



Citrus Marketing Forum

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CITRUS MARKETING FORUM

Minutes of the Meeting held at 13h00 on Tuesday 7th March 2017 at Saint Georges Cricket ground, Port Elizabeth.

1. Welcome and Introduction

The chairman of Fresh Produce Exporters Forum, Mr. Anton Kruger welcomed all to the meeting.

2. Election of Chairperson

The current system is one of rotating the chairmanship of each meeting between the chairmen of Citrus Growers' Association of Southern Africa and FPEF.

3. Apologies

Noted in appendix.

4. Approval of Minutes of Meeting held on 26 October 2016.

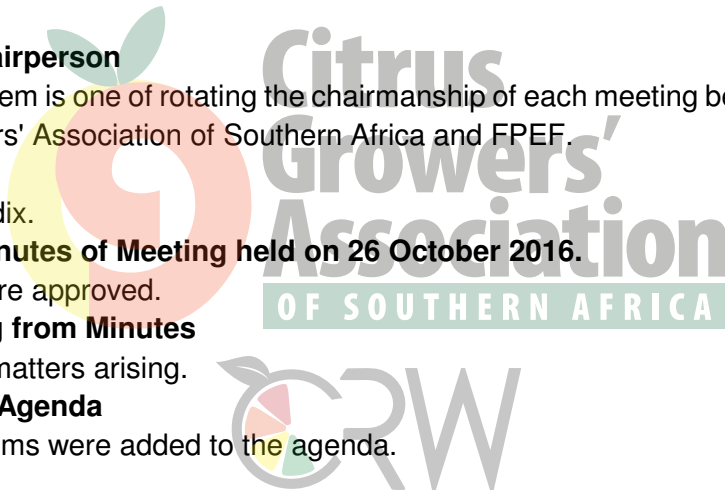
The minutes were approved.

5. Matters Arising from Minutes

There were no matters arising.

6. Completion of Agenda

No additional items were added to the agenda.



7. Information

7.1. Estimates

John Edmonds

John Edmonds (CGA) presented the 2017 estimate as finalized in the variety focus group meeting preceding the CMF. The summary is as follows:

CGA Region	Valencia (15kg)	Navels (15kg)	Lemons (15kg)	Soft citrus (15kg)	Grapefruit (17kg)	Total Citrus (15kg)
S.R. Valley	6 500 000	5 000 000	8 000 000	1 485 000	200 000	21 211 667
Senwes	5 400 000	7 285 830	3 610 000	706 000		17 001 830
Letsitele	11 774 000		220 000	185 000	4 000 000	16 712 333
W. Cape	4 800 000	7 128 000	700 000	2 509 977		15 137 977
Hoedspruit	5 843 000		830 000	1 100	3 644 000	10 803 967
Patensie	2 200 000	3 400 000	720 904	2 082 700	200 000	8 630 270
Nelspruit	2 900 000	1 950 000	600 000	1 495 000		6 945 000
Limpopo River	5 000 000		370 000	40 500	1 125 000	6 685 500
Boland	200 000	295 000	1 200 000	3 501 810		5 196 810
Onderberg	1 160 000		40 000	-	2 278 585	3 782 396
E. Cape Midlands	50 000	850 000	490 000	1 062 773		2 452 773
Oranje Rivier	464 049		172 810	127 980	1 058 243	1 964 181
Nkwalini	170 000		230 000	22 000	714 000	1 231 200
S-KZN	185 000	205 000	222 000	-		612 000
Pongola	70 000		95 000	-	186 000	375 800
VaalHarts	50 000	212 000	30 000	2 500		294 500
Zimbabwe	2 850 000				145 000	3 014 333
Swaziland	440 000				279 500	756 767
TOTAL	50 056 049	26 325 830	17 530 714	13 222 340	13 830 328	122 809 304

8. Market Outlook

Werner van Rooyen gave feedback from the recent Citrus Exporter's Forum meeting.

