

## **CITRUS MARKETING FORUM**

DRAFT MINUTES OF MEETING HELD AT 10:00 ON TUESDAY 18TH MARCH 2014 AT BIRCHWOOD HOTEL AND CONFERENCE CENTRE, ORT, JHB

### **1. Welcome and Introduction**

Justin Chadwick welcomed all to the meeting highlighting that this CMF would be looking at three main areas: 1) Strategic issues around market access priorities, 2) Estimates for 2014 and 3) update on the EU/Citrus Black Spot issue.

Apologies: Hannes Bester (CRI), Ian Waller (ODA), Mike Holtzhausen (DAFF), The Fruitman, Kuehne and Nagel, Colors Fruit, Scott Dowle (Cape Citrus)

### **2. Election of Chairperson**

It was agreed to maintain the current system of rotating the chair between CGA (Justin Chadwick) and FPEF (Anton Kruger).

### **3. Approval of minutes of previous CMF meeting held on 1 November 2013**

The Minutes of the previous meeting were approved as correct record of the meeting.

### **4. Strategic Session: Market Opportunities for RSA Citrus exports, Dr Hoppie Nel**

Dr Hoppie Nel had been contracted by CGA to undertake an exercise to help CGA/FPEF identify key new markets which should be prioritized and allocated resources to try address any constraints or challenges that prevent current or future citrus exports to these markets. This was a continuation of initiatives beginning 2011 to try focus the industry around the new market opportunities and threats. The expectation was to identify five markets by the end of the session. Dr Nel made a presentation, which was also presented to the CEF for input on 13 March, t (available on the CGA website) of which the key points are summarized below:

- 1) Big picture: The broad trends are that traditional markets are stagnating and SA needs to look to new markets in Eastern Europe, Middle East and Far East where citrus imports/trade is increasing. There has been slow but positive growth in oranges, lemons and Soft citrus trade, but Grapefruit trade has declined (-2%). Per capita consumption varies considerably across regions and across fruit types which one needs to take into account in the prioritization process.
- 2) Developing countries are the future. Approximately 16 countries were identified in previous rounds of consultation for further analysis. Factors taken into consideration included: total population, % urbanization, current citrus consumption and GDP. Many of the countries with greatest potential are developing countries.
- 3) Dr Nel provided an Opportunity Analysis to identify the market specific potential. This was done on a per citrus-type basis. Here competitor countries (main players) in each market were listed (those highlighted in green could potentially be displaced/out-competed by SA). Many of the markets also have domestic production (mostly counter-seasonal). The exercise then identified the potential gap between local and imported fruit taking into account seasonality to reflect the SA market opportunity.
- 4) SWaT (Strength, Weakness and Threat) analysis. This was done on a country-by-country (market) basis. Factors raised here include tariff barriers, phytosanitary barriers, trade agreements (or lack thereof), logistics problems (inability to handle incoming citrus fruit), lack of awareness of SA fruit and customer related risk (e.g. payment risk).

Taking the presentation into account the meeting identified 5 markets to focus on immediately: South Korea, Indonesia, Vietnam, India and Iran. Ghana will be retained on the list as a proxy for African countries in general. Justin indicated ongoing market access

initiatives by CGA & FPEF will continue (e.g. retaining the EU market) but this exercise will guide thinking and planning for the remaining resources.

Other actions:

- Databases should be created/ updated for :
  - o Tariffs, duties, levies, documentation needed for each of the prioritized countries;
  - o Phyto-sanitary issues, protocols for each of the prioritised countries;
  - o Warehousing facilities at receiving port facilities;
  - o In-land distribution capacity;
  - o Credit guarantees

**5. Finalization of agenda**

No items were proposed.

**6. Information:**

**2014 Estimates (John Edmonds):**

Draft estimates collected from the Variety Focus Groups meetings held the previous day were presented by John Edmonds. The meeting noted the draft estimates, and that the broader industry will have three days to provide feedback before these are published officially. A summary table of the draft estimates is presented below.

