Citrus Marketing Forum

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10h00 on Thursday 14th March 2013 at Holiday Inn Garden Court, OR Tambo, Jhb.

MORNING SESSION
STRATEGIC PLANNING AROUND INFORMATION

1. Welcome and Introduction
   Paul Hardman welcomed all to the meeting and stressed that the emphasis of the morning session was to think strategically about the future information/data needs that would help the citrus industry to remain or enhance global competitiveness. The idea being to think long-term and tactically, so that steps can be taken now to meet these future needs.

2. Way forward
   The discussion considered estimates, weekly packed figures, week shipped figures, the CGA Tree census, medium- and long-term growth projections, online phytosanitary registrations, data sharing (SHAFFE, CLAM, etc) and finally market feedback. CGA recorded the comments and needs that growers and exporters expressed and will compile a strategic document around this feedback. This strategic document will be made available for distribution and improvement before being tabled at the next CMF.

Citrus Marketing Forum

AFTERNOON SESSION
CITRUS MARKETING FORUM

1. Welcome and Apologies

Paul Hardman, the acting Chairman for this CMF gathering, welcomed all.

The following apologies were recorded: Rikus Groenewald, Hendrik Schoeman, Graham Barry, Jan Le Roux, Nico Folscher, Wiekus Hellmann, Oksana Rybanok, Jon Roberts, Adri Nel, Peter Nicholson, Gabrie van Eeden, Ian Waller. The CEO's of FPEF (Anton Kruger) and CGA (Justin Chadwick)who normally rotate the Chair were travelling overseas.

2. Election of Chairperson

The meeting proposed and agreed to maintain the current approach to the chairmanship whereby the CEO's of FPEF (Anton Kruger) and CGA (Justin Chadwick) would rotate the Chair.

3. Approval of Minutes of Meeting held on 31 October 2012.

The Minutes of the previous CMF held on 31 October 2012 were approved as a correct record of the meeting; proposed by Hoppie Nel and seconded by Piet Smit.

4. Completion of Agenda

New items were proposed and are covered within the respective section in these minutes below.

5. Strategic Session: (Information)

5.1 Estimates

John Edmonds presented the draft 2013 estimate as determined by the various variety focus groups earlier in the week. This estimate will then be subject to consideration by exporters and growers not able to attend the meeting for a period of 7 days. At the conclusion of that process the 2013 estimates will be published (see table below). More detailed estimates per region and variety are available from CGA.

** This table reflects the final estimates having received comments for 7 days after the CMF. Note that 2012 data and 2013 estimate include Zimbabwe, Mozambique and Swaziland.*

	2 006	**2 007**	**2 008**	**2 009**	**2 010**	**2 011**	**2 012**	**Estimate 2013**
VALENCIA	34 425 852	43 557 225	43 224 699	38 499 132	46 739 760	44 169 932	47 238 584	**47 687 700**
NAVELS	16 610 193	18 730 110	21 540 837	19 402 276	22 943 816	21 158 307	24 554 517	**24 857 390**
GRAPEFRUIT	10 521 535	14 312 096	12 839 811	14 223 903	12 470 420	15 937 517	13 038 968	**14 957 659**
LEMONS	7 492 139	7 352 636	9 580 168	8 661 996	9 655 291	10 782 427	10 504 127	**11 140 405**
SOFT CITRUS	5 878 399	6 762 572	7 342 352	6 781 746	7 535 584	6 907 856	7 635 313	**8 177 105**
TOTAL CITRUS	**74 928 117**	**90 714 639**	**94 527 867**	**87 569 053**	**99 344 873**	**98 956 039**	**102 971 509**	**106 820 258**

5.2 SHAFFE Expectations for 2013

John Edmonds provided a brief summary of the key developments in the SHAFFE countries that may have some impact on the 2013 citrus export season. **Argentina**: They are expecting a "normal" year after difficult climatic factors for the previous few seasons, and therefore some recovery in lemon exports compared to previous years is expected. One could expect greater competition in the lemon sector this year. **Peru:** Also anticipating a normal year with similar volumes as in 2012. **Uruguay**: Volumes were expected to be significantly up from 2012 because of the poor climatic factors in 2012. Volumes would recover to 2011 figures. Uruguay will likely have market access to the US for first time in 2013. **Australia**: Volumes in Queensland are expected to be slightly down after the floods there (-10-20%). Otherwise they are expecting a good crop and will likely be marketing it in SEA as they face increasing competition from Chile in the US market. They will be back up to export volumes last seen in 2002. **Chile:** Chile had experienced some drought in the northern growing regions but otherwise they were expected to increase exports again in 2013, mainly targeting the US and Canada markets.

5.3 Impact of Minimum Wage Increase: Dr Hoppie Nel

Dr Nel provided a brief presentation to illustrate the impact of the recent 52% increase in the minimum wages for farm workers. **In essence this shows that the price per carton should increase by R18.66 (or 13.61%) in the EU just to cover this cost.** The example used can be viewed in Annex 1.

