FROM THE DESK OF THE CEO (40/09)

Justin Chadwick (9 October 2009) Citrus Growers Association (CGA)

QUOTE OF THE DAY:" "We are living in a world today where lemonade is made from artificial flavors and furniture polish is made from real lemons" Alfred Newman

2009 REVIEW LEMONS

2008 was such a good year for lemons (remember Euro 25 at the start of the season) that most lemon growers probably could have taken the year off in 2009!!!! At the beginning of the year things in Europe were not looking good for lemon exporters with prices in the Euro 10 to 12 levels for weeks 19 to 31. Huge crops in Spain meant that they were still harvesting their crops in July and as such most South African exporters kept clear of the European market. Then in week 32 prices showed recovery to Euro 13 and then flew upwards on the back of reports of lower Argentinean volumes (as a result of frost) to peak at Euro 20 in week 36/37. Since then prices have moved downwards back to the Euro 14 levels. So 2008 and 2009 showed complete inverse price trends – 2008 sky high at beginning, lower in mid season and then higher at the end; 2009 lower at the beginning, high mid season and lower again at the end. Who's calling the market in 2010??

The unattractive markets in Europe can be seen from the export figures where lemon exports to Northern Europe halved from 2 million cartons in 2008 to 1 million in 2009, UK was a less dramatic decrease from 1.3 million cartons in 2008 to 0.9 million in 2009. Southern Europe decreased from 0.5 million (2008) to 0.3 million cartons (2009).

In keeping out of Europe for the early part of the season there was an increase in lemon exports to the Middle East (from 3 million cartons in 2008 to 3.2 million in 2009). Russian volumes increased from 0.5 million (2008) to 0.8 million cartons in 2009.

Many people say that when growers do estimates their memory only goes back as far as the last season. This was the sentiment when the Lemon Focus Group estimated a 9.4 million crop for 2009 (the actual crop packed in 2008 was 9.6 million of which 8.8 million was recorded as shipped – a discrepancy of 8%). As was the case with all focus groups this original estimate was reduced in later predictions, with the last prediction being the present packed figure of 8.5 million cartons (a reduction of 10% on the original estimate). If 8% packed is not shipped (as was the case in 2008) then the final shipped figure will be about 7.8 million cartons. Although this is lower than the record 2008 8.8 million cartons shipped, it is considerably higher than 2006 and 2007 where 6.6 million cartons were recorded as being shipped in both those years.

Lemon export volumes seem to have reached a new plateau – from being in the low to mid 7 million carton range (2006 7.1 million, 2006 7.5 million, 2007 7.3 million) to the present levels (2008 9.4 million, 2009 8.6 million). While it is a fact that 2008 volumes increased as a result of better export marketing opportunities, it will be interesting to see if these higher volumes are maintained. What has also been evident from the harvesting patterns is that there was a much bigger first pick in 2009 (weeks 13 to 22 chasing sky high prices) as opposed to 2009 when more harvesting was done at the second pick (weeks 22 to 30) and later in the season as improved market conditions enticed exporters to extend the season.

The SHAFFE/Freshfel global citrus teleconference held on 25 September 2009 (minutes and presentation on www.cga.co.za) reported back on data for the recently completed southern hemisphere, and recently started northern hemisphere seasons. For the southern hemisphere all countries registered a decrease in lemon exports. With Argentina the most significant player their decrease from 315 000 tons to 201 000 tons (a 36% decrease) had a big impact on markets. Given South Africa's decrease (reported above), and a decrease in Chile (from 39 000 to 23 000 tons – a 43% decline) it is not surprising that markets where short of lemons come end of the season.

The northern hemisphere figures are interesting – Spain is expecting a 20% reduction in production (from 1 million tons to 800 000 tons), while Turkey is expecting an increase from 530 000 to 700 000 tons (a 33% increase). It is not surprising that Spain is expecting decreased production – reports at the end of their last season was of dismal prices not covering production costs and loads of fruit left on the tree – which would impact on this coming seasons harvest. So with Spain's decrease and Turkey's increase the northern hemisphere production should be very similar to 2008/9. It was still a little early to predict what amount of this production would be exported.

CITRUS GROWERS ASSETS

CGA was initially formed to retain and grow the citrus industry's research and technical capacity, in order to gain, retain and optimize market access. Through the years other functions have been added, but the focus on market access remains. Citrus Research International (**CRI) is wholly owned by citrus growers**, and conducts research projects and programmes for the industry, largely funded by the levy administered by CGA. Some research at CRI resulted in commercialization opportunities – and rather than outsource these opportunities CGA/CRI formed a company called **River Bioscience (RB) (once again wholly owned by growers**). The most important product marketed by RB is **Cryptogran**. Profits from RB have been returned to CRI to fund further research, and have been utilized in the start up of the FCM sterile insect technology company **XSIT (50% owned by growers**). So when a grower purchases Cryptogran (and not an alternative product) he/she is directly contributing to the research effort, and to their own association's efforts in gaining, retaining and optimizing market access.

PACKED AND SHIPPED 2009

To Week 40 – Million 15Kg cartons	Packed	Packed	Packed	Shipped	Shipped	Original Estimate	Latest Prediction	Final Packed	Final Shipped
Source : PPECB	2007	2008	2009	2008	2009	2009	2009	2008	2008
Grapefruit	14.3 m	12.8 m	14 m	12.4 m	13.5 m	15.1 m	14 m	12.8 m	12.4 m
Soft Citrus	6.8 m	7.3 m	6.8 m	6.5 m	6 m	7.4 m	6.8 m	7.3 m	6.5 m
Lemons	7.2 m	9.5 m	8.5 m	8.6 m	7.4 m	9.4 m	8.5 m	9.6 m	8.8 m
Navels	18.7 m	21.5 m	19.4 m	21.2 m	19 m	21.6 m	19.4 m	21.5 m	21.2 m
Valencia	42.1 m	41.7 m	37.8 m	35.3 m	30.1 m	43 m	37.8 m	42.8 m	40.4 m
	88 m	92.8 m	86.5 m	84 m	76 m	96.5 m	86.5 m	94 m	89.3 m

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