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CGA Logistics Report 2011 (Final) – Week 44

The charts linked to this report can be found on the CGA Website, Logistics / Reports or downloaded from this link: http://www.cga.co.za/pages/30494

Statistics are based on data reflected at the end of the previous week

1. Packed and Shipped Volume (Pallets)
   - YTD packed: 5% down from 2010. GF 16% up, LE 11% up, OR 12% down and SC 8% down. Refer chart 1.1
   - YTD shipped: 4% down from 2010. GF 26% up, LE 8% up, OR 11% down and SC 9% down on 2010. Refer chart 1.2

YTD commodity co-efficient[1]: Not applicable. Refer chart 1.3

   - YTD commodity shipped by port: The Cape Town port volume was below the 2010 volume mainly due to less citrus being routed from the northern regions during 2011. The Durban port volume seems to be 10% below 2010 and on par with 2009; which is about 675,000 pallets compared to 750,000 pallets in 2010 (a decline of 75,000 pallets). The Maputo port had a good start this season with Swaziland Grapefruit being routed mainly out of Maputo but the lower Valencia crop from the north impacted the volume through Maputo at the end. It seems year on year growth has been experienced in the Eastern Cape region where growth of 8% and 14% from 2009 is shown. Between Port Elizabeth and Ngqura, some 350,000 pallets of citrus were shipped during 2011 up from 280,000 pallets in 2009 and 305,000 pallets in 2010. The increase in volume from EC is mainly attributed to higher than expected Valencia and Lemon production. Refer chart 1.4

Port Export Volume Comparison 2011				
Year	**Cape Town**	**Durban**	**Maputo**	**Port Elizabeth**
2010	-8.93%	-9.76%	-11.71%	14.41%
2009	8.60%	0.01%	-0.23%	23.02%

2. Port Stock Dwell Time, Fruit Age & Port Stock Volume
   - Although the total stock levels in all the major ports did not show any signs of pressure on total capacity, there was however incidences in the Durban port where certain of the cold stores experienced congestion. Incidentally last year the stock levels for Japan only increased to 12,000 pallets during the peak and not the levels previously seen of some 20,000 pallets. Refer charts 2.1 – 2.7.
3. Export Market Volume
   - The total citrus export market spread for 2011 measured against the 5 year average indicates that there is currently focus on citrus exports to Canada / USA (up 13%), Far East / Asia (up 30% - particularly to Hong Kong (20% up), Singapore (60% up) and China (80% up)) and Russia (up 20%). Markets showing a deflating volume trend are Europe / UK (down 10%) and Southern Europe / Med (down 20%). For 2011 focus was to Far East / Asia and Russia with a strong swing away from Middle East and Europe / UK. In 2011 there was a notable increase in Grapefruit varieties sent to Europe / UK, a switch away for Lemons into Europe / UK and more into Russia, a focus on Orange types to Far East / Asia with a downward supply into Europe / UK and Middle East and then the lower Soft Citrus production affected the supply into Europe / UK. Refer charts 3.1 and 3.2.
   - Despite lower production from the northern regions, there was an increase in citrus routed to Far East from Durban this year. The PE ports experienced a marked increase in citrus routed to Far East / Asia, Europe / UK and Russia. Refer chart 3.3.
4. Port Shipping Mode Gearing
   - Container loading represented 75% (60% in 2010) of export volume shipped this way, CPT = 75%, DBN = 72%, MPT = 10% and PE = 90%. Even with the decreased volume of production there has been an increase in citrus container packing where some 97,000 TEU's were packed and routed out the ports. This is an increase of 4,000 TEU's above 2010. A decrease of ~100,000 pallets of citrus were loaded by way of conventional break-bulk mode compared to 2010 – mostly out of Durban and Cape Town ports. The increase in container loaded most evident from the PE and Ngqura ports – where an extra 4,500 TEU's above 2010 was seen. Refer charts 4.1 – 4.3.
5. Shipping Mode Volume Trend
   - It is evident that container loading is peaking on a weekly basis where up to 5,000 TEU's are being routed out of the four main ports each week. Refer charts 5.1 – 5.2.

[1] Commodity Co-efficient is the difference between Packed and Shipped volume, this percentage indicates the efficiency of stock movement out the country and will also relate to stock age and storage costs.