Europe

- Market under pressure.
- Last year, the market performed exceptionally well – Not expecting the same scenario this year. (Exchange rate)
- The market pay a premium for larger sizes and not doing well on smaller sizes
- Soft citrus - Global supply decreased - leads to market improvement. Spanish supplies has decreased to extend the season. Morocco under average supply for the season, mostly target UK first. Israel exporting higher volumes than 2016 – should be absorbed easily.

Europe/UK

Oranges

Global supply decreased. Currently, normal tempo of sales in the market and import prices remains stable. Juicing segment; volumes have increased and prices remain stable.

Grapefruit global supply has decreased. There is a slow downturn in demand – import prices remain firm. Turkish and Israel volumes decreased with Spanish volumes remained average.

Lemons - Spanish and Argentinian volumes must be monitored closely.

Russia

Use to import around \$60 billion agricultural and food products annually, now the figure fluctuate around \$20 billion.(source -Agroinfo). Consumers spend up to half their income on fruit and drinks. Substantially higher than the EU. What this means is that consumers are turning away from higher-end products towards affordable offerings. Russian Ruble (RUB) is under pressure.

Credit for advance payments is difficult.

Turkey's overall citrus supply to Russia increased substantially compared to 2016 volumes.(+/- 30% more). Market remains stable for Grapefruit and Lemons. Less demand currently for oranges, dominated by Egypt (wholesale trade). Surplus of mandarins in the market, but slight improvement in price. No import tariff for oranges. (31 Dec 2017)

Middle East

Last year, record prices were obtained – not the same prospects in the market for this year. (normal expectations). Egypt will aim to extend their valencia supply towards the end of the season. Exporters raised concerns regarding limited credit available for advance payments – supply reputable importers. There is a surplus volume of small fruit so industry must export responsibly to Middle East.

Far East

South Korea: Consumer consumption of grapefruit is high. Market experiencing increased activity from Egyptian exporters. Exporters must avoid forcing product on the market what importers do not want. (E.g. white seedless). Malaysia is a possible option this year but could not compete with prices paid in other markets in the previous season.

Japan: Importers currently negotiating same prices as last year with appreciation of the rand – Industry to remain steadfast. Increased Spanish citrus volume to China expected this season – Recorded exports 2016/17 season = 6,431 tonnes, compared to just 2,040 tonnes at the same time last year (recorded 19 Feb)

Northern America

USA production - forecast down 470,000 tons to 4.9 million. (citrus greening disease in Florida) Consumption is 8% higher and exports down slightly. Peru earlier with soft citrus this year. Keep a watchful eye on Chile volumes to gauge the USA market.

Oranges production is forecast down with 28,000 tons to 355,000. Imports are forecast up 20,000 tons to 300,000.

Soft citrus production is forecast to grow 4 percent to a record 899,000 tons on higher crops in California and Florida. Higher consumption will be supported by domestic supplies, NOT imports.

Northern America

Grapefruit production forecast down 40,000 tons to 688,000 tons; imports up 13%.

Lemon production forecast down 25,000 tons to 782,000 tons.

Canada:

EU FTA (Free Trade Agreement) is entering into force in April. The market can only absorb limited volume – exporters to supply fixed programs and ship responsibly. Stay clear of wholesale sector (lesson learnt from grape exports).

Critical Questions to ask ourselves:

- Will our existing markets be able to sell, at a sustainable level, 14% more volume of SA fruit than is currently the case in 5 years' time?
- Is our need for new markets aligned with that of Government?

- What about the next 10 years, where the growth in citrus alone will be 24% from next year onwards?
- Will our infrastructure be able to handle the **additional volume**?

9. Food Safety and Quality

Vijan Chetty gave a brief feedback on the PPECB pre-season meetings and CRI workshops. PPECB will do the orchard inspections on behalf of DAFF in 2017. A contentious issue was still the costing model to be used for phytos for the EU. Liaison with Ernest Pokhu will take place to resolve the issue. It was agreed that the tariff remain the same as gazetted.

