

CITRUS MARKETING FORUM
Minutes of Meeting held on 1st November 2013
at Olive Grove, Infruitec, Stellenbosch

1. **Welcome**

Anton Kruger (AK) welcomed all.

2. **Apologies**

Hennie le Roux (CRI)
Lynette du Toit (Fruitman)
Deon Joubert (SRCC)
Stiaan Engelbreght (Everseason)
Julian de Jongh (Idea fruit)
Derek Sutton
Freek Dryer (Zest)
Max Le Roux (Van Doorn)
Riel Malan (Fruits unl)

3. **Approval of minutes of previous CMF meeting held on 14 March 2013**

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

4. **Finalization of agenda**

No items were proposed.

5. **Market Access workshop:**

Justin Chadwick (JC) explained that a workshop was held to determine market opportunities and challenges/obstacles to fully exploit all the opportunities. The objective of the workshop was to see where the markets are that need attention over the next 5 to 10 years. Promar did a market analysis and went through a number of factors to come up with a number of countries they recommend we need to focus on for different commodities.

JC explained how important it is to unlock market opportunities around the world especially if the EU carries on with the CBS enforcement. It is important to identify the markets – find out where our Southern Hemisphere competitors' send their fruit because these markets know Southern Hemisphere citrus. We must also look at countries that import fruit in the Northern Hemisphere season.

JC warned that there might be markets that are impossible to access and must rather focus on the markets with minor issues. Obstacles that must be considered are Phytosanitary and sanitary issues, tariffs, logistics, infrastructure on the other side, awareness of market development, credit insurance, documentation/red tape, product mix, quality and standards, packaging, language, culture and sanctions.

Markets were identified according to market share (less than 80%) with the reasons why and how we should overcome the issues that stop us from a bigger market share. Countries that were less than 80% were Japan, Indonesia, South Korea, India, Singapore and the USA. Other countries were also identified to grow market share: China, Thailand and Vietnam. Africa also has potential. 25% of SA apples already exported into Africa and Shoprite & Checkers and Fruit and Veg City are moving into Africa in great numbers. The biggest issue for Africa is logistics. Ukraine also came up in the Promar report although shipping is the problem with that market. JC asked if we should attend the annual fruit and veg show. Sanctions are still in place in Iran and Iraq.

Grapefruit is a challenge. SA doesn't have markets for bigger volumes. Should follow up with the Grapefruit Focus Group and Citrus Exporters Forum about promotions, referring to the two-year promotion in Japan. The growers could not fund it anymore and it is difficult to see the impact of the promotion after only two years. It is very important to promote SA fruit overseas.

There are also opportunities in Indonesia and the USA. Most of their fruit comes from Peru and Chile. We must take more market share in the USA. We must also take market share away from Argentina in Russia.

JC suggested that we must decide which countries are priorities and then find a system to get proper debate going forward.

Update on CBS:

JC thanked DAFF for their hard work during this season.

The EU Plant Health requires from SA to have treatments in orchards and proper official inspection of fruit. They added extra requirements to this.

Risk Management: SA has a management system to avoid sending CBS to the EU. CGA will have discussions with DAFF to relook the Risk Management system.

Trade: The volumes did not go down from last year because of CBS. Despite the pressure SA was still able to move a bit more citrus to the EU.

Responsibility: To keep the CBS levels as low as possible to prevent interceptions.

The long-term solution is the Scientific solution and to get CBS off the quarantine list. The EU is now finalizing their Pest Risk Assessment – the draft in July concluded that there was a risk. Hopefully the new assessment will not confirm the first draft and conclude that CBS is not a risk – then measures will be reviewed.

