FROM THE DESK OF THE CEO (12/10)

Justin Chadwick (26 March 2010)

QUOTE OF THE WEEK *"I am opposed to millionaires, but it would be dangerous to offer me the position. ~Mark Twain*

CITRUS MARKETING FORUM (CMF)

On 26 March 2009 one Euro returned R12.86 and one Pound returned R13.90; on 26 March 2010 one Euro will return you R9.88 and one Pound will return you R11.03. The rand has strengthened by 23% to the Euro and 20% to the pound. In essence if export returns are to be the same as 2009 then the price in the market will need to increase by 23% in the Euro zone and by 20% in the UK. BUT…. these are communities where there is no inflation; a pint of beer, a packet of cigarettes, a loaf of bread and a pack of oranges remain the same year in and year out (with some slight seasonal variations, and perhaps the odd spike when a commodity is in terribly short supply). So the chances of hiking up prices by 1/5 seem improbable. The other option of retailers taking lower margins is also probably wishful thinking. So one can see that this season is fairly precariously balanced. Last year's first CMF was very well attended, with standing room only – because of concerns with regard to the economic downturn. This year there were quite a few empty chairs – indicating a relative comfort for this season. The meeting was warned that the 2010 season was probably going to be more difficult than 2009 – the weaker rand in 2009 meant that exporters could take forward cover at fairly good rates; with the rand strengthening and predicted to carry on doing so until after the World Cup forward rates are not very attractive.

The positive side of the coin was supplied by the export agents in their market reports. In general most commentators were "cautiously optimistic" that demand for citrus should be good. Inclement weather in the northern hemisphere has affected the volume and shelf life of their citrus crop, and will probably also influence the size of the competing summer deciduous crop from the north – meaning good early demand and possible sustained interest in southern hemisphere citrus for our entire season.

It seems that this year more than ever growers MUST know what their costs of production are – and they must share this with agents handling their fruit. It is possible that in many cases markets will just not return enough to cover these costs (for the reasons listed above) – and in these cases the best thing is NOT to export. Remember that others in the supply chain make money out of moving volumes – so they are not that worried about the growers breaking even; THE ONLY PERSON WHOSE RESPONSIBILITY IT IS TO MAKE SURE THAT THE RETURN COVERS THE COSTS IS THE GROWER.

CITRUS STANDARDS

There was some concern regarding the gazetteing of citrus standards in terms of the Agricultural Products Standards (APS) Act. The CMF was informed that these standards have now been gazetted and are available on the DAFF and CGA websites.

PACKING MATERIAL SPECIFICATIONS AND PALLETISATION PROTOCOLS

The Citrus Cold Chain Forum (CCCF) has finalized this document which is now available on the CGA website www.cga.co.za (members section). The document follows hours of work by the Forum members – thanks to David Groenewald, Hannes Bester and others responsible for this document. The document covers carton specifications, pallet specifications, trial procedure for new cartons, testing procedure for export cartons and a list of carton manufacturers. This document draws from a long history of exporting citrus and is a valuable source of information for all in the supply chain.

CROP ESTIMATES

The CMF was presented with the Variety Focus Group estimates. These will now be considered by Citrus Exporter Forum members and released next week.

GROWERS' FUND THEIR FUTURE THROUGH THE ACTIVITIES OF THE CITRUS GROWERS'ASSOCIATION, CITRUS ACADEMY AND CITRUS RESEARCH INTERNATIONAL