



CGA Logistics Priorities

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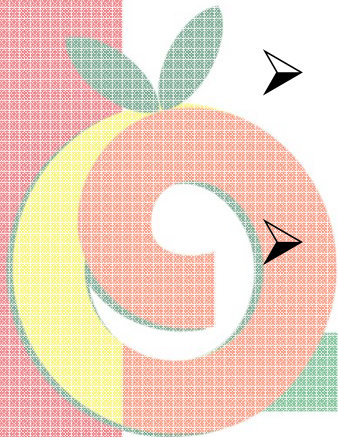
Agenda

➤ **Logistics Priorities**

- Addressing the logistics cost challenge
- Implementation of meaningful rail services
- Addressing container operational constraints

➤ **Update on local and international regulations**

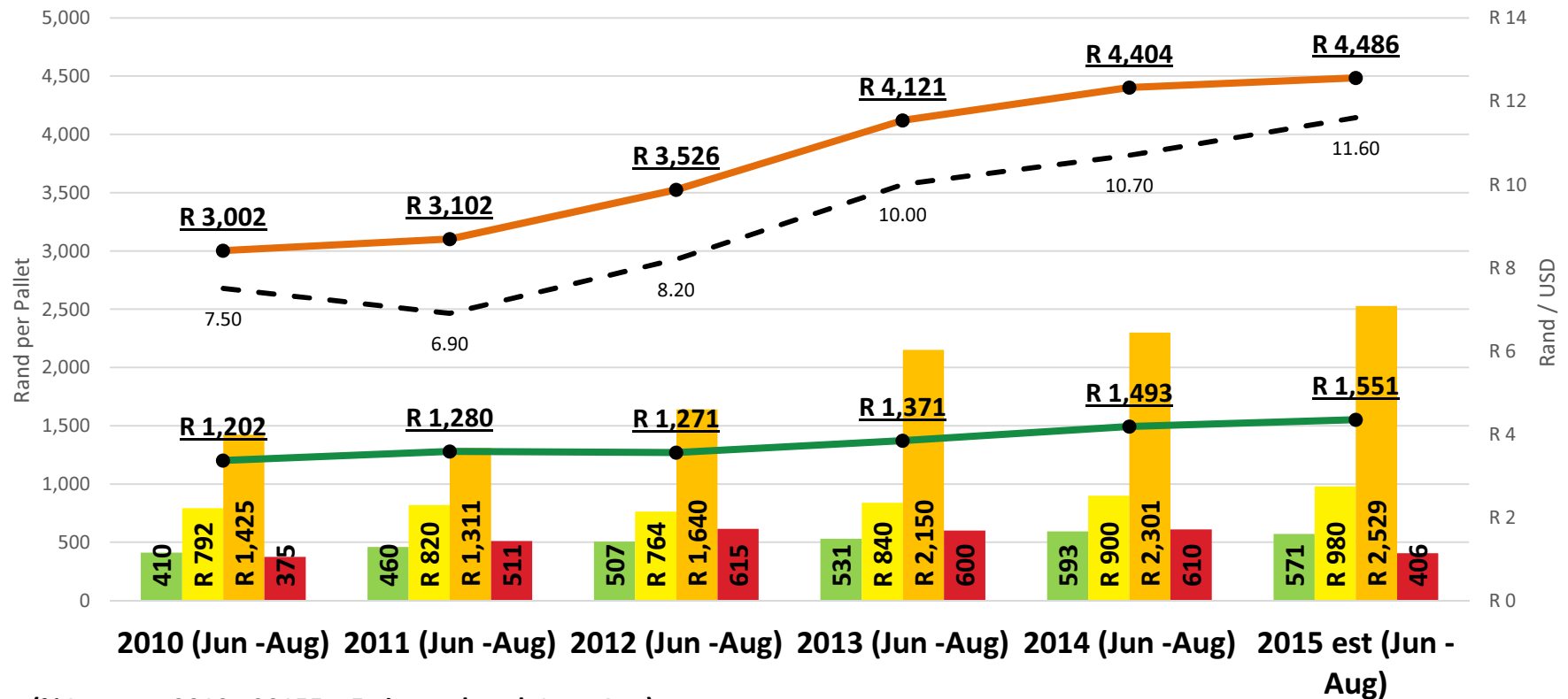
- NRTA – 22nd Amendment
- IMO, SOLAS Chapter VI - Mandatory Weighing of Containers
- IMO, MARPOL Annex VI – Low Sulphur (0.1%) in ECA regions
- NRTA Regulation 224 – High Cube Containers



