

FROM THE DESK OF THE CEO (39/12)

Justin Chadwick (5 October 2012)

QUOTE OF THE WEEK "Efficiency is doing things right; effectiveness is doing the right thing" Porter

ALLFRESH - SUSTAINABILITY

On Monday and Tuesday this week Carien Taute put together a fantastic program for those who attended the AllFresh Conference. Looking back over my notes and relating some of the talks to others reminded me of what a good program was developed for a small but powerful group of fresh produce players at the CSIR Conference Centre in Pretoria.

The theme – sustainability – was most appropriate. With two elements of the triple bottom line – people and planet – taking on increased popularity and attention; profit is under pressure. Farmers around the world are complaining that increased costs and decreased product prices are leading to unsustainable returns. And they are voting with their feet – exiting agriculture for better "pastures". Many sell out to housing estate developers, golf courses or ecotourism; while others sell out to neighbors who strive for the critical mass to stay in business; or to large companies or corporate investors who will bring another dimension to agricultural trade in the future.

One of the underlying problems is that food is too cheap – the amount paid by the consumer is just not enough to cater for all those in the supply chain – and leave enough for the initial producer to warrant his/her effort to stay in business. In the face of the recession retailers made cheap food even cheaper – passing on the lower prices to the supplier. At the same time those in the supply chain increased the prices of their goods and services leading to a cost-price squeeze. With less and less spent on food (the most basic of needs) and more spent on luxuries (wants) in the developed world how will the consumer ever accept paying more in the future? Will the consumer be prepared to give up some of their spend on branded clothing (settling for cheaper unbranded product), or "eat in" a few more times in the week, or forsake some airline, lotto tickets, movie tickets or holiday so that more can be spent on food to sustain production in the future? Or will we only wake up to the unsustainability of the present position when shop shelves become empty and choices limited? Free market activists will argue that the market will dictate – lower prices will mean less supply; leading to an increase in prices and an increase in supply. That may be true where free market conditions prevail – unfortunately this is not the case for fresh produce; concentration at the buying end and fragmentation at the supply end means that the free market does not exist in many markets; unethical trading practices, oligopolies in service/transport and input suppliers and poor information means that free market signals are distorted or nonexistent.

If growers/farmers do not receive a sustainable return (profit) – it is the planet and people that will suffer. When in survival mode businesses will focus on what they need to do to stay alive (in business). Unlike the shipping lines "turn around" strategist whose brilliant way of turning the business around was to up rates by 30%; growers do not have a dominant position which can be abused – they have to become more efficient and effective until that avenue is exhausted; at that point they exit the business. Experts tell us that 2013 is going to be a year of food shortages and rising food prices – let's make sure that enough of that gets back to the primary producer so that they can stay in business, continue to feed and clothe us, continue to practice good stewardship of the planet, and continue to provide meaningful employment and contribute to stable and content communities.

MARKET ACCESS WORKSHOP AND CITRUS MARKETING FORUM CMF

One of the keys to competitiveness in the fresh produce industry is to have access to many markets. Indeed the southern African citrus industry has been able to grow year on year due to the choice of available markets. In order to make sure that we are utilising our resources optimally in terms of market access activities, it is planned to have a **Market Access Workshop on 31 October from 08h30 to 13h00**. This will be followed by the **CMF from 14h00 to 17h00**. Both meetings will be held at Olive Grove, Infruitec, Stellenbosch. At the Market Access Workshop we will identify priority countries in each region (regions being Asia, Eastern Europe, Continental Europe and UK, North America, Middle East and Africa); then determine the challenges that prevent us from realising the full potential of those markets; with the final outcome being a list of actions and timelines to take market access to the next level.

Please RSVP to gloria@cga.co.za or 0317652514 if you wish to attend these meetings.

PACKED AND SHIPPED

To Week 40 Million 15 Kg Cartons	Packed	Packed	Packed	Shipped	Original Estimate	Latest Prediction	Final Packed	Final Shipped
SOURCE: PPECB	2010	2011	2012	2012	2012	2012	2011	2011
Grapefruit	12.5 m	14.5 m	12.7m	12.7m	15.2 m	12.1 m	16.2 m	15.3 m
Soft Citrus	7.5 m	6.9 m	7.6 m	7.6m	7.6 m	7.6 m	6.9 m	6.7 m
Lemons	9.6 m	10.6 m	10.4 m	10.3m	11.1 m	10.4 m	10.8 m	10.2 m
Navels	22.9 m	20.7 m	24.6 m	65.8m*	22.9 m	23.6 m	21.2 m	61.7 m*
Valencia	43.4 m	36.4 m	41.8 m		46.1 m	45.3 m	44.2 m	
	95.9 m	89.1 m	97.1 m	96.4m	102.9 m	98.5 m	99.3 m	93.9 m

* All Oranges.

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