6. Strategic Session:

PRODUCTION (CGA and PPECB)

- Inspections feedback from PPECB (Vijan Reddy)

Citrus Type	Inspected	Rejected	%
GRAPEFRUIT	15,072,466	106,295	0.71%
KUMQUATS	191,578	3,014	1.57%
LEMONS	10,590,092	214,272	2.02%
LIMES	3,274	-	0.00%
ORANGES	73,633,783	1,321,330	1.79%
SOFT CITRUS	10,212,795	297,598	2.91%
Total	109,703,988	1,942,509	1.77%

The top 10 reasons for rejection was:

Rejection Reason	No of cartons
FCM	378,619
CBS	300,524
Decay	219,466
Blemishes	181,043
Injuries	115,061
Collective Deviations	83,462
Blemishes Serious	79,844
Insufficient Colour	79,568
Oleocellosis	66,527
Rind Pitting	48,491
Grand Total	1,552,605
Total Rejections	1,942,509

Blacklisted PUC's in 2013 = 46

- Predicted final packed and shipped figures (John Edmonds)

The objective is to be no more than 10% of the estimate.

Please see presentation on CGA website for figures.

This is market estimates and not production estimates.

The estimates for 2013 were fairly good except for grapefruit.

Estimate vs actual difference:

Valencia's 6%

Navels 2%

Lemons -5%

Grapefruit 21%

Soft citrus 3% more

The winner of the best estimates: Sunday River Valley, Deon Joubert for Valencia's, -0.8%

- SHAFTE and CLAM feedback (John Edmonds)

Please see presentation on CGA website for figures.

AK went to the SHAFE AGM meeting in New Orleans and noted that all our competitor countries face the same challenges: Labour, transport cost, fuel and energy.

Markets (FPEF)

- Europe and the UK (Rowan Vickery)

Europe: The speculation around the changes in protocols for CBS and potential access restrictions played a very significant role what happened in Europe this year. It led to uncertainty amongst the customer base. It turns out in the end that we delivered just as much volume in the market as in previous years.

It was an unusual European stone fruit and melon season. Europe had a very late spring, which caused problems at a later stage. It also resulted a very strong demand for Southern Hemisphere citrus in the May – June window that led to good citrus sales and good volumes. July and August that traditionally have slower sales rates in the summer holidays was further effected by the late stone fruit season and melons arriving in the market with poor shelf life and it sold at very low prices. It picked up in September and October again. There was a general expectation that shipping might end early into Europe as a result of CBS and the potential 5-strike system. Price levels were held in October expecting lower volumes that never materialized.

In terms of Europe there was a 30% increase in grapefruit volumes into the Europe market this year vs last year but the volumes were very similar to what was send in 2011. There was massive pressure on sales rates and prices from the summer holiday period onwards. SA was very lucky in the beginning because there was a good draw of SA citrus and we could clear our stocks.

The lemon season started slightly slower than anticipated, Spain and Turkey were in the market for longer then expected but as soon as they cleared out the prices went up dramatically and they held out right through the season and thus it was an excellent year for lemons. The prices only started to come down towards the end of September.

Oranges had a good year despite the high volumes that were sent into the market. Large size Navels were a bit under pressure in August and remained so but Valencia's remained strong throughout the season until the last 3 weeks when the prices started coming down.

Soft citrus had a good year without a lot of issues. The late Mandarin types had already started coming into the market when the South Americans arrived in the market.

UK:

Grapefruit had good prices but came slightly down in August and onwards. The same volumes were sent to the market as in the last couple of years.

Lemons: There was a strong demand throughout the season that resulted in good prices. SA supplied the market well. There were Argentinian lemons in the market but UK still prefers a SA product because of quality.

Oranges had another good year. The large sizes sold well. Small sizes fetched reasonably good prices. South America had very little affect on the market.

Soft citrus: Peru had a huge impact on the UK market. They started with Satsuma's and supplied late till early July. Their quality was very good.

It was a good season in the UK and Europe. Exchange rates played a big part in it.

- East Europe and Russia (Anton Kruger)

Lemons and soft citrus did relatively well. Star Rubies did not do as well. A lot of volume went to Russia including small sizes which dropped the prices. Sales stopped at the end of September when the temperatures started dropping. The big sizes still did reasonably well but there were a lot of diversions from the EU market to the Russian market because of CBS. That caused a lot of volumes ending up in the Russian market, which pushed the prices down. Most Russian importers complained about the fixed price system. They also complained that the market information they receive from South Africa via the Russian marketing forum does not correlate with what actually happens on the ground. This includes the volumes sent and the type of citrus that they receive there.

