FROM THE DESK OF THE CEO (02/09)

Justin Chadwick (16 January 2009) *Citrus Growers Association (CGA)*

QUOTE OF THE DAY: "By the time that a man realizes that maybe his father was right, he usually has a son who thinks he's wrong" Charles Wadsworth

IDLE TIME, IDLE BRAINS

Two pieces of information received in the past week makes me realize that some people have too much time on their hands. The first is an article on Mail On Line entitled "Orange drinks with 300 times more pesticide than tap water" – now I don't know about you but if my tap water contained ANY pesticide I would be concerned, and I would expect ALL foodstuffs that I consume to contain more than 300 times that of tap water. But wait for it… the article says that the drinks contained 17.4 parts per BILLION – as the product spokesperson said "these findings should reassure consumers there is no safety issue here". Hopefully all will ignore such sensational rubbish.

What is a little more concerning (but as nonsensical) is the call by some South African NGO's to require ethical audits to determine if workers are paid a "living wage". These idle minds have determined that the government's minimum wages are "unlivable" and now want UK retailers to ensure that an arbitrarily determined living wage is paid. What is worrying about this is that some UK retailers are actually prepared to engage the NGO's on this issue. It has been stated before that South Africa has some of the most progressive labour laws in the world – and the setting of minimum wages was done after much research, consultation and deliberation. To think that the government would have set a minimum wage that is "unlivable" is preposterous – and if it has been incorrectly set then there are procedures to follow to get it corrected. That UK retailers feel that they can better determine what a "living wage" should be is equally ridiculous (and somewhat arrogant). And what happens if different NGO's lobby different UK retailers for different "living wage" levels? Audits would be a nightmare. And will a living wage in Chile be different from one in South Africa? Who will monitor the levels from year to year? And then there is the effect on unemployment. Who is the voice of the unemployed? If the living wage means less people employed so that the budget can balance, who is going to speak up for those people added to the unemployed group? Let's get on with producing high quality fruit, getting it to the consumer at affordable prices, and ensuring that all are fairly compensated in the process.

SHIPPING

Some interesting statistics regarding shipping in the January 12 issue of Time magazine; the Baltic Dry Index, which tracks the cost of shipping raw materials, has plummeted from an all time high of 11 793 last May to below 800, a 22 YEAR LOW. The daily rental rate for the largest bulk carriers plunged from \$234 000 last summer to less than \$3 000 in early December – a 99% REDUCTION. Some 200 vessels are now lying idle, with many more likely to join them when their current contracts are completed. Shipping a container from Hong Kong to Rotterdam now costs a few 100 dollars, down from more than \$2 500 in late 2007. There has also been cancellation of new orders – one shipping company forfeiting a \$50 million deposit to cancel a \$530 million deal to buy 6 ships.

Those who are negotiating their shipping rates for the coming citrus season must bear this in mind!!!

NORTHERN HEMISPHERE CITRUS

Figures supplied by CLAM (Mediterranean citrus industry body) for Spanish exports to date make interesting reading. Although total exports to 10 January are only 4% lower than at the same time last year, it is oranges that are 14% down and lemons are 32% up (remembering that the 2007/8 Spanish lemon season was a disaster). There has also been a shift away from exports to Russia (down 43%), Norway (down 12%) and Switzerland (down 6%). Spanish exporters are definitely looking for new markets – although coming off a small base exports to the Far East are six times higher than the same time last year, while exports to the Middle East have doubled. In Eastern Europe exports to Belarus have increased by 20% - this is now the 5th largest importer of Spanish citrus (after EU, Switzerland, Norway and Russia). The EU remains the most important market – accounting for nearly 50% of exports – with a 17% increase in exports over the 2007/8 season (to date).

Unfortunately the Israeli and Egyptian figures (to 10 January) received did not contain comparisons with the past season. What was interesting is that Israel has exported 310 tons to South Africa and 430 tons to Reunion. Other southern hemisphere destinations are Australia (717 tons) and Argentina (430 tons). Russia has take 18% of Israeli citrus (12 000 tons), while other Eastern European destinations include Lithuania (5 389 tons) and Ukraine (1 883 tons). Japan has taken 3 200 tons of Israeli grapefruit, while the rest of the Far East has imported 1 390 tons of Israeli citrus. UK (7 077 tons) and EU (23 000 tons) remain the most important destination for Israeli citrus – absorbing almost 50% of their exports. The Nordic countries imported 3 000 tons of Israeli citrus. About 700 tons was sent to the US.

In the case of Egypt, 80% of exports have gone to Saudi Arabia, with a further 18% going to countries in the Middle East.

What is significant from this information is that citrus exporting countries are looking far and wide to capture new markets for their product. Countries that were not even on the radar ten years ago are now importing significant quantities of citrus. South Africa needs to consistently be looking for new markets and to build on the momentum set by the northern hemisphere exporters.

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