6. Strategic Session: (FPEF)

Presentations made at the CMF are available on the CGA website.

Market conditions:

6.1 Asia, Far East and Japan: Adolf Kieviet

Japan: Adolf reminded the meeting that consumption of grapefruit was in a downward trend in Japan, mainly attributed to a diminishing grapefruit-eating aging population and a younger generation choosing soft citrus over grapefruit and other food altogether. The Yen currency has also weakened making imported fruit more expensive. It is concerning that Florida has had a bad fruit quality year and retailers have decreased shelf space allocated to grapefruit. At the same time the Californian citrus (oranges) has been of excellent quality (eating quality) and is providing more competition. About 15 percent more fruit from California and Turkey is expected to be in the market and providing additional and significant competition for the SA offering.

SEA: The concern here is that the grey channel is closing down and becoming very expensive. This means more SA citrus is expected to be shipped via the green channel in 2013, and therefore words of caution to pack and ship sound quality fruit were tabled. The meeting pointed out that Nova shipped under cold sterilization had problems in 2012 and special caution is needed for this variety. There is increasing volumes from Turkey and California in SEA but this would likely be 50% completed by end of February. Greater volume of Australian product is expected on the markets this year given their aggressive export programmes targeting the SEA countries.

Indonesia: It was noted that this market has been applying very strict SPS rules in order to restrict the import of fruit into Indonesia. The latest indication is that quota's are in place for citrus which are basically 50% of all imported citrus in 2012. It is not clear how these will impact on the SA trade and CGA is working with DAFF to try get more details. These details will be communicated when they become available.

6.2 Europe and UK: Appel van Zyl

The 2012 season had ended fairly well for SA and it seems the same situation is expected as we enter the market again. Most commodities are currently undersupplied, so a smooth transition into the EU market is expected although the EU economy continues to be under pressure with uncertainty about overall economic recovery. Appel indicated that exporters should ship to a program and not "push" the volumes but rather let the market "pull" the fruit as required. Grapefruit: The better fruit sizing this year compared to last year is expected to be more suitable for the EU market and help sales – giving a better spread of sizes and not only small fruit. Currently lemons were doing reasonably well with no problems. Spain volumes are decreasing toward the end of their season and there is anticipation about the arrival of South African lemons (having a better image than the Argentinean product). For oranges, early big sized Navels would probably receive a good price. Egypt was becoming an increasingly important player in the EU market but had a lot of small fruit at the moment. Spanish navels are good quality this year. The Valencia offering is dominated by small sized fruit from Egypt. Prices are expected to be up because of the threat of the CBS issue. Spain is expected to ship Valencia's to the beginning of June. Easy peelers: The late cold weather in the EU is driving easy peeler sales which is also expected to have a positive effect when the first SA citrus arrives in the EU. Demand for easy peelers at this stage seems good.

6.3 North America: Piet Smit

USA: The South African marketing window is shrinking due increased local fruit including citrus being available in what was historically an open market for SA. Californian navels were on the market until the end of July in 2012 whereas they were normally finished in the last week of June. It is expected old Californian navels will again be available late into the season this year. Clementines: There is significant growth in the Clementine market with potential to grow further. Some of this growth is at the expense of navel sales. It is expected that SA will ship similar volumes to the US as has been the case in previous years (approximately 41 000 pallets; 1.9 m boxes of navels, 400 K of Clementines and 500 K boxes of Midknights.) Next week there is a planning session with DAFF, PPECB, growers and USDA. Competition: More competition/volume is expected out of Chile this year. Chile currently splits volume approximately 60/40 to the East/West coast, but increasing greater volumes of poor quality fruit. The has allowed SA to differentiate on better quality and reliability of shipments, but the increased competition means prices are down about $2-$3 compared to historic figures. Uruguay will also be playing a part in the USA market soon. **Canada:** Piet Smit warned that Canada is a small market and although it took CBS fruit, one should not ship there unless one had a program. Paul Hardman indicated that Canada was picking up Mancozeb residues above the MRL and this was a concern for those treating CBS and sending this fruit to Canada.

6.4 Middle East: Piet Smit

Turning to the Middle East Piet indicated that Egypt would likely be late in the market again with cheap fruit and will compete with the arrival of South African citrus. Currently Egyptian fruit quality looks mixed. He warned against poor colouring for the opening SA offering as buyer look for good colour. SA is expecting better fruit sizing this year which should mean less pressure in the

Middle East as other markets prefer a larger fruit. Recent prices are slightly higher than normal for this time of the year. Piet raised a concern of the cost of freight, which has increased dramatically to the ME, which puts pressure on this FOB market. Piet expected the impact of the EU CBS issues to have impact on the ME as exporters diversify their risk (exposure) to the EU.

