FROM THE DESK OF THE CEO (21/10)

Justin Chadwick (28 May 2010)

QUOTE OF THE WEEK "**Rugby is a good occasion for keeping thirty bullies far from the center of the city."**
Oscar Wilde

TRANSNET STRIKE

Latest news is that the strike is over!!!! Unfortunately it will take some time to clear the backlog and get the country's exports moving again. It seems that imports will be cleared first to make more room available in the port – with exports anticipated to move more come the weekend. Transnet has been asked to proritise perishable products.

It's now a case of analyzing the costs – a difficult task that becomes very subjective. There are some costs that are easily calculated – such as additional storage costs, additional transport costs and the costs of switching from container to conventional. Costs that are less easy to calculate are the loss of market opportunities (if a person does not eat an orange today they will not necessarily eat two tomorrow), and the reputational damage caused by our inability to service clients. Then there is the cost of deteriorating fruit quality, and the possibility that some fruit may need to be discarded. There is also the concern that once full exports resume, a rush of fruit may enter the markets, causing price erosion. In her briefing to parliament the Minister of Agriculture mentioned losses for the citrus industry totaling R650 million. Our estimates are a little less, but whatever they are this is turning out to be a year where any losses will be difficult to carry.

A possible unintended consequence of the strike is more citrus moving to Maputo in the future, at the expense of Durban port and South African employment. The danger of a monopoly is that if things go wrong, and if there are choices then maybe the monopoly will be side stepped. Citrus growers have had good experiences with Maputo in 2010 – and this could become the port of choice in the future.

CITRUS MARKETING FORUM (CMF)

The theme of the CMF was "the hits just kept on coming". Most in the citrus industry cannot remember a worse start to a season – for starters the stronger rand stripped 20%+ off the bottom line, then late rains disrupted packing in the north, and then the prolonged strike played havoc with export programmes – especially for markets serviced by containers. If attendance at CMF's is a barometer for industry players concern about the season, then it seems that there are a lot of worried people out there.

Andre Cilliers from Treasury One gave a very detailed overview of the South African and global economy. The conclusion is that there is no reason to anticipate any weakness in the rand against either the pound or the Euro, although there may be a slight weakening against the US$. And this is not due to the strength of the rand, but rather as a result of weakening of the Euro and GBP.

Mike Holtzhausen was on his feet for an hour discussing phytosanitary and biosecurity issues (probably longer than the Stormers will last against the Bulls on Saturday). This was time well spent as a lot of issues that have been hanging were firmed up. Growers are asked to pay special attention to the ISPM15 marks on pallets (and in general to be more particular in the pallets they use). In addition labeling (and especially labels for Japan) and correct documentation was stressed.

PACKED AND SHIPPED

Navel and soft citrus packing is ahead of the past two years (year to date), while **lemons and grapefruit** is similar to 2008. Satsuma packed to date is 1.874 m – approaching the estimate of 1.883 m. With a few packhouses still packing the predicted **Satsuma** volume has now moved to 1.906m.

The effect of the strike is evident in the shipped figures – in week 20 in 2008 1.2 m cartons where shipped, while in week 20 of 2010 0.8m were shipped. Another impact of the strike is the reduction in shipment of **lemons** to Far East (7% in 2010; 18% in 2009). This has been picked up in Middle East (2010 47%; 2009 37%), Russia (2010 21%; 2009 14%) and North Europe (2010 14%, 2009 6%). **Grapefruit** shipments to Japan are picking up with the first few ships now on their way (2010 20%; 2009 19%). Northern Europe has received less (2010 27%, 2009 46%), while Russia remains well supplied (2010 22%, 2009 9%). **Soft Citrus** shipments to UK are lower (2010 47%, 2009 63%), taken up by Russia (2010 18%, 2009 9%) and Northern Europe (2010 23%, 2009 19%).

To Week 19 Million 15 Kg Cartons	Packed	Packed	Packed	Shipped	Shipped	Original Estimate	Latest Prediction	Final Packed	Final Shipped
SOURCE: PPECB	2008	2009	2010	2009	2010	2010	2010	2009	2009
Grapefruit	4.9m	5.2m	4.7m	2.5m	1.2m	12.6m	12.2m	14.2m	13.7m
Soft Citrus	2.8m	2.6m	3.4m	1.7m	1.9m	7.5m	7.6m	6.8m	6m
Lemons	3.8m	2.6m	3.8m	1.6m	1.4m	9m	9m	8.7m	7.7m
Navels	2.5m	2.2m	3.4m	0.5m	0.4m	21.4m	21.4m	19.4m	19.1m
Valencia	-	-	-	-	-	41.3m	41.4m	38.5m	35.3m
	14m	12.6m	15.3m	6.3m	4.9m	91.8m	91.6m	87.6m	81.8m

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