At World Food Moscow it was again discovered that SA need to raise awareness of South African citrus. FPEF met with four PR companies in Moscow who provided proposals. FPEF combined the 4 proposals into 1 to approach the dti for funding to do a proper awareness campaign about SA citrus for next season in the Russian market.

- Middle East / India(Christo Botha)

India: India has good potential because a lot of new local retailers are opening new stores but there are a lot of challenges too. India has a very poor infrastructure. Only 3086 pallets were sent to India, which is less than last year. Import duties still very high.

Middle East: Navels were stable throughout the season. Clementine's are losing to the Nova's and the new cultivars like Or, More and Clemengolds.

Grapefruit was very up and down. The smaller sizes were often sent to the Middle East. There is more potential because the retailers are growing. Expat numbers also plays a role in the potential of this market.

Oranges: The Egyptian Valencia volumes are a problem for SA. Egypt tried to stay in the market as late as June but they did not because of short shelf live – their quality was not good. The Valencia's went quickly this year and made it easier for SA to enter the market with the Navels. This year the market opened at the right price.

Ramadan was end of July and during this period the sales increased by 25 %. Every year Ramadan will be earlier and earlier which is in the Egyptian's favour and they plan accordingly. They will try to fill the market as late as they can which means it will put all the Navels under pressure.

Valencia's sent good volumes. Market is getting slower and under pressure and only 3 weeks left to clear. The first Egyptian rock hard Navels arrived in Jeddah last week.

It was difficult to ship lemons from Turkey via Syria due to the war. The quality of lemons was more acceptable than last year. The psychological impact of the freeze in South America that happened 6 to 8 weeks ago caused prices to jump up.

Soft citrus was a stable market. Egyptian Mandarin could not compete and SA did very well.

Grapefruit market unstable.

General: Exchange rate was good - selling in dollars made a huge difference. Black spot citrus was given away on consignment – this caused big problems. CB asked that if exporters are desperate to sell they must not give it on consignment because this will drop the price in the market. Markets are getting more sophisticated in quality and size. It is the easiest market to get access to because they take all the sizes, they have no duties or MRL's – Important that SA must look after this market.

- Far East and Japan (Patrick Bird)

Retailers were looking for SA fruit two weeks later than normal - when the 4th vessel arrived they were only starting to sell South African fruit. SA did not consider the cold store capacity in Japan until the season started. Too many pallets were not moving and Japan decreased the space for SA citrus. As the production in the north came up to maturity the volumes to Japan peaked earlier. The volumes used to peak on week 25 but nowadays it peaks from week 19 to 21.

- Northern America and Canada (Piet Smit)

Clementine's, Mandarin and Midnight volumes deteriorated a little this season. Navels were more or less stable and the biggest volume that was sent. Clementine's volume was lower and the biggest problem was that SA sent lower volumes to the USA – could have sent more. It is not worthwhile to go head on head with Chile on volumes because of price. The cost to the USA was very high from SA.

Grapefruit increased from 5000 cartons last year to 20000 cartons this year. There is some potential in the market but it is not a big market.

In general California had an early season and exited earlier and SA had a good start of season at the entry market. Chile had a lot of droughts in their early northern regions and they could not get harvesting and packing for the USA the same time SA did. This meant that SA in the first 4 weeks, July and half of August, had the market more or less to themselves (Clementine's and Navels). Therefore the market was very strong and the demand was good – Due to good prices and the good exchange rate the market was very good for SA. The dynamics of the market changed when Chile arrived - they arrived with a lot of volume on the Clementine's and Navels. Overall there were good returns in soft citrus and Navels.

The only problem SA encountered was on the last vessel with Midnights. It was a late arrival of the last vessel. California started earlier and supermarkets switched to locally produced citrus. SA's window to market oranges is getting smaller and smaller and SA depends on California when they start and stop with their season. California was earlier by 2 to 3 weeks and left SA under pressure for the last 2 weeks trying to get rid of Midnights at reasonable prices. Quality was good and this played a huge part in our success in the USA – Our quality was better than the Chileans and the Australians regarding eating, internal and external quality.

