FROM THE DESK OF THE CEO (6/12)

Justin Chadwick (17 February 2012)

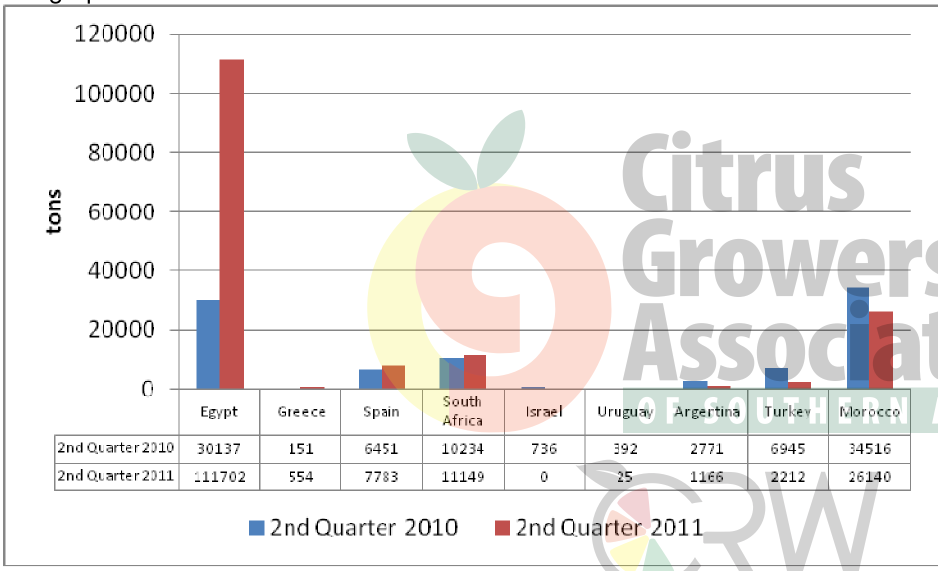
*MAKES YOU THINK "**When two airplanes almost collide why do they call it a near miss?? It sounds like a near hit to me**"*

REQUESTED 18%; GRANTED 2.67%

Transnet requested the Port Regulator to consider an 18% increase in port fees for the next year – the regulator granted 2.67%. Obviously this is great news for all exporters – we have all read about the fact that many charges exporters face in South Africa are not even raised in competing countries, and that our ports are amongst the most inefficient in the world. This is a strong message to those monopolies that in the past have always got what they want with scant regard for improving efficiencies or cutting costs. It's also well known that the ports subsidise losses made from other sectors in the Transnet stable. What we hope is that this lower than requested increase does not impact on productivity (how much worse can it get?); or that Transnet does not find other creative ways to make up any shortfall at the expense of cargo owners.

RUSSIA

Those who exported to Russia in 2011 know about the problems in that market, with exporters in other markets also being impacted as diverted fruit messed up the delicate balance that characterizes the citrus industry. The cause is easy to see in this graph:



	Egypt	Greece	Spain	South Africa	Israel	Uruguay	Argentina	Turkey	Morocco
2nd Quarter 2010	30137	151	6451	10234	736	392	2771	6945	34516
2nd Quarter 2011	111702	554	7783	11149	0	25	1166	2212	26140

GRAPH: VOLUMES EXPORTED TO RUSSIA 2010 vs. 2011 (second quarter)

Whereas in the first quarter of 2011 the Russian market had been supplied with similar volumes as in 2010 (Morocco and Turkey up slightly, Egypt slightly lower); in the second quarter of 2011 Egypt supplied almost four times as much citrus compared to 2010. Although earlier shipments from South Africa were marginally higher than in 2010 – once the market reacted to the huge volumes with dismal prices, South African product was diverted to other markets. This caused a domino effect as other markets came under pressure.

A meeting was held last week (on the fringes of Fruit Logistica) attended by exporters to Russia from Morocco, Egypt, Turkey, Argentina and South Africa. The objective was to share experiences from 2011; and to see what could be done to prevent a recurrence. What was clear was that all who entered the market after the first quarter suffered from market failure. There was a need to share information in the future, and a common understanding that the Russian citrus market is an important market that needs to be nurtured. Fruitnews Moscow (the organizers of the meeting) would assist by collating information on shipments from the five countries, while also supplying information on prices and other market news. There was also a call for follow up meetings at World Food Moscow and at future Fruit Logistica trade shows. Delegates at the meeting were very aware of the need to steer clear of any activity that may be construed as anti competitive.

ROADSHOWS

Paul's team visited Nkwaleni, Pongola, Swaziland, Nelspruit and Malelane this week. Dr Nel succinctly captured the sober state of citrus growers when he said: "there may not be many of us here, but all are here!" Good discussion translated into valuable grower input on 1) the new levy application, 2) what the future challenges for the citrus industry will be and 3) what resources are needed to address these challenges. It is now up to the other regions to have their say.

Next week Paul Hardman and his team head for the Eastern Cape – visiting Patensie (Gamtoos East Church Hall) at 14h00 on Monday 20th, Sundays River (Kirkwood High School) on Tuesday 21st at 14h00 and finishing at East Cape Midlands (Kat River Citrus) at 14h00 on Wednesday 22nd at 14h00.

My team heads north to Senwes (Kingdoms Lodge) at 14h00 on Monday 20th; Hoedspruit (Hengel Klub) on Tuesday 21st at 14h00; Letsitele (The Junction) on Wednesday 22nd at 14h00. Then across the border into Zimbabwe (Bristow farm) on Thursday 23rd at 15h00 before finishing off at Limpopo River (Noordgrens Lapa) at 08h30 on Friday 24th.

Hannes Bester and his team have packhouse workshops planned for next week - 21-22/2 KZN/Swaziland, Shakaland, Eshowe; 23-24/2 Eastern Cape, Summerstrand Hotel.