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Cost of the Logistics Chain

(Containerised Shipping Cost per Pallet - FOB and NWC/UK)



(% Increase 2010 - 2015E = Estimated peak Jun - Aug)

■ Ave Transport Cost per HC Plt (+40%)

■ Ave EU Cont. Freight Cost per HC Plt (+78%)

● Ave FOB Cont. Cost per HC Plt (+30%)

--- Ave ZAR/USD (Jun - Aug) (+55%)

■ Ave RSA Non-Steri Cont. port cost per HC Plt (+24%)

■ Ave EU BAF Cont. Cost per HC Plt (+8.4%)

● Total EU Landing Cont. Cost per HC Plt (+50%)

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Cost of the Logistics Chain

2010-2015 est.

➤ **Transportation – Road and Rail**

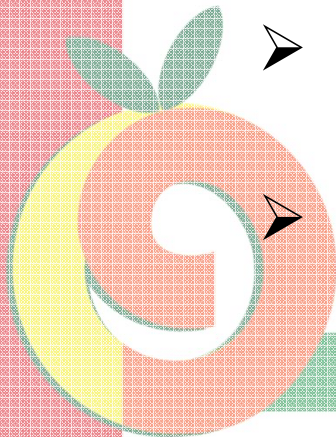
- High cost of diesel fuel – 50% Truck TOC
- Application to TFR for 20% rail tariff rebate

➤ **Port Costs**

- Electricity costs (>Steri markets) and labour costs
- TNPA port tariffs and terminal rental costs
- FOB cost increased by 30%

➤ **Freight and Bunker Surcharge Costs**

- Deflation of the ZAR/USD has put undue pressure on freight and BAF costs
- The NWC/UK container freight all-in cost has increased by 65%



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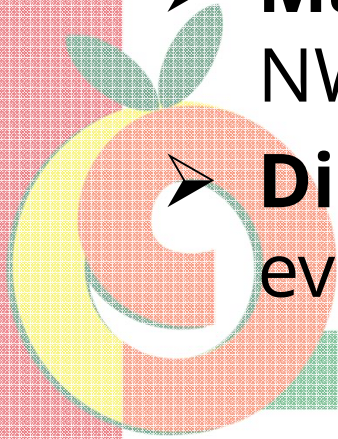
ZAR/EUR Exchange Rate Dilemma

Description	2014 Scenario	2015 Scenario	% Change	2015 EUR Price Pressure	% Change
ZAR/USD	10.8	11.8	8.47%	11.8	0.00%
ZAR/EUR	14.4	13	-10.77%	13	0.00%
EUR Sales Price/Ctn (Fixed)	€ 13.00	€ 13.00	0.00%	€ 14.50	11.54%
EUR Sales & Logistics Costs (Fixed)	€ 3.00	€ 3.00	0.00%	€ 3.00	0.00%
EUR Nett Return	€ 10.00	€ 10.00	0.00%	€ 11.50	15.00%
ZAR Nett Return Price/Ctn (Fixed)	R 144.00	R 130.00	-10.77%	R 149.50	15.00%
Shipping Cost USD/Plt (Freight and BAF - CIF: Containerized)	\$272	\$260	-4.62%	\$260	0.00%
Shipping Cost ZAR/Plt (Freight and BAF - CIF: Containerized)	R 2,938	R 3,068	4.25%	R 3,068	0.00%
RSA FOB Cost ZAR/Plt (Averaged)	R 1,490	R 1,565	4.79%	R 1,565	0.00%
Total Logistics Cost/Plt (CIF)	R 4,428	R 4,633	4.43%	R 4,633	0.00%
Total Logistics Cost/Ctn (A15C) - 80 Ctn/Plt	R 55.35	R 57.91	4.43%	R 57.91	0.00%
Total Logistics Cost/Ctn (E15C) - 65 Ctn/Plt	R 68.12	R 71.28	4.43%	R 71.28	0.00%
Total Logistics Cost/Ctn (Averaged)	R 61.73	R 64.59	4.43%	R 64.59	0.00%
RSA Nett Return on Farm/Ctn (A15C)	R 88.66	R 72.09	-22.98%	R 91.59	27.05%
RSA Nett Return on Farm/Ctn (E15C)	R 75.88	R 58.72	-29.22%	R 78.22	33.21%
<u>RSA Nett Return on Farm/Ctn (Averaged)</u>	<u>R 82.27</u>	<u>R 65.41</u>	<u>-25.78%</u>	<u>R 84.91</u>	<u>29.81%</u>

