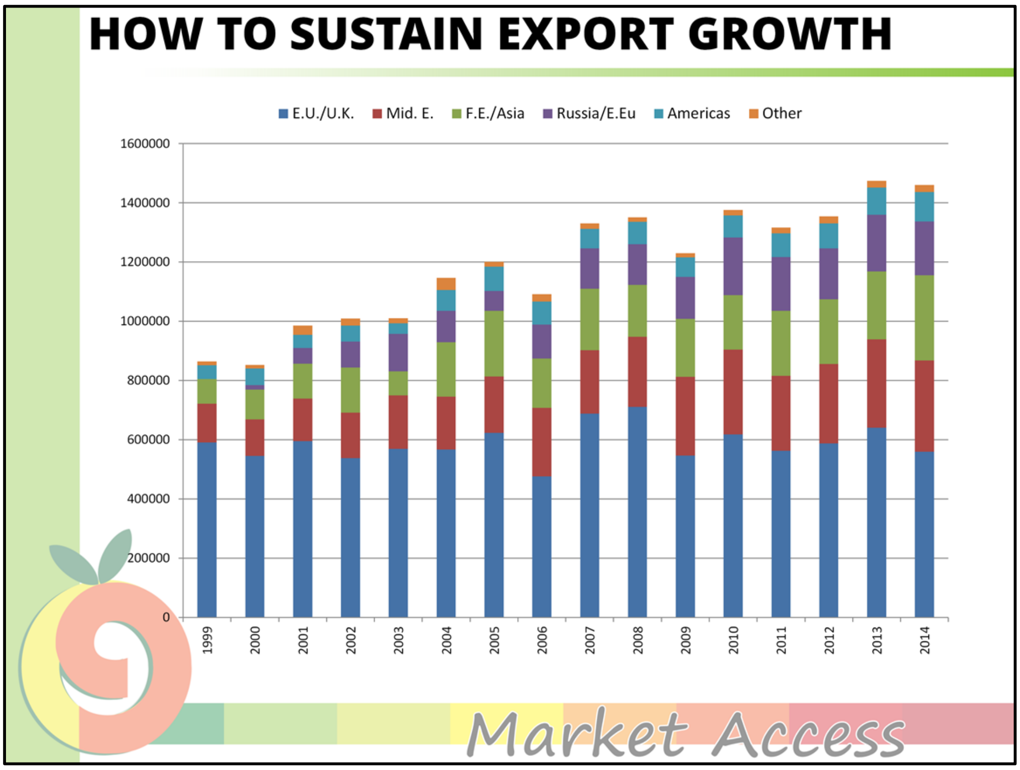
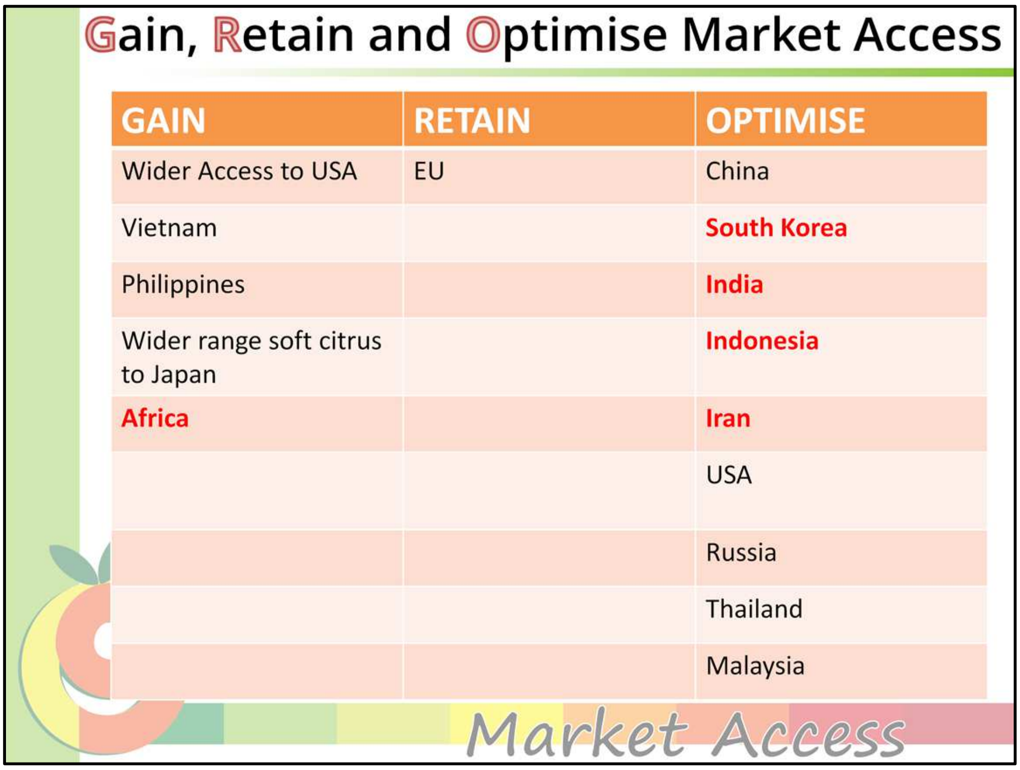
In 1997 at the formation of CGA there was only one thing that growers could agree on – that research and technical capacity needed to be preserved and grown to address market access challenges.
In 2013 at the CGA Strategic planning session market access again featured in the top five priorities.
And no I have not made a mistake – the relevance of the capital GRO will be more evident later.



