FROM THE DESK OF THE CEO (31/11)

Justin Chadwick (12 August 2011)

QUOTE OF THE WEEK "Never confuse movement with action" Ernest Hemingway

ROAD TRANSPORT

Mitchell Brooke has prepared an excellent paper on all one needs to know about road transport (available on www.cga.co.za.) The preamble to this paper is presented below:

95% of citrus fruits are transported by road transportation; the diversity of citrus packaging can create a complex range of loading parameters to ensure that trucks loaded with citrus are within regulatory requirements. Development of High Cube Integral Reefer Containers has advanced the citrus industries packaging and palletization practices. Whereas prior to the use of this mode of sea transportation to bring citrus fruits to global markets, citrus was transported by way of bulk refrigerated ships with a pallet height restriction of ~2.1m within the cargo holds. High Cube Integral Reefer Containers permit a pallet height of ~2.4m. Common practice was to transport citrus of pallet height ~2.1m to port facilities to be built-up to height ~2.4m in port prior to stuffing. The 40ft container permits 20, 1.0m (Length) x 1.2m (width) x ~2.4m (height) single pallet lots to be loaded. The conventional pallet height of ~2.1m that was transported to port would then permit 23 pallet lots to be stuffed of which 3 pallet lots would be disassembled and an extra layer or two would be built-up above 20 pallets to assemble 20 pallets of height ~2.4m. The industry logistics agents realized there was a significant cost saving by promoting citrus production points to palletize pallets to a height of 2.4m and transport to port. The savings were made by omitting the 3 pallets of height ~2.1m from being charged for handling and pallet assembly fees by the port packing facilities. The development of the commonly known 'high cube' pallet has gained momentum and now represents ~80% of total citrus pallets exported of which is transported predominantly by road to port facilities to be stuffed in containers. Where pallets of height ~2.1m; (known as 'standard height' pallets) depending on the commodity type, weighed ~1,000kg to 1,300kg, the 'high cube' pallet weighs ~1,200kg to ~1,500kg and beyond. An additional 160kg to 190kg of cargo is placed above the standard pallet height of ~2.1m to create a height of ~2.4m. This alters the Centre of Mass (COM) of the pallet which responds more negatively to acceleration, deceleration or sideways sway of a road vehicle. Noticeably in some cases the increased pallet weight has had an influence on the pallet loading configuration on road trucks to ensure the weight distribution remained within regulation. To achieve this, cargo is loaded 1,000mm to 1,500mm from the headboard on single trailer chassis and the rear trailer on an interlinking chassis. This creates an environment where the pallets are more susceptible to collapse where the load is unable to be secured against the headboard or where a load is not secured sufficiently enough to prevent negative inertia – more so in the case of sudden deceleration. As the case stands there has been a significant increase in the amount of citrus product damaged during road transport due to this trend. There are a few negative results due to the high number of occurrences of damaged product:

1. Impacting on the producer's ability to export.
2. High costs to repair damaged product received at stuffing facilities.
3. High costs to place damaged product on the local market.
4. Transporters preferring not to transport citrus – creating vulnerability to obtain supply of transport.
5. High insurance premiums or insurers not insuring citrus.

PACKED AND SHIPPED 2011

A grower commented that it is a really bad season when the only good thing that can be said is that export volumes are lower than normal!! In most seasons one hopes for a few things to go right; the currency to weaken; markets to be buoyant; input costs to be reasonable; transport rate to be favorable or good volumes of sound fruit. Not much has gone right for exporters from South Africa in 2011. And this seems to be the trend in all citrus exporting countries. This week's media highlighted stories from the northern hemisphere under the heading "Spanish Citrus endures Euro 60 million loss" where 2 000 to 3 000 hectares of citrus will not produce in the next season due to "technical bankruptcy", with returns not covering production costs. Across in Australia the high dollar has seen export markets crippled; and with 30% more fruit on the domestic market returns are poor.

There are some who have stuck their necks out and are saying that the markets may improve in late August and September as stocks get cleared and the markets look for product.

To Week 31 Million 15 Kg Cartons	Packed	Packed	Packed	Shipped	Shipped	Original Estimate	Latest Prediction	Final Packed	Final Shipped
SOURCE: PPECB	2009	2010	2011	2010	2011	2011	2011	2010	2010
Grapefruit	13.4 m	11.9 m	15.4 m	12.2 m	15.3 m	14.7m	15.9 m	12.5m	12.2m
Soft Citrus	6.2 m	6.8 m	6.3 m	6.0 m	6.1 m	7.9m	7.3 m	7.5m	7.1m
Lemons	7.3 m	8.7 m	9.4 m	7.3 m	8.1 m	9.8m	9.7 m	9.6m	9.4m
Navels *	18.3 m	22.1 m	19.2 m	OR	ANGES	19.4m	19.2 m	22.9m	22.6m
Valencia*	15.8 m	19.1 m	14.4 m	33.5 m	29.1 m	42.9m	41.8 m	46.5m	45.9m
	61.0 m	68.6 m	64.7	59.0	58.6	94.7m	93.9 m	99m	97.2m

*** Please note 2011 shipped figures for oranges are for ALL oranges – PPECB unable to supply reliable shipped figures.**

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