FROM THE DESK OF THE CEO (47/12)

Justin Chadwick (30 November 2012)

***QUOTE OF THE WEEK** "Never tell your problems to anyone...20% don't care and the other 80% are glad you have them" Lou Holtz*

CHRYSTAL BALL GAZING

As the curtain comes down on 2012 it is time to look ahead to what '13 will bring – and those amongst us who are superstitious will be watching with concern. Indeed there seem to be some serious challenges ahead; and we need to plan how to address them as early as possible. The seven "big ticket" items that will shape 2013 (in my view) are as follows; **size of the crop** – although the crop estimate will only be done in March 2013 the southern African crop seems to now fluctuate round the 100 million 15Kg carton level, and there is no reason to believe that 100 million cartons will not be packed and available for export next year. Grapefruit should recover, late mandarins will increase, while the other categories will be around the 2012 levels (see below). So importers can bank on having sufficient quantities of good quality southern African citrus, with no major shocks expected. Whether or not the packed fruit is exported depends on the other factors listed hereafter. **Exchange Rate** – returns in the 2012 season were improved due to the weakening rand; at a time when most southern hemisphere countries experienced strengthening currencies. While this is beneficial for returns, it is precarious to become dependent on the volatile rand. From May 2011 to May 2012 the rand depreciated by 23%; and a further 7% from May 2012 to November 2012. **Phytosanitary and sanitary trade barriers** – while the US continues with the technically unjustified cold treatment period, and the EU fail to accept the Pest Risk Assessment that conclusively shows that CBS is NOT a risk to their region (with the IPPC seemingly incapable of carrying out the simple task of getting together an independent panel to once and for all put the issue to rest), the developing countries in the East are fast learning how to use these means to protect their domestic industries. South Africa is going to have to learn to be bold and outspoken in exposing these injustices and seeking redress. Government is going to have to show the political will and courage to join industry in ensuring that we retain and optimise the markets that we already have, while also seeking to enter lucrative markets that remain closed to South African fruit. **Biosecurity** – it has been through well planned actions and a strong public private partnership that BI has been eradicated to date. However, this will have to be stepped up a gear if we are to continue keeping the beast at bay. And BI is not the only threat; government is going to need to be proactive in the other biosecurity threats that we may face. **Competition** – it is not only the size of the southern African crop that impacts on returns, but also the size of the crop in competing countries. Although direct competition comes from southern hemisphere countries, in recent years north African countries have also competed in the Russian (2011) and Middle East markets (2012). This is particularly true in the orange markets, where Egypt is starting to make itself known. Good information from both southern hemisphere and north African citrus industries is going to be critical as exporters plan the 2013 campaign. **Increasing input costs** are putting many producers under pressure, with some exiting the industry as a result. Administered prices have for some time been increasing at rates in excess of inflation – including electricity, fuel, labour and water. The latest labour strikes will further pressurise the sectoral determination of wages in the agricultural sector, while the energy regulator is faced with requests for exorbitant increases in Eskom's rates. Added to this, the container lines have announced 30% sea freight rate hikes (after driving out competition from specialised reefer vessels). **Political support** – all of these challenges are easier to overcome with a supportive government, one that realises that job retention and job creation are the result of a stable and sustainable economy; businessmen create jobs and government need to support the fruit business – the biggest employers of agricultural labour. At the same time industry needs to work closely with government in the development of new growers in the industry, assist in their development through provision of extension services, mentorship, training, leadership and institutional development. The work of the Citrus Academy must be nurtured and supported so that the brightest talent is attracted to the citrus sector; and so that the youth see a place for themselves in this sector.

PACKED AND SHIPPED (Slight change to Valencia figure)

To Week 48 Million 15 Kg Cartons	Packed	Packed	Packed	Original Estimate	Latest Prediction
SOURCE: PPECB	2010	2011	2012	2012	2012
Grapefruit	12.5 m	14.5 m	12.8 m*	15.2 m	12.8 m
Soft Citrus	7.5 m	6.9 m	7.6 m	7.6 m	7.6 m
Lemons	9.6 m	10.7 m	10.6 m**	11.1 m	10.6 m
Navels	22.9 m	20.7 m	23.6 m	22.9 m	23.6 m
Valencia	46.6 m	41.4 m	47.4 m***	46.1 m	47.4 m
	99 m	93.9 m	102 m	102.9 m	102 m

'* RSA 12.1 m; Swazi 0.6 m; Zim/Moz 0.1 m ** RSA 10.5 m; Swazi 0.1 m; *** RSA 44.5 m; Swazi 0.9 m; Zim/Moz 2 m; ****All Oranges

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ENSURE A GLOBALLY COMPETITIVE SOUTHERN AFRICAN CITRUS INDUSTRY