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Addressing the Logistics Cost Challenge

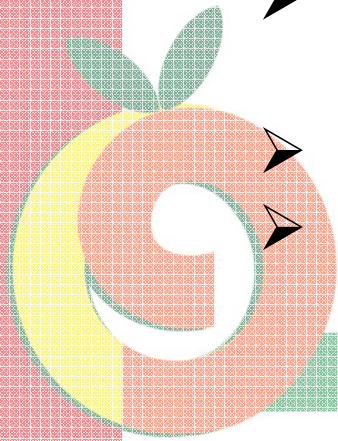
- **Container rail transportation** (Limpopo / Zim) – 20% tariff rebate!
- **TNPA tariffs and terminal rentals that are rationale** – tap into the TNPA port pricing strategy – container tariffs!
- **Stringent dwell times, cold chain management and quality presentation** – monitoring and apply best practice
- **Maputo port** – collaborative chartering for NWC/UK/Russia SRS co-load
- **Direct container loading** – the uptake is very evident



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Implementing Meaningful Rail Service

- South Africa through **TFR** can be **global leaders** in reefer intermodal operations – what is TFR waiting for?
- Does current Tzaneen rail operation add value – For sure! It's tried and tested, and will take an upward battle for re-implementation
- CGA assessment suggests 4 fully equipped reefer rail sets (48 wagon trains) can be fully operational 10 months of the year –
 - Citrus – Tzaneen, Marble Hall (via Pretoria) & Mussina to Cape Town
 - Avo's – Tzaneen to Cape Town
 - Grapes – Upington & Marble Hall (via Pretoria) to Cape Town

