FROM THE DESK OF THE CEO (11/11)

Justin Chadwick (25 March 2011)

QUOTE OF THE WEEK "*Big girls need big diamonds" Elizabeth Taylor [RIP]*

CITRUS MARKETING FORUM

The CMF provides an important platform for the industry to meet, the first meeting's focus was on the year ahead. The CMF firstly looked at a recap of the 2010 season – a record year with 99 million cartons packed for export of which 97.2 million was shipped. **Oranges** dominated with total packed figure of 69.4 million cartons (shipped 68.6 million) against an estimate of 62.7 million. Estimates for the other sectors were closer to the mark – **grapefruit** estimate 12.6 million; packed 12.5 million; shipped 12.2 million: **soft citrus** estimate 7.5 million; packed 7.5 million; shipped 7.1 million: **lemons** estimate 9 million; packed 9.6 million; shipped 9.4 million.

The CMF then looked at the close of the **northern hemisphere season**. **Grapefruit** will close out early with volumes starting to decrease fairly rapidly, likewise **oranges and soft citrus** should not impact too heavily on the southern hemisphere start up as inclement weather earlier in the season has reduced volume expectations. **Lemon** start up will be a bit more difficult, with a bigger N hemisphere crop likely to be in the market for a longer period than last year. Looking at other **southern hemisphere** competitors, **Argentina** is reporting a recovered **lemon** season with good quality and volumes back to normal. **Soft citrus and orange** exports out of **South America** will not necessarily follow this trend as dry conditions means less volume and smaller fruit. **Australia** is reporting an increased volume of **oranges** after last year's smaller crop of bigger sized fruit; and also a bigger **mandarin** crop as new plantings come into production – which may be tempered a bit by the excessive rains in Queensland earlier this year.

The CMF then received the South African estimates as prepared by the Variety Focus Groups the day before. A press release will be prepared which will be released on Monday 28 March – this will also be discussed at the Global Citrus Teleconference scheduled on the same day. Detail will be provided in next week's newsletter.

Members of the Citrus Exporters Forum provided excellent feedback on market expectations for 2011 – thanks to Hannes, John, Andre, Sandra and Piet for your time in putting this together. In essence market feedback ranged from cautiously optimistic to optimistic for 2011. Take home messages included

** A positive outlook for the start up of grapefruit, good quality navels and soft citrus in **Western Europe and UK**, with tougher conditions for lemons in that market. **Caution regarding the increase in receivers in **Russia** and the need to secure payment. **Rising oil price positive for the **Russian** economy which bodes well for the South African citrus season. **Stock levels of Egyptian fruit in **Egypt** still high due to political turmoil – now being released onto market. **Need to monitor stability of the **Middle East** region as disruptions in distribution could impact on exports. **Ramadan in August which should mean good export prospects in June to August. Caution thereafter. **Early market for navels in **Far East** looking good for good quality fruit. ****US** market will be well supplied out of Chile, Australia, Peru and South Africa. ****US** market will also be influenced by a big Californian orange crop.

The CMF spent some time discussing the impact of production, packing, transport, port handling and warehousing, and shipping price hikes on 2011 returns. South African growers and exporters face unprecedented increases in these costs – the oil price is starting to look fairly scary and is reminiscent of the 2008 levels; at that time growers were starting to question the sustainability of citrus exports from southern Africa. With processing fruit prices looking fairly attractive – **growers are urged to do their sums before committing the 2011 crop**. Take some time to sit down and work out the return (in rands and foreign currency) required to break even, and then add a return to capital and return to management requirement. If you do not have a return to capital you will not be able to replace aging infrastructure, adopt new technology or replace trees; with no return to management you will eat into reserves in order to survive. If you need professional assistance in doing these calculations then hire some help – there are consultants who can assist, and believe me the money spent is well worth it; without this information you are relying on luck and gut feel – which is just not sustainable. The trade press over the past few weeks has been warning consumers to expect food price inflation to increase in 2011 and beyond, particularly in the developed UK, Western Europe and US markets.

Growers need to ensure that those who are taking their product understand the value that has been invested in the product – and compensate accordingly.

PACKED 2011

Once again only soft citrus and lemon packing under way – with Satsumas starting early 2011 soft citrus volumes are ahead of 2010. There is a slower start to lemons.

End Week 11	Packed 2009	Packed 2010	Packed 2011		Packed 2009	Packed 2010	Packed 2011
Soft Citrus	76 000	93 000	127 000	**Lemons**	162 000	514 000	290 000

GROWERS LEVIES ARE USED TO FUND CGA, CRI AND CITRUS ACADEMY ACTIVITIES.
ENSURING A GLOBALLY COMPETITIVE SOUTHERN AFRICAN CITRUS INDUSTRY