Citrus export volumes have grown at 7% annualy for the past ten years – it took 100 years to go from zero to 1 million cartons, and ten years to go from a million to 1.5 million There are a number of factors that will influence future growth. EU exports have been flat at 600 000 tons for a number of years now; and with protectionism could be under pressure in the future.

So all the growth has come from expansion in other markets



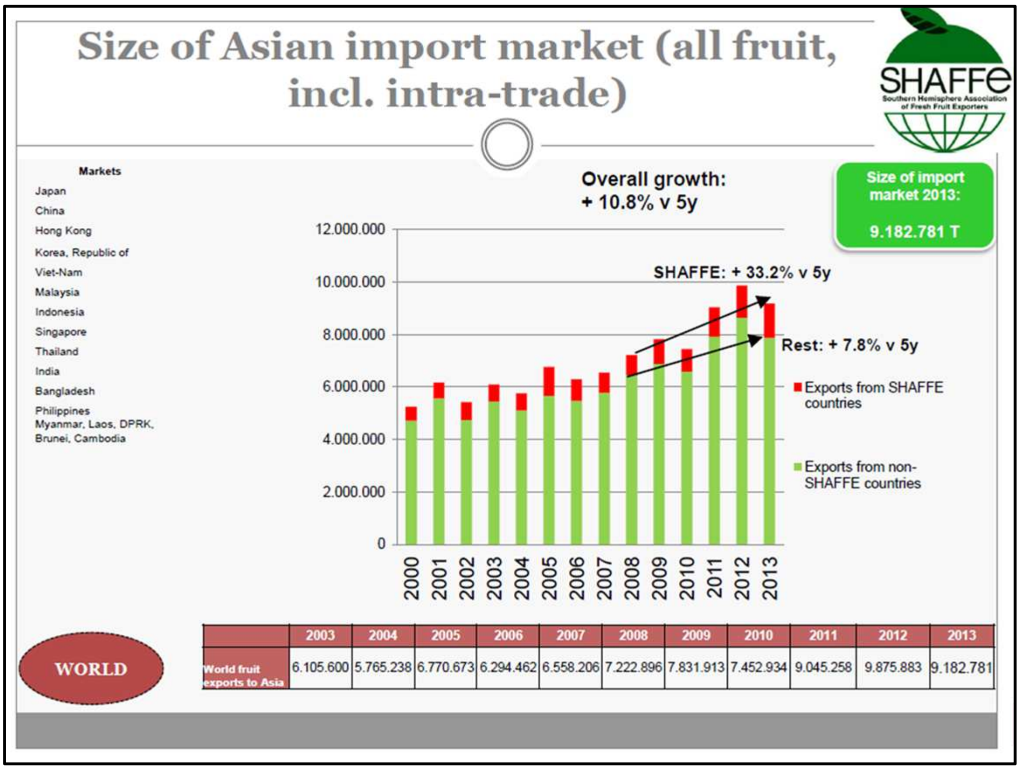
Gain, Retain and Optimise Market Access

GAIN	RETAIN	OPTIMISE
Wider Access to USA	EU	China
Vietnam		**South Korea**
Philippines		**India**
Wider range soft citrus to Japan		**Indonesia**
Africa		**Iran**
		USA
		Russia
		Thailand
		Malaysia

Market access activities are summarized by the acronym GRO – which I believe was coined by Vaughan Hattingh. This slide gives some examples of gaining new markets, retaining present markets and optimizing market access. We have heard about the US and EU earlier today. The countries in red are those that have been prioritized by the Citrus Marketing Forum. What is significant is that three of the five are in Asia.

Optimising Iranian market access is all about reducing the import duties.

With regard to Africa more research is needed, learning from the apple industry which now supplies 30% of its exports into Africa.



So the focus at the moment is Asia – and for very good reasons. Shaffe have developed information on all Asian markets – and all show good market growth potential. Although southern hemisphere exports into these markets is much less than those from the northern hemisphere, the growth over the past five years in southern hemisphere imports has been significant.

Overall imports by these markets actually decreased in 2013

So what are the factors that have got fresh produce exporters so excited.
Although economic growth has slowed down from the unbelievable figures achieved in the early to mid 2000's – they re still impressive – the world bank has the region growing at 6.9%, in 2013 China grew at 7.7%; Philippines 7.2%, Indonesia 5.8% and Vietnam 5.4%.
Coupled with this is the large populations and more mouths to feed; the three most populous countries in the world are China, India and Indonesia. And these people are used to a diet full of fresh produce – so there is no consumer education required to try and change eating habits.
