FROM THE DESK OF THE CEO (25/09)

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QUOTE OF THE DAY: *" The main thing is to keep the main thing the main thing" Stephen Covey*

GLOBAL CITRUS TELECONFERENCE

Yesterday proved to be a fairly sobering day as global delegates from the citrus industry discussed market conditions. On line were representatives from the markets (Belgium, Germany, France, Italy, UK and Spain), from northern hemisphere suppliers (Spain, Turkey, Italy, Egypt and Morocco) and southern hemisphere suppliers (South Africa, Argentina, Peru and Australia). Market reports were depressing. Although it was felt that the supply of citrus into the market was not out of balance, reduced demand has resulted in build up of stocks and decrease in pricing. Add to that the fact that summer fruit is in abundant supply and you get a citrus market under huge pressure. As examples, apricot volumes are up 12%, while peaches and nectarines are up 7%. Stocks of apples are 50% higher than the same time last year. These products and other competing fruit (watermelon was mentioned) are selling at very low prices, sometimes not covering the cost of production. The bad news continues with the strengthening of currencies in the UK and Russia, and the impact of the global economic slowdown. Buyers are reducing risk by reducing stock holdings and buying only when they can move the product. Buyers are also putting pressure on suppliers in terms of price – wanting to buy cheap so they can sell at attractive prices. Prices for many commodities have dropped by 20 to 25% from last years levels.

The stand out comment on grapefruit was that "it would be a year to forget". Reports were of 60% decrease in sales volumes – influenced both by lower supply and the weather. The weather in Europe has been more conducive for the consumption of summer fruit. Grapefruit prices are reported to be 20 to 25% lower than 2008.

The European lemon market is not much better. Spain reported that they still have lots of lemons on the trees, and that they will be marketing their Verna right through to the first week in August. The UK reported fair demand and no market crash at present.

Soft citrus proved to be the only silver lining. The market reports were more positive, with the UK reporting good demand and prices for soft citrus. Southern hemisphere countries also reported a satisfactory to good soft citrus campaign.

And finally oranges. On the negative side storerooms in Spain are full of late season Valencia, with lots of small sized fruit. Orange pricing is at very low levels – but even so consumption levels are not great due to warm weather and competing summer fruit. Consumption of oranges is down 25%. Reports from the southern hemisphere are of fair prices for good sized fruit – especially in the UK. A comment was made that consumers are throwing away less. Whereas in past years German consumers used to throw away 15 to 20% of perishable products, they are no longer doing that – this would influence volumes purchased.

From the southern hemisphere Uruguay (predominantly soft citrus and oranges) reported on a fair to good season thus far – probably because they do not have grapefruit or lemons in their basket. They also reported on decreased freight rates which obviously impact the bottom line. Australia's outlook had changed from optimism to challenging – with fruit a bit smaller than originally anticipated and tough market conditions expected. Argentina reported a strong processing sector which was an important diversification for their large lemon supply. Only good sized oranges are being exported. Their experience with soft citrus has also been positive. Peru (also mostly soft citrus) reported on a late but good quality season with good prices for their soft citrus.

The US report was one of uncertainty. A late start to the southern hemisphere imports meant fairly good citrus trading conditions at present – this was leading to a false sense of security. There is a concern that as imports increase, and especially with Chile now having access for navels, that trading conditions could become difficult.

It was generally felt that during these hard times retailers were taking too high a margin – price decreases at supplier level were not being passed across to final consumers. Lower price levels at supplier level were not resulting in higher volumes being sold – clearly there is a lack of flexibility in the market.

Suppliers were encouraged to diversify from the fresh market to processing where possible, and to diversify to markets other than Europe where possible. Retailers are encouraged to stimulate demand through promotions, and to stimulate demand by passing price decreases through to the final consumer. Suppliers should also look to sell through reliable buyers who have programs or firm orders, not buyers who try to place the product on receipt. Suppliers should also assist buyers by supplying fruit of the preferred and popular specifications.

2009 IS a difficult year – but there is still a place for citrus, people have to eat and good fruit with the right person at the right time will sell. Now is the time to depend on the good relations you have built up in the past.

PACKED AND SHIPPED 2009

With 75% of **grapefruit** packed it seems that the industry has finally moved away from the less popular Marsh variety, accounting for only 20% of grapefruit packed to date. Given the market comments above it is concerning that 56% of grapefruit has been sent to the EU, with Northern Europe receiving more than in 2005. To date 2.3 m cartons of **clementines** have been packed, well on track to realize the 2.9 m estimate. **Lemons** continue to evade the European market – 45% to Middle East, 14% to Far East and 11% to Russia. Volumes to the Middle East are on par with the average of the past 5 years. The **navels** continue to have a good spread of markets – Middle East 30%; N Europe 24%, Asia 10%, Russia 8% and UK 9%. There is a slow start to **valencias** due to fairly inclement weather. And talking about weather our thoughts are with Western Cape growers as the Cape of Storms lives up to its name – heavy rains being experienced in that region

To Week 25 – Million 15Kg cartons	Packed	Packed	Packed	Shipped	Shipped	Original Estimate	Latest Prediction	Final Packed	Final Shipped
Source : PPECB	2007	2008	2009	2008	2009	2009	2009	2008	2008
Grapefruit	10.2 m	10 m	10.4 m	7.5 m	8.4 m	15.1 m	14 m	12.8 m	12.4 m
Soft Citrus	5.1 m	5.3 m	4.9 m	4.4 m	3.8 m	7.4 m	7.1 m	7.3 m	6.5 m
Lemons	3.7 m	6 m	4.6 m	5.2 m	3.4 m	9.4 m	8.6 m	9.6 m	8.8 m
Navels	10.3 m	11.6 m	11.3 m	8.6 m	7.4 m	21.6 m	20.4 m	21.5 m	21.2 m
Valencia	3.3 m	3.6 m	2.2 m	0.9 m	0.8 m	43 m	42.1 m	42.8 m	40.4 m
	32.6 m	36.5 m	33.4 m	26.6 m	23.8 m	96.5 m	92.2 m	94 m	89.3 m

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