- The volume of citrus loaded by Specialized Reefer ships peaked in the earlier part of the season to Japan, Europe and Russia on the Grapefruit and Navel production but then subsided towards the later part of the season during Valencia production. Refer charts 5.3 – 5.4.
- The increase in container volume can be seen to Europe / UK, Southern Europe / MED and Far East trades. The conventional break-bulk decline can be seen particularly on the Northern Europe / UK trades. There was more focus on container loading to Japan this year which went up to 20% of the total volume sent to that market. Interestingly there was 3 times more citrus loaded break-bulk to Russia than to Northern Europe / UK. The Data shows that there was twice the amount of citrus loaded from Maputo to Northern Europe / UK than Durban by conventional mode this year – this is where the conventional VSA should be prioritizing there stronghold to produce a more valuable and cost effective service to shift the peak demands from the Durban port. The northern region exports 400,000 pallets of citrus to Northern Europe / UK and Med ports (50% of production) each year and of that volume, only 60,000 pallets (15%) are now carried by the conventional break-bulk service to that region. The question around this subject is, will the container lines be able to handle the additional demands should this mode of shipping to that region seize to exist – an additional 6,000 TEU's of citrus?. The other question is, what impact will the additional demands on the Durban infrastructure and port have during peak season should the volume from Maputo be shifted to Durban for containers in future – a concerning thought! (Refer below). Refer chart 5.5 – 5.6.

6. Regional Shipping Mode Volume
   - CPT: there was a swing in container loading from the traditional Europe and Middle East markets to Far East / Asia and Canada / USA regions. No noticeable advances evident apart from increased container traffic out the port during the later part of the season – mainly to Europe. Refer charts 6.1 – 6.3.
   - DBN: There was more container traffic evident to Europe / UK and Far East / Asia regions this year. A peak in container traffic was seen in mid season which was mainly sent to Far East. Refer charts 6.4 – 6.6.
   - MPT: Most notable is an increase in container loading to Middle East and conventional to Europe out of Maputo this year. Refer charts 6.7 – 6.9.
   - PE: Port Elizabeth and Ngqura ports are moving rapidly each year to becoming a fully containerized region where 90% of citrus is shipped by containers with an increase seen to Far East, Europe / UK and Med ports this year. The average weekly TEU's shipped through PE ports has increased from ~1,000 – 1,200 per week to 1,500 – 2,000 TEU's per week. An important development to take cognisance of going forward. The consistent increase in volume of production through the EC ports reflects the extra demands on containerization and the need to interface with the shipping lines and ports (TPT) to ensure the extra flows are managed. Refer charts 6.7 – 6.10.
7. Regional Inland Container Loading (Containers packed on farm or inland cold stores)
   - The Eastern Cape region packs 90% of containers inland (inland depots or direct on farm) which is 5 times the amount of containers packed inland at all the other regions combined. Packhouse container loading is something that is increasing from this region at a rapid pace, therefore delivery of services from shipping lines, agents and ports is a critical aspect to this development. The Europe / UK and Middle East trade lanes are where this development seems to be progressing. Refer charts 7.1 – 7.3.
8. Citrus Rail Volume Statistics
   - It appears there is an unfortunate future for the conventional rail mode at present, appeals to the Limpopo Government have been made to mediate with TFR to consider re-evaluating the rail rates – we wait!. Container rail operations did in fact commence out of Groblersdal (via Pretoria) this year along with the Letsitele operations. Developments out of Polokwane are still being pursued with an issue on facility locations still not resolved by TFR. Given the magnitude of the foreseeable problems in the Durban port for 2012, this development could be the solution. (Refer below). Refer chart 8.1.
9. RSA Port Total Container Volume Statistics (All containers handled at each port container terminal)
   - Coupled with the operational issues with the introduction of the NAVIS system in Durban, there appears to be an increase in the number of containers handled at the port during the peak months of May - September. If one evaluates the port container volumes handled per month and compare this to the volume of citrus containers (TEU's), it bears a surprising statistic. Port total monthly average TEU's compared to citrus peak monthly (July) TEU's as a percentage. CPT = 61,200 TEU's / 3,000 TEU's citrus (5%), PE = 72,000 TEU's / 6,000 TEU's citrus (8%), DBN = 242,000 TEU's / 10,000 TEU's citrus (4%). Refer chart 9.1.