Added to this is the increasing demand for imported fresh produce, not only for consumption but also as gifts.
For the South African citrus industry we would be looking to get some benefit from being a member of BRICS. The fact that many of these countries prefer fruit of specifications different from traditional European markets makes increased exports in the future highly probable. In addition; we have incredibly active and supportive Ambassadors and staff in the Asian region.

CHALLENGES

Market Access

Growing markets in Asia is not without its challenges. Since we have in the past concentrated on Europe there has been a steep learning curve in dealing with the challenges in the Asian markets

Without doubt the biggest challenge relates to import tariffs in these Asian markets. And unfortunately our main competitors in these markets are very active in this field. This industry magazine published by Citrus Australia has as its lead story progress on trade agreements; with the story covering three agreements signed in 2014; with China, South Korea and Japan.

And its not only Australia whose governments are busy with preferential trade agreements. The green blocks depict where either preferential trade agreements have been signed or where negotiations are taking place – the red is where nothing is happening. One of the reasons for this lack of activity from South Africa is that we have to negotiate as a block with SACU; which is administratively and financially difficult. Apart from Australia, the Peruvian and Chilean governments have a big appetite for preferential trade agreements; followed closely by New Zealand and Argentina. Uruguay is only slightly better off than South

Africa.

SOUTH AFRICAN TARIFFS

	ORANGES	SOFT CITRUS	LEMONS	GRAPEFRUIT
SOUTH KOREA	50%	144%	68%	30%
INDONESIA	5%	20%	5%	5%
CHINA	11%	12%	11%	12%
VIETNAM	20%	30%	20%	40%
PHILIPPINES	10%	10%	10%	7%
JAPAN	24%	17%	0%	10%
MALAYSIA	2.5%	5%	5%	5%
INDIA	30%	30%	30%	25%

Market Access

The problem we face when competitors get preferential trade agreements concluded is that their product is cheaper than ours; and looking at some of these tariffs the differential can be huge.

South Korea and India are very problematic. When we visited South Korea we were told that US grapefruit was becoming far more attractive following a trade agreement between those two countries.

