FROM THE DESK OF THE CEO (36/10)

Justin Chadwick (17 September 2010)

QUOTE OF THE WEEK "***The most dangerous strategy is to jump a chasm in two leaps" Benjamin Disraeli***

HIGH CUBE PALLETS

With the increased use of containers replacing break bulk shipments there has been an increase in the use of high cube pallets. The cost savings are obvious as more cartons can be shipped in a container, thereby reducing the shipping cost per carton. What has not been analysed are the additional costs associated with this conversion – carton strength, pallet composition and handling systems etc have all been developed for standard pallets. By adding layers to the top of the pallet one now has more weight on the bottom layers, which they were not designed to take. The recommendation is to strengthen the bottom two layers – but how many packhouses do this? In addition the transporters have had to redesign their loading to comply with maximum axle weights – resulting in unstable loads, collapsing of pallets etc. Many of the facilities in the port are not designed for high cube – as a result high cubes are broken down and then built up again – requiring additional labour.

The CGA contracted the services of Koos Bouwer to analyse the problems regarding the stacking of 'High Cube Pallets' at the packhouse, which are then transported and stuffed into containers at the ports. Mitchell Brooke and Koos Bouwer spent a week travelling through the Durban port and then spent some time in Hoedspruit and Letsitele to gather data and conduct interviews. They have summarized their findings in a research document which has been posted on the CGA website and can downloaded from the following link or alternatively found on the CGA Logistics website: http://www.cga.co.za/pages/33227 . In conclusion they found that there is a need for better packaging, palletization and transportation practices when stacking 'High Cube Pallets' if this is to be sent to the ports.

DAFF INTEGRATED GROWTH AND DEVELOPMENT PLAN 2011 -2031

Over the past two days DAFF started a process of workshopping their plan for the next twenty years. Although I have not gone through it in detail, a brief scan reveals that it is in line with the sector plan for agriculture and is well thought out and packaged. The concern is not about the plan – the concern (as with many well thought out government plans and policies) is the competence and will to implement the plan. It is essential that government and the private sector work together to make this plan work

The document cites a study conducted by the Agricultural Business Chamber (ABC) which identified the factors constraining competitiveness of agribusinesses in 2004 and 2008. In both surveys the top three constraints were the same – cost of crime; trust in the political systems and competence of personnel in the public sector. I am sure that most citrus growers will also acknowledge these factors as severely constraining their business. What is concerning about these three factors is that they would probably not appear in the top fifteen constraining factors in a survey conducted by our main citrus competitors (Australia, Uruguay, Chile, Peru, Argentina and Brazil); putting South Africa at a disadvantage. That these factors can be addressed and rectified is without doubt – let's hope that they are not still in the top three when the next survey is conducted in 2012.

The other factors making up the top ten constraining factors in 2008 are electricity supply in South Africa; availability of skilled labour; cost of transport; cost of finance; aids; South Africa's labour policy and cost of quality technology – once again many of these are uniquely South African.

PACKED AND SHIPPED

This year will be remembered for the excellent orange crop – in both quality and quantity. Although it started off a bit shaky with late rains and the strike impacting on quality and shelf life; it is ending strongly with good export pack outs of Valencia and reasonable to good prices in most markets (if it was not for the strong rand growers would have been more than happy with their returns). One needs to compare this year's exports with 2008 (as 2009 was a low volume year) – in navels northern and southern Europe and the UK imported roughly the same volumes in 2008 and 2010; it is Russia that increased considerably with 0.7 m cartons in 2008 up to 2 m in 2010. For valencia's year to date southern and northern Europe and the UK have actually taken less fruit when compared to 2008 (almost 4.5 m cartons less). In 2008 only 2.6 m valencia's had been shipped to the Middle East by week 36; compared to 4.2 m in 2010 (interestingly in the low volume 2009 season 5.2 m cartons had been sent to ME year to date).

To Week 36 Million 15 Kg Cartons	Packed	Packed	Packed	Shipped	Shipped	Original Estimate	Latest Prediction	Final Packed	Final Shipped
SOURCE: PPECB	2008	2009	2010	2009	2010	2010	2010	2009	2009
Grapefruit	12.8 m	13.9 m	12.4 m	13.3 m	10.9 m	12.6 m	12.4 m	14.2 m	13.7 m
Soft Citrus	7.3 m	6.7 m	7.5 m	5.8 m	6.3 m	7.5 m	7.9 m	6.8 m	6 m
Lemons	9.3 m	8.2 m	9.4 m	7.1 m	7.2 m	9 m	9.6 m	8.7 m	7.7 m
Navels	21.5 m	19.4 m	22.2 m	18.8 m	21.7 m	21.4 m	22.3 m	19.4 m	19.1 m
Valencia	34 m	31.7 m	38.9 m	21.1 m	23.2 m	41.3 m	41.8 m	38.5 m	35.3 m
Total	84.9 m	79.9 m	90.4 m	66.1 m	69.3 m	91.8 m	94 m	87.6 m	81.8 m

GROWERS' FUND THEIR FUTURE THROUGH THE ACTIVITIES OF THE CITRUS GROWERS'ASSOCIATION, CITRUS ACADEMY AND CITRUS RESEARCH INTERNATIONAL