FROM THE DESK OF THE CEO (8/13)

Justin Chadwick (22 February 2013)

QUOTE OF THE WEEK "*Rushing is not important, making sure is" African Proverb*

GROWER ROADSHOWS

Date and Time	Region and Venue	Regional Director
Tues. 26 Feb: 14h00	Patensie: Patensie Sitrus Boardroom	Phillip Dempsey 082 498 2778
Wed. 27 Feb: 14h00	Sundays River: The Lookout, Kirkwood	Pieter Nortje 082 560 2180
Thurs. 28 Feb: 14h00	East Cape Midlands: Katriver Citrus	Jock Danckwerts 083 310 0836
Tues. 5 Mar	KZN Midlands: Victoria Country Club	Mike Woodburn 082 332 1113
TEAM	Mike Holtshauzen, John Edmonds (CGA); Jon Roberts (CGACC);	Jacomien de Klerk (CA); Hannes Bester (CRI);Keith Danckwerts (RB)

Tues. 26 Feb: 09h00	Boland: Flamingo Room, Infruitec, Stellenbosch	George Hall 082 853 8000
Tues. 26 Feb: 15h00	Western Cape: GH Hall, Citrusdal	Piet Smit 082 551 1703
Wed. 27 Feb: 16h30	Oranje Rivier: Lake Grappa	Jannie Spangenberg 082 820 2326
Thurs. 28 Feb: 15h00	Vaalharts: Saamfarm	Danie Mathewson 082 550 0293
Team:	Paul Hardman (CGA); Sam Louw (CA); Vaughan Hattingh; Hennie Le Roux (CRI); Jacques Fouche (RB)	

COSTS OF EXPORT CITRUS

At the recent Southern Hemisphere Association of Fresh Fruit Exporters (SHAFFE) meeting in Berlin one common theme played through all the country presentations; increased costs are making it increasingly difficult to be profitable in the southern hemisphere export citrus game. Mitchell Brooke has done some work on the anticipated price increases in 2013. This information has been presented at both the packhouse forum and the grower road shows, and is worth repeating here so that the message gets through – **the economics of growing and exporting citrus fruit from southern Africa is not looking good.**

- Producer Price Index Outlook (largely influenced by electricity and [transport] fuel prices) increased 40% since 2008.
- Labour costs up R69 – R105 p/day (increase 52%) and CPI +1.5% for 3 years = ~R125 p/day by 2016 (increase 82%). The reality is that we have now moved from cheap unskilled labour to expensive unskilled labour – the key will be to move to expensive skilled labour; this will take some time and investment in training and human capital development.
- [Diesel] Fuel prices under severe pressure due to weaker Rand and high oil price in February (increase 10%). R0,50c - R1 p/ltr expected by May = ~R13.00 p/ltr (500ppm).
- Transport price to come under pressure from [Diesel] fuel increases, labour (fixed costs) and Gauteng tolls, increase 10% by May.
  Limpopo growers should give thought to this issue, how to reduce transport costs?
- Electricity price increased 170% since 2008. Eskom tariff application to NERSA request 16% increase per year for 5 years will see electricity increases by 110% if approved.
- TNPA 2013/14 tariff application is set to radically change the tariff structure, could negatively influence port charges (lower cargo dues and increase rentals i.e. TPT, FPT, CCS and PECS). CGA has sent a submission on a commodity based tariff - Ports Regulator will mediate this process in 2013.
- Shipping Lines reefer freight rate increase is likely to reach USD600-USD800 per container. Could see freight rates increase by 25% = R450 p/plt (ZAR9.00/USD). Bunker rates are also increasing drastically since January – BAF.
- ***Weak ZAR/USD, oil price, electricity price, fuel [diesel] price, E-Tolls, port charges and freight rates. An inflationary increase of 20% forecast for citrus logistics costs in 2013.***

SOUTHERN AFRICAN CITRUS GROWERS' FUND THEIR FUTURE THROUGH THE LEVY ADMINISTERED BY THE CGA