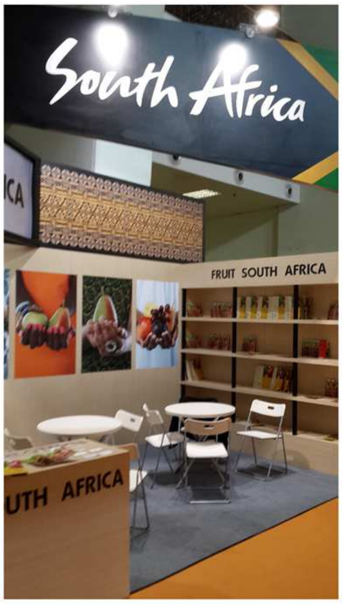
Trade agreements do not only assist with reducing tariffs – they normally come with a number of other arrangements and concessions assisting with freeing up trade.

Since in the past South African exports to Asian markets were relatively small, the expertise to understand and address market challenges has not developed to the same extent as in Europe. This leads to a lot of uncertainty and misinterpretation of rules. Many of these rules are put in place to protect the domestic industry. To gain and optimise access often requires thorough briefings on the counterseasonal nature of our product, and assurances that we would not compete with local produce. These are some examples of difficulties experienced in these markets –

challenges that are being addressed by industry and government.

OTHER MARKET CHALLENGES

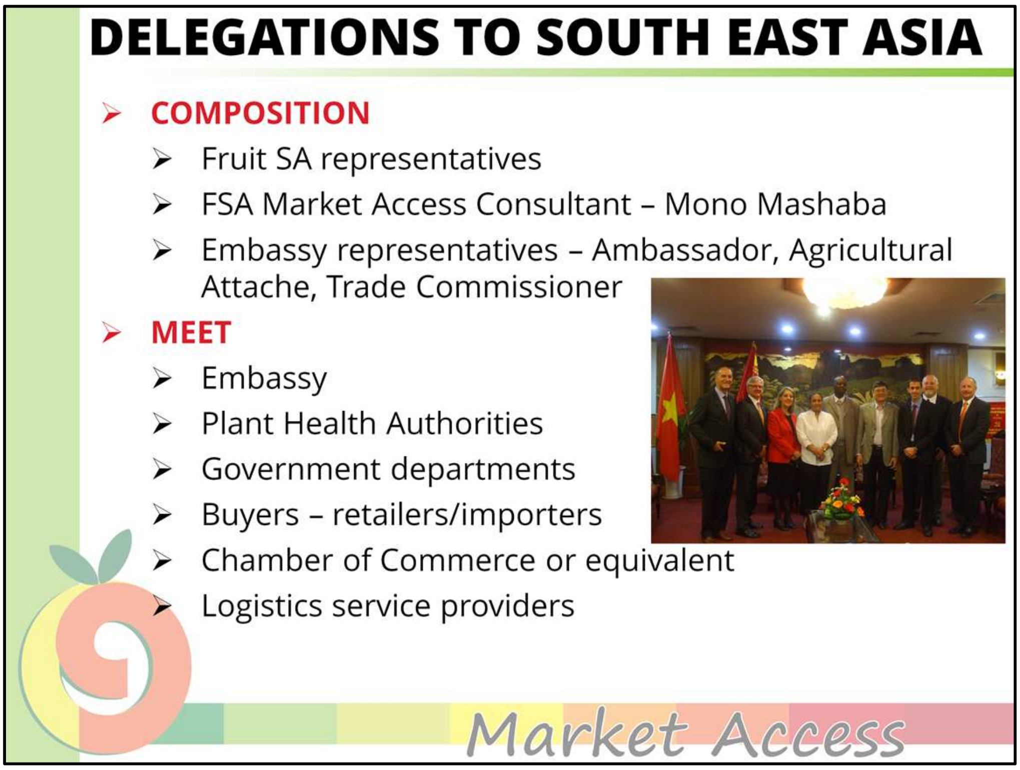
- **AWARENESS**
  - Asiafruit Logistica
  - Beijing fruit and veg show
- **RELATIONSHIPS/NETWORKS**
  - Language
  - Culture
  - Time differential
- **LOGISTICS**
  - Ports
  - Cold Chain
- **CREDIT GUARANTEES**



