



# Citrus Marketing Forum

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## CITRUS MARKETING FORUM

Minutes of the Meeting held at 10h00 on 26 October 2016 at Canal Walk Auditorium, Canal Walk Shopping Centre, Cape Town.

### 1. Welcome

Justin Chadwick chaired the meeting due to Anton Kruger being overseas. He welcomed all. He noted that all the presentations delivered during the meeting will be made available on the CGA web site.

### 2. Apologies

Apologies were noted from Hannes Bester, Vijan Singh, Graham Barry, Hannes de Waal, Willy Madiba, Hoppie Nel, Jan-Louis Pretorius, Cornel van der Merwe.

### 3. Approval of Minutes of Previous Meeting held on 17 March 2016

The minutes were approved.

### 4. Matters Arising from the previous Minutes

Justin Chadwick noted that the application for the CGA levy for the next four years had been approved and will come into effect on 1 January 2017 at sixty-eight cents per 15 kilogram equivalent carton.

### 5. Information

#### 5.1. Closest to the pin awards. (Justin Chadwick)

Justin Chadwick gave a light-hearted presentation on the accuracy of the variety focus groups' pre-season estimates. He noted that 2016 had been an unusual season. He said that CGA has a goal to be within 10% of the original estimate with 0-5% being considered good, 6-10% acceptable and greater than 10% unacceptable. He illustrated this point with a table (see below) indication the three categories with red, orange and green colours.

Whilst there had been steady improvement over recent years, 2016 showed some regression due to the unusual circumstances. Interestingly, the overall estimate was only 2% less than the original estimate.

	2005	2006	2007		2008	2009	2010	2011	2012	2013	2014	2015	2016
Grapefruit	-19%	30%	-20%		2%	8%	1%	-9%	-15%	-14%	-7%	6%	12%
Soft Citrus	-25%	7%	-18%		1%	9%	Spot on	14%	Spot on	3%	10%	-1%	9%
Lemons	13%	Spot on	4%		-16%	8%	-6%	-9%	-6%	-5%	8%	10%	-7%
Oranges	Spot on	18%	-18%	Navel	-8%	11%	-6%	-8%	7%	2%	1%	-3%	6%
				Valencia	-3%	12%	-11%	-3%	-1%	6%	Spot on	5%	-11%
TOTAL	-5%	17%	-17%		-5%	10%	-7%	-5%	-1%	5%	1%	4%	-2%

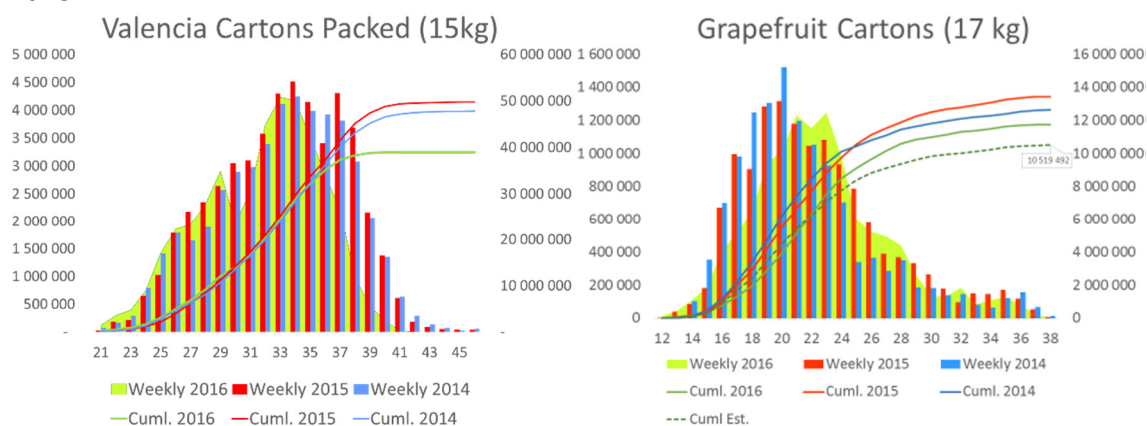
He noted that the estimate is not a production estimate, but an estimate of cartons to be packed for export and whilst it has proved to be more accurate than other countries' methods ideas to improve should be always be entertained.

