMG3 000 against FMG1 500 FMG), etc.

In a more long term perspective, it would be to the advantage of all operators to no longer do their utmost to match the date of the start of the season and the loading date considered ideal for being first on the European markets. Once again, proof of this is the fact that the ship *Orange Clipper* had to stand off Fort Dauphin for days on end.

### Slow but effective structuring

For three seasons, the solidity and reliability of the sector have been assured by a group of six European importers who have taken considerable financial risks (the figure of 30 to 40 million francs has been mentioned) in freight reservations and advances for the season and to modernise logistics at departure and



install a logistic team, etc. They have also succeeded in playing down—at least for a time—their desire to increase their market shares at any cost. Over the years, this system has enabled the structuring of a Madagascan litchi sector. Even though it has a marked tendency for self-destruction, its very principle of select 'club' contains the seeds of disorganisation.

Two pathways are thus open to the traditional operators. Either they agree to open their ranks to other European importers who wish to participate in the development of the litchi market in Europe or they continue—with more and more risk and less and less success—to block the ambitions of competing operators. This year, the 'traditional' importers reserved practically all the containers within the vicinity of Madagascar in order to 'exhaust' shipping capacity. This attitude has shown its limits and has had harmful effects. Excluded operators chartered two extra conventional ships (the *Nautic* and the *Kudu*) from Tamatave and the traditional operators were obliged to load the reserved containers at a time when shipments should have been reduced.

However, there is no question of going back to the situation of a few years ago when the absence of logistics-based structure led to bankruptcies every two or three seasons. There is little room for manoeuvre, especially as certain operators—on both the import and export sides—are waiting only for a change in organisation to go one better than their competitors.

Very strong competition in Europe can be added to the question of quality, logistic system and the scheduling of shipments. A total of 16 000 tonnes of litchi is an all-time record for Madagascar but finally not much in the light of European market potential.

If attitudes and post-harvest treatment methods for litchi do not change in the coming years, a stronger role may be played by other actors: the European fraud, pricing and competition services and especially the French service. Word has got out that some of the batches analysed display sulphur dioxide residues higher than the permitted ceiling.

## But it works!

Although there is much criticism, a long-term view of the sector gives rise to optimism. There are numerous signs of structuring. Some exporters are investing in the improvement of storage conditions, post-harvest treatment and fruit packing. Organised orchards totalling more than 100 hectares are being developed. Port logistics are increasingly under control. Palletisation and packing are of high quality. Finally, the groundwork carried out by the *Projet d'Appui aux Exportations Agricoles* (PAEA, Support Project for Agricultural Exports), financed by the French Ministry of Foreign Affairs and the European Union (Stabex), in various areas (season starting data, establishment of orchards, trials, traceability) forms a substantial body of technical and scientific support.

Our last litchi season review (cf. *Fruitrop* 55, February 1999, page 18) hailed operators' know-how. They have succeeded once again in completing a season that began with high risks. There is no doubt that they will find the way of making the sector sustainable without there being a need for an annual miracle ●

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