Kuben Naidoo from DAFF also noted PPECB's role in phyto inspections. He noted that China was open for exports and that the Korean inspectors arrive on 8 April.

10. Market Access

Vaughan Hattingh noted that the Market Access Working Group which includes representatives from Industry and government was in place to facilitate bilateral trade agreements for citrus exports. He gave feedback on access to important markets as follows:

USA

Access to this market from CBS affected areas has been "trumped". Whilst the AGOA agreement was finalized just in time, the broader access sought for the CBS prone regions was not passed in time. It is still being reviewed but there is no clear time line as yet. Reversion to a 22 day protocol and opening of the Houston port for South African citrus imports has gone through.

Japan

South Africa has applied to Japanese authorities for an improved temperature protocol, but response is very slow. Anton Kruger noted that another delegation will be visiting Japan mid-year in 2017. Vaughan Hattingh noted the need to identify priority issues for market access due to limited resources available. He cited the example of the laborious process of access for Clementines being successfully completed only to have little interest shown in utilizing the opportunity created. Martina Odendaal noted the need for extra markets to accommodate the growth of South Africa's late mandarin varieties. Graham Barry added that the Nadorcott/Tango/Ori types would suit the Japanese. RSA Satsumas would not be welcome as they competed with Japanese Mikan. Vaughan Hattingh stressed the need to stimulate interest from the Japanese side.

China

The application to use bulk shipping to China is pending response from their authorities. The RSA application to exempt lemons from the cold-treatment requirement is still awaiting a response. There is a proposal that China send a delegation to South Africa to engage with DAFF; however no date has been set.

Philippines

South Africa has requested access to this market but Philippine officials are uncooperative and not adhering to international norms and have been putting up unreasonable barriers to entry. DAFF has been asked to set up a face-to-face meeting between the relevant officials on both sides.

Vietnam

South Africa has responded to the final draft protocol and is awaiting response from the Vietnamese. Anton Kruger noted that a delegation from South Africa will be visiting Vietnam later this year.

India

India are insisting on a land based cold treatment protocol which is not practical. India agreed to do an in-transit test. This has been done with pears. South Africa is awaiting a response from India.

Indonesia

Mutual country recognition has been accepted. Recently New Zealand too Indonesia to the WTO with respect to trade barriers. It remains to be seen how they will behave this year.

Myanmar

Bilateral discussions have taken place. They want a pest information package. Elma Carstens has engaged with DAFF on the matter. Vaughan asked for opinion on the importance of this market to exporters. One observation was that it would be a good market for late mandarins.

E.U.

With respect to CBS; the situation is the same in 2017 as for 2016 but with PPECB taking over inspections from DAFF. It was noted that big changes were coming with the E.U regulation framework undergoing changes. The time lag for implementation means that the implications of any changes will be felt in 2019.

On the matter of FCM, the E>U draft regulation has been sent to the WTO for the consultation process due for completion 15 April. Inputs will be assessed and the draft changed if necessary before publication. After publication there is a five month phasing in period. Thus the expected regulations will not be applicable for 2017 but will be in effect for the 2018 season. Vaughan felt that we can work with the current wording - effectively "consignment freedom based on effective treatment". He emphasised the importance of avoiding interceptions in 2017 and adhering to the pack house workshop recommendations. An FCM management system based on research and aligned with the expected draft regulation will probably be implemented in October; based on the Phytclean platform. He noted that good progress had been made with research on time/temperature protocols, the scientific validation had been published and it was ready to be implemented in all relevant markets. Anton Kruger thanked Vaughan Hattingh for his scientific contributions.

