



FROM THE DESK OF THE CEO (04/09)

Justin Chadwick (30 January 2009)

Citrus Growers Association (CGA)

QUOTE OF THE DAY: "One of the advantages of being disorderly is that one is constantly making exciting discoveries" AA Milne

CELEBRATE SUCCESS: WINNING BOTH THE TEST SERIES AND ONE DAY SERIES DOWN UNDER!!!!!!!

ORANJE RIVIER REGION

Flying into Upington is quite dramatic as desert gives way to the verdure of vineyards bordering the Orange River. This green vein in the desert is the lifeblood of the region – providing employment and business opportunities to the many who live in that area. One has to marvel at the hard work of those who have chiseled out these vineyards in the rocky soils that border the river. It is difficult to grasp the amount of capital that has been poured into these vineyards – with development costs of over R200 000 per hectare one is looking at billions of rands in capital investment. Hats off to those hard working and enlightened individuals who have made it all work. And there's a new kid on the block. For many years small areas have been planted to citrus in that region (mostly lemons, grapefruit and valencias). With the imminent inclusion of the region in the areas able to send citrus to the US, there is renewed interest in citrus, and there are many new plantings both in the ground and planned for the near future.

This week the CGA Chairman (Hoppie Nel) and I visited the area to welcome them as the 18th official CGA region and to share with them the activities and plans that CGA has for 2009/10. Jacques de Wet was kind enough to act as guide as we were given a whistle stop tour of the orchards and shown where new plantings are planned. Given grape farmers attention to detail, it is no surprise that the orchards are incredibly well planned, laid out and maintained. The new plantings are looking really good – and the older trees have a good crop ready for 2009/10. A significant investment has been made in a new nursery in the area – and the infrastructure and rootstock on display are very impressive – once again attention to detail! This nursery is a very important development in an area that is both CBS and greening free, and is free of many pests. While we were there the temperatures were touching on the 40's and one can see why pests cannot survive.

The region was asked to select a name and so the Oranje Rivier Region came into being. Their first director is Kobus van Zyl with Jannie Spangenberg as alternate. Kobus was also elected to represent the region on grapefruit and Valencia variety focus groups. With grapefruit ready for export as early as May this region has windows of opportunity in many markets – and with the process of US access now at an advanced stage, the area is ready for lift off in terms of export volumes. And the good news is that the increased volumes should not necessarily impact on present export opportunities as most of the new plantings are grapefruit that is aimed at the US market.

SHIPPING RATES

A few weeks back I wrote about the impact of the global slowdown on the shipping industry – and suggested that those negotiating shipping rates should bear this in mind when negotiating shipping rates. This comment was labeled as "irresponsible" by the author of Reefer Trends (RT). He inferred from my comment that growers should expect HUGE reductions in shipping rates for 2009. The dictionary writes that infer means "to conclude by reasoning from evidence". I am not sure how many of you may have come to the same conclusion as the editor of RT, and so I will expand on my reasoning why attractive rates may be on offer. The fall off in demand for dry cargo shipping space is a symptom of what is happening in world trade. International trade is contracting, trade credit is hard to come by and demand has eased with a downturn in consumers spending power. As a result supply is taken out of the system to get to equilibrium (ships put to anchor) and shipping rates drop to a new equilibrium.

Why should this not be true for reefer shipping? Sure there was a shortage of reefer space before the first wobbles in the banking sector – but now that the wobbles have resulted in wheels falling off surely international trade in these commodities will also reduce – bringing supply and demand for this category of shipping space closer together. All the factors that reduced supply (no new builds, ships being scrapped etc) were going on BEFORE the recession – the recession must surely have some influence on international trade in these goods. In addition ship scrapping has reduced with the fall off in steel prices.

While the Chinese engine was driving the world economy everybody considered that there was only one way for volumes and prices to move. Those wanting to negotiate long term contracts usually were presented with big escalation clauses, making shorter term contracting more attractive – that was when the horizon looked rosy with sunny days ahead. Now that the situation has changed and the future is not so certain (with scattered thundershowers now on the horizon) surely those negotiating on the demand side of shipping negotiations must be in a better position than a year ago? Already in RT one reads of attractive charter rates on offer. In addition there is mention of huge stocks of shrimps and only harvesting 12 hours instead of 24; reducing demand for shipping space. So the advice remains the same – conditions are different this year and may be more favorable for those negotiating shipping rates from the demand side – bear this in mind when negotiating those rates; any savings will be a great help during what could be a difficult 2009 marketing season.

CGA ROADSHOWS

Please check on www.cga.co.za for the dates, times and venues for this year's road shows – also in next week's edition.

FRUIT LOGISTICA

The world's fruit and vegetable family will once again gather in Berlin next week. To all those attending have a safe journey – and don't forget – touch (make contact) - pause (consider all the information) and engage (fight like hell to get the best deal).

YOUR LEVY WORKING FOR YOU – GROWER LEVIES ARE USED TO FUND THE ACTIVITIES OF CGA, CRI AND THE CITRUS ACADEMY