Product	2012	2013	2014est	Change
VALENCIAS	47 289 860	51 407 688	49 530 000	-4%
NAVELS	24 554 405	25 418 888	25 813 680	2%
GRAPEFRUIT	12 765 149	17 849 159	16 839 111	-6%
LEMONS	10 512 106	10 626 934	12 134 692	14%
SOFT CITRUS	7 640 712	8 442 205	9 204 454	9%
	<b>102 762 232</b>	<b>113 744 874</b>	<b>113 521 937</b>	<b>-0.2%</b>

The various focus group representatives added further comments and a summary for each varieties is provided as follows:

- Valencia oranges: Most regions are down with Letsitele being the only exception. This looks like a normal crop, perhaps one count size bigger than last year.
- Navels: Also a similar crop to that of 2013, also a size up in some regions (peaking on counts 64,72). Senwes was down due to hail in some areas.
- Lemons: An increase of 14% is due to the recovery of Sunday's river valley (2<sup>nd</sup> and 3<sup>rd</sup> set was not there in 2013) and some new plantings mainly in the Senwes area. Quality looks good.
- Grapefruit: Red grapefruit is expected to be down 7% and white down 4%, which is less than in 2013. The quality also looks good.
- Soft Citrus: This estimate is up driven by an increase in Nova volumes (off a low base) and late mandarin types (10% up). Again quality looks good so far and timing looks normal.

General Comments:

- An appeal was made that exporters should maintain a high standard for quality as this would ensure SA is able to sell all the product available and maintain its competitiveness.
- The soft citrus group highlighted that this category was expanding with new plantings and exiting orchards coming into production. The request was to obtain an idea of what volumes are actually likely to transpire in the next few years. CGA indicated that the long-term crop projection was due to be updated in 2014 and will likely be presented at the CRI research symposium.

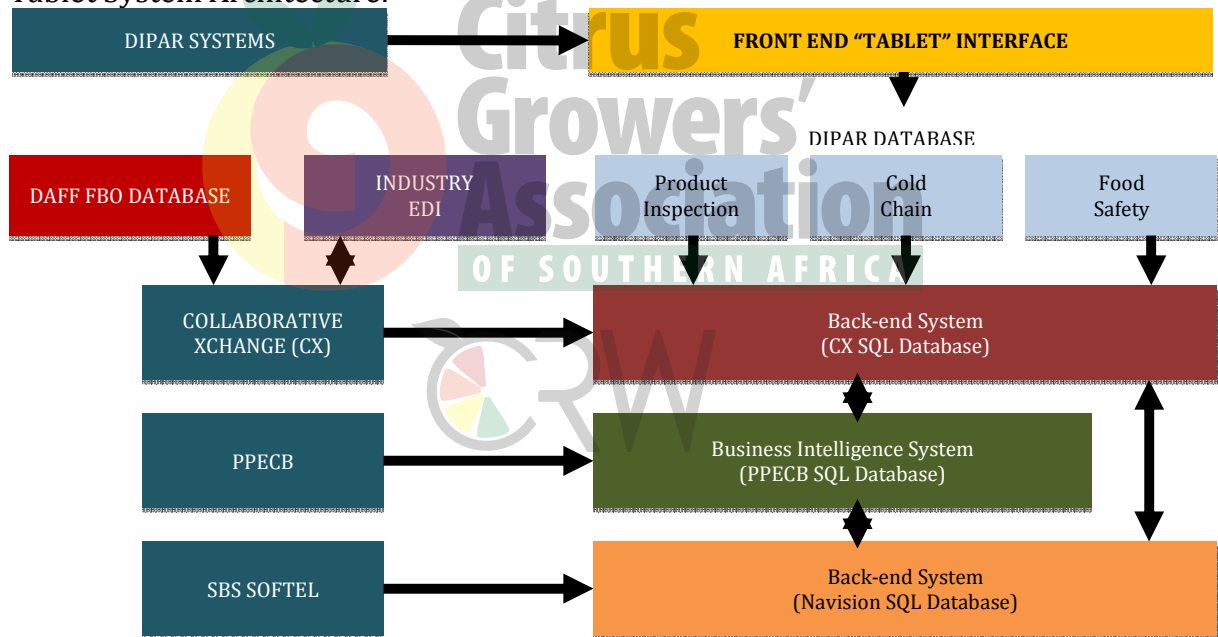
Anton will distribute the estimates to exporters and request their feedback/comments/input to be sent to John Edmonds by close of business on 20 March.

