FROM THE DESK OF THE CEO (18/09)

Justin Chadwick (8 May 2009) Citrus Growers Association (CGA)

QUOTE OF THE DAY: *"An "acceptable" level of unemployment means that the government economist to whom it is acceptable still has a job" Anon*

UNEMPLOYMENT

Recent statistics put the official unemployment in South Africa at about 30%. All of the jobs created in 2008 where wiped out from job losses in the first quarter of 2009. The new government is going to need to do some serious work if it is to attain its goal of 14% unemployment by 2014. High unemployment has knock on effects in terms of education, health and crime.

In the light of these statistics, it is interesting to note that over the past few years' growers in certain areas have found difficulty in getting labour to harvest fruit. This has been put down to a number of factors, not least of which is that the labour pool from which harvesting labour is sought is the same pool that provides labour for the construction industry. With the large construction projects in South Africa there has been an additional draw on this pool. It would be interesting to find out how available labour is in 2009, given the recently released unemployment data.

Government should investigate the present social security payments, which act as a disincentive to find work. In addition labour laws should be reviewed. It's all well and good to have some of the most progressive labour laws in the world, but if these laws are in fact stifling employment then what is being achieved? Who is talking for the unemployed in all these debates? Unions look after the interests of those employed – the unemployed are poorly represented in most debates.

COVERING COSTS

It has been stated already that the present crop that the industry is harvesting is the **most expensive ever produced.** During this production period most input costs peaked at levels never seen before. So what was acceptable as a break even price last year will not be acceptable this year. And by break even price the grower should use cost of production **plus return to management and capital**. Return to management is essential, as if you do not get money to live on then why are you in business at all? (You may as well get a job where at least you will be paid for your hard work). Return to capital is essential if you want to be sustainable – if you are not returning to capital then when your capital items become obsolete or break down how will you replace them?

I received feedback that it is important to stress that the break even received per carton should be on **average** for all cartons sold. Some markets are more lucrative than others, some specifications more popular than others, therefore you will be offered different returns based on these criteria. So in the lucrative markets and for the most popular specifications you need **more than break even** in order to offset the less than break even that you may receive in other markets or for less popular specifications. Be careful of accepting a price that you find covers costs and returns to capital and management, only to find that this only covers your best fruit, leaving your "shoulder" fruit (those outside the peak in terms of desirability) receiving less, resulting in an average price less than required.

I work off the assumption that all growers know their costs of production, farming is a business and if you do not have that figure ready at hand then you have no way of determining what is needed to break even. In my previous life I worked at Cane Growers Association (for sugar cane growers). We had a service whereby we had eight bookkeepers who kept books for 300 growers. Every month the grower got a detailed report on his business, comparing him to his regions and the country. In addition, we had six agricultural economists who met with growers, analysed previous year's performance and helped develop a budget for the next year. These economists also held grower days, going through the regions figures and assisting individual growers in improving if they were below the regional benchmark. Obviously such services are expensive and I am not suggesting CGA set up something similar, but there are consultants out there who offer similar services should you be battling in the business/financial analysis area. If you would like to be put in touch with somebody who can assist please let me know.

If you do not know what your break even price per carton is, talk to a neighbour or somebody in the region who keeps good records to get a feel for what it should be. If you cannot get a price that covers this break even level, then don't ship the fruit – all you will be doing is paying in to ensure that transporters, warehouse owners, CGA, PPECB, export agents, receivers, wholesalers and retailers and all the others of us who live off your product are enriched at your expense.

PACKED AND SHIPPED 2009

Grapefruit packed figures are starting to pick up with harvesting up north. The Grapefruit Focus Group revised their estimate down slightly (by 1%). Star Ruby accounts for 77% of grapefruit packed to date. Most shipments have been to Northern Europe (62%).
With Satsuma's in full swing, there has also been a slight reduction in the soft citrus estimate. To date 1.6 m cartons of Satsuma have been packed against a revised estimate of 2 m cartons. The UK (66%) and Northern Europe (21%) have been the preferred markets.
Lemon packed and shipped is well down on 2008 – the Lemon Focus group has not adjusted their estimate. To date 50% is destined for Middle East, 19% to Far East and 10% to Russia. It is still very early in the navel season, however the Western Cape have adjusted their crop up slightly.

To Week 18 – Million 15Kg cartons	Packed	Packed	Packed	Shipped	Shipped	Original Estimate	Final Prediction	Final Shipped
Source : PPECB	2007	2008	2009	2008	2009	2009	2009	2008
Grapefruit	1.3 m	2.3 m	2.6 m	0.8 m	0.7 m	15.1 m	14.9 m	12.4 m
Soft Citrus	1.8 m	1.9 m	1.7 m	1.4 m	1.3 m	7.4 m	7.3 m	6.5 m
Lemons	1.4 m	2.6 m	1.7 m	1.6 m	1 m	9.4 m	9.4 m	8.8 m
Navels	0.2 m	0.6	0.4 m	0.1 m	0.1 m	21.6 m	21.8 m	21.2 m
Valencia	-	-	-	-	-	43 m	43 m	40.4 m
	4.7 m	7.4 m	6.4 m	3.9 m	3.1 m	96.5 m	96.4 m	89.3 m

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