FROM THE DESK OF THE CEO (16/09)

Justin Chadwick (24 April 2009) *Citrus Growers Association (CGA)*

QUOTE OF THE DAY: "Our elections are free – it's in the results where eventually we pay" Bill Stern

CELEBRATE SUCCESS: Political tolerance and a good job by the IEC in South Africa's democratic elections. Where I voted the process was very slick and the officials professional and pleasant.

REFERENCE MATERIAL

I believe that the strength of a degree or diploma is not that you are necessarily any more intelligent than those who have not studied, but that you know how and where to search for information. Many who have not studied develop the same expertise and become successful in their chosen field. In the citrus industry there are many resources/tools available to growers and other stakeholders. By using these resources the ability to produce, pack, transport, store and distribute citrus is greatly enhanced. Recently the Citrus Cold Chain Forum distributed a document covering packing and packaging (available in the members section of www.cga.co.za). They have now followed this up with two palletizing documents – one for 15 Kg cartons and the other for smaller cartons, both available on the website. The Citrus Academy also has training manuals covering all aspects of production from site selection through to pest scouting. These manuals are available in printed format from the Academy, or can be downloaded from www.citrusacademy.co.za for free. In addition the Citrus Academy has just completed material on the Citrus Nursery business – which is already being tested in actual training sessions. In addition to this CRI has a wealth of reference material – production guidelines, pest identification manuals, colour plates and much more. The CGA will prepare a list of all the reference material available, as well as the price and distributor details – keep watching the website.

PACKED AND SHIPPED 2009

Three million cartons now packed, and 1.5 million shipped – soft citrus and lemons are all tied up with 1.15 m cartons packed. Almost all the soft citrus being satsuma's. More soft citrus has been shipped (800 000) compared with lemons (600 000). 70% of the soft citrus has gone to the UK (2008 59%) and 22% to northern Europe (2008 23%). The UK has benefited at the cost of Russia which has reduced from 14% in 2008 to just 3%. Lemons have predominantly gone to Middle East markets (2008 45%; 2009 52%) and the Far East (2008 14%; 2009 22%). Northern Europe exports have dropped from 18% in 2008 to 7% in 2009.

To date 670 000 cartons of grapefruit have been packed, down on the 830 000 cartons packed to date in 2008. The vast majority has been star ruby. Only just over 110 000 cartons have been exported, with 82% going to northern Europe. Russia has decreased from 26% in 2008 to zero in 2009.

SURVIVING THE RECESSION

Many articles are written regarding the impact of the recession on the economy, and most agree that no country or sector is immune from its effects. It's a reality and exporters need to factor it into their thinking. Some markets will be more affected than others and some sectors more than others. Most agree that people must eat, and therefore the food sector will be least affected. But do people need to eat imported fruit? Most agree that luxury, exotic fruits (such as avocados, litchis, kiwi fruit etc) may be more affected than lower priced, commodities such as apples and oranges. Looking at the apple sector, prices in Europe and the UK have so far been good, but with huge stocks in Europe there is an expectation that prices could come off. Price is definitely going to be a factor in 2009, most UK retailers are advertising based on price, even retailers that in the past differentiated themselves based on quality or service, are now joining the discounters and stressing their competitive pricing. This will probably mean that receivers will be looking for better deals from their suppliers, and in many cases looking for consignment deals. So the advice from the CMF needs repeating – price to move the fruit. From a grower's point of view calculate what you need to cover costs and give some return on capital and management – and ensure that this price tag is attached to the carton. If your agent or receiver cannot meet this price, or wants to take the carton on consignment it is advisable not to make the deal. There are going to be a lot of requests for structuring deals, receivers will want to hedge against a fall in prices or drop in volume demanded. They will want to pass this risk back to the supplier. My question is this; if the receivers (who are sitting close to the market with a lot of market intelligence) are not prepared to take the risk; then why on earth should the supplier (who generally does not have this intelligence) take the risk? Yes you may export less product, but exporting at a loss does not make sense.

It is also interesting to note that supermarkets are changing their pack sizes. Consumers are buying smaller packs because of price, regardless of the fact that per piece they are actually paying more. This could also mean a demand for smaller sizing in some markets.

The other trend seems to be dining in. With less disposable income many people can no longer afford to dine at restaurants or buy take outs regularly. This trend is likely to impact on lemon sales, as lemons are used extensively by the hospitality trade.

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