Citrus Growers' Association
OF SOUTHERN AFRICA
Grower levies working for you!

FROM THE DESK OF THE CEO (45/15)

justchad_cga

Justin Chadwick 27 November 2015

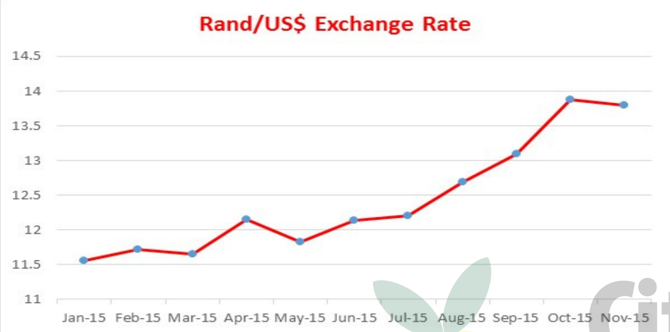
QUOTE OF THE WEEK "Darkness cannot drive out darkness; only light can do that. Hate cannot drive out hate; only love can do that" Martin Luther King Jnr

THE PERFECT CALM - 2015

A perfect storm is defined as "an especially bad situation caused by a combination of unfavourable circumstances". What would you call the opposite? – What would you call an especially good situation caused by a combination of favourable circumstances – a "**perfect calm**" perhaps?

It is very embarrassing to look back at newsletter 13/15 where I wrote the following; *Unfortunately we are entering a season that has "difficult" written all over it"* but then predictions aren't my best suite; I also predicted a northern hemisphere team would win the rugby world cup and none of them made it past the quarter finals. Fortunately CGA has John Edmonds and the Variety Focus Groups to ensure the information from CGA is accurate!!

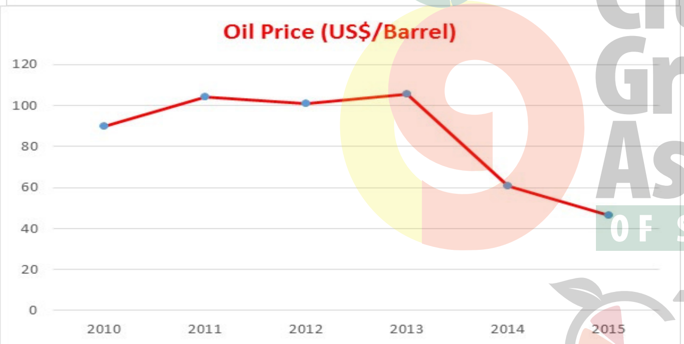
The **perfect calm** for the southern African citrus exporters (combination of favourable circumstances) is depicted graphically below:



R/US$: 2015 saw the South African Rand go into free fall. In January 2015 1 US$ got you R11.56; by November 2015 this had risen to R13.80 – a depreciation of almost 20%. Although the rand did also drop against the Euro this was at a modest 9% (from R14 to the Euro in January to R15.20 in November).

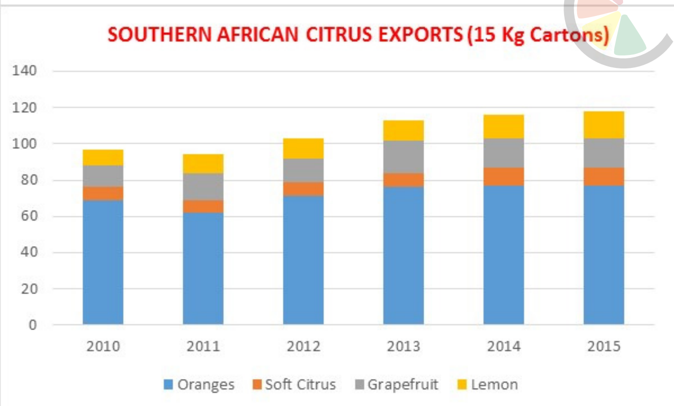
This obviously means that exporters earn more in Rand terms for their product.

In the longer term the weak rand could fuel inflation and increase input prices, particularly for those that are imported.



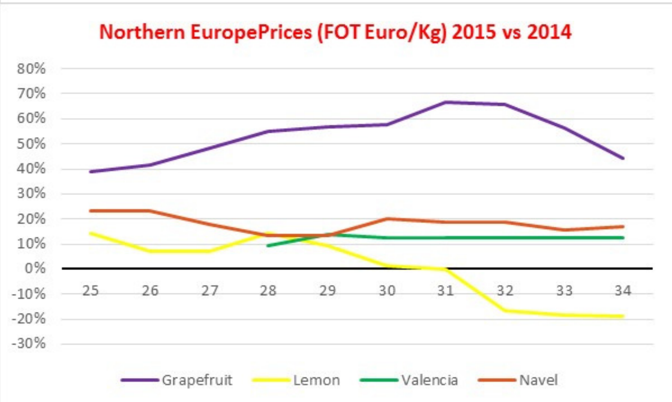
Oil Price: From the highs of over US$ 105 per barrel in 2013 the oil price has decreased to just over US$ 40/barrel at present. The biggest costs for exporting citrus are related to transport – transport from packhouse to port and shipping to final destination.

Obviously the weaker rand would have offset some of the advantages from lower oil prices.



Volumes Exported: 120 million cartons is the "new normal". In just three years southern African citrus exporters have increased their volumes exported from 100 million 15 Kg cartons to 120 million. This has been done on the back of an aggressive drive to open new markets, retain and optimise existing markets. Big growth has taken place in markets in Asia, while the EU has remained the destination of choice for the majority of the fruit.

Although oranges have steadied at 80 million cartons, the growth is led by lemon exports which increased from 10 to 15 million cartons over four years. A similar increase is anticipated for soft citrus in the next five years.



Market Prices: The prices received in most markets were higher than those prices achieved in 2014. In particular prices in northern Europe exceeded 2014 for all citrus products other than lemons. It must be remembered that lemon prices were at good levels in 2014. Red grapefruit prices were particularly pleasing (last year's prices were low) with prices 40 to 70% higher than 2014. Navel and Valencia prices were 10 to 20% higher than 2014.

These prices were realised despite higher volumes entering the EU market.