FROM THE DESK OF THE CEO (21/16) (Follow me on justchad_cga)

Justin Chadwick 10 June 2016

"I am the greatest. I said that even before I knew I was" Mohammad Ali

NEW APPOINTMENTS

Welcome to Kgabo Rammutla who joins Fruit South Africa as Operation Manager. We also welcome two new appointments at the CGA Grower Development Company – Yolanda Ntlakaza will head up Business Management Support; while Camille Khoza joins as Administrator.

FIT FOR THE FUTURE – AGBIZ CONGRESS

Last week AGBIZ (the Agricultural Business Chamber) held their biannual Congress in Somerset West. Leaders in agribusiness were subjected to two days of excellent presentations, thoughtful discussions and intense networking. The programme was well thought through – covering the economy, political environment, black economic empowerment, trade, water, energy; before wrapping up with different scenarios that may develop (presented by Clem Sunter's lesser known sidekick Chantell Ilbury).

The presentations are available on the AGBIZ website, and are definitely worth a look. Some take home messages gleaned from the Congress are as follows:

- The South African economy will bottom out in 2016 and will improve thereafter.
- The movement in the Rand exchange rate will no longer be a "one way risk" – the presentation foresees a strengthening rand in 2017. This will mainly be driven by the US$ weakening.
- The Reserve Bank will continue with inflation targeting – albeit that the inflation rate will breach the upper limit due to supply side shocks. Inflation targeting is transparent, good practice, ensures price and financial stability and decreases business costs.
- A significant supply side shock is the impact of the drought – the first quarter of 2016 saw food price inflation at 12%. Worse is still to come as the full impact of the drought comes into play.
- Industries doing generally well in 2016 are manufacturing, agriculture and tourism – with fruit and nuts being the main contributor in agriculture (due to exports). These sectors have seen 4% growth.
- Mega regional trade agreements – such as the Trans Pacific (TPP) and TTIP (USA and EU) will impact on all countries. The TPP includes 12 countries, 40% of world GDP and 25% of trade; while TTIP includes 28 countries, 45% of world GDP and 33% of world trade. Most of the Chapters in these agreements deal with rules (little on tariffs) – and attempt to deepen and widen WTO rules. Countries not part of these agreements will also be pressured to conform.
- Water IS the biggest issue faced by agriculture – water security underpins agriculture. The drought of 2015/16 has been expected for 20 years now – so should not be a surprise. The future will be impacted by uncertainty and variability. Efficient use of water will become paramount. Efficient implementation of the National Water Act is important – and business/industry must get involved in the Catchment Management Agencies.
- 20% of households in South Africa do not have access to energy. Trilemma of energy sustainability vs. energy equity vs. energy security; have to make a "minimal regret choice".
- In terms of scenario planning the following "flags" need to be monitored (as they will determine the direction South Africa is headed) – crime and corruption; quality of infrastructure; style of leadership; education (pockets of excellence); entrepreneurial spark (and red tape); independence of the judiciary; nationalization and land ownership. Those who have been to a Clem Sunter/ Chantell Ilbury talk before will know that we are presently in the "Premier League" (top 61 nations in terms of competitiveness; RSA just moved from 53 to 52 this year) – although probably in the relegation zone. According to Chantell there is a 45% chance of staying in the Premier League. There is a 45% chance of moving to the "Second Division" and a 10% worst case scenario of "Failed State". To move up in the Premier League winning nations have the following characteristics – excellent education; good work ethic and entrepreneurial spirit; high savings rate and access to capital; good infrastructure; export orientated; dual logic economy with "space" for big and small business; social harmony; competitive personal and company tax; efficient government and an attractive environment for foreign direct investment.

PACKED AND SHIPPED

Satsuma packing and shipping is complete with the final volume exported of 1 873 099 cartons just 4% higher than the estimate. 96% of the clementine estimate is now packed (2 629 660 cartons), while mandarins are now starting to dominate the soft citrus sector – 1 411 812 cartons packed to date (20% of estimate).

With roughly 20% of **total** southern African citrus now packed and shipped the early season has seen substantially more fruit sent to the EU (9.8 million cartons) compared to same time in 2015 (7.3 million). Other markets have a more modest increase - Middle East 4.8 m vs. 4.4 m; North America 1.2 m vs 0.7 m; Asia 3.7 m vs 3.6 and Africa 0.5 m vs 0.4 m. Russia is the only market with less shipped to date – 1.8 million cartons in 2016 vs. 2.3 m in 2015.

To end Week 3/6/16 Million 15 Kg Cartons	Packed	Packed	Packed	Shipped	Shipped	Original Estimate	Latest Prediction	Final Packed
SOURCE: PPECB/AGRIHUB	**2014**	**2015**	**2016**	**2015**	**2016**	**2016**	**2016**	**2015**
Grapefruit	11.1 m	10.7 m	7.8 m	6.1 m	4.8 m	12.4 m	12.4 m	16.1 m
Soft Citrus	4.5 m	4.7 m	5.9 m	3.4 m	4.7 m	11.2 m	11.3 m	10 m
Lemons	6.2 m	7.3 m	7.8 m	5.9 m	6.8 m	16.1 m	16.1 m	15.1 m
Navels	5.4 m	6.3 m	8.7 m	2.9 m	5.3 m	25.1 m	25 m	24.5 m
Valencia	0.6 m	0.4 m	0.5 m	-	0.4 m	46.4 m	46.4 m	52.7 m
Total	27.8 m	29.4 m	30.7 m	18.3 m	22 m	111.2 m	111.2 m	118.3 m

SOUTHERN AFRICAN CITRUS GROWERS FUND THEIR FUTURE THROUGH THE CGA GROUP (CRI, RIVER BIOSCIENCE, XSIT, CGA CULTIVAR COMPANY, CGA GROWER DEVELOPMENT COMPANY AND CITRUS ACADEMY)