FROM THE DESK OF THE CEO (38/12)

Justin Chadwick (28 September 2012)

QUOTE OF THE WEEK "Let your desires be ruled by reason" Cicero

MAERSK ANNOUNCES A US$ 1,500 INCREASE IN REEFER CONTAINER RATES

The CGA came to learn that Maersk Line and sister company Safmarine, are proposing to impose a global freight rate increase for reefers of USD1, 500 per FEU effective 1st January 2013. On invitation from Maersk Line Southern Africa MD, David Williams, a meeting was held between Fruit South Africa constituents (CGA represented by Piet Smit and Mitchell Brooke), Maersk Line and Safmarine management on Friday 14th September 2012. As it was interpreted, the freight rate increase is based on future capital requirements needed to invest in new reefer equipment; it was stated this cannot be met on the current freight levels and hence the need for an adjustment. Furthermore, it was stated that the return on investment in reefer equipment up to now has not been recovered sufficiently on the current freight levels and therefore Maersk and Safmarine are forced to withdraw all further investments in reefer equipment until such time that freight levels justify such an investment. It has also been determined that there is a 5% year on year increase in global demand for reefer equipment and if there is to be no major investment, there will be a severe global shortage of reefer containers to meet this demand in the future. In our view the basis for Maersk Line and Safmarine's decision to increase freight rates is deemed to be overzealous and somewhat flawed in the context of the South African citrus trade. The rate increase has now been announced publicly and prior to freight rate engagements with Maersk Line and Safmarine ahead of the 2013 negotiations, Fruit SA constituents are individually drafting an impact assessment in response to the proposed USD1,500 increase. The CGA are in the process of drafting such an assessment and the basis of this report is as follows, 1) There is no plausible explanation that warrants such an increase based on the current SAF-EU freight rates, which are considered to be sufficient to realize a return on investment in equipment needs and still generate a profit over and above this, 2) Production and Logistics costs are already a heavy overburden on the citrus industry. Inflationary costs estimated for 2013 and considering the Maersk Lines and Safmarine's opportunistic freight increase (others will follow), the future of the citrus industry looks difficult in terms of returns back to the farmers, 3) The call by Maersk Lines CEO for producers and suppliers to renegotiate prices that they receive for their produce ahead of the 2013 increase is seen to be unreasonable (and unrealistic) in that citrus sells predominantly on the principle of 'price taking' rather than 'price negotiating', 4) Offsetting freight hikes against eliminating rate rebates and seasonal rate levels towards a flat rate, one standard rate for all policy, 5) Container rate increases boosting a significant demand for bulk reefer vessels that are in short supply but will provide adequate tonnage on key routes, and 6) Container lines deemed to be profiting on Bunker levies by omitting a weighted average policy across loading and discharge ports.
For inputs into this document please contact Mitchell Brooke mitchell@cga.co.za.

PLANNING FOR 2013 – REGISTRATIONS

The DAFF annual coordinating meeting was held in a cold and wet Stellenbosch on Thursday. One issue that was discussed was the registration dates for 2013 exports. All documents will be on the DAFF and CGA websites on **10 October 2012**; completed documents must then reach DAFF by **5 November 2012**. **NO LATE APPLICATIONS WILL BE ACCEPTED.** Completed documents must include the registration form for export markets, the registration form for Food Business Operators (FBO), maps and BI trapping records for 2012. ALL FBO's are required to confirm their records by completing the FBO registration form – including a GPS coordinate for the PUC and PHC. In addition trap records for BI (even for zero trap catches) are required for 2012 – traps in 2012 should have been serviced monthly. On **5 December 2012** data will appear on the website to be verified – with the verification period through to **14 December 2012**. On **31 March 2013** the finalised list will appear on the DAFF website.

DATES TO DIARISE

A market access workshop is planned for 30 October 2012 (notice will be sent next week). The final Citrus Marketing Forum meeting will be on 31 October.

PACKED AND SHIPPED

There are concerns regarding the reliability of shipped data and therefore have been excluded.

To Week 39 Million 15 Kg Cartons	Packed	Packed	Packed	Shipped	Shipped	Original Estimate	Latest Prediction	Final Packed	Final Shipped
SOURCE: PPECB	2010	2011	2012	2011	2012	2012	2012	2011	2011
Grapefruit	12.5 m	14.5 m	12.1 m			15.2 m	12.1 m	16.2 m	15.3 m
Soft Citrus	7.5 m	6.9 m	7.6 m			7.6 m	7.6 m	6.9 m	6.7 m
Lemons	9.6 m	10.6 m	10.4 m			11.1 m	10.4 m	10.8 m	10.2 m
Navels	22.9 m	20.7 m	23.6 m			22.9 m	23.6 m	21.2 m	61.7 m*
Valencia	43.4 m	36.4 m	38.8 m			46.1 m	44.8 m	44.2 m	
	95.9 m	89.1 m	92.5 m			102.9 m	98.5 m	99.3 m	94.9 m

'* All Oranges

GROWER FUNDED ACTIVITIES OF THE CGA, CRI AND CITRUS ACADEMY ENSURE A GLOBALLY COMPETITIVE SOUTHERN AFRICAN CITRUS INDUSTRY