FROM THE DESK OF THE CEO (18/13)

Justin Chadwick (3 May 2013)

QUOTE OF THE WEEK "If I had eight hours to chop down a tree, I would spend six hours sharpening my axe" Abraham Lincoln

CITRUS RESEARCH INTERNATIONAL (CRI): SEGMENTS

This week CRI circulated the first issue of Segments – a short publication aimed at giving growers an informal look at CRI's staff and their activities. This quarters Segments introduces you to Dr Paul Fourie, and gives some interesting background on the Citrus Improvement Scheme and Citrus Foundation Block, and much more. For those who did not get a copy in the mail, check out www.cga.co.za

CERTAINTY

The market likes certainty – any uncertainty leads to a perception of risk amongst buyers. This risk is then taken into account in making buying decisions – either by offering a lower price to offset the risk, or by switching to an alternative product that offers less risk. Unfortunately the 2013 citrus season is throwing up quite a few uncertainties. The latest decision by China to halt imports of US citrus is a case in point – while the authorities try and find a solution to the problem, the likelihood is that a fair amount of citrus that would have been exported to China will now stay within the domestic market – swelling domestic market volumes and extending the domestic season. This will impact on southern hemisphere exporters hoping for an early start to their US campaign. Any advantage gained by additional Chinese opportunities will be more than offset by the uncertainty in the US market. US fruit will also be diverted from China to other destinations, potentially destabilising those markets.

The same level of uncertainty remains in the EU market, where those exporting from countries with CBS (most southern hemisphere citrus exporters) have already been influenced by traders nervous about what will happen should intercepted consignments exceed what is deemed acceptable to EU plant health. In some cases these traders have extended their purchasing of northern hemisphere fruit, while others have moved to alternative products.

Although there are international bodies that have been formed to reduce uncertainty, they have proved extremely cumbersome and slow in their reactions; prolonging uncertainty.

INTERNATIONAL TRENDS

There are two trends that have influenced the global trading environment for citrus fruit. The first is the emergence of **China** as the world's number one citrus producer in terms of volume. Since 2000 soft citrus production has grown from 6.8 million tons to 12.7 million tons – growth of 88%; oranges have grown from 1.2 million tons to 6.2 million tons (465% growth) while pommelo's/grapefruit have grown from 0.3 million tons to 3.6 million tons – 1245% increase!! With most of this citrus consumed locally, Chinese consumers have increased their per capita consumption of citrus. Exports are also growing – with China exporting about 1 million tons annually – sixth largest exporter in the world.

The second trend is that of **Russia** as a major importer of fresh fruit. Between May 2011 and May 2012 orange imports to Russia increase 2 ½ times, soft citrus by 54%, grapefruit by 23% and lemons by 6% - Russia is now the third biggest importer of fresh fruit in the world. And it is citrus that leads in terms of the import fruit basket – accounting for 28% of fresh fruit imports. This is followed by banana's (17%), apples (14%), stone fruit (12%), grapes (10%) and pears (11%). The largest suppliers to Russia are Ecuador (bananas), Poland (apples), Turkey (citrus, grapes and stone fruit), China (apples, citrus and stone fruit), Argentina (apples, pears and citrus) and Chile (grapes).

PACKED AND SHIPPED

The best part of this week was that I had my first grapefruit of the new season on Monday – it must be the best way to start the day and I cannot understand why consumption of this product is declining in most markets. The first million cartons of grapefruit have been shipped and the packing tempo has increased. Sizing is reported to be better than last year (2012 was characterised by small fruit), fruit shape and internal and external quality are reported to be very good.

Probably the most significant change in this week's figures is that the lemon forecast has been decreased by 1 million cartons – due to a reassessment in the Sundays River region. After the first pick growers have noticed that the flower drop in December was greater than first expected leaving little for the second and third pick.

To date 1 412 653 (80%) cartons of the predicted 1 765 947 cartons of Satsuma have been packed.

To Week 18 Million 15 Kg Cartons	Packed	Packed	Packed	Shipped	Shipped	Original Estimate	Latest Prediction	Final Packed
SOURCE: PPECB	2011	2012	2013	2012	2013	2013	2013	2012
Grapefruit	1.7 m	2 m	2.5 m	1.1 m	1 m	15 m	15 m	13 m
Soft Citrus	1.8 m	1.6 m	1.5 m	1.3 m	1.3 m	8.2 m	8.1 m	7.6 m
Lemons	1.6 m	1.4 m	1.9 m	0.9 m	1.2 m	11.1 m	10.2 m	10.5 m
Navels	0.3 m	0.2 m	0.2 m	0.1 m	-	24.9 m	24.9 m	24.6 m
Valencia	0.1 m	-	-	-	-	47.7 m	47.7 m	47.2 m
	5.5 m	5.2 m	6.1 m	3.4 m	3.5 m	106.8 m	105.8 m	103 m

SOUTHERN AFRICAN CITRUS GROWERS' FUND THEIR FUTURE THROUGH THE LEVY ADMINISTERED BY THE CGA