FROM THE DESK OF THE CEO (12/09)

Justin Chadwick (27 March 2009) Citrus Growers Association (CGA)

QUOTE OF THE DAY: "Rugby is a good occasion for keeping thirty bullies far from the centre of the city" Oscar Wilde

Celebrate Success: A convincing win by the Protea's – wins from the Shark's, Bull's and LION'S!!! and the Stormer's didn't lose.

EXCHANGE RATES

For many years our currency was on a steady downward cycle – growers could with confidence predict a 10% slide in the currency each year. There followed a few years of unprecedented rand strengthening, and we are now in a period of volatility – predicting what is to come is fairly difficult. Most analysts predict a weakening of the rand – particularly in the run up to the election – the results of which will largely determine where we go from there. And yet it is this factor – the exchange rate – that has a huge impact on grower returns. A significant weakening can result in a windfall gain, while a significant strengthening results in lower rand returns. It is interesting to compare now with a year ago (all comparisons done **08h00 27 March 2008 and 2009 –** note that the exchange rate is extremely volatile).

In terms of the countries we sell to the exchange rates were as follows (R1 =):

	R/Ruble	R/Yen	R/US$	R/Euro	R/Pound	R/Saudi Riyal
27/3/2008	2.93	12.38	0.12 (R8.05=1$)	0.078 (R12.75=1Eu)	0.06 (R16.12=1Pd)	0.46 (R2.14=1SR)
27/3/2009	3.55	10.40	0.11 (R9.43=1$)	0.078 (R12.74=1Eu)	0.07 (R13.72=1Pd)	0.40 (R2.51=1SR)

So in the case of the Russian Ruble and British Pound the returns will be less if the selling price is the same, while for the other markets currencies have moved in the favour of exporters, or remained unchanged.

Rand Merchant banks forecast is for rates to be as follows in 2009 – R/US$ 10.50; R/Euro 13.50 and R/Pound 15.12 – so the rand weakening is what is predicted.

But what about our competitors? (R1=)

	R/Aus$	R/Chile Peso	R/Arg Peso	R/Peru Nuevo Sol
27/3/2008	0.14 (R7.38=1A$)	55 (R0.018=1CP)	0.39 (R2.54=1AP)	0.35 (R2.84=1PNS)
27/3/2009	0.15 (R6.61=1A$)	62 (R0.016=1CP)	0.39 (R2.55=1AP)	0.34 (R2.96=1PNS)

So our currency has strengthened against the Australian $ and Chilean Peso (giving them some advantage), and is roughly the same against the Argentinean Peso and Peruvian Nuevo Sol.

Different exporters/growers will have different approaches to currency volatility and associated risks. It is advisable that a policy is established (eg. Fix 60% in May; fix 20% in June and rest on spot rates) and then that policy is followed year in and year out. In some years you will lose, in others you will gain. BUT – you are citrus exporters, not currency speculators; trying to guess which way currency is not easy and more often than not you will get it wrong.

PPECB INSPECTION LEVIES FOR 2009

PPECB have announced their fees for 2009 – available on www.cga.co.za. The inspection fee has increased by 8.7% to 36.1 cents per carton (cartons > 5 Kg), while sea and container inspection levies have increased by 9.6%, and all other PPECB levies by 7.7%.

CGA ADMINISTERED LEVIES

Exporters are reminded that the levy for 2009 administered by CGA is 38c/15 Kg carton (+VAT). This levy is raised at packhouse inspection, and invoices are sent from the CGA offices. Payment terms are strictly 60 days, and interest will be raised on outstanding balances. Thank you to all those who have assisted with the collection of this levy in the past.

SATSUMAS AND LEMONS

Last weeks trend of increased Satsumas continued into week 12; packed :2008 - 86 551 cartons; 2009 – 135 432 cartons and shipped :2008 – 12 799 cartons; 2009 – 29613 cartons. 71% of shipments have gone to the UK (2008 60%) and 24% to N Europe (2008 30%). Lemons continued the trend of lower volumes this year – packed 2008 – 412 991 cartons; 2009 – 256 645 cartons and shipped 2008 – 82059 cartons; 2009 – 31 620 cartons. Middle East has received the bulk of the lemons (63% vs. 2008 47%).

SNIPPETS FROM THE MARKETS

Spanish exports to 14 March indicate that Russian export volumes have dropped by 32%, while exports into the EU have increased by 21%. In total Spanish exports are very similar to 2007/8 – with slightly less clementines (2%), more lemons (+42%) and less grapefruit (-60%). Market commentators say that prices in Russia are fairly good, while prices in Europe are under pressure – supply vs. demand!! News from America is that their exports of grapefruit to Japan have dropped from 7.1 million cartons last year to 6 million cartons this year. It is reported that the last large shipment of grapefruit for the US season has been dispatched, and that sales volumes in Japan have increased substantially – all good signs for a smooth transition from US to South African grapefruit.

INVASIVE PLANTS

Invader plants are a huge problem in South Africa. The latest bulletin from the Southern African Plant Invader Atlas (SAPIA) has been posted on the CGA website (www.cga.co.za). It contains some very useful information.

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