6.4 Russia: Riaan Ellis

Riaan provided a presentation highlighting the fact that Russia is an important market for SA fruit, and especially this year given the threat of market closure in the EU. This market does need to be managed carefully though to avoid oversupply problems. Current conditions: The citrus market was looking good until mid-Feb but has stagnated a little since then. There is an oversupply of Easy Peelers from Pakistan, Morocco and Spain. Likewise for lemons there is an oversupply from Spain and Turkey. For oranges Egypt is the main player in the market at the moment with low orange prices being realized but slow product movement. Israel and Turkey are supplying the grapefruit market at present. Overall the prospect for SA fruit arriving in the market is good but late competition from Egypt is a threat. Riaan indicated that real-time information on the market situation is very important. The Russian Marketing forum will continue to operate this year. Exporters were encouraged to manage payment risk via good payment terms and Fixed Prices are essential. Every grower needs to calculate his breakeven point. He concluded with "send what the market wants".

7. Progress reports – Input: (DAFF)

Presentations made at the CMF are available on the CGA website.

7.1 Phytosanitary:

CBS Update: Salamina Maelane

Salamina discussed a number of issues that DAFF were dealing with on phytosanitary markets. It is recommended that those not attending the meeting view the presentation available from CGA. In terms of the EU CBS situation the following points should be noted:

- Growers must indicate their harvest date using the CBS INPSPECTION PLANNING TOOL. DAFF will use this information to plan when and where inspections need to take place.
- CGA,FPEF and DAFF have formed a small working group to address issues around the RMS system to reduce the impact of the RMS on operations but maintain a high level of compliance.
- Growers exporting before the end of March must be inspected by DAFF, but will be issued with "Pending" status until the full phytosanitary registration listing is published on the 31st March 2013.
- Growers that had been blacklisted are required to follow the formal procedure before they are reinstated.

Piet Smit appealed that the pest-free areas of the WC and NC be issued with a letter confirming this. Mike Holtzhausen made the point that WC and NC regions have already been certified as CBS-Free and that DAFF must declare this in terms of the ongoing engagement with the EU. It was suggested that for CBS-free areas the option of "CBS-Free" be used instead of "Approved".

BI Update: Jan-Hendrik Venter

Jan-Hendrik Venter gave a brief presentation on current BI status in SA indicating that DAFF have limited resources to continue funding eradication programmes. Andrew Muller observed that the BI hits coincided with the end of the mango season. DAFF are in the process of formalizing their position on *BI* including how they intend to manage the pest going forward. He noted that growers and exporters should anticipate a formal notification on the BI situation in the next few weeks. **FCM Update**: Paul Hardman

Paul Indicated that CGA/CRI were monitoring the developments around the finalization of the European Plant Protection Organization (EPPO) pest risk assessment for FCM and will communicate the findings and implications to the citrus industry once they are available.

8. Logistics Feedback: (PPECB)

Cyril Julius updated the meeting on activities of PPECB (see presentation), but focused on the impact of the RMS for CBS and FCM at the various stages in the supply chain.

10. CMF Budget (CGA) – P Hardman

Paul Hardman informed the meeting that the costs of the CMF are split 50/50 between the Citrus Exporters' Forum and the CGA. The budget includes the parallel payment for the PPECB shipped information and the AgriHub information for 2013. The meeting agreed to the budget.

11. CMF Meeting Calendar for 2013

Paul Hardman proposed that the current arrangement of three CMF meetings a year with the next meeting mid-year, be maintained. The meeting agreed with the understanding that more details will follow closer to the time.

13. General

13.1 Carton Weight – Dawid Groenewald confirmed that some buyers requirements for Europallets had been received but indicated that this request could not be entertained by South African citrus packagers. Europallets had been tried before, the result being a complete failure.

14. Closure

The meeting closed at 15H00.

Annex 1.

Citrus cost chain 2013 - TO BREAKEVEN - EXAMPLE

Ha		*300*				
Cartons=		*588 000*				
	Pre-wage increase			**Post -wage increase**		
	Rand	**R/carton**	-	**Rand**	**R/carton**	**% diff**
Production costs	8 943 000	15.21		8 943 000	15.21	
Labour -production	1 879 000	3.20		2 818 500	4.79	50%
Labour -harvesting	2 400 000	4.08		3 480 000	5.92	45%
Labour-pruning	339 000	0.58		508 500	0.86	50%
Packing	16 618 000	28.26		20 107 780	34.20	21%
Transport	3 850 000	6.55		3 850 000	6.55	
Overheads	3 232 000	5.50		3 232 000	5.50	
DIP		**63.37**			**73.03**	15%
Levies, Fees and Commission	3 337 000	5.68		3 337 000	5.68	
Port,wharfage and spec market	6 271 000	10.66		6 271 000	10.66	
FOB		**79.71**			**89.37**	12%
	46 869 000			52 547 780		
	2012			2013		
Eur freight cost	USD 3 600	20.25		USD 4 400	24.75	22%
Eur BAF	USD 1 200	6.75		USD 1 200	6.75	0%
Eur total freight	USD 4 800	27		USD 5 600	31.5	17%
Eur port, dues and deliver	EUR 450	3.375		EUR 450	3.375	0%
EUR DDP		**137.08**			**155.74**	***13.61%***
					18.66	
	ZAR/€	12			12	
		EUR 11.42			EUR 12.98	14%