The biggest problem this season from the WC was wind blemishes. Another problem is Phytosanitary issues – trying to change the 24 days to 22 days.

7. Progress report/inputs – DAFF (Ernest Phoku)

Japan: Japanese official arrived on the 22nd April 2013. The first container shipments departed on the 27th April 2013. Challenges were experienced with regard to containers that were sent to Japan but not making it in time. The exports only went from the Durban port. The congestion in Durban port contributed to some of the problems in regard to inspections and certification. Higher container volumes together with break bulk vessels impacted the infrastructure challenges pre and post border, which put pressure on the regulators to certify. Two break bulk vessels experienced printer problems – re commence the in-transit cold treatment and notified the MAFF in Japan. Pressure was put on DAFF to re-issue phytosanitary certificates at the last

minute without providing proper justification. Containers went out without protocol during the in-transit and it compromised the certification.

Korea: Cartons were rejected for the following reasons: 10 910 cartons for Mealybug, 4 270 cartons for Citrus Mussel Scale and the rest (25 265 cartons) for markings, PUC's not registered, incorrect PUC's and orchard numbers on the cartons that did not match the documentation and the use of Japan cartons.

The first Korean official arrived the 7th of May. The season started earlier than usual and it was the first opportunity to export grapefruit. The protocol was revised in mid 2012 allowing grapefruit and lemons to be exported to Korea. Volumes were doubled in this season.

There are still problems exporting to Korea: High rejection rate for markings, PUC's not registered, and only 98 PUC's exported while 400 PUC's were registered. An agreement was made last season that only PUC's exporting this season will export next year. No PUC's from EC and WC will be registered for 2014. At the meeting in PE it was decided to consider still allowing everybody to apply for 2014 and the rule will apply also in 2015. There is still ongoing negotiation with Korea regarding point 5.1 of the revised protocol about insect-proof facilities and pallets to be wrapped with plastic that will affect the quality of fruit.

There is still a lack of discipline in the system where there are not proper markings on the pallets and incorrect documentation being presented for certification.

China: China had the same problem as Korea: rejections for markings, wrong orchards, consignment size, relabeling, old Japan cartons and orchard/variety not correlating with what was registered. The season started earlier when no approved lists from China were available yet. That created a problem when the 1st inspector arrived in Durban and there were no lists of Phytosanitary inspection and certification – must remember that if there are no lists from China available no fruit can leave the pack house for the China market. The first containers departed SA on the 16th of May. Exporters made use of other non-registered ports with the use of a permit: Yantian, Shenwan and Nansha.

Challenges: Consignments were packed where Chinese authorities had not yet approved the PUC database. There were high volumes for the infrastructure requirements – hoping for a better infrastructure in Durban. More than 25 phytosanitary certificates had to be replaced. When Phytosanitary certificates are replaced and resent it takes up to two weeks before it can reach the port because it must go through the system again. By this time exporters start calling and asking what is happening with the phytosanitary information. EP asked the exporters to do it right the first time. There were high rejections also for incorrect marking on cartons, wrong orchards, variety/orchard not correlating, the use of Japan cartons and missing information.

Thailand: This is a fairly new market. The reasons for rejections were FCM, FF, extra PUC's, markings and missing information. Other challenges were no requests were sent to the DAFF local office for container loading, no permits were presented during inspection, the stickers on each side of pallet and 'export to Thailand' was not consistent and too small. Two containers were rejected in Thailand for Fullers Rose Weevil.

USA: Pre-certification challenges: There were problems with the registration lists because it was incomplete (pending). The communication between the pack house, exporter and the port was not always good – must work on this to ensure that all volumes get inspected. Old cartons were used which is not allowed. The PUC on samples was different from the main consignment. There was incorrect biometrical sampling.

The way forward: De-listed PUC's will be communicated to DPH before the season starts. WC-CPF must communicate with the pack houses/exporters re volumes presented at the port. There will be no dispensation for old cartons. WC-CPF will regulate the small consignments. 8 PUC's were suspended. Bulk shipment phytosanitary certificates must always be on time and correct. Container shipment phytosanitary certificates must be presented in 5 working days.