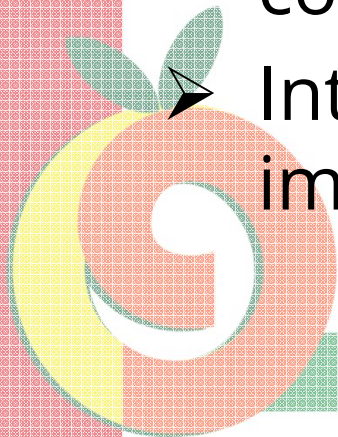


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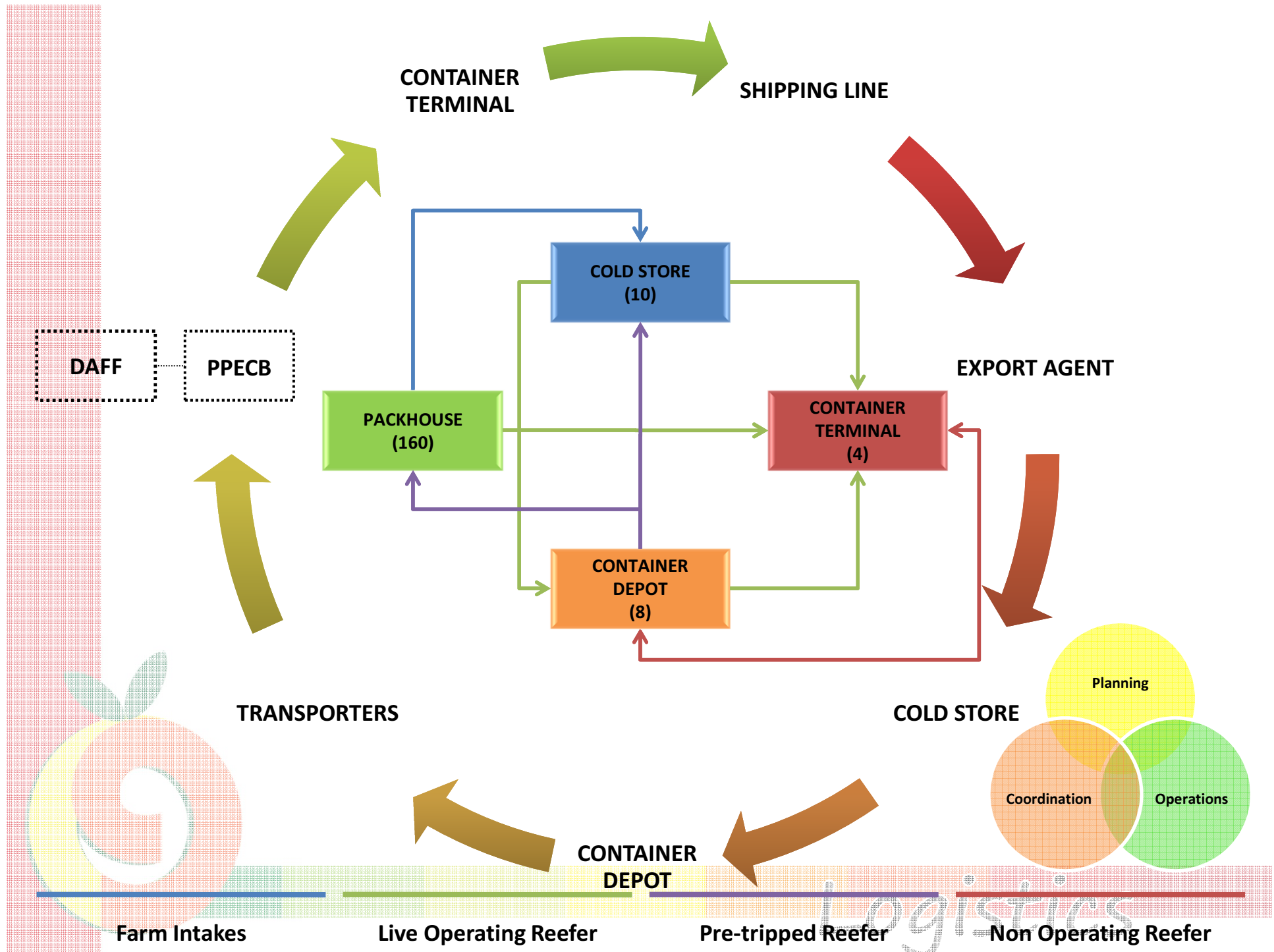
Addressing Container Operational Constraints

CGA in collaboration with TPT and stakeholders has produced profound operational benefits for containerised exports

- Introduction of the Durban Reefer Container Operations Forum (DRCOF) and Eastern Cape Reefer Container Operations Forum (ERCOF)
- Providing a platform for identifying and communicating operational constraints
- Interface between stakeholders and TPT to improve operational effectiveness



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Update on Local and International Regulation

NRTA 22nd Amendment –

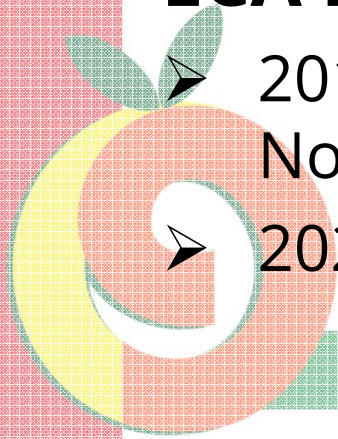
- Consignor / consignee regulation 330A – 330D

IMO, SOLAS Chapter VI: Mandatory Weighing of Containers –

- 1st June 2016 gross weight of containers must be declared

IMO, MARPOL Annex VI: Low Sulphur (0.1%) in ECA regions –

- 2015, 0.1% LS in Northern Europe, UK, Baltic and North America
- 2020, 0.05%LS Globally

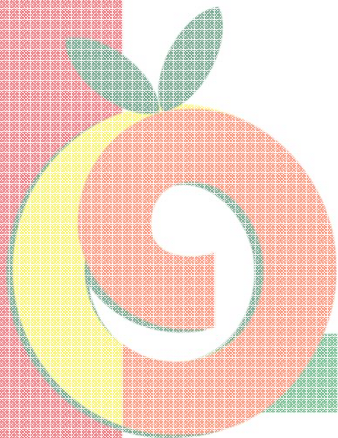


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Update on Local and International Regulation

NRTA Regulation 224: High Cube Containers –

- High cube containers transported on trailers with deck height $>1.4\text{m}$ exceeds permissible height of 4.3m
- Process of engagement with DoT to amend regulation 224 to 4.6m



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Thank you

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