**PPECB Update on Tablet Rollout (John Grey):**

John Grey has joined PPECB and provided the update on the tablet technology (available on the CGA website). The key points of the presentation included:

- The idea behind the project is to reduce paperwork and the errors associated with re-capturing data. For a typical consignment there are 9 different role-players and up to 23 hand-overs of documentation. In a recent assessment 18-19% of documents presented for signing had errors and could not be processed. The tablet project is seeking to eliminate these types of issues, promoting compliance with DAFF requirements, electronic certification, accurate billing, accurate data to industry stakeholders
- The main challenge has been dealing with the vast number of role-players (e.g. 1200+ inspection sites) and the fact that IT service providers have not been ready themselves.
- John explained how the system would verify data at source and then pass this information electronically (EDI) to other stakeholders.
- John indicated that this WILL have an impact on business systems dealing with citrus and they need to start aligning themselves with the protocols and data transfer standards. In particularly exporters will need to start interfacing with the pack house to a greater extent and not rely on the cold stores for data generation.

**Tablet System Architecture:**



Looking forward, the timelines for the project are as follows:

Milestone	Completion date
Software Development	30/03/2014
DAFF database information	30/03/2014
Testing	30/03/2014
Process mapping	30/03/2014
Training	31/05/2014
Pilots with 4 pome pack houses	31/05/2014
Pilots with 10 Citrus pack houses	31/07/2014
Pilot with 5 Exporters	31/08/2014
Live	01/10/2014

General discussion around the tablet project and EDI:

- While it is clear that PPECB have made progress on the project, the meeting was disappointed that the system was not in place for this current year. This was particularly relevant given the need to provide our trading partners with the appropriate assurances about the food safety and phytosanitary status of consignments, as in the cases of CBS going to the EU. This was a matter of trust, not simply a matter of having a system in place. Without a system the citrus industry is not able to manage the relationship with trading partners and given them the information they need that will in turn build trust.
- Growers and exporters need to own the problem and take responsibility for it. And in particular at this time when a system is being developed and needs to get to a final point of delivery. Implementation is the measure of success, not the design or development.
- The “rules for the game” need to be defined and communicated urgently.
- The question is then how do we get all parties to sign up and use the system? It was proposed that a small working group to address this question made up of Peter Nicholson, Hannes De Waal, Kuben (DAFF representative), Anton Kruger (FPEF), John Grey, Willie Madiba (DAFF – FSQA) and Paul Hardman (CGA). This committee would consider existing instruments that may be used to compel growers, exporters and service providers to adopt the system (e.g. the citrus quality Standards and Requirements). Paul Hardman will arrange for the first meeting.
- It was noted that the inability to supply EU customers with the data about what fruit was on the water precluded the option of “pre-selling” that fruit in the EU, which was a major set-back in 2013.

#### **Agri-HUB : Progress (Anton Kruger)**

While it was expected that the Agri-hub will be up and running by February in time for the citrus season this will not be the case and a dual system will be in operation again in 2014. The main problem remains the permission letters are outstanding – this is holding up the process to implement the Agri-hub. 21 non-FPEF exporters are not signed up, and FPEF is working to get them on-board. The “blanket permission “ for table grapes has also not been received as yet, but is expected to have this finalised in due course.

Another concern was the differences in figures/information supplied by PPECB and Agri-HUB- part of the problem seems to be different conversion formulas being used by the two entities.

#### **7. Market Conditions (Anton Kruger)**

Anton Kruger presented the feedback from the Citrus Exporters Forum meeting held last week (presentation available on website):