10.1. E.U. Exporting Recommendations

Hannes Bester read a letter from Dr Sean Moore and highlighted the options presented for cold-treatment. Graham Barry noted the likely damage to some sensitive cultivars to a two degree protocol. The vulnerability of satsumas to the two degree treatment was highlighted by Hannes Bester and Hannes de Waal. Hannes de Waal also warned of the huge cost implications of the measures. Peter Nicholson posed the question as to the merits of satsumas being sacrificed for the other varieties staying in Europe and whether South Africa should stay out of Spain to reduce the risks. Vaughan Hattingh noted the immediate need for clarity on a protocol for satsumas. Iwat the Soft Citrus Focus Group will debate the issue and submit recommendations to FPEF by Monday with the other variety focus group following suit the following week.

11. Logistics

11.1. Port operations, developments and regulations update - Mr Dave Watts (SAAFF)

Mr Watts gave a presentation which will be made available on the CGA website covering the following topics:

- Global growth and the container trade
- Container volume growth at the P engaging key strategic partnersort of Durban
- National Terminal capacity versus actual volumes
- Landside constraints and congestion at DCT
- Plans to address the shortcomings in Durban

- Road to Rail
- The Ports Regulator's interventions over 8 years
- The possible impact of the CGA on Export procedures and re-registration

11.2. TFR Fruit Industry Focus – Ms. Nyameka Madikizela, GM Agrigoods, TFR.

A presentation which will be made available on the CGA website was delivered covering the following topics:

- Strategic drivers and challenges of the fruit industry
- Addressing Fruit Industry requirements
 - Improving quality of the Cold Supply Chain
 - Alleviating bottlenecks and road congestion in the Port of Durban
 - Accommodating increased fruit production in upper northern hinterland areas
 - Allowing continued use of Reefer High Cube containers after Road regulation relaxation is cancelled.
 - Utilise rail to offset potential carbon tax (2019)
 - Allow co-investment in cold trains and terminals
- Engaging key strategic partners
- Illustrating fruit industry resource requirements throughout the year
- Illustrating the current capacity in RSA.
- Potential solutions which will drive towards efficiently alleviating existing bottlenecks.
- Rail Fruit's strategic path and roadmap.

11.3. Export forecasts: shipping and equipment planning implications M. Brooke (CGA)

Mitchell Brooke, Citrus Growers' Association of Southern Africa's logistics manager gave a presentation which will be made available on the CGA website highlighting the following issues:

- **Fruit Export Corridors & Regional Logistics Characteristics.**

The northern regions exporting through Durban faced long haulage distances with delays; high peak volumes; congested infrastructure in the port; problematic cold chain management in a condensed season; poor flow of containers.

The Eastern Cape ex PE & Coega Ports have short haulage distances with 80% containerization occurring inland; an expanding export volume base with good infrastructure and a multi-port [terminal] system with surplus reefer capacity & good efficiency.

The Western Cape growers have medium to long haulage distances with about 50% containerized inland; surplus cold storage capacity counter to deciduous seasons and good access to the port system with some congestion.

- **Analyses of Tree Census Data.**

- **Historical & Forecast Export Volume**

A number of slides were presented showing the growth in plantings, especially for lemons and soft citrus and the regional implications of the growth.

- **Summary of 2017 Logistics Demands**

He summarized expectations for 2017 with the following points. 2017 estimates predict a potential bumper citrus crop adding pressure on the logistics system. If no bulk vessels call PE, could mean added demand on container shipping from PE & Coega. The EC region could come under capacity constraints due to FPT facility being closed. Durban port could see bumper crop from the north adding demand on cold store capacity. New cold stores built will assist to balance off increased production. There could well be a high demand for container exports in Durban and good planning is need to ensure the regions container flows are managed effectively.

11.4. Industry standard for carton weights and declarations

M. Brooke (CGA)

12. CMF Budget (CGA)

Anton Kruger

Anton noted that the costs are shared equally between Citrus Growers' Association of Southern Africa and FPEF.

13. CMF Meeting Calendar for 2017

Anton Kruger

The meeting agreed that the next meeting date be provisionally set for 26 October 2017 at 10 am. Venue to be decided.

14. General

No additional items were raised.

15. Closure

The meeting concluded at 4:40 pm.