<u>Notes:</u>

1. Citrus Export Volume: 2010 and 2011 have reflected a very interesting citrus production base. Between these two years, the four main commodity groups have peaked and exported the highest production volume. In 2010 some 950,000 pallets of Oranges were exported and 114,000 pallets of Soft Citrus, in 2011 Grapefruit peaked at 236,000 pallets and Lemons peaked at 128,000 pallets. If the four commodity groups peaked in the same year this would total 1,428m pallets which is 60,000 pallets higher than the 2010 total peak of 1,366m pallets and 122,000 pallets higher than the 2011 volume of 1,306m pallets. In cartons this works out somewhere around 104m cartons.
2. Production and Logistics Cost Trend Analyses for the 3rd Quarter 2011 available on the CGA website. Statistically it reflects some growing concerns for the South African fruit production base and is a recommended read for further insight into production and logistical cost pressures currently at play. http://www.cga.co.za/pages/34417

3. Cool Logistics Africa: 24th – 26th April 2012, Vineyard Hotel, Cape Town: the organisers of Cool Logistics Conference have been encouraged to branch the conference into Southern Africa. The motivation for this is due to the rising challenges of the Southern African perishable logistics arena and the need for a platform to debate these issues. Specifically targeted at the logistics sector this conference takes place beneficially ahead of the 2012 citrus season – the signs indicate it will be a challenging year logistically and in particular the Durban port. For more information visit the website http://www.coollogisticsafrica.com/.
4. Durban Port Upgrade 2012 – 2017: due to the increased size and draft of container ships calling the Durban port, a programme will begin in early 2012 to take one berth at a time out of service at DCT's North Quay (Pier 2), and rebuild the quay wall to allow deeper draught ships to call alongside. The port anticipates the temporary decommissioning of each berth will displace capacity for 400,000 TEU's annually (15% of Pier 2 capacity). Some of this capacity will be allocated to temporary transferring container handling capacity to the City Terminal on the Point, berths A-D, in addition to handle more containers at Maydon Wharf, which is being utilized at present. The port is also in discussion with shipping lines about the temporary diversion of containers to Port Elizabeth and Ngqura. Last week delegates from the citrus industry were hosted by Maersk to discuss the foreseeable constraints that this will likely add to the already burgeoning problems Durban shippers face during peak season. It was indicated that berths at Maydon Wharf were being considered for core services and this could be beneficial for container staging. Utilizing alternative ports such as Port Elizabeth, Ngqura and Cape Town were discussed but the added cost of routing through those ports would be too costly. Another alternative was considered and that was the stuffing and railing of containers from the inland regions, but the rail capacity and unreliability of rail to meet such a demand was reiterated by the shippers present. Given the magnitude of the possible implications of such developments, or even positive spinoffs mentioned by the shipping lines, more detail will be sought on this issue and communicated prior to the commencement of the 2012 citrus season. In the mean time it was concluded that Maersk would initiate an industry session with Durban Container Terminal management for the benefit of acquainting shippers to the operational issues and turnaround strategies planned by Transnet. In turn the industry might have an opportunity to voice concerns regarding the operational and financial impact to the industry based on the poor performance from the terminals.
5. DCT Pre-advise Implementation for Export Containers: on the 1st of February 2012, DCT will be implementing the pre-advise of export containers prior to delivery of containers to DCT stacks on this date. This advise is applicable and mandatory for all export containers and is an additional implementation of the NAVIS system. Information that will be required to be pre-advised prior to the delivery of an export container is the booking reference, container number, seal number, container weight and voyage information. If this information is not pre-advised by the subscribed method, the container will not be accepted into DCT Pier 1 and Pier 2. Transnet Port Terminals have scheduled an additional Pre-advise training session for packing stations and depots on the 16th November between 13h00-15h30 at the DCT admin building, 4th floor Boardroom. The pre-advise is a process of engagement between the shipping line and shipper or shippers agent but remains the sole responsibility of the shipper. Through a proxy there can be a nominated party that can pre-advise on behalf of the shipper and that will have to be negotiated between shipper and 3rd party. By way of interpretation, the pre-advise can be done by either the shipper (Exporter), the packing station (cold store) or the transporter. An industry training session is planned to enlighten interested parties on this issue, this will be communicated through the various mediums. In the meantime more information can be obtained from the various shipping lines.