EU: There were more than 5 CBS interceptions this year. However SA did manage to push the season up till the end. In September the decision was made to stop all packing for the EU from the 18th. There was a problem with the notification of changed status. This was resolved with the EU. The main problem at the port was congestion again. This is not only DAFF's mistake but sometimes the problem is somewhere between the packhouse, exporter or forwarding agent. The 5-day rule in terms of phytosanitary certificates also caused problems. Exporters believe this is not possible. EP warned that if this does not work we would have to go back to the rulebook and follow it by the letter. This will mean no consignment leave without a phytosanitary certificate.

EU interceptions:

EP noted that another problem around CBS is attributed to spraying programmes. There were discrepancies found in terms of the number of days during programmes that the fruit might not have been protected and this may be the time when there was infection. Human error also caused problems. There was a case where the fruit was intercepted in the EU before it was loaded on the ship. This means that information provided to DAFF for certification was wrong.

SA must show the EU that we are working hard to ensure compliance. We cannot always tell them there was an error in the packhouse or there was a mix up in the port. This only shows we are failing and that our system is not managed well. If we still have the EU market next year we will have to make sure that we comply with the rules.

Revised CBS risk management:

After the third hit the orchard will be blacklisted. If an orchard is hit and there are containers on the move which phyto's are not issued yet, DAFF will not issue the phyto's – DAFF will not take the risk.

EU cooling protocol: Under cooling within 6 days after first PPECB inspection / 18 days re-inspection. Airflow temperature for lemons 6 °C and for other fruit 4.5 °C. There was an indication that grapefruit might be considered for a higher temperature. All non-code 8 and 9 markets should have orchard numbers on cartons. All orchards on the 2013 alert list will need to be evaluated before EU registration. Orchards should be compulsory on the addendum. There will be no same day and next day rule anymore.

There were roadshows again this year and they were a success.

DAFF is going to train pack house managers and freight forwarders at the start of 2014 season. Pack house managers will be trained individually to make sure they understand the system.

EP warned that we must stop the blame game.

- Standard Operating Procedure and Electronic certification / PPECB Tablet Technology Project (Dr Willie Boshoff)

The PPECB board has approved the PPECB mobile system. Industry players also confirmed it - pack houses, exporters and system providers all agreed that it could work. Plans and strategies have been done. Have procured 3 vendors – one is an industry player, who does agency inspections. The database designs and some of the web interfaces are ready. Demos must be presented to the board this month. The goal is to deliver this system by the 28th February 2014 for the new citrus season.

- Markings and labeling requirements (Willie Madiba)

Documents were circulated in August about the labeling requirements regarding what is allowed and not allowed on cartons. The outcome of the PE meeting was that the FPEF would consult and get input and feedback from the industry and then provide a guidance and proposal to DAFF. Such proposal was handed over to DAFF.

In December or early January the standard will be published.

SA should also take note of what the international market is doing – how are they marking their cartons? Some of them mark their cartons almost the same as we do.

The purpose of the standards is to prevent misleading marketing information. It should be noted that no complaints were received from international competitors about the current wording used on SA packaging.

8. Continuation of the Russia Marketing Forum (Anton Kruger)

There was a survey to establish if this forum should continue. Most agreed to continue with the forum providing that those who are mostly involved in the Russian market would attend the meetings. Everybody must be on board for the next marketing forum.

9. Agri-HUB : Progress (Anton Kruger)

The Agri-hub will be up and running by February in time for the citrus season. They are starting on some pomefruit. FPEF is waiting for all the permission letters – this is holding up the process to implement the Agri-hub. The hub will enable us to have shipping information.

10. Matters arising from previous meeting (Anton Kruger)

Logistics: TNPA tariffs, Port of Durban, Port of Maputo: There is a working group being formed between exporters and stakeholders under the leadership of Mitchell Brooke. This group will do a submission on the tariff structure, pricing and all the issues to the TNPA. They will also look at issues in the ports of Durban and Maputo.

11. CMF meeting calendar for 2014 (Anton Kruger)

Will send proposed date via email.

12. General (Anton Kruger)

All was discussed in previous points.

13. Closure (Anton Kruger)

The meeting closed at 14:50

