FROM THE DESK OF THE CEO (45/13)

Justin Chadwick (8 November 2013)

QUOTE OF THE WEEK "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the spring of hope, it was the winter of despair…" Charles Dickens

THE 2013 CITRUS EXPORT SEASON

Charles Dickens quote probably resonates strongly with many in the citrus industry – with so many up's and down's in 2013. Unfortunately most grapefruit exporters will probably relate to the words "despair" and "darkness". The record crop of southern African grapefruit – although excellent in all quality aspects – just could not find a home. Even in markets where volumes did not exceed the previous year's levels prices were poor – while oversupplied markets punished the exporters. Although one could proudly state that this was a record export volume for grapefruit (the previous record crop was the disastrous 2005 volume of 16.5 million cartons) – if every carton is making a loss then it probably results in a record loss!! The other "down" in 2013 was the EU's stance on CBS – the threat of market closure resulted in excessive measures to reduce the risk of exporting infected fruit; with "thumb suck" estimates of costs of R1 billion incurred by growers. These costs include un-stuffing and re-stuffing of containers, diverting containers en-route to Europe, re-export costs, demurrage costs, detention and penalty charges. Other costs in terms of not honouring supply agreements (and resultant reputational damage) and selling in less lucrative markets need to be added to this amount. Lemons were most severely impacted with many lemon growers deciding to avoid EU markets altogether. As a result lemon exports were the only category not to produce a record crop (although the 10.6 million cartons exported in 2013 is only slightly down on the 2011 10.7 million carton campaign). The costs of CBS controls are difficult to accept as global CBS experts are in agreement that there is no risk to the CBS – unfortunately the regulations do not take this into account and hence exporters have no choice but to comply. Hopefully sense will prevail and the CBS PRA will recognise the body of evidence against continued CBS measures in the EU.

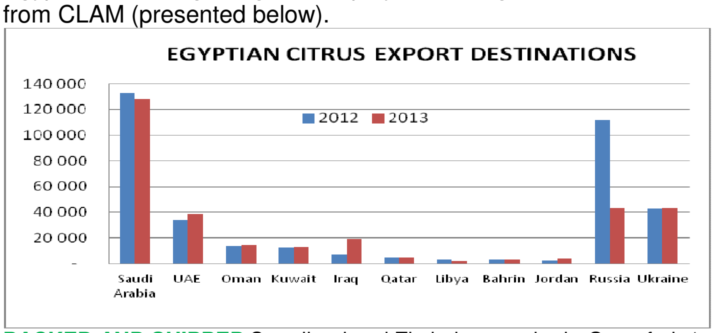
The soft citrus sector exported a record 8.4 million cartons – with significant growth in late mandarins (at the expense of satsuma's). This is significant growth over last year's 7.6 million cartons, and records a doubling of volume in the past ten years (2003 volumes were 3.5 million cartons). Despite these record volumes, soft citrus recorded fair to good returns in almost all markets. A record was also achieved by the orange sector – with valencia's breaking the 50 million carton mark. All orange volumes were 76.3 million cartons – a significant growth over 2012's 71.7 million cartons. Although navels also increased in volume the rate of increase has slowed and it is expected that this category has now reached a plateau after the tremendous growth over the past five years.

The performance of the South African Rand had much to do with higher volumes and better returns. The rand weakened by between 16 and 23% comparing July, August and September 2013 with the same months in 2012; while in October the rand recovered slightly with the comparison being between 12 and 17% weaker (this is for major currencies US$, GBP and Euro). The weakening of the rand did have adverse impacts on the price of imported requirements and on transport and freight rates. This input price inflation was also significant for administered prices such as energy and labour (with the minimum wage increase working through).

In the next few weeks newsletters will unpack the export performance for the different southern African citrus sectors.

EGYPT

An earlier newsletter gave some indication of the forthcoming northern hemisphere season, but without information from Egypt. Egypt is becoming a significant player in the global citrus arena, and therefore it was useful to receive some Egyptian information from CLAM (presented below).



Expected Citrus Exports by varieties 2013/2014		
Variety	**Qty/Ton**	**% of Total**
Orange	1 053 697	93.5%
Lemon	32 209	2.9%
Mandrin	25 419	2.3%
Grapefruit	15 333	1.4%
Other varieties	257	0.0%
Total	**1 126 915**	**100.0%**

PACKED AND SHIPPED

Swaziland and Zimbabwe packed - Grapefruit 1 million cartons; Valencia packed 2.9 million cartons. *estimate

To Week 45 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	15.5 m	13 m	17.9 m	13 m	17.6 m *	15 m	17.9 m	13 m
Soft Citrus	6.9 m	7.6 m	8.4 m	7.6 m	8.4 m	8.2 m	8.4 m	7.6 m
Lemons	10.7 m	10.5 m	10.6 m	10.5 m	10.6 m	11.1 m	10.6 m	10.5 m
Navels	21.2 m	24.6 m	25.4 m	24.6 m	25.4 m	24.9 m	25.4 m	24.6 m
Valencia	41.4 m	47.2 m	51 m	46.7 m	48.6 m	47.7 m	51 m	47.2 m
Total	95.7 m	102.9 m	113.3 m	102.4 m	110.6 m	106.9 m	113.3 m	102.9 m

SOUTHERN AFRICAN CITRUS GROWERS' OWNED COMPANIES CGA, XSIT, CRI, RIVER BIOSCIENCE, CGACC AND CITRUS ACADEMY ENSURE A COMPETITIVE AND SUSTAINABLE INDUSTRY