- EU CBS crisis is likely to determine the final decisions of volumes to the EU and other markets. This will impact all SH suppliers.
- General conditions: There appears to be worldwide shortage of lemons expected for 2014. Grapefruit consumption continues to decline.
- Northern Europe: There is Moroccan and Spanish fruit around that is likely to remain on the market longer than last year. Lemon volumes are down. GF in decline.
- Southern Europe: Argentina is likely to put more lemons into this region. GF is expected to be good at the start but hopefully will not end like in 2013 where money was lost.
- UK: Change in retail dynamics with low-cost retailers increasing presence, there was some stock piling of Argentinian fruit in 2013 with market moving slow.
- Russia: Devaluation of Rouble is a concern, and the political issues in Ukraine/Russia is leading to sanctions against Russia by the EU and the USA. SA exporters are concerned about the effect of these on payments by Russian importers. The Easter period may represent a good market opportunity due the important role of fresh fruit in the Russian Easter celebrations. More presence from Soft Citrus suppliers in S America. Mkt is short on lemons. GF: Consumer profile generated, and it appears older generation of consumers, few young consumers. Oranges: Fruit size remains important. More might be sent to Russia due to late rains and external blemishes.
- Middle East: Caution not to oversupply this market in light of EU CBS issue. **SA MUST NOT MOVE TO CONSIGNMENT MARKET.** Consistency of quality, volume and prices is important. Ramadan is this year earlier than 2013 – it will be from 29/6-28/7.
- Far East: CBS issue will have an impact on FE prices if more fruit sent there. Number of exporters to this market has increased. GF consumption is declining. Oranges: Shortage of USA oranges now.
- China: Increased demand for SA citrus. The official PUC list has been approved (24<sup>th</sup> Feb 2014). Cold treatment remains a risk for quality, and adds cost. There is some concern about Nova's moving through the grey channel, which is likely to end. GF increased demand, this market prefers bigger sizes. Valencia's: Good market is expected.
- Japan: Exchange rate has devalued again. Final shipments of USA soft citrus ending early, possibly presenting an opportunity for SA Clementines. GF: Movement is slow with the possibility of USA and SA overlap. Oranges: Navel supply is currently down. Valencia volumes are growing year on year to this market.
- India: High import tariff remains the main problem. Low market interest for soft citrus, while lemon demand is increasing.
- USA & Canada: Same conditions are expected as in 2013. 24d cold steri protocol is likely to be reduced to 22d cold steri. Chile and Peru continue to increase volumes to US.

General Comments:

- Given the possible impact of the CBS withdrawn PUC list on volume to market a request was made for CGA to conduct an estimate of how much volume would be available for the EU (and therefore what would be diverted to another market). This would be a difficult exercise and could become outdated rapidly as decisions are being made daily as the situation changes. The meeting was advised to rather use the weekly statistics to see how the patterns are changing. Gerhard Uys and John Edmonds to discuss further.
- There does seem to be more Egyptian fruit around in Russia and other markets.

## 8. DAFF Feedback (Kuben Naidoo on behalf of Ernest Phoku, and Willie Madiba for FSQA)

The DAFF presentation was given by Kuben as Mr Phoku was involved in USA protocol meetings. The presentation is available on the CGA website and growers and exporters are advised to view it. Key issues highlighted in the presentation are:

- Update on the CBS EU situation and amendments to the Risk Management System (RMS)
- Update on Special Market requirements.
- BI status in SA
- Inspection point at Maputo
- General preparatory issues for the season ahead.
- Highlighting additional tariffs.

General Comments:

- Exporters requested that more visibility on a system is required to manage the paperwork around BI removal permits. DAFF indicated this remains the responsibility of the producer and DAFF are unable to release this information (currently facing legal action due this).
- Taiwan: It remains unclear whether more than one variety can be loaded into a container. DAFF will investigate this.
- The question of “over-stickering” was raised given the impact this has on the operations. DAFF indicated they will be looking at this issue on the 24<sup>th</sup> and 25<sup>th</sup> when the RMS is going to be reviewed.

Mr Madiba highlighted three food safety issues:

- Export Standards and Requirements: This had been finalized and published on the 24<sup>th</sup> February 2014
- UNECE Quality Standards: DAFF is the official representative at these meetings and highlighted the upcoming meeting in April. The Soft Citrus group requested that an industry representative with appropriate expertise accompany the DAFF official to the meeting. Mr Madiba indicated they would consider this request.
- Wax labelling: EU standards require waxes are indicated on the carton using either their names or assigned number. DAFF will be looking at this and seeing the level of compliance for fruit going to the EU.

**9. Logistics Feedback (Vijan Chetty)**

Mr Chetty indicated he was available for question should there be any but the bulk discussion around logistics issue impacting on the citrus industry would be addressed at the upcoming Citrus Logistics Forum to be held in Stellenbosch on the 25<sup>th</sup> March 2014.

**10. CMF Budget for 2014 (Justin Chadwick & Anton Kruger)**

This item would be finalized between CGA and FPEF (Justin Chadwick & Anton Kruger).

**11. Meeting schedule for 2014**

Typically the CMF meets three times a year with the middle session being optional depending on whether there are pressing issues to discuss. The industry will be advised accordingly regarding the next meeting date and time.

**12. General**

No new matters were raised.

**13. Closure**

Justin Chadwick thanked the presenters and participants at this meeting and wished everybody well for the season ahead. The meeting closed at approximately 13:00.

**Attendance List:**

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