Comments from the floor indicated a need for more detailed feedback with respect to expectations of fruit sizes. The fruit size trends that were ultimately packed for Eastern Cape and the northern regions were the opposite of what was initially expected. Rowan Vickery suggested that that the variety focus groups include the count distribution in estimates. It was noted that feedback on counts is given by the commodity representatives at the regular variety focus group teleconferences during the season which minutes are published on the CGA web site. Gabriele Van Eeden cautioned that that big variations could occur between farms in a region and that one should not be dependant on the variety focus group indicators. Justin Chadwick noted in response to a query from the floor that weekly supply to key markets by our southern hemisphere competitors was shared and published on the CGA website.

## 5.2. Inspections and Estimates (John Edmonds)

John Edmonds gave a presentation showing trends in inspection from the past season as compared to previous seasons. The full slide presentation will be available on the CGA website.

Noting the earlier discussion on fruit sizes he asked as to how the distribution of the message could be improved and what sort of lead time was required by exporters to receive such information. The drought effect in the north pointed to low volumes of grapefruit and valencias but the fruit sizes increased rapidly with late rains. Feedback from the markets indicated that the late start in the case of grapefruit and bigger fruit in the case of both valencias and grapefruit had caused unhappiness and confusion. Piet Smit pointed out that for valencias, indications of the smaller crop would only be seen later in the season as pack-houses worked at full capacity until the fruit ran out. It was noted that even within the valencias there was a confusing trend with the earlier fruit being large and later fruit being small. The grapefruit packing pattern continued with the flatter distribution curve as seen in 2015.



Navels performed better than expected but packing tempo was characterised by a high initial tempo due to creasing problems in the Sunday's River. Gabriele Van Eeden noted that a lot of late varieties had been planted and members should be aware of this in making estimates in the future.

Lemons were characterized by smaller counts and less volume than originally anticipated.

Overall all commodities had a good year.

## 6. Markets: FPEF Feedback

Rowan Vickery gave an exporter perspective on the season in the U.K and E.U markets. The full slide presentation will be available on the CGA website.

### Market Feedback: U.K.

Grapefruit:

2016 saw 23% less grapefruit than 2015 and 37% less than 2014. The market remained very short throughout and prices remained high. There was at least consistency of supply

Lemons:

RSA shipped 38% more than 2015 and 71% more than 2014, despite supply challenges mid-season (CBS & sizing). Argentina struggled and did not supply significant volume until late (September). RSA lemons did extremely well, but prices dropped £10/ctn in less than a week in September when Argentinian volume arrived. Spain have held back the first fruit, Turkey is now present, but large volume and poor quality are yielding low prices.

Navels:

Total NAV volumes were down 7%. RSA early navels were pale in colour and customers stuck to better coloured Northern Hemisphere fruit (also available for longer). Too much large-sized fruit was shipped resulting in low values. Small fruit was in short supply with very good values.

Valencias:

2016 volumes were down 32% (1m ctn) from 2015 and 2014. Valencia prices were extremely high, particularly on small fruit (72/88/105). Current prices are still at record levels as N. Hemisphere has not yet kicked in fully. Many customers confirm their existing supplier have let them down.

Soft Citrus

2016 saw a 7% increase in volume vs 2015 and 2014. N. Hemisphere ended sooner creating pressure on first RSA fruit with high prices. Customers stored fruit to ensure continuous supply, and when volume arrived prices came down (remained good though). Some importers caught with Nadorcott late and prices have now dropped. Spanish Nadorcott are starting to cut into RSA satsuma window. Thus there is no more natural gap in the seasons, which is leading to lower opening prices than historically realized on RSA satsumas.