Market Access

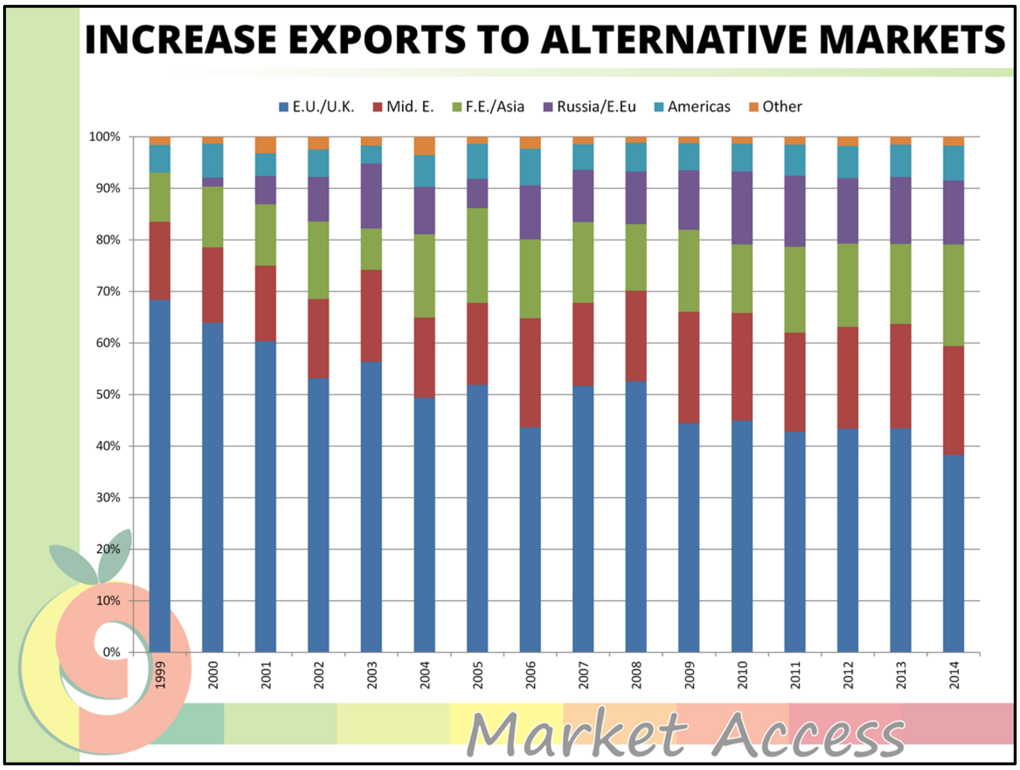
Having exported to Europe for over 100 years that market is aware of the fine attributes of our product and our exports – excellent quality, reasonable pricing, food safety, service orientated and a wide range of categories over an extended period. However, many in Asia are not familiar with South Africa, or that we produce this amazing fruit. Through Fruit South Africa we have been exhibiting in Hong Kong and China, and this year will be in India for the first time. A well orchestrated awareness campaign needs to be developed within Fruit South Africa.

In Europe everybody in the fruit business knows everybody else; in Asia there are many new contacts to be made; and relationships with reliable buyers need to be initiated, nurtured and cemented. This is difficult due to language and cultural differences; but if we are to be serious contenders in this market this is what we have to do – learn the language, and learn the culture; and be prepared to make contact at all hours of the night. Although some countries have well established logistics infrastructure, they are in the minority. Most countries have inadequate port, cold store and distribution infrastructure. This will change as in these rapidly developing economies - if something is not available; just wait. And finally – ensure that you get paid

