

FROM THE DESK OF THE CEO (35/18)

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“If your goal is anything but profitability – if it’s to be big, or to grow fast, or to become a technology leader – you’ll hit problems” Michael Porter.

A 5-POINT LOGISTICS PLAN ALIGNED TO THE NORTHERN REGIONS EXPORT GROWTH

If anything else the 2018 season has shown that a massive rethink is required to manage the growth in export volume logistically from the northern regions – else you’ll hit serious problems. The growth in production from 2015 to 2018 has been so major that logistics and infrastructure has been tested beyond the limit. In 2016, the northern region packed 56million cartons for exports, in 2017 that increased to 72million cartons and in 2018; the estimate is for 80million cartons. Going forward the projection shows this will increase to 92million cartons very soon. In 2018, the demand on road trucks was at an all time high with congestion in the port all to frequent and long queues of trucks blocking the roads constraining movement. Cold storage capacity in Durban went way beyond what is available with much fruit having to be channelled via ambient storage facilities – just so that trucks could be offloaded. The demand for reefer containers went way beyond what was available, in particular containers compatible for cold treatment shipments. Power points at the Durban Container Terminals ran short on 3 separate occasions. The increased shipments to China, which at this time is more than double previous shipments, also created problems for DAFF. The simple fact is that if nothing radical is done, these problems will just spiral out of control. The CGA proposes a 5 point logistics plan for the northern regions exports; which is directly aimed at offsetting these problems amidst the growth projections –

1. Development and expansion of cold storage infrastructure: apart from cold storage expansion plans set to be developed in the Durban port at existing sites. Some new fresh thinking ideas are surfacing and being discussed in areas such as Hammarsdale, Cato Ridge, even Nelspruit and Komatipoort – the latter aligned to exporting containers from Maputo (with acceptance of preclearance inspections for Japan, South Korea and China in mind).
2. Exports from Maputo port: infrastructure development in the port of Maputo has developed at a radical pace, especially at DP World. Various container lines have shown strong interest in placing a service aligned to citrus exports to the Middle East and Far East markets. The development of cold storage infrastructure on the Maputo corridor would greatly transform this plan into a reality.
3. Rail transport development: it is fundamental that producers and exporters take the position of rail transport seriously going forward. It has been estimated that about 400 additional truck trips per week and 8,000 truck trips per annum will be required to transport citrus to ports in the near future. To offset this massive demand, 10,000 containers will need to be packed and transported from the hinterland to the ports. Up north, there is rail activity from Musina, Tzaneen, Bela Bela and City Deep where containers that have been packed are delivered and transported by rail to port. Who knows there could be citrus rail activity along the Maputo corridor again where containers packed at the proposed cold storage facility can be railed into Maputo.
4. Increasing conventional breakbulk shipments: this year 42,000 containers are likely to be shipped from Durban up from an average of 35,000 with a forecast of 49,000 containers needed in the future. Nationally the demand has been forecast for a further 30,000 containers needed to match the export growth. Simply put, the CGA strongly encourages a rethink on shipping citrus to Europe, UK and Russia by conventional breakbulk to offset this demand. If a full vessel can be loaded from Durban to Europe, UK and Russia each week this could potentially offset 250 containers. Going forward loading two vessels a week may be required. Given the growth in exports to China and permitting, it would be hugely beneficial to implement conventional breakbulk shipping from Durban to China. Conventional breakbulk shipping would greatly assist to offset the problems around transport, container supply, congestion and plug point capacity at the container terminals.
5. Durban port operations and infrastructure: the growth in DAFF preclearance inspections warrants a degree of intervention to assist and streamline the preclearance inspection activity. What intervention is not clear at this time but some consultation with DAFF, cold store facilities, shipping lines and TPT will more than likely lead to a solution. This will be discussed at the annual citrus coordination meeting. Considering all the above proposals there is still likely to be a large volume of containers exported from Durban. The CGA has a strategic session with TPT on 28 September where the issue around DCT congestion and plug point capacity will be discussed. Another initiative that has been looked at in past that didn’t materialize is the possible need to build a central truck booking system and perhaps even going so far as to centralizing a truck staging area. The management of transport from packhouses delivering citrus into Durban cold store facilities needs a better approach to minimize truck delays and bottlenecking.

This 5-point plan will be presented and discussed at the next Citrus Marketing Forum meeting.

PACKED AND SHIPPED

To Week 34 Million 15 Kg Cartons	Packed 2016	Packed 2017	Packed 2018	Shipped 2017	Shipped 2018	Original Estimate 2018	Latest Prediction 2018	Final Packed 2017
SOURCE: PPECB	2016	2017	2018	2017	2018	2018	2018	2017
Grapefruit	13.6 m	15.4 m	18.2 m	14.6 m	16.8 m	16.8 m	18.6 m	15.7 m
Soft Citrus	11.6 m	12.5 m	14.8 m	11.4 m	13.4 m	14.7 m	17 m	13.4 m
Lemons	14.3 m	18.2 m	18.3 m	17.5 m	17 m	20.6 m	19.9 m	19 m
Navels	25.8 m	20.8 m	25.9 m	20.1 m	24.2 m	25.7 m	25.9 m	21.1 m
Valencia	31.4 m	36.5 m	32.8 m	25.4 m	21 m	53.9 m	51.2 m	53.8 m
Total	96.7 m	103.4 m	110 m	89 m	92.4 m	131.7 m	132.6 m	123 m

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