### Market Feedback: EU

Grapefruit:

2016 saw similar volumes shipped vs 2014 and 2015 (5 - 5.2m). Prices started high and climbed higher, decreased again late in the season. NWC excellent returns on 35/40, some pressure on 28/32. Mediterranean markets were strong on smaller fruit

Lemons:

There was a much larger volume than 2014 & 2015 (2.2-2.3m), 3.4m (+47%). Prices started at reasonable average, but the Spanish stayed longer in the market. Huge prices were seen in middle period. Prices collapsed at the end with too much fruit around from Argentina and Turkey.

Navels:

RSA shipped 1m cartons more than in 2015. Spanish fruit was available for longer than anticipated. Large fruit was under pressure and early fruit was of poor colour. Late navel varieties did exceptionally well.

Valencias:

South Africa shipped 700k cartons less than 2015 and 1.8m less than 2014. There were similar issues as with navels. SA shipped far too much large sized fruit with poor prices in certain periods

which improved slightly later. Prices on small fruit stayed high and climbed right through to the end; seeing record prices for 72/88 and still increasing.

Soft Citrus:

There was significantly more fruit than 2015; up 1.2m cartons (+52%). There was a marked difference in pricing between sizes. Too much 1XX and bigger fruit was shipped which are not retail counts and wholesale sold fruit slowly. Prime counts sold well at excellent prices

Rowan's parting question to the meeting was as to when the current trend of increasing volumes will result in a price drop.

Werner presented FPEF market feedback on the other regions.

#### Market Feedback: Russia

The beginning of season started with lots of Egyptian citrus in the market. Russia began with Valencias and not much navels. Count 40/48 came under pressure especially in the end.

Early large volumes of grapefruit (Star Rubies) negatively influenced sales. Commodity prices remained under pressure through-out the season.

Satsumas especially went very well during the season.

There was a deficit of lemons in the market. Argentinean stock could not compete with RSA's superior quality. Overall lemons performed well.

#### Market Feedback: Far East

Oranges performed well in China and Japan's consumption remained stable. By the end of season orange prices in China became erratic.

Grapefruit prices remained good and the commodity performed well. There was a shortage of stock in Japan this year.

#### Market Feedback: USA

The navel market was difficult. Chile volumes to the USA in the same time period increased.

Overall citrus did well but not as good as previous seasons; commodities prices remained stable but in some periods came under pressure.

#### Market Feedback: Canada

Canada is predominantly a market for fruit programmes. Lemons were strong but other markets were stronger. The market was on par with other seasons but the lure was to make use of other markets because of pricing.

#### Market Feedback: Middle East

Navel quality and price was good. Preparing for an early end of season, the commodity experienced historically high FOB prices.

Lemons remained stable at the beginning of season with some pressure on pricing but in line with the time of the season.

The high prices set by South African exporters resulted in slower sales in the middle of the season and stocks being built up.

Towards the end of season the lemon market was relatively stable. Profitability became marginal with Turkish lemons arriving.

## **7. CBS Update**

Deon Joubert gave a presentation on the EU season from a CBS perspective. He reminded the audience of the initial objective of his portfolio, which was to retain the E.U. market whilst developing alternatives. The industries' response has been very good involving a lot of self-regulation and resulting in a significant success story and emerging stronger from the experience. His slides illustrated the growth in volumes to the market in spite of the challenges. He recommended that the matter be finalized via the W.T.O. process as soon as possible. He noted that France was very strict with inspections and that avoiding Spanish ports was a sensible

choice. He added that the trade was now very supportive of South Africa's case having previously ignored the issue. He also noted a big change in attitude and improved cooperation from Italy and Portugal.

Vaughan Hattingh noted that as long as E.U. members can measure CBS strikes in the current manner (testing for viable spores not required), the industry cannot dismantle the CBS system although it is unsustainable in the long term.

Deon noted his appreciation for the cooperation from the South African embassies in Europe.

Piet Smit (Bosveld) congratulated all on the low CBS interceptions but noted that weather is likely to have played a significant role in this year's success.