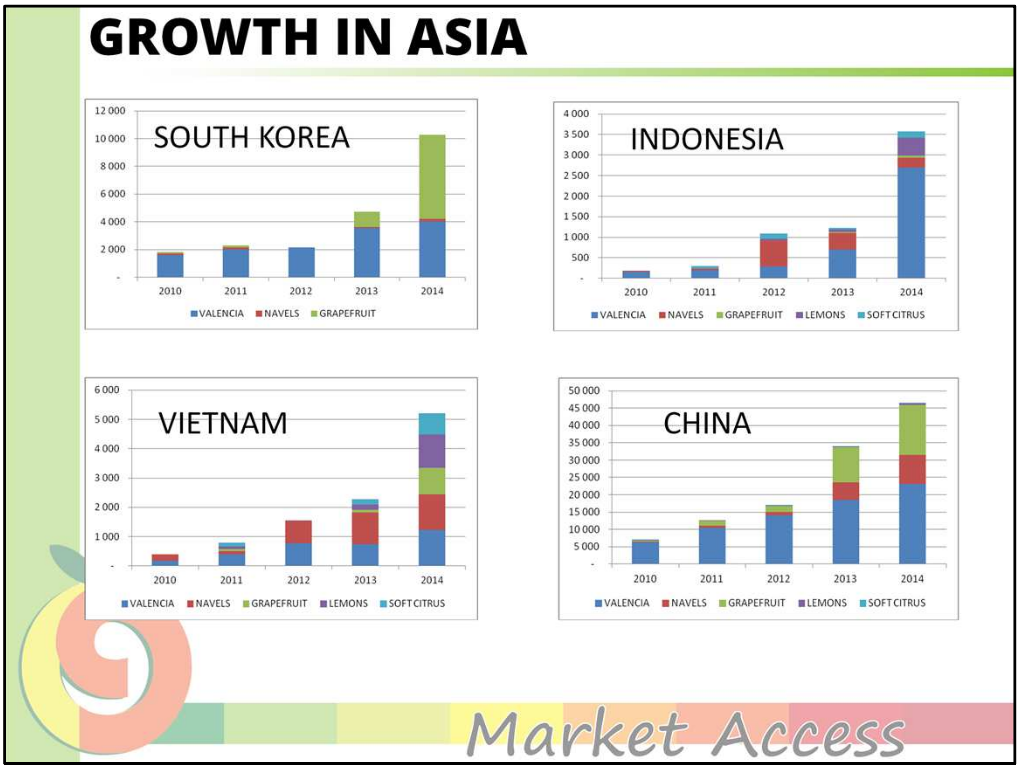


To address these challenges and understand the markets better, and to get the markets to understand South Africa better, Fruit South Africa have sent delegations to selected countries over the past two years. Ably led by Dr Mashaba, previous attache for the region and well liked by their plant health officials the delegation consists of representatives from industry; who are joined by Embassy officials in the respective countries. In many cases the Ambassadors themselves have accompanied the delegation, adding considerable clout to the meetings.

The itinerary includes an initial briefing at the Embassy where the objectives of the visit are covered. The delegation then meets with relevant government departments; most importantly the plant health officials. Trade visits are made to buyers and retailers, to raise awareness of South Africa and its exceptional fruit basket. The delegation also tours the logistics facilities to get an idea of what is available.



The key result area to see if CGA is achieving its goal of growing market access is in terms of growth in alternative markets to the EU. Exports to Middle East have grown from 15% to 21%; Asian exports have doubled in percentage terms from 10 to 20%; Russian exports have increased from zero in 1999 to 12% last year; while the US has shown the lowest growth – from 5 to 7%; wider access may see more growth in the future.



And if we put the spotlight on Asia, the combined efforts of government and industry over the past few years has seen big growth in Asian markets, albeit off a low base. South Korea has traditionally been a Valencia market, but access for grapefruit into one of the only countries in the world showing an increasing propensity for grapefruit consumption has seen a lot of product swung that way. Grapefruit volumes into China have also increased, along with the two orange categories. In Indonesia the growth has mostly been in the Valencia category, while Vietnam has seen growth in all categories.

Thank you

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CGA CITRUS SUMMIT
Market Access