As an aside, Deon noted that South Africa had left the E.U. market with reigning lemon prices around eighteen euros. Argentina had sent late volumes which delayed Spain's entry for about three weeks, much to their chagrin.

On the matter of FCM, Deon noted that a risk management system will need to be in place by 2018. Many options are open and will need to be evaluated.

## **8. DAFF feedback and Coordinating Meeting Feedback**

Liezl Wentzel gave a summary the season with respect to DAFF's activities. The full slide presentation will be available on the CGA website. In brief:

The Pre-Season Phytosanitary Registration Workshops workshops were held in all production areas except for Senwes – due to the annual coordinating meeting held at Loskopdam. There was good attendance; thumbs up to citrus industry for their effort and support.

### Japan:

Japanese official arrived on the 14th April 2016. Exports took place from Durban only. 6432 consignments presented; 6170 passed; 262 rejected.

### South Korea:

The first Korean official arrived on 13th April 2016. Inspections commenced on 25 April 2016. Volumes posed a challenge with only one Korean official available. As per the agreement last season, only puc's exported this season will export for 2017. Other puc's will need justification. Lemons not to be registered in 2017.

### China:

The puc registration list was approved by the Chinese authorities in the 3rd week of March 2016. The first containers sailed via Durban port on 20th April 2016. High volumes were exported from the Durban port; over 3000 containers. Many exporters made use of other ports other than the prescribed port of entries on the basis of a permit.

### Thailand

Challenges included pallets not being upright, poor pallet bases, corner pieces and strappings.

### USA:

300 puc's were registered; 15 puc's suspended in 2015; 29 puc's suspended in 2016 due to fruitfly in clementines and fcm.

Annelise Heitman asked when South Korea and China would follow the USA in reducing the cold-steri requirement from 24 to 22 days. Justin Chadwick replied that it depended on when USA updated their manual. Vaughan Hattingh also noted that even the 22 day protocol was being challenged with new data indicating that a shorter duration was still effective.

## **9. Market Access**

Vaughan Hattingh gave an update on access to special markets.

### Philippines:

Official application has been made for all citrus types. A bi-lateral agreement will replace the permit system. A PRA has been ongoing for a number of years but unidentified problems halted progress. Their latest revision includes 19 pests which are not relevant to trade between us but accepting the list would amount to a tacit admission that such pests existed in South Africa and could have implications for other trade. Repeated submissions have reduced the list to 10 disputed pests and he suggested that they send their officials again for further review.

Vietnam:

The first PRA for oranges is still to be done. Progress is good with official documentation being received in July, although two pests must be removed from the list. DAFF sent a response in September and Vaughan is optimistic of prospects for next season.

China:

The three main priorities for China are to get exemption for lemons for the current cold-steri protocol; get access for bulk shipments and get adoption of a systems approach to reduce cold treatment measures. DAFF applied for the lemon exemption in October 2015. The Chinese authorities reverted with some concerns which technically do not hold water. CRI have prepared a detailed technical response which is currently with DAFF. The issue of break bulk shipping is showing more promise.

Japan:

The process to extend access of soft citrus from Clementines to all mandarin types is ongoing. There is also an application to reduce the harshness of cold steri conditions for fruit fly to be in line with other exporting countries. Washington navels are still the only navel variety allowed in the current protocol.

USA:

Responding to a question from the floor relating to a softer protocol for lemons shipped to USA, Justin Chadwick reported that the first priority is to gain access for a wider number of South African citrus producing regions to export to USA. It is prudent to keep the two applications separate. He said that he had met APHIS two weeks ago in USA. The remaining steps in the process are signing of the final rule and publishing it. He noted that in the current DAFF special market registration process, eighty percent of PUCs had ticked the USA market. He cautioned that USA should not be viewed as a "pot of gold". There is a window of opportunity for grapefruit and soft citrus but the market is only good for about half a million cartons. He noted that the Western Cape had incurred heavy losses in their first two years of exports to this market and only made any profit in the third year. CGA need to approach this market cautiously and responsibly.

Indonesia:

Justin noted that we have mutual country recognition and the permit system is still in place but erratic withdrawal of permits remains a risk. New Zealand have lodged a WTO case against Indonesia on these grounds.

Justin informed the meeting that during his recent visit to USA he had seen first-hand the mess that the Florida citrus industry finds itself in. Over recent years production has dropped from 240 million cartons to 70 million cartons. Two of the seven processing plants in the state had stopped working. Orchards are poorly managed as the fruit is intended for processing purposes. 70 000 acres have been abandoned but trees are not being removed due to tax implications if the land is reclassified "non-agricultural".

He compared their \$125 million (R1.5 billion) in Greening research to South Africa's total citrus research budget of R45 million.

## **10. PPECB Feedback**

Bernard Henning gave a brief feedback on PPECB activities. Vessels to Japan had sailed very successfully but the USA program was not as good with many delays. He urged that exporters do better planning in booking containers. Korea shipments proved challenging in that the activities of DAFF, PPECB and the Korean inspector had to be co-ordinated.

## **11. Logistics**

Mitchell Brooke gave a detailed presentation on an assessment of in-transit cold treatment container shipments of citrus fruits from South Africa to the Peoples Republic of China & South Korea.

He acknowledged the depth and value of knowledge of the senior people he had engaged with in this project and encouraged the industry to ensure this institution knowledge was passed on to the next generation.

He noted that the assessment was conducted to evaluate causes contributing to the failure of the cold treatment protocol in some cases prior to shipping to assist in making recommendations guide further research.

In summary, the 6 main findings were:

1. Certain carton types had potentially problematic ventilation, inhibiting airflow to the critical positions of the probes placed in the cartons. (Specific to airflow in Containers)
2. Pallet bases being used that do not comply with the CRI Packaging Guidelines. In many cases the pallet base slats obstruct the airflow into cartons as ventilation holes on the first row of cartons are being blocked.
3. In many instances the pre-cooling temperature of pallets achieve the required target temperature [-0,6degC] (the guidance temperature range is -0,8degC to -1,2degC for 96 hour duration).
4. Containers packed for in-transit cold treatment shipments are not pre-cooled prior to packing the container (the guidance temperature range is +1,5degC or colder being recorded on the probes).
5. Pallets packed into containers where the pulp/probe temperature exceeds the required protocol shipping temperature [-0,6degC] at time when the container doors are closed.
6. A number of power off and defrost cycles occur within the first 24 hours after packing the container destabilizing pulp/probe temperature.

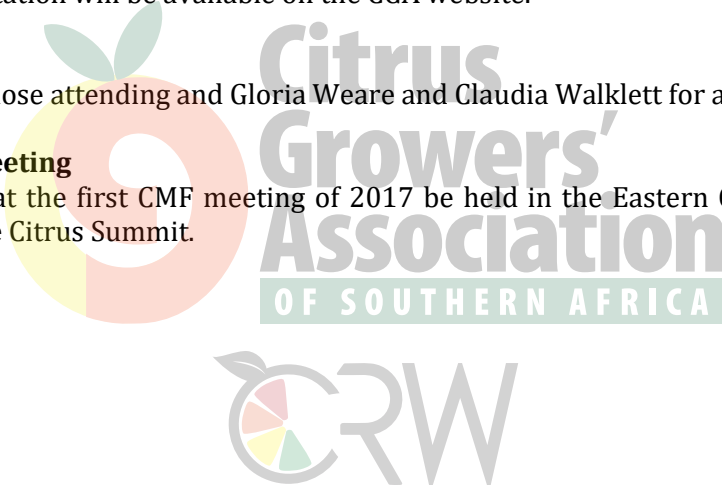
The full slide presentation will be available on the CGA website.

## **12. General**

Justin thanked those attending and Gloria Weare and Claudia Walklett for arranging the venue.

## **13. Date of next meeting**

He suggested that the first CMF meeting of 2017 be held in the Eastern Cape on 10 March to coincide with the Citrus Summit.



**Attendance List:**

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